

**SECOND CREEK FARM
METROPOLITAN DISTRICT NO. 3
Commerce City, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Second Creek Farm Metropolitan District No. 3
Commerce City, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Second Creek Farm Metropolitan District No. 3 (the District) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Second Creek Farm Metropolitan District No. 3, as of December 31, 2019, and the respective changes in financial position thereof, and the 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information and other information as listed in the table of contents (together, the information) is presented for the purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Greenwood Village, Colorado
September 24, 2020

BASIC FINANCIAL STATEMENTS

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities
ASSETS	
Cash and Investments	\$ 2,983,031
Cash and Investments - Restricted	7,495,059
Property Tax Receivable	918
Total Assets	10,479,008
LIABILITIES	
Accrued Interest Payable	77,979
Due to District No. 1	188,019
Noncurrent Liabilities:	
Due Within One Year	25,307
Due in More Than One Year	20,960,557
Total Liabilities	21,251,862
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	918
Total Deferred Inflows of Resources	918
NET POSITION	
Restricted	
Capital Projects	3,224,176
Unrestricted	(13,997,948)
Total Net Position	\$ (10,773,772)

See accompanying Notes to Basic Financial Statements.

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
Intergovernmental Expenditures for Infrastructure Improvements	\$ 9,849,947	\$ -	\$ -	\$ 145,863	\$ (9,704,084)
Interest and Related Costs on Long-Term Debt	958,522	-	-	-	(958,522)
Total Governmental Activities	\$ 10,808,469	\$ -	\$ -	\$ 145,863	(10,662,606)
GENERAL REVENUES					
					34,697
					34,697
CHANGE IN NET POSITION					(10,627,909)
					(145,863)
NET POSITION - END OF YEAR					\$ (10,773,772)

See accompanying Notes to Basic Financial Statements.

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Investments	\$ -	\$ -	\$ 2,983,031	\$ 2,983,031
Investments - Restricted	-	4,270,883	3,224,176	7,495,059
Property Tax Receivable	153	765	-	918
Total Assets	\$ 153	\$ 4,271,648	\$ 6,207,207	\$ 10,479,008
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Due to District No. 1	\$ -	\$ -	188,019	\$ 188,019
Total Liabilities	-	-	188,019	188,019
 DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	153	765	-	918
Total Deferred Inflows of Resources	153	765	-	918
 FUND BALANCE				
Restricted				
Debt Service	-	4,270,883	-	4,270,883
Capital Projects	-	-	3,224,176	3,224,176
Assigned to:				
Capital Projects	-	-	2,795,012	2,795,012
Total Fund Balances	-	4,270,883	6,019,188	10,290,071
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 153	\$ 4,271,648	\$ 6,207,207	
 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 recorded as liabilities in the funds.				
Bond Premium (net of amortization)				(574,864)
Bond Payable				(20,411,000)
Accrued Interest on Bond Payable				(77,979)
Net Position of Governmental Activities				\$ (10,773,772)

See accompanying Notes to Basic Financial Statements.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Interest Income	\$ -	\$ 13,407	\$ 21,290	\$ 34,697
Total Revenues	-	13,407	21,290	34,697
EXPENDITURES				
Current:				
Bond Issuance Costs	-	-	771,940	771,940
Transfers to District No. 1	-	-	9,849,947	9,849,947
Debt Service:				
Bond Interest Expense	-	98,774	-	98,774
Paying Agent Fee	-	12,500	-	12,500
Total Expenditures	-	111,274	10,621,887	10,733,161
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(97,867)	(10,600,597)	(10,698,464)
OTHER FINANCING SOURCES (USES)				
Bond Issuance	-	-	20,411,000	20,411,000
Bond Premium	-	-	577,535	577,535
Transfer from (to) Other Funds	-	4,368,750	(4,368,750)	-
Total Other Financing Sources (Uses)	-	4,368,750	16,619,785	20,988,535
NET CHANGE IN FUND BALANCES	-	4,270,883	6,019,188	10,290,071
Fund Balances - Beginning of Year	-	-	-	-
FUND BALANCES - END OF YEAR	\$ -	\$ 4,270,883	\$ 6,019,188	\$ 10,290,071

See accompanying Notes to Basic Financial Statements.

