

STERLING RANCH COMMUNITY AUTHORITY BOARD
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2017

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**Haynie &
Company**

Certified Public Accountants (a professional corporation)

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Independent Auditor's Report

To the Board of Directors
Sterling Ranch Community Authority Board

We have audited the accompanying financial statements of the governmental activities and the major funds of Sterling Ranch Community Authority Board as of and for the year ended December 31, 2017 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 opinions 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 Sterling Ranch Community Authority Board, as of December 31, 2017 and the respective changes in financial position and the budgetary comparison for the General Fund and Special Revenue – Water and Wastewater Service Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.



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Other-Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Sterling 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 20, 2018

BASIC FINANCIAL STATEMENTS

STERLING RANCH COMMUNITY AUTHORITY BOARD
STATEMENT OF NET POSITION
December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 57,493
Cash and investments - Restricted	94,619,708
Prepaid expenses	19,579
Receivables, net	108,317
Deposit - SIA/Douglas County	1,091,674
Capital assets, not being depreciated	<u>76,762,254</u>
Total assets	<u>172,659,025</u>
LIABILITIES	
Accounts payable	7,615,804
Retainage payable	4,495,905
Hydrant meter deposit	17,500
Accrued interest payable	613,252
Long-term liabilities	
Due in more than one year	<u>146,567,342</u>
Total liabilities	<u>159,309,803</u>
NET POSITION	
Restricted for:	
Emergency reserves	4,400
Debt service	1,307,310
Unrestricted	<u>12,037,512</u>
Total net position	<u><u>\$ 13,349,222</u></u>

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

**STERLING RANCH COMMUNITY AUTHORITY BOARD
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
					<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 2,465,372	\$ 397,569	\$ -	\$ -	\$ (2,067,803)
Public works	-	-	-	10,143,323	10,143,323
Finished Lots/Builders improvements	16,577,956	-	-	15,629,560	(948,396)
Interest and related costs on long-term debt	5,533,968	-	85	782,000	(4,751,883)
	<u>\$ 24,577,296</u>	<u>\$ 397,569</u>	<u>\$ 85</u>	<u>\$ 26,554,883</u>	<u>2,375,241</u>
General revenues:					
					57
Transfer from Sterling Ranch District No. 2					2
Transfer from Sterling Ranch District No. 7					112,349
Reimbursed expenditures					76,604
Net investment income					<u>189,012</u>
Total general revenues					2,564,253
Change in net position					<u>10,784,969</u>
Net position - Beginning					<u>\$ 13,349,222</u>
Net position - Ending					

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

**STERLING RANCH COMMUNITY AUTHORITY BOARD
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017**

	General	Special Revenue - Water and Wastewater Services	Debt Service - 2015 Bonds	Debt Service - 2017 Bonds	Debt Service - O&M Note	Debt Service - Facilities Note	Capital Projects - General and Preconstruction	Capital Projects - Filing 1 Trunk Improvements	Capital Projects - Filing 1 Finished Lots	Capital Projects - Filing 2-5 Trunk Improvements	Capital Projects - Filing 2 Finished Lots	Total Governmental Funds
ASSETS												
Cash	\$ 29,644	\$ 27,849	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,493
Cash and investments - Restricted	4,400	-	4,798,754	85,944,684	-	-	41,564	161,363	1,578,397	377,359	1,713,187	94,619,708
Prepaid expenses	19,579	-	-	-	-	-	-	-	-	-	-	19,579
Receivables, net	17,269	37,881	-	-	-	-	19,169	24,737	-	9,261	-	108,317
Due from other Funds	32,935	-	-	-	-	-	-	-	-	-	-	32,935
Deposits - SIA/Douglas County	-	-	-	-	-	-	-	1,091,674	-	-	-	1,091,674
TOTAL ASSETS	\$ 103,827	\$ 65,730	\$ 4,798,754	\$ 85,944,684	\$ -	\$ -	\$ 60,733	\$ 1,277,774	\$ 1,578,397	\$ 386,620	\$ 1,713,187	\$ 95,929,706
LIABILITIES AND FUND BALANCES												
LIABILITIES												
Accounts payable	\$ 134,448	\$ 13,261	\$ -	\$ 98,086	\$ -	\$ -	\$ 85,155	\$ 5,173,593	\$ 1,911,634	\$ 199,627	\$ -	\$ 7,615,804
Retainage payable	-	-	-	-	-	-	-	2,945,842	1,550,063	-	-	4,495,905
Due to other Funds	-	-	-	32,935	-	-	-	-	-	-	-	32,935
Hydrant meter deposits	-	17,500	-	-	-	-	-	-	-	-	-	17,500
Total liabilities	<u>134,448</u>	<u>30,761</u>	<u>-</u>	<u>131,021</u>	<u>-</u>	<u>-</u>	<u>85,155</u>	<u>8,119,435</u>	<u>3,461,697</u>	<u>199,627</u>	<u>-</u>	<u>12,162,144</u>
FUND BALANCES												
Nonspendable												
Prepaid expenses	19,579	-	-	-	-	-	-	-	-	-	-	19,579
Restricted												
Emergency reserve	4,400	-	-	-	-	-	-	-	-	-	-	4,400
Debt service	-	-	4,798,754	85,813,663	-	-	-	-	-	-	-	90,612,417
Capital projects	-	-	-	-	-	-	-	-	-	186,993	1,713,187	1,900,180
Unassigned												
General government	(54,600)	34,969	-	-	-	-	-	-	-	-	-	(19,631)
Capital projects (funded in subsequent year)	-	-	-	-	-	-	(24,422)	(6,841,661)	(1,883,300)	-	-	(8,749,383)
Total fund balances	<u>(30,621)</u>	<u>34,969</u>	<u>4,798,754</u>	<u>85,813,663</u>	<u>-</u>	<u>-</u>	<u>(24,422)</u>	<u>(6,841,661)</u>	<u>(1,883,300)</u>	<u>186,993</u>	<u>1,713,187</u>	<u>83,767,562</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 103,827	\$ 65,730	\$ 4,798,754	\$ 85,944,684	\$ -	\$ -	\$ 60,733	\$ 1,277,774	\$ 1,578,397	\$ 386,620	\$ 1,713,187	

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.

76,762,254

Long-term liabilities are not due and payable in the current period; therefore, are not recorded as liabilities in the funds.

Bonds payable

(111,984,162)

Accrued interest payable - Bonds

(613,252)

Promissory Notes

(4,039,763)

Accrued interest payable - Promissory Notes

(6,450)

Advances payable to SR Entities

(26,217,650)

Accrued interest payable - Advances from SR Entities

(4,319,317)

Net position of governmental activities

\$ 13,349,222

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

STERLING RANCH COMMUNITY AUTHORITY BOARD
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 Year Ended December 31, 2017

	Special Revenue -					Capital Projects -		Capital Projects -		Total Governmental Funds		
	General	Water and Wastewater Services	Debt Service - 2015 Bonds	Debt Service - 2017 Bonds	Debt Service - O&M Note	Debt Service - Facilities Note	Capital Projects - General and Preconstruction	Capital Projects - Filing 1 Trunk Improvements	Capital Projects - Filing 1 Finished Lots		Capital Projects - Filing 2-5 Trunk Improvements	Capital Projects - Filing 2 Finished Lots
REVENUES												
Design and landscape review fees	\$ 62,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 62,800
Fencing materials	79,773	-	-	-	-	-	-	-	-	-	-	79,773
Reimbursed expenditures	10,956	-	-	-	-	14,824	86,569	-	-	-	-	112,349
Street lighting charges	832	-	-	-	-	-	-	-	-	-	-	832
Transfer from Sterling Ranch District No. 2	57	-	85	-	-	-	-	-	-	-	-	142
Transfer from Sterling Ranch District No. 7	2	-	-	-	-	-	-	-	-	-	-	2
Trash collection charges	496	-	-	-	-	-	-	-	-	-	-	496
Account setup/administration fees	-	2,700	-	-	-	-	-	-	-	-	-	2,700
Storm drainage service fees	-	2,133	-	-	-	-	-	-	-	-	-	2,133
Water service fees - Construction	-	195,376	-	-	-	-	-	-	-	-	-	195,376
Water service fees - Residential	-	3,461	-	-	-	-	-	-	-	-	-	3,461
Wastewater service fees - Residential	-	6,698	-	-	-	-	-	-	-	-	-	6,698
Water & sewer permit connection fees	-	43,300	-	-	-	-	-	-	-	-	-	43,300
Facilities fees	-	-	642,500	77,500	-	-	101,625	1,285,000	-	155,000	-	2,261,625
Tap fees	-	-	-	62,000	-	-	114,498	8,352,500	-	134,700	-	8,663,698
Builder funds	-	-	-	-	-	-	-	-	12,699,163	-	-	12,699,163
Sidewalk funds	-	-	-	-	-	-	-	-	1,217,155	-	-	1,217,155
Builders damage deposits	-	-	-	-	-	-	-	-	-	-	62,000	62,000
Developer escrow deposit	-	-	-	-	-	-	-	-	-	-	1,651,242	1,651,242
Net investment income	-	-	33,089	39,806	-	-	-	1,942	1,752	13	2	76,604
Total revenues	154,916	253,668	675,674	179,306	-	-	230,947	9,726,011	13,918,070	289,713	1,713,244	27,141,549
EXPENDITURES												
<i>General, administrative, operations and maintenance</i>												
Accounting	39,782	-	-	-	-	-	159,128	-	-	-	-	198,910
Audit	1,750	-	-	-	-	-	5,250	-	-	-	-	7,000
Banking fees	-	-	-	-	-	-	-	102	228	22	57	409
CAB management	45,683	-	-	-	-	-	172,130	-	-	-	-	217,813
Construction Disbursement Agent fees	-	-	-	-	-	-	-	43,846	-	1,308	-	45,154
Costs verification/certification	-	-	-	-	-	-	-	42,649	-	-	-	42,649
CDOT Fees	-	-	-	-	-	-	-	-	-	367,164	-	367,164
Dues and membership	1,913	-	-	-	-	-	-	-	-	-	-	1,913
Insurance and bonds	19,093	-	-	-	-	-	-	75,000	-	-	-	94,093
IT equipment and software	36,428	-	-	-	-	-	-	-	-	-	-	36,428
IT Support	6,305	-	-	-	-	-	-	-	-	-	-	6,305
Legal	214,710	-	-	-	-	-	121,312	102,333	-	807	-	439,162
Miscellaneous	15,490	-	-	-	-	-	-	-	-	-	-	15,490
Payroll taxes	20,035	-	-	-	-	-	-	-	-	-	-	20,035
Rates and fees studies	4,436	-	-	-	-	-	-	-	-	-	-	4,436
Salaries and benefits	330,548	-	-	-	-	-	-	-	-	-	-	330,548
Community support services	10,315	-	-	-	-	-	-	-	-	-	-	10,315
Design and landscape review	71,871	-	-	-	-	-	-	-	-	-	-	71,871
Electricity - Street lights	6,128	-	-	-	-	-	-	-	-	-	-	6,128
Fencing materials	90,597	-	-	-	-	-	-	-	-	-	-	90,597
Furniture and equipment	62,049	-	-	-	-	-	-	-	-	-	-	62,049

