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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2023

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YEAR ENDED DECEMBER 31, 2023

BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Stetson Ridge Metropolitan District No. 3
El Paso County, Colorado

Opinions

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, 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 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, 2023, the respective changes in financial position, and the budgetary comparison for the general fund 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other 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 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

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and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment 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 in 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 on 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 judgment, 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.

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. 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. Such information has been subjected to the auditing procedures applied in the audit of the

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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

Management is responsible for the other information, as identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BiggsKofford, P.C.

Colorado Springs, Colorado
August 7, 2024

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BASIC FINANCIAL STATEMENTS

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	Governmental Activities
ASSETS	
Cash and Investments	$ 7
Cash and Investments - Restricted	274,200
Receivable from County Treasurer	5,071
Property Tax Receivable	763,722
Total Assets	1,043,000
LIABILITIES	
Due to Other Districts - SRMD No. 1	1,456
Accrued Interest	17,464
Noncurrent Liabilities:	
Due Within One Year	190,000
Due in More Than One Year	7,136,536
Total Liabilities	7,345,456
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax	763,722
Total Deferred Inflows of Resources	763,722
NET POSITION	
Restricted for:	
Debt Service	33,608
Unrestricted	(7,099,786)
Total Net Position	$ (7,066,178)

See accompanying Notes to Basic Financial Statements.

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenues (Expenses) and Changes in Net Position: Governmental Activities
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	$ 2,701	$ -	$ -	$ -	$ (2,701)
Intergovernmental Expenses	196,644	-	-	-	(196,644)
Interest on Long-Term Debt and Related Costs	247,710	-	-	-	(247,710)
Total Governmental Activities	$ 447,055	$ -	$ -	$ -	(447,055)
GENERAL REVENUES					
Property Taxes					630,162
Specific Ownership Taxes					65,995
Interest Income					26,084
Total General Revenues and Transfers					722,241
CHANGES IN NET POSITION					275,186
Net Position - Beginning of Year					(7,341,364)
NET POSITION - END OF YEAR					$ (7,066,178)

See accompanying Notes to Basic Financial Statements.

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	$ 7	$ -	$ 7
Cash and Investments - Restricted	-	274,200	274,200
Receivable from County Treasurer	1,449	3,622	5,071
Property Tax Receivable	153,180	610,542	763,722
Total Assets	$ 154,636	$ 888,364	$ 1,043,000
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Due to Other Districts - SRMD No. 1	$ 1,456	$ -	$ 1,456
Total Liabilities	1,456	-	1,456
DEFERRED INFLOWS OF RESOURCES			
Deferred Property Tax	153,180	610,542	763,722
Total Deferred Inflows of Resources	153,180	610,542	763,722
FUND BALANCES			
Restricted for:			
Debt Service	-	277,822	277,822
Total Fund Balances	-	277,822	277,822
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 154,636	$ 888,364	

Amounts reported for governmental activities in the statement of net position are different because:	
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds Payable	(7,425,000)
Accrued Bond Interest	(17,464)
Unamortized Bond Discount - 2020A	98,464
Net Position of Governmental Activities	$ (7,066,178)

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, 2023

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	$ 180,037	$ 450,125	$ 630,162
Specific Ownership Taxes	18,855	47,140	65,995
Interest Income	453	25,631	26,084
Total Revenues	199,345	522,896	722,241
EXPENDITURES			
Current:			
County Treasurer's Fee	2,701	6,753	9,454
Intergovernmental Expenditures - SRMD No. 1	196,644	-	196,644
Debt Service:			
Paying Agent Fees	-	7,000	7,000
Bond Interest - 2020A	-	205,300	205,300
Bond Interest - 2020B	-	22,575	22,575
Bond Principal - 2020A	-	180,000	180,000
Bond Principal - 2020B	-	91,000	91,000
Total Expenditures	199,345	512,628	711,973
NET CHANGE IN FUND BALANCES	-	10,268	10,268
Fund Balances - Beginning of Year	-	267,554	267,554
FUND BALANCES - END OF YEAR	$ -	$ 277,822	$ 277,822