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balance - Total Governmental Funds \$ 10,290,071

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

Long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond Issuance	(20,411,000)
Bond Premium	(577,535)
Transfer of Developer Advances obligation to Second Creek Farm MD No. 1	145,863

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.

Accrued Bond Interest Payable - Change in Liability	(77,979)
Amortization of Bond Premium	2,671

Change in Net Position of Governmental Activities	\$ (10,627,909)
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**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Total Expenditures	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES)			
Developer Advance	-	-	-
Transfers From (To) Other Funds	-	-	-
Total Other Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -

See accompanying Notes to Basic Financial Statements.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 DEFINITION OF REPORTING ENTITY

Second Creek Farm Metropolitan District No. 3 (the "District"), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized in 2006 concurrently with the organization of Second Creek Farm Metropolitan District No. 4 ("District No. 4"). Second Creek Farm Metropolitan District No. 1 ("District No. 1") and Second Creek Farm Metropolitan District No. 2 ("District No. 2" and together with the District, District No. 1, District No. 2 and District No. 4, the "Districts") were both formed previously in December, 2002. The Districts are governed by the Colorado Special District Act and other applicable statutes governing political subdivisions. The District's service area is located entirely within the City of Commerce City, Colorado (the "City"). The Districts were organized to work cooperatively to provide construction, installation, financing and operation of public improvements, including streets and safety controls, transportation, mosquito control, television relay, water, sanitary sewer, storm drainage, park and recreation improvements and facilities and erosion control to their service area.

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.

The District has no employees and all operations and administrative functions are contracted.

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.

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.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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. Expenditures for property, plant and equipment are shown as increases in assets and redemption of bonds and notes are recorded as reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in 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. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. 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.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 and other financing uses 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 total 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.

The District amended its annual budget for the year ended December 31, 2019.

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 or investment 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 the total cash.

Intergovernmental Revenue and 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 Board of 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, at the taxpayer's election, or in equal installments in February and June. Delinquent taxpayers are notified in August and, generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the Districts.

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

Amortization

Original Issue Discount/Premium

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

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 received, are reported as expenditures.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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.

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.

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

Statement of Net Position:

Investments	\$ 2,983,031
Investments - Restricted	7,495,059
Total Investments	<u>\$ 10,478,090</u>

Cash and investments as of December 31, 2019, consist of the following:

Investments	\$ 10,478,090
Total Investments	<u>\$ 10,478,090</u>

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 District's deposits are insured by FDIC up to \$250,000 per banking institution, and the balance is collateralized in a single institution pool, pursuant to the PDPA, as described above.

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.

At December 31, 2019, the District had no cash deposits.

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

As of December 31, 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average 60 days	<u>\$ 10,478,090</u>

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 4 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2018	Transfer of Developer Advances	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
General Obligation Bond Payable:						
Series 2019A Bond	\$ -	-	\$ 18,715,000	\$ -	\$ 18,715,000	\$ -
Series 2019B Bond	-	-	1,696,000	-	1,696,000	-
Developer Advances:						
Principal	74,972	74,972	-	-	-	-
Interest	70,891	70,891	-	-	-	-
Total	<u>145,863</u>	<u>145,863</u>	<u>20,411,000</u>	<u>-</u>	<u>20,411,000</u>	<u>-</u>
Unamortized Bond Premium	-	-	577,535	2,671	574,864	25,307
Total	<u>\$ 145,863</u>	<u>145,863</u>	<u>\$ 20,988,535</u>	<u>\$ 2,671</u>	<u>\$ 20,985,864</u>	<u>\$ 25,307</u>

