

**Spring Valley Metropolitan District No. 5  
Elbert County, Colorado**

**FINANCIAL STATEMENTS**

**December 31, 2024**

**Spring Valley Metropolitan District No. 5**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Spring Valley Metropolitan District No. 5  
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. 5 (the District) as of and for the year ended December 31, 2024, 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 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, 2024, 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 to 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  
July 25, 2025

## **BASIC FINANCIAL STATEMENTS**

**Spring Valley Metropolitan District No. 5**  
**STATEMENT OF NET POSITION**  
**December 31, 2024**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 20,677
Cash and investments - restricted	504,800
Receivable - tap and facility fees	302,250
Prepaid expense	3,089
Property taxes receivable	6,025
<b>Total assets</b>	<b>836,841</b>
 <b>LIABILITIES</b>	
Accounts payable	25,703
Due to other governments	158,000
Noncurrent liabilities	
Due in more than one year	70,750
<b>Total liabilities</b>	<b>254,453</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	6,025
<b>Total deferred inflows of resources</b>	<b>6,025</b>
 <b>NET POSITION</b>	
Restricted for:	
Emergency reserves	1,050
Debt Service	648,000
Unrestricted	(72,687)
<b>Total net position</b>	<b>\$ 576,363</b>

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

**Spring Valley Metropolitan District No. 5**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2024**

<u>Functions/Programs</u>	Program Revenue			Net (Expense) Revenue and Change in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
General government	\$ 34,510	\$ -	\$ -	\$ (34,510)
Interest on long-term debt and related costs	159,584	-	806,000	646,416
<b>Total governmental activities</b>	<b>\$ 194,094</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 611,906</b>
<b>General revenues:</b>				
Investment income				3,618
<b>Total general revenues</b>				<b>3,618</b>
<b>Change in net position</b>				615,524
<b>Net position - beginning</b>				<b>(39,161)</b>
<b>Net position - ending</b>				<b>\$ 576,363</b>

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

**Spring Valley Metropolitan District No. 5**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**December 31, 2024**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 20,677	\$ -	\$ 20,677
Cash and investments - restricted	1,050	503,750	504,800
Receivable - tap and facility fees	-	302,250	302,250
Prepaid expense	3,089	-	3,089
Property taxes receivable	6,025	-	6,025
<b>Total assets</b>	<b>\$ 30,841</b>	<b>\$ 806,000</b>	<b>\$ 836,841</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 25,703	\$ -	\$ 25,703
Due to other governments	-	158,000	158,000
<b>Total liabilities</b>	<b>25,703</b>	<b>158,000</b>	<b>183,703</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	6,025	-	6,025
<b>Total deferred inflows of resources</b>	<b>6,025</b>	<b>-</b>	<b>6,025</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid amounts	3,089	-	3,089
Restricted for:			
Emergencies	1,050	-	1,050
Debt service	-	648,000	648,000
Unassigned	(5,026)	-	(5,026)
<b>Total fund balances</b>	<b>(887)</b>	<b>648,000</b>	<b>647,113</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 30,841</b>	<b>\$ 806,000</b>	

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.

Developer advance payable	(66,459)
Accrued interest on developer advance	(4,291)

Net position of governmental activities	\$ 576,363
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*The accompanying Notes to the Financial Statements are an integral part of these statements.*

**Spring Valley Metropolitan District No. 5**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2024**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Investment income	\$ 3,618	\$ -	\$ 3,618
Facility fees	-	158,000	158,000
Tap fees	-	648,000	648,000
<b>Total revenues</b>	<u>3,618</u>	<u>806,000</u>	<u>809,618</u>
<b>Expenditures</b>			
Current			
Accounting	5,889	-	5,889
Insurance and bonds	1,588	-	1,588
Legal services	20,341	-	20,341
Mangement	6,371	-	6,371
Miscellaneous	321	-	321
IGA payment to District No. 1	-	158,000	158,000
<b>Total expenditures</b>	<u>34,510</u>	<u>158,000</u>	<u>192,510</u>
<b>Excess of revenues over (under) expenditures</b>	<u>(30,892)</u>	<u>648,000</u>	<u>617,108</u>
<b>Other financing sources (uses)</b>			
Developer advance	30,000	-	30,000
<b>Total other financing sources and (uses)</b>	<u>30,000</u>	<u>-</u>	<u>30,000</u>
<b>Net change in fund balances</b>	(892)	648,000	647,108
<b>Fund balances - beginning</b>	<u>5</u>	<u>-</u>	<u>5</u>
<b>Fund balances (deficit) - ending</b>	<u>\$ (887)</u>	<u>\$ 648,000</u>	<u>\$ 647,113</u>

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

**Spring Valley Metropolitan District No. 5**

**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, 2024**

Net change in fund balances - governmental funds:	\$ 647,108
Amounts reported for governmental activities in the statement of activities are different because:	
Long-term debt (e.g. bonds, loans, 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	(30,000)
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 on Developer advance payable - change in liability	<u>(1,584)</u>
Change in net position of governmental activities	<u><u>\$ 615,524</u></u>

