

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2018

with

Independent Auditors' Report

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Board of Directors
Spring Valley Metropolitan District No. 2
Elbert County, Colorado

Independent Auditors' Report

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 Spring Valley Metropolitan District No. 2 as of December 31, 2018, and the respective changes in financial position 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.

Other Matters

Management has omitted the 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 opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Stratagem PC
Certified Public Accountants
Lakewood, Colorado

September 17, 2018

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS					
Cash and investments	\$ 901,212	\$ -	\$ 901,212	\$ -	\$ 901,212
Cash and investments - restricted	9	94,994	95,003	-	95,003
Taxes Receivable	3,932	19,333	23,265	-	23,265
Property taxes receivable	<u>125,651</u>	<u>628,268</u>	<u>753,919</u>	<u>-</u>	<u>753,919</u>
Total Assets	<u>\$ 1,030,804</u>	<u>\$ 742,595</u>	<u>\$ 1,773,399</u>	<u>-</u>	<u>1,773,399</u>
LIABILITIES					
Due to District No. 1	\$ 905,153	\$ -	\$ 905,153	\$ -	\$ 905,153
Current bond interest payable	-	-	-	158,657	158,657
Long-term liabilities					
Developer advances payable - capital	-	-	-	4,638,676	4,638,676
Developer advances payable - operations	-	-	-	169,005	169,005
Unpaid interest on bonds	-	-	-	9,537,792	9,537,792
Bonds payable - due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,495,000</u>	<u>15,495,000</u>
Total Liabilities	<u>905,153</u>	<u>-</u>	<u>905,153</u>	<u>29,999,130</u>	<u>30,904,283</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	<u>125,651</u>	<u>628,268</u>	<u>753,919</u>	<u>-</u>	<u>753,919</u>
Total Deferred Inflows of Resources	<u>125,651</u>	<u>628,268</u>	<u>753,919</u>	<u>-</u>	<u>753,919</u>
FUND BALANCES/NET POSITION					
Fund Balances:					
Restricted:					
Emergencies	9	-	9	(9)	-
Debt service	-	114,327	114,327	(114,327)	-
Unassigned	<u>(9)</u>	<u>-</u>	<u>(9)</u>	<u>9</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>114,327</u>	<u>114,327</u>	<u>(114,327)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,030,804</u>	<u>\$ 742,595</u>	<u>\$ 1,773,399</u>		
Net Position:					
Restricted for:					
Emergencies				9	9
Debt service				114,327	114,327
Unrestricted				<u>(29,999,139)</u>	<u>(29,999,139)</u>
Total Net Position				<u>\$ (29,884,803)</u>	<u>\$ (29,884,803)</u>

The 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 BALANCE/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES					
Treasurer's fees	\$ 3,255	\$ 16,282	\$ 19,537	\$ -	\$ 19,537
Bond interest - Series 2004	-	562,388	562,388	393,123	955,511
Bond interest - Series 2005	-	187,204	187,204	130,861	318,065
Bond interest - Series 2007	-	310,408	310,408	186,939	497,347
Bond interest - Series 2007 subordinate	-	-	-	174,452	174,452
Developer advance interest - capital	-	-	-	189,855	189,855
Developer advance interest - operations	-	-	-	6,809	6,809
Paying agent fees	-	3,900	3,900	-	3,900
Transfer to District No. 1	185,448	-	185,448	-	185,448
Total Expenditures	<u>188,703</u>	<u>1,080,182</u>	<u>1,268,885</u>	<u>1,082,039</u>	<u>2,350,924</u>
PROGRAM REVENUES					
Facility fees	10,722	64,328	75,050	-	75,050
Tap fees	-	174,800	174,800	-	174,800
Total Program Revenues	<u>10,722</u>	<u>239,128</u>	<u>249,850</u>	<u>-</u>	<u>249,850</u>
Net Program Income (Expense)	(177,981)	(841,054)	(1,019,035)	(1,082,039)	(2,101,074)
GENERAL REVENUES					
Property taxes	108,807	543,906	652,713	-	652,713
Specific ownership taxes	26,122	130,578	156,700	-	156,700
Interest income	-	25,509	25,509	-	25,509
Miscellaneous income	68	3,484	3,552	-	3,552
Total General Revenues	<u>134,997</u>	<u>703,477</u>	<u>838,474</u>	<u>-</u>	<u>838,474</u>
NET CHANGES IN FUND BALANCE	(42,984)	(137,577)	(180,561)	180,561	
CHANGE IN NET POSITION				(1,262,600)	(1,262,600)
FUND BALANCE/NET POSITION					
BEGINNING OF YEAR	<u>42,984</u>	<u>251,904</u>	<u>294,888</u>	<u>(28,917,091)</u>	<u>(28,622,203)</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 114,327</u>	<u>\$ 114,327</u>	<u>\$ (29,999,130)</u>	<u>\$ (29,884,803)</u>

