



Metropolitan District

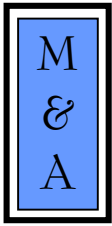
Financial Statements

December 31, 2020

**Arrowhead Metropolitan District
Financial Statements
December 31, 2020**

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MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

CHAPEL SQUARE, BLDG C
245 CHAPEL PLACE, SUITE 300
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM
MAIN OFFICE: (970) 845-8800
FACSIMILE: (970) 845-8108
E-MAIL: MCMAHAN@MCMAHANCPA.COM

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Arrowhead Metropolitan District

We have audited the accompanying financial statements of the governmental activities and each major fund of Arrowhead Metropolitan District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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 Arrowhead Metropolitan District as of December 31, 2020, 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.

Member: American Institute of Certified Public Accountants

PAUL J. BACKES, CPA, CGMA
MICHAEL N. JENKINS, CA, CPA, CGMA
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800
ASPEN: (970) 544-3996
FRISCO: (970) 668-3481

Other Matters

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, 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 Management's Discussion and Analysis in Section B 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 accounting principles generally accepted in the United States of America. 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 statement 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.

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 individual fund budgetary comparisons found in Section F presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund budgetary comparisons 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.
May 28, 2021**

MANAGEMENT'S DISCUSSION AND ANALYSIS

ARROWHEAD METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2020

This management's discussion and analysis of the Arrowhead Metropolitan District's financial statements provides an overview of the District's financial activities for the fiscal year ended December 31, 2020. 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.

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,

ARROWHEAD METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2020

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 2020 and 2019.

	<u>2020</u>	<u>2019</u>
<u>Assets and Deferred Outflows:</u>		
Current and Other Assets	\$4,614,723	\$4,294,133
Capital Assets, net	14,285,682	14,604,760
Deferred Charge on Refunding	453,549	536,008
Total Assets and Deferred Outflows	19,353,954	19,434,901
<u>Liabilities:</u>		
Current Liabilities	115,890	74,083
Long-Term Obligations:		
Due within One Year	815,000	800,000
Due in More Than One Year	9,539,419	10,359,493
Total Liabilities	10,470,309	11,233,576
<u>Deferred Inflows:</u>		
Unavailable Property Taxes	1,979,839	1,966,322
Deferred Gain on Refunding	13,367	15,448
Total Deferred Inflows of Revenue	1,993,206	1,981,770
<u>Net Position:</u>		
Net Investment in Capital Assets, net of related debt	3,931,263	3,445,267
Restricted for Emergencies	33,797	33,798
Restricted for Debt Service	37,820	33,570
Unrestricted	2,887,559	2,706,920
Total Net Position	\$6,890,439	\$6,219,555

The District's primary assets are the capital assets which have been financed with bonds. Net position of the District increased by \$670,884 in 2020, due largely to repayment of the District's bond debt more rapidly than the acquired assets are being depreciated.

ARROWHEAD METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2020

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 2020 and 2019.

	<u>2020</u>	<u>2019</u>
<u>Revenues:</u>		
General Revenues:		
Taxes	\$2,275,489	\$2,081,883
Interest Income	39,674	66,700
Other Miscellaneous	55,762	66,953
Total Revenues	2,370,925	2,215,536
 <u>Program Expenses:</u>		
General Government	182,180	186,907
Public Works	682,428	802,928
Transportation	479,117	348,990
Interest on Long-Term Debt	356,316	414,754
Total Expenses	1,700,041	1,753,579
Change in Net Position	670,884	461,957
Net position– beginning of year	6,219,555	5,757,598
Net position– end of year	\$6,890,439	\$6,219,555

The District’s primary source of revenues is property taxes. The District also implemented a 5.0% sales tax on July 1, 2020 on sales of tangible personal property and short term rentals of less than 30 days within Arrowhead. These revenues are used to pay the cost of operating and maintaining the District as well as to pay the District’s debt service obligations. The District operated at a surplus in both 2020 and 2019 and the operating surplus has been used to pay a portion of the principal on the District’s bond debt.

