

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2020**

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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, 2020, 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.

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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, 2020, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Thompson Crossing Metropolitan District No. 3's basic financial statements. The Supplementary Information, as listed on the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Dassio & Associates, P.C.

April 15, 2021

BASIC FINANCIAL STATEMENTS

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments	\$ 267,357
Cash and Investments - Restricted	23,700
Receivable County Treasurer	1
Property Taxes Receivable	122
Accounts Receivable	5,934
Due from Thompson Crossing No. 4	7,206
Due from Thompson Crossing No. 6	11,888
Prepaid Expenses	17,317
Capital Assets Not Being Depreciated	1,319,613
Capital Assets, Net	2,253,716
Total Assets	3,906,854
LIABILITIES	
Accounts Payable	50,134
Prepaid Assessments	2,397
Due To Thompson Crossing No. 4	13,500
Landscape Escrow	18,750
Noncurrent Liabilities:	
Due in More Than One Year	6,967,357
Total Liabilities	7,052,138
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	122
Total Deferred Inflows of Resources	122
NET POSITION	
Net Investment in Capital Assets	187,190
Restricted for:	
Emergency Reserves	23,700
Unrestricted	(3,356,296)
Total Net Position	\$ (3,145,406)

See accompanying Notes to Basic Financial Statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 1,032,053	\$ 32,547	\$ 783,213	121,500	\$ (94,793)
Interest and Related Costs on Long-Term Debt	156,431	-	-	-	(156,431)
Total Governmental Activities	\$ 1,188,484	\$ 32,547	\$ 783,213	\$ 121,500	(251,224)
GENERAL REVENUES					
Property Taxes					123
Specific Ownership Taxes					9
Other Income					4,720
Net Investment Income					1,219
Total General Revenues					6,071
CHANGE IN NET POSITION					(245,153)
Net Position - Beginning of Year					(2,900,253)
NET POSITION - END OF YEAR					\$ (3,145,406)

See accompanying Notes to Basic Financial Statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
BALANCE SHEET –
GOVERNMENTAL FUND
DECEMBER 31, 2020**

	General	Special Revenue	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 134,163	\$ 194	\$ 133,000	\$ 267,357
Cash and Investments - Restricted	23,700	-	-	23,700
Receivable - County Treasurer	1	-	-	1
Accounts Receivable	-	3,934	2,000	5,934
Due from Thompson Crossing No. 4	7,206	-	-	7,206
Due from Thompson Crossing No. 6	11,888	-	-	11,888
Property Taxes Receivable	122	-	-	122
Prepaid Expenses	17,317	-	-	17,317
Total Assets	\$ 194,397	\$ 4,128	\$ 135,000	\$ 333,525
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 46,706	\$ 3,428	\$ -	\$ 50,134
Prepaid Assessments	-	2,397	-	2,397
Due to Thompson Crossing No. 4	-	-	13,500	13,500
Landscape Escrow	18,750	-	-	18,750
Total Liabilities	65,456	5,825	13,500	84,781
DEFERRED INFLOWS OF RESOURCES				
Property Tax Revenue	122	-	-	122
Total Deferred Inflows of Resources	122	-	-	122
FUND BALANCE				
Nonspendable	17,317	-	-	17,317
Restricted for:				
Emergencies	23,700	-	-	23,700
Committed for:				
Capital Projects	-	-	121,500	121,500
Assigned for:				
Subsequent Year's Expenditures	54,172	-	-	54,172
Unassigned	33,630	(1,697)	-	31,933
Total Fund Balance	128,819	(1,697)	121,500	248,622
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 194,397	\$ 4,128	\$ 135,000	333,525

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 3,573,329

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 (1,767,219)

Net Position of Governmental Activities

\$ (3,145,406)

See accompanying Notes to Basic Financial Statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ 123	\$ -	\$ -	\$ 123
Specific Ownership Tax	9	-	-	9
Transfer From Thompson Crossing No. 4	541,001	-	-	541,001
Transfer From Thompson Crossing No. 6	115,023	-	-	115,023
Developer Contribution	127,189	-	-	127,189
Other Income	4,720	-	-	4,720
Net Investment Income	1,219	-	-	1,219
Carriage House District Fees	-	32,547	-	32,547
System Development Fees	-	-	121,500	121,500
Total Revenues	789,284	32,547	121,500	943,331
EXPENDITURES				
Accounting	76,099	10,354	-	86,453
Audit	15,100	-	-	15,100
County Treasurer's Fee	2	-	-	2
Covenant Control and Inspections	49,502	-	-	49,502
District Management	90,171	-	-	90,171
Dues and Membership	2,216	-	-	2,216
Election Costs	6,190	-	-	6,190
Insurance and Bonds	21,009	-	-	21,009
Legal	48,561	-	-	48,561
Lifeguards	69,818	-	-	69,818
Miscellaneous	6,038	-	-	6,038
Operations Management	-	11,397	-	11,397
Landscape Maintenance	227,505	597	-	228,102
Pool and Rec Center Maintenance	31,120	-	-	31,120
Repairs and Maintenance	44,559	-	-	44,559
Transfer to Thompson Crossing No. 1	11,008	-	-	11,008
Trash Removal	1,201	-	-	1,201
Snow Removal	14,939	12,984	-	27,923
Utilities	26,828	-	-	26,828
Total Expenditures	741,866	35,332	-	777,198
NET CHANGE IN FUND BALANCE	47,418	(2,785)	121,500	166,133
Fund Balance - Beginning of Year	81,401	1,088	-	82,489
FUND BALANCE - END OF YEAR	\$ 128,819	\$ (1,697)	\$ 121,500	\$ 248,622

