

CONFLUENCE METROPOLITAN DISTRICT

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2019

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**INDEPENDENT AUDITOR'S REPORT**

June 8, 2020

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Confluence Metropolitan District, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Confluence Metropolitan District, as of December 31, 2019, 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.



Confluence Metropolitan District
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Emphasis of Matter

As disclosed in Note F to the financial statements, the District was unable to meet its current year mandatory sinking fund redemption payments in 2019 and it is unclear whether the District will collect sufficient funding from its taxing districts in future years to be able to meet its obligations beyond 2019. Our opinions are not modified with respect to this matter.

Other Matters

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 on pages 3–5 and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Confluence Metropolitan District's basic financial statements. The schedule of revenues, expenditures and changes in fund balance – budget and actual – debt service fund, the schedule of revenues, expenditures and changes in fund balance – budget and actual – gondola/capital reserve fund, and the schedule of bond obligations and interest requirements to maturity is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary schedules for the debt service and gondola/capital reserve funds, and the schedule of bond obligations and interest requirements to maturity, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 schedule of revenues, expenditures and changes in fund balance – budget and actual – debt service fund, the schedule of revenues, expenditures and changes in fund balance – budget and actual – gondola/capital reserve fund, and the schedule of bond obligations and interest requirements to maturity, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Confluence Metropolitan District

Management's Discussion and Analysis December 31, 2019

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, 2019.

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 6 and 7 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District 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 8 through 10 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 12 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>2019</u>	<u>2018</u>
Current assets	\$ 1,304,082	\$ 1,605,784
Capital and other non-current assets	7,534,912	7,998,524
Total Assets	<u>8,838,994</u>	<u>9,604,308</u>
Current liabilities	4,239,873	3,332,660
Non-current liabilities	25,526,101	29,723,761
Total Liabilities	<u>29,765,974</u>	<u>33,056,421</u>
Net position:		
Net Investment in fixed assets	(15,745,686)	(15,322,132)
Restricted for emergencies	18,901	18,901
Unrestricted	<u>(5,200,195)</u>	<u>(4,816,222)</u>
Total Net Position	<u>\$ (20,926,980)</u>	<u>\$ (20,119,453)</u>
Program revenues:	\$ -	\$ -
Operating grants and contributions	718,574	683,006
Capital Contributions	852,836	852,836
General revenues:		
Interest and other revenue	<u>36,070</u>	<u>36,367</u>
Total Revenues	<u>1,607,480</u>	<u>1,572,209</u>
EXPENSES:		
Program expenses:		
General government	159,842	281,971
Transportation	957,233	774,193
Intergovernmental agreement	58,416	76,775
Interest on long-term debt	<u>1,239,516</u>	<u>1,239,514</u>
Total Expenses	<u>2,415,007</u>	<u>2,372,453</u>
Change in Net Position	(807,527)	(800,244)
Net Position - Beginning	<u>(20,119,453)</u>	<u>(19,319,209)</u>
Net Position - Ending	<u>\$ (20,926,980)</u>	<u>\$ (20,119,453)</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 and 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 \$1,091,686. 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 26 through 29 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 18 of this report.

Long-term debts. The District issued tax supported revenue bonds during 2007 in the amount of \$24,665,000. A portion of the bond proceeds were used to repay advances received from the Developer to finance public facilities and improvements that are within District boundaries. The District did not receive adequate funding for the debt service payments causing the District to request a withdrawal of \$395,156 from the reserve fund to help cover the debt service interest payments in 2019. The District was unable to fund its mandatory sinking fund redemption payment for the principal payment due December 1, 2018. Additional information can be found in the Notes to the Financial Statement on page 20 and 21 of this report.

Economic Conditions and Outlook. Based on the current valuation of properties within the Avon Station Metropolitan District and the Mountain Vista Metropolitan District the property tax revenues received are not sufficient to cover the annual debt service payments, requiring draw downs of the bond guaranty fund and the bond reserve fund. As of December 31, 2016, the guaranty fund was exhausted. The debt service fund has a balance of \$109,144 (including the reserve fund) which is projected to be exhausted in 2020.

