RRC AUTHORITY

Financial Statements

Year Ended December 31, 2024

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 Authority
Jefferson County, Colorado

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of the RRC Authority (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 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

September 23, 2025
Wheat Ridge, Colorado

RRC Authority

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2024

	General	Capital Projects	Total	Adjustments	Statement of Net Position
ASSETS					
Receivable Developer	$ 41,908	$ -	$ 41,908	$ (41,908)	$ -
Receivable District No. 2	83,664	402,529	486,193	-	486,193
Prepaid expenses	20,281	-	20,281	-	20,281
Capital assets not being depreciated	-	-	-	50,259,950	50,259,950
Total Assets	$ 145,853	$ 402,529	$ 548,382	50,218,042	50,766,424
LIABILITIES					
Accounts payable	$ 13,612	$ 372,383	$ 385,995	-	385,995
Payable to District 1	132,241	-	132,241	-	132,241
Retainage payable	-	30,146	30,146	-	30,146
Long-term liabilities:					
Due in more than one year	-	-	-	10,635,691	10,635,691
Total Liabilities	145,853	402,529	548,382	10,635,691	11,184,073
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepaids	20,281	-	20,281	(20,281)	-
Unassigned	(20,281)	-	(20,281)	20,281	-
Total Fund Balances	-	-	-	-	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 145,853	$ 402,529	$ 548,382		
Net Position:					
Net investment in capital assets				39,624,259	39,624,259
Restricted for:					
Unrestricted				(41,908)	(41,908)
Total Net Position				$ 39,582,351	$ 39,582,351

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

RRC Authority

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2024

	General	Capital Projects	Total	Adjustments	Statement of Activities
EXPENDITURES					
Accounting	$ 18,061	$ -	$ 18,061	$ -	$ 18,061
Audit	24,600	-	24,600	-	24,600
Insurance	21,289	-	21,289	-	21,289
Legal	61,760	-	61,760	-	61,760
Miscellaneous expenses	4,192	-	4,192	-	4,192
Engineering	-	172,749	172,749	(172,749)	-
Capital outlay	-	13,327,645	13,327,645	(13,327,645)	-
Interest on developer advances	-	-	-	139,780	139,780
Total Expenditures	129,902	13,500,394	13,630,296	(13,360,614)	269,682
GENERAL REVENUES					
Transfer from District No. 1	34,533	-	34,533	-	34,533
Transfer from District No. 2	38,204	3,501,929	3,540,133	-	3,540,133
Total General Revenues	72,737	3,501,929	3,574,666	-	3,574,666
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(57,165)	(9,998,465)	(10,055,630)	13,360,614	3,304,984
OTHER FINANCING SOURCES (USES)					
Developer advances	41,908	9,998,465	10,040,373	(10,040,373)	-
Total Other Financing Sources (Uses)	41,908	9,998,465	10,040,373	(10,040,373)	-
NET CHANGES IN FUND BALANCES	(15,257)	-	(15,257)	15,257	
CHANGE IN NET POSITION				3,304,984	3,304,984
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR - RESTATED	15,257	-	15,257	36,262,110	36,277,367
END OF YEAR	$ -	$ -	$ -	$ 39,582,351	$ 39,582,351

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

RRC Authority

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Transfer from District No. 1	$ 35,799	$ 39,767	$ 34,533	$ (5,234)
Transfer from District No. 2	41,160	45,361	38,204	(7,157)
Total Revenues	76,959	85,128	72,737	(12,391)
EXPENDITURES				
Accounting	20,000	20,000	18,061	1,939
Audit	-	24,000	24,600	(600)
Insurance	15,000	22,000	21,289	711
Legal	30,000	60,000	61,760	(1,760)
Miscellaneous expenses	500	4,000	4,192	(192)
Contingency	9,959	-	-	-
Emergency reserve	1,500	-	-	-
Total Expenditures	76,959	130,000	129,902	98
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(44,872)	(57,165)	(12,293)
OTHER FINANCING SOURCES (USES)				
Developer advances	-	29,615	41,908	12,293
Total Other Financing Sources (Uses)	-	29,615	41,908	12,293
NET CHANGE IN FUND BALANCE	-	(15,257)	(15,257)	-
FUND BALANCE:				
BEGINNING OF YEAR	-	15,257	15,257	-
END OF YEAR	$ -	$ -	$ -	$ -