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, 2023

Net Change in Fund Balances - Total Governmental Funds	$	10,268
Amounts reported for governmental activities in the statement of activities are different because:		
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.		
Bond Principal		271,000
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 Payable - Change in Liability		585
Amortization of Cost of Bond Refunding		(6,667)
Changes in Net Position of Governmental Activities	$	275,186

See accompanying Notes to Basic Financial Statements.

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ 180,042	$ 180,037	$ (5)
Specific Ownership Taxes	18,004	18,855	851
Interest Income	300	453	153
Other Revenue	11,654	-	(11,654)
Total Revenues	210,000	199,345	(10,655)
EXPENDITURES			
Contingency	11,654	-	11,654
County Treasurer's Fee	2,701	2,701	-
Intergovernmental Expenditures - SRMD No. 1	195,645	196,644	(999)
Total Expenditures	210,000	199,345	10,655
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ -

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Stetson Ridge Metropolitan District No. 3 (the District), 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.

The District 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 the District 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 the District.

The District 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.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes.

The statement of net position reports all financial and capital resources of the District. The difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources of the District is reported as net position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports all financial and capital resources of the District. The difference between the assets and deferred outflows of resources, and liabilities and deferred inflows of resources of the District is reported as net position.

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, 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. 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 general obligation debt of the governmental funds.

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 amended its annual budget for Debt Service for the year ended December 31, 2023.

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 inflow 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.

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.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Cash and Investments	$	7
Cash and Investments - Restricted		274,200
Total Cash and Investments	$	274,207

Cash and investments as of December 31, 2023, consist of the following:

Investments	$	274,207
Total Cash and Investments	$	274,207

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, 2023, the District had no cash deposits with financial institutions.

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:

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

. 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, 2023, the District had the following investments:

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	$ 274,207
		$ 274,207

COLOTRUST

The District 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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to $1.00, offer daily liquidity. 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.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST (CONTINUED)

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 PRIME and COLOTRUST PLUS+ are rated AAAm by Standard & Poor's. COLOTRUST EDGE is rated AAAf/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

NOTE 4 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2023:

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Bonds Payable:					
Series 2020A:					
Principal	$ 7,395,000	$ -	$ 180,000	$ 7,215,000	$ 190,000
Bond Discount	(105,131)	-	(6,667)	(98,464)	-
Series 2020B:					
Principal	301,000	-	91,000	210,000	-
Total Long-Term Obligations	$ 7,590,869	$ -	$ 264,333	$ 7,326,536	$ 190,000

The details of the District's long-term obligations are as follows:

General Obligation Limited Tax Refunding and Improvement Bonds Series 2020A

On June 23, 2020, the District 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.

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Limited Tax Refunding and Improvement Bonds Series 2020A (Continued)

The 2020A Senior Bonds are subject to redemption prior to maturity, at the option of the District, 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 the District 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 the District determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenues.

The District 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.

The Reserve Policy is that certain Municipal Bond Debt Service Insurance Policy issued by the Bond Insurer providing for the funding of 50% of the Required Reserve as provided therein. The Reserve Policy shall constitute a Reserve Fund Guaranty for all purposes of the Senior Indenture.

Subordinate General Obligation Limited Tax Bonds Series 2020B

On June 23, 2020, the District issued Subordinate General 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) reimbursing the Developer for the advancement of funds for financing costs related to capital infrastructure improvements; and (ii) 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.

