

RRC METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2023

with

Independent Auditor's Report

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# HIRATSUKA & ASSOCIATES, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
RRC Metropolitan District No. 2  
Jefferson County, Colorado

### **Opinion**

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

In our opinion, the 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 and the 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 Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

### **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 Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information as listed in the table of contents is presented for the purpose of additional analysis and was not a required part of the financial statements.

The Supplemental Information is the responsibility of management and is derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the 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 financial statements as a whole.

*Hiratsuka & Associates, LLP*

November 6, 2024  
Wheat Ridge, Colorado

## RRC Metropolitan District No. 2

### BALANCE SHEET/STATEMENT OF NET POSITION GOVERNMENTAL FUNDS December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>						
Investments - restricted	\$ -	\$ 91	\$ 8,353,870	\$ 8,353,961	\$ -	\$ 8,353,961
Receivable - County Treasurer	140	2,623	-	2,763	-	2,763
Property taxes receivable	36,429	702,753	-	739,182	-	739,182
Receivable other	-	-	-	-	-	-
Receivable from District 1	<u>46,686</u>	<u>162,498</u>	<u>-</u>	<u>209,184</u>	<u>-</u>	<u>209,184</u>
Total Assets	<u>\$ 83,255</u>	<u>\$ 867,965</u>	<u>\$ 8,353,870</u>	<u>\$ 9,305,090</u>	<u>-</u>	<u>9,305,090</u>
<b>LIABILITIES</b>						
Payable to District 1	\$ -	\$ -	\$ 12,883	\$ 12,883	-	12,883
Payable to Authority	46,149	675	347,108	393,932	-	393,932
Accrued interest	-	-	-	-	4,293,155	4,293,155
Long-term liabilities:						
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000,000</u>	<u>45,000,000</u>
Total Liabilities	<u>46,149</u>	<u>675</u>	<u>359,991</u>	<u>406,815</u>	<u>49,293,155</u>	<u>49,699,970</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred property taxes	<u>36,429</u>	<u>702,753</u>	<u>-</u>	<u>739,182</u>	<u>-</u>	<u>739,182</u>
Total Deferred Inflows of Resources	<u>36,429</u>	<u>702,753</u>	<u>-</u>	<u>739,182</u>	<u>-</u>	<u>739,182</u>
<b>FUND BALANCES/NET POSITION</b>						
Fund Balances:						
Restricted:						
Debt service	-	164,537	-	164,537	(164,537)	-
Capital projects	-	-	7,993,879	7,993,879	(7,993,879)	-
Unassigned	<u>677</u>	<u>-</u>	<u>-</u>	<u>677</u>	<u>(677)</u>	<u>-</u>
Total Fund Balances	<u>677</u>	<u>164,537</u>	<u>7,993,879</u>	<u>8,159,093</u>	<u>(8,159,093)</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 83,255</u>	<u>\$ 867,965</u>	<u>\$ 8,353,870</u>	<u>\$ 9,305,090</u>		
Net Position:						
Restricted for:						
Capital projects					7,993,879	7,993,879
Unrestricted					<u>(49,127,941)</u>	<u>(49,127,941)</u>
Total Net Position					<u>\$ (41,134,062)</u>	<u>\$ (41,134,062)</u>

The notes to the financial statements are an integral part of these statements.