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 is 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, 2019

Assets	
Current Assets	
Cash and cash equivalents	\$ 1,161,793
Accounts receivable	60,361
Due from Avon Station Metropolitan District	11,035
Prepaid expense	12,476
Current portion of Capital and Service obligations from Avon Station Metropolitan District	58,417
Total Current Assets	<u>1,304,082</u>
Noncurrent Assets	
Capital and Service obligations from Avon Station Metropolitan District	414,497
Capital assets	
Depreciable	12,277,956
Accumulated depreciation	<u>(5,157,541)</u>
Total Noncurrent Assets	<u>7,534,912</u>
Total Assets	<u>8,838,994</u>
Liabilities	
Current liabilities	
Accounts payable	72,146
Accrued interest payable	1,745,894
Unearned revenue	81,833
Current maturities of long-term debt	2,340,000
Total Current Liabilities	<u>4,239,873</u>
Noncurrent Liabilities	
Amounts due to developer	5,991,101
Bonds payable	19,535,000
Total Noncurrent Liabilities	<u>25,526,101</u>
Total Liabilities	<u>29,765,974</u>
Net Position	
Net investment in capital assets	(15,745,686)
Restricted for emergencies	18,901
Unrestricted	<u>(5,200,195)</u>
Total Net Position	<u>\$ (20,926,980)</u>

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

Confluence Metropolitan District

STATEMENT OF ACTIVITIES

For the year ended December 31, 2019

	Program Expenses	Operating Contributions	Capital Contributions	Net (Expense) Revenue
Governmental Operations				
General government	\$ 159,842	\$ -	\$ -	\$ (159,842)
Transportation	957,233	286,543		(670,690)
Intergovernmental agreement	58,416	432,031	852,836	1,226,451
Interest expense	1,239,516	-	-	(1,239,516)
Totals	<u>\$ 2,415,007</u>	<u>\$ 718,574</u>	<u>\$ 852,836</u>	<u>(843,597)</u>
		General Revenues		
		Interest income		<u>36,070</u>
		Total General Revenues		<u>36,070</u>
		Change in Net Position		(807,527)
		Net Position, beginning of year		<u>(20,119,453)</u>
		Net Position, end of year		<u>\$ (20,926,980)</u>

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

Confluence Metropolitan District

BALANCE SHEET
GOVERNMENTAL FUNDS

December 31, 2019

	General	Debt Service	Gondola/Capital Reserve	Total Governmental Funds
Assets				
Cash	\$ 417,430	\$ -	\$ 661,263	\$ 1,078,693
Restricted cash	-	83,100	-	83,100
Accounts receivable	23,518	36,843	-	60,361
Due from Avon Station and Mountain Vista Metropolitan Districts	49	10,986	-	11,035
Prepaid expense	12,476	-	-	12,476
Total Assets	\$ 453,473	\$ 130,929	\$ 661,263	\$ 1,245,665
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 50,361	\$ 21,785	\$ -	\$ 72,146
Unearned revenue	81,833	-	-	81,833
Total Liabilities	132,194	21,785	-	153,979
Fund Balances				
Nonspendable - prepaid expense	12,476	-	-	12,476
Restricted for emergencies	18,901	-	-	18,901
Restricted for debt service	-	109,144	-	109,144
Assigned for gondola/capital reserve	-	-	661,263	661,263
Unassigned	289,902	-	-	289,902
Total Fund Balance	321,279	109,144	661,263	1,091,686
Total Liabilities and Fund Balance	\$ 453,473	\$ 130,929	\$ 661,263	\$ 1,245,665

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, 2019

Total Fund Balances	\$ 1,091,686
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.	7,120,415
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.	(1,745,894)
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.	472,914
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.	<u>(27,866,101)</u>
Total Net Position	<u>\$ (20,926,980)</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, 2019