The 2020B Bonds are also subject to redemption prior to maturity, at the option of the District, 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:

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

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

Redemption Date	Redemption Premium
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. Subordinate Pledged Revenue is defined in the Subordinate Indenture as the following: (1) the Subordinate Required Mill Levy; (2) the portion of the Specific Ownership tax which is collected as a result of imposition of the Subordinate Required Mill Levy; (3) the amounts, if any, in the Surplus Fund after the payment or defeasance of the 2020A Senior Bonds; and (4) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

Events of Default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an event of default under the Indenture:

i. The District fails or refuses to impose the required mill levy or to apply the pledged revenue as provided in the indenture.

ii. The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in the indenture or the bond resolution, other than as described in paragraph (i) above, and fails to remedy the same after notice thereof pursuant to the indenture.

iii. The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the bonds.

It is acknowledged that due to the limited nature of the pledged revenue, the failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an event of Default under the Indenture.

Upon the occurrence and continuance of an event of default, the trustee has the following rights and remedies which may be pursued:

i. Receivership: Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the owners, the trustee is entitled to as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the revenues, income, product, and profits there of pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but not withstanding the appointment of any receiver or other custodian, the trustee is to be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of the indenture to the trustee.

NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

Events of Default (Continued)

ii. Suit for judgment: The trustee may proceed to protect and enforce its rights and the rights of the owners by suit, action, or special proceedings as the trustee, being advised by counsel, deems appropriate.

iii. Mandamus or other suit: The trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the owners.

No Acceleration

Notwithstanding the foregoing or anything else herein to the contrary, acceleration shall not be an available remedy for an Event of Default.

As of December 31, 2023, the District was not in default.

The District's long-term obligations will mature as follows:

	Governmental Activities		
Year Ending December 31,	Principal	Interest	Total
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
2029-2033	1,220,000	852,850	2,072,850
2034-2038	1,480,000	661,950	2,141,950
2039-2043	1,820,000	420,000	2,240,000
2044-2047	1,680,000	127,950	1,807,950
Total	$ 7,215,000	$ 3,032,250	$ 10,247,250

Authorized Debt

On May 25, 2006, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed $11,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on May 25, 2006	Authorization Used		Authorized but Unused as of December 31, 2023
		Series 2020A Bonds	Series 2020B Bonds	
Public Improvements	$ 11,000,000	$ 7,827,362	$ 482,000	$ 2,690,638
Debt Refunding	11,000,000	87,638	-	10,912,362
Total	$ 22,000,000	$ 7,915,000	$ 482,000	$ 13,603,000

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $11,000,000.

NOTE 5 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

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 a restricted net position as of December 31, 2023, as follows:

	Governmental Activities
Restricted Net Position:	
Debt Service Reserve	$ 33,608
Total Restricted Net Position	$ 33,608

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

NOTE 6 RELATED PARTIES

The Developers of the property which constitutes the District is Pulpit Rock Investments, LLC, Lindsay J. Case, R.W. Case II, and Elite Properties of America, Inc. Some members of the Board of Directors are officers, employees, or associated with the developer of the property within District No. 1, the District, and District No. 2, and may have conflicts of interest in dealing with the District.

NOTE 7 AGREEMENTS

District Facilities Construction and Service Intergovernmental Agreement

The District Facilities Construction and Service Agreement (the “Master Agreement”) was made and entered into and dated as of December 11, 2006, by and between Stetson Ridge Metropolitan District No. 1 (“the Operating District”), Stetson Ridge Metropolitan District No. 2 and Stetson Ridge Metropolitan District No. 3 (“the Taxing Districts”). The purpose of the Master Agreement is to set forth the rights and obligations of the Operating District and the Taxing Districts to fund the public improvements and continued operation and maintenance of public improvements, in addition to the rights and obligations of the Operating District to operate and maintain the public improvements on behalf of the Taxing Districts. The public improvements to be designed and constructed by the Operating District will benefit all property owners and residents within the Districts. The Taxing Districts will transfer general obligation bond proceeds to the Operating District.

