



TOWN OF AVON, COLORADO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2007

Prepared by:
Department of Finance

Scott C. Wright, CPA, CPFO

TOWN OF AVON, COLORADO
LIST OF ELECTED AND APPOINTED OFFICIALS
December 31, 2007

TOWN COUNCIL

Ron Wolfe, Mayor
Tamra Nottingham Underwood, Mayor Pro-Tem
Richard Carroll
David Dantas
Kristi Ferraro
Amy Phillips
Brian Sipes

MANAGEMENT

Larry Brooks, Town Manager
Eric Heidemann, Asst. Town Manager - Community Development
Justin Hildreth, Town Engineer
Meryl Jacobs, Director of Recreation
Brian Kozak, Police Chief
Patty McKenny, Director of Administration / Town Clerk
Jenny Strehler, Director of Public Works and Transportation
Scott Wright, Asst. Town Manager - Finance

INDEPENDENT AUDITORS

Clifton Gunderson LLP
Certified Public Accountants

TOWN OF AVON, COLORADO

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2007

TABLE OF CONTENTS

	Page
INTRODUCTION	
Letter of Transmittal	v-x
Certificate of Achievement for Excellence in Financial Reporting	xi
Town of Avon Organization Chart	xii
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-16
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18-19
Fund Financial Statements:	
Balance Sheet – Governmental Funds	20-21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22-23
Statement of Net Assets – Proprietary Funds	24
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	25
Statement of Cash Flows – Proprietary Funds	26-27
Notes to the Financial Statements	28-51
Required Supplemental Information	
Schedule of Revenues, Expenditures and Changes in Fund Balances (Budgetary Basis) – Budget and Actual – General Fund	53
Schedule of Revenues, Expenditures and Changes in Fund Balances (Budgetary Basis) – Budget and Actual – Water Fund	54
Notes to Required Supplemental Information	55

TOWN OF AVON, COLORADO

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2007

TABLE OF CONTENTS - CONTINUED

Other Supplemental Information	Page
Nonmajor Governmental Funds	57
Combining Balance Sheet – Nonmajor Governmental Funds	58-59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	60-61
Schedules of Revenues, Expenditures and Changes in Fund Balances (Budgetary Basis) - Budget and Actual:	
Mall Maintenance Fund	62
Avon Urban Renewal Authority Fund	63
Community Enhancement Fund	64
Affordable Housing Fund	65
Facilities Reserve Fund	66
Debt Service Fund	67
Avon Metropolitan District Debt Service Fund	68
Capital Projects Fund	69
Transit Fund	72-73
Fleet Maintenance Fund	74-75
Equipment Replacement Fund	78-79
Miscellaneous Schedules:	
Debt Schedule	81
Detailed Schedule of General Fund Expenditures (Budgetary Basis) – Budget and Actual	82-83
Detailed Schedule of General Fund Revenues (Budgetary Basis) – Budget and Actual	84-86
Schedule of Capital Project Fund Project Expenditures (Budgetary Basis) – Budget and Actual	88-89
Local Highway Finance Report	90-91
STATISTICAL SECTION	
Net Assets by Component	94-95
Changes in Net Assets	96-99
Changes in Fund Balances, Governmental Funds	100-101
Fund Balances, Governmental Funds	102
Tax Revenues by Source, Governmental Funds	103
Assessed Value and Actual Value of Taxable Property	104
Direct and Overlapping Property Tax Rates	105
Principal Taxpayers	106

STATISTICAL SECTION (continued)	Page
Property Tax Levies and Collections	107
Ratios of Outstanding Debt by Type	108
Direct and Overlapping Governmental Activities Debt	109
Ratio of General Bonded Debt Outstanding and Legal Debt Margin	110-111
Demographic and Economic Statistics	112
Principal Employers	113
Commercial and Residential Construction	114
Full-time Equivalent Employees by Function / Program	115
Operating Indicators by Function / Program	116-117
 SINGLE AUDIT SECTION	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards	119-120
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	121-122
Schedule of Findings and Questioned Costs	123-126
Summary Schedule of Prior Audit Findings	127
Schedule of Expenditures of Federal Awards	128
Notes to Schedules of Expenditures of Federal Awards	129

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June 12, 2008

To the Honorable Mayor, Members of the Town Council
and Citizens of the Town of Avon:

Town Charter and State statutes require that the Town of Avon (Town) issue a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed independent certified public accountants. Pursuant to these requirements, we hereby issue the comprehensive annual financial report of the Town of Avon for the fiscal year ended December 31, 2007.

This report consists of management's representations concerning the finances of the Town of Avon. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town of Avon has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town of Avon's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town of Avon's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Avon's financial statements have been audited by Clifton Gunderson LLP, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Avon for the fiscal year ended December 31, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Avon's financial statements for the fiscal year ended December 31, 2007, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Letter of Transmittal
Town of Avon, Colorado
June 12, 2008

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Town of Avon's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town

The Town of Avon was incorporated in 1978 and is located in Eagle County, eight miles west of the Town of Vail and seventeen miles east of the Town of Eagle. The Town sits north of U.S. Highway 6, directly adjacent to the Beaver Creek Resort and is bisected by Interstate Highway 70 from east to west. The primary transportation route to and from Avon is I-70. Aviation services and transportation are available at the Eagle County Airport, 24 miles west of the Town. The Town provides bus transportation services within the Town and to Beaver Creek Resort. Avon is also served by the Eagle County Regional Transit Authority which provides bus service throughout Eagle County. Eagle County encompasses approximately 1,694 square miles and spans from the summit of Vail Pass to Glenwood Canyon. Approximately 80% of Eagle County's land is public – comprised of National Forests, wilderness areas, Bureau of Land Management properties, and state and local public lands.

The Town of Avon currently encompasses approximately 8¼ square miles. With a population of 7,297, as most recently determined by a 2006 housing needs assessment performed by the Town, it is Eagle County's most populous town. This figure represents the permanent resident population. Total population increases significantly during the winter season.

The Town operates under the council/manager form of government. Policy-making and legislative authority are vested in the Town Council, which consists of a mayor and a six-member council. The Town Council is responsible, among other things, for passing ordinances, adopting the budget, and appointing a Town Manager, Town Attorney, Town Clerk and Municipal Judge. The Town Manager is responsible for carrying out the policies and ordinances of the Council, overseeing the day-to-day operations of the Town, and for appointing the heads of the Town's departments.

The Council is elected on a non-partisan basis. Council members are elected to four-year staggered terms with four council members elected in November, 2006, and the remaining three to be elected in November, 2008. The mayor and mayor pro-tem are elected from amongst the elected council members by a majority vote. The mayor presides at meetings of council but has no power to vote except in the case of a tie of the council members present and voting.

Letter of Transmittal
Town of Avon, Colorado
June 12, 2008

The Town is a home-rule community empowered to levy a property tax on the assessed value of real property located within the Town. The Town collects a 4% sales tax on all retail sales, and a 4% accommodations tax on the lease or rental of hotel rooms, condominium units and other accommodations within the Town. The Town also collects a 2% real estate transfer tax on all sales of real property located within the Town. An important exception is within The Village at Avon Planned Unit Development where, in accordance with the Annexation and Development Agreement of October 13, 1998 and as subsequently amended, the Town does not currently collect these taxes. The Town has the power by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the Town Council.

The Town provides a full range of municipal services including police protection; the construction and maintenance of parks, streets and roads, and infrastructure; recreational amenities and cultural activities and events; community planning and zoning; and general administrative services.

The annual budget serves as the foundation for the Town of Avon's financial planning and control. No later than October 15th, the Town Manager submits to the Mayor and Town Council a proposed budget for the calendar year commencing the following January 1st. The budget is prepared by fund, department, program and project and includes information on the prior year, current estimates and requested appropriations and estimated revenues for the upcoming year.

The Town Council holds public hearings and may change appropriations except for expenditures required by law for debt service or for estimated cash deficits. No change to the budget may increase the authorized expenditures to any amount greater than the total amount of funds available. The Town Council must adopt the budget by resolution prior to December 15th. Once adopted, the Town Council may at any time, by resolution, amend the budget. In addition, the Town Manager may transfer part or all of any unencumbered appropriation balance among programs within a department. A department is defined by the Town as a distinct, principal or specialized division (e.g. the department of public works).

Expenditures may not legally exceed budgeted appropriations at the fund level. Budget to actual comparison are provided in this report for all funds and are presented at a lower-than-required level of control to facilitate detailed financial analysis.

Budgetary comparisons for the Town's general fund and its major special revenue fund (water fund) are presented as required supplemental information in this report. Budget to actual comparisons for all other Town funds, are included as other supplemental information in this report.

Letter of Transmittal
Town of Avon, Colorado
June 12, 2008

Factors Affecting Financial Condition

Recreation and Tourism. Year-round tourism and skiing-related businesses account for a significant portion of the employment and earned income of area residents. Skier visits at Vail and Beaver Creek account for almost 20% of the total skier visits in Colorado. In addition, Vail was ranked by *SKI Magazine* as the #2 ski resort in North America for the 2007-08 season, while Beaver Creek was ranked 8th.

In addition to skiing and associated winter-time activities, the area promotes a number of summer activities. The Town of Avon sponsors numerous special events throughout the year to area residents including the 4th of July fireworks display. In 1999, the area was host to the World Alpine Ski Championships and in 2001 was host to the World Mountain Bike Championships. Several championship golf courses are located in Eagle County and Golf Digest has rated Eagle County as one of the top 40 golf communities in which to live. Other summer activities include horseback riding, bicycling, rafting, and other recreational sports.

New Development / Town Center West. New development continues to occur in Avon because of the Town's prime location at the base of the Beaver Creek ski resort. Beaver Creek's position as a very high quality, destination year-round resort has influenced Avon's growth and development.

In 2006, the Town approved a development agreement with East West Partners for the Westin Riverfront Resort & Spa project located on the site formerly referred to as the Confluence, located at the confluence of Beaver Creek and the Eagle River, and now platted as the Riverfront subdivision. The development includes a Westin Hotel, time-share and whole-ownership units, a riverfront park (to be dedicated to the Town), a public plaza, and the Riverfront Express - a high-speed gondola connecting the development to Beaver Creek Landing and to Town Center West via two surface railroad crossings. Initial excavation of the site began in April, 2006, with the Riverfront Express opening in November, 2007 and completion of the Westin Hotel anticipated in 2008.

In 2006 the Town began the process of creating an urban renewal authority in order to facilitate the financing of public improvements and to encourage redevelopment in the core area of Avon. The Avon Urban Renewal Authority was established in July, 2007 and an urban renewal plan for Town Center West was adopted in August, 2007. In February, 2008 the Authority issued \$25 million of Tax Increment Adjustable Rate Revenue Bonds for the purpose of construction of public improvements in Town Center West.

Construction by the Town was completed in 2007 for the two railroad crossings mentioned above after an extensive review and hearing process with the Public Utilities Commission (PUC). These crossings are the primary vehicular connection

Letter of Transmittal
Town of Avon, Colorado
June 12, 2008

between the Riverfront development and Town Center West. These crossings also provide pedestrian and bicycle connections between the regional trail along the Eagle River and the Nottingham Park trail and Town Center pedestrian areas.

Construction by the Town commenced in April, 2007 and was completed in November, 2007 for Avon Station, the Town's multi-modal transportation center. Avon Station is located next to the railroad tracks and Riverfront development on the south, and the Town Center West project on the north, and serves as the Town's transportation hub providing connection and interaction of multi-transportation modes including automobile, local and regional bus service, future light-rail, the Riverfront Express gondola and pedestrians.

Work was completed in 2007 on expanded spectator viewing areas for special events and improved performance of the three river features in the Town's whitewater park on the Eagle River near the Westin Riverfront development. The whitewater park was constructed in 2006 in order to establish a recreational destination along the Eagle River through Avon and dramatically increases the recreational opportunities that the Eagle River provides in the Town of Avon. The original river enhancement project consisted of a newly installed boat ramp, a spectator viewing terrace, additional wetland planting and three river features.

Cash Management Policies and Procedures. Cash temporarily idle during the year was invested in direct obligations of the U.S. Treasury and U.S. Instrumentalities, as well as local government investment pools and money market mutual funds. At year-end, the maturities of the U.S Treasury and Instrumentality obligations range from 46 days to 4.21 years, with an weighted average final maturity of 637 days. The weighted average yield at cost on these investments is 4.81%.

Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the Town intends to hold to maturity.

Risk Management. The Town of Avon has an aggressive risk management program which encompasses the functions of safety/loss prevention, loss control, risk financing, risk transfer, and risk assessment. Any claims are promptly reported to the Town's Director of Administration for investigation and follow-up.

Vehicular and property claims are reviewed during the Town's weekly safety review meeting for recommendation regarding possible corrective action.

The Town has continued its participation in CIRSA, the Colorado Intergovernmental Risk Sharing Agency, which is a self-funded municipal pool of approximately 240

Letter of Transmittal
Town of Avon, Colorado
June 12, 2008

Colorado municipalities and special districts. Workers compensation insurance is purchased from Pinnacol Assurance Company.

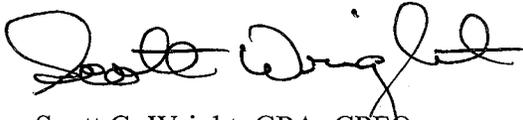
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Avon for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2006. This was the sixteenth consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been possible without the efficient and dedicated services of the entire staff of the finance department. Each member of the department has my sincere appreciation for the contributions made in the preparation of this report. Due credit should also be given to the Mayor, Town Council, and Town Manager for their interest, support and leadership in planning and conducting the operations of the Town in a responsible and progressive manner.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Scott Wright", written in a cursive style.

Scott C. Wright, CPA, CFE
Assistant Town Manager - Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Avon
Colorado

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



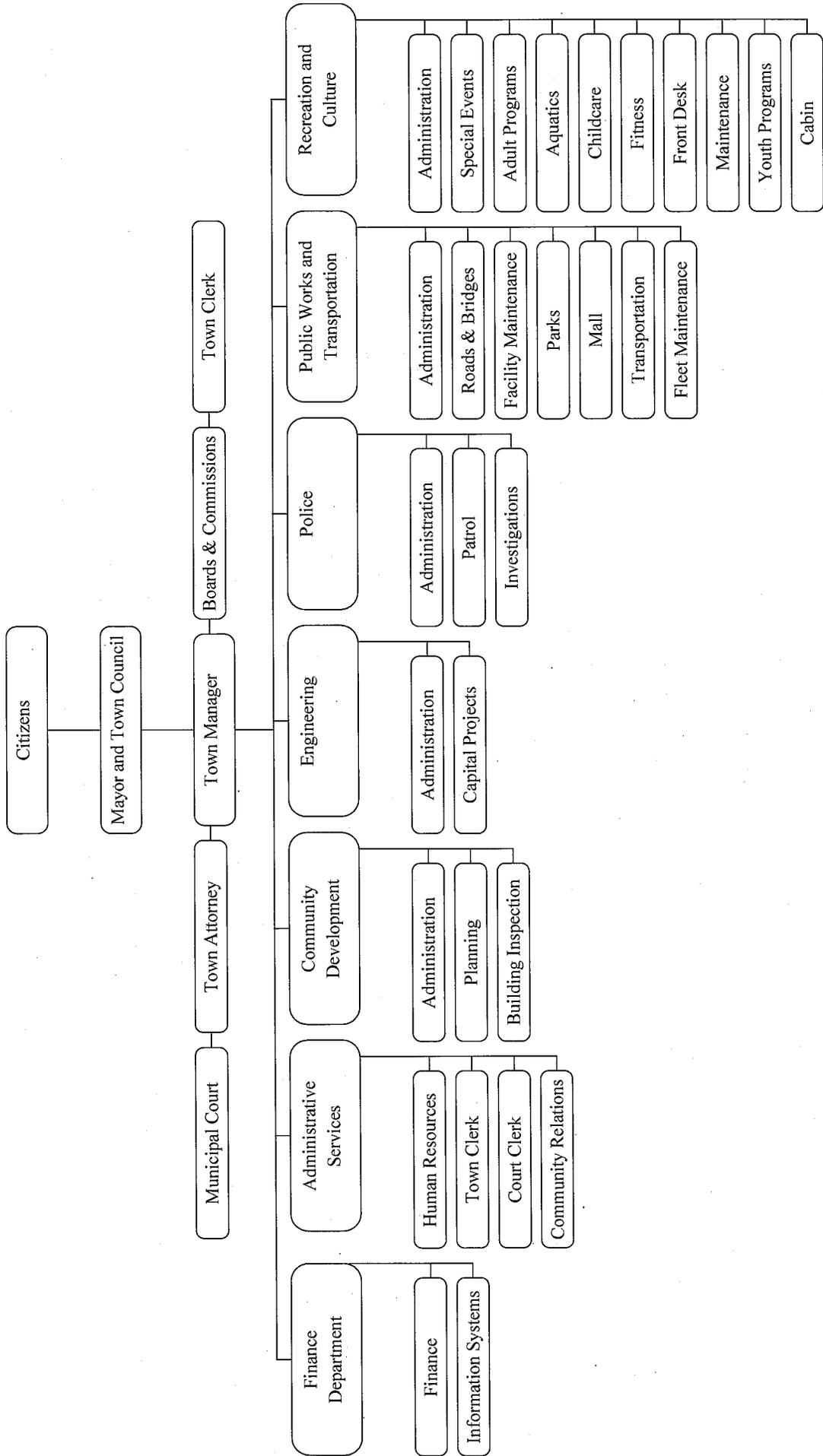
Oliver S. Cox

President

Jeffrey R. Emery

Executive Director

TOWN OF AVON ORGANIZATION CHART



Independent Auditor's Report

Town Council
Town of Avon, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Avon, Colorado as of and for the year ended December 31, 2007, which collectively comprise the Town of Avon, Colorado's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Avon, Colorado's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Avon, Colorado as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2008 on our consideration of the Town of Avon, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 16 and 53 through 55 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Avon, Colorado's basic financial statements. The combining and individual fund statements and miscellaneous schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Clifton Henderson LLP

Greenwood Village, Colorado
June 12, 2008

Management's Discussion and Analysis

As management of the Town of Avon, we offer readers of the Town of Avon's financial statements this narrative overview and analysis of the financial activities of the Town of Avon for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages v-x of this report.

Financial Highlights

- The assets of the Town of Avon exceeded its liabilities at the close of the most recent fiscal year by \$53,993,296 (*net assets*). Of this amount, \$19,789,225 is unrestricted and may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net assets increased by \$7,820,504.
- As of the close of the current fiscal year, the Town of Avon's governmental funds reported combined ending fund balances of \$18,340,950, a decrease of \$15,349 from the prior year. Approximately ninety-three percent (93%) of this total amount, \$17,008,136, is *available for spending* at the Town's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$6,676,687, or fifty-eight percent (58%) of total general fund expenditures.
- The Town of Avon's total bonded debt decreased by \$1,581,976 during the current fiscal year due to scheduled debt service payments on outstanding bonds, certificates of participation, and amortization of original issue discount.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Town of Avon's basic financial statements. The Town's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the Town of Avon's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets 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 (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Avon that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town of Avon include general government, community development, public safety, public works and utilities, and recreation and culture. The business-type activities of the Town include transportation and fleet maintenance operations.

The government-wide financial statements include not only the Town of Avon itself (known as the *primary government*), but also the Town of Avon Finance Authority (Authority) which was incorporated in 1998 as a Colorado nonprofit corporation, with the sole purpose of facilitating Town financings, including capital leases. The Authority has a three-member board of directors who serve without compensation and have no private or proprietary interest in the Authority. The Authority is included in the Town's financial statements because the Town appoints the board members of the Authority and has financial accountability for the Authority. The Authority's accounting transactions have been blended with the Town's general fund and fleet maintenance fund. The Avon Urban Renewal Authority, also a legally separate entity, was established in August, 2007 to undertake urban renewal plans and projects with the Town. All members of the governing body are Town Council members. For financial reporting purposes, AURA is blended into the Town's financial statements and is reported in a single special revenue fund.

The government-wide financial statements can be found on pages 17-19 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 Town of Avon, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary 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 inflow and outflows of spendable resources*, as well as on *balances of spendable 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 Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Avon maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, water fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other six nonmajor governmental funds (mall maintenance fund, Avon urban renewal authority fund, community enhancement fund, affordable housing fund, facilities reserve fund, and Avon Metropolitan District debt service fund) are combined into a single, aggregate presentation.

Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary funds. The Town of Avon maintains two different types of proprietary funds. *Enterprise funds* are used to report the same function presented as business-type activities in the government-wide financial statements. The Town of Avon uses enterprise funds to account for its transportation operations and its fleet maintenance operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town of Avon uses an internal service fund to account for the rental of vehicles and equipment to Town departments for the accumulation of funds for future replacement. Because this service predominately benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the transit fund and the fleet maintenance fund operations. Separate information is also provided for the Town's internal service fund. The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-51 of this report.

Required Supplemental Information. In addition to the basic financial statements and accompanying notes, this report also presents certain other required supplemental information. The Town of Avon adopts an annual appropriated budget for its general fund and major special revenue fund. Budgetary comparison statements have been provided for the general fund and water fund to demonstrate compliance with these budgets and can be found on pages 53-55 of this report.

Other Supplemental Information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented under other supplemental information immediately following the required supplemental information. Individual fund statements and schedules and other miscellaneous schedules can also be found in this section on pages 57-91 of this report.

Government-wide Financial Analysis

NET ASSETS

	Governmental Activities		Business-type Activities		Total Government	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$26,214,571	\$25,665,472	\$1,069,357	\$1,014,873	\$27,283,928	\$26,680,345
Capital Assets, net	<u>40,861,989</u>	<u>34,817,094</u>	<u>6,194,183</u>	<u>5,673,612</u>	<u>47,056,172</u>	<u>40,490,706</u>
Total Assets	<u>67,076,560</u>	<u>60,482,566</u>	<u>7,263,540</u>	<u>6,688,485</u>	<u>74,340,100</u>	<u>67,171,051</u>
Other Liabilities	6,167,429	5,680,273	112,886	85,826	6,280,315	5,766,099
Noncurrent Liabilities	<u>10,450,807</u>	<u>11,375,146</u>	<u>3,615,682</u>	<u>3,857,014</u>	<u>14,066,489</u>	<u>15,232,160</u>
Total Liabilities	<u>16,618,236</u>	<u>17,055,419</u>	<u>3,728,568</u>	<u>3,942,840</u>	<u>20,346,804</u>	<u>20,998,259</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	30,782,567	23,801,715	2,651,190	1,884,063	33,433,757	25,685,778
Restricted	770,314	697,093	-	-	770,314	697,093
Unrestricted	<u>18,905,443</u>	<u>18,928,339</u>	<u>883,782</u>	<u>861,582</u>	<u>19,789,225</u>	<u>19,789,921</u>
Total Net Assets	<u>\$50,458,324</u>	<u>\$43,427,147</u>	<u>\$3,534,972</u>	<u>\$2,745,645</u>	<u>\$53,993,296</u>	<u>\$46,172,792</u>

The largest portion of the Town's net assets (62%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure), net of any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens, consequently, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net assets (1.4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$19,789,225) may be used to meet the Town's ongoing obligations to citizens and creditors.