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

**Spring Valley Metropolitan District No. 5**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**For the Year Ended December 31, 2024**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>			
Investment income	\$ -	\$ 3,618	\$ 3,618
<b>Total revenues</b>	<u>-</u>	<u>3,618</u>	<u>3,618</u>
<b>EXPENDITURES</b>			
Accounting	10,000	5,889	4,111
Election	1,000	-	1,000
Insurance and bonds	4,000	1,588	2,412
Legal services	10,000	20,341	(10,341)
Management	10,000	6,371	3,629
Miscellaneous	500	321	179
Emergency reserve	1,500	-	1,500
Contingency	13,000	-	13,000
<b>Total expenditures</b>	<u>50,000</u>	<u>34,510</u>	<u>15,490</u>
<b>Excess of revenues over expenditures</b>	<u>(50,000)</u>	<u>(30,892)</u>	<u>19,108</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer advance	55,000	30,000	(25,000)
<b>Total other financing sources (uses)</b>	<u>55,000</u>	<u>30,000</u>	<u>(25,000)</u>
<b>Change in fund balance</b>	5,000	(892)	(5,892)
<b>Fund balances - beginning</b>	<u>5</u>	<u>5</u>	<u>-</u>
<b>Fund balances (deficit) - ending</b>	<u>\$ 5,005</u>	<u>\$ (887)</u>	<u>\$ (5,892)</u>

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

## Spring Valley Metropolitan District No. 5

### NOTES TO FINANCIAL STATEMENTS

December 31, 2024

#### NOTE 1 – DEFINITION OF REPORTING ENTITY

Spring Valley Metropolitan District No. 5 (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. 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. 2, 3, 4, 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. 5**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024**

**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. 5

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2024

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. 5**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

**December 31, 2024**

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 for the year ended December 31, 2024.

#### **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. 5

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2024

#### 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, 2024. The deficit is expected to be eliminated with the receipt of funds advance by the Developer in 2025.

**Spring Valley Metropolitan District No. 5**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024**

**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, 2024 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 20,677
Cash and investments - restricted	504,800
Total cash and investments	<u>\$ 525,477</u>

Cash and investments as of December 31, 2024 consist of the following:

Deposits with financial institutions	\$ 20,968
Investments	504,509
Total cash and investments	<u>\$ 525,477</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, 2024, the District's cash deposits had a bank balance and carrying balance of \$20,968.

**Spring Valley Metropolitan District No. 5**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024**

**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.

Colorado revised statutes limit investment maturities to five years or less 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, 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 reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

At December 31, 2024, the District had the following investment:

<b>Investment</b>	<b>Maturity</b>	<b>Amount</b>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 504,509</u>
Total investments		<u>\$ 504,509</u>

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (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 currently

**Spring Valley Metropolitan District No. 5**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024**

offers three portfolios - COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME AND COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE 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, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's investment 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. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAAF/S1 by Fitch Ratings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value method as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly and there is no redemption notice period. The District invested in the COLOTRUST PLUS+ portfolio during 2024.

**NOTE 4 – LONG-TERM OBLIGATIONS**

Following is an analysis of changes in long-term obligations for the year ended December 31, 2024:

	Balance at December 31, 2023	Additions	Reductions	Balance at December 31, 2024	Due Within One Year
Governmental Activities:					
Other Debts:					
Developer advance - operations	\$ 36,459	\$ 30,000	\$ -	\$ 66,459	\$ -
Accrued interest on:					
Developer advance - operations	2,707	1,584	-	4,291	-
Total Long-Term Obligations	<u>\$ 39,166</u>	<u>\$ 31,584</u>	<u>\$ -</u>	<u>\$ 70,750</u>	<u>\$ -</u>

## Spring Valley Metropolitan District No. 5

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2024

#### 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.

#### Debt Authorization

The District, along with Spring Valley Metropolitan District Nos. 1, 2, 3, 4, and 6 (collectively the "Districts"), were organized to provide services to their respective service areas pursuant to their service plans. The Districts, in the aggregate, are limited in their ability to issue Debt as set forth in the Service Plans to a total amount of \$250,000,000 (the "Aggregate Service Plan Debt Limit"); provided, however, that refunding debt does not count against the Aggregate Service Plan Debt Limit.

At an election held in 2021, District voters authorized the issuance of \$250,000,000 in each of 10 categories of general obligation public improvement debt ("G.O. Debt"), plus \$2,000,000 in operations and maintenance debt, plus \$250,000,000 in refunding debt, plus \$250,000,000 in intergovernmental agreements as debt (collectively, the "Voted Debt Authorization"). The District has more Voted Debt Authorization than the Aggregate Service Plan Debt Limit because at the time of the election, the actual costs of construction were not known. Without knowing the costs of construction or the amount of debt to be issued by the District, the District voted the Aggregate Service Plan Debt Limit in each power (such as water, sewer or streets), as well as in refunding debt and intergovernmental agreements as debt.