See accompanying Notes to Basic Financial Statements.

**THOMPSON CROSSING 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, 2020**

Net Change in Fund Balance - Governmental Fund	\$	166,133
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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		17,700
Depreciation		(272,555)

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>(156,431)</u>
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Change in Net Position of Governmental Activities	\$	<u><u>(245,153)</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, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 123	\$ 123	\$ -
Specific Ownership Tax	7	9	2
Transfer From Thompson Crossing No. 4	573,207	541,001	(32,206)
Transfer From Thompson Crossing No. 6	113,993	115,023	1,030
Transfer Fees Revenue	100,000	-	(100,000)
Developer Contribution	75,000	127,189	52,189
Other Income	1,000	4,720	3,720
Net Investment Income	3,000	1,219	(1,781)
Total Revenues	866,330	789,284	(77,046)
EXPENDITURES			
Current:			
Accounting	100,000	76,099	23,901
Audit	16,000	15,100	900
Contingency	5,498	-	5,498
County Treasurer's Fee	2	2	-
Covenant Control and Inspections	60,000	49,502	10,498
District Management	90,000	90,171	(171)
Dues and Membership	2,500	2,216	284
Election Costs	40,000	6,190	33,810
Insurance and Bonds	21,000	21,009	(9)
Legal	60,000	48,561	11,439
Lifeguards	70,000	69,818	182
Miscellaneous	5,000	6,038	(1,038)
Transfer Fee Expense	100,000	-	100,000
Landscape Maintenance	165,000	227,505	(62,505)
Pool and Rec Center Maintenance	35,000	31,120	3,880
Repairs and Maintenance	45,000	44,559	441
Snow Removal	10,000	14,939	(4,939)
Transfer to Thompson Center No.1	25,000	11,008	13,992
Trash Removal	-	1,201	(1,201)
Utilities	35,000	26,828	8,172
Total Expenditures	885,000	741,866	143,134
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,670)	47,418	66,088
OTHER FINANCING SOURCES (USES)			
Transfers to Other Funds	(15,000)	-	15,000
Total Other Financing Sources (Uses)	(15,000)	-	15,000
NET CHANGE IN FUND BALANCE	(33,670)	47,418	81,088
Fund Balance - Beginning of Year	101,306	81,401	(19,905)
FUND BALANCE - END OF YEAR	\$ 67,636	\$ 128,819	\$ 61,183

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, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Carriage House District Fees	\$ 41,055	\$ 32,547	\$ (8,508)
Total Revenues	41,055	32,547	(8,508)
EXPENDITURES			
Current:			
Accounting	8,500	10,354	(1,854)
Contingency	1,830	-	1,830
Operations Management	5,000	11,397	(6,397)
Insurance and Bonds	1,000	-	1,000
Landscape Maintenance	21,420	597	20,823
Snow Removal	8,000	12,984	(4,984)
Irrigation Repairs	1,500	-	1,500
Utilities	250	-	250
Total Expenditures	47,500	35,332	12,168
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,445)	(2,785)	3,660
OTHER FINANCING SOURCES (USES)			
Developer Advance	6,445	-	(6,445)
Total Other Financing Sources (Uses)	6,445	-	(6,445)
NET CHANGE IN FUND BALANCE	-	(2,785)	(2,785)
Fund Balance - Beginning of Year	-	1,088	1,088
FUND BALANCE - END OF YEAR	\$ -	\$ (1,697)	\$ (1,697)

See accompanying Notes to Basic Financial Statements.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
STATEMENT OF FIDUCIARY NET POSITION –
FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2020

	<u>Custodial Fund</u>
ASSETS	
Cash and Investments	\$ 9,281
Total Assets	<u>9,281</u>
LIABILITIES	
Transfer Fees Payable to Foundation	<u>9,281</u>
Total Liabilities	<u>9,281</u>
NET POSITION	
Total Net Position	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION –
FIDUCIARY FUND
YEAR ENDED DECEMBER 31, 2020**

	<u>Custodial Fund</u>
ADDITIONS	
Transfer Fee Revenue	\$ 169,585
Total Additions	<u>169,585</u>
DEDUCTIONS	
Transfer Fee Expense	<u>169,585</u>
Total Deductions	<u>169,585</u>
Net Position - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ -</u></u>

See accompanying Notes to Basic Financial Statements.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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, 2020

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, specific ownership taxes, and system development fees. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

The 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.