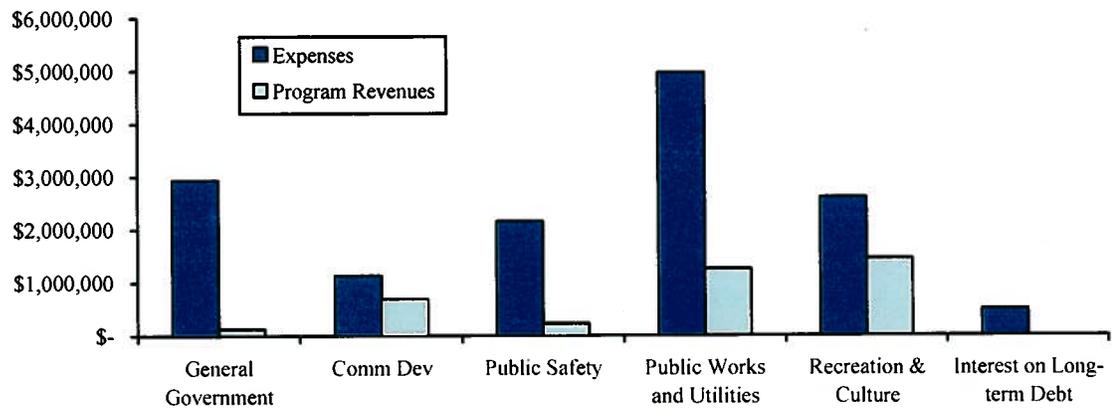
CHANGE IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
REVENUES						
Program Revenues:						
Charges for Services	\$ 3,751,666	\$ 4,150,236	\$ 3,313,517	\$ 3,190,835	\$ 7,065,183	\$ 7,341,071
Operating Grants and Contributions	74,078	52,538	-	-	74,078	52,538
Capital Grants and Contributions	2,301,778	1,662,000	684,349	-	2,986,127	1,662,000
General Revenues:						
Taxes:						
Property Taxes	2,766,725	2,765,362	-	-	2,766,725	2,765,362
Real Estate Transfer Tax	2,540,943	3,039,518	-	-	2,540,943	3,039,518
Sales and Accommodation Taxes	6,518,299	5,873,857	-	-	6,518,299	5,873,857
Other Taxes	656,702	716,685	-	-	656,702	716,685
Unrestricted Investment Earnings	1,356,013	826,004	-	-	1,356,013	826,004
Intergovernmental	1,080,075	852,938	-	-	1,080,075	852,938
Miscellaneous	1,745,046	283,011	-	-	1,745,046	283,011
Total Revenues	<u>22,791,325</u>	<u>20,222,149</u>	<u>3,997,866</u>	<u>3,190,835</u>	<u>26,789,191</u>	<u>23,412,984</u>
EXPENSES						
Program Activities:						
Governmental Activities:						
General Government	2,936,738	2,234,335	-	-	2,936,738	2,234,335
Community Development	1,132,260	1,392,669	-	-	1,132,260	1,392,669
Public Safety	2,157,400	1,853,452	-	-	2,157,400	1,853,452
Public Works and Utilities	4,958,488	5,975,905	-	-	4,958,488	5,975,905
Recreation and Culture	2,604,528	2,313,164	-	-	2,604,528	2,313,164
Interest on Long-term Debt	495,734	552,492	-	-	495,734	552,492
Business-type Activities:						
Transportation	-	-	2,321,139	2,187,410	2,321,139	2,187,410
Fleet Maintenance	-	-	2,362,400	1,989,005	2,362,400	1,989,005
Total Expenses	<u>14,285,148</u>	<u>14,322,017</u>	<u>4,683,539</u>	<u>3,797,521</u>	<u>18,968,687</u>	<u>18,498,432</u>
Excess (Deficiency) Before Transfers	8,506,177	5,900,132	(685,673)	(985,580)	7,820,504	4,914,552
Transfers	<u>(1,475,000)</u>	<u>(1,220,000)</u>	<u>1,475,000</u>	<u>1,220,000</u>	-	-
Increase in Net Assets	7,031,177	4,680,132	789,327	234,420	7,820,504	4,914,552
Net Assets, Beginning	<u>43,427,147</u>	<u>38,747,015</u>	<u>2,745,645</u>	<u>2,511,225</u>	<u>46,172,792</u>	<u>41,258,240</u>
Net Assets, Ending	<u>\$ 50,458,324</u>	<u>\$ 43,427,147</u>	<u>\$ 3,534,972</u>	<u>\$ 2,745,645</u>	<u>\$ 53,993,296</u>	<u>\$ 46,172,792</u>

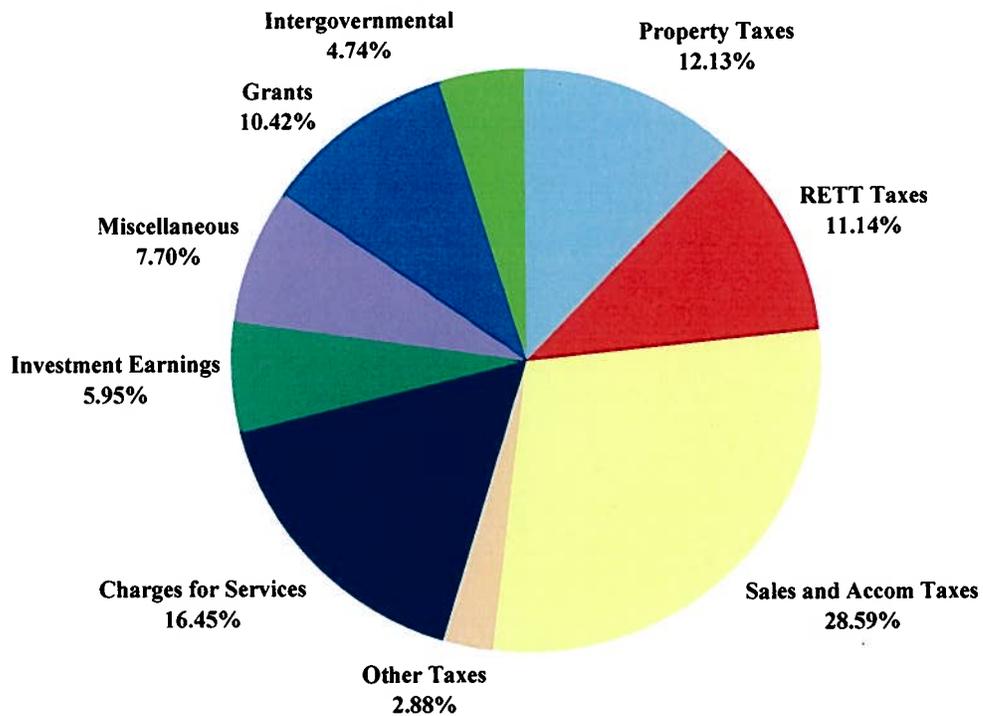
Governmental Activities. Governmental activities increased the Town's net assets by \$7,031,177 for 2007, accounting for 90% of the growth in the net assets of the Town. Key elements of this increase as follows:

- Tax rebates in the amount of \$1,218,159 plus accrued interest were forfeited by a developer for failure to meet a deadline for construction of a hotel associated with approval of a development agreement. The forfeited funds were reported in the Town's capital projects fund as other revenues.
- Investment earnings increased by \$530,009 or 64% from the previous year due to higher invested balances and higher yields.
- The Town received \$2,130,488 in capital grants from the Colorado Department of Transportation for its new transportation center and \$171,290 in federal grants for the Eaglebend Drive street improvement project.

Expenses and Program Revenues – Governmental Activities

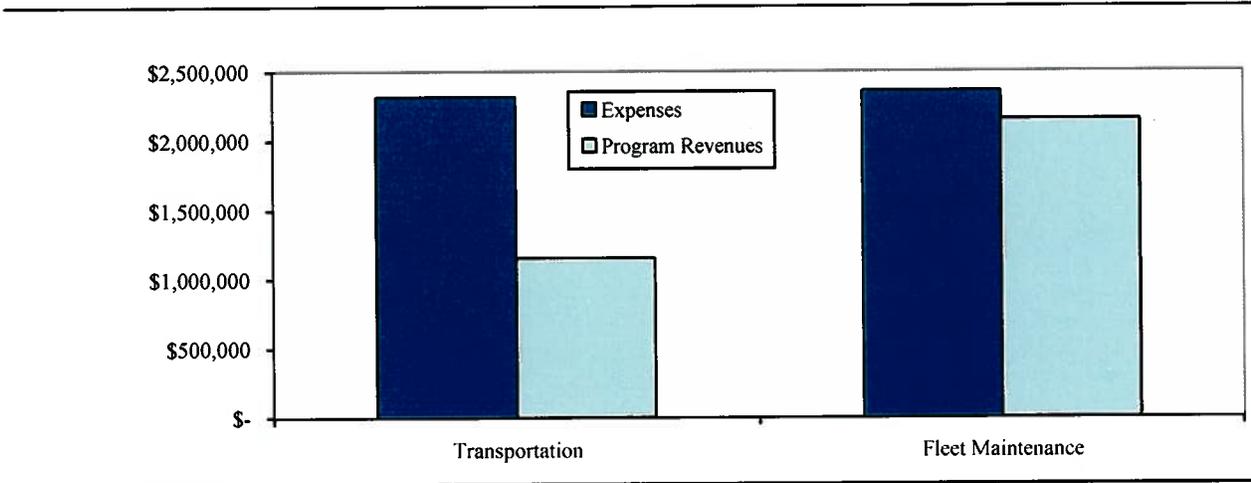


Revenues by Source – Governmental Activities

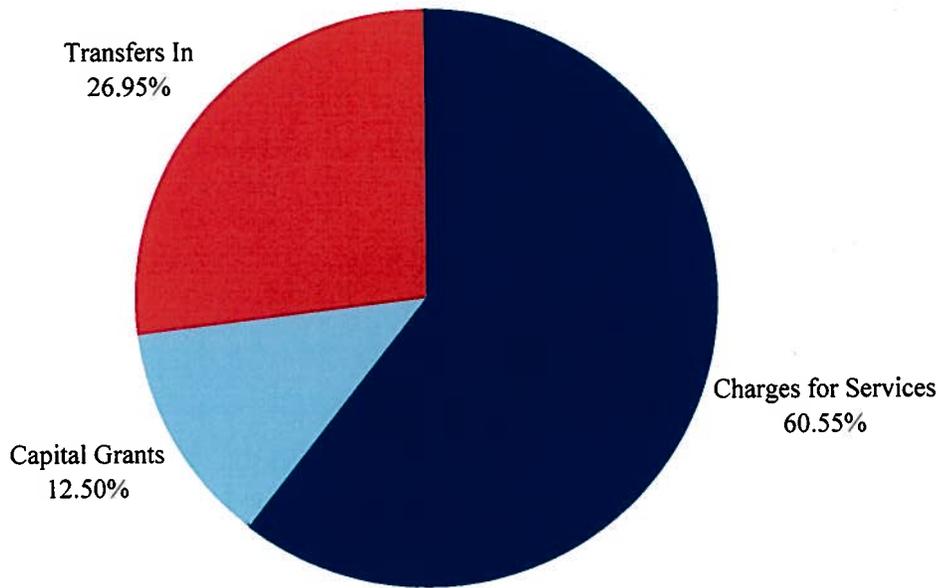


Business-type activities. Net assets of business-type activities increased by \$789,327 in 2007. The key elements of this increase was a capital grant from the Federal Transit Administration for the purchase of two new buses and transfers-in from the General Fund totaling \$1,475,000.

Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Town's Funds

The following schedule presents a summary of governmental fund revenues for the year ended December 31, 2007 and the amount and percentage of increases and decreases in relation to the prior year.

<u>Revenues</u>	<u>2007 Amount</u>	<u>Percent of Total</u>	<u>2006 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Taxes	\$12,482,669	54.77%	\$12,395,422	\$ 87,247	0.70%
Licenses and Permits	419,292	1.84%	827,890	(408,598)	(49.45%)
Intergovernmental	3,455,931	15.16%	2,523,356	932,575	36.96%
Charges for Services	3,244,484	14.23%	3,004,306	240,178	7.99%
Fines and Forfeitures	84,290	.37%	73,854	10,436	14.13%
Investment Earnings	1,356,013	5.95%	826,004	530,009	64.17%
Other Revenues	<u>1,750,580</u>	<u>7.68%</u>	<u>573,414</u>	<u>1,177,166</u>	<u>205.29%</u>
Total	<u>\$22,793,259</u>	<u>100.00%</u>	<u>\$20,224,246</u>	<u>\$ 2,569,013</u>	

Tax collections increased a net of \$87,247 due primarily to a \$644,442 increase in sales tax and accommodation tax revenues, offset by a decrease in real estate transfer taxes of \$498,575.

Assessed values of property within the Town increased by 1.4%. The general operating mill rate for the Town remained the same at 8.956 mills while the debt service mill rate dropped 0.052 mills to 4.331 mills. The debt service mill rate for the Avon Metropolitan District dropped 0.001 mills from 3.282 mills in 2006 to 3.281 mills in 2007.

The Town collects a 2% tax from all sales of real property within the Town except within The Village at Avon Planned Unit Development. These revenues are dedicated solely for capital improvement projects. Real estate transfer tax collections decreased 16.4%, from \$3,039,518 in 2006 to \$2,540,943 in 2007. The Town budgets these revenues conservatively and the local real estate market has begun to slow considerably.

License and permits declined in 2007 down to more normal levels. In the previous year, significant building permit and plan check fees associated with the new Riverfront Village development project provided a large increase in the normal level of licenses and permits revenues and charges for services. In addition in 2007, the Riverfront Lodge, which had previously been anticipated to begin construction in 2007, failed to pull a building permit.

As previously mentioned, intergovernmental revenues increased significantly due to a \$2,130,488 grant from the Colorado Department of Transportation for the Town's new transportation center.

Other revenues increased significantly due to tax rebates plus accrued interest that were forfeited by a developer for failure to meet a deadline for construction of a hotel associated with approval of a development agreement. The forfeited funds were placed in the Town's capital projects fund.

Professional portfolio management by MBIA Municipal Investment Services Corporation combined with generally higher interest rates and higher invested balances resulted in growth of investment earnings of over 64% from \$826,004 in 2006 to \$1,356,013 in 2007.

The following schedule presents a summary of governmental fund expenditures for the year ended December 31, 2007 and the amount and percentage of increases and decreases in relation to the prior year.

<u>Expenditures</u>	<u>2007 Amount</u>	<u>Percent of Total</u>	<u>2006 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Current:					
General Government	\$ 2,871,963	13.36%	\$ 2,127,325	\$ 744,638	35.00%
Community Development	902,634	4.20%	912,855	(10,221)	(1.12%)
Public Safety	2,203,803	10.25%	1,879,582	324,221	17.25%
Public Works and Utilities	3,424,566	15.92%	2,819,023	605,543	21.48%
Recreation and Culture	2,483,910	11.55%	2,168,903	315,007	14.52%
Capital Improvements	7,786,590	36.21%	4,245,404	3,541,186	83.41%
Debt Service:					
Principal	1,348,750	6.27%	1,296,250	52,500	4.05%
Interest	448,474	2.09%	504,122	(55,648)	(11.04%)
Fiscal Charges	33,074	0.15%	36,179	(3,105)	(8.58%)
Total	<u>\$21,503,764</u>	<u>100.00%</u>	<u>\$15,989,643</u>	<u>\$ 5,514,121</u>	

Capital improvement expenditures increased in 2007 by 83.41%. Several large capital projects were completed during the year including an expansion of the Town’s municipal building, the Town’s transportation center facility, Roundabout No. 4 conversion to a full roundabout, and the Eaglebend Drive streetscape. Other significant capital improvement expenditures are detailed under the capital assets discussion on page 13 of this report.

Personnel costs increased throughout nearly every department due to the hiring of 10 new full-time positions. In addition to normal merit-based raises, the Town elected to give all full-time employees a 3% cost-of-living raise effective January 1, 2007. Fuel and other petroleum based products continue to contribute to overall cost increases in commodities. General government expenditures increased in 2007 due to the creation of a new community relations program and the hiring of a community relations officer. In addition, the Town began a down-payment assistance program in 2007 to assist certain groups of employees in purchasing their primary residence.

Debt Service principal payments remained essentially the same in 2007. However, interest expense declined due to the payoff of nearly \$1.348 million in principal from the prior year. This trend will continue over the next several years as the Town’s existing bonded indebtedness declines.

The Town of Avon’s governmental funds reported combined ending fund balances of \$18,340,950, a decrease of \$15,349 from the prior year. Over 92% of this total amount (\$16,952,447) constitutes *unreserved fund balance*, which is available for spending at the Town’s discretion. The remainder of fund balance is *reserved* to indicate that it is not available for spending because it has already been committed 1) to pay debt service, or 2) to be expended only in the instance of a “emergency” as defined by the Colorado constitution.

The general fund is the chief operating fund of the Town of Avon. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,676,687, while total fund balance reached \$7,295,426. As a measure of the general fund's liquidity, it can be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 58.4% of total fund expenditures, while total fund balance represents 63.9% of that same amount.

The fund balance of the general fund increased by \$387,473, or 5.6%, in 2007. This was a favorable variance of \$670,629 over the decrease of \$283,156 reported in the final 2007 budget. Strong growth in the Town's general sales taxes, excess investment earnings and departmental budgetary savings all contributed to this increase. The fund balance of the general fund represents approximately sixty-three percent (63%) of 2007 general fund appropriations or the equivalent of approximately 7 1/2 months of operations. The Town has felt it necessary to retain this level of fund balance because of its heavy reliance on sales tax revenues. The Town's position as a resort community also places a heavy reliance upon several other factors including weather, the national economy, and tourism in general. The Town's fund balance provides the resources necessary to be more adaptable to the short-term financial environment and limits the need for capital financing.

The fund balance of the Town's capital projects fund decreased by \$1,037,644 or 13.4%, in 2007. The Town has typically funded its capital improvements on a pay-as-you-go basis, so accumulations of large fund balances are necessary to fund large projects. Because of the nature of this fund, where large capital improvement project expenditures are reported, large decreases in fund balance are also not unusual.

The fund balance of the Town's debt service fund increased by \$14,658 during 2007 to a total balance of \$657,106. Debt service reserves from the Series 1998 Certificates of Participation that are held in trust constitute \$567,341 of the balance.

General Fund Budgetary Highlights

A number of budget changes are typically made throughout the year and at the Town's adoption of its final revised budget in November. For the most part these changes are very minor and the increases and decreases are offsetting. The net difference between the original budget and the final amended budget resulted in an increase of \$264,370 in appropriations and transfers-out for the 2007 budget year. Of this amount, a \$50,848 increase was for the creation of a new Community Relations program and \$415,000 was an increase in transfers-out to the Transit Enterprise Fund. The remaining \$201,478 decrease was primarily the result of operational savings in all many different programs.

Actual revenues exceeded estimated revenues by a total of \$426,694. Of this amount, tax revenues made up \$119,668 of the excess collected, with investment earnings exceeding estimated revenues by \$252,234. Expenditures were under budget by a total of \$242,779. The majority of these savings were in the areas of public works (\$264,209) and recreation and culture (\$44,920).

Capital Asset and Debt Administration

Capital assets. The Town of Avon's investment in capital assets for its governmental and business-type activities as of December, 31, 2007, amounts to \$47,056,172 (net of accumulated depreciation). This investment in capital assets includes land, public art, buildings, infrastructure, and machinery and equipment (see table below). The total increase in the Town's investment in capital assets for the current fiscal year was 16.2% (a 17.4% increase for governmental activities and a 9.2% decrease for business-type activities).

Major capital assets events during the current fiscal year included the following:

- Two transit buses and a foreman vehicle totaling \$880,106 were purchased in the Transit Fund in 2007. Federal FTA grant funds in the amount of \$684,349 were used to reimburse the Town for 80% of the cost of the two buses.
- Fleet replacements totaled \$563,349 including four police patrol vehicles a snow plow and a loader. In addition, new fleet additions totaled \$221,640 including a new police pursuit vehicle, a leeboy loader and a hybrid-fuel administration vehicle.
- Capital Project Fund expenditures totaled \$7,786,590 in 2007 and included the completion or near completion of a number of projects including an expansion of the municipal building, construction of the Town's transportation center facility, Eaglebend Dr. streetscape, conversion of Roundabout No. 4, and the railroad crossings to the new Riverfront subdivision.

Town of Avon's Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land	\$ 8,837,639	\$ 8,791,262	\$ 130,384	\$ 130,384	\$ 8,968,023	\$ 8,921,646
Public Art	1,361,400	1,361,400	-	-	1,361,400	1,361,400
Water Rights	1,442,986	1,442,986	-	-	1,442,986	1,442,986
Construction in Progress	6,232,067	670,810	-	-	6,232,067	670,810
Buildings	6,662,392	6,308,540	4,570,534	4,785,225	11,232,926	11,093,765
Mach. & Equip.	2,090,715	1,600,432	1,493,265	758,003	3,583,980	2,358,435
Infrastructure	<u>14,234,790</u>	<u>14,641,664</u>	<u>-</u>	<u>-</u>	<u>14,234,790</u>	<u>14,641,664</u>
Total	<u>\$40,861,989</u>	<u>\$34,817,094</u>	<u>\$ 6,194,183</u>	<u>\$ 5,673,612</u>	<u>\$47,056,172</u>	<u>\$40,490,706</u>

Additional information on the Town of Avon's capital assets can be found in Note 4 on pages 38-39 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Avon had total bonded debt outstanding in the amount of \$12,901,798. Of this amount, \$5,466,798 comprises general obligation debt secured by a pledge of the full faith and credit of the Town and payable from ad valorem taxes which may be levied against all taxable property within the Town. Certificates of Participation which evidence assignments of proportionate interests in the right to receive payments pursuant to annually renewable lease agreements total \$4,665,000. The remainder of the Town's debt, \$2,770,000, represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

Town of Avon's Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
G. O. Bonds	\$ 5,466,798	\$ 6,393,774	\$ -	\$ -	\$ 5,466,798	\$ 6,393,774
Revenue Bonds	2,770,000	3,110,000	-	-	2,770,000	3,110,000
Certificates of Participation	<u>1,166,250</u>	<u>1,245,000</u>	<u>3,498,750</u>	<u>3,735,000</u>	<u>4,665,000</u>	<u>4,980,000</u>
Total	<u>\$ 9,403,048</u>	<u>\$10,748,774</u>	<u>\$ 3,498,750</u>	<u>\$ 3,735,000</u>	<u>\$12,901,798</u>	<u>\$14,483,774</u>

The Town of Avon's bonded debt decreased by \$1,581,976 during the current fiscal year. Regular principal payments were made on bonded debt in the amount of \$1,585,000 and original interest discounts were amortized in the amount of \$3,024.

Town Charter limits the amount of general obligation debt the Town may issue to 25% of assessed valuation of all taxable property within the Town, or \$15 million, whichever is greater. The current legal debt margin for the Town is \$42,824,043, which is significantly greater than the Town's outstanding general obligation debt.

The Town's ratio of net bonded debt to actual taxable property value is 0.34%, which is the lowest in history and down from a high of 2.32% in 1997. In addition, the Town's net bonded debt per capita is \$569, again the lowest in the Town's history.

Additional information on the Town's long-term debt can be found in Note 5 on pages 39-45 of this report.

Economic Factors and Next Year's Budget and Rates

Due to record amounts of snowfall and a very strong 2007/08 ski season the Town's economy continues to show strong growth in sales and accommodation taxes through the spring of 2008. Real estate transfer taxes and building permit revenues seem to be lagging compared to prior years, probably due more to the national economy and the sub-prime crises.

Personnel. Recruiting and retaining employees continues to present a challenge for the Town because of market place competition for certain jobs and a relatively small labor pool. For 2008, staffing levels will increase by a total of nine (9) positions in order to help maintain current levels of service, reduce out-sourcing costs and re-class part-time positions to full-time where warranted. These positions include: an electrician; a Police lieutenant, Police sergeant, and Police community service officer; a recreation coordinator; and three bus drivers. The 2008 budget includes a merit-based raise pool of 5% which is in line with market increases in other nearby jurisdictions.

2008 Budget Overview. As adopted by the Town Council on December 11, 2007, the Town's total appropriations for 2008 equal \$44,423,815. Total estimated revenues for 2008 are \$64,937,683, and estimated ending fund balances are \$38,813,959. Revenues exceed expenditures in part due the issuance of bonds in 2008 by the Avon Urban Renewal Authority that will be expended over the next three years.

Taxes make up 62.26% of estimated operating revenues, with charges for services making up 23.85% and intergovernmental revenues 4.76%. Capital improvements and equipment replacement constitute the highest percentage of expenditures at 38.33%, with transportation and fleet maintenance expenditures at 15.77%, and public works and recreation making up 11.3% and 7.75%, respectively.

General Fund revenues are estimated at \$15,276,433 in 2008, with taxes making up the majority (\$9,574,072; 63.72%) of operating revenues. Sales tax collections represents 60.31% of total taxes, with general property taxes representing 21% and payments in-lieu-of sales tax 5.19%.

Appropriations for general fund operating expenditures for 2008 total \$15,295,206. Expenditures for public works makes up the largest portion, equaling approximately 29.51% of general operating expenditures for 2008. Recreational expenditures make up an additional 21.58% of general operating expenditures and public safety 20.79%.

The fund balance of the General Fund is budgeted to decrease by \$18,773, or 0.28%, in 2008 to an estimated ending balance of \$6,604,505. The estimated ending fund balance represents 43.18% of 2008 general fund appropriations or the equivalent of over 5 months of operations. The Town has felt it necessary to retain this level of fund balance because of its heavy reliance on sales tax revenues. The Town's position as a resort community also places a heavy reliance upon several other factors including weather, the national economy, and tourism in general. The Town's fund balance provides the resources necessary to be more adaptable to the short-term financial environment and limits the need for capital financing. It is also important to have the capacity to meet the operational impacts of redevelopment until the efforts can generate a stabilized income.

Capital improvements spending in the Capital Projects Fund will total \$7,494,332 in 2008. Major projects include: \$500,000 for the public works facilities improvement program design work, \$600,000 for remodeling of the Avon Recreation Center for storage and office space, \$1,250,000 for pedestrian improvements for the Wildridge traffic loop, and \$300,000 for the Wildridge Parks program. Funds are also appropriated for various paving and road improvements, a master drainage plan, and a comprehensive transportation plan.

