

**SKY RANCH COMMUNITY AUTHORITY BOARD
ARAPAHOE COUNTY, COLORADO**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

**SKY RANCH COMMUNITY AUTHORITY BOARD
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YEAR ENDED DECEMBER 31, 2019**

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Independent Auditor's Report

Members of the Board of Directors
Sky Ranch Community Authority Board

We have audited the accompanying financial statements of the governmental activities and the major funds of Sky Ranch Community Authority Board as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Sky Ranch Community Authority Board as of December 31, 2019 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.

Other-Matters

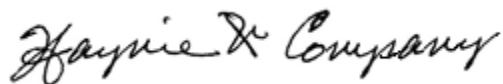
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such 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. This 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. Such 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 to 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sky Ranch Community Authority Board's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents 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. Such 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 to 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.



Littleton, Colorado
June 29, 2020

**SKY RANCH COMMUNITY AUTHORITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2019**

The following is management's discussion and analysis (MD&A) of the financial activities of Sky Ranch Community Authority Board (the CAB) for the year ended December 31, 2019. This information should be read in conjunction with the basic financial statements which follow.

BACKGROUND INFORMATION

Pursuant to a Community Authority Board Establishment Agreement, as the same may be amended from time to time, Sky Ranch Metropolitan District No. 1 and Sky Ranch Metropolitan District No. 5 (collectively, the CAB Districts) formed the CAB to, among other things, design, construct, finance, operate and maintain certain public improvements for the benefit of the property within the boundaries and/or service area of the CAB Districts. In order for the public improvements to be constructed and/or acquired, it is necessary for each of the CAB Districts, directly or through the CAB, to be able to fund the improvements and pay its ongoing operations and maintenance expenses related to the provision of services that benefit the property. The CAB entered into agreements with Pure Cycle Corporation (the Developer) in November 2017 and June 2018, requiring the Developer to fund expenses related to the construction of an agreed upon list of improvements for the Sky Ranch property.

FINANCIAL HIGHLIGHTS

- Total assets of \$29.5 million, an increase of \$16.9 million or 134.9% from 2018
- Total liabilities of \$30.9 million, an increase of \$18.3 million or 145.5% from 2018
- Net position of (\$1.4) million, a decrease of \$1.4 million from 2018
- Total revenues of \$0.4 million, an increase of \$0.1 million or 20.3% from 2018
- Developer advances for the year were \$15.2 million, an increase of \$5.6 million or 59.3% from 2018
- Developer repayments, including accrued interest, were \$10.5 million in 2019
- Capital asset additions were \$14.1 million in 2019
- The above increases was due to the development of Sky Ranch which began in 2018

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the CAB's basic financial statements, which are comprised of three parts: i) the MD&A, ii) the basic financial statements, including the notes thereto; and iii) the supplementary and other information. The basic financial statements include two kinds of statements that present information relating to the CAB:

- The first two are government-wide financial statement that provide both long-term and short-term information about the CAB's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the CAB, reporting the CAB's operations in more detail than the government-wide financial statements.

**SKY RANCH COMMUNITY AUTHORITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2019**

The government-wide financial statements are designed to provide readers a broad overview of the District's finances, in a manner similar to a private-sector business. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. These statements provide both short-term and long-term information about the District's overall financial status.

The Statement of Net Position presents information on the CAB's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as Net Position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the CAB is improving or deteriorating.

The Statement of Activities shows how the CAB's net position changes during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This is known as the accrual basis of accounting. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future (e.g., unpaid developer advances) or that may have occurred in the past (e.g., amortization of debt premiums or discount and prepaid contributed capital). This statement measures the financial outcomes of the CAB's activities and can be used to determine whether the CAB has successfully recovered all its economic costs through its fees, capital contributions, and other charges.

The fund financial statements provide more detailed information about the District's funds. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. All of the District's basic services are included in governmental funds, which generally focus on: 1) inflows and outflows of cash and other financial assets, and 2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the government-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements, such as the CAB's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Supplementary and other information provide details on budget to actual changes, a reconciliation of revenues and expenditures on a budgetary basis, and a schedule of debt service requirements to maturity.

**SKY RANCH COMMUNITY AUTHORITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2019**

FINANCIAL ANALYSIS

Net Position

As discussed above, net position may serve over time as a useful indicator of the CAB's financial position. The table below presents a summary of the CAB's net position:

Table 1 – Condensed Statements of Net Position

	As of December 31,		Year-to-year Changes	
	2019	2018	\$	%
Cash and other assets	\$ 3,088,022	\$ 288,889	\$ 2,799,133	968.9%
Capital assets	26,372,043	12,252,370	14,119,673	115.2%
Total assets	<u>\$ 29,460,065</u>	<u>\$ 12,541,259</u>	<u>\$ 16,918,806</u>	<u>134.9%</u>
Accounts payable	\$ 1,189,494	\$ 2,466,658	\$ (1,277,164)	(51.8)%
Other liabilities	29,715,002	10,123,704	19,591,298	193.5%
Total liabilities	<u>30,904,496</u>	<u>12,590,362</u>	<u>18,314,134</u>	<u>145.5%</u>
Net position				
Restricted	12,200	10,204	1,996	19.6%
Unrestricted	(1,456,631)	(59,307)	(1,397,324)	(2356.1)%
Total net position	<u>\$ (1,444,431)</u>	<u>\$ (49,103)</u>	<u>\$ (1,395,328)</u>	<u>(2841.6)%</u>

The CAB's most significant assets are related to the infrastructure being constructed at Sky Ranch related to the public improvements (roads, sidewalks, the parks, etc.). The largest liabilities are the amounts owed to the Developer for the cost of the infrastructure noted above.