## RRC Metropolitan District No. 2

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2023

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>EXPENDITURES</b>						
Transfer to D1	\$ -	\$ -	\$ 14,823,551	\$ 14,823,551	\$ -	\$ 14,823,551
Transfer to Authority	33,887	-	478,543	512,430	-	512,430
Cost of issuance	-	-	9,809	9,809	-	9,809
Treasurer's fees	481	8,960	-	9,441	-	9,441
Bond interest expense	-	616,800	-	616,800	1,853,179	2,469,979
Trustee fees	-	4,000	-	4,000	-	4,000
<b>Total Expenditures</b>	<u>34,368</u>	<u>629,760</u>	<u>15,311,903</u>	<u>15,976,031</u>	<u>1,853,179</u>	<u>17,829,210</u>
<b>GENERAL REVENUES</b>						
Property taxes	31,778	591,449	-	623,227	-	623,227
Specific ownership taxes	2,274	42,326	-	44,600	-	44,600
Interest income	316	5,970	490,627	496,913	-	496,913
Transfer from District No. 1	-	154,125	-	154,125	-	154,125
<b>Total General Revenues</b>	<u>34,368</u>	<u>793,870</u>	<u>490,627</u>	<u>1,318,865</u>	<u>-</u>	<u>1,318,865</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	164,110	(14,821,276)	(14,657,166)	14,657,166	
<b>CHANGE IN NET POSITION</b>	-	-	-	-	(16,510,345)	(16,510,345)
<b>FUND BALANCES/NET POSITION:</b>						
BEGINNING OF YEAR	<u>677</u>	<u>427</u>	<u>22,815,155</u>	<u>22,816,259</u>	<u>(47,439,976)</u>	<u>(24,623,717)</u>
END OF YEAR	<u>\$ 677</u>	<u>\$ 164,537</u>	<u>7,993,879</u>	<u>\$ 8,159,093</u>	<u>\$ (49,293,155)</u>	<u>\$ (41,134,062)</u>

The notes to the financial statements are an integral part of these statements.

## RRC Metropolitan District No. 2

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Property taxes	\$ 31,871	\$ 31,778	\$ (93)
Specific ownership taxes	4,235	2,274	(1,961)
Interest income	<u>-</u>	<u>316</u>	<u>316</u>
Total Revenues	<u>36,106</u>	<u>34,368</u>	<u>(1,738)</u>
<b>EXPENDITURES</b>			
Insurance	3,500	-	3,500
Treasurer's fees	478	481	(3)
Transfer to Authority	25,628	33,887	
Contingency	5,000	-	5,000
Emergency reserve	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total Expenditures	<u>36,106</u>	<u>34,368</u>	<u>9,997</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	-	8,259
<b>NET CHANGE IN FUND BALANCE</b>	-	-	8,259
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>-</u>	<u>677</u>	<u>677</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 677</u>	<u>\$ 8,936</u>

The notes to the financial statements are an integral part of these statements.

## RRC METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

Note 1: Summary of Significant Accounting Policies

The accounting policies of the RRC Metropolitan District No. 2, (the “District”) located in Jefferson County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on December 1, 2016, as a quasi-municipal corporation and political subdivision of the State of Colorado under the Special District Act. The District operates pursuant to the Consolidated Amended and Restated Service Plan for RRC Metropolitan District Nos. 1 and 2 and Service Plan for RRC Metropolitan District Nos. 4-6, approved by the Board of County Commissioners of Jefferson County on August 23, 2022 (the “Service Plan”). The District was originally located in the Town of Morrison; however, it has since disconnected therefrom and is now located in unincorporated Jefferson County. The District was established to finance, construct, and maintain certain public infrastructure improvements that benefit its taxpayers. During 2023 District Nos. 1, 2, 4, 5, and 6 (the “Districts”) formed via contract a separate legal entity, which is a public corporation and political subdivision of the State of Colorado, organized pursuant to the power of Article XIV of the Colorado Constitution and in conformity with the provisions of Sections 29-1-203 and 29-1-203.5 of the Colorado Revised Statutes (such entity, the “RRC Authority”). The RRC Authority will provide certain administrative services in the Districts’ Service Area (as defined in the Service Plan) for the benefit of the Districts, as well as the residents, users, and property owners therein. It is the intent that the RRC Authority will provide residents and property owners the opportunity to participate in the governance of the RRC Authority through representation on the Board. The District's primary source of revenue is interest and property taxes. The District is governed by an elected Board of Directors. The District has no employees, and all operations and administrative functions are contracted.

