

MORGAN HILL METROPOLITAN DISTRICT NOS. 1, 2 AND 3

2025 CONSOLIDATED ANNUAL REPORT TO THE TOWN OF ERIE, COLORADO

Pursuant to §32-1-207(3)(c), C.R.S. and Section VII. of the Consolidated Service Plan for Morgan Hill Metropolitan District Nos. 1, 2 and 3 (collectively the “**Districts**”), the Districts are required to provide an annual report to the Town of Erie (the “**Town**”) with regard to the following matters:

For the year ending December 31, 2025, the Districts make the following report:

§32-1-207(3), C.R.S. Statutory Requirements

1. Boundary changes made.

There were no boundary changes made to the Districts’ boundaries in 2025.

2. Intergovernmental agreements entered into or terminated with other governmental entities.

The Districts did not enter into or terminate any intergovernmental agreements with other governmental entities in 2025.

3. Access information to obtain a copy of rules and regulations adopted by the board.

As of December 31, 2025, the Districts had not adopted any rules and regulations.

4. A summary of litigation involving public improvements owned by the Districts.

To our actual knowledge, based on review of the court records in Weld County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the Districts’ public improvements as of December 31, 2025.

5. The status of the construction of public improvements by the Districts.

All warranty work has been completed. No new construction is planned or possible.

6. A list of facilities or improvements constructed by the Districts that were conveyed or dedicated to the county or municipality.

There were no new facilities or improvements constructed by the Districts this year and no new facilities or improvements contemplated in the future.

7. The final assessed valuation of the Districts as of December 31st of the reporting year.

The 2025 final assessed valuation as certified by the Weld County Assessor for the Districts is as follows:

<i>District No. 1</i>	<i>\$7,049,600</i>
<i>District No. 2</i>	<i>\$9,447,790</i>
<i>District No. 3</i>	<i>\$15,181,050</i>

8. A copy of the current year's budget.

*Copies of the 2026 Budgets are attached hereto as **Exhibit A**.*

9. A copy of the audited financial statements, if required by the "Colorado Local Government Audit Law", part 6 of article 1 of title 29, or the application for exemption from audit, as applicable.

*Copies of the 2025 Audit Exemptions for District Nos. 1 and 2, and the 2025 Audit for District No. 3 are attached hereto as **Exhibit B**.*

10. Notice of any uncured defaults existing for more than ninety (90) days under any debt instrument of the Districts.

There were no uncured events of default that continued beyond a ninety (90) day period, under any Debt instrument.

11. Any inability of the Districts to pay their obligations as they come due under any obligation which continues beyond a ninety (90) day period.

The Districts did not experience any inability to pay their obligations as they came due, in accordance with the terms of such obligations, which continue beyond a ninety (90) day period.

Service Plan Requirements

12. A narrative summary of the progress of the Districts in Implementing the Service Plan.

All public improvements have been completed. The District bonds have been issued. Annually the Districts adopt their budgets and set the mill levy to repay the debt and pay District administrative costs.

13. Unless disclosed within a separate schedule to the financial statements, a summary of the capital expenditures incurred by the Districts in development of public facilities in the fiscal year, as well as any capital improvements or projects proposed to be undertaken in the five (5) years following the fiscal year.

All public improvements have been completed.

- 14. Unless disclosed within a separate schedule to the financial statements, a summary of the financial obligations of the Districts at the end of the fiscal year, including the amount of outstanding indebtedness, the amount and terms of any new District indebtedness or long-term obligations issued in the fiscal year, the amount of payment or retirement of existing indebtedness of the Districts in the fiscal year, the total assessed valuation of all taxable properties within the Districts as of January 1 of the fiscal year, and the current mill levy of the District pledged to debt retirement in the fiscal year.**

District No. 3 issued its Series 2018 A and B bonds which were refinanced with the issuance of the Series 2021A and 2021B Bonds, and also issued its Series 2021C Subordinate Bonds as shown in its audit.

2025 Assessed Value District No. 1: \$7,049,600 with 49.548 mills for contractual pledge agreement obligations related to the District No. 3 Bonds.

2025 Assessed Value District No. 2: \$9,447,790 with 59.065 mills for contractual pledge agreement obligation related to the District No. 3 Bonds.

2025 Assessed Value District No. 3: \$15,181,050 with 58.213 mills for debt service.

- 15. A summary of residential and commercial development which has occurred within the Districts for the fiscal year.**

There is no commercial in the District and all residential permits have been purchased and Certificates of Occupancy have been issued.

- 16. A summary of all taxes, fees, charges and assessments imposed by the Districts as of January 1 of the fiscal year.**

District No. 1 imposed a total of 62.833 mills, District No. 2 imposed a total of 59.065 mills in 2025 for collection in 2026, and District No. 3 imposed a total of 58.213 mills in 2025 for collection in 2026, as reflected on the attached budgets. No fees, charges or assessments were imposed in 2025.

- 17. The name, business address and telephone number of each member of the Boards and the chief administrative officer and general counsel, together with the date, place and time of the regular meetings of the Boards.**

District Nos. 1 and 2

<i>Jon R. Lee</i>	<i>President</i>	<i>2500 Arapahoe Ave., #220, Boulder, CO 80302, (303) 442-2299</i>
<i>Jessica Brothers</i>	<i>Treasurer, Secretary</i>	<i>2500 Arapahoe Ave., #220, Boulder, CO 80302, (303) 442-2299</i>
<i>Vacancy</i>		

<i>Vacancy</i>		
<i>Vacancy</i>		

District No. 3

<i>Jon R. Lee</i>	<i>President</i>	<i>2500 Arapahoe Ave., #220, Boulder, CO 80302, (303) 442-2299</i>
<i>Jessica Brothers</i>	<i>Treasurer, Secretary</i>	<i>2500 Arapahoe Ave., #220, Boulder, CO 80302, (303) 442-2299</i>
<i>Jason Boggess</i>	<i>Director</i>	<i>2500 Arapahoe Ave., #220, Boulder, CO 80302, (303) 442-2299</i>
<i>Vacancy</i>		
<i>Vacancy</i>		

Regular meetings are scheduled for the fourth Thursday of April and October at 2:30 p.m. at 2500 Arapahoe Avenue, Suite 220, Boulder, CO and/or via Zoom teleconference.

Chief Admin. Officer – None

General Legal Counsel – WBA PC; 2154 E. Commons Avenue, Suite 2000, Centennial, CO 80122; 303-858-1800

EXHIBIT A
2026 Budgets

RESOLUTION
ADOPTING BUDGET, AND APPROPRIATING SUMS OF MONEY
AND CERTIFYING MILL LEVIES FOR THE CALENDAR YEAR 2026

The Board of Directors of Morgan Hill Metropolitan District No. 1 (the “**Board**”), Town of Erie, Weld County, Colorado (the “**District**”), held a regular meeting, via teleconference on October 23, 2025, at the hour of 2:30 p.m.

Prior to the meeting, each of the directors was notified of the date, time, and place of the budget meeting and the purpose for which it was called, and a notice of the meeting was posted or published in accordance with § 29-1-106, C.R.S.

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NOTICE AS TO PROPOSED 2026 BUDGET

NOTICE OF PUBLIC HEARING ON THE PROPOSED 2026 BUDGET
AND
NOTICE OF PUBLIC HEARING ON THE AMENDED 2025 BUDGET

The Board of Directors (the "Board") of MORGAN HILL METROPOLITAN DISTRICT NOS. 1-3 (collectively the "District"), will hold a public hearing at via teleconference on October 23, 2025, at 2:30 PM, to consider adoption of the District's proposed 2026 budget (the "Proposed Budget"), and, if necessary, adoption of an amendment to the 2025 budget (the "Amended Budget"). The public hearing may be joined using the following teleconference information:

Zoom Meeting Link:
<https://us06web.zoom.us/j/85886711234?pwd=ep1Kf89L1pEKD3OnT01p9U0IT3AP8r.1>
Meeting ID: 858 8671 1234
Passcode: 573424
Call In Numbers: 1(720) 707-2699 or 1(719) 359-4580

The Proposed Budget and Amended Budget are available for inspection by the public at the offices of CliftonLarsonAllen, LLP, 2001 16th St Suite 1700, Denver, CO 80202.

Any interested elector of the District may file any objections to the Proposed Budget and Amended Budget at any time prior to the final adoption of the Proposed Budget or the Amended Budget by the Board.

The agenda for any meeting may be obtained at <https://morganhillmetrodistricts.specialdistrict.org/district-1> or by calling (303) 858-1800.

BY ORDER OF THE BOARD OF DIRECTORS:
MORGAN HILL METROPOLITAN DISTRICT NOS. 1-3, a quasi-municipal corporation and political subdivision of the State of Colorado

/s/ WBA, PC
Attorneys at Law

Published: Colorado Hometown Weekly October 1, 2025 - 2135492

Prairie Mountain Media, LLC

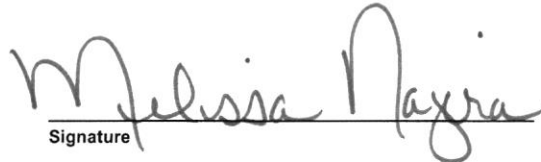
PUBLISHER'S AFFIDAVIT

County of Boulder
State of Colorado

The undersigned, Agent, being first duly sworn under oath, states and affirms as follows:

1. He/she is the legal Advertising Reviewer of Prairie Mountain Media LLC, publisher of the *Colorado Hometown*.
2. The *Colorado Hometown* is a newspaper of general circulation that has been published continuously and without interruption for at least fifty-two weeks in Boulder County and meets the legal requisites for a legal newspaper under Colo. Rev. Stat. 24-70-103.
3. The notice that is attached hereto is a true copy, published in the *Colorado Hometown* in Boulder County on the following date(s):

Oct 1, 2025


Signature

Subscribed and sworn to me before me this

1st day of October, 2025


Notary Public

(SEAL)

SHAYLA NAJERA
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20174031965
MY COMMISSION EXPIRES JULY 31, 2029

Account: 1051175
Ad Number: 2135492
Fee: \$54.12

WHEREAS, the Board has appointed its accountant to prepare and submit a proposed budget to the Board in accordance with Colorado law; and

WHEREAS, the proposed budget has been submitted to the Board for its review and consideration; and

WHEREAS, upon due and proper notice, provided in accordance with Colorado law, said proposed budget was available for inspection by the public at a designated place, a public hearing was held and interested electors of the District were provided a public comment period and given the opportunity to file any objections to the proposed budget prior to the final adoption of the budget by the Board.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD AS FOLLOWS:

Section 1. Adoption of Budget. The budget attached hereto and incorporated herein is approved and adopted as the budget of the District for fiscal year 2026. In the event of recertification of values by the County Assessor's Office after the date of adoption hereof, staff is hereby directed to modify and/or adjust the budget and certification to reflect the recertification without the need for additional Board authorization. Any such modification to the budget or certification as contemplated by this Section 1 shall be deemed ratified by the Board.

Section 2. Levy of Property Taxes. The Board does hereby certify the levy of property taxes for collection in 2026 as more specifically set out in the budget attached hereto.

Section 3. Mill Levy Adjustment. When developing the attached budget, consideration was given to any changes in the method of calculating assessed valuation, including any changes to the assessment ratios, or any constitutionally mandated tax credit, cut, or abatement, as authorized in the District's service plan. The Board hereby determines in good faith (such determination to be binding and final), that to the extent possible, the adjustments to the mill levies made to account for changes in Colorado law described in the prior sentence, and the actual tax revenues generated by the mill levies, are neither diminished nor enhanced as a result of those changes.

Section 4. Certification to County Commissioners. The Board directs its legal counsel, manager, accountant, or other designee to certify to the Board of County Commissioners of Weld County, Colorado the mill levies for the District as set forth herein. Such certification shall be in compliance with the requirements of Colorado law.

Section 5. Appropriations. The amounts set forth as expenditures in the budget attached hereto are hereby appropriated from the revenue of each fund for the purposes stated.

Section 6. Filing of Budget and Budget Message. The Board hereby directs its legal counsel, manager, or other designee to file a certified copy of the adopted budget resolution, the budget and budget message with the Division of Local Government by January 30 of the ensuing year.

Section 7. Budget Certification. The budget shall be certified by a member of the District, or a person appointed by the District, and made a part of the public records of the District.

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ADOPTED OCTOBER 23, 2025.

DISTRICT:

**MORGAN HILL METROPOLITAN DISTRICT
NO. 1**, quasi-municipal corporations and political
subdivisions of the State of Colorado

By: Jon R Lee
Jon R Lee (Nov 17, 2025 12:43:19 MST)

Officer of the District

ATTEST:

By: Jessie Butler

STATE OF COLORADO
COUNTY OF WELD
MORGAN HILL METROPOLITAN DISTRICT NO. 1

I hereby certify that the foregoing resolution constitutes a true and correct copy of the record of proceedings of the Board adopted by a majority of the Board at a District meeting held via teleconference on Thursday, October 23, 2025, as recorded in the official record of the proceedings of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 23rd day of October, 2025.

Jessie Butler

Signature

*[Signature page to Resolution Adopting Budget, and Appropriating Sums of Money
and Certifying Mill Levies for the Calendar Year 2026]*

EXHIBIT A
BUDGET DOCUMENT
BUDGET MESSAGE

MORGAN HILL METROPOLITAN DISTRICT NO. 1
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2026

MORGAN HILL METROPOLITAN DISTRICT NO. 1
SUMMARY
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

12/1/25

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
BEGINNING FUND BALANCES	\$ 69,458	\$ 144,901	\$ 149,868
REVENUES			
Property taxes	463,343.00	436,000	442,948
Specific ownership taxes	16,779	19,155	17,718
Interest income	24,293	9,500	5,000
Other revenue	-	-	1,734
Total revenues	504,415	464,655	467,400
Total funds available	573,873	609,556	617,268
EXPENDITURES			
General Fund	428,972	459,688	110,000
Debt Service Fund	-	-	365,000
Total expenditures	428,972	459,688	475,000
Total expenditures and transfers out requiring appropriation	428,972	459,688	475,000
ENDING FUND BALANCES	\$ 144,901	\$ 149,868	\$ 142,268
EMERGENCY RESERVE	\$ 5,000	\$ 3,600	\$ 3,100
AVAILABLE FOR OPERATIONS	139,901	146,268	139,168
TOTAL RESERVE	\$ 144,901	\$ 149,868	\$ 142,268

See summary of significant assumptions.

MORGAN HILL METROPOLITAN DISTRICT NO. 1
PROPERTY TAX SUMMARY INFORMATION
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

12/1/25

ACTUAL	ESTIMATED	BUDGET
2024	2025	2026

ASSESSED VALUATION

Residential	\$ 6,171,500	\$ 6,278,250	\$ 6,522,060
Commercial	450	620	950
State assessed	80,270	79,070	103,020
Vacant land	346,710	305,980	60,830
Oil and gas	679,960	226,630	362,740
Certified Assessed Value	<u>\$ 7,278,890</u>	<u>\$ 6,890,550</u>	<u>\$ 7,049,600</u>

MILL LEVY

General	19.102	13.457	13.285
Debt Service	44.571	49.818	49.548
Total mill levy	<u>63.673</u>	<u>63.275</u>	<u>62.833</u>

PROPERTY TAXES

General	\$ 139,041	\$ 92,726	\$ 93,654
Debt Service	324,427	343,274	349,294
Levied property taxes	463,468	436,000	442,948
Adjustments to actual/rounding	(125)	-	-
Budgeted property taxes	<u>\$ 463,343</u>	<u>\$ 436,000</u>	<u>\$ 442,948</u>

BUDGETED PROPERTY TAXES

General	\$ 139,004	\$ 92,725	\$ 93,654
Debt Service	324,339	343,275	349,294
	<u>\$ 463,343</u>	<u>\$ 436,000</u>	<u>\$ 442,948</u>

MORGAN HILL METROPOLITAN DISTRICT NO. 1
GENERAL FUND
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

12/1/25

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
BEGINNING FUND BALANCES	\$ 69,458	\$ 144,901	\$ 149,868
REVENUES			
Property taxes	463,343	436,000	93,654
Specific ownership taxes	16,779	19,155	3,746
Interest income	24,293	9,500	5,000
Total revenues	504,415	464,655	102,400
Total funds available	573,873	609,556	252,268
EXPENDITURES			
General and administrative			
Accounting	40,585	39,000	40,000
Auditing	6,800	7,314	8,000
County Treasurer's Fee	7,189	6,544	1,405
Directors' fees	40	40	40
Dues and memberships	1,827	3,259	4,000
Insurance	14,057	25,652	28,500
District management	2,473	5,000	5,500
Legal	16,789	13,000	15,000
Miscellaneous	2,094	1,000	2,000
Election	-	5,471	-
Contingency	-	-	5,555
Transfers to District No. 3	337,118	353,408	-
Total expenditures	428,972	459,688	110,000
Total expenditures and transfers out requiring appropriation	428,972	459,688	110,000
ENDING FUND BALANCES	\$ 144,901	\$ 149,868	\$ 142,268
EMERGENCY RESERVE	\$ 5,000	\$ 3,600	\$ 3,100
AVAILABLE FOR OPERATIONS	139,901	146,268	139,168
TOTAL RESERVE	\$ 144,901	\$ 149,868	\$ 142,268

See summary of significant assumptions.

