

MORGAN HILL METROPOLITAN DISTRICT NOS. 1, 2 AND 3

JOINT 2021 ANNUAL REPORT

TO

TOWN OF ERIE, COLORADO

Pursuant Section VII of the Consolidated Service Plan for Morgan Hill Metropolitan District Nos. 1, 2 and 3 (the “**Districts**”) and Section 32-1-207(3)(c)(I), C.R.S., special district annual reporting mandate, the Districts are required to provide an annual report no later than August 1 of each year to the Town of Erie with regard to the following matters:

(a) A narrative summary of the progress of the Districts in implementing the Service Plan;

The Districts are financing public improvement construction costs.

(b) Except when an exemption from audit has been granted for the fiscal year under the Local Government Audit Law, the audited financial statements of the Districts for the fiscal year including a statement of financial condition (i.e. balance sheet) as of December 31 of the fiscal year and the statement of operations (i.e. revenues and expenditures) for the fiscal year;

The 2021 Audits for District Nos. 1-3 will be provided once completed.

(c) 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;

The District incurred capital expenditures as shown on the attached budgets for 2021. In the next five (5) years, a majority of the public improvements contemplated in the Service Plan are projected to be undertaken as development progresses.

(d) 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 Districts pledged to debt retirement in the fiscal year;

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

2021 Assessed Value District No. 1: \$3,087,840 with 27.187 debt service mills imposed in 2021, for collection in 2022. The District imposes 55.663 mills for operations and maintenance, and a portion of such revenue is used for capital construction costs, repay developer advances, if any, after covering current operation and administrative costs.

2021 Assessed Value District No. 2: \$4,123,700 with 55.663 debt service mills imposed in 2021, collection in 2022. The District imposes 0.000 mills for operations and maintenance, and a portion of such revenue is used for capital construction costs, repay developer advances, if any, after covering current operation and administrative costs.

2021 Assessed Value District No. 3: \$5,606,690 with 55.663 debt service mills imposed in 2021, collection in 2022. The District imposes 0.000 mills for operations and maintenance, and a portion of such revenue is used for capital construction costs, repay developer advances, if any, after covering current operation and administrative costs.

(e) The Districts’ budget for the calendar year in which the annual report is submitted;

The 2021/2022 budgets for each District are attached.

(f) A summary of residential and commercial development which has occurred within the Districts for the fiscal year;

Public infrastructure is ongoing in advance of vertical construction.

(g) A summary of all taxes, fees, charges and assessments imposed by the Districts as of January 1 of the fiscal year;

Each District imposed a total of 55.663 mills in 2021 for collection in 2022 as reflected on the attached budgets. No fees, charges or assessments imposed in 2021.

(h) 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.

<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>Treas.</i>	<i>2500 Arapahoe Ave., #220, Boulder, CO 80302, (303) 442-2299</i>
<i>Steve Rane</i>	<i>Asst. Sec.</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 4th Thursday of April and October, 12:00 p.m., at 2500 Arapahoe Ave., #220, Boulder, CO 80302.

Chief Admin. Officer – None.

General Legal Counsel – White Bear Ankele Tanaka & Waldron; Attn: Sean Allen, Esq., 2154 E. Commons Avenue, Suite 2000, Centennial, CO 80122; 303-858-1800

- (i) No boundary changes were made or proposed in 2021.
- (j) No Intergovernmental Agreements with other governmental entities, either entered into or proposed for 2021.
- (k) The Districts have not adopted rules or regulations.
- (l) To the Districts' actual knowledge, based on review of the court records in Weld County and the Public Access to Court Electronic Records (PACER), there is no litigation involving the Districts' Public Improvements as of December 31, 2021. There were no uncured events of default that continued beyond a ninety (90) day period, under any Debt instrument.
- (m) The Districts did not experience any inability to pay its obligations as they came due, in accordance with the terms of such obligations, which continue beyond a ninety (90) day period.

