

ANNUAL REPORT

As required by Section 32-1-207(c)(3), C.R.S.

Name of the District	Spring Valley Metropolitan District No. 2
Report for Calendar Year	2025
(i) Boundary changes made or proposed	No boundary changes were made or proposed during the reporting year.
(ii) Intergovernmental Agreements entered into or terminated with other governmental entities	The District approved the following intergovernmental agreements during the reporting year: Easement and Operations and Maintenance Agreement by and between Spring Valley Metropolitan District No. 1, Spring Valley Metropolitan District No. 2, and Spring Valley Ranch Filing 6 Homeowners Association Inc.
(iii) Access information to obtain a copy of rules and regulations adopted by the Board	Copies of any rules and regulations may be found on the District's website at https://springvalleymd.org/documents/
(iv) A summary of litigation involving public improvements owned by the District	To the District's knowledge, there was no litigation involving the Public Improvements as of the end of the reporting year.
(v) Status of the construction of public improvements by the District	The District did not construct any public improvements during the reporting year.
(vi) List of facilities or improvements constructed by the District that were conveyed or dedicated to the county or municipality	No facilities or improvements constructed by the District were conveyed or dedicated to Elbert County during the reporting year.
(vii) Final Assessed Valuation of the District as of December 31 of the reporting year	The District's 2025 final assessed valuation is attached as Exhibit A .
(viii) Annual Budget for current year	The District's 2026 Budget is attached as Exhibit B .
(ix) Audited Financial Statements or Application for Exemption from Audit	The District's 2025 Audit is attached as Exhibit C .
(x) Notice of any uncured defaults existing for more than 90 days under any debt instrument of the District	To our knowledge, there are no uncured events of default by the District which continue beyond a ninety (90) day period.
(xi) Any inability of the District to pay its obligations as they come due, in accordance with the terms of such obligations, which continues beyond a ninety (90) day period	To our knowledge, the District has been able to pay its obligations as they come due.

EXHIBIT A
2025 Final Assessed Valuation

Elbert County

COUNTY ASSESSOR

New Tax Entity? ☐ YES ☒ NO

Date 11/25/2025

NAME OF TAX ENTITY: SPRING VALLEY METRO DIST 2

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

IN ACCORDANCE WITH 39-5-121(2)(a) and 39-5-128(1), C.R.S., AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES THE TOTAL VALUATION FOR ASSESSMENT FOR THE TAXABLE YEAR 2025:

1.	PREVIOUS YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	1.	\$ 18,646,880
2.	CURRENT YEAR'S GROSS TOTAL TAXABLE ASSESSED VALUATION: ‡	2.	\$ 18,902,410
3.	LESS TOTAL TIF AREA INCREMENTS, IF ANY:	3.	\$ 0
4.	CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	4.	\$ 18,902,410
5.	NEW CONSTRUCTION: *	5.	\$ 572,583
6.	INCREASED PRODUCTION OF PRODUCING MINE: ≈	6.	\$ 0
7.	ANNEXATIONS/INCLUSIONS:	7.	\$ 0
8.	PREVIOUSLY EXEMPT FEDERAL PROPERTY: ≈	8.	\$ 0
9.	NEW PRIMARY OIL OR GAS PRODUCTION FROM ANY PRODUCING OIL AND GAS LEASEHOLD OR LAND (29-1-301(1)(b), C.R.S.): Φ	9.	\$ 0
10.	TAXES RECEIVED LAST YEAR ON OMITTED PROPERTY AS OF AUG. 1 (29-1-301(1)(a), C.R.S.). Includes all revenue collected on valuation not previously certified:	10.	\$ \$0.00
11.	TAXES ABATED AND REFUNDED AS OF AUG. 1 (29-1-301(1)(a), C.R.S.) and (39-10-114(1)(a)(I)(B), C.R.S.):	11.	\$ \$1.30

‡ This value reflects personal property exemptions IF enacted by the jurisdiction as authorized by Art. X, Sec. 20(8)(b), Colo. Constitution

* New Construction is defined as: Taxable real property structures and the personal property connected with the structure.

≈ Jurisdiction must submit to the Division of Local Government respective Certifications of Impact in order for the values to be treated as growth in the limit calculation; use Forms DLG 52 & 52A.

Φ Jurisdiction must apply to the Division of Local Government before the value can be treated as growth in the limit calculation; use Form DLG 52B.

USE FOR TABOR "LOCAL GROWTH" CALCULATION ONLY

IN ACCORDANCE WITH ART. X, SEC. 20, COLO. CONSTITUTION AND 39-5-121(2)(b), C.R.S., THE Elbert County ASSESSOR CERTIFIES THE TOTAL ACTUAL VALUATION FOR THE TAXABLE YEAR 2025:

1.	CURRENT YEAR'S TOTAL ACTUAL VALUE OF ALL REAL PROPERTY: ¶	1.	\$ 279,096,496
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ADDITIONS TO TAXABLE REAL PROPERTY

2.	CONSTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS: *	2.	\$ 9,161,300
3.	ANNEXATIONS/INCLUSIONS:	3.	\$ 0
4.	INCREASED MINING PRODUCTION: §	4.	\$ 0
5.	PREVIOUSLY EXEMPT PROPERTY:	5.	\$ 0
6.	OIL OR GAS PRODUCTION FROM A NEW WELL:	6.	\$ 0
7.	TAXABLE REAL PROPERTY OMITTED FROM THE PREVIOUS YEAR'S TAX WARRANT: (If land and/or a structure is picked up as omitted property for multiple years, only the most current year's actual value can be reported as omitted property.):	7.	\$ 523,600

DELETIONS FROM TAXABLE REAL PROPERTY

8.	DESTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS:	8.	\$ 0
9.	DISCONNECTIONS/EXCLUSIONS:	9.	\$ 0
10.	PREVIOUSLY TAXABLE PROPERTY:	10.	\$ 0

¶ This includes the actual value of all taxable real property plus the actual value of religious, private school, and charitable real property.

* Construction is defined as newly constructed taxable real property structures.

§ Includes production from new mines and increases in production of existing producing mines.

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

\$ 279,096,496

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

HB21-1312 ASSESSED VALUE OF EXEMPT BUSINESS PERSONAL PROPERTY (ESTIMATED): ** \$ 419

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

NOTE: ALL LEVIES MUST BE CERTIFIED to the COUNTY COMMISSIONERS NO LATER THAN DECEMBER 15.