In the Avon Urban Renewal Authority Capital Fund, bonds have been issued in the amount of \$25 million in 2008 to fund the construction of Lake Street in the amount of \$4.5 million and for the design of Main Street in the amount of \$800,000. The remaining bond proceeds will be used in 2009 and 2010 to complete the construction of Main Street and the design and construction of Benchmark Rd.

The Town collects a 2% tax from all sales of real property within the Town that is dedicated for capital improvement projects. Real estate transfer tax collections totaled \$2,540,943 in 2007 and are budgeted to increase to \$8,548,204 due to the scheduled opening of the Westin Hotel in 2008.

Proposed debt service appropriations equal \$3,265,241 for 2008. Revenues for payment of debt service come from property tax revenues, including tax increment, sales tax revenues and interest earnings. In addition, capitalized interest from the above-mentioned bond issuance of \$25 million will pay interest on the tax increment bonds for the first three years.

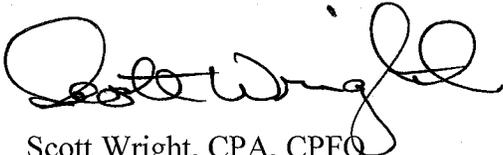
Appropriations for the Transit Enterprise Fund total \$3,200,622 in 2008. Of this amount, \$1,541,000 is budgeted to be subsidized from the Town's General Fund. Charges for services from Beaver Creek for operating the parking lot routes to Beaver Creek Village total \$1,376,272. Other revenues include FTA grants in the amount of \$277,857 for the purchase of a new bus.

The Town's assessed valuation grew by 32% in 2007 to a total value of \$226,501,610. The Town's mill rate for general operating purposes will remain at 8.956 mills, while the mill rate for debt service will decrease slightly from 4.331 to 3.315 mills. This decrease will allow property tax revenues in the debt service fund to remain approximately at the same level as the prior year.

Sales tax revenues for 2008 are budgeted to increase \$381,174 from revised 2007 estimates, an increase of 6.5%. This increase also takes into account the payment in-lieu-of taxes discussed above.

Requests for Information

This financial report is designed to provide a general overview of the Town of Avon's finances for all those with an interest in the Town's fiscal management. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant Town Manager - Finance, Town of Avon, Colorado, P.O. Box 975, Avon, CO 81620.



Scott Wright, CPA, CPFO
Assistant Town Manager - Finance

TOWN OF AVON, COLORADO

STATEMENT OF NET ASSETS DECEMBER 31, 2007

	Governmental Activites	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 4,256,794	\$ 174,333	\$ 4,431,127
Investments	15,061,707	-	15,061,707
Receivables	5,738,430	984,363	6,722,793
Internal Balances	500,000	(500,000)	-
Inventory	-	410,661	410,661
Deposits	16,999	-	16,999
Restricted Assets - Cash and Cash Equivalents	567,341	-	567,341
Other Assets	73,300	-	73,300
Capital Assets, net of accumulated depreciation:			
Nondepreciable	17,874,092	130,384	18,004,476
Depreciable	22,987,897	6,063,799	29,051,696
Total Assets	67,076,560	7,263,540	74,340,100
LIABILITIES			
Accounts Payable	1,087,611	46,333	1,133,944
Accrued Liabilities	153,242	50,624	203,866
Retainages Payable	153,346	-	153,346
Accrued Interest Payable	67,342	14,331	81,673
Deposits and Reserves	1,151,793	1,598	1,153,391
Deferred Taxes	3,357,295	-	3,357,295
Unearned Revenues	196,800	-	196,800
Noncurrent Liabilities:			
Due Within One Year	1,848,967	331,610	2,180,577
Due In More Than One Year	8,601,840	3,284,072	11,885,912
Total Liabilities	16,618,236	3,728,568	20,346,804
NET ASSETS			
Investment in Capital Assets, net of Related Debt	30,782,567	2,651,190	33,433,757
Restricted For:			
Debt Service	151,575	-	151,575
TABOR Emergency Reserve	618,739	-	618,739
Unrestricted	18,905,443	883,782	19,789,225
Total Net Assets	\$ 50,458,324	\$ 3,534,972	\$ 53,993,296

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

TOWN OF AVON, COLORADO

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 2,936,738	\$ 125,832	\$ -	\$ -
Community Development	1,132,260	691,131	-	-
Public Safety	2,157,400	230,024	74,078	-
Public Works and Utilities	4,958,488	1,254,259	-	2,301,778
Recreation and Culture	2,604,528	1,450,420	-	-
Interest and Fiscal Charges on Long-term Debt	495,734	-	-	-
Total Governmental Activities	14,285,148	3,751,666	74,078	2,301,778
Business-type Activities:				
Transportation	2,321,139	1,156,629	-	684,349
Fleet Maintenance	2,362,400	2,156,888	-	-
Total Business-type Activities	4,683,539	3,313,517	-	684,349
Total Primary Government	\$ 18,968,687	\$ 7,065,183	\$ 74,078	\$ 2,986,127

General Revenues:

- Property Taxes, Levied for General Purposes
- Property Taxes, Levied for Debt Service
- Real Estate Transfer Taxes
- Sales and Accommodation Taxes
- Other Taxes
- Unrestricted Investment Earnings
- Intergovernmental
- Miscellaneous

Transfers

Total General Revenues and Transfers

Increase in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

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

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (2,810,906)	\$ -	\$ (2,810,906)
(441,129)	-	(441,129)
(1,853,298)	-	(1,853,298)
(1,402,451)	-	(1,402,451)
(1,154,108)	-	(1,154,108)
(495,734)	-	(495,734)
<u>(8,157,626)</u>	<u>-</u>	<u>(8,157,626)</u>
-	(480,161)	(480,161)
-	(205,512)	(205,512)
<u>-</u>	<u>(685,673)</u>	<u>(685,673)</u>
<u>(8,157,626)</u>	<u>(685,673)</u>	<u>(8,843,299)</u>
1,535,828	-	1,535,828
1,230,897	-	1,230,897
2,540,943	-	2,540,943
6,518,299	-	6,518,299
656,702	-	656,702
1,356,013	-	1,356,013
1,080,075	-	1,080,075
1,745,046	-	1,745,046
(1,475,000)	1,475,000	-
<u>15,188,803</u>	<u>1,475,000</u>	<u>16,663,803</u>
7,031,177	789,327	7,820,504
<u>43,427,147</u>	<u>2,745,645</u>	<u>46,172,792</u>
<u>\$ 50,458,324</u>	<u>\$ 3,534,972</u>	<u>\$ 53,993,296</u>

TOWN OF AVON, COLORADO

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2007

	General Fund	Water Fund	Debt Service Fund	Capital Projects Fund
ASSETS				
Cash and Cash Equivalents	\$ -	\$ 816,140	\$ 89,835	\$ 104,843
Investments	6,769,183	1,222,999	-	7,069,525
Receivables:				
- Interest	92,034	-	-	72,515
- Taxes	3,088,508	-	735,922	2,783
- Accounts	187,313	-	-	53,044
- Intergovernmental	82,612	40,055	-	434,391
- Employees	33,284	-	-	-
Due from Other Funds	503,000	-	-	-
Deposits	16,999	-	-	-
Notes Receivable	-	-	-	-
Restricted Assets - Cash and Cash Equivalents	-	-	567,341	-
Total Assets	\$ 10,772,933	\$ 2,079,194	\$ 1,393,098	\$ 7,737,101
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 164,440	\$ 6,157	\$ -	\$ 889,880
Accrued Liabilities	151,147	717	-	-
Retainages Payable	-	-	-	153,346
Deposits and Reserves	1,151,793	-	-	-
Due to Other Funds	-	-	-	-
Deferred Taxes	2,008,327	-	735,992	-
Deferred or Unearned Revenues	1,800	-	-	-
Total Liabilities	3,477,507	6,874	735,992	1,043,226
Fund Balances:				
Reserved For:				
- Debt Service	-	-	657,106	-
- TABOR Emergency Reserve	618,739	-	-	-
Unreserved, Designated for, Reported in:				
- Subsequent Year's Expenditures	-	923,555	-	-
- Special Revenue Funds	-	-	-	-
Unreserved, Reported In:				
- General Fund	6,676,687	-	-	-
- Special Revenue Funds	-	1,148,765	-	-
- Capital Projects Funds	-	-	-	6,693,875
Total Fund Balances	7,295,426	2,072,320	657,106	6,693,875
Total Liabilities and Fund Balances	\$ 10,772,933	\$ 2,079,194	\$ 1,393,098	\$ 7,737,101

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

**RECONCILIATION OF TOTAL GOVERNMENTAL
FUND BALANCE TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Other Governmental Funds	Total		
\$ 1,545,742	\$ 2,556,560	Total Governmental Fund Balances	\$ 18,340,950
-	15,061,707		
-	164,549	<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
675,830	4,503,043	Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund balance sheet.	
45,139	285,496	- Capital Assets	63,617,082
-	557,058	- Accumulated Depreciation	(25,778,129)
-	33,284		37,838,953
-	503,000		
-	16,999	Some liabilities, including bonds, notes and leases payable, and compensated absences are not due and payable in the current period and therefore are not reported in the fund balance sheet.	
195,000	195,000	- Bonds Payable	(9,331,852)
-	567,341	- Capital Leases	(482,901)
\$ 2,461,711	\$ 24,444,037	- Compensated Absences	(298,085)
			(10,112,838)
\$ 27,134	\$ 1,087,611	Governmental funds report the effect of debt issuance costs when debt is first issued, whereas these amounts are deferred and amortized over the life of the debt in the Statement of Activities.	73,300
1,378	153,242	Accrued interest payable is recognized for governmental activities but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	(67,342)
-	153,346	The internal service fund is used by management to charge the rental cost of certain vehicles and equipment to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the Statement of Net Assets.	4,385,301
-	1,151,793	Net Assets of Governmental Activities	\$ 50,458,324
3,000	3,000		
612,976	3,357,295		
195,000	196,800		
839,488	6,103,087		
56,969	714,075		
-	618,739		
-	923,555		
32,381	32,381		
-	6,676,687		
1,532,873	2,681,638		
-	6,693,875		
1,622,223	18,340,950		
\$ 2,461,711	\$ 24,444,037		

TOWN OF AVON, COLORADO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Water Fund	Debt Service Fund	Capital Projects Fund
Revenues				
Taxes	\$ 8,710,829	\$ -	\$ 742,705	\$ 2,540,943
Licenses and Permits	419,292	-	-	-
Intergovernmental	929,153	-	-	2,526,778
Charges for Services	2,351,475	893,009	-	-
Fines and Forfeitures	84,290	-	-	-
Investment Earnings	827,234	29,144	29,843	469,792
Other Revenues	266,842	2,845	-	1,363,265
Total Revenues	13,589,115	924,998	772,548	6,900,778
Expenditures				
Current:				
General Government	2,563,047	-	-	-
Community Development	902,634	-	-	-
Public Safety	2,203,803	-	-	-
Public Works and Utilities	3,263,935	74,313	-	-
Recreation and Culture	2,483,910	-	-	-
Capital Improvements	-	-	-	7,786,590
Debt Service:				
Principal	-	-	948,750	-
Interest	-	-	382,414	-
Fiscal Charges	-	-	18,278	-
Total Expenditures	11,417,329	74,313	1,349,442	7,786,590
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,171,786	850,685	(576,894)	(885,812)
Other Financing Sources (Uses)				
Transfers In	200,000	-	591,552	48,168
Transfers Out	(2,154,469)	(48,168)	-	(200,000)
Issuance of Capital Lease	170,156	-	-	-
Total Other Financing Sources (Uses)	(1,784,313)	(48,168)	591,552	(151,832)
Net Change in Fund Balances	387,473	802,517	14,658	(1,037,644)
Fund Balances, Beginning of Year	6,907,953	1,269,803	642,448	7,731,519
Fund Balances, End of year	\$ 7,295,426	\$ 2,072,320	\$ 657,106	\$ 6,693,875

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

**RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Other Governmental Funds	Total		
		Net change in fund balances - Total Governmental Funds	<u>\$ (15,349)</u>
		<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
		Governmental funds report capital outlays as expenditures. However, for governmental activities, those capital outlays other than the noncapitalizable items are shown in the Statement of Activities and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
\$ 488,192	\$ 12,482,669	- Capital Outlay	7,199,713
-	419,292	- Depreciation	<u>(1,719,136)</u>
-	3,455,931		<u>5,480,577</u>
-	3,244,484		
-	84,290		
-	1,356,013		
117,628	1,750,580		
<u>605,820</u>	<u>22,793,259</u>		
		Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
308,916	2,871,963	- Compensated Absences	<u>(19,839)</u>
-	902,634		
-	2,203,803		
86,318	3,424,566	The issuance of capital leases provides current financial resources to to governmental funds, but issuing debt increases long-term liabilities in the Statement of Activities.	<u>(170,156)</u>
-	2,483,910		
-	7,786,590		
400,000	1,348,750	Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
66,060	448,474	- Capital Lease Principal Payments	114,562
14,796	33,074	- Bond Principal Payments and Retirements	<u>1,348,750</u>
<u>876,090</u>	<u>21,503,764</u>		<u>1,463,312</u>
		Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
(270,270)	1,289,495	- Change in accrued interest payable on outstanding bonds	5,044
87,917	927,637	- Amortization of deferred loss on refunding and bond premium	(7,985)
-	(2,402,637)	- Amortization of original issue discount	(3,024)
-	170,156	- Amortization of bond issuance costs	<u>(8,221)</u>
<u>87,917</u>	<u>(1,304,844)</u>		<u>(14,186)</u>
(182,353)	(15,349)	The internal service fund is used by management to charge the rental cost of certain vehicles and equipment to individual funds. The increase in net assets of the internal service fund is included in governmental activities.	<u>306,818</u>
1,804,576	18,356,299		
<u>\$ 1,622,223</u>	<u>\$ 18,340,950</u>	Change in Net Assets of Governmental Activities	<u><u>\$ 7,031,177</u></u>

TOWN OF AVON, COLORADO

STATEMENT OF NET ASSETS PROPRIETARY FUNDS DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit Fund	Fleet Maintenance Fund	Totals	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 50,037	\$ 124,296	\$ 174,333	\$ 1,700,234
Receivables:				
- Accounts	400	-	400	-
- Intergovernmental	817,866	166,097	983,963	-
Inventory	-	410,661	410,661	-
Total Current Assets	868,303	701,054	1,569,357	1,700,234
Noncurrent Assets:				
Capital Assets:				
- Land	-	130,384	130,384	-
- Buildings	16,650	6,269,748	6,286,398	1,370,694
- Machinery and Equipment	2,640,429	185,445	2,825,874	4,375,042
- Accumulated Depreciation	(1,221,963)	(1,826,510)	(3,048,473)	(2,722,700)
Net Capital Assets \ Total Noncurrent Assets	1,435,116	4,759,067	6,194,183	3,023,036
Total Assets	2,303,419	5,460,121	7,763,540	4,723,270
LIABILITIES				
Current Liabilities:				
Accounts Payable	3,869	42,464	46,333	-
Accrued Liabilities	33,981	16,643	50,624	-
Accrued Interest Payable	-	14,331	14,331	-
Deposits and Reserves	1,598	-	1,598	-
Compensated Absences Payable	35,174	37,515	72,689	-
Due to Other Funds	400,000	100,000	500,000	-
Certificates of Participation - Current	-	247,500	247,500	-
Capital Leases Payable - Current	-	11,421	11,421	43,077
Total Current Liabilities	474,622	469,874	944,496	43,077
Noncurrent Liabilities:				
Certificates of Participation	-	3,251,250	3,251,250	-
Capital Leases Payable	-	32,822	32,822	294,892
Total Noncurrent Liabilities	-	3,284,072	3,284,072	294,892
Total Liabilities	474,622	3,753,946	4,228,568	337,969
NET ASSETS				
Investment in Capital Assets, net of Related Debt Unrestricted	1,435,116 393,681	1,216,074 490,101	2,651,190 883,782	2,685,067 1,700,234
Total Net Assets	\$ 1,828,797	\$ 1,706,175	\$ 3,534,972	\$ 4,385,301

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

TOWN OF AVON, COLORADO

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit Fund	Fleet Maintenance Fund	Totals	
Operating Revenues:				
Charges for Services	\$ 1,132,804	\$ 2,087,945	\$ 3,220,749	\$ 525,638
Other Operating Revenues	23,825	68,943	92,768	4,574
Total Operating Revenues	<u>1,156,629</u>	<u>2,156,888</u>	<u>3,313,517</u>	<u>530,212</u>
Operating Expenses:				
Cost of Operations	2,176,694	1,946,423	4,123,117	13,947
Depreciation	144,445	231,390	375,835	526,619
Total Operating Expenses	<u>2,321,139</u>	<u>2,177,813</u>	<u>4,498,952</u>	<u>540,566</u>
Operating Loss	(1,164,510)	(20,925)	(1,185,435)	(10,354)
Nonoperating Revenues (Expenses):				
Grant Revenues	684,349	-	684,349	-
Loss on Disposal of Capital Assets	-	-	-	(10,108)
Interest Expense	-	(184,587)	(184,587)	-
Total Nonoperating Revenues (Expenses)	<u>684,349</u>	<u>(184,587)</u>	<u>499,762</u>	<u>(10,108)</u>
Loss Before Contributions and Transfers	(480,161)	(205,512)	(685,673)	(20,462)
Capital Asset Contributions	-	-	-	327,280
Transfers In	<u>1,315,000</u>	<u>160,000</u>	<u>1,475,000</u>	<u>-</u>
Increase (Decrease) in Net Assets	834,839	(45,512)	789,327	306,818
Total Net Assets, Beginning of Year	<u>993,958</u>	<u>1,751,687</u>	<u>2,745,645</u>	<u>4,078,483</u>
Total Net Assets, End of Year	<u>\$ 1,828,797</u>	<u>\$ 1,706,175</u>	<u>\$ 3,534,972</u>	<u>\$ 4,385,301</u>

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

TOWN OF AVON, COLORADO

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit Fund	Fleet Maintenance Fund	Totals	
Cash Flows From Operating Activities				
Cash Received from Customers and Users	\$ 1,276,855	\$ 1,632,107	\$ 2,908,962	\$ -
Cash Received from Interfund Services Provided	-	568,505	568,505	525,638
Cash Payments to Suppliers	(651,799)	(1,138,287)	(1,790,086)	(13,947)
Cash Payments to Employees	(1,278,667)	(827,808)	(2,106,475)	-
Cash Payments for Interfund Services Used	(251,422)	-	(251,422)	-
Other Operating Revenues	23,825	68,943	92,768	4,574
Net Cash Provided by (Used in) Operating Activities	<u>(881,208)</u>	<u>303,460</u>	<u>(577,748)</u>	<u>516,265</u>
Cash Flows From Noncapital Financing Activities				
Deposits Received	3,603	-	3,603	-
Deposits Refunded	(4,105)	-	(4,105)	-
Advances from Other Funds	300,000	-	300,000	-
Transfer In from Other Funds	1,315,000	160,000	1,475,000	-
Net Cash Provided by Noncapital Financing Activities	<u>1,614,498</u>	<u>160,000</u>	<u>1,774,498</u>	<u>-</u>
Cash Flows From Capital Financing Activities				
Acquisition and Construction of Capital Assets	(880,106)	(16,300)	(896,406)	(860,037)
Proceeds from Sales of Capital Assets	-	-	-	86,272
Capital Lease Proceeds	-	-	-	337,969
Interest Paid on Long-term Debt	-	(185,473)	(185,473)	-
Principal Paid on Long-term Debt	-	(246,556)	(246,556)	-
Net Cash Used in Capital Financing Activities	<u>(880,106)</u>	<u>(448,329)</u>	<u>(1,328,435)</u>	<u>(435,796)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(146,816)</u>	<u>15,131</u>	<u>(131,685)</u>	<u>80,469</u>
Cash and Cash Equivalents, Beginning of Year	<u>196,853</u>	<u>109,165</u>	<u>306,018</u>	<u>1,619,765</u>
Cash and Cash Equivalents, End of Year	<u>\$ 50,037</u>	<u>\$ 124,296</u>	<u>\$ 174,333</u>	<u>\$ 1,700,234</u>

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

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Transit Fund	Fleet Maintenance Fund	Totals	
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating Loss	<u>\$ (1,164,510)</u>	<u>\$ (20,925)</u>	<u>\$ (1,185,435)</u>	<u>\$ (10,354)</u>
Adjustments to Reconcile Operating Loss to Net Cash Provided by Used in) Operating Activities				
Depreciation	144,445	231,390	375,835	526,619
Change in Assets and Liabilities:				
Decrease in Accounts Receivable	2,898	72,121	75,019	-
Decrease in Intergovernmental Receivable	141,153	40,546	181,699	-
Increase in Inventory	-	(58,538)	(58,538)	-
Increase (Decrease) in Accounts Payable	(8,961)	30,470	21,509	-
Increase in Accrued Liabilities	1,796	5,143	6,939	-
Increase in Compensated Absences Payable	1,971	3,253	5,224	-
Total Adjustments	<u>283,302</u>	<u>324,385</u>	<u>607,687</u>	<u>526,619</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (881,208)</u></u>	<u><u>\$ 303,460</u></u>	<u><u>\$ (577,748)</u></u>	<u><u>\$ 516,265</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Noncash Transactions Affecting Financial Position				
Contributions of Capital Assets from Governmental Activities	\$ -	\$ -	\$ -	\$ 327,280

TOWN OF AVON, COLORADO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

The financial statements of the Town of Avon have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental entities. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting board for establishing governmental accounting and financial reporting principles. The following notes are an integral part of the Town’s Comprehensive Annual Financial Report.

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Primary Government. The Town of Avon, Colorado, was incorporated as a Town on April 24, 1978. On June 13, 1978, the citizenry voted to become a Home Rule City, as authorized by Article 20 of the Colorado State Constitution. The Town operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, highways and streets, culture-recreation, public improvements, community development, planning and zoning, transportation, and general administrative services.

As required by generally accepted accounting principles, these financial statements present the Town of Avon (the primary government) and its component units for which the Town is considered financially accountable. Financial accountability exists if the Town appoints a voting majority of an organization’s governing board and is able to impose its will on the organization, or if the organization provided benefits to, or imposes financial burdens upon the Town. Blended component units, although legally separate entities, are, in substance, part of the Town’s operations and so data from these units are combined with data of the Town.

The Town’s blended component units are -

Town of Avon Finance Authority (Authority) – The Authority was incorporated in 1998 as a Colorado nonprofit corporation, with the sole purpose of facilitating Town financings, including capital leases. The Authority has a three-member board of directors who serve without compensation and have no private or proprietary interest in the Authority. The Authority’s activities have been collapsed and blended into the Town’s Debt Service and Fleet Maintenance funds. The Authority is included in the Town’s financial statements because the Town appoints the board members of the Authority and has financial accountability for the Authority. This component unit does not issue separate financial statements.

Avon Urban Renewal Authority (AURA) – The AURA was established in August, 2007 to undertake urban renewal plans and projects with the Town. A special revenue fund had been previously established in 2006 to account for legal and consulting costs incurred to establish the authority. All members of the governing body are Town Council members. For financial reporting purposes, AURA is blended into the Town’s financial statements and

is reported in a single special revenue fund. Separate financial statements of the AURA are not prepared.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements. The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all non-fiduciary activities of the Town (the primary government) and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which primarily rely on fees and charges for support. As a general rule, the effect of interfund activity has been eliminated to from the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business segment are offset by program revenues and helps identify the extent to which each is self-financing or draws from the general revenues of the Town. Direct expenses are those that are clearly identifiable with a specific function or business segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements. Fund financial statements report detailed information about the Town with the focus on major funds rather than on reporting funds by type. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

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

Measurement Focus and Basis of Accounting. The government-wide financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements. Revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for property, plant and equipment are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recorded

TOWN OF AVON, COLORADO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (60 days). The major sources of revenue which are susceptible to accrual are property taxes, accommodations and sales taxes, and certain intergovernmental revenues. Expenditures generally are recorded when the liability is incurred, as under full accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Financial Statement Presentation – Fund Accounting. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of accounting for specific activities. The Town uses funds to report results of operations and financial position, and demonstrate compliance with legal, contractual and regulatory requirements.

The Town's funds are classified into two broad fund categories and six generic fund types for financial reporting purposes: Governmental funds include the general, special revenue, debt service, and capital projects funds. Proprietary funds include enterprise funds and an internal service fund.

The Town's major governmental funds are:

- *General Fund* – This is the Town's primary operating fund. It is used to account for all activities of the Town not required to be accounted for in some other fund.
- *Water Fund* – This fund is used to account for the cost of maintaining certain water-related assets and for the receipt of water surcharges and tap fees within the Town limits.
- *Debt Service Fund* – This fund is used to account for the accumulation of resources and payment of principal and interest on the Town's general obligation and sales tax revenue bonds.
- *Capital Projects Fund* – This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all the Town's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town's major proprietary funds are:

-
- *Transit Fund* – This fund is used to account for the activities involved in operating the Town’s transportation system. In addition to transportation routes within the Town of Avon, the Town contracts with other entities for management and operation of their transportation systems within Eagle County.
 - *Fleet Maintenance Fund* – This fund is used to account for the accumulation and allocation of costs associated with the maintenance of vehicles and rolling stock for the Town and certain other third party governmental entities.

