

Aspen Highlands Commercial Metropolitan District

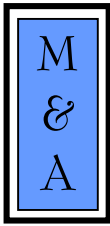
Financial Statements

December 31, 2023

**Aspen Highlands Commercial Metropolitan District
Financial Statements
December 31, 2023**

Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	A1 – A3
Management's Discussion and Analysis	B1 – B4
Government-wide Financial Statements:	
Statement of Net Position	C1
Statement of Activities	C2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	C3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	C5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C6
Notes to the Financial Statements	D1 – D10
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Governmental Funds:	
General Fund	E1
Supplementary Information:	
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected	F2



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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Aspen Highlands Commercial Metropolitan District
Aspen, Colorado**

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Aspen Highlands Commercial Metropolitan District (the "District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

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 District, as of December 31, 2023 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Aspen Highlands Commercial Metropolitan District

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison 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 U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Aspen Highlands Commercial Metropolitan District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The Summary of Assessed Valuation, Mill Levy and Property Tax Collections, found in Section F, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The items found in Section F are 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

McMahan and Associates, L.L.C.
McMahan and Associates, L.L.C.
Avon, Colorado
March 27, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Aspen Highlands Commercial Metropolitan District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

This management's discussion and analysis of the Aspen Highlands Commercial Metropolitan District's financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two types of information on the same statement that present different views of the District:

- *Government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- *Fund financial statements* that focus on *individual parts* of the District government, reporting the District's operations *in more detail* than the government-wide 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 *required supplementary information* that further explains and supports the information in the financial statements. Additional supplemental information has also been included to enhance the reader's understanding of the financial statements.

Government-wide Statements

The government-wide statements consist of the Statement of Net position and the Statement of Activities. These statements report information about the District as a whole and include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's *net position* and changes in them. The District's net position—the difference between assets, deferred outflows, liabilities and deferred inflows—is one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base and the condition of the infrastructure, are needed to assess the *overall health* of the District.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant funds – not the District as a whole. The District's major governmental funds include the General Fund. Unlike government-wide financial statements, the focus of the fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Aspen Highlands Commercial Metropolitan District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

Governmental funds – The District's activity is reported as a governmental fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net position and the Statement of Activities) and governmental *funds* is provided in reconciliations following the fund financial statements.

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 years 2023 and 2022.

	2023	2022
<u>Assets</u>		
Current and other assets	2,445,200	2,595,309
Capital Assets, Net	6,362,504	6,419,255
Total Assets	8,807,704	9,014,564
 <u>Liabilities:</u>		
Current liabilities	267,118	170,392
Total Liabilities	267,118	170,392
 <u>Deferred inflows:</u>		
Unavailable property taxes	283,141	268,388
Total Deferred inflows of Resources	283,141	268,388
 <u>Net Position:</u>		
Net Investment of capital Assets	6,362,504	6,419,255
Restricted for emergencies	57,380	44,847
Unrestricted	1,837,560	2,111,683
Net Position	8,257,444	8,575,785

The District's primary assets are the investments in capital assets, and property tax receivables

Aspen Highlands Commercial Metropolitan District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

Statement of Activities

The perspective of the Statement of Activities is of the District as a whole. The Statement of Activities reflects the cost of program services and the charges for services and sales, grants and contributions offsetting the cost of the services. The following detail reflects the total cost of services supported by program revenues and general property taxes, as well as other general revenues, resulting in the overall change in net position for the fiscal years 2023 and 2022.

	2023	2022
<u>Revenues:</u>		
Property taxes	\$ 269,488	\$ 255,468
Specific ownership taxes	9,571	9,077
Grants and contributions not restricted	1,338,745	1,187,911
Interest earnings	117,891	42,442
Total Revenues	1,735,695	1,494,898
<u>Expenses:</u>		
General government	158,921	146,623
Public works	1,469,853	1,046,510
Transportation	304,382	338,919
Culture and recreation	120,880	103,952
Total Expenses	2,054,036	1,636,004
Change in Net Position	(318,341)	(141,106)
Beginning Net Position	8,575,785	8,716,891
Ending Net Position	\$ 8,257,444	\$ 8,575,785

The District's primary source of revenues is service fees from the Aspen Highlands Residential Metropolitan District. These revenues are used to pay the cost of intergovernmental service fees paid to Aspen Highlands Commercial Metropolitan District for District operations.