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

ARROWHEAD METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2020

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 from \$2,243,343 to \$2,507,160 during the fiscal year ended December 31, 2020. This is mainly due to operating at a surplus for the year resulting from the District not needing to spend funds budgeted for contingencies.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget comparison is reflected on page E1 of this report. It shows that during 2020 the District earned \$11,630 less in revenues than budgeted, mostly due to less sales tax being collected due to pandemic concerns as compared to budgeted. The District did not expend all the funds budgeted for operating contingency and transportation due to shut downs and health mandates related to the Covid-19 pandemic. Overall the District spent \$157,637 less than was budgeted in the General Fund.

DEBT SERVICE FUND BUDGETARY HIGHLIGHTS

The Debt Service Fund budget comparison is reflected on page F1 of this report. The comparison shows no significant budget variances in the Debt Service Fund.

CAPITAL ASSETS

At the beginning of 2020, the District had a total of \$22,654,682 invested in capital assets. During 2020, the District invested an additional \$177,910 in capital assets and retired \$23,000 of equipment, before accumulated depreciation, bringing the total to \$22,809,592. The detailed capital asset categories can be seen in *Note III (B), Capital Assets* on page D10 of this report.

DEBT ADMINISTRATION

The District paid down the outstanding balance of its long-term debt by \$800,000 during 2020 resulting in an outstanding balance of \$10,354,419, (including unamortized bond premium) at December 31, 2020. See *Note III (C) – Long-term Debt* on page D10 through D12 of this report for a detail of the terms and the annual requirements to amortize the District’s long-term debt.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have any questions regarding this report or need additional financial information, please contact the Arrowhead Metropolitan District Manager, c/o Marchetti & Weaver, LLC., 28 Second Street, Suite 213, Edwards, CO 81632, Telephone (970) 926-6060, Fax: (970) 926-6040

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Arrowhead Metropolitan District
Statement of Net Position
December 31, 2020

Assets:	
Cash and cash equivalents	2,512,314
Amounts due from Eagle County	7,880
Property taxes receivable	1,979,839
Sales tax receivable	88,789
Other receivables	13,992
Prepaid expenses	11,909
Capital assets, net	<u>14,285,682</u>
Total Assets	<u>18,900,405</u>
Deferred Outflow of Resources:	
Deferred charge on refunding	<u>453,549</u>
Total Deferred Outflow of Resources	<u>453,549</u>
Liabilities:	
Current liabilities due in less than one year:	
Accounts payable	93,927
Accrued expenses	21,963
Bonds payable	815,000
Non-current liabilities due in excess of one year:	
Bonds payable	<u>9,539,419</u>
Total Liabilities	<u>10,470,309</u>
Deferred Inflow of Resources:	
Property tax revenue	1,979,839
Deferred gain on refunding	<u>13,367</u>
Total Deferred Inflow of Resources	<u>1,993,206</u>
Net Position:	
Net investment in capital assets	3,931,263
Restricted for debt service	33,797
Restricted for emergencies	37,820
Unrestricted	<u>2,887,559</u>
Total Net Position	<u>6,890,439</u>

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

**Arrowhead Metropolitan District
Statement of Activities
For the Year Ended December 31, 2020**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Functions/Programs:					
Governmental activities:					
General government	182,180	-	-	-	(182,180)
Public works	682,428	-	-	-	(682,428)
Transportation	479,117	-	-	-	(479,117)
Interest	356,316	-	-	-	(356,316)
Total primary government	1,700,041	-	-	-	(1,700,041)
General revenues:					
Taxes:					
Property tax					1,964,872
Specific ownership tax					97,681
Sales tax					212,936
Other income					51,662
Gain (loss) on disposal of asset					4,100
Interest income					39,674
Total General Revenues					2,370,925
Change in Net Position					670,884
Net Position - Beginning					6,219,555
Net Position - Ending					6,890,439

