

**SPRING HILL METROPOLITAN DISTRICT NO. 3
Weld County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

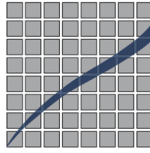
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YEAR ENDED DECEMBER 31, 2023**

PROPERTY TAX COLLECTIONS IN THE TAXING DISTRICTS

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Spring Hill Metropolitan District No. 3 ("District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2023, the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the

basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

BiggsKofford, P.C.

Colorado Springs, Colorado
September 16, 2024

BASIC FINANCIAL STATEMENTS

**SPRING HILL METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	Governmental Activities
ASSETS	
Cash and Investments - Restricted	\$ 23,222,332
Property Tax Receivable	2,638
Due from District No. 1	3,478
Due from District No. 2	1,626
Due from District No. 4	244
Capital Assets, Not Being Depreciated	<u>2,754,847</u>
Total Assets	<u>25,985,165</u>
LIABILITIES	
Due to District No. 4	6,500
Accrued Interest Payable	119,841
Noncurrent Liabilities:	
Due in More than One Year	<u>28,006,528</u>
Total Liabilities	<u>28,132,869</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	<u>2,638</u>
Total Deferred Inflows of Resources	<u>2,638</u>
NET POSITION	
Restricted For:	
Capital Projects	887,808
Unrestricted	<u>(3,038,150)</u>
Total Net Position	<u><u>\$ (2,150,342)</u></u>

See accompanying Notes to Basic Financial Statements.

**SPRING HILL METROPOLITAN DISTRICT NO. 3
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

ASSETS	General	Debt Service	Capital Projects	Total Governmental Funds
Cash and Investments - Restricted	\$ -	\$ 5,084,996	\$ 18,137,336	\$ 23,222,332
Property Tax Receivable	-	2,638	-	2,638
Due from District No. 1	-	3,478	-	3,478
Due from District No. 2	-	1,626	-	1,626
Due from District No. 4	-	244	-	244
	<u>\$ -</u>	<u>\$ 5,092,982</u>	<u>\$ 18,137,336</u>	<u>\$ 23,230,318</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Due to District No. 4	-	6,500	-	6,500
Total Liabilities	-	6,500	-	6,500
DEFERRED INFLOWS OF RESOURCES				
Deferred Property Tax Revenue	-	2,638	-	2,638
Total Deferred Inflows of Resources	-	2,638	-	2,638
FUND BALANCES				
Restricted For:				
Debt Service	-	5,083,844	-	5,083,844
Capital Projects	-	-	18,137,336	18,137,336
Total Fund Balances	-	5,083,844	18,137,336	23,221,180
	<u>\$ -</u>	<u>\$ 5,092,982</u>	<u>\$ 18,137,336</u>	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances				
	<u>\$ -</u>	<u>\$ 5,092,982</u>	<u>\$ 18,137,336</u>	
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Capital Assets, Not Being Depreciated				2,754,847
Long-term liabilities including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.				
Bonds Payable				(24,819,001)
Accrued Bond Interest - Senior Bonds				(119,841)
Accrued Bond Interest - Subordinate Bonds				(415,458)
Accrued Bond Interest - Second Subordinate Bonds				(2,382)
Accrued Interest Payable - Developer Advance				(64,841)
Developer Advance Payable				(2,704,846)
				<u>(27,126,328)</u>
Net Position of Governmental Activities				<u>\$ (2,150,342)</u>

See accompanying Notes to Basic Financial Statements.

SPRING HILL METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property Taxes	\$ -	\$ 237	\$ -	\$ 237
Specific Ownership Taxes	-	10	-	10
Investment Income	-	272,321	804,798	1,077,119
Intergovernmental Revenue - District No. 1	-	3,478	-	3,478
Intergovernmental Revenue - District No. 2	-	1,626	-	1,626
Total Revenues	-	277,672	804,798	1,082,470
EXPENDITURES				
General:				
County Treasurer's Fees	-	3	-	3
Debt Service:				
Paying Agent Fees	-	6,500	-	6,500
Bond Interest - Series 2022A	-	1,438,088	-	1,438,088
Total Expenditures	-	1,444,591	-	1,444,591
NET CHANGE IN FUND BALANCES	-	(1,166,919)	804,798	(362,121)
Fund Balances - Beginning of Year	-	6,250,763	17,332,538	23,583,301
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 5,083,844</u>	<u>\$ 18,137,336</u>	<u>\$ 23,221,180</u>

See accompanying Notes to Basic Financial Statements.

