

**HOMESTEAD RANCH METROPOLITAN
DISTRICT NO. 3
Weld County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

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Independent Auditor's Report

Board of Directors
Homestead Ranch Metropolitan District No. 3
Weld County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Homestead Ranch Metropolitan District No. 3 (the "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; 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Homestead Ranch Metropolitan District No. 3 as of December 31, 2020, and the respective changes in 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.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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.

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

Sincerely,



Wipfli LLP
Lakewood, Colorado

September 27, 2021

BASIC FINANCIAL STATEMENTS

HOMESTEAD RANCH METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Accounts Receivable - County Treasurer	\$ 2,131,384
Property Taxes Receivable	375,256
Total Assets	2,506,640
LIABILITIES	
Due to Homestead Ranch Metropolitan District No. 1	303,749
Due to Other Government Entity - FURA	406,712
Total Liabilities	710,461
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	375,256
Total Deferred Inflows of Resources	375,256
NET POSITION	
Restricted for:	
Debt Service	1,420,923
Total Net Position	\$ 1,420,923

See accompanying Notes to Basic Financial Statements.

**HOMESTEAD RANCH METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

		Program Revenues			Net Revenue (Expense) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Government Activities:					
General Government	\$ 720,784	\$ -	\$ -	\$ -	\$ (720,784)
Interest and related Costs on Long-Term Debt	20,645	-	-	-	(20,645)
Total Government Activities	\$ 741,429	\$ -	\$ -	\$ -	(741,429)
 GENERAL REVENUES					
Property Taxes					2,060,894
Specific Ownership Taxes					97,822
Net Investment Income					3,636
Total General Revenues					2,162,352
 CHANGE IN NET POSITION					
Net Position - Beginning of Year					-
NET POSITION - END OF YEAR					\$ 1,420,923

See accompanying Notes to Basic Financial Statements.

**HOMESTEAD RANCH METROPOLITAN DISTRICT NO. 3
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Debt Service	Total Governmental Funds
ASSETS			
Accounts Receivable - County Treasurer	\$ 710,461	\$ 1,420,923	\$ 2,131,384
Property Taxes Receivable	125,085	250,171	375,256
Total Assets	<u>\$ 835,546</u>	<u>\$ 1,671,094</u>	<u>\$ 2,506,640</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Due to Homestead Ranch Metropolitan District No. 1	\$ 303,749	\$ -	\$ 303,749
Due to Other Government Entity - URA	406,712	-	406,712
Total Liabilities	710,461	-	710,461
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax Revenue	125,085	250,171	375,256
Total Deferred Inflows of Resources	125,085	250,171	375,256
FUND BALANCES			
Restricted for:			
Debt Service	-	1,420,923	1,420,923
Total Fund Balances	-	1,420,923	1,420,923
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 835,546</u>	<u>\$ 1,671,094</u>	<u>\$ 2,506,640</u>

Amounts reported for governmental activities in the statement of net assets are the same as above.

**HOMESTEAD RANCH 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	\$ 274,786	\$ 1,373,929	\$ 1,648,715
Property Taxes - URA	412,179	-	412,179
Specific Ownership Taxes	32,607	65,215	97,822
Net Investment Income	1,212	2,424	3,636
Total Revenues	<u>720,784</u>	<u>1,441,568</u>	<u>2,162,352</u>
EXPENDITURES			
Current:			
County Treasurer's Fees	4,129	20,645	24,774
County Treasurer's Fees - URA	6,194	-	6,194
Intergovernmental Expense - Homestead Ranch Metropolitan District No. 1	303,749	-	303,749
Intergovernmental Expense - URA	406,712	-	406,712
Total Expenditures	<u>720,784</u>	<u>20,645</u>	<u>741,429</u>
NET CHANGE IN FUND BALANCES	-	1,420,923	1,420,923
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 1,420,923</u></u>	<u><u>\$ 1,420,923</u></u>

Amounts reported for governmental activities in the statement of activities are the same as above.

**HOMESTEAD RANCH 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	\$ 274,786	\$ 274,786	\$ -
Property Taxes - URA	412,179	412,179	-
Specific Ownership Taxes	51,522	32,607	(18,915)
Net Investment Income	-	485	485
Net Investment Income - URA	-	727	727
Total Revenues	<u>738,487</u>	<u>720,784</u>	<u>(17,703)</u>
EXPENDITURES			
County Treasurer's Fees	4,122	4,129	(7)
County Treasurer's Fees - URA	6,183	6,194	(11)
Intergovernmental Expense - Homestead Ranch Metropolitan District No. 1	322,186	303,749	18,437
Intergovernmental Expense - URA	405,996	406,712	(716)
Total Expenditures	<u>738,487</u>	<u>720,784</u>	<u>17,703</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

HOMESTEAD RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Homestead Ranch Metropolitan District No. 3 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, which was organized by order and decree of the Weld County District Court on November 21, 2019 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes) and the service plan approved by the Town of Firestone, Colorado on September 11, 2019. The District, along with Homestead Ranch Metropolitan District Nos. 2 and 4, operate as the Financing Districts along with Homestead Ranch Metropolitan District No. 1 serving as the Coordinating District. The Districts' service area is located in the Town of Firestone within Weld County (the County), Colorado.

The Districts were established to provide financing for the construction, installation, and operation of public improvements, including water, sanitation, streets, safety protections, storm drainage, covenant enforcement and design review services, and parks and recreation facilities.

