

**RIVER VALLEY METROPOLITAN DISTRICT
SILT, COLORADO**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
December 31, 2022**

RIVER VALLEY METROPOLITAN DISTRICT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
River Valley Metropolitan District
Silt, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of River Valley Metropolitan District (the "District"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the River Valley Metropolitan District, as of December 31, 2022, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required budgetary comparison schedule for the general fund, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparisons for the capital improvement fund and for the debt service fund, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Fredrick Zink & Associates, PC

FredrickZink & Associates, PC
Durango, Colorado
July 19, 2023

BASIC FINANCIAL STATEMENTS

RIVER VALLEY METROPOLITAN DISTRICT

STATEMENT OF NET POSITION

December 31, 2022

	Governmental Activities
ASSETS	
Cash and investments.....	\$ 28,257
Due from County Treasurer.....	232
Property taxes receivable.....	53,755
Prepaid expenses.....	2,283
Capital assets - not being depreciated.....	2,677,470
Total assets	\$ 2,761,997
LIABILITIES	
Accounts payable.....	\$ 1,944
Accrued interest payable.....	135,812
Developer payable.....	3,073,290
Total liabilities	\$ 3,211,046
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue.....	\$ 53,755
NET POSITION	
Net investment in capital assets.....	\$ -
Restricted	
Emergencies.....	1,071
Unrestricted.....	(503,875)
Total net position	\$ (502,804)

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

RIVER VALLEY METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES

For the year ended December 31, 2022

Functions / Programs	Expenses	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Governmental activities:			
General government.....	\$ 269,454	\$ 803	\$ (268,651)
Other costs of long-term debt.....	265,268	-	(265,268)
Totals.....	<u>\$ 534,722</u>	<u>\$ 803</u>	\$ (533,919)
General revenues			
Property taxes.....			40,280
Specific ownership taxes.....			3,016
Interest income.....			<u>12</u>
Total general revenues.....			43,308
Change in net position.....			(490,611)
Net position, beginning of year.....			<u>(12,193)</u>
Net position, end of year.....			<u><u>\$ (502,804)</u></u>

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

RIVER VALLEY METROPOLITAN DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2022

	General	Capital Improvement	Debt Service	Total
ASSETS				
Equity in pooled cash and investments.....	\$ 28,257	\$ -	\$ -	\$ 28,257
Due from County Treasurer.....	232	-	-	232
Property taxes receivable.....	53,755	-	-	53,755
Prepaid expenses.....	2,283	-	-	2,283
Total assets.....	\$ 84,527	\$ -	\$ -	\$ 84,527
LIABILITIES				
Accounts payable.....	\$ 1,944	\$ -	\$ -	\$ 1,944
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue.....	53,755	-	-	53,755
FUND BALANCE				
Nonspendable.....	2,283	-	-	2,283
Restricted				
Emergencies.....	1,071	-	-	1,071
Unassigned.....	25,474	-	-	25,474
Total fund balance.....	28,828	-	-	28,828
Total liabilities, deferred inflows of resources, and fund balance.....	\$ 84,527	\$ -	\$ -	\$ 84,527

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

RIVER VALLEY METROPOLITAN DISTRICT

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

December 31, 2022

Total fund balance - governmental fund..... \$ 28,828

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

Capital assets are not financial resources and therefore are not reported in the funds..... 2,677,470

The issuance of long-term debt (e.g., issuance of bonds, the receipt of developer advances) provides current financial resources to governmental funds, while the repayment of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Developer advances - operations..... (3,353)

Developer advances - capital..... (3,069,937)

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..... (135,812)

Total net position - governmental activities..... \$ (502,804)

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

RIVER VALLEY METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the year ended December 31, 2022

	General	Capital Improvement	Debt Service	Total Governmental Funds
REVENUES				
Property taxes.....	\$ 40,280	\$ -	\$ -	\$ 40,280
Specific ownership taxes.....	3,016	-	-	3,016
System development fees.....	803	-	-	803
Interest income.....	12	-	-	12
Total revenues.....	<u>44,111</u>	<u>-</u>	<u>-</u>	<u>44,111</u>
EXPENDITURES				
Current operating				
Accounting.....	12,783	-	-	12,783
Election.....	1,620	-	-	1,620
Insurance - other.....	2,949	-	-	2,949
Legal.....	16,387	-	-	16,387
Office.....	1,170	-	-	1,170
Treasurers fees.....	806	-	-	806
Capital projects				
Capital outlay.....	-	2,677,470	-	2,677,470
Organizational costs.....	-	233,739	-	233,739
Debt service				
Debt issues costs.....	-	-	129,821	129,821
Total expenditures.....	<u>35,715</u>	<u>2,911,209</u>	<u>129,821</u>	<u>3,076,745</u>
Excess of revenues over (under) expenditures.....	8,396	(2,911,209)	(129,821)	(3,032,634)
Other financing sources (uses)				
Developer advances.....	-	2,911,209	129,821	3,041,030
Total other financing sources (uses).....	<u>-</u>	<u>2,911,209</u>	<u>129,821</u>	<u>3,041,030</u>
Net change in fund balances.....	8,396	-	-	8,396
Fund balances, beginning of year.....	20,432	-	-	20,432
Fund balances, end of year.....	\$ 28,828	\$ -	\$ -	\$ 28,828

