

## NOTES TO THE FINANCIAL STATEMENTS

**Arrowhead Metropolitan District  
Notes to the Financial Statements  
December 31, 2021**

**I. Summary of Significant Accounting Policies**

Arrowhead Metro District (the “District”) was organized on November 17, 1981 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 Eagle County, Colorado. The District was established to be able to provide water, recreation, transportation, fire protection, roads, drainage, and television services. Fire protection services are provided by the Eagle River Fire Protection District. Water services are provided by the Upper Eagle Regional Water Authority. The District has no employees and all operations and administrative functions are contracted.

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.

**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.

**Arrowhead Metropolitan District  
Notes to the Financial Statements  
December 31, 2021  
(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.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

**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.

**Arrowhead Metropolitan District  
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(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, 2021.

**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. Sales Taxes**

Beginning July 1, 2020, sales taxes are collected on applicable sales within the District. Sales taxes are to be used for financing, constructing, operating and maintaining streets, transportation, and safety protection improvements.

**5. Long-term Debt**

In the government-wide financial statements, long-term debt is reported as a liability. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable are reported net of the applicable bond premium or discount.

**6. Capital Assets**

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets, are reported in the governmental activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of five years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

**Arrowhead Metropolitan District  
Notes to the Financial Statements  
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(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**6. Capital Assets (continued)**

Infrastructure, buildings, and equipment are depreciated using the straight-line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Roads and landscaping	20-40
Parking lot improvements	15-40
Equipment and vehicles	5-10

**7. 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 position 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 position 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.

**8. 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.

**Arrowhead Metropolitan District  
Notes to the Financial Statements  
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(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**8. 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 2021:

- (1) For the 2021 budget year, prior to August 25, 2020, 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, 2020, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2020, 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.

**Arrowhead Metropolitan District  
Notes to the Financial Statements  
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(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 2021 budget, prior to December 15, 2020, 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 2021 budget, the final budget and appropriating resolution was adopted prior to December 31, 2020.

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 2020 were collected in 2021 and taxes certified in 2021 will be collected in 2022. Taxes are due on January 1<sup>st</sup> in the year of collection; however, they may be paid in either one installment (no later than April 30<sup>th</sup>) or two equal installments (not later than February 28<sup>th</sup> and June 15<sup>th</sup>) 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 15<sup>th</sup>.

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 \$48,610, which is the approximate required reserve, at December 31, 2021.

On November 8, 1994, the voters of the District authorized the issuance of \$1,130,000 in debt and approved up to \$125,518 in tax revenue annually to pay such debt.

**Arrowhead Metropolitan District  
Notes to the Financial Statements  
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(Continued)**

**II. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

On May 7, 1996, the voters of the District authorized the issuance of \$6,620,000 in debt and approved up to \$697,000 in tax revenue annually to pay such debt.

On May 5, 1998, the voters authorized property taxes to be increased up to \$800,000 in 1999 and by whatever additional amounts are raised annually thereafter from an increase in the District's property tax levy for operating purposes of an additional 17.0 mills increasing the total operating tax levy to 18.0 mills, all with the present expectation that the debt service mill levy will decrease by an amount equal to the operating mill levy increase so as to maintain the current total mill levy of 28.8 mills.

Also, on May 5, 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.

On November 4, 2008, the voters authorized the issuance of \$9,500,000 in debt and approved up to \$980,000 in tax revenue annually to pay such debt.

On November 5, 2019, the District voters authorized sales taxes be increased by up to \$850,000 in the first full fiscal year and by whatever additional amounts are raised annually thereafter by the imposition of a sales tax beginning July 1, 2020, at an initial rate of 5.0% which rate the Board of Directors may adjust down and up annually within a cap of 5.0%.

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

**C. Gallagher Amendment**

The Gallagher Amendment requires 45% of property tax collected to come from residential property, and 55% to come from commercial property. Further, the Amendment requires that the commercial assessment rate applied to actual values be fixed at 29% with the residential assessment rate ("RAR") to be adjusted to hold the 45/55 split constant. Because of the increase in residential property values, the RAR has historically trended downward, which, in combination with TABOR's set mill levy rate, may limit the amount of property taxes the District can generate annually.