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

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

## RRC METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

#### Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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 customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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 the related cash flows. Property taxes are recognized as revenues in the year in which they are collected.

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 revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred, or the long-term obligation is paid.

## RRC METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

The District reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest, and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

#### Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors 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.

#### Assets, Liabilities and Net Position

##### Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments on December 31, 2023, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

##### Deposits and Investments

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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.

## RRC METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

#### Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of 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 District has one type of item that qualifies for reporting in this category. This item is deferred property taxes. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

#### Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. The District did not own any Capital Assets at December 31, 2023.

## RRC METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

#### 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 County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

#### Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

#### Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

#### Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

#### Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the Debt Service Fund in the amount of \$164,537 is restricted for the payment of the debt service costs associated with the Series 2021 Bonds (see Note 3).

## RRC METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

The restricted fund balance in the Capital Projects Fund in the amount of \$7,993,879 is restricted for the payment of the costs for capital improvements within the District.

#### Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

#### Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

#### Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

#### Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

RRC METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2023

Note 2: Cash and Investments

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

Statement of Net Position:

Investments - restricted	\$ <u>8,353,961</u>
Total	\$ <u>8,353,961</u>

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

Investments - COLOTRUST	\$ <u>8,353,961</u>
	\$ <u>8,353,961</u>

Deposits

Custodial Credit Risk

The Colorado Public Deposit Protection Act, (“PDPA”) requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the 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.

The District follows state statutes for deposits. None of the District’s deposits were exposed to custodial credit risk.

Investments

Credit Risk

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

Custodial and Concentration of Credit Risk

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

## RRC METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

#### Interest Rate Risk

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

#### Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method ("NAV") per share.

As of December 31, 2023, the District had the following investments:

#### COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST"), is rated AAAM by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in three portfolios, one of which is COLOTRUST PLUS+. COLOTRUST PLUS+ may invest in U.S. Treasuries, government agencies, the highest-rated commercial paper, certain corporate securities, certain money market funds, and certain repurchase agreements, and limits its investments to those allowed by State statutes. Purchases and redemptions are available daily at a net asset value (NAV) of \$1.00. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian's internal records identify the investments owned by participating governments. There are no unfunded commitments and there is no redemption notice period. On December 31, 2023, the District had \$8,353,961 invested in COLOTRUST Plus+.

RRC METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2023

Note 3: Long-Term Debt

The following is an analysis of changes in long-term debt for the year ending December 31, 2023:

	Balance 1/1/2023	Additions	Deletions	Balance 12/31/2023	Current Portion
General Obligation Bonds					
Series 2021 Bonds	\$45,000,000	\$ -	\$ -	\$45,000,000	\$ -
Total	<u>\$45,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$45,000,000</u>	<u>\$ -</u>

A description of the long-term obligations as of December 31, 2023, is as follows:

\$45,000,000 Limited Tax General Obligation Bonds, Series 2021<sup>(3)</sup>

On December 17, 2021, the District issued \$45,000,000 of Limited Tax General Obligation Bonds, Series 2021<sup>(3)</sup> (“Series 2021 Bonds”) for the purpose of financing or reimbursing a portion of the costs of acquiring, constructing, and/or installing certain public infrastructure to serve the Development and paying for the costs of issuance of the Series 2021 Bonds. The Series 2021 Bonds bear interest at 5.250% payable annually on December 1 commencing on December 1, 2022, and mature on December 1, 2051. Interest will compound at the same rate on an unpaid interest balance. The 2021 Bonds are subject to early redemption at the option of the District commencing December 1, 2026, with a redemption premium ranging from 1% to 3% until December 1, 2029 when they can be redeemed with no premium. The 2021 Bonds are limited tax “cash flow” general obligations of the District secured by and payable solely from the Pledged Revenue, consisting of moneys derived by the District from the following sources: the Required Mill Levy, the portion of Specific Ownership Tax related to the Required Mill Levy and the Pledged Fees consisting of property taxes and revenues pledged by District No. 1 pursuant to a Capital Pledge Agreement, and any other moneys determined by the District. Any remaining principal and interest outstanding at December 2, 2065 will be discharged.

