

**THOMPSON CROSSING METROPOLITAN
DISTRICT NO. 2**

BASIC FINANCIAL STATEMENTS

December 31, 2023

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Thompson Crossing Metropolitan District No. 2
Loveland, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund, of the Thompson Crossing Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Thompson Crossing Metropolitan District No. 2 as of December 31, 2023, and the respective changes in financial position, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Thompson Crossing Metropolitan District No. 2 and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures of the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required budgetary information on page 19 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the management's discussion and analysis that governmental 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 is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund financial schedules and supplemental information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The supplementary information and other information have 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 and other information are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

John Luttrell & Associates, LLC

September 17, 2024

BASIC FINANCIAL STATEMENTS

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

STATEMENT OF NET POSITION
As of December 31, 2023

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 60,161
Restricted Cash	587,814
Accounts Receivable	551,201
Property Taxes Receivable	2,015,945
Prepaid Expenses	6,768
Capital Assets, not depreciated	5,747,545
Capital Assets, depreciated, net of accumulated depreciation	<u>471,047</u>
TOTAL ASSETS	<u>9,440,481</u>
DEFERRED OUTFLOWS	
Deferred Loss on Refunding	<u>1,013,841</u>
LIABILITIES	
Accounts Payable	483,493
Retainage Payable	108,972
Accrued Interest	73,860
Noncurrent Liabilities	
Due within One Year	14,325,381
Due in More Than One Year	<u>20,407,023</u>
TOTAL LIABILITIES	<u>35,398,729</u>
DEFERRED INFLOWS	
Deferred Property Taxes	<u>2,015,945</u>
NET POSITION	
Net Investment in Capital Assets	(28,513,812)
Restricted for Emergencies	46,600
Restricted for Capital Projects	(250,002)
Restricted for Debt Service	587,814
Unrestricted	<u>1,169,048</u>
TOTAL NET POSITION	<u>\$ (26,960,352)</u>

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

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
PRIMARY GOVERNMENT			
Governmental Activities			
General Government	\$ 393,193	\$ -	\$ (393,193)
Interest and Other Fiscal Charges	827,530	-	(827,530)
Total Governmental Activities	<u>\$ 1,220,723</u>	<u>\$ -</u>	(1,220,723)
GENERAL REVENUES			
Taxes			1,780,142
Capital Reimbursements			-
Interest			18,913
Other			229,752
TOTAL GENERAL REVENUES			<u>2,028,807</u>
CHANGE IN NET POSITION			808,084
NET POSITION, Beginning			<u>(27,768,436)</u>
NET POSITION, Ending			<u>\$ (26,960,352)</u>

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

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2023

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	Total Governmental Funds
ASSETS				
Cash	\$ 60,161	\$ -	\$ -	\$ 60,161
Restricted Cash	-	-	587,814	587,814
Accounts Receivable	20,359	530,842	-	551,201
Due From Other Funds	201,685	-	-	201,685
Property Tax Receivable	727,354	1,288,591	-	2,015,945
Prepaid Expense	6,768	-	-	6,768
TOTAL ASSETS	<u>\$ 1,016,327</u>	<u>\$ 1,819,433</u>	<u>\$ 587,814</u>	<u>\$ 3,423,574</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts Payable	\$ 13,306	\$ 470,187	\$ -	\$ 483,493
Due to Other Funds	-	201,685	-	201,685
Retainage Payable	-	108,972	-	108,972
TOTAL LIABILITIES	<u>13,306</u>	<u>780,844</u>	<u>-</u>	<u>794,150</u>
DEFERRED INFLOWS				
Deferred Property Taxes	<u>727,354</u>	<u>1,288,591</u>	<u>-</u>	<u>2,015,945</u>
FUND EQUITY				
Fund Balance				
Restricted for Emergencies	46,600	-	-	46,600
Restricted for Capital Projects	-	(250,002)	-	(250,002)
Restricted for Debt Service	-	-	587,814	587,814
Unassigned	<u>229,067</u>	<u>-</u>	<u>-</u>	<u>229,067</u>
TOTAL FUND EQUITY	<u>275,667</u>	<u>(250,002)</u>	<u>587,814</u>	<u>613,479</u>
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND EQUITY	<u>\$ 1,016,327</u>	<u>\$ 1,819,433</u>	<u>\$ 587,814</u>	

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 in the funds. 6,218,592

Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include developer advances (\$2,939,603), bonds of (\$19,455,000), accrued interest (\$11,059,638), unamortized premium on bonds of (\$1,352,023) and deferred loss on refunding \$1,013,841. (33,792,423)

Net position of governmental activities \$ (26,960,352)

