



**ASPEN VILLAGE METROPOLITAN DISTRICT**  
**FINANCIAL STATEMENTS AND**  
**ACCOUNTANTS' REVIEW REPORT**

**December 31, 2010**

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**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

April 11, 2011

The Board of Directors  
Aspen Village Metropolitan District  
Aspen, CO

We have reviewed the accompanying financial statements of the governmental activities and each major fund of Aspen Village Metropolitan District as of and for the year ended December 31, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of Aspen Village Metropolitan District. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

The management of Aspen Village Metropolitan District is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or provide any assurance on the supplementary information.

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

ASPEN VILLAGE METROPOLITAN DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2010

The Aspen Village Metropolitan District (the "District") was approved by voters on November 4, 2003 and formally organized by judicial decree on December 22, 2003 for the purposes of providing certain public infrastructure and services, as well as recreational facilities, for the benefit of the residents and property owners within the District. The District is located within the County of Pitkin, Colorado, and serves a 159-lot deed-restricted residential community whose legal address is 31 Aspen Village, Aspen, Colorado, 81611, approximately nine miles north of Aspen off Highway 82.

As the managers of the Aspen Village Metropolitan District, we offer readers of the District's financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended December 31, 2010.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

### ***Government-wide Financial Statements***

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

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

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

The government-wide financial statements can be found on pages 6 and 7 of this report.

### ***Fund Financial Statements***

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

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

**ASPEN VILLAGE METROPOLITAN DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2010**

***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found starting on page 11 of this report.

**THE DISTRICT AS A WHOLE**

***Statement of Net Assets***

The perspective of the Statement of Net Assets is of the District as a whole. Following is a summary of the District's net assets for the fiscal year 2010 compared to 2009:

<i>(In Thousands)</i>	<u>2010</u>	<u>2009</u>
<b>ASSETS:</b>		
Cash & Investments	\$ 292	\$ 219
Property Taxes & Receivables	297	297
Capital Assets, Net	<u>403</u>	<u>455</u>
Total Assets	<u>992</u>	<u>971</u>
<b>LIABILITIES:</b>		
Current and other liabilities	<u>307</u>	<u>306</u>
Total Liabilities	<u>307</u>	<u>306</u>
<b>NET ASSETS:</b>		
Invested in Capital Assets	403	455
Restricted for emergencies	9	8
Unrestricted (Deficit)	<u>273</u>	<u>202</u>
Total Net Assets	<u>\$ 685</u>	<u>\$ 665</u>

Net Assets increased by approximately \$21,000 from 2009 to 2010, primarily due to a \$72,000 increase in cash & investments, which is offset by \$51,000 in depreciation of capital assets.

***Statement of Activities***

The Statement of Activities reflects general property taxes and service revenues and the cost of providing services to the District. The following summary reflects the overall change in net assets for the fiscal year 2010 compared to 2009:

**ASPEN VILLAGE METROPOLITAN DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2010**

<i>(In Thousands)</i>	<u>2010</u>	<u>2009</u>
<b>REVENUES:</b>		
Property Taxes	\$ 297	\$ 266
Specific Ownership Taxes	8	8
Interest earnings	2	2
Other fees & charges	4	6
Fines & forfeitures	-	1
Total Revenues	<u>311</u>	<u>283</u>
<b>EXPENDITURES:</b>		
General Government	149	167
Public Works (Roads, Water & Sewer, Solid Waste)	75	107
Depreciation	51	51
County Treasurer's Fees	<u>15</u>	<u>13</u>
Total Expenditures	<u>290</u>	<u>338</u>
Change in Net Assets	<u>\$ 21</u>	<u>\$ (55)</u>

***FINANCIAL ANALYSIS OF THE DISTRICT'S FUND***

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

**Governmental Fund**

Please refer to the table above, and to pages 7 & 9 of this report, for the following analysis. Total revenues increased by \$27,914, or almost 10%, compared to 2009. This was primarily due to an increase in property taxes, which was the result of an almost 60% increase in the assessed valuation of the District, despite a decrease in the mill levy of 28 mills. Total expenditures (see page 7) decreased by approximately \$48,000, or 14%, over 2009. This was primarily due to a reduction in management fees, water system costs, and repairs & maintenance in 2010, which were offset by increases in treasurer's fees and solid waste costs.

