

**Spring Valley Metropolitan District No. 6
Elbert County, Colorado**

FINANCIAL STATEMENTS

December 31, 2023

Spring Valley Metropolitan District No. 6

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December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Spring Valley Metropolitan District No. 6
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. 6 (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.

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.

Other Matters

Economic Dependency

As disclosed in Note 8 of the financial statements, the District has not yet established a revenue base sufficient to pay the District's operational expenditures. Until an independent revenue base is established, the District may be dependent upon the developer for funding continued operations.

Fiscal Focus Partners, LLC

Arvada, Colorado
August 29, 2024

BASIC FINANCIAL STATEMENTS

Spring Valley Metropolitan District No. 6

STATEMENT OF NET POSITION

December 31, 2023

	Governmental Activities
ASSETS	
Cash and investments - restricted	\$ 6,910,118
Receivable from county treasurer	32
Receivable - tap and facility fees	302,250
Property taxes receivable	16,042
Total assets	7,228,442
LIABILITIES	
Accounts payable	22,384
Due to other governments	577,333
Noncurrent liabilities	
Due in more than one year	15,578,066
Total liabilities	16,177,783
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	16,042
Total deferred inflows of resources	16,042
NET POSITION	
Restricted for:	
Emergency reserves	650
Debt Service	6,634,412
Unrestricted	(15,600,445)
Total net position	\$ (8,965,383)

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

Spring Valley Metropolitan District No. 6

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
General government	\$ 38,270	\$ -	\$ -	\$ -	\$ (38,270)
Interest on long-term debt and related costs	3,822,770	-	-	906,750	(2,916,020)
Total governmental activities	<u>\$ 3,861,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 906,750</u>	<u>(2,954,290)</u>
General revenues:					
Property taxes					2,373
Specific ownership taxes					360
Investment income					452,479
Total general revenues					<u>455,212</u>
Change in net position					(2,499,078)
Net position - beginning					<u>(6,466,305)</u>
Net position - ending					<u>\$ (8,965,383)</u>

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

Spring Valley Metropolitan District No. 6

**BALANCE SHEET
GOVERNMENTAL FUNDS**

December 31, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and investments - restricted	\$ 650	\$ 6,909,468	\$ 6,910,118
Receivable from county treasurer	5	27	32
Receivable - tap and facility fees	-	302,250	302,250
Property taxes receivable	2,586	13,456	16,042
Total assets	<u>\$ 3,241</u>	<u>\$ 7,225,201</u>	<u>\$ 7,228,442</u>
LIABILITIES			
Accounts payable	\$ 22,384	\$ -	\$ 22,384
Due to other governments	-	577,333	577,333
Total liabilities	<u>22,384</u>	<u>577,333</u>	<u>599,717</u>
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	2,586	13,456	16,042
Total deferred inflows of resources	<u>2,586</u>	<u>13,456</u>	<u>16,042</u>
FUND BALANCES			
Restricted for:			
Emergencies	650	-	650
Debt service	-	6,634,412	6,634,412
Unassigned	(22,379)	-	(22,379)
Total fund balances	<u>(21,729)</u>	<u>6,634,412</u>	<u>6,612,683</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,241</u>	<u>\$ 7,225,201</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.

Bonds payable	(15,070,000)
Accrued interest	(427,625)
Developer advance payable	(76,000)
Accrued interest on developer advance	(4,441)
Net position of governmental activities	<u>\$ (8,965,383)</u>

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

Spring Valley Metropolitan District No. 6
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	\$ 345	\$ 2,028	\$ 2,373
Specific ownership taxes	52	308	360
Investment income	430	452,049	452,479
Facility fees	-	177,750	177,750
Tap fees	-	729,000	729,000
Total revenues	<u>827</u>	<u>1,361,135</u>	<u>1,361,962</u>
Expenditures			
Current			
Accounting	13,081	-	13,081
Audit	6,500	-	6,500
County treasurer's fees	10	61	71
Election	307	-	307
Insurance and bonds	3,569	-	3,569
Legal services	7,772	-	7,772
Mangement	6,463	-	6,463
Miscellaneous	309	-	309
IGA payment to District No. 1	259	2,995,060	2,995,319
Debt service			
Interest	-	608,143	608,143
Paying agent fees	-	4,000	4,000
Bank fees	-	21,842	21,842
Total expenditures	<u>38,270</u>	<u>3,629,106</u>	<u>3,667,376</u>
Excess of revenues over (under) expenditures	<u>(37,443)</u>	<u>(2,267,971)</u>	<u>(2,305,414)</u>
Other financing sources (uses)			
Developer advance	20,000	-	20,000
Total other financing sources and (uses)	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net change in fund balances	(17,443)	(2,267,971)	(2,285,414)
Fund balances - beginning	<u>(4,286)</u>	<u>8,902,383</u>	<u>8,898,097</u>
Fund balances - ending	<u>\$ (21,729)</u>	<u>\$ 6,634,412</u>	<u>\$ 6,612,683</u>