USE FOR STATUTORY PROPERTY TAX LIMIT CALCULATION ("5.25%" LIMIT)

IN ACCORDANCE WITH §§ 39-5-121(2)(a) and 39-5-128(1), C.R.S., AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES THE TOTAL VALUATION FOR ASSESSMENT FOR THE TAXABLE YEAR 2025 :

1.	CURRENT YEAR'S GROSS TOTAL TAXABLE ASSESSED VALUATION:	1.	<u>\$ 18,902,410</u>
2.	LESS TOTAL TIF AREA INCREMENTS, IF ANY:	2.	<u>\$ 0</u>
3.	CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	3.	<u>\$ 18,902,410</u>
4.	NEW CONSTRUCTION:	4.	<u>\$ 572,583</u>
5.	ANNEXATIONS/INCLUSIONS:	5.	<u>\$ 0</u>
6.	PREVIOUSLY EXEMPT PROPERTY:	6.	<u>\$ 0</u>
7.	TAXES RECEIVED LAST YEAR ON OMITTED PROPERTY AS OF AUG. 1 (29-1-301(1)(A),C.R.S). Includes all revenue collected on valuation not previously certified:	7.	<u>\$ \$0.00</u>
8.	INCREASED VALUATION FOR ASSESSMENT ATTRIBUTABLE TO A CHANGE IN LAW FOR A PROPERTY TAX CLASSIFICATION* (29-1-306(3)(a), C.R.S.) and (39-10-114(1)(a)(I)(B), C.R.S.):	8.	<u>\$ 0</u>
9.	TAXES ABATED AND REFUNDED AS OF AUG. 1 (29-1-301(1)(a), C.R.S.) AND (39-10-114(1)(a)(I)(B), C.R.S):	9.	<u>\$ \$1.30</u>
10.	TOTAL VALUATION FOR ASSESSMENT FROM PRODUCING MINES OR LANDS OR LEASEHOLDS PRODUCING OIL OR GAS	10.	<u>\$ 0</u>
11.	REVENUE INCREASE FROM EXPIRED TIF:	11.	<u>\$ 0</u>

* Change in law for property tax classification does not include changes in classification due to property use changes.

Note:

The property tax limit will apply to all property taxing entities with the exception of school districts and any county, city and county, city, or town that has adopted a home rule charter (29-1-306(1)(b), C.R.S.). The revenue limit applies to any property taxing entities that have authority to exceed current 5.5% and the TABOR limit.

The Division of Local Government ("the Division") has developed technical assistance resources to assist taxing entities with the calculation of the property tax limit available online here (<https://dlg.colorado.gov/budget-information-and-resources>). Please understand that the Division has no statutory or administrative role in calculating or enforcing the property tax limit, and each taxing entity's revenue limits and voter approval history may be unique. The technical assistance resources provided by the Division with regard to the property tax limit are not definitive and not legal advice. Taxing entities may choose to calculate the property tax limit with a methodology that is different from the methodology presented in the Division's technical assistance resources. The Division always recommends that taxing entities consult with an attorney in order to understand and apply the various statutory and constitutional revenue limits that may apply to that taxing entity.

NOTE: ALL LEVIES MUST BE CERTIFIED to the COUNTY COMMISSIONERS NO LATER THAN DECEMBER 15.

EXHIBIT B
2026 Budget

SPRING VALLEY METROPOLITAN DISTRICT NO. 2
2026 BUDGET MESSAGE

Spring Valley Metropolitan Districts 1-6 are quasi-municipal corporations organized and operated pursuant to provisions set forth in the Colorado Special District Act.

The Districts have no employees and all operations and administrative functions are contracted.

The following budget is prepared on the modified accrual basis of accounting.

The Districts were formed with the primary purposes of 1) to finance construction of public improvements as defined in the Service Plan for the Districts and; 2) to operate and maintain such public improvements that are not otherwise dedicated or conveyed to the County of other governmental entities and to provide for all or part of the Public Improvements, as defined in the District's Service Plan, for the use and benefit of all anticipated inhabitants and taxpayers of the Districts. District No. 1 is the District responsible for overall community administration, operations and maintenance, and Districts Nos. 2-6 will provide funding for such costs. District No. 1 is also responsible for construction of public improvements that benefit the overall community and Districts Nos. 2-6 will provide funding for such costs via the issuance of bonds, the proceeds of which are transferred to District No. 1 to fund the cost of the public improvements.

Budget Strategy

The District's strategy in preparing the 2026 budget is to strive to provide the scope of services defined in the service plan in the most economic manner possible.

Revenues

In 2026 the District will impose a total of 60.000 mills, adjusted for changes in state-wide property tax assessment calculations to 75.421 mills. Of this total mill levy, 62.685 mills are dedicated to debt service on Loans and Bonds issued by the District, 9.552 mills are dedicated for use by District No.1 for overall community operations, and the remaining 3.184 mills are levied as an operating mill levy that will generate property tax revenue to be used towards General Fund expenditures.

Expenditures

The District has adopted two separate funds: 1) a General Fund to provide for general operating expenditures and; 2) a Debt Service Fund to provide for debt service on the Loans and Bonds.

The District has budgeted a portion of the fund balance in the General Fund to be set aside for Emergencies in accordance with the TABOR Amendment.

Spring Valley Metropolitan District No. 2
Statement of Net Position
September 30, 2025

	General Fund	Debt Service Fund	Fixed Assets & LTD	TOTAL ALL FUNDS
ASSETS				
CASH				
First Bank	13,154			13,154
ColoTrust	335,704			335,704
US Bank Pledged Revenue		-		-
US Bank-Project Fund		-		-
US Bank-Reserve Fund		175,097		175,097
US Bank-Loan Payment Fund		575,362		575,362
UMB- 1st Subordinate Bond Fund		621,355		621,355
Inter-Fund Balances	-	-		-
TOTAL CASH	348,858	1,371,814	-	1,720,672
OTHER CURRENT ASSETS				
Prepaid Expenses	-			-
Accounts Receivable	-	-		-
Due From US Bank		-		-
Due From County Treasurer	-	-		-
Property Taxes Receivable	1,165	5,652		6,817
TOTAL OTHER CURRENT ASSETS	1,165	5,652	-	6,817
TOTAL ASSETS	350,024	1,377,465	-	1,727,489
LIABILITIES & DEFERED INFLOWS				
CURRENT LIABILITIES				
Accounts Payable	6,229			6,229
Due To District #1	175,324	-		175,324
Due To District #3	-			-
Due To District #4				-
TOTAL CURRENT LIABILITIES	181,553	-	-	181,553
DEFERRED INFLOWS				
Deferred Property Taxes	1,165	5,652		6,817
Deferred Rev- Tap & Facil Fees		-		-
TOTAL DEFERRED INFLOWS	1,165	5,652	-	6,817
LONG-TERM LIABILITIES				
Developer Payable- Ops			81,871	81,871
Developer Payable- Cap			-	-
General Obligation Loan- Series 2020			10,860,000	10,860,000
1st Subordinate Bonds- Series 2004			6,768,778	6,768,778
1st Subordinate Bonds- Series 2005			2,253,019	2,253,019
1st Subordinate Bonds- Series 2007			3,769,353	3,769,353
2nd Subordinate Bonds- Series 2007			469,000	469,000
3rd Subordinate Bonds- Series 2007			1,100,000	1,100,000
Accrued Interest Dev Note - Ops			61,267	61,267
Accrued But Unpaid Interest- 1st Subs			-	-
Accrued But Unpaid Interest- 3rd Subs			302,485	302,485
Year End Interest Accruals			61,358	61,358
TOTAL LONG-TERM LIABILITIES	-	-	25,727,131	25,727,131
TOTAL LIAB & DEF INFLOWS	182,718	5,652	25,727,131	25,915,500
NET POSITION				
Net Investment in Capital Assets				-
Amount to be Provided for Debt			(25,727,131)	(25,727,131)
Fund Balance- Nonspendable	-			-
Fund Balance- Restricted	9,000	1,371,814		1,380,814
Fund Balance- Unassigned	158,305			158,305
TOTAL NET POSITION	167,305	1,371,814	(25,727,131)	(24,188,011)
	=	=	=	=