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

FUND FINANCIAL STATEMENTS

**Arrowhead Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2020**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	2,481,728	30,586	2,512,314
Amounts due from Eagle County	4,669	3,211	7,880
Property taxes receivable	1,172,942	806,897	1,979,839
Sales tax receivable	88,789	-	88,789
Other receivables	13,992	-	13,992
Prepaid expenses	11,909	-	11,909
Total Assets	<u>3,774,029</u>	<u>840,694</u>	<u>4,614,723</u>
Liabilities, Deferred Inflow of Resources, and Fund Balances:			
Liabilities:			
Accounts payable	93,927	-	93,927
Total Liabilities	<u>93,927</u>	<u>-</u>	<u>93,927</u>
Deferred Inflow of Resources:			
Unavailable property tax revenue	1,172,942	806,897	1,979,839
Total Deferred Inflow of Resources	<u>1,172,942</u>	<u>806,897</u>	<u>1,979,839</u>
Fund Balances:			
Nonspendable	11,909	-	11,909
Restricted for debt service	-	33,797	33,797
Restricted for emergencies	37,820	-	37,820
Unassigned	2,457,431	-	2,457,431
Total Fund Balances	<u>2,507,160</u>	<u>33,797</u>	<u>2,540,957</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>3,774,029</u>	<u>840,694</u>	<u>4,614,723</u>

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

**Arrowhead Metropolitan District
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2020**

Governmental Funds Total Fund Balance 2,540,957

Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the funds. Details of these amounts are as follows:

Capital assets	22,809,592	
Accumulated depreciation	<u>(8,523,910)</u>	14,285,682

Deferred outflows are not available for current period expenditures and therefore, are not reported in the funds. This represents the District's deferred charges on refunding. 453,549

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. This is the amount of District long-term liabilities. Details of these amounts are as follows:

Bonds payable	(10,295,000)	
Bond issuance premium	(59,419)	
Accrued interest payable	<u>(21,963)</u>	(10,376,382)

Deferred inflows are not available for current period revenues and therefore, are not reported in the funds. This represents the District's deferred gain on refunding. (13,367)

Net Position of Governmental Activities 6,890,439

Arrowhead Metropolitan District
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Property and specific ownership taxes	1,221,946	840,607	2,062,553
Sales tax	212,936	-	212,936
Interest	33,940	5,734	39,674
Charges for services	45,410	-	45,410
Lottery proceeds	1,477	-	1,477
Other income	8,875	-	8,875
Total Revenues	<u>1,524,584</u>	<u>846,341</u>	<u>2,370,925</u>
Expenditures:			
General government	158,143	25,547	183,690
Public works	376,901	-	376,901
Transportation	287,656	-	287,656
Debt service			
Principal	-	800,000	800,000
Interest and fiscal changes	-	280,952	280,952
Capital outlay	177,910	-	177,910
Total Expenditures	<u>1,000,610</u>	<u>1,106,499</u>	<u>2,107,109</u>
Excess (Deficiency) of Revenues over Expenditures	<u>523,974</u>	<u>(260,158)</u>	<u>263,816</u>
Other Financial Sources (Uses):			
Transfers in (out)	<u>(260,157)</u>	<u>260,157</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(260,157)</u>	<u>260,157</u>	<u>-</u>
Net Change in Fund Balances	263,817	(1)	263,816
Fund Balances - Beginning	<u>2,243,343</u>	<u>33,798</u>	<u>2,277,141</u>
Fund Balances - Ending	<u><u>2,507,160</u></u>	<u><u>33,797</u></u>	<u><u>2,540,957</u></u>

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

Arrowhead 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, 2020

Net change in fund balances for total governmental funds 263,816

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

Capital additions	177,910	
Depreciation expense	<u>(496,988)</u>	(319,078)

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	800,000	
Amortization of premium on bonds payable	5,074	
Amortization of bond refunding gains	2,081	
Amortization of bond refunding costs	<u>(82,459)</u>	724,696

The change in accrued interest reported in the Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. 1,450

Change in Net Position of Governmental Activities 670,884

NOTES TO THE FINANCIAL STATEMENTS

**Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2020**

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, 2020
(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
Notes to the Financial Statements
December 31, 2020
(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, 2020.