Events of Default as defined in the Series 2021 Bond Indenture are 1) the failure of the District to impose or apply the Required Mill levy as per the Indenture, 2) the default by the District in the performance or observance of any other of the covenants, agreements, or conditions of the Indenture and fails to remedy this after notice is given, and 3) the filing of a petition under the federal bankruptcy laws or other applicable laws seeking to adjust the obligations represented by the Bonds. Failure to pay the principal of or interest on the Series 2021 Bonds when due shall not, of itself, constitute an Event of Default under the Indenture. Remedies available in the Event of Default include 1) receivership, 2) suit for judgment, and 3) other suits. Acceleration of the Series 2021 Bonds is not an available remedy for an Event of Default.

Because of the uncertainty of timing of payments under the Series 2021 Bonds no related schedule of expected principal and interest payments is presented.

## RRC METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

#### Debt Authorization

On November 6, 2016, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$550,000,000. Per the District's Service Plan, the District cannot issue debt in excess of \$50,000,000. Pursuant to the Debt Allocation IGA, the District and District No. 1 are allocated \$45,000,000, and the remaining \$5,000,000 is allocated to District No. 3. With the issuance of the Series 2021 Bonds, neither the District nor District No. 1 has any remaining debt authorization available.

#### Note 4: Agreements

##### Debt Allocation IGA

The Districts entered into a Debt Allocation IGA dated February 4, 2020 to set forth the terms and conditions related to the allocation of the aggregate Debt limit authorized by the Service Plan. The Districts agree that the allocation of the Service Plan's Total Debt Issuance Limitation of \$50,000,000 among the Districts is necessary to avoid confusion, duplication of services and potential conflict over Debt authorization available to each of the Districts. Pursuant to the Debt Allocation IGA, the District and District No. 1 are allocated \$45,000,000, and the remaining \$5,000,000 is allocated to District No. 3. The District and District No. 1 may reallocate their portion of allocated Debt upon written agreement without the additional approval of District No. 3, provided that such reallocation does not exceed the Total Debt Issuance Limitation and does not reduce the \$5,000,000 allocated to District No. 3.

##### Capital Pledge Agreement

The District and District No. 1 have entered into the Capital Pledge Agreement dated December 17, 2021. Under the Capital Pledge Agreement, the Districts determined that each shall be liable for the repayment of the Bonds generally in accordance with their relative assessed valuations, and that such allocation is fair and is reasonably related to the relative benefit that the residents, property owners, and taxpayers of both Districts from the Project. Pursuant to which District No. 1 pledges to impose the Mandatory Capital Levy in each year, commencing in December 2021 (for collection in 2022). Under the Pledge Agreement, District No. 1 pledges to pay to the District the Pledge District Capital Revenue.

##### Memorandum of Understanding

The District and District No. 1 entered into a Memorandum of Understanding, dated December 7, 2020 (the "MOU"), acknowledging that the development of District No. 3 will not take place in coordination with the District and District No. 1. Additionally, the MOU established that, until such time that a Facilities Funding, Construction and Operations Agreement (the "FFCOA") is entered into by and among the District and District No. 1, District No. 1 will provide for financing, construction, design, operations and maintenance services for the District and District No. 1, and that the District will reimburse District No. 1 for certain of such costs pursuant to the terms of the FFCOA. Subsequent to year end this Memorandum of Understanding was terminated.