Attached: 2021/2022 Budgets

MORGAN HILL METROPOLITAN DISTRICT NO. 1

2022 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 prepares its budget on the modified accrual basis of accounting, and the budget has been adopted after proper postings, publications and public hearing.

On November 10, 2021, District No. 3 issued the (i) Series 2021A, General Obligation Refunding and Improvement Bonds in the aggregate principal amount of \$20,030,000 (the "2021A Senior Bonds"); and (ii) Series 2021B, Subordinate General Obligation Refunding and Improvement Bonds in the aggregate principal amount of \$5,850,000 (the "2021B Subordinate Bonds") 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 2021B Subordinate Bonds. Pursuant to the Pledge Agreement dated November 1, 2021, the District and District No. 2 remit pledged revenue to the District for debt service payments on the 2021A Senior Bonds and 2021B Subordinate Bonds.

On December 9, 2021, District No. 3 issued the Series 2021C Junior Lien draw down facility in the maximum aggregate amount of \$5,000,000 (the "2021C Junior Lien Bonds") for the purpose of funding the 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 the District and District No. 2.

Revenue

Ad Valorem Property Taxes

The primary source of revenue for the District is property taxes. Property taxes are assessed and collected based upon the assessed value of all of the non-exempt property located within the District. The District adopts mill levies for debt service and for operations which, when combined with the District's other sources of revenue, provide sufficient resources to pay the required debt service, if any, capital purchases and the estimated costs of operations for the calendar year.

Pursuant to the Service Plan and the Gallagher Amendment, the maximum mill levy is 55.663 mills. The District adopted a mill levy of 27.187 for debt service and 28.476 mills for operating expenses in 2022.

The total taxable assessed value within the District in 2021 was \$3,087,840, an increase of \$286,830 from the 2020 valuation.

Specific Ownership Tax

Specific ownership tax revenue is collected on annual motor vehicle registrations within Weld County and is distributed based upon the proportion of property taxes levied within the County during the preceding calendar year. The specific ownership tax revenue is estimated to be 6.00% of the ad valorem property taxes collected in 2022.

Debt Issuance

The District does not plan to issue any debt in 2022.

Expenditures

Transfers to District No. 3

The District anticipates transferring \$86,887 to District No. 3 in 2022 to fund the debt service requirements of the Districts.

Administrative

Administrative expenditures have been estimated based upon the level of expenditures incurred by the District in prior years.

Capital Outlay

The District anticipates expenditures of \$150,000 for warranty work associated with capital improvements within Morgan Hill Filing No. 1 in 2022.

Reserve Funds

The District has provided for an emergency reserve equal to \$245,223, which is intended for use on any unanticipated expenditures in 2022. Such emergency reserve is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.