	General	Debt Service	Gondola/Capital Reserve	Total Governmental Funds
Revenue				
TIFF payments from Town of Avon	\$ 127,929	\$ 236,863	\$ -	\$ 364,792
Payments from Avon Station				
Metropolitan District	281,563	563,955	-	845,518
Payments from Mountain Vista				
Metropolitan District	14,254	60,303	-	74,557
Payments from Town of Avon	286,543	-	-	286,543
Interest income	9,798	11,573	14,699	36,070
Total Revenue	<u>720,087</u>	<u>872,694</u>	<u>14,699</u>	<u>1,607,480</u>
Expenditures				
General government				
Accounting	25,583	-	-	25,583
Audit	7,150	-	-	7,150
Directors' fees	969	-	-	969
Elections	65	-	-	65
Insurance	40,430	-	-	40,430
Legal	11,170	-	-	11,170
Miscellaneous	44	-	-	44
Agent fees	-	17,153	-	17,153
Landscape/entry monument	38,199	-	-	38,199
Transportation				
Airspace lease	4,164	-	-	4,164
Utilities	23,676	-	-	23,676
Gondola insurance	40,067	-	-	40,067
Gondola operations	337,090	-	-	337,090
Gondola repairs and maintenance	1,996	-	-	1,996
Gondola management	75,000	-	-	75,000
Plaza operations	70,765	-	-	70,765
Debt Service				
Principal	-	-	-	-
Interest	-	1,187,483	-	1,187,483
Total Expenditures	<u>676,368</u>	<u>1,204,636</u>	<u>-</u>	<u>1,881,004</u>
Revenues Over (Under) Expenditures	<u>43,719</u>	<u>(331,942)</u>	<u>14,699</u>	<u>(273,524)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	36,500	36,500
Transfers out	<u>(36,500)</u>	<u>-</u>	<u>-</u>	<u>(36,500)</u>
Total Other Financing Sources (Uses)	<u>(36,500)</u>	<u>-</u>	<u>36,500</u>	<u>-</u>
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	7,219	(331,942)	51,199	(273,524)
Fund Balance, beginning of year	<u>314,060</u>	<u>441,086</u>	<u>610,064</u>	<u>1,365,210</u>
Fund Balance, end of year	<u>\$ 321,279</u>	<u>\$ 109,144</u>	<u>\$ 661,263</u>	<u>\$ 1,091,686</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, 2019

Reconciliation to the Statement of Activities

Total net change in fund balances - governmental funds \$ (273,524)

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. 325,560

Bad debt expense 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. (383,976)

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. (52,033)

Change in net position of governmental activities \$ (807,527)

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

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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, 2019

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, 2019

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 District does not have any items that qualify for reporting in this category.

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, 2019

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, 2019

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, 2019, cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Deposits	\$ 6,855
CSAFE	57,370
Colotrust	<u>1,097,568</u>
Cash and investments	<u>\$ 1,161,793</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, 2019, 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, 2019, the District's cash deposits had a carrying value of \$6,855 and a corresponding bank balance of \$12,856, all of which was FDIC insured.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

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, 2019, the District had \$1,097,568 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.

As of December 31, 2019, the District also had invested \$57,370 in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. CSAFE adheres to the guidelines outline in GASB 79, *Certain External Investment Pools and Pool Participants*, regarding liquidity, maturity, quality, diversification and shadow NAV pricing. CSAFE measures its investments at amortized cost for financial reporting purposes and has been rated

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE D – CASH AND INVESTMENTS - CONTINUED

Investments (continued)

AAAm by Standard & Poor's. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00, though this is not guaranteed. Investment objectives focus on safety, liquidity, transparency, and competitive yields through investment in a diversified portfolio of short-term marketable securities. CSAFE may invest in U.S. Treasury securities, U.S. governmental agency securities, commercial paper, corporate fixed notes, and repurchase agreements collateralized with securities valued in excess of the repurchase agreement amount. All securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the custodian. There are no limits or restrictions on participant withdrawals.

NOTE E – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance December 31, 2018	<u>Additions</u>	<u>Retirements</u>	Balance December 31, 2019
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	(209,869)	(19,079)	–	(228,948)
Upper terminal	(66,407)	(5,781)	–	(72,188)
Gondola	(3,022,777)	(261,938)	–	(3,284,715)
Lower Public Plaza	<u>(1,434,934)</u>	<u>(136,756)</u>	<u>–</u>	<u>(1,571,690)</u>
Total accumulated depreciation	<u>(4,733,987)</u>	<u>(423,554)</u>	<u>–</u>	<u>(5,157,541)</u>
Net capital assets	<u>\$ 7,543,969</u>	<u>\$ (423,554)</u>	<u>\$ –</u>	<u>\$ 7,120,415</u>

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

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE F – LONG-TERM OBLIGATIONS

The following is an analysis of the change in long-term obligations for the year ended December 31, 2019:

	Balance December 31, 2018	Additions	Retirements	Balance December 31, 2019	Due Within One Year
Due to Developer	\$ 5,991,101	\$ —	\$ —	\$ 5,991,101	\$ —
Bonds Payable	\$ 21,875,000	\$ —	\$ —	\$ 21,875,000	\$ 2,340,000

A description of the long-term obligations outstanding as of December 31, 2019, 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 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.

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE F – LONG-TERM OBLIGATIONS – CONTINUED

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, 2019, in addition to outstanding developer advances of \$991,101, unpaid interest due to the developer totaled \$583,975.

\$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.