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

Spring Valley Metropolitan District No. 6

**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:	\$ (2,285,414)
Amounts reported for governmental activities in the statement of activities are different because:	
Long-term debt (e.g. 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:	
Developer operations advance	(20,000)
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	(191,943)
Accrued interest on Developer advance payable - change	<u>(1,721)</u>
Change in net position of governmental activities	<u><u>\$ (2,499,078)</u></u>

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

Spring Valley Metropolitan District No. 6
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	\$ 345	\$ 345	\$ -
Specific ownership taxes	59	52	(7)
Investment income	160	430	270
Total revenues	<u>564</u>	<u>827</u>	<u>263</u>
EXPENDITURES			
Accounting	9,000	13,081	(4,081)
Audit	6,500	6,500	-
County treasurer's fees	-	10	(10)
Election	5,000	307	4,693
Insurance and bonds	3,900	3,569	331
Legal services	13,000	7,772	5,228
Mangement	9,000	6,463	2,537
Miscellaneous	500	309	191
IGA payment to District No. 1	259	259	-
Emergency reserve	1,500	-	1,500
Contingency	25,000	-	25,000
Total expenditures	<u>73,659</u>	<u>38,270</u>	<u>35,389</u>
Excess of revenues over expenditures	<u>(73,095)</u>	<u>(37,443)</u>	<u>35,652</u>
OTHER FINANCING SOURCES (USES)			
Developer advance	74,000	20,000	(54,000)
Total other financing sources (uses)	<u>74,000</u>	<u>20,000</u>	<u>(54,000)</u>
Change in fund balance	905	(17,443)	(18,348)
Fund balances - beginning	<u>5,328</u>	<u>(4,286)</u>	<u>(9,614)</u>
Fund balances - ending	<u><u>\$ 6,233</u></u>	<u><u>\$ (21,729)</u></u>	<u><u>\$ (27,962)</u></u>

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

Spring Valley Metropolitan District No. 6

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

NOTE 1 – DEFINITION OF REPORTING ENTITY

Spring Valley Metropolitan District No. 6 (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. 2 ("District No. 2"), Spring Valley Metropolitan District No. 3 ("District No. 3"), Spring Valley Metropolitan District No. 4 ("District No. 4"), and Spring Valley Metropolitan District No. 5 ("District No. 5"). 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. 2, 3, 4, and 5 ("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.

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**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. 6

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. 6

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.

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. 6

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.

Deficit

The General Fund reported a deficit in the fund financial statements as of December 31, 2023. The deficit is expected to be eliminated with the receipt of funds advanced by the Developer in 2024.

Spring Valley Metropolitan District No. 6

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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.

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 - restricted	\$ 6,910,118
Total cash and investments	<u>\$ 6,910,118</u>

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

Deposits with financial institutions	\$ 2,146
Investments	6,907,972
Total cash and investments	<u>\$ 6,910,118</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 \$2,146.

Investments

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

Spring Valley Metropolitan District No. 6

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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.

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	<u>\$6,907,972</u>
Total investments		<u><u>\$6,907,972</u></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

Spring Valley Metropolitan District No. 6

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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 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.

