

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**Larimer County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**



**RECEIVED**

*By the Office of the State Auditor at 3:56 pm, May 18, 2017*

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**INDEPENDENT AUDITOR'S REPORT**

**(303) 688-2751**

To the Board of Directors  
Thompson Crossing Metropolitan District #4  
Larimer County, Colorado

I have audited the accompanying financial statements of the governmental activities and each major fund of the Thompson Crossing Metropolitan District #4, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

**Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Thompson Crossing Metropolitan District #4, as of December 31, 2016, and the respective changes in financial position and where applicable, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Thompson Crossing Metropolitan District #4's basic financial statements. The Supplemental Information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



Bruce L. Fosdick, CPA, PC  
Castle Rock, Colorado  
May 18, 2017

## **BASIC FINANCIAL STATEMENTS**

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 4,461
Cash and investments - Restricted	6,971
Receivable - County Treasurer	6,906
Property taxes receivable	1,126,728
Total assets	<u>1,145,066</u>
<b>LIABILITIES</b>	
Accounts payable	1,500
Due to Thompson Crossing No. 3	6,244
Accrued unpaid and compounded interest	7,477,674
Noncurrent liabilities	
Due in more than one year	24,195,000
Total liabilities	<u>31,680,418</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	1,126,728
Total deferred inflows of resources	<u>1,126,728</u>
<b>NET POSITION</b>	
Unrestricted	(31,662,080)
Total net position	<u><u>\$ (31,662,080)</u></u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 288,210	\$ -	\$ -	\$ -	\$ (288,210)
Interest and related costs on long-term debt	2,304,198	-	-	28,996	(2,275,202)
	<u>\$ 2,592,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,996</u>	<u>(2,563,412)</u>
General revenues:					
Property taxes					1,032,006
Specific ownership taxes					83,328
Net investment income					1,358
Total general revenues					<u>1,116,692</u>
Change in net position					(1,446,720)
Net position - Beginning					<u>(30,215,360)</u>
Net position - Ending					<u>\$ (31,662,080)</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2016**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 4,461	\$ -	\$ 4,461
Cash and investments - Restricted	-	6,971	6,971
Receivable - County Treasurer	1,783	5,123	6,906
Property taxes receivable	331,899	794,829	1,126,728
<b>TOTAL ASSETS</b>	<b>\$ 338,143</b>	<b>\$ 806,923</b>	<b>\$ 1,145,066</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to Thompson Crossing No. 3	\$ 6,244	\$ -	\$ 6,244
Accounts payable	-	1,500	1,500
Total liabilities	6,244	1,500	7,744
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	331,899	794,829	1,126,728
Total deferred inflows of resources	331,899	794,829	1,126,728
<b>FUND BALANCES</b>			
Restricted for:			
Debt service	-	10,594	10,594
Total fund balances	-	10,594	10,594
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 338,143</b>	<b>\$ 806,923</b>	

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest on bonds	(7,477,674)
Bonds payable	(24,195,000)
Net position of governmental activities	<b>\$ (31,662,080)</b>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2016**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 266,410	\$ 765,596	\$ 1,032,006
Specific ownership tax	21,511	61,817	83,328
Net investment income	289	1,069	1,358
System development fees	-	28,996	28,996
Total revenues	<u>288,210</u>	<u>857,478</u>	<u>1,145,688</u>
<b>EXPENDITURES</b>			
Current			
County Treasurer's fee	5,330	15,315	20,645
Transfer to District No. 3 - Operations	282,880	-	282,880
Debt service			
Bond interest	-	836,295	836,295
Paying agent/trustee fees	-	3,000	3,000
Total expenditures	<u>288,210</u>	<u>854,610</u>	<u>1,142,820</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	2,868	2,868
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>7,726</u>	<u>7,726</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 10,594</u>	<u>\$ 10,594</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2016**