The CAB's net position represents amounts restricted for a specific purpose. The restricted amount represents Emergency Reserves that have been provided as required by the Constitution of the State of Colorado.

The remaining balance of the CAB's net position represents unrestricted net position and may be used to meet the CAB's ongoing obligations to creditors.

**SKY RANCH COMMUNITY AUTHORITY BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2019**

Change in Net Position

While the statement of net position displays the CAB's assets, liabilities and net position at year-end, the statement of activity and the statement of revenues, expenses, and changes in net position provide information on the source of the change in net position during the year. The majority of the changes in net position are a result of the construction activities at Sky Ranch. The table below presents the CAB's summarized operating activities.

**Table 2 – Condensed Statement of Revenue, Expenses and
Changes in Net Position
Year Ended December 31, 2019**

Program revenues	\$ 403,618
Nonoperating revenues	5,783
Total revenues	<u>409,401</u>
Operating expenses	147,885
Interest and debt-related expenses	<u>1,656,844</u>
Total expenses	<u>1,804,729</u>
Change in net position	(1,395,328)
Beginning net position	<u>(49,103)</u>
Ending net position	<u><u>\$ (1,444,431)</u></u>

Interest and debt-related expenses were high due to the issuance of the Bonds as described in the notes to the basic financial statements.

Capital Asset Activity

The CAB's capital assets at December 31, 2019, totaled \$26.4 million, consisting of construction in progress. Capital asset additions in 2019 were \$14.1 million, the majority of which related to public improvements at Sky Ranch.

Long-Term Obligations

As of December 31, 2019, the CAB had outstanding debts in the form of bonds and advances totaling \$28,761,394. Detailed information on the CAB's long-term obligations is presented in Note 5 of the financial statements.

REQUESTS FOR INFORMATION

These financial statements are designed to provide a general overview of the CAB's finances. Questions concerning any of the information provide in this report or requests for additional information should be addressed to:

Sky Ranch Community Authority Board
8390 E Crescent Pkwy, Ste. 300
Greenwood Village, CO 80111

BASIC FINANCIAL STATEMENTS

SKY RANCH COMMUNITY AUTHORITY BOARD
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities
ASSETS	
Cash and Investments - Restricted	\$ 2,488,899
Prepaid Expenses	6,220
Accounts Receivable	241,078
Due from Sky Ranch Metropolitan Districts Nos. 1 and 5	167,111
Deposits - SEMSWA	184,714
Capital Assets, Not Being Depreciated	26,372,043
Total Assets	<u>29,460,065</u>
LIABILITIES	
Accounts Payable	1,189,494
Retainage Payable	869,287
Accrued Interest Payable - Bonds	84,321
Long-Term Liabilities	
Due in More Than One Year	<u>28,761,394</u>
Total Liabilities	<u>30,904,496</u>
NET POSITION	
Restricted For:	
Emergency Reserves	12,200
Unrestricted	<u>(1,456,631)</u>
Total Net Position	<u><u>\$ (1,444,431)</u></u>

See accompanying Notes to Basic Financial Statements.

**SKY RANCH COMMUNITY AUTHORITY BOARD
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
	<u>Expenses</u>				
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ 147,885	\$ 263,711	\$ 139,907	\$ -	\$ 255,733
Interest and Related Costs on Long-Term Debt	<u>1,656,844</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,656,844)</u>
Total Governmental Activities	<u>\$ 1,804,729</u>	<u>\$ 263,711</u>	<u>\$ 139,907</u>	<u>\$ -</u>	<u>(1,401,111)</u>
GENERAL REVENUES					
Net Investment Income					<u>5,783</u>
Total General Revenues					<u>5,783</u>
CHANGE IN NET POSITION					(1,395,328)
Net Position - Beginning of Year, as Restated					<u>(49,103)</u>
NET POSITION - END OF YEAR					<u>\$ (1,444,431)</u>

See accompanying Notes to Basic Financial Statements.

**SKY RANCH COMMUNITY AUTHORITY BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments - Restricted	\$ 6,545	\$ 2,366,734	\$ 115,620	\$ 2,488,899
Prepaid Expenses	6,220	-	-	6,220
Accounts Receivable	241,078	-	-	241,078
Due from Sky Ranch Metropolitan Districts Nos. 1 and 5	167,111	-	-	167,111
Deposits - SEMSWA	-	-	184,714	184,714
Total Assets	<u>\$ 420,954</u>	<u>\$ 2,366,734</u>	<u>\$ 300,334</u>	<u>\$ 3,088,022</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 36,059	\$ -	\$ 1,153,435	\$ 1,189,494
Retainage Payable	-	-	869,287	869,287
Total Liabilities	<u>36,059</u>	<u>-</u>	<u>2,022,722</u>	<u>2,058,781</u>
FUND BALANCES				
Nonspendable:				
Prepaid Expenses	6,220	-	-	6,220
Restricted For:				
Emergency Reserve	12,200	-	-	12,200
Debt Service	-	2,366,734	-	2,366,734
Unassigned:				
General Government	366,475	-	-	366,475
Capital Projects	-	-	(1,722,388)	(1,722,388)
Total Fund Balances	<u>384,895</u>	<u>2,366,734</u>	<u>(1,722,388)</u>	<u>1,029,241</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 420,954</u>	<u>\$ 2,366,734</u>	<u>\$ 300,334</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Capital Assets, Not Being Depreciated				26,372,043
Long-term liabilities are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.				
Bonds Payable				(13,195,000)
Bonds Premium Payable				(306,458)
Accrued Interest Payable - Bonds				(84,321)
Developer Advance Payable				(13,896,125)
Developer Advance Payable - Project Management				(1,176,278)
Accrued Interest Payable - Developer Advances				(187,533)
Net Position of Governmental Activities				<u>\$ (1,444,431)</u>

See accompanying Notes to Basic Financial Statements.

