THREE HILLS METROPOLITAN DISTRICT

2024 ANNUAL REPORT

Pursuant to §32-1-207(3)(c) and the Amended and Restated Service Plan for Three Hills Metropolitan District (the "**District**"), the District is required to provide an annual report to the Board of County Commissioners of Jefferson County (the "**BOCC**") with regard to the following matters:

For the year ending December 31, 2024, the District makes the following report:

§32-1-207(3) Statutory Requirements

1. **Boundary changes made or proposed to the District's boundaries.**

   There were no boundary changes made or proposed to the District's boundaries in 2024.

2. **Intergovernmental Agreements entered into or terminated with other governmental entities.**

   The District did not enter into any Intergovernmental Agreements in 2024.

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

   The District rules and regulation can be found at https://threehillsmetrodistrict.com/

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

   To our actual knowledge, based on review of the court records in Jefferson County, Colorado and the Public Access to Court Electronic Records (PACER), there is no litigation involving the District's public improvements as of December 31, 2024.

5. **The status of the construction of public improvements by the District.**

   The District did not construct any public improvements in 2024. All public improvements are being constructed by the Developer.

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

   No facilities or improvements were constructed by the District that were dedicated to and accepted by the County as of December 31, 2024. All public improvements are being constructed by the Developer.

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

The final assessed valuation of the District for 2024 is attached hereto as **Exhibit A**.

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

   A copy of the 2025 Budget is attached hereto as **Exhibit B.**

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

   The 2024 Audit is attached hereto as **Exhibit C.**

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

    To the District's actual knowledge, there were no uncured events of default for the year ending December 31, 2024.

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

    To the District's actual knowledge, the District has been able to pay its obligations as they come due.

EXHIBIT A
2024 Final Assessed Valuation

SCOT KERSGAARD

Assessor

OFFICE OF THE ASSESSOR
100 Jefferson County Parkway
Golden, CO 80419-2500
Phone: 303-271-8600
Fax:303-271-8616
Website: http://assessor.jeffco.us
E-mail Address: assessor@jeffco.us

November 25, 2024

THREE HILLS METRO
WHITE BEAR ANKELE TANAKA & WALDRON
KRISTIN B TOMPKINS ESQ.
2154 E COMMONS AVE 2000
CENTENNIAL CO 80122

Code # 4889

CERTIFICATION OF VALUATION

The Jefferson County Assessor reports a taxable assessed valuation for your taxing entity for 2024 of:

$4,475,441

The breakdown of the taxable valuation of your property is enclosed. The certification reflects any adjustments enacted by the Legislature, including adjustments resulting from Senate Bill 22-238 and Senate Bill 23B-001.

As further required by CRS 39-5-128(1), you are hereby notified to officially certify your levy to the Board of County Commissioners no later than December 15.

CRS 39-1-111(5) requires that this office transmit a notification by December 10 of any changes to valuation made after the original certification.

SCOT KERSGAARD
Jefferson County Assessor

enc

4889 County Tax Entity Code

CERTIFICATION OF VALUATION BY JEFFERSON COUNTY ASSESSOR

New Tax Entity ☐ YES ☒ NO Date: November 25, 2024

NAME OF TAX ENTITY: THREE HILLS METRO

USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATION ("5.5%" LIMIT) ONLY

IN ACCORDANCE WITH 39-5-121(2)(a) AND 39-5-128(1), C.R.S., AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES THE TOTAL VALUATION FOR ASSESSMENT FOR THE TAXABLE YEAR 2024:

1.	PREVIOUS YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	1.	$	4,467,171
2.	CURRENT YEAR'S GROSS TOTAL TAXABLE ASSESSED VALUATION: ‡	2.	$	4,475,441
3.	LESS TOTAL TIF AREA INCREMENTS, IF ANY:	3.	$	0
4.	CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	4.	$	4,475,441
5.	NEW CONSTRUCTION: *	5.	$	0
6.	INCREASED PRODUCTION OF PRODUCING MINE: ≈	6.	$	0
7.	ANNEXATIONS/INCLUSIONS:	7.	$	0
8.	PREVIOUSLY EXEMPT FEDERAL PROPERTY: ≈	8.	$	0
9.	NEW PRIMARY OIL OR GAS PRODUCTION FROM ANY PRODUCING OIL AND GAS LEASEHOLD OR LAND (29-1-301(1)(b), C.R.S.): Φ	9.	$	0
10.	TAXES RECEIVED LAST YEAR ON OMITTED PROPERTY AS OF AUG. 1 (29-1-301(1)(A), C.R.S.). Includes all revenue collected on valuation not previously certified:	10.	$	0
11.	TAXES ABATED AND REFUNDED AS OF AUG. 1 (29-1-301(1)(a), C.R.S.) and (39-10-114(1)(a)(I)(B), C.R.S.):	11.	$	0

‡ This value reflects personal property exemptions IF enacted by the jurisdiction as authroized by Art. X, Sec 20(8)(b), Colo. Constituion
* New construction is defined as: Taxable real property structures and the personal property connected with the structure.
≈ Jurisdiction must submit to the Division of Local Government respective Certifications of Impact in order for the values to be treaed as growth in the limit calculation; use Forms DLG 52 & 52A.
Φ Jurisdiction must apply to the Division of Local Government before the value can be treated as growth in the limit calculation; use Form DLG 52B.

