

Spring Valley Metropolitan District No. 4  
Financial Statements and Report of Independent Auditors  
December 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

April 4, 2022

To the Board of Directors  
Spring Valley Metropolitan District No. 4

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities and each major fund of the Spring Valley Metropolitan District No. 4 (the "District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Spring Valley Metropolitan District No. 4, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Spring Valley Metropolitan District No. 4, 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.

### ***Responsibility 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 Spring Valley Metropolitan District No. 4'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 Responsibility 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.

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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 Spring Valley Metropolitan District No. 4'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 Spring Valley Metropolitan District No. 4'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***

Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule – general fund as listed in the table of contents be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 who considers it to be an essential part of financial reporting for placing the basic

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Spring Valley Metropolitan District No. 4  
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financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is 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 Spring Valley Metropolitan District No. 4's basic financial statements. The budgetary comparison schedules for the debt service fund 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. The 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, this supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Beckstead & Co., LLC*

Spring Valley Metropolitan District No. 4  
Statement of Net Position  
December 31, 2021

	Governmental Activities
<b>Assets</b>	
Current Assets	
Cash and investments	\$ 14,008
Restricted cash and investments	492,633
Due from County Treasurer	9
Property taxes receivable	694
Prepaid expenses	2,968
Total Assets	510,312
<b>Liabilities</b>	
Current Liabilities	
Accounts payable	\$ 1,273
Due to District No. 1	9,792
Accrued interest payable	644,822
Current portion of long-term obligations	-
Total Current Liabilities	655,887
Noncurrent Liabilities	
Long-term obligations payable, less current portion	14,786,711
Developer payable	93,000
Total Noncurrent Liabilities	14,879,711
Total Liabilities	15,535,598
<b>Deferred Inflows Of Resources</b>	
Deferred property tax revenue	694
<b>Net Position</b>	
Restricted for emergencies	1,181
Restricted for debt service and capital	492,641
Unrestricted	(15,519,802)
Total Net Position	(15,025,980)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 510,312

The accompanying notes are an integral part of these financial statements.

Spring Valley Metropolitan District No. 4  
Statement of Activities  
For the year ended December 31, 2021

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	Expenses	Net (Expense) Revenue
Governmental Activities		
General government	\$ 10,700,180	\$(10,700,180)
Interest on long-term debt	904,799	(904,799)
Other costs of long-term debt	8,167	(8,167)
	Totals <u>\$ 11,613,146</u>	\$(11,613,146)
General Revenues		
Property taxes		495
Specific ownership taxes		94
Interest income		4,624
	Total General Revenues	5,213
	Change in Net Position	(11,607,933)
Net Position, beginning of year		(3,418,047)
Net Position, end of year		\$(15,025,980)

The accompanying notes are an integral part of these financial statements.

Spring Valley Metropolitan District No. 4  
Balance Sheets  
Governmental Funds  
December 31, 2021

	General	Debt Service	Total
<b>Assets</b>			
Cash and investments	\$ 14,008	\$ -	\$ 14,008
Restricted cash and investments	-	492,633	492,633
Due from County Treasurer	1	8	9
Property taxes receivable	101	593	694
Prepaid expenses	2,968	-	2,968
Total Assets	<u>\$ 17,078</u>	<u>\$ 493,234</u>	<u>\$ 510,312</u>
<b>Liabilities</b>			
Accounts payable	\$ 1,273	\$ -	\$ 1,273
Due to District No. 1	9,792	-	9,792
Total Liabilities	<u>11,065</u>	<u>-</u>	<u>11,065</u>
<b>Deferred Inflows of Resources</b>			
Deferred property tax revenue	101	593	694
<b>Fund Balance</b>			
Nonspendable	2,968	-	2,968
Restricted for emergencies	1,181	-	1,181
Restricted for debt service and capital	-	492,641	492,641
Unassigned	1,763	-	1,763
Total Fund Balance	<u>5,912</u>	<u>492,641</u>	<u>498,553</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 17,078</u>	<u>\$ 493,234</u>	<u>\$ 510,312</u>

The accompanying notes are an integral part of these financial statements.