The details of the District's general obligation bonds outstanding during 2019 are as follows:

General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2019A (the Senior Bonds), **Subordinate General Obligation Limited Tax Bonds, Series 2019B** (the Subordinate Bonds), and **Junior Lien General Obligation Limited Tax Bonds, Series 2019C** (the Junior Lien Bonds, and with the Senior Bonds and Subordinate Bonds, the 2019 Bonds)

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Bond Proceeds

The 2019 Bonds were issued by and are the primary obligation of the District. To assist in the financing of the project, District No. 2 (the Pledge District) has agreed to levy ad valorem property taxes and remit the resulting revenues to the Trustee on behalf of the District pursuant to a Capital Pledge Agreement between the District and the Pledge District.

The District issued the Senior Bonds, the Subordinate Bonds, and the Junior Lien Bonds on October 23, 2019, in the respective par amounts of \$18,715,000, \$1,696,000, and \$4,592,000. Proceeds from the sale of the 2019 Bonds were used to fund the costs of public improvements for the Districts, pay the costs of issuing the 2019 Bonds, and with respect to proceeds of the Senior Bonds only: (a) partially fund the Senior Surplus Fund and (b) fund capitalized interest on the Senior Bonds. The Junior Lien Bonds are draw-down bonds with no proceeds at issuance.

Senior Bonds

The Senior Bonds bear interest at the rate of 5.000% per annum and are payable semi-annually on June 1 and December 1, beginning on December 1, 2019. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2027. To the extent principal of any Senior Bond is not paid when due, such principal shall remain outstanding until paid and shall continue to bear interest at the rate then borne by the Senior Bond. To the extent interest on any Senior Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Senior Bond. The Senior Bonds mature on December 1, 2049.

Senior Bonds Optional Redemption

The Senior Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2024, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2024, to November 30, 2025	3.00%
December 1, 2025, to November 30, 2026	2.00
December 1, 2026, to November 30, 2027	1.00

Senior Bonds Pledged Revenue

The Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue, net of any costs of collection, which includes (a) the Senior Required Mill Levy; (b) the Senior Capital Revenue; (c) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Senior Required Mill Levy; and (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Bonds Pledged Revenue (Continued)

“Senior Capital Revenue” means the sum of the following, less costs of collection: (a) the ad valorem property tax revenue derived from imposition of the Pledge District Senior Required Mill Levy; and (b) the Specific Ownership Tax revenue allocable to the Pledge District Senior Required Mill Levy.

Senior Required Mill Levy

Pursuant to the Senior Indenture, prior to the Conversion Date, the District has covenanted to impose a District Senior Required Mill Levy upon all taxable property of the District each year in an amount which, when combined with the Pledge District Senior Tax Revenue, will be sufficient to pay the Senior Bonds when due, but (i) not in excess of 50.000 mills (subject to adjustment for changes in the method of calculating assessed value occurring after September 19, 2005), and (ii) if the amount on deposit in the Senior Surplus Fund is less than the Maximum Surplus Amount, not less than 50.000 mills (subject to adjustment), or such lesser mill levy which will pay the Senior Bonds when due and will fund the Senior Surplus Fund to the Maximum Surplus Amount. In accordance with the Service Plan, the minimum and maximum mill levies set forth above (subject to adjustment) are to be reduced by the number of mills necessary to pay unlimited mill levy debt.

The Conversion Date means the first date on which all of the following conditions are met: (a) the Senior Debt to Assessed Ratio is 50% or less; (b) no amounts of principal or interest on the Senior Bonds are due but unpaid; c) the amount of the Senior Surplus Fund is not less than the Initial Surplus Amount of \$1,549,000; and d) the conditions of the Pledge District Conversion Date as set forth in the Capital Pledge Agreement have been satisfied.