USE FOR TABOR "LOCAL GROWTH" CALCULATION ONLY

IN ACCORDANCE WITH ART X, SEC.20, COLO. CONSTITUTION AND 39-5-121(2)(b), C.R.S., THE ASSESSOR CERTIFIES THE TOTAL ACTUAL VALUATION FOR THE TAXABLE YEAR 2024:

1.	CURRENT YEAR'S TOTAL ACTUAL VALUE OF ALL REAL PROPERTY: ¶	1.	$	15,888,083
	ADDITIONS TO TAXABLE REAL PROPERTY			
2.	CONSTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS:	2.	$	0
3.	ANNEXATIONS/INCLUSIONS:	3.	$	0
4.	INCREASED MINING PRODUCTION: §	4.	$	0
5.	PREVIOUSLY EXEMPT PROPERTY:	5.	$	0
6.	OIL OR GAS PRODUCTION FROM A NEW WELL:	6.	$	0
7.	TAXABLE REAL PROPERTY OMITTED FROM THE PREVIOUS YEAR'S TAX WARRANT: (If land and/or a structure is picked up as omitted property for multiple years, only the most current year's actual value can be reported as omitted property.):	7.	$	0
	DELETIONS FROM TAXABLE REAL PROPERTY			
8.	DESTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS:	8.	$	0
9.	DISCONNECTIONS/EXCLUSIONS:	9.	$	0
10.	PREVIOUSLY TAXABLE PROPERTY:	10.	$	0

¶ This includes the actual value of all taxable real property plus the actual value of religious, private school, and charitable real property.
* Construction is defined as newly constructed taxable real property structures.
§ Includes production from new mines and increases in production of existing producing mines.

IN ACCORDANCE WITH 39-5-128(1), C.R.S., AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES TO SCHOOL DISTRICTS:

1.	TOTAL ACTUAL VALUE OF ALL TAXABLE PROPERTY	1.	$	16,041,033

IN ACCORDANCE WITH 39-5-128(1.5), C.R.S., THE ASSESSOR PROVIDES:

HB21-1312 VALUE OF EXEMPT BUSINESS PERSONAL PROPERTY (ESTIMATED): ** $ 0

** The tax revenue lost due to this exempted value will be reimbursed to the tax entity by the County Treasurer in accordance with 39-3-119.5(3), C.R.S.

NOTE: ALL LEVIES MUST BE CERTIFIED TO THE COUNTY COMMISSIONERS NO LATER THAN DECEMBER 15.

EXHIBIT B
2024 Budget

THREE HILLS METROPOLITAN DISTRICT

ANNUAL BUDGET

FOR THE YEAR ENDING DECEMBER 31, 2025

THREE HILLS METRO DISTRICT
SUMMARY
2025 BUDGET
WITH 2023 ACTUAL AND 2024 ESTIMATED
For the Years Ended and Ending December 31,

1/28/25

	ACTUAL 2023	ESTIMATED 2024	BUDGET 2025
BEGINNING FUND BALANCES	$ 8,473,118	$ 2,574,518	$ 3,262
REVENUES			
Property taxes	73,556	303,530	302,370
Specific ownership taxes	5,264	21,126	21,166
Operations and maintenance fee	-	-	34,000
Interest Income	276,001	30,635	-
Developer advance	6,222,011	5,944,510	5,000
Transfer fee	-	-	49,800
Total revenues	6,576,832	6,299,801	412,336
TRANSFERS IN	-	1,700	-
Total funds available	15,049,950	8,876,019	415,598
EXPENDITURES			
General Fund	73,906	75,300	80,000
Debt Service Fund	60,026	246,425	248,875
Capital Projects Fund	12,341,500	8,549,332	-
Special Revenue Fund	-	-	51,500
Total expenditures	12,475,432	8,871,057	380,375
TRANSFERS OUT	-	1,700	-
Total expenditures and transfers out requiring appropriation	12,475,432	8,872,757	380,375
ENDING FUND BALANCES	$ 2,574,518	$ 3,262	$ 35,223
EMERGENCY RESERVE	$ 600	$ 2,300	$ 2,300
AVAILABLE FOR OPERATIONS	(9,258)	962	623
TOTAL RESERVE	$ (8,658)	$ 3,262	$ 2,923

No assurance provided. See summary of significant assumptions.

THREE HILLS METRO DISTRICT
PROPERTY TAX SUMMARY INFORMATION
2025 BUDGET
WITH 2023 ACTUAL AND 2024 ESTIMATED
For the Years Ended and Ending December 31,

1/28/25

	ACTUAL 2023	ESTIMATED 2024	BUDGET 2025
ASSESSED VALUATION			
State assessed	2,883	2,785	2,869
Vacant land	1,094,258	4,429,899	4,429,899
Personal property	34,440	34,487	42,673
Certified Assessed Value	$ 1,131,581	$ 4,467,171	$ 4,475,441
MILL LEVY			
General	15.000	15.591	15.591
Debt Service	50.000	51.971	51.971
Total mill levy	65.000	67.562	67.562
PROPERTY TAXES			
General	$ 16,974	$ 69,648	$ 69,777
Debt Service	56,579	232,163	232,593
Levied property taxes	73,553	301,811	302,370
Adjustments to actual/rounding	3	1,719	-
Budgeted property taxes	$ 73,556	$ 303,530	$ 302,370
BUDGETED PROPERTY TAXES			
General	**$ 16,974**	**$ 70,044**	**$ 69,777**
Debt Service	**56,582**	**233,486**	**232,593**
	$ 73,556	**$ 303,530**	**$ 302,370**

No assurance provided. See summary of significant assumptions.