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
December 31, 2020
(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:

Assets	Years
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
December 31, 2020
(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 2020:

- (1) For the 2020 budget year, prior to August 25, 2019, 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, 2019, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2019, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2020
(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 2020 budget, prior to December 15, 2019, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2020 budget, the final budget and appropriating resolution was adopted prior to December 31, 2019.

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 2019 were collected in 2020 and taxes certified in 2020 will be collected in 2021. 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 \$37,820, which is the approximate required reserve, at December 31, 2020.

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
December 31, 2020
(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, 2020.

**Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2020
(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 \$342,093 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:

	Standard & Poors Rating	Carrying Amounts	Term to Maturity	
			Less than one year	More than one year
<i>Deposits:</i>				
Checking and savings	Not rated	\$ 342,093	342,093	-
<i>Investments:</i>				
Certificates of deposit	Not rated	1,220,000	486,000	734,000
Investment pool	AAAm	950,221	950,221	-
		<u>\$ 2,512,314</u>	<u>1,778,314</u>	<u>734,000</u>

**Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2020
(Continued)**

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

At December 31, 2020, 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	\$ 1,220,000	-	1,220,000	-
Total	<u>\$ 1,220,000</u>	<u>-</u>	<u>1,220,000</u>	<u>-</u>

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
Colotrust	\$ 950,221
	<u>\$ 950,221</u>

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, 2020, the District's investments in COLOTRUST were 44% of the District's investment portfolio and certificates of deposit were 56% of the investment portfolio.

The District had invested \$950,221 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
December 31, 2020
(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, 2020, follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Non-depreciable assets:				
Land - parking lot	\$ 7,500,000	-	-	7,500,000
Water rights	294,817	-	-	294,817
Construction in progress	-	30,730	-	30,730
Depreciable assets:				
Equipment and vehicles	655,863	3,435	(23,000)	636,298
Parking lot improvements	1,210,864	143,745	-	1,354,609
Roads and landscaping	12,993,138	-	-	12,993,138
Total capital assets	<u>22,654,682</u>	<u>177,910</u>	<u>(23,000)</u>	<u>22,809,592</u>
Less accumulated depreciation for:				
Equipment and vehicles	(385,223)	(71,042)	23,000	(433,265)
Parking lot improvements	(535,558)	(27,087)	-	(562,645)
Roads and landscaping	(7,129,141)	(398,859)	-	(7,528,000)
Total accumulated depreciation	<u>(8,049,922)</u>	<u>(496,988)</u>	<u>23,000</u>	<u>(8,523,910)</u>
Net Capital Assets	<u>\$ 14,604,760</u>	<u>(319,078)</u>	<u>-</u>	<u>14,285,682</u>

Depreciation expense of \$449,272 was charged to the public works function and \$47,716 was charged to the transportation function for a total 2020 depreciation expense of \$496,988.

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
Notes to the Financial Statements
December 31, 2020
(Continued)**

III. Detailed Notes on all Funds (continued)

C. Long-term Debt (continued)

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.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 815,000	263,545	1,078,545
2022	845,000	244,695	1,089,695
2023	845,000	225,153	1,070,153
2024	865,000	203,632	1,068,632
2025	885,000	181,520	1,066,520
2026 - 2030	4,790,000	551,921	5,341,921
2031 - 2032	1,250,000	33,379	1,283,379
Total	<u>\$ 10,295,000</u>	<u>1,703,845</u>	<u>11,998,845</u>

Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2020
(Continued)