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

RIVER VALLEY METROPOLITAN DISTRICT

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, 2022

Net change in fund balances - total governmental funds	\$ 8,396
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Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures in the year the costs
are incurred; however, the government-wide financial statements report capital
outlays as an addition to capital assets. The cost of capital assets is allocated to
expense over the estimated useful lives of the underlying assets.

Capital asset additions.....	2,677,470
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Governmental funds report debt proceeds as other financing sources; however,
the government-wide financial statements report debt proceeds as
increases in long-term debt.....

	(3,041,030)
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Accrued interest expense on long-term debt is reported in the Statement of Activities,
but does not require the use of current financial resources; therefore, the change in
accrued interest expense is not reported as an expenditure in the governmental funds.....

	(135,447)
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Change in net position - governmental activities.....	\$ (490,611)
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The accompanying notes are an integral part of these financial statements.

RIVER VALLEY METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the River Valley Metropolitan District, herein referred to as the District, conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Significant accounting policies of the District are described below.

A. Reporting entity

The District was organized pursuant to provisions set forth in the Colorado Special District Act. The governing body of the District consists of a five-member Board of Directors which is elected by the registered voters within the District. The purpose of the District is to construct, operate, and maintain public improvements for the use and benefit of the inhabitants of the District.

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

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

B. Basis of Accounting and Presentation

Government-Wide Financial 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 (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. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions.

For grants and contributions, the determining factor is to which function the revenues are restricted. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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.

RIVER VALLEY METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

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 Fund Types

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. As of December 31, 2022, the governmental fund types used by the District include the following:

General Fund – The general fund is 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 laws of Colorado and the bylaws of the District.

Operations Fund – used to account for fees received from property owners in the District and the expenditure of those fees to fund operations costs as defined in the enabling legislation adopted by the District's board of directors.

Capital Improvement Fund – The capital improvement fund is used to account for proceeds from the General Obligation Bond and developer advances that are used for major capital and equipment additions.

Debt Service Fund – The debt service fund is used to account for accumulation of resources for, and payment of, long-term bond obligation and developer advances principal, interest and related costs.

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

RIVER VALLEY METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

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

State law requires that the District adopt a budget prior to the certification of its mill levy to the county and file a certified copy of its budget with the Division of Local Government within 30 days of such adoption. Failure to do so can result in the County Treasurer withholding future property tax revenues pending compliance by the District. The District filed the certified copy of its budget timely for 2022.

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.
- 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.

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

RIVER VALLEY METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

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 as required by its bond indenture. It is the District's policy to use restricted fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

Committed: Committed is that portion of fund balance that has been committed by the highest level of formal action of the District's Board of Directors and does not lapse at year-end. The District does not have any committed fund balance at year end. It is the District's policy to use committed fund balance first when an expense is incurred for which both restricted and unrestricted fund balance are available.

Assigned: Assignments of fund balance are designated by District management.

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

F. Cash and investments

The District's cash and investments are comprised of demand deposits.

G. Allowance for uncollectible

No allowance for uncollectible has been provided because the District's receivables are property taxes, and the County Treasurer is empowered to file liens on properties where delinquencies exist. Accordingly, the District believes any delinquencies will eventually be paid.

H. Prepaid expenses

Payments made to vendors for services that will benefit periods beyond December 31, 2022, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is classified as nonspendable, as this amount is not available for general appropriation.

I. Capital assets

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

J. Deferred outflows/inflows of resources

In addition to assets, the statement of net 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

RIVER VALLEY METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The District does not have any items that qualify for reporting in this category.