***BUDGET VARIANCES***

A summary of budget-to-actual expenditures for the governmental fund can be found on page 10 of this report. The District's total 2010 revenues in the amount of \$310,632 were essentially even with budget expectations of \$309,825. Expenditures, as a whole, came in under budget by 14%, or \$40,095. Budget savings were realized in all other categories, including management fees, professional fees, directors' fees, insurance, solid waste costs, utilities, highways & streets, water system costs, miscellaneous costs, and contingency.

**ASPEN VILLAGE METROPOLITAN DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended December 31, 2010**

The District's Reserves, for future replacement of the wastewater treatment system and other capital replacements, is intended to be funded with any surplus cash at the end of each year, with the goal of funding reserves at \$40,000 per year, and the full budgeted funding amount for reserves occurred in 2010. However, approximately \$1,500 in reserve funds was expended on new water taps in 2010. The District's Reserve Fund balance as of 12/31/10 was approximately \$224,000, and is contained in the Investments asset account on the Governmental Funds Balance Sheet shown on page 8 of this report.

***CAPITAL ASSETS***

The District's net capital assets decreased by \$51,328 in governmental activities. This decrease is due to current-year depreciation. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on page 17 of this report.

***REQUEST FOR INFORMATION***

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

Aspen Village Metropolitan District Manager  
c/o Beach Resource Management, LLC  
711 E. Valley Road, Suite 103  
Basalt, CO 81621  
Telephone: (970) 273-3100  
Fax: (970) 273-3105

Aspen Village Metropolitan District

STATEMENT OF NET ASSETS

December 31, 2010

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 3,621
Investments	288,201
Receivables	
Accounts receivable	108
Property taxes	297,372
Land	200,000
Capital assets, net of accumulated depreciation	<u>203,230</u>
<b>Total Assets</b>	<u><u>\$ 992,532</u></u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities</b>	
Accounts payable	\$ 9,918
Deferred property taxes	297,372
<b>Total Liabilities</b>	<u>307,290</u>
 <b>Net Assets</b>	
Invested in capital assets	403,230
Restricted for emergencies	9,319
Unrestricted	272,693
<b>Total Net Assets</b>	<u>685,242</u>
 <b>Total Liabilities and Net Assets</b>	<u><u>\$ 992,532</u></u>

See accompanying notes and accountants' report.

Aspen Village Metropolitan District

STATEMENT OF ACTIVITIES

Year ended December 31, 2010

Function/Programs	Expenses	Program Revenues		Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	
<b>Governmental activities:</b>				
General government	\$ 184,494	\$ -	\$ -	\$ -
Public works	105,514	3,887	-	-
<b>Total governmental activities</b>	<b>\$ 290,008</b>	<b>\$ 3,887</b>	<b>\$ -</b>	<b>\$ -</b>
<b>General revenues:</b>				
Property taxes				305,021
Interest earnings				1,724
Total general revenues				306,745
Change in net assets				20,624
Net assets - beginning				664,618
Net assets - ending				\$ 685,242

See accompanying notes and accountants' report.

Aspen Village Metropolitan District

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2010

	General	Total Governmental Funds
<b>ASSETS</b>		
Cash	\$ 3,621	\$ 3,621
Investments	288,201	288,201
Receivables		
Accounts receivable	108	108
Property taxes	297,372	297,372
Total Assets	\$ 589,302	\$ 589,302
<b>LIABILITIES AND FUND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable	\$ 9,918	\$ 9,918
Deferred property taxes	297,372	297,372
Total Liabilities	307,290	307,290
<b>Fund equity</b>		
Reserved for emergencies	9,319	9,319
Unreserved	272,693	272,693
Total Fund Equity	282,012	282,012
Total Liabilities and Fund Equity	\$ 589,302	\$ 589,302
	Fund equity (as reported above)	\$ 282,012
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds		403,230
Net assets of governmental activities		\$ 685,242

See accompanying notes and accountants' report.

