

**Spring Valley Metropolitan District No.4
Elbert County, Colorado**

FINANCIAL STATEMENTS

December 31, 2023

Spring Valley Metropolitan District No. 4

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spring Valley Metropolitan District No. 4
Elbert County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Spring Valley Metropolitan District No. 4 (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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 the District as of December 31, 2023, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

We are required to communicate to 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 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 financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as identified in the table of contents is presented for the purposes of additional analysis and legal compliance 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, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fiscal Focus Partners, LLC

Arvada, Colorado
September 27, 2024

BASIC FINANCIAL STATEMENTS

Spring Valley Metropolitan District No. 4

STATEMENT OF NET POSITION

December 31, 2023

	Governmental Activities
ASSETS	
Cash and investments	\$ 3,164
Cash and investments - Restricted	691,361
Receivable from County Treasurer	7
Property taxes receivable	42,649
Total assets	737,181
LIABILITIES	
Accounts payable	20,684
Accrued interest	56,548
Noncurrent liabilities	
Due in more than one year	22,834,148
Total liabilities	22,911,380
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	42,649
Total deferred inflows of resources	42,649
NET POSITION	
Net investment in capital assets	-
Restricted for:	
Emergency reserves	1,045
Debt Service	690,322
Unrestricted	(22,908,215)
Total net position	\$ (22,216,848)

The accompanying Notes to the Financial Statements are an integral part of these statements.

Spring Valley Metropolitan District No. 4

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Changes in Net</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Governmental Activities:					
General government	\$ 34,841	\$ -	\$ -	\$ -	\$ (34,841)
Dedication of asset to other District No. 1	4,733,804	-	-	-	(4,733,804)
Dedication of assets to Elbert County	1,382,461	-	-	-	(1,382,461)
Interest on long-term debt and related costs	1,199,143	-	-	1,108,250	(90,893)
Total governmental activities	\$ 7,350,249	\$ -	\$ -	\$ 1,108,250	(6,241,999)
General revenues:					
Property taxes					496
Specific ownership taxes					82
Investment income					22,397
Total general revenues					22,975
Change in net position					(6,219,024)
Net position - beginning					(15,997,824)
Net position - ending					\$ (22,216,848)

The accompanying Notes to the Financial Statements are an integral part of these statements.

Spring Valley Metropolitan District No. 4

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and investments	\$ 3,164	\$ -	\$ -	\$ 3,164
Cash and investments - Restricted	1,045	690,316	-	691,361
Receivable from county treasurer	1	6	-	7
Property taxes receivable	6,876	35,773	-	42,649
Total assets	\$ 11,086	\$ 726,095	\$ -	\$ 737,181
LIABILITIES				
Accounts payable	\$ 20,684	\$ -	\$ -	\$ 20,684
Total liabilities	20,684	-	-	20,684
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	6,876	35,773	-	42,649
Total deferred inflows of resources	6,876	35,773	-	42,649
FUND BALANCES				
Restricted for:				
Debt service	-	690,322	-	690,322
Emergencies	1,045	-	-	1,045
Unassigned	(17,519)	-	-	(17,519)
Total fund balances	(16,474)	690,322	-	673,848
Total liabilities, deferred inflows of resources and fund balances	\$ 11,086	\$ 726,095	\$ -	

Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	(14,761,000)
Unamortized bond premium	(23,287)
Accrued interest	(56,548)
Accrued unpaid interest on subordinate bonds	(1,568,894)
Developer advance payable	(6,256,265)
Accrued interest on developer advance	(224,702)
Net position of governmental activities	\$ (22,216,848)

The accompanying Notes to the Financial Statements are an integral part of these statements.