III. Detailed Notes on all Funds (continued)

C. Long-term Debt (continued)

The District had the following changes in debt for the year ended December 31, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable:					
G.O. Bonds, Series 2011	\$ 1,610,000	-	-	1,610,000	-
Premium on 2011 bonds	64,493	-	(5,074)	59,419	-
G.O. Bonds, Series 2017	7,455,000	-	(655,000)	6,800,000	660,000
G.O. Bonds, Series 2019	2,030,000	-	(145,000)	1,885,000	155,000
	<u>\$ 11,159,493</u>	<u>-</u>	<u>(805,074)</u>	<u>10,354,419</u>	<u>815,000</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 (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, 2019 (the latest audited information available) is as follows:

Assets	<u>\$ 55,602,023</u>
Liabilities	33,163,342
Capital and surplus	<u>22,438,681</u>
Total	<u>\$ 55,602,023</u>
Revenue	\$ 22,436,944
Underwriting expenses	<u>25,355,739</u>
Underwriting gain (loss)	(2,918,795)
Other income	<u>1,173,628</u>
Net income (loss)	<u>\$ (1,745,167)</u>

Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2020
(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, 2019, 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, 2020
(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, 2019 (the latest audited information available) is as follows:

Upper Eagle Regional Water Authority	
Assets:	
Current	\$ 9,781,005
Other	5,420,642
Property and equipment	77,371,455
Total Assets	92,573,102
Deferred Outflow of Resources	13,874
Total Assets and Deferred Outflow of Resources	\$ 92,586,976
Liabilities and Net Position:	
Current	\$ 3,562,354
Long-term debt	27,716,466
Net position	61,308,156
Total Liabilities and Net Position	\$ 92,586,976
Operations:	
Operating revenue	\$ 11,300,594
Operating expense	13,731,256
Operating income	(2,430,662)
Other income	5,570,633
Other expense	(1,487,804)
Net (loss)	1,652,167
Capital contributions	3,060,239
Net Position - Beginning	56,595,750
Net Position - Ending	\$ 61,308,156

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, 2020
(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.

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 \$4,208.28 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 2020 under the terms of the Operations Agreement and Lease Agreements amounted to \$198,543 and \$50,497, respectively.

The District also contracts with VR to operate the District's transportation system. During 2020, the District paid VR \$287,656 for transportation services.

The District owed VR \$41,234 at December 31, 2020.

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, 2020
(With Comparative Actual Amounts For the Year Ended 2019)

	<u>2020</u>			<u>2019</u>
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Final Budget Variance Positive (Negative)</u>	<u>Actual</u>
Revenues:				
Interest	31,601	33,940	2,339	55,384
Property taxes	1,164,933	1,164,074	(859)	1,075,325
Specific ownership taxes	52,422	57,872	5,450	58,059
Sales tax	234,906	212,936	(21,970)	-
Charges for services	45,410	45,410	-	51,260
Lottery proceeds	1,442	1,477	35	1,653
Other income	5,500	8,875	3,375	14,040
Total Revenues	<u>1,536,214</u>	<u>1,524,584</u>	<u>(11,630)</u>	<u>1,255,721</u>
Expenditures:				
General government:				
Office overhead	25,070	11,931	13,139	20,622
Legal	7,500	9,721	(2,221)	5,963
Audit	6,500	6,500	-	5,950
Insurance	10,636	10,390	246	10,137
Director's fees	5,500	4,100	1,400	5,900
Treasurer's fees	34,948	34,962	(14)	32,308
Operating fees	81,584	80,539	1,045	79,004
Contingency	75,000	-	75,000	-
Public works				
Maintenance and snow removal	353,302	376,901	(23,599)	357,796
Transportation	334,586	287,656	46,930	302,472
Capital expenditures	223,621	177,910	45,711	104,572
Total General Government Expenditures	<u>1,158,247</u>	<u>1,000,610</u>	<u>157,637</u>	<u>924,724</u>
Other Financing Sources:				
Transfers out	(258,432)	(260,157)	(1,725)	(194,387)
Total Other Financing Sources	<u>(258,432)</u>	<u>(260,157)</u>	<u>(1,725)</u>	<u>(194,387)</u>
Net Change in Fund Balance	119,535	263,817	144,282	136,610
Fund Balance - Beginning	2,175,136	2,243,343	68,207	2,106,733
Fund Balance - Ending	<u>2,294,671</u>	<u>2,507,160</u>	<u>212,489</u>	<u>2,243,343</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, 2020
(With Comparative Actual Amounts For the Year Ended 2019)