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

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2023

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	Total Governmental Funds
REVENUES				
Taxes	\$ 448,657	\$ -	\$ 1,331,485	\$ 1,780,142
Capital Reimbursements	-	-	-	-
Interest	13,122	-	5,791	18,913
Other	-	-	-	-
TOTAL REVENUES	461,779	-	1,337,276	1,799,055
EXPENDITURES				
Current				
General Government	101,388	88,393	25,680	215,461
Capital Outlay	-	2,251,401	-	2,251,401
Debt Service				
Principal	-	790,000	355,000	1,145,000
Interest and Other Fiscal Charges	-	-	886,325	886,325
TOTAL EXPENDITURES	101,388	3,129,794	1,267,005	4,498,187
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	360,391	(3,129,794)	70,271	(2,699,132)
OTHER FINANCING SOURCES (USES)				
Developer Advances	-	2,132,123	-	2,132,123
Transfers In	-	640,404	-	640,404
Transfers Out	(640,404)	-	-	(640,404)
TOTAL OTHER FINANCING SOURCES (USES)	(640,404)	2,772,527	-	2,132,123
NET CHANGE IN FUND BALANCE	(280,013)	(357,267)	70,271	(567,009)
FUND BALANCES, Beginning	555,680	107,265	517,543	1,180,488
FUND BALANCES, Ending	<u>\$ 275,667</u>	<u>\$ (250,002)</u>	<u>\$ 587,814</u>	<u>\$ 613,479</u>

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

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ (567,009)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount is amount by which capital outlay (\$2,521,401), exceeded depreciation expense \$133,651 for the current period.	2,117,750
Debt proceeds are reported as revenues in the governmental funds but increases long-term debt in the statement of net position.	(1,902,371)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the payment bond payments \$355,000, payments for developer advances \$790,000, change in accrued interest of \$58,795, amortization of bond premium(\$44,081)	<u>1,159,714</u>
Change in Net Position of Governmental Activities	<u><u>\$ 808,084</u></u>

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

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Thompson Crossing Metropolitan District No. 2 was established to provide financing for the construction, acquisition, and operation and maintenance of water, streets, traffic and safety controls, television relay and translation, transportation, parks and recreation facilities, and sanitation. The District is governed by a five-member Board of Directors elected by eligible electors.

The accounting policies of the Thompson Crossing Metropolitan District No. 2 (the District”) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

Reporting Entity

In accordance with governmental accounting standards, the Thompson Crossing Metropolitan District No. 2 has considered the possibility of inclusion of additional entities in its financial statements.

The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it. Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of the 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*.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Service fees, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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.

In the fund financial statements, 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 District, except those required to be accounted for in another fund.

The *Capital Projects Fund* accounts for the acquisition and construction of capital assets.

The *Debt Service Fund* accounts for the payment of the Districts bonds.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Investments

Cash equivalents include investments with original maturities of three months or less.

Investments are recorded at fair value.

Capital Assets

Capital assets, which include property and equipment, are reported in the 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 and an estimated useful life in excess of one year. The District also capitalizes all infrastructure costs. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 assets' lives are not capitalized.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of Net Position.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to the liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Tax Revenues

Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor on December 10. The property tax may be paid to the County in total by April 30 or one-half payment by February 28 and the second half by June 15. The billings are considered due on these dates. The bill becomes delinquent and penalties and interest may be assessed by the County Treasurer on the post mark day following these dates. The tax sale date is the first Thursday of November.

Under Colorado Law, all property taxes become due and payable on January 1, in the year following that in which they are levied.

Net Position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represent assets that do not have any third party limitation on their use. While City management may have categorized and segmented portion for various purposes, the City Council has the unrestricted authority to revisit or alter these managerial decisions.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies, and also amounts held for Debt Service and Capital Projects.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fund Balance Classification (Continued)

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2023.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balance.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before October 15, District Management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- Budgets are legally adopted for all funds of the District on a basis consistent with generally accepted accounting principles (GAAP).
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board of Directors. All appropriations lapse at year end.

Legal Compliance

The actual expenditures of the General Fund exceeded the budgeted amount by \$113,896. This may be a violation of State statute.

NOTE 3: CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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 regulations. At December 31, 2023, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 3: CASH AND INVESTMENTS (continued)

Deposits (Continued)

Custodial Credit Risk – Deposits (Continued)

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2023, the District had deposits with financial institutions with a carrying amount of \$546,809. The bank balances with the financial institutions were \$518,198. Of this balance, \$250,000 was covered by federal depository insurance and \$268,198 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. The District had no investments requiring fair value measurement as of December 31, 2023.