No assurance is provided on these financial statements;
substantially all disclosures required by GAAP omitted.

Spring Valley Metropolitan District No. 2
Statement of Revenues, Expenditures, & Changes In Fund Balance
Modified Accrual Basis For the Period Indicated

Date Printed: 12/02/25

	2024 Audited Actual	2025 Adopted Budget	Variance Favorable (Unfavor)	2025 Forecast	YTD Thru 09/30/25 Actual	YTD Thru 09/30/25 Budget	Variance Favorable (Unfavor)	2026 Adopted Budget	Notes/Assumptions
PROPERTY TAXES									
Assessed Valuation	17,132,602	18,646,880		18,646,880				18,902,410	Final AV
Mill Levy Breakdown:									
Operations	3.247	3.247		3.247				3.184	2.5 Mills Adjusted
Operations- Temp Credit	0.000	0.000		0.000				-	No Reduction Required For 2026
Contractual Obligations (Trfr to #1)	9.740	9.740		9.740				9.552	7.5 Mills Adjusted
Debt Service	63.936	62.978		62.978				62.685	50 Mills Adjusted
Total Mills Levied	76.923	75.965		75.965				75.421	Total of 60 Mills Adjusted
Property Tax Breakdown:									
Operations	55,630	60,546		60,546				60,185	2.5 Mills Adjusted
Contractual Obligations (Trfr to #1)	166,872	181,621		181,621				180,556	7.5 Mills Adjusted
Debt Service	1,095,390	1,174,343		1,174,343				1,184,898	50 Mills Adjusted
Total Taxes Levied	1,317,891	1,416,510		1,416,510				1,425,639	Total of 60 Mills Adjusted
COMBINED FUNDS									
REVENUE									
Property Taxes	1,321,596	1,416,510	-	1,416,510	1,409,693	1,416,510	(6,817)	1,425,639	Total of 60 Mills Adjusted
Specific Ownership Taxes	179,635	177,064	-	177,064	118,782	118,043	740	178,205	12.5% of Taxes
Tap & Facilities Fees	1,470,950	-	-	-	-	-	-	-	See Debt Service Fund
Interest & Other Income	96,608	111,900	(62,900)	49,000	38,446	83,925	(45,479)	140,000	Interest on Reserves
TOTAL REVENUE	3,068,789	1,705,474	(62,900)	1,642,574	1,566,922	1,618,478	(51,556)	1,743,844	
EXPENDITURES									
Administration	223,122	284,936	29,076	255,860	222,161	264,061	41,900	278,928	See General Fund Detail
Operations	-	-	-	-	-	-	-	-	See General Fund Detail
Debt Service	3,174,440	1,429,338	51,555	1,377,783	141,037	141,485	448	1,462,790	See Debt Service Fund
TOTAL EXPENDITURES	3,397,562	1,714,274	80,631	1,633,642	363,197	405,545	42,348	1,741,718	
REVENUE OVER / (UNDER) EXP	(328,773)	(8,799)	17,731	8,932	1,203,724	1,212,932	(9,208)	2,126	
OTHER SOURCES / (USES)									
Bond Proceeds	-	-	-	-	-	-	-	-	For Capital Improvements
Transfer to District #1- Capital	-	-	-	-	-	-	-	-	
Bond Cost of Issuance	-	-	-	-	-	-	-	-	
TOTAL OTHER SOURCES / (USES)	-	-	-	-	-	-	-	-	
CHANGE IN FUND BALANCE	(328,773)	(8,799)	17,731	8,932	1,203,724	1,212,932	(9,208)	2,126	
BEGINNING FUND BALANCE	664,168	302,867	32,528	335,395	335,395	302,867	32,528	344,327	
ENDING FUND BALANCE	335,395	294,067	50,259	344,327	1,539,119	1,515,799	23,320	346,452	
COMPONENTS OF FUND BALANCE									
Nonspendable	3,919	5,900	(200)	5,700	-	-	-	6,000	Prepaid Insurance
TABOR Emergency Reserve	8,000	9,000	-	9,000	9,000	-	-	9,000	3% of General Fund Expenditures
Restricted- Debt Service	216,612	196,966	0	196,966	1,371,814	-	-	197,185	Per Debt Service Fund
Unassigned/ Other	106,864	82,202	50,459	132,661	158,305	-	-	134,267	
TOTAL ENDING FUND BALANCE	335,395	294,067	50,259	344,327	1,539,119			346,452	
	=	=	=	=	=	=	=	=	

No assurance is provided on these financial statements;
substantially all disclosures required by GAAP omitted.

Spring Valley Metropolitan District No. 2
Statement of Revenues, Expenditures, & Changes In Fund Balance
Modified Accrual Basis For the Period Indicated

