

Spring Valley Metropolitan District No. 4
Financial Statements and Report of Independent Auditors
December 31, 2020

C O N T E N T S

Page

REPORT OF INDEPENDENT AUDITORS1

BASIC FINANCIAL STATEMENTS

 GOVERNMENT-WIDE FINANCIAL STATEMENTS

 STATEMENT OF NET POSITION.....3

 STATEMENT OF ACTIVITIES4

 FUND FINANCIAL STATEMENTS

 BALANCE SHEET – GOVERNMENTAL FUNDS.....5

 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF
 GOVERNMENTAL ACTIVITIES.....6

 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES – GOVERNMENTAL FUNDS7

 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES.....8

 NOTES TO FINANCIAL STATEMENTS9

REQUIRED SUPPLEMENTARY INFORMATION

 BUDGETARY COMPARISON SCHEDULE – GENERAL FUND21

ADDITIONAL SUPPLEMENTARY INFORMATION

 BUDGETARY COMPARISON SCHEDULE – DEBT SERVICE FUND22

REPORT OF INDEPENDENT AUDITORS

September 2, 2021

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Spring Valley Metropolitan District No. 4 (the "District"), as of and for the year ended December 31, 2020, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

September 2, 2021
Spring Valley Metropolitan District No. 4
Page 2

Other Matters

Required Supplementary Information

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

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other 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 budgetary comparison schedule for the debt service fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule for the debt service fund 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. Such 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, these schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Beckstead & Co., LLC

Spring Valley Metropolitan District No. 4
Statement of Net Position
December 31, 2020

	Governmental Activities
Assets	
Current Assets	
Cash and investments	\$ 29,806
Restricted cash and investments	11,784,673
Due from County Treasurer	13
Accounts receivable	496
Property taxes receivable	495
Prepaid expenses	2,968
Total Assets	11,818,451
Liabilities	
Current Liabilities	
Accounts payable	\$ 4,254
Due to District No. 1	195,740
Accrued interest payable	203,086
Current portion of long-term obligations	-
Total Current Liabilities	403,080
Noncurrent Liabilities	
Long-term obligations payable, less current portion	14,787,923
Developer payable	45,000
Total Noncurrent Liabilities	14,832,923
Total Liabilities	15,236,003
Deferred Inflows Of Resources	
Deferred property tax revenue	495
Net Position	
Restricted for emergencies	1,193
Restricted for debt service and capital	11,614,261
Unrestricted	(15,033,501)
Total Net Position	(3,418,047)
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 11,818,451

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

Spring Valley Metropolitan District No. 4
Statement of Activities
For the year ended December 31, 2020

	Expenses	Net (Expense) Revenue
Governmental Activities		
General government	\$ 3,071,427	\$ (3,071,427)
Interest on long-term debt	343,324	(343,324)
Other costs of long-term debt	796	(796)
	Totals \$ 3,415,547	\$ (3,415,547)
General Revenues		
Property taxes		856
Specific ownership taxes		151
Interest income		9,301
	Total General Revenues	10,308
	Change in Net Position	(3,405,239)
Net Position, beginning of year		(12,808)
Net Position, end of year		\$ (3,418,047)

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

Spring Valley Metropolitan District No. 4
Balance Sheets
Governmental Funds
December 31, 2020

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Assets			
Cash and investments	\$ 29,806	\$ -	\$ 29,806
Restricted cash and investments	-	11,784,673	11,784,673
Due from County Treasurer	13	-	13
Accounts receivable	-	496	496
Property taxes receivable	72	423	495
Prepaid expenses	2,968	-	2,968
Total Assets	<u>\$ 32,859</u>	<u>\$ 11,785,592</u>	<u>\$ 11,818,451</u>
Liabilities			
Accounts payable	\$ 4,254	\$ -	\$ 4,254
Due to District No. 1	24,832	170,908	195,740
Total Liabilities	<u>29,086</u>	<u>170,908</u>	<u>199,994</u>
Deferred Inflows of Resources			
Deferred property tax revenue	72	423	495
Fund Balance			
Nonspendable	2,968	-	2,968
Restricted for emergencies	1,193	-	1,193
Restricted for debt service and capital	-	11,614,261	11,614,261
Unassigned	(460)	-	(460)
Total Fund Balance	<u>3,701</u>	<u>11,614,261</u>	<u>11,617,962</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 32,859</u>	<u>\$ 11,785,592</u>	<u>\$ 11,818,451</u>