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

Net change in fund balances - Total governmental funds	\$	2,868
<p>Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Accrued interest on bonds payable - Change in liability		<u>(1,449,588)</u>
Changes in net position of governmental activities	\$	<u><u>(1,446,720)</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<b>Original and Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 267,905	\$ 266,410	\$ (1,495)
Specific ownership tax	24,111	21,511	(2,600)
Net investment income	200	289	89
Other income	3,781	-	(3,781)
Total revenues	<u>295,997</u>	<u>288,210</u>	<u>(7,787)</u>
<b>EXPENDITURES</b>			
County Treasurer's fee	5,359	5,330	29
Transfer to District No. 3 - Operations	286,857	282,880	3,977
Contingency	3,781	-	3,781
Total expenditures	<u>295,997</u>	<u>288,210</u>	<u>7,787</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Thompson Crossing Metropolitan District No. 4 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Larimer County on November 9, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was established to provide for the construction, installation, financing, and operation of public improvements, including streets, traffic safety controls, water, sanitary sewer, storm drainage, television relay and translator, transportation, park and recreation facilities, and mosquito control within the District. Under an amended service plan dated August 11, 2005, the District was organized in conjunction with five other related districts, Thompson Crossing Metropolitan District No. 1 (Control District), Thompson Crossing Metropolitan District No. 2 (Commercial District), Thompson Crossing Metropolitan District No. 3 (Operating District), Thompson Crossing Metropolitan District No. 5 (Financing District), and Thompson Crossing Metropolitan District No. 6 (Financing District) (collectively, the Districts). The District serves as the financing district for Thompson Crossing Metropolitan District No. 3. The District's service area is located entirely within the Town of Johnstown (Town), Larimer County, Colorado.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including the Town and the other Thompson Crossing Metropolitan Districts.

The District has no employees and contracts for all of its management and professional services.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes and system development fees. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

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

**Pooled Cash and Investments**

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

Investments are carried at fair value.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**System Development Fees**

System development fees are charged against properties within the District. The system development fee is due at the time of issuance of a building permit. All fees are pledged revenue to be used for payment of principal and interest on the Series 2006 bonds. As of December 31, 2016, the following fees are imposed:

Single family residential	\$10,000 per acre
Multi-family residential	\$15,000 per acre
Commercial property	\$20,000 per acre

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Fund Equity**

**Net Position**

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

**Fund Balance**

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

**NOTE 3 - CASH AND INVESTMENTS**

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 4,461
Cash and investments - Restricted	<u>6,971</u>
Total cash and investments	<u>\$ 11,432</u>

Cash and investments as of December 31, 2016, consist of the following:

Investments	<u>\$ 11,432</u>
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**Deposits with Financial Institutions**

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

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

At December 31, 2016, the District did not have any cash deposits since the local government investment pool described below provides payment services.

**Investments**

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

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

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

**Fair Value Measurement and Application**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

As of December 31, 2016, the District had the following investments:

<b>Investment</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 11,432</u>

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

**NOTE 4 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2016</u>
<b>Government Activities:</b>				
General Obligation Bonds -				
Series 2006	<u>\$ 24,195,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,195,000</u>
	<u>\$ 24,195,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,195,000</u>

The details of the District's long-term obligations are as follows:

**General Obligation Bonds**

**\$24,195,000 General Obligation Bonds (Limited Tax Convertible to Unlimited Tax), Series 2006, dated June 29, 2006, discounted to \$17,470,967.55** with interest at a rate of 7.50%. The bonds were issued as accretion bonds which converted to current interest bonds on December 1, 2010. The bonds are term bonds due on December 1, 2036, with mandatory

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

redemption principal payments beginning on December 1, 2016, and increasing annually thereafter. The bond interest is payable semi-annually on June 1 and December 1. The Series 2006 Bonds interest repayments began on June 1, 2011, with principal payable over 30 years with a final maturity on December 1, 2036. The bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2016, and on any date thereafter, upon payment of the principal amount of the bonds, plus accrued interest to the redemption date, without redemption premium.

A surplus fund was established as additional security for the bonds and will be used to fund any deficiencies in the amounts required to pay bond principal and interest when due. The surplus fund will be funded up to a maximum amount of \$2,500,000, solely from available Pledged Revenue that is not required to pay the principal or interest on the bonds. The surplus fund will be maintained until the Debt to Assessed Ratio is 50% or less, after which any balances remaining in the surplus fund will be transferred to the District for application to any lawful purpose. The balance in the surplus fund at December 31, 2016, was \$-0-.