Aspen Village Metropolitan District

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

Year ended December 31, 2010

	General	Total Governmental Funds
<b>Revenues</b>		
Property taxes	\$ 297,397	\$ 297,397
Specific ownership taxes	7,624	7,624
Fines and forfeitures	100	100
Service fees	3,179	3,179
Interest earnings	1,724	1,724
Other fees and charges	608	608
Total revenues	310,632	310,632
<b>Expenditures</b>		
<b>Current</b>		
General government	163,182	163,182
Public works	75,498	75,498
Total expenditures	238,680	238,680
Excess of Revenues Over (Under) Expenditures	71,952	71,952
Fund Balance - beginning	210,060	210,060
Fund Balance - ending	\$ 282,012	\$ 282,012
Net Change in Fund Balance (above)		\$ 71,952
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and depreciated. This is the amount by which depreciation exceeded capital outlay in the current period. (\$51,328-\$0)		(51,328)
Change in net assets of governmental activities		\$ 20,624

See accompanying notes and accountants' report.

Aspen Village Metropolitan District

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

Year ended December 31, 2010

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Property taxes	\$ 297,475	\$ 297,397	\$ (78)
Specific ownership taxes	5,950	7,624	1,674
Fines and forfeitures	400	100	(300)
Service fees	5,000	3,179	(1,821)
Interest earnings	700	1,724	1,024
Other fees and charges	300	608	308
Total revenues	<u>309,825</u>	<u>310,632</u>	<u>807</u>
<b>Expenditures</b>			
<b>General government</b>			
Management fees	79,060	76,957	2,103
Professional fees	22,300	15,093	7,207
Directors' fees	4,500	1,950	2,550
Treasurer's fees	14,874	14,895	(21)
Insurance	5,917	5,779	138
Repairs and maintenance	29,500	30,623	(1,123)
Miscellaneous	500	122	378
Utilities	18,362	17,763	599
<b>Public works</b>			
Highways & streets	2,975	138	2,837
Water system	42,800	41,219	1,581
Solid waste	38,100	34,141	3,959
Contingency	19,887	-	19,887
Total expenditures	<u>278,775</u>	<u>238,680</u>	<u>40,095</u>
Excess of Revenues Over (Under) Expenditures	31,050	71,952	40,902
Fund Balance - beginning	<u>11,127</u>	<u>210,060</u>	<u>198,933</u>
Fund Balance - ending	<u>\$ 42,177</u>	<u>\$ 282,012</u>	<u>\$ 239,835</u>

See accompanying notes and accountants' report.

Aspen Village Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

1. Organization

The Aspen Village Metropolitan District (the District) was organized pursuant to provisions set forth in the Colorado Special District Act. The governing body of the District consists of a five member Board of Directors, which is elected by the registered voters within the District. The purpose of the District is to provide services to the District's property owners related to treating and delivering water, maintaining recreational facilities, and protection and safety.

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

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

2. Reporting Entity

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

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

3. Government-wide and Fund Financial Statements

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

Aspen Village Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**Government-wide Financial Statements**

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

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

**Fund Financial Statements**

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

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

**4. Fund Accounting**

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

**Governmental Funds**

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

The District reports the following major governmental fund:

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

Aspen Village Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

The District has elected to follow Governmental Accounting Standards Board pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989, are not applied.

5. Measurement Focus and Basis of Accounting

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

Long-Term Economic Focus and Accrual Basis

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

Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter 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 long-term debt, if any, is recognized when due.

6. Use of Estimates

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

Aspen Village Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**7. Stewardship, Compliance, and Accountability**

**Budgets and Budgetary Accounting**

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

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

- (1) For the 2010 budget year, prior to August 23, 2009, the County Assessor sent the District the assessed valuation of all taxable property within the District's boundaries.
- (2) On or before October 15, 2009, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) The Board held a public hearing on the proposed budget and capital program no later than 45 days prior to the close of the fiscal year.
- (4) For the 2010 budget, prior to December 15, 2009, 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 2010 budget, the final budget and appropriating resolution was adopted prior to December 31, 2009.
- (6) After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) supplemental appropriations to the extent of revenues in excess of those estimated in the budget; c) emergency appropriations; and d) reduction of appropriations for which originally estimated revenues are insufficient.

