

AVON STATION METROPOLITAN DISTRICT

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

TABLE OF CONTENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS..... 1

MANAGEMENT’S DISCUSSION AND ANALYSIS..... 4

BASIC FINANCIAL STATEMENTS

    Government-wide Financial Statements

        Statement of Net Position ..... 7

        Statement of Activities..... 8

    Fund Financial Statements

        Balance Sheet – Governmental Funds..... 9

        Reconciliation of the Balance Sheet of Governmental Funds to the Statement of  
        Net Position..... 10

        Statement of Revenues, Expenditures and Changes in Fund Balances –  
        Governmental Funds..... 11

        Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
        Balance – Governmental Funds – to the Statement of Activities ..... 12

        Notes to the Financial Statements..... 13

    Required Supplementary Information

        Schedule of Revenues, Expenditures and Changes in Fund Balance –  
        Budget and Actual – General Fund..... 24

        Notes to Required Supplementary Information..... 25

    Other Supplementary Information

        Schedule of Revenues, Expenditures and Changes in Fund Balance –  
        Budget and Actual – Debt Service Fund..... 26

        Summary of Assessed Valuation, Mill Levy, and Property Tax Collections..... 27



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management  
Avon Station Metropolitan District  
c/o Marchetti & Weaver LLC  
28 Second Street, Suite 21300  
Edwards, CO 81632

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, and each major fund of Avon Station Metropolitan District, (the District) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of Avon Station Metropolitan District, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from



Avon Station Metropolitan District

Page Two

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

#### **Required Supplementary Information**

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

#### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule for the debt service funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was



Avon Station Metropolitan District  
Page Three

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

#### **Other Information**

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

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

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

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

# Avon Station Metropolitan District

## Management's Discussion and Analysis December 31, 2021

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, 2021

### **Overview of the Financial Statements**

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

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

The Statement of Net Position presents information on 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 7 and 8 of this report.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District currently has 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 13 through 23 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>2021</u></b>	<b><u>2020</u></b>
<b>Assets:</b>		
Current and other assets	\$ 1,379,123	\$ 1,233,455
Long-term assets	-	-
<b>Total Assets</b>	<b><u>1,379,123</u></b>	<b><u>1,233,455</u></b>
<b>Liabilities and Deferred Inflows:</b>		
Current, other liabilities and Deferred Inflows	1,218,092	1,094,487
Long-term obligations payable	24,198,562	28,537,582
<b>Total Liabilities and Deferred Inflows</b>	<b><u>25,416,654</u></b>	<b><u>29,632,069</u></b>
<b>Net Assets:</b>		
Restricted	284	310
Unrestricted	(24,037,815)	(28,398,924)
<b>Total Net Assets</b>	<b><u>\$ (24,037,531)</u></b>	<b><u>\$ (28,398,614)</u></b>

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

<b>Revenues:</b>		
Operating contributions	\$ -	\$ -
General revenues:		
Property taxes	1,083,422	1,045,742
Other taxes	87,387	75,015
Interest and other revenue	987	2,383
<b>Total Revenues</b>	<b><u>1,171,796</u></b>	<b><u>1,123,140</u></b>
<b>Expenses:</b>		
General government	42,003	41,734
Intergovernmental agreement	(3,231,290)	1,080,325
<b>Total Expenses</b>	<b><u>(3,189,287)</u></b>	<b><u>1,122,059</u></b>
<b>Change in Net Position</b>	<b><u>4,361,083</u></b>	<b><u>1,081</u></b>
<b>Net Position - Beginning</b>	<b><u>(28,398,614)</u></b>	<b><u>(28,399,695)</u></b>
<b>Net Position - Ending</b>	<b><u>\$ (24,037,531)</u></b>	<b><u>\$ (28,398,614)</u></b>

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 2021 that will be collected in 2022. 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 \$161,031 which reflects an increase of \$22,063 from 2020.

**Budget Variances.** The District expenditures were similar to budgeted results. Details can be seen on pages 24 and 26.

**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, 2021 is \$24,198,562. Additional information can be found in the Notes to the Financial Statement on page 21.

