

STERLING RANCH COMMUNITY AUTHORITY BOARD
Douglas County, Colorado

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2019

**STERLING RANCH COMMUNITY AUTHORITY BOARD
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2019**

INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	1
STATEMENT OF ACTIVITIES	2
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	6
GENERAL FUND – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	7
SPECIAL REVENUE FUND – WATER AND WASTEWATER SERVICES – STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	8
NOTES TO BASIC FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
DEBT SERVICE FUND – 2015 BONDS – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	46
DEBT SERVICE FUND – 2017 BONDS – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	47
DEBT SERVICE FUND – 2019 BONDS – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	48
DEBT SERVICE FUND – O&M NOTE – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	49


**STERLING RANCH COMMUNITY AUTHORITY BOARD
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2019**

DEBT SERVICE FUND – REVENUE NOTE – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	50
CAPITAL PROJECTS FUND – GENERAL AND PRECONSTRUCTION – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	51
CAPITAL PROJECTS FUND – FILING 1 – TRUNK IMPROVEMENTS – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	52
CAPITAL PROJECTS FUND – FILING 1 – FINISHED LOTS IMPROVEMENTS – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	53
CAPITAL PROJECTS FUND – FILING 2-6 – TRUNK IMPROVEMENTS – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	54
CAPITAL PROJECTS FUND – FILING 2-6 – FINISHED LOTS IMPROVEMENTS – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	55
OTHER INFORMATION	
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY	57



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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, 2019 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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, 2019 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.

Other-Matters

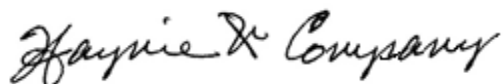
Required Supplementary Information

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
June 29, 2020

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and Investments	\$ 532,242
Cash and Investments - Restricted	54,110,816
Prepaid Expenses	35,026
Due from Other Governments	28,412
Receivables, Net	1,073,766
Interest Receivable	192,051
Deposit - SIA/Douglas County	1,231,639
Capital Assets, Not Being Depreciated	123,697,911
Capital Assets, Net of Accumulated Depreciation	885,408
Total Assets	181,787,271
LIABILITIES	
Accounts Payable	3,846,426
Retainage Payable	1,789,812
Payable - Tap Fees Credits	41,400
Hydrant Meter Deposit	32,700
Accrued Interest Payable - Bonds	3,392,721
Long-Term Liabilities	
Due Within One Year	369,897
Due in More Than One Year	161,976,275
Total Liabilities	171,449,231
NET POSITION	
Net Investment in Capital Assets	227,562
Restricted For:	
Emergency Reserves	30,000
Debt Service	4,880,586
Unrestricted	5,199,892
Total Net Position	\$ 10,338,040

See accompanying Notes to Basic Financial Statements.

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

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net Revenues (Expenses) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 7,588,105	\$ 2,281,290	\$ -	\$ -	\$ (5,306,815)
Public Works	-	-	-	4,688,600	4,688,600
Finished Lots/Builders Improvements	6,418,820	-	-	5,557,221	(861,599)
Interest and Related Costs on Long-Term Debt	9,376,831	-	738,876	1,810,000	(6,827,955)
Total Governmental Activities	<u>\$ 23,383,756</u>	<u>\$ 2,281,290</u>	<u>\$ 738,876</u>	<u>\$ 12,055,821</u>	(8,307,769)
GENERAL REVENUES					
Transfer from Sterling Ranch District No. 2					410,270
Transfer from Sterling Ranch District No. 3					33,044
Transfer from Sterling Ranch District No. 4					21
Transfer from Sterling Ranch District No. 7					15,189
Reimbursed Expenditures					1,563,430
Reimbursed Expenditures - Lifestyle Events					3,005
Public Improvement Fees					8,646
Other Income					38,856
Net Investment Income					1,528,374
Total General Revenues					<u>3,600,835</u>
CHANGE IN NET POSITION					
					(4,706,934)
Net Position - Beginning of Year					<u>15,044,974</u>
NET POSITION - END OF YEAR					<u>\$ 10,338,040</u>

See accompanying Notes to Basic Financial Statements.

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

	General	Special Revenue - Water and Wastewater Services	Debt Service - 2015 Bonds	Debt Service - 2017 Bonds	Debt Service - 2019 Bonds	Debt Service - Promissory Notes	Capital Projects - General and Preconstruction	Capital Projects - Filing 1 Trunk Improvements	Capital Projects - Filing 1 Finished Lots	Capital Projects - Filing 2-6 Trunk Improvements	Capital Projects - Filing 2-6 Finished Lots	Total Governmental Funds
ASSETS												
Cash and Investments	\$ 133,377	\$ 183,055	\$ 4,535	\$ -	\$ -	\$ -	\$ 211,275	\$ -	\$ -	\$ -	\$ -	\$ 532,242
Cash and Investments - Restricted	30,000	-	3,875,949	35,516,546	-	-	-	446,261	476,758	12,323,324	1,441,978	54,110,816
Prepaid Expenses	35,026	-	-	-	-	-	-	-	-	-	-	35,026
Due from Other Governments	28,412	-	-	-	-	-	-	-	-	-	-	28,412
Receivables	27,716	482,680	5,730	355	-	-	1,017	17,216	-	-	556,268	1,090,982
Interest Receivable	-	-	-	192,051	-	-	-	-	-	-	-	192,051
Due from Other Funds	-	-	-	-	-	-	-	-	-	336,404	-	336,404
Deposits - SIA/Douglas County	-	-	-	-	-	-	-	-	-	1,231,639	-	1,231,639
Total Assets	\$ 254,531	\$ 665,735	\$ 3,886,214	\$ 35,708,952	\$ -	\$ -	\$ 212,292	\$ 463,477	\$ 476,758	\$ 13,891,367	\$ 1,998,246	\$ 57,557,572
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES												
LIABILITIES												
Accounts Payable	\$ 219,619	\$ 112,428	\$ -	\$ -	\$ -	\$ -	\$ 616,574	\$ 4,276	\$ -	\$ 1,885,894	\$ 1,007,635	\$ 3,846,426
Retainage Payable	-	-	-	-	-	-	-	74,992	24,917	1,220,271	469,632	1,789,812
Due to Other Funds	-	-	-	-	-	-	-	187,977	7,963	16,814	123,650	336,404
Payable - Tap Fees Credits	-	-	-	-	-	-	-	-	-	41,400	-	41,400
Hydrant Meter Deposits	-	32,700	-	-	-	-	-	-	-	-	-	32,700
Allowance for Uncollectible	-	-	-	-	-	-	-	17,216	-	-	-	17,216
Total Liabilities	219,619	145,128	-	-	-	-	616,574	284,461	32,880	3,164,379	1,600,917	6,063,958
FUND BALANCES												
Nonspendable:												
Prepaid Expenses	35,026	-	-	-	-	-	-	-	-	-	-	35,026
Restricted For:												
Emergency Reserve	30,000	-	-	-	-	-	-	-	-	-	-	30,000
Debt Service	-	-	3,886,214	35,708,952	-	-	-	-	-	-	-	39,595,166
Capital Projects	-	-	-	-	-	-	-	179,016	443,878	10,726,988	397,329	11,747,211
Unassigned:												
General Government	(30,114)	520,607	-	-	-	-	-	-	-	-	-	490,493
Capital Projects	-	-	-	-	-	(404,282)	-	-	-	-	-	(404,282)
Total Fund Balances	34,912	520,607	3,886,214	35,708,952	-	(404,282)	179,016	443,878	10,726,988	397,329	-	51,493,614
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 254,531	\$ 665,735	\$ 3,886,214	\$ 35,708,952	\$ -	\$ -	\$ 212,292	\$ 463,477	\$ 476,758	\$ 13,891,367	\$ 1,998,246	
Amounts reported for governmental activities in the statement of net position are different because:												
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.												124,583,319
Long-term liabilities are not due and payable in the current period; therefore, are not recorded as liabilities in the funds.												(139,667,556)
Bonds Payable												(3,392,721)
Accrued Interest Payable - Bonds												(11,425,490)
Promissory Notes												(314,897)
Accrued Interest Payable - Promissory Notes												(2,172,030)
Advances Payable to SR Entities												(8,766,199)
Accrued Interest Payable - Advances from SR Entities												
Net Position of Governmental Activities												\$ 10,338,040

See accompanying Notes to Basic Financial Statements.

