

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

FINANCIAL STATEMENTS

December 31, 2023

Spring Valley Metropolitan District No. 2

TABLE OF CONTENTS

December 31, 2023

Independent auditor's report	I
------------------------------------	---

Basic financial statements:

Government-wide financial statements:

Statement of net position	1
Statement of activities	2

Fund financial statements:

Balance sheet – governmental funds	3
Statement of revenues, expenditures, and changes in fund balances – governmental funds	4
Reconciliation of the statement of revenues, expenditures, and changes in fund balances to the statement of activities	5
Statement of revenues, expenditures, and changes in fund balances – budget and actual – general fund	6

Notes to financial statements	7
-------------------------------------	---

Supplementary information:

Schedule of revenues, expenditures, and changes in fund balances – budget and actual – debt service fund	25
---	----



INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Spring Valley Metropolitan District No. 2 (the District) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2023, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

I

Fiscal Focus Partners, LLC

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as identified in the table of contents is presented for the purposes of additional analysis and legal compliance and is not a required part of the basic financial statements.

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

Fiscal Focus Parnters, LLC

Arvada, Colorado

August 29, 2024

BASIC FINANCIAL STATEMENTS

Spring Valley Metropolitan District No. 2

STATEMENT OF NET POSITION

December 31, 2023

	Governmental Activities
ASSETS	
Cash and investments	\$ 67,105
Cash and investments - restricted	603,603
Receivable from county treasurer	13,154
Prepaid expense	4,359
Due from other governments	413
Property taxes receivable	1,317,891
Total assets	<u>2,006,525</u>
LIABILITIES	
Accounts payable	4,149
Due to other governments	20,317
Accrued interest	18,214
Noncurrent liabilities	
Due within one year	465,000
Due in more than one year	26,992,663
Total liabilities	<u>27,500,343</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	1,317,891
Total deferred inflows of resources	<u>1,317,891</u>
NET POSITION	
Restricted for:	
Emergency reserves	6,000
Debt Service	588,248
Unrestricted	(27,405,957)
Total net position	<u>\$ (26,811,709)</u>

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

Spring Valley Metropolitan District No. 2

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenue			Net (Expense)
		Charges for	Operating	Capital Grants	Revenue and
		Services	Grants and	and	Change in Net
			Contributions	Contributions	Position
					Governmental
					Activities
Governmental Activities:					
General government	\$ 236,717	\$ -	\$ -	\$ -	\$ (236,717)
Interest on long-term debt and related costs	1,385,728	-	-	1,450,800	65,072
Total governmental activities	\$ 1,622,445	\$ -	\$ -	\$ 1,450,800	(171,645)
General revenues:					
Property taxes					979,099
Specific ownership taxes					160,330
Investment income					87,560
Total general revenues					1,226,989
Change in net position					1,055,344
Net position - beginning					(27,867,053)
Net position - ending					\$ (26,811,709)

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

Spring Valley Metropolitan District No. 2

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2023

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 67,105	\$ -	\$ 67,105
Cash and investments - restricted	6,000	597,603	603,603
Receivable from county treasurer	2,192	10,962	13,154
Prepaid expense	4,359	-	4,359
Due from other governments	413	-	413
Property taxes receivable	222,501	1,095,390	1,317,891
Total assets	<u>\$ 302,570</u>	<u>\$ 1,703,955</u>	<u>\$ 2,006,525</u>
LIABILITIES			
Accounts payable	\$ 4,149	\$ -	\$ 4,149
Due to other governments	-	20,317	20,317
Total liabilities	<u>4,149</u>	<u>20,317</u>	<u>24,466</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	222,501	1,095,390	1,317,891
Total deferred inflows of resources	<u>222,501</u>	<u>1,095,390</u>	<u>1,317,891</u>
FUND BALANCES			
Nonspendable:			
Prepaid amounts	4,359	-	4,359
Restricted for:			
Emergencies	6,000	-	6,000
Debt Service	-	588,248	588,248
Unassigned	65,561	-	65,561
Total fund balances	<u>75,920</u>	<u>588,248</u>	<u>664,168</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 302,570</u>	<u>\$ 1,703,955</u>	