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

### **Request for Information**

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



Avon Station Metropolitan District

STATEMENT OF NET POSITION

December 31, 2021

Assets	
Current Assets	
Cash and cash equivalents	\$ 165,640
Amounts due from Eagle County	5,728
Property taxes receivable	1,205,291
Prepaid expense	2,464
Total Assets	<u>1,379,123</u>
Liabilities	
Current liabilities	
Due to Confluence Metropolitan District	12,801
Total Current Liabilities	<u>12,801</u>
Noncurrent Liabilities	
Capital and Service Obligations Payable to Confluence Metropolitan District	24,198,562
Total Noncurrent Liabilities	<u>24,198,562</u>
Total Liabilities	<u>24,211,363</u>
Deferred Inflows of Resources	
Property taxes	<u>1,205,291</u>
Net Position	
Restricted for emergencies	284
Unrestricted	<u>(24,037,815)</u>
Total Net Position	<u>\$ (24,037,531)</u>

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

Avon Station Metropolitan District

STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

	Program Expenses	Charges for Services	Program Revenue		Net (Expense) Revenue
			Operating Contributions	Capital Contributions	
Governmental Operations					
General government	\$ 42,003	\$ -	\$ -	\$ -	\$ (42,003)
Intergovernmental agreement	(3,231,290)	-	-	-	3,231,290
Totals	<u>\$ (3,189,287)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,189,287</u>

General Revenues

Property taxes	1,083,422
Specific ownership taxes	87,387
Interest income	987
Total General Revenues	<u>1,171,796</u>
Change in Net Position	4,361,083
Net Position, beginning of year	<u>(28,398,614)</u>
Net Position, end of year	<u>\$ (24,037,531)</u>

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

Avon Station Metropolitan District

BALANCE SHEET  
GOVERNMENTAL FUNDS

December 31, 2021

	General	Debt Service	Total Governmental Funds
<b>Assets</b>			
Equity in pooled cash	\$ 123,567	\$ 42,073	\$ 165,640
Amounts due from Eagle County	-	5,728	5,728
Property taxes receivable	-	1,205,291	1,205,291
Prepaid expense	2,464	-	2,464
Total Assets	<u>\$ 126,031</u>	<u>\$ 1,253,092</u>	<u>\$ 1,379,123</u>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance</b>			
<b>Liabilities</b>			
Due to Confluence Metropolitan District	\$ -	\$ 12,801	\$ 12,801
Total Liabilities	-	12,801	12,801
<b>Deferred Inflows of Resources</b>			
Property taxes	-	1,205,291	1,205,291
Total Deferred Inflows of Resources	-	1,205,291	1,205,291
<b>Fund Balances</b>			
Nonspendable - prepaid expense	2,464	-	2,464
Restricted for emergencies	284	-	284
Assigned for debt services	-	35,000	35,000
Unassigned	123,283	-	123,283
Total fund balances	<u>126,031</u>	<u>35,000</u>	<u>161,031</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 126,031</u>	<u>\$ 1,253,092</u>	<u>\$ 1,379,123</u>

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

Avon Station Metropolitan District

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

December 31, 2021

---

Reconciliation to the Statement of Net Position

Total Fund Balances	\$ 161,031
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.	<u>(24,198,562)</u>
Change in net position of governmental activities	<u><u>\$ (24,037,531)</u></u>

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

Avon Station Metropolitan District

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - GOVERNMENTAL FUNDS

For the year ended December 31, 2021

	General	Debt Service	Total Governmental Funds
<b>Revenue</b>			
Property taxes	\$ -	\$ 1,083,422	\$ 1,083,422
Specific ownership taxes	-	87,387	87,387
Interest income	-	987	987
Total Revenue	-	1,171,796	1,171,796
<b>Expenditures</b>			
General government			
Audit	5,200	-	5,200
Director's fees	1,400	-	1,400
Insurance	2,705	-	2,705
Treasurer's fees	-	32,525	32,525
Other	173	-	173
Intergovernmental agreement			
Capital obligation payments to Confluence Metropolitan District	-	740,283	740,283
Service obligation payments to Confluence Metropolitan District	-	367,447	367,447
Total expenditures	9,478	1,140,255	1,149,733
Revenues Over (Under) Expenditures	(9,478)	31,541	22,063
<b>Other Financing Sources (Uses)</b>			
Transfers in	38,737	-	38,737
Transfers out	-	(38,737)	(38,737)
Total Other Financing Sources (Uses)	38,737	(38,737)	-
Revenues and Other Financing Sources (Uses) Over (Under) Expenditures	29,259	(7,196)	22,063
Fund Balance, beginning of year	96,772	42,196	138,968
Fund Balance, end of year	\$ 126,031	\$ 35,000	\$ 161,031

