

CONFLUENCE METROPOLITAN DISTRICT

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors
Confluence Metropolitan District
c/o Marchetti & Weaver LLC
28 Second Street, Suite 213
Edwards, CO 81632

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Confluence Metropolitan District (the District) as of and for the year ended December 31, 2021, 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 Confluence Metropolitan District, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of



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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 generally accepted auditing standards, 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 and general fund budgetary comparison information 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison information for the debt service and gondola/capital reserve funds are presented for purposes of



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additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison information for the debt service and gondola/capital reserve funds are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the 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.

Chadwick, Steinkirchner, Davis & Co., P.C.
Chadwick, Steinkirchner, Davis & Co., P.C.
September 26, 2022

Confluence Metropolitan District

Management's Discussion and Analysis December 31, 2021

As management of Confluence Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains supplementary information presented after the notes to the financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

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

The governmental activity of the District is the financing, installation and operation of the gondola transportation and other infrastructure systems for the Avon Station Metropolitan District.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has four funds, the General Fund, the Debt Service Fund, the Capital Projects Fund, and the Gondola Reserve Fund, all of which are governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The governmental fund financial statements are located on pages 9 through 12 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found starting on page 13 of this report.

Government-wide Financial Analysis. The following tables show condensed financial information derived from the government-wide financial statements.

Statement of Net Position

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Current assets	\$ 2,153,436	\$ 1,303,792
Capital and other non-current assets	30,472,919	6,967,504
Total Assets	<u>32,626,355</u>	<u>8,271,296</u>
Current liabilities	2,428,055	5,066,856
Non-current liabilities	23,904,993	24,716,101
Total Liabilities	<u>26,333,048</u>	<u>29,782,957</u>
Net position:		
Net Investment in fixed assets	(17,959,098)	(16,169,240)
Restricted for emergencies	18,901	18,901
Unrestricted	24,233,504	(5,361,322)
Total Net Position	<u>\$ 6,293,307</u>	<u>\$ (21,511,661)</u>

Statement of Activities

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
REVENUES:		
Program revenues:	\$ -	\$ -
Operating grants and contributions	29,244,558	978,203
Capital Contributions	852,836	852,836
General revenues:		
Interest and other revenue	5,000,962	11,481
Total Revenues	<u>35,098,356</u>	<u>1,842,520</u>
EXPENSES:		
Program expenses:		
General government	1,084,355	365,910
Transportation	888,795	677,196
Intergovernmental agreement	4,339,020	143,854
Interest on long-term debt	981,218	1,240,241
Total Expenses	<u>7,293,388</u>	<u>2,427,201</u>
Change in Net Position	27,804,968	(584,681)
Net Position - Beginning	(21,511,661)	(20,926,980)
Net Position - Ending	<u>\$ 6,293,307</u>	<u>\$ (21,511,661)</u>

The District is the “service district” in a dual district structure whereby the District constructed the infrastructure for the Avon Station Metropolitan District (ASMD) subdivision. The District entered into a District Facilities Construction and Service Agreement with ASMD which has been subsequently amended. Pursuant to this agreement, the District is obligated to construct and provide the initial financing for the primary infrastructure for the ASMD area. ASMD is the “financing district” and as such, will ultimately pay “capital and service obligations” to reimburse the District for the costs to construct, maintain, and operate the infrastructure. The District will then use the funds received from ASMD to pay off the District’s debt. In addition, the District had an Intergovernmental Agreement with Mountain Vista Metropolitan District to provide funds for specific infrastructure regional improvements which expired February 2020.

The District’s revenues consisted primarily of operating and capital contributions received or accrued from ASMD pursuant to the District Facilities Construction and Service Agreement. Other sources of revenues include contributions from the Town of Avon toward the operating costs of the gondola and operating and capital contributions from Mountain Vista Metropolitan District.

Financial Analysis of the District's Funds

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

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the District's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,811,678. The fund balance primarily consists of funds being held in escrow accounts for capital reserves and future debt payments.

Budget variances. The District expenditures were similar to budgeted results. Details for each of the funds can be seen on pages 27 through 30 of this report.

Capital assets. The District's net investment in capital assets decreased by \$423,554 as a result of depreciation expense being greater than capital additions. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement on page 19 of this report.

Long-term debts. In June 2021 the District issued a Series 2021 A-1 Senior Note in the amount of \$1,500,000 and a Series 2021 A-2 Senior Note in the amount of \$17,200,000 and a Series 2021 B Subordinate Bond in the amount of \$4,420,000 to refund the remaining principal of the Series 2007 tax supported revenue bonds. Additional information can be found in the Notes to the Financial Statement on pages 19 through 22 of this report.