SKY RANCH COMMUNITY AUTHORITY BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Design Review Fees	\$ 200	\$ -	\$ -	\$ 200
Public Improvement Fees	216,029	-	-	216,029
O&M Fees	43,182	-	-	43,182
Administrative Fees	4,300	-	-	4,300
Transfer from Sky Ranch District No. 1	478	-	-	478
Transfer from Sky Ranch District No. 5	139,429	-	-	139,429
Net Investment Income	22	3,301	2,460	5,783
Total Revenues	403,640	3,301	2,460	409,401
EXPENDITURES				
General:				
Accounting	13,252	-	-	13,252
Audit	400	-	-	400
Dues and Memberships	1,048	-	-	1,048
Insurance	2,567	-	-	2,567
CAB Management	16,361	-	24,541	40,902
Legal	73,945	-	9,069	83,014
Miscellaneous	15	-	1,501	1,516
Covenant Control	5,186	-	-	5,186
Debt Service:				
Bond Issue Costs	-	-	640,436	640,436
Capital Projects:				
Capital Outlay	-	-	13,523,417	13,523,417
Project Management Fee	-	-	596,256	596,256
Total Expenditures	112,774	-	14,795,220	14,907,994
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	290,866	3,301	(14,792,760)	(14,498,593)
OTHER FINANCING SOURCES (USES)				
Bond Issuance	-	-	13,195,000	13,195,000
Bond Premium	-	-	306,458	306,458
Developer Advances	-	-	14,570,380	14,570,380
Developer Advances - Project Management	-	-	596,256	596,256
Repay Developer Advances	-	-	(10,505,001)	(10,505,001)
Transfers from Other Funds	-	2,363,433	180,000	2,543,433
Transfers to Other Funds	(180,000)	-	(2,363,433)	(2,543,433)
Total Other Financing Sources (Uses)	(180,000)	2,363,433	15,979,660	18,163,093
NET CHANGE IN FUND BALANCES	110,866	2,366,734	1,186,900	3,664,500
Fund Balances (Deficits) - Beginning of Year, as Restated	274,029	-	(2,909,288)	(2,635,259)
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ 384,895</u>	<u>\$ 2,366,734</u>	<u>\$ (1,722,388)</u>	<u>\$ 1,029,241</u>

See accompanying Notes to Basic Financial Statements.

SKY RANCH COMMUNITY AUTHORITY BOARD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances - Governmental Funds	\$ 3,664,500
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay	14,119,673
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The issuance of long-term debt (e.g., bonds) 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Bond Issuance - Series 2019A	(11,435,000)
Bond Issuance - Series 2019B	(1,760,000)
Bond Premium - Series 2019A	(306,458)
Developer Advances	(14,570,380)
Developer Advances - Project Management	(596,256)
Repayment of Developer Advances	9,613,056

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 Advances - Change in Liability	(40,142)
Accrued Interest on Bonds - Change in Liability	(84,321)

Change in Net Position of Governmental Activities	\$ <u>(1,395,328)</u>
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**SKY RANCH COMMUNITY AUTHORITY BOARD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net Investment Income	\$ -	\$ 22	\$ 22
Design Review Fees	-	200	200
Public Improvement Fees	-	216,029	216,029
O&M Fees	20,081	43,182	23,101
Administrative Fees	-	4,300	4,300
Transfer from Sky Ranch District No. 1	500	478	(22)
Transfer from Sky Ranch District No. 5	100,629	139,429	38,800
Total Revenues	121,210	403,640	282,430
EXPENDITURES			
General:			
Accounting	-	13,252	(13,252)
Audit	5,000	400	4,600
Dues and Memberships	-	1,048	(1,048)
Insurance	8,500	2,567	5,933
CAB Management	20,000	16,361	3,639
Legal	45,000	73,945	(28,945)
Miscellaneous	1,500	15	1,485
Operations and Maintenance:			
Landscaping	94,150	-	94,150
Covenant Control	34,105	5,186	28,919
Detention Ponds	20,000	-	20,000
Fencing	2,500	-	2,500
Park and Trails	32,009	-	32,009
Monuments	5,000	-	5,000
Mailboxes	750	-	750
Utilities	53,000	-	53,000
Engineering	5,000	-	5,000
Miscellaneous/Contingency	55,308	-	55,308
Total Expenditures	381,822	112,774	269,048
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(260,612)	290,866	551,478
OTHER FINANCING SOURCES (USES)			
Developer Advances	275,049	-	(275,049)
Transfers to Other Funds	(250,000)	(180,000)	70,000
Total Other Financing Sources (Uses)	25,049	(180,000)	(205,049)
NET CHANGE IN FUND BALANCE	(235,563)	110,866	346,429
Fund Balance - Beginning of Year	235,563	274,029	38,466
FUND BALANCE - END OF YEAR	\$ -	\$ 384,895	\$ 384,895

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 DEFINITION OF REPORTING ENTITY

The Sky Ranch Community Authority Board (the CAB) is a political subdivision and public corporation of the State of Colorado, formed pursuant to that certain Amended and Restated Sky Ranch Community Authority Board Establishment Agreement, dated September 18, 2018, effective November 13, 2017 (as restated and amended, the CABEA), as may be further amended from time to time, between Sky Ranch Metropolitan District No. 1 (District No. 1) and Sky Ranch Metropolitan District No. 5 (District No. 5, and together with District No. 1, the CAB Districts), under authority granted by Sections 18(2)(a) and (b) of Article XIV of the Colorado Constitution and Sections 29-1-203 and 29-1-203.5 of the Colorado Revised Statutes, as amended.