The 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 BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Year Ended December 31, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Property taxes	\$ 114,316	\$ 114,316	\$ 108,807	\$ (5,509)
Specific ownership taxes	17,147	17,147	26,122	8,975
Miscellaneous income	2,000	1,446	68	(1,378)
Facility fees	<u>14,107</u>	<u>14,107</u>	<u>10,722</u>	<u>(3,385)</u>
Total Revenues	<u>147,570</u>	<u>147,016</u>	<u>145,719</u>	<u>(1,297)</u>
EXPENDITURES				
Miscellaneous expenses	300	300	-	300
Treasurer's fees	3,429	3,429	3,255	174
Transfer to District No. 1	143,832	186,262	185,448	814
Emergency reserve	<u>9</u>	<u>9</u>	<u>-</u>	<u>9</u>
Total Expenditures	<u>147,570</u>	<u>190,000</u>	<u>188,703</u>	<u>1,297</u>
NET CHANGES IN FUND BALANCE	-	(42,984)	(42,984)	-
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>42,984</u>	<u>42,984</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Spring Valley Metropolitan District No. 2 (“District”), located in Elbert County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized as a quasi-municipal organization established under the State of Colorado Special District Act. The District was organized concurrently with the organization of Spring Valley Metropolitan District No. 1 (“District No. 1”), Spring Valley Metropolitan District No. 3 (“District No. 3”), and Spring Valley Metropolitan District No. 4 (“District No. 4”). The District was established to provide for the design, acquisition, construction, installation and financing of water and sewer facilities, including storm drainage, street improvements, safety protection, park and recreation, transportation, television relay and translation, mosquito control and limited fire protection services. The District is governed by an elected Board of Directors.

District No. 1 is to provide management for all administrative and operations functions of all of the Districts. The District, District No. 3 and District No. 4 (“Financing Districts”) are responsible for the construction and financing of certain facilities benefiting their respective districts. The water, sewer, and parks and recreation facilities constructed by the Financing Districts will be transferred to District No. 1 for ownership and operation. All other assets constructed are anticipated to be conveyed to other governmental entities for ownership and maintenance responsibilities. The Financing Districts will impose an operations and maintenance mill levy to assist District No. 1 in the costs of operations of the assets.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets forth the financial accountability of a governmental organization’s elected governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

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

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

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

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Budgetary Accounting

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

In November 2018, the District amended its total appropriations in the Debt Service Fund from \$1,118,952 to \$1,250,000 primarily due to the increase in tap fees received and bond interest paid and in the General Fund from \$147,570 to \$190,000 due to an increase in transfers to District No. 1.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2018, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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.

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District only has one item that qualifies for reporting in this category. It is the deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally held in November or December. The County Treasurer remits the taxes collected monthly to the District.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$9 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance of \$114,327 in the Debt Service Fund is restricted for the payment of the costs associated with the Series 2004 Bonds, Series 2005 Bonds and Series 2007 Bonds (See Note 3).