MORGAN HILL METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

12/1/25

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
Property taxes	-	-	349,294
Specific ownership taxes	-	-	13,972
Other revenue	-	-	1,734
Total revenues	-	-	365,000
Total funds available	-	-	365,000
EXPENDITURES			
General and administrative			
County Treasurer's Fee	-	-	5,239
Contingency	-	-	1,734
Transfers to District No. 3	-	-	358,027
Total expenditures	-	-	365,000
Total expenditures and transfers out requiring appropriation	-	-	365,000
ENDING FUND BALANCES	\$ -	\$ -	\$ -

See summary of significant assumptions.

**MORGAN HILL METROPOLITAN DISTRICT NO. 1
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

In accordance with its Service Plan, Morgan Hill Metropolitan District No. 1 (the “District”) was formed to provide for the planning, design, acquisition, construction, installation, redevelopment, maintenance and financing of the public improvements for a portion of the property known as “Morgan Hill,” which is located in Erie, Colorado. Such public improvements include, but are not limited to, streets, traffic and safety controls, water, storm and sanitary sewer, utilities and parks and recreation improvements.

The Service Plan, as amended in 2017, permits the District to impose a maximum mill levy on the taxable property within its boundaries as a primary source of revenue for the construction and maintenance of public improvements, repayment of debt and operational costs. The Service Plan also provides a combined total debt issuance limitation in an aggregate principal amount not to exceed \$35,000,000 for Morgan Hill Metropolitan District Nos. 1, 2 and 3.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

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.

For property tax collection year 2026, HB24B-1001 set the assessment rates as follows:

Category	Rate	Category	Rate
Single-Family Residential	6.25%	Agricultural Land	27.00%
Multi-Family Residential	6.25%	Renewable Energy Land	27.00%
Commercial	27.00%	Vacant Land	27.00%
Industrial	27.00%	Personal Property	27.00%
Lodging	27.00%	State Assessed	27.00%
		Oil & Gas Production	87.50%

**MORGAN HILL METROPOLITAN DISTRICT NO. 1
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues – (continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 4.00% of the property taxes collected.

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 4.00%.

Expenditures

General and Administrative

General and administrative expenditures include the services necessary to maintain the District's administrative viability such as legal, accounting, insurance, and other administrative expenses.

Intergovernmental Transfers

The District is obligated to impose a mill levy which will be sufficient to promptly and fully pay amounts to Morgan Hill Metropolitan District No. 3 ("District No. 3). The District is required to remit property taxes derived from such mill levy, together with specific ownership taxes applicable to property within the District less County Treasurer Fees, to District No. 3. The District anticipates transferring funds to District No. 3, as shown in the Debt Service Fund budget for payments on Bonds.

Debt and Leases

The District has no debt or leases.

Reserves

Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending as defined under TABOR.

This information is an integral part of the accompanying budget.

RESOLUTION
ADOPTING BUDGET, AND APPROPRIATING SUMS OF MONEY
AND CERTIFYING MILL LEVIES FOR THE CALENDAR YEAR 2026

The Board of Directors of Morgan Hill Metropolitan District No. 2 (the “**Board**”), Town of Erie, Weld County, Colorado (the “**District**”), held a regular meeting, via teleconference on October 23, 2025, at the hour of 2:30 p.m.

Prior to the meeting, each of the directors was notified of the date, time, and place of the budget meeting and the purpose for which it was called, and a notice of the meeting was posted or published in accordance with § 29-1-106, C.R.S.

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NOTICE AS TO PROPOSED 2026 BUDGET

NOTICE OF PUBLIC HEARING ON THE PROPOSED 2026 BUDGET
AND
NOTICE OF PUBLIC HEARING ON THE AMENDED 2025 BUDGET

The Board of Directors (the "Board") of MORGAN HILL METROPOLITAN DISTRICT NOS. 1-3 (collectively the "District"), will hold a public hearing at via teleconference on October 23, 2025, at 2:30 PM, to consider adoption of the District's proposed 2026 budget (the "Proposed Budget"), and, if necessary, adoption of an amendment to the 2025 budget (the "Amended Budget"). The public hearing may be joined using the following teleconference information:

Zoom Meeting Link:
<https://us06web.zoom.us/j/85886711234?pwd=ep1Kf89L1pEKD3OnT0p9U0IT3AP8r.1>
Meeting ID: 858 8671 1234
Passcode: 573424
Call In Numbers: 1(720) 707-2699 or 1(719) 359-4580

The Proposed Budget and Amended Budget are available for inspection by the public at the offices of CliftonLarsonAllen, LLP, 2001 16th St Suite 1700, Denver, CO 80202.

Any interested elector of the District may file any objections to the Proposed Budget and Amended Budget at any time prior to the final adoption of the Proposed Budget or the Amended Budget by the Board.

The agenda for any meeting may be obtained at <https://morganhillmetrodistricts.specialdistrict.org/district-1> or by calling (303) 858-1800.

BY ORDER OF THE BOARD OF DIRECTORS:
MORGAN HILL METROPOLITAN DISTRICT NOS. 1-3, a quasi-municipal corporation and political subdivision of the State of Colorado

/s/ WBA, PC
Attorneys at Law

Published: Colorado Hometown Weekly October 1, 2025 - 2135492

Prairie Mountain Media, LLC

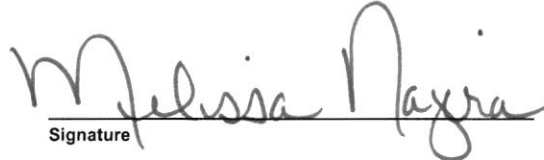
PUBLISHER'S AFFIDAVIT

County of Boulder
State of Colorado

The undersigned, Agent, being first duly sworn under oath, states and affirms as follows:

1. He/she is the legal Advertising Reviewer of Prairie Mountain Media LLC, publisher of the *Colorado Hometown*.
2. The *Colorado Hometown* is a newspaper of general circulation that has been published continuously and without interruption for at least fifty-two weeks in Boulder County and meets the legal requisites for a legal newspaper under Colo. Rev. Stat. 24-70-103.
3. The notice that is attached hereto is a true copy, published in the *Colorado Hometown* in Boulder County on the following date(s):

Oct 1, 2025


Signature

Subscribed and sworn to me before me this

1st day of October, 2025


Notary Public

(SEAL)

SHAYLA NAJERA
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20174031965
MY COMMISSION EXPIRES JULY 31, 2029

Account: 1051175
Ad Number: 2135492
Fee: \$54.12

WHEREAS, the Board has appointed its accountant to prepare and submit a proposed budget to the Board in accordance with Colorado law; and

WHEREAS, the proposed budget has been submitted to the Board for its review and consideration; and

WHEREAS, upon due and proper notice, provided in accordance with Colorado law, said proposed budget was available for inspection by the public at a designated place, a public hearing was held and interested electors of the District were provided a public comment period and given the opportunity to file any objections to the proposed budget prior to the final adoption of the budget by the Board.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD AS FOLLOWS:

Section 1. Adoption of Budget. The budget attached hereto and incorporated herein is approved and adopted as the budget of the District for fiscal year 2026. In the event of recertification of values by the County Assessor's Office after the date of adoption hereof, staff is hereby directed to modify and/or adjust the budget and certification to reflect the recertification without the need for additional Board authorization. Any such modification to the budget or certification as contemplated by this Section 1 shall be deemed ratified by the Board.

Section 2. Levy of Property Taxes. The Board does hereby certify the levy of property taxes for collection in 2026 as more specifically set out in the budget attached hereto.

Section 3. Mill Levy Adjustment. When developing the attached budget, consideration was given to any changes in the method of calculating assessed valuation, including any changes to the assessment ratios, or any constitutionally mandated tax credit, cut, or abatement, as authorized in the District's service plan. The Board hereby determines in good faith (such determination to be binding and final), that to the extent possible, the adjustments to the mill levies made to account for changes in Colorado law described in the prior sentence, and the actual tax revenues generated by the mill levies, are neither diminished nor enhanced as a result of those changes.

Section 4. Certification to County Commissioners. The Board directs its legal counsel, manager, accountant, or other designee to certify to the Board of County Commissioners of Weld County, Colorado the mill levies for the District as set forth herein. Such certification shall be in compliance with the requirements of Colorado law.

Section 5. Appropriations. The amounts set forth as expenditures in the budget attached hereto are hereby appropriated from the revenue of each fund for the purposes stated.

Section 6. Filing of Budget and Budget Message. The Board hereby directs its legal counsel, manager, or other designee to file a certified copy of the adopted budget resolution, the budget and budget message with the Division of Local Government by January 30 of the ensuing year.

Section 7. Budget Certification. The budget shall be certified by a member of the District, or a person appointed by the District, and made a part of the public records of the District.

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ADOPTED OCTOBER 23, 2025.

DISTRICT:

**MORGAN HILL METROPOLITAN DISTRICT
NO. 2**, quasi-municipal corporations and political
subdivisions of the State of Colorado

By: Jon R Lee
Jon R Lee (Nov 17, 2025 12:43:19 MST)

Officer of the District

ATTEST:

By: Jessie Butler

STATE OF COLORADO
COUNTY OF WELD
MORGAN HILL METROPOLITAN DISTRICT NO. 2

I hereby certify that the foregoing resolution constitutes a true and correct copy of the record of proceedings of the Board adopted by a majority of the Board at a District meeting held via teleconference on Thursday, October 23, 2025, as recorded in the official record of the proceedings of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 23rd day of October, 2025.

Jessie Butler

Signature

*[Signature page to Resolution Adopting Budget, and Appropriating Sums of Money
and Certifying Mill Levies for the Calendar Year 2026]*

EXHIBIT A
BUDGET DOCUMENT
BUDGET MESSAGE

MORGAN HILL METROPOLITAN DISTRICT NO. 2
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2026

MORGAN HILL METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

12/1/25

ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
----------------	-------------------	----------------

ASSESSED VALUATION

Residential	\$ 3,935,440	\$ 6,231,330	\$ 6,207,990
Commercial	-	490	880
State assessed	57,120	55,300	82,420
Vacant land	193,860	440	430
Oil and Gas	7,347,980	3,881,750	3,156,070
Certified Assessed Value	<u>\$ 11,534,400</u>	<u>\$ 10,169,310</u>	<u>\$ 9,447,790</u>

MILL LEVY

Debt Service	61.737	58.847	59.065
Total mill levy	<u>61.737</u>	<u>58.847</u>	<u>59.065</u>

PROPERTY TAXES

Debt Service	\$ 712,099	\$ 598,433	\$ 558,034
Levied property taxes	712,099	598,433	558,034
Adjustments to actual/rounding	(15,327)	1	-
Refunds and abatements	(990)	-	-
Budgeted property taxes	<u>\$ 695,782</u>	<u>\$ 598,434</u>	<u>\$ 558,034</u>

BUDGETED PROPERTY TAXES

Debt Service	\$ 695,782	\$ 598,434	\$ 558,034
	<u>\$ 695,782</u>	<u>\$ 598,434</u>	<u>\$ 558,034</u>

MORGAN HILL METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

12/1/25

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
BEGINNING FUND BALANCES	\$ 50,278	\$ 63,670	\$ -
REVENUES			
Property taxes	695,782	598,434	558,034
Specific ownership taxes	25,780	26,291	22,321
Interest income	13,506	6,000	2,500
Other revenue	-	2,605	2,145
Total revenues	<u>735,068</u>	<u>633,330</u>	<u>585,000</u>
Total funds available	<u>785,346</u>	<u>697,000</u>	<u>585,000</u>
EXPENDITURES			
General and administrative			
County Treasurer's Fee	10,668	8,977	8,371
Contingency	-	2,605	2,145
Transfers to District No. 3	711,008	685,418	574,484
Total expenditures	<u>721,676</u>	<u>697,000</u>	<u>585,000</u>
Total expenditures and transfers out requiring appropriation	<u>721,676</u>	<u>697,000</u>	<u>585,000</u>
ENDING FUND BALANCES	<u>\$ 63,670</u>	<u>\$ -</u>	<u>\$ -</u>
EMERGENCY RESERVE	\$ 500	\$ -	\$ -
AVAILABLE FOR OPERATIONS	<u>63,170</u>	<u>-</u>	<u>-</u>
TOTAL RESERVE	<u>\$ 63,670</u>	<u>\$ -</u>	<u>\$ -</u>

See summary of significant assumptions.

**MORGAN HILL METROPOLITAN DISTRICT NO. 2
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

In accordance with its Service Plan, Morgan Hill Metropolitan District No. 2 (the “District”) was formed to provide for the planning, design, acquisition, construction, installation, redevelopment, maintenance and financing of the public improvements for a portion of the property known as “Morgan Hill,” which is located in Erie, Colorado. Such public improvements include, but are not limited to, streets, traffic and safety controls, water, storm and sanitary sewer, utilities and parks and recreation improvements.

The Service Plan, as amended in 2017, permits the District to impose a maximum mill levy on the taxable property within its boundaries as a primary source of revenue for the construction and maintenance of public improvements, repayment of debt and operational costs. The Service Plan also provides a combined total debt issuance limitation in an aggregate principal amount not to exceed \$35,000,000 for Morgan Hill Metropolitan District Nos. 1, 2 and 3.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

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.

For property tax collection year 2026, HB24B-1001 set the assessment rates as follows:

Category	Rate	Category	Rate
Single-Family Residential	6.25%	Agricultural Land	27.00%
Multi-Family Residential	6.25%	Renewable Energy Land	27.00%
Commercial	27.00%	Vacant Land	27.00%
Industrial	27.00%	Personal Property	27.00%
Lodging	27.00%	State Assessed	27.00%
		Oil & Gas Production	87.50%

**MORGAN HILL METROPOLITAN DISTRICT NO. 2
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues – (continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 4.00% of the property taxes collected.

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 4.00%.

Expenditures

Intergovernmental Transfers

The District is obligated to impose a mill levy which will be sufficient to promptly and fully pay amounts to Morgan Hill Metropolitan District No. 3 ("District No. 3). The District is required to remit property taxes derived from such mill levy, together with specific ownership taxes applicable to property within the District less County Treasurer Fees, to District No. 3. The District anticipates transferring funds to District No. 3, as shown in the Debt Service budget for payments on Bonds.

Debt and Leases

The District has no debt or leases.

Reserves

Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending as defined under TABOR.

This information is an integral part of the accompanying budget.

RESOLUTION
ADOPTING BUDGET, AND APPROPRIATING SUMS OF MONEY
AND CERTIFYING MILL LEVIES FOR THE CALENDAR YEAR 2026

The Board of Directors of Morgan Hill Metropolitan District No. 3 (the “**Board**”), Town of Erie, Weld County, Colorado (the “**District**”), held a regular meeting, via teleconference on October 23, 2025, at the hour of 2:30 p.m.

Prior to the meeting, each of the directors was notified of the date, time, and place of the budget meeting and the purpose for which it was called, and a notice of the meeting was posted or published in accordance with § 29-1-106, C.R.S.

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NOTICE AS TO PROPOSED 2026 BUDGET

NOTICE OF PUBLIC HEARING ON THE PROPOSED 2026 BUDGET
AND
NOTICE OF PUBLIC HEARING ON THE AMENDED 2025 BUDGET

The Board of Directors (the "Board") of MORGAN HILL METROPOLITAN DISTRICT NOS. 1-3 (collectively the "District"), will hold a public hearing at via teleconference on October 23, 2025, at 2:30 PM, to consider adoption of the District's proposed 2026 budget (the "Proposed Budget"), and, if necessary, adoption of an amendment to the 2025 budget (the "Amended Budget"). The public hearing may be joined using the following teleconference information:

Zoom Meeting Link:
<https://us06web.zoom.us/j/85886711234?pwd=ep1Kf89L1pEKD3OnT0p9U0IT3AP8r.1>
Meeting ID: 858 8671 1234
Passcode: 573424
Call In Numbers: 1(720) 707-2699 or 1(719) 359-4580

The Proposed Budget and Amended Budget are available for inspection by the public at the offices of CliftonLarsonAllen, LLP, 2001 16th St Suite 1700, Denver, CO 80202.

Any interested elector of the District may file any objections to the Proposed Budget and Amended Budget at any time prior to the final adoption of the Proposed Budget or the Amended Budget by the Board.

The agenda for any meeting may be obtained at <https://morganhillmetrodistricts.specialdistrict.org/district-1> or by calling (303) 858-1800.