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

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

Loan payable	(11,325,000)
Bonds payable	(15,344,000)
Accrued interest	(18,214)
Accrued interest on subordinate bonds	(648,809)
Developer advance payable	(81,871)
Accrued interest on developer advance	(57,983)
Net position of governmental activities	<u>\$ (26,811,709)</u>

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

Spring Valley Metropolitan District No. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues			
Property taxes	\$ 163,169	\$ 815,930	\$ 979,099
Specific ownership taxes	26,719	133,611	160,330
Investment income	7,637	79,923	87,560
Tap fees	-	1,166,400	1,166,400
Facility fees	-	284,400	284,400
Total revenues	<u>197,525</u>	<u>2,480,264</u>	<u>2,677,789</u>
Expenditures			
Current			
Accounting	12,461	-	12,461
Audit	6,500	-	6,500
County treasurer's fees	4,862	24,314	29,176
Election	930	-	930
Insurance and bonds	3,696	-	3,696
Legal services	5,912	-	5,912
Mangement	7,461	-	7,461
Miscellaneous	451	-	451
IGA payment to District No. 1	122,377	72,067	194,444
Debt service			
Principal	-	455,000	455,000
Interest	-	1,968,512	1,968,512
Paying agent fees	-	14,450	14,450
Total expenditures	<u>164,650</u>	<u>2,534,343</u>	<u>2,698,993</u>
Net change in fund balances	32,875	(54,079)	(21,204)
Fund balances - beginning	<u>43,045</u>	<u>642,327</u>	<u>685,372</u>
Fund balances - ending	<u>\$ 75,920</u>	<u>\$ 588,248</u>	<u>\$ 664,168</u>

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

Spring Valley Metropolitan District No. 2

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

For the Year Ended December 31, 2023

Net change in fund balances - governmental funds:	\$ (21,204)
---	-------------

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

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

Current year loan principal payment	455,000
-------------------------------------	---------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest - change in liability	734
Accrued interest on subordinate bonds - change in liability	624,089
Accrued interest on Developer advance payable - change in liability	<u>(3,275)</u>

Change in net position of governmental activities	<u><u>\$ 1,055,344</u></u>
---	----------------------------

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

Spring Valley Metropolitan District No. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 163,720	\$ 163,169	\$ (551)
Specific ownership taxes	26,195	26,719	524
Investment income	1,100	7,637	6,537
Total revenues	<u>191,015</u>	<u>197,525</u>	<u>6,510</u>
EXPENDITURES			
Accounting	14,000	12,461	1,539
Audit	6,500	6,500	-
County treasurer's fees	4,912	4,862	50
Election	2,500	930	1,570
Insurance and bonds	4,830	3,696	1,134
Legal services	11,000	5,912	5,088
Mangement	10,000	7,461	2,539
Miscellaneous	1,200	451	749
IGA payment to District No. 1	122,790	122,377	413
Emergency reserve	5,730	-	5,730
Contingency	10,000	-	10,000
Total expenditures	<u>193,462</u>	<u>164,650</u>	<u>28,812</u>
Change in fund balance	(2,447)	32,875	35,322
Fund balances - beginning	<u>36,767</u>	<u>43,045</u>	<u>6,278</u>
Fund balances - ending	<u><u>\$ 34,320</u></u>	<u><u>\$ 75,920</u></u>	<u><u>\$ 41,600</u></u>

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

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – DEFINITION OF REPORTING ENTITY

Spring Valley Metropolitan District No. 2 (the District) was organized pursuant to provisions set forth in the Colorado Special District Act. The District was organized in coordination with Spring Valley Metropolitan District No. 1 ("District No. 1"), Spring Valley Metropolitan District No. 3 ("District No. 3"), Spring Valley Metropolitan District No. 4 ("District No. 4"), Spring Valley Metropolitan District No. 5 ("District No. 5"), and Spring Valley Metropolitan District No. 6 ("District No. 6"). The purpose of the District is to provide for the design, acquisition, construction, installation and financing of water and sewer facilities, including storm drainage, street improvements, safety protection, park and recreation, transportation, television relay and translation, mosquito control and limited fire protection services. The governing body of the District consists of a five-member Board of Directors which is elected by the registered voters within the District.