In November 2020, Colorado voters repealed the Gallagher Amendment.

**D. Authorized But Unissued Debt**

In November 2008, the District's voters authorized the issuance of up to \$9,500,000 of debt for the acquisition and improvement of parking lot facilities. During 2009, the District issued bonds in the amount of \$9,020,000 pursuant to this authorization and has \$480,000 in remaining authorized but unissued indebtedness as of December 31, 2021.

**Arrowhead Metropolitan District  
Notes to the Financial Statements  
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(Continued)**

**III. Detailed Notes on all Funds**

**A. Deposits and Investments**

The 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. The carrying amount of the District's demand deposits was \$103,967 at year end.

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.

*Concentration of Credit Risk.* The District diversifies 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:

	<b>Standard &amp; Poors Rating</b>	<b>Carrying Amounts</b>	<b>Term to Maturity</b>	
			<b>Less than one year</b>	<b>More than one year</b>
<i>Deposits:</i>				
Checking and savings	Not rated	\$ 103,967	103,967	-
<i>Investments:</i>				
Certificates of deposit	Not rated	1,470,000	241,000	1,229,000
Investment pool	AAAm	1,280,006	1,280,006	-
		<u>\$ 2,853,973</u>	<u>1,624,973</u>	<u>1,229,000</u>

**Arrowhead Metropolitan District  
Notes to the Financial Statements  
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(Continued)**

**III. Detailed Notes on all Funds (continued)**

**A. Deposits and Investments (continued)**

At December 31, 2021, the District had the following recurring fair value measurements.

<u>Investments Measured at Fair Value</u>	<u>Total</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 1,470,000	-	1,470,000	-
Total	\$ 1,470,000	-	1,470,000	-

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
Colotrust	\$ 1,280,006
	\$ 1,280,006

*Fair Value of Investments.* The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

Investments classified in Level 1 are valued using prices quoted in active markets for those securities. Investments classified in Level 2 are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities' relationship to benchmark quoted prices;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

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, 2021, the District's investments in COLOTRUST were 47% of the District's investment portfolio and certificates of deposit were 53% of the investment portfolio.

The District had invested \$1,280,006 in the Colorado Local Government Liquid Asset Trust (the "Trust"). The Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund, 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.

**Arrowhead Metropolitan District  
Notes to the Financial Statements  
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(Continued)**

**III. Detailed Notes on all Funds (continued)**

**B. Capital Assets**

An analysis of the changes in capital assets for the year ended December 31, 2021, follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Non-depreciable assets:				
Land - parking lot	\$ 7,500,000	-	-	7,500,000
Water rights	294,817	-	-	294,817
Construction in progress	30,730	163,813	-	194,543
Depreciable assets:				
Equipment and vehicles	636,298	-	-	636,298
Parking lot improvements	1,354,609	-	-	1,354,609
Roads and landscaping	12,993,138	-	-	12,993,138
Total capital assets	22,809,592	163,813	-	22,973,405
Less accumulated depreciation for:				
Equipment and vehicles	(433,265)	(58,699)	-	(491,964)
Parking lot improvements	(562,645)	(29,914)	-	(592,559)
Roads and landscaping	(7,528,000)	(398,859)	-	(7,926,859)
Total accumulated depreciation	(8,523,910)	(487,472)	-	(9,011,382)
<b>Net Capital Assets</b>	<b>\$ 14,285,682</b>	<b>(323,659)</b>	<b>-</b>	<b>13,962,023</b>

Depreciation expense of \$451,308 was charged to the public works function and \$36,164 was charged to the transportation function for a total 2021 depreciation expense of \$487,472.

**C. Long-term Debt**

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

**1. General Obligation Refunding Bonds, Series 2011**

\$4,315,000 General Obligation Refunding Bonds, Series 2011, dated December 1, 2011, with interest of 3.625% to 4.1% payable semiannually on June 1 and December 1 of each year. The bonds maturing on or after December 1, 2021, are subject to redemption prior to maturity at the option of the District, in whole or in part, in any order determined by the District and by lot within maturity, at any time on and after December 1, 2021, at a redemption price equal to 100% of the principal amount to be redeemed, without premium, plus interest accrued at the date of redemption.