THREE HILLS METRO DISTRICT
GENERAL FUND
2025 BUDGET
WITH 2023 ACTUAL AND 2024 ESTIMATED
For the Years Ended and Ending December 31,

1/28/25

	ACTUAL 2023	ESTIMATED 2024	BUDGET 2025
BEGINNING FUND BALANCES	$ (7,942)	$ (8,658)	$ 3,262
REVENUES			
Property taxes	16,975	70,045	69,777
Specific ownership taxes	1,215	4,875	4,884
Developer advance	55,000	14,000	5,000
Total revenues	73,190	88,920	79,661
Total funds available	65,248	80,262	82,923
EXPENDITURES			
General and administrative			
Accounting	30,516	30,000	30,000
Auditing	5,800	6,000	6,500
County Treasurer's Fee	255	1,051	1,047
Dues and Membership	328	319	500
Insurance	3,021	3,121	4,000
Legal	29,981	30,000	30,000
Miscellaneous	900	-	-
Election	3,105	-	3,000
Contingency	-	4,209	3,953
Website	-	600	1,000
Total expenditures	73,906	75,300	80,000
TRANSFERS OUT			
Transfers to other fund	-	1,700	-
Total expenditures and transfers out requiring appropriation	73,906	77,000	80,000
ENDING FUND BALANCES	$ (8,658)	$ 3,262	$ 2,923
EMERGENCY RESERVE	$ 600	$ 2,300	$ 2,300
AVAILABLE FOR OPERATIONS	(9,258)	962	623
TOTAL RESERVE	$ (8,658)	$ 3,262	$ 2,923

No assurance provided. See summary of significant assumptions.

THREE HILLS METRO DISTRICT
SPECIAL REVENUE FUND
2025 BUDGET
WITH 2023 ACTUAL AND 2024 ESTIMATED
For the Years Ended and Ending December 31,

1/28/25

	ACTUAL 2023	ESTIMATED 2024	BUDGET 2025
BEGINNING FUND BALANCES	$ -	$ -	$ -
REVENUES			
Operations and maintenance fee	-	-	34,000
Transfer fee	-	-	49,800
Total revenues	-	-	83,800
Total funds available	-	-	83,800
EXPENDITURES			
General and administrative			
District management	-	-	11,500
Miscellaneous	-	-	1,000
Contingency	-	-	2,000
Operations and maintenance			
Landscaping	-	-	10,000
Snow removal	-	-	10,000
Utilities	-	-	5,000
Trash collection	-	-	10,000
Repairs and maintenance	-	-	2,000
Total expenditures	-	-	51,500
Total expenditures and transfers out requiring appropriation	-	-	51,500
ENDING FUND BALANCES	$ -	$ -	$ 32,300

THREE HILLS METRO DISTRICT
DEBT SERVICE FUND
2025 BUDGET
WITH 2023 ACTUAL AND 2024 ESTIMATED
For the Years Ended and Ending December 31,

1/28/25

	ACTUAL 2023	ESTIMATED 2024	BUDGET 2025
BEGINNING FUND BALANCES	$ (4,000)	$ (3,312)	$ -
REVENUES			
Property taxes	56,581	233,485	232,593
Specific ownership taxes	4,049	16,251	16,282
Interest Income	84	1	
Total revenues	60,714	249,737	248,875
Total funds available	56,714	246,425	248,875
EXPENDITURES			
General and administrative			
County Treasurer's Fee	849	3,502	3,489
Paying agent fees	4,000	4,000	4,000
Contingency	-	1,923	4,386
Debt Service			
Bond interest	55,177	237,000	237,000
Total expenditures	60,026	246,425	248,875
Total expenditures and transfers out requiring appropriation	60,026	246,425	248,875
ENDING FUND BALANCES	$ (3,312)	$ -	$ -

THREE HILLS METRO DISTRICT
CAPITAL PROJECTS FUND
2025 BUDGET
WITH 2023 ACTUAL AND 2024 ESTIMATED
For the Years Ended and Ending December 31,

1/22/25

	ACTUAL 2023	ESTIMATED 2024	BUDGET 2025
BEGINNING FUND BALANCES	$ 8,485,060	$ 2,586,488	$ -
REVENUES			
System Development Fees	-	-	-
Interest Income	275,917	30,634	-
Developer advance	6,167,011	5,930,510	-
Total revenues	6,442,928	5,961,144	-
TRANSFERS IN			
Transfers from other funds	-	1,700	-
Total funds available	14,927,988	8,549,332	-
EXPENDITURES			
General and Administrative			
Accounting	2,622	-	-
Capital Projects			
Repay developer advance	6,167,011	2,615,934	-
Engineering	4,856	2,888	-
Capital outlay	6,167,011	5,930,510	-
Total expenditures	12,341,500	8,549,332	-
Total expenditures and transfers out requiring appropriation	12,341,500	8,549,332	-
ENDING FUND BALANCES	$ 2,586,488	$ -	$ -

No assurance provided. See summary of significant assumptions.

Three Hills Metropolitan District
2025 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

Three Hills Metropolitan District (the "District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized (originally as Vineyard Townsquare Metropolitan District) by order of the District Court in Jefferson County and is governed pursuant to provisions of the Colorado Special District Act, Title 32, Article I, Colorado Revised Statutes. The District's service area is location in Jefferson County. The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services.

Pursuant to the Amended Service Plan, the District is permitted to issue bond indebtedness of up to $40,000,000. In the future, the District may issue a portion or all of the authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the Districts' service area, however, as of the date of this budget, the amount and timing of any debt issuances is not determinable.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1- 105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results because events and circumstances frequently do no occur as expected, and those differences may be material.