Spring Valley Metropolitan District No. 4  
Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
December 31, 2021

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Total Fund Balance	\$ 498,553
Amounts reported for the governmental activities in the Statement of Net Position are different because:	
Bonds payable and other long-term debt are not due and payable in the current period, and therefore are not reported in the governmental funds.	(14,879,711)
Accrued interest payable on outstanding bonds and other long-term debt do not require current financial resources, and therefore are not reported in the governmental funds.	<u>(644,822)</u>
Total Net Position	<u><u>\$ (15,025,980)</u></u>

The accompanying notes are an integral part of these financial statements.

Spring Valley Metropolitan District No. 4  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the year ended December 31, 2021

	General	Debt Service	Total
<b>Revenues</b>			
Property taxes	\$ 72	\$ 423	\$ 495
Specific ownership taxes	14	80	94
Interest income	-	4,624	4,624
Total Revenues	<u>86</u>	<u>5,127</u>	<u>5,213</u>
<b>Expenditures</b>			
<b>Current Operating</b>			
Accounting	9,989	-	9,989
Audit	6,000	-	6,000
Insurance - other	3,553	-	3,553
Legal	10,983	-	10,983
Management	7,845	-	7,845
Miscellaneous	951	-	951
Transfer to District No. 1	54	10,660,805	10,660,859
<b>Debt Service</b>			
Interest	-	464,275	464,275
Other fees	-	8,167	8,167
Total Expenditures	<u>39,375</u>	<u>11,133,247</u>	<u>11,172,622</u>
Excess of Revenues Over (Under) Expenditures	(39,289)	(11,128,120)	(11,167,409)
<b>Other Financing Sources (Uses)</b>			
Transfers in (out)	(6,500)	6,500	-
Developer advances	48,000	-	48,000
Total Other Financing Sources (Uses)	<u>41,500</u>	<u>6,500</u>	<u>48,000</u>
Net change in fund balances	2,211	(11,121,620)	(11,119,409)
Fund balances, beginning of year	3,701	11,614,261	11,617,962
Fund balances, end of year	<u>\$ 5,912</u>	<u>\$ 492,641</u>	<u>\$ 498,553</u>

The accompanying notes are an integral part of these financial statements.

Spring Valley Metropolitan District No. 4  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the year ended December 31, 2021

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Total net change in fund balances - governmental funds	\$(11,119,409)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report debt proceeds as other financing sources; however, the government-wide financial statements report debt proceeds as increases in long-term debt.	(48,000)
Amortization of bond premium is reported in the Statement of Activities, but does not provide current financial resources; therefore, the change in bond premium is not reported as other financing sources in the governmental funds.	1,212
Governmental funds report interest payments on debt as expenditures; however, interest expense on the Statement of Activities is presented on the accrual basis. This amount represents the difference between amounts paid for interest and amounts recognized as expense on the accrual basis.	<u>(441,736)</u>
	<u><u>\$(11,607,933)</u></u>

The accompanying notes are an integral part of these financial statements.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Spring Valley Metropolitan District No. 4, herein referred to as the District, located in Elbert County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

### **A. Financial Reporting Entity**

The District was organized as a quasi-municipal organization established under the State of Colorado Special District Act. The District was organized in coordination with Spring Valley Metropolitan District No. 1 (District No. 1), Spring Valley Metropolitan District No. 2 (District No. 2), Spring Valley Metropolitan District No. 3 (District No. 3), Spring Valley Metropolitan District No. 5 (District No. 5), and Spring Valley Metropolitan District No. 6 (District No. 6) collectively, the Districts. The District was established to provide for the design, acquisition, construction, installation and financing of water and sewer facilities, including storm drainage, street improvements, safety protection, park and recreation, transportation, television relay and translation, mosquito control and limited fire protection services. The majority of the District’s revenues are from property taxes. The District is governed by an elected Board of Directors.

District No. 1 is to provide management for all administrative and operations functions as well as construction and acquisition of infrastructure for all the Districts. The District, District No. 2, District No. 3, District No. 5, and District No. 6 (the “Financing Districts”) are responsible to provide funding for the construction and financing of certain facilities benefiting their respective districts. The water, sewer, and parks and recreation facilities will be retained by District No. 1 for ownership and operation. All other assets constructed are anticipated to be conveyed to other governmental entities for ownership and maintenance responsibilities. The Financing Districts will impose an operations and maintenance mill levy to assist District No. 1 in the costs of operations of the assets.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

**B. Basis of Presentation**

**GOVERNMENT-WIDE STATEMENTS**

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of changes in net position presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities.