Committed Fund Balance

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

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2018

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2018, cash and investments are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 901,212
Cash and investments – Restricted	<u>95,003</u>
Total	\$ <u>996,215</u>

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2018

Cash and investments as of December 31, 2018, consist of the following:

Investments – MSILF Treasury	\$ 965
Investments – COLOTRUST	<u>995,250</u>
	\$ <u>996,215</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. 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.

The District follows state statutes for deposits. As of December 31, 2018, none of the District’s deposits were exposed to custodial credit risk.

Investments

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District’s investments are not required to be categorized within the fair value hierarchy. The investments’ values are calculated using the net asset value method (NAV) per share.

As of December 31, 2018, the District had the following investments:

Morgan Stanley Institutional Liquidity Fund

The Morgan Stanley Institutional Liquidity Fund (“MSILF”) is rated AAAM by Standard & Poor’s and the maturity is weighted average under 32 days. MSILF records its investments at fair value and the District records its investment in MSILF using the net asset value method. The fund is a money market fund with each share maintaining a value of \$1.00. The money market fund invests in high quality debt securities issued by the U.S. Government. At December 31, 2018, the District had \$965 invested in the MSILF held by a trustee.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST” or “the Trust”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The Trust operates similarly to a money market fund with each share maintaining a value of \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ 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. Designated custodian banks provide safekeeping and depository services to the Trust. Substantially all securities owned by the Trust are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2018, the District had \$995,250 invested in COLOTRUST.

Credit Risk

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

Custodial and Concentration of Credit Risk

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

Interest Rate Risk

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

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements
December 31, 2018

Note 3: Long Term Debt

The following is an analysis of changes in long-term debt for the year ending December 31, 2018:

	Balance 12/31/17	Additions	Retirements	Balance 12/31/18	Current Portion
<u>General Obligation Bonds</u>					
Series 2004	\$ 7,240,000	\$ -	\$ -	\$ 7,240,000	\$ -
Series 2005	2,410,000	-	-	2,410,000	-
Series 2007	4,125,000	-	-	4,125,000	-
Unpaid interest on GO bonds	8,354,602	740,409	34,156	9,060,855	-
Series 2007 - Subordinate	1,720,000	-	-	1,720,000	-
Unpaid interest on Subordinate	303,731	173,206	-	476,937	-
<u>Developer Advances</u>					
Capital - principal	2,220,011	-	-	2,220,011	-
Capital - interest	2,228,810	189,855	-	2,418,665	-
Operations - principal	81,871	-	-	81,871	-
Operations - interest	80,325	6,809	-	87,134	-
Total long-term liabilities:	<u>\$28,764,350</u>	<u>\$1,110,279</u>	<u>\$ 34,156</u>	<u>\$29,840,473</u>	<u>\$ -</u>

A description of the District's long-term obligations as of December 31, 2018, is as follows:

\$8,000,000 General Obligation Bonds (Limited Tax Convertible to Unlimited Tax) – Series 2004
On November 1, 2004, the District issued \$8,000,000 of General Obligation Bonds (Limited Tax Convertible to Unlimited Tax) (“Series 2004 Bonds”) bearing interest at 8% consisting of term bonds due December 1, 2033. Interest is payable semiannually on each June 1 and December 1. The Series 2004 Bonds are subject to optional redemption on or after December 1, 2009 in whole or in multiples of \$1,000 prior to maturity at the option of the District at par plus accrued interest. The Series 2004 Bonds are subject to mandatory sinking fund redemptions beginning December 1, 2007 through December 1, 2032 in varying amounts. The final payment on the bonds is due December 1, 2033.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

\$2,410,000 General Obligation Bonds (Limited Tax Convertible to Unlimited Tax) – Series 2005

On June 17, 2005, the District issued \$2,410,000 of General Obligation Bonds (Limited Tax Convertible to Unlimited Tax) (“Series 2005 Bonds”) bearing interest at 8% consisting of term bonds due December 1, 2035. Interest is payable semiannually on each June 1 and December 1. The Series 2005 Bonds are subject to optional redemption on or after December 1, 2009 in whole or in multiples of \$1,000 prior to maturity at the option of the District at par plus accrued interest. The Series 2005 Bonds are subject to mandatory sinking fund redemptions beginning December 1, 2012 through December 1, 2034 in varying amounts. The final payment on the bonds is due December 1, 2035.

