

**THOMPSON CROSSING
METROPOLITAN DISTRICT NO. 3
Larimer, Colorado**

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

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
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YEAR ENDED DECEMBER 31, 2019**

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Dazzio & Associates, PC

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Thompson Crossing Metropolitan District No. 3
Larimer County, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Thompson Crossing Metropolitan District No. 3 as of and for the year 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.

8200 South Quebec Street, Suite A3259, Centennial, Colorado 80112
303-905-0809 • info@dazziocpa.com

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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, each major fund and the aggregate remaining fund information of the Thompson Crossing Metropolitan District No. 3, as of December 31, 2019, and the respective changes in financial position and the budgetary comparisons for the General Fund and the Special Revenue 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 the 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.

Dussio & Associates, P.C.

July 16, 2020

BASIC FINANCIAL STATEMENTS

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities
ASSETS	
Cash and Investments	\$ 143,684
Cash and Investments - Restricted	17,400
Receivable County Treasurer	1
Accounts Receivable	4,171
Due from Thompson Crossing No. 4	3,068
Due from Thompson Crossing No. 5	104
Due from Thompson Crossing No. 6	3,722
Prepaid Expenses	1,600
Property Taxes Receivable	123
Capital Assets Not Being Depreciated	1,319,613
Capital Assets, Net	2,508,571
Total Assets	4,002,057
LIABILITIES	
Accounts Payable	58,414
Due To Thompson Crossing No. 4	15,597
Landscape Escrow	17,250
Noncurrent Liabilities:	
Due in More Than One Year	6,810,926
Total Liabilities	6,902,187
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	123
Total Deferred Inflows of Resources	123
NET POSITION	
Net Investment in Capital Assets	442,045
Restricted for:	
Emergency Reserves	17,400
Unrestricted	(3,359,698)
Total Net Position	\$ (2,900,253)

See accompanying Notes to Basic Financial Statements.

**THOMPSON CROSSING 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:					
General Government	\$ 1,025,414	\$ 1,088	\$ 774,111	\$ -	\$ (250,215)
Interest and Related Costs on Long-Term Debt	156,004	-	-	-	(156,004)
Total Governmental Activities	\$ 1,181,418	\$ 1,088	\$ 774,111	\$ -	(406,219)
 GENERAL REVENUES					
					122
					10
					2,481
					5,659
					8,272
 CHANGE IN NET POSITION					(397,947)
					(2,502,306)
 NET POSITION - END OF YEAR					\$ (2,900,253)

See accompanying Notes to Basic Financial Statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2019**

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 142,596	\$ 1,088	\$ 143,684
Cash and Investments - Restricted	17,400	-	17,400
Receivable - County Treasurer	1	-	1
Accounts Receivable	4,171	-	4,171
Due from Thompson Crossing No. 4	3,068	-	3,068
Due from Thompson Crossing No. 5	104	-	104
Due from Thompson Crossing No. 6	3,722	-	3,722
Prepaid Expenses	1,600	-	1,600
Property Taxes Receivable	123	-	123
Total Assets	\$ 172,785	\$ 1,088	\$ 173,873
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 58,414	\$ -	\$ 58,414
Landscape Escrow	17,250	-	17,250
Due to Thompson Crossing No. 4	15,597	-	15,597
Total Liabilities	91,261	-	91,261
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	123	-	123
Total Deferred Inflows of Resources	123	-	123
FUND BALANCE			
Nonspendable	1,600	-	1,600
Restricted for Emergencies	17,400	-	17,400
Assigned for Subsequent Year's Expenditures	33,670	-	33,670
Committed for Carriage Homes	-	1,088	1,088
Unassigned	28,731	-	28,731
Total Fund Balance	81,401	1,088	82,489
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 172,785	\$ 1,088	\$ 173,873

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.

Capital Assets, Net 3,828,184

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

Developer Advance Payable (5,200,138)

Accrued Interest on Developer Advance (1,610,788)

Net Position of Governmental Activities \$ (2,900,253)

See accompanying Notes to Basic Financial Statements.