On and after the Conversion Date, the District covenants to impose a Senior Required Mill Levy each year without limitation of rate and in an amount which, when combined with the Pledge District Senior Tax Revenue, will be sufficient to (a) pay the principal of and interest on the Senior Bonds when due and (ii) replenish the Senior Surplus Fund, if necessary, to the Initial Surplus Amount. On and after the Conversion Date, the definition of “Senior Required Mill Levy” shall be determined exclusively by this paragraph regardless of any subsequent increase in the Senior Debt to Assessed Ratio.

The Capital Pledge Agreement requires that the Pledge District levy the same Senior Required Mill Levy as the District.

Senior Surplus Fund

The Senior Bonds are secured by the Senior Surplus Fund which was partially funded from proceeds of the Senior Bonds in the amount of the Initial Surplus Amount of \$1,549,000. Thereafter and prior to the Conversion Date, Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Senior Surplus Fund, up to the Maximum Surplus Amount of \$3,743,000.

On and after the Conversion Date, the Senior Surplus Fund is to be funded (and replenished, if necessary) from Senior Pledged Revenue up to the Initial Surplus Amount. The balance in the Senior Surplus Fund as of December 31, 2019, is \$1,553,815.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Bonds Details

The Subordinate Bonds bear interest at the rate of 7.625% per annum and are payable annually on December 15, beginning December 15, 2019 from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2049. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. All of the Subordinate Bonds and interest thereon are to be deemed to be paid and discharged on December 16, 2059, regardless of the amount of principal and interest paid prior to that date.

Subordinate Bonds Optional Redemption

The Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2024, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2024, to November 30, 2025	3.00%
December 1, 2025, to November 30, 2026	2.00
December 1, 2026, to November 30, 2027	1.00
December 1, 2027, and thereafter	0.00

Subordinate Bonds Pledged Revenue

The Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue, net of any costs of collection, which includes (a) the Subordinate Required Mill Levy; (b) the Subordinate Capital Revenue, if any; (c) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Subordinate Required Mill Levy; (d) the amounts, if any, which are released to the District from the Senior Surplus Fund pursuant to the Senior Indenture following the Conversion Date (which is not guaranteed to occur); and (e) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

“Subordinate Capital Revenue” means the sum of the following, less costs of collection: (a) the ad valorem property tax revenue derived from imposition of the Pledge District Subordinate Required Mill Levy and (b) the Specific Ownership Tax revenue allocable to the Pledge District Subordinate Required Mill Levy.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Required Mill Levy

Pursuant to the Subordinate Indenture, the District has covenanted to impose a District Subordinate Required Mill Levy each year equal to 50.000 mills (subject to adjustment) less the number of mills equal to the Senior Bond Mill Levy (meaning the District Senior Required Mill Levy and the ad valorem mill levy required to be imposed for payment of all other outstanding senior obligations of the District, if any) or such lesser mill levy which will fund the Subordinate Bond Fund in an amount which, when combined with the Pledge District Subordinate Tax Revenue, will be sufficient to pay all of the principal of, premium if any, and interest on the Subordinate Bonds in full. If the amount of the Senior Bond Mill Levy equals or exceeds 50.000 mills (as adjusted) in any year, the District Subordinate Required Mill Levy for that year shall be zero.

The Capital Pledge Agreement requires that the Pledge District levy the same Subordinate Required Mill Levy as the District.

Junior Lien Bonds Details

The Junior Lien Bonds constitute draw-down obligations of the District and the amount drawn down as of December 31, 2019 is zero. When drawn upon, the Junior Lien Bonds are payable annually on December 15, beginning the first year of draw-down from, and to the extent of, Junior Lien Pledged Revenue available, if any, and mature on December 15, 2052. The Junior Lien Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Junior Lien Bonds will compound annually on each December 15. All of the Junior Lien Bonds and interest thereon are to be deemed to be paid and discharged on December 16, 2062, regardless of the amount of principal and interest paid prior to that date.