The government reports both deferred inflows, which arise under the full accrual and modified accrual basis of accounting. Deferred property taxes are reported as a deferred inflow for both the governmental activities presentation and governmental funds balance sheet. Since property tax revenues are collected in arrears during the succeeding year, a receivable and corresponding deferred inflow is recorded at December 31. As the tax is collected in the succeeding year, the deferred inflow is recognized as revenue and the receivable is reduced.

K. Accrued liabilities and long-term obligations

All payables and accrued liabilities are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, and are reported as obligations of these funds.

L. Property taxes

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 Garfield County and are reported as revenue when received by the County Treasurer. 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.

M. Specific ownership taxes

Specific ownership taxes are collected for motor vehicles and other personal property registered in the District's assessment area. Specific ownership taxes are recorded as revenue when collected by the County in which the property was purchased.

N. 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.

2. CASH AND INVESTMENTS

In the case of deposits, there is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposits are in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held.

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 uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories, as of

RIVER VALLEY METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

December 31, 2022, all of the District's deposits as shown above were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

The District has transaction accounts that are covered under Federal Deposit Insurance Corporation (FDIC) insurance. The FDIC insurance limit for cash accounts is \$250,000. At December 31, 2022, 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 \$28,257 which was covered by FDIC insurance.

GASB Statement 40 requires a determination as to whether the District was exposed to specific investment risks (credit, custodial credit, concentration of credit, interest rate, and foreign currency) at year end, as if so, the reporting of certain related disclosures. At December 31, 2022, the District did not hold any such investments requiring additional disclosure.

3. 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, 2022 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

4. CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	12/31/2021	Additions	Transfers & Deletions	12/31/2022
Non-depreciated:				
Construction in progress	\$ -	\$ 2,677,470	\$ -	\$ 2,677,470
	<u>\$ -</u>	<u>\$ 2,677,470</u>	<u>\$ -</u>	<u>\$ 2,677,470</u>

Depreciation is calculated using the straight-line method. The District had no depreciation expense for 2022.

5. LONG-TERM DEBT

Below is a summary of changes in long-term debt:

	12/31/2021	Additions	Deletions	12/31/2022	Due Within One Year
Developer advances					
Operations	\$ 3,353	\$ -	\$ -	\$ 3,353	\$ -
Capital	28,907	3,041,030	-	3,069,937	-
	<u>\$ 32,260</u>	<u>\$ 3,041,030</u>	<u>\$ -</u>	<u>\$ 3,073,290</u>	<u>\$ -</u>

The developer of the area within the District has advanced funds to the District for capital outlay and for operating needs. Reimbursement of these advances are made as funds are available and as allowed by the bond indenture. These advances bear interest at the Baa 30-year Municipal Market Data rate plus 375 basis points, adjusted annually. Repayment of principal and interest is subject to available revenues. Therefore, interest and principal maturities are not reflected in this section.

RIVER VALLEY METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

Debt Authorization

At the election held on November 3, 2020, the voters of the District authorized the issuance of up to \$80,000,000 of debt. However, the service plan of the District limits the total debt of the District to \$10,000,000. As of December 31, 2022 the District had \$80,000,000 of authorized but unissued debt.

6. 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, 2022.

7. INTERGOVERNMENTAL AGREEMENTS AND COMMITMENTS

Town of Silt

The District entered into an intergovernmental agreement concerning revenue sharing with the Town of Silt, Colorado (the "Town") dated November 17, 2020. This agreement requires the District to finance the public infrastructure installed by the Developer. Property owners benefiting from the infrastructure will absorb the majority of the cost of the infrastructure by paying permit fees and use tax. The revenue generated will be split between the Town and the District. The Town will calculate the District's share of the revenue and distribute it to the District quarterly.

The agreement requires public improvements be constructed in accordance with the standards of the Town and of other appropriate jurisdictions. The agreement will terminate in six years (November 17, 2026) unless paid in full prior to that date.

The service plan and the related intergovernmental agreement limits the District's total debt to \$10,000,000 which is inclusive of the Village and Highlands portion of the Inclusion Area.

Developer

The District and the Developer entered into a funding and reimbursement agreement dated December 1, 2021, for the purpose of funding infrastructure and operation costs. Pursuant to the agreement, the obligations of the District are subject to annual appropriation and shall not be deemed to be multiple fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution, and may not exceed amounts permitted by the District's electoral authorization and Service Plan. The District's obligations under this agreement shall terminate at the earlier of the repayment in full of the Certified District Eligible Costs or thirty (30) years from the execution date. With respect to each advance made under this agreement prior to the issuance of any Reimbursement Obligation reflecting such advance and shall bear interest at the Baa 30-year Municipal Market Data rate plus 375 basis points, adjusted annually.