\$4,125,000 General Obligation Bonds (Limited Tax Convertible to Unlimited Tax) – Series 2007

On September 4, 2007, the District issued \$4,125,000 of General Obligation Bonds (Limited Tax Convertible to Unlimited Tax) (“Series 2007 Bonds”) bearing interest at 7.75% consisting of term bonds due December 1, 2037. Interest is payable semiannually on each June 1 and December 1. The Series 2007 Bonds are subject to optional redemption on or after December 1, 2009 in whole or in multiples of \$1,000 prior to maturity at the option of the District at par plus accrued interest. The Series 2007 Bonds are subject to mandatory sinking fund redemptions beginning December 1, 2011 through December 1, 2036 in varying amounts. The final payment on the bonds is due December 1, 2037.

The Series 2004 Bonds, Series 2005 Bonds and the Series 2007 Bonds are Parity Bonds (“Parity Bonds”).

\$1,720,000 Subordinate General Obligation Zero Coupon Bonds (Limited Tax Convertible to Unlimited Tax) – Series 2007

On September 4, 2007, the District issued \$1,720,000 of Subordinate General Obligation Zero Coupon Bonds (Limited Tax Convertible to Unlimited Tax) (“Series 2007 Subordinate Bonds”) with a present value of \$876,873 which are subordinate bonds as defined in the 2007 Indenture of Trust. For a period from the date of issuance to December 14, 2015, the Series 2007 Subordinate Bonds bore 0.00% interest. On December 15, 2015, the bonds converted to current interest bonds and will bear interest at a rate of 8.5%. Principal and interest on the bonds are payable annually on each December 15 commencing December 15, 2016, at which time payment of the Series 2007 Subordinate Bonds will be fully subordinate on an annual basis to the payments on the Parity Bonds. The Series 2007 Subordinate Bonds are subject to redemption prior to maturity at the option of the District on December 15, 2009 and on any date thereafter in varying amounts depending on the redemption date. The bonds are also subject to mandatory sinking fund redemptions at par plus accrued interest beginning December 1, 2016 and each year thereafter in varying amounts through December 31, 2036.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Pledged Revenue

The Series 2004, Series 2005 and Series 2007 Bonds (collectively, the “Bonds”) are payable from Pledged Revenue (as defined in that certain Indenture of Trust between the District and American National Bank as Trustee, dated September 1, 2007 (the “2007 Indenture”)), which consists of the District’s Required Mill Levy, Pledged Fees (i.e., Tap Fees and Facilities Fees, as described below), and any other legally available moneys which the District determines, in its sole discretion, to transfer to the Trustee for application as Pledged Revenue.

Required Mill Levy

Pursuant to the 2007 Indenture, the District has covenanted to levy the Required Mill Levy on all taxable property within the District to pay for scheduled Bond payments. Prior to the time when the debt to assessed ratio is less than 50%, the District is required to impose a mill levy sufficient to pay principal and interest on the Bonds as they come due in an amount not to exceed 50 mills. The District’s mill levy shall not be less than 40 mills for so long as the Surplus Fund is in existence and the balance therein is less than the Maximum Surplus Amount, which is \$1,500,000 if no other bonds have been issued other than the Series 2004, Series 2005 and Series 2007 Bonds; or 10% of the principal balance of all bonds outstanding if other parity bonds are issued. After the date that the debt to assessed ratio is 50% or less, the District will be able to levy mills sufficient to pay the debt without limitation.