The Series 2006 Bonds are secured by and payable solely from Pledged Revenue, which includes property taxes derived from the Required Mill Levy net of the cost of collection, specific ownership taxes allocable to the Required Mill Levy, Capital Fees (including system development fees) and any other legally available monies of the District credited to the Bond Fund. The Required Mill Levy is defined in the Bond Resolution as a mill levy imposed upon all taxable property in the District each year in an amount sufficient to pay the principal of and interest on the Series 2006 Bonds but not in excess of 50 mills and not less than 39.15 mills, as adjusted for changes in the method of calculating assessed valuation after the date of approval of the Service Plan. The minimum mill levy as currently adjusted is 45 mills and the maximum mill levy as currently adjusted is 57.475 mills. Once the Debt to Assessed Ratio on total debt issued is 50% or less, the mill levy may be imposed in an amount sufficient to pay debt service on the Series 2006 Bonds without limitation or rate.

Currently, pledged revenue of the District is not sufficient to pay when due the debt service requirements with respect to the Bonds. So long as the District levies the maximum Required Mill Levy, the inability of the District to pay the debt service requirements with respect to the Bonds when they come due does not constitute an event of default. To the extent principal of any Bond is not paid when due, such principal will remain outstanding until paid, and to the extent interest on any Bond is not paid when due, such interest will compound semiannually on each interest payment date at the interest rate borne by such Bond. During 2016, the District paid \$836,295 of interest. The amount due was \$1,814,625.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

The following is an analysis of the District's unpaid accrued interest for the year ended December 31, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Compounding of Unpaid Interest</u>	<u>Balance at December 31, 2016</u>
<b>Government Activities:</b>					
General Obligation Bonds -					
Series 2006 - Interest	\$ 6,028,086	\$1,814,625	\$ 836,295	\$ 471,258	\$ 7,477,674
	<u>\$ 6,028,086</u>	<u>\$1,814,625</u>	<u>\$ 836,295</u>	<u>\$ 471,258</u>	<u>\$ 7,477,674</u>

Interest on the Bonds accrues and is determinable in each year. The amounts of payments to be made in future years will depend on pledged revenue collected and cannot be predicted with certainty.

**Authorized Debt**

On November 1, 2005, District voters approved debt authorization in the amount of \$520,000,000 for the construction of capital improvements, with an additional \$65,000,000 for refunding debt. The voters also authorized debt of \$65,000,000 for the cost of operating and maintaining the District's systems.

The Modified Consolidated Service Plan dated October 3, 2005, limits the total principal amount of obligations that the Districts may have outstanding in aggregate at any one time to \$65,000,000, provided that in the case where obligations of the Financing Districts are supporting revenue bonds of the Control District, the Control District revenue bonds shall not be counted. At December 31, 2016, the total outstanding principal obligations of the Districts were \$48,499,000, which includes \$20,620,000 of debt in Thompson Crossing Metropolitan District No. 2 and \$3,684,000 in Thompson Crossing Metropolitan District No. 6.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

The District had authorized but unissued debt at December 31, 2016, for the following detailed purposes:

	<b>Authorized November 1, 2005 Election</b>	<b>Authorization Used Series 2006</b>	<b>Remaining at December 31, 2015</b>
Water	\$ 65,000,000	\$ 3,145,350	\$ 61,854,650
Sanitary/storm sewer	65,000,000	8,226,300	56,773,700
Streets	65,000,000	8,952,150	56,047,850
Parks and recreation	65,000,000	3,629,250	61,370,750
Traffic and safety	65,000,000	-	65,000,000
Operations/maintenance	65,000,000	241,950	64,758,050
Debt refunding	65,000,000	-	65,000,000
Television relay	65,000,000	-	65,000,000
Public transportation	65,000,000	-	65,000,000
Mosquito control	65,000,000	-	65,000,000
	<u>\$ 650,000,000</u>	<u>\$ 24,195,000</u>	<u>\$ 625,805,000</u>

**NOTE 5 - NET POSITION**

The District has net position consisting of one component - unrestricted.