District No. 1 provides management for all administrative and operations functions as well as construction or acquisition of infrastructure for all of the Districts. The District and District Nos. 3, 4, 5, and 6 ("Financing Districts") are responsible for providing funding for the construction and financing of certain facilities benefiting their respective districts. The water, sewer, and parks and recreation facilities will be retained by District No. 1 for ownership and operation. All other assets constructed are anticipated to be conveyed to other governmental entities for ownership and maintenance responsibilities. The Financing Districts will impose an operations and maintenance mill levy to assist District No. 1 in the costs of operations of the assets.

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

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

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and fund financial statements

The government-wide financial statements include the statement of net position and statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial resources of the District. The difference between the assets, deferred outflows of resources, liabilities and deferred inflows of resources of the District is reported as net position.

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

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Depreciation is computed and recorded as an operating expense. Expenditures for capital outlay are shown as increases in assets and repayment of developer advances are recorded as a reduction in liabilities. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

to accrual are property taxes, specific ownership taxes, and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

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

Use of estimates

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

Pooled cash and investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

Budgetary information

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

The District amended its annual budget in the Debt Service Fund for the year ended December 31, 2023.

Deferred inflow of Resources

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

Capital Assets

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

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Fund balances

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

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

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

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the Board of Directors prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned fund balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned fund balance – The residual portion of fund balance that does not meet any of the above criteria.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 3 – CASH AND INVESTMENTS

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

Statement of net position:

Cash and investments	\$ 67,105
Cash and investments - restricted	603,603
Total cash and investments	<u>\$ 670,708</u>

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

Deposits with financial institutions	\$ 4,523
Investments	666,185
Total cash and investments	<u>\$ 670,708</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2023, the District's cash deposits had a bank balance and carrying balance of \$4,523.

Investments

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

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

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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

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

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

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

Investment	Maturity	Amount
Colorado Liquid Assets Trust (Colotrust)	Weighted average under 60 days	\$ 463,931
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	202,254
Total investments		<u>\$ 666,185</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust offers shares in three portfolios, COLOTRUST PRIME (PRIME), COLOTRUST PLUS+ (PLUS), and COLOTRUST EDGE (EDGE). The Trust operates similarly to a money market fund and each share of PRIME and PLUS is equal in value to \$1.00, and EDGE shares are approximately equal to \$10.00. Each portfolio may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. PLUS and Edge may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. PRIME and PLUS are rated AAAM by Standard & Poor's, and EDGE is rated AAAF/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period. The District invested in the Colotrust Plus portfolio during 2023.

CSAFE

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

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

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

A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE CASH FUND is rated AAAMmf and CSAFE CORE is rated AAAF/S1 by Fitch Ratings. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 4 – LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2022	Additions	Reductions	Balance at December 31, 2023	Due Within One Year
Governmental Activities:					
Notes from Direct Borrowers and Direct Placements:					
Series 2004B 1st Subordinate Bonds	\$ 7,240,000	\$ -	\$ -	\$ 7,240,000	\$ -
Series 2005B 1st Subordinate Bonds	2,410,000	-	-	2,410,000	-
Series 2007B 1st Subordinate Bonds	4,125,000	-	-	4,125,000	-
Series 2007 2nd Subordinate Bonds	469,000	-	-	469,000	-
Series 2007 3rd Subordinate Bonds	1,100,000	-	-	1,100,000	-
Series 2020 Refunding Loan	11,780,000	-	455,000	11,325,000	465,000
Accrued interest on:					
Series 2004B 1st Subordinate Bonds	613,637	555,811	913,475	255,973	-
Series 2005B 1st Subordinate Bonds	204,263	185,015	304,071	85,207	-
Series 2007B 1st Subordinate Bonds	292,533	301,585	520,454	73,664	-
Series 2007 3rd Subordinate Bonds	162,464	71,500	-	233,964	-
Subtotal of Notes from Direct Borrowers and Direct Placements:	28,396,897	1,113,911	2,193,000	27,317,808	465,000
Other Debts:					
Developer advance - operations	81,871	-	-	81,871	-
Accrued interest on:					
Developer advance - operations	54,709	3,275	-	57,984	-
Subtotal - Other Debts	136,580	3,275	-	139,855	-
Total Long-Term Obligations	<u>\$ 28,533,477</u>	<u>\$ 1,117,186</u>	<u>\$ 2,193,000</u>	<u>\$ 27,457,663</u>	<u>\$ 465,000</u>