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

	General Fund	Special Revenue	Total Governmental Funds
REVENUES			
Property Taxes	\$ 122	\$ -	\$ 122
Specific Ownership Tax	10	-	10
Transfer From Thompson Crossing No. 4	448,554	-	448,554
Transfer From Thompson Crossing No. 5	15,213	-	15,213
Transfer From Thompson Crossing No. 6	107,266	-	107,266
Developer Contribution	203,078	-	203,078
Other Income	2,481	-	2,481
Net Investment Income	5,659	-	5,659
Carriage House District Fees	-	1,088	1,088
Total Revenues	782,383	1,088	783,471
EXPENDITURES			
Current:			
Accounting	93,377	-	93,377
Audit	15,100	-	15,100
Bond issue costs	23,661	-	23,661
County Treasurer's Fee	2	-	2
District Management	77,021	-	77,021
Dues and Membership	2,153	-	2,153
Insurance and Bonds	19,916	-	19,916
Legal	98,450	-	98,450
Lifeguards	51,560	-	51,560
Management Specialist	47,720	-	47,720
Miscellaneous	7,546	-	7,546
Landscape Maintenance	166,000	-	166,000
Pool and Rec Center Maintenance	25,189	-	25,189
Repairs and Maintenance	45,246	-	45,246
Snow Removal	13,749	-	13,749
Transfer to Thompson Crossing No. 1	35,183	-	35,183
Trash Removal	115	-	115
Utilities	32,577	-	32,577
Capital Outlay	28,287	-	28,287
Total Expenditures	782,852	-	782,852
NET CHANGE IN FUND BALANCES	(469)	1,088	619
Fund Balances - Beginning of Year	81,870	-	81,870
FUND BALANCES - END OF YEAR	\$ 81,401	\$ 1,088	\$ 82,489

See accompanying Notes to Basic Financial Statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net Change in Fund Balance - Governmental Fund	\$	619
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report, as depreciation expense, the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay		28,287
Depreciation		(270,849)

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.

Interest Payable - Developer Advances - Change in liability		<u>(156,004)</u>
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Change in Net Position of Governmental Activities	\$	<u><u>(397,947)</u></u>
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**THOMPSON CROSSING 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			
Property Taxes	\$ 122	\$ 122	\$ -
Specific Ownership Tax	7	10	3
Transfer From Thompson Crossing No. 4	438,385	448,554	10,169
Transfer From Thompson Crossing No. 5	14,936	15,213	277
Transfer From Thompson Crossing No. 6	104,745	107,266	2,521
Developer Contribution	-	203,078	203,078
Transfer fee revenue	180,000	-	(180,000)
Other Income	1,000	2,481	1,481
Net Investment Income	1,500	5,659	4,159
Total Revenues	<u>740,695</u>	<u>782,383</u>	<u>41,688</u>
EXPENDITURES			
Current:			
Accounting	100,000	93,377	6,623
Audit	16,000	15,100	900
Bond issue costs	-	23,661	(23,661)
Contingency	15,998	-	15,998
County Treasurer's Fee	2	2	-
District Management	85,000	77,021	7,979
Dues and Membership	2,000	2,153	(153)
Insurance and Bonds	21,000	19,916	1,084
Legal	60,000	98,450	(38,450)
Lifeguards	60,000	51,560	8,440
Management Specialist	45,000	47,720	(2,720)
Miscellaneous	5,000	7,546	(2,546)
Landscape Maintenance	142,000	166,000	(24,000)
Pool and Rec Center Maintenance	33,000	25,189	7,811
Repairs and Maintenance	37,500	45,246	(7,746)
Snow Removal	9,500	13,749	(4,249)
Transfer to Thompson Center No.1	23,000	35,183	(12,183)
Transfer fee Expense	180,000	-	180,000
Trash Removal	-	115	(115)
Utilities	35,000	32,577	2,423
Capital Outlay	-	28,287	(28,287)
Total Expenditures	<u>870,000</u>	<u>782,852</u>	<u>87,148</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(129,305)	(469)	128,836
OTHER FINANCING SOURCES (USES)			
Developer Advance	125,000	-	(125,000)
Total Other Financing Sources (Uses)	<u>125,000</u>	<u>-</u>	<u>(125,000)</u>
NET CHANGE IN FUND BALANCE	(4,305)	(469)	3,836
Fund Balance - Beginning of Year	<u>23,349</u>	<u>81,870</u>	<u>58,521</u>
FUND BALANCE - END OF YEAR	<u>\$ 19,044</u>	<u>\$ 81,401</u>	<u>\$ 62,357</u>