Revenues

Property Taxes

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

Three Hills Metropolitan District
2025 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Revenues (Continued)

Property Taxes (Continued)

For property tax collection year 2025, SB22-238, SB 22-238, SB 23B-001, **SB 24-233, and HB24B-1001** set the assessment rates and actual value reductions as follows:

Category	Rate		Category	Rate		Actual Value Reduction	Amount
Single-Family Residential	6.70%		Agricultural Land	26.40%		Single-Family Residential	$55,000
Multi-Family Residential	6.70%		Renewable Energy Land	26.40%		Multi-Family Residential	$55,000
Commercial	27.90%		Vacant Land	27.90%		Commercial	$30,000
Industrial	27.90%		Personal Property	27.90%		Industrial	$30,000
Lodging	27.90%		State Assessed	27.90%		Lodging	$30,000
			Oil & Gas Production	87.50%			

The calculation of the taxes levied is displayed on the property tax summary information page of the budget.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 7% of the property taxes collected.

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 4.5%.

Three Hills Metropolitan District
2025 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Expenditures

General and Administrative Expenditures

General and administrative expenditures include the estimated cost of services necessary to maintain the District's administrative viability such as legal, accounting, insurance, membership dues, election and other administrative expenditures.

Debt Service

There is no debt amortization schedule provided for the Series 2021(3) Bonds (Described under Debt and Leases) as the Bonds are cash flow bonds and the timing of the payments are unknown.

Capital Outlay

The District does not anticipate any capital outlay in 2025.

Debt and Leases

Limited Tax General Obligation Bonds, Series 2021(3) (the Bonds)

Bond Proceeds
The District issued the Bonds on December 22, 2021, in the par amount of $12,205,000. Proceeds from the sale of the Bonds were used to (a) finance or reimburse a portion of the costs of acquiring, constructing, and/or installing certain public infrastructure to serve the Development; and (b) pay the costs of issuing the Bonds.

Details of the Bonds
The Bonds bear interest at the rate of 5.625% per annum and are payable annually on each December 1, beginning on December 1, 2022, but only from and to the extent of available Pledge Revenue. The Bonds mature on December 1, 2051 and are subject to mandatory redemption to the extent of Pledged Revenue.

The 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 Bonds compounds annually on each December 1. In the event that any amount of principal of or interest on the Bonds remains unpaid on December 2, 2061, such amounts will be deem discharged and no longer due and outstanding.

Debt and Leases (Continued)

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2026, 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:
Date of Redemption

Date of Redemption	Redemption Premium
December 1, 2026, to November 30, 2027	3.00%
December 1, 2027, to November 30, 2028	2.00
December 1, 2028, to November 30, 2029	1.00
December 1, 2029, and thereafter	0.00

Pledged Revenue
The Bonds are secured by and payable from moneys derived by the District from the following sources: (a) the ad valorem property taxes derived from the imposition of the Required Mill Levy, net of any fees and collection costs of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the County; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; and (c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Required Mill Levy
The District is required to impose an ad valorem mill levy, the Required Mill Levy, on all taxable property of the District each year in the amount of 50 mills (subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement on or after September 7, 2004) or such lesser mill levy which is sufficient to pay all of the principal of, premium if any, and interest on the Bonds in full.

The District has no debt, nor any capital and operating leases.

Reserves

Emergency Reserve

TABOR requires local governments to establish emergency reserve. This reserve must be at least 3% of fiscal year spending.

This information is an integral part of the accompanying budget.

EXHIBIT C
2024 Audit

THREE HILLS METROPOLITAN DISTRICT

Jefferson County, Colorado

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2024

THREE HILLS METROPOLITAN DISTRICT
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YEAR ENDED DECEMBER 31, 2024

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WATSON COON RYAN
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Three Hills Metropolitan District
Jefferson County, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the Three Hills Metropolitan District, Jefferson County, Colorado, as of and for the year ended December 31, 2024, which collectively comprise the Three Hills Metropolitan District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Three Hills Metropolitan District, as of December 31, 2024, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Three Hills Metropolitan District's ability to continue as a going concern for twelve months beyond the

RANDY WATSON | JEREMY RYAN| TROY COON | KELLY WATSON | KARL FLOWER

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Three Hills Metropolitan 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 Three Hills Metropolitan 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.

Required Supplementary Information

Management has not presented Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basis financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial

statements in an appropriate operational, economic, or historical context. Our opinion on the basis financial statements is not affected by the missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Three Hills Metropolitan District's basic financial statements. The supplemental information listed in the table of contents are presented for the purpose of additional analysis and was not a required part of the financial statements.

The supplemental schedules of Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual and Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual and Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual are fairly stated in all material respects in relation to the financial statements as a whole.

The Schedule of Summary of Assessed Valuation, Mill Levy and Property Taxes Collected have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express any opinion or provide any assurance on them.

Watson Coon Ryan, LLC

Watson Coon Ryan, LLC
July 21, 2025
Centennial, Colorado

BASIC FINANCIAL STATEMENTS

THREE HILLS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Governmental Activities
ASSETS	
Cash and Investments	$ 14,728
Cash and Investments - Restricted	3,946
Prepaid Insurance	450
Receivable from County Treasurer	4,948
Property Tax Receivable	302,370
Capital Assets:	
Capital Assets, Not Being Depreciated	12,480,035
Total Assets	12,806,477
LIABILITIES	
Accounts Payable	38,384
Prepaid Owner Fees	2,880
Accrued Interest Payable	1,901,642
Noncurrent Liabilities:	
Due in More Than One Year	14,282,796
Total Liabilities	16,225,702
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	302,370
Total Deferred Inflows of Resources	302,370
NET POSITION	
Restricted for:	
Emergency Reserve	2,400
Capital Projects	34
Unrestricted	(3,724,029)
Total Net Position	$ (3,721,595)

See accompanying Notes to Basic Financial Statements.