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

STERLING RANCH COMMUNITY AUTHORITY BOARD
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	Special Revenue -		Debt Service - 2015 Bonds	Debt Service - 2017 Bonds	Debt Service - O&M Note	Debt Service - Facilities Note	Capital Projects - General and Preconstruction	Capital Projects -		Capital Projects -		Total Governmental Funds
	General	Water and Wastewater Services						Capital Projects - Filing 1 Trunk	Capital Projects - Filing 1 Finished Lots	Capital Projects - Filing 2-5 Trunk	Capital Projects - Filing 2 Finished Lots	
GIS licensing	154,854	-	-	-	-	-	-	-	-	-	-	154,854
Information trailer	134,399	-	-	-	-	-	-	-	-	-	-	134,399
Janitorial	2,376	-	-	-	-	-	-	-	-	-	-	2,376
Parks passes	4,200	-	-	-	-	-	-	-	-	-	-	4,200
Parks/landscape/streets maintenance	94,558	-	-	-	-	-	-	-	-	-	-	94,558
Rent	11,250	-	-	-	-	-	-	-	-	-	-	11,250
Utilities	1,664	-	-	-	-	-	-	-	-	-	-	1,664
Waste management/collection services	664	-	-	-	-	-	-	-	-	-	-	664
Billing and administration	-	33,440	-	-	-	-	-	-	-	-	-	33,440
Billing system	-	325	-	-	-	-	-	-	-	-	-	325
Other consulting	-	680	-	-	-	-	-	-	-	-	-	680
Other O&M	-	89	-	-	-	-	-	-	-	-	-	89
Dominion - residential water	-	1,520	-	-	-	-	-	-	-	-	-	1,520
Dominion - construction water	-	173,546	-	-	-	-	-	-	-	-	-	173,546
Dominion - residential wastewater	-	1,575	-	-	-	-	-	-	-	-	-	1,575
Dominion - irrigation	-	443	-	-	-	-	-	-	-	-	-	443
Debt service												
Bond interest	-	-	1,217,775	-	-	-	-	-	-	-	-	1,217,775
Paying agent/ trustee fees	-	-	5,250	-	-	-	-	-	-	-	-	5,250
Bond issue costs	-	-	-	1,894,421	-	-	-	-	-	-	-	1,894,421
Promissory Note interest	-	-	-	-	41,144	82,774	-	-	-	-	-	123,918
Promissory Note principal	-	-	-	-	304,253	706,850	-	-	-	-	-	1,011,103
Capital outlay												
Public improvements	-	-	-	-	-	-	21,965,701	-	99,245	-	-	22,064,946
Other engineering	-	-	-	-	-	771,396	-	-	821,638	-	-	1,593,034
Finished Lots/Builders improvements	-	-	-	-	-	-	-	16,577,956	-	-	-	16,577,956
Total expenditures	<u>1,381,098</u>	<u>211,618</u>	<u>1,223,025</u>	<u>1,894,421</u>	<u>345,397</u>	<u>789,624</u>	<u>1,229,216</u>	<u>22,229,631</u>	<u>16,578,184</u>	<u>1,290,184</u>	<u>57</u>	<u>47,172,455</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,226,182)</u>	<u>42,050</u>	<u>(547,351)</u>	<u>(1,715,115)</u>	<u>(345,397)</u>	<u>(789,624)</u>	<u>(998,269)</u>	<u>(12,503,620)</u>	<u>(2,660,114)</u>	<u>(1,000,471)</u>	<u>1,713,187</u>	<u>(20,030,906)</u>
OTHER FINANCING SOURCES (USES)												
Bond issuance	-	-	-	89,120,000	-	-	-	-	-	-	-	89,120,000
Bond issue discount	-	-	-	(499,905)	-	-	-	-	-	-	-	(499,905)
SR Entities advances and repayments:												
Cash advances	130,626	-	-	-	-	-	180,708	861,526	-	-	-	1,172,860
Installment Gap Funds	-	-	-	-	-	-	-	3,625,000	-	-	-	3,625,000
Release of Gap Funds	-	-	-	-	-	-	-	(1,615,063)	-	-	-	(1,615,063)
Repayment to SR Entities	(44,300)	-	-	-	-	-	(127,415)	(2,978)	-	-	-	(174,693)
O&M Note proceeds	1,394,762	199,527	5,250	-	-	-	522,123	106,600	-	-	-	2,228,262
Revenue Note proceeds	-	-	-	-	-	-	1,242,477	899,673	-	680,454	-	2,822,604
Transfers in	-	-	-	-	345,397	789,624	104,870	-	-	986,447	-	2,226,338
Transfers out	(118,594)	(226,803)	-	(1,091,317)	-	-	(310,187)	-	-	(479,437)	-	(2,226,338)
Total other financing sources (uses)	<u>1,362,494</u>	<u>(27,276)</u>	<u>5,250</u>	<u>87,528,778</u>	<u>345,397</u>	<u>789,624</u>	<u>1,612,576</u>	<u>3,874,758</u>	<u>-</u>	<u>1,187,464</u>	<u>-</u>	<u>96,679,065</u>
NET CHANGE IN FUND BALANCES	<u>136,312</u>	<u>14,774</u>	<u>(542,101)</u>	<u>85,813,663</u>	<u>-</u>	<u>-</u>	<u>614,307</u>	<u>(8,628,862)</u>	<u>(2,660,114)</u>	<u>186,993</u>	<u>1,713,187</u>	<u>76,648,159</u>
FUND BALANCES - BEGINNING OF YEAR	<u>(166,933)</u>	<u>20,195</u>	<u>5,340,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(638,729)</u>	<u>1,787,201</u>	<u>776,814</u>	<u>-</u>	<u>-</u>	<u>7,119,403</u>
FUND BALANCES- END OF YEAR	<u>\$ (30,621)</u>	<u>\$ 34,969</u>	<u>\$4,798,754</u>	<u>\$85,813,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (24,422)</u>	<u>\$ (6,841,661)</u>	<u>\$ (1,883,300)</u>	<u>\$ 186,993</u>	<u>\$ 1,713,187</u>	<u>\$83,767,562</u>

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

**STERLING 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, 2017**

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

Net change in fund balances - Total governmental funds \$ 76,648,159

Governmental funds report capital outlay 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 - current year 23,876,660

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 - current year	(89,120,000)
Bond issue discount - current year	499,905
Amortization of bond discounts	(12,090)
Advances from SR Entities	(4,797,860)
Repayment - Advances from SR Entities	174,693
Release of Gap Funds	1,615,063
Promissory Note proceeds	(5,050,866)
Promissory Note payments	1,011,103

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 advances from SR Entities - Change in liability	(1,925,307)
Accrued interest on Promissory Notes - Change in liability	(6,450)
Accrued interest on Bonds - Change in liability	(348,757)

Changes in net position of governmental activities	\$ 2,564,253
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