See accompanying Notes to Basic Financial Statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
SPECIAL REVENUE 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			
Carriage House District Fees	\$ 28,000	\$ 1,088	\$ (26,912)
Total Revenues	<u>28,000</u>	<u>1,088</u>	<u>(26,912)</u>
EXPENDITURES			
Current:			
Accounting	8,500	-	8,500
Contingency	1,672	-	1,672
Operations Management	3,024	-	3,024
Insurance and Bonds	1,000	-	1,000
Landscape Maintenance - Front Yards	11,340	-	11,340
Snow Removal	864	-	864
Irrigation Repairs	1,350	-	1,350
Utilities	250	-	250
Total Expenditures	<u>28,000</u>	<u>-</u>	<u>28,000</u>
NET CHANGE IN FUND BALANCE	-	1,088	1,088
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 1,088</u>	<u>\$ 1,088</u>

See accompanying Notes to Basic Financial Statements.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2019

	<u>Custodial Fund</u>
ASSETS	
Total Assets	<u>\$ -</u>
LIABILITIES	
Total Liabilities	<u>-</u>
NET POSITION	
Total Net Position	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Custodial Fund</u>	
ADDITIONS	
Transfer fee revenue	\$ 131,809
Total Additions	<u>131,809</u>
DEDUCTIONS	
Transfer fee expense	<u>131,809</u>
Total Deductions	<u>131,809</u>
Net Position - Beginning	<u>-</u>
NET POSITION - ENDING	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 DEFINITION OF REPORTING ENTITY

Thompson Crossing Metropolitan District No. 3 (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 December 17, 2001 and amended on April 24, 2002, 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, covenant enforcement, security services, and pest control.

Under a Consolidated Service Plan dated August 20, 2001, as modified on October 3, 2005, the District, as the Operating 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. 4 (Financing District), Thompson Crossing Metropolitan District No. 5 (Financing District), and Thompson Crossing Metropolitan District No. 6 (Financing District) (collectively, the Districts). The Districts' 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 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. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements (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 and specific ownership taxes. 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 Special Revenue Fund is used to account for revenues earned and expenditures incurred in connection with the operation and maintenance of the Carriage Homes community.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the District reports the following fund type:

Fiduciary Fund

Custodial funds are accounted for using the accrual basis of accounting. The fund is used to account for assets held in a trustee capacity by the District in connection with the collection and disbursement of transfer fees imposed on any home resold in the District. A comparison of budgeted and actual amounts is not presented in the financial statements.

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 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.

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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Clubhouse and pool	30 years
Parks and recreation improvements	20 years

Contributed Public Improvements

Public improvements contributed to the District by developers are recorded as capital contributions and additions to the systems at acquisition value when received.

Deferred Inflow 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.

District Fees

The District anticipates collecting fees from owners of carriage houses to maintain common areas within the carriage house community.

The District collects and retains system development fees of \$1,500 at the time of issuance of a building permit for the first 500 single-family units and \$2,000 starting with the 501st single-family unit. The District anticipates collecting revenue from the issuance of 128 building permits in 2020.

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.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

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.

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:

Cash and Investments	\$ 143,684
Cash and Investments - Restricted	17,400
Total Cash and Investments	<u>\$ 161,084</u>

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

Deposits with Financial Institutions	\$ 18,967
Investments	<u>142,117</u>
Total Cash and Investments	<u><u>\$ 161,084</u></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 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's cash deposits had a bank balance of \$102,253 and a carrying balance of \$18,967.

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.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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 under 60 days	\$ 142,117

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 at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	Balance at December 31, 2018	Increases	Decreases	Balance at December 31, 2019
Fixed Assets, Not Being Depreciated:				
Land and Improvements	\$ 1,319,613	\$ -	\$ -	\$ 1,319,613
Capital Assets, Being Depreciated:				
Parks and Recreation	5,617,087	28,287	-	5,645,374
Less Accumulated Depreciation for:				
Parks and Recreation	2,865,954	270,849	-	3,136,803
Total Capital Assets, Being Depreciated, Net	2,751,133	(242,562)	-	2,508,571
Total Capital Assets	<u>\$ 4,070,746</u>	<u>\$ (242,562)</u>	<u>\$ -</u>	<u>\$ 3,828,184</u>

Depreciation expense was charged to the general government of the District.