The net bond proceeds funded a debt service reserve funds with the remaining net proceeds being used for construction of the improvements within the District and for repayment of developer advances. As of December 31, 2019, the debt service reserve fund balance is \$447,633. During 2019, property taxes were not sufficient to cover the bond’s interest and principal payments and \$44,172 was transferred from the reserve fund to help cover those payments.

The District has entered into a capital pledge agreement with Avon Station Metropolitan District and the Trustee whereby ASMD pledged certain revenues to assist in the repayment of District bonds to the extent of the pledged revenues.

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

	Principal	Interest	Total
2020	\$ 2,340,000	\$ 1,107,832	\$ 3,447,832
2021	810,000	1,061,123	1,871,123
2022	880,000	1,017,382	1,897,382
2023	915,000	969,863	1,884,863
2024-2028	5,805,000	4,018,252	9,823,252
2029-2033	8,125,000	2,205,071	10,330,071
2034	3,000,000	163,500	3,163,500
	<u>\$ 21,875,000</u>	<u>\$ 10,543,023</u>	<u>\$ 32,418,023</u>

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE F – LONG-TERM OBLIGATIONS – CONTINUED

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

The Developer was also required to place \$5,000,000 in a guaranty account to fund shortfalls in funding required for debt service and for gondola operations. The guaranty account is to remain in place until the assessed valuation of the taxing district (ASMD) reaches a certain required level as more fully discussed in the bond documents. Since 2012, the District has withdrawn \$4,710,000 from the Guaranty Account to cover a shortfalls for the debt service payments. The District is also allowed to withdraw up to a maximum of \$1,000,000 from the guaranty account to fund shortfalls in operating and maintaining the gondola, subject to a cap of \$240,000 per year. The District has withdrawn \$290,000 from the Guaranty Account since 2010 to cover shortfalls for gondola operations.

As of December 31, 2019, the remaining balance in the Guaranty Account totaled \$0. Sufficient pledged revenue and guaranty fund amounts may not be available to fund scheduled debt service requirements on a timely basis beyond 2019. The District was unable to fund its mandatory sinking fund redemption payment of \$760,000 that was due on December 1, 2019. See further discussion in Notes H.

Authorized Debt

At December 31, 2019, 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>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
	<u>\$ 46,800,000</u>	<u>\$ 47,300,000</u>	<u>\$ (24,665,000)</u>	<u>\$ 69,435,000</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, 2019

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 with Avon Station Metropolitan District (“the Financing District”) dated April 26, 2007.

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 2019, the District received \$845,518 from the Financing District in accordance with this agreement. As of December 31, 2019, the District had incurred \$28,520,312 in unreimbursed expenditures, which the Financing District will be obligated to pay pursuant to this agreement to the extent of legally available revenues. An allowance for doubtful accounts has been established to offset the full amount of the obligation due from ASMD as it is 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. As a result the long-term receivable will be shown as follows:

Capital and Service obligations from Avon Station Metropolitan District	\$ 28,520,312
Allowance for uncollectible obligation	<u>(28,047,398)</u>
Net Capital and Service obligations	<u>\$ 472,914</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 the extent of the pledged revenues.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE H – AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES - CONTINUED

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 will expire 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 2019, the District received \$74,557 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 2019, the District received \$364,792 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 2019, the District received \$286,543 from TOA for their portion of the gondola and public plaza operation costs in accordance with the agreement.

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE H – AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES - CONTINUED

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. During 2019, the District incurred costs of \$412,090 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, 2019. 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.

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.

Confluence Metropolitan District

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

NOTE J – TAX, SPENDING AND DEBT LIMITATIONS

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.

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.

NOTE K - SUBSEQUENT EVENTS

On March 13, 2020, an emergency was declared for the COVID-19 pandemic. The State of Colorado subsequently declared a statewide emergency and enacted shutdown orders for significant portions of the economy, including ski resorts beginning March 15, 2020. At the time of the issuance of these financial statements, the full economic impact of the events surrounding the pandemic are unknown, but are expected to be significant.