Date Printed: 12/02/25

	2024 Audited Actual	2025 Adopted Budget	Variance Favorable (Unfavor)	2025 Forecast	YTD Thru 09/30/25 Actual	YTD Thru 09/30/25 Budget	Variance Favorable (Unfavor)	2026 Adopted Budget	Notes/Assumptions
GENERAL FUND									
REVENUE									
Property Taxes- Operations	55,688	60,546	-	60,546	60,255	60,546	(291)	60,185	2.5 Mills Adjusted
Property Taxes- Contractual Obligations	167,046	181,621	-	181,621	180,747	181,621	(874)	180,556	7.5 Mills Adjusted
State Property Tax Backfill	2,327	-	-	-	-	-	-	-	None for 2026
Specific Ownership Taxes	30,328	30,271	-	30,271	20,307	20,181	126	30,093	12.5% of Taxes
Interest Income	10,596	4,000	8,000	12,000	9,375	3,000	6,375	10,000	Based on 2025 Forecast
Facility Fees	-	-	-	-	-	-	-	-	
Other Income	-	-	-	-	-	-	-	-	
TOTAL REVENUE	265,985	276,438	8,000	284,438	270,683	265,348	5,336	280,834	
EXPENDITURES									
Administration									
Accounting	15,666	20,000	2,000	18,000	10,747	14,800	4,053	19,000	Based on 2025 Forecast
Audit	6,250	6,750	-	6,750	6,750	6,750	-	6,950	Per Audit Engagement Letter
Election	-	1,000	783	217	217	1,000	783	500	2027 Election Prep
Insurance	5,030	5,600	443	5,157	5,157	5,600	444	5,700	Based on 2025 Forecast
Legal	15,322	21,000	4,000	17,000	10,603	15,750	5,147	18,000	Based on 2025 Forecast
Management	6,802	10,500	1,500	9,000	5,850	7,875	2,025	10,000	Based on 2025 Forecast
Miscellaneous	484	1,200	350	850	281	900	620	1,000	Based on 2025 Forecast
Treasurer's Fees	6,697	7,265	-	7,265	7,233	7,265	32	7,222	3% of Property Taxes
Transfer to District #1	166,872	181,621	-	181,621	175,324	181,621	6,296	180,556	Contractual Obligations Taxes- Trfr To No. 1
Emergency Reserve	-	-	-	-	-	-	-	-	Held In Reserve
Contingency	-	30,000	20,000	10,000	-	22,500	22,500	30,000	Unforeseen Needs
Total Administration	223,122	284,936	29,076	255,860	222,161	264,061	41,900	278,928	
Operations									
Road Maintenance	-	-	-	-	-	-	-	-	Performed by District No. 1
Stormwater Maintenance	-	-	-	-	-	-	-	-	Performed by District No. 1
Total Operations	-	-	-	-	-	-	-	-	
TOTAL EXPENDITURES	223,122	284,936	29,076	255,860	222,161	264,061	41,900	278,928	
REVENUE OVER / (UNDER) EXP	42,863	(8,498)	37,076	28,578	48,523	1,287	47,235	1,906	
OTHER SOURCES / (USES)									
Transfer to Debt Service Fund	-	-	-	-	-	-	-	-	
TOTAL OTHER SOURCES / (USES)	-	-	-	-	-	-	-	-	
CHANGE IN FUND BALANCE	42,863	(8,498)	37,076	28,578	48,523	1,287	47,235	1,906	
BEGINNING FUND BALANCE	75,920	105,600	13,183	118,783	118,783	105,600	13,183	147,361	
ENDING FUND BALANCE	118,783	97,102	50,259	147,361	167,305	106,887	60,419	149,267	
	=	=	=		=	=	=	=	

No assurance is provided on these financial statements;
substantially all disclosures required by GAAP omitted.

Spring Valley Metropolitan District No. 2
Statement of Revenues, Expenditures, & Changes In Fund Balance
Modified Accrual Basis For the Period Indicated

Date Printed: 12/02/25

	2024 Audited Actual	2025 Adopted Budget	Variance Favorable (Unfavor)	2025 Forecast	YTD Thru 09/30/25 Actual	YTD Thru 09/30/25 Budget	Variance Favorable (Unfavor)	2026 Adopted Budget	Notes/Assumptions
DEBT SERVICE FUND									
Homes Constructed/ Fees Paid	73	-	-	-	-	-	-	-	All 247 Received From LGI- Complete in 2024
REVENUE									
Property Taxes	1,096,535	1,174,343	-	1,174,343	1,168,692	1,174,343	(5,652)	1,184,898	2.5 Mills Adjusted
Specific Ownership Taxes	149,307	146,793	-	146,793	98,475	97,862	613	148,112	12.5% of Taxes
Facilities Fees	288,350	-	-	-	-	-	-	-	\$3,950 Each
Tap Fees	1,182,600	-	-	-	-	-	-	-	\$16,200 Each
Interest Income	86,011	107,900	(70,900)	37,000	29,071	80,925	(51,854)	130,000	Budget High To Allow For Contingency
TOTAL REVENUE	2,802,804	1,429,036	(70,900)	1,358,136	1,296,239	1,353,130	(56,892)	1,463,010	
EXPENDITURES									
Bond Principal- Series 2004	471,222	-	-	-	-	-	-	-	Estimated Available
Bond Interest- Series 2004	810,913	313,041	(25,655)	338,696	-	-	-	332,867	Estimated Available
Bond Principal- Series 2005	156,981	-	-	-	-	-	-	-	Estimated Available
Bond Interest- Series 2005	269,931	104,239	(8,497)	112,736	-	-	-	110,796	Estimated Available
Bond Principal- Series 2007	355,647	-	-	-	-	-	-	-	Estimated Available
Bond Interest- Series 2007	374,504	174,318	(14,293)	188,611	-	-	-	185,365	Estimated Available
Bond Principal- Series 2007 Subordinate	-	-	-	-	-	-	-	-	
Bond Interest- Series 2007 Subordinate	-	-	-	-	-	-	-	-	
Loan Principal- Series 2020	465,000	475,000	-	475,000	-	-	-	480,000	Per Amortization- 2027 Balloon
Loan Interest- Series 2020	222,823	212,509	-	212,509	105,963	106,255	291	203,214	Fixed Rate Thru 09/2027
Paying Agent Fees	14,450	15,000	-	15,000	-	-	-	15,000	6 Series of Bonds
Treasurer's Fees	32,970	35,230	-	35,230	35,073	35,230	157	35,547	3% of Property Taxes
Miscellaneous Expense/ Contingency	-	100,000	100,000	-	-	-	-	100,000	Unforeseen Needs
TOTAL EXPENDITURES	3,174,440	1,429,338	51,555	1,377,783	141,037	141,485	448	1,462,790	
REVENUE OVER / (UNDER) EXP	(371,636)	(302)	(19,345)	(19,646)	1,155,202	1,211,645	(56,443)	220	
OTHER SOURCES / (USES)									
Bond Proceeds	-	-	-	-	-	-	-	-	
Transfer to District #1- Capital	-	-	-	-	-	-	-	-	
Bond Issuance Costs	-	-	-	-	-	-	-	-	
Transfer From General Fund	-	-	-	-	-	-	-	-	
TOTAL OTHER SOURCES / (USES)	-	-	-	-	-	-	-	-	
CHANGE IN FUND BALANCE	(371,636)	(302)	(19,345)	(19,646)	1,155,202	1,211,645	(56,443)	220	
BEGINNING FUND BALANCE	588,248	197,267	19,345	216,612	216,612	197,267	19,345	196,966	
ENDING FUND BALANCE	216,612	196,966	0	196,966	1,371,814	1,408,913	(37,099)	197,185	
COMPONENTS OF FUND BALANCE									
Series 2020 Reserve Fund	173,200	172,500	-	172,500	175,097	-	-	172,500	Required By Senior Loan
Project Fund	-	-	-	-	-	-	-	-	Exhausted in 2022
Bond Payment Fund	22,914	24,466	-	24,466	1,196,717	-	-	24,685	Funds Received in Dec
Internal Balances & Receivables	20,498	-	-	-	(0)	-	-	0	
	216,612	196,966		196,966	1,371,814			197,185	
	=	=	=	=	=	=	=	=	

No assurance is provided on these financial statements;
substantially all disclosures required by GAAP omitted.