The bonds were issued for the purpose of refunding \$4,310,000 of the District's General Obligation Refunding Bonds, Series 2001. The District completed the refunding to level and extend its annual debt service payments which will enable the District to maintain a lower annual debt service mill levy rate.

The District also obtained an economic gain (difference between the present values of the old and new debt service payments) of \$211,940 on the refunding.

**Arrowhead Metropolitan District  
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(Continued)**

**III. Detailed Notes on all Funds (continued)**

**C. Long-term Debt (continued)**

**1. General Obligation Refunding Bonds, Series 2011 (continued)**

The bonds were fully refunded in 2021 through the issuance of the General Obligation Refunding Bonds, Series 2019. As a result, the bonds are considered to be defeased and have been removed from the financial statements.

**2. General Obligation Refunding Bonds, Series 2017**

\$8,385,000 General Obligation Refunding Bonds, Series 2017, dated January 18, 2017, with interest of 2.29% payable semiannually on June 1 and December 1 of each year. The bonds are subject to Mandatory Sinking Fund Redemption prior to maturity in part, by lot, upon payment of par and accrued interest, at a redemption price not to exceed 100% of principal amount redeemed, on December 1 each year until final maturity December 1, 2031.

The bonds were issued for the purpose of refunding \$7,570,000 of the District's General Obligation Refunding Bonds, Series 2009, and to pay the cost of issuing the bonds. The proceeds were deposited with an escrow agent to provide for future debt service payments on the refunded Series 2009 bonds.

The District also obtained an economic gain (difference between the present values of the old and new debt service payments) of \$600,154 on the refunding.

**3. General Obligation Refunding Bonds, Series 2019**

\$2,030,000 General Obligation Refunding Bonds, Series 2019, dated December 9, 2019, with interest of 2.41% payable semiannually on June 1 and December 1 of each year. The bonds are subject to Mandatory Sinking Fund Redemption, prior to maturity, in part, at a price of par, plus accrued interest to the redemption date, on December 1 each year until final maturity December 1, 2032.

The bonds were issued for the purpose of refunding \$1,985,000 of the District's General Obligation Refunding Bonds, Series 2009, and to pay the cost of issuing the bonds. The proceeds were deposited with an escrow agent to pay the accrued interest and outstanding principal of the Series 2009 bonds.

The District also obtained an economic gain (difference between the present values of the old and new debt service payments) of \$221,196 on the refunding.

**4. General Obligation Refunding Bonds, Series 2021**

\$1,650,000 General Obligation Refunding Bonds, Series 2021, dated December 1, 2021, with interest of 2.42% payable semiannually on June 1 and December 1 of each year. The bonds are subject to Mandatory Sinking Fund Redemption, prior to maturity, in part, at a price of par, plus accrued interest to the redemption date, on December 1 each year until final maturity December 1, 2032.

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(Continued)**

**III. Detailed Notes on all Funds (continued)**

**C. Long-term Debt (continued)**

**4. General Obligation Refunding Bonds, Series 2021 (continued)**

The bonds were issued for the purpose of refunding \$1,610,000 of the District's General Obligation Refunding Bonds, Series 2011, and to pay the cost of issuing the bonds. The proceeds were deposited with an escrow agent to pay the outstanding principal of the Series 2011 bonds.

The District also obtained an economic gain (difference between the present values of the old and new debt service payments) of \$100,912 on the refunding.

Annual debt service requirements to maturity for the general obligation bonds are as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2022	\$ 845,000	222,229	1,067,229
2023	845,000	202,687	1,047,687
2024	865,000	182,973	1,047,973
2025	885,000	162,789	1,047,789
2026	905,000	142,140	1,047,140
2027 - 2031	4,935,000	381,728	5,316,728
2032 - 2032	240,000	5,787	245,787
Total	\$ 9,520,000	1,300,333	10,820,333