THE DISTRICT'S FUNDS

The fund level financial statements focus on how services were financed in the short-term as well as what remains for future spending. The fund level financial statements are reported on the modified accrual basis of accounting.

At the fund level, under the modified accrual basis of accounting, depreciable assets and their related depreciation expense are not reflected as they are not a current period financial resource or use. In addition, at the fund level, inflows from operating loans are presented as a revenue item while outflows for capital outlay are presented as an expenditure item, as these items represent current period financial resources and uses.

The General Fund ending fund balance increased -\$261,589 to \$1,894,941 during the fiscal year ended December 31, 2023.

Aspen Highlands Commercial Metropolitan District
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget comparison is reflected on page E1 of this report. It shows that during 2023 the District had a net income (loss) of -\$261,589, mostly due to increased investment income and budgeting a contingency reserve as compared to budgeted. Overall the District spent \$66,376 less than was budgeted in the General Fund.

DEBT ADMINISTRATION

The District has no outstanding debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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
c/o The Romero Group, LLC.
350 Market Street, Suite 304
PO Box 4100, Basalt, CO 81621-4100
Telephone: (970) 273-3100

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Aspen Highlands Commercial Metropolitan District
Statement of Net Position
December 31, 2023

Assets:

Cash and cash equivalents	159,102
Investments	1,966,918
Due from Treasurer	686
Accounts receivable- other	20,328
Property tax receivable	283,141
Prepaid insurance	15,025
Capital assets, net	<u>6,362,504</u>
Total Assets	<u><u>8,807,704</u></u>

Liabilities:

Current liabilities due in less than one year:	
Accounts payable	<u>267,119</u>
Total Liabilities	<u><u>267,119</u></u>

Deferred Inflow of Resources:

Property tax revenue	<u>283,141</u>
Total Deferred Inflow of Resources	<u><u>283,141</u></u>

Net Position:

Net investment in capital assets	6,362,504
Restricted for emergencies	57,380
Unrestricted	<u>1,837,560</u>
Total Net Position	<u><u>8,257,444</u></u>

The accompanying notes are an integral part of these financial statements.

Aspen Highlands Commercial Metropolitan District
Statement of Activities
For the Year Ended December 31, 2023

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:				
Governmental activities:				
General government	158,921	-	-	(158,921)
Public works	1,469,853	-	-	(1,469,853)
Transportation	304,382	-	-	(304,382)
Culture and recreation	120,880	-	-	(120,880)
Total primary government	<u>2,054,036</u>	<u>-</u>	<u>-</u>	<u>(2,054,036)</u>

General revenues:

Taxes:			
Property tax			269,488
Specific ownership tax			9,571
Grants and contributions not restricted:			
Service fee income			1,310,556
Rental income			4,350
Other income			23,839
Interest income			117,891
Total General revenues			<u>1,735,695</u>

Change in Net Position	<u>(318,341)</u>
Net Position - Beginning	<u>8,575,785</u>
Net Position - Ending	<u>8,257,444</u>

The accompanying notes are an integral part of these financial statements.
C2

FUND FINANCIAL STATEMENTS

**Aspen Highlands Commercial Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2023**

	General
Assets:	
Cash and cash equivalents	159,102
Investments	1,966,918
Due from County Treasurer	686
Property taxes receivable	283,141
Other receivables	20,328
Prepaid expenses	15,025
Total Assets	2,445,200
 Liabilities, Deferred Inflows of Resources,	
Liabilities:	
Accounts payable	267,118
Total Liabilities	267,118
 Deferred Inflows of Resources:	
Unavailable property tax revenue	283,141
Total Deferred Inflows of Resources	283,141
 Fund Balances:	
Nonspendable	15,025
Restricted for emergencies	57,380
Unassigned	1,822,536
Total Fund Balances	1,894,941
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	2,445,200

The accompanying notes are an integral part of these financial statements.

**Aspen Highlands Commercial Metropolitan District
 Reconciliation of the Balance Sheet of Governmental Funds
 to the Statement of Net Position
 December 31, 2023**

Governmental Funds Total Fund Balance	\$ 1,894,941
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Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the funds. Details of these amounts are as follows:

Capital assets	12,706,920	
Accumulated depreciation	<u>(6,344,417)</u>	
		<u>6,362,503</u>

Net Position of Governmental Activities	<u><u>8,257,444</u></u>
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The accompanying notes are an integral part of these financial statements.