I, AJ Beckman, hereby certify that I am the duly appointed Secretary of the Spring Valley Metropolitan District No. 2, and that the foregoing is a true and correct copy of the budget for the budget year 2026, duly adopted at a meeting of the Board of Directors of the Spring Valley Metropolitan District No. 2 held on November 20, 2025.

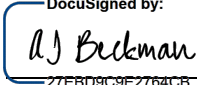
By:  Secretary

EXHIBIT C
2025 Audit

**Spring Valley Metropolitan District No. 2
Elbert County, Colorado**

FINANCIAL STATEMENTS

December 31, 2025

Spring Valley Metropolitan District No. 2

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December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spring Valley Metropolitan District No. 2
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. 2 (the District) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2025, 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

July 21, 2026

BASIC FINANCIAL STATEMENTS

Spring Valley Metropolitan District No. 2

STATEMENT OF NET POSITION

December 31, 2025

	Governmental Activities
ASSETS	
Cash and investments	\$ 173,995
Cash and investments - restricted	225,999
Receivable from county treasurer	14,601
Prepaid expense	450
Property taxes receivable	1,425,639
Total assets	1,840,684
LIABILITIES	
Accounts payable	5,357
Due to other governments	4,553
Accrued interest	16,703
Noncurrent liabilities	
Due within one year	480,000
Due in more than one year	25,197,504
Total liabilities	25,704,117
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	1,425,639
Total deferred inflows of resources	1,425,639
NET POSITION	
Restricted for:	
Emergency reserves	8,600
Debt service	229,504
Unrestricted	(25,527,176)
Total net position	\$ (25,289,072)

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

Spring Valley Metropolitan District No. 2

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenue			Net (Expense)
		Charges for	Operating	Capital Grants	Revenue and
		Services	Grants and	and	Change in Net
			Contributions	Contributions	Position
					Governmental
					Activities
Governmental Activities:					
General government	\$ 228,404	\$ -	\$ -	\$ -	\$ (228,404)
Interest on long-term debt and related costs	1,318,608	-	-	-	(1,318,608)
Total governmental activities	\$ 1,547,012	\$ -	\$ -	\$ -	(1,547,012)
General revenues:					
Property taxes					1,416,517
Specific ownership taxes					183,703
Investment income					49,455
Total general revenues					1,649,675
Change in net position					102,663
Net position - beginning					(25,391,735)
Net position - ending					\$ (25,289,072)

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

Spring Valley Metropolitan District No. 2

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2025

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 173,995	\$ -	\$ 173,995
Cash and investments - restricted	8,600	217,399	225,999
Receivable from county treasurer	2,496	12,105	14,601
Prepaid expense	450	-	450
Property taxes receivable	240,741	1,184,898	1,425,639
Total assets	<u>\$ 426,282</u>	<u>\$ 1,414,402</u>	<u>\$ 1,840,684</u>
LIABILITIES			
Accounts payable	\$ 5,357	\$ -	\$ 5,357
Due to other governments	4,553	-	4,553
Total liabilities	<u>9,910</u>	<u>-</u>	<u>9,910</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	240,741	1,184,898	1,425,639
Total deferred inflows of resources	<u>240,741</u>	<u>1,184,898</u>	<u>1,425,639</u>
FUND BALANCES			
Nonspendable:			
Prepaid amounts	450	-	450
Restricted for:			
Emergencies	8,600	-	8,600
Debt Service	-	229,504	229,504
Unassigned	166,581	-	166,581
Total fund balances	<u>175,631</u>	<u>229,504</u>	<u>405,135</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 426,282</u>	<u>\$ 1,414,402</u>	

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.

Loan payable	(10,385,000)
Bonds payable	(14,360,150)
Accrued interest	(16,703)
Accrued interest on subordinate bonds	(785,941)
Developer advance payable	(81,871)
Accrued interest on developer advance	(64,542)
Net position of governmental activities	<u>\$ (25,289,072)</u>

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

Spring Valley Metropolitan District No. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2025

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 242,168	\$ 1,174,349	\$ 1,416,517
Specific ownership taxes	31,406	152,297	183,703
Investment income	11,678	37,777	49,455
Total revenues	<u>285,252</u>	<u>1,364,423</u>	<u>1,649,675</u>
Expenditures			
Current			
Accounting	13,622	-	13,622
Audit	6,750	-	6,750
County treasurer's fees	7,270	35,254	42,524
Election	217	-	217
Insurance and bonds	5,157	-	5,157
Legal services	11,878	-	11,878
Mangement	6,996	-	6,996
Miscellaneous	341	-	341
IGA payment to District No. 1	176,173	-	176,173
Debt service			
Principal	-	475,000	475,000
Interest	-	826,927	826,927
Paying agent fees	-	14,350	14,350
Total expenditures	<u>228,404</u>	<u>1,351,531</u>	<u>1,579,935</u>
Net change in fund balances	56,848	12,892	69,740
Fund balances - beginning	<u>118,783</u>	<u>216,612</u>	<u>335,395</u>
Fund balances - ending	<u><u>\$ 175,631</u></u>	<u><u>\$ 229,504</u></u>	<u><u>\$ 405,135</u></u>

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

Spring Valley Metropolitan District No. 2

**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, 2025

Net change in fund balances - governmental funds:	\$ 69,740
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Amounts reported for governmental activities in the statement of activities are different because:

Long-term debt (e.g. loans, bonds, 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:

Current year loan principal payment	475,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest - change in liability	763
Accrued interest on subordinate bonds - change in liability	(439,565)
Accrued interest on Developer advance payable - change in liability	<u>(3,275)</u>

Change in net position of governmental activities	<u>\$ 102,663</u>
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The accompanying Notes to the Financial Statements are an integral part of these statements.