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

Avon Station Metropolitan District

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

For the year ended December 31, 2021

---

Reconciliation to the Statement of Activities

Total net change in fund balances - governmental funds \$ 22,063

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.

4,339,020

Change in net position of governmental activities

\$ 4,361,083

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

Avon Station Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

---

**NOTE A – DEFINITION OF REPORTING ENTITY**

Avon Station Metropolitan District (ASMD), 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 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 F).

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 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

Avon Station Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Basis of Presentation (continued)

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 operations 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.

*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.

Government 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.



Avon Station Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Measurement Focus (continued)

*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 are generally 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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*

Revenue resulting from an exchange transaction, in which each party gives and receives essentially the same value, 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.

Non-exchange 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 non-exchange 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 funds 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 the governmental funds.

Avon Station Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Budgets

In accordance with State Budget Law, the District’s Board of Directors holds a public hearing 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.

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 obligation 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 (expenses/expenditure) until then. The District has no amounts that qualify as deferred outflows of resources as of December 31, 2021.

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,

Avon Station Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Deferred Outflows/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 governmental funds report unavailable revenues from property taxes for which there is an enforceable legal claim as of December 31, 2021, but which are levied to financial year 2022. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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.

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 represents amount reserved for emergencies under the Colorado State Constitution. A restriction of \$284 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.

Avon Station Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

---

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Fund Balances (continued)

*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 valuation 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 property 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.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows 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.

Avon Station Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

---

**NOTE C – CASH AND INVESTMENTS**

Deposits

At December 31, 2021, the District's cash deposits had a carrying value of \$6,985 and a corresponding bank balance of \$7,200, 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, 2021, are deemed to be exposed to custodial credit risk.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess off 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, 2021, the District had \$158,655, invested in the Colorado Local Government Liquid Asset Trust (ColoTrust), a local government investment pool. As an investment pool, Colotruster operates under the Colorado Revised Statutes (24-75-701) and is overseen by the Colorado Securities Commissioner. Colotruster invests in securities that are specified by the Colorado Revised Statutes (24-75-601). Authorized securities include US Treasuries, US Agencies, commercial

Avon Station Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

---

**NOTE C – CASH AND INVESTMENTS - CONTINUED**

Investments (continued)

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 investments owned by the participating governments.

**NOTE D – LONG-TERM LIABILITIES**

Authorized Debt

At December 31, 2021, 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	100,000
Contractual obligations	<u>93,600,000</u>
	<u>\$ 140,400,000</u>

**NOTE E – RELATED PARTIES**

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

Avon Station Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

---

**NOTE F – 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 (the Agreement) with Confluence Metropolitan District (CMD) dated April 26, 2007. This Agreement was amended on May 25, 2021.

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 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 AMSD to CMD in order to offset the expenses of the construction of the public improvement and CMD'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.

During 2021 ASMD paid \$1,107,730 to CMD in accordance with this Agreement. ASMD has a service and capital obligation to CMD 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 total \$24,198,562 at December 31, 2021.

Capital Pledge Agreement

On May 1, 2007 the District entered into a Capital Pledge Agreement with CMD and the Trustee whereby ASMD has pledged certain revenues to assist in the repayment of the CMD bonds to the extent of the pledged revenues. The Capital Pledge Agreement was amended and restated on June 1, 2021.

In June 2021 the District entered into the Amended and Restated Capital Pledge Agreement and the Capital Pledge Agreement (subordinate) in connection with CMD's issuance of the 2021 obligations.