The CAB Districts and Sky Ranch Metropolitan District No. 3 (District No. 3) and Sky Ranch Metropolitan District No. 4 (District No. 4, and together with District No. 3, the Inactive Districts) exist for the purpose of financing, constructing, installing, acquiring and operating and maintaining certain public improvements as described in the their respective Service Plans (collectively, the Public Improvements) to serve and benefit a planned, mixed-use development consisting of residential, commercial, and retail properties within the boundaries of the project area known as Sky Ranch (the Development or the Service Area). The CAB Districts and Inactive Districts are collectively referred to as the Districts.

The Districts' respective Service Plans contemplated that the Districts, with the approval of their electors, would enter into one or more intergovernmental agreements to coordinate the financing, installation, construction and operations and maintenance of Public Improvements that benefit the users of, and residents within, the Service Area, and the CAB Districts entered into the CABEA and formed the CAB for those purposes. The Inactive Districts are currently in inactive status, but the boards of the Inactive Districts may decide to become parties to the CABEA in the future, at which time the Inactive Districts would also become CAB Districts.

Under the CABEA, each CAB District shall transfer certain revenues received by it to fund the operation and maintenance costs and capital costs of the Public Improvements. Each CAB District has agreed, and the CABEA provides, that the CAB will own, operate maintain, finance and construct Public Improvements benefiting the CAB Districts, and that the CAB Districts will contribute to the costs of construction, operation and maintenance of such Public Improvements. It is the intent of the CAB Districts that either the CAB or any of the Districts may, from time to time, issue its own debt and use proceeds to finance the Public Improvements and that the CAB will enter into contracts to construct the Public Improvements. See Note 7 - Agreements for additional information on the CABEA.

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the CAB are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the CAB. The effect of interfund activity has been removed from these statements. Both statements distinguish between governmental activities, which normally are supported by taxes and intergovernmental revenues, and business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the CAB. The difference between the assets and liabilities of the CAB 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 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. Other revenues not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for 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.

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 CAB considers revenues to be measurable and available (hence recognized at year-end) if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are service fees and intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the CAB. The CAB has 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.

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)**

The CAB reports the following major governmental funds:

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

The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on bonds issued by the CAB.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of public improvements related to all filings within the Districts.

Budgets

In accordance with the State Budget Law, the CAB'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 appropriation is at the total fund expenditures and financing uses level and lapses at year-end. The CAB'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 CAB has amended its annual budget for the year ended December 31, 2019.

Pooled Cash and Investments

The CAB 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 total cash.

Amortization

Original Issue Discount/Premium

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

Capital Assets

Capital assets are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the CAB as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at cost if purchased or estimated cost if constructed. Donated capital assets are recorded at acquisition value at the date of donation.

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Capital assets which are anticipated to be conveyed to other governmental entities, as well as capital assets being constructed which the CAB may operate and maintain, are recorded as construction in progress. Construction in progress is not being depreciated and is not included in the calculation of Net Investment in Capital Assets component of the CAB's net position. Depreciation begins at the time assets are placed in service.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

O&M Fees and Administrative Fees

On March 8, 2019, the CAB's Board of Directors adopted Resolution No. 2019-03-01, Resolution of the Board of Directors of Sky Ranch Community Authority Board Regarding the Imposition of Operations and Maintenance Fees (the Original O&M Fee Resolution), which imposed certain operations and maintenance fees on real property within the boundaries of District No. 1, effective April 1, 2019. On November 8, 2019, the CAB's Board of Directors adopted Resolution No. 2019-11-03, Amended and Restated Resolution of the Board of Directors of Sky Ranch Community Authority Board Regarding the Imposition of Operations and Maintenance Fees (the O&M Fee Resolution), which amended and restated the Original O&M Fee Resolution in its entirety.

Pursuant to the O&M Fee Resolution, the CAB imposes certain operations and maintenance fees (O&M Fees) on real property within the boundaries of District No. 1 as follows: (1) for unplatted lots, there are no O&M Fees imposed on homebuilders; (2) upon transfer of a finished lot to a homebuilder, (i) for the time period between April 1, 2019 and December 31, 2019, the CAB imposed O&M Fees upon homebuilders at the rate of \$25 per month, or \$75 per quarter, billed quarterly, and (ii) commencing January 1, 2020, the CAB imposes O&M Fees upon homebuilders at the rate of \$50 per month, or \$150 per quarter, billed quarterly; (3) upon transfer of a residential unit from a homebuilder to an owner, or from one owner to another owner, the CAB imposes O&M Fees upon the owners at the rate of \$50 per month, or \$150 per quarter, billed quarterly. Under the O&M Fee Resolution, the CAB also imposes an Administrative Fee of \$100 per conveyance or refinance.

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Improvement Fee

PCY Holdings, LLC, the landowner of the property within the Development (the Declarant) caused to be recorded a Declaration of Covenants Imposing and Implementing the Sky Ranch Public Improvement Fee (the PIF Covenant), which assigned the Declarant's rights under the PIF Covenant to receive certain revenue imposed by the PIF Covenant District No. 5 or another governmental entity, such as the CAB. Under the CABEA, District No. 5 agreed to transfer its revenues, including the revenue collected under the PIF Covenant, to the CAB for the purpose of the financing, installation, construction and operations and maintenance of Public Improvements that benefit the users of, and residents within, the Service Area. Pursuant to the PIF Covenant, the CAB imposes a Retail Public Improvement Fee (Retail PIF) and a one-time Material Sales and Use Public Improvement Fee (Material Sales and Use PIF). The Retail PIF is applied to the sale of goods at a rate of 2.75%, in addition to all sales and use taxes that may be imposed and is collected by the retailers in the Districts and remitted to the Districts within 20 days after month end. The Material Sales and Use PIF is imposed on construction activities for the materials incorporated into the construction of any newly constructed building, dwelling or structure within property. The Material Sales and Use PIF is payable by homebuilders and is equal to 2.75% of an amount equal to 50% of the Construction Valuation Amount.