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2018	Additions	Reductions	Balance at December 31, 2019
Developer Advances Payable				
Operations	\$ 1,813,999	\$ -	\$ -	\$ 1,813,999
Capital	3,386,139	-	-	3,386,139
Accrued Interest on Developer Advances				
Operations	359,015	54,419	-	413,434
Capital	1,095,769	101,585	-	1,197,354
Total	<u>\$ 6,654,922</u>	<u>\$ 156,004</u>	<u>\$ -</u>	<u>\$ 6,810,926</u>

The details of the District's long-term obligations are described in Note 8.

Authorized Debt

On November 6, 2001, District voters approved debt authorization in the amount of \$85,000,000 for the construction of capital improvements, with an additional \$297,000,000 for refunding debt, intergovernmental contracts, and mortgages. The voters also authorized debt of \$17,000,000 for the cost of operating and maintaining the District's systems.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

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, 2019, the total outstanding principal obligations of the Districts were \$55,544,000, which includes \$20,620,000 of debt in Thompson Crossing Metropolitan District No. 2, \$31,270,000 in Thompson Crossing Metropolitan District No. 4, and \$3,654,000 in Thompson Crossing Metropolitan District No. 6.

The District had authorized but unissued debt at December 31, 2019, for the following detailed purposes:

	<u>Authorized November 6, 2001 Election</u>	<u>Authorization Used</u>	<u>Remaining at December 31, 2019</u>
Water	\$ 16,000,000	\$ -	\$ 16,000,000
Sanitary/Storm Sewer	21,000,000	-	21,000,000
Streets	31,000,000	-	31,000,000
Parks and Recreation	13,000,000	-	13,000,000
Traffic and Safety	2,000,000	-	2,000,000
Operations and Maintenance	17,000,000	-	17,000,000
Debt Refunding	85,000,000	-	85,000,000
Television Relay and Translation	1,000,000	-	1,000,000
Public Transportation	1,000,000	-	1,000,000
Intergovernmental Contracts	102,000,000	-	102,000,000
Mortgages	110,000,000	-	110,000,000
Total	<u>\$ 399,000,000</u>	<u>\$ -</u>	<u>\$ 399,000,000</u>

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, subject to the limitation described above.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
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NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2019, the District had net investment in capital assets calculated as follows:

Net Investment in Capital Assets:	
Capital Assets, Net	\$ 3,828,184
Principal Portion of Developer Advances for Capital	<u>(3,386,139)</u>
Net Investment in Capital Assets	<u>\$ 442,045</u>

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 as of December 31, 2019 of \$17,400 for emergencies.

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

NOTE 7 RELATED PARTY

All of the members of the Board of Directors during 2019 were employees of, or consultants to, Clayton Properties Group II, Inc., a Colorado corporation doing business as Oakwood Homes and the major landowner, developer and home builder of the property within Thompson Crossing Metropolitan District Nos. 3, 4, 5 and 6.

NOTE 8 DISTRICT AGREEMENTS

District Facilities Construction and Service Intergovernmental Agreement

On June 29, 2006, the District entered into an agreement with Thompson Crossing Metropolitan District No. 4 and Thompson Crossing Metropolitan District No. 5 (Financing Districts). The Agreement was amended and restated on May 21, 2008, to include Thompson Crossing Metropolitan District No. 6 as a Financing District. Under the Amended Agreement, the District will, on behalf of the Financing Districts, contract for and supervise the construction and acquisition of District facilities. The District shall own all the facilities and shall be responsible for the operation and maintenance of all facilities.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 DISTRICT AGREEMENTS (CONTINUED)

District Facilities Construction and Service Intergovernmental Agreement (Continued)

The District facilities are to be financed from the proceeds of general obligation indebtedness to be issued by the Financing Districts. The Financing Districts, 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 District and approved by the Financing Districts. Once payments have been made to the District, the 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 Amended 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 2019, the Financing Districts transferred \$571,033 of net property tax revenues to the District under this agreement.