Economic Factors and Next Year's Budget. It is anticipated COVID-19 will have impacts on the economy as a whole which will include financial impacts to the District, however the extent of such impact remains unknown at this time.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Confluence Metropolitan District, Marchetti & Weaver LLC, P.C., 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

Confluence Metropolitan District

STATEMENT OF NET POSITION

December 31, 2021

Assets	
Current Assets	
Cash and cash equivalents	\$ 2,039,627
Accounts receivable	19,558
Property taxes receivable	22,588
Due from Avon Station Metropolitan District	12,801
Prepaid expense	445
Current portion of Capital and Service obligations from Avon Station Metropolitan District	<u>58,417</u>
Total Current Assets	<u>2,153,436</u>
Noncurrent Assets	
Capital and Service obligations from Avon Station Metropolitan District	24,140,145
Capital assets	
Depreciable	12,277,956
Accumulated depreciation	<u>(6,004,649)</u>
Total Noncurrent Assets	<u>30,413,452</u>
Total Assets	<u>32,566,888</u>
Deferred Outflows of Assets	
Deferred loss on refunding	<u>59,467</u>
Liabilities	
Current liabilities	
Accounts payable	166,915
Accrued interest payable	1,817,302
Unearned revenue	93,838
Current maturities of long-term debt	<u>350,000</u>
Total Current Liabilities	<u>2,428,055</u>
Noncurrent Liabilities	
Amounts due to developer	991,101
Bonds payable	<u>22,891,304</u>
Total Noncurrent Liabilities	<u>23,882,405</u>
Total Liabilities	<u>26,310,460</u>
Deferred Inflows of Resources	
Property taxes	<u>22,588</u>
Net Position	
Net investment in capital assets	(17,959,098)
Restricted for emergencies	18,901
Unrestricted	<u>24,233,504</u>
Total Net Position	<u>\$ 6,293,307</u>

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

Confluence Metropolitan District

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	Program Expenses	Operating Contributions	Capital Contributions	Net (Expense) Revenue
Governmental Operations				
General government	\$ 1,084,355	\$ -	\$ -	\$ (1,084,355)
Transportation	888,795	281,372		(607,423)
Intergovernmental agreement	4,339,020	28,963,186	852,836	25,477,002
Interest expense	981,218	-	-	(981,218)
Totals	<u>\$ 7,293,388</u>	<u>\$ 29,244,558</u>	<u>\$ 852,836</u>	<u>22,804,006</u>
		General Revenues		
		Debt forgiveness		5,000,000
		Interest income		962
		Total General Revenues		<u>5,000,962</u>
		Change in Net Position		27,804,968
		Net Position, beginning of year		<u>(21,511,661)</u>
		Net Position, end of year		<u>\$ 6,293,307</u>

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

Confluence Metropolitan District

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2021

	General	Debt Service	Gondola/Capital Reserve	Total Governmental Funds
Assets				
Cash	\$ 444,101	\$ 726,005	\$ 869,521	\$ 2,039,627
Accounts receivable	19,558	-	-	19,558
Property taxes receivable	22,588	-	-	22,588
Due from Avon Station and Mountain Vista Metropolitan Districts	-	12,801	-	12,801
Prepaid expense	445	-	-	445
Total Assets	\$ 486,692	\$ 738,806	\$ 869,521	\$ 2,095,019
Liabilities, Deferred Inflows, and Fund Balance				
Liabilities				
Accounts payable	\$ 52,554	114,361	\$ -	\$ 166,915
Due to other fund	-	-	-	-
Unearned revenue	93,838	-	-	93,838
Total Liabilities	146,392	114,361	-	260,753
Deferred inflows of resources				
Property taxes	22,588	-	-	22,588
Fund Balances				
Nonspendable - prepaid expense	445	-	-	445
Restricted for emergencies	18,901	-	-	18,901
Restricted for debt service	-	624,445	-	624,445
Assigned for gondola/capital reserve	-	-	869,521	869,521
Unassigned	298,366	-	-	298,366
Total Fund Balance	317,712	624,445	869,521	1,811,678
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 486,692	\$ 738,806	\$ 869,521	\$ 2,095,019

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

Confluence Metropolitan District

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE
SHEETS TO THE STATEMENT OF NET POSITION

December 31, 2021

Total Fund Balances		\$ 1,811,678
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets, net of accumulated depreciation, used in governmental funds are not financial resources, and therefore are not reported in the governmental funds.		6,273,307
Accrued expenses, including interest payable on outstanding debt, do not require current financial resources. Therefore, they are not reported as liabilities in governmental funds balance sheets.		(1,817,302)
Amounts owed to the District for costs incurred to construct, operate, and maintain infrastructure are not collectible in the current period and, therefore, are not reported in the governmental funds, net of allowance for doubtful accounts.		24,198,562
Long-term liabilities, including amounts owed to developer and bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loss on debt refunding	\$ 59,467	
Developer advance	(991,101)	
Long-term debt	(23,100,000)	
Premium on bond issuance	(141,304)	(24,172,938)
Total Net Position		<u>\$ 6,293,307</u>