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

Spring Valley Metropolitan District No. 4
Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2020

Total Fund Balance	\$ 11,617,962
Amounts reported for the governmental activities in the Statement of Net Position are different because:	
Bonds payable and other long-term debt are not due and payable in the current period, and therefore are not reported in the governmental funds.	(14,832,923)
Accrued interest payable on outstanding bonds and other long-term debt do not require current financial resources, and therefore are not reported in the governmental funds.	<u>(203,086)</u>
Total Net Position	<u><u>\$ (3,418,047)</u></u>

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

Spring Valley Metropolitan District No. 4
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2020

	General	Debt Service	Total
Revenues			
Property taxes	\$ 856	\$ -	\$ 856
Specific ownership taxes	151	-	151
Interest income	-	9,301	9,301
Total Revenues	<u>1,007</u>	<u>9,301</u>	<u>10,308</u>
Expenditures			
Current Operating			
Accounting	5,942	-	5,942
Audit	56	-	56
Elections	1,248	-	1,248
Insurance - other	2,594	-	2,594
Legal	18,599	-	18,599
Management	10,257	-	10,257
Miscellaneous	396	-	396
Transfer to District No. 1	642	2,379,955	2,380,597
Treasurers fees	26	-	26
Debt Service			
Interest	-	140,572	140,572
Issuance costs	-	651,712	651,712
Other fees	-	796	796
Total Expenditures	<u>39,760</u>	<u>3,173,035</u>	<u>3,212,795</u>
Excess of Revenues Over (Under) Expenditures	(38,753)	(3,163,734)	(3,202,487)
Other Financing Sources (Uses)			
Transfers in (out)	(3,427)	3,427	-
Bond proceeds and premium	-	14,788,257	14,788,257
Developer advances	45,000	-	45,000
Total Other Financing Sources (Uses)	<u>41,573</u>	<u>14,791,684</u>	<u>14,833,257</u>
Net change in fund balances	2,820	11,627,950	11,630,770
Fund balances, beginning of year	881	(13,689)	(12,808)
Fund balances, end of year	<u>\$ 3,701</u>	<u>\$ 11,614,261</u>	<u>\$ 11,617,962</u>

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

Spring Valley Metropolitan District No. 4
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the year ended December 31, 2020

Total net change in fund balances - governmental funds	\$ 11,630,770
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report debt proceeds as other financing sources; however, the government-wide financial statements report debt proceeds as increases in long-term debt.	(14,833,257)
Amortization of bond premium is reported in the Statement of Activities, but does not provide current financial resources; therefore, the change in bond premium is not reported as other financing sources in the governmental funds.	334
Governmental funds report interest payments on debt as expenditures; however, interest expense on the Statement of Activities is presented on the accrual basis. This amount represents the difference between amounts paid for interest and amounts recognized as expense on the accrual basis.	<u>(203,086)</u>
	<u>\$ (3,405,239)</u>

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

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

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

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

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

B. Basis of Presentation

GOVERNMENT-WIDE STATEMENTS

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

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

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

FUND FINANCIAL STATEMENTS

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

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

Governmental Funds

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

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

Spring Valley Metropolitan District No. 4
Notes to Financial Statements
December 31, 2020

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

C. Measurement Focus and Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property taxes, other taxes and fines and penalties. All assets and all liabilities associated with the operation of the District are included on the statement of net position.

FUND FINANCIAL STATEMENTS

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

- Property Taxes
- Specific Ownership Taxes

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

D. Budgets and Budgetary Accounting

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

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

Spring Valley Metropolitan District No. 4
Notes to Financial Statements
December 31, 2020

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

The District legally adopted annual budgets for all of the District's funds for 2020. A supplemental appropriation was adopted for the debt service fund for the current year, increasing the original appropriation of \$0 to \$13,237,200.

