



Financial Statements  
December 31, 2016

# Avon Station Metropolitan District



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*By the Office of the State Auditor at 1:50 pm, Aug 15, 2017*

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## Independent Auditor's Report

Board of Directors  
Avon Station Metropolitan District  
Avon, Colorado

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Avon Station Metropolitan District as of and for the year ended December 31, 2016, 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 an opinion 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 Avon Station Metropolitan District as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

We draw to your attention Note 9 of the accompanying financial statements. The ability of the District to meet capital obligations beyond 2017 is dependent upon the ability of the District to grow to sufficient levels to provide a sufficient tax base to generate revenues to meet its obligations under existing intergovernmental agreements. 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 on pages 3 to 5, budgetary comparison information on page 20 and the notes to the required supplementary information on page 21 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 inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Avon Station Metropolitan District's financial statements. The other supplementary information as presented in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.



Fort Collins, Colorado  
July 27, 2017

**Required Supplementary Information**  
**Management's Discussion and Analysis**

# Avon Station Metropolitan District

## Management's Discussion and Analysis December 31, 2016

As management of Avon Station 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, 2016

### **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 all of 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 primarily financing construction, operation, and maintenance of the basic public infrastructure that is performed by Confluence Metropolitan District. There are no business-type activities within the 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 two funds, the General Fund and the Debt Service Fund, both 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.

## Overview of the Financial Statements (continued)

**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 on pages 10 through 19 of this report.

**Government-wide Financial Analysis.** A condensed comparative summary of the District's government-wide assets, liabilities, deferred inflows, net position, revenues and expenditures follows:

### Avon Station Metropolitan District Statement of Net Position

	<b>Governmental Activities</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>Assets:</b>		
Current and other assets	\$ 980,237	\$ 909,639
<b>Total Assets</b>	<u>980,237</u>	<u>909,639</u>
<b>Liabilities and Deferred Inflows:</b>		
Current and other liabilities	9,127	9,891
Long-term obligations payable	27,602,273	27,178,754
Deferred Inflows	903,236	847,239
<b>Total Liabilities and Deferred Inflows</b>	<u>27,611,400</u>	<u>28,035,884</u>
<b>Net Position:</b>		
Restricted	270	270
Unrestricted	(27,534,669)	(27,126,515)
<b>Total Net Position</b>	<u>\$ (27,534,399)</u>	<u>\$ (27,126,245)</u>

### Avon Station Metropolitan District's Statement of Change in Net Position

<b>Revenues:</b>		
Operating contributions	\$ -	\$ -
General revenues:		
Property taxes	847,156	726,528
Other taxes	54,888	48,203
Interest and other revenue	2,559	2,631
<b>Total Revenues</b>	<u>904,603</u>	<u>777,362</u>
<b>Expenses:</b>		
General government	34,424	30,878
Intergovernmental agreement	1,278,333	1,382,424
<b>Total Expenses</b>	<u>1,312,757</u>	<u>1,413,302</u>
<b>Change in Net Position</b>	(408,154)	(635,940)
<b>Net Position - Beginning</b>	(27,126,245)	(26,490,305)
<b>Net Position - Ending</b>	<u>\$ (27,534,399)</u>	<u>\$ (27,126,245)</u>

The District is the "financing district" in a dual district structure whereby the District is financing the cost of constructing, operating and maintaining the infrastructure being built and operated by Confluence Metropolitan District (CMD). This infrastructure is being constructed to benefit the constituents of Avon Station Metropolitan District (ASMD). The District entered into a District Facilities Construction and Service Agreement with CMD which has subsequently been amended. Pursuant to this agreement, as amended, CMD is obligated to construct and provide the initial financing for the primary infrastructure for the ASMD area. ASMD will ultimately pay a "capital obligation" to reimburse CMD for the costs to construct the infrastructure. ASMD will also pay a "service obligation" to reimburse CMD for the operating costs associated with administering and maintaining the assets.

## **Government-wide Financial Analysis (continued)**

The majority of the District's assets consist of property taxes receivable, representing those taxes levied in 2016 that will be collected in 2017. The District has an obligation to pay Confluence for the cost of constructing, operating, and maintaining the infrastructure assets and these obligations are reflected as long-term obligations on the District's government-wide balance sheet.

The District's primary revenue sources were property taxes collected. These revenues have been used to pay the expenses of the District. The majority of the District's expenses relate to the transfer of property taxes collected to Confluence Metropolitan District which are used to reduce the capital and service obligations owed.

