

Aspen Highlands Residential Metropolitan District

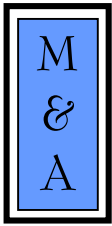
Financial Statements

December 31, 2023

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

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Aspen Highlands Residential 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 Residential 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.

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INDEPENDENT AUDITOR'S REPORT
To the Board of Directors
Aspen Highlands Residential 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 Residential 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
February 11, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This management's discussion and analysis of the Aspen Highlands Residential 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 and the Debt Service 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 Residential 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	2,795,778	2,558,090
Total Assets	2,795,778	2,558,090
<u>Liabilities:</u>		
Current liabilities	-	1,525
Long-Term obligations:		
Due within one year	-	619,780
Total Liabilities	-	621,305
<u>Deferred inflows:</u>		
Unavailable property taxes	2,148,598	2,036,600
Total Deferred Inflows of Resources	2,148,598	2,036,600
<u>Net Position:</u>		
Restricted for emergencies	42,395	41,256
Restricted for capital projects	135,155	128,299
Unrestricted	469,630	(269,370)
Net Position	647,180	(99,815)

The District's primary assets are the investments and property tax receivables. The District paid off all debt as of December 31, 2023.

Aspen Highlands Residential 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.

	<u>2023</u>	<u>2022</u>
<u>Revenues:</u>		
Property taxes	\$ 2,039,528	\$ 1,919,034
Interest on property taxes	5,811	5,480
Specific ownership taxes	72,627	68,372
Interest earnings	49,200	18,624
Total Revenues	<u>2,167,166</u>	<u>2,011,510</u>
<u>Expenses:</u>		
Treasurer's fees	102,120	96,089
Intergovernmental service fees	1,310,556	1,170,139
Other fees	500	500
Interest expense	6,995	25,320
Total Expenses	<u>1,420,171</u>	<u>1,292,048</u>
Change in Net Position	746,995	719,462
Beginning Net Position	(99,815)	(819,277)
Ending Net Position	<u>\$ 647,180</u>	<u>\$ (99,815)</u>

The District's primary source of revenues is property taxes. 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 and debt service payments are presented as an expenditure item, as these items represent current period financial resources and uses.

The General Fund ending fund balance increased \$125,690 to \$647,180 during the fiscal year ended December 31, 2023.

Aspen Highlands Residential 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 \$125,690, mostly due to increased investment income and budgeting a contingency reserve as compared to budgeted. Overall the District spent \$42,097 less than was budgeted in the General Fund.

DEBT ADMINISTRATION

The District paid down the outstanding balance of its long-term debt by \$610,000 during 2023 resulting in paying off the bonds balance.

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 Residential 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 Residential Metropolitan District
Statement of Net Position
December 31, 2023

Assets:	
Investments	641,974
Due from Treasurer	5,206
Property tax receivable	<u>2,148,598</u>
Total Assets	<u><u>2,795,778</u></u>
Deferred Inflows of Resources:	
Property tax revenue	<u>2,148,598</u>
Total Deferred Inflows of Resources	<u><u>2,148,598</u></u>
Net Position:	
Restricted for emergencies	42,395
Restricted for capital projects	135,155
Unrestricted	<u>469,630</u>
Total Net Position	<u><u><u>647,180</u></u></u>

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

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

		Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			Net (Expense) Revenue and Changes in Net Position
Functions/Programs:						
Governmental activities:						
General government	1,413,176	-	-	-		(1,413,176)
Interest	6,995	-	-	-		(6,995)
Total primary government	1,420,171	-	-	-		(1,420,171)
General revenues:						
Taxes:						
Property tax					2,039,528	
Interest on property tax					5,811	
Specific ownership tax					72,627	
Interest income					49,200	
Total General revenues					2,167,166	
Change in Net Position						746,995
Net Position - Beginning						(99,815)
Net Position - Ending						647,180

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

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

	General
Assets:	
Investments	641,974
Due from County Treasurer	5,206
Property taxes receivable	2,148,598
Total Assets	2,795,778
Liabilities, Deferred Inflow of Resources, Deferred Inflow of Resources:	
Unavailable property tax revenue	2,148,598
Total Deferred Inflow of Resources	2,148,598
Fund Balances:	
Restricted for emergencies	42,395
Unassigned	604,785
Total Fund Balances	647,180
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	2,795,778

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

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

Governmental Funds Total Fund Balance	<u>\$ 647,180</u>
Net Position of Governmental Activities	<u><u>647,180</u></u>

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

**Aspen Highlands Residential 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	2,039,528
Specific ownership tax	72,627
Property tax interest	5,811
Investment income	49,200
Total Revenues	2,167,166
Expenditures:	
General government:	
Treasurer fees	102,120
Agent fees	500
Intergovernmental service fees	1,310,556
Debt service:	
Principal	610,000
Interest	18,300
Total Expenditures	2,041,476
Net Change in Fund Balances	125,690
Fund Balances - Beginning	521,490
Fund Balances - Ending	647,180

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

**Aspen Highlands Residential 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 125,690

The repayment of the principal of long-term debt consumes current financial resources of governmental funds. This transaction, however, has no effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments - Bonds payable	610,000	
Amortization of discount on bonds payable	9,780	
Change in accrued interest	1,525	
		621,305

Change in Net Position of Governmental Activities 746,995

NOTES TO THE FINANCIAL STATEMENTS

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

I. Summary of Significant Accounting Policies

Aspen Highlands Residential Metropolitan District (the "District") was organized 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 sanitation, 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 Residential 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 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, except those required to be accounted for in another fund.

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 Residential 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 Residential 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. The District reports deferred bond refunding charges as a deferred outflow of resources on its Statement of Net Position as the difference between the reacquisition price and the net carrying amount of the defeased debt. The deferred charge is amortized over the life of the refunding bonds, the amortization is included in interest expense.