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:					
Bonds Payable:					
General Obligation Limited					
Tax Bonds, Series 2021(3)	\$ 15,070,000	\$ -	\$ -	\$ 15,070,000	\$ -
Accrued interest on:					
Series 2021(3)	235,682	191,943	-	427,625	-
Subtotal of Bonds Payable	15,305,682	191,943	-	15,497,625	-
Other Debts:					
Developer advance - operations	56,000	20,000	-	76,000	-
Accrued interest on:					
Developer advance - operations	2,720	1,721	-	4,441	-
Subtotal - Other Debts	58,720	21,721	-	80,441	-
Total Long-Term Obligations	<u>\$ 15,364,402</u>	<u>\$ 213,664</u>	<u>\$ -</u>	<u>\$ 15,578,066</u>	<u>\$ -</u>

General Obligation Limited Tax Bonds Series 2021(3)

On January 27, 2022, the District issued General Obligation Limited Tax Bonds, Series 2021(3) in the aggregate principal amount of \$15,070,000 (the Bonds). The Bonds bear interest at the rate of 5.25% per annum and are structured as "cash flow" bonds, meaning that there are no scheduled payments of principal or interest prior to the final maturity date of December 1, 2051. Proceeds from the sale of the Bonds were used to i) pay the Project Costs; and ii) pay other costs incurred in connection

Spring Valley Metropolitan District No. 6

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

with the issuance of the Bonds. To the extent any balances remain outstanding as of December 2, 2064 (Termination Date), such amounts are deemed discharged.

Principal on the Bonds is payable on each December 1 from and to the extent of Pledged Revenue, if any, pursuant to a mandatory redemption. To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until the earlier of its payment of the Termination Date and shall continue to bear interest at the rate then borne by the Bond. To the extent interest on any Bond is not paid when due, such interest shall compound on each interest payment date, at the rate then borne by the Bond. The District is not obligated to pay more than the amount permitted by law and its electoral authorization in repayment of the Bonds, including all payments of principal, premium if any, and interest, and all Bonds will be deemed defeased and no longer outstanding upon the payment by the District of such amount.

The Bonds are subject to redemption prior to maturity, at the option of the District on March 1, 2027, and on any date thereafter, upon payment of par and accrued interest, with no redemption premium.

The Bonds are secured by and payable from the Pledged Revenue, consisting of moneys derived by the District from the following sources, net of any costs of collection: (a) the Required Mill Levy; (b) the Capital Fees; (c) the portion of the Specific Ownership Tax which is collected as a result of imposition of the Required Mill Levy; and (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Pursuant to the Bond Indenture, the District has covenanted to impose a Required Mill Levy in an amount of 65 mills, or such lesser mill levy which will fund the Bond Fund in an amount sufficient to pay all of the principal of and interest on the Bonds in full; provided however, that if, on or after January 1, 2019, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement, the mill levy provided in the Indenture is to be increased or decreased to reflect such changes.

The annual debt service requirements of the Bonds are not currently determinable since they are payable only to the extent of Pledged Revenue available.

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. 6

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

Debt Authorization

District voters authorized the issuance of \$2,500,000,000 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 \$2,484,930,000. 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 District Nos. 1, 2, 3, 4 and 5 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 \$650 for emergency reserves and \$6,634,412 for debt service.

The District had unrestricted net position (deficit) of \$(15,600,445) 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

Facilities Funding, Construction, and Operations Agreement

On October 21, 2021, the District entered into a Second Amended and Restated Facilities Funding, Construction and Operations Agreement with District Nos. 1-5 (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

Spring Valley Metropolitan District No. 6

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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 of those purposes.

Amended and Restated Operation Funding Agreement

The District and Spring Valley and Investments II, LLC (the Developer) entered into that certain Amended and Restated Operations Funding Agreement dated October 21, 2021, effective March 4, 2021 (the OFA). The purpose of the OFA is to facilitate advances from the Developer to the District in order to fund the District's operations, maintenance, and administrative costs. Additionally, the OFA acknowledged certain advances the District received prior to the effective date of the OFA that the District must pay to the Developer. Thereunder, the Developer agreed to advance funds needed to fund the District's operations, maintenance, and administrative costs up to the aggregate Shortfall Amount of \$276,000 for fiscal years 2021-2027. The District agrees to reimburse the Developer for advances contemplated under the OFA at a rate of 4% per annum.

Amended and Restated Facilities Acquisition and Reimbursement Agreement

The District and the Developer entered into that certain Amended and Restated Facilities Acquisition and Reimbursement Agreement dated October 21, 2021, effective March 4, 2021 and amended November 14, 2023 (the FARA). The purpose of the FARA is to facilitate advances from the Developer to the District in order to fund the District's Construction Related Expenses (defined therein) and to facilitate the District's reimbursement to the Developer of the Organization Expenses (defined therein). Thereunder, the Developer agreed to advance funds needed to fund the Construction Related Expenses up to the aggregate Shortfall Amount of \$250,000,000 for fiscal years 2021 through 2024. The District agreed to reimburse the Developer for advances the contemplated under the FARA at a rate of either 4% per annum or 6% per annum, depending on when and how such advances were made.

