



Metropolitan District

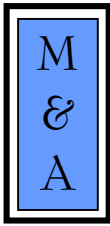
Financial Statements

December 31, 2023

**Arrowhead Metropolitan District
Financial Statements
December 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Arrowhead Metropolitan District
Edwards, Colorado**

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of December 31, 2023 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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INDEPENDENT AUDITORS REPORT
To the Board of Directors
Arrowhead Metropolitan District

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. GAAP. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**INDEPENDENT AUDITORS REPORT
To the Board of Directors
Arrowhead Metropolitan District**

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The individual fund budgetary comparison in Section F is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison found in Section F is the responsibility of management and was 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the summary of assessed valuation, mill levy, and property tax collections and schedule of bond obligations, and interest requirements to maturity but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
Avon, Colorado
June 10, 2024**

MANAGEMENT'S DISCUSSION AND ANALYSIS

ARROWHEAD METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2023

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, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

USING THE BASIC FINANCIAL STATEMENTS

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

- *Government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- *Fund financial statements* that focus on *individual parts* of the District government, reporting the District's operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Additional supplemental information has also been included to enhance the reader's understanding of the financial statements.

Government-wide Statements

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

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

Fund Financial Statements

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

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, 2023

which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net position and the Statement of Activities) and governmental *funds* is provided in reconciliations following the fund financial statements.

THE DISTRICT AS A WHOLE

Statement of Net Position

The perspective of the Statement of Net Position is of the District as a whole. Following is a summary of the District's net position for the fiscal years 2023 and 2022.

	<u>2023</u>	<u>2022</u>
<u>Assets and Deferred Outflows:</u>		
Current and Other Assets	\$ 5,909,825	\$ 5,370,916
Capital Assets, Net	13,317,613	13,770,527
Deferred charge on refunding	250,085	310,422
Total Assets and Deferred Outflow	19,477,523	19,451,865
<u>Liabilities:</u>		
Current Liabilities	72,651	77,751
Long-Term Obligations:		
Due within One Year	911,277	890,716
Due in More Than One Year	7,011,845	7,923,122
Total Liabilities	7,995,773	8,891,589
<u>Deferred Inflows:</u>		
Unavailable Property Taxes	1,586,037	1,775,108
Deferred Gain of Refunding	48,755	59,699
Total Deferred Inflows of Revenue	1,634,792	1,834,807
<u>Net Position:</u>		
Net Investment in Capital Assets, net of accumulated depreciation	5,595,821	5,346,250
Restricted for Emergencies	64,290	59,110
Restricted for Debt Service	43,626	43,626
Unrestricted	4,143,221	3,276,483
Total Net Position	\$ 9,846,958	\$ 8,725,469

ARROWHEAD METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2023

The District’s primary assets are the capital assets which have been financed with bonds. Net position of the District increased by \$1,121,489 in 2023, due to increased revenue from sales and specific ownership taxes and repayment of the District’s bond debt more rapidly than the acquired assets are being depreciated.

Statement of Activities

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

	<u>2023</u>	<u>2022</u>
<u>Revenues:</u>		
<u>General Revenues:</u>		
Taxes	\$ 3,139,348	\$ 2,947,207
Interest Income	166,623	61,710
Other Miscellaneous	4,298	20,273
<u>Program Revenues:</u>		
Charges for Services	106,553	45,831
Grants	38,928	
Total Revenues	<u>3,455,750</u>	<u>3,075,021</u>
<u>Program Expenses:</u>		
General Government	168,753	162,862
Public Works	1,476,751	1,349,657
Transportation	437,290	301,142
Interest on Long-Term Debt	251,467	278,655
Total Expenses	<u>2,334,261</u>	<u>2,092,316</u>
Change in Net Position	1,121,489	982,705
Net position– beginning of year	<u>8,725,469</u>	<u>7,742,764</u>
Net position– end of year	<u>\$ 9,846,958</u>	<u>\$ 8,725,469</u>

The District’s primary source of revenues is property taxes. The District 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 road operations, road safety and transportation as well as to pay debt service related to these functions. The District operated at a surplus in both 2023 and 2022 and the operating surplus has been used to pay a portion of the principal on the District’s bond debt as well as accelerate road maintenance and fund improvements.