**STERLING RANCH COMMUNITY AUTHORITY BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue - Water and Wastewater Services	Debt Service - 2015 Bonds	Debt Service - 2017 Bonds	Debt Service - 2019 Bonds	Debt Service - Promissory Notes	Capital Projects - General and Preconstruction	Capital Projects - Filing 1 Trunk Improvements	Capital Projects - Filing 1 Finished Lots	Capital Projects - Filing 2-6 Trunk Improvements	Capital Projects - Filing 2-6 Finished Lots	Total Governmental Funds
REVENUES												
Design and Landscape Review Fees	\$ 381,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 381,900
Other Income	543	-	-	-	-	-	-	35,813	-	-	2,500	38,856
Reimbursed Expenditures	43,102	-	-	-	-	-	-	-	307,157	259,022	954,149	1,563,430
Reimbursed Expenditures - Lifestyle Events	3,005	-	-	-	-	-	-	-	-	-	-	3,005
Street Lighting Charges	39,819	-	-	-	-	-	-	-	-	-	-	39,819
Transfer from Sterling Ranch District No. 2	410,270	-	683,801	-	-	-	-	-	-	-	-	1,094,071
Transfer from Sterling Ranch District No. 3	33,044	-	-	55,075	-	-	-	-	-	-	-	88,119
Transfer from Sterling Ranch District No. 4	21	-	-	-	-	-	-	-	-	-	-	21
Transfer from Sterling Ranch District No. 7	15,189	-	-	-	-	-	-	-	-	-	-	15,189
Trash Collection Charges	58,949	-	-	-	-	-	-	-	-	-	-	58,949
Account Setup/Administration Fees	-	28,800	-	-	-	-	-	-	-	-	-	28,800
Storm Drainage Service Fees	-	73,109	-	-	-	-	-	-	-	-	-	73,109
Water Service Fees - Construction	-	756,581	-	-	-	-	-	-	-	-	-	756,581
Water Service Fees - Residential	-	589,782	-	-	-	-	-	-	-	-	-	589,782
Wastewater Service Fees	-	275,750	-	-	-	-	-	-	-	-	-	275,750
Water and Sewer Permit Connection Fees	-	76,600	-	-	-	-	-	-	-	-	-	76,600
Facilities Fees	-	-	10,000	-	-	-	-	20,000	-	2,560,000	-	2,590,000
Pledged Facilities Fees	-	-	-	1,000,000	-	-	-	-	-	-	-	1,000,000
Tap Fees	-	-	-	-	-	-	-	130,000	-	1,978,600	-	2,108,600
Pledged Tap Fees	-	-	-	800,000	-	-	-	-	-	-	-	800,000
Builder Funds	-	-	-	-	-	-	-	-	26,891	-	4,671,830	4,698,721
Public Improvement Fees	-	-	-	-	-	-	8,646	-	-	-	-	8,646
Builders Damage Deposits	-	-	-	-	-	-	-	-	-	-	858,500	858,500
Net Investment Income	4,462	-	82,101	1,395,946	-	-	-	2,669	5,965	29,003	8,228	1,528,374
Total Revenues	990,304	1,800,622	775,902	3,251,021	-	-	8,646	188,482	340,013	4,826,625	6,495,207	18,676,822
EXPENDITURES												
General, Administrative, Operations and Maintenance:												
Accounting	43,781	-	-	-	-	-	175,158	-	-	-	-	218,939
Audit	2,790	-	-	-	-	-	6,510	-	-	-	-	9,300
Banking Fees	-	-	-	-	-	-	5,045	-	-	-	-	5,045
Recruiting	15,600	-	-	-	-	-	-	-	-	-	-	15,600
Construction Disbursement Agent Fees	-	-	-	-	-	-	-	6,809	-	3,133	-	9,942
Costs Verification/Certification	-	-	-	-	-	-	48,300	-	-	550	-	48,850
Market Study	-	-	-	-	-	-	20,055	-	-	-	-	20,055
Project Management Fee	-	-	-	-	-	-	-	-	-	255,499	233,732	489,231
Dues and Membership	3,714	-	-	-	-	-	-	-	-	-	-	3,714
Insurance and Bonds	69,885	-	-	-	-	-	-	75,000	-	-	-	144,885
CAB Management	49,354	-	-	-	-	-	197,414	-	-	-	-	246,768
Legal	470,347	-	-	-	-	-	204,392	100,234	-	39,547	-	814,520
Promotional Activities	26,788	-	-	-	-	-	-	-	-	-	-	26,788
Miscellaneous	12,121	-	-	-	-	-	9,543	-	-	-	-	21,664
IT Equipment and Software	57,568	-	-	-	-	-	-	-	-	-	-	57,568
Salaries and Benefits	642,274	-	-	-	-	-	366,270	-	-	-	-	1,008,544
Payroll Taxes	38,511	-	-	-	-	-	21,777	-	-	-	-	60,288
IT Support	7,812	-	-	-	-	-	-	-	-	-	-	7,812
Office Supplies	15,487	-	-	-	-	-	-	-	-	-	-	15,487
Vehicle Maintenance	7,751	-	-	-	-	-	-	-	-	-	-	7,751
Investment Advisory Fees	40,849	-	-	-	-	-	-	-	-	-	-	40,849
Meals	10,845	-	-	-	-	-	-	-	-	-	-	10,845
Rates and Fees Studies	15,422	-	-	-	-	-	-	-	-	-	-	15,422
Lifestyle Events	59,589	-	-	-	-	-	-	-	-	-	-	59,589
Janitorial	8,089	-	-	-	-	-	-	-	-	-	-	8,089

See accompanying Notes to Basic Financial Statements.