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

Confluence Metropolitan District

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

For the year ended December 31, 2021

	General	Debt Service	Gondola/Capital Reserve	Total Governmental Funds
Revenue				
TIFF payments from Town of Avon	\$ 168,381	\$ 313,190	\$ -	\$ 481,571
Payments from Avon Station				
Metropolitan District	367,447	740,283	-	1,107,730
Payments from Mountain Vista				
Metropolitan District	18,199	-	-	18,199
Payments from Town of Avon	281,372	-	-	281,372
Interest income	538	59	365	962
Total Revenue	<u>835,937</u>	<u>1,053,532</u>	<u>365</u>	<u>1,889,834</u>
Expenditures				
General government				
Accounting	27,540	-	-	27,540
Audit	7,650	-	-	7,650
Directors' fees	1,507	-	-	1,507
Elections	70	-	-	70
Insurance	45,040	-	-	45,040
Legal	16,531	-	-	16,531
Miscellaneous	173	-	-	173
Landscape/entry monument	55,877	-	-	55,877
Paying agent fees	-	13,235	-	13,235
Debt issuance costs	-	760,897	-	760,897
Transportation				
Airspace lease	4,327	-	-	4,327
Utilities	21,758	-	-	21,758
Gondola insurance	40,685	-	-	40,685
Gondola operations	241,773	-	-	241,773
Gondola repairs and maintenance	74,780	-	-	74,780
Gondola management	75,000	-	-	75,000
Plaza operations	162,753	-	-	162,753
Debt Service				
Interest	-	1,024,514	-	1,024,514
Total Expenditures	<u>775,464</u>	<u>1,798,646</u>	<u>-</u>	<u>2,574,110</u>
Revenues Over (Under) Expenditures	<u>60,473</u>	<u>(745,114)</u>	<u>365</u>	<u>(684,276)</u>
Other Financing Sources (Uses)				
Proceeds from bond refundings	-	23,263,783	-	23,263,783
Payoff of 2007 bonds	-	(21,895,000)	-	(21,895,000)
Transfers in	-	-	129,500	129,500
Transfers out	(129,500)	-	-	(129,500)
Total Other Financing Sources (Uses)	<u>(129,500)</u>	<u>1,368,783</u>	<u>129,500</u>	<u>1,368,783</u>
Revenues and Other Financing Sources				
(Uses) Over (Under) Expenditures	(69,027)	623,669	129,865	684,507
Fund Balance, beginning of year	<u>386,739</u>	<u>776</u>	<u>739,656</u>	<u>1,127,171</u>
Fund Balance, end of year	<u>\$ 317,712</u>	<u>\$ 624,445</u>	<u>\$ 869,521</u>	<u>\$ 1,811,678</u>

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

Confluence Metropolitan District

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

Reconciliation to the Statement of Activities

Total net change in fund balances - governmental funds \$ 684,507

Amounts reported for governmental activities in the Statement of
Activities are different because:

Depreciation expense on capital assets was reported in the Statement of Activities but it did not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds. (423,554)

Increases and decreases in capital and service obligation owed to Confluence Metropolitan District do not produce or use current financial resources and, therefore, are not reported in the governmental funds. (4,339,020)

Bad debt expense adjustments related to capital and service obligation owed to Confluence Metropolitan District do not represent current financial resources and, therefore, is not reported in the governmental funds. 28,208,522

Long-term debt activity is recognized as other financing sources and uses and expenditures in the fund financial statements, but in the government wide statements they are recognized as long-term liabilities.

Proceeds from new debt	\$ (23,120,000)	
Proceeds from premium on new debt	(141,304)	
Forgiveness of liability for Guaranty Fund	5,000,000	
Principal payments on long term debt	21,895,000	
Loss on refunding	59,467	3,693,163

Changes in accrued interest on long-term debt is reported in the Statement of Activities, but does not require the use of current financial resources; therefore, the expense associated with the increases in accrued interest is not reported as expenditures in governmental funds. (18,650)

Change in net position of governmental activities \$ 27,804,968

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

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE A – ORGANIZATION AND DEFINITION OF REPORTING ENTITY

The District, a quasi-municipal organization, was organized on February 8, 1999, 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 as part of a dual district structure with the Avon Station Metropolitan District (ASMD). The District is considered the service district and was established to provide water, street, traffic and safety, fire protection and emergency medical services, television relay, transportation, parks and recreation, sanitation, and mosquito and pest control improvements. ASMD is the financing district and was established to provide funding and tax base for capital improvements constructed and operated by the District (see Note H).

The District has no employees and all services are contracted.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's basic financial statements consist of government-wide statements, including the Statement of Net Position and the Statement of Activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government. The Statement of Net Position presents the financial condition of the governmental activities at year-end. The Statement of Activities presents a comparison between program expenses and the program revenues for each program or function of the District's governmental activities. Program expenses are those that are specifically associated with a service, program, or department; and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of program expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the current financial resources measurement focus and the accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds.

The District reports the following governmental funds:

General Fund – the General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – the Debt Service Fund is used to account for the accumulation of resources for and the payment of long-term obligation principal, interest and related costs.

Gondola/Capital Reserve Fund – the Gondola/Capital Reserve Fund is used to account for financial resources to be used for future repairs of the gondola and capital improvements.

Fair value of financial statements

Investments are stated at fair value in compliance with GASB 72, *Fair Value Measurement and Applications*. The definition of fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of estimates

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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 will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial 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 will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from property taxes for which there is an enforceable legal claim as of December 31, 2021, but which are levied to financial year 2022. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Capital assets

Capital assets are those items purchased or constructed by the government that have a useful life greater than 1 year and a cost that meets or exceeds the capitalization threshold of \$5,000 as set by District policy. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements. All capital assets are capitalized at cost, or estimated historical cost, and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. Improvements are capitalized, however, the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except construction in progress are depreciated. Depreciation is computed using the straight-line method over the asset's estimated useful life. The estimated useful lives are as follows:

Improvements	15 years
Gondola	30 years
Buildings	25 years

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund equity

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or is legally or contractually required to be maintained intact.