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.

ARROWHEAD METROPOLITAN DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
December 31, 2023

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

The General Fund ending fund balance increased from \$3,491,322 to \$4,222,756 during the fiscal year ended December 31, 2023. This is mainly due to operating at a surplus for the year resulting from higher-than-expected sales tax receipts and the District not needing to spend funds budgeted for contingencies. The District is using the surplus to fund construction of a roundabout at the main entrance of the District to provide safe crossing of Highway 6.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund budget comparison is reflected on page E1 of this report. It shows that during 2023 the District earned \$333,245 more in revenues than budgeted, mostly due to more sales tax being collected as compared to budgeted. The District did not expend all the funds budgeted for operating and capital contingencies, capital expenditures, and transportation due to efficient staffing and delayed purchase of equipment. Overall the District spent \$214,318 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 2023, the District had a total of \$23,270,601 invested in capital assets. During 2023, the District invested an additional \$74,949 net in capital assets before accumulated depreciation, bringing the total to \$23,345,550. The detailed capital asset categories can be seen in *Note III (B), Capital Assets* on page D11 of this report.

DEBT ADMINISTRATION

The District paid down the outstanding balance of its long-term debt by \$845,000 during 2023 resulting in an outstanding balance of \$7,830,000 on December 31, 2023. See *Note 4III (C) – Long-term Debt* on page D12 through D14 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 2nd St Unit 213, Edwards, CO 81632, Telephone (970) 926-6060, email: admin@mwcpaa.com.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Arrowhead Metropolitan District
Statement of Net Position
December 31, 2023

Assets:	
Cash and cash equivalents	4,105,497
Amounts due from Eagle County	7,433
Property taxes receivable	1,586,037
Sales tax receivable	177,592
Other receivables	1,899
Prepaid expenses	31,367
Capital assets, net	<u>13,317,613</u>
Total Assets	<u>19,227,438</u>
Deferred Outflow of Resources:	
Deferred charge on refunding	<u>250,085</u>
Total Deferred Outflow of Resources	<u>250,085</u>
Liabilities:	
Current liabilities due in less than one year:	
Accounts payable	57,403
Accrued expenses	15,248
Bonds payable	865,000
Leases payable	46,277
Non-current liabilities due in excess of one year:	
Bonds payable	6,965,000
Leases payable	<u>46,845</u>
Total Liabilities	<u>7,995,773</u>
Deferred Inflow of Resources:	
Property tax revenue	1,586,037
Deferred gain on refunding	<u>48,755</u>
Total Deferred Inflow of Resources	<u>1,634,792</u>
Net Position:	
Net investment in capital assets	5,595,821
Restricted for debt service	43,626
Restricted for emergencies	64,290
Unrestricted	<u>4,143,221</u>
Total Net Position	<u>9,846,958</u>

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

**Arrowhead Metropolitan District
Statement of Activities
For the Year Ended December 31, 2023**

	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	168,753	-	38,928	-	(129,825)
Public works	1,476,751	60,000	-	-	(1,416,751)
Transportation	437,290	46,553	-	-	(390,737)
Interest	251,467	-	-	-	(251,467)
Total primary government	<u>2,334,261</u>	<u>106,553</u>	<u>38,928</u>	<u>-</u>	<u>(2,188,780)</u>
General revenues:					
Taxes:					
Property tax					1,776,749
Specific ownership tax					101,795
Sales tax					1,260,804
Other income					4,298
Interest income					166,623
Total General Revenues					<u>3,310,269</u>
Change in Net Position					1,121,489
Net Position - Beginning					<u>8,725,469</u>
Net Position - Ending					<u><u>9,846,958</u></u>