THREE HILLS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenues (Expenses) and Changes in Net Position: Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	$ 91,656	$ 7,209	$ -	$ -	$ (84,447)
Interest on Long-Term Debt and Related Costs	713,480	-	-	-	(713,480)
Total Governmental Activities	$ 805,136	$ 7,209	$ -	$ -	(797,927)
GENERAL REVENUES					
Property Taxes					303,530
Specific Ownership Taxes					19,569
Interest Income					30,996
Total General Revenues					354,095
CHANGES IN NET POSITION					(443,832)
Net Position - Beginning of Year					(3,277,763)
NET POSITION - END OF YEAR					$ (3,721,595)

See accompanying Notes to Basic Financial Statements.

THREE HILLS METROPOLITAN DISTRICT
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and Investments	$ 4,839	$ 9,889	$ -	$ -	$ 14,728
Cash and Investments - Restricted	2,200	200	324	1,222	3,946
Receivable from County Treasurer	1,142	-	3,806	-	4,948
Due from Other Funds	1,188	-	-	-	1,188
Prepaid Insurance	450	-	-	-	450
Property Tax Receivable	69,777	-	232,593	-	302,370
Total Assets	$ 79,596	$ 10,089	$ 236,723	$ 1,222	$ 327,630
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	$ 34,384	$ -	$ 4,000	$ -	$ 38,384
Prepaid Owner Fees	-	2,880	-	-	2,880
Due to Other Funds	-	-	-	1,188	1,188
Total Liabilities	34,384	2,880	4,000	1,188	42,452
DEFERRED INFLOWS OF RESOURCES					
Deferred Property Tax	69,777	-	232,593	-	302,370
Total Deferred Inflows of Resources	69,777	-	232,593	-	302,370
FUND BALANCES					
Nonspendable:					
Prepaid Expense	450	-	-	-	450
Restricted for:					
Emergency Reserves	2,200	200	-	-	2,400
Debt Service	-	-	130	-	130
Capital Projects	-	-	-	34	34
Committed:					
Operations	-	7,009	-	-	7,009
Assigned to:					
Subsequent Year's Expenditures	339	-	-	-	339
Unassigned	(27,554)	-	-	-	(27,554)
Total Fund Balances	(24,565)	7,209	130	34	(17,192)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 79,596	$ 10,089	$ 236,723	$ 1,222	

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.	12,480,035
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bond Payable	(12,205,000)
Accrued Interest on Bonds Payable	(1,901,642)
Developer Advance Payable	(1,492,831)
Accrued Interest on Developer Advance	(584,965)
Net Position of Governmental Activities	$ (3,721,595)

See accompanying Notes to Basic Financial Statements.

THREE HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
REVENUES					
Property Taxes	$ 70,045	$ -	$ 233,485	$ -	$ 303,530
Specific Ownership Taxes	4,516	-	15,053	-	19,569
Operations And Maintenance Fee	-	7,209	-	-	7,209
Interest Income	-	-	328	30,668	30,996
Total Revenues	74,561	7,209	248,866	30,668	361,304
EXPENDITURES					
Current:					
Accounting	36,659	-	-	-	36,659
Auditing	6,100	-	-	-	6,100
County Treasurer's Fee	1,050	-	3,503	-	4,553
District Management	4,264	-	-	-	4,264
Dues And Membership	319	-	-	-	319
Engineering	-	-	-	2,888	2,888
Insurance	3,121	-	-	-	3,121
Legal	34,913	-	-	-	34,913
Trash Collection	302	-	-	-	302
Website	2,040	-	-	-	2,040
Debt Service:					
Bond Interest	-	-	237,921	-	237,921
Paying Agent Fees	-	-	4,000	-	4,000
Capital Projects:					
Public Improvements	-	-	-	3,314,576	3,314,576
Total Expenditures	88,768	-	245,424	3,317,464	3,651,656
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,207)	7,209	3,442	(3,286,796)	(3,290,352)
OTHER FINANCING SOURCES (USES)					
Developer Advance	-	-	-	3,314,576	3,314,576
Repay Developer Advance - Capital	-	-	-	(2,615,934)	(2,615,934)
Transfers In (Out)	(1,700)	-	-	1,700	-
Total Other Financing Sources (Uses)	(1,700)	-	-	700,342	698,642
NET CHANGE IN FUND BALANCES	(15,907)	7,209	3,442	(2,586,454)	(2,591,710)
Fund Balances - Beginning of Year	(8,658)	-	(3,312)	2,586,488	2,574,518
FUND BALANCES - END OF YEAR	$ (24,565)	$ 7,209	$ 130	$ 34	$ (17,192)

See accompanying Notes to Basic Financial Statements.

THREE HILLS METROPOLITAN DISTRICT
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, 2024

Net Change in Fund Balances - Total Governmental Funds	$ (2,591,710)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.	
Capital Outlay	3,314,576
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net position.	
Developer Advance	(3,314,576)
Repay Developer Advance	2,615,934
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Accrued Interest Payable - Change in Liability	(462,331)
Accrued Interest Payable Developer Advance - Change in Liability	(5,725)
Changes in Net Position of Governmental Activities	$ (443,832)

See accompanying Notes to Basic Financial Statements.