In the statement of activities, direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions.

The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

**FUND FINANCIAL STATEMENTS**

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance by segregating transactions related to certain governmental functions or activities. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. The District's funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations based upon the purposes for which they are to be spent and by the means by which spending activities are controlled. The various funds of the District are outlined in the following paragraphs:

**Governmental Funds**

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures, other financing uses, and special items) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

General Fund - used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to general statutory laws.

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Debt Service Fund - used to account for accumulation of resources for, and payment of, long-term bond obligations, notes payable, and developer advances principal, interest and related costs, as well as funds for capital improvements to be constructed by District No. 1.

**C. Measurement Focus and Basis of Accounting**

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property taxes, other taxes and fines and penalties. All assets and all liabilities associated with the operation of the District are included on the statement of net position.

FUND FINANCIAL STATEMENTS

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues available if they are collected within 60 days after year-end. The following revenue sources are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period:

- Property Taxes
- Specific Ownership Taxes

Taxpayer-assessed local property and specific ownership taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are recorded when the related fund liability is incurred, except for un-matured principal and interest on general long-term debt, which is recognized when due. Proceeds of general long-term liabilities are reported as other financing sources.

**D. Budgets and Budgetary Accounting**

The District uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15, the District Board receives a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A "Notice of Budget" is published when the budget is received.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to December 15, the Board shall adopt, by resolution, the budget for the ensuing fiscal year and shall certify the tax levy to the Board of County Commissioners.

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4. On or before December 31, the Board shall pass an annual appropriating resolution in which such sums of money shall be appropriated as the Board deems necessary to defray all expenses and liabilities of the District during the ensuing year.
5. The District's budgets are adopted on a basis consistent with generally accepted accounting principles for governmental entities. Annual appropriated budgets are adopted for all funds. The level of control in the budget at which expenditures exceed appropriations is at the fund level.
6. After adoption of the budget ordinance, the District may make by ordinance the following changes: a) supplemental appropriations to the extent of revenues in excess of the estimated budget; b) emergency appropriations; c) reduction of appropriations for which originally estimated revenues are insufficient.
7. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on final legally amended budgets.
8. Budget appropriations lapse at the end of each year.

The District legally adopted annual budgets for all of the District's funds for 2021. A supplemental appropriation was adopted for the debt service fund for the current year, increasing the original appropriation of \$11,106,813 to \$11,183,313.

#### **E. Restricted Assets and Classification of Fund Balance**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. It is the District's policy to use restricted assets first when an expense is incurred for which both restricted and unrestricted assets are available.

In the governmental fund financial statements fund balance is reported in five classifications.

**Nonspendable:** Nonspendable is that portion of fund balance that are not in spendable form, for example prepaid expenses or inventories. The District had nonspendable fund balance due to prepaid expenses at the end of the year.

**Restricted:** The Colorado Constitution as amended by TABOR (see separate statutory compliance note) requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. Additionally, the District's fund balance in the debt service fund is restricted for debt service and capital as required by its bond indenture. It is the District's policy to use restricted fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

**Committed:** Committed is that portion of fund balance that has been committed by the highest level of formal action of the District's Board of Directors and does not lapse at year-end. The District does not have any

committed fund balance at year end. It is the District's policy to use committed fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

**Assigned:** Assignments of fund balance are designated by District management. The District does not have any assigned fund balance at year end.

**Unassigned:** Fund balance that has not been reported in any other classification is reported as unassigned.

#### **F. Property Taxes Receivable and Deferred Revenue**

Property taxes are levied on December 15, and attach as an enforceable lien on property on January 1<sup>st</sup> of the following year, payable in either one installment (no later than April 30<sup>th</sup>) or two equal installments (not later than February 28<sup>th</sup> and June 15<sup>th</sup>) without interest or penalty. Taxes not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16<sup>th</sup>. Property taxes are levied and collected on behalf of the District by Elbert County and are reported as revenue when received by the County Treasurers. Property taxes levied in the current year and payable in the following year are reported as a receivable at December 31; however, since the taxes are not available to pay current liabilities, the receivable is recorded as deferred revenue.

#### **G. Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

### **CASH AND INVESTMENTS**

The District's policy in determining which items are treated as cash equivalents include cash, demand deposits, treasury bills, and other short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less.