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

FUND FINANCIAL STATEMENTS

**Arrowhead Metropolitan District
Balance Sheet
Governmental Funds
December 31, 2023**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and investments	4,064,141	41,356	4,105,497
Amounts due from Eagle County	5,163	2,270	7,433
Property taxes receivable	538,078	1,047,959	1,586,037
Sales tax receivable	177,592	-	177,592
Other receivables	1,899	-	1,899
Prepaid expenses	31,367	-	31,367
Total Assets	<u>4,818,240</u>	<u>1,091,585</u>	<u>5,909,825</u>
Liabilities, Deferred Inflow of Resources,			
Liabilities:			
Accounts payable	57,403	-	57,403
Total Liabilities	<u>57,403</u>	<u>-</u>	<u>57,403</u>
Deferred Inflow of Resources:			
Unavailable property tax revenue	538,078	1,047,959	1,586,037
Total Deferred Inflow of Resources	<u>538,078</u>	<u>1,047,959</u>	<u>1,586,037</u>
Fund Balances:			
Nonspendable	31,367	-	31,367
Restricted for debt service	-	43,626	43,626
Restricted for emergencies	64,290	-	64,290
Unassigned	4,127,102	-	4,127,102
Total Fund Balances	<u>4,222,759</u>	<u>43,626</u>	<u>4,266,385</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balances	<u>4,818,240</u>	<u>1,091,585</u>	<u>5,909,825</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, 2023**

Governmental Funds Total Fund Balance 4,266,385

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	23,161,550	
Leased assets	184,000	
Accumulated depreciation	(9,935,937)	
Accumulated amortization for leased assets	<u>(92,000)</u>	13,317,613

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.

250,085

Long-term liabilities, including bonds payable and leases 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:

Leases payable	(93,122)	
Bonds payable	(7,830,000)	
Accrued interest payable	<u>(15,248)</u>	(7,938,370)

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.

(48,755)

Net Position of Governmental Activities 9,846,958

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

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Revenues:			
Property and specific ownership taxes	1,304,904	573,640	1,878,544
Sales tax	1,260,804	-	1,260,804
Interest	158,944	7,679	166,623
Charges for services	46,553	-	46,553
Lottery proceeds	2,014	-	2,014
Other income	101,212	-	101,212
Total Revenues	<u>2,874,431</u>	<u>581,319</u>	<u>3,455,750</u>
Expenditures:			
General government	152,469	17,314	169,783
Public works	554,777	-	554,777
Transportation	398,002	-	398,002
Debt service			
Principal	-	845,000	845,000
Interest and fiscal charges	-	202,687	202,687
Lease obligations	55,776	-	55,776
Capital outlay	498,289	-	498,289
Total Expenditures	<u>1,659,313</u>	<u>1,065,001</u>	<u>2,724,314</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,215,118</u>	<u>(483,682)</u>	<u>731,436</u>
Other Financial Sources (Uses):			
Transfers in (out)	<u>(483,682)</u>	<u>483,682</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(483,682)</u>	<u>483,682</u>	<u>-</u>
Net Change in Fund Balances	731,436	-	731,436
Fund Balances - Beginning	<u>3,491,323</u>	<u>43,626</u>	<u>3,534,949</u>
Fund Balances - Ending	<u>4,222,759</u>	<u>43,626</u>	<u>4,266,385</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, 2023

Net change in fund balances for total governmental funds 731,436

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	74,949	
Depreciation expense	(481,863)	
Amortization expense	(46,000)	
	(452,914)	(452,914)

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	845,000	
Principal repayments - Leases payable	45,716	
Amortization of bond refunding gains	1,646	
Amortization of bond refunding costs	(51,038)	
	841,324	841,324

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.

Change in Net Position of Governmental Activities 1,121,489

NOTES TO THE FINANCIAL STATEMENTS

**Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2023**

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, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

2. Fund Financial Statements

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

The District reports the following governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

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, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

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

3. Financial Statement Presentation

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

D. Financial Statement Accounts

1. Cash and Cash Equivalents

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

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

2. Receivables

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

3. Property Taxes

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

4. 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. 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, 2023
(Continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

5. 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

6. Leases

The District is lessee for a noncancellable lease of building. The District recognizes a lease liability and an intangible right-to-use asset in the government-wide financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the least asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines the following:

Discount Rate: The District uses the interest rate charged by the lessor as the discount rate to discount the expected lease payments to present value. When the interest rate charged by the lessor is not provided, the District uses its incremental bond borrowing rate at the time of commencement.