## **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, unassigned 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 \$67,874 which reflects an increase of \$15,365 from 2015.

**Budget Variances.** The District expenditures were similar to budgeted results. Details can be seen on pages 20 and 22.

**Capital assets.** As stated above, the infrastructure in the District is being constructed and maintained by Confluence Metropolitan District. Any assets constructed with funding from or at the direction of CMD that are not dedicated to other governmental entities remain with CMD for ownership, operation and maintenance.

**Long-term debts.** The District's remaining capital and service obligation to Confluence for the balance of the cost of the infrastructure incurred through December 31, 2016 is \$27,602,273. Additional information can be found in the Notes to the Financial Statement on page 18.

## **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 Marchetti & Weaver LLC, 28 Second Street, Suite 213, Edwards, CO 81632 or you may call (970) 926-6060.

## **Government-wide Financial Statements**

**Avon Station Metropolitan District**  
**Statement of Net Position**  
**December 31, 2016**

**Assets**

Current Assets

Cash and cash equivalents	\$	69,641
Amounts due from Eagle County		4,868
Property taxes receivable		903,236
Prepaid expense		2,492
		980,237
Total Current Assets		980,237
Total Assets		980,237

**Liabilities**

Current Liabilities

Due to Confluence Metropolitan District		9,127
		9,127
Total Current Liabilities		9,127

Noncurrent Liabilities

Capital and Service Obligations Payable to Confluence Metropolitan District		27,602,273
		27,602,273
Total Noncurrent Liabilities		27,602,273
Total Liabilities		27,611,400

**Deferred Inflows of Resources**

Property taxes		903,236
		903,236

**Net Position**

Restricted for emergencies		270
Unrestricted		(27,534,669)
		(27,534,399)
Total Net Position		\$ (27,534,399)

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

**Avon Station Metropolitan District**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

		<b>Program Revenue</b>			
<b>Program Expenses</b>	<b>Charges for Services</b>	<b>Operating Contributions</b>	<b>Capital Contributions</b>	<b>Net (Expense) Revenue</b>	
<b>Government Operations</b>					
General government	\$ 34,424	\$ -	\$ -	\$ (34,424)	
Intergovernmental agreement	1,278,333	-	-	(1,278,333)	
Totals	\$ 1,312,757	\$ -	\$ -	\$ (1,312,757)	
	<b>General Revenues</b>				
				847,156	
				54,888	
				2,559	
				904,603	
				<b>(408,154)</b>	
				(27,126,245)	
				\$ (27,534,399)	

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

**Fund Financial Statements**

**Avon Station Metropolitan District**  
**Balance Sheets**  
**Governmental Funds**  
**December 31, 2016**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>Assets</b>			
Equity in pooled cash	\$ 57,180	\$ 12,461	\$ 69,641
Amounts due from Eagle County	-	4,868	4,868
Property taxes receivable	-	903,236	903,236
Prepaid expense	2,492	-	2,492
Total Assets	\$ 59,672	\$ 920,565	\$ 980,237
<b>Liabilities, Deferred Inflows of Resources and Fund Balance</b>			
<b>Liabilities</b>			
Due to Confluence Metropolitan District	\$ -	\$ 9,127	\$ 9,127
Total Liabilities	-	9,127	9,127
<b>Deferred Inflows of Resources</b>			
Property taxes	-	903,236	903,236
Total Deferred Inflows of Resources	-	903,236	903,236
<b>Fund Balances</b>			
Nonspendable - prepaid expenses	2,492	-	2,492
Restricted for emergencies	270	-	270
Assigned for debt service	-	8,202	8,202
Unassigned	56,910	-	56,910
Total Fund Balances	59,672	8,202	67,874
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 59,672</b>	<b>\$ 920,565</b>	<b>\$ 980,237</b>
<b>Reconciliation to the Statement of Net Position</b>			
Total Fund Balances			\$ 67,874
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Long-term liabilities, including capital and service obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
			(27,602,273)
Total Net Position			\$ (27,534,399)

