

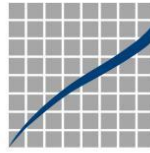
**STETSON RIDGE METROPOLITAN DISTRICT NO. 3
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

**STETSON RIDGE METROPOLITAN DISTRICT NO. 3
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2020**

INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	6
NOTES TO BASIC FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	19
OTHER INFORMATION	
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY – SERIES 2020A	21
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	22



BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stetson Ridge Metropolitan District No. 3
Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Stetson Ridge Metropolitan District No. 3 ("District") as of and for the year ended 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2020, the changes in its financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Information

The other information, as identified in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on the other information.

BiggsKofford, P.C.

Colorado Springs, Colorado
September 28, 2021

BASIC FINANCIAL STATEMENTS

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments	\$ 26,842
Cash and Investments - Restricted	257,195
Receivable - County Treasurer	4,442
Property Taxes Receivable	509,184
Total Assets	797,663
LIABILITIES	
Accrued Interest Payable	18,753
Noncurrent Liabilities:	
Due Within One Year	165,000
Due in More Than One Year	7,796,202
Total Liabilities	7,979,955
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Taxes	509,184
Total Deferred Inflows of Resources	509,184
NET POSITION	
Restricted for:	
Debt Service	14,864
Unrestricted	(7,706,340)
Total Net Position	\$ (7,691,476)

See accompanying Notes to Basic Financial Statements.

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenues (Expenses) and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
General Government	\$ 10,055	\$ -	\$ -	\$ -	\$ (10,055)
Intergovernmental	3,159,885	-	7,882	-	(3,152,003)
Infrastructure Development Fees	-	-	16,700	-	16,700
Interest and Related Costs on Long-Term Debt	855,348	-	-	-	(855,348)
	<u>\$ 4,025,288</u>	<u>\$ -</u>	<u>\$ 24,582</u>	<u>\$ -</u>	<u>(4,000,706)</u>
 GENERAL REVENUES					
					506,825
					55,089
					2,768
					<u>564,682</u>
 CHANGE IN NET POSITION					
					(3,436,024)
					<u>(4,255,452)</u>
 NET POSITION - END OF YEAR					
					<u>\$ (7,691,476)</u>

See accompanying Notes to Basic Financial Statements.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

ASSETS	General	Debt Service	Total Governmental Funds
Cash and Investments	\$ 26,842	\$ -	\$ 26,842
Cash and Investments - Restricted	-	257,195	257,195
Receivable from County Treasurer	1,269	3,173	4,442
Property Taxes Receivable	145,479	363,705	509,184
Total Assets	\$ 173,590	\$ 624,073	\$ 797,663
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Taxes	\$ 145,479	\$ 363,705	\$ 509,184
Total Deferred Inflows of Resources	145,479	363,705	509,184
FUND BALANCES			
Restricted for:			
Debt Service	-	260,368	260,368
Unassigned:			
General Government	28,111	-	28,111
Total Fund Balances	28,111	260,368	288,479
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 173,590	\$ 624,073	
Amounts reported for governmental activities in the statement of net position are different because:			
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
Bonds Payable			(7,961,202)
Accrued Interest on Bonds Payable			(18,753)
Net Position of Governmental Activities			\$ (7,691,476)

See accompanying Notes to Basic Financial Statements.

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 144,805	\$ 362,020	\$ 506,825
Specific Ownership Taxes	15,739	39,350	55,089
Interest Income	130	2,638	2,768
Intergovernmental Revenues	7,882	-	7,882
Infrastructure Development Fees	-	16,700	16,700
Total Revenues	168,556	420,708	589,264
EXPENDITURES			
Current:			
Accounting	5,600	-	5,600
County Treasurer's Fee	2,173	5,433	7,606
Dues and Licenses	267	-	267
Insurance and Bonds	2,015	-	2,015
Intergovernmental Expenditures	115,000	3,044,885	3,159,885
Debt Service:			
Paying Agent Fees	-	9,000	9,000
Bond Interest - 2012	-	294,798	294,798
Bond Interest - 2020A Senior	-	94,010	94,010
Bond Interest - 2020B Subordinate	-	17,272	17,272
Bond Principal - 2012	-	4,915,000	4,915,000
Bond Principal - 2020A Senior	-	105,000	105,000
Bond Principal - 2020B Subordinate	-	137,000	137,000
Bond Issue Costs	-	372,272	372,272
Total Expenditures	125,055	8,994,670	9,119,725
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	43,501	(8,573,962)	(8,530,461)
OTHER FINANCING SOURCES (USES)			
Transfers (to) from Other Fund	(18,769)	18,769	-
Bond Proceeds	-	8,200,149	8,200,149
Total Other Financing Sources (Uses)	(18,769)	8,218,918	8,200,149
NET CHANGE IN FUND BALANCES	24,732	(355,044)	(330,312)
Fund Balances - Beginning of Year	3,379	615,412	618,791
FUND BALANCES - END OF YEAR	\$ 28,111	\$ 260,368	\$ 288,479