Confluence Metropolitan District

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

For the year ended December 31, 2019

	Original and Final Budget	Actual	Variance Over (Under)
Revenue			
TIFF payments from Town of Avon	\$ 129,063	\$ 127,929	\$ (1,134)
Service obligation payments from Avon Station Metropolitan District	283,227	281,563	(1,664)
Service obligation payments from Mountain Vista Metropolitan District	14,955	14,254	(701)
Town of Avon payment for gondola and public plaza operations	284,263	286,543	2,280
Interest and other	2,927	9,798	6,871
Total Revenues	714,435	720,087	5,652
Expenditures			
General government			
Accounting	20,600	25,583	4,983
Audit	7,935	7,150	(785)
Directors' fees	-	969	969
Election	-	65	65
Insurance	43,260	40,430	(2,830)
Legal	20,600	11,170	(9,430)
Miscellaneous expense	250	44	(206)
Landscape entry/monument	75,000	38,199	(36,801)
Transportation			
Airspace lease	4,225	4,164	(61)
Utilities	31,000	23,676	(7,324)
Gondola insurance	41,500	40,067	(1,433)
Gondola operations	312,100	337,090	24,990
Gondola repairs and maintenance	-	1,996	1,996
Gondola management	75,000	75,000	-
Plaza operations	65,000	70,765	5,765
Contingency	10,000	-	(10,000)
Total Expenditures	706,470	676,368	(30,102)
Revenues Over (Under) Expenditures	7,965	43,719	35,754
Other Financing Sources (Uses)			
Transfers out	(36,500)	(36,500)	-
Total Other Financing Uses	(36,500)	(36,500)	-
Net Change in Fund Balance	(28,535)	7,219	35,754
Fund Balance, beginning of year	292,609	314,060	21,451
Fund Balance, end of year	<u>\$ 264,074</u>	<u>\$ 321,279</u>	<u>\$ 57,205</u>

Confluence Metropolitan District

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2019

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 2019, 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, 2019

	Original and Final Budget	Actual	Variance Over (Under)
Revenue			
TIFF payments from Town of Avon	\$ 243,311	\$ 236,863	\$ (6,448)
Capital obligation payments from Avon Station Metropolitan District	563,896	563,955	59
Capital obligation payments from Mountain Vista Metropolitan District	63,270	60,303	(2,967)
Interest income	2,001	11,573	9,572
Contingency revenue	25,000	-	(25,000)
Total Revenue	897,478	872,694	(24,784)
Expenditures			
General government			
Agent fees	4,250	17,153	12,903
Contingency	25,000	-	(25,000)
Debt Service			
Principal	-	-	-
Interest	1,187,483	1,187,483	-
Total Expenditures	1,216,733	1,204,636	(12,097)
Net Change in Fund Balance	(319,255)	(331,942)	(12,687)
Fund Balance, beginning of year	462,360	441,086	(21,274)
Fund Balance, end of year	\$ 143,105	\$ 109,144	\$ (33,961)

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, 2019

	Original and Final Budget	Actual	Variance Over (Under)
Revenue			
Interest	\$ 6,095	\$ 14,699	\$ 8,604
Total Revenue	6,095	14,699	8,604
Expenditures			
Transportation			
Plaza repairs and maintenance	7,210	-	(7,210)
Total expenditures	7,210	-	(7,210)
Revenues Over (Under) Expenditures	(1,115)	14,699	15,814
Other Financing Sources (Uses)			
Transfers in	36,500	36,500	-
Total Other Financing Sources	36,500	36,500	-
Net Change in Fund Balance	35,385	51,199	15,814
Fund Balance, beginning of year	609,529	610,064	535
Fund Balance, end of year	\$ 644,914	\$ 661,263	\$ 16,349

Confluence Metropolitan District

SCHEDULE OF BOND OBLIGATIONS AND INTEREST
REQUIREMENTS TO MATURITY

December 31, 2019

Year ending December 31	\$24,665,000 Tax Supported Revenue Bonds, Series 2007 April 30, 2007, Principal Due December 1, Interest at 5.25% to 5.45% Due June 1 and December 1		
	Principal	Interest	Total
2020	2,340,000	1,107,832	3,447,832
2021	810,000	1,061,123	1,871,123
2022	880,000	1,017,382	1,897,382
2023	915,000	969,863	1,884,863
2024	1,020,000	920,452	1,940,452
2025	1,060,000	865,373	1,925,373
2026	1,170,000	808,132	1,978,132
2027	1,215,000	744,953	1,959,953
2028	1,340,000	679,342	2,019,342
2029	1,400,000	606,313	2,006,313
2030	1,535,000	530,012	2,065,012
2031	1,605,000	446,355	2,051,355
2032	1,750,000	358,883	2,108,883
2033	1,835,000	263,508	2,098,508
2034	3,000,000	163,500	3,163,500
	<u>\$ 21,875,000</u>	<u>\$ 10,543,023</u>	<u>\$ 32,418,023</u>

Note: To the extent that principal is not paid when due as reflected in the above schedule, such unpaid principal shall continue to accrue interest which is not shown in the above interest column.