Pledged Tap Fees

On November 1, 2004, the District and District No. 1 entered into an Intergovernmental Fee Agreement, as amended on June 14, 2005 and September 4, 2007 (the “IFA”). The IFA acknowledges that the District has issued General Obligation Bonds to pay for the construction and installation of certain water and sewer facilities by District No. 1. Accordingly, the Capital Component of the Tap Fees imposed by the District for the first 649 Tap Fees paid to the District is pledged to repayment of principal and interest on the Bonds. The IFA further provides that property owners who pay Tap Fee fees imposed by District No. 1 on property located within the boundaries of the District shall be credited as having paid the District’s Tap Fees.

After the District has received the Capital Component of the first 649 taps, which are pledged to the Bonds, the District’s remaining Tap Fee collections are to be transferred to District No. 1 to pay for operations and maintenance of the water and sanitation facilities.

Pursuant to that certain Resolution No. 2014-11-03 to Set New Rates for Tap Fees and Service Charges Effective as of January 1, 2015, which Resolution was adopted on November 17, 2014, and recorded on February 12, 2015, District No. 1 currently imposes a Tap Fee (described in the District No. 1 Fee Resolution as a “System Development Fee”) at the rate of \$16,200 per equivalent residential unit. The District No. 1 Tap Fee is comprised of a \$9,200 Capital Component and a \$7,000 O&M Component. The Tap Fee for any uses other than residential dwelling units shall be determined by the District on a case-by-case basis.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Pledged Facilities Fees

On November 19, 2012, the District adopted its First Amended and Restated Facilities Fee Resolution, which was recorded on March 10, 2015 (the “District’s Facilities Fee Resolution”). Pursuant to the District’s Facilities Fee Resolution, the District imposes a Facilities Fee on all residential property within the District. The total Facilities Fee rate is \$3,950 per residential lot, with the portion pledged to Bond repayment equal to \$3,386. The Facilities Fee for commercial/community use or multi-family parcels shall be determined by the District on a case-by-case basis.

Pursuant to the 2007 Indenture, the District is required to establish a Surplus Fund for the Bonds that will be built up over time from excess Pledged Revenue. The Surplus Fund will be released to the District at such time that the ratio of debt to assessed ratio is 50% or less, at which time the remaining funds in the Surplus Fund may be used by the District for any lawful purpose. At December 31, 2018, the balance in the Surplus Fund was \$0.

The District did not have sufficient funds to make all of the scheduled interest payments prior to 2018 for the Parity Bonds. Unpaid interest compounds and accrues semi-annually at the rate on the bonds. Failure to pay interest and principal is not an Event of Default so long as the District levies the maximum required mill levy described above.

Due to the uncertainty of the timing of the principal and interest payments on the Parity Bonds, a schedule of the timing of these payments is not available.

Debt Authorization

On November 6, 2001, and on May 4, 2004, a majority of the qualified electors of the District authorized the issuance of indebtedness for public improvements (not including debt issued for operations and maintenance, intergovernmental agreements, or refundings) in an amount not to exceed \$97,500,000 at an interest rate not to exceed 18% per annum. As of December 31, 2018, the District had authorized but unissued indebtedness of \$82,965,000. However, the District shall not issue debt for public improvements in excess of \$35,000,000 pursuant to its Service Plan. The District has not budgeted to issue any debt during 2019.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Facilities Acquisition Agreement

On September 18, 2002, the District and District No. 1 entered into a Facilities Acquisition Agreement (“FAA”) with Running Creek Investments, LLC (“Developer”) whereby, among other things, the Developer has agreed to construct certain improvements as defined in the FAA. The FAA provides that the District and District No. 1 are to acquire their respective improvements during the applicable warranty period after such improvements have been completed by the Developer, and sets forth the procedures for the Developer to be reimbursed for its construction costs from bond proceeds when available or from other legally available revenues of District No. 1 on a basis subordinate to the repayments of the Bonds. Simple interest will accrue at 9% from the date the cost is incurred by the Developer on the construction costs to be reimbursed. The FAA terminates on December 31, 2022, unless terminated earlier by mutual agreement of the parties. At December 31, 2018, the District had \$2,663,523 of developer advances payable under the agreement, which includes \$1,438,075 of accrued interest.