As of December 31, 2022, outstanding advances under this agreement totaled \$3,073,290 and accrued interest totaled \$135,812.

8. RISK MANAGEMENT

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

The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the Pool) which is sponsored by the Special District Association of Colorado. The Pool provides property and general liability, automobile physical damage and liability, public official's liability and machinery coverage to its members. There have been no significant reductions in coverage from the prior year and settled claims have not exceeded coverage in the last three years. The District pays annual premiums to the Pool for liability, property, and public officials' liability coverage. In the event aggregated losses

RIVER VALLEY METROPOLITAN DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued

December 31, 2022

incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. During the year ended December 31, 2022, the Pool made no distributions to the District.

9. STATUTORY COMPLIANCE

TABOR Amendment - Revenue and Spending Limitation Amendment

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

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

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

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of spending (excluding bonded debt service). The required reserve at December 31, 2022 is \$1,071.

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.

10. SUBSEQUENT EVENT

The District has evaluated subsequent events through July 19, 2023, the date which the financial statements were available to be issued. There were no material subsequent events that required additional disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

RIVER VALLEY METROPOLITAN DISTRICT

GENERAL FUND

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

For the year ended December 31, 2022

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes.....	\$ 40,280	\$ 40,280	\$ -
Specific ownership taxes.....	2,416	3,016	600
System development fees.....	11,643	803	(10,840)
Interest income.....	-	12	12
Total revenues.....	54,339	44,111	(10,228)
EXPENDITURES			
Accounting.....	25,000	12,783	12,217
Election.....	3,500	1,620	1,880
Insurance - other.....	2,000	2,949	(949)
Legal.....	25,000	16,387	8,613
Landscaping.....	15,000	-	15,000
Office.....	1,200	1,170	30
Treasurers fees.....	806	806	-
Water - Irrigation.....	3,500	-	3,500
Contingency.....	25,000	-	25,000
Total expenditures.....	101,006	35,715	65,291
Excess revenue over (under) expenditures.....	(46,667)	8,396	55,063
Other financing sources (uses)			
Other financing sources (uses).....	45,000	-	(45,000)
Net change in fund balances.....	(1,667)	8,396	10,063
Fund balances, beginning of year.....	16,136	20,432	4,296
Fund balances, end of year.....	\$ 14,469	\$ 28,828	\$ 14,359

ADDITIONAL SUPPLEMENTAL INFORMATION

RIVER VALLEY METROPOLITAN DISTRICT

CAPITAL IMPROVEMENT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

For the year ended December 31, 2022

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Interest income.....	\$ -	\$ -	\$ -
Total revenues.....	-	-	-
EXPENDITURES			
Accounting.....	10,000	-	10,000
Capital outlay.....	2,752,470	2,677,470	75,000
Legal.....	10,000	-	10,000
Organizational costs.....	233,740	233,739	1
Contingency.....	193,790	-	193,790
Total expenditures.....	3,200,000	2,911,209	288,791
 Excess of revenues over (under) expenditures.....	 (3,200,000)	 (2,911,209)	 288,791
Other financing sources (uses)			
Developer advances.....	3,200,000	2,911,209	(288,791)
Total other financing sources (uses).....	3,200,000	2,911,209	(288,791)
 Net change in fund balances.....	 -	 -	 -
 Fund balances, beginning of year.....	 -	 -	 -
Fund balances, end of year.....	\$ -	\$ -	\$ -

RIVER VALLEY METROPOLITAN DISTRICT

DEBT SERVICE FUND

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

For the year ended December 31, 2022

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Other income.....	\$ 168,000	\$ -	\$ (168,000)
Interest income.....	2,000	-	(2,000)
Total revenues.....	170,000	-	(170,000)
EXPENDITURES			
Debt Service			
Principal - developer advances.....	3,095,000	-	3,095,000
Interest - bonds.....	108,000	-	108,000
Debt issuance costs.....	375,000	129,821	245,179
Contingency.....	168,000	-	168,000
Total expenditures.....	3,746,000	129,821	3,616,179
Net change in fund balances.....	(3,576,000)	(129,821)	3,446,179
Other financing sources (uses)			
Bond proceeds.....	4,320,000	-	(4,320,000)
Developer advances.....	-	129,821	129,821
Total other financing sources (uses).....	4,320,000	129,821	(4,190,179)
Fund balances, beginning of year.....	-	-	-
Fund balances, end of year.....	\$ 744,000	\$ -	\$ (744,000)