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

Aspen Village Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**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 asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are completed.

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

	<u>Estimated Lives</u>
Road infrastructure	20 years
Utility distribution systems	10 years
Buildings	10 years
Equipment	5 to 10 years

**9. Property Taxes**

Property taxes for 2010, collectible in 2011, were certified by the Pitkin County Commissioners before December 31, 2010. Property taxes attached as an enforceable lien on January 1, 2011 and are due in total April 30, 2011 or in equal installments February 28, 2011 and June 15, 2011, at the option of the taxpayer. Property taxes for 2010, collectible in 2011, are shown as property taxes receivable and deferred revenue on the statement of net assets in the amount of the assessed taxes. The County Treasurer remits taxes collected monthly to the District.

**10. Accounts Receivable**

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

**11. Governmental Accounting Standards Board (GASB) Statement Number 20**

The District applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the committee on accounting procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Aspen Village Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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**NOTE B – CASH AND INVESTMENTS**

**Cash Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. As of December 31, 2010, the District had cash deposits of \$16,576, of which 100% was covered by federal depository insurance.

**Investments**

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

The District had invested \$288,201 in the Colorado Local Government Liquid Asset Trust, (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services to Colotrust in connection with the direct investment and withdrawal functions of Colotrust. Substantially all securities owned by Colotrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by Colotrust. Colotrust funds carry a Standard & Poor's AAAM rating. There is no custodial, interest rate or foreign currency risk exposure.

Aspen Village Metropolitan District  
 NOTES TO FINANCIAL STATEMENTS

December 31, 2010

**NOTE C – CAPITAL ASSETS**

A summary of changes in capital assets follows:

	<u>Balance 12/31/09</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 12/31/10</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 200,000	\$ –	\$ –	\$ 200,000
Capital assets being depreciated				
Roads infrastructure	120,000	–	–	120,000
Utility distribution systems	240,160	–	–	240,160
Buildings	146,045	–	–	146,045
Equipment	50,245	–	–	50,245
Less: accumulated depreciation	<u>(301,892)</u>	<u>(51,328)</u>	<u>–</u>	<u>(353,220)</u>
Total	<u>254,558</u>	<u>(51,328)</u>	<u>–</u>	<u>203,230</u>
Capital assets, net	<u>\$ 454,558</u>	<u>\$ (51,328)</u>	<u>\$ –</u>	<u>\$ 403,230</u>

Depreciation expense was charged to functions/programs as follows:

General government	\$ 21,312
Public works	<u>30,016</u>
Total depreciation expense – governmental activities	<u>\$ 51,328</u>

**NOTE D – COMMITMENTS AND CONTINGENCIES**

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District has disclosed that there are no material outstanding claims against the District at December 31, 2010.

**NOTE E – RISK MANAGEMENT**

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

The Pool was formed by an intergovernmental agreement to provide public officials, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the government immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is reinsured for 80% of the first \$250,000 of all claims and 100% for claims in excess of \$250,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. Any excess funds, which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Any settled claims are not expected to exceed coverage. A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2009 (the latest audited information available) is as follows:

Aspen Village Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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**NOTE E – RISK MANAGEMENT – CONTINUED**

Assets	<u>\$ 30,153,631</u>
Liabilities	\$ 11,972,279
Capital and surplus	<u>18,181,352</u>
Total	<u>\$ 30,153,631</u>
Revenues	\$ 10,445,019
Investment income and other	<u>567,933</u>
Total revenue	11,012,952
Expenses	<u>9,533,550</u>
Excess of revenues over expenses	<u>\$ 1,479,402</u>

**NOTE F – TABOR AMENDMENT**

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of the fiscal year spending (excluding bonded debt service) for fiscal years ended after December 31, 1994. At December 31, 2010, a reserve of \$9,319 was required.

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

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

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