Investments are reported at fair value which is determined using selected bases. Short term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last quoted market price. Cash deposits are reported at carrying amounts which reasonably estimates fair value.

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. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102 percent of uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations of the United States, the State of Colorado, Local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and financial services is



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required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

There is no custodial credit risk for public deposits collateralized under PDPA.

At December 31, 2021, all of the District's deposits were held in eligible depositories as required by PDPA in accordance with state statute, and had total balances (as reflected on the bank's records, before outstanding items) on deposit of \$12,921 which was covered by FDIC insurance.

The District has not adopted a formal investment policy; however, the District invests public funds in a manner which will provide the highest investment return with the maximum security, meet daily cash flow demands, and conform to all federal, state and local statutes governing the investment of public funds. This applies to the investment of all financial assets of all funds of the District over which it exercises financial control.

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

Obligations of the United States and certain U.S. governmental agency securities, including securities issued by FNMA (federal national mortgage association), GNMA (governmental national mortgage association), FHLMC (federal home loan mortgage corporation), the federal farm credit bank, the federal land bank, the export-import bank, and by the Tennessee Valley Authority, and certain international agency securities, including the World Bank

General obligation and revenue bonds of U.S. local government entities, the District of Columbia, and territorial possessions of the U.S. rated in the highest two rating categories by two or more nationally recognized rating agencies

Bankers' acceptances of certain banks

Certain securities lending agreements

Commercial paper

Written repurchase agreements collateralized by certain authorized securities

Certain money market funds

Guaranteed investment contracts

Local government investment pools

The investing local government's own securities including certificates of participation and lease obligations.

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**Local Government Investment Pools – COLOTRUST**

Included in cash and cash equivalents and restricted cash and investments is \$493,720 held in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in three portfolios, COLOTRUST Prime (Prime), COLOTRUST Plus+ (Plus+) and COLOTRUST Edge (Edge). All portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. Plus+ and Edge may also invest in the highest rated commercial paper. The Prime and Plus+ portfolios are restricted to a weighted average maturity (WAM) of 60 days or less while the Edge portfolio incorporates longer-dated securities with a WAM of 60 days or more. Both Prime and Plus+ portfolios are rated AAAM by Standard and Poor's and the EDGE portfolio is rated AAAs/S1 by Fitch Ratings. The custodian's internal records segregate investments owned by the Trust.

As of December 31, 2021, the District had \$0 invested in Prime, \$493,720 invested in Plus+, and \$0 invested in Edge. The Trust records its investments at fair value and the District records its investments in the Trust at net asset value as determined by fair value. Each share of Prime and Plus is equal in value to \$1.00 and the redemption frequency is daily with no redemption notice period. Edge's net asset value is managed to approximate a \$10.00 transactional share price and the redemption frequency is five business days. The principal value of an Edge investment may fluctuate and could be greater or less than \$10.00 per share at time of purchase, prior to redemption, and at the time of redemption. There are no unfunded commitments.

Investments in local government investment pools are not categorized in terms of custodial credit risk since they are not evidenced by securities that exist in physical or book entry form.

The following is a summary of cash and cash equivalents:

	<u>Fair Value</u>
Bank deposits	\$ 12,921
COLOTRUST	<u>493,720</u>
	<u>\$ 506,641</u>

**Risk Disclosures**

Additional investment and deposit disclosures for credit risk, interest rate risk, and foreign currency risk, as required by GASB Statement No. 40, Deposit and Investment Risk Disclosures, are included below.

Credit Risk

The District's investment policy requires that the District follow state statutes for investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

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Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Foreign Currency Risk

The District was not subject to foreign currency risk as of December 31, 2021.

**FAIR VALUES OF FINANCIAL INSTRUMENTS**

The District has a number of financial instruments, including cash and equivalents, receivables, and accounts payable, none of which are held for trading purposes. The District estimates that the fair values of its financial instruments at December 31, 2021 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

**LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended December 31, 2021:

	<u>12/31/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2021</u>	<u>Due Within One Year</u>
Series 2020A Bonds	\$ 9,140,000	\$ -	\$ -	\$ 9,140,000	\$ -
Series 2020A Premium	26,923	-	(1,212)	25,711	-
Series 2020B Bonds	5,621,000	-	-	5,621,000	-
Developer advances - operating	45,000	48,000	-	93,000	-
	<u>\$ 14,832,923</u>	<u>\$ 48,000</u>	<u>\$ (1,212)</u>	<u>\$ 14,879,711</u>	<u>\$ -</u>