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

General Obligation Limited Tax Bonds in the face amount of \$7,240,000 (Series 2004B), \$2,410,000 (Series 2005B), and \$4,125,000 (Series 2007B) were issued on September 22, 2020 to refund the Series 2004 Bonds, the Series 2005 Bonds, and the Series 2007 Bonds, respectively. The Series 2004B and Series 2005B bonds bear interest at 7.75% and the Series 2007B bonds bear interest at 7.5% which is payable annually each December 15, commencing on December 15, 2020, to the extent subordinate pledged revenue is available. The Series 2004B, Series 2005B and Series 2007B Bonds mature on December 15, 2050. No interest and principal maturities are reflected in this section for these bonds since these payments are subject to available pledge revenues. Available pledged revenues first pay trustee fees, second pay interest due in connection with the bonds, and third pay principal on the bonds. No further payments will be due on the bonds upon termination of the bonds on December 16, 2060, regardless of the amount of principal and interest paid prior to the termination date.

To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until the earlier of its payment or the termination date and shall continue to bear interest at the rate then borne by the Bond. To the extent interest on any Bond is

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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

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

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

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

General Obligation Limited Tax Bonds in the face amount of \$469,000 (Second Subordinate Series 2007) and \$1,100,000 (Third Subordinate Series 2007) were issued on September 22, 2020 to refund the Subordinate Series 2007 Bonds. The Second Subordinate Series 2007 bonds bear interest at 0% and the Third Subordinate Series 2007 bonds bear interest at 6.5% which is payable annually each December 15, to the extent subordinate pledged revenue is available. The Second Subordinate Series 2007 and Third Subordinate Series 2007 Bonds mature on December 15, 2050. No interest and principal maturities are reflected in this section for these bonds since payments are subject to available pledged revenues. Available pledged revenues first pay trustee fees, second pay interest due in connection with the bonds, and third pay principal on the bonds. No further payments will be due on the bonds upon termination of the bonds on December 16, 2060, regardless of the amount of principal and interest paid prior to the termination date.

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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

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

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

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

General Obligation Limited Tax Loan Payable to U.S. Bank National Association in the face amount of \$12,850,000 (Series 2020) was issued on September 22, 2020 to refund accrued interest on the Series 2004, 2005, 2007 and 2007 Subordinate bonds. The loan bears interest at 1.93% which is payable semiannually each June 1 and December 1, beginning on December 1, 2020. Principal payments are due each December 1 through December 1, 2027 as follows:

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Year	Series 2020 Note Payable		Total
	Principal	Interest	
2024	\$ 465,000	\$ 222,215	\$ 687,215
2025	475,000	212,509	687,509
2026	480,000	203,214	683,214
2027	9,905,000	193,822	10,098,822
	<u>\$ 11,325,000</u>	<u>\$ 831,760</u>	<u>\$ 12,156,760</u>

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

The Loan is secured by and payable from moneys derived by the District from the following sources, net of any costs of collection: i) the Required Mill Levy; ii) the portion of the Specific Ownership Taxes allocable to the amount of the Required Mill Levy; iii) the Pledged Fees; and iv) any other legally available moneys which the Board determines in its absolute discretion to apply as Pledged Revenue. Pursuant to the Loan Agreement, the District has covenanted to impose a Required Mill Levy in an amount sufficient, when combined with moneys held in the Loan Payment Fund, to pay the Annual Debt Requirements, but no in excess of 50 mills. If after March 10, 2004, there are changes in the ratio of actual valuation to assessed valuation, then the minimum and maximum mill levies shall be increased or decreased to offset such changes. The Loan is also secured by amounts on deposit in the Reserve Fund which was funded from the loan proceeds, in the amount equal to the required reserve fund of \$172,500.