Restricted – The portion of fund balance that is constrained to be used for specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation. The District’s restricted fund balance represents amounts reserved for emergencies under the Colorado State Constitution, and amounts restricted for debt service.

Committed – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision – making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors. The District has no committed fund balance.

Assigned – The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board of Directors or other individuals authorized to assign funds to be used for a specific purpose. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund. The fund balance in the District’s gondola reserve fund is assigned for future gondola repairs.

Unassigned – The residual portion of fund balance that does not meet any of the criteria described above. The District will only report a positive unassigned fund balance in the General Fund.

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information

In accordance with State Budget Law, the District’s Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District’s Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements.

The budget includes each fund on its basis of accounting unless otherwise indicated.

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE C – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

Budgetary information (continued)

Encumbrance accounting (open purchase orders, contracts in process and other commitments for the expenditures of funds in future periods) is not used by the District for budget or financial reporting purposes.

NOTE D – CASH AND INVESTMENTS

Cash and investments

As of December 31, 2021, cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Deposits	\$ 5,213
Money Market	499,418
Colostrust	<u>1,534,996</u>
Cash and investments	<u>\$ 2,039,627</u>

Custodial and concentration of credit risk

Custodial credit risk is the risk that in the event of the failure of a depository financial institution, the government would not be able to recover deposits or collateral securities that are in the possession of an outside party. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and collateralized with securities held by the pledging financial institution, or collateralized by certain types of collateral pools including a single financial institution collateral pool where the fair value of the pool is equal to or exceeds all uninsured public deposits held by the financial institution (e.g. deposits insured by The Public Deposit Protection Act (PDPA). Accordingly, none of the District's deposits at December 31, 2021, are deemed to be exposed to custodial credit risk.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by PDPA. PDPA allows the institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At December 31, 2021, the District's cash deposits had a carrying value of \$5,213 and a corresponding bank balance of \$5,427, all of which was FDIC insured.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE D – CASH AND INVESTMENTS - CONTINUED

Pooled cash

The District follows the practice of pooling cash and investments of all funds to maximize net investment income. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Net investment income is allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments

Colorado Statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain United States government agency securities
- General obligations and revenue bonds of United States local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Local government investment pools

Local Government Investment Pools – At December 31, 2021, the District had \$1,534,996 invested in Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for government entities in Colorado to pool surplus funds. As an investment pool, COLOTRUST operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. The Trust invests in securities that are specified by the Colorado Revised Statutes (24-75-601). These assets are valued at net asset value per share as determined by the pool.

Authorized securities include US Treasuries, US Agencies, commercial paper, repurchase agreements and bank deposits (collateralized through PDPA). The Trust operates similar to a 2a7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. COLOTRUST is rated AAA by the Standard & Poor's Corporation. Designated custodial banks provide safekeeping and depository services to the Trusts in connection with the direct investment and withdrawal functions of the Trusts. Substantially all securities owned by the Trusts are held by the Federal Reserve Bank in the account maintained for the custodial bank.

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2021 was as follows:

	Balance December 31, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2021</u>
Depreciable				
Improvements	\$ 286,189	\$ –	\$ –	\$ 286,189
Upper Terminal	173,442	–	–	173,442
Gondola	7,715,649	–	–	7,715,649
Lower Public Plaza	<u>4,102,676</u>	<u>–</u>	<u>–</u>	<u>4,102,676</u>
Total capital assets	12,277,956	–	–	12,277,956
Less accumulated depreciation				
Improvements	(248,027)	(19,079)	–	(267,106)
Upper terminal	(77,969)	(5,781)	–	(83,750)
Gondola	(3,546,653)	(261,938)	–	(3,808,591)
Lower Public Plaza	<u>(1,708,446)</u>	<u>(136,756)</u>	<u>–</u>	<u>(1,845,202)</u>
Total accumulated depreciation	<u>(5,581,095)</u>	<u>(423,554)</u>	<u>–</u>	<u>(6,004,649)</u>
Net capital assets	<u>\$ 6,696,861</u>	<u>\$ (423,554)</u>	<u>\$ –</u>	<u>\$ 6,273,307</u>

Depreciation expense was allocated \$267,719 to the transportation function and \$155,835 to the general government function.