**General Obligation Limited Tax Bonds Series 2020A and 2020B**

On August 12, 2020, the District issued its Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2020A, in the aggregate principal amount of \$9,140,000 (Series 2020A Bonds), and its Subordinate Limited Tax General Obligation Bonds, Series 2020B, in the aggregate principal amount of \$5,621,000 (Series 2020B Bonds). The interest rate is 5.00% for the Series 2020A Bonds maturing through December 2040 and 5.125% for the Series 2020A Bonds maturing December 2041 through December 2050, payable semiannually on June 1, and December 1. During 2021 a portion of the bond reserve was used to pay interest payable on the Series 2020A Bonds. Principal payments begin on December 1, 2025 and continue each December 1 until redeemed. The interest rate is 7.625% for the Series 2020B Bonds, payable annually on December 15, to the extent subordinate pledged revenue is available. To the extent pledged revenues are not sufficient to pay interest as it comes due, such interest shall accrue and compound at the same 7.625% rate. No interest and principal maturities are reflected in this section for the Series 2020B Bonds since these payments are subject to available revenues. Final maturity date is December 2050 for the Series 2020A Bonds and the Series 2020B Bonds. To the extent any balances remain outstanding on the Series 2020B Bonds as of December 15, 2060, such

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December 31, 2021

amounts will be deemed discharged. As of December 31, 2021, accrued but unpaid interest on the 2020B Bonds was \$586,206.

**Developer Advances**

The developer of the area within the District has advanced funds to the District for operating needs. Reimbursement of these advances are made as funds are available. These advances bear interest at 8% (after August 3, 2020, at 4%). Repayment of principal and interest is subject to available revenues. Therefore, interest and principal maturities are not reflected in this section.

**Future Maturities**

The annual requirements to amortize the Series 2020A Bonds are as follows:

Year	Series 2020A Bonds		Total
	Principal	Interest	
2022	-	464,275	464,275
2023	-	464,275	464,275
2024	-	464,275	464,275
2025	5,000	464,275	469,275
2026	120,000	464,025	584,025
2027-2031	770,000	2,219,875	2,989,875
2032-2036	1,155,000	1,990,875	3,145,875
2037-2041	1,640,000	1,656,125	3,296,125
2042-2046	2,300,000	1,176,187	3,476,187
2047-2050	3,150,000	468,938	3,618,938
	<u>\$ 9,140,000</u>	<u>\$ 9,833,125</u>	<u>\$ 18,973,125</u>

**Pledged Revenue**

The District has entered into agreements with lenders that impose requirements on the District related to amounts levied for property taxes. Further, the District has pledged property tax revenues and certain other revenues for the repayment of the Series 2020A Bonds and Series 2020B Bonds. The District believes it is compliance with these requirements.

**Debt Authorization**

Issuance of debt by the District is currently limited by the District's service plan to \$250,000,000 of total debt issued by the Districts. The District has issued approximately \$14,761,000 of debt and the Districts (combined) have issued approximately \$50,847,000 of debt.

**CONTINGENCIES**

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives represent that no claims

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Notes to Financial Statements  
December 31, 2021

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have been asserted against the District and they are not aware of any un-asserted possible claims or litigation as of December 31, 2021.

## **RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. District No. 1, as the operating district, has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

District No. 1 pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage for the District. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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.