See accompanying Notes to Basic Financial Statements.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 3
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Governmental Funds \$ (330,312)

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

Long-term debt (e.g., issuance of bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Bond Principal Payment	5,157,000
Bond Proceeds	(8,200,149)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Loans and Bonds - Change in Liability	10,430
Bonds Discount Amortization	<u>(72,993)</u>

Changes in Net Position of Governmental Activities \$ (3,436,024)

**STETSON RIDGE METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 144,805	\$ 144,805	\$ 144,805	\$ -
Specific Ownership Taxes	13,714	15,739	15,739	-
Interest Income	-	130	130	-
Intergovernmental Revenues	9,100	7,882	7,882	-
Total Revenues	<u>167,619</u>	<u>168,556</u>	<u>168,556</u>	<u>-</u>
EXPENDITURES				
Accounting	5,600	5,600	5,600	-
County Treasurer's Fee	2,172	2,173	2,173	-
Dues and Licenses	500	267	267	-
Insurance and Bonds	3,000	2,015	2,015	-
Banking Fees	50	-	-	-
Intergovernmental Expenditures	-	115,000	115,000	-
Contingency	5,000	4,945	-	4,945
Total Expenditures	<u>16,322</u>	<u>130,000</u>	<u>125,055</u>	<u>4,945</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(16,322)	(130,000)	(125,055)	4,945
OTHER FINANCING SOURCES (USES)				
Transfers to Other Fund	(125,000)	(18,769)	(18,769)	-
Total Other Financing Sources (Uses)	<u>(125,000)</u>	<u>(18,769)</u>	<u>(18,769)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	26,297	19,787	24,732	4,945
Fund Balance - Beginning of Year	<u>7,909</u>	<u>3,379</u>	<u>3,379</u>	<u>(4,530)</u>
FUND BALANCE - END OF YEAR	<u>\$ 34,206</u>	<u>\$ 23,166</u>	<u>\$ 28,111</u>	<u>\$ 415</u>

See accompanying Notes to Basic Financial Statements.

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Stetson Ridge Metropolitan District No. 3 (District No. 3), a quasi-municipal corporation and a political subdivision of the state of Colorado created pursuant to the Special District Act, was formed in 2006 for the purpose of providing the funding for streets, safety protection, water, sanitary sewer, drainage and park and recreation improvements, facilities, and services within the Stetson Ridge subdivision located in the City of Colorado Springs.

District No. 3 was formed in conjunction with Stetson Ridge Metropolitan District No. 1 (District No. 1) and Stetson Ridge Metropolitan District No. 2 (District No. 2) to serve the needs of the Stetson Ridge development for the purpose of financing, construction, and operation of improvements and infrastructure serving the districts. District No. 1 is responsible for managing the construction, operation, and maintenance of all improvements not transferred to the City of Colorado Springs. District No. 2 and District No. 3 are responsible for providing the funding and tax base needed to support the financing plan for capital improvements and to fund ongoing operations. District No. 1 and District No. 2 are not component units of District No. 3.

District No. 3 follows 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.

District No. 3 is not financially accountable for any other organization nor is District No. 3 a component unit of any other primary governmental entity.

District No. 3 has no employees, and all operational and administrative functions are contracted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of District No. 3 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 District No. 3. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

The statement of net position reports all financial and capital resources of District No. 3. The difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources of District No. 3 is reported as net position.