Spring Valley Metropolitan District No. 4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Property taxes	\$ 72	\$ 424	\$ -	\$ 496
Specific ownership taxes	12	70	-	82
Facility fees	-	217,250	-	217,250
Tap fees	-	891,000	-	891,000
Investment income	2,130	20,267	-	22,397
Total revenues	<u>2,214</u>	<u>1,129,011</u>	<u>-</u>	<u>1,131,225</u>
Expenditures				
Current				
Accounting	13,869	-	-	13,869
Audit	6,500	-	-	6,500
Bank fees	-	286	-	286
Election	274	-	-	274
Insurance and bonds	3,423	-	-	3,423
Legal services	3,946	-	-	3,946
Management	6,423	-	-	6,423
Miscellaneous	352	-	-	352
Payment to District No. 1	54	-	-	54
Capital outlay	-	-	6,116,265	6,116,265
Debt Service				
Interest on bonds	-	464,275	-	464,275
Paying agent fees	-	7,000	-	7,000
Total expenditures	<u>34,841</u>	<u>471,561</u>	<u>6,116,265</u>	<u>6,622,667</u>
Excess of revenues over (under) expenditures	<u>(32,627)</u>	<u>657,450</u>	<u>(6,116,265)</u>	<u>(5,491,442)</u>
Other financing sources (uses)				
Developer advance (repayment)	12,000	-	6,116,265	6,128,265
Total other financing sources and (uses)	<u>12,000</u>	<u>-</u>	<u>6,116,265</u>	<u>6,128,265</u>
Net change in fund balances	(20,627)	657,450	-	636,823
Fund balances - beginning	<u>4,153</u>	<u>32,872</u>	<u>-</u>	<u>37,025</u>
Fund balances - ending	<u>\$ (16,474)</u>	<u>\$ 690,322</u>	<u>\$ -</u>	<u>\$ 673,848</u>

The accompanying Notes to the Financial Statements are an integral part of these 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, 2023

Net change in fund balances - governmental funds: \$ 636,823

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.

Capital outlay	6,116,265
Dedication of assets to District No. 1	(4,733,804)
Dedication of assets to Elbert County	(1,382,461)

Long-term debt (e.g. Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Developer operations advance	(12,000)
Developer advance received	(6,116,265)

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.

Amortization of bond premium	1,212
Accrued interest on developer advance payable - change	(219,405)
Accrued interest on subordinate bonds - change	(509,389)

Change in net position of governmental activities	\$ (6,219,024)
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Spring Valley Metropolitan District No. 4

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND**

For the Year Ended December 31, 2023

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 72	\$ 72	\$ -
Specific ownership taxes	11	12	1
Investment income	20	2,130	2,110
Total revenues	<u>103</u>	<u>2,214</u>	<u>2,111</u>
EXPENDITURES			
Accounting	12,000	13,869	(1,869)
Audit	6,500	6,500	-
County Treasurer's fees	2	-	2
Election	2,500	274	2,226
Insurance and bonds	3,600	3,423	177
Legal services	11,000	3,946	7,054
Management	12,000	6,423	5,577
Miscellaneous	1,200	352	848
Payment to District No. 1	54	54	-
Emergencies	3,000	-	3,000
Contingency	25,000	-	25,000
Total expenditures	<u>76,856</u>	<u>34,841</u>	<u>42,015</u>
Excess of revenues over expenditures	<u>(76,753)</u>	<u>(32,627)</u>	<u>44,126</u>
OTHER FINANCING SOURCES (USES)			
Developer advance	77,000	12,000	(65,000)
Total other financing sources (uses)	<u>77,000</u>	<u>12,000</u>	<u>(65,000)</u>
Change in fund balance	247	(20,627)	(20,874)
Fund balances - beginning	<u>6,796</u>	<u>4,153</u>	<u>(2,643)</u>
Fund balances - ending	<u>\$ 7,043</u>	<u>\$ (16,474)</u>	<u>\$ (23,517)</u>

The accompanying Notes to the Financial Statements are an integral part of these statements.

Spring Valley Metropolitan District No. 4

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – DEFINITION OF REPORTING ENTITY

Spring Valley Metropolitan District No. 4 (the District) was organized pursuant to provisions set forth in the 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"). The purpose of the District is 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 governing body of the District consists of a five-member Board of Directors which is elected by the registered voters within the District.