E. Restricted Assets and Classification of Fund Balance

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

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

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

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

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

Spring Valley Metropolitan District No. 4
Notes to Financial Statements
December 31, 2020

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

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

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

F. Property Taxes Receivable and Deferred Revenue

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

G. Use of Estimates

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

CASH AND INVESTMENTS

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

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

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

Spring Valley Metropolitan District No. 4
Notes to Financial Statements
December 31, 2020

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

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

At December 31, 2020, all of the District's deposits were held in eligible depositories as required by PDPA in accordance with state statute, and had total balances (as reflected on the bank's records, before outstanding items) on deposit of \$8,896 which was covered by FDIC insurance.

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

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

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

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

Bankers' acceptances of certain banks

Certain securities lending agreements

Commercial paper

Written repurchase agreements collateralized by certain authorized securities

Certain money market funds

Guaranteed investment contracts

Local government investment pools

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

Local Government Investment Pools – COLOTRUST

Included in cash and cash equivalents and restricted cash and investments is \$11,805,583 held in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. These pools are not required to be, and are not, registered with the SEC.

COLOTRUST's funds are rated AAAM by Standard & Poor's rating service. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2020, the District had \$0 invested in COLOTRUST PRIME, and \$11,805,583 invested in COLOTRUST PLUS+. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

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

The following is a summary of cash and cash equivalents:

	Fair Value
Bank deposits	\$ 8,896
COLOTRUST	11,805,583
	\$ 11,814,479

Risk Disclosures

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

Credit Risk

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

Custodial and Concentration of Credit Risk

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

Spring Valley Metropolitan District No. 4
Notes to Financial Statements
December 31, 2020

Interest Rate Risk

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

Foreign Currency Risk

The District was not subject to foreign currency risk as of December 31, 2020.

FAIR VALUES OF FINANCIAL INSTRUMENTS

The District has a number of financial instruments, including cash and equivalents, receivables, and accounts payable, none of which are held for trading purposes. The District estimates that the fair values of its financial instruments at December 31, 2020 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended December 31, 2020:

	<u>12/31/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2020</u>	<u>Due Within One Year</u>
Series 2020A Bonds	\$ -	\$ 9,140,000	\$ -	\$ 9,140,000	\$ -
Series 2020A Premium	-	27,257	(334)	26,923	-
Series 2020B Bonds	-	5,621,000	-	5,621,000	-
Developer advances - operating	-	45,000	-	45,000	-
	<u>\$ -</u>	<u>\$ 14,833,257</u>	<u>\$ (334)</u>	<u>\$ 14,832,923</u>	<u>\$ -</u>

General Obligation Limited Tax Bonds Series 2020A and 2020B

General Obligation Limited Tax Bonds in the face amount of \$9,140,000 (Series 2020A) and \$5,621,000 (Series 2020B) were issued on August 12, 2020. The interest rate is 5.00% for the Series 2020A bonds maturing through December 2040 and 5.125% for the Series 2020A bonds maturing December 2041 through December 2050, payable semiannually on June 1, and December 1. Principal payments begin on December 1, 2025 and continue each December 1 until redeemed. The interest rate is 7.625% for the Series 2020B bonds, payable annually on December 15, to the extent subordinate pledged revenue is available. To the extent pledged revenues are not sufficient to pay interest as it comes due, such interest shall accrue and compound at the same 7.625% rate. No interest and principal maturities are reflected in this section for the Series 2020B bonds since these payments are subject to available revenues. Final maturity date is December 2050 for the Series 2020A bonds and the Series 2020B bonds. To the extent any balances remain outstanding on the 2020B bonds as of December 15, 2060, such amounts will be deemed discharged. As of December 31, 2020, accrued but unpaid interest on the 2020B bonds was \$146,439.