	<u>2020</u>		Final Budget Variance Positive (Negative)	<u>2019</u>
	Original and Final Budget	Actual		Actual
Revenues:				
Property taxes	801,389	800,798	(591)	899,914
Specific ownership taxes	39,268	39,809	541	48,585
Interest	9,326	5,734	(3,592)	11,316
Total Revenues	<u>849,983</u>	<u>846,341</u>	<u>(3,642)</u>	<u>959,815</u>
Expenditures:				
General government:				
Treasurer fees	24,042	24,037	5	27,023
Debt service:				
Bond principal	800,000	800,000	-	785,000
Bond interest	282,041	280,952	1,089	341,921
Paying agent fees	2,330	1,510	820	853
Total Expenditures	<u>1,108,413</u>	<u>1,106,499</u>	<u>1,914</u>	<u>1,154,797</u>
Other Financing Sources (Uses):				
Bond Proceeds	-	-	-	2,030,000
Payment to refunded bond escrow agent	-	-	-	(1,985,000)
Bond issuance costs	-	-	-	(36,817)
Transfers in	258,432	260,157	1,725	194,387
Total Other Financing (Uses)	<u>258,432</u>	<u>260,157</u>	<u>1,725</u>	<u>202,570</u>
Net Change in Fund Balance	2	(1)	(3)	7,588
Fund Balance - Beginning	26,210	33,798	7,588	26,210
Fund Balance - Ending	<u>26,212</u>	<u>33,797</u>	<u>7,585</u>	<u>33,798</u>

**Arrowhead Metropolitan District
History of Assessed Valuation, Mill Levy
and Property Taxes Collected
December 31, 2020**

Calendar Year Ended December 31	Prior Year Assessed Valuation For Current Year Property Tax Levy	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		

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, 2020

Bonds and Interest Maturing in the Year Ending December 31,	\$4,315,000 General Obligation Refunding Bonds December 1, 2011, Principal Due December 1, Interest at 3.625% to 4.1% Due June 1 and December 1		\$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		Totals		
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Total
2021	-	62,396	660,000	155,720	155,000	45,429	815,000	263,545	1,078,545
2022	-	62,396	685,000	140,606	160,000	41,693	845,000	244,695	1,089,695
2023	150,000	62,396	555,000	124,920	140,000	37,837	845,000	225,153	1,070,153
2024	160,000	56,959	565,000	112,210	140,000	34,463	865,000	203,632	1,068,632
2025	165,000	51,159	580,000	99,272	140,000	31,089	885,000	181,520	1,066,520
2026	170,000	45,178	595,000	85,990	140,000	27,715	905,000	158,883	1,063,883
2027	175,000	39,015	605,000	72,364	150,000	24,341	930,000	135,720	1,065,720
2028	185,000	32,015	615,000	58,510	155,000	20,726	955,000	111,251	1,066,251
2029	190,000	24,615	635,000	44,426	160,000	16,991	985,000	86,032	1,071,032
2030	200,000	17,015	645,000	29,885	170,000	13,135	1,015,000	60,035	1,075,035
2031	215,000	4,408	660,000	15,114	175,000	9,038	1,050,000	28,560	1,078,560
2032	-	-	-	-	200,000	4,819	200,000	4,819	204,819
Total	1,610,000	457,552	6,800,000	939,017	1,885,000	307,276	10,295,000	1,703,845	11,998,845