NOTE F – LONG-TERM OBLIGATIONS

The following is an analysis of the change in long-term obligations for the year ended December 31, 2021:

	Balance December 31, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2021</u>	Due Within <u>One Year</u>
Due to Developer	<u>\$ 991,101</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 991,101</u>	<u>\$ –</u>

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE F – LONG-TERM OBLIGATIONS - CONTINUED

Bonds	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021	Due in Next Year
2007 Tax Supported Revenue Bonds	\$ 21,875,000	\$ -	\$(21,875,000)	\$ -	\$ -
2021A-1 Senior Refunding Loan	-	1,500,000	(20,000)	1,480,000	350,000
2021A-2 Senior Refunding Loan	-	17,200,000	-	17,200,000	-
2021B Subordinate Bond	-	4,420,000	-	4,420,000	-
2021B Subordinate Bonds Premium	-	143,783	(2,479)	141,304	4,958
Total Bonds	\$ 21,875,000	\$ 23,263,783	\$(21,897,479)	\$ 23,241,304	\$ 354,958

A description of the long-term obligations outstanding as of December 31, 2021, is as follows:

Developer Advances

On August 22, 2006, the District entered into a Funding and Reimbursement Agreement with East West Resort Development XIV L.L.P. The Developer agreed to advance funds to the District, up to a maximum of \$25,000,000 to enable the District to improve property and to acquire those public facilities and improvements that were paid for by the Developer within the District boundaries. Any amounts advanced to the District under this original agreement bear an annual interest rate of 12 percent, and the agreement automatically renewed each year unless terminated by the Developer.

On December 18, 2007 the District entered into the First Amendment to the Funding and Reimbursement Agreement. The Amendment acknowledged the repayment of principal amounts owed to the Developer for advances made to the District excluding unpaid interest of \$1,062,963 which remains due and owing to the Developer. In addition the Developer agreed to continue to advance funds to the District up to a maximum of \$1,000,000 through January 31, 2009 to enable the District to provide operations and continue to improve property and to acquire those public facilities and improvements that have been paid for by the Developer within the District boundaries. Any amounts advanced to the District under this amended agreement also bear an annual interest rate of 12 percent, and the agreement automatically renews each year unless terminated by the Developer.

On August 26, 2008, the District entered into the Second Amendment to the Funding and Reimbursement Agreement. The amendment modified the interest rate to the prime rate specified in the Wall Street Journal on January 1, plus 2%. All other terms of the Agreement remain the same.

On January 31, 2009, the District entered into a Third Amendment to the Funding and Reimbursement

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE F – LONG-TERM OBLIGATIONS - CONTINUED

Agreement whereby the Developer agreed to continue to advance funds up to a maximum of \$1,400,000 through December 31, 2011. All other terms of the Agreement remained the same.

On November 29, 2011, the District entered into a Fourth Amendment to the Funding and Reimbursement Agreement whereby the Developer shall have no further obligation to advance funds to the District after December 31, 2011. All other terms of the Agreement remained the same.

Repayment of amounts due to the Developer is subordinated to debt service requirements of the District's Tax Supported Revenue Bonds. At December 31, 2021, in addition to outstanding developer advances of \$991,101, unpaid interest due to the developer totaled \$689,486.

\$24,665,000 Limited Tax Supported Revenue Bonds, Series 2007

The bonds, dated May 1, 2007 with interest payable semiannually at 5.25% to 5.45%, consist of serial bonds issued in the original amount of \$2,790,000 due December 1, 2017, term bonds in the original amount of \$9,410,000, due December 1, 2027, and term bonds issued in the original amount of \$12,465,000, due December 1, 2034. The terms bonds are subject to mandatory sinking fund and extraordinary redemption prior to the maturity date of such bonds. These bonds were issued for the purpose of assisting with financing infrastructure improvements necessary for commercial development. These bonds were refunded on June 10, 2021 for \$21,936,845 which included \$21,875,000 in principal, and \$52,777 of accrued interest.

2021A-1 and 2021A-2 Senior Notes and 2021B Bonds

On June 10, 2021, the District closed on two loans in the aggregate amount of \$18,700,000 consisting of the 2021A-1 Senior Loan in the amount of \$1,500,000 and the 2021A-2 Senior Loan in the amount of \$17,200,000. The proceeds of these loans were used to redeem the Refunded 2007 bonds on June 17, 2021. \$499,414 of the proceeds from the 2021A-2 Loan were credited to the Senior Reserve Fund. Interest rates on the 2021A-1 and 2021A-2 loans are 1.540% to 5.500% and are due on December 1 and June 1 beginning in 2021. The loans are scheduled to be paid off in 2025 and 2050, respectively.

The 2021B Bonds were issued on June 10, 2021 in the amount of \$4,420,000 with a premium of \$143,783. Principal payments on the bonds begin in 2021 and carry an interest rate of 5.500%. The bonds will be paid off in 2050.

The refunding resulted in a loss on refunding of \$61,846 and an economic loss of \$8,725,393.