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

Developer Advances

The developer of the area within the District has advanced funds to the District for operating needs. Reimbursement of these advances are made as funds are available and as allowed by the bond indenture. These advances bear interest at 4.00%. Repayment of principal and interest is subject to available revenues. Therefore, interest and principal maturities are not reflected in this section.

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Debt Authorization

At elections held in 2001 and 2004, District voters authorized the issuance of \$273,750,000 in general obligation debt for the purpose of providing certain improvements and facilities. As of December 31, 2023, the District had remaining voted debt authorization of approximately \$245,556,000. The District's Service Plan limits total general obligation debt to \$35,000,000. The aggregate debt limit in Service Plans of the District and Districts No.1, No. 3, No. 4, No. 5 and No. 6 is \$250,000,000, of which \$184,479,000 remains at December 31, 2023. The District did not budget new general obligation debt issuances for 2024.

NOTE 5 – NET POSITION

The District has net position consisting of two components –restricted and unrestricted.

Restricted assets include net position that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. At December 31, 2023, the District had restricted net position of \$6,000 for emergency reserves and \$588,248 for debt service.

The District had unrestricted net position (deficit) of \$(27,405,957) at December 31, 2023. The deficit is the result of the District's responsibility for debt used to finance infrastructure constructed by District No. 1.

NOTE 6 – RELATED PARTIES

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

NOTE 7 – DISTRICT AGREEMENTS

Intergovernmental Fee Agreement

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

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

within the District pay Tap Fees imposed by District No. 1 will be credited as having paid the District Tap Fees.

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

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

Facilities Funding, Construction, and Operations Agreement

On July 19, 2007, the District entered into a Facilities Funding, Construction and Operations Agreement with District No. 1, District No. 3 and District No. 4, which all parties subsequently replaced in its entirety on November 21, 2019, pursuant to a First Amended and Restated Facilities Funding, Construction and Operations Agreement, which was again replaced in its entirety on October 21, 2021, pursuant to a Second Amended and Restated Facilities Funding, Construction and Operations Agreement between the previous parties, District No. 5 and District No. 6 (collectively, the "FFCOA"). The purpose of the FFCOA is to bind the parties thereto concerning capital expenditure and operation and maintenance expenses so that the cost of providing services to the Spring Valley Development (as defined therein) are shared by the users of the Primary Facilities (as defined therein), Secondary Facilities (as defined therein), and services under the numerous circumstances that may occur in the future. Pursuant to the terms of the FFCOA, each of District Nos. 1-6 agreed that the District No. 1 will own (subject to potential transfer to other governmental entities or authorities), operate, maintain, finance and construct Primary Facilities and certain Secondary Facilities and that District Nos. 2-6 will contribute to the costs of construction, operation, and maintenance of such Primary Facilities and Secondary Facilities. District Nos. 2-6 acknowledge that the District No. 1 is relying on their commitment to issue General Obligation Bonds and remit the net proceeds thereof to District No. 1 so it can pay for certain capital costs therein contemplated. District Nos. 2-6 also agreed to contribute to District No. 1's costs of construction, operation and maintenance, in part, by a pledge of the mill levy imposed for those purposes.