NOTE 7 AGREEMENTS (CONTINUED)

Funding and Reimbursement Agreement for Capital Costs

On November 8, 2007, Stetson Ridge Metropolitan District No. 1, Stetson Ridge Metropolitan District No. 2 and the District entered into a reimbursement agreement with Pulpit Rock Investments, LLC, Lindsay J. Case, and R.W. Case II to have conferred a benefit upon the Districts by agreeing to advance certain funds to the Districts for the purposes of constructing certain public improvements and facilities described in the approved Service Plan, which the Districts were authorized to construct pursuant to said Service Plan and the District will reimburse the developers, at the rate of 6% per annum from the day of the advance, for the funds so advanced pursuant to the further provision of the this agreement.

Funding and Reimbursement Agreement

On May 7, 2020, Stetson Ridge Metropolitan District No. 1, Stetson Ridge Metropolitan District No. 2 and the District entered into a reimbursement agreement with Elite Properties of America, Inc. (the Developer). The proceeds from developer advances have been used primarily to fund the expenditures for operating and administrative expenses and to establish infrastructure. The note accrues interest at a rate of 6.00% per annum. As of December 31, 2023, the District had no outstanding principal or accrued interest under this agreement.

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.

The District is a member of the Colorado Special Districts Property and Liability Pool (the 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 any of the past three fiscal years.

The District 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 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.

NOTE 9 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. The District 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 the District's revenue are reported in District No. 1.

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

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, 2023

	Budget		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property Taxes	$ 450,120	$ 450,120	$ 450,125	$ 5
Specific Ownership Taxes	45,012	46,965	47,140	175
Interest Income	-	32,111	25,631	(6,480)
Total Revenues	495,132	529,196	522,896	(6,300)
EXPENDITURES				
County Treasurer's Fee	6,752	6,752	6,753	(1)
Paying Agent Fees	7,000	7,000	7,000	-
Bond Interest - 2020A	205,300	205,300	205,300	-
Bond Interest - 2020B	22,425	22,425	22,575	(150)
Bond Principal - 2020A	180,000	180,000	180,000	-
Bond Principal - 2020B	64,000	100,000	91,000	9,000
Contingency	-	8,523	-	8,523
Total Expenditures	485,477	530,000	512,628	17,372
NET CHANGE IN FUND BALANCE	9,655	(804)	10,268	11,072
Fund Balance - Beginning of Year	257,671	267,554	267,554	-
FUND BALANCE - END OF YEAR	$ 267,326	$ 266,750	$ 277,822	$ 11,072

OTHER INFORMATION

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2023

	$7,840,000 General Obligation Limited Tax Refunding and Improvement Bonds Series 2020A Dated June 23, 2020 Interest Rate 2.00% - 3.00% Interest Payable June 1 and December 1 Principal Payable December 1		
Year Ending December 31,	Principal	Interest	Total
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	$ 7,215,000	$ 3,032,250	$ 10,247,250

STETSON RIDGE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023

Year Ended December 31,	Assessed Valuation	Percent Change	Total Mills Levied: General Operations	Total Mills Levied: Debt Service	Total Mills Levied: Total	Total Property Taxes: Levied	Total Property Taxes: Collected	Percent Collected to Levied
2018/2019	$ 10,940,130	27.6%	10.911	27.277	38.188	$ 417,781	$ 418,025	100.06 %
2019/2020	13,146,200	20.2%	11.015	27.538	38.553	506,825	506,825	100.00 %
2020/2021	13,207,370	0.5%	11.015	27.538	38.553	509,184	509,184	100.00 %
2021/2022	15,459,660	17.1%	10.946	27.367	38.313	592,306	592,306	100.00 %
2022/2023	16,179,150	4.7%	11.128	27.821	38.949	630,162	630,162	100.00 %
Estimated for Year Ending December 31, 2024	$ 19,608,250	21.2%	7.812	31.137	38.949	$ 763,722		

Note:
Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the Treasurer does not permit identification of specific year of levy.
Source: El Paso County Assessor and Treasurer.