Junior Lien Bonds Optional Redemption

The Junior Lien Bonds are subject to redemption prior to maturity, at the option of the District, on any date, at a redemption price equal to the principal amount redeemed plus accrued interest to the date of redemption, without redemption premium.

Junior Lien Bonds Pledged Revenue

The Junior Lien Bonds are secured by and payable from and to the extent of Junior Lien Pledged Revenue as described in the Flow of Funds in the Junior Lien Indenture which generally means funds available after the application to any requirements of any outstanding Senior Bonds and Subordinate Bonds.

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Junior Lien Required Mill Levy

Pursuant to the Junior Lien Indenture, the District has covenanted to impose a Junior Lien Required Mill Levy in the amount of 50.000 mills (subject to adjustment) less the amount of the Senior/Subordinate Required Mill Levy (meaning the sum of the Senior Bond Mill Levy, the District Subordinate Required Mill Levy, and the ad valorem mill levy required to be imposed for payment of all other outstanding subordinate obligations of the District), or such lesser mill levy which will fund the Junior Lien Bond Fund in an amount sufficient to pay all of the principal of, premium if any, and interest on the Junior Lien Bonds in full. If the amount of the Senior/Subordinate Required Mill Levy equals or exceeds 50.000 mills (as adjusted) in any year, the Junior Lien Required Mill Levy for that year shall be zero.

The Capital Pledge Agreement requires that the Pledge District levy the same Junior Lien Required Mill Levy as the District.

Senior Bonds Debt Service

The outstanding principal and interest of the Senior Bonds are due as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 935,750	\$ 935,750
2021	-	935,750	935,750
2022	-	935,750	935,750
2023	-	935,750	935,750
2024	-	935,750	935,750
2025-2029	750,000	4,653,000	5,403,000
2030-2034	2,290,000	4,279,750	6,569,750
2035-2039	3,285,000	3,613,250	6,898,250
2040-2044	4,590,000	2,667,750	7,257,750
2045-2049	7,800,000	1,363,250	9,163,250
	<u>\$ 18,715,000</u>	<u>\$ 21,255,750</u>	<u>\$ 39,970,750</u>

The annual debt service requirements on the Subordinate Bonds are not currently determinable since they are payable only from available Subordinate Pledged Revenue. The annual debt service requirements on the Junior Lien Bonds are not currently determinable since they have not been drawn upon and are payable only from available Junior Lien Pledged Revenue.

Debt Authorization

On November 1, 2005, the electorate approved general obligation indebtedness of \$560,000,000 representing \$70,000,000 for each of the following public improvements: streets, water, sewer, parks and recreation, traffic and safety, mosquito control, public transportation, and television relay and translation. The voters also approved general obligation indebtedness of \$70,000,000 for refinancing of District debt, \$70,000,000 for intergovernmental contracts and \$2,000,000 for general operations and maintenance.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization (Continued)

On May 6, 2014, the electorate approved general obligation indebtedness of \$700,000,000 representing \$70,000,000 for each of the following public improvements: streets, water, sewer, parks and recreation, traffic and safety, mosquito control, public transportation, and television relay and translation, fire protection, and security services. The voters also approved general obligation indebtedness of \$70,000,000 for refinancing of District debt, \$70,000,000 for intergovernmental contracts and \$70,000,000 for general operations and maintenance.

At December 31, 2019, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Debt Authorized	Authorization Used	Authorized But Unissued
Street Improvements	\$ 140,000,000	\$ 6,730,641	\$ 133,269,359
Safety Protection	140,000,000	-	140,000,000
Water	140,000,000	5,010,796	134,989,204
Sanitation	140,000,000	7,069,708	132,930,292
Parks and Recreation	140,000,000	1,599,855	138,400,145
Public Transportation	140,000,000	-	140,000,000
Mosquito Control	140,000,000	-	140,000,000
Television Relay and Translation	140,000,000	-	140,000,000
Security Services	70,000,000	-	70,000,000
Fire Protection	70,000,000	-	70,000,000
Operations and Maintenance	72,000,000	-	72,000,000
Refunding	140,000,000	-	140,000,000
Intergovernmental Agreements	140,000,000	-	140,000,000
Total	<u>\$ 1,612,000,000</u>	<u>\$ 20,411,000</u>	<u>\$ 1,591,589,000</u>