District No. 1 provides management for all administrative and operations functions as well as construction or acquisition of infrastructure for all of the Districts. The District and District Nos. 2, 3, 5, and 6 ("Financing Districts") are responsible for providing 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 the District in the costs of operations of the assets.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes. The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations that are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District's financial statements do not include any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity, nor is the District a component unit of any other government. The District's financial statements include the accounts of all District operations.

Spring Valley Metropolitan District No. 4

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and 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 resources of the District. The difference between the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the District is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customer 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 instead 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. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are shown as increases in assets and repayment of developer advances are recorded as a reduction in liabilities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 revenue to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible

Spring Valley Metropolitan District No. 4

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

to accrual are property taxes, specific ownership taxes, and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. The District 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 is due.

The District reports the following major governmental funds:

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

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, long-term bond obligations and developer advance principal, interest and related costs.

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

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires District management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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.

Spring Valley Metropolitan District No. 4

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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 taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Budgetary information

In accordance with the Colorado State Budget Law, the District's Board of Directors (the Board) holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The Board 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.

Fund balances

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:

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.

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

Spring Valley Metropolitan District No. 4

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. 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 above criteria.

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.

Capital Assets

All capital assets purchased or acquired with an original cost in excess of the capitalization thresholds set by the District are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date of the donation. Repairs and maintenance are recorded as expenditures as incurred; while additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Most capital assets acquired have been or will be dedicated to other local governments in accordance with the District's service plan.

Deferred inflow of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Spring Valley Metropolitan District No. 4

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

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.

NOTE 3 – CASH AND INVESTMENTS

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

Statement of net position:	
Cash and investments	\$ 3,164
Cash and investments - Restricted	691,361
Total cash and investments	<u>\$ 694,525</u>

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

Deposits with financial institutions	\$ 1,957
Investments	692,568
Total cash and investments	<u>\$ 694,525</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 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, 2023, the District's cash deposits had a bank balance and carrying balance of \$1,957.

Spring Valley Metropolitan District No. 4

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Investments

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

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

Colorado revised statutes limit investment maturities to three or five years or less (depending upon the type of investment) 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 and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

At December 31, 2023, the District had the following investment:

Investment	Maturity	Amount
Colorado Liquid Assets Trust (Colotrust)	Weighted average under 60 days	<u>\$ 692,568</u>
Total investments		<u><u>\$ 692,568</u></u>

COLOTRUST

The District invested 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 offers shares in three portfolios, COLOTRUST PRIME (PRIME), COLOTRUST PLUS+ (PLUS), and COLOTRUST EDGE (EDGE).

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

The District's investment at December 31, 2023 is in PLUS. The Trust operates similarly to a money market fund and each share of PRIME and PLUS is equal in value to \$1.00, and EDGE shares are approximately equal to \$10.00. Each portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. PLUS and Edge may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. PRIME and PLUS are rated AAAM by Standard & Poor's, and EDGE is rated AAAF/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. 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 capital assets for the year ended December 31, 2023 follows:

	Balance at December 31, 2022	Additions	Deletions	Balance at December 31, 2023
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 6,116,265	\$ 6,116,265	\$ -

NOTE 5 – LONG-TERM OBLIGATIONS

Following is an analysis of changes in long-term obligations for the year ended December 31, 2023:

Spring Valley Metropolitan District No. 4

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
General Obligation Bonds:					
G.O. Bonds 2020A	\$ 9,140,000	\$ -	\$ -	\$ 9,140,000	\$ -
G.O. Bonds 2020A Premium	24,499	-	1,212	23,287	-
G.O. Bonds 2020B	5,621,000	-	-	5,621,000	-
Accrued unpaid interest 2020B	1,059,505	509,389	-	1,568,894	-
Other Long-Term Debt:					
Developer advance - operating	128,000	12,000	-	140,000	-
Developer advance - capital	-	6,116,265	-	6,116,265	-
Accrued interest - Developer advances	5,297	219,405	-	224,702	-
Total long-term obligations	<u>\$15,978,301</u>	<u>\$6,857,059</u>	<u>\$ 1,212</u>	<u>\$22,834,148</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 for the Series 2020A Bonds maturing December 2041 through December 2050. Interest on the Series 2020A Bonds is payable semiannually on June 1, and December 1. Principal payments on the Series 2020A Bonds 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. The final maturity date is December 2050 for the Series 2020A Bonds and Series 2020B Bonds. To the extent any balances remain outstanding on the Series 2020B Bonds as of December 15, 2060, such amounts will be deemed discharged.

Developer Advances

The developer of the area within the District has advanced funds to the District for operating and construction needs (see Note 8 for descriptions of the agreements). Reimbursement of these advances are made as funds are available and as allowed by the bond indenture. Repayment of principal and interest is subject to available revenues. Therefore, interest and principal maturities are not reflected in this section.

Spring Valley Metropolitan District No. 4

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

Bond Maturities

Annual debt service requirements to maturity for the 2020A bonds are as follows:

Year Ended December 31,	Principal	Interest	Total
2024	\$ -	\$ 464,275	\$ 464,275
2025	5,000	464,275	469,275
2026	120,000	464,025	584,025
2027	125,000	458,025	583,025
2028	145,000	451,775	596,775
2029-2033	910,000	2,139,125	3,049,125
2034-2038	1,335,000	1,871,375	3,206,375
2039-2043	1,880,000	1,484,444	3,364,444
2044-2048	2,610,000	933,006	3,543,006
2049-2050	2,010,000	174,250	2,184,250
	<u>\$ 9,140,000</u>	<u>\$ 8,904,575</u>	<u>\$ 18,044,575</u>

A maturity schedule is not presented for 2020B bonds due to the uncertainty of the timing of payments.

Debt Authorization

District voters authorized the issuance of \$57,000,000 in general obligation debt for new money public infrastructure purposes. As of December 31, 2023, the District had remaining voted debt authorization of approximately \$42,239,000. The aggregate debt limit in Service Plans of the District and District 1, 2, 3, 5 and 6 is \$250,000,000, of which \$184,479,000 remains at December 31, 2023. The District did not budget new general obligation debt issuances for 2024.

NOTE 6 – NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Restricted assets include net position that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. At December 31, 2023, the District had restricted net position of \$1,045 for emergency reserves and \$690,322 for debt service.

The District had unrestricted net position (deficit) of \$(22,908,215) at December 31, 2023. The deficit is the result of the District's responsibility for debt used to finance infrastructure constructed by District No. 1.

Spring Valley Metropolitan District No. 4

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

NOTE 7 – DEFICIT FUND BALANCE

The District reported a deficit balance in the general fund at December 31, 2023. It is anticipated that the deficit will be eliminated through the receipt of developer advances for operations during 2024.

NOTE 8 – DISTRICT AGREEMENTS

Facilities Funding, Construction, and Operations Agreement

On July 19, 2007, the District entered into a Facilities Funding, Construction and Operations Agreement with District No. 1, District No. 2, and District No. 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 proceeds thereof to the District so it can pay for certain capital costs therein contemplated. District Nos. 2-6 also agreed to contribute to District No. 1's costs of construction, operation and maintenance, in part, by a pledge of the mill levy imposed of those purposes.

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 "OROIFM"). Pursuant to the OROIFM, 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

Spring Valley Metropolitan District No. 4

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

MGL FFM (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 OROIFM up to the Shortfall Amount (as defined therein). Further, District Nos. 3-6 expressed their assent to District No. 1 entering into the OROIFM 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 OROIFM, 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 at a rate of 8%. Interest on MGL Advances and Verified Costs incurred on or after October 1, 2021, accrues at 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.