Advance and Reimbursement Agreement

The District and HC Development & Management Services, Inc. entered into an Advance and Reimbursement Agreement dated October 20, 2005, which was assigned to Oakwood Homes (the Developer) on February 28, 2013, and amended on July 7, 2015 (the AR Agreement). The AR Agreement was assigned to Clayton Properties Group, LLC (Clayton) pursuant to a Bill of Sale and Assignment and Assumption Agreement between inter alia Oakwood Homes and Clayton dated July 3, 2017. The District and Clayton entered into a Second Amendment to the AR Agreement on November 13, 2017, concerning and recognizing the advances made by Clayton, or its predecessors, the reimbursement of the advances by the District, and providing for a current accounting of the amounts owed as of October 31, 2017.

Pursuant to the AR Agreement, the Developer will advance funds to the District for improvements and services related to construction of certain public facilities and for administrative and operating costs associated with the organization and development of the District.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 DISTRICT AGREEMENTS (CONTINUED)

Advance and Reimbursement Agreement (Continued)

The District will reimburse the Developer for the advances, together with interest at the rate of 3% per annum. The District will make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the District. Payments by the District are applied first to interest on, then to principal of the advances.

The current year activity and outstanding balances of the Developer advances and accrued interest at December 31, 2019, are displayed in Note 5.

Facilities Acquisition Agreement

The District and HC Development & Management Services, Inc. entered into a Facilities Acquisition Agreement (the FA Agreement) dated June 29, 2006, The FA Agreement was assigned by HC Development & Management Services, Inc. to Oakwood Homes, LLC on February 28, 2013 and was assigned by Oakwood Homes, LLC to Clayton Properties Group, LLC (Developer) pursuant to a Bill of Sale and Assignment and Assumption Agreement dated July 3, 2017. The District acknowledged and consented to the foregoing assignments by a First Amendment to the Facilities Acquisition Agreement dated March 13, 2018. The FA Agreement provides for the acquisition by the District of certain public improvements and facilities (the Improvements) from the Developer. The District purchased the Improvements from the Developer for the actual construction costs or the fair market value of the Improvements, as confirmed by an independent engineer. Thompson Crossing Metropolitan District No. 4 issued general obligation bonds in June 2006. A portion of the proceeds of the bonds were used to reimburse the Developer for the cost of the Improvements incurred by the Developer at the time.

Intergovernmental Agreement regarding the Payment of Operational and Administrative Costs

An Intergovernmental Agreement regarding the Payment of Operational and Administrative Costs dated November 15, 2006, and as amended and restated on October 12, 2009, was entered into by and among the District, Thompson Crossing Metropolitan District No. 1 (District No. 1), and Thompson Crossing Metropolitan District No. 2 (District No. 2 and collectively with the District and District No. 1, the Districts) (the IGA). For purposes of the IGA, any reference to property located within the District includes all property located within Thompson Crossing Metropolitan District Nos. 3, 4, 5 and 6. District No. 1's sole source of revenue is from the collection of system development fees and sale of sewer certificates (Tap Fees).

Pursuant to the IGA, the District and District No. 2 each agreed to pay to District No. 1, 50% of the cost of continued operation and administration of District No. 1. During 2019, the District transferred \$35,183 to District No. 1. The District and District No. 2 may recover their respective allocated amounts paid to District No. 1 by requesting that a tap surcharge be added to the Tap Fees issued for use within each requesting district. As of December 31, 2019, the District had not requested such a tap surcharge.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 DISTRICT AGREEMENTS (CONTINUED)

Intergovernmental Agreement regarding the Payment of Operational and Administrative Costs (Continued)

The IGA automatically renews for one year periods unless terminated by any party effective December 31st of the year in which the written notice of termination is given. Upon any Districts' termination of its interest in this IGA, the property within said District shall immediately be subject to imposition of a system development fee in order to provide District No. 1 with adequate revenue to pay for District No. 1's administrative and operational costs.

NOTE 9 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 officials', crime and workers compensation 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.

NOTE 10 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.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
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NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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 6, 2001, the District voters passed an election question to increase property taxes \$850,000 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 up to \$102,000,000 annually, other than ad valorem taxes, without regard to any limitations under TABOR.