Equity

Net Position

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

In the government-wide financial statements, net position may be classified into three components: net investment in capital assets, restricted and unrestricted (see Note 6).

Fund Balance

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:

Nonspendable 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 legally or contractually required to be maintained intact.

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

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by 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 – 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 criteria described above.

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

Restatement of Beginning Net Position

The CAB had restated beginning balances of net position (government-wide) and fund balance (Capital Project Fund) as explained below:

	Net Position - Government - Wide (Accrual)
December 31, 2018 - as originally stated	\$ 195,453
Impact of:	
1. Decreasing Developer Advances Payable for advances received during 2019	2,842,168
1a. Decreasing Receivable (reversing Due from Developer)	(2,842,168)
2. Increasing Developer Advances Payable for Project Management Fees related to 2018 construction costs	(580,022)
2a. Increasing Capital Assets for Project Management Fees	580,022
3. Increasing Developer Advances Payable to adjust payment of interest applied against principal	(159,023)
4. Increasing Developer Advances Payable for adjustment in certified costs	(49,538)
4a. Increasing Capital Assets for adjustment in certified costs	49,538
5. Increasing Developer Advances Payable for interest expense during 2018	(85,533)
December 31, 2018 - as restated	<u>\$ (49,103)</u>

SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Restatement of Beginning Net Position (Continued)

	Fund Balance - Capital Projects Fund (Modified Accrual)
December 31, 2018 - as originally stated	\$ (67,120)
Impact of:	
1. Reducing 2018 revenues for advances received during 2019	(2,842,168)
2. Increasing 2018 revenue for advances related to Project Management Fees (2018 construction costs)	580,022
2a. Increasing 2018 expense for Project Management Fees (2018 construction costs)	(580,022)
3. Increasing 2018 revenues to adjust repayment applied against principal	159,023
3a. Increasing 2018 expense for repayment of developer advance interest	(159,023)
4. Increasing 2018 revenue for additional advances identified in final Engineer certification	49,538
4a. Increasing 2018 expense for additional capital outlay identified in final Engineer certification	(49,538)
December 31, 2018 - as restated	<u>\$ (2,909,288)</u>

Deficits

The Capital Projects Fund reported a deficit in the fund financial statements as of December 31, 2019. Pursuant to a funding agreement effective November 13, 2017, the deficits will be eliminated by Developer advances in 2020.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2019, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments - Restricted	\$ 2,488,899
Total Cash and Investments	<u>\$ 2,488,899</u>

Cash and investments as of December 31, 2019, consist of the following:

Deposits with Financial Institutions	\$ 114,677
Investments	2,374,222
Total Cash and Investments	<u>\$ 2,488,899</u>

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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. The 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 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, 2019, the CAB's cash deposits had a bank balance of \$124,297 and a carrying balance of \$114,677.

Investments

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

The CAB generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the CAB is not subject to concentration risk or investment custodial risk disclosure requirements 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

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2019, the CAB had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 days	<u>\$ 2,374,222</u>

COLOTRUST

The CAB 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 operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. 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. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the CAB records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

The following is an analysis of the changes in the CAB's capital assets for the year ended December 31, 2019:

	Balance - December 31, 2018 (as restated)	Increases	Decreases	Balance - December 31, 2019
<u>Governmental Activities:</u>				
Capital Assets, Not Being Depreciated:				
Construction in Progress:	\$ 12,252,370	\$ 14,119,673	\$ -	\$ 26,372,043
Total Capital Assets, Not Being Depreciated	<u>\$ 12,252,370</u>	<u>\$ 14,119,673</u>	<u>\$ -</u>	<u>\$ 26,372,043</u>

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in the CAB's long-term obligations for the year ended December 31, 2019:

	Balance - December 31, 2018 (as restated)	Additions	Reductions	Balance - December 31, 2019	Due Within One Year
Limited Tax Supported					
Revenue Bonds:					
Senior - Series 2019A	\$ -	\$ 11,435,000	\$ -	\$ 11,435,000	\$ -
Senior - Bond Premium	-	306,458	-	306,458	-
Subordinate - Series 2019B	-	1,760,000	-	1,760,000	-
Total Bonds Payable	-	13,501,458	-	13,501,458	-
Developer Advances	8,938,801	14,570,380	9,613,056	13,896,125	-
Developer Advances - Project Management	580,022	596,256	-	1,176,278	-
Accrued Interest on					
Developer Advances	136,986	882,199	891,945	127,240	-
Accrued Interest on					
Developer Advances - Project Management	10,405	49,888	-	60,293	-
Total	\$ 9,666,214	\$ 29,600,181	\$ 10,505,001	\$ 28,761,394	\$ -

Limited Tax Supported District No. 1 Bonds, Series 2019

On November 19, 2019, the CAB issued \$11,435,000 in Limited Tax Supported District No. 1 Senior Bonds, Series 2019A (Senior Bonds) and \$1,760,000 in Limited Tax Supported District No. 1 Subordinate Bonds, Series 2019B (Subordinate Bonds) (collectively, Series 2019 Bonds), for the purposes of (i) finance public improvements related to the Development, (ii) pay capitalized interest on the 2019A Senior Bonds, (iii) fund a deposit to the Senior Bonds Reserve Fund, and (iv) pay other costs in connection with the issuance of the 2019 Bonds.

The Senior Bonds are term bonds which bear interest at 4.55%, payable semi-annually on June 1 and December 1, beginning on June 1, 2020. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2023. The Senior Bonds mature on December 1, 2049, and are subject to optional redemption as described in the Senior Indenture.