THREE HILLS METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024

	Budget		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Property Taxes	$ 69,648	$ 70,045	$ 70,045	$ -
Specific Ownership Taxes	4,875	4,516	4,516	-
Total Revenues	74,523	74,561	74,561	-
EXPENDITURES				
Accounting	30,000	37,000	36,659	341
Auditing	6,000	6,100	6,100	-
Contingency	3,955	5,800	-	5,800
County Treasurer's Fee	1,045	1,050	1,050	-
District Management	-	5,000	4,264	736
Dues And Membership	500	350	319	31
Insurance	3,500	3,500	3,121	379
Legal	25,000	36,000	34,913	1,087
Miscellaneous	-	1,000	-	1,000
Trash Collection	-	-	302	(302)
Website	-	2,500	2,040	460
Total Expenditures	70,000	98,300	88,768	9,532
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,523	(23,739)	(14,207)	9,532
OTHER FINANCING SOURCES (USES)				
Developer Advance	-	40,000	-	(40,000)
Transfers To Other Fund	-	(1,700)	(1,700)	-
Total Other Financing Sources (Uses)	-	38,300	(1,700)	(40,000)
NET CHANGE IN FUND BALANCE	4,523	14,561	(15,907)	(30,468)
Fund Balance - Beginning of Year	600	(8,658)	(8,658)	-
FUND BALANCE - END OF YEAR	$ 5,123	$ 5,903	$ (24,565)	$ (30,468)

See accompanying Notes to Basic Financial Statements.

THREE HILLS METROPOLITAN DISTRICT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Operations And Maintenance Fee	$ -	$ -	$ 7,209	$ 7,209
Other Revenue	-	1,000	-	(1,000)
Total Revenues	-	1,000	7,209	6,209
EXPENDITURES				
Contingency	-	1,000	-	1,000
Total Expenditures	-	1,000	-	1,000
NET CHANGE IN FUND BALANCE	-	-	7,209	7,209
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	$ -	$ -	$ 7,209	$ 7,209

See accompanying Notes to Basic Financial Statements.

NOTE 1 DEFINITION OF REPORTING ENTITY

Three Hills Metropolitan District (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court in and for Jefferson County, Colorado on December 9, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operated under a Service Plan approved by Jefferson County on September 7, 2004, and now operates under an Amended and Restated Service Plan (the Service Plan) approved by Jefferson County on October 26, 2021. The District was organized as Vineyard Town Square Metropolitan District, and subsequently on November 18, 2021, pursuant to an order of the District Court for the County of Jefferson, the District's name was changed to Three Hills Metropolitan District.

At special elections of the eligible electors of the District held on November 2, 2004, May 6, 2014, and November 2, 2021, a majority of those qualified to vote voted in favor of certain ballot questions authorizing the issuance of indebtedness and imposition of taxes for the payment thereof, for the purpose of providing financing for the acquisition, construction, installation, and completion of certain public improvements.

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 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.

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. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

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

The Special Revenue Fund is used to account for Operations Fees received and expenditures incurred in connection with operations and maintenance of the District.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District has amended its annual budget for the year ended December 31, 2024.

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.

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 inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column 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 are recorded as construction in progress and are not included in the calculation of the net investment in capital assets component of the District's net position.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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 are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue,* is deferred and recognized as an inflow of resources in the period that the amount becomes available.

District Fees

On September 20, 2023, the District adopted a Resolution Concerning the Imposition of an Operations Fee. The Resolution is effective December 6, 2023. The District determined it is in the best interests of the property owners, taxpayers and general public to impose an Operations Fee to fund the Operations Costs. The Operations Fee is imposed in an amount as set forth by the District from time to time pursuant to the "Fee Schedule" and shall constitute the rate in effect until such schedule is amended or repealed. The Operations Fee shall consist of a recurring payment (the "Recurring Payment") and a separate payment imposed on the Transfer of a Residential Unit to an End User (the "Transfer Payment"), which together shall comprise the Operations Fee.

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.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors*Assigned Fund Balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

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

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

Deficit

The General Fund reported a deficit in the fund financial statements as of December 31, 2024. The deficit will be eliminated with the receipt of property taxes in 2025.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2024, are classified in the accompanying financial statements as follows:

Statement of Net Position:		
Cash and Investments	$	14,728
Cash and Investments - Restricted		3,946
Total Cash and Investments	$	18,674

Cash and investments as of December 31, 2024, consist of the following:

Deposits with Financial Institutions	$	17,128
Investments		1,546
Total Cash and Investments	$	18,674

Cash Deposits

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..

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash Deposits (Continued)

The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits

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

At December 31, 2024, the District's cash deposits had a bank balance and carrying balance of $17,128.

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 of the World Bank
- Certain international agency securities
- 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 collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
* Local government investment pools

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31,2024, the District had the following investments:

Investment	Maturity	Amount
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	$ 1,546
		$ 1,546

CSAFE

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

CSAFE CASH FUND operates similar to a money market fund, with each share valued at $1.00. CSAFE CASH FUND may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, highest rated commercial paper, and any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable net asset value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a $2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

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

NOTE 4 CAPITAL ASSETS

An analysis of the changes in the District's capital assets for the period ended December 31, 2024 follows:

	Balance at December 31, 2023	Increases	Decreases	Balance at December 31, 2024
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	$ 9,165,459	$ 3,314,576	$ -	$ 12,480,035
Total Capital Assets, Not Being Depreciated	$ 9,165,459	$ 3,314,576	$ -	$ 12,480,035

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the District's long-term obligations for the year ended December 31, 2024.