The District has a deficit in unrestricted net position. This deficit amount is a result of the District being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

**NOTE 6 - RELATED PARTY**

All of the members of the Board of Directors during 2016 were employees of, or consultants to, Oakwood Homes LLC, the major landowner, developer and home builder of the property within Thompson Crossing Metropolitan District Nos. 3, 4, 5 and 6.

**NOTE 7 - DISTRICT AGREEMENTS**

**District Facilities Construction and Service Intergovernmental Agreement**

On June 29, 2006, Thompson Crossing Metropolitan District No. 3 (Operating District) entered into an agreement with Thompson Crossing Metropolitan District No. 4 and Thompson Crossing

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 7 - DISTRICT AGREEMENTS (CONTINUED)**

Metropolitan District No. 5 (Financing Districts). Under the agreement, the Operating District will, on behalf of the Financing Districts, contract for and supervise the construction and acquisition of district facilities, including water, sanitation, street, safety, park and recreation, transportation facilities, programs, and other public infrastructure and services. The Operating District shall own all the facilities and shall be responsible for the operation and maintenance of all facilities.

The District facilities are to be financed from the proceeds of general obligation indebtedness to be issued by the Financing Districts. The Financing Districts, upon execution of the agreement, shall provide for the payment of the capital and service costs or, at the option of any Financing District, may make annual payments to an escrow account for capital costs and to a service fund account for service costs. The amount of payment due under the annual payment option shall not be less than the amounts set forth in the final budget for the budget year, as prepared by the Operating District and approved by the Financing Districts. Once payments have been made to the Operating District, the Operating District shall have sole authority to withdraw monies from the accounts but shall account to the Financing Districts for funds withdrawn and payments made.

The financial obligations of the Financing Districts under this agreement are general obligations of the Financing Districts, and shall be payable from ad valorem taxes generated as a result of the certification by the Financing Districts of a mill levy, except as they may actually be paid from other revenues. The Boards of the Financing Districts shall annually determine, fix, and certify a rate of levy for ad valorem taxes which, when added to other funds of the Financing Districts, will be sufficient to promptly and fully pay the amounts to be paid under this agreement, as well as all other general obligation indebtedness of the Financing Districts, as the same become due.

During 2016, the District transferred \$282,880 of service costs to Thompson Crossing Metropolitan District No. 3 under this agreement.

**NOTE 8 - RISK MANAGEMENT**

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS**

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

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

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

On November 1, 2005, the District voters passed an election question to increase property taxes \$5,000,000 annually, without limitation of rate, to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue annually, other than ad valorem taxes, without regard to limitations under TABOR.

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

This information is an integral part of the accompanying financial statements.

## **SUPPLEMENTARY INFORMATION**

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<b>Original and Final Budget Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 769,891	\$ 765,596	\$ (4,295)
Specific ownership tax	69,290	61,817	(7,473)
Net investment income	1,000	1,069	69
System development fees	58,924	28,996	(29,928)
Total revenues	<u>899,105</u>	<u>857,478</u>	<u>(41,627)</u>
<b>EXPENDITURES</b>			
Current			
County Treasurer's fee	15,398	15,315	83
Bond interest	879,707	836,295	43,412
Paying agent/trustee fees	3,000	3,000	-
Contingency	1,000	-	1,000
Total expenditures	<u>899,105</u>	<u>854,610</u>	<u>44,495</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	2,868	2,868
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>7,726</u>	<u>7,726</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 10,594</u>	<u>\$ 10,594</u>

## **OTHER INFORMATION**

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 4  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2012	\$ 5,892,460	15.000	57.475	\$ 427,056	\$ 427,054	100.00%
2013	\$ 6,915,010	15.000	57.475	\$ 501,165	\$ 500,241	99.82%
2014	\$ 7,868,920	15.000	57.475	\$ 570,300	\$ 569,212	99.81%
2015	\$ 9,180,020	16.000	57.475	\$ 674,502	\$ 671,301	99.53%
2016	\$ 13,395,227	20.000	57.475	\$ 1,037,796	\$ 1,032,006	99.44%
Estimated for the year ending December 31, 2017	\$ 13,829,127	24.000	57.475	\$ 1,126,728		

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.