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 the District was 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 Subordinate Limited Tax General Obligation Bonds, Series 2020B issuance, which closed August 12, 2020.

Second Amended and Restated 2020-2024 Operation Funding Agreement

The District and Spring Valley Land Investments, LLC ("Spring Valley Land") entered into that certain Second Amended and Restated 2020-2024 Operation Funding Agreement on November 17, 2022, made effective August 3, 2020 (the "OFA"). The purpose of the OFA is to facilitate advances from Spring Valley Land to the District in order to fund the District's operation, maintenance, and administrative costs up to the aggregate Shortfall Amount of \$250,000 for fiscal years 2020 through 2024. Pursuant to the terms of the OFA, the District agrees to reimburse Spring Valley Land for advances contemplated under the OFA that were made prior to August 3, 2020, at a rate of 8% per annum, and to reimburse Spring Valley Land for advances made on or after August 3, 2020, at a rate of 4% per annum.

Spring Valley Metropolitan District No. 4

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

First Amended and Restated 2020-2025 Facilities Funding and Acquisition Agreement

The District and Spring Valley Land entered into that certain Amended and Restated 2020-2025 Facilities Funding and Acquisition Agreement dated and effective October 21, 2021, as amended by that certain First Amendment to Amended and Restated 2020-2025 Facilities Funding and Acquisition Agreement, dated November 17, 2022 (the "FFA"). The purpose of the FFA is to is to facilitate advances from Spring Valley Land 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, Spring Valley Land agreed to make advances covering the aforementioned costs up to the Shortfall Amount of \$8,000,000 for fiscal years 2020-2025. The District agreed to reimburse Spring Valley Land plus interest at a rate of 4% per annum.

NOTE 9 – RELATED PARTIES

As of December 31, 2023, three of the four occupied positions on the Board of Directors were held by Developer representatives. Such Board members may have potential conflicts of interest with respect to actions taken in their capacity as Board members. Disclosure of any potential conflicts of interest is made in accordance with Colorado law, in advance of each Board meeting.

NOTE 10 – RISK MANAGEMENT

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

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

The District pays annual premiums to the Pool for liability, property, public officials' liability and worker's compensation 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.

Spring Valley Metropolitan District No. 4

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

NOTE 11 – TAX, SPENDING AND DEBT LIMITATIONS

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

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

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. On May 4, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve, all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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.

NOTE 12 – ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

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SUPPLEMENTARY INFORMATION

Spring Valley Metropolitan District No. 4

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND**

For the Year Ended December 31, 2023

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 422	\$ 424	\$ 2
Specific ownership taxes	67	70	3
Facility fees	118,500	217,250	98,750
Tap fees	486,000	891,000	405,000
Investment income	793	20,267	19,474
Total revenues	605,782	1,129,011	523,229
EXPENDITURES			
Bank fees	100	286	(186)
County Treasurer's fees	13	-	13
Interest on bonds	464,275	464,275	-
Paying agent fees	7,000	7,000	-
Contingency	10,000	-	10,000
Total expenditures	481,388	471,561	9,827
Change in fund balance	124,394	657,450	533,056
Fund balances - beginning	26,436	32,872	6,436
Fund balances - ending	\$ 150,830	\$ 690,322	\$ 539,492

Spring Valley Metropolitan District No. 4

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND**

For the Year Ended December 31, 2023

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
EXPENDITURES			
Capital outlay	6,978,037	6,116,265	861,772
Contingency	1,021,963	-	1,021,963
Total expenditures	<u>8,000,000</u>	<u>6,116,265</u>	<u>1,883,735</u>
Excess of expenditures over (under) revenues	(8,000,000)	(6,116,265)	1,883,735
OTHER FINANCING SOURCES (USES)			
Developer advances	8,000,000	6,116,265	(1,883,735)
Total other financing sources (uses)	<u>8,000,000</u>	<u>6,116,265</u>	<u>(1,883,735)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>