Amended and Restated Outstanding Reimbursement Obligation and Infrastructure Funding and Acquisition Agreement

On October 21, 2021, the District, District Nos. 1-5, and MG Land Investments, LLC (MG Land) entered into that certain Amended and Restated Outstanding Reimbursement Obligation and Infrastructure Funding and Acquisition Agreement (the OROIFAA). Pursuant to the OROIFAA, District No. 2 assented to the Outstanding Reimbursement Obligation (as defined therein) being transferred to District No. 1,

Spring Valley Metropolitan District No. 6

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

which MG Land released District No. 2 from its commitment to repay pursuant to the Termination of the District No. 2 MGL FFAA (as defined therein). District No. 1 assumed responsibility to repay the Outstanding Reimbursement Obligation, in addition to District No. 1's other obligations to MG Land, including, without limitation, the MGL Advances (as defined therein), which MG Land may advance to District No. 1 under the OROIFAA up to the Shortfall Amount (as defined therein). Further, District Nos. 3-6 expressed their assent to District No. 1 entering into the OROIFAA in reliance on their respective commitments to issue General Obligation Bonds and, pursuant to the FFCOA, remit the net proceeds of the General Obligation Bonds to District No. 1, in part to make payment to MG Land for payments under the OROIFAA, including, without limitation, the Outstanding Reimbursement Obligation, Construction Related Expenses (as defined therein), and the acquisition of Facilities (as defined therein). Interest shall accrue on MGL Advances from the date of deposit into the District No. 1's account, and on Verified Costs (as defined therein) from the date incurred. Interest on MGL Advances and Verified Costs incurred prior to October 1, 2021, accrues at a rate of 8%. Interest on MGL Advances and Verified Costs incurred on or after October 1, 2021, accrues at a rate of 4%. Payments credit first against principal due and then to accrued and unpaid interest. Any Construction Related Expenses or Verified Costs not paid or reimbursed by District No. 1 by December 31, 2059, regardless of whether they have been invoiced, including principal and interest, shall be deemed forever discharged and satisfied in full.

Intergovernmental Agreement Regarding Assignment of Revenues

The District entered into an Intergovernmental Agreement Regarding Assignment of Revenues with District No. 1 dated October 21, 2021, pursuant to which the District and District No. 1 agreed that revenues pledged to secure payment of the District's Bonds will include the Capital Component of the District No. 1 Tap Fee and the Facilities Fees, as each are defined in the Indenture executed by the District in connection with the District's Bonds.

NOTE 8 – ECONOMIC DEPENDENCY

The District has not yet established a revenue base sufficient to pay operational expenditures. Until an independent revenue base is established, continuation of operations in the District will be dependent upon funding by the Developer.

NOTE 9 – 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

Spring Valley Metropolitan District No. 6

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2023

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 10 – 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 2, 2021, a majority of the District's electors authorized the District to collect and spend or retain in a reserve, all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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

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SUPPLEMENTARY INFORMATION

Spring Valley Metropolitan District No. 6

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

For the Year Ended December 31, 2023

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 2,027	\$ 2,028	\$ 1
Specific ownership taxes	345	308	(37)
Investment income	191,000	452,049	261,049
Facility fees	177,750	177,750	-
Tap fees	729,000	729,000	-
Total revenues	<u>1,100,122</u>	<u>1,361,135</u>	<u>261,013</u>
EXPENDITURES			
Interest	897,421	608,143	289,278
Paying agent fees	4,000	4,000	-
Bank fees	7,640	21,842	(14,202)
County treasurer's fees	61	61	-
IGA payment to District No. 1	7,834,036	2,995,060	4,838,976
Total expenditures	<u>8,743,158</u>	<u>3,629,106</u>	<u>5,114,052</u>
Net change in fund balances	<u>(7,643,036)</u>	<u>(2,267,971)</u>	<u>5,375,065</u>
Fund balances - beginning	<u>7,643,036</u>	<u>8,902,383</u>	<u>1,259,347</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 6,634,412</u>	<u>\$ 6,634,412</u>