## **CONTRACTUAL MATTERS**

### **Facilities Funding, Construction, and Operations Agreement**

On July 19, 2007, the District entered into a Facilities Funding, Construction and Operations Agreement with District Nos. 1-3, which all parties subsequently replaced in its entirety on November 21, 2019, pursuant to a First Amended and Restated Facilities Funding, Construction and Operations Agreement, which was again replaced in its entirety on October 21, 2021, pursuant to a Second Amended and Restated Facilities Funding, Construction and Operations Agreement between the previous parties, District No. 5 and District No. 6 (collectively, the “FFCOA”). The purpose of the FFCOA is to bind the parties thereto concerning capital expenditure and operation and maintenance expenses so that the cost of providing services to the Spring Valley Development (as defined therein) are shared by the users of the Primary Facilities (as defined therein), Secondary Facilities (as defined therein), and services under the numerous circumstances that may occur in the future. Pursuant to the terms of the FFCOA, each of District Nos. 1-6 agreed that District No. 1 will own (subject to potential transfer to other governmental entities or authorities), operate, maintain, finance and construct Primary Facilities and certain Secondary Facilities and that District Nos. 2-6 will contribute to the costs of construction, operation, and maintenance of such Primary Facilities and Secondary Facilities. District Nos. 2-6 acknowledge that the District is relying on their commitment to issue General Obligation Bonds and remit the net process thereof to the District so it can pay for certain capital costs therein contemplated. District Nos. 2-6 also agreed to contribute to the District’s costs of construction, operation and maintenance, in part, by a pledge of the mill levy imposed for those purposes.

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**Fee Resolution**

On March 9, 2020, the District and District No. 1 adopted Joint Resolution 2020-03-04 Authorizing Collection of the Capital Component of Tap Fees for Repayment of Bonds dated August 22, 2019, whereby District No. 4 is authorized to collect and use the Capital Component (as defined therein) of the Tap Fees (as defined therein) for repayment of the District's Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2020A and \$5,621,000 Subordinate Limited Tax General Obligation Bonds, Series 2020B issuance, which closed August 12, 2020.

**Outstanding Reimbursement Obligation and Infrastructure Funding Agreement**

On November 21, 2019, the District, District No. 1, District No. 3, and MG Land entered into an Outstanding Reimbursement Obligation and Infrastructure Funding and Acquisition Agreement, amended by the First Amendment to same, dated September 16, 2020, all of which was subsequently replaced in its entirety on October 21, 2021, by the Amended and Restated Outstanding Reimbursement Obligation and Infrastructure Funding and Acquisition Agreement, by and between the District, District No. 1, District Nos. 3, 5, and 6, and MG Land (the "OROIFAA"). Pursuant to the OROIFAA, District No. 2 assented to the Outstanding Reimbursement Obligation (as defined therein) being transferred to District No. 1, which MG Land released District No. 2 from its commitment to repay pursuant to the Termination of the District No. 2 MGL FFAA (as defined therein). District No. 1 assumed responsibility to repay the Outstanding Reimbursement Obligation, in addition to District No. 1's other obligations to MG Land, including, without limitation, the MGL Advances (as defined therein), which MG Land may advance to District No. 1 under the OROIFAA up to the Shortfall Amount (as defined therein). Further, District Nos. 3-6 expressed their assent to District No. 1 entering into the OROIFAA in reliance on their respective commitments to issue General Obligation Bonds and, pursuant to the FFCOA, remit the net proceeds of the General Obligation Bonds to District No. 1, in part to make payment to MG Land for payments under the OROIFAA, including, without limitation, the Outstanding Reimbursement Obligation, Construction Related Expenses (as defined therein), and the acquisition of Facilities (as defined therein). Interest shall accrue on MGL Advances from the date of deposit into District No. 1's account, and on Verified Costs (as defined therein) from the date incurred. Interest on MGL Advances and Verified Costs incurred prior to October 1, 2021, accrues as a rate of 8%. Interest on MGL Advances and Verified Costs incurred on or after October 1, 2021, accrues as a rate of 4%. Payments credit first against principal due and then to accrued and unpaid interest. Any Construction Related Expenses or Verified Costs not paid or reimbursed by the District by December 31, 2059, regardless of whether they have been invoiced, including principal and interest, shall be deemed forever discharged and satisfied in full.

**2020-2024 Operation Funding Agreement**

The District and MG Land Investments, L.L.C. (the "Developer") entered into that certain 2020-2024 Operation Funding Agreement dated and effective August 3, 2020, which the District and the Developer subsequently replaced in its entirety by that certain Amended and Restated 2020-2024 Operation Funding Agreement on October 21, 2021, made effective August 3, 2020 (the "OFA"). The purpose of the OFA is to facilitate advances from the Developer to the District in order to fund the District's operation, maintenance, and administrative costs. Additionally, the OFA acknowledged certain advances the District received prior to the effective date of the OFA that the District must pay to the Developer. Thereunder, the Developer agreed to advance funds needed to fund same costs up to the aggregate Shortfall Amount of \$200,000 for fiscal years 2020 through 2024.