Lease Term: The lease term includes the noncancellable period of the lease and extended term(s) that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

7. Long-term Debt

In the government-wide financial statements, long-term debt is reported as liabilities. 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.

Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Long-term Debt (continued)

In the fund financial statements, bond premiums and discounts are recognized during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the fund financial statements.

8. Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District reports deferred bond refunding charges as a deferred outflow of resources on its Statement of Net Position as the difference between the reacquisition price and the net carrying amount of the defeased debt. The deferred charge is amortized over the life of the refunding bonds, the amortization is included in interest expense.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred bond refunding gains as a deferred inflow of resources on its Statement of Net Position as the difference between the reacquisition price and the net carrying amount of the defeased debt. The deferred gain is amortized over the life of the refunding bonds, the amortization reduces interest expense. Unavailable property tax revenue is deferred and recognized as an inflow of resources in the period that the amounts become available and earned.

9. 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, 2023
(Continued)**

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

9. Fund Balance (continued)

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

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

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

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

E. Use of Estimates

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

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

- (1) For the 2023 budget year, prior to August 25, 2022, the County Assessor sent to the District the certified assessed valuation of all taxable property within the District's boundaries and prior to December 10, 2022, the County Assessor sent the final recertified assessed valuation to the District.
- (2) On or before October 15, 2022, the District's accountant submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.

Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)

II. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

- (3) A public hearing on the proposed budget and capital program was held by the Board no later than 45 days prior to the close of the fiscal year.
- (4) For the 2023 budget, prior to December 15, 2022, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (5) For the 2023 budget, the final budget and appropriating resolution was adopted prior to December 31, 2022.

After adoption of the budget resolution, the District may make the following changes: a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; c) it may approve emergency appropriations; and d) it may reduce appropriations for which originally estimated revenues are insufficient.

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

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

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish an emergency reserve to be used for declared emergencies only. The reserve is calculated at 3% of fiscal year spending. Fiscal year spending excludes bonded debt service and enterprise spending. The District has reserved \$64,290, which is the approximate required reserve, at December 31, 2023.

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, 2023
(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. 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, 2023.

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 \$41,851 at year end.

Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

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	41,851	41,851	-
Certificates of deposit *	Not rated	1,232,000	491,000	741,000
<i>Investments:</i>				
Investment pool	AAAm	2,831,646	2,831,646	-
		<u>4,105,497</u>	<u>3,364,497</u>	<u>741,000</u>

* non-negotiable certificates of deposit

**Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)**

III. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

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

Investments Measured at Net Asset Value	Total
Colotrust	2,831,646
	2,831,646

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, 2023, the District's investments in COLOTRUST were 100% of the District's investment portfolio.

The District had invested \$2,831,646 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, 2023
(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, 2023, follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land - parking lot	7,500,000	-	-	7,500,000
Water rights	294,817	-	-	294,817
Construction in progress	102,518	32,016	-	134,534
Capital assets being depreciated & amortized:				
Equipment and vehicles	671,400	18,252	-	689,652
Parking lot improvements	1,524,728	24,681	-	1,549,409
Roads and landscaping	12,993,138	-	-	12,993,138
Leased facilities	184,000	-	-	184,000
Total capital assets	<u>23,270,601</u>	<u>74,949</u>	<u>-</u>	<u>23,345,550</u>
Less accumulated depreciation for:				
Equipment and vehicles	(501,661)	(41,246)	-	(542,907)
Parking lot improvements	(626,010)	(42,203)	-	(668,213)
Roads and landscaping	(8,326,403)	(398,414)	-	(8,724,817)
Less accumulated amortization for leased assets:	<u>(46,000)</u>	<u>(46,000)</u>	<u>-</u>	<u>(92,000)</u>
Total accumulated depreciation & amortization	<u>(9,500,074)</u>	<u>(527,863)</u>	<u>-</u>	<u>(10,027,937)</u>
Net Capital Assets	<u>13,770,527</u>	<u>(452,914)</u>	<u>-</u>	<u>13,317,613</u>

Depreciation and amortization expense and capital outlay expenditures are classified by function as follows:

	Capital Outlay	Depreciation and Amortization Expense
Public Works	50,268	509,556
Transportation	24,681	18,307
	<u>74,949</u>	<u>527,863</u>

**Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)**

III. Detailed Notes on all Funds (continued)

C. Leases Payable

Related to leased assets, the District has the following outstanding agreements as of December 31, 2023:

Maintenance Facility Lease: In 2018, the District entered into a 96-month lease agreement as lessee for a maintenance facility owned by Vail Resorts Development Co., a subsidiary of Vail Resorts. The calls for fixed monthly lease payments of \$3,929.57. Beginning January 1, 2022, the monthly rent will be adjusted by the Consumer Price Index – All Urban Consumers for the Denver-Boulder area. This lease agreement is in connection with the District's Operations Agreement with Vail Resorts (see Note VI.A.)

Leased asset payment requirements at December 31, 2023 were as follows:

	Principal	Interest	Total
2024	46,277	878	47,155
2025	46,845	310	47,155
Total	93,122	1,188	94,310

The District recognized the following lease expenses under long-term leases during the year:

	General Fund	Total
Lease expenses:		
Principal	45,716	45,716
Interest	1,439	1,439
Variable	8,621	8,621
Total	55,776	55,776

D. Long-term Debt

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

1. 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.

Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)

III. Detailed Notes on all Funds (continued)

D. Long-term Debt (continued)

1. General Obligation Refunding Bonds, Series 2017 (continued)

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.

2. 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.

3. 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.

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	930,000	121,026	1,051,026
2028	955,000	99,322	1,054,322
2029 - 2032	3,290,000	167,167	3,457,167
Total	<u>7,830,000</u>	<u>875,417</u>	<u>8,705,417</u>

**Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)**

III. Detailed Notes on all Funds (continued)

D. Long-term Debt (continued)

The District had the following changes in long-term obligations for the year ended December 31, 2023:

	<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 2017	5,455,000	-	(555,000)	4,900,000	565,000
G.O. Bonds, Series 2019	1,570,000	-	(140,000)	1,430,000	140,000
G.O. Bonds, Series 2021	1,650,000	-	(150,000)	1,500,000	160,000
Total bonds payable:	<u>8,675,000</u>	<u>-</u>	<u>(845,000)</u>	<u>7,830,000</u>	<u>865,000</u>
Leases payable	<u>138,838</u>	<u>-</u>	<u>(45,716)</u>	<u>93,122</u>	<u>46,277</u>
	<u>8,813,838</u>	<u>-</u>	<u>(890,716)</u>	<u>7,923,122</u>	<u>911,277</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.

**Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)**

IV. Other Information (continued)

A. Risk Management (continued)

Colorado Special Districts Property and Liability Pool (continued)

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

Assets	81,143,798
Liabilities	58,670,068
Capital and surplus	22,473,730
Total	81,143,798
Revenue	29,593,851
Underwriting expenses	31,416,477
Underwriting gain (loss)	(1,822,626)
Other income	1,695,393
Net income (loss)	(127,233)

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, 2022, the Authority had debt with maturities through the year 2050.

Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)

V. Intergovernmental Agreements (continued)

A. Upper Eagle Regional Water Authority (continued)

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).

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.

**Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)**

V. Intergovernmental Agreements (continued)

A. Upper Eagle Regional Water Authority (continued)

A summary of audited financial information for the Authority as of and for the year ended December 31, 2022 (the latest audited information available) is as follows:

Upper Eagle Regional Water Authority	
Assets:	
Current	18,923,522
Other	8,795,577
Property and equipment	97,933,909
Total Assets	125,653,008
Deferred Outflow of Resources	
	395,941
Total Assets and Deferred Outflow of Resources	
	126,048,949
Liabilities and Net Position:	
Current	7,186,569
Long-term debt	57,919,367
Net position	60,943,013
Total Liabilities and Net Position	126,048,949
 Operations:	
Operating revenue	15,684,126
Operating expense	17,642,069
Operating income	(1,957,943)
Other income	255,586
Other expense	(1,886,814)
Net (loss)	(3,589,171)
Capital contributions	3,603,236
Net Position - Beginning	60,928,948
Net Position - Ending	60,943,013

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.

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.