**MORGAN HILL METROPOLITAN DISTRICT NO. 1
GOVERNMENTAL FUND**

	2020	2021		2022 BUDGET			
	Actual Final	Original Budget	Amended Budget (if applicable)	Projected Final	General Fund Budget	Debt Service Budget	Total Budget
REVENUES							
Taxes							
Property	\$ 306,241	\$ 155,913	\$ 155,913	\$ 155,913	\$ 87,929	\$ 83,949	\$ 171,878
Specific ownership	14,536	9,355	7,186	7,186	4,396	4,197	8,594
TIF	-	-	-	-	-	-	-
Intergovernmental							
Transfers from Morgan Hill MD No. 2	594,463	-	1,678,115	1,678,115	-	-	-
Transfers from Morgan Hill MD No. 3	53,000	-	-	-	-	-	-
Investment income	2,442	-	123	123	-	-	-
Other	-	-	-	-	-	-	-
Total revenue	\$ 970,682	\$ 165,267	\$ 1,841,337	\$ 1,841,337	\$ 92,326	\$ 88,147	\$ 180,472
EXPENDITURES							
Current							
County Treasurer's fees	4,613	2,339	2,339	2,339	1,319	1,259	2,578
Letter of credit fees	18,185	6,200	6,251	6,251	34,751	-	34,751
Insurance	3,054	3,500	2,601	2,601	9,500	-	9,500
Accounting	28,688	10,000	20,760	20,760	45,000	-	45,000
Audit	11,288	12,000	12,075	12,075	31,000	-	31,000
Legal	12,595	10,000	17,713	17,713	25,000	-	25,000
Director fees	60	30	60	60	60	-	60
Other	2,177	5,000	9,970	9,970	11,000	-	11,000
Subtotal current	80,659	49,069	71,768	71,768	157,630	1,259	158,889
Capital Outlay							
Work in process	2,296,925	497,830	2,063,976	2,063,976	150,000	-	150,000
Subtotal capital outlay	2,296,925	497,830	2,063,976	2,063,976	150,000	-	150,000
Intergovernmental							
Transfers to Morgan Hill MD No. 2	11,699	15,750	12,595	12,595	-	-	-
Transfers to Morgan Hill MD No. 3	77,437	3,600,000	-	-	-	86,887	86,887
Subtotal intergovernmental	89,136	3,615,750	12,595	12,595	-	86,887	86,887
Debt service							
Loan origination fees	-	400,000	-	-	-	-	-
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Subtotal debt service	-	400,000	-	-	-	-	-

Total expenditures	\$ 2,466,720	\$ 4,562,649	\$ 2,148,338	\$ 2,148,338	\$ 307,630	\$ 88,147	\$ 395,777
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ (1,496,038)	\$ (4,397,381)	\$ (307,001)	\$ (307,001)	\$ (215,304)	\$ -	\$ (215,304)
OTHER FINANCING SOURCES							
Debt proceeds	-	4,000,000	-	-	-	-	-
Developer advances received	-	-	-	-	-	-	-
Change in working capital	(65,055)	-	(95,488)	(95,488)	-	-	-
Total other financing sources	\$ (65,055)	\$ 4,000,000	\$ (95,488)	\$ (95,488)	\$ -	\$ -	\$ -
NET CHANGE IN FUND BALANCE	(1,561,093)	(397,381)	(402,490)	(402,490)	(215,304)	-	(215,304)
FUND BALANCE - BEGINNING OF YEAR	2,424,111	863,017	863,017	863,017	460,528	-	460,528
FUND BALANCE - END OF CURRENT PERIOD	\$ 863,017	\$ 465,636	\$ 460,528	\$ 460,528	\$ 245,223	\$ -	\$ 245,223
	-	-	-	-	-	-	-

MORGAN HILL MD NO. 1 2022 REVENUE PROJECTION	2021 AV, Collected in 2022		
	Certified Assessed Value	Total Mill Levy	Ad Valorem Revenue
Vacant Land	491,420	55.663	27,353.91
Residential	1,774,600	55.663	98,779.56
Commercial	-	55.663	-
Agricultural	740	55.663	41.19
Oil & Gas	727,810	55.663	40,512.09
State Assessed	93,270	55.663	5,191.69
	\$ 3,087,840	55.663	\$ 171,878.44

2022 MILL LEVY APPROPRIATION	Levy Appropriation	Ad Valorem Revenue	S.O. Revenue	Treasurer's Fees
			171,878.44	5.00%
General Fund	28.476	87,929.33	4,396.47	1,318.94
Debt Service	27.187	83,949.11	4,197.46	1,259.24
	55.663	\$ 171,878.44	\$ 8,593.93	\$ 2,578.18

MORGAN HILL METROPOLITAN DISTRICT NO. 2

2022 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 prepares its budget on the modified accrual basis of accounting, and the budget has been adopted after proper postings, publications and public hearing.