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 has no employees, and all operations and administrative functions are contracted.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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 property taxes.

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.

HOMESTEAD RANCH 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 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 the 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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

HOMESTEAD RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2020.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank 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 and investments.

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 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 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. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

HOMESTEAD RANCH 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 the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

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

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

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

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

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

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

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.

HOMESTEAD RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS

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, the District had no cash deposits.

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase 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, the District had no investments.

HOMESTEAD RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 4 LONG-TERM OBLIGATIONS

Authorized Debt

On November 5, 2019, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$400,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2020, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 5, 2019 Election	Authorization Used Series Bonds	Authorized But Unissued
Street Improvements	\$ 25,000,000	\$ -	\$ 25,000,000
Parks and Recreation	25,000,000	-	25,000,000
Sanitation/Storm Sewer	25,000,000	-	25,000,000
Water	25,000,000	-	25,000,000
Transportation	25,000,000	-	25,000,000
Mosquito Control	25,000,000	-	25,000,000
Traffic and Safety Protection	25,000,000	-	25,000,000
Fire Protection	25,000,000	-	25,000,000
Television Relay and Translation	25,000,000	-	25,000,000
Security	25,000,000	-	25,000,000
Operations and Maintenance Debt	25,000,000	-	25,000,000
Directional Drilling	25,000,000	-	25,000,000
Refunding	50,000,000	-	50,000,000
Reimbursement Agreements	25,000,000	-	25,000,000
Revenue Debt	25,000,000	-	25,000,000
Total	<u>\$ 400,000,000</u>	<u>\$ -</u>	<u>\$ 400,000,000</u>

As set forth in the District's 2019 Consolidated Service Plan, the City has limited the amount of debt to be issued by the District to a total of \$25,000,000 without future approval by the County. The Maximum Aggregate Mill Levy of the District is 60 mills combined for debt and general operations and maintenance. The Maximum Debt Mill Levy is 50 mills. The maximum Operation and Maintenance Mill Levy is 50 mills until such time as the District issues Debt, at which time it is anticipated to be 10 mills. In 2020 the Debt mill levy was 50 mills and the Operations and Maintenance mill levy was 10 mills.

In addition, the District is located within the boundaries of the Bighorn Urban Renewal Plan (the Plan) and is subject to an additional 15 mills payable to the Town of Firestone Urban Renewal Authority (FURA) for the Plan for a period of 5 years commencing on the date of approval by the Town of the Plan.

As of December 31, 2020, the District did not issue any debt.

**HOMESTEAD RANCH METROPOLITAN DISTRICT NO. 3
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2020**

NOTE 5 NET POSITION

The District has net position consisting of one component – restricted.

The restricted component of net position consists of 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, as follows:

	Governmental Activities
Restricted Net Position:	
Debt Service (see Note 5)	\$ 1,420,923
Total Restricted Net Position	\$ 1,420,923

NOTE 6 RELATED PARTIES

The Developer of the property which constitutes the District is Eagle Development Company (the Developer). The members of the Board of Directors are officers or employees of, or associated with the Developer and may have conflicts of interest in dealing with the District.

NOTE 7 AGREEMENT

According to the Consolidated Service Plan dated September 11, 2019, the District entered into an Intergovernmental Agreement for Property Tax Increment Revenue Sharing between the District and FURA. The District agree that FURA may retain and expend 100% of the property tax increment revenues derived from an additional 15 mills certified and imposed for a period of five years commencing on the date of approval by the Town of the Plan. During 2020, the District levied 15 mills and collected \$406,712 for the year ended December 31, 2020.

NOTE 8 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

As of December 31, 2020, the District does not have insurance coverage.

As required by the Colorado Department of Local Affairs, the District does have a Public Official Position Schedule Bond in place for the board of directors in the amounts of \$5,000 for the Treasurer and \$1,000 each for the remaining board members.

HOMESTEAD RANCH METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments.

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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. As of December 31, 2018, the District has not provided for an emergency reserve fund equal to 3% fiscal year spending, as defined under TABOR, because net tax revenue is transferred to District No. 1, which provides for the required reserve amount.

On November 5, 2019, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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.

SUPPLEMENTARY INFORMATION

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

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Property Taxes	\$ 1,373,929	\$ 1,373,929	\$ 1,373,929	\$ -
Specific Ownership Taxes	103,045	65,215	65,215	-
Net Investment Income	-	2,424	2,424	-
Total Revenues	<u>1,476,974</u>	<u>1,441,568</u>	<u>1,441,568</u>	<u>-</u>
EXPENDITURES				
County Treasurer's Fees	20,609	20,645	20,645	-
Contingency	-	1,355	-	1,355
Total Expenditures	<u>20,609</u>	<u>22,000</u>	<u>20,645</u>	<u>1,355</u>
NET CHANGE IN FUND BALANCE	1,456,365	1,419,568	1,420,923	(1,355)
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,456,365</u></u>	<u><u>\$ 1,419,568</u></u>	<u><u>\$ 1,420,923</u></u>	<u><u>\$ (1,355)</u></u>

OTHER INFORMATION

**HOMESTEAD RANCH 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 Tax Levy	Mills Levied	Total Property Taxes		Percent Collected to Levied
			Levied	Collected	
2020	\$ 27,478,590	75.000	\$ 2,060,894	\$ 2,060,894	100%
Estimated for the					
2021	\$ 5,003,410	75.000	\$ 375,256		

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