Future maturities of the District's bonds are as follows:

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE F – LONG-TERM OBLIGATIONS - CONTINUED

2021A-1 and 2021A-2 Senior Notes and 2021B Bonds - continued

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 350,000	\$ 775,012	\$ 1,125,012
2023	365,000	769,622	1,134,622
2024	395,000	764,001	1,159,001
2025	550,000	757,324	1,307,324
2026	590,000	742,320	1,332,320
2027-2031	3,465,000	3,355,173	6,820,173
2032-2037	4,070,000	2,925,926	6,995,926
2037-2041	3,225,000	3,333,275	6,558,275
2041-2045	4,630,000	2,299,825	6,929,825
2046-2050	5,460,000	815,375	6,275,375
	<u>\$23,100,000</u>	<u>\$ 16,537,853</u>	<u>\$ 39,637,853</u>

Authorized Debt

At December 31, 2021, the District has authorized but unissued general obligation debt for the following improvement purposes:

	<u>1998 Electoral Authorization</u>	<u>2006 Electoral Authorization</u>	<u>2020 Electoral Authorization</u>	<u>Authorization Used Series 2007 Bonds</u>	<u>Remaining Authorization</u>
Transportation	\$ 27,500,000	\$ 27,500,000	\$ -	\$ (9,994,422)	\$ 45,005,578
Parks and recreation	8,100,000	8,100,000	-	(5,453,142)	10,746,858
Streets	7,500,000	7,500,000	-	(7,180,352)	7,819,648
Television	1,500,000	-	-	-	1,500,000
Sewer	500,000	1,500,000	-	(1,095,288)	904,712
Water	500,000	1,500,000	-	(768,604)	1,231,396
Traffic and safety	500,000	-	-	(173,192)	326,808
Fire protection	500,000	-	-	-	500,000
Mosquito and pest control	100,000	-	-	-	100,000
Operation and maintenance	100,000	1,200,000	-	-	1,300,000
Refunding District Debt	-	-	47,800,000	(23,120,000)	24,680,000
	<u>\$ 46,800,000</u>	<u>\$ 47,300,000</u>	<u>\$ 47,800,000</u>	<u>\$ (47,785,000)</u>	<u>\$ 94,115,000</u>

NOTE G – RELATED PARTIES

A majority of the members of the Board of Directors of the District are employees of the East West Partners (the Developer) or related entities.

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE H – AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES

District Facilities Construction and Service Agreement

The District has entered into a Second Amended and Restated Joint Facilities Construction and Service Agreement (the Agreement) with Avon Station Metropolitan District (“the Financing District”) dated April 26, 2007. On May 25, 2021 a First Amendment to the Agreement was approved in connection with the issuance of the 2021 obligations.

Under the Agreement, the Financing District is to provide funding and the necessary tax base for financing the construction, operation, and maintenance of the public improvements that benefit both of the Districts. The Financing District may also obtain financing for the construction of the public improvements and pay the proceeds to the District.

The District will manage the construction and operation of the public improvements, and own, operate, and maintain the public improvements pursuant to a long-term operations and maintenance program.

Under the Agreement, the Financing District has assigned all revenue raised from mill levies assessed by ASMD to the District in order to offset the expenses of the construction of the public improvements and the District’s costs of operation and maintenance of such public improvements. The Agreement remains in force until all terms and conditions have been performed in their entirety. The Financing District’s primary revenue source is property taxes collectible annually based on a set mill levy applied to the assessed valuation of the Financing District’s property.

During 2021, the District received \$1,107,730 from the Financing District in accordance with this agreement. As of December 31, 2021, the District had incurred \$24,198,562 in unreimbursed expenditures, which the Financing District will be obligated to pay pursuant to this agreement to the extent of legally available revenues. Previously an allowance for doubtful accounts was established to offset the full amount of the obligation due from ASMD as it was anticipated that there may be insufficient tax revenues collected in accordance with the Capital Pledge Agreement to pay down this obligation and future costs incurred, such as interest expense on the bonds. The refinancing of the debt in 2021 and the development of housing within the district in 2021 and 2022 has decreased the likelihood that the Capital and Service Obligations will not be received from Avon Station Metropolitan District and thus the District has recognized the receivable in full at December 31, 2021. The long-term receivable will be shown as follows:

Capital and Service obligations from Avon Station Metropolitan District	\$ 24,198,562
Allowance for uncollectible obligation	<u>(0)</u>
Net Capital and Service obligations	<u>\$ 24,198,562</u>

Capital Pledge Agreement

On May 1, 2007 the District entered into a Capital Pledge Agreement with Avon Station Metro District and the Trustee whereby ASMD pledged certain revenues to assist in the repayment of District bonds to

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE H – AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES – CONTINUED

the extent of the pledged revenues. As part of the issuance of the 2021 obligations, the District entered into the Amended and Restated Capital Pledge Agreement and the Capital Pledge Agreement (subordinate).

Intergovernmental Agreement with Mountain Vista Metropolitan District

The District has entered into an Amended and Restated Intergovernmental Agreement with Mountain Vista Metropolitan District (Mountain Vista) dated April 28, 2006.

Under the agreement, Mountain Vista is to certify a mill levy up to 25 mills (subject to certain adjustments) but not in excess of the debt service mill levy imposed by ASMD for financing the construction, operation, and maintenance of public improvements that benefit both Districts. Of the 25 mills, 5 mills relate to operations and maintenance and will be imposed indefinitely unless the improvements are dedicated to the Town. The remaining 20 mills (subject to certain adjustments) related to CMD debt is subject to Mountain Vista’s electoral debt authorization which expired on February 23, 2020.

The District will manage the construction and operation of the public improvements, and own, operate, and maintain the public improvements pursuant to a long-term operations and maintenance program.

During 2021, the District received \$18,199 from Mountain Vista in accordance with this agreement.