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

**Avon Station Metropolitan District**  
**Statements of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2016**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>Revenue</b>			
Property taxes	\$ -	\$ 847,156	\$ 847,156
Specific ownership taxes	-	54,888	54,888
Interest income	-	2,559	2,559
<b>Total Revenue</b>	-	904,603	904,603
<b>Expenditures</b>			
General government			
Audit	4,960	-	4,960
Directors' fees	969	-	969
Elections	55	-	55
Insurance	2,927	-	2,927
Treasurer's fees	-	25,464	25,464
Other	49	-	49
Intergovernmental agreement			
Capital obligation payments to Confluence Metropolitan District	-	528,971	528,971
Service obligation payments to Confluence Metropolitan District	-	325,843	325,843
<b>Total Expenditures</b>	8,960	880,278	889,238
<b>Revenue Over (Under) Expenditures</b>	(8,960)	24,325	15,365
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	31,000	(31,000)	-
<b>Revenue and Other Financing Sources (Uses) Over Expenditures</b>	22,040	(6,675)	15,365
Fund Balance, beginning of year	37,632	14,877	52,509
<b>Fund Balance, end of year</b>	\$ 59,672	\$ 8,202	\$ 67,874
<b>Reconciliation to the Statement of Activities</b>			
Total net change in fund balances - governmental funds			\$ 15,365
Amounts reported for governmental activities in the Statement of Activities are different because:			
Some revenues and expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported in the governmental funds. This amount represents the net increase in the capital and service obligation owed to Confluence Metropolitan District for the year.			(423,519)
Change in net position in governmental activities			\$ (408,154)

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

**Avon Station Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2016**

**1. DEFINITION OF REPORTING ENTITY**

Avon Station Metropolitan District (ASMD), a quasi-municipal organization, was organized on November 3, 1998, 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 Confluence Metropolitan District (CMD). The District is considered the financing district and was established to provide funding and tax base for capital improvements that will benefit the District. The capital improvements are owned and maintained by Confluence Metropolitan District, the Service District (see Note 6).

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.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies of the District are as follows:

**Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial 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

**Avon Station Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Presentation (continued)**

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.

***Fund Financial Statements***

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.

**Fund Accounting**

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. Fund types used by the District are described below.

**Governmental Fund Types**

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 all financial resources for the payment of long-term obligations due to Confluence Metropolitan District

**Measurement Focus**

***Government-wide Financial Statements***

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, liabilities, and deferred inflows of resources associated with the operation of the District are included in the Statement of Net Position.

***Fund Financial Statements***

All governmental funds are accounted for using a flow of current financial resources measurement focus. 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 includes a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Avon Station Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of unavailable revenue, and in the presentation of expenses versus expenditures.

***Revenues***

Revenues resulting from exchange transactions, in which each party gives and receives essentially the same value, is recorded on the accrual basis, when the exchange takes place. On a modified accrual basis revenue is recorded in the fiscal year in which the resources are both measurable and available to finance expenditures of the fiscal period, typically within sixty days of realization.

Nonexchange transactions, in which the District receives value without directly giving value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

***Expenses/Expenditures***

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**Budgets**

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.

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.

**Avon Station Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, investment pools and short-term investments with an original maturity of three months or less from the date of acquisition.

**Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. Long-term obligations are recognized as a liability on the governmental fund financial statements when due.

**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 so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no amounts that qualify as deferred outflows of resources as of December 31, 2016.

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 so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item which arises only under a full accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the statement of net position. The governmental funds report unavailable revenues from property taxes for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance year 2017. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Net Position**

In the government-wide financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws, or regulations of other governments.

The District applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted net position are available.

**Avon Station Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fund Balances**

In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or it is legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation. The District's restricted fund balance represent amounts reserved for emergencies under the Colorado State Constitution. A restriction of \$270 of the General Fund's fund balance has been made in compliance with this requirement.
- *Committed fund balance* – The portion of fund balance constrained for specific purposes according to limitations imposed by the Board of Directors prior to the end of the fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors. The District has no committed fund balance.
- *Assigned fund balance* – 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 debt service fund is assigned for capital and service obligations.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when expenditure is made, it is the District's policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and then unassigned.

**Property Taxes**

Property taxes are levied by the District Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are normally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

**Avon Station Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year there is an enforceable lien placed on the property and recognized as revenue in the period for which they are levied.

**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.

**Implementation of New GASB Standards**

In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). GASB 77 requires state and local governments for the first time to disclose information about tax abatement agreements. GASB 77 requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The District has implemented this Statement for the year ended December 31, 2016 to comply with GASB requirements. See Note 6, Intergovernmental Agreement with Avon Urban Renewal Authority, for details.

**3. CASH AND INVESTMENTS**

**Deposits**

At December 31, 2016, the District's cash deposits had a carrying value of \$4,360 and a corresponding bank balance of \$4,498, all of which was FDIC insured.