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

	General	Special Revenue - Water and Wastewater Services	Debt Service - 2015 Bonds	Debt Service - 2017 Bonds	Debt Service - 2019 Bonds	Debt Service - Promissory Notes	Capital Projects - General and Preconstruction	Capital Projects - Filing 1 Trunk Improvements	Capital Projects - Filing 1 Finished Lots	Capital Projects - Filing 2-6 Trunk Improvements	Capital Projects - Filing 2-6 Finished Lots	Total Governmental Funds
EXPENDITURES (CONTINUED)												
General, Administrative, Operations and Maintenance (Continued):												
Parks/Landscape/Streets Maintenance	\$ 627,731	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,895	\$ -	\$ -	\$ -	\$ -	\$ 757,626
Rent	210,585	-	-	-	-	-	-	-	-	-	-	210,585
Design and Landscape Review	16,993	-	-	-	-	-	-	-	-	-	-	16,993
Information Trailer	7,052	-	-	-	-	-	-	-	-	-	-	7,052
Furniture and Equipment	187,979	-	-	-	-	-	-	-	-	-	-	187,979
GIS Licensing	72,470	-	-	-	-	-	-	-	-	-	-	72,470
Community Support Services	404,058	-	-	-	-	-	-	-	-	-	-	404,058
Fencing Materials	79,395	-	-	-	-	-	-	-	-	-	-	79,395
Park Passes	24,000	-	-	-	-	-	-	-	-	-	-	24,000
Recreation Center Operations	663	-	-	-	-	-	-	-	-	-	-	663
Utilities	42,705	-	-	-	-	-	-	-	-	-	-	42,705
Electricity - Street Lights	2,041	-	-	-	-	-	-	-	-	-	-	2,041
Waste Management Collection Services	57,181	-	-	-	-	-	-	-	-	-	-	57,181
Billing and Administration	-	71,186	-	-	-	-	-	-	-	-	-	71,186
Billing System	-	7,920	-	-	-	-	-	-	-	-	-	7,920
Utilities - Water	-	76,130	-	-	-	-	-	-	-	-	-	76,130
Utilities - Wastewater	-	32,691	-	-	-	-	-	-	-	-	-	32,691
Dominion - Residential/Commercial/Irrigation Water	-	236,301	-	-	-	-	-	-	-	-	-	236,301
Dominion - Construction Water	-	989,527	-	-	-	-	-	-	-	-	-	989,527
Dominion - Residential Wastewater	-	102,979	-	-	-	-	-	-	-	-	-	102,979
Dominion - Irrigation Taps	-	1,392,570	-	-	-	-	-	-	-	-	-	1,392,570
Debt Service:												
Bond Interest	-	-	1,217,775	3,751,500	-	-	-	-	-	-	-	4,969,275
Trustee/Paying Agent Fees	-	-	5,250	5,250	-	-	-	-	-	-	-	10,500
Bond Issue Costs	-	-	-	-	172,400	-	-	-	-	-	-	172,400
Promissory Note Interest	-	-	-	-	-	404,763	-	-	-	-	-	404,763
Promissory Note Principal	-	-	-	-	-	2,101,686	-	-	-	-	-	2,101,686
Capital Outlay:												
Public Improvements	-	-	-	-	-	-	232,587	129,588	-	18,787,591	4,425,068	23,574,834
Other Engineering	-	-	-	-	-	-	834,968	321,261	-	4,172,604	1,444,900	6,773,733
Finished Lots/Builders Improvements	-	-	-	-	-	-	-	-	315,120	-	-	315,120
Total Expenditures	3,331,430	2,909,304	1,223,025	3,756,750	172,400	2,506,449	2,251,914	632,892	315,120	23,258,924	6,103,700	46,461,908
EXCESS OF REVENUES OVER (UNDER)												
EXPENDITURES	(2,341,126)	(1,108,682)	(447,123)	(505,729)	(172,400)	(2,506,449)	(2,243,268)	(444,410)	24,893	(18,432,299)	391,507	(27,785,086)
OTHER FINANCING SOURCES (USES)												
Bond Issuance	-	-	-	-	27,616,932	-	-	-	-	-	-	27,616,932
SR Entities Advances:												
Cash Advances	-	-	-	-	172,400	-	-	742,843	-	-	-	915,243
Installment Gap Funds	-	-	-	-	-	-	-	590,204	-	-	-	590,204
Repayment to SR Entities	-	-	-	-	-	-	(7,441,824)	(20,175,108)	-	-	-	(27,616,932)
O&M Note Proceeds	3,277,052	1,447,199	-	-	-	-	1,221,121	292,049	-	105,874	-	6,343,295
Revenue Note Proceeds	-	-	-	-	-	-	153,385	-	-	5,425	-	158,810
Transfers from Other Funds	-	1,707,133	-	-	-	2,506,449	8,214,338	20,176,208	-	17,416,745	-	50,020,873
Transfers to Other Funds	(787,916)	(1,718,533)	-	(18,198,337)	(27,616,932)	-	-	-	-	(1,591,635)	(107,520)	(50,020,873)
Total Other Financing Sources (Uses)	2,489,136	1,435,799	-	(18,198,337)	172,400	2,506,449	2,147,020	1,626,196	-	15,936,409	(107,520)	8,007,552
NET CHANGE IN FUND BALANCES	148,010	327,117	(447,123)	(18,704,066)	-	-	(96,248)	1,181,786	24,893	(2,495,890)	283,987	(19,777,534)
Fund Balances - Beginning of Year	(113,098)	193,490	4,333,337	54,413,018	-	-	(308,034)	(1,002,770)	418,985	13,222,878	113,342	71,271,148
FUND BALANCES - END OF YEAR	\$ 34,912	\$ 520,607	\$ 3,886,214	\$ 35,708,952	\$ -	\$ -	\$ (404,282)	\$ 179,016	\$ 443,878	\$ 10,726,988	\$ 397,329	\$ 51,493,614

See accompanying Notes to Basic Financial Statements.

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

Net Change in Fund Balances - Governmental Funds \$ (19,777,534)

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

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

Capital Outlay	24,876,715
Depreciation	(80,356)

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	(27,616,932)
Advances from SR Entities	(1,505,447)
Repayment - Advances from SR Entities	27,616,932
Promissory Note Proceeds	(6,502,105)
Promissory Note Payments	2,101,686

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.

Amortization of Bond Discounts	(34,167)
Accrued Interest on Advances from SR Entities - Change in Liability	(2,251,998)
Accrued Interest on Promissory Notes - Change in Liability	(190,998)
Accrued Interest on Bonds - Change in Liability	(1,342,730)
	(4,706,934)

Change in Net Position of Governmental Activities \$ (4,706,934)

**STERLING RANCH COMMUNITY AUTHORITY BOARD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Net Investment Income	\$ 1,000	\$ 4,000	\$ 4,462	\$ 462
Other Income	-	-	543	543
Design and Landscape Review Fees	214,000	357,500	381,900	24,400
Reimbursed Expenditures	-	5,300	43,102	37,802
Reimbursed Expenditures - Lifestyle Events	-	2,140	3,005	865
Street Lighting Charges	46,000	35,500	39,819	4,319
Transfer from Sterling Ranch District No. 2	410,268	410,828	410,270	(558)
Transfer from Sterling Ranch District No. 3	33,344	33,539	33,044	(495)
Transfer from Sterling Ranch District No. 4	759	790	21	(769)
Transfer from Sterling Ranch District No. 7	15,517	15,785	15,189	(596)
Trash Collection Charges	82,000	55,700	58,949	3,249
Total Revenues	<u>802,888</u>	<u>921,082</u>	<u>990,304</u>	<u>69,222</u>
EXPENDITURES				
General and Administration:				
Accounting	37,500	62,000	43,781	18,219
Audit	4,000	8,000	2,790	5,210
Recruiting	-	35,600	15,600	20,000
Dues and Membership	5,000	7,500	3,714	3,786
Insurance and Bonds	30,000	75,000	69,885	5,115
CAB Management	36,000	58,000	49,354	8,646
Promotional Activities	-	43,000	26,788	16,212
Legal	179,000	330,000	470,347	(140,347)
Miscellaneous	16,000	7,000	12,121	(5,121)
IT Equipment and Software	25,000	80,000	57,568	22,432
Salaries and Benefits	693,000	525,000	642,274	(117,274)
Payroll Taxes	52,000	125,000	38,511	86,489
IT Support	13,000	10,000	7,812	2,188
Office Supplies	11,000	15,000	15,487	(487)
Investment Advisory Fees	60,000	60,000	40,849	19,151
Meals	-	-	10,845	(10,845)
Rates and Fees Studies	50,000	110,000	15,422	94,578
Operations and Maintenance:				
Janitorial	8,000	8,000	8,089	(89)
Parks/Landscape/Streets Maintenance	435,000	578,000	627,731	(49,731)
Snow Removal	24,000	-	-	-
Rent	215,000	215,000	210,585	4,415
Design and Landscape Review	33,000	25,000	16,993	8,007
Information Trailer	29,000	14,000	7,052	6,948
Furniture and Equipment	120,000	120,000	187,979	(67,979)
Vehicle Maintenance	8,000	88,904	7,751	81,153
Lifestyle Events	40,000	75,000	59,589	15,411
GIS Licensing	130,000	80,000	72,470	7,530
Miscellaneous/Contingency	125,000	-	-	-
Community Support Services	180,000	372,000	404,058	(32,058)
Fencing Materials	50,000	86,000	79,395	6,605
Park Passes	39,000	40,000	24,000	16,000
Recreation Center Operations	100,000	10,000	663	9,337
Utilities	46,000	46,000	42,705	3,295
Electricity - Street Lights	34,000	3,000	2,041	959
Waste Management Collection Services	79,000	58,400	57,181	1,219
Total Expenditures	<u>2,906,500</u>	<u>3,370,404</u>	<u>3,331,430</u>	<u>38,974</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,103,612)	(2,449,322)	(2,341,126)	108,196
OTHER FINANCING SOURCES (USES)				
O&M Note Proceeds	2,872,000	3,324,722	3,277,052	(47,670)
Transfers to Other Funds	(762,702)	(868,000)	(787,916)	80,084
Total Other Financing Sources (Uses)	<u>2,109,298</u>	<u>2,456,722</u>	<u>2,489,136</u>	<u>32,414</u>
NET CHANGE IN FUND BALANCE	5,686	7,400	148,010	140,610
Fund Balance - Beginning of Year	19,294	(113,099)	(113,098)	1
FUND BALANCE - END OF YEAR	<u>\$ 24,980</u>	<u>\$ (105,699)</u>	<u>\$ 34,912</u>	<u>\$ 140,611</u>

See accompanying Notes to Basic Financial Statements.