On November 10, 2021, District No. 3 issued the (i) Series 2021A, General Obligation Refunding and Improvement Bonds in the aggregate principal amount of \$20,030,000 (the "2021A Senior Bonds"); and (ii) Series 2021B, Subordinate General Obligation Refunding and Improvement Bonds in the aggregate principal amount of \$5,850,000 (the "2021B Subordinate Bonds") 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 2021B Subordinate Bonds. Pursuant to the Pledge Agreement dated November 1, 2021, the District and District No. 1 remit pledged revenue to the District for debt service payments on the 2021A Senior Bonds and 2021B Subordinate Bonds.

On December 9, 2021, District No. 3 issued the Series 2021C Junior Lien draw down facility in the maximum aggregate amount of \$5,000,000 (the "2021C Junior Lien Bonds") for the purpose of funding the 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 the District and District No. 1.

Revenue

Ad Valorem Property Taxes

The primary source of revenue for the District is property taxes. Property taxes are assessed and collected based upon the assessed value of all of the non-exempt property located within the District. The District adopts mill levies for debt service and for operations which, when combined with the District's other sources of revenue, provide sufficient resources to pay the required debt service, if any, capital purchases and the estimated costs of operations for the calendar year.

Pursuant to the Service Plan and the Gallagher Amendment, the maximum mill levy limit is 55.663 mills. The District adopted a mill levy of 55.663 mills for debt service in 2022.

The total taxable assessed value within the District in 2021 was \$4,123,700, a decrease of \$8,497,010 from the 2020 valuation. This decrease in valuation was due to a significant decrease in oil and gas assessments.

Specific Ownership Tax

Specific ownership tax revenue is collected on annual motor vehicle registrations within Weld County and is distributed based upon the proportion of property taxes levied within the County during the preceding calendar year. The specific ownership tax revenue is estimated to be 6.00% of the ad valorem property taxes collected in 2022.

Expenditures

Transfers to District No. 3

The District projects that it will transfer \$1,637,571 in revenue from ad valorem property taxes and specific ownership taxes to District No. 3 in 2022 to fund the debt service requirements of the Districts.

Administrative

Administrative expenditures have been estimated based upon the level of expenditures incurred by the District in prior years.

Reserve Funds

The District has provided for an emergency reserve equal to \$84,533, which is intended for use on any unanticipated expenditures in 2022. Such emergency reserve is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.

**MORGAN HILL METROPOLITAN DISTRICT NO. 2
GOVERNMENTAL FUND**

	2020	2021		Projected Final	2022 BUDGET		
	Actual Final	Original Budget	Amended Budget (if applicable)		General Fund Budget	Debt Service Budget	Total Budget
REVENUE							
Taxes							
Property	\$ 1,855,332	\$ 702,507	\$ 702,655	\$ 702,655	\$ -	\$ 229,538	\$ 229,538
Specific ownership	88,064	42,150	32,832	32,832	-	11,477	11,477
TIF	-	-	-	-	-	-	-
Intergovernmental							
Transfers from Morgan Hill MD No. 1	11,699	15,750	12,595	12,595	-	-	-
Transfers from Morgan Hill MD No. 3	-	-	-	-	-	-	-
Investment income	13,159	-	486	486	-	-	-
Other	-	-	-	-	-	-	-
Total revenue	\$ 1,968,255	\$ 760,407	\$ 748,567	\$ 748,567	\$ -	\$ 241,014	\$ 241,014
EXPENDITURES							
Current							
County Treasurer's fees	27,952	10,538	10,540	10,540	-	3,443	3,443
Insurance	2,154	2,750	1,880	1,880	-	-	-
Accounting	1,382	3,000	4,831	4,831	-	-	-
Audit	6,825	7,500	7,035	7,035	-	-	-
Legal	-	1,500	-	-	-	-	-
Other	1,359	1,000	993	993	-	-	-
Subtotal current	39,672	26,288	25,279	25,279	-	3,443	3,443
Capital outlay							
Work in process	-	-	-	-	-	-	-
Subtotal capital outlay	-	-	-	-	-	-	-
Intergovernmental							
Transfers to Morgan Hill MD No. 1	594,463	-	1,678,115	1,678,115	-	-	-
Transfers to Morgan Hill MD No. 3	-	2,000,000	-	-	1,400,000	237,571	1,637,571
Subtotal intergovernmental	594,463	2,000,000	1,678,115	1,678,115	1,400,000	237,571	1,637,571
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Subtotal debt service	-	-	-	-	-	-	-
Total expenditures	\$ 634,135	\$ 2,026,288	\$ 1,703,394	\$ 1,703,394	\$ 1,400,000	\$ 241,014	\$ 1,641,014

(DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>\$ 1,334,121</u>	<u>\$ (1,265,881)</u>	<u>\$ (954,827)</u>	<u>\$ (954,827)</u>	<u>\$ (1,400,000)</u>	<u>\$ -</u>	<u>\$ (1,400,000)</u>
OTHER FINANCING SOURCES							
Debt proceeds	-	-	-	-	-	-	-
Developer advances received	-	-	-	-	-	-	-
Change in working capital	225	-	8,902	8,902	-	-	-
Total other financing sources	<u>\$ 225</u>	<u>\$ -</u>	<u>\$ 8,902</u>	<u>\$ 8,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET CHANGE IN FUND BALANCE	1,334,345	(1,265,881)	(945,925)	(945,925)	(1,400,000)	-	(1,400,000)
FUND BALANCE - BEGINNING OF YEAR	1,096,113	2,430,458	2,430,458	2,430,458	1,484,533	-	1,484,533
FUND BALANCE - END OF CURRENT PERIOD	<u>\$ 2,430,458</u>	<u>\$ 1,164,578</u>	<u>\$ 1,484,533</u>	<u>\$ 1,484,533</u>	<u>\$ 84,533</u>	<u>\$ -</u>	<u>\$ 84,533</u>
	-	-	-	-	-	-	-

MORGAN HILL MD NO. 2 2022 REVENUE PROJECTION	2021 AV, Collected in 2022		
	Certified Assessed Value	Total Mill Levy	Ad Valorem Revenue
Vacant Land	15,890	55.663	884.49
Residential	-	55.663	-
Industrial	-	55.663	-
Commercial	-	55.663	-
Agricultural	1,390	55.663	77.37
Oil & Gas	4,051,190	55.663	225,501.39
State Assessed	55,230	55.663	3,074.27
	<u>\$ 4,123,700</u>	<u>55.663</u>	<u>\$ 229,537.52</u>

2022 MILL LEVY APPROPRIATION				
	Levy Appropriation	Ad Valorem Revenue	S.O. Revenue	Treasurer's Fees
		<u>229,537.52</u>	<u>5.00%</u>	<u>1.50%</u>
General Fund	0.000	-	-	-
Debt Service	55.663	229,537.52	11,476.88	3,443.06
	<u>55.663</u>	<u>\$ 229,537.52</u>	<u>\$ 11,476.88</u>	<u>\$ 3,443.06</u>

MORGAN HILL METROPOLITAN DISTRICT NO. 3

2022 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.

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 (the "2021A Senior Bonds"); and (ii) Series 2021B, Subordinate General Obligation Refunding and Improvement Bonds in the aggregate principal amount of \$5,850,000 (the "2021B Subordinate Bonds") 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 2021B Subordinate Bonds. Pursuant to the Pledge Agreement dated November 1, 2021, District Nos. 1 and 2 remit pledged revenue 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 (the "2021C Junior Lien Bonds") for the purpose of funding the 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 District Nos. 1 and 2.

The District prepares its budget on the modified accrual basis of accounting, and the budget has been adopted after proper postings, publications and public hearing.

Revenue

Ad Valorem Property Taxes

The primary source of revenue for the District is property taxes. Property taxes are assessed and collected based upon the assessed value of all of the non-exempt property located within the District. The District adopts mill levies for debt service and for operations which, when combined with the District's other sources of revenue, provide sufficient resources to pay the required debt service, if any, capital purchases and the estimated costs of operations for the calendar year.