The Senior Bonds are secured by and payable solely from Senior Pledged Revenues, which includes property taxes generated by the imposition of the District No. 1 Senior Required Mill Levy (in accordance with the Pledge Agreement) net of the cost of collection, all other Required Mill Levy Revenue (pursuant to the Pledge Agreement), Specific Ownership Taxes attributable to the District No. 1 Senior Required Mill Levy, and any other legally available amounts that the CAB may designate by resolution of the Board to be deposited with the Trustee for deposit into the Senior Revenue Fund. The Senior Bonds are also secured by amounts held in the Senior Reserve Fund, in the amount of the Required Reserve equal to \$915,000, and amounts accumulated in the Surplus Fund, if any.

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Limited Tax Supported District No. 1 Bonds, Series 2019 (Continued)

The CAB's long-term 2019A Senior Bonds will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 590,808	\$ 590,808
2021	-	571,750	571,750
2022	-	571,750	571,750
2023	55,000	571,750	626,750
2024	150,000	569,000	719,000
2025-2029	970,000	2,718,750	3,688,750
2030-2034	1,445,000	2,431,000	3,876,000
2035-2039	2,060,000	2,011,500	4,071,500
2040-2044	2,865,000	1,420,500	4,285,500
2045-2049	3,890,000	606,750	4,496,750
	<u>\$ 11,435,000</u>	<u>\$ 12,063,558</u>	<u>\$ 23,498,558</u>

The Subordinate Bonds bear interest at 7.625% per annum and are payable annually from available Subordinate Pledged Revenue on December 15, beginning on December 15, 2020. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. The Subordinate Bonds are subject to optional and mandatory redemption prior to maturity as described in the Subordinate Indenture.

The Subordinate Bonds are secured by and payable from Subordinate Pledged Revenues derived by the CAB from the following sources, net of any cost of collection: a) the District No. 1 Subordinate Required Mill Levy Revenues; b) Specific Ownership Tax Revenues, attributable to the Subordinate Required Mill Levy; and c) any other legally available moneys which the CAB determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue. The Subordinate Bonds are structured as cash flow bonds, meaning that no regularly scheduled principal payments are due prior to maturity date and interest payments not paid when due will accrue and compound until Subordinate Pledged Revenues are available.

Authorized Debt

At an election held on November 6, 2018, the Districts' eligible electors authorized the Districts to impose ad valorem property taxes on an annual basis not to exceed \$162,000,000, and to enter into intergovernmental agreements to share such revenue to fund public improvements. Pursuant to this electoral authority, on November 1, 2019, District No. 1 entered into a Capital Pledge Agreement with the CAB (discussed below) and committed to impose a mill levy annually that does not exceed the Service Plan limits for a debt mill levy, to repay Bonds to be issued by the CAB in a principal amount that does not exceed \$162,000,000 (the Pledged Revenue).

The Districts' voters also authorized the issuance of up to \$1,782,000,000 in General obligation debt for public improvements, however the Districts' Service Plan debt limit of \$162,000,000 constrains the total amount of debt the Districts can issue.

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

Under the Capital Pledge Agreement with the CAB, District No. 1 agreed to pledge certain revenues to the CAB pursuant to the intergovernmental agreement provisions of Sections 29-1-203 and -203.5, C.R.S., as described in the Capital Pledge Agreement. The CAB cannot issue Bonds which to exceed the Districts' \$162,000,000 Service Plan debt limit. Following the issuance of the CAB's Series 2019 Bonds, the remaining debt limitation under the Service Plans for the Districts and the CAB is \$148,805,000.

The Pledged Revenue may be used by the CAB to repay bonds the CAB has issued or will issue, including without limitation, the CAB's \$11,435,000 Limited Tax Supported District No. 1 Senior Bonds (Tax-Exempt Fixed Rate), Series 2019A (the CAB Series 2019A Bonds) and its \$1,760,000 Limited Tax Supported District No. 1 Subordinate Bonds (Tax-Exempt Fixed Rate), Series 2019B (the CAB Series 2019B Bonds and together with the CAB 2019A CAB 2019 Bonds), and future bond issuances by the CAB.

Developer Advances

The CAB entered into the OFA (defined and discussed in Note 7) and FFAA (defined and discussed in Note 7) with Pure Cycle Corporation (the Developer), effective 2017, for the purpose of funding certain operation and maintenance expenses and construction and acquisition of public improvements (see Note 7). Interest on funds advanced or to pay for improvements accrue at 6.00% per annum. The FFAA does not constitute debt, but is an annual appropriations agreement intended to be repaid through future bond issuances.

As of December 31, 2019, the outstanding balance of developer advances advanced by the Developer to the CAB under the FFAA is \$13,896,125, and accrued interest is \$127,240.

In 2017, the CAB and Developer entered into two service agreements for project management services, under which the Developer provides project management services for the CAB's construction of on and offsite CAB eligible improvements (see Note 7). The amounts owed by the CAB to the Developer under the project management services agreements accrue as developer advances (see Note 7). As of December 31, 2019, the outstanding balance of developer advances under the project management services agreements is \$1,176,278, and accrued interest is \$60,293.

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 NET POSITION

As of December 31, 2019, the CAB had net position consisting of two components - restricted and unrestricted.

The restricted component of net position consists of assets that are restricted for use as imposed either by external parties (i.e., creditors, grantors or contributors) or laws and regulations of other governments or laws through constitutional provisions or enabling legislation. The CAB had restricted net position as of December 31, 2019, as follows:

Restricted Net Position:

Emergencies	\$ 12,200
Total Restricted Net Position	<u>\$ 12,200</u>

The CAB has a deficit in unrestricted net position.

