

Sky Ranch Community Authority Board
Arapahoe County, Colorado

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
December 31, 2018

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BASIC FINANCIAL STATEMENTS

Sky Ranch Community Authority Board

Management's Discussion and Analysis (Unaudited)

December 31, 2018

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, 2018. This information should be read in conjunction with the basic financial statements which follow.

SKY RANCH COMMUNITY AUTHORITY BOARD

Pursuant to a certain 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 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 Sky Ranch Districts. In order for the public improvements to be constructed and/or acquired, it is necessary for each Sky Ranch District, 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 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

The CAB's financial position measured by the change in fund balances, \$206,909 during 2018 as a result of the following:

- *Revenue* was approximately \$340,100.
- *Loss before developer advances* was approximately \$11,364,700.
- *Developer advances* were approximately \$11,572,400.
- *Capital asset additions* were approximately \$11,622,800.

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 components: 1) statement of net position, 2) statements of revenues, expenditures, and changes in fund balances, and 3) notes to the financial statements. The CAB also provides certain supplementary information which is presented for additional analysis and is not a required part of the basic financial statements.

The **statement of net position** presents information on all of the CAB's (a) assets and deferred outflows of resources, and (b) liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. "Deferred outflows of resources" is defined as consumption of net position that is applicable to a future reporting period rather than the current reporting period. "Deferred inflows of resources" is defined as an acquisition of net position that is applicable to a future reporting period rather than the current reporting period. 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.

Sky Ranch Community Authority Board

Management's Discussion and Analysis (Unaudited)

December 31, 2018

The **statement of activities** present information showing how the CAB's net position changed during the year presented. 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., unbilled water revenue and earned but unused vacation leave) 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 water rates, capital contributions, and other charges.

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 information provides details on budget to actual change in fund balance and reconciliation of revenues and expenditures on a budgetary basis.

FINANCIAL ANALYSIS

Net Position

As discussed above, net position may serve over time as a useful indicator of the CAB's financial position. The CAB's net position was \$195,453 at December 31, 2018.

Table 1 - Condensed Statements of Net Position

	<u>As of December 31,</u> <u>2018</u>
Current and other assets	\$ 3,131,057
Capital assets, net	11,622,811
Total Assets	<u>14,753,868</u>
Current liabilities	2,466,658
Noncurrent liabilities	12,091,757
Total liabilities	<u>14,558,415</u>
<u>Net position</u>	
Restricted	10,204
Unrestricted	185,249
Total net position	<u>\$ 195,453</u>

Sky Ranch Community Authority Board

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December 31, 2018

The CAB's net position represents amounts restricted for a specific purpose. The restricted fund balance represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$10,204 of the Fund balance has been restricted in compliance with this requirement.

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.

Other changes in the statements of net position were as follows:

- **Current and other assets** in 2018 was \$3,131,057. The 2018 balance primarily consists of the CAB having a receivable from the Developer of \$2,842,168, and unrestricted cash and cash equivalents of \$227,016.
- **Capital assets, net** in 2018 was \$11,622,811. The balance was due to design, construction, operations and maintenance of certain public improvements for the benefit of the property within the boundaries and/or service area of the Sky Ranch Districts.
- **Current liabilities** in 2018 were \$2,466,658. The balance was the result of accounts payables owed by the CAB primarily for construction costs related to the property within the boundaries and/or service area of the Sky Ranch Districts.
- **Noncurrent liabilities** in 2018 were \$11,634,267. The increase was the result of additional loans and interest accrued on the CAB's note payable.

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 activities provides information on the source of the change in net position during the year. Net position increased by \$196,278 in 2018.

Sky Ranch Community Authority Board

Management's Discussion and Analysis (Unaudited)

December 31, 2018

**Table 2 - Condensed Statements of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2018**

Program revenues	\$ 563,192
Nonoperating revenues	<u>11,797</u>
Total revenues	<u>574,989</u>
Operating expenses	81,997
Interest and debt-related expenses	<u>296,714</u>
Total expenses	<u>378,711</u>
Increase in net position	196,278
Beginning net position	<u>(825)</u>
Ending net position	<u>\$ 195,453</u>

- **Program revenues** in 2018 consisted primarily of property and ad valorem taxes transferred from Sky Ranch District 1 and 5.
- **Nonoperating revenues** consisted of interest income.
- **Operating expenses** consisted principally of \$47,037 in legal fees, \$19,299 in management fee, \$5,000 in audit fees, and \$10,661 in insurance and other costs.