Spring Valley Metropolitan District No. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2025

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 242,167	\$ 242,168	\$ 1
Specific ownership taxes	30,271	31,406	1,135
Investment income	4,000	11,678	7,678
Total revenues	<u>276,438</u>	<u>285,252</u>	<u>8,814</u>
EXPENDITURES			
Accounting	20,000	13,622	6,378
Audit	6,750	6,750	-
County treasurer's fees	7,265	7,270	(5)
Election	1,000	217	783
Insurance and bonds	5,600	5,157	443
Legal services	21,000	11,878	9,122
Mangement	10,500	6,996	3,504
Miscellaneous	1,200	341	859
IGA payment to District No. 1	181,621	176,173	5,448
Contingency	30,000	-	30,000
Total expenditures	<u>284,936</u>	<u>228,404</u>	<u>56,532</u>
Change in fund balance	(8,498)	56,848	65,346
Fund balances - beginning	<u>105,600</u>	<u>118,783</u>	<u>13,183</u>
Fund balances - ending	<u><u>\$ 97,102</u></u>	<u><u>\$ 175,631</u></u>	<u><u>\$ 78,529</u></u>

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

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2025

NOTE 1 – DEFINITION OF REPORTING ENTITY

Spring Valley Metropolitan District No. 2 (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. 3 ("District No. 3"), Spring Valley Metropolitan District No. 4 ("District No. 4"), 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. 3, 4, 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 District No. 1 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. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

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. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

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

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.

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

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

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.

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.

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.

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

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 prepaid amounts or 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.

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.

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.

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2025 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 173,995
Cash and investments - restricted	225,999
Total cash and investments	<u>\$ 399,994</u>

Cash and investments as of December 31, 2025 consist of the following:

Deposits with financial institutions	\$ 6,475
Investments	393,519
Total cash and investments	<u>\$ 399,994</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, 2025, the District's cash deposits had a bank balance and carrying balance of \$6,475.

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 credit risk, 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.

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

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

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

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

At December 31, 2025, the District had the following investment:

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ 193,882
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	199,637
Total investments		<u>\$ 393,519</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (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 currently offers three portfolios - COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

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. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAAF/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period. The District invested in the Colotrust Plus portfolio during 2025.

CSAFE

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

CSAFE CASH FUND operates similar to a money market fund, with each share valued at \$1.00. CSAFE CASH FUND may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper, any security allowed under CRS 24-75-601.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAmmf and CSAFE CORE is rated AAAf/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period. The District invested in the CSAFE CASH FUND portfolio during 2025.

NOTE 4 – LONG-TERM OBLIGATIONS

Following is an analysis of changes in long-term obligations for the year ended December 31, 2025:

	Balance at December 31, 2024	Additions	Reductions	Balance at December 31, 2025	Due Within One Year
Governmental Activities:					
Notes from Direct Borrowers and Direct Placements:					
Series 2004B 1st Subordinate Bonds	\$ 6,768,778	\$ -	\$ -	\$ 6,768,778	\$ -
Series 2005B 1st Subordinate Bonds	2,253,019	-	-	2,253,019	-
Series 2007B 1st Subordinate Bonds	3,769,353	-	-	3,769,353	-
Series 2007 2nd Subordinate Bonds	469,000	-	-	469,000	-
Series 2007 3rd Subordinate Bonds	1,100,000	-	-	1,100,000	-
Series 2020 Refunding Loan	10,860,000	-	475,000	10,385,000	480,000
Accrued interest on:					
Series 2004B 1st Subordinate Bonds	21,858	525,230	323,238	223,850	-
Series 2005B 1st Subordinate Bonds	7,275	174,826	107,597	74,504	-
Series 2007B 1st Subordinate Bonds	11,779	283,009	184,165	110,623	-
Series 2007 3rd Subordinate Bonds	305,464	71,500	-	376,964	-
Subtotal of Notes from Direct Borrowers and Direct Placements:	25,566,526	1,054,565	1,090,000	25,531,091	480,000
Other Debts:					
Developer advance - operations	81,871	-	-	81,871	-
Accrued interest on:					
Developer advance - operations	61,267	3,275	-	64,542	-
Subtotal - Other Debts	143,138	3,275	-	146,413	-
Total Long-Term Obligations	<u>\$ 25,709,664</u>	<u>\$ 1,057,840</u>	<u>\$ 1,090,000</u>	<u>\$ 25,677,504</u>	<u>\$ 480,000</u>

Subordinate General Obligation Limited Tax Bonds, Series 2004B, 2005B, and 2007B

General Obligation Limited Tax Bonds in the face amount of \$7,240,000 (Series 2004B), \$2,410,000 (Series 2005B), and \$4,125,000 (Series 2007B) were issued on September 22, 2020 to refund the Series 2004 Bonds, the Series 2005 Bonds, and the Series 2007 Bonds, respectively. The Series 2004B and Series 2005B bonds bear interest at 7.75% and the Series 2007B bonds bear interest at 7.5% which is payable annually each December 15, commencing on December 15, 2020, to the extent subordinate pledged revenue is available. The Series 2004B, Series 2005B and Series 2007B Bonds mature on December 15, 2050. No interest and principal maturities are reflected in this section for these bonds since these payments are subject to available pledge revenues. Available pledged revenues first pay trustee fees, second pay

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

interest due in connection with the bonds, and third pay principal on the bonds. No further payments will be due on the bonds upon termination of the bonds on December 16, 2060, regardless of the amount of principal and interest paid prior to the termination date.

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until the earlier of its payment or the termination date and shall continue to bear interest at the rate then borne by the Bond. To the extent interest on any Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Bond. The District is not obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount.

The Bonds are secured by and payable from moneys derived by the District from the following sources, net of any costs of collection: i) the Subordinate Required Mill Levy; ii) the Subordinate Capital Fee Revenue, if any; iii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Subordinate Required Mill Levy; and iv) any other legally available moneys which the District determines in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue. Pursuant to the Amended & Restated Indenture of Trusts, the District has covenanted to impose a Subordinate Required Mill Levy in the amount of 50 mills less the amount of the Senior Debt Mill Levy, or such lesser mill levy which will fund the Subordinate Bond Fund in an amount sufficient to pay all of the principal of and interest on the Bonds in full. If after March 10, 2004, there are changes in the ratio of actual valuation to assessed valuation, then the minimum and maximum mill levies shall be increased or decreased to offset such changes.

Events of default under the Subordinate Series 2004B, 2005B and 2007B Bonds occur if the District does not impose the required Subordinate Mill Levy, does not apply Subordinate Pledged Revenue in accordance with the Amended and Restated Indenture of Trusts, and other customary terms and conditions consistent with normal municipal financings as described in the Indenture of Trusts.