NOTE 7 AGREEMENTS

Sky Ranch Community Authority Board Establishment Agreement (CABEA)

The Districts exist for the purpose of designing, acquiring, constructing, installing, financing, and operating and maintaining certain street, traffic and safety controls, water, sanitation, stormwater, parks and recreation, television relay and translation, transportation, and mosquito control, all in accordance with their respective Service Plans.

Their Service Plans contemplated that the Districts, with the approval of their electors would enter into the CABEA. On May 8, 2012, the Districts' qualified electors voted in favor of the Districts entering into the CABEA pursuant to which the CAB Districts established the CAB. The Inactive Districts are currently in inactive status, but may elect to become parties to the CABEA in the future, at which time they would also become CAB Districts. The CABEA was amended and restated on September 18, 2018, pursuant to the Amended and Restated Sky Ranch Community Authority Board Establishment Agreement, as the same may be amended from time to time. Pursuant to the CABEA, the CAB will furnish, operate, and plan for the Public Improvements and each CAB District shall transfer certain revenues received by it in order to fund the operation and maintenance costs and capital costs of the Public Improvements. Each CAB District has agreed, and their Service Plans provide, that the CAB will own, operate, maintain, finance, and construct Public Improvements benefiting the CAB Districts, and that the CAB Districts will contribute to the costs of construction, operation and maintenance of such Public Improvements. It is the intent of the Districts that either the CAB or any of the CAB Districts may, from time to time, issue its own debt and use proceeds to finance the Public Improvements and that the CAB will enter into contracts to construct the Public Improvements.

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 AGREEMENTS (CONTINUED)

Operation Funding Agreement with Pure Cycle Corporation

On September 18, 2018, with an effective date of November 13, 2017, the CAB entered into the Operation Funding Agreement (the OFA) with the Developer, pursuant to which the Developer agrees to advance funds to the CAB for certain operation and maintenance expenses on a periodic basis as needed for fiscal years 2018 through 2019. The maximum amount to be advanced for Operations and Maintenance Expenses pursuant to this agreement is one hundred thousand dollars (\$100,000). The CAB agrees to repay these advances, pursuant to the priority established in the agreement, together with accrued interest at the rate of 8% per annum accruing from the date of deposit into the CAB's bank account or from the date of direct payment by the Developer.

Facilities Funding and Acquisition Agreement with Pure Cycle Corporation

On September 18, 2018, with an effective date of November 13, 2017, the CAB entered into the Facilities Funding and Acquisition Agreement (the FFAA) with the Developer, pursuant to which the Developer agrees to make advances not to exceed \$30,000,000 to the CAB the purpose of funding the construction and/or acquisition of public improvements. The Developer agrees to make such advances on a periodic basis as needed for fiscal years 2018 through 2023. The CAB agrees to repay these advances, pursuant to the priority established in the agreement, together with accrued simple interest at the rate of 6% per annum. The FFAA does not constitute debt, but is an annual appropriations agreement intended to be repaid through future bond issuances.

Tri-Party Agreement

On September 18, 2018, with an effective date of November 13, 2017, the CAB, the Developer and District No. 5 entered into a Tri-Party Agreement (the Tri-Party Agreement), under which the parties acknowledged that, given the creation of the CAB, various previous operations and capital funding agreements between the Developer and District No. 5 (collectively, the Terminated District No. 5 Funding Agreements) would be terminated. The parties agreed that any amounts owed by District No. 5 to the Developer for previous developer advances under the Terminated District No. 5 Funding Agreements would become payable by the CAB to the Developer under the OFA and FFAA, respectively, as appropriate.

Capital Pledge Agreement

The CAB entered into a Capital Pledge Agreement with District No. 1, dated November 1, 2019, under which District No. 1 agrees to impose ad valorem property taxes upon all taxable property of District No. 1, and to transfer the revenues generated from such mill levy imposition, along with revenues generated from the imposition of specific ownership taxes, to the CAB for payment of principal and interest on bonds the CAB has issued or will issue, including without limitation, the CAB's Series 2019 Bonds, as well as future bond issuances by the CAB.

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 AGREEMENTS (CONTINUED)

Service Agreements for Project Management Services

On May 2, 2018, with an effective date of November 13, 2017, the CAB and Developer entered into a Service Agreement for Project Management Services (the Original PM Agreement). On May 12, 2020, with an effective date of November 13, 2017, the CAB and Developer entered into an Amended and Restated Service Agreement for Project Management Services (the Amended PM Agreement), which supersedes the Original PM Agreement in its entirety.

Also on May 2, 2018, with an effective date of November 13, 2017, the CAB and PCY Holdings, LLC (the Property Owner) entered into a Service Agreement for Project Management Services (for Improvements at Sky Ranch) (the Original Offsite PM Agreement). On May 12, 2020, with an effective date of November 13, 2017, the CAB and Property Owner entered into an Amended and Restated Service Agreement for Project Management Services (for Improvements at Sky Ranch) (the Amended Offsite PM Agreement, and together with the Amended PM Agreement, the PM Agreements), which supersedes the Original Offsite PM Agreement in its entirety.

Under the Amended PM Agreement, the Developer agrees to provide project management services related to the CAB's installation or construction of public improvements. Under the Amended Offsite PM Agreement, the Property Owner agrees to provide project management services related to the CAB's installation or construction of certain offsite public improvements. The cost of the project management services under the PM Agreements are five percent (5%) of the actual construction costs of public improvements that are eligible for reimbursement by the CAB. In the event the CAB does not have sufficient revenue to pay invoices under the PM Agreements when due, the amounts owed by the CAB under the PM Agreements will constitute developer advances under the FFAA and shall accrue interest at the same rate set forth in the FFAA.