Local Government Investment Pools

The District had invested \$101,166 in the Colorado Local Government Liquid Asset Trust (COLOTRUST); which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Restricted Cash and Investments

Cash and in the amount of \$587,814 is restricted for the repayment of developer advances, capital projects, and debt service requirements.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023, is summarized below:

	Balances <u>12/31/2022</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/2023</u>
Governmental Activities				
Capital Assets, not depreciated				
Construction in Progress	\$ 3,496,144	\$ 2,251,401	\$ -	\$ 5,747,545
Capital Assets, depreciated				
Infrastructure	<u>2,673,015</u>	<u>-</u>	<u>-</u>	<u>2,673,015</u>
Less: Accumulated Depreciation				
Infrastructure	<u>2,068,317</u>	<u>133,651</u>	<u>-</u>	<u>2,201,968</u>
Capital Assets Depreciated, Net	<u>604,698</u>	<u>(133,651)</u>	<u>-</u>	<u>471,047</u>
Capital Assets, Net	<u>\$ 4,100,842</u>	<u>\$ 2,117,750</u>	<u>\$ -</u>	<u>\$ 6,218,592</u>

Depreciation expense was charged to general government program.

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2023.

	Balance <u>12/31/2022</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/2023</u>	Due In <u>One Year</u>
Developer Advances	\$ 1,473,806	\$ 2,255,797	\$ 790,000	\$ 2,939,603	\$ 2,939,603
Accrued Interest	11,339,215	-	353,437	10,985,778	10,985,778
2016 G.O. Bond	19,810,000	-	355,000	19,455,000	400,000
Bond Premium	<u>1,410,807</u>	<u>-</u>	<u>58,784</u>	<u>1,352,023</u>	<u>-</u>
Totals	<u>\$34,033,828</u>	<u>\$ 2,255,797</u>	<u>\$ 1,557,221</u>	<u>\$ 34,732,404</u>	<u>\$14,325,381</u>

Developer Advances

The Developers have agreed to advance funds to the District for construction and operations and maintenance costs of facilities constructed by the District. Upon execution of the agreement, the District issued a promissory note to each developer.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 5: LONG-TERM DEBT (Continued)

Developer Advances (Continued)

These notes will then continue to "fill-up" by the accumulation of additional loan advances in accordance with the terms of the agreement. The initial maturity date shall be December 31, 2007. If on that date, the District does not have sufficient funds to pay said notes in full, the District shall, subject to annual appropriations, refinance the note by the issuance of a new note to bear a maturity date of December 31, 2008. Such procedure shall continue thereafter from year to year subject to annual appropriations, until sufficient funds are generated by the District from legally available fees or revenues to pay the note in full with accumulated interest. Interest due at the end of each year of the term of this agreement shall be added to principal for purposes of refinancing any note which is not paid on its due date. The interest rate is 7% simple interest, compounded annually.

During the year ended December 31, 2007, the District entered into an agreement with Thompson Ranch, LLP and Thompson Ranch Development Company whereby Thompson Ranch, LLP assigned all of its rights, interests and obligations under the terms of the Funding and Reimbursement Agreement to Thompson Ranch Development Company.

2016 G.O. Bonds

On November 18, 2016, the District issued General Obligations Bonds (Limited Tax Convertible to Unlimited Tax) and Refunding Bonds, Series 2016 A and B in the amount of \$20,620,000. These bonds were used to reimburse developer advances used to pay for the District's capital improvements and other expenses and to advance refund the 2010 G.O. Bonds. Principal payments are due annually on December 1, and interest payments are due semi-annually on June 1 and December 1, through December 1, 2047. These bonds accrue interest at rates ranging from 2.0% to 5.0%.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 5: LONG-TERM DEBT (Continued)

Future Debt Service

Future debt service requirements for the bonds are as follows:

Year Ended <u>June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 400,000	\$ 878,663	\$ 1,278,663
2025	410,000	869,050	1,279,050
2026	445,000	857,575	1,302,575
2027	460,000	845,125	1,305,125
2028	495,000	827,625	1,322,625
2029-2033	3,085,000	3,787,713	6,872,713
2034-2038	4,335,000	3,004,526	7,339,526
2039-2043	5,380,000	1,934,054	7,314,054
2044-2046	<u>4,445,000</u>	<u>468,996</u>	<u>4,913,996</u>
Total	<u>\$ 19,455,000</u>	<u>\$ 13,473,327</u>	<u>\$ 32,928,327</u>

Defeased Bonds

Proceeds of the General Obligation Refunding Bonds, Series 2016A, in the amount of \$6,111,115 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the General Obligation Bonds, Series 2010. The advance refunding resulted in the recognition of an accounting loss \$1,322,402. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements.

As of December 31, 2023 the outstanding principal balance of defeased bonds was \$4,340,000.

Authorized Debt

Per the Consolidated Service Plan dated October 3, 2005, the maximum amount of debt that Thompson Crossing Metropolitan District 1 through 6 may have outstanding at any one time is \$65,000,000.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 6: RELATED PARTIES

The members of the Board of Directors are employees, owners or are otherwise associated with the developers, Thompson Ranch Development Company and Gerrard Family Limited Partnership, and may have conflicts of interest in dealing with the District. The above named developers are the current developers of the property within the District and are the current holders of the Funding and Reimbursement Agreement between the District and the Developers dated December 21, 2005.