**SPRING HILL METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ (362,121)

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

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 Advances - Change in Liability	(64,841)
Accrued Interest on Bonds - Change in Liability	<u>(338,595)</u>

Change in Net Position of Governmental Activities \$ (765,557)

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Total Expenditures	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

Spring Hill Metropolitan District No. 3 (the District) is a quasi-municipal corporation located in Weld County and the Town of Erie, Colorado and is governed pursuant to the provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was organized by Order and Decree of the District Court on May 13, 2022, as recorded on May 27, 2022, and was established to provide financing for the planning, design, acquisition, construction, installation, relocation, and redevelopment of the street improvements, traffic and safety controls, retaining walls, park and recreation improvements and facilities, trails, open space, landscaping, drainage improvements, and irrigation system improvements and all related operation and maintenance services in the District.

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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

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

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

SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Currently, all operations and maintenance services and administrative services related to the District are paid by Spring Hill Metropolitan District No. 4 (see Note 8, Master IGA).

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and other assets.

SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Capital Assets

Capital assets, which include property and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported 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.

Capital assets which are anticipated to be conveyed to other governmental entities, as well as capital assets being constructed which the District may operate and maintain, are recorded as construction in progress and are not included in the calculation of net investment in capital assets component of the net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

During 2022, certain District Eligible Costs which the District accepted pursuant to the IAPFDA (see Note 8) were recorded as construction in progress. Also pursuant to the IAPFDA, the capital assets will be transferred to Spring Hill Metropolitan District No. 4 for ownership and maintenance.

SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Deferred Inflow of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only 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 amounts become available.

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.

**SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

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

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

If more than one classification of fund balances is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments - Restricted	<u>\$ 23,222,332</u>
Total Cash and Investments	<u><u>\$ 23,222,332</u></u>

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

Investments	<u>\$ 23,222,332</u>
Total Cash and Investments	<u><u>\$ 23,222,332</u></u>

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.

**SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

At December 31, 2023, the District had no cash deposits.

Investments

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

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

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

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

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- * Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

As of December 31, 2023, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Federated Hermes Treasury Obligations Fund	Weighted-Average Under 60 Days	\$ 23,222,332
Total		<u>\$ 23,222,332</u>

**SPRING HILL METROPOLITAN DISTRICT NO. 3
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2023**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Federated Hermes Treasury Obligations Fund

The debt service and capital projects monies that are included in the trust accounts at BOK Financial is invested in the Federated Hermes Treasury Obligations Fund. This portfolio is a government money market fund which invests primarily in short-term U.S. Treasury securities, which are fully guaranteed as to principal and interest by the United States, with maturities of 60 days or less and repurchase agreements collateralized by U.S. Treasury securities. The Federated Hermes Treasury Obligations Fund is rated AAAM by Standard & Poor's and Aaa-mf by Moody's.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023, follows:

	Balance at December 31, 2022	Increases	Decreases	Balance at December 31, 2023
Capital Assets, Not Being Depreciated:				
Construction in Progress (To Be Transferred to District No. 4)	\$ 2,754,847	\$ -	\$ -	\$ 2,754,847
Total Capital Assets, Not Being Depreciated	<u>\$ 2,754,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,754,847</u>

SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2022	Additions	Retirements	Balance at December 31, 2023	Current Portion
Bonds Payable:					
General Obligation:					
Bonds Series 2022A	\$ 21,305,000	\$ -	\$ -	\$ 21,305,000	\$ -
Bonds Series 2022B ⁽³⁾	3,464,000	-	-	3,464,000	-
Bonds Series 2022C ⁽³⁾	50,001	-	-	50,001	-
Accrued Interest:					
Bonds Series 2022B ⁽³⁾	78,884	336,574	-	415,458	-
Bonds Series 2022C ⁽³⁾	361	2,021	-	2,382	-
Subtotal	<u>24,898,246</u>	<u>338,595</u>	<u>-</u>	<u>25,236,841</u>	<u>-</u>
Direct Borrowings and Direct Placements:					
Developer Advance - Capital	2,704,846	-	-	2,704,846	-
Accrued Interest - Developer Advance - Capital	-	64,841	-	64,841	-
Subtotal	<u>2,704,846</u>	<u>64,841</u>	<u>-</u>	<u>2,769,687</u>	<u>-</u>
Total Long-Term Obligations	<u>\$ 27,603,092</u>	<u>\$ 403,436</u>	<u>\$ -</u>	<u>\$ 28,006,528</u>	<u>\$ -</u>