Amended and Restated Operational Funding Advance Reimbursement Agreement

On November 21, 2019, the District and MG Land Investments, LLC ("MG Land") entered into an Operational Funding Advance Reimbursement Agreement, which the

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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

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

On November 21, 2019, the District and District Nos. 1, 3 and 4 entered into an Agreement of Acknowledgement of Satisfaction of Obligations of the District Related to the Funding of Construction of Public Improvements and Acknowledgement of Ongoing Obligations of District Nos. 1, 3 and 4 Related to the Funding of Construction of Public Improvements, as amended by the First Amendment on September 16, 2020 (the "Acknowledgement Agreement"). The Acknowledgement Agreement acknowledged that, other than the District's obligation to collect and remit 649 District Tap Fees (as defined therein) to District No. 1, the District has satisfied all obligations due to District No. 1 for the funding of construction of Public Improvements arising under those agreements existing as of the effective date of the Acknowledgement Agreement, and that the District shall have no further obligation to make any payments to District No. 1 for the funding of the construction of Public Improvements (as defined therein) under any existing agreement. The Acknowledgement Agreement also acknowledged that, pursuant to the FFCOA, District No. 1 shall enter into a Facilities Funding and Acquisition Agreement with MG Land for the reimbursement of Outstanding Reimbursement Obligation (as defined therein) of District No. 1, consistently with the Termination of the District MGL Facilities Funding Agreement. Additionally, District Nos. 1, 3 and 4 acknowledge that there may be additional districts organized that will issue bonds and work with District Nos. 1, 3 and 4 to help fund the remaining Public Improvements and that they shall exercise reasonable efforts to assure the additional districts become parties to the FFCOA to contribute towards the reimbursement of the Outstanding Reimbursement Obligation and to complete the Public Improvements. The Acknowledgement Agreement also clarified that the District bears sole responsibility to make all payments related to its repayment of the District's 2020 Loan (as defined therein).

Spring Valley Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

NOTE 8 – RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and worker's compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 – TAX, SPENDING AND DEBT LIMITATIONS

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

On November 6, 2001, the District's electors authorized the District to increase taxes \$1,000,000 annually, or by such lesser annual amount as may be necessary to pay the District's operations, maintenance and other expenses in fiscal year 2022 and subsequent years. Such taxes and related investment income are to be collected and spent without regard to any spending, revenue-raising, or other limitation. Additionally, the District's electors authorized the District to retain and spend any and all amounts annually from any revenue sources whatsoever other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, inspection charges, administrative charges, grants and any other fee, rate, toll, penalty, income or charge

Spring Valley Metropolitan District No. 2

**NOTES TO FINANCIAL STATEMENTS
(continued)**

December 31, 2023

imposed, collected or authorized by law to be imposed or collected by the District without limitation by Article X, Section 20 of the Colorado Constitution.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

* * * * *

SUPPLEMENTARY INFORMATION

Spring Valley Metropolitan District No. 2

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

For the Year Ended December 31, 2023

	Original Budget Amounts	Final Budget Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
Property taxes	\$ 818,688	\$ 818,688	\$ 815,930	\$ (2,758)
Specific ownership	130,990	130,990	133,611	2,621
Investment income	100,000	150,000	79,923	(70,077)
Tap fees	1,166,400	1,166,400	1,166,400	-
Facility fees	284,400	284,400	284,400	-
Total revenues	<u>2,500,478</u>	<u>2,550,478</u>	<u>2,480,264</u>	<u>(70,214)</u>
EXPENDITURES				
Loan principal	455,000	455,000	455,000	-
Interest	1,905,758	1,977,541	1,968,512	9,029
Paying agent fees	15,000	15,000	14,450	550
County treasurer fees	24,561	24,561	24,314	247
Intergovernmental expenditures	-	68,671	72,067	(3,396)
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>2,500,319</u>	<u>2,640,773</u>	<u>2,534,343</u>	<u>106,430</u>
Net change in fund balances	<u>159</u>	<u>(90,295)</u>	<u>(54,079)</u>	<u>36,216</u>
Fund balances - beginning	<u>556,872</u>	<u>642,327</u>	<u>642,327</u>	<u>-</u>
Fund balances - ending	<u>\$ 557,031</u>	<u>\$ 552,032</u>	<u>\$ 588,248</u>	<u>\$ 36,216</u>