Deposits are exposed to custodial credit risk (the risk that, in the event of the failure of a depository financial institution, the government would not be able to recover deposits or would not be able to recover collateral securities that are in the possession of an outside party), if they are not covered by depository insurance and are collateralized with securities held by the pledging financial institution, except for deposits 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, 2016, are deemed to be exposed to custodial credit risk.

**Avon Station Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2016**

**3. CASH AND INVESTMENTS (continued)**

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.

**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 obligation 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 – As of December 31, 2016, the District had \$65,281 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), a local government investment pool. As an investment pool, Colotrust operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. Colotrust invests in securities that are specified by the Colorado Revised Statutes (24-75-601). Authorized securities included US Treasuries, US Agencies, commercial paper (rated A1 or better) and bank deposits (collateralized through PDPA). Colotrust operates similar to a 2a-7-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. A designated custodial bank provides banking services and trust custody for securities held on behalf of the participating governments in Colotrust. The custodian's internal records identify the investment owned by the participating governments.

**Avon Station Metropolitan District  
Notes to the Financial Statements  
December 31, 2016**

**4. LONG-TERM LIABILITIES**

**Authorized Debt**

At December 31, 2016, the District had authorized but unissued general obligation debt and contractual obligations for the following detailed purposes:

Transportation	\$	27,500,000
Parks and recreation		8,100,000
Streets		7,500,000
Television		1,500,000
Sewer		500,000
Water		500,000
Traffic and safety		500,000
Fire protection		500,000
Mosquito and pest control		100,000
Operation and maintenance		1,300,000
Contractual obligations		93,600,000
		93,600,000
	\$	141,600,000

**5. 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.

**6. AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES**

**District Facilities Construction and Service Agreement**

ASMD has entered into a second Amended and Restated Joint Facilities Construction and Service Agreement with Confluence Metropolitan District (CMD) dated April 29, 2007.

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

CMD 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, ASMD is required to pay CMD all revenue raised from mill levies assessed by ASMD to offset the operating expenses and construction costs incurred by CMD for provisions of services to property within ASMD.

ASMD has assigned all revenue raised from mill levies assessed by ASMD to CMD in order to offset the expenses of the construction of the public improvements and ASMD'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.

**Avon Station Metropolitan District  
Notes to the Financial Statements  
December 31, 2016**

**6. AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES (continued)**

During 2016, ASMD paid \$854,814 to CMD in accordance with this agreement. ASMD has a service and a capital obligation to Confluence Metropolitan District pursuant to the agreement for costs incurred in excess of funds received. The agreement does not establish specific payment dates for these obligations. The capital and service obligations totaled \$27,602,273 at December 31, 2016.

**Capital Pledge Agreement**

On May 1, 2007 the District entered into a capital pledge agreement with CMD and the Trustee whereby Avon Station Metropolitan District has pledged certain revenues to assist in the repayment of the Confluence Metropolitan District bonds to the extent of the pledged revenues.

**Intergovernmental Agreement with Avon Urban Renewal Authority**

The District entered into an Intergovernmental Agreement with the Avon Urban Renewal Authority (the "Authority") and Confluence Metropolitan District concerning incremental taxes on October 9, 2007.

Under the 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 can use any District Tax Increment Revenues remitted for those purposes permitted by the Service Plan, including paying for public improvements within the Districts. For the year ended December 31, 2016, the District abated approximately \$286,000 under this agreement.

**7. OPERATING TRANSFERS**

The District's Debt Service Fund transferred \$31,000 into the General Fund. This transfer was for the funding of the District's operational costs.

**8. 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, 2016. 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.

**Avon Station Metropolitan District**  
**Notes to the Financial Statements**  
**December 31, 2016**

**9. ECONOMIC FEASIBILITY**

The District receives the majority of its revenues from property taxes. Under the provisions of a District Facilities Construction and Service Agreement as well as the Capital Pledge Agreement (discussed in Note 6), ASMD is required to remit to CMD all revenue raised from mill levies assessed by ASMD to offset the operating expenses and construction costs incurred by CMD for provisions of services to property within ASMD. These tax revenues collected by ASMD have not been sufficient in 2012, 2013, 2014, 2015 or 2016 to fully pay down the capital obligations. Until the tax base grows to the needed levels, the District will continue to accrue further obligations.

**10. 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.

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

Also, on November 3, 1998, the voters of the District authorized the issuance of \$46,800,000 in debt, \$46,800,000 in contractual obligations, and approved an increase in property tax revenue to pay such debt and obligations. On May 2, 2006, voters of the District increased the debt authorization by \$1,200,000 and contractual obligations by \$46,800,000, bringing the total authorizations to \$48,000,000 and \$93,600,000, respectively.