**STERLING RANCH COMMUNITY AUTHORITY BOARD
SPECIAL REVENUE FUND – WATER AND WASTEWATER SERVICES
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Water Service Fees - Residential	\$ 779,000	\$ 779,000	\$ 589,782	\$ (189,218)
Water Service Fees - Commercial	21,000	21,000	-	(21,000)
Wastewater Service Fees	434,000	434,000	275,750	(158,250)
Storm Drainage Service Fees	92,000	92,000	73,109	(18,891)
Water Service Fees - Construction	1,277,000	1,277,000	756,581	(520,419)
Account Setup/Administration Fees	14,000	15,000	28,800	13,800
Water and Sewer Permit Connection Fees	48,000	50,000	76,600	26,600
Total Revenues	<u>2,665,000</u>	<u>2,668,000</u>	<u>1,800,622</u>	<u>(867,378)</u>
EXPENDITURES				
General and Administration:				
Billing and Administration	48,000	48,000	71,186	(23,186)
Billing System	10,000	10,000	7,920	2,080
Facilities Operation:				
Utilities - Water	28,000	28,000	76,130	(48,130)
Utilities - Wastewater	16,000	16,000	32,691	(16,691)
Utilities - Storm	84,000	84,000	-	84,000
Other O&M	24,000	24,000	-	24,000
Water Costs/Purchase:				
Dominion - Residential/Commercial/Irrigation Water	375,000	250,000	236,301	13,699
Dominion - Construction Water	1,103,000	893,000	989,527	(96,527)
Dominion - Residential Wastewater	167,000	112,000	102,979	9,021
Dominion - Irrigation Taps	106,000	1,400,000	1,392,570	7,430
Total Expenditures	<u>1,961,000</u>	<u>2,865,000</u>	<u>2,909,304</u>	<u>(44,304)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	704,000	(197,000)	(1,108,682)	(911,682)
OTHER FINANCING SOURCES (USES)				
O&M Note Proceeds	1,827,000	2,731,600	1,447,199	(1,284,401)
Transfers from Other Funds	-	1,392,571	1,707,133	314,562
Transfers to Other Funds	(2,532,000)	(2,535,000)	(1,718,533)	816,467
Total Other Financing Sources (Uses)	<u>(705,000)</u>	<u>1,589,171</u>	<u>1,435,799</u>	<u>(153,372)</u>
NET CHANGE IN FUND BALANCE	(1,000)	1,392,171	327,117	(1,065,054)
Fund Balance - Beginning of Year	<u>2,969</u>	<u>193,490</u>	<u>193,490</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>1,969</u>	<u>\$ 1,585,661</u>	<u>\$ 520,607</u>	<u>\$ (1,065,054)</u>

See accompanying Notes to Basic Financial Statements.

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

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (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, Debt Service Fund – 2017 Bonds, and the Debt Service Fund - 2019 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 - Revenue Note are used to account for the resources accumulated and payments made for principal and interest on the 2016 Promissory Notes.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The 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.

The Capital Projects Fund - Filing 1 - Trunk Improvements and the Capital Projects Fund - Filing 2-6 - 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 6.

The Capital Projects Fund - Filing 1 - Finished Lots Improvements and the Capital Projects Fund - Filing 2-6 - 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 6, 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, 2019.

Pooled Cash and Investments

The CAB follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in total cash.

Amortization

Original Issue Discount/Premium

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 as follows:

Vehicles	5 years
Furniture & Fixtures/Equipment	6-7 years
Information Trailer	10 years
Parks & Recreation	15 years

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.

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.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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 to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

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

Deficits

The Capital Projects – General and Preconstruction Fund reported a deficit in the fund financial statements as of December 31, 2019. The deficits will be eliminated by the receipt of O&M Note and Revenue Note proceeds in 2020.

NOTE 3 CASH AND INVESTMENTS

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

Statement of Net Position:

Cash and Investments	\$ 532,242
Cash and Investments - Restricted	54,110,816
Total Cash and Investments	<u>\$ 54,643,058</u>

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

Deposits with Financial Institutions	\$ 15,250,485
Investments	39,392,573
Total Cash and Investments	<u>\$ 54,643,058</u>

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2019, the District's cash deposits had a bank balance of \$17,913,538 and a carrying balance of \$15,250,485. \$250,000 is insured through the FDIC and the balance is collateralized in single institution pools pursuant to PDPA.

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

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average under 60 days	\$ 4,484,197
Morgan Stanley Treasury	Weighted Average under 60 days	273,760
US Treasury/Government-Sponsored Enterprises (GSEs)	Average 1.21 years	32,488,689
Corporate Bonds	Average 0.47 years	517,287
Municipal Bonds	Average 0.84 years	1,628,640
Total		<u>\$ 39,392,573</u>

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 at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

U.S. Treasury/Government-Sponsored Enterprises, Corporate and Municipal Bonds, and Morgan Stanley Treasury

Debt service monies held in trust by UMB Bank in the Senior Capitalized Interest Fund, Senior Project Fund, Subordinate Project Fund, Senior Reserve Fund and Senior Surplus Reserve Fund were invested in US Treasury/Government-Sponsored Enterprise Bonds (AA+ ratings), Corporate Bonds (AA- to AA+ ratings), Municipal Bonds (AA- to AAA ratings) and Morgan Stanley Treasury (AAA ratings). Average maturities by fund are as follows: Senior Capitalized Interest Fund – 0.78 years, Senior Project Fund – 0.61 year, Subordinate Project Fund – 0.63 year, Senior Reserve Fund – 1.24 years, and Senior Surplus Reserve Fund – 1.44 years. The District has engaged the services of a registered Investment Advisor (providing financial advisory and asset management services) to receive financial advice and to assist in the management of these funds, including the buying and selling of securities held in such portfolio.

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

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

**U.S. Treasury/Government-Sponsored Enterprises, Corporate and Municipal Bonds,
and Morgan Stanley Treasury (Continued)**

The December 31, 2019 fund statements indicated that, (i) the major source for security ratings is a composite rating provided by Bloomberg Information Services, which a blend of ratings from the major rating agencies, (ii) when only one agency rating is available, that rating will be used, (iii) when no rating is available, the security will be classified as non-rated (NR), (iv) securities that hold ratings below investment grade (lower than BBB) will be referenced as BIG, (v) regardless of a security's rating, if it is pre-funded, it is shown as PREF, (vi) short-term Federal Agency Obligations are obligations of US Government-sponsored enterprises (GSEs), which are typically rated AAA, (vii) GSEs have a long-term AAA rating by the major rating agencies, and (viii) short-term obligation of GSEs that are not explicitly rated are regarded as AAA quality.

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

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	Balance - December 31, 2018	Increases	Decreases	Balance - December 31, 2019
Governmental Activities:				
Capital Assets, Not Being				
Depreciated:				
Construction in Progress/ Assets To Be Conveyed:				
Streets	\$ 38,569,214	\$ 14,263,592	\$ -	\$ 52,832,806
Sanitation	16,017,907	630,286	-	16,648,193
Storm Sewer	17,151,171	2,510,546	-	19,661,717
Water	14,077,901	1,182,344	-	15,260,245
Traffic and Safety	6,042,572	1,621,928	-	7,664,500
Parks and Recreation (Landscaping)	7,558,292	4,297,901	225,744	11,630,449
Total Capital Assets, Not Being Depreciated	<u>99,417,057</u>	<u>24,506,598</u>	<u>225,744</u>	<u>123,697,911</u>
Capital Assets, Being				
Depreciated:				
Furniture & Fixtures/Equipment	19,059	13,262	-	32,321
Vehicle	40,387	88,222	-	128,609
Information Trailer	357,217	-	-	357,217
Technology Integration	-	182,248	-	182,248
Civic Center Improvements	-	86,385	-	86,385
Parks and Recreation	-	225,744	-	225,744
Less Accumulated Depreciation				
For:				
Furniture & Fixtures/Equipment	(2,961)	-	4,602	(7,563)
Vehicle	(8,077)	-	8,077	(16,154)
Information Trailer	(35,722)	-	35,722	(71,444)
Technology Integration	-	-	8,678	(8,678)
Civic Center Improvements	-	-	8,227	(8,227)
Parks and Recreation	-	-	15,050	(15,050)
Total Capital Assets, Being Depreciated, Net	<u>369,903</u>	<u>595,861</u>	<u>80,356</u>	<u>885,408</u>
Governmental Activities Capital Assets, Net	<u>\$ 99,786,960</u>	<u>\$ 25,102,459</u>	<u>\$ 306,100</u>	<u>\$ 124,583,319</u>