Facilities Funding and Acquisition Agreement

On November 30, 2006, the District and the Developer entered into a Facilities Funding and Acquisition Agreement (“FFAA”) whereby the Developer agreed to advance up to \$10 million to the District to fund the construction of certain improvements as defined in the agreements. Alternatively, the Developer may construct the improvements, transfer the improvements to the District, and receive reimbursement by the District for the construction costs incurred. All advances made by the Developer under this FFAA are to be reimbursed by the District with simple interest from the date of deposit in the District's account, or the date that the cost is incurred by the Developer if the Developer constructs the improvements, until the advance is paid, at an interest rate of 8% per annum. Payments shall first be applied to accrued interest, then to principal. The District shall use bond proceeds or other revenue, as available, to reimburse Developer advances. All reimbursements under the FFAA are subject to annual appropriation by the District's Board of Directors. The FFAA automatically terminates on December 31, 2027.

On May 23, 2011, the District entered into a First Amendment to the FFAA (“Amendment”) whereby the Developer agreed to reduce the total principal amount payable by \$278,007 and that as of May 18, 2011, no interest would continue to accrue on such amount. This Amendment was signed concurrently. At December 31, 2018, the District had \$1,975,153 of developer advances payable under the FFAA, which includes \$980,590 of accrued interest.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Operation Funding Agreements

The District and the Developer entered into annual Operation Funding Agreements ("OFAs") for the years 2004 through 2012. The OFAs provide for the Developer to advance funds to the District to pay for operations and maintenance costs to the extent that the District does not have sufficient revenues. The District agrees to reimburse the Developer for such advances to the extent the District has funds available after the payment of its annual debt service obligations and annual operations and maintenance expenses, which repayment is subject to annual budget and appropriation. Interest on advances made to the District in 2004 and prior years accrue at 9%. Advances made to the District beginning in 2005 and thereafter accrue interest at the rate of 8% per annum. Repayment of the advances will be applied first to accrued interest and then to principal, with the earliest advances being paid first. At December 31, 2018, the District had \$169,005 of developer advances payable under the OFAs, which includes \$87,134 of accrued interest.

Note 4: District Agreements

Facilities Funding, Construction and Operations Agreement

On July 19, 2007, the District entered into a Facilities Funding, Construction and Operations Agreement ("FFCOA") with District No. 1, District No. 3 and District No. 4. The purpose of the FFCOA is to ensure that the capital expenditures and operation and maintenance expenses are shared equitably by the users of the facilities. District No. 1 has agreed to own, operate, maintain and construct all facilities not otherwise conveyed to other governmental entities. It is anticipated that District No. 1 will have little or no assessed valuation within its boundaries and will rely, in part, on revenues from the other districts to operate and maintain the facilities. The District, District No. 3 and District No. 4 agreed to contribute to the costs of construction, operation and maintenance of the facilities, in part, by a pledge of the mill levy imposed for those purposes.

Letter Agreement with Melody Homes, Inc.