NOTE 7: 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) as of December 31, 2023. 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 the past three years.

The District pays annual premiums to the Pool for liability, property, and public officials' 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 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 8: COMMITMENTS AND CONTINGENCIES

TABOR Amendment

TABOR Amendment - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

The District has established an emergency reserve, representing 3% of fiscal year spending (excluding debt service), as required by the Amendment. At December 31, 2023, the emergency reserve of \$46,600 was recorded in the General Fund.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 9: DEFICIT NET POSITION

As of December 31, 2023, the District had a government-wide net position deficit of \$26,916,271. This deficit was created as the District used loan proceeds from the Developer to construct capital assets that were later transferred to other governmental entities.

NOTE 10: SUBSEQUENT EVENTS

Potential subsequent events were considered through September 17, 2024. It was determined that no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTAL INFORMATION

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2023

	2023		VARIANCE Positive (Negative)
	ORIGINAL AND FINAL BUDGET	ACTUAL	
REVENUES			
Taxes	\$ 447,485	\$ 448,657	\$ 1,172
Interest	-	13,122	13,122
TOTAL REVENUES	<u>447,485</u>	<u>461,779</u>	<u>14,294</u>
EXPENDITURES			
Current			
General Government			
Accounting and Administration	32,500	30,772	1,728
District Management	13,500	13,272	228
Election	3,000	4,277	(1,277)
Insurance	6,532	6,094	438
Legal Expenses	15,000	36,440	(21,440)
Office, Dues and Other	12,364	10,533	1,831
Contingency	5,000		5,000
TOTAL EXPENDITURES	<u>87,896</u>	<u>101,388</u>	<u>(13,492)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>359,589</u>	<u>360,391</u>	<u>802</u>
OTHER FINANCING SOURCES			
Transfers Out	<u>(540,000)</u>	<u>(640,404)</u>	<u>(100,404)</u>
NET CHANGE IN FUND BALANCE	<u>(180,411)</u>	<u>(280,013)</u>	<u>(99,602)</u>
FUND BALANCE, Beginning	<u>277,886</u>	<u>555,680</u>	<u>277,794</u>
FUND BALANCE, Ending	<u>\$ 97,475</u>	<u>\$ 275,667</u>	<u>\$ 178,192</u>

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2023

	2023		VARIANCE Positive (Negative)
	ORIGINAL AND FINAL BUDGET	ACTUAL	
REVENUES			
Capital Reimbursements	\$ -	\$ -	\$ -
Easement Revenue	-	-	-
TOTAL REVENUES	-	-	-
EXPENDITURES			
Current			
General Government			
Accounting and Administration	10,000	-	10,000
Engineering and Other	100,000	88,393	11,607
Capital Outlay	2,500,000	2,251,401	248,599
Debt Service			
Principal	540,000	790,000	(250,000)
Interest and Other Fiscal Charges	-	-	-
TOTAL EXPENDITURES	3,150,000	3,129,794	20,206
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,150,000)	(3,129,794)	20,206
OTHER FINANCING SOURCES (USES)			
Developer Advances	2,610,000	2,132,123	477,877
Operating Transfers In	540,000	640,404	(100,404)
TOTAL OTHER FINANCING SOURCES (USES)	3,150,000	2,772,527	377,473
NET CHANGE IN FUND BALANCE	-	(357,267)	(357,267)
FUND BALANCE, Beginning	52,523	107,265	54,742
FUND BALANCE, Ending	\$ 52,523	\$ (250,002)	\$ (302,525)

See the accompanying independent auditors' report.

THOMPSON CROSSING METROPOLITAN DISTRICT NO. 2

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2023

	2023		VARIANCE Positive (Negative)
	ORIGINAL AND FINAL BUDGET	ACTUAL	
REVENUES			
Taxes	\$ 1,327,287	\$ 1,331,485	\$ 4,198
Interest	-	5,791	5,791
TOTAL REVENUES	<u>1,327,287</u>	<u>1,337,276</u>	<u>9,989</u>
EXPENDITURES			
Current			
General Government			
Other	23,833	25,680	(1,847)
Contingency	5,000	-	5,000
Debt Service			
Principal	355,000	355,000	-
Interest and Other Fiscal Charges	886,326	886,325	1
TOTAL EXPENDITURES	<u>1,270,159</u>	<u>1,267,005</u>	<u>3,154</u>
NET CHANGE IN FUND BALANCE	57,128	70,271	(13,143)
FUND BALANCE, Beginning	<u>544,655</u>	<u>517,543</u>	<u>27,112</u>
FUND BALANCE, Ending	<u>\$ 601,783</u>	<u>\$ 587,814</u>	<u>\$ 13,969</u>

See the accompanying independent auditors' report.