## RRC METROPOLITAN DISTRICT NO. 2

Notes to Financial Statements  
December 31, 2023

### RRC Authority Establishment Agreement

Effective April 6, 2023, the District and District Nos. 2, 4, 5, and 6 (the “Districts”) entered into the RRC Authority Establishment Agreement (“Establishment Agreement”) to form the RRC Authority. Pursuant to the Establishment Agreement, the RRC Authority will provide certain administrative services in the Districts’ Service Area (as defined in the Service Plan) for the benefit of the Districts, as well as the residents, users, and property owners therein. Such coordination of administrative services by the RRC Authority, for the benefit of the Districts, will be financed, primarily, by mill levies imposed by each of the Districts. In addition, the Establishment Agreement authorizes the RRC Authority to construct certain public improvements within the Service Area and that the Districts may contribute to the costs of the construction of such public improvements. It is the intent that the RRC Authority will provide residents and property owners the opportunity to participate in the governance of the RRC Authority through representation on the Board.

#### Note 5: Related Parties

All of the Board members are owners or members of or are otherwise associated with the Developer. Management believes that all potential conflicts, if any, have been disclosed to the Board.

#### Note 6: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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.

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.

## RRC METROPOLITAN DISTRICT NO. 2

### Notes to Financial Statements December 31, 2023

On November 8, 2016, 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 Article X, Section 20 of the Colorado Constitution.

#### Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

#### Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments may have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds and developer advances payable and accrued interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments may have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities; and
- 3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

## RRC Metropolitan District No. 2

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

For the Year Ended December 31, 2023

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 591,359	\$ 591,449	\$ 90
Specific ownership taxes	47,309	42,326	(4,983)
Interest income	50,283	5,970	(44,313)
Transfer from District No. 1	156,325	154,125	(2,200)
Total Revenues	845,276	793,870	(51,406)
<b>EXPENDITURES</b>			
Bond interest expense	836,406	616,800	219,606
Treasurer's fees	8,870	8,960	(90)
Total Expenditures	845,276	625,760	219,516
NET CHANGE IN FUND BALANCE	-	168,110	168,110
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	-	427	427
END OF YEAR	\$ -	\$ 168,537	\$ 168,537

The notes to the financial statements are an integral part of these statements.

## RRC Metropolitan District No. 2

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

For the Year Ended December 31, 2023

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
<b>REVENUES</b>			
Interest income	\$ 100,000	\$ 490,627	\$ 390,627
Total Revenues	<u>100,000</u>	<u>490,627</u>	<u>390,627</u>
<b>EXPENDITURES</b>			
Capital Expenditures	22,658,568	-	22,658,568
Transfer to D1	-	14,823,551	(14,823,551)
Transfer to Authority	-	478,543	(478,543)
Cost of issuance	-	9,809	(9,809)
Total Expenditures	<u>22,658,568</u>	<u>15,311,903</u>	<u>7,346,665</u>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(22,558,568)</b>	<b>(14,821,276)</b>	<b>7,737,292</b>
<b>FUND BALANCE:</b>			
BEGINNING OF YEAR	<u>22,558,568</u>	<u>22,815,155</u>	<u>256,587</u>
END OF YEAR	<u>\$ -</u>	<u>\$ 7,993,879</u>	<u>\$ 7,993,879</u>

The notes to the financial statements are an integral part of these statements.

## RRC Metropolitan District No. 2

### SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2023

<u>Year Ended December 31,</u>	<b>Prior Year Assessed Valuation for Current Year Property Tax Levy</b>	<u>Mills Levied</u>		<u>Total Property Tax</u>		<b>Percent Collected to Levied</b>
		<u>General Fund</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2019	\$ 48	42.000	0.000	\$ 2	2	100.00%
2020	\$ 50	42.000	0.000	\$ 2	2	100.00%
2021	\$ 50	61.230	0.000	\$ 3	3	100.00%
2022	\$ 236,449	3.000	55.664	\$ 13,871	\$ 12,418	89.52%
2023	\$ 10,623,717	3.000	55.664	\$ 623,230	\$ 623,227	100.00%
Estimated for year ending December 31, 2024	\$ 12,143,222	3.000	57.872	\$ 739,182		

The notes to the financial statements are an integral part of these statements.