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

NOTE 5 LONG-TERM OBLIGATIONS

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

	Balance - December 31, 2018	Additions	Reductions	Balance - December 31, 2019	Due Within One Year
Limited Tax Supported					
Revenue Bonds:					
Senior - Series 2015A	\$ 21,500,000	\$ -	\$ -	\$ 21,500,000	\$ 55,000
Senior - Bond Issue Discount	(215,919)	-	(11,051)	(204,868)	-
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	(477,624)	-	(23,116)	(454,508)	-
Subordinate - Series 2017B	14,090,000	-	-	14,090,000	-
Limited Tax Supported Districts 1-7					
Junior Subordinate Bonds:	-	27,616,932	-	27,616,932	-
Total Bonds Payable	112,016,457	27,616,932	(34,167)	139,667,556	55,000
Promissory Notes:					
O&M Note	4,444,698	6,343,295	2,101,686	8,686,307	-
Revenue Note	2,580,373	158,810	-	2,739,183	-
Accrued Interest	123,899	595,761	404,763	314,897	314,897
Total Promissory Notes Payable	7,148,970	7,097,866	2,506,449	11,740,387	314,897
Advances Payable to					
SR Entities:					
Operations	910,518	172,400	-	1,082,918	-
Capital - General	3,611,626	-	2,751,543	860,083	-
Capital - Trunk	16,445,017	1,333,047	17,646,215	131,849	-
Operations - Paid by SR Entities	97,180	-	-	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	6,514,201	2,251,998	-	8,766,199	-
Total Advances Payable to SR Entities	34,797,716	3,757,445	27,616,932	10,938,229	-
Total	\$ 153,963,143	\$ 38,472,243	\$ 30,089,214	\$ 162,346,172	\$ 369,897

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$21,500,000 Limited Tax Supported Revenue Senior Bonds, Series 2015A

On December 30, 2015, the District issued Limited Tax Supported Revenue Senior Bonds, Series 2015A (the 2015 Senior Bonds), which 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 (as defined below and collectively with the 2015 Senior Bonds, 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 CAB and District No. 2 entered into a First Supplement to the Pledge Agreement on Dec. 1, 2019, in agreement that the District's pledge of tax revenues to the CAB under the December 1, 2015 Pledge Agreement is made pursuant to the intergovernmental agreement provisions of Sections 29-1-203 and -203.5, C.R.S., and that the term of District No. 2's Pledge Agreement is not subject to the 40 year limitation set forth in Section 11-57-207(1)(a), C.R.S. 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

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$21,500,000 Limited Tax Supported Revenue Senior Bonds, Series 2015A (Continued)

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 subject to adjustment for changes occurring after August 27, 2013, setting the District No. 2 Senior Required Mill Levy), not less than 45 mills (subject to adjustment).

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2025-2029	2,145,000	5,550,425	7,695,425
2030-2034	3,265,000	4,845,050	8,110,050
2035-2039	4,725,000	3,782,063	8,507,063
2040-2044	6,755,000	2,205,988	8,960,988
2045-2046	3,435,000	197,512	3,632,512
	<u>\$ 21,500,000</u>	<u>\$ 22,574,488</u>	<u>\$ 44,074,488</u>

\$2,090,000 Limited Tax Supported Revenue Subordinate Bonds, Series 2015B

On December 30, 2015, the District issued Limited Tax Supported Revenue Subordinate Bonds, Series 2015B (the 2015 Subordinate Bonds), which 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.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

**\$2,090,000 Limited Tax Supported Revenue Subordinate Bonds, Series 2015B
(Continued)**

The Issuer covenants to require District No. 2 to impose (under the Pledge Agreement) the District No. 2 Subordinate Required Mill Levy. The CAB and District No. 2 entered into a First Supplement to the Pledge Agreement on Dec. 1, 2019, in agreement that the District's pledge of tax revenues to the CAB under the December 1, 2015 Pledge Agreement is made pursuant to the intergovernmental agreement provisions of Sections 29-1-203 and -203.5, C.R.S., and that the term of District No. 2's Pledge Agreement is not subject to the 40 year limitation set forth in Section 11-57-207(1)(a), C.R.S.

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.

\$75,030,000 Limited Tax Supported and Special Revenue Senior Bonds, Series 2017A

On December 14, 2017, the District issued Limited Tax Supported and Special Revenue Senior Bonds, Series 2017A (the 2017 Senior Bonds), which 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 (as defined below and collectively with the 2017 Senior Bonds, the Series 2017 Bonds) were/will be 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.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

**\$75,030,000 Limited Tax Supported and Special Revenue Senior Bonds, Series 2017A
(Continued)**

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 CAB and District No. 3 entered into a First Supplement to the Pledge Agreement on Dec. 1, 2019, in agreement that the District's pledge of tax revenues to the CAB under the December 1, 2015 Pledge Agreement is made pursuant to the intergovernmental agreement provisions of Sections 29-1-203 and -203.5, C.R.S., and that the term of District No. 3's Pledge Agreement is not subject to the 40 year limitation set forth in Section 11-57-207(1)(a), C.R.S. 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>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2025-2029	7,255,000	17,847,250	25,102,250
2030-2034	11,465,000	15,581,500	27,046,500
2035-2039	16,080,000	12,278,250	28,358,250
2040-2044	22,175,000	7,679,250	29,854,250
2045-2047	16,865,000	1,720,000	18,585,000
	<u>\$ 75,030,000</u>	<u>\$ 73,762,500</u>	<u>\$ 148,792,500</u>

\$14,090,000 Limited Tax Supported and Special Revenue Subordinate Bonds, Series 2017B

On December 14, 2017, the District issued Limited Tax Supported and Special Revenue Subordinate Bonds, Series 2017B (the 2017 Subordinate Bonds), which 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.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$14,090,000 Limited Tax Supported and Special Revenue Subordinate Bonds, Series 2017B (Continued)

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. The CAB and District No. 3 entered into a First Supplement to the Pledge Agreement on Dec. 1, 2019, in agreement that the District's pledge of tax revenues to the CAB under the December 1, 2015 Pledge Agreement is made pursuant to the intergovernmental agreement provisions of Sections 29-1-203 and -203.5, C.R.S., and that the term of District No. 3's Pledge Agreement is not subject to the 40 year limitation set forth in Section 11-57-207(1)(a), C.R.S.

\$27,616,932 Limited Tax Supported District Nos. 1 – 7 Junior Subordinate Bonds Series 2019A

On December 1, 2019, the District issued a Limited Tax Supported Districts Nos. 1 – 7 Junior Subordinate Bond Series 2019A (the 2019 Subordinate Bonds), which bears interest at an annual rate of 7.00%, payable annually from available Junior Subordinate Pledged Revenue on December 15, commencing on December 15, 2020. The 2019 Subordinate Bonds were issued to repay SR Entities Advances and are junior and subordinate to all other obligations of the District.

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, subject to two one year extensions, and interest on the outstanding principal amount accrues at a rate of 6.5% per annum. Interest payments are due on the fifteenth day of each calendar month. 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. On November 15, 2019, the maturity date of the 2016 O&M Note was extended from December 1, 2019 to December 1, 2020.

At December 31, 2019, the balance outstanding on the 2016 O&M Note totaled \$8,712,949, consisting of \$8,686,307 in principal and \$26,642 of accrued interest.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

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, subject to two one year extensions, and interest on the outstanding principal amount accrues at a rate of 6.5% per annum. Interest payments are due on the fifteenth day of each calendar month. 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. On November 15, 2019, the maturity date of the 2016 Revenue Note was extended from December 1, 2019 to December 1, 2020.