Second and Third Subordinate General Obligation Limited Tax Bonds, Series 2007

General Obligation Limited Tax Bonds in the face amount of \$469,000 (Second Subordinate Series 2007) and \$1,100,000 (Third Subordinate Series 2007) were issued on September 22, 2020 to refund the Subordinate Series 2007 Bonds. The Second Subordinate Series 2007 bonds bear interest at 0% and the Third Subordinate Series 2007 bonds bear interest at 6.5% which is payable annually each December 15, to the extent subordinate pledged revenue is available. The Second Subordinate Series 2007 and Third Subordinate Series 2007 Bonds mature on December 15, 2050.

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

No interest and principal maturities are reflected in this section for these bonds since payments are subject to available pledged revenues. Available pledged revenues first pay trustee fees, second pay interest due in connection with the bonds, and third pay principal on the bonds. No further payments will be due on the bonds upon termination of the bonds on December 16, 2060, regardless of the amount of principal and interest paid prior to the termination date.

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until the termination date and shall continue to bear interest at the rate then borne by the Bond. To the extent interest on any Bond is not paid when due, such interest shall remain due and owing, but shall not compound or bear additional interest as a result thereof, at the rate then borne by the Bond. The District is not obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount.

The Bonds are secured by and payable from moneys derived by the District from the following sources, net of any costs of collection: i) the Second and Third Subordinate Required Mill Levy; ii) the Second and Third Subordinate Capital Fee Revenue, if any; iii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Second and Third Subordinate Required Mill Levy; and iv) any other legally available moneys which the District determines in its absolute discretion, to transfer to the Trustee for application as Second and Third Subordinate Pledged Revenue. Pursuant to the Amended & Restated Indenture of Trust, the District has covenanted to impose a Subordinate Required Mill Levy in the amount of 50 mills less the amount of the Senior Debt Mill Levy and the First Subordinate Bond Mill Levy, or such lesser mill levy which will fund the Second Subordinate Bond Fund and the Third Subordinate Bond Fund in an amount sufficient to pay all of the principal of and interest on the Bonds in full. If after March 10, 2004, there are changes in the ratio of actual valuation to assessed valuation, then the minimum and maximum mill levies shall be increased or decreased to offset such changes.

Events of default under the Second Subordinate Series 2007 and Third Subordinate Series 2007 occur if the District does not impose the required Second and Third Subordinate Mill Levy, does not apply Second and Third Subordinate Pledged Revenue in accordance with the Amended and Restated Indenture of Trust, and other customary terms and conditions consistent with normal municipal financings as described in the Indenture of Trust.

Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding Loan, Series 2020

General Obligation Limited Tax Loan Payable to U.S. Bank National Association in the face amount of \$12,850,000 (Series 2020) was issued on September 22, 2020 to

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

refund accrued interest on the Series 2004, 2005, 2007 and 2007 Subordinate bonds. The loan bears interest at 1.93% which is payable semiannually each June 1 and December 1, beginning on December 1, 2020. Principal payments are due each December 1 through December 1, 2027 as follows:

Year	Series 2020 Note Payable		Total
	Principal	Interest	
2026	\$ 480,000	\$ 203,214	\$ 683,214
2027	9,905,000	193,822	10,098,822
	<u>\$ 10,385,000</u>	<u>\$ 397,036</u>	<u>\$ 10,782,036</u>

Prior to September 22, 2025, the District may prepay the Loan in whole or in part by paying, on the date of any such prepayment, an amount equal to the principal amount being prepaid, plus a prepayment fee on the principal amount being prepaid, plus accrued interest thereon to the redemption date. On and after September 22, 2025, the District may prepay the Loan in whole or in part by paying, on the date of any such prepayment, an amount equal to the principal amount being prepaid plus accrued interest thereon to the redemption date.

The Loan is secured by and payable from moneys derived by the District from the following sources, net of any costs of collection: i) the Required Mill Levy; ii) the portion of the Specific Ownership Taxes allocable to the amount of the Required Mill Levy; iii) the Pledged Fees; and iv) any other legally available moneys which the Board determines in its absolute discretion to apply as Pledged Revenue. Pursuant to the Loan Agreement, the District has covenanted to impose a Required Mill Levy in an amount sufficient, when combined with moneys held in the Loan Payment Fund, to pay the Annual Debt Requirements, but not in excess of 50 mills. If after March 10, 2004, there are changes in the ratio of actual valuation to assessed valuation, then the minimum and maximum mill levies shall be increased or decreased to offset such changes. The Loan is also secured by amounts on deposit in the Reserve Fund which was funded from the loan proceeds, in the amount equal to the required reserve fund of \$172,500.

Events of default under the Loan Agreement occur if the District fails to pay or cause to be paid when due any principal of and interest on the Loan when due, refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Loan Agreement, fails to replenish the Reserve Fund to the Reserve Requirement, and other customary terms and conditions consistent with normal municipal financings as described in the Loan Agreement.

Developer Advances

The developer of the area within the District has advanced funds to the District for operating needs (see Note 7 for descriptions of the agreements). Reimbursement of

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

these advances are made as funds are available and as allowed by the bond indenture. These advances bear interest at 4.00%. Repayment of principal and interest is subject to available revenues. Therefore, interest and principal maturities are not reflected in this section.

Debt Authorization

The District, along with Spring Valley Metropolitan District Nos. 1, 3, 4, 5, and 6 (collectively the "Districts"), were organized to provide services to their respective service areas pursuant to their service plans. The District's Service Plan limits the District's ability to issue debt at \$35,000,000 (the "Individual Service Plan Debt Limit"); provided, however, that refunding debt does not count against the Individual Service Plan Debt Limit. The Districts, in the aggregate, are limited in their ability to issue Debt as set forth in the Service Plans to a total amount of \$250,000,000 (the "Aggregate Service Plan Debt Limit"); provided, however, that refunding debt does not count against the Aggregate Service Plan Debt Limit.

The District has the voter authorization to issue Bonds to the Aggregate Service Plan Debt Limit.

As of December 31, 2025, District No. 1 had not issued any debt; the District had issued \$17,795,025 in general obligation public improvement debt (excluding refunding debt) ("G.O. Debt"); District No. 3 had issued \$6,736,000 in G.O. Debt; District No. 4 had issued \$14,761,000 in G.O. Debt; District No. 5 had issued \$15,318,000 in G.O. Debt; and District No. 6 had issued \$15,070,000 in G.O. Debt. Thus, at December 31, 2025, the District had \$17,204,975 in its remaining Individual Service Plan Debt Limit, and the remaining Aggregate Service Plan Debt Limit for all Districts was \$180,319,975.

NOTE 5 – NET POSITION

The District has net position consisting of two components –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, 2025, the District had restricted net position of \$8,600 for emergency reserves and \$229,504 for debt service.