Although the District has more Voted Debt Authority than the Aggregate Service Plan Debt Limit, in no event are the Districts authorized to issue debt in an aggregate amount that is in excess of the Aggregate Service Plan Debt Limit.

As of December 31, 2024, District No. 1 had not issued any debt; District No. 2 had issued \$17,795,025 in G.O. Debt; District No. 3 had issued \$6,736,000 in G.O. Debt; District No. 4 had issued \$14,761,000 in G.O. Debt; and District No. 6 had issued \$15,070,000 in G.O. Debt. Thus, at December 31, 2024, the remaining Aggregate Service Plan Debt Limit for all Districts was \$195,637,975.

In 2025, the District issued \$15,318,000 in G.O. Debt. Thus, as of April 11, 2025, the remaining Aggregate Service Plan Debt Limit for all Districts was \$180,319,975.

#### **NOTE 5 – NET POSITION**

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

## Spring Valley Metropolitan District No. 5

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2024

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, 2024, the District had restricted net position of \$1,050 for emergency reserves and \$648,000 for debt service.

The District had unrestricted net position (deficit) of \$(72,687) at December 31, 2024. 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, 2024, 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, 2, 3, 4 and 6 (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 of those purposes.

##### **Amended and Restated 2021 - 2022 Operation Funding Agreement**

The District and Spring Valley Land Investments II, LLC (the Developer) entered into that certain Amended and Restated 2021 - 2022 Operation Funding Agreement dated October 21, 2021, effective March 4, 2021 (the OFA). The OFA was subsequently

## **Spring Valley Metropolitan District No. 5**

### **NOTES TO FINANCIAL STATEMENTS (continued)**

**December 31, 2024**

amended on November 17, 2022 and November 21, 2024. 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. 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 \$250,000 for fiscal years 2020-2025. The District agrees to reimburse the Developer for advances contemplated under the OFA at a rate of 4% per annum. As of December 31, 2024, the outstanding balance due under this agreement is \$66,459 in principal and \$4,291 in accrued interest.

#### **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 (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 2022. 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, 2, 3, 4 and 6, 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, 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 FFCA, 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

## Spring Valley Metropolitan District No. 5

### NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2024

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.

#### **Homebuilder Letter Agreement with Lennar Colorado, LLC and Spring Valley Metropolitan District No. 1**

The District, Spring Valley Metropolitan District No. 1 (collectively with the District, the "Districts"), and Lennar Colorado, LLC ("Lennar") entered into the Homebuilder Letter Agreement dated September 10, 2024, pursuant to which District No. 1 agreed to provide water, sanitary sewer and storm sewer services to residential lots within the boundaries of the District, and Lennar agreed to pay tap fees/system development fees; water and sewer operations reserve fees; facilities fees; road operations reserve fees; and fire protection fees related to the development of residential lots within the boundaries of the District.

#### **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 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.

**Spring Valley Metropolitan District No. 5**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**December 31, 2024**

**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.

**NOTE 11 – SUBSEQUENT EVENT**

On April 11, 2025 the District issued General Obligation Limited Tax Bonds, Series 2025A(2) (Series 2025A Bonds) in the amount of \$15,318,000. The Series 2025A Bonds were issued for the purpose of financing public improvements necessary to support the Development. The Series 2025A Bonds are structured as cash flow bonds and bear interest at a rate of 6.75% payable, to the extent of pledged revenues available, annually on December 1 commencing December 1, 2025.

\* \* \* \* \*

## **SUPPLEMENTARY INFORMATION**

**Spring Valley Metropolitan District No. 5**

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

**For the Year Ended December 31, 2024**

	<b>Original Budgeted Amounts</b>	<b>Final Budgeted Amounts</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>				
Facility fees	\$ -	\$ -	\$ 158,000	\$ 158,000
Tap fees	-	-	648,000	648,000
<b>Total revenues</b>	<u>-</u>	<u>-</u>	<u>806,000</u>	<u>806,000</u>
<b>EXPENDITURES</b>				
Cost of issuance	-	597,600	-	597,600
IGA payment to District No. 1	-	9,747,575	158,000	9,589,575
<b>Total expenditures</b>	<u>-</u>	<u>10,345,175</u>	<u>158,000</u>	<u>10,187,175</u>
<b>Excess of expenditures over (under) revenues</b>	-	(10,345,175)	648,000	10,993,175
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	13,265,000	-	(13,265,000)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>13,265,000</u>	<u>-</u>	<u>(13,265,000)</u>
<b>Net change in fund balances</b>	-	2,919,825	648,000	(2,271,825)
<b>Fund balances - beginning</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ -</u>	<u>\$ 2,919,825</u>	<u>\$ 648,000</u>	<u>\$ (2,271,825)</u>