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.

## **Required Supplementary Information**

**Avon Station Metropolitan District**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
<b>Revenue</b>	\$ -	\$ -	\$ -
<b>Expenditures</b>			
General Government			
Audit	5,500	4,960	(540)
Directors' fees	2,250	969	(1,281)
Elections	1,500	55	(1,445)
Insurance	3,250	2,927	(323)
Other	500	49	(451)
<b>Total Expenditures</b>	<u>13,000</u>	<u>8,960</u>	<u>(4,040)</u>
<b>Revenue Over (Under) Expenditures</b>	(13,000)	(8,960)	4,040
<b>Other Financing Sources</b>			
Transfer in	<u>35,471</u>	<u>31,000</u>	<u>(4,471)</u>
<b>Revenue and Other Financing Sources Over Expenditures</b>	22,471	22,040	(431)
Fund Balance, beginning of year	<u>36,167</u>	<u>37,632</u>	<u>1,465</u>
<b>Fund Balance, end of year</b>	<u><u>\$ 58,638</u></u>	<u><u>\$ 59,672</u></u>	<u><u>\$ 1,034</u></u>

**Avon Station Metropolitan District**  
**Notes to the Required Supplementary Information**  
**December 31, 2016**

**Note RSI-1 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. (See Note 2 for additional budgetary information.)

**Note RSI-2 Expenditures/Expenses in Excess of Appropriation**

State Statute requires that expenditures and transfers for a fund cannot exceed the appropriation 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 2016, there were no major funds that had expenditures in excess of their board-approved appropriation.

## **Other Supplementary Information**

**Avon Station Metropolitan District**  
**Budgetary Comparison Schedule**  
**Debt Service Fund**  
**For the Year Ended December 31, 2016**

	<b>Original and Final Budget</b>	<b>Actual</b>	<b>Variance Over (Under)</b>
<b>Revenue</b>			
Property taxes	\$ 847,239	\$ 847,156	\$ (83)
Specific ownership taxes	48,716	54,888	6,172
Interest income	1,694	2,559	865
<b>Total Revenue</b>	<b>897,649</b>	<b>904,603</b>	<b>6,954</b>
<b>Expenditures</b>			
General government			
Treasurer's fees	25,417	25,464	47
Intergovernmental agreement with Confluence Metropolitan District			
Capital obligation	525,325	528,971	3,646
Service obligation	325,895	325,843	(52)
<b>Total Expenditures</b>	<b>876,637</b>	<b>880,278</b>	<b>3,641</b>
<b>Revenue Over Expenditures</b>	<b>21,012</b>	<b>24,325</b>	<b>3,313</b>
<b>Other Financing (Uses)</b>			
Transfer out	(35,471)	(31,000)	(4,471)
<b>Revenue Over (Under) Expenditures and Other Financing (Uses)</b>	<b>(14,459)</b>	<b>(6,675)</b>	<b>7,784</b>
Fund Balance, beginning of year	14,958	14,877	(81)
<b>Fund Balance, end of year</b>	<b>\$ 499</b>	<b>\$ 8,202</b>	<b>\$ 7,703</b>

**Avon Station Metropolitan District  
Summary of Assessed Valuation, Mill Levy and  
Property Tax Collections**

<u>Year Ending December 31</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2005	\$ 1,283,720	45.000	\$ 57,768	\$ 57,768	100.0%
2006	\$ 1,628,280	45.000	\$ 73,273	\$ 73,273	100.0%
2007	\$ 1,628,280	45.000	\$ 73,273	\$ 73,273	100.0%
2008	\$ 5,515,510	45.000	\$ 248,198	\$ 248,673	100.2%
2009	\$ 11,893,230	45.000	\$ 535,195	\$ 535,018	100.0%
2010	\$ 21,095,610	45.000	\$ 949,302	\$ 920,745	97.0%
2011	\$ 21,093,700	45.000	\$ 949,217	\$ 948,732	99.9%
2012	\$ 13,469,790	58.000	\$ 781,248	\$ 780,704	99.9%
2013	\$ 13,244,680	58.000	\$ 768,192	\$ 768,192	100.0%
2014	\$ 12,659,710	58.000	\$ 734,263	\$ 734,262	100.0%
2015	\$ 12,526,370	58.000	\$ 726,529	\$ 726,528	100.0%
2016	\$ 14,607,570	58.000	\$ 847,239	\$ 847,156	100.0%
2017	\$ 14,337,080	63.000	\$ 903,236	N/A	N/A