**Aspen Highlands Commercial Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2023**

	General
Revenues:	
Property and specific ownership taxes	269,488
Specific ownership tax	9,571
Investment income	117,891
Other income	23,839
Rental income	4,350
Service fee income	1,310,556
Total Revenues	1,735,695
 Expenditures:	
General government:	158,921
Public works	997,508
Transportation	304,382
Culture and recreation	120,880
Capital outlay	415,593
Total Expenditures	1,997,284
 Net Change in Fund Balances	 (261,589)
Fund Balances - Beginning	2,156,530
Fund Balances - Ending	1,894,941

The accompanying notes are an integral part of these financial statements.

**Aspen Highlands Commercial Metropolitan District
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds to the
 Statement of Activities
 For the Year Ended December 31, 2023**

Net Change in Fund Balances for Total Governmental Funds (261,589)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the net difference between depreciation and capital additions during the year. Details of these differences are as follows:

Capital outlay	415,593	
Depreciation expense	<u>(472,345)</u>	
		<u>(56,752)</u>

Change in Net Position of Governmental Activities (318,341)

NOTES TO THE FINANCIAL STATEMENTS

Aspen Highlands Commercial Metropolitan District
Notes to the Financial Statements
December 31, 2023

I. Summary of Significant Accounting Policies

Aspen Highlands Commercial Metropolitan District (the "District") was approved by voters on November 10, 1998, as a quasi-municipal corporation and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Pitkin County, Colorado. The District was established to be able to provide drainage, street, park and recreation, transportation facilities, programs and services for the Aspen Highlands Village community.

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

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

A. 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 appoint a voting majority of an organization's governing body and is either 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 discussed above, the District is not financially accountable for any other entity, nor is the District a component unit of any other government.

B. 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 governmental type.

1. Government-wide Financial Statements

In the government-wide Statement of Net Position, all balances 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 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.

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

Aspen Highlands Commercial Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. 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, reserves, fund equity, revenues and expenditures/expenses. The fund's focus is on current available resources and budget compliance.

The District reports the following governmental funds:

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. 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.

2. 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 soon enough thereafter (60 days) to be used to pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

Aspen Highlands Commercial Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

3. Financial Statement Presentation

Amounts reported as program revenues include capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and interest income.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with maturities of three months or less.

Investments are stated at net asset value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The District's investment policy is detailed in note III.A.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. There was no allowance as of December 31, 2023.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred inflow of resources.

4. 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 Commercial Metropolitan District (the Commercial District) adopting a policy whereby the Commercial District pays for all operational expenses associated with both Districts and charges the District a service fee for administering the operations for the District. The service fee is an expenditure of the District and if revenue for the District had not been paid or received as of year-end, balances of intergovernmental accounts receivable or payable are recorded.

Aspen Highlands Commercial Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts

5. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

6. Fund Balance

The District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Board of Directors.

**Aspen Highlands Commercial Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Fund Balance (continued)

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District first uses committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of targeted reserve positions and management reports the targeted amounts annually to the Board of Directors.

8. 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 assets or materially extended 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.

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

E. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

Aspen Highlands Commercial Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

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 Local Government Budget Law of Colorado. The budgets for the funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP").

As required by Colorado statutes, the District followed the following timetable in approving and enacting a budget for 2023:

- (1) For the 2023 budget year, prior to August 25, 2022, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2022, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2022, 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) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
- (4) For the 2023 budget, prior to December 15, 2022, 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 2023 budget, the final budget and appropriating resolution was adopted prior to December 31, 2022.

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) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2022 were collected in 2023 and taxes certified in 2023 will be collected in 2024. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

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

Aspen Highlands Commercial Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

B. 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 that 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 for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

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 debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$57,380, which is the approximate required reserve, at December 31, 2023.

On 1998, the voters authorized the District to collect, retain, and spend all revenue and other funds collected in 1998 and any year thereafter without regard to any limitations under TABOR.

The District's management believes it is in compliance with the financial provisions of TABOR.