**STERLING RANCH COMMUNITY AUTHORITY BOARD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Design and landscape review fees	\$ 85,000	\$ 57,000	\$ 62,800	\$ 5,800
Fencing materials	-	57,000	79,773	22,773
Reimbursed expenditures	-	10,956	10,956	-
Street lighting charges	8,000	-	832	832
Transfer from Sterling Ranch District No. 2	57	57	57	-
Transfer from Sterling Ranch District No. 7	2	2	2	-
Trash collection charges	500	3,000	496	(2,504)
Total revenues	<u>93,559</u>	<u>128,015</u>	<u>154,916</u>	<u>26,901</u>
EXPENDITURES				
General and administration				
Accounting	24,000	42,000	39,782	2,218
Audit	2,000	1,750	1,750	-
CAB management	32,000	46,000	45,683	317
Dues and membership	2,000	1,913	1,913	-
Insurance and bonds	14,000	18,946	19,093	(147)
IT equipment and software	-	36,000	36,428	(428)
IT Support	-	6,000	6,305	(305)
Legal	180,000	234,954	214,710	20,244
Miscellaneous	6,000	15,000	15,490	(490)
Payroll taxes	-	17,000	20,035	(3,035)
Rates and fees studies	-	4,436	4,436	-
Salaries and benefits	-	267,000	330,548	(63,548)
Contingency	30,000	-	-	-
Operations and maintenance				
Community support services	-	10,500	10,315	185
Covenant review and management	10,000	-	-	-
Design and landscape review	96,000	55,000	71,871	(16,871)
Electricity - Street lights	-	3,000	6,128	(3,128)
Fencing materials	-	87,000	90,597	(3,597)
Furniture and equipment	-	11,513	62,049	(50,536)
GIS licensing	80,000	175,000	154,854	20,146
Information trailer	80,000	146,000	134,399	11,601
Janitorial	-	2,500	2,376	124
Parks passes	-	4,200	4,200	-
Parks/landscape/streets maintenance	120,000	20,000	94,558	(74,558)
Rent	57,000	11,250	11,250	-
Snow removal	-	5,000	-	5,000
Utilities	-	9,000	1,664	7,336
Waste management/collection services	-	3,000	664	2,336
Operations & maintenance contingency	50,000	160,000	-	160,000
Total expenditures	<u>783,000</u>	<u>1,393,962</u>	<u>1,381,098</u>	<u>12,864</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(689,441)</u>	<u>(1,265,947)</u>	<u>(1,226,182)</u>	<u>39,765</u>
OTHER FINANCING SOURCES (USES)				
SR Entities cash advances	687,941	124,536	130,626	6,090
Repayment to SR Entities	-	(44,300)	(44,300)	-
O&M Note proceeds	-	1,475,644	1,394,762	(80,882)
Transfers out	-	(121,000)	(118,594)	2,406
Total other financing sources (uses)	<u>687,941</u>	<u>1,434,880</u>	<u>1,362,494</u>	<u>(72,386)</u>
NET CHANGE IN FUND BALANCES	(1,500)	168,933	136,312	(32,621)
FUND BALANCES - BEGINNING OF YEAR	<u>3,500</u>	<u>(166,933)</u>	<u>(166,933)</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ (30,621)</u>	<u>\$ (32,621)</u>

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

STERLING RANCH COMMUNITY AUTHORITY BOARD
SPECIAL REVENUE - WATER AND
WASTEWATER SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Account setup/administration fees	\$ 45,000	\$ 2,700	\$ (42,300)
Storm drainage service fees	22,000	2,133	(19,867)
Water service fees - Construction	684,000	195,376	(488,624)
Water service fees - Residential	204,000	3,461	(200,539)
Wastewater service fees - Residential	94,000	6,698	(87,302)
Water & sewer permit connection fees	-	43,300	43,300
Total revenues	<u>1,049,000</u>	<u>253,668</u>	<u>(795,332)</u>
EXPENDITURES			
General and administration			
Billing and administration	12,000	33,440	(21,440)
Billing system	-	325	(325)
Other consulting	-	680	(680)
Facilities operation			
Other O&M	132,000	89	131,911
Water costs/purchase			
Dominion - residential water	342,000	1,520	340,480
Dominion - construction water	684,000	173,546	510,454
Dominion - residential wastewater	72,000	1,575	70,425
Dominion - irrigation	606,000	443	605,557
Total expenditures	<u>1,848,000</u>	<u>211,618</u>	<u>1,636,382</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	(799,000)	42,050	841,050
OTHER FINANCING SOURCES (USES)			
SR Entities cash advances	799,000	-	(799,000)
O&M Note proceeds	-	199,527	199,527
Transfers out	-	(226,803)	(226,803)
Total other financing sources (uses)	<u>799,000</u>	<u>(27,276)</u>	<u>(826,276)</u>
NET CHANGE IN FUND BALANCES	-	14,774	14,774
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>20,195</u>	<u>20,195</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 34,969</u>	<u>\$ 34,969</u>

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

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - DEFINITION OF REPORTING ENTITY

Sterling Ranch Community Authority Board (CAB) was organized in January 2014 to own, operate and maintain all public improvements within the boundaries of the Sterling Ranch Colorado Metropolitan District Nos. 1 through 7 (collectively, the Districts), under the Sterling Ranch Community Authority Board Establishment Agreement (the CABEA) entered into by the Districts. See Note 10 - Agreements for additional information on the CABEA.

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. These financial statements include all of the activities of the District. 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.

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Special Revenue Fund is used to account for revenues earned and expenditures incurred in connection with the water, wastewater and stormwater drainage services of the CAB.

The Debt Service Fund - 2015 Bonds and the Debt Service Fund - 2017 Bonds are used to account for the resources accumulated and payments made for principal and interest on bonds issued by the CAB.

The Debt Service Fund - O&M Note and the Debt Service Fund - Facilities Note are used to account for the resources accumulated and payments made for principal and interest on the 2016 Promissory Notes.

The Capital Projects Fund - General and Preconstruction 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.

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Capital Projects Fund - Filing 1 - Trunk Improvements and the Capital Projects Fund - Filing 2-5 - Trunk Improvements are used to account for financial resources to be used for the acquisition and construction of public improvements within Filings 1 and 2 through 5.

The Capital Projects Fund - Filing 1 - Finished Lots Improvements and the Capital Projects Fund - Filing 2-5 - Finished Lots Improvements are used to account for financial resources to be used for the acquisition and construction of finished lots or builder improvements within Filing 1 and 2 through 5, which are being accounted for and administered by the CAB.

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, 2017.

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 historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

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. Depreciation expense is computed using the straight-line method over the estimated useful lives.

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 (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.
- *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 as to the funds 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.

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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.

Deficits

The General Fund, the Capital Projects – General and Preconstruction Fund, the Capital Projects - Filing 1 -Trunk Improvements Fund, and the Capital Projects - Filing 1 - Finished Lots Improvements Fund each reported a deficit in the fund financial statements as of December 31, 2017. The deficits will be eliminated by the receipt of O&M Note and Revenue Note proceeds, Facilities Fees, Tap Fees, and Builder Funds in 2018.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 57,493
Cash and investments – restricted	<u>94,619,708</u>
Total cash and investments	<u>\$ 94,677,201</u>

Cash and investments as of December 31, 2017, consists of the following:

Deposits with financial institutions	\$ 3,899,729
Investments	<u>90,777,472</u>
Total cash and investments	<u>\$ 94,677,201</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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. \$250,000 is insured through the FDIC and the balance is collateralized in single institution pools pursuant to PDPA.

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, 2017, the CAB's cash deposits had a bank balance of \$4,343,879 and carrying balance of \$3,899,729.

**STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

The CAB has adopted a formal investment policy by which it 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

As of December 31, 2017, the CAB had the following investments:

Investment	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	\$ <u>90,777,472</u> \$ <u>90,777,472</u>

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust 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 District records its investment in COLOTRUST using the net asset value method. 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, 2017:

	<u>Balance at December 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
Governmental Activities:				
Capital assets, not being depreciated				
<u>Construction in progress:</u>				
Streets	\$ 13,343,985	\$ 12,278,776	\$ -	\$ 25,622,761
Sanitation	14,719,509	441,949	-	15,161,458
Storm Sewer	9,646,165	1,622,889	-	11,269,054
Water	12,632,575	1,186,846	-	13,819,421
Traffic & Safety	2,176,296	2,684,241	-	4,860,537
Parks and Recreation (Landscaping)	183,064	5,443,279	-	5,626,343
<u>Other (depreciation starting 2018)</u>				
Furniture & fixtures/Equipment	-	19,059	-	19,059
Vehicle	-	40,387	-	40,387
Information Trailer	184,000	159,234	-	343,234
	<u>\$ 52,885,594</u>	<u>\$ 23,876,660</u>	<u>\$ -</u>	<u>\$ 76,762,254</u>

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the CAB's long-term obligations as of December 31, 2017:

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
Limited Tax Supported Revenue Bonds:					
Senior - Series 2015A	\$ 21,500,000	\$ -	\$ -	\$ 21,500,000	\$ -
Senior - Bond issue discount	(238,023)	-	(11,052)	(226,971)	11,052
Subordinate - Series 2015B	2,090,000	-	-	2,090,000	-
Limited Tax Supported & Special Revenue Bonds:					
Senior - Series 2017A	-	75,030,000	-	75,030,000	-
Senior - Bond issue discount	-	(499,905)	(1,038)	(498,867)	21,243
Subordinate - Series 2017B	-	14,090,000	-	14,090,000	-
Total bonds payable	<u>23,351,977</u>	<u>88,620,095</u>	<u>(12,090)</u>	<u>111,984,162</u>	<u>32,295</u>
Promissory Notes:					
O&M Note	-	2,228,262	304,253	1,924,009	-
Revenue Note	-	2,822,604	706,850	2,115,754	-
Accrued interest	-	130,368	123,918	6,450	-
Total Promissory Notes payable	<u>-</u>	<u>5,181,234</u>	<u>1,135,021</u>	<u>4,046,213</u>	<u>-</u>
Advances payable to SR Entities:					
Operations	830,282	124,536	44,300	910,518	-
Capital - General	3,558,333	180,708	127,415	3,611,626	-
Capital - Trunk	11,510,667	4,486,526	1,618,041	14,379,152	-
Operations - paid by SR Entities	91,090	6,090	-	97,180	-
Capital - General - paid by SR Entities	66,311	-	-	66,311	-
Capital - Trunk - paid by SR Entities	2,356,762	-	-	2,356,762	-
Capital - General - certified and acquired	4,544,709	-	-	4,544,709	-
Capital - Trunk - certified and acquired	251,392	-	-	251,392	-
Accrued interest	2,394,010	1,925,307	-	4,319,317	-
Total advances payable - SR Entities	<u>25,603,556</u>	<u>6,723,167</u>	<u>1,789,756</u>	<u>30,536,967</u>	<u>-</u>
	<u>\$ 48,955,533</u>	<u>\$ 100,524,496</u>	<u>\$ 2,912,687</u>	<u>\$ 146,567,342</u>	<u>\$ 32,295</u>

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

\$21,500,000 Limited Tax Supported Revenue Senior Bonds, Series 2015A, dated December 30, 2015, (the 2015 Senior Bonds) bear interest at annual rates ranging from 5.50% and 5.75%, with interest payable semi-annually on June 1 and December 1, beginning on June 1, 2016. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2020. The 2015 Senior Bonds mature on December 1, 2035, and December 1, 2045, and are subject to optional redemption as described in the 2015 Senior Indenture.