NOTE 8 RELATED PARTIES

The Developer of the property within the Districts is Pure Cycle Corporation (Pure Cycle), and the title of the property is held under PCY Holding LLC, which is a wholly owned subsidiary of Pure Cycle. The Developer has advanced funds to the CAB. The members of the Board of Directors of the CAB and the Districts hold direct or indirect ownership interests in Pure Cycle or are otherwise associated with Pure Cycle and may have conflicts of interest in dealing with the CAB and the District. As and when required by law, each affected Board member files a written disclosure of any potential conflicts of interest with the District and the Colorado Secretary of State, and they refrain from voting on affected matters unless allowed by law.

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 ECONOMIC DEPENDENCY

The CAB has not yet established a revenue base sufficient to pay for most of its operational and certain capital expenditures. Until an independent revenue base is established, continuation of the CAB's operation and financing of certain capital improvements are dependent upon Developer advances.

NOTE 10 INTERFUND TRANSFERS

The transfer from the General Fund to the Capital Projects Fund was to support budgeted capital expenditures.

The transfer from the Capital Projects Fund to the Debt Service Fund was to allocate the capitalized interest fund and reserve fund portion of the Series 2019 Bonds proceeds.

NOTE 11 RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, §24-10-101, et seq., C.R.S., the CAB may be exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The CAB 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.

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

NOTE 12 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.

**SKY RANCH COMMUNITY AUTHORITY BOARD
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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

SUPPLEMENTARY INFORMATION

**SKY RANCH COMMUNITY AUTHORITY BOARD
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
Net Investment Income	\$ -	\$ 6,000	\$ 3,301	\$ (2,699)
Total Revenues	-	6,000	3,301	(2,699)
EXPENDITURES				
Bond Interest	-	83,800	-	83,800
Contingency	-	50,000	-	50,000
Total Expenditures	-	133,800	-	133,800
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(127,800)	3,301	131,101
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	-	2,800,000	2,363,433	(436,567)
Total Other Financing Sources (Uses)	-	2,800,000	2,363,433	(436,567)
NET CHANGES IN FUND BALANCE	-	2,672,200	2,366,734	(305,466)
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ 2,672,200	\$ 2,366,734	\$ (305,466)

**SKY RANCH COMMUNITY AUTHORITY BOARD
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE (DEFICIT) –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final	Amounts	
REVENUES				
Net Investment Income	\$ 3,000	\$ 3,000	\$ 2,460	\$ (540)
Total Revenues	3,000	3,000	2,460	(540)
EXPENDITURES				
General:				
CAB Management	25,000	25,000	24,541	459
Legal	161,000	109,000	9,069	99,931
Interest	65,000	-	-	-
Promotional Activities	-	117,000	-	117,000
Miscellaneous	123,000	127,000	1,501	125,499
Contingency	614,000	1,132,000	-	1,132,000
Debt Service:				
Bond Issue Costs	-	565,130	640,436	(75,306)
Capital Projects:				
Capital Outlay	7,415,000	12,778,000	13,523,417	(745,417)
Project Management Fee	244,000	860,500	596,256	264,244
Total Expenditures	8,647,000	15,713,630	14,795,220	918,410
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(8,644,000)	(15,710,630)	(14,792,760)	917,870
OTHER FINANCING SOURCES (USES)				
Developer Advances	8,394,000	14,962,620	14,570,380	(392,240)
Developer Advances - Project Management	-	-	596,256	596,256
Repay Developer Advances	-	(10,634,870)	(10,505,001)	129,869
Transfers from Other Funds	250,000	250,000	180,000	(70,000)
Transfers to Other Funds	-	(2,800,000)	(2,363,433)	436,567
Bond Issuance	-	14,000,000	13,195,000	(805,000)
Bond Premium	-	-	306,458	306,458
Total Other Financing Sources (Uses)	8,644,000	15,777,750	15,979,660	201,910
NET CHANGES IN FUND BALANCE	-	67,120	1,186,900	1,119,780
Fund Balance (Deficit) - Beginning of Year, as Restated	-	(67,120)	(2,909,288)	(2,842,168)
FUND BALANCE (DEFICIT) - END OF YEAR	\$ -	\$ -	\$ (1,722,388)	\$ (1,722,388)

OTHER INFORMATION

SKY RANCH COMMUNITY AUTHORITY BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2019

	\$11,435,000 Limited Tax Supported District No. 1 Senior Bonds Series 2019A Dated November 19, 2019 Principal due December 1, Interest Rate of 5.00% Payable June 1 and December 1		
Bonds and Interest Maturing in the Year Ending December 31,	Principal	Interest	Total
2020	\$ -	\$ 590,808	\$ 590,808
2021	-	571,750	571,750
2022	-	571,750	571,750
2023	55,000	571,750	626,750
2024	150,000	569,000	719,000
2025	160,000	561,500	721,500
2026	180,000	553,500	733,500
2027	190,000	544,500	734,500
2028	215,000	535,000	750,000
2029	225,000	524,250	749,250
2030	250,000	513,000	763,000
2031	265,000	500,500	765,500
2032	290,000	487,250	777,250
2033	305,000	472,750	777,750
2034	335,000	457,500	792,500
2035	355,000	440,750	795,750
2036	390,000	423,000	813,000
2037	405,000	403,500	808,500
2038	445,000	383,250	828,250
2039	465,000	361,000	826,000
2040	505,000	337,750	842,750
2041	530,000	312,500	842,500
2042	575,000	286,000	861,000
2043	605,000	257,250	862,250
2044	650,000	227,000	877,000
2145	685,000	194,500	879,500
2046	735,000	160,250	895,250
2047	770,000	123,500	893,500
2048	830,000	85,000	915,000
2049	870,000	43,500	913,500
	<u>\$ 11,435,000</u>	<u>\$ 12,063,558</u>	<u>\$ 23,498,558</u>