BY ORDER OF THE BOARD OF DIRECTORS:
MORGAN HILL METROPOLITAN DISTRICT NOS. 1-3, a quasi-municipal corporation and political subdivision of the State of Colorado

/s/ WBA, PC
Attorneys at Law

Published: Colorado Hometown Weekly October 1, 2025 - 2135492

Prairie Mountain Media, LLC

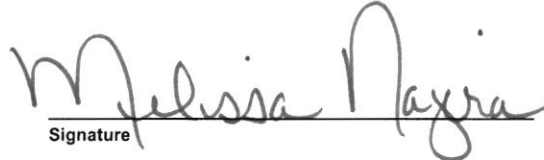
PUBLISHER'S AFFIDAVIT

County of Boulder
State of Colorado

The undersigned, Agent, being first duly sworn under oath, states and affirms as follows:

1. He/she is the legal Advertising Reviewer of Prairie Mountain Media LLC, publisher of the *Colorado Hometown*.
2. The *Colorado Hometown* is a newspaper of general circulation that has been published continuously and without interruption for at least fifty-two weeks in Boulder County and meets the legal requisites for a legal newspaper under Colo. Rev. Stat. 24-70-103.
3. The notice that is attached hereto is a true copy, published in the *Colorado Hometown* in Boulder County on the following date(s):

Oct 1, 2025


Signature

Subscribed and sworn to me before me this

1st day of October, 2025


Notary Public

(SEAL)

SHAYLA NAJERA
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20174031965
MY COMMISSION EXPIRES JULY 31, 2029

Account: 1051175
Ad Number: 2135492
Fee: \$54.12

WHEREAS, the Board has appointed its accountant to prepare and submit a proposed budget to the Board in accordance with Colorado law; and

WHEREAS, the proposed budget has been submitted to the Board for its review and consideration; and

WHEREAS, upon due and proper notice, provided in accordance with Colorado law, said proposed budget was available for inspection by the public at a designated place, a public hearing was held and interested electors of the District were provided a public comment period and given the opportunity to file any objections to the proposed budget prior to the final adoption of the budget by the Board.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD AS FOLLOWS:

Section 1. Adoption of Budget. The budget attached hereto and incorporated herein is approved and adopted as the budget of the District for fiscal year 2026. In the event of recertification of values by the County Assessor's Office after the date of adoption hereof, staff is hereby directed to modify and/or adjust the budget and certification to reflect the recertification without the need for additional Board authorization. Any such modification to the budget or certification as contemplated by this Section 1 shall be deemed ratified by the Board.

Section 2. Levy of Property Taxes. The Board does hereby certify the levy of property taxes for collection in 2026 as more specifically set out in the budget attached hereto.

Section 3. Mill Levy Adjustment. When developing the attached budget, consideration was given to any changes in the method of calculating assessed valuation, including any changes to the assessment ratios, or any constitutionally mandated tax credit, cut, or abatement, as authorized in the District's service plan. The Board hereby determines in good faith (such determination to be binding and final), that to the extent possible, the adjustments to the mill levies made to account for changes in Colorado law described in the prior sentence, and the actual tax revenues generated by the mill levies, are neither diminished nor enhanced as a result of those changes.

Section 4. Certification to County Commissioners. The Board directs its legal counsel, manager, accountant, or other designee to certify to the Board of County Commissioners of Weld County, Colorado the mill levies for the District as set forth herein. Such certification shall be in compliance with the requirements of Colorado law.

Section 5. Appropriations. The amounts set forth as expenditures in the budget attached hereto are hereby appropriated from the revenue of each fund for the purposes stated.

Section 6. Filing of Budget and Budget Message. The Board hereby directs its legal counsel, manager, or other designee to file a certified copy of the adopted budget resolution, the budget and budget message with the Division of Local Government by January 30 of the ensuing year.

Section 7. Budget Certification. The budget shall be certified by a member of the District, or a person appointed by the District, and made a part of the public records of the District.

[Remainder of Page Intentionally Left Blank]

ADOPTED OCTOBER 23, 2025.

DISTRICT:

**MORGAN HILL METROPOLITAN DISTRICT
NO. 3**, quasi-municipal corporations and political
subdivisions of the State of Colorado

By: Jon R Lee
Jon R Lee (Nov 17, 2025 12:43:19 MST)

Officer of the District

ATTEST:

By: Jessie Butler

STATE OF COLORADO
COUNTY OF WELD
MORGAN HILL METROPOLITAN DISTRICT NO. 3

I hereby certify that the foregoing resolution constitutes a true and correct copy of the record of proceedings of the Board adopted by a majority of the Board at a District meeting held via teleconference on Thursday, October 23, 2025, as recorded in the official record of the proceedings of the District.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 23rd day of October, 2025.

Jessie Butler

Signature

*[Signature page to Resolution Adopting Budget, and Appropriating Sums of Money
and Certifying Mill Levies for the Calendar Year 2026]*

EXHIBIT A
BUDGET DOCUMENT
BUDGET MESSAGE

MORGAN HILL METROPOLITAN DISTRICT NO. 3
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2026

MORGAN HILL METROPOLITAN DISTRICT NO. 3
PROPERTY TAX SUMMARY INFORMATION
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

12/1/25

ACTUAL	ESTIMATED	BUDGET
2024	2025	2026

ASSESSED VALUATION

Residential	\$ 41,090	\$ 6,155,060	\$ 9,061,150
Commercial	160	-	530
Agricultural	10	10	10
State assessed	24,630	32,310	65,280
Vacant land	1,934,220	503,540	20
Oil and Gas	14,903,750	8,545,900	6,054,060
Certified Assessed Value	<u>\$ 16,903,860</u>	<u>\$ 15,236,820</u>	<u>\$ 15,181,050</u>

MILL LEVY

Debt Service	59.467	56.008	58.213
Total mill levy	<u>59.467</u>	<u>56.008</u>	<u>58.213</u>

PROPERTY TAXES

Debt Service	\$ 1,005,222	\$ 853,384	\$ 883,734
Levied property taxes	1,005,222	853,384	883,734
Adjustments to actual/rounding	(16,348)	-	-
Refunds and abatements	-	(578)	-
Budgeted property taxes	<u>\$ 988,874</u>	<u>\$ 852,806</u>	<u>\$ 883,734</u>

BUDGETED PROPERTY TAXES

Debt Service	\$ 988,874	\$ 852,806	\$ 883,734
	<u>\$ 988,874</u>	<u>\$ 852,806</u>	<u>\$ 883,734</u>

MORGAN HILL METROPOLITAN DISTRICT NO. 3
GENERAL FUND
2026 BUDGET
WITH 2024 ACTUAL AND 2025 ESTIMATED
For the Years Ended and Ending December 31,

12/1/25

	ACTUAL 2024	ESTIMATED 2025	BUDGET 2026
BEGINNING FUND BALANCES	\$ 3,709,414	\$ 2,519,557	\$ 2,373,516
REVENUES			
Property taxes	988,874	852,806	883,734
Specific ownership taxes	36,391	37,491	35,349
Interest income	166,925	110,000	52,500
Transfers from District No. 1	337,118	353,408	358,027
Transfers from District No. 2	711,008	685,418	574,484
Other revenue	12,064	-	-
Total revenues	2,252,380	2,039,123	1,904,094
Total funds available	5,961,794	4,558,680	4,277,610
EXPENDITURES			
General, administrative, and operations			
Construction management	75,353	61,000	-
County Treasurer's fee	14,834	12,794	13,256
Landscaping	8,970	-	-
Letter of Credit expense	10,757	20,623	-
Contingency	-	-	1,283
Debt service			
Bond interest - Series 2021A	752,250	752,250	751,650
Bond principal - Series 2021A	-	20,000	220,000
Bond interest - Series 2021B	223,629	380,000	1,200,000
Bond interest - Series 2021C	269,484	718,035	556,811
Bond principal - Series 2021C	1,100,746	-	-
Paying agent fees	7,000	7,000	7,000
Capital projects			
Capital outlay	979,214	213,462	50,000
Total expenditures	3,442,237	2,185,164	2,800,000
Total expenditures and transfers out requiring appropriation	3,442,237	2,185,164	2,800,000
ENDING FUND BALANCES	\$ 2,519,557	\$ 2,373,516	\$ 1,477,610
EMERGENCY RESERVE	\$ 67,600	\$ 61,200	\$ 57,200
DEBT SERVICE RESERVE FUND - 2021A	1,375,917	1,375,917	1,375,917
PUBLIC IMPROVEMENTS WARRANTY	345,085	50,000	-
AVAILABLE FOR OPERATIONS	730,955	886,399	44,493
TOTAL RESERVE	\$ 2,519,557	\$ 2,373,516	\$ 1,477,610

See summary of significant assumptions.

**MORGAN HILL METROPOLITAN DISTRICT NO. 3
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

In accordance with its Service Plan, Morgan Hill Metropolitan District No. 3 (the “District”) was formed to provide for the planning, design, acquisition, construction, installation, redevelopment, maintenance and financing of the public improvements for a portion of the property known as “Morgan Hill,” which is located in Erie, Colorado. Such public improvements include, but are not limited to, streets, traffic and safety controls, water, storm and sanitary sewer, utilities and parks and recreation improvements.

The Service Plan, as amended in 2017, permits the District to impose a maximum mill levy on the taxable property within its boundaries as a primary source of revenue for the construction and maintenance of public improvements, repayment of debt and operational costs. The Service Plan also provides a combined total debt issuance limitation in an aggregate principal amount not to exceed \$35,000,000 for Morgan Hill Metropolitan District Nos. 1, 2 and 3.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. All activity is accounted for in the General Fund. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

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.

For property tax collection year 2026, HB24B-1001 set the assessment rates as follows:

Category	Rate	Category	Rate
Single-Family Residential	6.25%	Agricultural Land	27.00%
Multi-Family Residential	6.25%	Renewable Energy Land	27.00%
Commercial	27.00%	Vacant Land	27.00%
Industrial	27.00%	Personal Property	27.00%
Lodging	27.00%	State Assessed	27.00%
		Oil & Gas Production	87.50%

**MORGAN HILL METROPOLITAN DISTRICT NO. 3
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues – (continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 4.00% of the property taxes collected.

Intergovernmental Transfers

The District anticipates receiving funds from Morgan Hill Metropolitan District Nos. 1 and 2 to be used for payments on Bonds (detailed below).

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 4.50%.

Expenditures

Debt Service

The District's anticipated debt service payments have been estimated based on the debt service to maturity requirements.

Debt and Leases

On November 10, 2021, the District issued the (i) Series 2021A, General Obligation Refunding and Improvement Bonds in the aggregate principal amount of \$20,030,000; and (ii) Series 2021B, Subordinate General Obligation Refunding and Improvements Bonds in the aggregate principal amount of \$5,850,000 for the purposes of (i) refunding all amounts on the District's Series 2018B Limited Tax Revenue Note Payable; (ii) funding a Project Fund for future capital improvements; (iii) funding a Reserve Fund for the 2021A Senior Bonds; (iv) funding a Capitalized Interest Fund for the 2021A Senior Bonds; and (v) paying costs of issuance in connection with the 2021A Senior Bonds and the 2021B Subordinate Bonds. Pursuant to the Pledge Agreement dated November 1, 2021, District Nos. 1 and 2 are to remit pledged revenues to the District for debt service payments on the 2021A Senior Bonds and 2021B Subordinate Bonds.

On December 9, 2021, the District issued the Series 2021C Junior Lien draw down facility in the maximum aggregate amount of \$5,000,000 for the purpose of funding remaining costs of public improvements. The 2021C junior lien bonds will be repaid from ad valorem revenue associated with oil and gas revenue and a pledge of oil and gas revenue from Morgan Hill Metropolitan District Nos. 1 and 2.

The District has no leases.

**MORGAN HILL METROPOLITAN DISTRICT NO. 3
2026 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Reserves

Emergency Reserve

The District has provided for an emergency reserve fund equal to at least 3% of fiscal year spending as defined under TABOR.

Debt Service Reserve

The District maintains a Debt Service Reserve as required by the issuance of the 2021A Senior Bonds.

This information is an integral part of the accompanying budget.

MORGAN HILL METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

\$20,030,000

General Obligation (Limited Tax)

Refunding Bonds and Improvement Bonds

Series 2021A

Dated November 10, 2021

Interest Rate of 3.00-4.00%

Payable June 1 and December 1

Principal due December 1

Year Ended December 31,	Principal	Interest	Total
2026	\$ 220,000	\$ 751,650	\$ 971,650
2027	285,000	745,050	1,030,050
2028	325,000	736,500	1,061,500
2029	335,000	726,750	1,061,750
2030	380,000	716,700	1,096,700
2031	390,000	705,300	1,095,300
2032	435,000	693,600	1,128,600
2033	450,000	678,375	1,128,375
2034	500,000	662,625	1,162,625
2035	520,000	645,125	1,165,125
2036	570,000	626,925	1,196,925
2037	590,000	606,975	1,196,975
2038	650,000	586,325	1,236,325
2039	670,000	563,575	1,233,575
2040	735,000	540,125	1,275,125
2041	760,000	514,400	1,274,400
2042	825,000	487,800	1,312,800
2043	855,000	454,800	1,309,800
2044	935,000	420,600	1,355,600
2045	970,000	383,200	1,353,200
2046	1,050,000	344,400	1,394,400
2047	1,090,000	302,400	1,392,400
2048	1,180,000	258,800	1,438,800
2049	1,225,000	211,600	1,436,600
2050	1,320,000	162,600	1,482,600
2051	2,745,000	109,800	2,854,800
	<u>\$ 20,010,000</u>	<u>\$ 13,636,000</u>	<u>\$ 33,646,000</u>

See summary of significant assumptions.

EXHIBIT A
2025 Audits

Application for Exemption From Audit Long Form

Instructions

For local governments with either revenues or expenditures/expenses more than \$200,000 but not more than \$1,000,000

Under the Local Government Audit Law (Section 29-1-601, et seq., C.R.S.), any local government may apply for an exemption from audit if neither revenues nor expenditures exceed \$1,000,000 for the year.

Exemptions from audit are **NOT** automatic

To qualify for exemption from audit, a local government must complete an Application for Exemption from Audit **each year** and submit it to the Office of the State Auditor (OSA). Approval for an exemption from audit is granted only upon the review by the OSA.

Any preparer of an Application for Exemption from Audit — Long Form must be a person skilled in governmental accounting.

Read **ALL** instructions before completing and submitting this form

All applications must be filed with the OSA **within 3 months** after the accounting year-end.

For example, applications must be received by the OSA on or before March 31 for governments with a December 31 year-end. Applications for exemption from audit are not eligible for an extension of time.

Governmental activity should be reported on the modified accrual basis. Proprietary activity should be reported on a cash or budgetary basis.

Important!

All Applications for Exemption from Audit are subject to review and approval by the Office of the State Auditor.

Governmental Activity should be reported on the **Modified Accrual Basis**. Proprietary Activity should be reported on the **Cash or Budgetary Basis** — a budget to GAAP reconciliation is provided in Part 3B.

Failure to file an application or denial of the request could cause the local government to lose its exemption from audit for that year and the ensuing year. In that event, an audit shall be required.

Postmark dates will not be accepted as proof of submission on or before the statutory deadline

Prior year forms are obsolete and will not be accepted.

Applications must be fully and accurately completed. Applications submitted on forms other than those prescribed by the OSA will not be accepted.

For your reference, the Colorado Revised Statutes are available through the [LexisNexis Colorado portal](#).

Checklist

- ☐ Has the preparer signed the application prior to board approval?
- ☐ Has the entity corrected all prior year deficiencies as communicated by the OSA?
- ☐ Has the application been **personally** reviewed and approved by the governing body?
- ☐ Are all sections on the form complete, including responses to all of the questions?
- ☐ Did you include any relevant explanations for unusual items in the appropriate spaces at the end of each section?

Will this application be submitted electronically? ☐ Yes ☐ No

- ☐ If yes, have you read and understood the Electronic Signature Policy? See policy in Part 11.

-- or --

☐ If yes, have you included a resolution?☐ Does the resolution state that the governing body **personally** reviewed and approved the resolution in an open public meeting?☐ Has the resolution been signed by a **majority** of the governing body? See sample resolution at the end of this form.Will this application be submitted via a mail service (e.g., U.S. Post Office, FedEx, UPS, courier)? ☐ Yes ☐ No☐ If yes, does the application include **original ink signatures** from the **majority** of the governing body?**Filing Methods****Web Portal (recommended)**apps.leg.co.gov/osa/lq

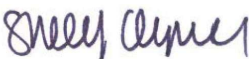
For faster processing, the web portal should be used for submissions.

Mail**Office of the State Auditor**Local Government Audit Division
1375 Sherman St., 5th Floor
Denver, CO 80261-3000**Questions? Email:** osa.lg@coleg.gov **Phone:** 303-869-3000**Contact Information**For the year ended 12/31/2025 or the fiscal year ended _____.

Name of government	Morgan Hill Metropolitan District No. 1
Street address	2001 16th Street, Suite 1700
City, State, Zip	Denver, CO 80202
Contact person	Shelby Clymer
Phone	(303) 779-5710
Email	Shelby.Clymer@claconnect.com

Certification of Preparer

I certify that I am an independent accountant with knowledge of governmental accounting and that the information in the Application is complete and accurate to the best of my knowledge. The preparer must sign prior to board approval.

Name	Shelby Clymer
Title	Accountant for the District
Firm name (if applicable)	CliftonLarsonAllen LLP
Address	2001 16th Street, Suite 1700 Denver, CO 80202
Phone	(303) 779-5710
Relationship to entity	CPA firm providing accounting services to the District
Preparer signature	Date prepared
	02/25/2026

See accompanying letter at the end of this form.

Has the entity filed for, or has the district filed, a Title 32, Article 1 Special District Notice of Inactive Status during the year? (Applicable to Title 32 special districts only, pursuant to Sections 32-1-103 (9.3) and 32-1-104 (3), C.R.S.)	☐ Yes	☒ No
If yes, enter date filed		

Part 1: Financial Statements — Balance Sheet

Part 1A: Governmental Funds (Modified Accrual Basis) Table

Enter the type of each governmental fund in the fields below.