The District had the following changes in debt for the year ended December 31, 2021:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Bonds payable:					
G.O. Bonds, Series 2011	\$ 1,610,000	-	(1,610,000)	-	-
Premium on 2011 bonds	59,419	-	(59,419)	-	-
G.O. Bonds, Series 2017	6,800,000	-	(660,000)	6,140,000	685,000
G.O. Bonds, Series 2019	1,885,000	-	(155,000)	1,730,000	160,000
G.O. Bonds, Series 2021	-	1,650,000	-	1,650,000	-
	\$ 10,354,419	1,650,000	(2,484,419)	9,520,000	845,000

**Arrowhead Metropolitan District  
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(Continued)**

**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 (Pool) as of December 31, 2014. 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, 2020 (the latest audited information available) is as follows:

<b>Assets</b>	<u>\$ 59,612,386</u>
Liabilities	37,710,994
Capital and surplus	<u>21,901,392</u>
<b>Total</b>	<u>\$ 59,612,386</u>
Revenue	\$ 22,950,296
Underwriting expenses	<u>23,825,575</u>
Underwriting gain (loss)	(875,279)
Other income	<u>903,033</u>
<b>Net income (loss)</b>	<u>\$ 27,754</u>

**Arrowhead Metropolitan District  
Notes to the Financial Statements  
December 31, 2021  
(Continued)**

**V. Intergovernmental Agreements**

**A. Upper Eagle Regional Water Authority**

The District is a participant in the Upper Eagle Regional Water Authority (the "Authority"). The Authority was formed pursuant to an establishing contract on September 18, 1984, by the following entities located in Eagle County, Colorado (the "Contracting Parties"):

Arrowhead Metropolitan District  
Town of Avon  
Beaver Creek Metropolitan District  
Berry Creek Metropolitan District  
Eagle-Vail Metropolitan District  
Edwards Metropolitan District

The purposes of the Authority are to supply water for domestic and other public and private purposes; to provide all necessary water diversion works, reservoirs, treatment works and facilities, equipment and appurtenances incident thereto; to effect the development of water resources, systems or facilities, in whole or in part, for the use and benefit of the Contracting Parties, their inhabitants, and others; and to provide efficient, effective, and reliable water service.

The Authority is to remain in effect until it has no bonds, notes or other obligations outstanding and the Contracting Parties unanimously consent to its dissolution. The initial term of this Authority Agreement shall be ten (10) years ending on December 31, 2023, but such term shall be subject to automatic renewal and extension for successive ten (10) year terms thereafter unless all of the Contracting Parties unanimously approve changes to this Authority Agreement during any extended term, to be effective on the first day of the extended term, including provision for payment of all bonds, notes and other obligations outstanding in accordance with their terms. At December 31, 2020, the Authority had debt with maturities through the year 2042.

Dissolution of the Authority requires the unanimous consent of the Contracting Parties and provision for a successor entity that will continue to provide service to the water service customers. Any provision for dissolution shall provide either that all the Authority's financial obligations be paid in full or that funds sufficient for the payment of the Authority's obligations be placed in escrow. Upon dissolution without conveyance of all water rights and assets to a successor entity, the interest in the net position of the Authority including interests in unallocated water rights shall be distributed to each contracting party in proportion to the average annual amount of treated water sold within the boundaries of each Contracting Party.

The Contracting Parties, including the District, and other parties served by contract have previously conveyed to the Authority their individual water systems, except for certain golf course water systems, raw water storage and raw water irrigation systems, subject to existing agreements between the Authority and any Contracting Party. The customers of the Contracting Parties thereby became water service customers of the Authority. The Authority shall make Rules and Regulations concerning the operation of the Authority's Water System. These water systems were accepted by the Authority in "as is" condition and (subject to any contract obligations) all future maintenance, repair and upgrade expenses became the obligations of the Authority, and not the obligations of the Contracting Parties or the third party served by contract. In connection therewith, on February 25, 2015 the District adopted a resolution terminating collection of future water tap fees by the District (except for tap fees for properties on Arrowhead Mountain which will continue until the District's 2011 bonds are paid off; current maturity is December 1, 2031).