Spring Valley Metropolitan District No. 4
Notes to Financial Statements
December 31, 2020

Developer Advances

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

Future Maturities

The annual requirements to amortize the General Obligation Limited Tax Bonds Series 2020A are as follows:

Year	Series 2020A Bonds		Total
	Principal	Interest	
2021	\$ -	\$ 464,275	\$ 464,275
2022	-	464,275	464,275
2023	-	464,275	464,275
2024	-	464,275	464,275
2025	5,000	464,275	469,275
2026-2030	710,000	2,255,375	2,965,375
2031-2035	1,065,000	2,044,125	3,109,125
2036-2040	1,540,000	1,733,125	3,273,125
2041-2045	2,145,000	1,286,118	3,431,118
2046-2050	3,675,000	657,282	4,332,282
	<u>\$ 9,140,000</u>	<u>\$ 10,297,400</u>	<u>\$ 19,437,400</u>

Pledged Revenue

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

Debt Authorization

Issuance of debt by the District is currently limited by the District’s service plan to \$250,000,000 of total debt issued by the Districts. The District has issued approximately \$14,761,000 of debt and the Districts (combined) have issued approximately \$55,600,000 of debt.

CONTINGENCIES

During the normal course of business, the District may incur claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives represent that no claims have been asserted against the District and they are not aware of any un-asserted possible claims or litigation as of December 31, 2020.

RISK MANAGEMENT

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

District No. 1 pays annual premiums to the Pool for auto, public officials’ liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

CONTRACTUAL MATTERS

Facilities Funding, Construction and Operations Agreement

On July 19, 2007, the District entered into a Facilities Funding, Construction and Operations Agreement (“FFCOA”) with District No. 1, District No. 2 and District No. 3. 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. 2 and District No. 3 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.

On November 21, 2019, the District entered into a First Amended and Restated Facilities Funding, Construction and Operations Agreement (“Amended FFCOA”) with District No. 1, District No. 2 and District No. 3. The purpose of the Amended FFCOA is to amend certain terms of the FFCOA to increase the efficiency in the provision of the facilities and integrate the acknowledgement of the satisfaction of District no. 2’s responsibilities as set forth in the Agreement of Acknowledgement of Satisfaction of Obligations of District No. 2, Related to Funding of Construction of Public Improvements and Acknowledgement of Ongoing Operations of District Nos. 1, 3 and 4 Related to the Funding of Construction of Public Improvements, see below, between Districts Nos. 1, 2, 3 and 4. Each District has agreed that District No. 1 shall own, operate, maintain, finance and construct Primary Facilities and Secondary Facilities and that the District Nos 2, 3 & 4 (the “Financing Districts”) will contribute to the costs of construction, operation and maintenance of such facilities. It is the intent of the Financing Districts that each shall be the issuer of General Obligation Bonds and shall remit General Obligation Bond proceeds to District No. 1 to finance the Secondary Facilities and in certain circumstances, the Primary Facilities, and District No. 1 shall enter into contracts to finance and construct or cause to be financed and constructed the Secondary Facilities and the Primary Facilities. The Financing Districts will continue to pay their proportionate share of the operations and maintenance expenses of the Primary Facilities according to the

District No. 1 Cost Allocation Calculation, as defined in the Agreement, and will be financed, in part, by a general fund mill levy imposed by the Financing Districts for those purposes. It is the intent of the Districts that District Nos. 5 and 6, upon organization, will be added parties to the Amended FFCOA and will share in the funding of the Operating and Capital Obligations.

Outstanding Reimbursement Obligation and Infrastructure Funding and Acquisition Agreement

On November 21, 2019, the District and District Nos. 1 and 3 entered into the Outstanding Reimbursement Obligation and Infrastructure Funding and Acquisition Agreement (the "OROIFAA Agreement"). Pursuant to the OROIFAA Agreement, District No. 1 desires to reimburse MG Land for construction related expenses and to acquire facilities completed or caused to be completed by MG Land. The District and District No. 3 desire to express their assent to District No. 1 and MG Land to issue General Obligation Bonds under the Amended FFCOA and to remit the net proceeds of the General Obligation Bonds issued by the District and District No. 3 to District No. 1, in part to make payment to MG Land for amounts owing under this Agreement.