	Balance at December 31, 2023	Additions	Reductions	Balance at December 31, 2024	Due Within One Year
Bonds Payable:					
Limited Tax General Obligation Bonds:					
Series 2021(3)	$ 12,205,000	$ -	$ -	$ 12,205,000	$ -
Subtotal Bonds Payable	12,205,000	-	-	12,205,000	-
Other Debts:					
Developer Advance - Operating	286,233	-	-	286,233	-
Developer Advance - Capital	507,956	3,314,576	2,615,934	1,206,598	-
Accrued Interest on:					
Developer Advance - Operating	93,138	5,725		98,863	-
Developer Advance - Capital	486,102	-	-	486,102	-
Subtotal Other Debts	1,373,429	3,320,301	2,615,934	2,077,796	-
Total Long-Term Obligations	$ 13,578,429	$ 3,320,301	$ 2,615,934	$ 14,282,796	$ -

The details of the District's general obligation bonds outstanding during are as follows:

Limited Tax General Obligation Bonds, Series 2021(3) (the Bonds)

Bond Proceeds

The District issued the Bonds on December 22, 2021, in the par amount of $12,205,000. Proceeds from the sale of the Bonds were used to (a) finance or reimburse a portion of the costs of acquiring, constructing, and/or installing certain public infrastructure to serve the Development; and (b) pay the costs of issuing the Bonds.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Details of the Bonds

The Bonds bear interest at the rate of 5.625% per annum and are payable annually on each December 1, beginning on December 1, 2022, but only from and to the extent of available Pledge Revenue. The Bonds mature on December 1, 2051 and are subject to mandatory redemption to the extent of Pledged Revenue.

The Bonds are structured as “cash flow” bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. To the extent the principal of any the Bonds is not paid when due, such principal shall remain outstanding until paid, subject to discharge on December 2, 2061. To the extent interest on the Bonds is not paid when due, such unpaid interest shall compound annually on each interest payment date, at the rate then borne by the Bonds. The Bonds and interest thereon shall be deemed to be paid, satisfied, and discharged on December 2, 2061. The Bonds are not subject to acceleration. The Bonds do not have any unused lines of credit. No assets have been pledged as collateral on the Bonds.

Events of Default of the Bonds

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

Pledged Revenue

The Bonds are secured by and payable from moneys derived by the District from the following sources: (a) the ad valorem property taxes derived from the imposition of the Required Mill Levy, net of any fees and collection costs of the County Treasurer and any tax refunds or abatements authorized by or on behalf of the County; (b) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; and (c) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

The District is required to impose an ad valorem mill levy, the Required Mill Levy, on all taxable property of the District each year in the amount of 50 mills (subject to adjustment for changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut, or abatement on or after September 7, 2004) or such lesser mill levy which is sufficient to pay all of the principal of, premium if any, and interest on the Bonds in full.

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2026, 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:

Date of Redemption	Redemption Premium
December 1, 2026, to November 30, 2027	3.00%
December 1, 2027, to November 30, 2028	2.00
December 1, 2028, to November 30, 2029	1.00
December 1, 2029, and thereafter	0.00

Bonds Debt Service

The annual debt service requirements of the Bonds are not currently determinable since they are payable only from available Pledged Revenue.

Authorized Debt

At December 31, 2024, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized November 2, 2004 Election	Authorized May 6, 2014 Election	Authorized November 2, 2021 Election	Authorization Used Series 2021(3)	Remaining at December 31, 2024
Public Improvements	$ 8,000,000	$ 48,000,000	$ 400,000,000	$ 12,205,000	$ 443,795,000
Operations and Maintenance	500,000	1,000,000	40,000,000	-	41,500,000
Special Assessments	-	-	40,000,000	-	40,000,000
Intergovernmental Agreements	-	8,000,000	40,000,000	-	48,000,000
Private Agreements	-	-	40,000,000	-	40,000,000
Refunding	8,000,000	8,000,000	400,000,000	-	416,000,000
Total	$ 16,500,000	$ 65,000,000	$ 960,000,000	$ 12,205,000	$ 1,029,295,000

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to $40,000,000.

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; however, as of the date of this audit, the amount and timing of any debt issuances is not determinable.

NOTE 6 NET POSITION

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

The restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2024, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies	$ 2,400
Capital Projects	34
Total Restricted Net Position	$ 2,434

The District has a deficit in unrestricted net position. This deficit is primarily due to costs of bonds issuance, accrued interest on long-term debts, and operating expenses paid by advances from Developer.

NOTE 7 RELATED PARTIES

The property within the District is being developed by Three Hills Investment, LLC. (the Developer). During 2024, all of the members of the Board of Directors were officers or employees of, or otherwise associated with the Developer, and may have conflicts of interest in matters involving the District.

Infrastructure Acquisition and Project Fund Disbursement Agreement

The District and the Developer entered into an Infrastructure Acquisition and Project Fund Disbursement Agreement on September 20, 2021. Pursuant to the Agreement, the District and the Developer acknowledge that the District is authorized to construct, acquire and install public improvements and other facilities and services that benefit the Property, subject to the limitations set forth in the Service Plan and the Special District Act. Under the terms of this Agreement the Developer assumes assignment of any advances made by any prior developer.