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Notes to Financial Statements  
December 31, 2021

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The District agreed to reimburse the Developer for advances contemplated under the OFA that were made prior to August 3, 2020, at a rate of 8% per annum, and to reimburse the Developer for advances made on or after August 3, 2020, at a rate of 4% per annum.

**2020-2025 Facilities Funding and Acquisition Agreement**

The District and the Developer entered into that certain 2020-2025 Facilities Funding and Acquisition Agreement dated and effective October 21, 2021 (the "FFAA"). The purpose of the FFAA is to facilitate advances from the Developer to the District in order to fund the Construction Related Expenses (as defined therein) and/or the District's acquisition of certain Improvements (as defined therein). Thereunder, the Developer agreed to make advances covering the aforementioned costs up to the Shortfall Amount of \$5,000,000 for fiscal years 2020-2025. The District agreed to reimburse the Developer plus interest at a rate of 4% per annum.

**STATUTORY COMPLIANCE**

**TABOR Amendment - Revenue and Spending Limitation Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations, which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extensions of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for financing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of spending (excluding bonded debt service). The required reserve at December 31, 2021 is \$1,181.

During formation of the District, its voters approved the removal of the application of certain requirements of TABOR to the District.

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Notes to Financial Statements  
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The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.



REQUIRED SUPPLEMENTARY INFORMATION

Spring Valley Metropolitan District No. 4  
 Budgetary Comparison Schedule  
 General Fund  
 For the year ended December 31, 2021

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Property taxes	\$ 72	\$ 72	\$ -
Specific ownership taxes	12	14	2
Total Revenues	<u>84</u>	<u>86</u>	<u>2</u>
<b>Expenditures</b>			
Current			
Accounting	15,000	9,989	5,011
Audit	5,000	6,000	(1,000)
Insurance - other	3,125	3,553	(428)
Legal	15,000	10,983	4,017
Management	15,000	7,845	7,155
Miscellaneous	500	951	(451)
Transfer to District No. 1	54	54	-
Treasurers fees	2	-	2
Contingency	28,000	-	28,000
Total Expenditures	<u>81,681</u>	<u>39,375</u>	<u>42,306</u>
Excess of Revenues Over (Under) Expenditures	(81,597)	(39,289)	42,308
<b>Other financing Sources (Uses)</b>			
Transfers in (out)	-	(6,500)	(6,500)
Developer advances	83,000	48,000	(35,000)
Total Other Financing Sources (Uses)	<u>83,000</u>	<u>41,500</u>	<u>(41,500)</u>
Net change in fund balances	1,403	2,211	808
Fund balances, beginning of year	2,952	3,701	749
Fund balances, end of year	<u>\$ 4,355</u>	<u>\$ 5,912</u>	<u>\$ 1,557</u>

ADDITIONAL SUPPLEMENTAL INFORMATION

Spring Valley Metropolitan District No. 4  
 Budgetary Comparison Schedule  
 Debt Service Fund  
 For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 65	\$ 65	\$ 423	\$ 358
Specific ownership taxes	11	11	80	69
System development fees	197,500	197,500	-	(197,500)
Tap fees	810,000	810,000	-	(810,000)
Interest income	-	20,000	4,624	(15,376)
Total Revenues	<u>1,007,576</u>	<u>1,027,576</u>	<u>5,127</u>	<u>(1,022,449)</u>
<b>Expenditures</b>				
Debt Service				
Interest - bonds	464,275	464,275	464,275	-
Other charges	10,500	10,500	8,167	2,333
Treasurer's fees	2	2	-	2
Transfer to District No. 1	10,622,036	10,698,536	10,660,805	37,731
Contingency	10,000	10,000	-	10,000
Total Expenditures	<u>11,106,813</u>	<u>11,183,313</u>	<u>11,133,247</u>	<u>50,066</u>
Excess of Revenues Over (Under) Expenditures	(10,099,237)	(10,155,737)	(11,128,120)	(972,383)
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	-	-	6,500	6,500
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>6,500</u>	<u>6,500</u>
Net change in fund balances	(10,099,237)	(10,155,737)	(11,121,620)	(965,883)
Fund balances, beginning of year	<u>11,582,124</u>	<u>11,614,261</u>	<u>11,614,261</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,482,887</u>	<u>\$ 1,458,524</u>	<u>\$ 492,641</u>	<u>\$ (965,883)</u>