The Town’s only internal service fund is the Equipment Replacement Fund. This fund is used to account for the rental of certain vehicles and equipment to other departments for the accumulation of funds for future replacement.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

D. Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles for all funds, with the exception of proprietary funds which are budgeted on the modified accrual basis of accounting. According to the Town’s Charter, all appropriations except for capital projects or special revenue funds lapse at fiscal year-end. However, as a matter of practice, the Town adopts annual budgets for all funds. During the year, changes may be made to budgets by adoption of supplemental amendments by resolution of the Town Council.

E. Cash and Investments

The Town concentrates the cash resources of its various funds in order to facilitate the management of cash. The balance in this concentration account is available to meet the Town’s current operating requirements. Cash resources in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Town’s investments.

Town Charter and Colorado State statutes authorize the Town to invest its excess funds in direct U.S. Government securities, agencies, bonds and other obligations of states and political subdivisions, corporate bonds, money market mutual funds, and local government investment pools. Investments are stated at fair value on the balance sheet except for money-market investments that have a remaining maturity at time of purchase of one year or less. Investment income is recognized when earned.

TOWN OF AVON, COLORADO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

F. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of any governmental fund inventories are recorded as expenditures when consumed rather than when purchased.

G. Restricted Assets

Restricted assets in the amount of \$567,341 are reported in the Debt Service Fund. This amount consists of a \$562,500 required debt service reserve account and an additional \$4,841 in a certificate account for the Series 1998 Certificates of Participation. Both of these accounts are held in the trust department of American National Bank. When both restricted and unrestricted resources are available for use, it is the Town's policy to use unrestricted resources first, then restricted, as they are needed.

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. It is the Town's policy to capitalize expenditures with a cost greater than \$5,000 and an estimated useful life of more than one year. All purchased capital assets are stated at cost or estimated historical cost if actual historical records are not available. Donated capital assets are recorded at their estimated fair market value at the date of contribution. Major outlays for capital improvement projects are capitalized as projects are completed.

The Town's infrastructure consists of streets and roads, bridges, storm drainage, water rights and storage, irrigation ditches, bike paths, and public parking.

The costs of normal maintenance and repair that do not add to the value of the asset or extend the estimated useful life are not capitalized but charged to operations as incurred. Depreciation of property, plant and equipment is computed using the straight-line method over the following estimated useful lives:

Buildings and Facilities	20-40 years
Infrastructure	35-50 years
Vehicles and Rolling Stock	7-15 years
Machinery and Equipment	7-10 years

I. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, issuance costs, and loss on refunding are deferred and amortized over the life of the bonds using the straight-line method, which approximates the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

J. Property Taxes

Property taxes are levied by the Town Council. The levy is based on the assessed valuation of property located within the Town as 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. The County Treasurer collects the property taxes during the ensuing calendar year and remits the taxes collected to the Town on a monthly basis.

Property taxes are payable in full by April 30, or if in two equal installments, by February 28 and June 15. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. Property taxes, net of estimated uncollectible taxes, are recorded as receivable in the year levied and offset to deferred revenue since they typically do not meet the availability criterion.

K. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused personal time off (a combination of vacation and holidays) and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Town's policy is to not pay for accumulated sick leave when employees separate from service. The liability for compensated absences is recorded as a non-current liability in the government-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements governmental funds report a compensated liability payable only if they have matured, for example, as a result of employee resignations and retirements, while the proprietary funds report the liability as it is incurred. Within the governmental funds, the General Fund typically is used to liquidate any liabilities for compensated absences.

TOWN OF AVON, COLORADO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

L. Fund Equity

In the fund financial statements, reserves are used to segregate portions of fund balance or net assets that are legally restricted for specific future uses or not available for appropriation. Designated fund balances represent tentative plans for future use of financial resources. The Avon Urban Renewal Authority Fund, a nonmajor fund, had a deficit fund balance of \$2,113 at December 31, 2007. The Town considers all unreserved fund balances to be “reserves” for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).

M. Statements of Cash Flows

For purposes of the statement of cash flows, the Town considers all highly liquid investments with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

N. Debt Costs

Debt issuance costs in the amount of \$73,300 (net of accumulated amortization of \$25,348) are included in other assets. Unamortized premiums of \$57,020 (net of accumulated amortization of \$19,718) and loss on refundings (contra-liability) of \$128,216 (net of accumulated amortization of \$44,338) are reflected in noncurrent liabilities. Capitalized debt costs are amortized over the remaining lives of the related debt issues using the straight-line method, which approximates the effective interest method.

Note 2. Legal Compliance – Budgets

No later than October 15th, the Town Manager submits to the Mayor and Town Council a proposed budget for the calendar year commencing the following January 1st. The budget is prepared by fund, department, program and project and includes information on the prior year, current estimates and requested appropriations and estimated revenues for the upcoming year.

The Town Council holds public hearings and may change appropriations except for expenditures required by law for debt service or for estimated cash deficits. No change to the budget may increase the authorized expenditures to any amount greater than the total amount of funds available. The Town Council must adopt the budget by resolution prior to December 15th. Once adopted, the Town Council may at any time, by resolution, amend the budget. In addition, the Town Manager may transfer part or all of any unencumbered appropriation balance among programs within a department. A department is defined by the Town as a distinct, principal or specialized division (i.e. the department of public works).

Expenditures may not legally exceed budgeted appropriations at the fund level. Budgetary comparisons in the accompanying combined financial statements and in the individual fund

statements are presented at a lower-than-required level of control to facilitate detailed financial analysis.

The Town incurred expenditures in excess of appropriations for the year ended December 31, 2007, in the Avon Urban Renewal Authority Fund and Fleet Maintenance Fund by \$23,516 and \$89,035, respectively. According to Colorado State Statute this may be a violation of the Local Government Budget Law.

Note 3. Cash and Investments

Cash and investments as of December 31, 2007 are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	\$ 4,431,127
Investments	15,061,707
Restricted Assets - Cash and Cash Equivalents	<u>567,341</u>
Total	<u>\$ 20,060,175</u>

Cash and investments as of December 31, 2007 consist of the following:

Cash on Hand	\$ 6,175
Deposits With Financial Institutions	2,031,631
Investments	<u>18,022,369</u>
Total	<u>\$ 20,060,175</u>

Investments Authorized by the Town of Avon Investment Policy

The table below identifies the **investment types** that are authorized for the Town by the Town's investment policy. The table also identifies certain provision of the Town's investment policy that address **interest rate risk**, **credit risk**, and **concentration of credit risk**.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Of Portfolio</u>	<u>Maximum Investment In One Issuer</u>
U.S. Treasury Obligations	5 years	None	None
Federal Agency Securities	5 years	None	None
Federal Instrumentality Securities	5 years	None	None
Repurchase Agreements	180 days	None	None
Commercial Paper	270 days	20%	5%
General Obligation Debt	5 years	None	None
Revenue Obligation Debt	5 years	None	None
Local Government Investment Pools	N/A	None	None
Money Market Funds	N/A	None	None
Time Certificates of Deposit	1 year	None	None

TOWN OF AVON, COLORADO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. The investment policy of the Town states that, to the extent possible, investments shall be matched with anticipated cash flow requirements and known future liabilities. Unless matched to a specific cash flow requirement, the Town will not invest in securities maturing more than five years from the date of purchase. In addition, the Town shall maintain at least 15% of its total investment portfolio in investments maturing in 120 days or less. At least 10% of the portfolio shall be invested in overnight investments or securities that can be sold to raise cash on one day's notice.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Town's investments by maturity:

<u>Investment Type</u>		<u>Weighted Average Maturity (in Years)</u>
U.S. Treasury Obligations	\$ 1,013,100	0.89
Federal Instrumentality Securities:		
Federal Farm Credit Bank	2,660,357	3.03
Federal Home Loan Bank	6,413,670	1.75
Federal Home Loan Mortgage Corp.	4,061,750	1.35
Federal National Mortgage Assn.	912,830	1.48
Local Government Investment Pools	1,664,001	NA
Money Market Funds	729,320	NA
Held by Bond Trustee:		
Local Government Investment Pools	<u>567,341</u>	NA
Total	<u>\$ 18,022,369</u>	

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All of the Town's investments are rated AAA or AAAM by Standard and Poors, and Aaa by Moody's.

Concentration of Credit Risk

With the exception of commercial paper investments, the investment policy of the Town contains no limitations on the amount that can be invested in any one issuer. Commercial paper issuers are limited to no more than 5% of the Town's portfolio. The Town had no investments in commercial paper at December 31, 2007.

Investments in any one issuer (other than U.S. Treasury obligations, mutual funds, and local government investment pools) that represent 5% or more of total Town investments are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>	<u>% of Total Investments</u>
Federal Farm Credit Bank	Federal Instrumentality Securities	\$ 2,660,357	14.8%
Federal Home Loan Bank	Federal Instrumentality Securities	6,413,670	35.6%
Federal Home Loan Mortgage Corp.	Federal Instrumentality Securities	4,061,750	22.5%
Federal National Mortgage Assn.	Federal Instrumentality Securities	912,830	5.1%

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Town would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party.

The Colorado Public Deposit Protection Act (PDPA) requires that cash be deposited in eligible public depositories and that deposits in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds with the Town being a named participant in the single institution collateral pool. The minimum pledging requirement is 102% of the uninsured deposits. The Colorado State Banking Board verifies the market value at least monthly. Bank assets (usually securities) are required by PDPA to be delivered to a third-party institution for safekeeping, and pledged to the Colorado Division of Banking. Based on the above, the Colorado State Auditor has concluded that there is no custodial risk for public deposits collateralized under PDPA.

Investments. Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Town would not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's investment policy provides that all investment securities, except certificates of deposit, local government investment pools, and money market funds purchased by the Town shall be settled on a delivery versus payment basis and will be delivered by either book entry or physical delivery and will be held in third-party safekeeping by the Town's approved custodian bank, its correspondent bank or the Depository Trust Company. An approved Safekeeping Agreement must be executed with each custodian bank prior to utilizing that bank's safekeeping services and to be eligible a financial institution must have an average Highline Banking Data Services Rating of 20 or better. The Town's depository bank, FirstBank of Avon, had a rating of 43 at December, 2007.

TOWN OF AVON, COLORADO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

Local Government Investment Pools

Local government investment pools are trusts established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the trusts. The trusts operate similarly to a money market fund and each share is equal in value to \$1.00. A designated custodial bank serves as custodian pursuant to a custodian agreement. The custodian acts as safekeeping agent for the trusts' investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the trusts.

As of December 31, 2007, the Town of Avon held investments in the Colorado Local Government Liquid Asset Trust (Colotrust). Colotrust offers shares in two portfolios, Prime and Plus. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. Colotrust Plus may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies.

Note 4. Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 8,791,262	\$ 46,377	\$ -	\$ 8,837,639
Public Art	1,361,400	-	-	1,361,400
Water Rights	1,442,986	-	-	1,442,986
Construction in Progress	<u>670,810</u>	<u>6,979,996</u>	<u>(1,418,739)</u>	<u>6,232,067</u>
Total Capital Assets, Not Being Depreciated	<u>12,266,458</u>	<u>7,026,373</u>	<u>(1,418,739)</u>	<u>17,874,092</u>
Capital Assets, Being Depreciated:				
Buildings	10,450,243	720,564	(7,891)	11,162,916
Machinery and Equipment	3,829,888	1,042,823	(497,669)	4,375,042
Infrastructure	<u>34,930,738</u>	<u>1,020,030</u>	<u>-</u>	<u>35,950,768</u>
Total Capital Assets, Being Depreciated	<u>49,210,869</u>	<u>2,783,417</u>	<u>(505,560)</u>	<u>51,488,726</u>
Less Accumulated Depreciation:				
Buildings	(4,141,703)	(360,202)	1,381	(4,500,524)
Machinery and Equipment	(2,229,456)	(458,650)	403,779	(2,284,327)
Infrastructure	<u>(20,289,074)</u>	<u>(1,426,904)</u>	<u>-</u>	<u>(21,715,978)</u>
Total Accumulated Depreciation	<u>(26,660,233)</u>	<u>(2,245,756)</u>	<u>405,160</u>	<u>(28,500,829)</u>
Total Capital Assets, Being Depreciated, Net	<u>22,550,636</u>	<u>537,660</u>	<u>(100,400)</u>	<u>22,987,897</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,817,094</u>	<u>\$ 7,564,034</u>	<u>\$ (1,519,139)</u>	<u>\$ 40,861,989</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 130,384	\$ -	\$ -	\$ 130,384
Capital Assets, Being Depreciated:				
Buildings	6,286,398	-	-	6,286,398
Machinery and Equipment	<u>1,947,353</u>	<u>896,408</u>	<u>(17,887)</u>	<u>2,825,874</u>
Total Capital Assets, Being Depreciated	<u>8,233,751</u>	<u>896,408</u>	<u>(17,887)</u>	<u>9,112,272</u>
Less Accumulated Depreciation:				
Buildings and Facilities	(1,501,173)	(214,691)	-	(1,715,864)
Machinery and Equipment	<u>(1,189,350)</u>	<u>(161,146)</u>	<u>17,887</u>	<u>(1,332,609)</u>
Total Accumulated Depreciation	<u>(2,690,523)</u>	<u>(375,837)</u>	<u>17,887</u>	<u>(3,048,473)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,543,228</u>	<u>520,571</u>	<u>-</u>	<u>6,063,799</u>
Business-type Activities Capital Assets, Net	<u>\$ 5,673,612</u>	<u>\$ 520,571</u>	<u>\$ -</u>	<u>\$ 6,194,183</u>

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental Activities:	
General Government	\$ 146,743
Community Development	5,863
Public Safety	111,669
Public Works and Utilities, including depreciation of general infrastructure assets	1,688,724
Recreation and Culture	<u>292,757</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 2,245,756</u>
Business-type Activities:	
Transportation	\$ 144,445
Fleet Maintenance	<u>231,390</u>
Total Depreciation Expense – Business-type Activities	<u>\$ 375,835</u>

Note 5. Long-term Debt

General Obligation Bonds. The Town has issued general obligation bonds in order to provide funds for the acquisition and construction of major capital facilities and to refund outstanding general obligation bonds. These bonds are direct obligations and pledge the full faith and credit of the Town and are ultimately secured by the Town's general ad valorem tax collections.

TOWN OF AVON, COLORADO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

General Obligation Bonds – Avon Metropolitan District. Effective May 31, 1998, the Avon Metropolitan District was dissolved pursuant to an Agreement for Dissolution adopted by both the Avon Metropolitan District and the Town of Avon and executed with the District Court of Eagle County. According to the Agreement, the District shall continue in existence for the sole purpose of securing payment in full of the principal and interest of existing indebtedness. A new debt service fund was created by the Town in order to account for the payment of principal and interest on the existing indebtedness, consisting of Series 1990 General Obligation Refunding Bonds. The Town Council was appointed to act as the District Board of Directors in order to set mill levies as necessary to pay the outstanding indebtedness. The Series 1990 bonds were subsequently refunded in 2001 by issuing Series 2001 Avon Metropolitan District General Obligation Refunding Bonds.

General obligation bonds currently outstanding at December 31, 2007, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government - Refunding	4.10% - 5.30%	\$ 605,000
General Government – Avon Metropolitan District Refunding	3.50% - 4.20%	1,315,000
General Government - Refunding	3.00% - 4.00%	<u>3,546,798</u>
		<u>\$ 5,466,798</u>

Annual debt service requirements to maturity for general obligation bonds outstanding at December 31, 2007, are as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 970,672	\$ 213,811
2009	826,126	174,438
2010	865,000	135,108
2011	425,000	107,397
2012	445,000	90,398
2013-2016	<u>1,935,000</u>	<u>192,522</u>
Total	<u>\$ 5,466,798</u>	<u>\$ 913,674</u>

Revenue Bonds. The Town has issued bonds whereby the bonds are payable solely from and secured by an irrevocable first lien on the Town's sales tax revenues. These revenue bonds were issued to refund previously issued revenue bonds that were used for construction of a recreation center and for acquisition of land for a public works and transportation facility. Revenue bonds outstanding at December 31, 2007, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government – Refunding	3.25% - 4.55%	<u>\$2,770,000</u>

Annual debt service requirements to maturity for revenue bonds outstanding at December 31, 2007, are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 350,000	\$ 123,165
2009	370,000	108,815
2010	380,000	93,275
2011	395,000	75,985
2012	405,000	58,013
2013-2014	<u>870,000</u>	<u>59,832</u>
Total	<u>\$ 2,770,000</u>	<u>\$ 519,085</u>

Certificates of Participation. In 1998, the Town of Avon Finance Authority issued Certificates of Participation in order to finance the cost of constructing a fleet maintenance facility. The Certificates evidence assignments of proportionate interest in rights to receive payments pursuant to an annually terminable Lease Purchase and Sublease Agreement, dated as of July 1, 1998, and entered into between the Authority as lessor, and the Town of Avon as lessee. In 1999, the fleet maintenance facility was completed and the proceeds from the Certificates that were used directly in the construction of the fleet maintenance facility in the amount of \$5,141,250 (approximately 75%) were capitalized in the Fleet Maintenance Fund and are reported as Capital Leases Payable.

Certificates of Participation outstanding at December 31, 2007, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
General Government – Fleet Maintenance Facility	3.90% - 5.00%	<u>\$ 4,665,000</u>

Annual debt service requirements to maturity for Certificates of Participation outstanding at December 31, 2007, are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>December 31</u>	<u>Principal</u>
2008	\$ 82,500	\$ 57,324	\$ 247,500	\$ 171,969
2009	86,250	53,611	258,750	160,832
2010	90,000	49,600	270,000	148,800
2011	95,000	45,280	285,000	135,840
2012	100,000	40,625	300,000	121,875
2013-2017	578,750	123,063	1,736,250	369,187
2018	<u>133,750</u>	<u>6,687</u>	<u>401,250</u>	<u>20,063</u>
Total	<u>\$ 1,166,250</u>	<u>\$ 376,190</u>	<u>\$ 3,498,750</u>	<u>\$ 1,128,566</u>

TOWN OF AVON, COLORADO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

Capital Lease Obligations. The following leases are renewable on an annual basis, at the option of the Town, for consecutive one year periods. Upon final payment, title to the leased assets will pass to the Town.

- Lease obligation for equipment with a total cost of \$338,571 and a book value net of accumulated depreciation at December 31, 2007 of \$212,731. Due in seven annual installments of \$56,794 through March, 2010. Amortization is based on an interest rate of 4.15%. The Town may terminate the lease by paying the applicable purchase option price on any scheduled payment. Balance at December 31, 2007 is \$157,161.
- Lease obligation for equipment with a total cost of \$93,598 and a book value net of accumulated depreciation at December 31, 2007 of \$54,866. Due in five annual installments of \$20,965 through February, 2010. Amortization is based on an interest rate of 3.35%. The Town may terminate the lease by paying the applicable purchase option price on any scheduled payment. Balance at December 31, 2007 is \$58,905.
- Lease obligation for equipment with a total cost of \$169,556 and a book value net of accumulated depreciation at December 31, 2007 of \$148,209. Due in five annual installments of \$39,006 through December, 2011. Amortization is based on an interest rate of 4.20%. The Town may terminate the lease by paying the applicable purchase option price on any scheduled payment. Balance at December 31, 2007 is \$140,922.
- Lease obligation for equipment with a total cost of \$508,125 and a book value net of accumulated depreciation at December 31, 2007 of \$486,291. Due in seven annual installments of \$83,972 through December, 2014. Amortization is based on an interest rate of 3.78%. The Town may terminate the lease by paying the applicable purchase option price on any scheduled payment. Balance at December 31, 2007 is \$508,125.

Annual debt service requirements to maturity for Capital Lease Obligations outstanding at December 31, 2007, are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 155,695	\$ 31,863	\$ 11,421	\$ 1,758
2009	161,807	25,750	11,868	1,311
2010	168,161	19,396	12,333	845
2011	101,202	12,792	8,621	362
2012	75,126	8,845	-	-
2013	77,966	6,006	-	-
2014	80,913	3,059	-	-
Total	<u>\$ 820,870</u>	<u>\$ 107,711</u>	<u>\$ 44,243</u>	<u>\$ 4,276</u>

Changes in Long-term Liabilities. Long-term liability activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
- General Obligation Bonds	\$ 6,393,774	\$ -	\$ 926,976	\$ 5,466,798	\$ 970,672
- Revenue Bonds	3,110,000	-	340,000	2,770,000	350,000
- Certificates of Participation	1,245,000	-	78,750	1,166,250	82,500
	10,748,774	-	1,345,726	9,403,048	1,403,172
- Bond Premium	63,415	-	6,395	57,020	6,395
- Loss on Refunding	(142,596)	-	(14,380)	(128,216)	(14,380)
Total Bonds Payable	10,669,593	-	1,337,741	9,331,852	1,395,187
Capitalized Lease Obligations	427,307	508,125	114,562	820,870	155,695
Compensated Absences	278,246	578,441	558,602	298,085	298,085
 Governmental Activity Long-term Liabilities	 <u>\$11,375,146</u>	 <u>\$ 1,086,566</u>	 <u>\$ 2,010,905</u>	 <u>\$10,450,807</u>	 <u>\$1,848,967</u>
 Business-type Activities:					
Compensated Absences	\$ 67,465	\$ 174,271	\$ 169,047	\$ 72,689	\$ 72,689
Certificates of Participation	3,735,000	-	236,250	3,498,750	247,500
Capitalized Lease Obligations	54,549	-	10,306	44,243	11,421
 Business-type Activity Long-term Liabilities	 <u>\$ 3,857,014</u>	 <u>\$ 174,271</u>	 <u>\$ 415,603</u>	 <u>\$ 3,615,682</u>	 <u>\$ 331,610</u>

Conduit Debt Obligations. The Town has sponsored the issuance of revenue bonds in prior years to provide financial assistance to private-sector entities for the acquisition and construction of facilities deemed to be in the public interest. Neither the Town, the State of Colorado, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying general purpose financial statements. Conduit debt obligations at December 31, 2007, are described as follows:

Eaglebend Affordable Housing Corporation. The Eaglebend Affordable Housing Corporation (Eaglebend) was formed on October 23, 1990, to help provide for affordable housing within the Town of Avon. Eaglebend operates exclusively on behalf and for the benefit of the Town to operate a 294 unit apartment project within the Town. The Town approved the formation and the issuance of the revenue bonds to finance the project and will obtain full legal title to the land, buildings and equipment upon payment in full of the bonds issued by Eaglebend.

On August 30, 2006, Eaglebend issued \$18,495,000 of Multifamily Housing Project Revenue Refunding Bonds Series 2006A, Series 2006B, and Series C Subordinate Multifamily Housing Project Bonds in order to defease \$17,455,000 of outstanding Series

TOWN OF AVON, COLORADO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

1997A Eaglebend Affordable Housing Corporation Revenue Refunding Bonds, and \$1,355,000 of outstanding Series 1997B&C Subordinate Eaglebend Affordable Housing Corporation Revenue Refunding Bonds. At December 31, 2007, there was \$18,215,000 outstanding in Multifamily Housing Project Revenue Refunding Bonds, Series 2006A, Series B, and Series C Subordinate Multifamily Housing project Bonds.

Eaglebend Dowd Affordable Housing Corporation. The Eaglebend Dowd Affordable Housing Corporation (Dowd) was formed on March 24, 1998, to help provide for affordable housing within Eagle County. Dowd operates a 50 unit apartment project within Eagle County. The Town approved the formation and the issuance of the revenue bonds to finance the project and will obtain full legal title to the land, buildings and equipment upon payment in full of the bonds. The Town, however, is in no way obligated to pay the debt service on the bonds.

In 2003, the Town approved the issuance by Dowd of \$9,520,000 in Series 2003 Refunding Revenue Bonds in order to defease the outstanding Series 1998A Revenue Bonds by placing the proceeds of the Series 2003 bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As of December 31, 2007, there was \$9,125,000 outstanding in Series 2003 Refunding Revenue Bonds, and \$1,600,000 outstanding in Series 1998 B&C Subordinate Revenue Bonds.

Buffalo Ridge I Apartments Project. The Buffalo Ridge I Apartment Project consists of 68 units composed of 2 and 3 bedroom units in four buildings located on the north side of Interstate 70 east of the Town of Avon municipal fleet maintenance facility. The owner of the Buffalo Ridge I Apartments is the Buffalo Ridge Affordable Housing Corporation. Multifamily housing project revenue bonds were issued by Buffalo Ridge Affordable Housing Corporation to finance this project. Pursuant to the plan of financing, this project will be transferred to the Town of Avon upon the repayment in full of the outstanding bonds. As of December 31, 2007, there was \$10,007,002 outstanding in Buffalo Ridge Affordable Housing Corporation Multifamily Housing Project Revenue Bonds. The Town is in no way obligated to pay the debt service on the bonds.