General Obligation Limited Tax Bonds, Series 2022A (the Senior Bonds) and **Subordinate General Obligation Limited Tax Bonds, Series 2022B⁽³⁾** (the Subordinate Bonds, and with the Senior Bonds, the Bonds). The District issued the Bonds on October 5, 2022, in the amounts of \$21,305,000 and \$3,464,000, respectively.

The Bonds do not have any unused lines of credit. No assets have been pledged as collateral on the Bonds.

Proceeds of the Bonds

Proceeds from the sale of the Senior Bonds were/will be used to: (i) finance or reimburse a portion of the costs of public improvements; (ii) fund capitalized interest on the Senior Bonds; (iii) fund an initial deposit to the Senior Surplus Fund; and (iv) pay the costs of issuing the Senior Bonds. The proceeds from the sale of the Subordinate Bonds were used to: (i) finance or reimburse a portion of the costs of public improvements; and (ii) pay the costs of issuing the Subordinate Bonds.

**SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Optional Redemption

The Senior Bonds and Subordinate Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2027, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2027, through November 30, 2028	3.00%
December 1, 2028, through November 30, 2029	2.00
December 1, 2029, through November 30, 2030	1.00
December 1, 2030, and thereafter	0.00

Senior Bonds Details

The Senior Bonds bear interest at the rate of 6.750% per annum, payable semiannually on June 1 and December 1, beginning on December 1, 2022. Annual mandatory sinking fund principal payments on the Senior Bonds are due on December 1, beginning on December 1, 2029. The Senior Bonds mature on December 1, 2052.

To the extent principal of any Senior Bond is not paid when due, principal shall remain outstanding until paid, subject to discharge on the Senior Termination Date of December 2, 2062. To the extent interest on any Senior Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Senior Bond.

The Senior Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on the Senior Termination Date, regardless of the principal and interest amounts remaining unpaid.

Senior Pledged Revenue

The Senior Bonds are secured by and payable solely from and to the extent of Senior Pledged Revenue, net of the cost of collection, derived by the District from the following sources: (a) the Senior Required Mill Levy; (b) the Senior Pledge Agreement Revenues; (c) the portion of the Specific Ownership Tax attributable to the imposition of the Senior Required Mill Levy; and (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Senior Pledged Revenue.

Senior Required Mill Levy

The Senior Required Mill Levy is an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the Senior Bonds as they come due, but (i) not in excess of 55.000 mills (as adjusted for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement on or after January 1, 2017), and (ii) for so long as the Surplus Fund is less than the Maximum Surplus Amount, not less than 55.000 mills (as adjusted) or such lesser mill levy which will pay the Senior Bonds as they come due and will fund the Surplus Fund up to the Maximum Surplus Amount.

The District certified 56.704 mills for debt service for collection in 2024.

**SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Senior Pledge Agreement Revenues

Pursuant to the Capital Pledge Agreement, between Spring Hill Metropolitan District No. 1, Spring Hill Metropolitan District No. 2, and the District (the Pledge District), the Pledge Districts have each covenanted to impose a Mandatory Capital Levy upon all taxable property of the Pledge Districts each year in an amount which will fund the District's Bond Funds in an amount sufficient to pay all of the principal of and interest on the District's Bonds in full, but not in excess of 55.000 mills (subject to adjustment).

Surplus Fund

In addition to the deposit from proceeds of the Senior Bonds, Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$4,261,000.

Events of Default of the Senior Bonds

Events of default occur if the District fails to impose the Senior Required Mill Levy, or to apply the Senior Pledged Revenues as required by the Senior Indenture and does not comply with other customary terms and conditions as described in the Senior Indenture.

Acceleration of the Senior Bonds shall not be an available remedy for an Event of Default.