III. Detailed Notes on all Funds

A. Deposits and Investments

Any District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments, and entities such as the District, may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contract
- Local government investment pools

Aspen Highlands Commercial Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District diversifies its investments by security type and institution, and limits holdings in any one type of investment with any one issuer and type of issuer. The District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years (less in some cases) from the purchase date. As a result of the limited length of maturities the District has limited its interest rate risk.

Credit Risk. District investment policy limits investments to those authorized by State statutes. The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District can diversify its investments by security type and institution. Financial institutions holding District funds must provide the District a copy of the certificate from the Banking Authority that states that the institution is an eligible public depository.

At year end, the District had the following deposits and investments with the following maturities:

	Standard & Poors Rating	Carrying Amounts	Term to Maturity	
			Less than one year	More than one year
<i>Deposits:</i>				
Checking and savings	Not rated	\$ 159,102	159,102	-
<i>Investments:</i>				
Investment pool	AAAm	1,966,918	1,966,918	-
		<u>\$ 2,126,020</u>	<u>\$ 2,126,020</u>	<u>\$ -</u>

On December 31, 2023, the District had the following recurring fair value measurements.

Investments Measured at Net	
Asset Value	Total
Colotrust	1,966,918
	<u>\$ 1,966,918</u>

The Investment Pool represents investments in COLOTRUST. The net asset value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool. At December 31, 2023, the District's investments in COLOTRUST were 93% of the District's investment portfolio.

Aspen Highlands Commercial Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

The District had invested \$1,966,918 in the Colorado Local Government Liquid Asset Trust (the "ColoTrust"). ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds. ColoTrust is similar to a money market fund, measured at net asset value, and each share is equal in value to \$1.00. Investments consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank.

B. 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 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.

C. Capital Assets

The District has the following capital asset changes for the year ended December 31, 2023:

	<u>Balance</u> <u>1/1/22</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>12/31/23</u>
Governmental activities:				
Capital assets being depreciated				
Roads	9,313,147	311,219	-	9,624,365
Irrigation system	1,176,821	-	-	1,176,821
Furniture and equipment	947,730	41,981	-	989,711
Land improvements	853,630	62,393	-	916,023
Less: accumulated depreciation	<u>(5,872,072)</u>	<u>-</u>	<u>(472,345)</u>	<u>(6,344,417)</u>
Capital assets being depreciated, net	<u>6,419,256</u>	<u>415,593</u>	<u>(472,345)</u>	<u>6,362,503</u>

IV. Other Information

A. Commitments and Contingencies

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. The management of the District has disclosed that there are no material outstanding claims against the District at December 31, 2023.

**Aspen Highlands Commercial Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)**

IV. Other Information (continued)

B. Risk Management

Colorado Special Districts Property and Liability Pool

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; or injuries to employees.

The District is a member of the Colorado Special Districts Property and Liability Pool (the 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. The Pool provides coverage for property claims and liability coverage claims and workers' compensation. Settled claims have not exceeded this coverage in the past three years.

The District pays annual premiums to the Pool for liability, property, and public officials' 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 member pursuant to a distribution formula.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2023 (the latest audited information available) is as follows:

Assets	<u>\$ 69,212,177</u>
Liabilities	45,329,704
Capital and surplus	<u>23,882,473</u>
Total	<u>\$ 69,212,177</u>
Revenue	\$ 27,064,468
Underwriting expenses	<u>462,530</u>
Total revenue	27,526,998
Other income	<u>25,447,966</u>
Net income (loss)	<u>\$ 2,079,032</u>

REQUIRED SUPPLEMENTARY INFORMATION

Aspen Highlands Commercial Metropolitan District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Governmental Funds - General Fund
For the Year Ended December 31, 2023
(With Comparative Actual Amounts For the Year Ended 2022)