On November 21, 2013, the District and District No. 1 entered into a Letter Agreement with Melody Homes, Inc. ("Melody") as purchaser of forty (40) residential lots within the District's boundaries (the "Letter Agreement"). Pursuant to the Letter Agreement, Melody agreed to prepay to District No. 1 the O&M Component of the District No. 1 Tap Fee applicable to the purchased lots (i.e., \$5,000 of the \$12,200 Tap Fee per lot), for a total of \$200,000, which amount was, likewise, credited against the same amount that would have otherwise been payable to the District for such lots. Although the District No. 1 Tap Fee was increased as of January 1, 2015, pursuant to the District No. 1 Fee Resolution described above, under the Letter Agreement the Fee payable by Melody shall remain \$12,200 per lot.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Joint Amended and Restated Fire Protection Fee Resolution

On October 19, 2006, the District, along with District Nos. 3 and 4 (collectively, the “Financing Districts”), adopted a Joint Amended and Restated Fire Protection Fee Resolution (the “Fire Protection Fee Resolution”) to assist with payment for fire protection facilities constructed and installed by the Elizabeth Fire Protection District and the Rattlesnake Fire Protection District to benefit residents of the Financing Districts. Pursuant to the Fire Protection Fee Resolution, each of the Financing Districts imposes a Fire Protection Fee payable on or before the date of issuance of a certificate of occupancy by Elbert County, to be charged on each residential unit constructed within the Financing Districts’ respective boundaries at a rate of \$1,000 for “Stage 1” units and \$3,180 for “Stage 2” units, as defined in the Resolution. Fire Protection Fees on commercial property are negotiated on a case-by-case basis.

Rattlesnake Fire Protection District IGA

On October 19, 2006, the District and District No. 3 the (“Districts”) entered into an Intergovernmental Agreement for Fire Protection Fees with the Rattlesnake Fire Protection District (“Rattlesnake FPD”). In exchange for Rattlesnake FPD’s construction of fire protection facilities and services, the Districts agree to remit the Fire Protection Fee revenue collected from those residential units that will benefit from the services provided by Rattlesnake FPD. During 2018, the applicable Fire Protection Fees were paid directly to the Rattlesnake FPD.

Elizabeth Fire Protection District IGA

On March 14, 2006, the Districts entered into an Intergovernmental Agreement with the Developer and the Elizabeth Fire Protection District (“Elizabeth FPD”). In exchange for Elizabeth FPD’s provision of emergency services, the Districts agree to remit the Fire Protection Fee revenue collected from those residential units that will benefit from the Elizabeth FPD’s services. In addition, the Districts agreed to pay \$36,000 to the Elizabeth FPD within four years of executing the IGA for the cost of installing a well or cistern on a 10-acre parcel dedicated by the Developer to the Elizabeth FPD. As amended by Supplemental Letter Agreements dated June 9, 2010, April 10, 2012, and March 1, 2014, the payment date was extended to March 14, 2015, and the amount due increased to \$41,400. During 2018, applicable Fire Protection Fees were paid directly to the Elizabeth FPD.

Letter Agreement Regarding Transfer of Water Rights

On November 6, 2014, the District and District Nos. 1 and 3 entered into a Letter Agreement with the Elizabeth FPD, pursuant to which District No. 1 agreed to sell certain water rights to the Elizabeth FPD. In exchange, the Elizabeth FPD agreed to provide a credit to the District and to District No. 3 in the total amount of \$12,500 against the principal amount owed to the Elizabeth FPD pursuant to the IGA described above.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Note 5: Related Party

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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.

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.

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.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements December 31, 2018

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (“Pool”) which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

Note 8: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) Long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds; and,
- 2) long-term liabilities such as developer advances payable and accrued interest on developer advances are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the statement of activities.