The proceeds from the sale of the 2015 Senior and 2015 Subordinate Bonds (collectively, the Series 2015 Bonds) were used for the purposes of: (i) funding and reimbursing a portion of the costs of acquiring, constructing, and installing certain public infrastructure improvements; (ii) funding a restricted project account with respect to the 2015 Senior Bonds; (iii) providing capitalized interest for the 2015 Senior Bonds; (iv) funding a Reserve Fund securing the 2015 Senior Bonds; and (v) paying costs of issuance of the 2015 Senior Bonds and the 2015 Subordinated Bonds.

The 2015 Senior Bonds are secured by and payable from Senior Pledged Revenues consisting of moneys derived from the following sources, net of any costs of collection: (i) the Sterling Ranch Colorado Metropolitan District No. 2 Senior Required Mill Levy Revenue and all other Required Mill Levy Revenues (but excluding the District No. 2 Subordinate Required Mill Levy Revenue pledged to the Series 2015B Subordinate Bonds and any other Subordinate Bonds); (ii) the portion of the Specific Ownership Taxes attributable to the imposition by District No. 2 of the District No. 2 Senior Required Mill Levy; (iii) Pledged Facilities Fee Revenues; (iv) any other legally available amounts that the Issuer may designate by resolution of the Board, to be paid to the Trustee for deposit into the Senior Revenue Fund; or otherwise held under the Senior Indenture; and (v) all income or other gain, if any, from investment of the foregoing. The 2015 Senior Bonds are also secured by amounts held in the Senior Reserve Fund, which was funded upon issuance of the 2015 Senior Bonds in the amount of the Required Reserve equal to \$1,798,863, and amounts accumulated in the Surplus Fund, if any.

The CAB as Issuer covenants in the Senior Indenture to require District No. 2 to impose (under the Pledge Agreement) the District No. 2 Senior Required Mill Levy upon all taxable property of District No. 2 in accordance with the Pledge Agreement. The Senior Indenture requires that a Senior Required Mill Levy be imposed in an amount sufficient (net of collection costs and taking into account amounts then on deposit in the Surplus Fund and Senior Bond Fund) to pay the principal of, premium if any, and interest on the 2015 Senior Bonds and any other Senior Bonds, as the same become due and payable, and to replenish the Senior Reserve Fund to the Senior Reserve Fund Requirement, but not in excess of 50 mills, subject to adjustment for changes occurring after August 27, 2013, in the method of calculating assessed valuation and, for so long as the Surplus Fund is less than the Maximum Surplus Amount (or if any portion of the Surplus Fund is taken into account in setting the District No. 2 Senior Required Mill Levy), not less than 45 mills (subject to adjustment).

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term 2015 Senior Bonds will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 1,217,775	\$ 1,217,775
2019	-	1,217,775	1,217,775
2020	55,000	1,217,775	1,272,775
2021	230,000	1,214,750	1,444,750
2022	270,000	1,202,100	1,472,100
2023-2027	1,790,000	5,757,775	7,547,775
2028-2032	2,780,000	5,162,950	7,942,950
2033-2037	4,085,000	4,260,938	8,345,938
2038-2042	5,875,000	2,905,188	8,780,188
2043-2045	6,415,000	853,012	7,268,012
	<u>\$ 21,500,000</u>	<u>\$ 25,010,038</u>	<u>\$ 46,510,038</u>

\$2,090,000 Limited Tax Supported Revenue Subordinate Bonds, Series 2015B, dated December 30, 2015, (the 2015 Subordinate Bonds) bear interest at an annual rate of 7.75%, with interest payable annually from Subordinate Pledged Revenues on December 15, beginning on December 15, 2016. The 2015 Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of interest or principal prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. The 2015 Subordinate Bonds are also subject to optional and mandatory redemption prior to maturity as described in the 2015 Subordinate Indenture.

The 2015 Subordinate Bonds are secured by and payable solely from Subordinate Pledged Revenue, consisting of monies derived from the following sources, net of any costs of collection: (i) the District No. 2 Subordinate Required Mill Levy; (ii) the portion of the Specific Ownership Taxes attributable to the imposition by District No. 2 of the District No. 2 Subordinate Required Mill Levy; and (iii) any other legally available monies (other than Pledged Facilities Fees Revenues) which the Issuer determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

The Issuer covenants to require District No. 2 to impose (under the Pledge Agreement) the District No. 2 Subordinate Required Mill Levy. The Subordinate Indenture requires that a Subordinate Required Mill Levy be imposed in an amount equal to 45 mills (subject to adjustment) less the amount of the Senior Bond Mill Levy or such lesser mill levy which, when combined with other Subordinate Pledged Revenue legally available in the Subordinate Bond Fund, will permit the 2015 Subordinate Bonds to be fully funded for the next Bond Year and pay all of the principal and interest due on the 2015 Subordinate Bonds in full. As a result, the Subordinate Required Mill Levy will be zero until such time as the Senior Required Mill Levy and any other mill levy imposed to pay the 2015 Senior Bonds are less than 45 mills.

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

\$75,030,000 Limited Tax Supported and Special Revenue Senior Bonds, Series 2017A, dated December 14, 2017, (the 2017 Senior Bonds) bear interest at an annual rate of 5.00%, with interest payable semi-annually on June 1 and December 1, beginning on June 1, 2018. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 1, 2021. Unpaid interest on the 2017 Senior Bonds compounds semi-annually on each June 1 and December 1. The 2017 Senior Bonds mature on December 1, 2030, December 1, 2038 and December 1, 2047, and are subject to optional redemption as described in the 2017 Senior Indenture.

The proceeds from the sale of the 2017 Senior and 2017 Subordinate Bonds (collectively, the Series 2017 Bonds) were used for the purposes of (i) funding and reimbursing a portion of the costs of designing, acquiring, constructing, and installing certain public infrastructure improvements and paying certain other related costs, including the payment of certain impact fees charged by the County in connection with the Sterling Ranch Development, (ii) paying the costs of issuance of the 2017 Senior Bonds and the 2017 Subordinate Bonds, and (iii) with respect to the 2017 Senior Bonds only: (a) funding the 2017 Senior Reserve Fund, and (b) and funding capitalized interest on the 2017 Senior Bonds to come due through December 1, 2020.

The 2017 Senior Bonds are secured by and payable solely from Senior Pledged Revenues, which includes property taxes generated by the imposition of the District No. 3 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. 3 Senior Required Mill Levy, Pledged Facilities Fees, Pledged Storm Water Tap Fees, and any other legally available amounts that the Issuer may designate by resolution of the Board to be deposited with the Trustee for deposit into the 2017 Senior Revenue Fund. The 2017 Senior Bonds are also secured by amounts held in the 2017 Senior Reserve Fund, in the amount of the Required Reserve equal to \$6,237,000, and amounts accumulated in the 2017 Surplus Fund, if any.

The District's long-term 2017 Senior Bonds will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 3,616,029	\$ 3,616,029
2019	-	3,751,500	3,751,500
2020	-	3,751,500	3,751,500
2021	435,000	3,751,500	4,186,500
2022	310,000	3,729,750	4,039,750
2023-2027	4,185,000	18,346,500	22,531,500
2028-2032	9,910,000	16,607,750	26,517,750
2033-2037	14,065,000	13,736,500	27,801,500
2038-2042	19,575,000	9,697,250	29,272,250
2043-2047	26,550,000	4,141,750	30,691,750
	<u>\$ 75,030,000</u>	<u>\$ 81,130,029</u>	<u>\$ 156,160,029</u>

**STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

\$14,090,000 Limited Tax Supported and Special Revenue Subordinate Bonds, Series 2017B, dated December 14, 2017, (the 2017 Subordinate Bonds) bear interest at an annual rate of 7.50%, with interest payable annually from available Subordinate Pledged Revenue on December 15, beginning on December 15, 2018. The 2017 Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of interest or principal prior to the final maturity date. Unpaid interest on the 2017 Subordinate Bonds compounds annually on each December 15. The 2017 Subordinate Bonds are subject to optional and mandatory redemption prior to maturity as described in the 2017 Subordinate Indenture.

The 2017 Subordinate Bonds are secured by and payable from Subordinate Pledged Revenues derived by the Issuer from the following sources, net of any cost of collection: a) the District No. 3 Subordinate Required Mill Levy Revenues; b) Specific Ownership Tax Revenues, attributable to the Subordinate Required Mill Levy; c) Subordinate Pledged Facilities Fee Revenues and Subordinate Pledged Storm Water Tap Fee Revenues; and d) any other legally available moneys which the Issuer determines, in its absolute discretion, to transfer to the Trustee for application as Subordinate Pledged Revenue.