CAPITAL ASSET ACTIVITY

The CAB's capital assets at December 31, 2018 amounted to \$11,622,811. Capital asset additions in 2018 were for construction of infrastructure related to the property within the boundaries and/or service area of the Sky Ranch Districts.

LONG-TERM DEBT ACTIVITY

The CAB has a long-term loan with the developer of \$11,634,267. This balance consists of principal of \$11,337,553 and interest of \$296,714.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the CAB's finances for all those with an interest in 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
141 Union Boulevard, Suite 150
Lakewood, CO 80228



**Haynie &
Company**

Certified Public Accountants (a professional corporation)

1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

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, 2018 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, 2018 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

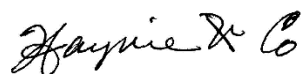
Required Supplementary Information

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
July 11, 2019

**Sky Ranch Community Authority Board
Statement of Net Position
December 31, 2018**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents - unrestricted	\$ 227,016
Prepaid expenses	34,194
Due from District No. 5	27,679
Due from Developer	2,842,168
Capital assets, net	11,622,811
Total assets	<u>14,753,868</u>
LIABILITIES	
Accounts payable and accrued liabilities	2,466,658
Noncurrent liabilities:	
Retainage payable	457,490
Developer advances - due in more than one year	11,634,267
Total liabilities	<u>14,558,415</u>
NET POSITION	
Restricted for:	
Emergency reserves	10,204
Unrestricted	185,249
Total net position	<u>\$ 195,453</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**Sky Ranch Community Authority Board
Statement of Activities
Year Ended December 31, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 81,997	\$ -	\$ 328,336	\$ 234,856	\$ 481,195
Interest and debt-related expenses	296,714	-	-	-	(296,714)
	<u>\$ 378,711</u>	<u>\$ -</u>	<u>\$ 328,336</u>	<u>\$ 234,856</u>	<u>184,481</u>
General revenues:					
Net investment income					11,797
Total general revenues					<u>11,797</u>
Change in net position					196,278
Net position - Beginning					(825)
Net position - Ending					<u>\$ 195,453</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

Sky Ranch Community Authority Board
Balance Sheet
Governmental Funds
December 31, 2018

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and cash equivalents - unrestricted	\$ 227,016	\$ -	\$ 227,016
Prepaid expenses	34,194	-	34,194
Due from District No. 5	27,679	-	27,679
Due from Developer	-	2,842,168	2,842,168
TOTAL ASSETS	\$ 288,889	\$ 2,842,168	\$ 3,131,057
LIABILITIES			
Accounts payable and accrued liabilities	14,860	2,451,798	2,466,658
Retainage payable	-	457,490	457,490
Total liabilities	14,860	2,909,288	2,924,148
FUND BALANCES			
Nonspendable	34,194	-	34,194
Restricted for:			
Emergency reserves (TABOR)	10,204	-	10,204
Committed for:			
Capital projects	-	(67,120)	(67,120)
Unassigned	229,631	-	229,631
Total fund balances	274,029	(67,120)	206,909
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 288,889	\$ 2,842,168	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources; therefore, are not reported as assets in the funds.

Construction in progress	11,622,811
Long-term and other liabilities, including bonds payable, are not due and payable in the current period and, therefore, are	
Developer advances payable	(11,634,267)
Net position of governmental activities	\$ 195,453

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**Sky Ranch Community Authority Board
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2018**

	General	Capital Projects	Total Governmental Funds
REVENUES			
Transfers from related districts	\$ 328,336	\$ -	\$ 328,336
Interest income	11,797	-	11,797
Total revenues	340,133	-	340,133
EXPENDITURES			
Current			
Insurance	8,633	-	8,633
Management fees	19,299	-	19,299
Accounting	5,000	-	5,000
Legal	47,037	-	47,037
Miscellaneous	2,028	-	2,028
Capital Outlay	-	11,622,811	11,622,811
Total expenditures	81,997	11,622,811	11,704,808
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	258,136	(11,622,811)	(11,364,675)
OTHER FINANCING SOURCES (USES)			
Developer advances	-	11,572,409	11,572,409
Total other financing sources (uses)	-	11,572,409	11,572,409
CHANGE IN FUND BALANCE	258,136	(50,402)	207,734
FUND BALANCES - BEGINNING OF YEAR	15,893	(16,718)	(825)
FUND BALANCES - END OF YEAR	\$ 274,029	\$ (67,120)	\$ 206,909