**Arrowhead Metropolitan District  
Notes to the Financial Statements  
December 31, 2021  
(Continued)**

**V. Intergovernmental Agreements (continued)**

**A. Upper Eagle Regional Water Authority (continued)**

The Contracting Parties have leased and/or conveyed to the Authority all of the Contracting Parties' right, title and interests in and to the Contracting Parties' water rights, including the right to use all diversion ditches, pipelines, headgates and structures, reservoirs or other storage structures, pumps, casings, and other improvements and easements associated or used in connection with the water rights, for the Authority's use in carrying out its functions and providing water service.

A summary of audited financial information for the Authority as of and for the year ended December 31, 2020 (the latest audited information available) is as follows:

<b>Upper Eagle Regional Water Authority</b>	
<b>Assets:</b>	
Current	\$ 37,785,263
Other	8,850,149
Property and equipment	79,548,908
<b>Total Assets</b>	<u>126,184,320</u>
<b>Deferred Outflow of Resources</b>	442,751
<b>Total Assets and Deferred Outflow of Resources</b>	<u>\$ 126,627,071</u>
<b>Liabilities and Net Position:</b>	
Current	\$ 4,197,004
Long-term debt	59,124,998
Net position	63,305,069
<b>Total Liabilities and Net Position</b>	<u>\$ 126,627,071</u>
<b>Operations:</b>	
Operating revenue	\$ 13,273,780
Operating expense	14,735,970
<b>Operating income</b>	<u>(1,462,190)</u>
<b>Other income</b>	330,936
<b>Other expense</b>	<u>(1,039,327)</u>
<b>Net (loss)</b>	<u>(2,170,581)</u>
<b>Capital contributions</b>	4,167,494
<b>Net Position - Beginning</b>	<u>61,308,156</u>
<b>Net Position - Ending</b>	<u>\$ 63,305,069</u>

**VI. Developer Contracts**

**A. Vail Resorts**

Vail Resorts ("VR") was the primary developer within the District. Effective January 1, 2004, the District entered into an Operations Agreement with VR to perform operations and maintenance services for the District's road improvements. This agreement was effective through December 31, 2017.

**Arrowhead Metropolitan District  
Notes to the Financial Statements  
December 31, 2021  
(Continued)**

**VI. Developer Contracts (continued)**

**A. Vail Resorts (continued)**

Effective January 1, 2018, the District entered into a new Operations Agreement with VR to perform operations and maintenance services for the District's road improvements. This agreement is effective through December 31, 2018, and automatically renews for two separate successive periods of one year each.

Effective January 1, 2021, the District entered into the first amendment to the new Operations Agreement with VR to perform operations and maintenance services for the District's road improvements. This agreement is effective through December 31, 2021, and automatically renews for five separate successive periods of one year each.

The District is to reimburse VR for costs related to these services. In connection with this agreement, the District also signed a Lease Agreement for the use of a maintenance facility owned by Vail Resorts Development Co., a subsidiary of VR. The Lease Agreement required monthly lease payments of \$4,366.87 through the year. Annual increases in future years will be based on the Consumer Price Index – All Urban Consumers for the Denver-Boulder area.

Costs incurred during 2021 under the terms of the Operations Agreement and Lease Agreements amounted to \$245,786 and \$50,496, respectively.

The District also contracts with VR to operate the District's transportation system. During 2021, the District paid VR \$226,271 for transportation services.

The District owed VR \$69,667 at December 31, 2021.

## REQUIRED SUPPLEMENTARY INFORMATION

**Arrowhead Metropolitan District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Governmental Funds - General Fund**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts For the Year Ended 2020)**