At December 31, 2019, the balance outstanding on the 2016 Revenue Note totaled \$3,027,438, consisting of \$2,739,183 in principal and \$288,255 of accrued interest.

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. On December 1, 2019, District No. 2 and District No. 3 each entered into a First Supplement to Pledge Agreement with the CAB, and Districts 1, 4, 5, 6 and 7 each entered into a Pledge Agreement with the CAB, by which the parties agreed that each District's pledge of tax revenues to the CAB is made pursuant to the intergovernmental agreement provisions of Sections 29-1-203 and -203.5, C.R.S., and that the term of each District's Pledge Agreement is not subject to the 40 year limitation set forth in Section 11-57-207(1)(a), C.R.S.

At December 31, 2019, 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, 2019, 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.

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

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt (Continued)

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, 2019, the CAB had net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2019, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net (excludes Construction In Progress/Assets To Be Conveyed)	\$ 885,408
Noncurrent Portion of Outstanding Long-Term Obligations	(851,791)
Bond Discount, Net	3,999
Unspent Bond Proceeds	189,947
Net Investment in Capital Assets	\$ 227,562

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

Restricted Net Position:	
Emergencies	\$ 30,000
Debt Service	4,880,586
Total Restricted Net Position	\$ 4,910,586

The CAB's unrestricted net position as of December 31, 2019 is \$5,199,892.

NOTE 7 COMMITMENTS

Major Construction Commitment

As of December 31, 2019, the CAB had unexpended commitments from contracts with various contractors.

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

NOTE 8 RELATED PARTIES

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). Certain 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 amended and restated on June 29, 2015, pursuant to the First Amended and Restated Sterling Ranch Community Authority Board Establishment Agreement, as the same may be amended from time to time. Pursuant to the CABEA, the CAB will furnish, operate, and plan for 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 2016 O&M 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 O&M 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). The CAB and SR LLC extended the term through December 31, 2021, by a First Amendment to the OFA, dated September 18, 2019. Under the First Amendment, SR LLC has the option to extend the term of its obligation to advance funds to the CAB up to two times for additional one-year terms.

Facilities Funding and Acquisition Agreement with Sterling Ranch Development Company

On September 17, 2014, with an effective date of January 6, 2014, the CAB entered into a Facilities Funding and Acquisition Agreement with the Developer, as amended and restated by that certain Amended and Restated Facilities Funding and Acquisition Agreement entered into on June 29, 2015, as further amended and restated by that certain Second Amended and Restated Facilities Funding and Acquisition Agreement entered into on August 11, 2015, and as amended by that certain First Amendment to Second Amended and Restated Facilities Funding and Acquisition Agreement entered into on December 17, 2015 (collectively, the Developer FFAA), pursuant to which the Developer agrees to make

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

NOTE 10 AGREEMENTS (CONTINUED)

Facilities Funding and Acquisition Agreement with Sterling Ranch Development Company (Continued)

advances not to exceed \$30,000,000 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 8% per annum. The Developer FFAA does not constitute debt, but is an annual appropriations agreement intended to be repaid through future bond issuances. The CAB and Developer extended the term of the Developer FFAA through December 31, 2021, by a Second Amendment to the Developer FFAA, dated September 18, 2019. Under the Second Amendment, the Developer's obligation to advance funds to the CAB shall end on December 31, 2021.

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. The CAB and Hobbs extended the term of the Hobbs FFAA through December 31, 2021, by First Amendment to the Hobbs FFAA, dated September 18, 2019. Under the First Amendment, Hobbs' obligation to advance funds shall end on December 31, 2021.

Facilities Funding Agreement with Sterling Ranch, LLC

On November 15, 2016, the CAB entered into a Facilities Funding Agreement with SR LLC (the 2016 – 2019 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. 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 satisfaction of certain conditions. 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 2016 Revenue Note. The SR LLC FFA does not constitute debt, but is an annual appropriations agreement intended to be repaid through future bond issuances. The CAB and SR LLC extended the term of the SR LLC FFA through December 31, 2021, by First Amendment to the Facilities Funding Agreement, dated September 18, 2019. Under the First Amendment, SR LLC's obligation to advance funds shall end on December 31, 2021. In addition, the parties agreed to reduce the shortfall amount to \$30,000,000. Under the First Amendment to SR LLC FFA, the SR LLC has the option to extend the term of its obligation to advance funds to the CAB up to two times for additional one-year terms.

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

NOTE 10 AGREEMENTS (CONTINUED)

Facilities Funding Agreement (Filing No. 1 Completion)

On November 20, 2018, the CAB entered into a Facilities Funding Agreement (Filing No. 1 Completion) with SR LLC (Filing 1 Completion FFA), under which SR LLC agreed to deposit additional sums as needed by the CAB, up to the shortfall amount of \$1,750,000, to complete the public improvements necessary to serve Sterling Ranch Filing No. 1 (Filing 1 Improvements) in the construction account established pursuant to that certain Construction Disbursement Agreement between Sterling Ranch Development Company, Hobbs Investments, LLC, the CAB, First American Title Insurance Company and CliftonLarsonAllen LLP, dated November 5, 2015 (Filing 1 CDA, discussed below).

The CAB and SR LLC agreed that advances under the Filing 1 Completion FFA would not be considered advances under the 2016-2019 SR LLC FFA, and that the CAB would reimburse SR LLC for any advances made under the Filing 1 Completion FFA. Advances made by SR LLC to the CAB under the Filing 1 Completion FFA accrue simple interest at 8% per annum.

Any reimbursements made by the CAB to SR LLC under the Filing 1 Completion FFA shall be made after payments owed under the 2016-2019 SR LLC FFA, and prior to any payments under the Hobbs FFAA and the Developer FFAA.

Water and Wastewater Service Agreement for Sterling Ranch

The CAB entered into an agreement, dated January 6, 2014, 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), 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, 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 10 AGREEMENTS (CONTINUED)

Intergovernmental Agreement Regarding Financial Payment for Sterling Gulch Design

On August 14, 2018, the CAB and the Board of County Commissioners (County Commissioners) of Douglas County, Colorado (the County), entered into an Intergovernmental Agreement Regarding Financial Payment for Sterling Gulch Design (Sterling Gulch Design IGA). Pursuant to the Sterling Gulch Design IGA, the County agreed to manage the design of Sterling Gulch, and the CAB agreed to contribute \$260,906 to assist in funding the design. The Sterling Gulch Design IGA expires 12 months after the completion of the design and any unused sums contributed by the CAB shall be returned to the CAB within six months of completion of the design.

Intergovernmental Agreement for Financing, Design and Construction of the Castle Rock Pipeline Project

On October 4, 2018, the CAB and Dominion entered into an Intergovernmental Agreement for the Financing, Design and Construction of the Castle Rock Pipeline Project (CRPP IGA). Under the CRPP IGA, Dominion agreed to design and construct the Castle Rock Pipeline (also referred to as the Eastern Regional Pipeline Project) using Dominion funds, and in accordance with applicable law. The funds to pay for the Castle Rock Pipeline were deposited in an escrow account in accordance with the CRPP IGA and the Construction Disbursement Agreement Castle Rock Pipeline Project (discussed below). In the event Dominion defaults under the CRPP IGA, the CAB is entitled assume Dominion's obligations under the CRPP IGA.

Intergovernmental Agreement Regarding the Design, Construction, and Maintenance of Titan Road (Intersection Improvements at Roxborough Park Road) Improvement Project

On June 12, 2018, the CAB and County entered into an Intergovernmental Agreement Regarding the Design, Construction and Maintenance of Titan Road (Intersection Improvements at Roxborough Park Road) Improvement Project (the Titan Road Improvements IGA), which addressed the design, construction, and maintenance of certain road improvements at the Titan Road and Roxborough Park Road intersection in Douglas County, including without limitation, a traffic signal and other improvements. The CAB agreed to construct the improvements between June 1, 2018 and June 1, 2019, and to appropriate funds for the construction in an amount equal to 115% of the cost estimate and to maintain the improvements between initial acceptance and final acceptance. The CAB also agreed to provide a 2-year warranty period. Once completed, the County will accept the improvements.