2020-2024 Operation Funding Agreement

The District and MG Land Investments L.L.C. (the "Developer"), entered into that certain 2020-2024 Operation Funding Agreement on August 3, 2020 (the "2020-2024 OFA"), for the purposes of funding the District's operations, maintenance and administrative costs. The Developer agreed to advance monies needed to fund same costs up to the aggregate Shortfall Amount of \$200,000 for fiscal years 2020-2024, and the District has agreed to reimburse the Developer for same advances, subject to the terms of the 2020-2024 OFA.

The District had previously entered into that certain: (1) 2006 Operation Funding Agreement with Running Creek Investments, L.L.C. ("Running Creek") dated March 16, 2006 (the "2006 OFA"); (2) 2007 Operation Funding Agreement with Running Creek dated November 30, 2006 (the "2007 OFA"); and (3) 2008 Operation Funding Agreement with Running Creek dated November 15, 2007, with an effective date of January 1, 2008 (the "2008 OFA," together with the 2006 OFA and the 2007 OFA, the "Prior OFAs"). Per the 2020-2024 OFA, the Prior OFAs were to be terminated and the District shall pay all amounts previously owing to Running Creek under the Prior OFAs to the Developer in accordance with the terms of the 2020-2024 OFA.

STATUTORY COMPLIANCE

TABOR Amendment - Revenue and Spending Limitation Amendment

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

Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as

Spring Valley Metropolitan District No. 4
Notes to Financial Statements
December 31, 2020

expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

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

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of spending (excluding bonded debt service). The required reserve at December 31, 2020 is \$1,193.

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Spring Valley Metropolitan District No. 4
 Budgetary Comparison Schedule
 General Fund
 For the year ended December 31, 2020

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property taxes	\$ 856	\$ 856	\$ -
Specific ownership taxes	129	151	22
Total Revenues	<u>985</u>	<u>1,007</u>	<u>22</u>
Expenditures			
Current			
Accounting	2,500	5,942	(3,442)
Audit	-	56	(56)
Elections	1,000	1,248	(248)
Insurance - other	1,650	2,594	(944)
Legal	25,000	18,599	6,401
Management	20,000	10,257	9,743
Miscellaneous	200	396	(196)
Transfer to District No. 1	428	642	(214)
Treasurers fees	26	26	-
Contingency	6,083	-	6,083
Total Expenditures	<u>56,887</u>	<u>39,760</u>	<u>17,127</u>
Excess of Revenues Over (Under) Expenditures	(55,902)	(38,753)	17,149
Other financing Sources (Uses)			
Transfers in (out)	-	(3,427)	(3,427)
Developer advances	55,902	45,000	(10,902)
Total Other Financing Sources (Uses)	<u>55,902</u>	<u>41,573</u>	<u>(14,329)</u>
Net change in fund balances	-	2,820	2,820
Fund balances, beginning of year	-	881	881
Fund balances, end of year	<u>\$ -</u>	<u>\$ 3,701</u>	<u>\$ 3,701</u>

ADDITIONAL SUPPLEMENTAL INFORMATION

Spring Valley Metropolitan District No. 4
 Budgetary Comparison Schedule
 Debt Service Fund
 For the year ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Interest income	\$ -	\$ 12,000	\$ 9,301	\$ (2,699)
Total Revenues	-	12,000	9,301	(2,699)
Expenditures				
Debt Service				
Interest - bonds	-	154,892	140,572	14,320
Issuance costs	-	638,750	651,712	(12,962)
Other charges	-	-	796	(796)
Transfer to District No. 1	-	12,443,558	2,379,955	10,063,603
Contingency	-	-	-	-
Total Expenditures	-	13,237,200	3,173,035	10,064,165
Excess of Revenues Over (Under) Expenditures	-	(13,225,200)	(3,163,734)	10,061,466
Other Financing Sources (Uses)				
Transfers in (out)	-	-	3,427	3,427
Bond proceeds and premium	-	14,205,000	14,788,257	583,257
Total Other Financing Sources (Uses)	-	14,205,000	14,791,684	586,684
Net change in fund balances	-	979,800	11,627,950	10,648,150
Fund balances, beginning of year	-	-	(13,689)	(13,689)
Fund balances, end of year	\$ -	\$ 979,800	\$ 11,614,261	\$ 10,634,461