Fund A: General Fund

Fund B: Debt Service Fund

Fund C: _____

Fund D: _____

Line	Description	Governmental Fund			
		Fund A	Fund B	Fund C	Fund D
	Assets				
1-1	Cash and Cash Equivalents	\$ 3,509			
1-2	Investments	\$ 137,139			
1-3	Receivables				
1-4	Due from Other Entities or Funds				
1-5	Property Tax Receivable	\$ 93,654	\$ 349,294		
1-6	All Other Assets:				
1-7	Lease Receivable (as Lessor)				
	Other (specify in lines 1-8 through 1-10)				
1-8	Prepaid Expenses	\$ 21,109			
1-9					
1-10					
1-11	TOTAL ASSETS (Add lines 1-1 through 1-10)	\$ 255,411	\$ 349,294	\$ 0	\$ 0
	Deferred Outflows of Resources (specify in lines 1-12 and 1-13)				
1-12					
1-13					
1-14	Total Deferred Outflows (Add lines 1-12 through 1-13)	\$ 0	\$ 0	\$ 0	\$ 0
1-15	TOTAL ASSETS AND DEFERRED OUTFLOWS (Add lines 1-11 and 1-14)	\$ 255,411	\$ 349,294	\$ 0	\$ 0

Line	Description	Governmental Fund			
		Fund A	Fund B	Fund C	Fund D
	Liabilities				
1-16	Accounts Payable	\$ 9,452			
1-17	Accrued Payroll and Related Liabilities				
1-18	Unearned Revenue				
1-19	Due to Other Entities or Funds	\$ 2,479			
1-20	All Other Current Liabilities				
1-21	TOTAL CURRENT LIABILITIES (Add lines 1-16 through 1-20)	\$ 11,931	\$ 0	\$ 0	\$ 0
	All Other Liabilities (specify in lines 1-22 through 1-25)				
1-22					
1-23					
1-24					
1-25					
1-26	TOTAL LIABILITIES (Add lines 1-21 through 1-25)	\$ 11,931	\$ 0	\$ 0	\$ 0
	Deferred Inflows of Resources				
1-27	Deferred Property Taxes	\$ 93,654	\$ 349,294		
1-28	Lease related (as Lessor)				
1-29	TOTAL DEFERRED INFLOWS (Add lines 1-27 through 1-28)	\$ 93,654	\$ 349,294	\$ 0	\$ 0
	Fund Balance				
1-30	Nonspendable-Prepaid	\$ 21,109			
1-31	Nonspendable-Inventory				
1-32	Restricted	\$ 3,500			
1-33	Committed				
1-34	Assigned	\$ 7,600			
1-35	Unassigned	\$ 117,617			
1-36	Total Fund Balance (Add lines 1-30 through 1-35. This total should be the same as line 3-34)	\$ 149,826	\$ 0	\$ 0	\$ 0
1-37	TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE (Add lines 1-26, 1-29, and 1-36. This total should be the same as line 1-15)	\$ 255,411	\$ 349,294	\$ 0	\$ 0

Part 1B: Proprietary/Fiduciary Funds Table

Enter the type of each proprietary/fiduciary fund in the fields below.

Fund A: _____**Fund B:** _____**Fund C:** _____**Fund D:** _____

Line	Description	Proprietary/Fiduciary Fund			
		Fund A	Fund B	Fund C	Fund D
	Assets				
1-38	Cash and Cash Equivalents				
1-39	Investments				
1-40	Receivables				
1-41	Due from Other Entities or Funds				
	Other Current Assets (specify in line 1-42)				
1-42					
1-43	Total Current Assets (Add lines 1-38 through 1-42)	\$ 0	\$ 0	\$ 0	\$ 0
1-44	Capital & Right-to-Use Assets, net (from Part 6, Capital & Right-to-Use Table)				
	Other Long Term Assets (specify in lines 1-45 through 1-47)				
1-45					
1-46					
1-47					
1-48	TOTAL ASSETS (Add lines 1-43 through 1-47)	\$ 0	\$ 0	\$ 0	\$ 0
	Deferred Outflows of Resources (specify in lines 1-49 through 1-50)				
1-49					
1-50					
1-51	Total Deferred Outflows (Add lines 1-49 through 1-50)	\$ 0	\$ 0	\$ 0	\$ 0
1-52	TOTAL ASSETS AND DEFERRED OUTFLOWS (Add lines 1-48 and 1-51)	\$ 0	\$ 0	\$ 0	\$ 0

Line	Description	Proprietary/Fiduciary Fund			
		Fund A	Fund B	Fund C	Fund D
	Liabilities				
1-53	Accounts Payable				
1-54	Accrued Payroll and Related Liabilities				
1-55	Accrued Interest Payable				
1-56	Due to Other Entities or Funds				
1-57	All Other Current Liabilities				
1-58	TOTAL CURRENT LIABILITIES (Add lines 1-53 through 1-57)	\$ 0	\$ 0	\$ 0	\$ 0
1-59	Proprietary Debt Outstanding (from Part 4, Debt Schedule Table)				
	Other (specify in lines 1-60 through 1-62)				
1-60					
1-61					
1-62					
1-63	TOTAL LIABILITIES (Add lines 1-58 through 1-62)	\$ 0	\$ 0	\$ 0	\$ 0
	Deferred Inflows of Resources				
1-64	Pension/OPEB Related				
	Other (specify in line 1-65)				
1-65					
1-66	TOTAL DEFERRED INFLOWS (Add lines 1-64 through 1-65)	\$ 0	\$ 0	\$ 0	\$ 0
	Net Position				
1-67	Net Investment in Capital and Right-to-Use Assets				
1-68	Emergency Reserves				
1-69	Other Designation/Reserves				
1-70	Restricted				
1-71	Undesignated/Unreserved/Unrestricted				
1-72	Total Net Position (Add lines 1-67 through 1-71. This total should be the same as 3-70.)	\$ 0	\$ 0	\$ 0	\$ 0
1-73	TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION (Add lines 1-63, 1-66, and 1-72. This total should be the same as 1-52.)	\$ 0	\$ 0	\$ 0	\$ 0

Part 1C: Comments or Additional Information

Please use this space to provide explanation of any item in this section (optional).

Part 2: Financial Statements — Operating Statement — Revenues

Part 2A: Governmental Funds Table

Enter the type of each governmental fund in the fields below.

Fund A: General Fund

Fund B: Debt Service Fund

Fund C: _____

Fund D: _____

Line	Description	Governmental Fund			
		Fund A	Fund B	Fund C	Fund D
	Tax Revenue				
2-1	Property (include mills levied in question 10-12)	\$ 436,000			
2-2	Specific Ownership	\$ 17,663			
2-3	Sales and Use Tax				
	Other Tax Revenue (specify in lines 2-4 through 2-6)				
2-4					
2-5					
2-6					
2-7	TOTAL TAX REVENUE (Add lines 2-1 through 2-6)	\$ 453,663	\$ 0	\$ 0	\$ 0
	Other Revenue Sources				
2-8	Licenses and Permits				
2-9	Highway Users Tax Funds (HUTF)				
2-10	Conservation Trust Funds (Lottery)				
2-11	Community Development Block Grant				
2-12	Fire & Police Pension				
2-13	Grants				
2-14	Donations				
2-15	Charges for Sales and Services				
2-16	Rental Income				

Line	Description	Governmental Fund			
		Fund A	Fund B	Fund C	Fund D
2-17	Fines and Forfeits				
2-18	Interest/Investment Income	\$ 9,617			
2-19	Tap Fees				
2-20	Proceeds from Sale of Capital Assets				
	Other (specify in lines 2-21 through 2-22)				
2-21					
2-22					
2-23	TOTAL REVENUES (Add lines 2-7 through 2-22)	\$ 463,280	\$ 0	\$ 0	\$ 0
	Other Financing Sources (should agree to Part 4, Debt Schedule Table, column 'issued during the year')				
2-24	Debt Proceeds				
2-25	Lease Proceeds				
2-26	Developer Advances				
	Other (specify in line 2-27)				
2-27					
2-28	Total Other Financing Sources (Add lines 2-24 through 2-27)	\$ 0	\$ 0	\$ 0	\$ 0
2-29	TOTAL REVENUES AND OTHER FINANCING SOURCES (Add lines 2-23 and 2-28)	\$ 463,280	\$ 0	\$ 0	\$ 0

Part 2B: Proprietary/Fiduciary Funds Table

Enter the type of each proprietary/fiduciary fund in the fields below.

Fund A: _____

Fund B: _____

Fund C: _____

Fund D: _____

Line	Description	Proprietary/Fiduciary Fund			
		Fund A	Fund B	Fund C	Fund D
	Tax Revenue				
2-30	Property (include mills levied in question 10-12)				
2-31	Specific Ownership				
2-32	Sales and Use Tax				
	Other Tax Revenue (specify in lines 2-33 through 2-36)				
2-33					
2-34					
2-35					
2-36	TOTAL TAX REVENUE (Add lines 2-30 through 2-35)	\$ 0	\$ 0	\$ 0	\$ 0
	Other Revenue Sources				
2-37	Licenses and Permits				
2-38	Highway Users Tax Funds (HUTF)				
2-39	Conservation Trust Funds (Lottery)				
2-40	Community Development Block Grant				
2-41	Fire & Police Pension				
2-42	Grants				
2-43	Donations				
2-44	Charges for Sales and Services				
2-45	Rental Income				
2-46	Fines and Forfeits				
2-47	Interest/Investment Income				

Line	Description	Proprietary/Fiduciary Fund			
		Fund A	Fund B	Fund C	Fund D
2-48	Tap Fees				
2-49	Proceeds from Sale of Capital Assets				
	All Other (specify in lines 2-50 through 2-51)				
2-50					
2-51					
2-52	TOTAL REVENUES (Add lines 2-36 through 2-51)	\$ 0	\$ 0	\$ 0	\$ 0
	Other Financing Sources (should agree to Part 4, Debt Schedule Table, column 'issued during the year')				
2-53	Debt Proceeds				
2-54	Lease Proceeds				
2-55	Developer Advances				
	Other (specify in line 2-56)				
2-56					
2-57	Total Other Financing Sources (Add lines 2-53 through 2-56)	\$ 0	\$ 0	\$ 0	\$ 0
2-58	TOTAL REVENUES AND OTHER FINANCING SOURCES (Add lines 2-52 and 2-57)	\$ 0	\$ 0	\$ 0	\$ 0

Part 2C: Comments or Additional Information

Please use this space to provide explanation of any item in this section (optional).

Part 3: Financial Statements — Operating Statement — Expenditures/Expenses

Part 3A: Governmental Funds Table

Enter the type of each governmental fund in the fields below.

Fund A: General Fund

Fund B: Debt Service Fund

Fund C: _____

Fund D: _____

Line	Description	Governmental Fund			
		Fund A	Fund B	Fund C	Fund D
	Expenditures				
3-1	General Government	\$ 98,115			
3-2	Judicial				
3-3	Law Enforcement				
3-4	Fire				
3-5	Highways & Streets				
3-6	Solid Waste				
3-7	Contributions to Fire & Police Pension Association				
3-8	Health				
3-9	Culture and Recreation				
3-10	Transfers to other districts	\$ 352,217			
	Other (specify in lines 3-11 through 3-13)				
3-11	County Treasurer's fees	\$ 6,544			
3-12					
3-13					
3-14	Capital Outlay	\$ 1,479			
	Debt Service				
3-15	Principal (from Part 4, Debt Schedule Table)				
3-16	Interest				

Line	Description	Governmental Fund			
		Fund A	Fund B	Fund C	Fund D
3-17	Bond Issuance Costs				
3-18	Developer Principal Repayments (from Part 4, Debt Schedule Table)				
3-19	Developer Interest Repayments				
	All Other (specify in lines 3-20 through 3-22)				
3-20					
3-21					
3-22					
3-23	TOTAL EXPENDITURES (Add lines 3-1 through 3-22)	\$ 458,355	\$ 0	\$ 0	\$ 0
	Transfers and Other Expenditures				
3-24	Interfund Transfers (In)				
3-25	Interfund Transfers (Out)				
	Other Expenditures (Revenues) (Specify in lines 3-26 through 3-28.)				
3-26					
3-27					
3-28					
3-29	Total Transfers and Other Expenditures (Add lines 3-24 through 3-28)	\$ 0	\$ 0	\$ 0	\$ 0
3-30	EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES (line 2-29 less line 3-23 less line 3-29)	\$ 4,925	\$ 0	\$ 0	\$ 0
3-31	Fund Balance, January 1 from December 31 prior year report	\$ 144,901			
3-32	Prior Period Adjustment (MUST explain in line 3-33)				
3-33					
3-34	FUND BALANCE, DECEMBER 31 (Add lines 3-30, 3-31, and 3-32. Should match line 1-36.)	\$ 149,826	\$ 0	\$ 0	\$ 0

Part 3B: Proprietary/Fiduciary Funds Table

Enter the type of each proprietary/fiduciary fund in the fields below.

Fund A: _____

Fund B: _____

Fund C: _____

Fund D: _____

Line	Description	Proprietary/Fiduciary Fund			
		Fund A	Fund B	Fund C	Fund D
	Expenses				
3-35	General Operating and Administrative				
3-36	Salaries				
3-37	Payroll Taxes				
3-38	Contract Services				
3-39	Employee Benefits				
3-40	Insurance				
3-41	Accounting and Legal Fees				
3-42	Repair and Maintenance				
3-43	Supplies				
3-44	Utilities				
3-45	Contributions to Fire & Police Pension Association				
	Other (specify in lines 3-46 through 3-47)				
3-46					
3-47					
3-48	Capital Outlay				
	Debt Service				
3-49	Principal (should match amount in Part 4, Debt Schedule Table)				
3-50	Interest				
3-51	Bond Issuance Costs				
3-52	Developer Principal Repayments				

Line	Description	Proprietary/Fiduciary Fund			
		Fund A	Fund B	Fund C	Fund D
3-53	Developer Interest Repayments				
	All Other (specify in lines 3-54 through 3-57)				
3-54					
3-55					
3-56					
3-57					
3-58	TOTAL EXPENSES (Add lines 3-35 through 3-57)	\$ 0	\$ 0	\$ 0	\$ 0
	GAAP Reconciling Items				
3-59	Net Interfund Transfers (In) Out				
	Other (specify in line 3-60. Enter negative for expense.)				
3-60					
3-61	Depreciation/Amortization				
3-62	Other Financing Sources (from line 2-57)				
3-63	Capital Outlay (from line 3-48)				
3-64	Debt Principal (from line 3-49, 3-52)				
3-65	Total GAAP Reconciling Items (Add lines 3-60, 3-63, and 3-64, subtract lines 3-61 and 3-62)	\$ 0	\$ 0	\$ 0	\$ 0
3-66	NET INCREASE (DECREASE) IN NET POSITION (Line 2-58, less line 3-58, plus line 3-65, less line 3-59)	\$ 0	\$ 0	\$ 0	\$ 0
3-67	Net Position, January 1 from December 31 prior year report				
3-68	Prior Period Adjustment (MUST explain in line 3-69)				
3-69					
3-70	NET POSITION, DECEMBER 31 (Add lines 3-66, 3-67, and 3-68. Should match line 1-72.)	\$ 0	\$ 0	\$ 0	\$ 0

Part 3C: Grand Total of Revenues and Expenditures/Expenses

Line	Description	Total
	Total Revenues per Fund	
3-71	General Fund	\$ 463,280
3-72	Debt Service Fund	\$ 0
3-73		\$ 0
3-74		\$ 0
3-75	Governmental Funds (Add lines 3-71 through 3-74)	\$ 463,280
3-76		\$ 0
3-77		\$ 0
3-78		\$ 0
3-79		\$ 0
3-80	Proprietary/Fiduciary Funds (Add lines 3-76 through 3-79)	\$ 0
3-81	GRAND TOTAL REVENUES (ALL FUNDS) (Add lines 3-75 and 3-80)	\$ 463,280
	Total Expenditures/Expenses per Fund	
3-82	General Fund	\$ 458,355
3-83	Debt Service Fund	\$ 0
3-84		\$ 0
3-85		\$ 0
3-86	Governmental Funds (Add lines 3-82 through 3-85)	\$ 458,355
3-87		\$ 0
3-88		\$ 0
3-89		\$ 0
3-90		\$ 0
3-91	Proprietary/Fiduciary Funds (Add lines 3-87 through 3-90)	\$ 0
3-92	GRAND TOTAL EXPENDITURES/EXPENSES (ALL FUNDS) (Add lines 3-86 and 3-91)	\$ 458,355

IF EITHER GRAND TOTAL REVENUES OR EXPENDITURES/EXPENSES FOR ALL FUNDS IS GREATER THAN \$1,000,000 — STOP.

You may not use this form. An audit may be required. See Section 29-1-604, C.R.S., or contact the OSA Local Government Division at 303-869-3000 for assistance.

Part 3D: Comments or Additional Information

Please use the space below to provide any additional information (optional).

Part 4: Debt Outstanding, Issued, and Retired

4-1	Does the entity have outstanding debt?	☐ Yes	☒ No
4-2	If no, skip to line 4-15. If yes, please attach a copy of the entity's debt repayment schedule.		
4-3	Is the debt repayment schedule attached?	☐ N/A	☐ Yes ☐ No
4-4	If no, MUST explain below.		
4-5	Is the entity current in its debt service payments?	☐ Yes	☐ No
4-6	If no, MUST explain below.		
4-7	If no, also indicate if the government is in default with its bond agreements.	☐ Yes	☐ No

Debt Schedule Table

Please complete the following debt schedule, if applicable.

Please only include principal amounts. Enter all amounts as positive numbers.