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

NOTE 10 AGREEMENTS (CONTINUED)

Intergovernmental Agreement between the Sterling Ranch Community Authority Board and the Douglas County Commissioners of the County of Douglas, State of Colorado, Regarding Financial Payment for Design of Willow Creek Improvements

On October 9, 2018, the CAB and County entered into an Intergovernmental Agreement between the Sterling Ranch Community Authority Board and the Douglas County Commissioners of the County of Douglas, state of Colorado, Regarding Financial Payment for Design of Willow Creek Improvements (the Willow Creek Design Payment IGA), under which the CAB agreed to contribute \$297,019 toward the design of certain drainage improvements in Willow Creek. The County will manage the design through an engineer reasonably acceptable to the CAB.

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, settled their dispute in 2019 concerning the development of lots and change orders associated with the infrastructure improvements in Filing 1. Mortenson is continuing to perform its warranty obligations in Filing 1 pursuant to the Master Agreement.

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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 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.

First Amendment to Subdivision Improvement Agreement and Intergovernmental Agreement for Sterling Ranch Filing 2

On April 23, 2019, the CAB entered into an amendment to the Subdivision Improvement Agreement and Intergovernmental Agreement for Sterling Ranch Filing 2 with Sterling Ranch Development Company, LLC and the Board of County Commissioners of Douglas County, amending the original agreement to allow for the development of Filing 2 in phases, providing for additional improvements to Titan Road and stormwater, and adding improvements to Sterling Gulch.

Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 4A

On August 14, 2018, the CAB, Dominion, the Developer, and the County entered into the Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 4A (Filing 4A SIA) to provide for the construction of public improvements, landscape and park improvements and wholesale water improvements associated with Sterling Ranch Filing No. 4A, in Douglas County, Colorado. Under the Filing 4A SIA, the CAB is responsible for the construction of Improvements (including, without limitation: on-

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

NOTE 10 AGREEMENTS (CONTINUED)

Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 4A (Continued)

and off-site grading; streets and traffic facilities; on-site storm drainage; on-site water, water quality and sewer facilities; and off-site streets) and Landscape and Park Improvements (including, without limitation: landscape and hardscape improvements) at its sole expense. If the CAB is in default of its obligations to construct the Improvements and Landscape and Park Improvements, the Filing 4A SIA requires the Developer to assume the CAB's obligations under the Filing 4A SIA.

First Amendment to Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 4A

On August 27, 2019, the CAB entered into an amendment to the Subdivision Improvements Agreement and Intergovernmental Agreement with Sterling Ranch Development Company, LLC, Dominion Water and Sanitation District and the Board of County Commissioners of Douglas County, Colorado adjusting the methodology for the submittal and approval of administrative amendments to the subdivision improvement agreement.

Contract Administration Services (Sterling Ranch Filing No. 4A/Castle Rock Pipeline Project)

On October 23, 2018, the CAB entered into the Contract Administration Agreement (Sterling Ranch Filing No. 4A/Castle Rock Pipeline Project) with Richmond American Homes of Colorado, Inc. (Richmond), Developer, and Dominion, whereby if certain Events of Default (as defined in the agreement) occur, Richmond, at its option, has the right to assume the obligation of the CAB to assume Dominion's obligation to construct the Castle Rock Pipeline Project established in the Filing 4A SIA and the Castle Rock Pipeline IGA. In such instance, Richmond will have the right to draw upon the funds in the Castle Rock Pipeline Project Construction Account.

Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 4B

On October 23, 2018, the CAB, Dominion, the Developer, and the County entered into the Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 4B (Filing 4B SIA) to provide for the public improvements, landscape and park improvements, and wholesale water Improvements associated with Sterling Ranch Filing No. 4B in Douglas County, Colorado. Under the Filing 4B SIA, the CAB is responsible for the construction of Improvements (including, without limitation: on-and off-site grading; streets and traffic facilities; on-site storm drainage; on-site water, water quality and sewer facilities; and off-site streets) and Landscape and Park Improvements (including, without limitation: landscape and hardscape improvements) at its sole expense. If the CAB is in default of its obligations to construct the Improvements and Landscape and Park Improvements, the Filing 4B SIA requires the Developer to assume the CAB's obligations under the Filing 4B SIA.

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

NOTE 10 AGREEMENTS (CONTINUED)

Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 4C

On November 20, 2018, the CAB, Dominion, the Developer, and the County entered into the Subdivision Improvements Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 4C (Filing 4C SIA) to provide for the construction of public improvements, landscape and park improvements and wholesale water improvements associated with Sterling Ranch Filing No. 4C, in Douglas County, Colorado. Under the Filing 4C SIA, the CAB is responsible for the construction of Improvements (including, without limitation: on- and off-site grading; streets and traffic facilities; attached and detached sidewalks; on-site storm drainage; and on-site water, water quality, and sewer facilities) and Landscape and Park Improvements (including, without limitation: landscape and hardscape improvements) at its sole expense. If the CAB is in default of its obligations to construct the Improvements and Landscape and Park Improvements, the Filing 4C SIA requires the Developer to assume the CAB's obligations under the Filing 4C SIA.

Subdivision Improvement Agreement and Intergovernmental Agreement for Sterling Ranch Filing No. 3A

On July 9, 2019, the CAB entered into an agreement with Sterling Ranch Development Company, Inc., Dominion Water & Sanitation District, and the Board of County Commissioners of Douglas County, Colorado regarding the development of Sterling Ranch Filing 3A. Under this agreement, the CAB is responsible for the development of certain public improvements, including on and off-site grading, streets, traffic control, sidewalks, on and off-site stormwater control improvements, Willow Creek channelization, Waterton Road waterline extension, and certain 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).

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.

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

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 above.

Letter of Credit and Reimbursement Agreement with FirstBank

On March 16, 2018, FirstBank granted the CAB an irrevocable letter of credit in the amount of \$500,000 (FirstBank LOC No. 1). Amounts owed under the LOC No. 1 accrue interest at a rate of 5.5%. The FirstBank LOC No. 1 is subject to the terms of a Reimbursement Agreement between the CAB and FirstBank, dated March 16, 2018. The FirstBank LOC No. 1 was to expire on December 31, 2018, and was extended through December 31, 2019, and extended again through December 31, 2020.

On July 27, 2018, FirstBank granted the CAB an irrevocable letter of credit in the amount of \$45,844.58 (FirstBank LOC No. 2). Amounts owed under the LOC No. 2 accrue interest at the rate of 7.0%. The FirstBank LOC No. 2 is subject to the terms of a Reimbursement Agreement between the CAB and FirstBank, dated July 27, 2018. The FirstBank LOC No. 2 was to expire on December 31, 2018, and was extended through December 31, 2019. The FirstBank LOC No. 2 has expired.

The Board of County Commissioners of Douglas County, Colorado was entitled to draw on the FirstBank LOC No. 1 and FirstBank LOC No. 2 pursuant to the terms of the Warranty Security IGA (discussed below).

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 in Filing 1 (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.

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

NOTE 10 AGREEMENTS (CONTINUED)

Joint Development Agreement (Sterling Ranch Filing No. 4A)

On October 30, 2018, the CAB entered into a Joint Development Agreement (Sterling Ranch Filing No. 4A) with Richmond, Taylor Morrison of Colorado, Inc., Tri Pointe Homes, Inc. (collectively, the Filing 4A Builders), the Developer and First American Title Insurance Company (First American), under which Richmond serves as the developer of the lots within Filing 4A (Lot Improvements), the CAB will cause construction of certain main trunk roads, utility mains, certain site grading and other major public infrastructure work serving the property within Filing 4A (Trunk Improvements), and First American serves as escrow agent.

The Filing 4A Builders have step-in rights in the event the CAB defaults with respect to its obligations to cause construction of the Trunk Improvements, and each respective builder has step-in rights in the event Richmond defaults with respect to the Lot Improvements. Each respective Filing 4A Builder contributes a pro-rata share of the cost of the Lot Improvements.