The District had unrestricted net position (deficit) of \$(25,527,176) at December 31, 2025. 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. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

NOTE 6 – RELATED PARTIES

As of December 31, 2025, some of the 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 7 – DISTRICT AGREEMENTS

Intergovernmental Fee Agreement

On November 1, 2004, the District and District No. 1 entered into an Intergovernmental Fee Agreement, as amended by the First Amendment, dated June 14, 2005, and the Second Amendment, dated September 4, 2007 (the “IFA”). The IFA contemplates that the District anticipates issuing general obligation bonds (the “Bonds”) to pay for the construction and installation of certain water and sewer facilities. To repay the principal and interest on the Bonds, the District pledged the Capital Component (as defined therein) of the Tap Fees (as defined therein) imposed by the District for the first 649 Tap Fees it collects. The IFA further provides that property owners or users within the District pay Tap Fees imposed by District No. 1 will be credited as having paid the District Tap Fees.

After the District receives the first 649 Tap Fees pledged to the repayment of the Bonds, the District will transfer to District No. 1 a portion of the Tap Fees it receives, being the District No. 1 Portion (as defined therein) to pay for operations and maintenance of the water and sanitation facilities.

On September 16, 2020, the District and District No. 1 entered into Joint Resolution 2020-09-01 Authorizing Collection of the Capital Component of the Tap Fees for Repayment of Bonds, whereby the District is authorized to collect and use the Capital Component of the Tap Fees not otherwise pledged for repayment of the District’s \$12,850,000 2020 Loan Agreement and Promissory Note, which closed on September 22, 2020.

Facilities Funding, Construction, and Operations Agreement

The District, together with District Nos. 1, 3, 4, 5 and 6, is a party to the Second Amended and Restated Facilities Funding, Construction and Operations Agreement dated October 21, 2021 and effective as of February 25, 2021 (the “FFCOA”). The purpose of the FFCOA is to bind the parties thereto concerning capital expenditures 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

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

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 acknowledged that District No. 1 is relying on their commitment to issue General Obligation Bonds and remit the net proceeds thereof to District No. 1 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 for those purposes.

Amended and Restated Operational Funding Advance Reimbursement Agreement

On November 21, 2019, the District and MG Land Investments, LLC ("MG Land") entered into an Operational Funding Advance Reimbursement Agreement, which the same parties replaced in its entirety on October 21, 2021, effective November 21, 2019, with the Amended and Restated Operational Funding Advance Reimbursement Agreement (the "OFARA"). The purpose of the OFARA is to acknowledge the District's continued obligation to reimburse MG Land for Outstanding Operational Advances (as defined therein) that remain unpaid under that certain Facilities Funding and Acquisition Agreement between the District and MG Land, which was subsequently terminated at the request of the District. Pursuant to the OFARA, the District acknowledged that as of November 21, 2019, the Outstanding Operational Advances equaled \$81,871 plus interest and additional costs being reviewed by an independent engineer and the District's accountant. The District also acknowledged that it will repay all such costs, and any Additional Advances (as defined therein), plus interest at a rate of 4% per annum, to the extent it has funds available. It was agreed that the OFARA does not constitute debt or indebtedness of the District and that reimbursement thereunder is subject to annual appropriation by the District. As of December 31, 2025, the outstanding balance due under this agreement is \$81,871 in principal and \$64,542 in accrued interest.

Agreement of Acknowledgement of Satisfaction of Obligations of District No. 2

On November 21, 2019, the District and District Nos. 1, 3 and 4 entered into an Agreement of Acknowledgement of Satisfaction of Obligations of the District Related to the Funding of Construction of Public Improvements and Acknowledgement of Ongoing Obligations of District Nos. 1, 3 and 4 Related to the Funding of Construction of Public Improvements, as amended by the First Amendment on September 16, 2020 (the "Acknowledgement Agreement"). The Acknowledgement Agreement acknowledged that, other than the District's obligation to collect and remit 649 District Tap Fees (as defined therein) to District No. 1, the District has satisfied all obligations due to District No. 1 for the funding of construction of Public Improvements arising under those agreements existing as of the effective date of the Acknowledgement

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

Agreement, and that the District shall have no further obligation to make any payments to District No. 1 for the funding of the construction of Public Improvements (as defined therein) under any existing agreement. The Acknowledgement Agreement also acknowledged that, pursuant to the FFCOA, District No. 1 shall enter into a Facilities Funding and Acquisition Agreement with MG Land for the reimbursement of Outstanding Reimbursement Obligation (as defined therein) of District No. 1, consistently with the Termination of the District MGL Facilities Funding Agreement. Additionally, District Nos. 1, 3 and 4 acknowledge that there may be additional districts organized that will issue bonds and work with District Nos. 1, 3 and 4 to help fund the remaining Public Improvements and that they shall exercise reasonable efforts to assure the additional districts become parties to the FFCOA to contribute towards the reimbursement of the Outstanding Reimbursement Obligation and to complete the Public Improvements. The Acknowledgement Agreement also clarified that the District bears sole responsibility to make all payments related to its repayment of the District's 2020 Loan (as defined therein).

NOTE 8 – RISK MANAGEMENT

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

NOTE 9 – 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.

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2025

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 November 6, 2001, the District's electors authorized the District to increase taxes \$1,000,000 annually, or by such lesser annual amount as may be necessary to pay the District's operations, maintenance and other expenses in fiscal year 2002 and subsequent years. Such taxes and related investment income are to be collected and spent without regard to any spending, revenue-raising, or other limitation. Additionally, the District's electors authorized the District to retain and spend any and all amounts annually from any revenue sources whatsoever other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, inspection charges, administrative charges, grants and any other fee, rate, toll, penalty, income or charge imposed, collected or authorized by law to be imposed or collected by the District without limitation by Article X, Section 20 of the Colorado Constitution.

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.

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SUPPLEMENTARY INFORMATION

Spring Valley Metropolitan District No. 2

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND**

For the Year Ended December 31, 2025

	Original and Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 1,174,343	\$ 1,174,349	\$ 6
Specific ownership	146,793	152,297	5,504
Investment income	107,900	37,777	(70,123)
Total revenues	<u>1,429,036</u>	<u>1,364,423</u>	<u>(64,613)</u>
EXPENDITURES			
Principal	475,000	475,000	-
Interest	804,107	826,927	(22,820)
Paying agent fees	15,000	14,350	650
County treasurer fees	35,230	35,254	(24)
Contingency	100,000	-	100,000
Total expenditures	<u>1,429,337</u>	<u>1,351,531</u>	<u>77,806</u>
Net change in fund balances	<u>(301)</u>	<u>12,892</u>	<u>13,193</u>
Fund balances - beginning	<u>197,267</u>	<u>216,612</u>	<u>19,345</u>
Fund balances - ending	<u><u>\$ 196,966</u></u>	<u><u>\$ 229,504</u></u>	<u><u>\$ 32,538</u></u>