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

Note 1: Summary of Significant Accounting Policies

The accounting policies of the RRC Authority (the "Authority"), 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 Authority is a political subdivision and public corporation and was formed pursuant to the RRC Authority Establishment Agreement dated as of April 6, 2023. The Authority operates pursuant to the RRC Authority Establishment Agreement (the "Establishment Agreement"), by and among RRC Metropolitan District No. 1 (District No. 1), RRC Metropolitan District No. 2 (District No. 2), RRC Metropolitan District No. 4 (District No. 4) RRC Metropolitan District No. 5 (District No. 5) and RRC Metropolitan District No. 6 (District No. 6). District No. 1, District No. 2, District No. 4, District No. 5 and District No. 6 are collectively the "Member Districts". The primary revenues of the Authority will be property taxes transferred from the Member Districts. The Authority is governed by a Board of Directors appointed by the Member Districts.

As required by GAAP, these financial statements present the activities of the Authority, which is legally separate and financially independent of other state and local governments. The Authority 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 Authority is not financially accountable for any other organization. The Authority has no component units as defined by the GASB.

The Authority has no employees and all operations and administrative functions are contracted.

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 Authority. The statement of net position reports all financial and capital resources of the Authority. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the Authority 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 Authority 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.

The Authority reports the following major governmental funds:

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

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 Authority'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 Authority'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. The appropriation is at the total fund expenditures level and lapses at year end. The total appropriations in the General Fund and the Capital Projects Fund were amended, however, total expenditures exceeded total appropriations which maybe a violation of State budget law.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The Authority's financial instruments include cash and investments, accounts receivable and accounts payable. The Authority estimates that the fair value of all financial instruments at December 31, 2024, 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 Authority'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 Authority 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.

Estimates

The preparation of these financial statements in conformity with GAAP requires the Authority 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 Authority 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 Authority has no items that qualify for reporting in this category.

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 Authority 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 Authority 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. During 2023, District No. 1 conveyed all capital assets to the Authority. There was no depreciation recorded in 2024.

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:

Restated Beginning Net Position
Beginning Net Position was restated to record developer advances that were transferred from District No. 1 in 2023 to the Authority, and to add additional capital assets that were transferred from District No. 1 to the Authority during 2023.

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.

The nonspendable fund balance in the General Fund represents prepaid expenditures.

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.

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 Authority intends to use for a specific purpose. Intent can be expressed by the Authority'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 Authority 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 or 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 Authority.

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

Note 2: Cash and Investments

The Authority had no cash or investments at December 31, 2024.

Note 3: Capital Assets

An analysis of the changes in capital assets for the year ended December 31, 2024 follows:

Governmental Type Activities:	Restated Balance 1/1/2024	Additions	Deletions	Balance 12/31/2024
Capital assets not being depreciated:				
Construction in progress	$36,759,556	$13,500,394	$ -	$50,259,950
Total capital assets not being depreciated	36,759,556	13,500,394	-	50,259,950
Government type assets, net	$36,759,556	$13,500,394	$ -	$50,259,950

Upon completion and acceptance, a portion of the capital assets will be conveyed by the Authority to other local governments. The Authority will not be responsible for maintenance of the conveyed assets.

Note 4: Long-Term Debt

The following is an analysis of changes in long-term debt for the year ending December 31, 2024:

	Restated Balance 1/1/2024	Additions	Deletions	Balance 12/31/2024	Current Portion
Other:					
Operating advances - principal	$ 421,870	$ -	$ -	$ 421,870	$ -
Operating advances - interest	75,576	32,399	-	107,975	-
Capital advances - principal	-	9,998,465	-	9,998,465	-
Capital advances - interest	-	107,381	-	107,381	-
	$ 497,446	$10,138,245	$ -	$10,635,691	$ -

A description of the long-term obligations as of December 31, 2024, is as follows:

Facilities Acquisition and Reimbursement Agreement (Lennar).