Pursuant to the Agreement, the obligations of the District in this Agreement are subject to annual appropriation and shall not be deemed to be multiple fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution, and may not exceed amounts permitted by the District's electoral authorization and Service Plan. The District's obligations under this Agreement shall terminate at the earlier of the repayment in full of the Certified District Eligible Costs or twenty (20) years from the execution date. The District agrees to reimburse the Developer for certified construction costs related to public improvements. Prior to reimbursement, the Developer is required to provide certain materials to the District for review. Following receipt of such materials, the District's accountant and engineer shall review the materials to substantiate the costs and issue a cost certification to the District. No payment is due until the District has adopted an Acceptance Resolution.

As of December 31, 2024, outstanding advances under this Agreement totaled $1,206,598 and accrued interest totaled $486,102.

NOTE 7 RELATED PARTIES (CONTINUED)

Funding and Reimbursement Agreement (Operations and Maintenance)

The District and the Developer entered into a Funding and Reimbursement Agreement on September 20, 2021, the First Amendment on October 19, 2022 and Second Amendment dated October 8, 2024 with an effective date of January 1, 2023, for the purpose of funding operations and maintenance costs. Under the terms of this Agreement the Developer assumes assignment of any advances made by any prior developer. Pursuant to the Second Amendment, the Developer agrees to loan to the District one or more sums of money, not to exceed the aggregate of $100,000 per annum (the "Annual Loan Cap") up to $450,000 (the "Maximum Loan Amount"). These funds shall be loaned to the District in one or a series of installments and shall be available to the District from 2021 through December 31, 2025 (the "Loan Obligation Termination Date"). Thereafter, the Loan Obligation Termination Date shall be automatically extended for additional one (1) year terms unless the Developer provides written notice to the District of termination at least thirty (30) days prior to December 31st of each year. Upon each automatic one (1) year extension of the Loan Obligation Termination Date, the Developer agrees to loan the District one or more sums of money up to the Annual Loan Cap, and the Maximum Loan Amount shall be increased by the Annual Loan Cap.

Funding and Reimbursement Agreement (Operations and Maintenance) (Continued)

Pursuant to the Agreement, the obligations of the District in this Agreement are subject to annual appropriation and shall not be deemed to be multiple fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution, and may not exceed amounts permitted by the District's electoral authorization and Service Plan. The District's obligations under this Agreement shall terminate at the earlier of the repayment in full of the Certified District Eligible Costs or thirty (30) years from the execution date. With respect to each loan advance made under this agreement prior to the issuance of any Reimbursement Obligation reflecting such advance, the interest rate shall be 2% per annum, from the date any such advance is made, simple interest, to the earlier of the date the Reimbursement Obligation is issued to evidence such advance, or the date of repayment of such amount.

As of December 31, 2024, outstanding advances under this Agreement totaled $286,233 and accrued interest totaled $98,863.

NOTE 8 RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). 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.

NOTE 8 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 9 TAX, SPENDING, AND DEBT LIMITATION

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

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

On November 2, 2021, the District's voters approved annual taxes of $10,000,000 for general operations and maintenance without limitation of rate. This election question allowed the District to collect and spend the additional revenue without regard to any spending, revenue raising, or other limitations contained within 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 salary or benefit increases.

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

SUPPLEMENTARY INFORMATION

THREE HILLS METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	$ 232,163	$ 233,485	$ 1,322
Specific Ownership Taxes	16,251	15,053	(1,198)
Interest Income	1,586	328	(1,258)
Total Revenues	250,000	248,866	(1,134)
EXPENDITURES			
County Treasurer's Fee	3,482	3,503	(21)
Paying Agent Fees	4,000	4,000	-
Bond Interest	232,000	237,921	(5,921)
Contingency	10,518	-	10,518
Total Expenditures	250,000	245,424	4,576
EXCESS OF REVENUES OVER EXPENDITURES	-	3,442	3,442
NET CHANGE IN FUND BALANCE	-	3,442	3,442
Fund Balance - Beginning of Year	-	(3,312)	(3,312)
FUND BALANCE - END OF YEAR	$ -	$ 130	$ 130

THREE HILLS METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2024

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	$ 60,305	$ 30,668	$ (29,637)
Total Revenues	60,305	30,668	(29,637)
EXPENDITURES			
Accounting	5,000	-	5,000
Engineering	10,000	2,888	7,112
Public Improvements	6,000,000	3,314,576	2,685,424
Total Expenditures	6,015,000	3,317,464	2,697,536
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,954,695)	(3,286,796)	2,667,899
OTHER FINANCING SOURCES (USES)			
Developer Advance	6,000,000	3,314,576	(2,685,424)
Repay Developer Advance	(2,689,000)	(2,615,934)	73,066
Transfers From Other Funds	-	1,700	1,700
Total Other Financing Sources (Uses)	3,311,000	700,342	(2,610,658)
NET CHANGE IN FUND BALANCE	(2,643,695)	(2,586,454)	57,241
Fund Balance - Beginning of Year	2,643,695	2,586,488	(57,207)
FUND BALANCE - END OF YEAR	$ -	$ 34	$ 34

OTHER INFORMATION

THREE HILLS METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2024

Year Ended December 31,	Assessed Valuation	Total Mills Levied		Total Property Taxes		Percent Collected to Levied
		General Operations	Debt Service	Levied	Collected	
2020	$ 32,955	0.000	0.000	$ -	$ -	N/A
2021	36,670	0.000	0.000	-	-	N/A
2022	34,653	65.664	0.000	2,275	2,275	100.00 %
2023	1,131,581	15.000	50.000	73,553	73,556	100.00 %
2024	4,467,171	15.591	51.971	301,811	303,530	100.57 %
Estimated for Year Ending December 31, 2025	$ 4,475,441	15.591	51.971	$ 302,370		

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

Source: Jefferson County Assessor and Treasurer.