Line	Debt Type	Outstanding at End of Prior Year*	Issued During Year	Retired During Year	Outstanding at Year-End
4-8	General Obligation Bonds				\$ 0
4-9	Revenue Bonds				\$ 0
4-10	Notes/Loans				\$ 0
4-11	Lease and SBITA** Liabilities (GASB 87 & 96)				\$ 0
4-12	Developer Advances				\$ 0
	Other (specify in line 4-13)				
4-13					\$ 0
4-14	TOTAL (Add lines 4-8 through 4-13)	\$ 0	\$ 0	\$ 0	\$ 0

*Must agree to prior year-end balance

**Subscription-Based Information Technology Arrangements

Comments (optional)

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4-15	Does the entity have any authorized but unissued debt as of its fiscal year-end?	☒ Yes	☐ No
4-16	If yes, how much?	\$ 119,000,000	
4-17	Date the debt was authorized	11/04/2008	
4-18	Is the authorized but unissued debt further limited by the entity's most recent Service Plan?	☒ Yes	☐ No
4-19	If yes, how much?	\$ 35,000,000	
4-20	Date of the most recent Service Plan	07/25/2017	
4-21	Does the entity intend to issue debt within the next calendar year?	☐ Yes	☒ No
4-22	If yes, how much?		
4-23	Does the entity have debt that has been refinanced that it is still responsible for?	☐ Yes	☒ No
4-24	If yes, what is the amount outstanding?		
4-25	Does the entity have any lease agreements?	☐ Yes	☒ No
4-26	If yes, what is being leased?		
4-27	What is the original date of the lease?		
4-28	Number of years of lease?		
4-29	Is the lease subject to annual appropriation?	☐ Yes	☐ No
4-30	What are the annual lease payments?		

Please use the space below to provide any additional information (optional).

Part 5: Cash and Investments

Please provide the entity’s cash deposit and investment balances.

Line	Description	Amount
5-1	Year-end Total of all Checking and Savings Accounts	\$ 3,509
5-2	Certificates of Deposit	
5-3	TOTAL CASH DEPOSITS (Add lines 5-1 and 5-2)	\$ 3,509
	Investments (Specify in lines 5-4 through 5-8. If investment is a mutual fund, please list underlying investment.)	
5-4	Colorado Surplus Asset Fund Trust (CSAFE)	\$ 137,139
5-5		
5-6		
5-7		
5-8		
5-9	Total Investments (Add lines 5-4 through 5-8)	\$ 137,139
5-10	TOTAL CASH AND INVESTMENTS (Add lines 5-3 and 5-9)	\$ 140,648

5-11	Are the entity’s investments legal in accordance with Section 24-75-601, et. seq., C.R.S.?	☐ N/A	☒ Yes	☐ No
5-12	Are the entity’s deposits in an eligible (Public Deposit Protection Act) public depository (Section 11-10.5-101, et seq. C.R.S.)?		☒ Yes	☐ No
5-13	If no, MUST explain below.			

Please use the space below to provide any additional information (optional).

Part 6: Capital and Right-to-Use Assets

6-1	Does the entity have capitalized assets? (If "no" is selected, skip the rest of Part 6.)	☒ Yes	☐ No
6-2	Has the entity performed an annual inventory of capital assets in accordance with Section 29-1-506, C.R.S.?	☒ Yes	☐ No
6-3	If no, MUST explain below.		

Capital and Right-to-Use Assets Table for Governmental Funds

Line	Asset Type	Beginning of the Year Balance*	Additions**	Deletions	Year-End Balance
6-4	Land				\$ 0
6-5	Buildings				\$ 0
6-6	Machinery and Equipment				\$ 0
6-7	Furniture and Fixtures				\$ 0
6-8	Infrastructure				\$ 0
6-9	Construction In Progress (CIP)	\$ 67,616			\$ 67,616
6-10	Leased & SBITA Right-to-Use Assets				\$ 0
6-11	Intangible Assets				\$ 0
	Other (explain in line 6-12)				
6-12					\$ 0
6-13	Accumulated Amortization Right-to-Use Assets (Enter a negative or credit balance)				\$ 0
6-14	Accumulated Depreciation (Enter a negative or credit balance)				\$ 0
6-15	TOTAL (Add lines 6-4 through 6-14)	\$ 67,616	\$ 0	\$ 0	\$ 67,616

*Must agree to prior year-end balance.

**Generally capital asset additions should be reported as capital outlay on line 3-14 and capitalized in accordance with the government's capitalization policy. Please explain any discrepancy in the comments section below.

Capital and Right-to-Use Assets Table for Proprietary Funds

Please complete the following Capital & Right-To-Use Assets table for PROPRIETARY FUNDS.

Line	Asset Type	Beginning of the Year Balance*	Additions**	Deletions	Year-End Balance
6-16	Land				\$ 0
6-17	Buildings				\$ 0
6-18	Machinery and Equipment				\$ 0
6-19	Furniture and Fixtures				\$ 0
6-20	Infrastructure				\$ 0
6-21	Construction In Progress (CIP)				\$ 0
6-22	Leased & SBITA Right-to-Use Assets				\$ 0
6-23	Intangible Assets				\$ 0
	Other (explain in line 6-24)				
6-24					\$ 0
6-25	Accumulated Amortization Right-to-Use Assets (Enter a negative or credit balance)				\$ 0
6-26	Accumulated Depreciation (Enter a negative or credit balance)				\$ 0
6-27	TOTAL (Add lines 6-16 through 6-26)	\$ 0	\$ 0	\$ 0	\$ 0

*Must agree to prior year-end balance.
**Generally capital asset additions should be reported as capital outlay on line 3-48 and capitalized in accordance with the government's capitalization policy. Please explain any discrepancy in the comments section below.

Please use the space below to provide any additional information (optional).

Part 7: Pension Information

7-1	Does the entity have an “old hire” firefighters’ pension plan?	☐ Yes	☒ No
7-2	Does the entity have a volunteer firefighters’ pension plan?	☐ Yes	☒ No
7-3	If yes, who administers the plan?		
	Indicate the contributions from the following in lines 7-4 through 7-6.		
7-4	Tax (property, specific ownership, sales, etc.)		\$ 0
7-5	State contribution amount		\$ 0
7-6	Other (gifts, donations, etc.)		\$ 0
7-7	TOTAL (Add lines 7-4 through 7-6)		\$ 0
7-8	What is the monthly benefit paid for 20 years of service per retiree as of Jan 1?		

Please use the space below to provide any additional information (optional).

Part 8: Budget Information

8-1	Did the entity file a budget with the Department of Local Affairs for the current year in accordance with Section 29-1-113 C.R.S.?	☐ N/A	☒ Yes	☐ No
8-2	If no, MUST explain below.			
8-3	Did the entity pass an appropriations resolution, in accordance with Section 29-1-108 C.R.S.?	☐ N/A	☒ Yes	☐ No
8-4	If no, MUST explain below.			
	If yes, indicate the amount appropriated for each fund separately for the year reported in the table below.			

Appropriation Amount by Fund

Enter the fund name, then indicate the final amount appropriated for each fund for the year reported.
Ensure each individual fund's final appropriated amount agrees to the adopted budget. Do not combine funds.

Line	Governmental/Proprietary Fund Name	Total
8-5	General Fund	\$ 460,000
8-6		
8-7		
8-8		
8-9		

Please use the space below to provide any additional information (optional).

Part 9: Taxpayer’s Bill of Rights (TABOR)

9-1	Is the entity in compliance with all the provisions of TABOR (State Constitution, Article X, Section 20(5))?	☒ Yes	☐ No
9-2	If no, MUST explain below.		

Note: An election to exempt the entity from the spending limitations of TABOR does not exempt the entity from the 3 percent emergency reserve requirement. All entities should determine if they meet this requirement of TABOR.

Please use the space below to provide any additional information (optional).

Part 10: General Information

10-1	Is this application for a newly formed governmental entity?	☐ Yes	☒ No
10-2	If yes, what was the date of formation		
10-3	Has the entity changed its name in the past or current year?	☐ Yes	☒ No
10-4	If yes, please list the NEW name below.		
10-5	If yes, please list the PRIOR name below.		
10-6	Is the entity a metropolitan district?	☒ Yes	☐ No
10-7	Please indicate what services the entity provides below.		
	See below.		
10-8	Does the entity have an agreement with another government to provide services?	☒ Yes	☐ No
10-9	If yes, list the name of the other governmental entity and the services provided below.		
	Morgan Hill Metropolitan District Nos. 2 and 3. The District serves as the operating District and District Nos. 2 and 3 serve as the financing Districts.		
10-10	Has the district filed a Title 32, Article 1 Special District Notice of Inactive Status during the year? (Applicable to Title 32 special districts only, pursuant to Sections 32-1-103 (9.3) and 32-1-104 (3), C.R.S.)	☐ Yes	☒ No
10-11	If yes, what was the date filed		
10-12	Does the entity have a certified mill levy?	☒ Yes	☐ No
	If yes, please provide the following mills levied for the year reported (do not report dollar amounts).		
10-13	Bond redemption mills	0.000	
10-14	General/other mills	63.275	
10-15	TOTAL MILLS (Add lines 10-13 through 10-14.)	63.275	
10-16	If the entity is a Title 32 Special District formed after 7/1/2000, has the entity filed its preceding year annual report with the State Auditor as required under SB 21-262 (Section 32-1-207 C.R.S.)?	☐ N/A	☒ Yes ☐ No
10-17	If no, please explain below.		

Please use the space below to provide any additional information (optional).

10-7 - The District was established to provide financing for the design, acquisition, construction, and completion of public improvements, including streets, traffic and safety controls and devices, transportation services, park and recreation, water, mosquito and pest control and sanitation facilities, generally located in the collector roadway system, services and programs.

Part 11: Governing Body Approval

11-1	If you plan to submit this form electronically, have you read the Electronic Signature Policy?	☒ Yes	☐ No
------	--	--------------------------------------	--------------------------

Office of the State Auditor — Local Government Division
Exemption Form Electronic Signature Policy and Procedure

The Office of the State Auditor Local Government Audit Division may accept an electronic submission of an application for exemption from audit that includes governing board signatures obtained through a program such as Docusign or Echosign. Required elements and safeguards are as follows:

- The preparer of the application is responsible for obtaining board signatures that comply with the requirement in Section 29-1-604 (3), C.R.S., that states the application shall be personally reviewed, approved, and signed by a majority of the members of the governing body.
- The application must be accompanied by the signature history document created by the electronic signature software. The signature history document must show when the document was created and when the document was emailed to the various parties, and include the dates the individual board members signed the document. The signature history must also show the individuals' email addresses and IP address.
- Office of the State Auditor staff will not coordinate obtaining signatures.

The application for exemption from audit form created by our office includes a section for governing body approval. Local governing boards must note their approval and submit the application using one of the following two methods:

- 1) Submit the application in hard copy via U.S. Mail, including original signatures.
- 2) Submit the application electronically via email and either:
 - a. include a copy of an adopted resolution that documents formal approval by the board; or
 - b. include electronic signatures obtained through a software program such as Docusign or Echosign, in accordance with the requirements noted above.

Governing Body Signatures

Print or type the names of all members of current governing body below.
A majority of the members of the governing body must sign below.

Board Member 1		
Board member's name	Jon Lee	
My term expires on	May 2029	
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date
		3/10/2026
Board Member 2		
Board member's name	Jessica Brothers	
My term expires on	May 2029	
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date
		3/9/2026
Board Member 3		
Board member's name		
My term expires on		
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date
Board Member 4		
Board member's name		
My term expires on		
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date
Board Member 5		
Board member's name		
My term expires on		
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date
Board Member 6		
Board member's name		
My term expires on		
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date
Board Member 7		
Board member's name		
My term expires on		
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date



February 25, 2026

Board of Directors
Morgan Hill Metropolitan District No. 1
Weld County, Colorado

The accompanying Application for Exemption from Audit ("Application") was prepared by CliftonLarsonAllen, LLP in a format prescribed by the Colorado Office of the State Auditor which may differ from accounting principles generally accepted in the United States of America. The application is intended solely for the information and use of the Colorado Office of the State Auditor and is not intended to be and should not be used by anyone other than this specified party.

Application for Exemption From Audit

Long Form

Instructions

For local governments with either revenues or expenditures/expenses more than \$200,000 but not more than \$1,000,000

Under the Local Government Audit Law (Section 29-1-601, et seq., C.R.S.), any local government may apply for an exemption from audit if neither revenues nor expenditures exceed \$1,000,000 for the year.

Exemptions from audit are **NOT** automatic

To qualify for exemption from audit, a local government must complete an Application for Exemption from Audit **each year** and submit it to the Office of the State Auditor (OSA). Approval for an exemption from audit is granted only upon the review by the OSA.

Any preparer of an Application for Exemption from Audit — Long Form must be a person skilled in governmental accounting.

Read **ALL** instructions before completing and submitting this form

All applications must be filed with the OSA **within 3 months** after the accounting year-end.

For example, applications must be received by the OSA on or before March 31 for governments with a December 31 year-end. Applications for exemption from audit are not eligible for an extension of time.

Governmental activity should be reported on the modified accrual basis. Proprietary activity should be reported on a cash or budgetary basis.

Important!

All Applications for Exemption from Audit are subject to review and approval by the Office of the State Auditor.

Governmental Activity should be reported on the **Modified Accrual Basis**. Proprietary Activity should be reported on the **Cash or Budgetary Basis** — a budget to GAAP reconciliation is provided in Part 3B.

Failure to file an application or denial of the request could cause the local government to lose its exemption from audit for that year and the ensuing year. In that event, an audit shall be required.

Postmark dates will not be accepted as proof of submission on or before the statutory deadline

Prior year forms are obsolete and will not be accepted.

Applications must be fully and accurately completed. Applications submitted on forms other than those prescribed by the OSA will not be accepted.

For your reference, the Colorado Revised Statutes are available through the [LexisNexis Colorado portal](#).

Checklist

- ☐ Has the preparer signed the application prior to board approval?
- ☐ Has the entity corrected all prior year deficiencies as communicated by the OSA?
- ☐ Has the application been **personally** reviewed and approved by the governing body?
- ☐ Are all sections on the form complete, including responses to all of the questions?
- ☐ Did you include any relevant explanations for unusual items in the appropriate spaces at the end of each section?

Will this application be submitted electronically? ☐ Yes ☐ No

- ☐ If yes, have you read and understood the Electronic Signature Policy? See policy in Part 11.

-- or --

☐ If yes, have you included a resolution?☐ Does the resolution state that the governing body **personally** reviewed and approved the resolution in an open public meeting?☐ Has the resolution been signed by a **majority** of the governing body? See sample resolution at the end of this form.Will this application be submitted via a mail service (e.g., U.S. Post Office, FedEx, UPS, courier)? ☐ Yes ☐ No☐ If yes, does the application include **original ink signatures** from the **majority** of the governing body?**Filing Methods****Web Portal (recommended)**apps.leg.co.gov/osa/lq

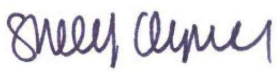
For faster processing, the web portal should be used for submissions.

Mail**Office of the State Auditor**Local Government Audit Division
1375 Sherman St., 5th Floor
Denver, CO 80261-3000**Questions? Email:** osa.lg@coleg.gov **Phone:** 303-869-3000**Contact Information**For the year ended 12/31/2025 or the fiscal year ended _____.

Name of government	Morgan Hill Metropolitan District No. 2
Street address	2001 16th Street, Suite 1700
City, State, Zip	Denver, CO 80202
Contact person	Shelby Clymer
Phone	(303) 779-5710
Email	Shelby.Clymer@claconnect.com

Certification of Preparer

I certify that I am an independent accountant with knowledge of governmental accounting and that the information in the Application is complete and accurate to the best of my knowledge. The preparer must sign prior to board approval.

Name	Shelby Clymer
Title	Accountant for the District
Firm name (if applicable)	CliftonLarsonAllen LLP
Address	2001 16th Street, Suite 1700 Denver, CO 80202
Phone	(303) 779-5710
Relationship to entity	Accountant for the District
Preparer signature	Date prepared
	January 22, 2026

See accompanying letter at the end of this form.

Has the entity filed for, or has the district filed, a Title 32, Article 1 Special District Notice of Inactive Status during the year? (Applicable to Title 32 special districts only, pursuant to Sections 32-1-103 (9.3) and 32-1-104 (3), C.R.S.)	☐ Yes	☒ No
If yes, enter date filed		

Part 1: Financial Statements — Balance Sheet

Part 1A: Governmental Funds (Modified Accrual Basis) Table

Enter the type of each governmental fund in the fields below.