Debt Service Requirements of the Senior Bonds

The Senior Bonds principal and interest will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 1,438,087	\$ 1,438,087
2025	-	1,438,087	1,438,087
2026	-	1,438,087	1,438,087
2027	-	1,438,087	1,438,087
2028	-	1,438,087	1,438,087
2029-2033	1,270,000	7,040,924	8,310,924
2034-2038	2,275,000	6,486,751	8,761,751
2039-2043	3,635,000	5,547,151	9,182,151
2044-2048	5,605,000	4,072,951	9,677,951
2049-2052	8,520,000	1,696,951	10,216,951
Total	<u>\$ 21,305,000</u>	<u>\$ 32,035,163</u>	<u>\$ 53,340,163</u>

Subordinate Bonds Details

The Subordinate Bonds bear interest at the rate of 9.500% per annum, payable annually on December 15, beginning on December 15, 2022, from, and to the extent of Subordinate Pledged Revenue available, if any, and mature on December 15, 2045.

SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate Bonds Details (Continued)

The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. All of the Subordinate Bonds and interest thereon are to be deemed to be paid and discharged on December 16, 2062 (the Subordinate Termination Date), regardless of the amount of principal and interest paid prior to the Subordinate Termination Date.

Subordinate Pledged Revenue

The Subordinate Bonds are secured by and payable solely from and to the extent of Subordinate Pledged Revenue, net of the cost of collection, which is defined generally in the Subordinate Indenture as: (a) the Subordinate Required Mill Levy; (b) the Subordinate Pledge Agreement Revenues; (c) the Specific Ownership Tax Revenue attributable to the Subordinate Required Mill Levy; (d) the amounts, if any, in the Senior Surplus Fund after the payment or defeasance of the Senior Bonds and (e) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

Subordinate Required Mill Levy

Pursuant to the Subordinate Indenture, the District has covenanted to impose a Subordinate Required Mill Levy, less the amount of the Senior Required Mill Levy, upon all taxable property of the District each year in an amount which will fund the Subordinate Bond Fund in an amount sufficient to pay all of the principal of and interest on the Subordinate Bonds in full, but not in excess of 55.000 mills (subject to adjustment). If the amount of the Senior Required Mill Levy exceeds 55.000 mills, as adjusted, the Subordinate Required Mill Levy for that year will be zero.

Events of Default of the Subordinate Bonds

Events of default occur if the District fails to impose the Subordinate Required Mill Levy, or to apply the Subordinate Pledged Revenues as required by the Subordinate Indenture and does not comply with other customary terms and conditions as described in the Subordinate Indenture.

Acceleration of the Senior Bonds shall not be an available remedy for an Event of Default.

Debt Service Requirements

Due to the cash flow nature of the Subordinate Bonds that are payable only to the extent of Subordinate Pledged Revenue available, principal and interest payments on the Subordinate Bonds cannot be predicted with certainty and are not presented in the above maturity schedule.

Second Subordinate General Obligation Limited Tax Bonds, Series 2022C⁽³⁾ (the Second Subordinate Bonds, and together with the Bonds, the 2022 Bonds). The District issued the Second Subordinate Bonds on October 25, 2022, in the maximum aggregate principal amount of \$17,519,000.

SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Debt Service Requirements (Continued)

The Second Subordinate Bonds were issued directly to the Developer for the purpose of reimbursing Existing and Future Advances in amounts due to the Developer under the Infrastructure Acquisition and Reimbursement Agreement.

The Second Subordinate Bonds were issued by the Trustee to the Developer in a principal amount equal to the dollar amount of any Existing and Future Advances as accepted by the District, shall be dated as of the date or dates of issuance, and shall bear interest at the rate of 4.000% per annum, payable to the extent of Second Subordinate Pledged Revenue available on each December 15, commencing on December 15, 2022, and shall mature on December 16, 2061.

To the extent principal of any Second Subordinate Bond is not paid when due, principal shall remain outstanding until the earlier of its payment or the Second Subordinate Termination Date of December 16, 2062. To the extent interest on any Second Subordinate Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Second Subordinate Bond.

The Second Subordinate Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on the Second Subordinate Termination Date, regardless of the principal and interest amounts remaining unpaid.

During 2022, \$50,001 (first issuance) was added to the principal of the Second Subordinate Bonds. No additional issuance was made in 2023.

No assets have been pledged as collateral on the Second Subordinate Bonds.