The project above is part of a total development comprised of 244 units. The Buffalo Ridge II Apartment Project consists of approximately 176 units in eleven (11) three-story buildings. The Town of Avon issued multifamily housing revenue bonds dated May 1, 2002, in order to provide financing to Buffalo Ridge II, LLLP, a Colorado limited liability partnership formed for the principal purpose of owning the project. As of December 31, 2007, there was \$11,000,000 outstanding in Series 2002A Multifamily Housing Project Revenue Bonds, and \$4,390,000 outstanding in Series 2002B Taxable Multifamily Housing Project Revenue Bonds. The Town is in no way obligated to pay the debt service on the bonds.

Defeased Debt. In addition to the outstanding debt discussed above, other bonds previously issued by the Town and the Avon Metropolitan District (AMD) have been defeased (debt

legally satisfied) by the issuance of refunding bonds. The detail of defeased bonds outstanding at December 31, 2007, is as follows:

Series 1990, Avon Metropolitan District G.O. Refunding Bonds	\$ 1,440,000
Series 1994, Town of Avon Sales Tax Revenue Bonds	1,810,000
Series 1994B, Town of Avon Sales Tax Revenue Bonds	835,000
Series 1996B, Town of Avon General Obligation Bonds	3,455,000

Note 6. Employee Retirement Plans

Full-time Employees. The Town maintains two single-employer, defined contribution pension plans for full-time employees: (1) the Town of Avon Police Officers Money Purchase Pension Plan, and (2) the Town of Avon General Employee Money Purchase Pension Plan. These plans are administered by Wells Fargo Institutional Trust Group.

A defined contribution pension plan has terms that specify how contributions to an individual's account are to be determined rather than the amount of pension benefits the individual is to receive. In a defined contribution plan, the pension benefits a participant will receive depend only on the amount contributed to the participant's account, earnings on investments of those contributions, and forfeitures of other participant's benefits that may be allocated to the participant's account.

All full-time employees are required to participate in one of the above retirement plans upon employment with the Town. The type of plan that an employee participates in is dependent on the type of employee (police officer or general government employee). Town ordinance provides that both the employee and the Town will contribute an amount equal to 11% of the employee's base salary each month.

Employees hired prior to September 30, 1990, become vested in accordance with a vesting schedule which is dependent on the type of employee and hire date. All employees hired after September 30, 1990, start partial vesting after two years of service and are fully vested after five years of service. In addition, if an employee reaches normal retirement age, dies, or becomes totally and permanently disabled his account becomes fully vested regardless of length of service. Forfeitures by employees who leave employment before being fully vested are applied, first, to offset administrative expenses of the plans, and second, to reduce matching employer contributions.

During the year there were no differences between contribution requirements and contributions actually made by plan participants or the Town. Contributions made by plan members and the Town for the three years ended December 31, 2007, 2006 and 2005, are as follows:

TOWN OF AVON, COLORADO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Employees	<u>\$585,108</u>	<u>\$483,886</u>	<u>\$442,165</u>
Town	<u>\$585,108</u>	<u>\$483,886</u>	<u>\$442,165</u>

Both the Town and the covered employees each made the required 11% contributions to the plans. There are no liabilities for benefits beyond the Town's matching payments. No changes in the various plan's provisions occurred in 2007.

Part-time, Temporary and Seasonal Employees. On October 14, 1997, the Town adopted a PTS Retirement Plan administered by the ICMA Retirement Corporation, and established under Section 457 of the Internal Revenue Code that pertains to deferred compensation plans. The PTS plan is designed specifically for employees who are part-time, temporary, or seasonal, and is defined as a Social Security replacement retirement plan. The PTS plan allows participants to defer federal and state income taxes on savings until retirement. The PTS plan requires a minimum contribution of 7.5% of an employee's salary per plan year. This 7.5% may be the employee's contribution, the employer's contribution or a combination of both. The Town elected to have 3.75% contributed by the employee and 3.75% matched by the Town. Employees also have the option to contribute additional amounts.

Upon separation of service, participants may withdraw the account balance in a lump-sum payment, roll the account balance over into another 457 plan, or continue to allow the account balance earn interest tax free. Taxes are paid when funds are withdrawn from the plan.

Contributions actually made by plan members and the Town for the three years ended December 31, 2007, 2006, and 2005, are as follows:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Employees	<u>\$42,306</u>	<u>\$43,620</u>	<u>\$43,350</u>
Town	<u>\$38,270</u>	<u>\$40,480</u>	<u>\$40,181</u>

Both the Town and the covered employees each made the required 3.75% contributions to the plan. There are no liabilities for benefits beyond the Town's matching payments.

Note 7. Interfund Receivables, Payables and Transfers

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are reported in the fund financial statements as "due to/from other funds". These interfund receivables and payables are expected to be repaid within the next year. The composition of these interfund balances as of December 31, 2007, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Mall Maintenance Fund	\$ 3,000
General Fund	Transit Fund	400,000
General Fund	Fleet Maintenance Fund	<u>100,000</u>
Total		<u>\$ 503,000</u>

Interfund Transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General Fund	\$ 200,000	\$ 2,154,469
Water Fund	-	48,168
Debt Service Fund	591,552	-
Capital Projects Fund	48,168	200,000
Transit Enterprise Fund	1,315,000	-
Fleet Maintenance Fund	160,000	-
Nonmajor Governmental Funds:		
Mall Maintenance Fund	15,000	-
Facilities Reserve Fund	<u>72,917</u>	<u>-</u>
	2,402,637	2,402,637
Transfer In of Capital Assets:		
To Internal Service Fund from Capital Assets	<u>327,280</u>	<u>-</u>
Total	<u>\$ 2,729,917</u>	<u>\$ 2,402,637</u>

In the fund financial statements, total transfers in of \$2,729,917 are greater than total transfers out of \$2,402,637 because of the treatment of transfers of capital assets to the internal service fund. During the year capital assets purchased in 2007 related to governmental funds, with a book value of \$327,280 were transferred to the internal service fund. No amounts were reported in the governmental funds as the amounts did not involve the transfer of financial resources. However, the internal service fund did report a transfer in for the capital resources received.

Note 8. Commitments and Contingencies

Litigation. The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of Town management and its legal counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

Riverfront Subdivision and PUD Development Plan. In 2006, the Town approved a development agreement with the owner of a parcel of land formerly referred to as the Confluence for a mixed used development including the Westin Riverfront Resort & Spa. The agreement provides for the Town to rebate to the owner/developer a net amount of

TOWN OF AVON, COLORADO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

\$1,557,000 in real estate transfer tax revenues received from the development toward certain public improvements and amenities. As of December 31, 2007 the Town has rebated a total of \$170,000 to the developer.

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.

Enterprises, defined as government-owned business authorized to issue revenue bonds and receiving less than 10 percent of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. TABOR also 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. The Town has established an emergency reserve in the General Fund for the year ended December 31, 2007 in the amount of \$618,739.

In November 1997, voters within the Town passed a ballot issue which permanently authorizes the Town, without an election, to take action on all spending and revenue raising measures which are limited by TABOR. In addition, voters authorized the Town to keep and spend all revenue collected by the Town regardless of any limitation contained in TABOR. The only exceptions are proposed sales or use tax rate increases and property tax rate increases which must be submitted to the voters, unless otherwise allowed by law.

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

Note 9. Employee Health Care

The Town has a self-insurance plan for employee health and dental care. A third-party administrator processes individual employee claims and negotiates excess stop-loss insurance policies. Excess stop-loss insurance policies are purchased to cover individual claims in excess of \$30,000 and aggregate total yearly claims in excess of \$817,470. Settled benefit claims did not exceed the aggregate total yearly claims for 2007. As of December 31, 2007 the Town held reserves for future claims in the amount of \$659,795.

The following represents the changes in the claims reserve for the Town for 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Claims Reserve for Future Claims, Beginning of Year	\$ 426,729	\$ 246,589
Current Year Deposits for Estimated Claims	1,069,391	865,532
Excess Stop Loss Refunds for Specific (Individual) Claims	62,419	395,264
Claim Payments	<u>(898,744)</u>	<u>(1,080,656)</u>
Claims Reserve for Future Claims, End of Year	<u>\$ 659,795</u>	<u>\$ 426,729</u>

Note 10. Risk Management

The Town is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters.

The Town is a member of the Colorado Intergovernmental Risk Sharing Agency (CIRSA). CIRSA is a joint self insurance pool created by intergovernmental agreement of 203 municipalities and 34 special districts to provide property, general and automobile liability and public officials coverage to its members. CIRSA is governed by a seven member Board elected by and from its members.

Coverage is provided through pooling of self-insured losses and the purchase of excess insurance coverage. CIRSA has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and that amounts are available from insurance providers under excess specific and aggregate insurance contracts.

Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. CIRSA has indicated that the amount of any excess losses would be billed to members in proportion to their contributions in the year such excess occurs, although it is not legally required to do so. The Town's annual contribution to CIRSA amounted to \$224,506 for 2007. The Town has not been informed of any excess losses that may have been incurred by the pool.

The Town continues to carry commercial insurance coverage for other risks of loss including workers compensation. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 11. Upper Eagle Regional Water Authority

The Town is a participant in the Upper Eagle Regional Water Authority. The Authority was formed pursuant to an establishing contract on September 18, 1984, by the following municipal and quasi-municipal corporations (Members) located in Eagle County, Colorado.

Arrowhead Metropolitan District
Beaver Creek Metropolitan District

TOWN OF AVON, COLORADO

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2007

Berry Creek Metropolitan District
Eagle-Vail Metropolitan District
Edwards Metropolitan District
Town of Avon

The Authority also provides water services to the Cordillera and Bachelor Gulch developments through contracts with Members.

The Authority was formed to make the best practicable use of the member's joint resources in supplying water to the members and to further develop water resources and facilities in Eagle County. The Authority may not be terminated so long as bonds, notes or other obligations are outstanding, unless provision for full payment of such obligations has been made. At December 31, 2007, the Authority had debt with maturities through the year 2028.

The Town has a service contract with the Authority whereby the Authority provides and bills residents of the Town with water at a rate which is expected to cover its costs in providing water services and other functions. Such costs specifically include debt service requirements, depreciation, and operations and maintenance, including maintenance of the Town's water distribution system. As part of the agreement, the Town conveyed its water distributions facilities and leased its water rights, associated easements and improvements to the Authority at no cost. In consideration, the Authority has agreed to maintain the associated improvements and to administer and protect the Town's plan for augmentation and water decrees at no cost.

During 2007, the Authority collected \$136,151 in water surcharges for the Town.

Note 12. Major Taxpayers

For the year ended December 31, 2007, approximately 47% of the Town's sales tax revenues were received from the ten highest-paying companies.

Note 13. The Village at Avon Development and Annexation Agreement

On October 13, 1998, the Town entered into a an Annexation and Development Agreement ("Village Agreement") with the owners ("Village Owners") of approximately 1,790 acres of property on the east side of the town known as The Village at Avon ("the Village"). In the Village Agreement, the Town effectively agrees that it will waive all retail sales taxes, use taxes, real estate transfer taxes and accommodation taxes with respect to transactions within the Village, so long as comparable fees are imposed by a nonprofit public improvement company (the "PIC") formed by the Village Owners. The Village Agreement contemplates that such comparable fees will be imposed by the PIC and the proceeds of such fees will be used to pay debt service on bonds issued by Traer Creek Metropolitan District ("TCMD") to finance the construction of infrastructure within the Village. Upon payment in full of the

bonds, the Village Agreement contemplates that the PIC and TCMD will be dissolved and the Town will cease the waiver of the various taxes mentioned above.

The Village Agreement further establishes an indemnification procedure. If, upon relocation of either Wal-Mart or City Market (both significant Town sales taxpayers) to a site within the Village, the Town experiences a decrease in net sales tax revenue, the Village Agreement provides that the Town is entitled to receive a fee in lieu of sales tax equal to the related net sales tax revenues in the twelve months prior to the relocation. This indemnification procedure began in July, 2003 when Wal-Mart relocated to the Village.

Note 14. Subsequent Events.

On February 22, 2008, the Avon Urban Renewal Authority issued \$25,000,000 of Tax Increment Adjustable Rate Revenue Bonds for the purpose of financing the cost of constructing certain traffic, street and pedestrian improvements within the Town Center West Urban Renewal Project Area.

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TOWN OF AVON, COLORADO

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 8,552,035	\$ 8,591,161	\$ 8,710,829	\$ 119,668
Licenses and Permits	786,100	431,600	419,292	(12,308)
Intergovernmental	944,766	932,586	929,153	(3,433)
Charges for Services	2,355,270	2,294,762	2,351,475	56,713
Fines and Forfeitures	80,250	89,400	84,290	(5,110)
Investment Earnings	450,000	575,000	827,234	252,234
Other Revenues	207,529	247,912	266,842	18,930
Total Revenues	13,375,950	13,162,421	13,589,115	426,694
Expenditures				
Current:				
General Government	2,398,004	2,507,688	2,563,047	(55,359)
Community Development	1,009,363	916,504	902,634	13,870
Public Safety	2,219,846	2,178,942	2,203,803	(24,861)
Public Works	3,572,865	3,528,144	3,263,935	264,209
Recreation and Culture	2,610,660	2,528,830	2,483,910	44,920
Total Expenditures	11,810,738	11,660,108	11,417,329	242,779
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,565,212	1,502,313	2,171,786	669,473
Contingency	20,000	-	-	-
Other Financing Sources (Uses)				
Transfers In	200,000	200,000	200,000	-
Transfers Out	(1,739,469)	(2,154,469)	(2,154,469)	-
Capital Lease Proceeds	167,500	167,500	170,156	2,656
Sale of Capital Assets	1,500	1,500	-	(1,500)
Total Other Financing Sources (Uses)	(1,370,469)	(1,785,469)	(1,784,313)	1,156
Net Change in Fund Balances	174,743	(283,156)	387,473	670,629
Fund Balances, Beginning of Year	6,239,226	6,906,434	6,907,953	1,519
Fund Balances, End of year	\$ 6,413,969	\$ 6,623,278	\$ 7,295,426	\$ 672,148

TOWN OF AVON, COLORADO

WATER FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Charges for Services	\$ 910,000	\$ 920,400	\$ 893,009	\$ (27,391)
Investment Earnings	40,000	40,000	29,144	(10,856)
Other Revenues	-	-	2,845	2,845
Total Revenues	<u>950,000</u>	<u>960,400</u>	<u>924,998</u>	<u>(35,402)</u>
Expenditures				
Current:				
Public Works and Utilities	<u>86,018</u>	<u>96,476</u>	<u>74,313</u>	<u>22,163</u>
Total Expenditures	<u>86,018</u>	<u>96,476</u>	<u>74,313</u>	<u>22,163</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	863,982	863,924	850,685	(13,239)
Other Financing Sources (Uses)				
Transfers Out:				
Capital Projects Fund	<u>(1,273,000)</u>	<u>(486,559)</u>	<u>(48,168)</u>	<u>438,391</u>
Net Change in Fund Balances	<u>(409,018)</u>	<u>377,365</u>	<u>802,517</u>	<u>425,152</u>
Fund Balances, Beginning of Year	<u>1,072,152</u>	<u>1,269,803</u>	<u>1,269,803</u>	<u>-</u>
Fund Balances, End of year	<u>\$ 663,134</u>	<u>\$ 1,647,168</u>	<u>\$ 2,072,320</u>	<u>\$ 425,152</u>

TOWN OF AVON, COLORADO

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION DECEMBER 31, 2007

Note 1. Budgetary Information

An annual budget is legally adopted on a basis consistent with generally accepted accounting principles for all funds, with the exception of proprietary funds which are budgeted on the modified accrual basis of accounting. Appropriations lapse at fiscal year-end except for capital projects and special revenue funds which may have project-length budgets that carryover from year-to-year. However, as a matter of practice, the Town adopts annual budgets for all funds. The budget is prepared by fund, department, program, object and project. Expenditures may not legally exceed budgeted appropriations at the fund level.

The Town Council holds public hearings and may change appropriations except for expenditures required by law for debt service or for estimated cash deficits. No change to the budget may increase the authorized expenditures to any amount greater than the total amount of funds available. The Town Council must adopt the budget by resolution prior to December 15th. Once adopted, the Town Council may at any time, by resolution, amend the budget. In addition, the Town Manager may transfer part or all of any unencumbered appropriation balance among programs within a department. A department is defined by the Town as a distinct, principal or specialized division (i.e. the department of public works).

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Mall Maintenance Fund – This fund is used to account for revenues collected from various public and private sources that are specifically restricted to the maintenance of the Town Mall.

Avon Urban Renewal Authority Fund – This fund is used to account for resources related to the Avon Urban Renewal Authority.

Community Enhancement Fund – This fund is used to account for revenues received from a franchisee and restricted for use for beautification projects, energy conservation projects, equipment and technology upgrades for schools, scholarship funds, acquisition of open space and/or park land and development thereof, sponsorship of special community events, and undergrounding of overhead electric and other utility lines.

Affordable Housing Fund – This fund is used to accumulate and account for resources received and restricted for use in the Town's affordable housing program.

Facilities Reserve Fund – This fund is used to account for the accumulation of resources for the future repair and replacement of major components of Town facilities.

Debt Service Funds

Debt service funds are used for the accumulation of resources and payment of bond principal and interest from government resources and special assessment bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

Avon Metropolitan District Debt Service Fund – This fund is used to account for the accumulation of resources and payment of principal and interest on the District's general obligation bonds. In 1998 the District was dissolved and remains in existence only for this purpose. The Town Council of the Town of Avon was appointed to act as the District Board of Directors for setting mill levies as necessary until the indebtedness is paid in full.

TOWN OF AVON, COLORADO

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS DECEMBER 31, 2007

	Special Revenue			
	Mall Maintenance Fund	Avon Urban Renewal Authority	Community Enhancement Fund	Affordable Housing Fund
ASSETS				
Cash and Cash Equivalents	\$ 38,594	\$ 22,417	\$ 275,792	\$ 751,000
Receivables:				
- Taxes	-	126,370	62,907	-
- Accounts	45,139	-	-	-
Notes Receivable	-	-	-	195,000
Total Assets	\$ 83,733	\$ 148,787	\$ 338,699	\$ 946,000
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 122	\$ 24,530	\$ 2,482	\$ -
Accrued Liabilities	1,378	-	-	-
Due to Other Funds	3,000	-	-	-
Deferred Taxes	-	126,370	-	-
Deferred Revenues	-	-	-	195,000
Total Liabilities	4,500	150,900	2,482	195,000
Fund Balances:				
Reserved for Debt Service	-	-	-	-
Unreserved:				
Designated for Subsequent Year's Expenditures	32,381	-	-	-
Unreserved, Undesignated	46,852	(2,113)	336,217	751,000
Total Fund Balances	79,233	(2,113)	336,217	751,000
Total Liabilities and Fund Balances	\$ 83,733	\$ 148,787	\$ 338,699	\$ 946,000

Facilities Reserve Fund	Avon Metropolitan District Debt Service Fund	Total Nonmajor Governmental Funds
\$ 400,917	\$ 57,022	\$ 1,545,742
-	486,553	675,830
-	-	45,139
-	-	195,000
<u>\$ 400,917</u>	<u>\$ 543,575</u>	<u>\$ 2,461,711</u>
\$ -	\$ -	\$ 27,134
-	-	1,378
-	-	3,000
-	486,606	612,976
-	-	195,000
-	<u>486,606</u>	<u>839,488</u>
-	56,969	56,969
-	-	32,381
400,917	-	1,532,873
<u>400,917</u>	<u>56,969</u>	<u>1,622,223</u>
<u>\$ 400,917</u>	<u>\$ 543,575</u>	<u>\$ 2,461,711</u>

TOWN OF AVON, COLORADO

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2007

	Special Revenue			
	Mall Maintenance	Avon Urban Renewal Authority	Community Enhancement Fund	Affordable Housing Fund
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Other Revenues	54,721	-	62,907	-
Total Revenues	<u>54,721</u>	<u>-</u>	<u>62,907</u>	<u>-</u>
Expenditures				
Current:				
General Government	-	113,916	-	195,000
Public Works and Utilities	60,186	-	26,132	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	<u>60,186</u>	<u>113,916</u>	<u>26,132</u>	<u>195,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,465)	(113,916)	36,775	(195,000)
Other Financing Sources (Uses)				
Transfers In:				
General Fund	15,000	-	-	-
Net Change in Fund Balances	9,535	(113,916)	36,775	(195,000)
Fund Balances, Beginning of Year	<u>69,698</u>	<u>111,803</u>	<u>299,442</u>	<u>946,000</u>
Fund Balances, End of year	<u>\$ 79,233</u>	<u>\$ (2,113)</u>	<u>\$ 336,217</u>	<u>\$ 751,000</u>

Facilities Reserve Fund	Debt Service Avon Metropolitan District Debt Service	Total Nonmajor Governmental Funds
\$ -	\$ 488,192	\$ 488,192
-	-	117,628
-	488,192	605,820
-	-	308,916
-	-	86,318
-	400,000	400,000
-	66,060	66,060
-	14,796	14,796
-	480,856	876,090
-	7,336	(270,270)
72,917	-	87,917
72,917	7,336	(182,353)
328,000	49,633	1,804,576
\$ 400,917	\$ 56,969	\$ 1,622,223

TOWN OF AVON, COLORADO

MALL MAINTENANCE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other Revenues	\$ 53,354	\$ 56,338	\$ 54,721	\$ (1,617)
Total Revenues	<u>53,354</u>	<u>56,338</u>	<u>54,721</u>	<u>(1,617)</u>
Expenditures				
Current:				
Public Works and Utilities	88,882	82,519	60,186	22,333
Total Expenditures	<u>88,882</u>	<u>82,519</u>	<u>60,186</u>	<u>22,333</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,528)	(26,181)	(5,465)	20,716
Other Financing Sources (Uses):				
Transfers In:				
General Fund	15,000	15,000	15,000	-
Net Change in Fund Balances	<u>(20,528)</u>	<u>(11,181)</u>	<u>9,535</u>	<u>20,716</u>
Fund Balances, Beginning of Year	<u>46,293</u>	<u>69,698</u>	<u>69,698</u>	<u>-</u>
Fund Balances, End of year	<u>\$ 25,765</u>	<u>\$ 58,517</u>	<u>\$ 79,233</u>	<u>\$ 20,716</u>

TOWN OF AVON, COLORADO

AVON URBAN RENEWAL AUTHORITY SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current:				
General Government	-	90,400	113,916	(23,516)
Total Expenditures	-	90,400	113,916	(23,516)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(90,400)	(113,916)	(23,516)
Other Financing Sources (Uses):				
Transfers In:				
General Fund	-	-	-	-
Net Change in Fund Balances	-	(90,400)	(113,916)	(23,516)
Fund Balances, Beginning of Year	-	111,803	111,803	-
Fund Balances, End of year	\$ -	\$ 21,403	\$ (2,113)	\$ (23,516)

TOWN OF AVON, COLORADO

COMMUNITY ENHANCEMENT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other Revenues	\$ 60,000	\$ 60,000	\$ 62,907	\$ 2,907
Total Revenues	60,000	60,000	62,907	2,907
Expenditures				
Current:				
Public Works and Utilities	60,000	28,000	26,132	1,868
Total Expenditures	60,000	28,000	26,132	1,868
Net Change in Fund Balances	-	32,000	36,775	4,775
Fund Balances, Beginning of Year	295,309	299,442	299,442	-
Fund Balances, End of year	\$ 295,309	\$ 331,442	\$ 336,217	\$ 4,775

TOWN OF AVON, COLORADO

AFFORDABLE HOUSING FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current:				
General Government	-	195,000	195,000	-
Total Expenditures	-	195,000	195,000	-
Net Change in Fund Balances	-	(195,000)	(195,000)	-
Fund Balances, Beginning of Year	946,000	946,000	946,000	-
Fund Balances, End of year	\$ 946,000	\$ 751,000	\$ 751,000	\$ -

TOWN OF AVON, COLORADO

FACILITIES RESERVE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Other Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Current:				
Public Works and Utilities	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfers In:				
General Fund	72,917	72,917	72,917	-
Net Change in Fund Balances	72,917	72,917	72,917	-
Fund Balances, Beginning of Year	328,000	328,000	328,000	-
Fund Balances, End of year	\$ 400,917	\$ 400,917	\$ 400,917	\$ -

TOWN OF AVON, COLORADO

DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property Taxes	\$ 734,450	\$ 733,443	\$ 742,705	\$ 9,262
Investment Earnings	25,000	25,000	29,843	4,843
Total Revenues	<u>759,450</u>	<u>758,443</u>	<u>772,548</u>	<u>14,105</u>
Expenditures				
Debt Service:				
Principal	948,750	948,750	948,750	-
Interest	382,415	382,415	382,414	1
Fiscal Charges	19,837	21,337	18,278	3,059
Total Expenditures	<u>1,351,002</u>	<u>1,352,502</u>	<u>1,349,442</u>	<u>3,060</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(591,552)	(594,059)	(576,894)	17,165
Other Financing Sources (Uses)				
Transfers In:				
General Fund	591,552	591,552	591,552	-
Net Change in Fund Balances	-	(2,507)	14,658	17,165
Fund Balances, Beginning of Year	<u>625,903</u>	<u>642,448</u>	<u>642,448</u>	<u>-</u>
Fund Balances, End of year	<u>\$ 625,903</u>	<u>\$ 639,941</u>	<u>\$ 657,106</u>	<u>\$ 17,165</u>

TOWN OF AVON, COLORADO

AVON METROPOLITAN DISTRICT DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property Taxes	\$ 482,687	\$ 481,175	\$ 488,192	\$ 7,017
Total Revenues	<u>482,687</u>	<u>481,175</u>	<u>488,192</u>	<u>7,017</u>
Expenditures				
Debt Service:				
Principal	400,000	400,000	400,000	-
Interest	66,060	66,060	66,060	-
Fiscal Charges	16,627	15,115	14,796	319
Total Expenditures	<u>482,687</u>	<u>481,175</u>	<u>480,856</u>	<u>319</u>
Net Change in Fund Balances	-	-	7,336	7,336
Fund Balances, Beginning of Year	<u>44,233</u>	<u>48,121</u>	<u>49,633</u>	<u>1,512</u>
Fund Balances, End of year	<u>\$ 44,233</u>	<u>\$ 48,121</u>	<u>\$ 56,969</u>	<u>\$ 8,848</u>

TOWN OF AVON, COLORADO

CAPITAL PROJECTS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL (BUDGETARY BASIS)

FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Real Estate Transfer Tax	\$ 2,150,000	\$ 2,500,000	\$ 2,540,943	\$ 40,943
Intergovernmental	2,526,778	2,526,778	2,526,778	-
Investment Earnings	85,974	250,000	469,792	219,792
Other Revenues	1,309,000	1,374,000	1,363,265	(10,735)
Total Revenues	6,071,752	6,650,778	6,900,778	250,000
Expenditures				
Capital Projects:				
Facilities	3,074,100	3,673,842	3,566,527	107,315
Roads and Streets	3,633,500	4,530,797	3,737,295	793,502
Recreation	383,000	242,774	173,046	69,728
Stormwater and Drainage	780,000	486,559	48,168	438,391
Strategic Planning	280,000	314,819	235,928	78,891
Other	485,000	46,080	12,684	33,396
Rebates & Capital Contributions	-	81,630	12,942	68,688
Total Expenditures	8,635,600	9,376,501	7,786,590	1,589,911
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,563,848)	(2,725,723)	(885,812)	1,839,911
Other Financing Sources (Uses)				
Transfers In:				
Water Fund	1,273,000	486,559	48,168	(438,391)
Transfers Out:				
General Fund	(200,000)	(200,000)	(200,000)	-
Total Other Financing Sources (Uses)	1,073,000	286,559	(151,832)	(438,391)
Net Change in Fund Balances	(1,490,848)	(2,439,164)	(1,037,644)	1,401,520
Fund Balances, Beginning of Year	6,073,511	7,731,519	7,731,519	-
Fund Balances, End of Year	\$ 4,582,663	\$ 5,292,355	\$ 6,693,875	\$ 1,401,520

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ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the Town Council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or where the Town Council has decided that periodic determination of net income is appropriate for accountability purposes.