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. The District reports deferred bond refunding gains as a deferred inflow of resources on its Statement of Net Position as the difference between the reacquisition price and the net carrying amount of the defeased debt. The deferred gain is amortized over the life of the refunding bonds, the amortization reduces interest expense. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

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 Residential 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 or 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 Board of Directors.

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.

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.

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

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

- (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.

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 \$42,395, which is the approximate required reserve, at December 31, 2023.

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

II. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

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

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.

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

III. Detailed Notes on all Funds

A. Deposits and 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>Investments:</i>				
Investment pool	AAAm	641,974	641,974	-
		<u>\$ 641,974</u>	<u>\$ 641,974</u>	<u>\$ -</u>

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

Investments Measured at Net Asset Value	Total
Colotrust	641,974
	<u>\$ 641,974</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 100% of the District's investment portfolio.

The District had invested \$641,974 in the Colorado Local Government Liquid Asset Trust (the "ColoTrust"). The Trust 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.

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

III. Detailed Notes on all Funds (continued)

B. Long-term Debt

The District had the following long-term debt transactions during the fiscal year:

1. General Obligation Bonds

On December 20, 2012, the District issued \$6,150,000 in general obligation refunding bonds with interest rates ranging between 2.0% and 3.0%. The District issued the bonds to refund the outstanding Series 2007 General obligation Refunding Bonds of \$6,145,000. The bonds were issued with interest due semiannually on June 1 and December 1 of each year, commencing June 1, 2013. Principal payments are due each December 1. The bonds mature in various amounts through December 1, 2023. All the taxable property within the District is subject to the levy of general ad valorem property taxes to pay principal and interest on the bonds.

The following is a summary of bond transactions for the District for the year ended December 31, 2023:

	Balance January 1, 2023	Additions	Reductions	Balance December 31, 2023
2012 General Obligation Refunding Bonds	610,000	-	(610,000)	-
Bond Premium	9,780	-	(9,780)	-
	<u>\$ 619,780</u>	<u>-</u>	<u>(619,780)</u>	<u>\$ -</u>

IV. Other Information

A. 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.

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

IV. Other Information (continued)

A. Risk Management (continued)

Colorado Special Districts Property and Liability Pool (continued)

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	\$ 68,195,261
Liabilities	46,165,251
Capital and surplus	22,030,010
Total	\$ 68,195,261
Revenue	\$ 24,889,624
Underwriting expenses	25,123,490
Underwriting gain (loss)	(233,866)
Other income	482,027
Net income (loss)	\$ 248,161

V. 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.

The District entered into an agreement with the City of Aspen to install Thaw Wires with the District repaves the roads at a future date. In 2003, the District deposited developer contributions of \$96,500 which approximated the amount needed to fund installation at a future date, into a reserve account. Management does not expect future costs of installation to exceed the reserve account balance, which currently is \$135,155.

REQUIRED SUPPLEMENTARY INFORMATION

Aspen Highlands Residential 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	2,036,600	2,036,600	2,039,528	2,928	1,919,034
Specific ownership tax	57,025	57,025	72,627	15,602	68,372
Property tax interest	2,325	2,325	5,811	3,486	5,480
Investment income	20,725	20,725	49,200	28,475	18,623
Total Revenues	2,116,675	2,116,675	2,167,166	50,491	2,011,509
Expenditures:					
General government:					
Treasurer fees	101,830	101,830	102,120	(290)	96,089
Agent fees	500	500	500	-	500
Intergovernmental service fees	1,310,556	1,310,556	1,310,556	-	1,170,139
Debt service:					
Principal	610,000	610,000	610,000	-	600,000
Interest	18,300	18,300	18,300	-	36,300
Contingency	42,387	42,387	-	42,387	-
Total General Government Expenditures	2,083,573	2,083,573	2,041,476	42,097	1,903,028
Net Change in Fund Balance	33,102	33,102	125,690	92,588	108,481
Fund Balance - Beginning	421,232	421,232	521,490	100,258	413,009
Fund Balance - Ending	454,334	454,334	647,180	192,846	521,490

SUPPLEMENTARY INFORMATION

**Aspen Highlands Residential 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 Mills		Property Taxes Total All Funds		Percent Collected to Levied
		Levied	Levied	Levied	Collected	
2006	38,271,550	34.977	1,338,624	1,339,001	100.0%	
2007	36,150,920	36.565	1,321,858	1,321,735	100.0%	
2008	45,901,230	33.000	1,514,741	1,515,287	100.0%	
2009	47,136,300	33.782	1,592,358	1,588,493	99.8%	
2010	58,827,550	30.850	1,814,830	1,756,501	96.8%	
2011	58,325,860	31.398	1,831,315	1,831,315	100.0%	
2012	43,709,790	36.794	1,608,258	1,608,263	100.0%	
2013	43,532,070	37.597	1,636,675	1,636,675	100.0%	
2014	41,893,540	38.925	1,630,706	1,610,167	98.7%	
2015	40,885,450	39.885	1,630,716	1,630,068	100.0%	
2016	40,583,220	40.125	1,628,402	1,628,402	100.0%	
2017	40,402,650	40.305	1,628,429	1,628,429	100.0%	
2018	40,963,710	40.310	1,651,247	1,650,765	100.0%	
2019	42,040,880	40.464	1,701,142	1,701,045	100.0%	
2020	41,739,546	41.834	1,746,132	1,746,438	100.0%	
2021	41,629,320	44.485	1,851,880	1,851,881	100.0%	
2022	46,227,260	41.409	1,914,225	1,919,034	100.3%	
2023	45,101,120	45.156	2,036,586	2,039,528	100.1%	
2024	76,669,930	28.024	2,148,598			

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.