Fund A: General Fund

Fund B: _____

Fund C: _____

Fund D: _____

Line	Description	Governmental Fund			
		Fund A	Fund B	Fund C	Fund D
	Assets				
1-1	Cash and Cash Equivalents	\$ 4,941			
1-2	Investments				
1-3	Receivables				
1-4	Due from Other Entities or Funds				
1-5	Property Tax Receivable	\$ 558,034			
1-6	All Other Assets:				
1-7	Lease Receivable (as Lessor)				
	Other (specify in lines 1-8 through 1-10)				
1-8					
1-9					
1-10					
1-11	TOTAL ASSETS (Add lines 1-1 through 1-10)	\$ 562,975	\$ 0	\$ 0	\$ 0
	Deferred Outflows of Resources (specify in lines 1-12 and 1-13)				
1-12					
1-13					
1-14	Total Deferred Outflows (Add lines 1-12 through 1-13)	\$ 0	\$ 0	\$ 0	\$ 0
1-15	TOTAL ASSETS AND DEFERRED OUTFLOWS (Add lines 1-11 and 1-14)	\$ 562,975	\$ 0	\$ 0	\$ 0

Line	Description	Governmental Fund			
		Fund A	Fund B	Fund C	Fund D
	Liabilities				
1-16	Accounts Payable				
1-17	Accrued Payroll and Related Liabilities				
1-18	Unearned Revenue				
1-19	Due to Other Entities or Funds	\$ 4,941			
1-20	All Other Current Liabilities				
1-21	TOTAL CURRENT LIABILITIES (Add lines 1-16 through 1-20)	\$ 4,941	\$ 0	\$ 0	\$ 0
	All Other Liabilities (specify in lines 1-22 through 1-25)				
1-22					
1-23					
1-24					
1-25					
1-26	TOTAL LIABILITIES (Add lines 1-21 through 1-25)	\$ 4,941	\$ 0	\$ 0	\$ 0
	Deferred Inflows of Resources				
1-27	Deferred Property Taxes	\$ 558,034			
1-28	Lease related (as Lessor)				
1-29	TOTAL DEFERRED INFLOWS (Add lines 1-27 through 1-28)	\$ 558,034	\$ 0	\$ 0	\$ 0
	Fund Balance				
1-30	Nonspendable-Prepaid				
1-31	Nonspendable-Inventory				
1-32	Restricted				
1-33	Committed				
1-34	Assigned				
1-35	Unassigned				
1-36	Total Fund Balance (Add lines 1-30 through 1-35. This total should be the same as line 3-34)	\$ 0	\$ 0	\$ 0	\$ 0
1-37	TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE (Add lines 1-26, 1-29, and 1-36. This total should be the same as line 1-15)	\$ 562,975	\$ 0	\$ 0	\$ 0

Part 1B: Proprietary/Fiduciary Funds Table

Enter the type of each proprietary/fiduciary fund in the fields below.

Fund A: _____

Fund B: _____

Fund C: _____

Fund D: _____

Line	Description	Proprietary/Fiduciary Fund			
		Fund A	Fund B	Fund C	Fund D
	Assets				
1-38	Cash and Cash Equivalents				
1-39	Investments				
1-40	Receivables				
1-41	Due from Other Entities or Funds				
	Other Current Assets (specify in line 1-42)				
1-42					
1-43	Total Current Assets (Add lines 1-38 through 1-42)	\$ 0	\$ 0	\$ 0	\$ 0
1-44	Capital & Right-to-Use Assets, net (from Part 6, Capital & Right-to-Use Table)				
	Other Long Term Assets (specify in lines 1-45 through 1-47)				
1-45					
1-46					
1-47					
1-48	TOTAL ASSETS (Add lines 1-43 through 1-47)	\$ 0	\$ 0	\$ 0	\$ 0
	Deferred Outflows of Resources (specify in lines 1-49 through 1-50)				
1-49					
1-50					
1-51	Total Deferred Outflows (Add lines 1-49 through 1-50)	\$ 0	\$ 0	\$ 0	\$ 0
1-52	TOTAL ASSETS AND DEFERRED OUTFLOWS (Add lines 1-48 and 1-51)	\$ 0	\$ 0	\$ 0	\$ 0

Line	Description	Proprietary/Fiduciary Fund			
		Fund A	Fund B	Fund C	Fund D
	Liabilities				
1-53	Accounts Payable				
1-54	Accrued Payroll and Related Liabilities				
1-55	Accrued Interest Payable				
1-56	Due to Other Entities or Funds				
1-57	All Other Current Liabilities				
1-58	TOTAL CURRENT LIABILITIES (Add lines 1-53 through 1-57)	\$ 0	\$ 0	\$ 0	\$ 0
1-59	Proprietary Debt Outstanding (from Part 4, Debt Schedule Table)				
	Other (specify in lines 1-60 through 1-62)				
1-60					
1-61					
1-62					
1-63	TOTAL LIABILITIES (Add lines 1-58 through 1-62)	\$ 0	\$ 0	\$ 0	\$ 0
	Deferred Inflows of Resources				
1-64	Pension/OPEB Related				
	Other (specify in line 1-65)				
1-65					
1-66	TOTAL DEFERRED INFLOWS (Add lines 1-64 through 1-65)	\$ 0	\$ 0	\$ 0	\$ 0
	Net Position				
1-67	Net Investment in Capital and Right-to-Use Assets				
1-68	Emergency Reserves				
1-69	Other Designation/Reserves				
1-70	Restricted				
1-71	Undesignated/Unreserved/Unrestricted				
1-72	Total Net Position (Add lines 1-67 through 1-71. This total should be the same as 3-70.)	\$ 0	\$ 0	\$ 0	\$ 0
1-73	TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION (Add lines 1-63, 1-66, and 1-72. This total should be the same as 1-52.)	\$ 0	\$ 0	\$ 0	\$ 0

Part 1C: Comments or Additional Information

Please use this space to provide explanation of any item in this section (optional).

Part 2: Financial Statements — Operating Statement — Revenues

Part 2A: Governmental Funds Table

Enter the type of each governmental fund in the fields below.

Fund A: General Fund

Fund B: _____

Fund C: _____

Fund D: _____

Line	Description	Governmental Fund			
		Fund A	Fund B	Fund C	Fund D
	Tax Revenue				
2-1	Property (include mills levied in question 10-12)	\$ 598,434			
2-2	Specific Ownership	\$ 24,244			
2-3	Sales and Use Tax				
	Other Tax Revenue (specify in lines 2-4 through 2-6)				
2-4					
2-5					
2-6					
2-7	TOTAL TAX REVENUE (Add lines 2-1 through 2-6)	\$ 622,678	\$ 0	\$ 0	\$ 0
	Other Revenue Sources				
2-8	Licenses and Permits				
2-9	Highway Users Tax Funds (HUTF)				
2-10	Conservation Trust Funds (Lottery)				
2-11	Community Development Block Grant				
2-12	Fire & Police Pension				
2-13	Grants				
2-14	Donations				
2-15	Charges for Sales and Services				
2-16	Rental Income				

Line	Description	Governmental Fund			
		Fund A	Fund B	Fund C	Fund D
2-17	Fines and Forfeits				
2-18	Interest/Investment Income	\$ 5,819			
2-19	Tap Fees				
2-20	Proceeds from Sale of Capital Assets				
	Other (specify in lines 2-21 through 2-22)				
2-21					
2-22					
2-23	TOTAL REVENUES (Add lines 2-7 through 2-22)	\$ 628,497	\$ 0	\$ 0	\$ 0
	Other Financing Sources (should agree to Part 4, Debt Schedule Table, column 'issued during the year')				
2-24	Debt Proceeds				
2-25	Lease Proceeds				
2-26	Developer Advances				
	Other (specify in line 2-27)				
2-27					
2-28	Total Other Financing Sources (Add lines 2-24 through 2-27)	\$ 0	\$ 0	\$ 0	\$ 0
2-29	TOTAL REVENUES AND OTHER FINANCING SOURCES (Add lines 2-23 and 2-28)	\$ 628,497	\$ 0	\$ 0	\$ 0

Part 2B: Proprietary/Fiduciary Funds Table

Enter the type of each proprietary/fiduciary fund in the fields below.

Fund A: _____

Fund B: _____

Fund C: _____

Fund D: _____

Line	Description	Proprietary/Fiduciary Fund			
		Fund A	Fund B	Fund C	Fund D
	Tax Revenue				
2-30	Property (include mills levied in question 10-12)				
2-31	Specific Ownership				
2-32	Sales and Use Tax				
	Other Tax Revenue (specify in lines 2-33 through 2-36)				
2-33					
2-34					
2-35					
2-36	TOTAL TAX REVENUE (Add lines 2-30 through 2-35)	\$ 0	\$ 0	\$ 0	\$ 0
	Other Revenue Sources				
2-37	Licenses and Permits				
2-38	Highway Users Tax Funds (HUTF)				
2-39	Conservation Trust Funds (Lottery)				
2-40	Community Development Block Grant				
2-41	Fire & Police Pension				
2-42	Grants				
2-43	Donations				
2-44	Charges for Sales and Services				
2-45	Rental Income				
2-46	Fines and Forfeits				
2-47	Interest/Investment Income				

Line	Description	Proprietary/Fiduciary Fund			
		Fund A	Fund B	Fund C	Fund D
2-48	Tap Fees				
2-49	Proceeds from Sale of Capital Assets				
	All Other (specify in lines 2-50 through 2-51)				
2-50					
2-51					
2-52	TOTAL REVENUES (Add lines 2-36 through 2-51)	\$ 0	\$ 0	\$ 0	\$ 0
	Other Financing Sources (should agree to Part 4, Debt Schedule Table, column 'issued during the year')				
2-53	Debt Proceeds				
2-54	Lease Proceeds				
2-55	Developer Advances				
	Other (specify in line 2-56)				
2-56					
2-57	Total Other Financing Sources (Add lines 2-53 through 2-56)	\$ 0	\$ 0	\$ 0	\$ 0
2-58	TOTAL REVENUES AND OTHER FINANCING SOURCES (Add lines 2-52 and 2-57)	\$ 0	\$ 0	\$ 0	\$ 0

Part 2C: Comments or Additional Information

Please use this space to provide explanation of any item in this section (optional).

Part 3: Financial Statements — Operating Statement — Expenditures/Expenses

Part 3A: Governmental Funds Table

Enter the type of each governmental fund in the fields below.

Fund A: General Fund

Fund B: _____

Fund C: _____

Fund D: _____

Line	Description	Governmental Fund			
		Fund A	Fund B	Fund C	Fund D
	Expenditures				
3-1	General Government				
3-2	Judicial				
3-3	Law Enforcement				
3-4	Fire				
3-5	Highways & Streets				
3-6	Solid Waste				
3-7	Contributions to Fire & Police Pension Association				
3-8	Health				
3-9	Culture and Recreation				
3-10	Transfers to other districts	\$ 683,190			
	Other (specify in lines 3-11 through 3-13)				
3-11	County Treasurer's fees	\$ 8,977			
3-12					
3-13					
3-14	Capital Outlay				
	Debt Service				
3-15	Principal (from Part 4, Debt Schedule Table)				
3-16	Interest				

Line	Description	Governmental Fund			
		Fund A	Fund B	Fund C	Fund D
3-17	Bond Issuance Costs				
3-18	Developer Principal Repayments (from Part 4, Debt Schedule Table)				
3-19	Developer Interest Repayments				
	All Other (specify in lines 3-20 through 3-22)				
3-20					
3-21					
3-22					
3-23	TOTAL EXPENDITURES (Add lines 3-1 through 3-22)	\$ 692,167	\$ 0	\$ 0	\$ 0
	Transfers and Other Expenditures				
3-24	Interfund Transfers (In)				
3-25	Interfund Transfers (Out)				
	Other Expenditures (Revenues) (Specify in lines 3-26 through 3-28.)				
3-26					
3-27					
3-28					
3-29	Total Transfers and Other Expenditures (Add lines 3-24 through 3-28)	\$ 0	\$ 0	\$ 0	\$ 0
3-30	EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES (line 2-29 less line 3-23 less line 3-29)	-\$ 63,670	\$ 0	\$ 0	\$ 0
3-31	Fund Balance, January 1 from December 31 prior year report	\$ 63,670			
3-32	Prior Period Adjustment (MUST explain in line 3-33)				
3-33					
3-34	FUND BALANCE, DECEMBER 31 (Add lines 3-30, 3-31, and 3-32. Should match line 1-36.)	\$ 0	\$ 0	\$ 0	\$ 0

Part 3B: Proprietary/Fiduciary Funds Table

Enter the type of each proprietary/fiduciary fund in the fields below.

Fund A: _____

Fund B: _____

Fund C: _____

Fund D: _____

Line	Description	Proprietary/Fiduciary Fund			
		Fund A	Fund B	Fund C	Fund D
	Expenses				
3-35	General Operating and Administrative				
3-36	Salaries				
3-37	Payroll Taxes				
3-38	Contract Services				
3-39	Employee Benefits				
3-40	Insurance				
3-41	Accounting and Legal Fees				
3-42	Repair and Maintenance				
3-43	Supplies				
3-44	Utilities				
3-45	Contributions to Fire & Police Pension Association				
	Other (specify in lines 3-46 through 3-47)				
3-46					
3-47					
3-48	Capital Outlay				
	Debt Service				
3-49	Principal (should match amount in Part 4, Debt Schedule Table)				
3-50	Interest				
3-51	Bond Issuance Costs				
3-52	Developer Principal Repayments				

Line	Description	Proprietary/Fiduciary Fund			
		Fund A	Fund B	Fund C	Fund D
3-53	Developer Interest Repayments				
	All Other (specify in lines 3-54 through 3-57)				
3-54					
3-55					
3-56					
3-57					
3-58	TOTAL EXPENSES (Add lines 3-35 through 3-57)	\$ 0	\$ 0	\$ 0	\$ 0
	GAAP Reconciling Items				
3-59	Net Interfund Transfers (In) Out				
	Other (specify in line 3-60. Enter negative for expense.)				
3-60					
3-61	Depreciation/Amortization				
3-62	Other Financing Sources (from line 2-57)				
3-63	Capital Outlay (from line 3-48)				
3-64	Debt Principal (from line 3-49, 3-52)				
3-65	Total GAAP Reconciling Items (Add lines 3-60, 3-63, and 3-64, subtract lines 3-61 and 3-62)	\$ 0	\$ 0	\$ 0	\$ 0
3-66	NET INCREASE (DECREASE) IN NET POSITION (Line 2-58, less line 3-58, plus line 3-65, less line 3-59)	\$ 0	\$ 0	\$ 0	\$ 0
3-67	Net Position, January 1 from December 31 prior year report				
3-68	Prior Period Adjustment (MUST explain in line 3-69)				
3-69					
3-70	NET POSITION, DECEMBER 31 (Add lines 3-66, 3-67, and 3-68. Should match line 1-72.)	\$ 0	\$ 0	\$ 0	\$ 0

Part 3C: Grand Total of Revenues and Expenditures/Expenses

Line	Description	Total
	Total Revenues per Fund	
3-71	General Fund	\$ 628,497
3-72		\$ 0
3-73		\$ 0
3-74		\$ 0
3-75	Governmental Funds (Add lines 3-71 through 3-74)	\$ 628,497
3-76		\$ 0
3-77		\$ 0
3-78		\$ 0
3-79		\$ 0
3-80	Proprietary/Fiduciary Funds (Add lines 3-76 through 3-79)	\$ 0
3-81	GRAND TOTAL REVENUES (ALL FUNDS) (Add lines 3-75 and 3-80)	\$ 628,497
	Total Expenditures/Expenses per Fund	
3-82	General Fund	\$ 692,167
3-83		\$ 0
3-84		\$ 0
3-85		\$ 0
3-86	Governmental Funds (Add lines 3-82 through 3-85)	\$ 692,167
3-87		\$ 0
3-88		\$ 0
3-89		\$ 0
3-90		\$ 0
3-91	Proprietary/Fiduciary Funds (Add lines 3-87 through 3-90)	\$ 0
3-92	GRAND TOTAL EXPENDITURES/EXPENSES (ALL FUNDS) (Add lines 3-86 and 3-91)	\$ 692,167

IF EITHER GRAND TOTAL REVENUES OR EXPENDITURES/EXPENSES FOR ALL FUNDS IS GREATER THAN \$1,000,000 — STOP.

You may not use this form. An audit may be required. See Section 29-1-604, C.R.S., or contact the OSA Local Government Division at 303-869-3000 for assistance.

Part 3D: Comments or Additional Information

Please use the space below to provide any additional information (optional).

Part 4: Debt Outstanding, Issued, and Retired

4-1	Does the entity have outstanding debt?	☐ Yes	☒ No
4-2	If no, skip to line 4-15. If yes, please attach a copy of the entity's debt repayment schedule.		
4-3	Is the debt repayment schedule attached?	☐ N/A	☐ Yes ☐ No
4-4	If no, MUST explain below.		
4-5	Is the entity current in its debt service payments?	☐ Yes	☐ No
4-6	If no, MUST explain below.		
4-7	If no, also indicate if the government is in default with its bond agreements.	☐ Yes	☐ No

Debt Schedule Table

Please complete the following debt schedule, if applicable.

Please only include principal amounts. Enter all amounts as positive numbers.

Line	Debt Type	Outstanding at End of Prior Year*	Issued During Year	Retired During Year	Outstanding at Year-End
4-8	General Obligation Bonds				\$ 0
4-9	Revenue Bonds				\$ 0
4-10	Notes/Loans				\$ 0
4-11	Lease and SBITA** Liabilities (GASB 87 & 96)				\$ 0
4-12	Developer Advances				\$ 0
	Other (specify in line 4-13)				
4-13					\$ 0
4-14	TOTAL (Add lines 4-8 through 4-13)	\$ 0	\$ 0	\$ 0	\$ 0

*Must agree to prior year-end balance

**Subscription-Based Information Technology Arrangements

Comments (optional)

4-15	Does the entity have any authorized but unissued debt as of its fiscal year-end?	☒ Yes	☐ No
4-16	If yes, how much?	\$ 119,000,000	
4-17	Date the debt was authorized	11/04/2008	
4-18	Is the authorized but unissued debt further limited by the entity's most recent Service Plan?	☒ Yes	☐ No
4-19	If yes, how much?	\$ 35,000,000	
4-20	Date of the most recent Service Plan	7/25/2017	
4-21	Does the entity intend to issue debt within the next calendar year?	☐ Yes	☒ No
4-22	If yes, how much?		
4-23	Does the entity have debt that has been refinanced that it is still responsible for?	☐ Yes	☒ No
4-24	If yes, what is the amount outstanding?		
4-25	Does the entity have any lease agreements?	☐ Yes	☒ No
4-26	If yes, what is being leased?		
4-27	What is the original date of the lease?		
4-28	Number of years of lease?		
4-29	Is the lease subject to annual appropriation?	☐ Yes	☐ No
4-30	What are the annual lease payments?		