Transit Fund – This fund is used to account for the activities involved in operating the Town’s transportation system. In addition to transportation routes within the Town of Avon, the Town contracts with other entities for management and operation of their transportation systems within Eagle County.

Fleet Maintenance Fund – This fund is used to account for the accumulation and allocation of costs associated with the maintenance of vehicles and rolling stock for the Town and certain other third party governmental entities.

TOWN OF AVON, COLORADO

TRANSIT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$ 400,000	\$ 680,000	\$ 684,349	\$ 4,349
Charges for Services	1,537,172	1,210,979	1,132,804	(78,175)
Other Revenues	-	-	23,825	23,825
Total Revenues	1,937,172	1,890,979	1,840,978	(50,001)
Expenditures:				
Administration	233,742	230,814	205,267	25,547
Operations	2,587,344	3,027,427	2,837,307	190,120
Marketing	41,406	45,906	14,226	31,680
Total Expenditures	2,862,492	3,304,147	3,056,800	247,347
Excess (Deficiency) of Revenues Over (Under) Expenditures	(925,320)	(1,413,168)	(1,215,822)	197,346
Other Financing Sources (Uses):				
Transfers In:				
General Fund	925,000	1,315,000	1,315,000	-
Sales of Capital Assets	8,000	8,000	-	(8,000)
Total Other Financing Sources (Uses)	933,000	1,323,000	1,315,000	(8,000)
Net Change in Fund Balances	7,680	(90,168)	99,178	189,346
Fund Balances, Beginning of Year	100,192	294,503	294,503	-
Fund Balances, End of Year	\$ 107,872	\$ 204,335	\$ 393,681	\$ 189,346

Fund Balances at December 31, 2007, is computed as follows:

Current Assets	\$ 868,303
Less: Current Liabilities	(474,622)
Fund Balances - December 31, 2007	\$ 393,681

**RECONCILIATION OF NET CHANGE IN FUND BALANCES (BUDGETARY BASIS)
TO CHANGE IN NET ASSETS (GAAP BASIS)**

Net Change in Fund Balances (Budgetary Basis)	<u>\$ 99,178</u>
Adjustments to Reconcile Budgetary Basis to GAAP Basis	
Capitalization of Fixed Assets	880,106
Depreciation	<u>(144,445)</u>
Total Adjustments	<u>735,661</u>
Change in Net Assets (GAAP Basis)	<u><u>\$ 834,839</u></u>

TOWN OF AVON, COLORADO

FLEET MAINTENANCE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services:				
Fleet Maintenance Charges	\$ 1,972,313	\$ 2,023,008	\$ 2,032,176	\$ 9,168
Wash Bay Charges	99,709	75,618	55,769	(19,849)
Fuel Mark-up	70,000	75,000	59,638	(15,362)
Other Revenues	-	1,214	9,305	8,091
Total Revenues	2,142,022	2,174,840	2,156,888	(17,952)
Expenditures:				
Fleet Maintenance	2,063,394	2,194,120	2,318,888	(124,768)
Washbay	110,711	110,711	74,978	35,733
Total Expenditures	2,174,105	2,304,831	2,393,866	(89,035)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,083)	(129,991)	(236,978)	(106,987)
Other Financing Sources (Uses):				
Transfers In:				
General Fund	160,000	160,000	160,000	-
Net Change in Fund Balances	127,917	30,009	(76,978)	(106,987)
Fund Balances, Beginning of Year	521,450	567,079	567,079	-
Fund Balances, End of Year	\$ 649,367	\$ 597,088	\$ 490,101	\$ (106,987)

Fund Balances at December 31, 2007, is computed as follows:

Current Assets	\$ 701,054
Less: Current Liabilities	(469,874)
Add: Current Portion of Certificates of Participation	247,500
Add: Current Portion of Capital Leases Payable	11,421
Fund Balances - December 31, 2007	\$ 490,101

**RECONCILIATION OF NET CHANGE IN FUND BALANCES (BUDGETARY BASIS)
TO CHANGE IN NET ASSETS (GAAP BASIS)**

Net Change in Fund Balances (Budgetary Basis) \$ (76,978)

**Adjustments to Reconcile Budgetary
Basis to GAAP Basis**

Principal Paid on Capital Leases	246,556
Capitalization of Fixed Assets	16,300
Depreciation	<u>(231,390)</u>
Total Adjustments	<u>31,466</u>
Change in Net Assets (GAAP Basis)	<u><u>\$ (45,512)</u></u>

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INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the Town and to other government units, on a cost reimbursement basis.

Equipment Replacement Fund – This fund is used to account for the rental of certain vehicles and equipment to other departments for the accumulation of funds for future replacement.

TOWN OF AVON, COLORADO

EQUIPMENT REPLACEMENT FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Charges for Services:				
Equipment Replacement Charges	\$ 524,673	\$ 524,673	\$ 525,638	\$ 965
Other Revenues	-	-	4,574	4,574
Total Revenues	<u>524,673</u>	<u>524,673</u>	<u>530,212</u>	<u>5,539</u>
Expenditures:				
Capital Outlay:				
Fleet and Heavy Equipment	553,800	565,432	573,349	(7,917)
Recreation Center Equipment	187,004	187,004	166,472	20,532
Computer and Office Equipment	125,551	129,748	134,163	(4,415)
Total Expenditures	<u>866,355</u>	<u>882,184</u>	<u>873,984</u>	<u>8,200</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(341,682)</u>	<u>(357,511)</u>	<u>(343,772)</u>	<u>13,739</u>
Other Financing Sources (Uses):				
Sales of Capital Assets	35,000	86,272	86,272	-
Capital Lease Proceeds	336,000	336,000	337,969	1,969
Total Other Financing Sources (Uses)	<u>371,000</u>	<u>422,272</u>	<u>424,241</u>	<u>1,969</u>
Net Change in Fund Balances	29,318	64,761	80,469	15,708
Fund Balances, Beginning of Year	<u>1,514,718</u>	<u>1,619,765</u>	<u>1,619,765</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ 1,544,036</u>	<u>\$ 1,684,526</u>	<u>\$ 1,700,234</u>	<u>\$ 15,708</u>

Fund Balances at December 31, 2007, is computed as follows:

Current Assets	\$ 1,700,234
Less: Current Liabilities	<u>-</u>
Fund Balances - December 31, 2007	<u>\$ 1,700,234</u>

**RECONCILIATION OF NET CHANGE IN FUND BALANCES (BUDGETARY BASIS)
TO CHANGE IN NET ASSETS (GAAP BASIS)**

Net Change in Fund Balances (Budgetary Basis)	\$ 80,469
Basis to GAAP Basis	
Capitalization of Fixed Assets	864,057
Capital Lease Proceeds Received	(337,969)
Book Value of Capital Assets Disposed	(100,400)
Transfers In of Non-financial Resources (Capital Assets)	327,280
Depreciation	<u>(526,619)</u>
Total Adjustments	<u>226,349</u>
Change in Net Assets (GAAP Basis)	<u><u>\$ 306,818</u></u>

MISCELLANEOUS SCHEDULES

TOWN OF AVON, COLORADO

DEBT SCHEDULE DECEMBER 31, 2007

Purpose	Schedule of Indebtedness					Payments Due In 2008	
	Date Issued	Interest Rate/Yield	Maturity Date	Amount Issued	Amount Outstanding	Principal	Interest
General Obligation Bonds:							
Series 1996:							
General Obligation Refunding Bonds	4/1/1996	4.10% - 5.30%	12/1/2009	\$ 4,555,000	\$ 605,000	\$ 515,000	\$ 31,550
Supplemental "B" Certificates	4/1/1996	3.65% - 4.25%	6/1/1998	820,000	-	-	-
Less: Original Issue Discount	4/1/1996	3.65% - 4.25%	6/1/1998	(28,131)	-	-	-
Series 2001:							
Avon Metropolitan District General Obligation Refunding Bonds	2/1/2001	3.50% - 4.20%	11/1/2010	3,705,000	1,315,000	420,000	49,860
Supplemental "B" Coupons	2/1/2001	3.50%	11/1/2001	245,000	-	-	-
Less: Original Issue Discount	2/1/2001	N/A	11/1/2001	(3,030)	-	-	-
Series 2004:							
General Obligation Bonds	12/14/2004	3.00% - 4.00%	12/1/2016	3,460,000	3,460,000	-	128,073
Detached 'B' Interest Certificates	12/14/2004	2.38% - 3.25%	12/1/2009	215,000	100,000	35,672	-
Less: Original Issue Discount	12/14/2004	N/A	12/1/2009	(18,827)	(13,202)	-	-
Net General Obligation Bonds				12,950,012	5,466,798	970,672	209,483
Revenue Bonds:							
Series 1999, Revenue Refunding Bonds	1/15/1999	3.25% - 4.55%	9/15/2014	5,580,000	2,770,000	350,000	123,165
Total Revenue Bonds				5,580,000	2,770,000	350,000	123,165
Certificates of Participation:							
Series 1998, Certificates of Participation	6/30/1998	3.90% - 4.90%	11/30/2018	7,085,000	4,665,000	330,000	229,293
Total Certificates of Participation				7,085,000	4,665,000	330,000	229,293
Capital Lease Obligations							
Master Lease-Purchase, Wells Fargo	3/28/2003	4.15%	3/28/2010	339,000	157,161	50,272	65,222
Master Lease-Purchase, Wells Fargo	2/23/2005	3.35%	2/23/2010	95,061	58,905	18,992	1,973
Master Lease-Purchase, Wells Fargo	12/14/2006	4.20%	12/14/2011	172,676	140,922	33,087	5,919
Master Lease-Purchase, Comerica Leasing	12/11/2007	3.78%	12/20/2014	508,125	508,125	64,765	19,207
Total Capital Lease Obligations				1,114,862	865,113	167,116	92,321
Total Long-term Debt				\$ 26,729,874	\$ 13,766,911	\$ 1,817,788	\$ 654,261

TOWN OF AVON, COLORADO

DETAILED SCHEDULE OF GENERAL FUND EXPENDITURES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2007

Description	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
General Government:				
Legislative:				
Mayor and Town Council	\$ 131,039	\$ 131,039	\$ 130,343	\$ 696
Boards and Commissions	14,807	14,807	12,718	2,089
Town Attorney	97,000	125,000	194,539	(69,539)
Public Relations	329,578	329,578	338,921	(9,343)
Town Clerk	112,963	97,352	99,012	(1,660)
Total Legislative	685,387	697,776	775,533	(77,757)
Judicial:				
Municipal Court	88,969	108,317	113,818	(5,501)
Executive:				
Town Manager	297,186	220,261	216,731	3,530
Human Resources	133,780	216,283	213,447	2,836
Community Relations	-	50,848	44,277	6,571
Total Executive	430,966	487,392	474,455	12,937
Finance Department				
Finance	576,682	578,288	580,471	(2,183)
Information Systems	251,142	257,162	239,025	18,137
Total Finance Department	827,824	835,450	819,496	15,954
Nondepartmental	364,858	378,753	379,745	(992)
Total General Government	2,398,004	2,507,688	2,563,047	(55,359)
Community Development:				
Administration	161,929	162,358	174,323	(11,965)
Planning	408,803	409,835	393,818	16,017
Building Inspection	438,631	344,311	334,493	9,818
Total Community Development	1,009,363	916,504	902,634	13,870

Description	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Police:				
Administration	\$ 352,126	\$ 358,932	\$ 392,557	\$ (33,625)
Patrol	1,760,310	1,706,807	1,687,867	18,940
Investigations	107,410	113,203	123,379	(10,176)
Total Public Safety	2,219,846	2,178,942	2,203,803	(24,861)
Public Works:				
Administration	92,487	113,706	112,699	1,007
Engineering	389,601	394,539	409,429	(14,890)
Roads and Streets	1,629,950	1,593,038	1,555,039	37,999
Facilities Maintenance	537,440	502,688	407,987	94,701
Parks	923,387	924,173	778,781	145,392
Total Public Works	3,572,865	3,528,144	3,263,935	264,209
Recreation and Culture:				
Special Events	321,370	308,142	312,406	(4,264)
Administration	360,835	360,035	362,665	(2,630)
Adult Programs	34,520	31,729	31,551	178
Aquatics	469,635	461,465	450,518	10,947
Child Care	40,743	30,959	31,573	(614)
Fitness	126,214	121,214	118,875	2,339
Front Desk	277,203	256,348	223,429	32,919
Maintenance	788,758	773,655	771,160	2,495
Youth Programs	125,322	133,223	138,007	(4,784)
Cabin	66,060	52,060	43,726	8,334
Total Recreation and Culture	2,610,660	2,528,830	2,483,910	44,920
TOTAL OPERATING EXPENDITURES	\$ 11,810,738	\$ 11,660,108	\$ 11,417,329	\$ 242,779

TOWN OF AVON, COLORADO

DETAILED SCHEDULE OF GENERAL FUND REVENUES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2007

Description	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Taxes:				
General Property Tax	\$ 1,534,193	\$ 1,534,193	\$ 1,533,530	\$ (663)
General Property Tax - Delinquent Collections	300	300	62	(238)
General Property Tax - Interest and Penalties	300	2,000	2,236	236
Specific Ownership Tax	175,000	175,000	171,976	(3,024)
Sales Tax	5,361,885	5,411,159	5,573,213	162,054
Utility Tax	140,000	130,000	121,462	(8,538)
Accommodations Tax	432,830	454,897	454,920	23
Penalties and Interest	15,000	15,000	19,736	4,736
Sales Tax Audit Assessments	-	15,000	11,554	(3,446)
Payments In-Lieu-Of Sales Tax	477,527	478,612	478,612	-
Franchise Fees	415,000	375,000	343,528	(31,472)
Total Taxes	8,552,035	8,591,161	8,710,829	119,668
Licenses and Permits:				
Liquor Licenses	4,000	5,500	5,502	2
Business Licenses	20,000	20,000	20,350	350
Contractor's Licenses	14,000	18,000	18,478	478
Building Permits	600,000	300,000	282,929	(17,071)
Plumbing Permits	72,500	33,000	32,994	(6)
Mechanical Permits	72,500	45,000	47,697	2,697
Road Cut Permits	3,000	10,000	11,342	1,342
Other Licenses and Permits	100	100	-	(100)
Total Licenses and Permits	786,100	431,600	419,292	(12,308)
Intergovernmental:				
Federal:				
School Resource Officer	55,588	55,588	68,578	12,990
State:				
LEAF Grant	10,000	10,000	4,657	(5,343)
Other State Grants	1,500	1,500	843	(657)
State/County Shared Revenue:				
Conservation Trust	72,000	72,000	66,091	(5,909)
Motor Vehicle Registration	24,000	24,000	23,851	(149)
Highway User's Tax	157,998	157,998	169,174	11,176
Cigarette Tax	53,000	53,000	54,770	1,770
County Sales Tax	427,180	415,000	397,257	(17,743)
Road & Bridge Fund	140,000	140,000	142,839	2,839
State Severance Tax	3,500	3,500	1,093	(2,407)
Total Intergovernmental	944,766	932,586	929,153	(3,433)

Description	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Charges for Services:				
General Government:				
Sale of Map and Publications	\$ 250	\$ 250	\$ 55	\$ (195)
Photocopying Charges	2,500	2,500	1,526	(974)
License Hearing Fees	-	25	100	75
Other Fees and Charges	2,250	2,250	3,028	778
Plan Check Fees	250,000	175,000	231,438	56,438
Subdivision Review Fees	35,000	40,000	48,347	8,347
Design Review Fees	35,000	35,000	40,401	5,401
Animal Control Fees	1,250	2,000	2,485	485
Abatement Services	100	100	-	(100)
Police Reports	1,500	1,500	1,097	(403)
Off-duty Police Employment	6,750	10,000	11,881	1,881
Fingerprinting Fees	3,000	3,000	3,814	814
VIN Inspection Fees	18,000	18,000	11,322	(6,678)
False Alarm Fees	300	3,300	3,948	648
DUI Reimbursement	1,250	2,000	2,173	173
Village at (Avon) Municipal Service Charges	578,023	578,023	539,440	(38,583)
Subtotal: General Government	935,173	872,948	901,055	28,107
Recreation Center:				
Admission Fees	998,290	1,023,000	1,042,579	19,579
Program Fees	53,299	42,500	36,150	(6,350)
Rentals	4,400	4,400	5,035	635
Merchandise Sales	14,700	14,000	11,166	(2,834)
Childcare	15,000	12,000	9,589	(2,411)
Other Recreation Center Services	20,000	22,000	21,125	(875)
Fitness Program Revenues	24,298	22,298	25,880	3,582
Locker Rental	100	300	300	-
Other Recreation:				
Adult Program Revenues	16,580	16,580	18,058	1,478
Cabin Equipment Rentals	49,000	34,000	30,986	(3,014)
Athletic Field Rentals	4,000	3,661	3,051	(610)
Cabin Concessions	4,600	4,800	4,840	40
Youth Program Revenues	105,330	115,000	133,547	18,547
Sponsorships	100,000	97,375	97,375	-
Advertisements	1,500	-	-	-
Event Fees	9,000	9,900	10,739	839
Subtotal: Recreation	1,420,097	1,421,814	1,450,420	28,606
Total Charges for Services	2,355,270	2,294,762	2,351,475	56,713

TOWN OF AVON, COLORADO

DETAILED SCHEDULE OF GENERAL FUND REVENUES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2007 (CONTINUED)

Description	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Fines and Forfeitures:				
Court Fines - Traffic	\$ 18,500	\$ 40,000	\$ 40,442	\$ 442
Court Fines - Criminal	38,500	33,000	29,322	(3,678)
Court Fines - Parking	11,000	5,750	6,000	250
Court Fines - General	3,500	3,500	3,180	(320)
Court Costs	5,500	5,500	5,196	(304)
Jury Fees	250	-	-	-
Bond Forfeitures	1,000	150	150	-
Miscellaneous Court Revenues	500	-	-	-
Court Fine - Toy Fund	1,500	1,500	-	(1,500)
Total Fines and Forfeitures	80,250	89,400	84,290	(5,110)
Investment Earnings	450,000	575,000	827,234	252,234
Miscellaneous Revenues:				
Recreational Amenity Fees	140,500	140,500	136,510	(3,990)
Bond Issuance Fee	11,529	11,529	11,447	(82)
Lease of Town-owned Property	5,500	28,000	27,410	(590)
Miscellaneous Nonclassified Revenues	50,000	67,883	91,475	23,592
Total Miscellaneous Revenues	207,529	247,912	266,842	18,930
TOTAL REVENUES	\$ 13,375,950	\$ 13,162,421	\$ 13,589,115	\$ 426,694

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TOWN OF AVON, COLORADO

SCHEDULE OF CAPITAL PROJECT FUND PROJECT EXPENDITURES (BUDGETARY BASIS) - BUDGET AND ACTUAL FROM INCEPTION AND FOR THE YEAR ENDED DECEMBER 31, 2007

Project Description	Actual Amounts			Total Project Budget	Variance with Budget - Positive (Negative)
	Prior Years	Current Year	Total		
CAPITAL IMPROVEMENT PROJECTS					
Facilities:					
Municipal Building Expansion	\$ 30,811	\$ 541,238	\$ 572,049	\$ 575,000	\$ 2,951
Village at Avon, Filing 1, Lot 5, Tap Fees	-	46,377	46,377	46,377	-
Transportation Center Facility	184,652	2,978,912	3,163,564	3,207,928	44,364
Roads and Streets:					
Streetscape:					
Eaglebend Dr.	81,122	1,230,941	1,312,063	1,350,000	37,937
Lighting Study and Conversion	110,074	82,601	192,675	1,278,000	1,085,325
Street Improvements:					
Town Center West/Mall:					
Investment Plan Implementation	292,580	59,616	352,196	372,580	20,384
Railroad Crossings to Confluence	32,124	582,590	614,714	1,040,000	425,286
W. Benchmark Realignment Design	-	226,028	226,028	328,500	102,472
W. Beaver Creek Blvd. At-grade RR Crossing	-	60,034	60,034	65,000	4,966
Roundabout #4 Conversion	24,457	822,232	846,689	870,000	23,311
Annual Street Improvements:					
2007 Paving/Road Improvements	-	233,067	233,067	255,000	21,933
Multi-Modal/Alternative Mobility:					
Wildridge Traffic Calming	227,747	22,020	249,767	280,000	30,233
Wildridge Rd. Loop Pedestrian Improvements	-	415,871	415,871	1,695,000	1,279,129
West Avon Trails & Access Improvements	-	2,295	2,295	80,000	77,705
Recreation:					
Eagle River Recreation Enhancements Project	546,170	96,751	642,921	720,146	77,225
Eagle River Recreation Access Expansion	-	16,555	16,555	17,000	445
RICD Water Rights Acquisition	284,202	59,740	343,942	431,000	87,058
Stormwater and Drainage:					
Nottingham-Puder Ditch Restoration	-	10,621	10,621	320,000	309,379
W. Beaver Creek Blvd. Drainage / I-70 to RR	33,441	8,581	42,022	385,000	342,978
Metcalf Road Drainage	-	28,966	28,966	1,802,000	1,773,034

Project Description	Actual Amounts			Total Project Budget	Variance with Budget - Positive (Negative)
	Prior Years	Current Year	Total		
CAPITAL IMPROVEMENT PROJECTS					
Strategic Planning:					
2007 Development Analysis and Review:					
Starwood Resorts / Lot C	-	9,294	9,294	5,000	(4,294)
Confluence / Westin Riverfront Resort	-	27,791	27,791	16,000	(11,791)
The Gates at Beaver Creek	-	31,651	31,651	25,000	(6,651)
Cottonwood PUD	-	6,019	6,019	7,000	981
Folsom Property PUD	-	6,149	6,149	7,000	851
Orion Development	-	1,268	1,268	5,000	3,732
Planning and Consulting:					
2007 General Planning and Consulting	-	-	-	50,000	50,000
East Avon Redevelopment (Master Plan)	93,481	90,457	183,938	198,000	14,062
Housing Needs Assessment	18,500	233	18,733	50,000	31,267
Public Works Master Plan	-	63,066	63,066	63,800	734
Other:					
2007 Historic Preservation	-	12,684	12,684	25,000	12,316
Developer Rebates and Capital Contributions					
Rebates:					
Sheraton Mountain Vista	1,206,017	12,942	1,218,959	1,500,000	281,041
Capital Contributions:					
Westin Riverfront Resort	1,176,000	-	1,176,000	2,563,000	1,387,000
Westin Riverfront Resort - Interest	41,639	-	41,639	122,410	80,771
Total Capital Improvement Projects	\$ 4,383,017	\$ 7,786,590	\$ 12,058,469	\$ 17,888,741	\$ 5,830,272

The public report burden for this information collection is estimated to average 380 hours annually.