Sterling Ranch Community Authority Board Taxable Subordinate Limited Service Fee Revenue Promissory Note, Series 2016

On December 29, 2016, the CAB issued the Sterling Ranch Community Authority Board Taxable Subordinate Limited Service Fee Revenue Promissory Note, Series 2016 (the 2016 O&M Note) to Sterling Ranch LLC (SR LLC) in the maximum principal amount of \$21,000,000. The 2016 O&M Note is a fill-up note, has a maturity date of December 1, 2018, and interest on the outstanding principal amount accrues at a rate of 6.5% per annum. Interest payments shall be due on the fifteenth day of each calendar month, commencing on the first fifteenth day of the calendar month after the date that the CAB receives an initial advance for operation and maintenance costs pursuant to the 2017-2019 OFA with SR LLC. Principal and interest payments on the 2016 O&M Note are made on the 15th day of each calendar month primarily from 95% of the Service Fees collected by the CAB. At December 31, 2017, the balance outstanding on the 2016 O&M Note totaled \$1,928,931, consisting of \$1,924,009 in principal and \$4,922 of accrued interest.

Sterling Ranch Community Authority Board Taxable Limited Revenue Promissory Note, Series 2016

On December 29, 2016, the CAB issued the Taxable Subordinate Limited Revenue Promissory Note, Series 2016 (the 2016 Revenue Note) to SR LLC in the maximum principal amount of \$84,000,000. In December 2017, the CAB's Board of Directors approved a resolution amending the maximum principal amount to \$7,000,000, which may be increased upon the satisfaction of certain conditions. The 2016 Revenue Note is a fill-up note, has a maturity date of December 1, 2018, and interest on the outstanding principal amount accrues at a rate of 6.5% per annum. Interest payments shall be due on the fifteenth day of each calendar month, commencing on the first fifteenth day of the calendar month after the date that the CAB receives an initial advance for organizational expenses and public improvements pursuant to the SR LLC FFA. Principal and interest payments on the 2016 Revenue Note are made on the 15th day of each calendar month primarily from 95% of the Tap Fees and Facilities Fees collected by the CAB from within the boundaries of the Districts, excluding District No. 3.

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Funding and Reimbursement Agreements

See Note 10 for a summary of various funding and reimbursement agreements.

Authorized Debt

On November 5, 2013, the electors for the Districts authorized the issuance of indebtedness in an amount not to exceed \$19,800,000,000 per District for public improvements and refunding. On November 4, 2014, the electors of each District authorized an additional \$1,800,000,000 for security services and improvements.

At December 31, 2017, with the issuance of the Series 2015 Bonds, District No. 2 had authorized but unissued indebtedness remaining in the amount of \$21,576,410,000 for public improvements and refunding.

At December 31, 2017, with the issuance of the Series 2017 Bonds, District No. 3 had authorized but unissued indebtedness remaining in the amount of \$21,510,880,000 for public improvements and refunding.

In the future, the CAB may issue a portion or all of the remaining authorized but unissued general obligation debt on behalf of the Districts for purposes of providing public improvements to support development as it occurs within the Districts' service areas. The Service Plans for the Districts limit the aggregate amount of debt that they may issue together with any debt issued by the CAB to \$1,800,000,000.

NOTE 6 - NET POSITION

As of December 31, 2017, 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, 2017, as follows:

Restricted net position:	
Emergencies	\$ 4,400
Debt Service	<u>1,307,310</u>
	<u>\$ 1,311,710</u>

The CAB has an unrestricted net position totaling \$12,037,512 as of December 31, 2017.

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - COMMITMENTS

Major Construction Commitment

As of December 31, 2017, the CAB had unexpended commitments from the Mortenson contract (see Note 10) of approximately \$11,877,471, of which \$4,495,905 was recorded as retainage payable.

NOTE 8 - RELATED PARTIES

Sterling Ranch LLC (SR LLC) and Sterling Ranch Development Company (Developer) are the owners of or hold options to acquire a significant portion of the properties comprising the service areas of the Districts. SR LLC, the Developer and Hobbs Investments LLC (Hobbs), a single member LLC for which the Developer is the manager and sole member (collectively with SR LLC and the Developer, the SR Entities) have each advanced funds to the CAB (See Note 5 and Note 10). The members of the Board of Directors of the CAB and the Districts hold direct or indirect ownership interests in the SR Entities or are otherwise associated with the SR Entities 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 SR Entities.

NOTE 10 - AGREEMENTS

Sterling Ranch Community Authority Board Establishment Agreement (CABEA)

The Districts exist for the purposes of designing, acquiring, constructing, installing, financing, operating and maintaining certain streets, traffic and safety controls, water, sanitation, stormwater, parks and recreation, TV relay and translation, mosquito control, limited fire protection and security, all in accordance with their Service Plans.

Their Service Plans contemplated that the Districts, with the approval of their electors would enter into the CABEA. On November 5, 2013, the Districts' qualified electors voted in favor of the Districts entering into the CABEA pursuant to which the Districts established the CAB. The CABEA was entered into effective January 6, 2014. 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.

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 - AGREEMENTS (CONTINUED)

Operation Funding Agreement with Hobbs Investments LLC

On December 17, 2015, with an effective date of January 1, 2016, the CAB entered into the 2016-2019 Operation Funding Agreement with Hobbs, as amended and restated in its entirety by that certain 2016-2025 Amended and Restated Operation Funding Agreement, entered into on November 15, 2016, with an effective date of January 1, 2016 (collectively, the Hobbs OFA), pursuant to which Hobbs agrees to advance funds to the CAB for certain operation and maintenance expenses on a periodic basis as needed for fiscal years 2016 through 2025. The maximum amount to be advanced for Operations and Maintenance Expenses pursuant to this agreement is Six Million Eight Hundred Fifty Thousand Dollars (\$6,850,000). 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 Hobbs.

2017-2019 Operation Funding Agreement with Sterling Ranch, LLC

On November 15, 2016, with an effective date of January 1, 2017, the CAB entered into the 2017-2019 Operation Funding Agreement with SR LLC (the 2017-2019 OFA), pursuant to which SR LLC agrees to advance funds to the CAB or pay consultants directly on CAB's behalf for operation and maintenance expenses on a periodic basis as incurred from January 1, 2017 through December 31, 2019. The CAB agrees to repay these advances together with accrued interest at the rate of 6.5% per annum accruing from the date the funds were advanced directly to the CAB by SR LLC and annotated on the Sterling Ranch Community Authority Board Taxable Subordinate Limited Service Fee Revenue Promissory Note, Series 2016 (the 2016 Operating Promissory Note). For amounts advanced to a third party on behalf of the CAB, the amount due for repayment by the CAB shall be annotated on the 2016 Operating Promissory Note upon verification by the CAB's accountant or the CAB's engineer, as appropriate, that the amount expended was paid on a cost that would be eligible for funding by the CAB, and in an amount that is customary for such product or service. Interest shall accrue on amounts advanced to a third party on behalf of the CAB from the date of verification. The maximum amount to be advanced for operation and maintenance expenses pursuant to the 2017-2019 OFA is Twenty-One Million Dollars (\$21,000,000).

Facilities Funding and Acquisition Agreement with Hobbs Investments LLC

On June 29, 2015, with an effective date of June 29, 2015, the CAB entered into the Facilities Funding and Acquisition Agreement with Hobbs, as amended and restated in its entirety by that certain Amended and Restated Facilities Funding and Acquisition Agreement entered into on August 11, 2015, with an effective date of July 31, 2015 (collectively, the Hobbs FFAA) 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. Hobbs agrees to make such advances on a periodic basis as needed beginning July 31, 2015, through December 31, 2019. The Hobbs FFAA does not constitute debt, but is an annual appropriations agreement intended to be repaid through future bond issuances.

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 - AGREEMENTS (CONTINUED)

Facilities Funding Agreement with Sterling Ranch, LLC

On November 15, 2016, the CAB entered into a Facilities Funding Agreement with SR LLC (the SR LLC FFA), pursuant to which SR LLC agrees to make advances not to exceed \$84,000,000 to the CAB for the following purposes: organizational expenses and public improvements. Interest on funds advanced or to pay for improvements (from the date of verification) accrue at 6.5% per annum. The CAB agrees that its obligation to repay the advances to SR LLC shall be as set forth in the Taxable Subordinate Limited Revenue Promissory Note, Series 2016 (the 2016 Capital Promissory Note). The SR LLC FAA does not constitute debt, but is an annual appropriations agreement intended to be repaid through future bond issuances.

Water and Wastewater Service Agreement for Sterling Ranch

The CAB entered into an agreement, dated January 6, 2014, with Dominion Water and Sanitation District (Dominion) pursuant to which Dominion will provide wholesale water, wastewater and stormwater services to the CAB. The CAB will serve as the retail provider of water and wastewater to customers located in the Sterling Ranch development. The agreement sets forth the terms and conditions regarding the provision of the services, the financing of construction and operation of the facilities, and establishing rates, fees, charges and reimbursements.

Water, Wastewater and Stormwater Operations Intergovernmental Agreement (for Service to Sterling Ranch)

On December 7, 2016, with an effective date of November 15, 2016 the CAB entered into a Water, Wastewater and Stormwater Operations Intergovernmental Agreement (for Service to Sterling Ranch) (Operations IGA) with Dominion Water & Sanitation District, a quasi-municipal corporation and political subdivision of the State of Colorado, acting by and through its Sterling Ranch Water Activity Enterprise and its Sterling Ranch Wastewater Activity Enterprise (Dominion), which sets forth the terms for the administration, operation, maintenance, repair and replacement of the water and wastewater facilities prior to the provision of water and wastewater service to a water and/or wastewater retail customer of the CAB within Sterling Ranch.

On October 17, 2017, the Operations IGA was amended and restated pursuant to the First Amended and Restated Water, Wastewater and Stormwater Operations Intergovernmental Agreement (for Service to Sterling Ranch) ("Amended Operations IGA"). The Amended Operations IGA clarified and implemented the terms for water and wastewater operations as development progresses in Sterling Ranch by describing a process by which water usage and demand can be quantified.