The Capital Projects Fund accounts for the resources and payments made on capital projects within the District.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

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.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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
Security System	10 Years

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 two items that qualify for reporting in this category. Accordingly, the items, deferred property tax revenue and prepaid assessments, are deferred and recognized as inflows of resources in the period that the amount becomes available.

District Fees

Thompson Crossing Metropolitan District Nos. 4 and 6 adopted a maintenance fee in the amount of \$85 per month per lot to maintain common areas within the boundaries of the Thompson River Ranch Filing No. 9, which is paid to the District to fund the applicable portion of the cost of the District's maintenance activities related thereto.

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.

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:

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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.

Deficits

The Special Revenue Fund reported a deficit in the fund financial statement as of December 31, 2020. The deficits will be eliminated with the receipt of District Fees in 2021.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 267,357
Cash and Investments - Restricted	23,700
Total Cash and Investments	<u>\$ 291,057</u>

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	\$ 136,057
Investments	<u>155,000</u>
Total Cash and Investments	<u><u>\$ 291,057</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, 2020, the District's cash deposits had a bank balance of \$145,339 and a carrying balance of \$145,339, \$9,281 of which is in the Fiduciary Fund.

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, 2020**

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, 2020, 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	\$ 155,000

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
DECEMBER 31, 2020

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2020 follows:

	Balance at December 31, 2019	Increases	Decreases	Balance at December 31, 2020
Fixed Assets, Not Being Depreciated:				
Land and Improvements	\$ 1,319,613	\$ -	\$ -	\$ 1,319,613
Capital Assets, Being Depreciated:				
Security System	-	17,700	-	17,700
Parks and Recreation	5,645,374	-	-	5,645,374
Less Accumulated Depreciation for:				
Security System	-	1,180	-	1,180
Parks and Recreation	3,136,803	271,375	-	3,408,178
Total Capital Assets, Being Depreciated, Net	<u>2,508,571</u>	<u>(254,855)</u>	<u>-</u>	<u>2,253,716</u>
Total Capital Assets	<u>\$ 3,828,184</u>	<u>\$ (254,855)</u>	<u>\$ -</u>	<u>\$ 3,573,329</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, 2020:

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020	Due Within One Year
Developer Advances Payable:					
Operations	\$ 1,813,999	\$ -	\$ -	\$ 1,813,999	\$ -
Capital	3,386,139	-	-	3,386,139	-
Accrued Interest on Developer Advances:					
Operations	413,434	54,569	-	468,003	-
Capital	1,197,354	101,862	-	1,299,216	-
Total	<u>\$ 6,810,926</u>	<u>\$ 156,431</u>	<u>\$ -</u>	<u>\$ 6,967,357</u>	<u>\$ -</u>

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

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 6, 2001, the 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.

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, 2020, the total outstanding principal obligations of the Districts were \$55,560,000, which includes \$20,455,000 of debt in Thompson Crossing Metropolitan District No. 2, \$31,270,000 in Thompson Crossing Metropolitan District No. 4, and \$3,835,000 in Thompson Crossing Metropolitan District No. 6.

The District had authorized but unissued debt at December 31, 2020, for the following detailed purposes:

	Authorized November 6, 2001 Election	Authorization Used	Remaining at December 31, 2020
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
DECEMBER 31, 2020**

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, 2020, the District had net investment in capital assets calculated as follows:

Net Investment in Capital Assets:	
Capital Assets, Net	\$ 3,573,329
Principal Portion of Developer Advances for Capital	(3,386,139)
Net Investment in Capital Assets	\$ 187,190

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, 2020 of \$23,700 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 2020 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
DECEMBER 31, 2020

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 2020, the Financing Districts transferred \$656,024 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
DECEMBER 31, 2020

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, 2020, 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 2020, the District transferred \$11,008 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, 2020, the District had not requested such a tap surcharge.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 (the 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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.

SUPPLEMENTARY INFORMATION

**THOMPSON CROSSING METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
System Development Fees	\$ 192,000	\$ 121,500	\$ (70,500)
Total Revenues	<u>192,000</u>	<u>121,500</u>	<u>(70,500)</u>
EXPENDITURES			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	192,000	121,500	(70,500)
OTHER FINANCING SOURCES (USES)			
Transfers from Other Funds	15,000	-	(15,000)
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
NET CHANGE IN FUND BALANCE	207,000	121,500	(85,500)
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 207,000</u>	<u>\$ 121,500</u>	<u>\$ (85,500)</u>