	2023			Final Budget Variance Positive (Negative)	2022
	Original Budget	Final Budget	Actual		Actual
Revenues:					
Property and specific ownership taxes	268,388	268,388	269,488	1,100	255,468
Specific ownership tax	5,368	5,368	9,571	4,203	9,077
Property tax interest	15	15	-	(15)	-
Investment income	65,726	65,726	117,891	52,165	42,442
Other income	18,200	18,200	23,839	5,639	18,664
Rental income	1,000	1,000	4,350	3,350	50
Service fee income	1,310,556	1,310,556	1,310,556	-	1,170,139
Total Revenues	<u>1,669,253</u>	<u>1,669,253</u>	<u>1,735,695</u>	<u>66,442</u>	<u>1,495,840</u>
Expenditures:					
General government:					
Management fees	68,560	68,560	68,560	-	66,563
Legal	2,000	2,000	2,481	(481)	1,296
Treasurer's fees	12,927	12,927	13,419	(492)	12,720
Insurance	16,670	16,670	15,516	1,154	14,434
Office	6,000	6,000	7,534	(1,534)	4,240
Engineering	1,000	1,000	1,410	(410)	55
Elections	1,000	1,000	1,810	(810)	864
Audit	10,300	10,300	11,300	(1,000)	10,450
Accounting	21,000	21,000	24,191	(3,191)	25,912
Administrative	10,550	10,550	12,701	(2,151)	11,030
Public works:					
Snowmelt System operations	184,291	289,291	375,863	(86,572)	194,201
Road and general maintenance	31,861	69,361	87,387	(18,026)	41,919
Irrigation and drainage	65,730	65,730	94,001	(28,271)	61,076
Snow removal	68,794	106,294	107,327	(1,033)	86,860
Equipment	10,613	10,613	10,906	(293)	10,269
Parking enforcement	27,769	27,769	27,677	92	32,857
Village maintenance	119,709	119,709	164,094	(44,385)	117,991
Landscaping maintenance	101,825	101,825	130,254	(28,429)	98,835
Transportation:					
Intravillage operations	126,485	126,485	94,417	32,068	129,895
Transit operations	275,000	275,000	209,964	65,036	209,024
Culture and recreation:					
Parks and plaza	99,464	99,464	120,879	(21,415)	100,914
Capital outlay	475,320	475,320	415,593	59,727	1,240,074
Contingency	96,792	146,792	-	146,792	-
Total General Government Expenditures	<u>1,833,660</u>	<u>2,063,660</u>	<u>1,997,284</u>	<u>66,376</u>	<u>2,471,479</u>
Net Change in Fund Balance	(164,407)	(394,407)	(261,589)	132,818	(975,639)
Fund Balance - Beginning	1,961,469	1,961,469	2,156,530	195,061	3,132,169
Fund Balance - Ending	<u>1,797,062</u>	<u>1,567,062</u>	<u>1,894,941</u>	<u>327,879</u>	<u>2,156,530</u>

SUPPLEMENTARY INFORMATION

**Aspen Highlands Commercial Metropolitan District
History of Assessed Valuation, Mill Levy
and Property Taxes Collected
December 31, 2023**

Calendar Year Ended December 31	Prior Year Assessed Valuation For Current Year Property Tax Levy	All Funds		Property Taxes Total All Funds		Percent Collected to Levied
		Mills Levied	Levied	Levied	Collected	
2007	4,858,310	36.565	177,644	177,644	177,644	100.0%
2008	5,098,340	33.000	168,245	168,245	168,222	100.0%
2009	4,980,330	33.782	168,246	168,246	167,984	99.8%
2010	6,223,830	30.850	192,005	192,005	191,532	99.8%
2011	5,591,150	31.398	175,551	175,551	175,218	99.8%
2012	5,111,670	32.871	168,026	168,026	167,938	99.9%
2013	5,099,060	34.320	175,000	175,000	174,924	100.0%
2014	4,920,670	35.564	174,999	174,999	175,074	100.0%
2015	4,976,060	35.564	176,969	176,969	176,969	100.0%
2016	6,108,860	35.564	217,255	217,255	217,255	100.0%
2017	6,119,240	35.564	217,625	217,625	217,526	100.0%
2018	6,767,440	33.000	223,326	223,326	222,865	99.8%
2019	6,727,270	34.193	230,026	230,026	229,931	100.0%
2020	7,013,450	33.309	233,611	233,611	254,584	109.0%
2021	6,949,100	35.474	246,512	246,512	246,513	100.0%
2022	7,034,650	36.164	254,401	254,401	255,467	100.4%
2023	7,086,890	37.871	268,388	268,388	269,488	100.4%
2024	9,102,740	31.105	283,141	283,141		

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.