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 - AGREEMENTS (CONTINUED)

Mortenson Master Agreement

Effective as of March 3, 2014, the CAB entered into the First Amended Sterling Ranch Community Authority Board (CAB) Infrastructure Master Agreement for Construction Contracting – Specified Public Infrastructure Projects for the Sterling Ranch Development Awarded Through December 31, 2024, with M.A. Mortenson Company, d/b/a Mortenson Construction (Mortenson). The Master Agreement sets forth the terms and conditions to govern the contractual relationship and work to be performed under several forms of sub-agreements and project-specific work orders.

The CAB and Mortenson, the master contractor for the construction of public infrastructure within Filing 1, have had ongoing construction-related disputes concerning the development of the lots and change orders associated with the infrastructure improvements in Filing 1, primarily arising from the alleged failure of Mortenson to meet agreed-upon milestones related to the construction of the infrastructure improvements in Filing 1, and Mortenson's claims for alleged additional costs incurred as a result of such change orders. These disputes may or may not lead to litigation between the parties, but at this time both parties are attempting to resolve the disputes in accordance with the terms of the master construction agreement previously executed between the parties. In the event the CAB is required to pay such additional amounts to Mortenson, it expects to fund such amounts from funds available in the Project Fund for the Series 2015 Bonds or from advances from SR LLC pursuant to the SR LLC FAA or from Hobbs pursuant to the Hobbs FFAA.

Letter of Intent to Serve

By a letter dated September 4, 2014, to SR LLC, the CAB committed to providing retail water and wastewater services to the real property contained within the Sterling Ranch Planned Development, which services will be in compliance with the CABEA.

Sterling Ranch Filing No. 1 Construction Administration, Financing and Allotment Agreement

The CAB and Dominion entered into the Sterling Ranch Filing No. 1 Construction Administration, Financing and Allotment Agreement, dated June 17, 2015, pursuant to which the CAB will provide the financing and administration of the construction of certain water and wastewater facilities on behalf of Dominion; in exchange, Dominion will provide the CAB dedicated wholesale water and wastewater service in perpetuity. This agreement sets forth the terms and conditions regarding the CAB's obligation to design, construct, finance and complete those certain water and wastewater facilities and the obligations of Dominion upon CAB's dedication of the same to Dominion.

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 - AGREEMENTS (CONTINUED)

Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 1

On January 27, 2015, the CAB entered into a Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 1 with the Developer, Dominion, Roxborough Water and Sanitation District (Roxborough) and the Board of County Commissioners of the Douglas County (County) to provide for the construction of public improvements, landscape and park improvements, wholesale water and wastewater improvements, and water treatment improvements that are associated with Sterling Ranch Filing No. 1 in Douglas County, Colorado. This agreement was subsequently amended. The Fourth Amendment to Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 1 is dated October 10, 2017 (the "Fourth Amendment"). Among other amendments, the Fourth Amendment reflects the final design for certain improvements, includes additional improvements, and updates the construction phasing map for Filing No. 1. Additionally, the Fourth Amendment requires the CAB to deposit a bond with the County to secure completion of these improvements (see Warranty Security IGA, Subdivision Bond, and General Indemnity Agreement, below).

Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 2

On October 10, 2017, the CAB entered into a Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 2 with the Developer and the County to provide for the construction of the following public improvements associated with Sterling Ranch Filing No. 2 in Douglas County, Colorado: (i) all on and off-site grading, and streets and traffic facilities; (ii) the detached sidewalks adjacent to the streets; (iii) all on-site facilities for storm water drainage, water and water quality, and sanitary sewer; and (iv) landscape and park improvements.

Intergovernmental Agreement between Douglas County and Sterling Ranch Community Authority Board, Concerning Subdivision Warranty Security for Obligations under Subdivision Improvements Agreements/Intergovernmental Agreements

On June 13, 2017, the CAB entered into an intergovernmental agreement with the County regarding the security the CAB is required to post with the County for warranty performance obligations related to subdivision improvements for Filing No. 1 and future subdivision improvement agreements (the "Warranty Security IGA"). As of the date of execution of the Warranty Security IGA, the CAB was required to post a letter of credit in the amount of \$500,000 to secure performance of warranty obligations. However, as additional improvements are completed and accepted by the County, the CAB is required to post security in an amount equal to 15% of the total cost of improvements for each subdivision to secure warranty obligations (see Subdivision Bond, below).

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 - AGREEMENTS (CONTINUED)

Subdivision Bond

On July 31, 2017, the CAB obtained a Subdivision Bond from Atlantic Specialty Insurance Company in the amount of \$5,000,000 to secure the CAB's warranty obligations under the Warranty Security IGA and subdivision improvement agreements. The Subdivision Bond is subject to the terms of the General Indemnity Agreement, discussed below.

General Indemnity Agreement

On July 21, 2017, the CAB entered into a General Indemnity Agreement with Atlantic Specialty Insurance Company, under which the CAB agreed to indemnify and hold harmless the surety from and against liability related to any bonds issued by the surety to secure the CAB's performance of certain obligation, including, for example, the CAB's warranty obligations under the Warranty Security IGA and the subdivision improvement agreements.

Development and Cost-Sharing Agreement – Filing 1

On November 5, 2015, the CAB entered into an agreement with Developer, Hobbs and those entities listed and defined as Builders (as defined below) in the agreement, pursuant to which the CAB is responsible for the financing and construction of certain improvements and the Builders and Developer are responsible for their pro rata share of the CAB's cost for the improvements associated with the lots acquired by each Builder, and/or retained by the Developer.

Development and Cost-Sharing Agreement – Filing No. 2

On December 27, 2017, the CAB entered into an agreement with the Developer, American Title Insurance Company, and CalAtlantic Group, Inc. ("CalAtlantic"), pursuant to which the CAB is responsible for certain finished lot improvements, trunk improvements, and shared roadway improvements, and CalAtlantic is responsible for construction of foundation drain systems and over-excavation of lots.

Tap and Facilities Fee Purchase Agreement with Builders

On November 5, 2015 the CAB entered into agreements with each Builder (as defined below) whereby the Builders will pay certain tap fees and facilities fees (as specifically defined in the agreement) to the CAB as a partial funding source for those certain on-site and off-site water and sewer improvements. Specifically, the CAB has an agreement with the Developer and each of the following Builders: CalAtlantic Group, Inc.; Brookfield Residential (Colorado), LLC; Richmond American Homes of Colorado, Inc.; Meritage Homes of Colorado, Inc.; and Lennar Colorado, LLC (two separate agreements).

During 2017, the CAB received \$1,927,500 in facilities fees and \$8,352,500 in water and sewer tap fees under these agreements. A portion of the facilities fees are pledged for debt service on the 2015 Bonds. The tap fees are to be used for the construction of: (i) certain wholesale water and sewer facilities and improvements which the CAB will construct on behalf of Dominion; and

**STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 10 - AGREEMENTS (CONTINUED)

(ii) certain retail water and sewer improvements. When the water and sewer facilities and improvements are completed, the capital assets related to the wholesale water and sewer improvements will be conveyed, and the remaining tap fees, if any, will be transferred or otherwise owed, to Dominion.

Tap and Facilities Fee Agreement (Sterling Ranch Filing 2 – Single Family Detached and Attached Lots)

On December 27, 2017, the CAB entered into an agreement with CalAtlantic Group, Inc. (“CalAtlantic”), under which CalAtlantic will pay certain tap fees and facilities fees (as specifically defined in the agreement) to the CAB as a partial funding source for those certain trunk improvements, including but not limited to on and off-site water and sewer improvements.

During 2017, the CAB received \$232,500 in facilities fees and \$196,700 in water and sewer tap fees under this agreement. A portion of the facilities fees and tap fees are pledged for debt service on the 2017 Bonds.

Builder Sidewalk Agreements

During the fourth quarter of 2016, the CAB entered into separate agreements with Brookfield Residential (Colorado), LLC; CalAtlantic Group, Inc.; CDL Homes, Inc., d/b/a Wonderland Homes; Lennar Colorado, LLC; Meritage Homes of Colorado, Inc.; Parkwood Homes-Sterling Ranch, LLC; and Richmond American Homes of Colorado, Inc. (collectively, Sidewalk Builders) and the Developer whereby the CAB shall construct certain sidewalks (as defined in the agreements) for the benefit of and at the sole cost and expense of the Sidewalk Builders and the Developer.

Construction Disbursement Agreement

On November 5, 2015, the CAB entered into an agreement with the Developer and Hobbs whereby the CAB established a segregated account with a nationally or regionally recognized FDIC insured financial institution to be used to: (i) deposit Gap Funds (as defined in the agreement), water and sewer tap fees, facilities fees and builder funds associated with the finished lot improvements; and (ii) pay the costs of certain finished lot improvements, certain on-site and off-site infrastructure improvements and certain water treatment improvements that are being constructed by Roxborough pursuant to an Intergovernmental Agreement for Water Supply between Dominion and Roxborough. The agreement describes and confirms the Builder’s and Developer’s obligations (as defined in the Development and Cost-Sharing Agreement) to fund such improvements and the procedures that will be utilized to disburse the funds from the segregated account.

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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.

On November 5, 2013, the Districts' voters passed an election question allowing the Districts to increase property taxes up to \$50,000,000 annually, without limitation of rate, in order for the CAB to pay the Districts' operations, maintenance and other expenses.

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.