Avon Station Metropolitan District  
NOTES TO FINANCIAL STATEMENTS

December 31, 2021

---

**NOTE F – AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES – CONTINUED**

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 Intergovernmental Agreement the Authority agreed to remit to the Districts the incremental revenue 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 entitlement as of February 27, 2007. The Districts can use any District Tax Increment Revenue remitted for those purposes permitted by the Service Plan, including paying for public improvements within the Districts. For the year ended December 31, 2021, approximately \$481,571 tax increment revenue was collected under this agreement.

**NOTE G – RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2021. The Pool is an organization created by the 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 H – 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 limitation 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



Avon Station Metropolitan District

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

---

**NOTE H – TAX, SPENDING AND DEBT LIMITATIONS – CONTINUED**

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 revenue during 1999, and continuing thereafter without regard to limitation 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 the property tax revenue to pay such debt and obligations. On May 2, 2006, voters of the District increased 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.

Avon Station Metropolitan District

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

For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenue	\$ -	\$ -	\$ -	\$ -
Expenditures				
General government				
Audit	5,200	5,200	5,200	-
Director's fees	2,250	2,250	1,400	(850)
Insurance	3,000	3,000	2,705	(295)
Other	500	500	173	(327)
Total expenditures	<u>10,950</u>	<u>10,950</u>	<u>9,478</u>	<u>(1,472)</u>
Revenues Over (Under) Expenditures	(10,950)	(10,950)	(9,478)	1,472
Other Financing Sources (Uses)				
Transfers in	<u>19,700</u>	<u>39,765</u>	<u>38,737</u>	<u>(1,028)</u>
Total Other Financing Sources	<u>19,700</u>	<u>39,765</u>	<u>38,737</u>	<u>(1,028)</u>
Net Change in Fund Balance	<u>8,750</u>	<u>28,815</u>	<u>29,259</u>	<u>444</u>
Fund Balance, beginning of year	<u>100,108</u>	<u>96,773</u>	<u>96,772</u>	<u>(1)</u>
Fund Balance, end of year	<u><u>\$ 108,858</u></u>	<u><u>\$ 125,588</u></u>	<u><u>\$ 126,031</u></u>	<u><u>\$ 443</u></u>

Avon Station Metropolitan District

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2021

---

**RSI NOTE A – BUDGETARY INFORMATION**

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

**RSI NOTE B – EXPENDITURES/EXPENSES IN EXCESS OF APPROPRIATION**

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

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

Avon Station Metropolitan District

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

For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenue				
Property taxes	\$ 1,083,483	\$ 1,083,483	\$ 1,083,422	\$ (61)
Specific ownership taxes	54,173	86,000	87,387	1,387
Interest income	759	2,500	987	(1,513)
Total Revenue	1,138,415	1,171,983	1,171,796	(187)
Expenditures				
General government				
Treasurer's Fees	32,504	32,504	32,525	21
Intergovernmental agreement with Confluence Metropolitan District				
Capital obligation	718,736	739,434	740,283	849
Service obligation	367,475	367,475	367,447	(28)
Total Expenditures	1,118,715	1,139,413	1,140,255	842
Revenues Over (Under) Expenditures	19,700	32,570	31,541	(1,029)
Other Financing Sources (Uses)				
Transfers out	(19,700)	(39,765)	(38,737)	1,028
Total Other Financing Uses	(19,700)	(39,765)	(38,737)	1,028
Net Change in Fund Balance	-	(7,195)	(7,196)	(1)
Fund Balance, beginning of year	35,000	42,195	42,196	1
Fund Balance, end of year	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ 35,000</u>	<u>\$ -</u>

Avon Station Metropolitan District

SUMMARY OF ASSESSED VALUATION,  
MILL LEVY, AND PROPERTY TAX COLLECTION

Year ending 31-Dec	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percent Collected to Levied
			Levied	Collected	
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	903,236	100.0%
2018	12,696,830	65.585	832,722	826,809	99.3%
2019	12,695,090	65.596	832,747	827,871	99.4%
2020	15,947,630	65.572	1,045,718	1,045,742	100.0%
2021	16,471,320	65.780	1,083,483	1,083,422	100.0%
2022	17,539,380	66.295	1,205,291	N/A	0.0%