Arrowhead Metropolitan District
Notes to the Financial Statements
December 31, 2023
(Continued)

VI. Developer Contracts (continued)

A. Vail Resorts (continued)

Costs incurred during 2023 under the terms of the Operations Agreement amounted to \$283,354.

The District also contracts with VR to operate the District's transportation system. During 2023, the District paid VR \$398,002 for transportation services.

The District owed VR \$30,061 at December 31, 2023.

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, 2023
(With Comparative Actual Amounts For the Year Ended 2022)

	<u>2023</u>		Final Budget Variance Positive (Negative)	<u>2022</u>
	Original and Final Budget	Actual		Actual
Revenues:				
Interest	69,575	158,944	89,369	59,211
Property taxes	1,234,193	1,234,190	(3)	1,248,827
Specific ownership taxes	60,475	70,714	10,239	67,960
Sales tax	1,050,000	1,260,804	210,804	1,051,552
Charges for services	46,047	46,047	-	45,831
Lottery proceeds	1,896	2,014	118	1,877
Other income	79,000	101,718	22,718	18,396
Total Revenues	<u>2,541,186</u>	<u>2,874,431</u>	<u>333,245</u>	<u>2,493,654</u>
Expenditures:				
General government:				
Office overhead	29,806	17,151	12,655	17,245
Legal	4,515	5,487	(972)	3,049
Audit	7,450	7,450	-	7,850
Insurance	12,156	11,931	225	11,300
Director's fees	6,000	4,800	1,200	5,000
Treasurer's fees	37,027	37,064	(37)	37,501
Operating fees	72,662	68,586	4,076	64,440
Contingency	75,000	-	75,000	-
Public works:				
Maintenance and snow removal	553,072	554,777	(1,705)	368,770
Transportation	454,377	398,002	56,375	273,668
Lease obligations	55,781	55,776	5	50,496
Capital expenditures	565,785	498,289	67,496	627,532
Total General Government Expenditures	<u>1,873,631</u>	<u>1,659,313</u>	<u>214,318</u>	<u>1,466,851</u>
Other Financing Sources:				
Transfers (out)	(495,966)	(483,682)	12,284	(503,347)
Total Other Financing Sources	<u>(495,966)</u>	<u>(483,682)</u>	<u>12,284</u>	<u>(503,347)</u>
Net Change in Fund Balance	171,589	731,436	559,847	523,456
Fund Balance - Beginning	<u>3,478,715</u>	<u>3,491,323</u>	<u>12,608</u>	<u>2,967,867</u>
Fund Balance - Ending	<u>3,650,304</u>	<u>4,222,759</u>	<u>572,455</u>	<u>3,491,323</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, 2023
(With Comparative Actual Amounts For the Year Ended 2022)

	2023			2022
	Original and Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:				
Property taxes	542,058	542,559	501	548,997
Specific ownership taxes	26,561	31,081	4,520	29,871
Interest	3,365	7,679	4,314	2,499
Total Revenues	571,984	581,319	9,335	581,367
Expenditures:				
General government:				
Treasurer fees	16,262	16,284	(22)	16,475
Debt service:				
Bond principal	845,000	845,000	-	845,000
Bond interest	202,687	202,687	-	222,229
Paying agent fees	4,000	1,030	2,970	1,010
Bond issuance costs	-	-	-	241
Total Expenditures	1,067,949	1,065,001	2,948	1,084,955
Other Financing Sources (Uses):				
Transfers in	495,965	483,682	(12,283)	503,347
Total Other Financing (Uses)	495,965	483,682	(12,283)	503,347
Net Change in Fund Balance	-	-	-	(241)
Fund Balance - Beginning	43,626	43,626	-	43,867
Fund Balance - Ending	43,626	43,626	-	43,626

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

Calendar Year Ended December 31	Prior Year Assessed Valuation For Current Year Property Tax Levy	All Funds Mills 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	1,797,824	99.2%
2023	122,399,230	14.50	1,775,108	1,776,749	100.1%
2024	209,695,320	7.56	1,586,037		

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, 2023

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
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
Total	4,900,000	517,771	1,430,000	182,317	1,500,000	175,329	7,830,000	875,417	8,705,417