STERLING RANCH COMMUNITY AUTHORITY BOARD
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 13 - SUBSEQUENT EVENT

In January 2018, the CAB received a confidential demand letter from a corporation that had submitted a bid in response to the CAB's request for bids for construction of certain public improvements. The demand letter alleged wrong-doing related to the public bidding process. Subsequently, on April 20, 2018, the same corporation sent a Notice of Claim letter to the CAB pursuant to Section 24-10-109, C.R.S. The CAB reported these events to its insurance carrier, engaged special litigation counsel, and denies each and every allegation in the demand letter and/or Notice of Claim. The disputes that are the subject matter of the demand letter and Notice of Claim may or may not lead to litigation between the parties, but at this time, the CAB and the corporation are attempting to resolve these disputes.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**STERLING RANCH COMMUNITY AUTHORITY BOARD
DEBT SERVICE FUND - 2015 BONDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net investment income	\$ 20,000	\$ 33,089	\$ 13,089
Filing 1 pledged facilities fees	855,000	642,500	(212,500)
Transfer from Sterling Ranch District No. 2	85	85	-
Total revenues	<u>875,085</u>	<u>675,674</u>	<u>(199,411)</u>
EXPENDITURES			
Banking fees	100	-	100
Bond interest	1,217,775	1,217,775	-
Paying agent/ trustee fees	5,750	5,250	500
Total expenditures	<u>1,223,625</u>	<u>1,223,025</u>	<u>600</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(348,540)	(547,351)	(198,811)
OTHER FINANCING SOURCES (USES)			
O&M Note proceeds	-	5,250	5,250
Total other financing sources (uses)	<u>-</u>	<u>5,250</u>	<u>5,250</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(348,540)	(542,101)	(193,561)
NET CHANGES IN FUND BALANCES	(348,540)	(542,101)	(193,561)
FUND BALANCES - BEGINNING OF YEAR	<u>5,335,268</u>	<u>5,340,855</u>	<u>5,587</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 4,986,728</u></u>	<u><u>\$ 4,798,754</u></u>	<u><u>\$ (187,974)</u></u>

STERLING RANCH COMMUNITY AUTHORITY BOARD
DEBT SERVICE FUND - 2017 BONDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net investment income	\$ -	\$ -	\$ 39,806	\$ 39,806
Filing 2 pledged facilities fees	-	122,500	77,500	(45,000)
Filing 2 pledged tap fees	-	98,000	62,000	(36,000)
Total revenues	-	220,500	179,306	(41,194)
EXPENDITURES				
Bond issue costs	-	1,917,577	1,894,421	23,156
Total expenditures	-	1,917,577	1,894,421	23,156
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(1,697,077)	(1,715,115)	(18,038)
OTHER FINANCING SOURCES (USES)				
Bond issuance	-	89,120,000	89,120,000	-
Original issue discount	-	(499,905)	(499,905)	-
Transfers out	-	(1,124,000)	(1,091,317)	32,683
Total other financing sources (uses)	-	87,496,095	87,528,778	32,683
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	-	85,799,018	85,813,663	14,645
NET CHANGES IN FUND BALANCES	-	85,799,018	85,813,663	14,645
FUND BALANCES - BEGINNING OF YEAR	-	-	-	-
FUND BALANCES - END OF YEAR	\$ -	\$ 85,799,018	\$ 85,813,663	\$ 14,645

STERLING RANCH COMMUNITY AUTHORITY BOARD
DEBT SERVICE FUND - O&M NOTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Interest	-	69,000	41,144	27,856
Principal	-	310,000	304,253	5,747
Total expenditures	-	379,000	345,397	33,603
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(379,000)	(345,397)	33,603
OTHER FINANCING SOURCES (USES)				
Transfers in	-	379,000	345,397	(33,603)
Total other financing sources (uses)	-	379,000	345,397	(33,603)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	-	-	-	-
NET CHANGES IN FUND BALANCES	-	-	-	-
FUND BALANCES - BEGINNING OF YEAR	-	-	-	-
FUND BALANCES - END OF YEAR	\$ -	\$ -	\$ -	\$ -

STERLING RANCH COMMUNITY AUTHORITY BOARD
DEBT SERVICE FUND - FACILITIES NOTE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Interest	-	22,095	82,774	(60,679)
Principal	-	849,222	706,850	142,372
Total expenditures	-	871,317	789,624	81,693
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(871,317)	(789,624)	81,693
OTHER FINANCING SOURCES (USES)				
Transfers in	-	871,317	789,624	(81,693)
Total other financing sources (uses)	-	871,317	789,624	(81,693)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	-	-	-	-
NET CHANGES IN FUND BALANCES	-	-	-	-
FUND BALANCES - BEGINNING OF YEAR	-	-	-	-
FUND BALANCES - END OF YEAR	\$ -	\$ -	\$ -	\$ -

**STERLING RANCH COMMUNITY AUTHORITY BOARD
CAPITAL PROJECTS FUND - GENERAL AND PRECONSTRUCTION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Facilities fees	\$ -	\$ 101,625	\$ 101,625
Reimbursed expenditures	-	14,824	14,824
Sewer tap fees	-	4,669	4,669
Storm tap fees	-	99,824	99,824
Water tap fees	-	10,005	10,005
Total revenues	<u>-</u>	<u>230,947</u>	<u>230,947</u>
EXPENDITURES			
General and administration:			
Accounting	96,000	159,128	(63,128)
Audit	6,000	5,250	750
CAB management	128,000	172,130	(44,130)
Legal	190,000	121,312	68,688
Contingency	40,000	-	40,000
Capital outlay:			
Engineering and management	1,630,000	771,279	858,721
Other construction costs	-	117	(117)
Contingency	260,000	-	260,000
Total expenditures	<u>2,350,000</u>	<u>1,229,216</u>	<u>1,120,784</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,350,000)</u>	<u>(998,269)</u>	<u>1,351,731</u>
OTHER FINANCING SOURCES (USES)			
SR Entities cash advances	2,350,000	180,708	(2,169,292)
Repayment to SR Entities	-	(127,415)	(127,415)
O&M Note proceeds	-	522,123	522,123
Revenue Note proceeds	-	1,242,477	1,242,477
Transfers from other funds	-	104,870	104,870
Transfers to other fund	-	(310,187)	(310,187)
Total other financing sources (uses)	<u>2,350,000</u>	<u>1,612,576</u>	<u>(737,424)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	-	614,307	614,307
FUND BALANCES - BEGINNING OF YEAR	<u>2,000</u>	<u>(638,729)</u>	<u>(640,729)</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,000</u>	<u>\$ (24,422)</u>	<u>\$ (26,422)</u>

STERLING RANCH COMMUNITY AUTHORITY BOARD
CAPITAL PROJECTS FUND - FILING 1 - TRUNK IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
REVENUES				
Facilities fees	\$ 1,710,000	\$ 1,535,000	\$ 1,285,000	\$ (250,000)
Net investment income	6,000	2,500	1,942	(558)
Reimbursed expenditures	-	-	86,569	86,569
Tap fees	11,115,000	9,977,500	8,352,500	(1,625,000)
Total revenues	<u>12,831,000</u>	<u>11,515,000</u>	<u>9,726,011</u>	<u>(1,788,989)</u>
EXPENDITURES				
General and administration:				
Accounting - Construction Disbursement Agent	20,000	36,000	43,846	(7,846)
Banking fees	700	200	102	98
Costs verification/certification	80,000	150,000	42,649	107,351
Insurance and bonds	-	75,000	75,000	-
Legal	-	-	102,333	(102,333)
Capital outlay:				
Demo, grading & erosion control	1,685,623	450,000	422,723	27,277
Demo, grading & erosion control - Other fees	-	-	3,575	(3,575)
Parks and Recreation (Landscaping)	59,422	5,400,000	5,095,665	304,335
Parks and Recreation - Other	-	-	12,458	(12,458)
Streets	1,589,636	8,800,000	8,856,190	(56,190)
Streets - Other fees	-	1,215,394	1,217,724	(2,330)
Streets - Other engineering/consulting	400,000	500,000	728,565	(228,565)
Sanitation	2,952,203	250,000	348,008	(98,008)
Sanitation - Other engineering/consulting	200,000	25,000	66,623	(41,623)
Stormwater Drainage	3,232,602	1,350,000	1,522,554	(172,554)
Stormwater Drainage - Other fees	-	-	1,600	(1,600)
Traffic & Safety	792,974	2,300,000	2,584,257	(284,257)
Water	2,315,343	1,100,000	1,105,059	(5,059)
Water - Other fees	-	-	700	(700)
Contingency	2,704,569	-	-	-
Total expenditures	<u>16,033,072</u>	<u>21,651,594</u>	<u>22,229,631</u>	<u>(578,037)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,202,072)</u>	<u>(10,136,594)</u>	<u>(12,503,620)</u>	<u>(2,367,026)</u>
OTHER FINANCING SOURCES (USES)				
SR Entities advances and repayments:				
Cash advances	94,700	289,898	861,526	571,628
Installment Gap Funds	4,725,000	4,725,000	3,625,000	(1,100,000)
Release of Gap Funds	-	(2,390,295)	(1,615,063)	775,232
Repayment to SR Entities	(4,000,000)	(2,978)	(2,978)	-
O&M Note proceeds	-	186,200	106,600	(79,600)
Revenue Note proceeds	-	5,543,568	899,673	(4,643,895)
Total other financing sources (uses)	<u>819,700</u>	<u>8,351,393</u>	<u>3,874,758</u>	<u>(4,476,635)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>(2,382,372)</u>	<u>(1,785,201)</u>	<u>(8,628,862)</u>	<u>(6,843,661)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>2,384,372</u>	<u>1,787,201</u>	<u>1,787,201</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,000</u>	<u>\$ 2,000</u>	<u>\$ (6,841,661)</u>	<u>\$ (6,843,661)</u>