On February 10, 2020, District No. 1 and Lennar Colorado, LLC ("Lennar") entered into a Facilities Acquisition and Reimbursement Agreement (the "Lennar FARA"), setting forth the rights, obligations, and procedures for the acquisition of the Public Improvements and for District No. 1 to reimburse Lennar. Effective January 1, 2024, the Lennar FARA was assigned by District No. 1 to the Authority. Lennar acknowledges that the Authority will design, construct, and complete certain Public Improvements and will incur construction related expenses in reliance upon Lennar's commitments therein to provide funding; provided that Lennar is only obligated for construction related expenses to the extent previously advanced by or otherwise previously agreed to be funded by Lennar. Pursuant to the Lennar FARA, Lennar agrees to advance funds necessary to fund the Public Improvements incurred by the Authority on a periodic basis for the fiscal years 2020 through 2030, up to $50,000,000, the total estimated cost to complete construction of the Public Improvements, including contingencies. The Authority is to provide written notice to Lennar that an advance of all or part of the Lennar FARA Shortfall Amount is required and Lennar is to advance of funds to the Authority within 30 days of receipt of such notice. At December 31, 2024, there was outstanding principal of $9,998,465 and accrued interest of $107,381.

The Lennar FARA also provides that the Authority will acquire all or a portion of the Public Improvements which are intended to be conveyed to the Authority for ownership, operation and maintenance after substantial completion of the component or phase of the Public Improvements and receipt of the following: (a) an Indemnification Agreement executed by Lennar, which the Authority agrees to sign, and Lennar agrees to indemnify the Authority for any liens or lien waivers verifying all amounts due for such Public Improvements have been paid in full; (b) a non-exclusive assignment from Lennar to the Authority of any transferrable warranties associated with the Public Improvements; (c) a Special Warranty Deed executed by Lennar conveying the real property to the Authority, if the Authority is to assume ownership; and (d) a Bill of Sale executed by Lennar conveying the Public Improvements to the District.

Subject to the receipt of funding pursuant to the Lennar FARA, the Authority agrees to make payment to Lennar for all Lennar FARA Advances and/or construction related expenses, together with interest thereon, including any Lennar FARA Advances and/or construction related expenses incurred after the Authority s' Organization Date. Upon payment request by Lennar, the Authority will obtain a certification of an independent engineer that the construction related expenses are reimbursable (the "Lennar FARA Verified Costs") based on the copies of invoices and evidenced payment of same. Simple interest is to accrue on construction related expenses at the rate of 8% per annum until paid as follows: (a) on each Lennar FARA Advance, from the date of deposit into the Authority's account; or (b) on Lennar FARA Verified Costs for amounts expended by Lennar for Public Improvements constructed after the Authority s' Organization Date, from the date Lennar FARA Verified Costs were incurred by Lennar. The Authority and Lennar agree that payments by the Authority to Lennar are to be credited first against accrued and unpaid interest and then to the principle amount due.

The Authority and Lennar agree that no payment is required of the Authority under the Lennar FARA unless and until the Authority issues bonds in an amount sufficient to reimburse Lennar for all or a portion of the Lennar FARA Advances and/or Lennar FARA Verified Costs. The Authority agrees to exercise reasonable efforts to issue bonds to reimburse Lennar subject to the limitations therein. In addition, the Authority agrees to utilize any available moneys not otherwise pledged to payment of bonds, used for operation and maintenance expenses, or otherwise encumbered, to reimburse Lennar. The Lennar FARA does not constitute a debt or indebtedness of the Authority within the meaning of any constitutional or statutory provision, nor does it constitute a multiple fiscal year financial obligation.

Operation Funding Agreement (Lennar).

The Authority and Lennar have entered into an Operation Funding Agreement dated and effective May 7, 2023 and amended November 12, 2024 (as amended the "Lennar OFA") to set forth the rights, obligations and procedures for Lennar to advance funds and for the Authority to reimburse Lennar for such advances. Pursuant to the Lennar OFA, Lennar agreed to advance funds necessary to fund, or directly pay, the Authoritys' operations, maintenance and administrative expenses for the fiscal years 2023 through 2025 on a periodic basis as needed (the "Lennar OFA Advance"), up to a stated shortfall amount ($170,000, referred to as the "Lennar OFA Shortfall Amount"). If the Authority requires additional Lennar OFA Advances above the Lennar OFA Shortfall Amount from Lennar in order to meet its operation and maintenance expenses, the Authority is to request such additional funds in writing and the amount of the additional funds, which are to be added to the Lennar OFA Shortfall Amount.