Second Subordinate Pledged Revenue

The Second Subordinate Bonds are secured by and payable solely from and to the extent of Second Subordinate Pledged Revenue, net of the cost of collection, derived by the District from the following sources: (a) the Second Subordinate Required Mill Levy; (b) the portion of the Specific Ownership Tax Revenue attributable to the Second Subordinate Required Mill Levy; (c) the Second Subordinate Pledge Agreement Revenues; and (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Second Subordinate Pledged Revenue.

Second Subordinate Required Mill Levy

Pursuant to the Second Subordinate Indenture, the District has covenanted to impose a Second Subordinate Required Mill Levy, less the amount of the Senior Required Mill Levy and the Subordinate Required Mill Levy, upon all taxable property of the District each year in an amount which will fund the Subordinate Bond Fund in an amount sufficient to pay all of the principal of and interest on the Subordinate Bonds in full, but not in excess of 55.000 mills (subject to adjustment).

**SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Second Subordinate Required Mill Levy (Continued)

If the amounts of the Senior Required Mill Levy and the Subordinate Required Mill Levy exceed 55.000 mills, as adjusted, the Second Subordinate Required Mill Levy for that year will be zero.

Events of Default of the Second Subordinate Bonds

Events of default occur if the District fails to impose the Second Subordinate Required Mill Levy, or to apply the Second Subordinate Pledged Revenues as required by the Second Subordinate Indenture and does not comply with the terms and conditions as described in the Second Subordinate Indenture.

Acceleration of the Second Subordinate Bonds shall not be an available remedy for an Event of Default.

Authorized Debt

On May 3, 2022, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$1,560,000,000 at an interest rate not to exceed 18% per annum. On December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on May 3, 2022	Authorization Used Series 2022A, B, & C Bonds	Amount Authorized But Unissued
Special Assessments	\$ 60,000,000	\$ -	\$ 60,000,000
Streets	60,000,000	8,457,600	51,542,400
Parks and Recreation	60,000,000	8,457,600	51,542,400
Water	60,000,000	8,457,600	51,542,400
Sanitary / Storm Sewer	60,000,000	16,915,200	43,084,800
Public Transportation	60,000,000	-	60,000,000
Mosquito Control	60,000,000	-	60,000,000
Safety Protection	60,000,000	-	60,000,000
Fire Protection	60,000,000	-	60,000,000
Television Relay	60,000,000	-	60,000,000
Security Services	60,000,000	-	60,000,000
Operations	60,000,000	-	60,000,000
Refundings	660,000,000	-	660,000,000
Intergovernmental Agreements	60,000,000	-	60,000,000
Private Contracts	60,000,000	-	60,000,000
Directional Drilling	60,000,000	-	60,000,000
Total	<u>\$ 1,560,000,000</u>	<u>\$ 42,288,000</u>	<u>\$ 1,517,712,000</u>

Pursuant to the Consolidated Service Plan, the Districts are permitted to issue aggregate bond indebtedness of up to \$60,000,000, excluding the principal amount of Debt which has been refunded by the issuance of refunding Debt.

**SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

NOTE 6 NET POSITION

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

The restricted component of net position consists of assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2023 as follows:

	Governmental Activities
Restricted Net Position:	
Capital Projects	\$ 887,808
Total Restricted Net Position	\$ 887,808

The District's unrestricted net position is a deficit, mainly due to costs of issuing the Bonds and bond interest paid to date.

NOTE 7 RELATED PARTY

Certain members of the Board of Directors are employees, owners, or are otherwise associated with ME Erie, LLC, the Developer, and may have conflicts of interest in dealing with the District.

NOTE 8 AGREEMENTS

Master IGA

Spring Hill Metropolitan District No. 1 (District No. 1) and Spring Hill Metropolitan District No. 2 are collectively referred to as the Pledge Districts. The District and the Pledge Districts are collectively referred to as the Taxing Districts. Spring Hill Metropolitan District No. 4 (the Overlay District or District No. 4) and the Taxing Districts are collectively referred to as the Districts.

The Districts entered into an Intergovernmental Agreement (the Master IGA) on August 29, 2022. In accordance with the Master IGA, the Overlay District will own, operate and maintain Public Improvements not otherwise required to be dedicated to the Town or other governmental entities or an owner's association and will perform all operations and maintenance services and administrative services on behalf of the Districts. The Taxing Districts will not own, operate, or maintain any Public Improvements.

SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 AGREEMENTS (CONTINUED)

Master IGA (Continued)

The Overlay District also agrees to levy on all of the taxable property within its boundaries an operation and maintenance mill levy of up to 15.000 mills (subject to adjustment) for the purpose of paying all Service Costs. As long as District No. 4 is providing Administrative Services, the Taxing Districts shall not impose an O&M mill levy. The Taxing Districts shall not impose any fees, rates, tolls, penalties, or charges.

Infrastructure Acquisition and Project Fund Disbursement Agreement

The Districts and ME ERIE, LLC (the Developer) entered into an Infrastructure Acquisition and Project Fund Disbursement Agreement dated as of July 28, 2022 (IAPFDA), pursuant to which, among other matters, the District is to disburse proceeds of the Bonds on deposit in the Project Fund held under the Indenture to the Developer in payment of costs of Public Improvements, upon satisfaction of certain conditions set forth in the IAPFDA.

The IAPFDA establishes the terms and conditions for the reimbursement of District Eligible Costs (defined therein) for Public Infrastructure to be dedicated to other governmental entities, and for Public Infrastructure that is to be owned, operated, and maintained by District No. 4. Pursuant to the terms thereof, the Developer may be reimbursed for Certified District Eligible Costs, including Public Infrastructure and funds advanced to or on behalf of the Districts for District Eligible Costs. In order for the Developer to obtain reimbursement, the IAPFDA requires submission of an application for acceptance of District Eligible Costs, cost certification by both a professional engineer and accountant engaged by District No. 3, subject to review by the Districts, and adoption of a joint resolution by the Districts to accept and certify the District Eligible Costs (defined as a District Acceptance Resolution). Within three business days of adoption of a District Acceptance Resolution, the District shall make a requisition in the amount of the Certified District Eligible Costs from the Project Fund held by the Trustee, which requisition shall direct that the Trustee make payment of the applicable amount directly to the Developer. The District obligations with respect to the payment of Certified District Eligible Costs shall be limited to amounts on deposit in the Project Fund and available for such purpose in accordance with the Indenture, and subject to the limitations of the Election, unless and until the District has identified (in its sole discretion) other sources of payment for such costs, it being acknowledged that the purpose of the District is to fund or reimburse the maximum amount of costs economically feasible. After adoption of a District Acceptance Resolution, District Eligible Costs shall only be reflected in the financial records of District No. 3. Additionally, the IAPFDA sets forth the process for District No. 4's acquisition of Public Improvements upon receipt of an application from the Developer, and subject to certain inspection rights, design certification and adoption of a District Acquisition Resolution by District No. 4. The Developer warrants the Public Infrastructure which is intended to be owned, operated, and maintained by District No. 4 for a period of two years from the date of the District Inspection Certification (defined therein).

**SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 AGREEMENTS (CONTINUED)

Infrastructure Acquisition and Reimbursement Agreement

The Districts and ME ERIE, LLC (the Developer) entered into an Infrastructure Reimbursement Agreement on August 29, 2022 (IARA). The IARA establishes the terms and conditions for the reimbursement of District Eligible Costs for Public Infrastructure to be dedicated to other governmental entities, and for Public Infrastructure that is to be owned, operated and maintained by District No. 4. Pursuant to the terms thereof, the Developer may be reimbursed for Certified District Eligible Costs, including Public Infrastructure and funds advanced to or on behalf of the District for District Eligible Costs. In order for the Developer to obtain reimbursement, the IARA requires submission of an application for acceptance of District Eligible Costs, cost certification by both a professional engineer and accountant, and adoption of a resolution by the District to accept and certify the District Eligible Costs (defined as a District Acceptance Resolution). Adoption of any District Acceptance Resolution does not guarantee that the District has, or shall in the future have, the financial ability to pay the Certified District Eligible Costs in part or in full. The IARA is subordinate to the IAPFDA. Certified District Eligible Costs are intended to be reimbursed first from Bond proceeds pursuant to the Project Fund Disbursement Agreement. Certified District Eligible Costs accepted prior to the issuance of any Reimbursement Obligation reflecting such advance, shall bear an interest rate of 2% per annum, from the date of adoption of a District Acceptance Resolution, simple interest, to the earlier of the date Reimbursement Obligation is issued to evidence the Certified District Eligible Costs, or the date of repayment in full of all interest then due and payable and the principal balance of Certified District Eligible Costs.