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**Sky Ranch Community Authority Board
 Reconciliation of the Statement of Revenues
 Expenditures and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities
 Year Ended December 31, 2018**

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - Total governmental funds	\$ 207,734
<p>Governmental funds report capital outlays as expenditures. In the Statement of Activities, capital outlay is not reported as an expenditure. Capitalizable expenditures are reported as capital assets in the Statement of Net Position.</p>	
Capital outlay	\$ 11,622,811
<p>Certain liabilities are not due and payable from current resources, and therefore are not reported in the fund financial statements.</p>	
Developer advances	(11,337,553)
Accrued interest - change in liability	(296,714)
Change in net position of governmental activities	\$ 196,278

These financial statements should be read only in connection with the accompanying notes to financial statements.

**Sky Ranch Community Authority Board
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended December 31, 2018**

	Original & Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Transfers from related districts	\$ 365,604	\$ 328,336	\$ (37,268)
Interest income	-	11,797	11,797
Total revenues	365,604	340,133	(25,471)
EXPENDITURES			
Current			
Insurance	8,500	8,633	(133)
Management fees	15,000	19,299	(4,299)
Accounting	1,500	5,000	(3,500)
Legal	30,000	47,037	(17,037)
Miscellaneous	42,755	2,028	40,727
Total expenditures	97,755	81,997	15,758
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	(220,000)	-	220,000
Total other financing sources (uses)	(220,000)	-	220,000
NET CHANGE IN FUND BALANCE	47,849	258,136	210,287
FUND BALANCE - BEGINNING OF YEAR	-	15,893	
FUND BALANCE - END OF YEAR	\$ 47,849	\$ 274,029	

These financial statements should be read only in connection with
the accompanying notes to financial statements.

Sky Ranch Community Authority Board
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 - DEFINITION OF REPORTING ENTITY

Sky Ranch Community Authority Board (CAB) was organized in November 2017 to own, operate and maintain all public improvements within the boundaries of the Sky Ranch Metropolitan District Nos. 1 and 5 (collectively, the Districts), under the Sky Ranch Community Authority Board Establishment Agreement (the CABEA) entered into by the Districts. Pursuant to the CABEA, the CAB will furnish, operate and plan for certain Public Improvements and each 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 District has agreed, and their Service Plans provide, that the CAB will own, operate, maintain, finance and construct Public Improvements benefiting the Districts, and that the 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 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.

The CAB follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set 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 members of the Board of Directors for the CAB are appointed by the Districts, and the CAB is financially accountable for the Districts but the CAB is not considered a component unit of any other primary governmental entity, including the Districts, nor are any of the Districts considered a component unit of the CAB.

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. For the most part, the effect of inter-fund activity has been removed from these statements. These financial statements include all of the activities of the CAB. Governmental activities are normally supported by property taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the CAB. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources of the CAB is being reported as net position.

Sky Ranch Community Authority Board
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which the direct 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.

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. Redemption of bonds is recorded as a reduction in liabilities.

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 available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the CAB. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid.

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 Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital development and facilities.

Sky Ranch Community Authority Board
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the CAB's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures 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.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Investments

The CAB's cash and investments include 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 on the net asset method.

Capital Assets

Capital assets, which include construction in progress, 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 in historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. 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.

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.

Long-term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Long-term debt is reported gross.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Sky Ranch Community Authority Board
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds

The fund balances for the CAB’s governmental funds are displayed in up to five components:

Nonspendable – amounts that are not in a spendable form or are required to be maintained intact. There is \$34,194 that is classified as nonspendable as of December 31, 2018, due to prepaid expenses.

Restricted – amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers. Emergency Reserves of \$10,204 have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 6).

Committed – amounts that can be used only for the specific purposes determined by resolution of the Board. Commitments may be changed or lifted only by issuance of a resolution by the CAB’s Board. There is \$(67,120) committed for the Capital Projects fund balance for the year ended December 31, 2018.