	<u>2021</u>		<b>Final Budget Variance Positive (Negative)</b>	<u>2020</u>
	<b>Original and Final Budget</b>	<b>Actual</b>		<b>Actual</b>
<b>Revenues:</b>				
Interest	23,780	19,448	(4,332)	33,940
Property taxes	1,172,942	1,182,268	9,326	1,164,074
Specific ownership taxes	52,783	64,291	11,508	57,872
Sales tax	375,850	761,337	385,487	212,936
Charges for services	45,618	45,618	-	45,410
Lottery proceeds	1,485	1,725	240	1,477
Other income	100	6,362	6,262	8,875
<b>Total Revenues</b>	<u>1,672,558</u>	<u>2,081,049</u>	<u>408,491</u>	<u>1,524,584</u>
<b>Expenditures:</b>				
General government:				
Office overhead	16,154	15,510	644	11,931
Legal	7,725	8,749	(1,024)	9,721
Audit	6,800	6,800	-	6,500
Insurance	10,955	10,484	471	10,390
Director's fees	5,500	5,400	100	4,100
Treasurer's fees	35,187	35,510	(323)	34,962
Operating fees	66,522	64,251	2,271	80,539
Contingency	75,000	-	75,000	-
Public works:				
Maintenance and snow removal	376,374	420,299	(43,925)	376,901
Transportation	334,403	226,271	108,132	287,656
Capital expenditures	738,643	583,586	155,057	177,910
<b>Total General Government Expenditures</b>	<u>1,673,263</u>	<u>1,376,860</u>	<u>296,403</u>	<u>1,000,610</u>
<b>Other Financing Sources:</b>				
Transfers out	(260,109)	(243,482)	16,627	(260,157)
<b>Total Other Financing Sources</b>	<u>(260,109)</u>	<u>(243,482)</u>	<u>16,627</u>	<u>(260,157)</u>
<b>Net Change in Fund Balance</b>	(260,814)	460,707	721,521	263,817
<b>Fund Balance - Beginning</b>	2,397,193	2,507,160	109,967	2,243,343
<b>Fund Balance - Ending</b>	<u>2,136,379</u>	<u>2,967,867</u>	<u>831,488</u>	<u>2,507,160</u>

## SUPPLEMENTARY INFORMATION

**Arrowhead Metropolitan District**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**Governmental Funds - Debt Service Fund**  
**For the Year Ended December 31, 2021**  
**(With Comparative Actual Amounts For the Year Ended 2020)**

	2021		Final Budget Variance Positive (Negative)	2020
	Original and Final Budget	Actual		Actual
<b>Revenues:</b>				
Property taxes	806,897	813,309	6,412	800,798
Specific ownership taxes	36,310	44,226	7,916	39,809
Interest	2,646	3,532	886	5,734
<b>Total Revenues</b>	845,853	861,067	15,214	846,341
<b>Expenditures:</b>				
General government:				
Treasurer fees	24,207	24,414	(207)	24,037
Debt service:				
Bond principal	815,000	815,000	-	800,000
Bond interest	263,545	263,545	-	280,952
Paying agent fees	3,210	1,590	1,620	1,510
Bond issuance costs	40,000	29,930	(10,070)	-
<b>Total Expenditures</b>	1,145,962	1,134,479	11,483	1,106,499
<b>Other Financing Sources (Uses):</b>				
Bond Proceeds	1,650,000	1,650,000	-	-
Payment to refunded bond escrow agent	(1,610,000)	(1,610,000)	-	-
Transfers in	260,109	243,482	(16,627)	260,157
<b>Total Other Financing (Uses)</b>	300,109	283,482	(16,627)	260,157
<b>Net Change in Fund Balance</b>	-	10,070	10,070	(1)
<b>Fund Balance - Beginning</b>	33,797	33,797	-	33,798
<b>Fund Balance - Ending</b>	33,797	43,867	10,070	33,797

**Arrowhead Metropolitan District  
History of Assessed Valuation, Mill Levy  
and Property Taxes Collected  
December 31, 2021**

Calendar Year Ended December 31	Prior Year Assessed Valuation For Current Year Property Tax Levy	All Funds Mills Levied	Property Taxes Total All Funds		Percent Collected to Levied
			Levied	Collected	
2005	78,263,640	20.00	1,565,273	1,565,123	100.0%
2006	86,092,500	20.00	1,721,850	1,720,168	99.9%
2007	89,493,320	20.00	1,789,866	1,787,557	99.9%
2008	115,184,770	17.00	1,958,141	1,954,281	99.8%
2009	115,436,520	17.00	1,962,421	1,961,748	100.0%
2010	135,933,930	17.00	2,310,877	2,298,735	99.5%
2011	134,150,510	17.00	2,280,559	2,279,856	100.0%
2012	99,220,770	17.00	1,686,787	1,684,813	99.9%
2013	94,163,700	17.00	1,690,078	1,671,255	98.9%
2014	97,905,240	17.00	1,664,389	1,662,558	99.9%
2015	98,420,720	17.00	1,673,152	1,673,150	100.0%
2016	109,447,160	18.50	2,024,773	2,020,029	99.8%
2017	109,618,530	18.50	2,027,943	2,027,454	100.0%
2018	108,094,500	18.50	1,999,748	1,996,729	99.8%
2019	106,742,870	18.50	1,975,244	1,975,239	100.0%
2020	115,637,620	17.00	1,966,322	1,964,872	99.9%
2021	116,432,580	17.00	1,979,839	1,995,577	100.8%
2022	124,965,150	14.50	1,812,321		