NOTE 9 ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer. District No. 4 performs all operations and maintenance and administrative services on behalf of the Districts.

NOTE 10 RISK MANAGEMENT

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

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

SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10 RISK MANAGEMENT (CONTINUED)

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

NOTE 11 TAX, SPENDING, AND DEBT LIMITATIONS

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

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.

On May 3, 2022 a majority of the District's electors authorized the District to collect and spend or retain in a reserve any currently levied taxes, fees, or other income of the District without regard to any limitations under TABOR.

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 benefit increases. Since the District's net revenue is pledged for debt service, an emergency reserve has not been provided. An emergency reserve has been established in District No. 4's General Fund as of December 31, 2023.

The District's management has taken steps it believes are necessary to comply 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.

NOTE 12 SUBSEQUENT EVENT

On March 25, 2024 the District and the Shores on Plum Creek Metropolitan District No. 1 (Shores District) entered into an intergovernmental agreement to which the District and Shores District will concurrently fund the design and construction of public transportation improvements as required by the Colorado Department of Transportation. In the event District No. 1 and Shores District are unable to fund the public transportation improvements concurrently, one of the districts will fund the improvements and be reimbursed by the other district.

SPRING HILL METROPOLITAN DISTRICT NO. 3
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 12 SUBSEQUENT EVENT (CONTINUED)

On March 28, 2024, the District and ME ERIE, LLC (the Developer) entered into a Funding and Reimbursement Agreement to which the Developer agrees to advance cash to the District from time to time for payment of Capital Costs of the District. The District is willing to reimburse the Developer for advances made, in accordance with the terms of the Project Fund Agreement or Reimbursement Agreement as applicable.

SUPPLEMENTARY INFORMATION

**SPRING HILL METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 237	\$ 237	\$ -
Specific Ownership Taxes	14	10	(4)
Interest Income	140,000	272,321	132,321
Intergovernmental Revenue - District No. 1	4,054	3,478	(576)
Intergovernmental Revenue - District No. 2	1,908	1,626	(282)
Total Revenues	<u>146,213</u>	<u>277,672</u>	<u>131,459</u>
EXPENDITURES			
County Treasurer's Fees	4	3	1
Paying Agent Fees	5,000	6,500	(1,500)
Bond Interest - Series 2022A	1,438,088	1,438,088	-
Contingency	5,912	-	5,912
Total Expenditures	<u>1,449,004</u>	<u>1,444,591</u>	<u>4,413</u>
NET CHANGE IN FUND BALANCE	(1,302,791)	(1,166,919)	135,872
Fund Balance - Beginning of Year	<u>6,243,975</u>	<u>6,250,763</u>	<u>6,788</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,941,184</u>	<u>\$ 5,083,844</u>	<u>\$ 142,660</u>

**SPRING HILL METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND –
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	\$ 200,000	\$ 804,798	\$ 604,798
Total Revenues	<u>200,000</u>	<u>804,798</u>	<u>604,798</u>
EXPENDITURES			
Public Improvements - District Eligible Costs	<u>15,000,000</u>	<u>-</u>	<u>15,000,000</u>
Total Expenditures	<u>15,000,000</u>	<u>-</u>	<u>15,000,000</u>
REVENUES OVER/(UNDER) EXPENDITURES	(14,800,000)	804,798	15,604,798
OTHER FINANCING SOURCES (USES)			
Developer Advance - District Eligible Costs	15,000,000	-	(15,000,000)
Repay Developer Advance - District Eligible Costs	<u>(17,464,456)</u>	<u>-</u>	<u>17,464,456</u>
Total Other Financing Sources (Uses)	<u>(2,464,456)</u>	<u>-</u>	<u>2,464,456</u>
NET CHANGE IN FUND BALANCE	(17,264,456)	804,798	18,069,254
Fund Balance - Beginning of Year	<u>17,264,456</u>	<u>17,332,538</u>	<u>68,082</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 18,137,336</u>	<u>\$ 18,137,336</u>