LOCAL HIGHWAY FINANCE REPORT	City or County: Town of Avon
	YEAR ENDING : December 2007

This Information From The Records Of (example - City of _ or County of _): Town of Avon	Prepared By: Valerie Barry Phone: (970) 748-4044
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I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

II. RECEIPTS FOR ROAD AND STREET PURPOSES

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES

ITEM	AMOUNT	ITEM	AMOUNT
A. Receipts from local sources:		A. Local highway disbursements:	
1. Local highway-user taxes		1. Capital outlay (from page 2)	3,359,716
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	1,441,445
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	86,580
2. General fund appropriations	2,890,738	b. Snow and ice removal	416,609
3. Other local imposts (from page 2)	171,976	c. Other	0
4. Miscellaneous local receipts (from page 2)	2,540,943	d. Total (a. through c.)	503,189
5. Transfers from toll facilities	0	4. General administration & miscellaneous	28,175
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	252,288
a. Bonds - Original Issues	0	6. Total (1 through 5)	5,584,813
b. Bonds - Refunding Issues	0	B. Debt service on local obligations:	
c. Notes	0	1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	390,760
7. Total (1 through 6)	5,603,657	b. Redemption	217,399
B. Private Contributions	225,000	c. Total (a. + b.)	608,159
C. Receipts from State government (from page 2)	193,025	2. Notes:	
D. Receipts from Federal Government (from page 2)	171,290	a. Interest	0
E. Total receipts (A.7 + B + C + D)	6,192,972	b. Redemption	0
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	608,159
		C. Payments to State for highways	0
		D. Payments to toll facilities	0
		E. Total disbursements (A.6 + B.3 + C + D)	6,192,972

IV. LOCAL HIGHWAY DEBT STATUS
(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
A. Bonds (Total)	3,829,205	0	217,399	3,611,806
1. Bonds (Refunding Portion)		0	0	
B. Notes (Total)	0	0	0	0

V. LOCAL ROAD AND STREET FUND BALANCE

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		6,192,972	6,192,972		0
Notes and Comments:	Debt Svc Expense	608,159			
	GF Expenses	1,909,428			
	CIP Expenses	738,152			
	Specific Ownership	(171,976)			
	HUTF	(169,174)			
	Motor Veh Regist	(23,851)			
	GF Appropriations	2,890,738			

LOCAL HIGHWAY FINANCE REPORT

STATE:
Colorado
YEAR ENDING (mm/yy):
December 2007

II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL

ITEM	AMOUNT	ITEM	AMOUNT
A.3. Other local imposts:		A.4. Miscellaneous local receipts:	
a. Property Taxes and Assessments	0	a. Interest on investments	0
b. Other local imposts:		b. Traffic Fines & Penalties	0
1. Sales Taxes	0	c. Parking Garage Fees	0
2. Infrastructure & Impact Fees	0	d. Parking Meter Fees	0
3. Liens	0	e. Sale of Surplus Property	0
4. Licenses	0	f. Charges for Services	0
5. Specific Ownership &/or Other	171,976	g. Other Misc. Receipts	0
6. Total (1. through 5.)	171,976	h. Other Real Estate Transfer Tax	2,540,943
c. Total (a. + b.)	171,976	i. Total (a. through h.)	2,540,943
(Carry forward to page 1)		(Carry forward to page 1)	

ITEM	AMOUNT	ITEM	AMOUNT
C. Receipts from State Government		D. Receipts from Federal Government	
1. Highway-user taxes	169,174	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	0
a. State bond proceeds		b. FEMA	0
b. Project Match		c. HUD	0
c. Motor Vehicle Registrations	23,851	d. Federal Transit Admin	0
d. Other (Specify)	0	e. U.S. Corps of Engineers	0
e. Other (Specify)	0	f. Other Federal (FHWA Grant)	171,290
f. Total (a. through e.)	23,851	g. Total (a. through f.)	171,290
4. Total (1. + 2. + 3.f)	193,025	3. Total (1. + 2.g)	
		(Carry forward to page 1)	

III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
A.1. Capital outlay:			
a. Right-Of-Way Costs	0	0	0
b. Engineering Costs	411,021	0	411,021
c. Construction:			
(1). New Facilities	444,656	0	444,656
(2). Capacity Improvements	0	0	0
(3). System Preservation	1,262,601	0	1,262,601
(4). System Enhancement & Operation	1,241,439	0	1,241,439
(5). Total Construction (1) + (2) + (3) + (4)	2,948,696	0	2,948,696
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	3,359,716	0	3,359,716
			(Carry forward to page 1)

Notes and Comments:

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STATISTICAL SECTION

This section of the Town of Avon's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Financial Trends (Pages 94-103) – These schedules contain trend information to help readers understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity (Pages 104-107) – These schedules contain information to help readers understand and assess the factors affecting the Town's ability to generate its own-source revenues, specifically property taxes.

Debt Capacity (Pages 108-111) – These schedules present information to help readers understand and assess the Town's debt burden and ability to issue additional debt.

Demographic and Economic Information (Pages 112-114) – These schedules offer demographic and economic information to help readers understand the environment in which the Town's financial activities take place and to provide information that facilitates comparisons of financial statement information over time and among other local governments.

Operating Information (Pages 115-117) – These schedules contain service and infrastructure information to help readers understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

TOWN OF AVON, COLORADO

NET ASSETS BY COMPONENT LAST FIVE FISCAL YEARS (1)

	Fiscal Year		
	2003	2004	2005
Governmental Activities			
Investment in Capital Assets, Net of Related Debt	\$ 9,599,212	\$ 12,206,057	\$ 23,123,596
Restricted For:			
Debt Service	847,163	635,342	88,136
TABOR Emergency Reserve	384,946	384,678	472,201
Unrestricted	9,889,514	12,529,657	15,063,082
Total Governmental Activities Net Assets	<u>\$ 20,720,835</u>	<u>\$ 25,755,734</u>	<u>\$ 38,747,015</u>
Business-type Activities			
Investment in Capital Assets, Net of Related Debt	\$ 1,609,885	\$ 1,941,513	\$ 2,039,744
Unrestricted	64,450	254,907	471,481
Total Business-type Activities Net Assets	<u>\$ 1,674,335</u>	<u>\$ 2,196,420</u>	<u>\$ 2,511,225</u>
Primary Government			
Investment in Capital Assets, Net of Related Debt	\$ 11,209,097	\$ 14,147,570	\$ 25,163,340
Restricted	1,232,109	1,020,020	560,337
Unrestricted	9,953,964	12,784,564	15,534,563
Total Primary Government Net Assets	<u>\$ 22,395,170</u>	<u>\$ 27,952,154</u>	<u>\$ 41,258,240</u>

Source: Town of Avon Finance Department

(1) GASB Statement No. 34 was effective for fiscal years beginning after June 15, 2002. Therefore only the last five fiscal years of information for this statistical table are available.

Fiscal Year	
2006	2007
\$ 23,801,715	\$ 30,782,567
129,581	151,575
567,512	618,739
<u>18,928,339</u>	<u>18,905,443</u>
<u>\$ 43,427,147</u>	<u>\$ 50,458,324</u>
\$ 1,884,063	\$ 2,651,190
<u>861,582</u>	<u>883,782</u>
<u>\$ 2,745,645</u>	<u>\$ 3,534,972</u>
\$ 25,685,778	\$ 33,433,757
697,093	770,314
<u>19,789,921</u>	<u>19,789,225</u>
<u>\$ 46,172,792</u>	<u>\$ 53,993,296</u>

TOWN OF AVON, COLORADO

CHANGES IN NET ASSETS LAST FIVE FISCAL YEARS (1)

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental Activities:			
General Government	\$ 1,730,580	\$ 1,646,483	\$ 1,873,292
Community Development	683,160	727,955	935,419
Public Safety	1,569,552	1,610,667	1,637,769
Public Works and Utilities	2,819,107	3,105,233	4,925,854
Recreation and Culture	2,117,520	2,094,440	2,208,149
Interest and Fiscal Charges on Long-term Debt	758,737	705,452	606,188
Total Governmental Activity Expenses	9,678,656	9,890,230	12,186,671
Business-type Activities:			
Transportation	1,677,058	1,680,756	1,855,183
Housing	298,467	313,633	-
Fleet Maintenance	1,517,564	1,755,478	1,942,338
Total Business-type Activity Expenses	3,493,089	3,749,867	3,797,521
Total Primary Government Expenses	\$ 13,171,745	\$ 13,640,097	\$ 15,984,192
Program Revenues			
Governmental Activities:			
Charges for Services	\$ 2,857,329	\$ 2,505,400	\$ 2,750,881
Operating Grants and Contributions	124,200	19,258	10,283
Capital Grants and Contributions	-	177,854	-
Total Governmental Activity Program Revenues	2,981,529	2,702,512	2,761,164
Business-type Activities:			
Charges for Services	2,319,273	2,647,377	2,921,794
Capital Grants and Contributions	-	117,966	195,532
Total Business-type Activity Program Revenues	2,319,273	2,765,343	3,117,326
Total Primary Government Program Revenues	\$ 5,300,802	\$ 5,467,855	\$ 5,878,490
Net (Expense) Revenue			
Governmental Activities	\$ (6,697,127)	\$ (7,187,718)	\$ (9,425,507)
Business-type Activities	(1,173,816)	(984,524)	(680,195)
Total Primary Government Net Expense	\$ (7,870,943)	\$ (8,172,242)	\$ (10,105,702)

Fiscal Year	
2006	2007
\$ 2,234,335	\$ 2,936,738
1,392,669	1,132,260
1,853,452	2,157,400
5,975,905	4,958,488
2,313,164	2,604,528
552,492	495,734
<u>14,322,017</u>	<u>14,285,148</u>
2,187,410	2,321,139
-	-
1,989,005	2,362,400
<u>4,176,415</u>	<u>4,683,539</u>
<u>\$ 18,498,432</u>	<u>\$ 18,968,687</u>
\$ 4,150,236	\$ 3,751,666
52,538	74,078
1,662,000	2,301,778
<u>5,864,774</u>	<u>6,127,522</u>
3,190,835	3,313,517
-	684,349
<u>3,190,835</u>	<u>3,997,866</u>
<u>\$ 9,055,609</u>	<u>\$ 10,125,388</u>
\$ (8,457,243)	\$ (8,157,626)
(985,580)	(685,673)
<u>\$ (9,442,823)</u>	<u>\$ (8,843,299)</u>

TOWN OF AVON, COLORADO

CHANGES IN NET ASSETS (CONTINUED) LAST FIVE FISCAL YEARS (1)

	Fiscal Year		
	2003	2004	2005
General Revenues and Other Changes in Net Assets			
Governmental Activities:			
Taxes:			
Property Taxes	\$ 2,542,791	\$ 2,697,086	\$ 2,763,432
Real Estate Transfer Taxes	2,224,452	2,338,060	3,254,490
Sales and Accommodation Taxes	4,593,196	4,797,825	5,590,224
Other Taxes	555,798	444,491	480,665
Unrestricted Investment Earnings	161,588	198,574	446,097
Intergovernmental	596,707	662,845	737,940
Miscellaneous	480,293	447,659	977,457
Transfers	(850,000)	(907,087)	(995,000)
Total Governmental Activities	10,304,825	10,679,453	13,255,305
Business-type Activities:			
Transfers	850,000	907,087	995,000
Total Business-type Activities	850,000	907,087	995,000
Total Primary Government	\$ 11,154,825	\$ 11,586,540	\$ 14,250,305
Change in Net Assets			
Governmental Activities	\$ 3,607,698	\$ 3,491,735	\$ 3,829,798
Business-type Activities	(323,816)	(77,437)	314,805
Total Primary Government	\$ 3,283,882	\$ 3,414,298	\$ 4,144,603

Source: Town of Avon Finance Department

(1) GASB Statement No. 34 was effective for fiscal years beginning after June 15, 2002. Therefore only the last five fiscal years of information for this statistical table are available.

Fiscal Year	
2006	2007
\$ 2,765,362	\$ 2,766,725
3,039,518	2,540,943
5,873,857	6,518,299
716,685	656,702
826,004	1,356,013
852,938	1,080,075
283,011	1,745,046
<u>(1,220,000)</u>	<u>(1,475,000)</u>
<u>13,137,375</u>	<u>15,188,803</u>
<u>1,220,000</u>	<u>1,475,000</u>
<u>1,220,000</u>	<u>1,475,000</u>
<u>\$ 14,357,375</u>	<u>\$ 16,663,803</u>
\$ 4,680,132	\$ 7,031,177
<u>234,420</u>	<u>789,327</u>
<u>\$ 4,914,552</u>	<u>\$ 7,820,504</u>

TOWN OF AVON, COLORADO

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

	Fiscal Year			
	1998	1999	2000	2001
Revenues				
Taxes	\$ 9,156,013	\$ 9,758,234	\$ 9,611,252	\$ 9,937,542
Licenses and Permits	312,278	278,903	498,904	192,672
Intergovernmental	2,489,874	2,182,382	2,804,849	1,009,532
Charges for Services	1,283,954	1,542,241	1,807,848	2,026,770
Fines and Forfeitures	51,376	51,252	46,873	60,486
Special Assessments	80,401	68,528	61,926	53,407
Investment Earnings	582,856	620,587	725,186	471,315
Other Revenues	443,234	491,343	1,262,079	985,834
Total Revenues	14,399,986	14,993,470	16,818,917	14,737,558
Expenditures				
Current:				
General Government and Housing	1,721,277	1,911,025	2,329,465	2,166,837
Community Development	460,628	588,081	608,175	605,560
Public Safety	2,753,841	3,245,157	4,241,344	1,662,108
Public Works and Utilities	2,467,761	2,199,747	2,550,880	2,604,511
Recreation and Culture	1,776,425	2,053,269	2,056,555	2,080,409
Capital Improvements	6,705,346	5,686,282	1,997,224	2,435,739
Debt Service:				
Principal	1,212,321	1,311,000	1,291,529	1,603,287
Interest	1,221,927	1,228,036	1,313,703	1,148,614
Bond Issuance Costs	317,621	191,539	-	104,549
Fiscal Charges	48,827	40,886	40,142	47,112
Total Expenditures	18,685,974	18,455,022	16,429,017	14,458,726
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,285,988)	(3,461,552)	389,900	278,832
Other Financing Sources (Uses)				
Transfers In	3,670,492	1,846,001	1,104,249	1,004,246
Transfers Out	(2,689,919)	(2,285,288)	(1,393,283)	(2,064,246)
Proceeds from Borrowing	7,828,372	439,569	702,781	-
Proceeds from Refunding	-	5,580,000	-	3,964,113
Payments to Escrow Agent	-	(5,388,461)	-	(3,851,327)
Sales of Capital Assets	36,200	-	44,546	1,840
Total Other Financing Sources (Uses)	8,845,145	191,821	458,293	(945,374)
Net Change in Fund Balances	\$ 4,559,157	\$ (3,269,731)	\$ 848,193	\$ (666,542)
Debt Service as a Percentage of Noncapital Expenditures	23.38%	21.71%	18.33%	24.15%

Source: Town of Avon Finance Department

Fiscal Year

2002	2003	2004	2005	2006	2007
\$ 9,420,818	\$ 9,870,673	\$ 10,239,779	\$ 12,057,347	\$ 12,395,422	\$ 12,482,669
571,557	186,948	236,867	249,032	827,890	419,292
1,647,548	920,907	882,103	984,333	2,523,356	3,455,931
1,754,118	2,564,384	2,153,941	2,388,948	3,004,306	3,244,484
44,603	56,866	58,757	53,448	73,854	84,290
47,854	45,564	37,683	31,464	-	-
192,010	161,588	198,574	446,097	826,004	1,356,013
920,975	942,087	2,896,383	804,332	573,414	1,750,580
<u>14,599,483</u>	<u>14,749,017</u>	<u>16,704,087</u>	<u>17,015,001</u>	<u>20,224,246</u>	<u>22,793,259</u>
1,986,382	1,652,538	1,576,203	1,742,961	2,127,325	2,871,963
480,411	416,569	477,045	532,290	912,855	902,634
1,561,029	1,557,109	1,652,782	1,667,280	1,879,582	2,203,803
2,590,299	2,781,036	2,574,772	2,748,931	2,819,023	3,424,566
1,931,794	1,939,224	1,943,124	2,024,614	2,168,903	2,483,910
4,807,404	1,916,329	913,297	2,758,137	4,245,404	7,786,590
1,459,133	1,435,000	3,540,000	1,297,500	1,296,250	1,348,750
1,125,017	1,062,916	940,228	555,343	504,122	448,474
-	-	98,648	-	-	-
37,719	39,584	52,195	35,762	36,179	33,074
<u>15,979,188</u>	<u>12,800,305</u>	<u>13,768,294</u>	<u>13,362,818</u>	<u>15,989,643</u>	<u>21,503,764</u>
(1,379,705)	1,948,712	2,935,793	3,652,183	4,234,603	1,289,495
1,260,694	2,019,381	1,063,480	1,540,361	2,601,594	927,637
(2,043,195)	(2,869,381)	(1,970,567)	(2,535,361)	(3,821,594)	(2,402,637)
-	339,000	75,864	74,403	130,621	170,156
-	-	3,732,911	-	-	-
-	-	(3,632,554)	-	-	-
2,362	378	1,410	1,001	1,504	-
<u>(780,139)</u>	<u>(510,622)</u>	<u>(729,456)</u>	<u>(919,596)</u>	<u>(1,087,875)</u>	<u>(1,304,844)</u>
<u>\$ (2,159,844)</u>	<u>\$ 1,438,090</u>	<u>\$ 2,206,337</u>	<u>\$ 2,732,587</u>	<u>\$ 3,146,728</u>	<u>\$ (15,349)</u>
23.47%	23.31%	36.03%	17.81%	15.64%	13.34%

TOWN OF AVON, COLORADO

FUND BALANCES, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

	Fiscal Year				
	1998	1999	2000	2001	2002
General Fund					
Reserved	\$ 39,498	\$ -	\$ 426,410	\$ 381,173	\$ 380,049
Unreserved	5,368,448	4,849,928	4,525,207	3,342,232	3,104,799
Total General Fund	<u>5,407,946</u>	<u>4,849,928</u>	<u>4,951,617</u>	<u>3,723,405</u>	<u>3,484,848</u>
All Other Governmental Funds					
Reserved	5,084,203	1,048,616	922,097	885,105	834,743
Unreserved, Reported In:					
Special Revenue Funds	45,590	1,815,500	2,094,759	2,490,503	2,023,079
Capital Projects Fund	2,096,902	3,096,706	3,690,470	3,893,388	2,489,887
Total All Other Governmental Funds	<u>\$ 7,226,695</u>	<u>\$ 5,960,822</u>	<u>\$ 6,707,326</u>	<u>\$ 7,268,996</u>	<u>\$ 5,347,709</u>
	Fiscal Year				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$ 384,946	\$ 384,678	\$ 472,201	\$ 567,512	\$ 618,739
Unreserved	3,375,366	3,999,194	5,301,416	6,340,441	6,676,687
Total General Fund	<u>3,760,312</u>	<u>4,383,872</u>	<u>5,773,617</u>	<u>6,907,953</u>	<u>7,295,426</u>
All Other Governmental Funds					
Reserved	847,163	635,342	650,636	692,081	714,075
Unreserved, Reported In:					
Special Revenue Funds	1,550,979	1,331,621	1,327,522	3,024,746	3,637,574
Capital Projects Fund	4,112,193	6,126,149	7,457,796	7,731,519	6,693,875
Total All Other Governmental Funds	<u>\$ 6,510,335</u>	<u>\$ 8,093,112</u>	<u>\$ 9,435,954</u>	<u>\$ 11,448,346</u>	<u>\$ 11,045,524</u>

Source: Town of Avon Finance Department

TOWN OF AVON, COLORADO

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS

Year	Property Tax				(1) Sales Tax
	General	Specific Ownership	Penalties & Interest	Delinquent Taxes	
1998	\$ 2,372,329	\$ 184,245	\$ 6,756	\$ 6,901	\$ 4,384,054
1999	2,489,424	193,240	6,792	5,973	4,547,472
2000	2,670,258	205,030	6,014	1,046	4,696,369
2001	2,425,991	189,666	5,419	514	4,902,010
2002	2,505,746	162,683	4,453	60	4,699,935
2003	2,537,783	147,760	5,008	-	4,593,196
2004	2,534,887	158,257	3,676	266	4,797,825
2005	2,593,082	165,810	3,986	554	5,246,245
2006	2,745,820	179,560	3,791	15,753	5,484,458
2007	2,762,486	171,976	4,126	113	6,083,115

Year	(2)				Total
	Utility Tax	Franchise Tax	Accom. Tax	Real Estate Transfer Tax	
1998	\$ 63,698	\$ 187,360	\$ -	\$ 1,950,670	\$ 9,156,013
1999	65,164	196,796	-	2,253,373	9,758,234
2000	70,094	208,230	-	1,754,211	9,611,252
2001	112,666	242,334	-	2,058,942	9,937,542
2002	107,129	225,866	-	1,714,946	9,420,818
2003	116,981	245,493	-	2,224,452	9,870,673
2004	117,711	289,097	-	2,338,060	10,239,779
2005	124,945	324,256	343,979	3,254,490	12,057,347
2006	129,537	361,779	435,206	3,039,518	12,395,422
2007	121,462	343,528	454,920	2,540,943	12,482,669

Source: Town of Avon Finance Department

(1) Includes Payments In-Lieu-Of Sales Tax beginning in 2003.

(2) From 1998 to 2004 the Town's accommodations taxes were accounted for in the Transit Enterprise fund.

TOWN OF AVON, COLORADO

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Levy Year	Collection Year	Vacant Land	Residential Property	Commercial Property	Other Property	Total Taxable Assessed Value
1997	1998	\$ 87,643,855	\$ 7,303,920	\$ 6,962,490	\$ (6,375,715)	\$ 95,534,550
1998	1999	22,532,500	36,706,620	39,073,900	1,377,380	99,690,400
1999	2000	22,512,350	47,391,820	43,515,240	1,392,510	114,811,920
2000	2001	20,814,730	52,400,440	45,746,620	1,310,010	120,271,800
2001	2002	22,499,340	63,257,860	51,363,470	2,199,270	139,319,940
2002	2003	20,470,660	67,986,410	53,710,780	2,335,760	144,503,610
2003	2004	23,859,850	60,523,900	58,730,200	2,659,120	145,773,070
2004	2005	24,076,670	63,669,310	64,454,400	744,600	152,944,980
2005	2006	24,665,930	72,486,190	70,880,090	874,430	168,906,640
2006	2007	22,385,870	74,772,170	72,119,390	2,018,740	171,296,170

Levy Year	Collection Year	Direct Tax Rate	Actual Taxable Value	Value as a Percentage of Actual Value
1997	1998	19.568	\$ 532,846,859	17.93%
1998	1999	19.372	566,711,185	17.59%
1999	2000	18.347	692,365,810	16.58%
2000	2001	15.488	746,742,920	16.11%
2001	2002	14.606	928,319,150	15.01%
2002	2003	14.234	978,914,070	14.76%
2003	2004	14.111	1,026,692,120	14.20%
2004	2005	13.781	1,070,116,330	14.29%
2005	2006	13.339	1,202,381,510	14.05%
2006	2007	13.287	1,232,738,120	13.90%

Source: Eagle County Assessor's Office, Abstract of Assessments

Notes: Property tax rates are stated in mills per \$1,000 of assessed valuation. Other property includes state assessed, agricultural, and abatements and corrections.