Pursuant to the Service Plan and the Gallagher Amendment, the maximum mill levy limit is 55.663 mills. The District adopted a mill levy of 55.663 mills for debt service in 2022.

The total taxable assessed value within the District in 2021 was \$5,606,690, a decrease of \$13,038,950 from the 2020 valuation. This decrease in valuation was due to a significant decrease in oil and gas assessments.

Specific Ownership Tax

Specific ownership tax revenue is collected on annual motor vehicle registrations within Weld County and is distributed based upon the proportion of property taxes levied within the County during the preceding calendar year. The specific ownership tax revenue is estimated to be 6.00% of the ad valorem property taxes collected in 2022.

Transfers from District Nos. 1 and 2

The District expects to receive revenues of approximately \$86,887 from District No. 1 and \$1,637,571 from District No. 2 in 2022, which will mainly be derived from ad valorem property tax and specific ownership tax revenues.

Expenditures

Capital Outlay

The District anticipates expenditures of \$14,254,845 for capital improvements in 2022.

Debt Service

Debt service payments on the 2021A Senior Bonds are interest only for the first three years. The 2022 interest payment will be \$796,131 and paid entirely from the Capitalized Interest Fund. The District also expects to pay \$102,082 in interest on the 2021B Subordinate Bonds and \$547,072 in interest on the 2021C Junior Lien Bonds.

Administrative

Administrative expenditures have been estimated based upon the level of expenditures incurred by the District in prior years.

Reserve Funds

The District is projecting an ending fund balance of \$5,121,623, including \$1,465,994 in the Capitalized Interest Fund (for the benefit of the 2021A Senior Bonds only), a Reserve Fund of \$1,375,954 (for the benefit of the 2021A Senior Bonds only) and an emergency reserve, which is intended for use on any unanticipated expenditures in 2022. Such emergency reserve is an integral part of the Ending Fund Balance.

Leases

The District has no operating or capital leases.

**MORGAN HILL METROPOLITAN DISTRICT NO. 3
GOVERNMENTAL FUND**

	2020		2021		2022 BUDGET			
	Actual	Final	Original Budget	Amended Budget (if applicable)	Projected Final	General Fund Budget	Debt Service Budget	Total Budget
REVENUES								
Taxes								
Property	\$ 2,667,193		\$ 1,037,872	\$ 1,037,872	\$ 1,037,872	\$ -	\$ 312,085	\$ 312,085
Specific ownership	126,600		62,272	51,957	51,957	-	15,604	15,604
TIF	-		-	-	-	-	-	-
Intergovernmental								
Transfers from Morgan Hill MD No. 1	77,437		3,600,000	1,953	1,953	-	86,887	86,887
Transfers from Morgan Hill MD No. 2	-		2,000,000	-	-	1,400,000	237,571	1,637,571
Investment income	23,039		-	4,267	4,267	-	-	-
Other	-		-	-	-	-	-	-
Total revenue	\$ 2,894,269		\$ 6,700,145	\$ 1,096,049	\$ 1,096,049	\$ 1,400,000	\$ 652,148	\$ 2,052,148
EXPENDITURES								
Current								
County Treasurer's fees	40,184		15,568	15,568	15,568	-	4,681	4,681
Letter of credit fees	91,853		91,900	92,986	92,986	-	-	-
Insurance	2,386		2,500	2,161	2,161	-	-	-
Accounting	6,576		15,000	38,562	38,562	-	-	-
Audit	6,405		7,000	6,720	6,720	-	-	-
Legal	-		1,500	-	-	-	-	-
Other	2,206		5,000	1,769	1,769	-	-	-
Subtotal current	149,610		138,468	157,766	157,766	-	4,681	4,681
Capital outlay								
Work in process	589,322		11,650,000	5,735,686	5,735,686	14,254,845	-	14,254,845
Subtotal capital outlay	589,322		11,650,000	5,735,686	5,735,686	14,254,845	-	14,254,845
Intergovernmental								
Transfers to Morgan Hill MD No. 1	53,000		-	-	-	-	-	-
Transfers to Morgan Hill MD No. 2	-		-	-	-	-	-	-
Subtotal intergovernmental	53,000		-	-	-	-	-	-
Debt Service								
Loan origination fees	-		-	761,968	761,968	-	-	-
Trustee fees	-		-	9,000	9,000	-	8,000	8,000
Principal								
Limited Tax Revenue Bonds, Series 2018A	-		4,000,000	4,000,000	4,000,000	-	-	-
Subordinate Limited Tax Revenue Note, Series 2018B	-		3,200,000	16,349,623	16,349,623	-	-	-
Limited Tax Revenue Bonds, Series 2020A	-		-	-	-	-	-	-
Subordinate Limited Tax Revenue Bonds, Series 2020B	-		-	-	-	-	-	-
Subordinate Limited Tax Revenue Note, Series 2020C	-		-	-	-	-	-	-
Interest								
Limited Tax Revenue Bonds, Series 2018A	220,000		110,000	133,833	133,833	-	-	-