OTHER INFORMATION

**SPRING HILL METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2023**

\$21,305,000 General Obligation Limited Tax Bonds
Series 2022A

Issued October 5, 2022

Interest Rate: 6.75%

Interest Payable June 1 and December 1

Principal Payable December 1

Bonds and Interest Maturing in the Year Ending December 31,	Principal	Interest	Total
2024	\$ -	\$ 1,438,087	\$ 1,438,087
2025	-	1,438,087	1,438,087
2026	-	1,438,087	1,438,087
2027	-	1,438,087	1,438,087
2028	-	1,438,087	1,438,087
2029	185,000	1,438,087	1,623,087
2030	230,000	1,425,600	1,655,600
2031	245,000	1,410,074	1,655,074
2032	295,000	1,393,538	1,688,538
2033	315,000	1,373,625	1,688,625
2034	370,000	1,352,363	1,722,363
2035	395,000	1,327,388	1,722,388
2036	460,000	1,300,725	1,760,725
2037	490,000	1,269,675	1,759,675
2038	560,000	1,236,600	1,796,600
2039	595,000	1,198,800	1,793,800
2040	670,000	1,158,638	1,828,638
2041	715,000	1,113,413	1,828,413
2042	800,000	1,065,150	1,865,150
2043	855,000	1,011,150	1,866,150
2044	950,000	953,438	1,903,438
2045	1,015,000	889,313	1,904,313
2046	1,120,000	820,800	1,940,800
2047	1,200,000	745,200	1,945,200
2048	1,320,000	664,200	1,984,200
2049	1,405,000	575,100	1,980,100
2050	1,540,000	480,263	2,020,263
2051	1,645,000	376,313	2,021,313
2052	3,930,000	265,275	4,195,275
Total	\$ 21,305,000	\$ 32,035,163	\$ 53,340,163

**SPRING HILL METROPOLITAN DISTRICT NO. 3
SUMMARY OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied	Total Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2023	\$ 3,920	60.414	\$ 237	\$ 237	100.00%
Estimated for the Year Ending December 31, 2024	\$ 46,520	56.704	\$ 2,638		

CONTINUING DISCLOSURE OBLIGATION

**SPRING HILL METROPOLITAN DISTRICT NO. 3
CONTINUING DISCLOSURE OBLIGATION
DECEMBER 31, 2023**

2023 Assessed and “Actual” Valuation of Classes of Property in the Taxing Districts

Property Class	Actual Valuation	Assessed Valuation	Percentage of Total Assessed Valuation
		District No. 1	
Agricultural	\$ 144,515	\$ 38,190	16.66%
Oil and Gas	321,028	191,050	83.34%
Total	<u>\$ 465,543</u>	<u>\$ 229,240</u>	<u>100.00%</u>
		District No. 2	
Agricultural	\$ 42,475	\$ 11,220	79.35%
Oil and Gas	10,458	2,920	20.65%
Total	<u>\$ 52,933</u>	<u>\$ 14,140</u>	<u>100.00%</u>
		District No. 3	
Agricultural	\$ 28,411	\$ 7,500	16.12%
Oil and Gas	88,085	39,020	83.88%
Total	<u>\$ 116,496</u>	<u>\$ 46,520</u>	<u>100.00%</u>

History of Assessed Valuation of the Taxing Districts

Levy/ Collection Year	District No. 1	District No. 2	District No. 3	Total	Percent Change
2022/2023	\$ 67,450	\$ 31,870	\$ 3,920	\$ 103,240	
2023/2024	229,240	14,140	46,520	289,900	180.80%

**SPRING HILL METROPOLITAN DISTRICT NO. 3
CONTINUING DISCLOSURE OBLIGATION
DECEMBER 31, 2023**

History of Mill Levies in the Taxing Districts

Levy/ Collection Year	District No. 1			District No. 2			District No. 3		
	General Fund	General Obligations	Total Levy	General Fund	General Obligations	Total Levy	General Fund	General Obligations	Total Levy
2022/2023	-	57.512	57.512	-	57.260	57.260	-	60.414	60.414
2023/2024	-	56.309	56.309	-	59.745	59.745	-	56.704	56.704

Property Tax Collections in the Taxing Districts

Levy/ Collection Year	Property Taxes Levied				Current Tax Collection
	District No. 1	District No. 2	District No. 3	Total Taxes Levied	
2022/2023	\$ 3,879	\$ 1,825	\$ 237	\$ 5,941	\$ 5,172
2023/2024	\$ 13,044	\$ 845	\$ 2,638	\$ 16,527	