Per the Service Plan, the District is limited to issuing \$70,000,000 in debt. In addition, the maximum debt service mill levy for the District is 50.000 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

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

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Termination of Funding Agreements and Assignment of Obligations

On December 1, 2016, the District, together with District Nos. 1, 2 & 4, Quebec Corp., 88th & Tower LLC, Second Creek LB Investors SPV LLC, and Second Creek SPV LLC (the Original Developers); and Second Creek Holdings LLC (New Developer) agreed to assign all Funding and Reimbursement Agreements (Prior Obligations) for reimbursement under Prior Funding Agreements, including Prior Funding Agreements with Districts Nos. 1, 2 & 4, to District No. 1. Immediately upon assignment of the reimbursement obligations to the District, the Prior Funding Agreements were terminated. The Agreement defines the New Developer as the current owner and developer of real property within the boundaries of the Districts. Any amounts owing to the Original Developers under the Prior Funding Agreements are to be paid to the New Developer per terms to be agreed upon by the New Developer and the District.

NOTE 5 RELATED PARTY

All of the members of the Board of Directors of the District are employees, owners or are otherwise associated with the Original Developers and New Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board. Also, the New Developer has various agreements with the District.

NOTE 6 AGREEMENTS

Facilities Funding, Construction and Operations Agreement

On February 8, 2006, and as amended and restated on January 1, 2019, the District entered into an Amended and Restated Facilities Funding, Construction and Operations Agreement (FFCO) with District Nos. 2 & 4 (Consumer Districts) and District No. 1 (Service District) establishing certain obligations as to the financing, construction, operation and maintenance of improvements as contemplated in the Service Plans for the purpose of providing essential services within the Districts in a timely and coordinated fashion.

Pursuant to the FFCO, District No. 1 is designated as the Service District and agrees to provide the following: (1) district operation and maintenance services (including, but not limited to, drafting proposals, supervising and ensuring contract compliance, procuring all inventory, providing operators supervision, and other service with respect to the operations and maintenance of the District); and (2) administration services (generally comprised of serving as the official custodian of the Districts, coordinating all District Board meetings, ongoing District maintenance and administration, budget preparation and coordinating activities); and (3) project administration services (including drafting and reviewing proposals, site coordination, contractor scheduling, oversight and review of construction activities).

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 AGREEMENTS (CONTINUED)

Facilities Funding, Construction and Operations Agreement (Continued)

The FFCO provides that the Consumer Districts agree to pay the Service District revenue from the imposition of a mill levy against all property within its respective boundaries and specific ownership taxes. All revenue received from the Consumer Districts will be transferred on a monthly basis to the Service District.

Amounts outstanding with the Prior Developer from the District and Districts Nos. 2 and 4 were assigned and assumed by District No. 1 in furtherance of its role as the Service District under the FFCO.

Agreement Regarding Payment Obligations

On September 5, 2019, and as amended on March 9, 2020, the District, District No. 1, Second Creek Holding LLC, and LGI Homes – Colorado LLC (LGI) entered into an Agreement Regarding Payment Obligations whereby the District agreed to set aside \$2,494,527 in relation to the Districts agreement to reimburse certain costs associated with Telluride Street under the Cooperation and Reimbursement Agreement. The District agreed to acquire related improvements from the construction of the South Half of 88th Avenue and its connection to Telluride Street (88th Avenue Improvements) through the South Half 88th Avenue Facilities Funding and Acquisition Agreement.