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, District No. 3 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by District No. 3. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

District No. 3 reports the following major governmental funds:

The General Fund is District No. 3's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with state budget law, District No. 3'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. District No. 3'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.

District No. 3 amended its annual budget for the year ended December 31, 2020.

Pooled Cash and Investments

District No. 3 follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

Property taxes are levied by District No. 3'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 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 District No. 3.

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

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. District No. 3 has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is District No. 3's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is District No. 3's practice to use the most restrictive classification first.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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	\$ 26,842
Cash and Investments - Restricted	257,195
Total Cash and Investments	\$ 284,037

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

Deposits with Financial Institutions	\$ 46,869
Investments	237,168
Total Cash and Investments	\$ 284,037

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.

As of December 31, 2020, District No. 3's cash deposits had a bank balance and a book balance of \$46,869.

Investments

District No. 3 has not adopted a formal investment policy; however, District No. 3 follows state statutes regarding investments.

District No. 3 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, District No. 3 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.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC 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 agreements 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, District No. 3 had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	<u>\$ 237,168</u>

COLOTRUST

District No. 3 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust) an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. Government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAA by Standard & Poor's. COLOTRUST records its investments at fair value and District No. 3 records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in District No. 3's long-term obligations for the year ended December 31, 2020:

	Balance December 31, 2019	Additions	Retirements	Balance December 31, 2020	Due Within One Year
Bonds Payable:					
Series 2012A Bonds -					
Principal	\$ 4,915,000	\$ -	\$ 4,915,000	\$ -	\$ -
Series 2012 Bonds -					
Discount	(69,940)	-	(69,940)	-	-
Series 2020A Bonds -					
Principal	-	7,840,000	105,000	7,735,000	165,000
Series 2020A Bonds -					
Discount	-	(121,851)	(3,053)	(118,798)	-
Series 2020B Bonds -					
Principal	-	482,000	137,000	345,000	-
Total	<u>\$ 4,845,060</u>	<u>\$ 8,200,149</u>	<u>\$ 5,084,007</u>	<u>\$ 7,961,202</u>	<u>\$ 165,000</u>

The details of District No. 3's long-term obligations are as follows:

Series 2012 Bonds

In 2012, District No. 3 issued general obligation bonds with a face value of \$4,990,000 and at a discount of \$99,800. The bonds bear interest at an annual rate of 7.125% per annum to be paid to the bondholders semi-annually on each June 1 and December 1, beginning June 1, 2013. The bonds mature on December 1, 2042, and are subject to mandatory sinking fund requirements and redemption prior to maturity at the discretion of District No. 3, as a whole or in integral multiples of \$1,000 on December 1, 2019, or on any date thereafter, subject to a redemption premium starting at 2.00% and decreasing 0.50% each year until it is reduced to 0.00%.

The bond debt will be repaid from the proceeds of an ad valorem property tax and a specific ownership tax on the taxable property within District No. 3 and system development fees which are due and payable to District No. 3 upon the issuance of a building permit.

District No. 3 is required, pursuant to the bond agreements, to maintain bond and reserve cash accounts. The purpose of the reserve cash accounts is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The reserve account is required to be maintained as long as the bonds are outstanding.

The bonds were paid off in 2020 by the issuance of the 2020A and 2020B bonds.

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATION (CONTINUED)

General Obligation Limited Tax Refunding and Improvement Bonds Series 2020A

On June 23, 2020, District No. 3 issued General Obligation Limited Tax Refunding and Improvement Bonds, Series 2020A (2020A Bonds) in the amount of \$7,840,000. The proceeds from the sale of the 2020A Bonds were used for the purposes of: (i) refunding the Series 2012 Bonds, (ii) reimbursing the Developer for the advancement of funds for financing costs related to capital infrastructure improvements; (iii) providing the Senior Reserve Fund; and (iv) paying the costs of issuing the 2020A Bonds. The 2020A Bonds bear interest at 2.00% to 3.00% payable semi-annually on June 1 and December 1, beginning on December 1, 2020. Annual mandatory sinking fund principal payments on the 2020A Bonds are due on December 1, beginning on December 1, 2020. The 2020A Bonds mature on December 1, 2047.