TOWN OF AVON, COLORADO

DIRECT AND OVERLAPPING PROPERTY TAX RATES LAST TEN FISCAL YEARS

Levy Year	Collection Year	Town of Avon Direct Rates			Overlapping Rates		
		General Operating	General Obligation Debt Service	Total Direct	Avon Metropolitan District	Eagle County	Eagle County Library District
1997	1998	11.456	8.112	19.568	5.855	7.463	2.750
1998	1999	11.456	7.916	19.372	5.876	7.463	2.750
1999	2000	11.456	6.891	18.347	5.079	7.050	2.750
2000	2001	8.956	6.532	15.488	4.857	7.079	2.750
2001	2002	8.956	5.650	14.606	3.607	6.999	2.750
2002	2003	8.956	5.278	14.234	3.478	6.999	2.750
2003	2004	8.956	5.155	14.111	3.619	8.499	2.750
2004	2005	8.956	4.825	13.781	3.479	8.499	2.750
2005	2006	8.956	4.383	13.339	3.283	8.499	2.750
2006	2007	8.956	4.331	13.287	3.281	8.499	2.750

Levy Year	Collection Year	Overlapping Rates					
		Colorado Mountain College	Eagle County School District RE-50J	UEV Consolidated Sanitation District (Basic)	UEV Sanitation District (DS)	Eagle River Water & Sanitation District (DS)	Eagle River Fire Protect District
1997	1998	3.944	22.408	0.436	0.809	-	-
1998	1999	3.539	25.641	0.434	0.502	0.674	-
1999	2000	3.655	22.047	0.385	0.478	1.154	3.800
2000	2001	3.997	22.312	0.385	-	1.135	3.800
2001	2002	3.997	21.655	0.356	-	0.970	3.800
2002	2003	3.997	21.981	-	-	1.300	3.800
2003	2004	3.997	21.120	-	-	1.335	3.800
2004	2005	3.997	21.080	-	-	1.330	3.800
2005	2006	3.997	19.595	-	-	1.214	3.800
2006	2007	3.997	23.050	-	-	1.111	5.550

Levy Year	Collection Year	Overlapping Rates					
		Co River Water Conserv District	Eagle County Health Svc District	Confluence Metropolitan District	Avon Station Metropolitan District	Mtn. Vista Metropolitan District	Village Metropolitan District
1997	1998	0.307	0.926	-	-	-	-
1998	1999	0.309	0.932	-	-	-	-
1999	2000	0.282	0.842	-	-	-	-
2000	2001	0.253	0.842	-	-	-	-
2001	2002	0.253	0.748	-	-	-	-
2002	2003	0.255	2.011	-	-	-	-
2003	2004	0.255	2.005	45.000	45.000	45.000	15.000
2004	2005	0.252	2.013	45.000	45.000	45.000	15.000
2005	2006	0.230	2.010	45.000	45.000	45.000	15.000
2006	2007	0.221	2.006	45.000	45.000	33.000	15.000

Source: Eagle County Assessor's Office, Abstract of Assessment

Notes: Property tax rates are stated in mills per \$1,000 of assessed valuation. The Town's general operating mill rate may be increased only by a majority approval of the Town's residents during a general election. Rates for debt service are set based on each year's debt service requirements.

TOWN OF AVON, COLORADO

PRINCIPAL PROPERTY TAX PAYERS CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Town of Avon Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town of Avon Assessed Value
Traer Creek-WMT LLC	\$ 7,508,370	1	4.38%	\$ -		0.00%
Points of Colorado	6,667,680	2	3.89%	-		0.00%
Traer Creek-L2 LLC	6,051,120	3	3.53%	-		0.00%
Traer Creek-HD LLC	5,382,540	4	3.14%	-		0.00%
Chapel Square Ventures LP	5,344,790	5	3.12%	3,744,230	1	3.76%
Riverfront Village Hotel, LLC	3,022,540	6	1.76%	-		0.00%
ARI Mountain Center LLC	2,963,800	7	1.73%	-		0.00%
Avon Wynfield LLC	2,957,460	8	1.73%	2,054,810	4	2.06%
East Avon-Hudson LLC	2,832,410	9	1.65%	-		0.00%
Avon Partners II, LLC	2,744,540	10	1.60%	3,458,290	2	3.47%
Dillon Real Estate Co, Inc	-		0.00%	2,860,480	3	2.87%
Mountain Star, LLC	-		0.00%	1,978,670	5	1.98%
Vail Building Arts Associates LTD	-		0.00%	1,954,770	6	1.96%
Riverview Park Assoc, Inc	-		0.00%	1,942,150	7	1.95%
Vail Associates	-		0.00%	1,785,010	8	1.79%
Avon Commercial Center, LTD	-		0.00%	1,711,830	9	1.72%
Tanavon Corporation	-		0.00%	1,469,550	10	1.47%
Total Assessed Value of the Ten Largest Taxpayers	45,475,250		26.55%	22,959,790		23.03%
Total Assessed Value of Other Taxpayers	125,820,920		73.45%	76,730,610		76.97%
Total Assessed Value of All Taxpayers	\$ 171,296,170		100.00%	\$ 99,690,400		100.00%

Source: Eagle County Assessor's Office

TOWN OF AVON, COLORADO

PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS

Levy Year	Collection Year	(1) Total Tax Levy	Current Tax Collections	Percent of Current Taxes Collected	(2) Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections To Total Tax Levy
1997	1998	\$ 2,376,823	\$ 2,372,329	99.81%	\$ 6,901	\$ 2,379,230	100.10%
1998	1999	2,500,503	2,489,424	99.56%	5,973	2,495,397	99.80%
1999	2000	2,672,106	2,670,258	99.93%	1,046	2,671,304	99.97%
2000	2001	2,430,796	2,425,991	99.80%	514	2,426,505	99.82%
2001	2002	2,522,027	2,505,746	99.35%	60	2,505,806	99.36%
2002	2003	2,548,453	2,537,783	99.58%	-	2,537,783	99.58%
2003	2004	2,549,757	2,534,887	99.42%	266	2,535,153	99.43%
2004	2005	2,595,743	2,593,082	99.90%	554	2,593,636	99.92%
2005	2006	2,741,233	2,745,820	100.17%	15,753	2,761,573	100.74%
2006	2007	2,763,603	2,762,486	99.96%	114	2,762,600	99.96%

Source: Town of Avon Finance Department

Notes: (1) Taxes are due and payable on January 1 based on the prior year's assessed valuation.

(2) Information on outstanding delinquent taxes is not available.

TOWN OF AVON, COLORADO

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				
	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	Certificates of Participation	Capital Leases
1998	\$ 11,997,136	\$ 355,000	\$ 4,820,000	\$ -	\$ 811,321
1999	11,420,082	300,000	5,210,000	1,713,750	900,306
2000	10,814,047	245,000	4,935,000	1,653,750	458,195
2001	10,219,023	195,000	4,655,000	1,592,500	279,857
2002	9,480,000	140,000	4,360,000	1,530,000	172,307
2003	8,725,000	100,000	4,065,000	1,462,500	439,169
2004	8,136,173	50,000	3,760,000	1,393,750	397,148
2005	7,282,075	-	3,440,000	1,321,250	380,007
2006	6,393,774	-	3,110,000	1,245,000	427,307
2007	5,466,798	-	2,770,000	1,166,250	820,870

Fiscal Year	Business-Type Activities				
	Certificates of Participation	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
1998	\$ 7,085,000	\$ 205,238	\$ 17,983,457	1.38%	\$ 6,453
1999	5,141,250	251,267	19,544,138	1.39%	6,691
2000	7,306,250	207,578	18,105,992	1.14%	3,213
2001	7,052,500	161,751	16,941,380	1.01%	2,963
2002	6,790,000	113,548	15,682,307	0.93%	2,740
2003	6,512,500	75,376	14,791,669	0.84%	2,337
2004	4,181,250	15,959	13,737,071	0.71%	2,165
2005	3,963,750	19,023	12,423,332	0.59%	1,957
2006	3,735,000	54,549	11,176,081	NA	1,650
2007	3,498,750	44,243	10,223,918	NA	1,401

Source: Town of Avon Finance Department

TOWN OF AVON, COLORADO

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT DECEMBER 31, 2007

Name of Governmental Entity	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to Town of Avon	Amount Applicable to Town of Avon
Direct:			
Town of Avon	\$ 4,151,798	100.00%	\$ 4,151,798
Overlapping:			
Avon Metropolitan District	1,315,000	100.00%	1,315,000
Eagle County School District RE-50J	285,496,170	8.22%	23,467,785
Eagle-Vail Metropolitan District	1,275,000	16.14%	205,721
Eagle Valley Library District	2,890,000	11.49%	332,061
Eagle River Water and Sanitation District	12,335,000	10.39%	1,281,607
Subtotal - Overlapping	303,311,170		26,602,174
Total	\$ 307,462,968		\$ 30,753,972

Source: Various Governmental Entities, Eagle County Finance Department

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town.

TOWN OF AVON, COLORADO

RATIO OF GENERAL BONDED DEBT OUTSTANDING AND LEGAL DEBT MARGIN LAST TEN FISCAL YEARS

	Fiscal Year			
	1998	1999	2000	2001
General Bonded Debt Outstanding General Obligation Bonds	\$ 7,765,000	\$ 7,425,000	\$ 7,120,000	\$ 6,695,000
Actual Taxable Property Value	532,846,859	566,711,185	692,365,810	746,742,920
Percentage of Actual Taxable Property Value	1.46%	1.31%	1.03%	0.90%
Per Capita	\$ 2,786	\$ 2,542	\$ 1,263	\$ 1,171
Legal Debt Limit	\$ 23,883,638	\$ 24,936,805	\$ 28,702,980	\$ 30,067,950
Total Debt Applicable to Limit	<u>(7,765,000)</u>	<u>(7,425,000)</u>	<u>(7,120,000)</u>	<u>(6,695,000)</u>
Legal Debt Margin	<u>\$ 16,118,638</u>	<u>\$ 17,511,805</u>	<u>\$ 21,582,980</u>	<u>\$ 23,372,950</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	67.49%	70.22%	75.19%	77.73%

Source: Eagle County Assessor's Office, State of Colorado Division of Local Governments

Fiscal Year					
2002	2003	2004	2005	2006	2007
\$ 6,305,000	\$ 5,895,000	\$ 5,666,173	\$ 5,182,075	\$ 4,678,774	\$ 4,151,798
928,319,150	978,914,070	1,026,692,120	1,070,116,330	1,202,381,510	1,232,738,120
0.68%	0.60%	0.55%	0.48%	0.39%	0.34%
\$ 1,102	\$ 932	\$ 893	\$ 816	\$ 691	\$ 569
\$ 34,829,985	\$ 36,125,903	\$ 36,443,268	\$ 38,236,245	\$ 42,226,660	\$ 42,824,043
<u>(6,305,000)</u>	<u>(5,895,000)</u>	<u>(5,666,173)</u>	<u>(5,182,075)</u>	<u>(4,678,774)</u>	<u>(4,151,798)</u>
<u>\$ 28,524,985</u>	<u>\$ 30,230,903</u>	<u>\$ 30,777,095</u>	<u>\$ 33,054,170</u>	<u>\$ 37,547,886</u>	<u>\$ 38,672,245</u>
81.90%	83.68%	84.45%	86.45%	88.92%	90.30%

TOWN OF AVON, COLORADO

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN FISCAL YEARS

Year	Town of Avon Population	Eagle County Population	Eagle County Personal Income (In \$1,000's)	Eagle County Per Capita Personal Income	Eagle County Median Age	Eagle County RE-50J School Enrollment	Denver / Boulder Consumer Price Index	Eagle County Unemployment Rate
1998	2,787	33,709	\$ 1,299,997	\$ 32,358	34.00	4,343	161.9	3.21%
1999	2,921	34,950	1,404,071	33,245	31.17	4,539	166.6	2.54%
2000	5,636	41,659	1,584,204	34,997	31.26	4,645	173.2	2.16%
2001	5,717	43,292	1,676,826	38,435	31.80	4,912	181.3	2.80%
2002	5,724	44,331	1,687,236	37,949	32.34	4,844	184.8	4.30%
2003	6,328	45,216	1,758,671	40,597	31.60	5,033	186.8	5.00%
2004	6,345	46,162	1,930,354	41,773	34.10	5,126	187.0	4.10%
2005	6,349	47,530	2,107,633	44,200	33.89	5,167	190.9	3.90%
2006	6,774	50,612	NA	46,985	34.70	5,369	197.7	3.40%
2007	7,297	NA	NA	NA	NA	NA	202.0	2.85%

Sources: Colorado Division of Local Governments; Eagle County RE-50J School District, Eagle County

TOWN OF AVON, COLORADO

PRINCIPAL EMPLOYERS CURRENT YEAR

Employer	2007	
	Employees	Rank
Home Depot	262	1
Wal-Mart	204	2
Christie Lodge	158	3
City Market	147	4
Sheraton Mountain Vista	120	5
Town of Avon	109	6
Finnegan's	105	7
Eagle River Water & Sanitation	80	8
Avon Elementary School	53	9
Falcon Point	29	10

Sources: Various Town of Avon Businesses, Department of Labor

TOWN OF AVON, COLORADO

COMMERCIAL AND RESIDENTIAL CONSTRUCTION LAST TEN FISCAL YEARS

Year	Commercial Construction		Residential Construction		Total Building Construction
	Square Footage	Value	No. of Units	Value	Value
1998	29,594	\$ 5,862,230	97	\$ 25,806,307	\$ 31,668,537
1999	3,755	6,096,164	64	20,210,602	26,698,802
2000	156,027	16,700,998	47	30,823,673	47,524,671
2001	3,480	157,156	21	15,883,271	16,040,427
2002	401,304	38,830,606	289	20,490,119	59,320,725
2003	97,959	3,615,219	20	7,796,720	11,411,939
2004	140,059	3,818,000	20	12,417,897	16,235,897
2005	-	250,000	19	15,052,119	15,302,119
2006	26,639	114,860,200	12	13,980,955	128,841,155
2007	19,242	25,248,538	93	10,970,648	36,219,186

Source: Town of Avon Community Development Department

TOWN OF AVON, COLORADO

FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

	Full-time Equivalent Employees as of December 31				
	1998	1999	2000	2001	2002
General Government					
Administration	5.20	6.20	6.75	6.75	6.00
Finance	4.50	4.50	5.50	5.50	6.00
Community Development	7.00	9.00	9.00	9.00	6.00
Police	14.30	17.00	18.00	19.00	18.00
Public Works & Engineering	18.50	19.50	21.00	21.00	24.00
Transportation	10.50	10.75	24.75	22.75	13.00
Fleet Maintenance	9.00	10.00	11.00	12.00	10.00
Recreation	20.00	21.00	21.00	20.00	20.00
Total	89.00	97.95	117.00	116.00	103.00
	2003	2004	2005	2006	2007
General Government					
Administration	5.00	5.00	5.00	5.00	5.00
Finance	6.00	6.00	6.00	6.00	7.00
Community Development	6.00	7.00	7.00	8.00	9.00
Police	17.00	17.00	17.00	18.00	19.00
Public Works & Engineering	22.50	22.00	20.90	21.90	25.90
Transportation	8.50	10.00	10.00	13.00	13.00
Fleet Maintenance	10.00	10.00	10.10	11.10	12.10
Recreation	18.00	17.00	17.00	17.00	18.00
Total	93.00	94.00	93.00	100.00	109.00

Source: Town of Avon Budget

TOWN OF AVON, COLORADO

OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

	Fiscal Year			
	1998	1999	2000	2001
Town of Avon Facilities and Services:				
Miles of Streets	15.62	15.62	18.61	19.18
Number of Street Lights	156	156	156	272
Culture and Recreation:				
Miles of Bike/Pedestrian Paths	0	0	0	0
Parks / Lakes	2 / 1	2 / 1	2 / 1	2 / 1
Park Acreage	668	668	668	668
Tennis / Volleyball / Basketball Courts	2 / 3 / 2	2 / 3 / 2	2 / 3 / 2	2 / 3 / 2
Recreation Centers	1	1	1	1
Softball / Soccer Fields	1 / 0	1 / 0	1 / 0	1 / 0
Police Protection:				
Number of Stations	1	1	1	1
Number of Police Personnel and Officers	14.30	17.00	18.00	19.00
Number of Patrol Units	9.00	11.00	12.00	13.00
Number of Law Violations:				
General Ordinance Violations	286	230	298	314
Traffic Violations	449	348	252	162
Parking Violations	595	678	500	536
Fire Protection:				
Number of Stations	5	5	5	0
Number of Fire Personnel and Officers	15.00	17.00	25.00	0.00
Number of Calls Answered	2,092	2,111	2,321	0
Number of Inspections Conducted	600	678	850	0
Facilities and Services Not Included in the Reporting Entity:				
Libraries:				
Number of Libraries / Volumes	1 / 38,000	1 / 38,000	1 / 38,000	1 / 38,000
Water System:				
Miles of Water Mains	15.68	15.68	15.68	15.68
Number of Service Connections	2,489	2,489	2,786	2,786
Daily Average Consumption in Gallons	582,000	582,000	750,000	750,000
Maximum Daily Capacity of Plant in Gallons	10MGD	10MGD	10MGD	10MGD
Sanitary Sewer System:				
Miles of Sanitary Sewers	27.56	27.56	28.11	28.11
Number of Treatment Plants	1	1	1	1
Number of Service Connections	2,473	2,473	2,916	2,916
Maximum Daily Capacity of Treatment Plant in Gallons	4.3MGD	4.3MGD	4.3MGD	4.3MGD
Education:				
Number of Elementary Schools / Instructors	1 / 30	1 / 30	1 / 30	1 / 30
Fire Protection:				
Number of Stations	0	0	0	4
Number of Fire Personnel and Officers	0	0	0	28
Number of Calls Answered	0	0	0	2,141
Number of Inspections Conducted	0	0	0	108

Fiscal Year					
2002	2003	2004	2005	2006	2007
18.62	22.34	22.34	23.11	23.04	23.04
386	465	465	465	408	408
0	5	5.48	5.48	5.6	5.6
3/1	3/1	4/1	4/1	5/1	5/1
668	668	671	671	672	672
4 / 3 / 2	4 / 3 / 3	4 / 3 / 3	4 / 3 / 3	4 / 3 / 3	4 / 3 / 3
1	1	1	1	1	1
1 / 2	1 / 2	1 / 2	1 / 2	1 / 2	1 / 2
1	1	1	1	1	1
18.00	17.00	17.00	17.00	18.00	16.00
12.00	11.00	11.00	11.00	12.00	12.00
220	273	303	284	278	333
230	375	230	309	566	243
361	204	201	286	245	6
0	0	0	0	0	0
0.00	0.00	0.00	0.00	0.00	0.00
0	0	0	0	0	0
0	0	0	0	0	0
1 / 43,289	1 / 72,107	1 / 73,329	1 / 77,966	1 / 78,021	1 / 85,378
23.16	24.99	24.99	24.99	24.99	24.99
2,916	3,358	3,376	3,409	3,462	3,675
756,137	713,058	779,263	790,945	842,234	778,373
10MGD	10MGD	10MGD	10MGD	10MGD	10MGD
28.11	33.44	33.44	33.44	33.44	33.44
1	1	1	1	1	1
2,916	3,489	3,507	3,536	3,546	3,801
4.3MGD	4.3MGD	4.3MGD	4.3MGD	4.3MGD	4.3MGD
1 / 35	1 / 30	1 / 30	1 / 23	1 / 32	1 / 53
6	6	8	8	8	9
28	44	45	44	44	51
2,200	2,144	2,272	2,364	2,572	2,469
823	881	919	1,062	1,509	1,788

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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

Town Council
Town of Avon, Colorado
Avon, Colorado

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Avon, Colorado as of and for the year ended December 31, 2007, which collectively comprise Town of Avon, Colorado's basic financial statements and have issued our report thereon dated June 12, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Town of Avon, Colorado's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Avon, Colorado's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted other matters that we reported to the management of the Town in a separate letter dated June 12, 2008.

This report is intended solely for the information and use of the Town Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Greenwood Village, Colorado
June 12, 2008



**Clifton
Gunderson LLP**
Certified Public Accountants & Consultants

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133**

Town Council
Town of Avon, Colorado
Avon, Colorado

Compliance

We have audited the compliance of Town of Avon, Colorado (the Town) with the types of compliance requirements described in *the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2007-01 and 2007-02.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-01 and 2007-02 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Members of the Town Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Greenwood Village, Colorado
June 12, 2008

**TOWN OF AVON
AVON, COLORADO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007**

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?

yes

none reported

- Significant deficiency (ies) identified that are not considered to be material weaknesses?

yes

none reported

Noncompliance material to financial statements noted?

yes

none reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified?

yes

none reported

- Significant deficiency(ies) identified that are not considered to be material weakness(es)?

yes

none reported

Type of auditor's report issued on compliance for major program:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

yes

no

Identification of major program:

CFDA Number(s)	Name of Federal Program or Cluster
20.500	Federal Transit – Capital Investment Grants

Dollar threshold used to distinguish
between type A and type B programs

\$300,000

Auditee qualified as low-risk auditee?

yes

no

**TOWN OF AVON
AVON, COLORADO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007**

Section II—Financial Statement Findings

There were no findings required to be reported under *Government Auditing Standards*.

Section III—Federal Award Findings and Questioned Costs

Finding 2007-01

U.S. DEPARTMENT OF TRANSPORTATION
Capital Investment Grants - CFDA 20.500

**Procurement
Significant Deficiency, Noncompliance**

Criteria or specific requirement: In accordance with the provisions of A-102 common rule, the Town is required to have a specific written policy that contains the federal requirements regarding suspension and debarment.

Condition: The Town does not have a formal policy to check the suspension and debarment list prior to engaging a new vendor. The Town did not check the list prior to engaging Gillig to build new buses for the Town. The Town piggybacked on the contract of two other municipalities, and those contracts stated that the debarment list was consulted without issue.

Questioned Costs: We did not identify questioned costs related to the above condition.

Context: During the course of our audit procedures, we noted that the Town did not have a process in place to ensure that the suspension and debarment list is checked prior to authorizing procurement.

Effect: Failure to check the suspension and debarment list before authorization of procurement could result in the Town contracting with unauthorized contractors.

Cause: Inattention to Federal regulations and a lack of training may have contributed to this finding.

Recommendation: We recommend that the Town develop a formal process to ensure that all procurements for capital grants comply with the suspension and debarment requirements.

Views of responsible officials and planned corrective actions:

The Town will adopt a written policy specifying that it will check to ensure that the suspension and disbarment list is checked and/or any entities whose contracts are piggybacked upon have a similar policy in place.

**TOWN OF AVON
AVON, COLORADO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended December 31, 2007**

Finding 2007-02

U.S. DEPARTMENT OF TRANSPORTATION
Capital Investment Grants - CFDA 20.500

**Equipment/real property
Significant Deficiency, Noncompliance**

Criteria or specific requirement: Circular A-102 Common Rule requires that proper records are maintained for equipment acquired with Federal Awards. Effective controls ensure that proper records are kept which contain detail identifying federal participation, percentage of federal participation, etc.

Condition: The Town's fixed asset ledger for buses acquired with Federal Awards did not contain information indicating the buses were purchased with Federal Funds.

Questioned Costs: We did not identify questioned costs related to the above condition.

Context: We reviewed the fixed assets records and noted two buses that were acquired with Federal Funds.

Effect: Without proper identification the Town may not properly compensate the federal agency should the asset be sold or disposed of.

Cause: Oversight by the Staff may have led to this finding.

Recommendation: We recommend that the Town adhere to Federal regulations by properly noting which assets have been acquired with Federal Awards including the percentage of Federal participation.

Views of responsible officials and planned corrective actions:

The Town will establish a procedure to ensure that property and equipment acquired with federal awards are properly identified as such including the percentage of participation.

**TOWN OF AVON
AVON, COLORADO**

**SUMMARY OF SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended December 31, 2007**

There were no prior year findings.

TOWN OF AVON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2007

Agency/Program Grant Title	<u>Federal CFDA Number</u>	<u>Federal Expenditures 2007</u>
U.S. Department of Transportation		
Direct Program:		
FTA - Capital Investment Grants	20.500	\$ 684,349
Passed through Colorado Department of Transportation		
FHA - Highway Planning and Construction	20.205	<u>171,290</u>
Total U.S. Department of Transportation		<u>855,639</u>
U.S. Department of Justice		
Direct Program:		
School Resource Officer Grant	16.710	<u>82,091</u>
Total U.S. Department of Justice		<u>82,091</u>
 Total Federal Financial Assistance		 <u>\$ 937,730</u>

TOWN OF AVON
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2007

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Avon and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts reported in, or used in the preparation of the basic financial statements.

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