Assigned – Amounts intended to be used by the CAB for specific purposes as determined by management. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund. There is no assigned fund balance for the year ended December 31, 2018.

Unassigned – the residual classification for the General Fund and includes all amounts not contained in the other classifications.

The CAB considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The CAB applies committed amounts first, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

As of December 31, 2018, the Capital Projects Fund was in a deficit position, which is due to the timing of accounts receivable and payable.

NOTE 3 - CASH AND INVESTMENTS

Cash and cash equivalents as of December 31, 2018, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents – Unrestricted	<u>\$ 227,016</u>
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Sky Ranch Community Authority Board
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2018, the CAB's bank balance was \$238,861, which is fully insured by FDIC coverage and PDPA collateral.

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 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 disclosure requirements or subject to investment custodial risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less (depending upon the type of investment) unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase and reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment

As of December 31, 2018, the CAB had no investments.

Sky Ranch Community Authority Board
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 – CAPITAL ASSETS

The following is an analysis of the changes in capital assets for the year ended December 31, 2018:

	<u>Balance at December 31, 2017</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance at December 31, 2018</u>
Capital Assets, not being depreciated:				
Construction in progress	\$ -	\$ 11,622,811	\$ -	\$ 11,622,811
	<u>\$ -</u>	<u>\$ 11,622,811</u>	<u>\$ -</u>	<u>\$ 11,622,811</u>

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2018:

	<u>Balance at December 31, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2018</u>	<u>Due Within One Year</u>
Developer advances	\$ -	\$ 11,634,267	\$ -	\$ 11,634,267	\$ -
	<u>\$ -</u>	<u>\$ 11,634,267</u>	<u>\$ -</u>	<u>\$ 11,634,267</u>	<u>\$ -</u>

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 with Pure Cycle Corporation (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 simple 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.

Sky Ranch Community Authority Board
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

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 with the Developer pursuant to which Hobbs agrees to make advances not to exceed \$30,000,000 to the CAB for 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.

Debt Authorization

In November of 2018, the electors of the Districts authorized the issuance of indebtedness in an amount not to exceed \$162,000,000 per District, for public improvements and refunding. In the future, the CAB may issue a portion or all of the authorized but unissued general obligation debt on behalf of the Districts for the purposes of providing public improvements to support development as it occurs within the Districts' service areas.

NOTE 6 - NET POSITION

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

Restricted assets include assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The CAB had restricted net position of \$10,204 for emergency reserves, in accordance with TABOR, as of December 31, 2018.

The CAB's unrestricted net position as of December 31, 2018 totaled \$185,249.

NOTE 7 - RISK MANAGEMENT

The CAB is 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) as of December 31, 2018. The Pool is an organization created by intergovernmental agreement to provide property, liability, public official's liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

Sky Ranch Community Authority Board
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 7 - RISK MANAGEMENT (continued)

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

NOTE 8 - RELATED PARTIES

Pure Cycle Corporation is the Developer of the CAB's service area and has advanced funds to the CAB (See Note 5). The members of the Board of Directors of the CAB and the Districts hold direct or indirect ownership interests in the Developer or are otherwise associated with the Developer and may have conflicts of interest in dealing with the CAB and the Districts.

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 funding from the Developer.

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

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

SUPPLEMENTAL INFORMATION

**Sky Ranch Community Authority Board
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
Year Ended December 31, 2018**

	Original & Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Other income	\$ -	\$ -	\$ -
Total revenues	-	-	-
EXPENDITURES			
Expenditures			
Capital outlay	11,858,620	11,622,811	235,809
Legal	50,000	-	50,000
District management	20,000	-	20,000
Project management	481,300	-	481,300
Contingency	1,010,080	-	1,010,080
Total expenditures	13,420,000	11,622,811	1,797,189
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	(13,420,000)	(11,622,811)	1,797,189
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other funds	220,000	-	(220,000)
Developer advances	13,200,000	11,572,409	(1,627,591)
Total other financing sources (uses)	13,420,000	11,572,409	(1,847,591)
NET CHANGE IN FUND BALANCE	-	(50,402)	\$ (50,402)
FUND BALANCE - BEGINNING OF YEAR	-	(16,718)	
FUND BALANCE - END OF YEAR	\$ -	\$ (67,120)	