SUPPLEMENTAL 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, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 571,623	\$ 571,623	\$ 543,906	\$ (27,717)
Specific ownership taxes	85,743	85,743	130,578	44,835
Interest income	500	22,050	25,509	3,459
Miscellaneous income	-	4,037	3,484	(553)
Facility fees	84,643	84,643	64,328	(20,315)
Tap fees	230,000	230,000	174,800	(55,200)
Unpaid bond interest & principal	<u>146,443</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,118,952</u>	<u>998,096</u>	<u>942,605</u>	<u>(55,491)</u>
EXPENDITURES				
Audit	5,000	5,000	-	5,000
Miscellaneous expenses	35	588	-	588
Treasurer's fees	17,149	17,149	16,282	867
Bond interest - Series 2004	579,200	649,018	562,388	86,630
Bond interest - Series 2005	192,800	216,041	187,204	28,837
Bond interest - Series 2007	319,768	358,304	310,408	47,896
Paying agent fees	<u>5,000</u>	<u>3,900</u>	<u>3,900</u>	<u>-</u>
Total Expenditures	<u>1,118,952</u>	<u>1,250,000</u>	<u>1,080,182</u>	<u>169,818</u>
NET CHANGES IN FUND BALANCE	-	(251,904)	(137,577)	114,327
FUND BALANCE:				
BEGINNING OF YEAR	<u>-</u>	<u>251,904</u>	<u>251,904</u>	<u>-</u>
END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,327</u>	<u>\$ 114,327</u>

The notes to the financial statements are an integral part of these statements.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2017

Year Ended December 31,	\$8,000,000 General Obligation Bonds Series 2004			\$2,410,000 General Obligation Bonds Series 2005		
	Interest Rate at 8% Payable June 1 and December 1 Principal Due December 1			Interest Rate at 8% Payable June 1 and December 1 Principal Due December 1		
<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 3,505,000	\$ 579,200	\$ 4,084,200	\$ 900,000	\$ 192,800	\$ 1,092,800
2020	135,000	298,800	433,800	10,000	120,800	130,800
2021	145,000	288,000	433,000	5,000	120,000	125,000
2022	165,000	276,400	441,400	10,000	119,600	129,600
2023	175,000	263,200	438,200	15,000	118,800	133,800
2024	200,000	249,200	449,200	15,000	117,600	132,600
2025	215,000	233,200	448,200	20,000	116,400	136,400
2026	240,000	216,000	456,000	25,000	114,800	139,800
2027	260,000	196,800	456,800	25,000	112,800	137,800
2028	290,000	176,000	466,000	30,000	110,800	140,800
2029	315,000	152,800	467,800	30,000	108,400	138,400
2030	350,000	127,600	477,600	35,000	106,000	141,000
2031	380,000	99,600	479,600	40,000	103,200	143,200
2032	415,000	69,200	484,200	50,000	100,000	150,000
2033	450,000	36,000	486,000	50,000	96,000	146,000
2034	-	-	-	555,000	92,000	647,000
2035	-	-	-	595,000	47,600	642,600
2036	-	-	-	-	-	-
2037	-	-	-	-	-	-
	<u>\$ 7,240,000</u>	<u>\$ 3,262,000</u>	<u>\$ 10,502,000</u>	<u>\$ 2,410,000</u>	<u>\$ 1,897,600</u>	<u>\$ 4,307,600</u>

* Schedule does not include amounts for interest payments not made as required through December 1, 2018.

SPRING VALLEY METROPOLITAN DISTRICT NO. 2

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2017

Year Ended	Total All Bonds			
	<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	5,275,000	\$ 1,237,888	\$ 6,512,888
2020		225,000	817,163	1,042,163
2021		240,000	799,062	1,039,062
2022		275,000	779,788	1,054,788
2023		300,000	757,701	1,057,701
2024		335,000	733,601	1,068,601
2025		365,000	706,725	1,071,725
2026		410,000	677,438	1,087,438
2027		445,000	644,550	1,089,550
2028		495,000	608,863	1,103,863
2029		535,000	569,175	1,104,175
2030		600,000	526,288	1,126,288
2031		645,000	478,187	1,123,187
2032		710,000	426,475	1,136,475
2033		765,000	369,537	1,134,537
2034		825,000	308,212	1,133,212
2035		895,000	242,025	1,137,025
2036		965,000	170,238	1,135,238
2037		1,190,000	94,437	1,284,437
		<u>\$ 15,495,000</u>	<u>\$ 10,947,352</u>	<u>\$ 26,442,352</u>