Intergovernmental Agreement with Avon Urban Renewal Authority

The District entered into an Intergovernmental Agreement with the Avon Urban Renewal Authority (the “Authority”) and ASMD concerning incremental taxes on October 9, 2007. Under this agreement, the Authority agreed to remit to the Districts the incremental revenues it receives as a result of ad valorem property taxes and specific ownership taxes levied by the Districts except those upon Lot B in ASMD and upon any increase in the number of dwelling units permitted or commercial square footage in the zoning entitlements as of February 27, 2007. The Districts shall use any District Tax Increment Revenues remitted for those purposes permitted by the Service Plan, including paying for public improvements within the Districts. During 2021, the District received \$481,571 in accordance with this agreement.

Facilities Operations Agreement

The District entered into a Facilities Operation Agreement with the Town of Avon (TOA) on March 14, 2006. The agreement addresses the responsibilities and funding related to the construction, operations and maintenance for the Gondola and Public Plaza Improvements.

During 2021, the District received \$281,372 from TOA for their portion of the gondola and public plaza operation costs in accordance with the agreement.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE H – AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES – CONTINUED

Operations Agreement

The District entered into a Gondola Construction, Operations and Maintenance Agreement with the Vail Corporation on April 28, 2006. The agreement was amended on October 24, 2007 to include the District Plaza located at the upper gondola terminal. Under this agreement, Vail Corporation will provide operations and maintenance for the upper plaza and gondola. The Agreement will automatically renew each year for an initial period of 15 years absent written notice by either party of early termination. The Amendment states that, after the initial 15 year period, the District has the option to renew the Agreement for six (6) additional fifteen (15) year periods and the District must inform Vail in writing if it chooses to exercise that option. During 2021, the District incurred costs of \$316,773 under this agreement.

NOTE I – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions, injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2021. 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. 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 members pursuant to a distribution formula.

NOTE J – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of Fiscal Year Spending, excluding bonded debt service. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2021

NOTE J – TAX, SPENDING AND DEBT LIMITATIONS – CONTINUED

On November 3, 1998, a majority of the District’s electors authorized the District (1) to increase taxes annually unlimited as to rate or amount by the imposition of an ad valorem property tax levy to be in effect for the life of the debt, which is limited to 20 years, and (2) to collect, keep, and expend all District revenues during 1999, and continuing thereafter without regard to limitations under TABOR.

On May 2, 2006, the majority of the District’s electors authorized the removal of the 20-year term restriction of the tax levy.

Also, on November 3, 1998, the voters of the District authorized the issuance of \$46,800,000 in debt and approved an increase in property tax revenue to pay such debt. On May 2, 2006, voters of the District increased this amount by \$47,300,000 to a total authorized debt amount of \$94,100,000.

On November 3, 2020, a majority of the District’s electors authorized the District to increase debt by \$47,800,000 and to increase taxes annually to pay such debt, and to collect, keep and expend all District revenues during 2020 and continuing thereafter without regard to limitations under TABOR.

The District’s management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

Confluence Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND

For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenue				
TIFF payments from Town of Avon	\$ 173,280	\$ 173,280	\$ 168,381	\$ (4,899)
Service obligation payments from Avon Station Metropolitan District	367,475	367,475	367,447	(28)
Service obligation payments from Mountain Vista Metropolitan District	18,198	18,198	18,199	1
Town of Avon payment for gondola and public plaza operations	279,063	369,718	281,372	(88,346)
Interest and other	1,000	790	538	(252)
Total Revenues	839,016	929,461	835,937	(93,524)
Expenditures				
General government				
Accounting	26,000	35,000	27,540	(7,460)
Audit	7,650	7,650	7,650	-
Directors' fees	2,250	2,250	1,507	(743)
Election	-	-	70	70
Insurance	46,100	45,040	45,040	-
Legal	25,000	25,000	16,531	(8,469)
Miscellaneous expense	250	250	173	(77)
Landscape entry/monument	75,000	65,790	55,877	(9,913)
Transportation				
Airspace lease	4,400	4,350	4,327	(23)
Utilities	27,500	25,000	21,758	(3,242)
Gondola insurance	42,500	40,685	40,685	-
Gondola operations	300,000	375,000	241,773	(133,227)
Gondola repairs and maintenance	-	-	74,780	74,780
Gondola management	75,000	75,000	75,000	-
Plaza operations	70,000	150,000	162,753	12,753
Contingency	15,000	15,000	-	(15,000)
Total Expenditures	716,650	866,015	775,464	(90,551)
Revenues Over (Under) Expenditures	122,366	63,446	60,473	(2,973)
Other Financing Sources (Uses)				
Transfers out	(36,500)	(129,500)	(129,500)	-
Total Other Financing Uses	(36,500)	(129,500)	(129,500)	-
Net Change in Fund Balance	85,866	(66,054)	(69,027)	(2,973)
Fund Balance, beginning of year	339,521	386,739	386,739	-
Fund Balance, end of year	\$ 425,387	\$ 320,685	\$ 317,712	\$ (2,973)

Confluence Metropolitan District

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2021

RSI NOTE A – BUDGETARY INFORMATION

Budgets for major governmental funds are adopted on the modified accrual basis where capital outlays are treated as expenditures and depreciation is not budgeted. The operating budget includes proposed expenditures and the means of financing them. The Board of Directors must approve transfers between funds or increases to a fund's budget.