Please use the space below to provide any additional information (optional).

Part 5: Cash and Investments

Please provide the entity’s cash deposit and investment balances.

Line	Description	Amount
5-1	Year-end Total of all Checking and Savings Accounts	\$ 0
5-2	Certificates of Deposit	
5-3	TOTAL CASH DEPOSITS (Add lines 5-1 and 5-2)	\$ 0
	Investments (Specify in lines 5-4 through 5-8. If investment is a mutual fund, please list underlying investment.)	
5-4	Colorado Surplus Asset Fund Trust (CSAFE)	\$ 4,941
5-5		
5-6		
5-7		
5-8		
5-9	Total Investments (Add lines 5-4 through 5-8)	\$ 4,941
5-10	TOTAL CASH AND INVESTMENTS (Add lines 5-3 and 5-9)	\$ 4,941

5-11	Are the entity’s investments legal in accordance with Section 24-75-601, et. seq., C.R.S.?	☐ N/A	☒ Yes	☐ No
5-12	Are the entity’s deposits in an eligible (Public Deposit Protection Act) public depository (Section 11-10.5-101, et seq. C.R.S.)?		☒ Yes	☐ No
5-13	If no, MUST explain below.			

Please use the space below to provide any additional information (optional).

Part 6: Capital and Right-to-Use Assets

6-1	Does the entity have capitalized assets? (If "no" is selected, skip the rest of Part 6.)	☐ Yes	☒ No
6-2	Has the entity performed an annual inventory of capital assets in accordance with Section 29-1-506, C.R.S.?	☐ Yes	☒ No
6-3	If no, MUST explain below.		
	N/A. The District has no capital assets.		

Capital and Right-to-Use Assets Table for Governmental Funds

Line	Asset Type	Beginning of the Year Balance*	Additions**	Deletions	Year-End Balance
6-4	Land				\$ 0
6-5	Buildings				\$ 0
6-6	Machinery and Equipment				\$ 0
6-7	Furniture and Fixtures				\$ 0
6-8	Infrastructure				\$ 0
6-9	Construction In Progress (CIP)				\$ 0
6-10	Leased & SBITA Right-to-Use Assets				\$ 0
6-11	Intangible Assets				\$ 0
	Other (explain in line 6-12)				
6-12					\$ 0
6-13	Accumulated Amortization Right-to-Use Assets (Enter a negative or credit balance)				\$ 0
6-14	Accumulated Depreciation (Enter a negative or credit balance)				\$ 0
6-15	TOTAL (Add lines 6-4 through 6-14)	\$ 0	\$ 0	\$ 0	\$ 0

*Must agree to prior year-end balance.

**Generally capital asset additions should be reported as capital outlay on line 3-14 and capitalized in accordance with the government's capitalization policy. Please explain any discrepancy in the comments section below.

Capital and Right-to-Use Assets Table for Proprietary Funds

Please complete the following Capital & Right-To-Use Assets table for PROPRIETARY FUNDS.

Line	Asset Type	Beginning of the Year Balance*	Additions**	Deletions	Year-End Balance
6-16	Land				\$ 0
6-17	Buildings				\$ 0
6-18	Machinery and Equipment				\$ 0
6-19	Furniture and Fixtures				\$ 0
6-20	Infrastructure				\$ 0
6-21	Construction In Progress (CIP)				\$ 0
6-22	Leased & SBITA Right-to-Use Assets				\$ 0
6-23	Intangible Assets				\$ 0
	Other (explain in line 6-24)				
6-24					\$ 0
6-25	Accumulated Amortization Right-to-Use Assets (Enter a negative or credit balance)				\$ 0
6-26	Accumulated Depreciation (Enter a negative or credit balance)				\$ 0
6-27	TOTAL (Add lines 6-16 through 6-26)	\$ 0	\$ 0	\$ 0	\$ 0

*Must agree to prior year-end balance.
**Generally capital asset additions should be reported as capital outlay on line 3-48 and capitalized in accordance with the government's capitalization policy. Please explain any discrepancy in the comments section below.

Please use the space below to provide any additional information (optional).

Part 7: Pension Information

7-1	Does the entity have an “old hire” firefighters’ pension plan?	☐ Yes	☒ No
7-2	Does the entity have a volunteer firefighters’ pension plan?	☐ Yes	☒ No
7-3	If yes, who administers the plan?		
	Indicate the contributions from the following in lines 7-4 through 7-6.		
7-4	Tax (property, specific ownership, sales, etc.)		\$ 0
7-5	State contribution amount		\$ 0
7-6	Other (gifts, donations, etc.)		\$ 0
7-7	TOTAL (Add lines 7-4 through 7-6)		\$ 0
7-8	What is the monthly benefit paid for 20 years of service per retiree as of Jan 1?		\$ 0

Please use the space below to provide any additional information (optional).

Part 8: Budget Information

8-1	Did the entity file a budget with the Department of Local Affairs for the current year in accordance with Section 29-1-113 C.R.S.?	☐ N/A	☒ Yes	☐ No
8-2	If no, MUST explain below.			
8-3	Did the entity pass an appropriations resolution, in accordance with Section 29-1-108 C.R.S.?	☐ N/A	☒ Yes	☐ No
8-4	If no, MUST explain below.			
	If yes, indicate the amount appropriated for each fund separately for the year reported in the table below.			

Appropriation Amount by Fund

Enter the fund name, then indicate the final amount appropriated for each fund for the year reported.
Ensure each individual fund's final appropriated amount agrees to the adopted budget. Do not combine funds.

Line	Governmental/Proprietary Fund Name	Total
8-5	Amended General Fund	\$ 705,000
8-6		
8-7		
8-8		
8-9		

Please use the space below to provide any additional information (optional).

Part 9: Taxpayer’s Bill of Rights (TABOR)

9-1	Is the entity in compliance with all the provisions of TABOR (State Constitution, Article X, Section 20(5))?	☒ Yes	☐ No
9-2	If no, MUST explain below.		

Note: An election to exempt the entity from the spending limitations of TABOR does not exempt the entity from the 3 percent emergency reserve requirement. All entities should determine if they meet this requirement of TABOR.

Please use the space below to provide any additional information (optional).

Part 10: General Information

10-1	Is this application for a newly formed governmental entity?	☐ Yes	☒ No
10-2	If yes, what was the date of formation		
10-3	Has the entity changed its name in the past or current year?	☐ Yes	☒ No
10-4	If yes, please list the NEW name below.		
10-5	If yes, please list the PRIOR name below.		
10-6	Is the entity a metropolitan district?	☒ Yes	☐ No
10-7	Please indicate what services the entity provides below.		
	See below.		
10-8	Does the entity have an agreement with another government to provide services?	☒ Yes	☐ No
10-9	If yes, list the name of the other governmental entity and the services provided below.		
	Morgan Hill Metropolitan Districts Nos. 1 and 3. District No.1 serves as the operating District and District Nos. 2 and 3 serve as the financing Districts.		
10-10	Has the district filed a Title 32, Article 1 Special District Notice of Inactive Status during the year? (Applicable to Title 32 special districts only, pursuant to Sections 32-1-103 (9.3) and 32-1-104 (3), C.R.S.)	☐ Yes	☒ No
10-11	If yes, what was the date filed		
10-12	Does the entity have a certified mill levy?	☒ Yes	☐ No
	If yes, please provide the following mills levied for the year reported (do not report dollar amounts).		
10-13	Bond redemption mills	0.000	
10-14	General/other mills	58.847	
10-15	TOTAL MILLS (Add lines 10-13 through 10-14.)	58.847	
10-16	If the entity is a Title 32 Special District formed after 7/1/2000, has the entity filed its preceding year annual report with the State Auditor as required under SB 21-262 (Section 32-1-207 C.R.S.)?	☐ N/A	☒ Yes ☐ No
10-17	If no, please explain below.		

Please use the space below to provide any additional information (optional).

10-7 The District was established to provide financing for the design, acquisition, construction and completion of public improvements, including streets, traffic and safety controls and devices, transportation services, parks and recreation, water, mosquito and pest control and sanitation facilities, generally located in the collector roadway system, services and programs.

Part 11: Governing Body Approval

11-1	If you plan to submit this form electronically, have you read the Electronic Signature Policy?	☒ Yes	☐ No
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Office of the State Auditor — Local Government Division
Exemption Form Electronic Signature Policy and Procedure

The Office of the State Auditor Local Government Audit Division may accept an electronic submission of an application for exemption from audit that includes governing board signatures obtained through a program such as Docusign or Echosign. Required elements and safeguards are as follows:

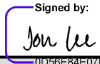
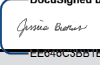
- The preparer of the application is responsible for obtaining board signatures that comply with the requirement in Section 29-1-604 (3), C.R.S., that states the application shall be personally reviewed, approved, and signed by a majority of the members of the governing body.
- The application must be accompanied by the signature history document created by the electronic signature software. The signature history document must show when the document was created and when the document was emailed to the various parties, and include the dates the individual board members signed the document. The signature history must also show the individuals' email addresses and IP address.
- Office of the State Auditor staff will not coordinate obtaining signatures.

The application for exemption from audit form created by our office includes a section for governing body approval. Local governing boards must note their approval and submit the application using one of the following two methods:

- 1) Submit the application in hard copy via U.S. Mail, including original signatures.
- 2) Submit the application electronically via email and either:
 - a. include a copy of an adopted resolution that documents formal approval by the board; or
 - b. include electronic signatures obtained through a software program such as Docusign or Echosign, in accordance with the requirements noted above.

Governing Body Signatures

Print or type the names of all members of current governing body below.
A majority of the members of the governing body must sign below.

Board Member 1		
Board member's name	Jon Lee	
My term expires on	May 2029	
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date
	 Signed by: 0D56E34E07B04E7...	3/10/2026
Board Member 2		
Board member's name	Jessica Brothers	
My term expires on	May 2029	
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date
	 DocuSigned by: EEC69C3B57ED474...	3/9/2026
Board Member 3		
Board member's name		
My term expires on		
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date
Board Member 4		
Board member's name		
My term expires on		
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date
Board Member 5		
Board member's name		
My term expires on		
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date
Board Member 6		
Board member's name		
My term expires on		
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date
Board Member 7		
Board member's name		
My term expires on		
I attest that I am a duly elected or appointed board member, and that I have personally reviewed and approved this application for exemption from audit.	Signature	Date



January 22, 2026

Board of Directors
Morgan Hill Metropolitan District No. 2
Weld County, Colorado

The accompanying Application for Exemption from Audit ("Application") was prepared by CliftonLarsonAllen, LLP in a format prescribed by the Colorado Office of the State Auditor which may differ from accounting principles generally accepted in the United States of America. The application is intended solely for the information and use of the Colorado Office of the State Auditor and is not intended to be and should not be used by anyone other than this specified party.

**MORGAN HILL METROPOLITAN DISTRICT NO. 3
WELD COUNTY, COLORADO**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2025

**MORGAN HILL METROPOLITAN DISTRICT NO. 3
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2025**

INDEPENDENT AUDITORS' REPORT	I
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUND	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND 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
OTHER INFORMATION	
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY	21
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED	22

Board of Directors
Morgan Hill Metropolitan District No. 3
Weld County, Colorado

Independent Auditor's Report

Opinions

We have audited the accompanying financial statements of the governmental activities and the general fund of Morgan Hill Metropolitan District No. 3 (the "District"), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of Morgan Hill Metropolitan District No. 3 as of December 31, 2025, 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 of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 (GAAP), 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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.

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Other Matters

Required Supplemental Information

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 opinions on the basic financial statements are not affected by this missing information.

Other Information

Management is responsible for the other information included in our report. The other information, as listed in the table of contents, 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, accordingly, we do not express an opinion or provide any assurance on them.

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.

The logo for Wipfli LLP, featuring the company name in a stylized, handwritten-style script.

Wipfli LLP
Denver, Colorado

April 29, 2026

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BASIC FINANCIAL STATEMENTS

MORGAN HILL METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2025

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments - Restricted	\$ 2,381,936
Due from Morgan Hill Metro District No. 1	2,479
Due from Morgan Hill Metro District No. 2	4,941
Property Tax Receivable	<u>883,734</u>
Total Assets	<u>3,273,090</u>
LIABILITIES	
Accounts Payable	13,686
Accrued Interest	62,638
Noncurrent Liabilities:	
Due Within One Year	220,000
Due in More Than One Year	<u>28,700,650</u>
Total Liabilities	<u>28,996,974</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>883,734</u>
Total Deferred Inflows of Resources	<u>883,734</u>
NET POSITION	
Restricted for:	
Emergency Reserve	61,200
Capital	195,939
Unrestricted	<u>(26,864,757)</u>
Total Net Position	<u><u>\$ (26,607,618)</u></u>

See accompanying Notes to Basic Financial Statements.

MORGAN HILL METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
FUNCTIONS/PROGRAMS	<u>Expenses</u>				
Primary Government:					
Governmental Activities:					
General Government	\$ 20,623	\$ -	\$ -	\$ -	\$ (20,623)
Transfer of Public Improvements to Another Government	5,059,436	-	-	-	(5,059,436)
Interest on Long-Term Debt and Related Costs	<u>1,321,465</u>	<u>-</u>	<u>1,035,407</u>	<u>-</u>	<u>(286,058)</u>
Total Governmental Activities	<u>\$ 6,401,524</u>	<u>\$ -</u>	<u>\$ 1,035,407</u>	<u>\$ -</u>	(5,366,117)
GENERAL REVENUES					
Property Taxes					852,806
Specific Ownership Taxes					34,572
Interest Income					<u>115,923</u>
Total General Revenues					<u>1,003,301</u>
CHANGES IN NET POSITION					(4,362,816)
Net Position - Beginning of Year					<u>(22,244,802)</u>
NET POSITION - END OF YEAR					<u>\$ (26,607,618)</u>

See accompanying Notes to Basic Financial Statements.

MORGAN HILL METROPOLITAN DISTRICT NO. 3
BALANCE SHEET – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2025

	<u>General</u>	<u>Total Governmental Fund</u>
ASSETS		
Cash and Investments - Restricted	\$ 2,381,936	\$ 2,381,936
Due from Morgan Hill Metro District No. 1	2,479	2,479
Due from Morgan Hill Metro District No. 2	4,941	4,941
Property Tax Receivable	<u>883,734</u>	<u>883,734</u>
Total Assets	<u><u>\$ 3,273,090</u></u>	<u><u>\$ 3,273,090</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES		
Accounts Payable	<u>\$ 13,686</u>	<u>\$ 13,686</u>
Total Liabilities	13,686	13,686
DEFERRED INFLOWS OF RESOURCES		
Deferred Property Tax	<u>883,734</u>	<u>883,734</u>
Total Deferred Inflows of Resources	883,734	883,734
FUND BALANCES		
Restricted for:		
Emergency Reserves	61,200	61,200
Debt Service	2,113,590	2,113,590
Capital Projects	<u>195,939</u>	<u>195,939</u>
Total Fund Balances	<u><u>2,375,670</u></u>	<u><u>2,375,670</u></u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 3,273,090</u></u>	
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		(27,760,478)
Accrued Interest on Bonds Payable		(1,029,717)
Bond Premium		<u>(193,093)</u>
Net Position of Governmental Activities		<u><u>\$ (26,607,618)</u></u>

See accompanying Notes to Basic Financial Statements.

**MORGAN HILL METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2025**

	General	Total Governmental Fund
REVENUES		
Property Taxes	\$ 852,806	\$ 852,806
Specific Ownership Taxes	34,572	34,572
Interest Income	115,923	115,923
Transfers from Morgan Hill Metro District No. 1	352,217	352,217
Transfers from Morgan Hill Metro District No. 2	683,190	683,190
Total Revenues	<u>2,038,708</u>	<u>2,038,708</u>
EXPENDITURES		
Debt Service:		
County Treasurer's Fee	12,794	12,794
Bond Interest Series 2021A	752,250	752,250
Bond Interest Series 2021B	389,722	389,722
Bond Interest Series 2021C	185,045	185,045
Bond Principal Series 2021A	20,000	20,000
Bond Principal Series 2021C	532,990	532,990
Paying Agent Fees	7,000	7,000
Capital Projects:		
Capital Outlay	193,588	193,588
Construction Management	68,583	68,583
Letter Of Credit Expense	20,623	20,623
Total Expenditures	<u>2,182,595</u>	<u>2,182,595</u>
NET CHANGE IN FUND BALANCE	(143,887)	(143,887)
Fund Balance - Beginning of Year	<u>2,519,557</u>	<u>2,519,557</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,375,670</u></u>	<u><u>\$ 2,375,670</u></u>

See accompanying Notes to Basic Financial Statements.