STERLING RANCH COMMUNITY AUTHORITY BOARD
CAPITAL PROJECTS FUND - FILING 1 - FINISHED LOTS IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net investment income	\$ 2,000	\$ 1,752	\$ (248)
Builder funds	12,705,537	12,699,163	(6,374)
Sidewalk funds	1,394,519	1,217,155	(177,364)
Total revenues	<u>14,102,056</u>	<u>13,918,070</u>	<u>(183,986)</u>
EXPENDITURES			
General and administration:			
Banking fees	250	228	22
Capital outlay:			
Demo, grading & erosion control	1,500,513	149,087	1,351,426
Parks and Recreation (Landscaping)	39,318	1,166,231	(1,126,913)
Sanitation	3,986,909	1,331,920	2,654,989
Sidewalk	1,620,000	-	1,620,000
Stormwater Drainage	2,283,897	875,617	1,408,280
Streets	2,882,176	10,211,909	(7,329,733)
Traffic & Safety	1,580,972	1,035,655	545,317
Water	2,854,454	1,807,537	1,046,917
Total expenditures	<u>16,748,489</u>	<u>16,578,184</u>	<u>170,305</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,646,433)</u>	<u>(2,660,114)</u>	<u>(13,681)</u>
NET CHANGES IN FUND BALANCES	(2,646,433)	(2,660,114)	(13,681)
FUND BALANCES - BEGINNING OF YEAR	<u>3,051,238</u>	<u>776,814</u>	<u>(2,274,424)</u>
FUND BALANCES - END OF YEAR	<u>\$ 404,805</u>	<u>\$ (1,883,300)</u>	<u>\$ (2,288,105)</u>

STERLING RANCH COMMUNITY AUTHORITY BOARD
CAPITAL PROJECTS FUND - FILING 2-5 - TRUNK IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Facilities fees	\$ 1,855,000	\$ 155,000	\$ (1,700,000)
Net investment income	1,000	13	(987)
School Fees	535,000	-	(535,000)
Tap fees	1,576,000	134,700	(1,441,300)
Total revenues	<u>3,967,000</u>	<u>289,713</u>	<u>(3,677,287)</u>
EXPENDITURES			
General and administration:			
Accounting/Engineer costs certification/other	10,000	1,308	8,692
Banking fees	100	22	78
CDOT Fees	1,517,000	367,164	1,149,836
Legal	-	807	(807)
School Fees	535,000	-	535,000
Capital outlay:			
Demo, grading & erosion control	-	1,550	(1,550)
Engineering and management	-	821,638	(821,638)
Parks and Recreation (Landscaping)	453,000	500	452,500
Streets	3,258,000	17,800	3,240,200
Streets - Other engineering/consulting	-	77,891	(77,891)
Sanitation	98,000	-	98,000
Sanitation - Other engineering/consulting	-	504	(504)
Stormwater Drainage	439,000	-	439,000
Water	267,000	1,000	266,000
Total expenditures	<u>6,577,100</u>	<u>1,290,184</u>	<u>5,286,916</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,610,100)</u>	<u>(1,000,471)</u>	<u>1,609,629</u>
OTHER FINANCING SOURCES (USES)			
SR Entities cash advances	2,610,100	-	(2,610,100)
Revenue Note proceeds	-	680,454	680,454
Transfers in	-	986,447	986,447
Transfers out	-	(479,437)	(479,437)
Total other financing sources (uses)	<u>2,610,100</u>	<u>1,187,464</u>	<u>(1,422,636)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	-	186,993	186,993
NET CHANGES IN FUND BALANCES	-	186,993	186,993
FUND BALANCES - BEGINNING OF YEAR	-	-	-
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 186,993</u>	<u>\$ 186,993</u>

**STERLING RANCH COMMUNITY AUTHORITY BOARD
CAPITAL PROJECTS FUND - FILING 2 - FINISHED LOTS IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Net investment income	\$ -	\$ 2	\$ 2	\$ -
Builder damage deposit	-	62,000	62,000	-
Developer escrow deposit	-	1,651,242	1,651,242	-
Total revenues	<u>-</u>	<u>1,713,244</u>	<u>1,713,244</u>	<u>-</u>
EXPENDITURES				
General and administration				
Banking fees	-	100	57	43
Total expenditures	<u>-</u>	<u>100</u>	<u>57</u>	<u>43</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>1,713,144</u>	<u>1,713,187</u>	<u>43</u>
NET CHANGES IN FUND BALANCES	-	1,713,144	1,713,187	43
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 1,713,144</u>	<u>\$ 1,713,187</u>	<u>\$ 43</u>

STERLING RANCH COMMUNITY AUTHORITY BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017

\$21,500,000

Limited Tax Supported Revenue

Senior Bonds

Series 2015A

Dated December 30, 2015

Principal due December 1,

Interest Rate of 5.50% through December 1, 2035

and 5.750% through December 1, 2045,

Payable June 1 and December 1

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 1,217,775	\$ 1,217,775
2019	-	1,217,775	1,217,775
2020	55,000	1,217,775	1,272,775
2021	230,000	1,214,750	1,444,750
2022	270,000	1,202,100	1,472,100
2023	285,000	1,187,250	1,472,250
2024	335,000	1,171,575	1,506,575
2025	350,000	1,153,150	1,503,150
2026	400,000	1,133,900	1,533,900
2027	420,000	1,111,900	1,531,900
2028	475,000	1,088,800	1,563,800
2029	500,000	1,062,675	1,562,675
2030	560,000	1,035,175	1,595,175
2031	590,000	1,004,375	1,594,375
2032	655,000	971,925	1,626,925
2033	695,000	935,900	1,630,900
2034	765,000	897,675	1,662,675
2035	805,000	855,600	1,660,600
2036	885,000	811,325	1,696,325
2037	935,000	760,438	1,695,438
2038	1,020,000	706,675	1,726,675
2039	1,080,000	648,025	1,728,025
2040	1,180,000	585,925	1,765,925
2041	1,245,000	518,075	1,763,075
2042	1,350,000	446,488	1,796,488
2043	1,430,000	368,863	1,798,863
2044	1,550,000	286,637	1,836,637
2045	3,435,000	197,512	3,632,512
	<u>\$ 21,500,000</u>	<u>\$ 25,010,038</u>	<u>\$ 46,510,038</u>

STERLING RANCH COMMUNITY AUTHORITY BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017

Bonds and Interest Maturing in the Year Ending	\$75,030,000		
	Limited Tax Supported and Special Revenue		
	Senior Bonds		
	Series 2017A		
	Dated December 14, 2017		
	Principal due December 1,		
	Interest Rate of 5.00%		
	Payable June 1 and December 1		
<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 3,616,029	\$ 3,616,029
2019	-	3,751,500	3,751,500
2020	-	3,751,500	3,751,500
2021	435,000	3,751,500	4,186,500
2022	310,000	3,729,750	4,039,750
2023	100,000	3,714,250	3,814,250
2024	345,000	3,709,250	4,054,250
2025	855,000	3,692,000	4,547,000
2026	1,350,000	3,649,250	4,999,250
2027	1,535,000	3,581,750	5,116,750
2028	1,715,000	3,505,000	5,220,000
2029	1,800,000	3,419,250	5,219,250
2030	1,995,000	3,329,250	5,324,250
2031	2,095,000	3,229,500	5,324,500
2032	2,305,000	3,124,750	5,429,750
2033	2,420,000	3,009,500	5,429,500
2034	2,650,000	2,888,500	5,538,500
2035	2,780,000	2,756,000	5,536,000
2036	3,030,000	2,617,000	5,647,000
2037	3,185,000	2,465,500	5,650,500
2038	3,455,000	2,306,250	5,761,250
2039	3,630,000	2,133,500	5,763,500
2040	3,925,000	1,952,000	5,877,000
2041	4,120,000	1,755,750	5,875,750
2042	4,445,000	1,549,750	5,994,750
2043	4,665,000	1,327,500	5,992,500
2044	5,020,000	1,094,250	6,114,250
2045	5,270,000	843,250	6,113,250
2046	5,655,000	579,750	6,234,750
2047	5,940,000	297,000	6,237,000
	<u>\$ 75,030,000</u>	<u>\$ 81,130,029</u>	<u>\$ 156,160,029</u>

STERLING RANCH COMMUNITY AUTHORITY BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2017

Bonds and Interest Maturing in the Year Ending	Totals		
	Principal	Interest	Total
December 31,			
2018	\$ -	\$ 4,833,804	\$ 4,833,804
2019	-	4,969,275	4,969,275
2020	55,000	4,969,275	5,024,275
2021	665,000	4,966,250	5,631,250
2022	580,000	4,931,850	5,511,850
2023	385,000	4,901,500	5,286,500
2024	680,000	4,880,825	5,560,825
2025	1,205,000	4,845,150	6,050,150
2026	1,750,000	4,783,150	6,533,150
2027	1,955,000	4,693,650	6,648,650
2028	2,190,000	4,593,800	6,783,800
2029	2,300,000	4,481,925	6,781,925
2030	2,555,000	4,364,425	6,919,425
2031	2,685,000	4,233,875	6,918,875
2032	2,960,000	4,096,675	7,056,675
2033	3,115,000	3,945,400	7,060,400
2034	3,415,000	3,786,175	7,201,175
2035	3,585,000	3,611,600	7,196,600
2036	3,915,000	3,428,325	7,343,325
2037	4,120,000	3,225,938	7,345,938
2038	4,475,000	3,012,925	7,487,925
2039	4,710,000	2,781,525	7,491,525
2040	5,105,000	2,537,925	7,642,925
2041	5,365,000	2,273,825	7,638,825
2042	5,795,000	1,996,238	7,791,238
2043	6,095,000	1,696,363	7,791,363
2044	6,570,000	1,380,887	7,950,887
2045	8,705,000	1,040,762	9,745,762
2046	5,655,000	579,750	6,234,750
2047	5,940,000	297,000	6,237,000
	\$ 96,530,000	\$ 106,140,067	\$ 202,670,067