Under the Agreement the District will allocate and earmark project funds from the 2019 Bond issuance in the following order of priority, (1) Telluride Reimbursement (2) 88th Avenue Facilities Funding and Acquisition Agreement (3) Sanitary Stub and Grading Work and (4) Second Creek Funding Agreements (any obligations under the FFCO, Second Creek Funding Agreements and any other Agreement in such order). As of December 31, 2019, the District has restricted \$2,494,527 in relation to this Agreement.

South Half of 88th Avenue Facilities Funding and Acquisition Agreement

On September 10, 2019, and as amended on March 6, 2020, the District, District No. 1, and LGI acknowledged that LGI intends to design, construct and complete improvements required to develop the South Half of 88th Avenue (88th Avenue Improvements). In return, the District has agreed to earmark and use a portion of the Series 2019A Bond proceeds to pay for the construction of the 88th Avenue Improvements up to the amount of 115% of the preliminary construction costs (Maximum Reimbursement Amount). Upon final payment of the earmarked funds, the District shall acquire the 88th Avenue Improvements or elect that the 88th Avenue Improvements be conveyed directly to the City of Commerce. As of December 31, 2019, estimated and restricted construction costs related to the 88th Avenue Improvements total \$729,649.

Facilities Fees

Effective January 14, 2019, the District adopted facilities fee resolution due and payable upon issuance of a building permit to a buyer by the City of Commerce City or Adams County. The fee, at the District's discretion, may be used for costs associated with capital improvements, operations and maintenance, and/or pledged for debt service payments. The fees are \$2,500 per single family detached dwelling unit and \$1,500 per attached single-family attached dwelling unit. During 2019, the District collected \$0 in fees.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 NET POSITION

The District has net position consisting of two components - restricted and unrestricted.

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position for capital projects in the amount of \$3,224,176 as of December 31, 2019.

The District has a deficit in unrestricted net position. The deficit is a result of the District being responsible for the repayment of bonds issued for public improvements constructed by District No. 1 and which costs are recorded in District No. 1's financial records.

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

NOTE 9 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.

SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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. TABOR reserve is not provided when the District's ending fund balance is a deficit.

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.

On November 1, 2005 and May 6, 2014, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR and also authorized the District to increase property taxes by up to \$2,000,000 annually.

NOTE 10 SUBSEQUENT EVENTS

Second Amendment to the Cooperation and Reimbursement Agreement

On January 15, 2020, the District, District No. 1, Second Creek Holdings, LLC, Second Creek LB Investors SPV LLC, Stratus Buffalo Highlands, LLC, Meritage Homes of Colorado Inc., Lennar Colorado LLC, and LGI entered into a Second Amendment to the Cooperation and Reimbursement Agreement. Per the terms of the Amendment the District paid Lennar and Stratus, \$401,476 each on January 30, 2020, representing one-half of the amount payable plus accrued interest for Completed Work under the Agreement.

Per the amendment, the City also requires the construction of 93rd Avenue to 88th Avenue (Telluride Remaining Portion). The District and Stratus are to agree upon a good faith estimate plus a 25% contingency amount needed to construct the Telluride Remaining Portion. Once the remaining portion has been determined the District will deposit the balance in an account held in escrow. After the payment on January 30, 2020, the remaining Telluride funds are \$1,666,191 (Remaining Telluride Funds).

The amendment also defines costs to construct a Waterline line (Waterline Costs) that are reimbursable costs under the Cooperation Agreement. The District agrees to deposit the amount equal to 125% of the Waterline Costs in an account held for escrow to be used to pay for the actual cost to construct the Waterline totaling \$93,111.