The Lennar OFA states that it is the Authority's intent to repay the amounts Lennar has advanced or directly paid pursuant to the Lennar OFA, and the making of any reimbursement thereof does not constitute a multiple fiscal year financial obligation. Simple interest accrues on each Lennar OFA Advance from the date of deposit into the Authority's account or from the date of direct payment by Lennar, until paid, at the rate of 8% per annum. Payments to reimburse Lennar are to be made on December 2 of each year subject to funds available and are to be applied as follows: (a) first to the accrued and unpaid interest; and (b) then to the principal amount due pursuant to the Lennar OFA. Amounts outstanding under this agreement are labeled as "Operating Advances" in the table above.

Note 5: Debt Authorization

The Authority may issue debt, however, the Authority's ability to issue debt is limited by the limitations set forth in the Service Plans of each Member District, individually. Each Member District is limited in its ability to issue Debt as set forth in its individual Service Plan. The Member Districts are limited to a total, aggregate amount not to exceed $50,000,000 (the "Service Plan Debt Issuance Limit"). Pursuant to the Debt Allocation Intergovernmental Agreement, District No. 1 and District No. 2 are allocated $45,000,000 (the "Allocated Service Plan Debt Issuance Limit"), and the remaining $5,000,000 is allocated to District No. 3. Of the $45,000,000 in Allocated Service Plan Debt Issuance Limit: District No. 2 has issued to date a total of $45,000,000 in Bonds. Therefore, the amount of debt authorization remaining within the Service Plan Debt Issuance Limit for the Member Districts combined is $0.

Electors of the Member Districts voted to authorize debt issuance by power (such as water, sewer, or streets) as follows:

RRC MD Nos. 1-2: November 8, 2016
RRC MD Nos. 4-6: November 8, 2022

As the actual costs of construction were not known it was not possible at the time of the elections for each respective Member District to allocate the Service Plan Debt Issuance Limits by power. Therefore, the Member Districts voted their respective Service Plan Debt Issuance Limit in every power resulting in the Member Districts having voter authorization in excess of their respective Service Plan Debt Issuance Limits.

With that understanding, as of December 31, 2024, the Member Districts had remaining voted debt authorization of $0. However, in no event is the Authority authorized to issue Debt is excess of the Service Plan Debt Issuance Limits.

Note 6: Agreements

RRC Authority Establishment Agreement

Effective April 6, 2023, the Authority and the Member Districts entered into the RRC Authority Establishment Agreement ("Establishment Agreement") to form the RRC Authority. Pursuant to the Establishment Agreement, the Authority provides 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 Authority, for the benefit of the Member Districts, will be financed, primarily, by mill levies imposed by each of the Member Districts. In addition, the Establishment Agreement authorizes the Authority to construct certain public improvements within the Service Area and that the Member Districts may contribute to the costs of the construction of such public improvements. The Authority provides residents and property owners the opportunity to participate in the governance of the Authority through representation on the Board.

Note 7: Related Parties

During 2024 all of the Board members were owners or members of or were otherwise associated with the Lennar. Management believes that all potential conflicts, if any, have been disclosed to the Board.

Note 8: 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 Authority'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 9: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the Authority 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 Authority 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 Authority 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 Authority 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 10: 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.

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 developer advances as revenue.

SUPPLEMENTAL INFORMATION

RRC Authority

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
For the Year Ended December 31, 2024

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Transfer from District No. 2	$ 8,441,603	$ 12,000,000	$ 3,501,929	$ (8,498,071)
Total Revenues	8,441,603	12,000,000	3,501,929	(8,498,071)
EXPENDITURES				
Engineering	-	-	172,749	(172,749)
Capital outlay	8,441,603	12,000,000	13,327,645	(1,327,645)
Total Expenditures	8,441,603	12,000,000	13,500,394	(1,500,394)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(9,998,465)	(9,998,465)
OTHER FINANCING SOURCES (USES)				
Developer advances	-	-	9,998,465	9,998,465
Total Other Financing Sources (Uses)	-	-	9,998,465	9,998,465
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE:				
BEGINNING OF YEAR	-	-	-	-
END OF YEAR	$ -	$ -	$ -	$ -

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