**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.

**Arrowhead Metropolitan District**  
**Schedule of Bond Obligations and Interest Requirements to Maturity**  
**December 31, 2021**

Bonds and Interest Maturing in the Year Ending December 31,	\$8,385,000 General Obligation Refunding Bonds January 18, 2017, Principal Due December 1, Interest at 2.29% Due June 1 and December 1		\$2,030,000 General Obligation Refunding Bonds December 9, 2019, Principal Due December 1, Interest at 2.41% Due June 1 and December 1		\$1,650,000 General Obligation Refunding Bonds December 1, 2021, Principal Due December 1, Interest at 2.42% Due June 1 and December 1		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2022	685,000	140,606	160,000	41,693	-	39,930	845,000	222,229	1,067,229
2023	555,000	124,920	140,000	37,837	150,000	39,930	845,000	202,687	1,047,687
2024	565,000	112,210	140,000	34,463	160,000	36,300	865,000	182,973	1,047,973
2025	580,000	99,272	140,000	31,089	165,000	32,428	885,000	162,789	1,047,789
2026	595,000	85,990	140,000	27,715	170,000	28,435	905,000	142,140	1,047,140
2027	605,000	72,364	150,000	24,341	175,000	24,321	930,000	121,026	1,051,026
2028	615,000	58,510	155,000	20,726	185,000	20,086	955,000	99,322	1,054,322
2029	635,000	44,426	160,000	16,991	190,000	15,609	985,000	77,026	1,062,026
2030	645,000	29,885	170,000	13,135	200,000	11,011	1,015,000	54,031	1,069,031
2031	660,000	15,114	175,000	9,038	215,000	6,171	1,050,000	30,323	1,080,323
2032	-	-	200,000	4,819	40,000	968	240,000	5,787	245,787
<b>Total</b>	<b>6,140,000</b>	<b>783,297</b>	<b>1,730,000</b>	<b>261,847</b>	<b>1,650,000</b>	<b>255,189</b>	<b>9,520,000</b>	<b>1,300,333</b>	<b>10,820,333</b>

## **ARROWHEAD METROPOLITAN DISTRICT INTERNAL CONTROL PROCEDURES FOR VERIFICATION OF ELECTRONIC FUND TRANSFER REQUESTS**

**(Updated May 2022)**

### **EFT Verification Procedures**

It is critical that the following guidelines are followed and documented. They are not only requirements, but coverage with the Colorado Special Districts Property and Liability Pool is dependent on each of these items being completed and documented. There are not exceptions for “rogue” employees or simple mistakes/failures, so please make sure employees and Board members are aware, trained and practice the procedures in ALL requests associated with fund transfers and/or fund transfer information requests.

1. Prior to making any transfer of money electronically, at the request of a third party, the employee initiating the transfer will verbally confirm the transfer with the third party requesting the payment.
  - a. The verbal verification will be made by a calling (not emailing) the third party at the phone number listed in our system/directory – you cannot rely on the number include on an email request.
  - b. You will document the date, time, phone number and person you spoke with in the AMD Electronic Fund Transfer Verification Log located in the Arrowhead Metropolitan District’s Banking\Transfers folder.
  
2. Prior to making any transfer of money electronically, at the request of any employee of our company authorized to make such requests, the employee initiating the transfer will verbally confirm the transfer with the employee requesting the transfer and get verbal approval for the transfer from a second Executive of the company.
  - a. The verbal verifications will be made in person or by calling the employee requesting the electronic transfer and the Executive approving the electronic transfer, at the phone number listed in our system/directory – you cannot rely on the number included on an email request.
  - b. You will document the date, time, phone number (if applicable – or confirm in person) of both of the employees you spoke with in the AMD Electronic Fund Transfer Verification Log located in the Arrowhead Metropolitan District’s Banking\Transfers folder.