The 2020A Senior Bonds are subject to redemption prior to maturity, at the option of District No. 3, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on December 1, 2030, and on any date thereafter, upon payment of par and accrued interest, without a redemption premium.

The 2020A Bonds are special limited obligations of District No. 3 secured by and payable from the pledged revenues, consisting of the following source: (i) the Senior Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result on the imposition of the Senior Required Mill Levy; and (iii) any other legally available moneys which District No. 3 determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenues.

District No. 3 is required, pursuant to the bond agreements, to maintain project, bond, surplus and reserve cash accounts. The purpose of the project account is to account for the project proceeds and associated costs related to the project (including repayment of debt); any excess cash after the project is completed will be added to the bond fund. The purpose of the reserve cash account is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The surplus account is required to be maintained as long as the bonds are outstanding.

Subordinate General Obligation Limited Tax Bonds Series 2020B

On June 23, 2020, District No. 3 issued Subordinate Obligation Limited Tax Bonds, Series 2020B (2020B Bonds) in the amount of \$482,000. The proceeds from the sale of the 2020B Bonds were used for the purposes of: (i) refunding the Series 2012 Bonds, (ii) reimbursing the Developer for the advancement of funds for financing costs related to capital infrastructure improvements; and (iii) paying the costs of issuing the 2020B Bonds. The 2020B Bonds are cash flow bonds and bear interest at 7.50%, with annual payments anticipated to be made on December 15, commencing December 15, 2020. Unpaid interest compounds annually on December 15 at the rate of 7.500%. Payments toward interest and principal can be made provided the 2020A Bonds (and any other Senior Obligations outstanding) are current and the reserve and surplus Funds for the 2020A Bonds and any other senior obligations is not less than the annual required amounts.

**STETSON RIDGE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 LONG-TERM OBLIGATION (CONTINUED)

Subordinate General Obligation Limited Tax Bonds Series 2020B (Continued)

The 2020B Bonds are also subject to redemption prior to maturity, at the option of District No. 3, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, on June 1, 2025, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed as follows:

<u>Redemption Date</u>	<u>Redemption Premium</u>
June 1, 2025 to May 31, 2026	3.0%
June 1, 2026 to May 31, 2027	2.0%
June 1, 2027 to May 31, 2028	1.0%
June 1, 2028 and thereafter	0.0%

The 2020B Bonds are secured solely by the Subordinate Pledged Revenue.

District No. 3's long-term obligations on the Series 2020A Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 165,000	\$ 212,100	\$ 377,100
2022	175,000	208,800	383,800
2023	180,000	205,300	385,300
2024	190,000	201,700	391,700
2025	190,000	197,900	387,900
2026-2030	1,095,000	928,200	2,023,200
2031-2035	1,315,000	785,100	2,100,100
2036-2040	1,610,000	571,350	2,181,350
2041-2045	1,950,000	308,850	2,258,850
2046-2047	865,000	39,150	904,150
Total	<u>\$ 7,735,000</u>	<u>\$ 3,658,450</u>	<u>\$ 11,393,450</u>

NOTE 5 NET POSITION

District No. 3 has net position consisting of two components - restricted and unrestricted.

Restricted items include net positions that are subject to restriction for use either by external restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. District No. 3 had restricted net positions of as of December 31, 2020, as follows:

Restricted Net Position:	
Debt Service	<u>\$ 14,864</u>
Total Restricted Net Position	<u>\$ 14,864</u>

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 NET POSITION (CONTINUED)

District No. 3 has a deficit in unrestricted net position. The deficit was a result of District No. 3 being responsible for the repayment of bonds issued for public improvements which were conveyed to other governmental entities and which costs were removed from District No. 3's financial records.

NOTE 6 RELATED PARTY

Some members of the Board of Directors are officers, employees, or associated with the developers of the property withing District No. 1, District No. 2, and District No. 3, may have conflicts of interest in dealing with District No. 3.

NOTE 7 RISK MANAGEMENT

District No. 3 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.

District No. 3 is a member of the Colorado Special Districts Property and Liability Pool (the Pool) as of December 31, 2020. 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.

District No. 3 pays annual premiums to the Pool for liability, property, and public officials liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 8 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.