SUPPLEMENTARY INFORMATION

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Interest Income	\$ -	\$ -	\$ 13,407	\$ 13,407
Total Revenues	-	-	13,407	13,407
EXPENDITURES				
Bond Interest Expense	-	284,839	98,774	186,065
Contingency	-	115,161	-	115,161
Paying Agent Fee	-	-	12,500	(12,500)
Total Expenditures	-	400,000	111,274	288,726
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	-	(400,000)	(97,867)	302,133
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	-	4,308,178	4,368,750	60,572
Total Other Financing Sources (Uses)	-	4,308,178	4,368,750	60,572
NET CHANGE IN FUND BALANCE				
	-	3,908,178	4,270,883	362,705
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ 3,908,178	\$ 4,270,883	\$ 362,705

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Interest Income	\$ -	\$ -	\$ 21,290	\$ 21,290
Other Revenue	-	1,506,000	-	(1,506,000)
Total Revenues	-	1,506,000	21,290	(1,484,710)
EXPENDITURES				
Bond Issuance Costs	-	773,130	771,940	1,190
Capital Outlay	-	19,412,692	-	19,412,692
Contingency	-	1,506,000	-	1,506,000
Transfers to District No. 1	-	-	9,849,947	(9,849,947)
Total Expenditures	-	21,691,822	10,621,887	11,069,935
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	-	(20,185,822)	(10,600,597)	9,585,225
OTHER FINANCING SOURCES (USES)				
Bond Issuance	-	24,494,000	20,411,000	(4,083,000)
Bond Premium	-	-	577,535	577,535
Transfers To Other Funds	-	(4,308,178)	(4,368,750)	(60,572)
Total Other Financing Sources (Uses)	-	20,185,822	16,619,785	(3,566,037)
NET CHANGE IN FUND BALANCE				
	-	-	6,019,188	6,019,188
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR				
	\$ -	\$ -	\$ 6,019,188	\$ 6,019,188

OTHER INFORMATION

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
YEAR ENDED DECEMBER 31, 2019**

\$18,715,000 Senior Bonds, Series 2019A
Dated October 23, 2019
Interest Rate of 5.000%
Interest Payable June 1 and December 1
Principal Payable December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 935,750	\$ 935,750
2021	-	935,750	935,750
2022	-	935,750	935,750
2023	-	935,750	935,750
2024	-	935,750	935,750
2025	-	935,750	935,750
2026	-	935,750	935,750
2027	120,000	935,750	1,055,750
2028	275,000	929,750	1,204,750
2029	355,000	916,000	1,271,000
2030	395,000	898,250	1,293,250
2031	415,000	878,500	1,293,500
2032	460,000	857,750	1,317,750
2033	485,000	834,750	1,319,750
2034	535,000	810,500	1,345,500
2035	560,000	783,750	1,343,750
2036	620,000	755,750	1,375,750
2037	650,000	724,750	1,374,750
2038	710,000	692,250	1,402,250
2039	745,000	656,750	1,401,750
2040	810,000	619,500	1,429,500
2041	850,000	579,000	1,429,000
2042	920,000	536,500	1,456,500
2043	965,000	490,500	1,455,500
2044	1,045,000	442,250	1,487,250
2045	1,095,000	390,000	1,485,000
2046	1,180,000	335,250	1,515,250
2047	1,240,000	276,250	1,516,250
2048	1,335,000	214,250	1,549,250
2049	2,950,000	147,500	3,097,500
	<u>\$ 18,715,000</u>	<u>\$ 21,255,750</u>	<u>\$ 39,970,750</u>

**SECOND CREEK FARM METROPOLITAN DISTRICT NO. 3
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2019**

Year Ended <u>December 31,</u>	Prior Year Assessed Valuation for Current Year Tax Levy	<u>Mills Levied</u>		<u>Total Property Taxes</u>		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 22,480	0.000	0.000	\$ -	-	-
2017	20,350	0.000	0.000	-	-	-
2018	25,020	0.000	0.000	-	-	-
2019	40,530	0.000	0.000	-	-	-
Estimated for the year ending December 31, 2020	\$ 13,750	11.132	55.664	\$ 918		

NOTE:

Property taxes shown as collected in any one year may include collection of delinquent property taxes assessed in prior years. This presentation does not attempt to identify specific year of assessment.