The policy defines Executive as

- (A) An official or department or division head authorized to manage, govern or control **Employees** of the **Insured** in the performance of their duties;
  - (B) Any member of the office of the general counsel of the **Insured**; or
  - (C) Any member of the human resources department of the **Insured**.
3. Prior to making any change to any existing instruction, routing number and/or account number for a wire transfer or ACH the employee initiating the change will verbally confirm the change with the third party requesting the change.
- a. The verbal verification will be made by a calling (not emailing) the third party at the phone number listed in our system/directory – you cannot rely on the number include on an email request.
  - b. You will document the date, time, phone number and person you spoke with in the AMD Electronic Fund Transfer Verification Log located in the Arrowhead Metropolitan District’s Banking\Transfers folder.

FOR BOARD REVIEW

## Arrowhead Metropolitan Districts 2022 Meeting Schedule Approved

**Meetings start at 3:00 p.m. unless otherwise indicated**

Meeting location: Zoom or conference room, Marchetti & Weaver, 28 Second St, Ste 213, Edwards Colorado

To Join Zoom meeting: <https://zoom.us/join> Phone Only: US 253-215-8782

Meeting ID: 830 1223 4719

Month	Meeting	Discussion Topics	Date
January	Regular Meeting	transportation agreement	January 26, 2022
February	Regular Meeting	Roundabout, operations plan	February 23, 2022
March	Regular Meeting	election update	March 23, 2022
April	Work Session	ECRTA Presentation -Singletree	April 14, 2022 @ 3pm
April	Special Meeting		April 20, 2022
April	Regular Meeting - cancelled		April 27, 2022
May	Regular Meeting	first audit review	May 25, 2022
June	Regular Meeting	approve audit	June 22, 2022
July	Regular Meeting		July 27, 2022
August	Regular Meeting		August 24, 2022
September	Regular Meeting	2023 budget discussion	September 28, 2022
October	Regular Meeting	2023 budget adpotion; transporta	October 26, 2022
November	Regular Meeting	transportation agreements	November 16, 2022
December	Regular Meeting		December 14, 2022

Holiday
  Meeting
  Special Meeting

Jan-22							Feb-22							Mar-22							Apr-22						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
						1			1	2	3	4	5			1	2	3	4	5						1	2
2	3	4	5	6	7	8	6	7	8	9	10	11	12	6	7	8	9	10	11	12	3	4	5	6	7	8	9
9	10	11	12	13	14	15	13	14	15	16	17	18	19	13	14	15	16	17	18	19	10	11	12	13	14	15	16
16	17	18	19	20	21	22	20	21	22	23	24	25	26	20	21	22	23	24	25	26	17	18	19	20	21	22	23
23	24	25	26	27	28	30	27	28						27	28	29	30	31			24	25	26	X	28	29	30
31																											

  

May-22							Jun-22							Jul-22							Aug-22						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
										1	2	3	4						1	2							
1	2	3	4	5	6	7	5	6	7	8	9	10	11	3	4	5	6	7	8	9		1	2	3	4	5	6
8	9	10	11	12	13	14	12	13	14	15	16	17	18	10	11	12	13	14	15	16	7	8	9	10	11	12	13
15	16	17	18	19	20	21	19	20	21	22	23	24	25	17	18	19	20	21	22	23	14	15	16	17	18	19	20
22	23	24	25	26	27	28	26	27	28	29	30			24	25	26	27	28	29	30	21	22	23	24	25	26	27
29	30	31												31							28	29	30	31			

  

Sep-22							Oct-22							Nov-22							Dec-22						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2	3						1			1	2	3	4	5					1	2	3	
4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12	4	5	6	7	8	9	10
11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19	11	12	13	14	15	16	17
18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26	18	19	20	21	22	23	24
25	26	27	28	29	30		23	24	25	26	27	28	29	27	28	29	30				25	26	27	28	29	30	31
							30	31																			