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 8 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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. District No. 3 transfers its net operating revenue to Stetson Ridge Metropolitan District No. 1 (Operating District) pursuant to an intergovernmental agreement. Therefore, the Emergency Reserves related to District No. 3's revenue are reported in District No. 1.

District No. 3'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.

SUPPLEMENTARY INFORMATION

**STETSON RIDGE METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property Taxes	\$ 362,020	\$ 362,020	\$ 362,020	\$ -
Specific Ownership Tax	34,286	39,350	39,350	-
Interest Income	-	2,638	2,638	-
Infrastructure Development Fees	-	16,700	16,700	-
Intergovernmental Revenues	1,500	-	-	-
Total Revenues	<u>397,806</u>	<u>420,708</u>	<u>420,708</u>	<u>-</u>
EXPENDITURES				
County Treasurer's Fee	5,430	5,433	5,433	-
Intergovernmental Expenditures	-	3,044,885	3,044,885	-
Paying agent Fees	1,500	9,000	9,000	-
Bond Interest - 2012	353,044	294,798	294,798	-
Bond Interest - 2020A Senior	-	94,010	94,010	-
Bond Interest - 2020B Subordinate	-	17,272	17,272	-
Bond Principal - 2012	50,000	4,915,000	4,915,000	-
Bond Principal - 2020A Senior	-	105,000	105,000	-
Bond Principal - 2020B Subordinate	-	137,000	137,000	-
Bond Issue Costs	-	372,272	372,272	-
Contingency	5,000	5,330	-	5,330
Total Expenditures	<u>414,974</u>	<u>9,000,000</u>	<u>8,994,670</u>	<u>5,330</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(17,168)	(8,579,292)	(8,573,962)	5,330
OTHER FINANCING SOURCES (USES)				
Transfers from Other Fund	125,000	18,769	18,769	-
Bond Proceeds	-	8,200,149	8,200,149	-
Total Other Financing Sources (Uses)	<u>125,000</u>	<u>8,218,918</u>	<u>8,218,918</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	107,832	(360,374)	(355,044)	5,330
Fund Balance - Beginning of Year	<u>610,881</u>	<u>615,412</u>	<u>615,412</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 718,713</u>	<u>\$ 255,038</u>	<u>\$ 260,368</u>	<u>\$ 5,330</u>

OTHER INFORMATION

**STETSON RIDGE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2020**

\$7,840,000
General Obligation Limited Tax Refunding
and Improvement Bonds Series 2020A
Dated June 23, 2020
Interest Rate 2.00% - 3.00%
Interest due June 1 and December 1
Principal due December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 165,000	\$ 212,100	\$ 377,100
2022	175,000	208,800	383,800
2023	180,000	205,300	385,300
2024	190,000	201,700	391,700
2025	190,000	197,900	387,900
2026	205,000	194,100	399,100
2027	210,000	190,000	400,000
2028	220,000	185,800	405,800
2029	225,000	181,400	406,400
2030	235,000	176,900	411,900
2031	240,000	172,200	412,200
2032	255,000	165,000	420,000
2033	265,000	157,350	422,350
2034	275,000	149,400	424,400
2035	280,000	141,150	421,150
2036	295,000	132,750	427,750
2037	305,000	123,900	428,900
2038	325,000	114,750	439,750
2039	335,000	105,000	440,000
2040	350,000	94,950	444,950
2041	365,000	84,450	449,450
2042	380,000	73,500	453,500
2043	390,000	62,100	452,100
2044	400,000	50,400	450,400
2045	415,000	38,400	453,400
2046	425,000	25,950	450,950
2047	440,000	13,200	453,200
Total	<u>\$ 7,735,000</u>	<u>\$ 3,658,450</u>	<u>\$ 11,393,450</u>

**STETSON RIDGE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2020**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2016	\$ 3,943,970	10.000	25.000	\$ 138,039	\$ 135,215	97.95%
2017	5,729,360	10.000	25.000	200,528	200,521	100.00
2018	8,576,650	10.827	27.067	325,003	325,003	100.00
2019	10,940,130	10.911	27.277	417,782	418,025	100.06
2020	13,146,200	11.015	27.538	506,825	506,825	100.00
Estimated for Year Ending December 31,						
2021	\$ 13,207,370	11.015	27.538	\$ 509,184		

Note:

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