Subordinate Limited Tax Revenue Note, Series 2018B	334,428	1,174,260	1,208,262	1,208,262	-	-	-
Limited Tax Revenue Bonds, Series 2021A	-	-	-	-	-	796,131	796,131
Subordinate Limited Tax Revenue Bonds, Series 2021B	-	-	-	-	-	102,082	102,082
Subordinate Limited Tax Revenue Note, Series 2021C	-	-	-	-	-	547,072	547,072
Subtotal debt service	554,428	8,484,260	22,462,687	22,462,687	-	1,453,286	1,453,286
Total expenditures	\$ 1,346,360	\$ 20,272,728	\$ 28,356,140	\$ 28,356,140	\$ 14,254,845	\$ 1,457,967	\$ 15,712,812
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$ 1,547,909	\$ (13,572,584)	\$ (27,260,091)	\$ (27,260,091)	\$ (12,854,845)	\$ (805,819)	\$ (13,660,664)
OTHER FINANCING SOURCES							
Debt proceeds	12,169,273	-	26,166,324	26,166,324	4,000,000	-	4,000,000
Developer advances received	-	-	-	-	-	-	-
Change in working capital	(24,578)	-	330,949	330,949	-	-	-
Total other financing sources	\$ 12,144,695	\$ -	\$ 26,497,273	\$ 26,497,273	\$ 4,000,000	\$ -	\$ 4,000,000
NET CHANGE IN FUND BALANCE	13,692,605	(13,572,584)	(762,817)	(762,817)	(8,854,845)	(805,819)	(9,660,664)
FUND BALANCE - BEGINNING OF YEAR	1,852,500	15,545,105	15,545,105	15,545,105	11,134,521	3,647,767	14,782,287
FUND BALANCE - END OF CURRENT PERIOD	\$ 15,545,105	\$ 1,972,521	\$ 14,782,287	\$ 14,782,287	\$ 2,279,676	\$ 2,841,948	\$ 5,121,623

MORGAN HILL MD NO. 3 2022 REVENUE PROJECTION		2021 AV, Collected in 2022		
		Certified Assessed Value	Total Mill Levy	Ad Valorem Revenue
Vacant Land		1,950	55.663	108.54
Residential		-	55.663	-
Commercial		-	55.663	-
Agricultural		2,150	55.663	119.68
Oil & Gas		5,571,290	55.663	310,114.72
State Assessed		31,300	55.663	1,742.25
		\$ 5,606,690	55.663	\$ 312,085.19

2022 MILL LEVY APPROPRIATION				
	Levy Appropriation	Ad Valorem Revenue	S.O. Revenue	Treasurer's Fees
		312,085.19	5.00%	1.50%
General Fund	0.000	-	-	-
Debt Service	55.663	312,085.19	15,604.26	4,681.28
	55.663	\$ 312,085.19	\$ 15,604.26	\$ 4,681.28