RSI NOTE B – EXPENDITURES/EXPENSES IN EXCESS OF APPROPRIATION

State Statute requires that expenditures and transfers for a fund cannot exceed the appropriations for that fund. Appropriations for a fund may be increased provided unanticipated resources offset them.

The budget is controlled at the departmental line level within each fund. However, the legal level of appropriation is within the fund. In 2021, the District did not have any budget violations.

Confluence Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the year ended December 31, 2021

	Original and Final Budget	Actual	Variance Over (Under)
Revenue			
TIFF payments from Town of Avon	\$ 322,301	\$ 313,190	\$ (9,111)
Capital obligation payments from Avon Station Metropolitan District	718,736	740,283	21,547
Capital obligation payments from Mountain Vista Metropolitan District	-	-	-
Interest income	-	59	59
Contingency revenue	-	-	-
Total Revenue	1,041,037	1,053,532	12,495
Expenditures			
General government			
Debt issuance costs	791,700	760,897	(30,803)
Agent fees	10,000	13,235	3,235
Debt Service			
Interest	1,079,055	1,024,514	(54,541)
Contingency	140,000	-	(140,000)
Total Expenditures	2,020,755	1,798,646	(222,109)
Revenues Over (Under) Expenditures	(979,718)	(745,114)	234,604
Other Financing Sources (Uses)			
Proceeds from bond refundings	22,855,000	23,263,783	408,783
Reserve, insurance and cost of issuance	-	-	-
Payoff of 2007 bonds	(21,875,000)	(21,895,000)	(20,000)
Transfers in	-	-	-
Total Other Financing Sources (Uses)	980,000	1,368,783	388,783
Net Change in Fund Balance	282	623,669	623,387
Fund Balance, beginning of year	-	776	776
Fund Balance, end of year	<u>\$ 282</u>	<u>\$ 624,445</u>	<u>\$ 624,163</u>

Confluence Metropolitan District

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GONDOLA/CAPITAL RESERVE FUND

For the year ended December 31, 2021

	Original and Final Budget	Actual	Variance Over (Under)
Revenue			
Interest	\$ 1,000	\$ 365	\$ (635)
Total Revenue	<u>1,000</u>	<u>365</u>	<u>(635)</u>
Expenditures			
Transportation			
Gondola expenses	130,000	-	(130,000)
Plaza repairs and maintenance	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>130,000</u>	<u>-</u>	<u>(130,000)</u>
Revenues Over (Under) Expenditures	(129,000)	365	129,365
Other Financing Sources (Uses)			
Transfers in	<u>36,500</u>	<u>129,500</u>	<u>93,000</u>
Total Other Financing Sources	<u>36,500</u>	<u>129,500</u>	<u>93,000</u>
Net Change in Fund Balance	(92,500)	129,865	222,365
Fund Balance, beginning of year	<u>735,763</u>	<u>739,656</u>	<u>3,893</u>
Fund Balance, end of year	<u><u>\$ 643,263</u></u>	<u><u>\$ 869,521</u></u>	<u><u>\$ 226,258</u></u>

Confluence Metropolitan District

SCHEDULE OF BOND OBLIGATIONS AND INTEREST
REQUIREMENTS TO MATURITY

December 31, 2021

Year ending December 31	Interest at 1.54% to 5.00% Due June 1 and December 1		
	Principal	Interest	Total
	Limited Tax Supported Revenue Refunding Loan, Series 2021A1 Limited Tax Supported Revenue Refunding Loan, Series 2021A2 Subordinate Limited Tax Supported Revenue Refunding Bonds, Series 2021B June 10, 2021, Principal Due December 1		
2022	350,000	775,012	1,125,012
2023	365,000	769,622	1,134,622
2024	395,000	764,001	1,159,001
2025	550,000	757,324	1,307,324
2026	590,000	742,320	1,332,320
2027	610,000	720,030	1,330,030
2028	660,000	697,148	1,357,148
2029	685,000	672,405	1,357,405
2030	740,000	646,795	1,386,795
2031	770,000	618,795	1,388,795
2032	825,000	589,653	1,414,653
2033	855,000	558,375	1,413,375
2034	915,000	525,828	1,440,828
2035	950,000	490,870	1,440,870
2036	525,000	761,200	1,286,200
2037	540,000	732,325	1,272,325
2038	610,000	702,625	1,312,625
2039	635,000	669,075	1,304,075
2040	710,000	634,150	1,344,150
2041	730,000	595,100	1,325,100
2042	815,000	554,950	1,369,950
2043	845,000	510,125	1,355,125
2044	935,000	463,650	1,398,650
2045	970,000	412,225	1,382,225
2046	1,065,000	358,875	1,423,875
2047	1,110,000	300,300	1,410,300
2048	1,210,000	239,250	1,449,250
2049	1,265,000	172,700	1,437,700
2050	1,875,000	103,125	1,978,125
	<u>\$ 23,100,000</u>	<u>\$ 16,537,853</u>	<u>\$ 39,637,853</u>