**MORGAN HILL METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025**

Net Change in Fund Balances - Total Governmental Funds	\$ (143,887)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Capital Outlay	262,171
Transfer of Public Improvements to Another Government	(5,059,436)

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 Payments	552,990
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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 Bonds Payable - Change in Liability	14,694
Amortization of Bond Premium	10,652

Changes in Net Position of Governmental Activities	<u>\$ (4,362,816)</u>
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MORGAN HILL METROPOLITAN DISTRICT NO. 3
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2025

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 853,384	\$ 852,806	\$ (578)
Specific Ownership Taxes	34,135	34,572	437
Interest Income	130,000	115,923	(14,077)
Transfers from Morgan Hill Metro District No. 1	351,856	352,217	361
Transfers from Morgan Hill Metro District No. 2	613,394	683,190	69,796
Total Revenues	<u>1,982,769</u>	<u>2,038,708</u>	<u>55,939</u>
EXPENDITURES			
General and Administrative:			
Contingency	9,341	-	9,341
Debt Service:			
County Treasurer's Fee	12,801	12,794	7
Bond Interest Series 2021A	752,250	752,250	-
Bond Interest Series 2021B	380,250	389,722	(9,472)
Bond Interest Series 2021C	718,358	185,045	533,313
Bond Principal Series 2021A	20,000	20,000	-
Bond Principal Series 2021C	-	532,990	(532,990)
Paying Agent Fees	7,000	7,000	-
Capital Projects:			
Capital Outlay	1,525,000	193,588	1,331,412
Construction Management	50,000	68,583	(18,583)
Letter Of Credit Expense	20,000	20,623	(623)
Total Expenditures	<u>3,495,000</u>	<u>2,182,595</u>	<u>1,312,405</u>
NET CHANGE IN FUND BALANCE	(1,512,231)	(143,887)	1,368,344
Fund Balance - Beginning of Year	<u>3,274,840</u>	<u>2,519,557</u>	<u>(755,283)</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,762,609</u>	<u>\$ 2,375,670</u>	<u>\$ 613,061</u>

See accompanying Notes to Basic Financial Statements.

MORGAN HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 1 DEFINITION OF REPORTING ENTITY

Morgan Hill Metropolitan District No. 3 (the District), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized by order and decree of the District Court in Weld County on January 20, 2009, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan with Morgan Hill Metropolitan District No. 1 (District No. 1) and Morgan Hill Metropolitan District No. 2 (District No. 2) approved by the Town of Erie on August 25, 2008. Pursuant to the Service Plan, the District, the financing district, is intended to provide funding to District No. 1, the operating district, for construction, operation, and maintenance of the public improvements. The operating district is responsible for day-to-day operations and administrative management of all three of the Districts and management of district improvements.

The District was established to provide financing for the design, acquisition, construction, and completion of public improvements, including streets, traffic and safety controls and devices, transportation services, park and recreation, water, mosquito and pest control and sanitation facilities, generally located in the collector roadway system, services and programs. The operation and maintenance of all other services and facilities is anticipated to be provided by other entities and not by the District.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including District No. 1, District No. 2, and the Town of Erie.

MORGAN HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

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. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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. Increases in bonds payable are recorded as an increase in liabilities.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major revenue source susceptible to accrual is property taxes. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District reports the following major governmental fund:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government.

MORGAN HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

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 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 adopted budgets for the General Fund and Debt Service fund have been consolidated and reflected as the General Fund Budget for financial reporting purposes.

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 total cash.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

MORGAN HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of investment in capital assets.

Deferred Inflows 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.

Fund 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.

MORGAN HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity (Continued)

Fund Balance (Continued)

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.

Adoption of New Accounting Standards

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures ("Statement 102"). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance.

The District adopted the requirements of the guidance effective January 1, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

NOTE 3 CASH AND CASH EQUIVALENTS

Cash and investments as of December 31, 2025 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments - Restricted	\$ 2,381,936
Total Cash and Investments	<u>\$ 2,381,936</u>

Cash and investments as of December 31, 2025 consist of the following:

Deposits with Financial Institutions	\$ 202,625
Investments	<u>2,179,311</u>
Total Cash and Investments	<u>\$ 2,381,936</u>

MORGAN HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2025, the District had a bank and carrying balance of \$202,625 in 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

MORGAN HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2025, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 2,179,311 <u>\$ 2,179,311</u>

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under CRS 24-75-601.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE 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.

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAaf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

MORGAN HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2025 follows:

	Balance at December 31, 2024	Increases	Decreases	Balance at December 31, 2025
Construction in Progress	<u>\$ 4,797,265</u>	<u>\$ 262,171</u>	<u>\$ 5,059,436</u>	<u>\$ -</u>
Total Capital Assets, Not Being Depreciated	<u>\$ 4,797,265</u>	<u>\$ 262,171</u>	<u>\$ 5,059,436</u>	<u>\$ -</u>

It is the policy of the Town to accept the maintenance responsibility for water, sanitation, traffic and safety controls, park and recreation improvements, mosquito and pest control, transportation, and other related improvements within the Town only after a probationary period following completion of construction. In 2025, \$5,059,436 of assets were transferred to the Town.

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2025:

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Bonds Payable:					
Limited Tax General Obligation Bonds:					
Series 2021A	\$ 20,030,000	\$ -	\$ 20,000	\$ 20,010,000	\$ 220,000
Series 2021B	5,850,000	-	-	5,850,000	-
Junior Lien General Obligation Limited Tax Bonds:					
Series 2021C	2,433,468	-	532,990	1,900,478	-
Accrued Interest:					
Series 2021B	974,118	376,744	389,722	961,140	-
Series 2021C	7,605	183,379	185,045	5,939	-
Subtotal Bonds Payable	<u>29,295,191</u>	<u>560,123</u>	<u>1,127,757</u>	<u>28,727,557</u>	<u>220,000</u>
Bond Premium:					
Bond Premium - Series 2021A	<u>203,745</u>	<u>-</u>	<u>10,652</u>	<u>193,093</u>	<u>-</u>
Subtotal Bond Premium	<u>203,745</u>	<u>-</u>	<u>10,652</u>	<u>193,093</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 29,498,936</u>	<u>\$ 560,123</u>	<u>\$ 1,138,409</u>	<u>\$ 28,920,650</u>	<u>\$ 220,000</u>

Series 2021A and 2021B Senior and Subordinate General Obligation Limited Tax Bonds

On November 10, 2021, the District issued \$20,030,000 of senior and \$5,850,000 of subordinate general obligation limited tax bonds. The bonds were issued for the purpose of paying and discharging the Series 2018A Bonds and Series 2018B Note, funding the costs of public improvements for the benefit of the District and Morgan Hill Metropolitan District Nos. 1 and 2, paying the costs of issuing the bonds, and in the case of the Series 2021A Senior Bonds only, funding a portion of the initial interest to accrue on the Series 2021A Senior Bonds and funding a reserve fund for the Series 2021A Senior Bonds.

MORGAN HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2021A and 2021B Senior and Subordinate General Obligation Limited Tax Bonds (Continued)

The Series 2021A Senior Bonds bear a coupon interest rate of 3% to 4% per annum, which is payable semi-annually on June 1 and December 1, commencing on June 1, 2022. The Series 2021A Senior Bonds will mature on December 1, 2051, subject to both mandatory sinking fund redemption and optional redemption prior to maturity. The Series 2021A Senior Bonds will constitute limited tax general obligations of the District payable solely from the Senior Pledged Revenue and certain funds and accounts established by the Senior Indenture. The Senior Pledged Revenue consists of revenue derived from the Capital Pledge Agreement, senior property tax revenues, senior specific ownership tax revenues, and other available moneys. The Series 2021A Seniors Bonds constitute an irrevocable, but nonexclusive, first lien on the Senior Pledged Revenue.

The Series 2021B Subordinate Bonds bear a coupon interest rate of 6.375% per annum which is payable annually on December 15, commencing December 15, 2022, to the extent of the Subordinate Pledged Revenue available. The 2021B Subordinate Bonds mature on December 15, 2051, subject to mandatory redemption and optional redemption prior to maturity. The Series 2021B Subordinate Bonds will also constitute limited tax general obligations of the District payable solely from the Subordinate Pledged Revenue and certain funds and accounts established by the Subordinate Indenture.

The Subordinate Pledged Revenue consists of revenue derived from the capital pledge agreement, subordinate property tax revenues, subordinate specific ownership tax revenues, and other available moneys, all after the application of such amounts due on the Series 2021A Senior Bonds. The Series 2021B Subordinate Bonds are structured as “cash flow” bonds. There are no scheduled payments of principal of the Series 2021B Subordinate Bonds prior to their maturity date, but rather the Subordinate Bonds are subject to mandatory redemption on each December 15 prior to maturity from and to the extent of any available Subordinate Pledged Revenue. The Series 2021B Subordinate Bonds will be deemed paid in full and discharged on December 15, 2051, regardless of the amount of principal and interest paid on the Series 2021B Subordinate Bonds prior to such date.

On November 1, 2021, the District entered into a Capital Pledge Agreement with Morgan Hill Metropolitan Districts No. 1 and No. 2 (the Pledged Districts) to support payment of the Bonds. The Districts are obligated to levy ad valorem property taxes in the amount of 50 mills and to pay such taxes and the specific ownership taxes attributable thereto. The obligation of the Pledge Districts to pay its allocated portion of the Annual Bond Costs constitutes a limited tax general obligation of the Pledge Districts payable solely from and to the extent of the Pledged Revenues. In 2025, District No. 1 transferred \$352,217 to the District and District No. 2 transferred \$683,190 to the District pursuant to the Capital Pledge Agreement.

MORGAN HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Series 2021A and 2021B Senior and Subordinate General Obligation Limited Tax Bonds (Continued)

The Series 2021A Senior Limited Tax General Obligation Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 220,000	\$ 751,650	\$ 971,650
2027	285,000	745,050	1,030,050
2028	325,000	736,500	1,061,500
2029	335,000	726,750	1,061,750
2030	380,000	716,700	1,096,700
2031-2035	2,295,000	3,385,025	5,680,025
2036-2040	3,215,000	2,923,925	6,138,925
2041-2045	4,345,000	2,260,800	6,605,800
2046-2050	5,865,000	1,279,800	7,144,800
2051	2,745,000	109,800	2,854,800
Total	<u>\$ 20,010,000</u>	<u>\$ 13,636,000</u>	<u>\$ 33,646,000</u>

Series 2021C Junior Lien General Obligation Limited Tax Bond

On December 9, 2021, the District issued a Series 2021C Junior Lien General Obligation Limited Tax Bond, which is one of a series aggregating a maximum of \$5,000,000 par value. The Bond bears an interest rate of 7.50%. The 2021C Bond matures on December 15, 2051. The Bond constitutes a junior lien general obligation (limited tax) of the District. All of the Bond, including the interest, is payable solely from and to the extent of the Junior Lien Pledged Revenue, and the Junior Lien Pledged Revenue is pledged to the payment of the Bond. The 2021C Bond constitutes an irrevocable, but nonexclusive, lien upon the Junior Lien Pledged Revenue.

The Series 2021C Bond is a draw-down Bond. The Bond is issued in an authorized denomination equal to the principal amount of this Bond as of any given date which shall be equal to the total amount of principal advanced, less any payment of principal on the Bond.

Debt Authorization

Pursuant to the Consolidated Service Plan, the District and District Nos. 1 and 2 are permitted to issue bond indebtedness in the aggregate amount up to \$35,000,000 (Service Plan Debt Issuance Limit). In no event is the District authorized to issue debt in excess of the Service Plan Debt Issuance Limit, with the exception that such limit is not applicable to refundings of the debt authorized to be issued under the Consolidated Service Plan.

The District has voter authorization in excess of the Service Plan Debt Issuance Limit as at the time of the election, the actual costs of construction were not known. Without knowing the costs of construction, it is not possible to allocate the Service Plan Debt Issuance Limit by power (such as water, sewer or streets). Therefore, the Service Plan Debt Issuance Limit was voted in every power relative to debt for public improvements. With that understanding, in November 2008, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$269,000,000. At December 31, 2025, the District had remaining authorized but unissued indebtedness of \$240,008,621.

MORGAN HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 6 RELATED PARTIES

All of the members of the Board of Directors are employees of or are associated with CDG Morgan Hill, the Developer within the District and may have conflicts of interest in dealing with the District.

NOTE 7 AGREEMENTS

In order to implement the Service Plan, the District entered into an intergovernmental agreement with District No. 1 and District No. 2. The agreement shall remain in full force and effect until such time as each of the terms and conditions has been performed in their entirety or until the agreement is terminated by mutual written agreement of the Districts.

District No. 1 is to construct the facilities benefiting the three Districts. The District and District No. 1 will, to the extent that they benefit, pay the capital costs and the service costs of operation and maintenance of such facilities (authorized service costs).

The District is required to fund, on an annual basis, the amount of actual service costs that it would be capable of funding through property tax revenue plus other fee revenue as determined in the annual budget. If the Districts disagree as to the amount to be paid, then the District must pay District No. 1 the amount set forth in the annual budget.

During 2021, the District entered into a Capital Pledge Agreement with District No. 1 and District No. 2 (the Pledged Districts). The Agreement is related to the issuance of the Series 2021A Senior Bonds and the Series 2021B Subordinate Bonds in the District. The Pledged Districts agree to levy on all of the taxable property of the Pledge Districts, in addition to all other taxes, direct annual taxes in each of the years 2021 (for collection in 2022) to 2050 (for collection in 2051) to the extent necessary to provide for payment of the annual bond costs, in the amount of the required mill levy determined by the District.

The District, District No. 1, and District No. 2 also entered into a Junior Lien Pledge Agreement related to the issuance of the Series 2021C Junior Lien Bond in the District. Under the agreement, District No. 1 and District No. 2 pledge their Junior Lien Required Mill levy upon all taxable property within their boundaries. After withholding the Operations & Maintenance (O&M) carve-out, District No. 1 and District No. 2 pledge their share of bond repayment costs. The O&M carve-out is equal to \$90,000 in 2022, with the amount increasing by 1% annually thereafter.

NOTE 8 NET POSITION

The net position of the District consists of two components – restricted and unrestricted.

Restricted net position includes net position that is restricted for use either by notes imposed by external creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

MORGAN HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 8 NET POSITION (CONTINUED)

As of December 31, 2025, the District had restricted net position as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Emergencies	\$ 61,200
Capital Projects	195,939
Total Restricted Net Position	<u>\$ 257,139</u>

The District had a deficit net position at December 31, 2025. This deficit amount is the result of the District being responsible for the repayment of debt issued for public improvements.

NOTE 9 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded insurance coverage in the past three years.

The District pays annual premiums to the Pool for liability and public official's liability. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool, may be returned to the members pursuant to a distribution formula.

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS

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

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

MORGAN HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2025

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

On November 4, 2008, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all annual District revenue without regard to any limitations under TABOR.

Section 29-1-1702, C.R.S., contains limitations on revenues generated from property tax revenues that apply to certain local governments within the state of Colorado.

Annual operating property tax revenue is limited to a 5.25% increase (or 10.50% over a two-year period), such increase is determined based on a prior assessment period and adjusted for allowable exclusions and exemptions from qualified property tax revenues.

The District's management believes it is in compliance with the provisions of Section 29-1-1702, C.R.S. However, this section of the C.R.S. is complex and subject to interpretation.

OTHER INFORMATION

MORGAN HILL METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
YEAR ENDED DECEMBER 31, 2025

	\$20,030,000 General Obligation (Limited Tax) Refunding Bonds and Improvement Bonds Interest Rate 3.00 - 4.00% Series 2021A Dated November 10, 2021 Interest Payable June 1 and December 1 Principal Payable December 1		
Bonds/Loans and Interest Maturing in the Year Ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 220,000	\$ 751,650	\$ 971,650
2027	285,000	745,050	1,030,050
2028	325,000	736,500	1,061,500
2029	335,000	726,750	1,061,750
2030	380,000	716,700	1,096,700
2031	390,000	705,300	1,095,300
2032	435,000	693,600	1,128,600
2033	450,000	678,375	1,128,375
2034	500,000	662,625	1,162,625
2035	520,000	645,125	1,165,125
2036	570,000	626,925	1,196,925
2037	590,000	606,975	1,196,975
2038	650,000	586,325	1,236,325
2039	670,000	563,575	1,233,575
2040	735,000	540,125	1,275,125
2041	760,000	514,400	1,274,400
2042	825,000	487,800	1,312,800
2043	855,000	454,800	1,309,800
2044	935,000	420,600	1,355,600
2045	970,000	383,200	1,353,200
2046	1,050,000	344,400	1,394,400
2047	1,090,000	302,400	1,392,400
2048	1,180,000	258,800	1,438,800
2049	1,225,000	211,600	1,436,600
2050	1,320,000	162,600	1,482,600
2051	2,745,000	109,800	2,854,800
Total	<u>\$ 20,010,000</u>	<u>\$ 13,636,000</u>	<u>\$ 33,646,000</u>

MORGAN HILL METROPOLITAN DISTRICT NO. 3
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2025

Year Ended December 31,	Assessed Valuation	Total Mills Levied		Total Property Taxes		Percent Collected to Levied
		General Operations	Debt Service	Levied	Collected	
2021	\$ 18,645,640	55.663	0.000	\$ 1,037,872	\$ 1,037,872	100.00 %
2022	5,606,690	0.000	55.663	312,085	312,086	100.00
2023	13,388,910	0.000	57.220	766,113	764,763	99.82
2024	16,903,860	0.000	59.467	1,005,222	988,874	98.37
2025	15,236,820	0.000	56.008	853,384	852,806	99.93
Estimated for Year Ending December 31, 2026	\$ 15,181,050	0.000	58.213	\$ 883,734		