Joint Development Agreement (Sterling Ranch Filing No. 4B)

On November 30, 2018, the CAB entered into a Joint Development Agreement (Sterling Ranch Filing No. 4B) with Richmond, Taylor Morrison of Colorado, Inc., Tri Pointe Homes, Inc. (collectively, the Filing 4B Builders), the Developer, and First American, under which Richmond serves as the contract administrator concerning the development of the lots within Filing 4B (Filing 4B Lot Finish Work), the CAB will cause the construction of certain main trunk roads, utility mains, site grading, and other major public infrastructure work serving the property within Filing 4B (Filing 4B Trunk Improvements), and First American serves as the escrow agent.

The Filing 4B Builders have step-in rights in the event that the CAB defaults with respect to its obligations concerning causing the construction of the Filing 4B Trunk Improvements, and each respective builder has step-in rights in the event that Richmond defaults with respect to the Filing 4B Lot Finish Work. Each Filing 4B Builder contributes a pro-rata share of the cost of the Filing 4B Lot Finish Work.

First Amendment to Joint Development Agreement – Filing 4B

On November 26, 2019 the CAB entered into an amendment to the Joint Development Agreement dated November 30, 2018 with Richmond American Homes of Colorado, Inc., Taylor Morrison of Colorado, Inc., Tri Pointe Homes, Inc., Sterling Ranch Development Company, LLC, and American Title Insurance Co. to remove the CAB's obligation to build Fraser Road and the release of the associated funds.

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

NOTE 10 AGREEMENTS (CONTINUED)

Development and Cost-Sharing Agreement (Sterling Ranch – Filing 4C)

On December 27, 2018, the CAB, Lennar Colorado, LLC (Lennar), the Developer and First American entered into a Development and Cost-Sharing Agreement (Sterling Ranch – Filing 4C) which sets forth the terms and conditions for the construction of the Finished Lot Improvements and Trunk Improvements (as those terms are defined therein) within Sterling Ranch Filing No. 4C by the CAB. Pursuant to the agreement, the CAB is responsible for the costs associated with the Trunk Improvements and Lennar is responsible for the costs associated with the Finished Lot Improvements, up to the Builder's Cost Cap (as defined therein). In order to secure Lennar's obligation, Lennar issued a letter of credit in the amount of the Builder's Cost Cap and named the CAB as the beneficiary. Further, the CAB established a construction account and deposited \$7,093,138 into the same to cover the costs associated with the Trunk Improvements. Lennar deposited an amount equal to the Builder's Cost Cap into the construction account. To the extent that the CAB does not have sufficient funds to pay for the Trunk Improvements or for any additional costs associated with the Finished Lot Improvements over the Builder's Cost Cap, the Developer will cause SR LLC to fund such costs pursuant to the 2016 – 2019 SR LLC FFA.

Shared Improvements Agreement Filing 4C

On December 27, 2018, the CAB and Lennar entered into the Shared Improvements Agreement which sets forth the terms and conditions relative to the construction, conveyance, warranty, operation and maintenance of certain shared improvements within Sterling Ranch Filing No. 4C, including the Shared Driveway Improvements, the Shared Landscape Improvements and the Garage Aprons, as those terms are defined in the Shared Improvements Agreement.

In-Tract Improvements Agreement – Filing 2 Superblock

On March 13, 2019, the CAB entered into an agreement with Sterling Ranch Development Company, LLC, First American Title Insurance Company and DFC Sterling Ranch, LLC regarding the construction of certain improvements by the CAB required for the development of Sterling Ranch Filing No. 2. DFC Sterling Ranch, LLC will provide funding for the improvements up to \$1,560,000 to be adjusted based on the final lot count. DFC Sterling Ranch, LLC's provided an initial \$312,000 at execution of the agreement, with the remaining funding obligation secured by a performance bond and corporate guaranty issued by Dream Finders Homes, LLC.

In-Tract Improvements Agreement – Filing 4A Superblock

On March 13, 2019, the CAB entered into an agreement with DFC Sterling Ranch, LLC, Sterling Ranch Development Company, LLC and First American Title Insurance Company regarding the construction of certain improvements by the CAB needed for Sterling Ranch Filing 4A. DFC Sterling Ranch will provide funding for the improvements up to \$1,440,000. DFC Sterling Ranch, LLC provided an initial \$288,000 at the execution of the agreement, with the remaining funding obligation secured by a performance bond and corporate guaranty issued by Dream Finders Homes, LLC.

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

NOTE 10 AGREEMENTS (CONTINUED)

Development and Cost Sharing Agreement – Filing 4C (Richmond American Homes of Colorado, Inc.)

On July 30, 2019, the CAB entered into an agreement with Sterling Ranch Development Company, LLC, Land Title Guaranty Company, and Richmond American Homes of Colorado, Inc. under which the CAB will construct Trunk Improvements and Finished Lot Improvements needed for Sterling Ranch Filing 4C. The CAB is responsible for the costs of the Trunk Improvements and Richmond American Homes of Colorado, Inc. is responsible for the cost of the Finished Lot Improvements up to \$3,290,000. Richmond American Homes of Colorado, Inc.'s obligation to fund is secured by an irrevocable letter of credit.

Development and Cost Sharing Agreement – Filing 4C (Parkwood Homes-Sterling Ranch, LLC)

On September 29, 2019, the CAB entered into an agreement with Sterling Ranch Development Company, LLC, Land Title Guaranty Company, and Parkwood Homes-Sterling Ranch, LLC under which the CAB will construct Trunk Improvements and Finished Lot Improvements needed for Sterling Ranch Filing 4C. The CAB is responsible for the costs of the Trunk Improvements and Parkwood Homes-Sterling Ranch, LLC is responsible for the cost of the Finished Lot Improvements up to \$675,000. Richmond American Homes of Colorado, Inc.'s obligation to fund is secured by a promissory note and deed of trust on the lots for which tap and facility fees have not been paid as described in the Tap and Facilities Fees Purchase Agreement.

Public Improvements Agreement – Filing 4B, Amendment No. 1

On November 26, 2019, the CAB entered into an agreement with Tri Pointe Homes, Inc. and Sterling Ranch Development Company, LLC under which Tri Pointe Homes, Inc. will construct certain public improvements on CAB owned property, including sidewalks, landscaping, hardscape, drainage and irrigation, for ownership by the CAB once complete.

Development and Cost Sharing Agreement – Filing 3A, Phase 1B

On December 11, 2019, the CAB entered into an agreement with Sterling Ranch Development Company, LLC and Meritage Homes of Colorado, Inc. under which CAB will construct Trunk Improvements and Finished Lot Improvements needed for Sterling Ranch Filing 3A. The CAB is responsible for the costs of the Trunk Improvements and Meritage Homes of Colorado, Inc. is responsible for the costs of the Finished Lot Improvements up to \$4,103,642. Meritage Homes of Colorado, Inc.'s obligation to fund is secured by an irrevocable letter of credit.

Public Improvements Agreement – Filing 3A, Phase 1B

On December 11, 2019, the CAB entered into an agreement with Meritage Homes of Colorado, Inc. and Sterling Ranch Development Company, LLC under which Meritage Homes of Colorado, Inc. will construct certain public improvements on CAB owned property, including sidewalks, landscaping, hardscape, drainage and irrigation, for ownership by the CAB once complete.

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

NOTE 10 AGREEMENTS (CONTINUED)

Development and Cost Sharing Agreement – Filing 3A, Phase 1A

On December 23, 2019 the CAB entered into an agreement with Sterling Ranch Development Company, LLC and DFH Mandarin, LLC (DreamFinder Homes) under which CAB will construct Trunk Improvements and Finished Lot Improvements needed for Sterling Ranch Filing 3A. The CAB is responsible for the costs of the Trunk Improvements and DFH Mandarin, LLC is responsible for the costs of the Finished Lot Improvements up to \$2,014,000. DFH Mandarin's obligation to fund is secured by a performance bond and corporate guaranty issued by Dream Finders Homes, LLC.

Public Improvements Agreement – Filing 3A, Phase 1A

On December 23, 2019, the CAB entered into an agreement with DFH Mandarin, LLC and Sterling Ranch Development Company, LLC under which DFH Mandarin will construct certain public improvements on CAB owned property, including sidewalks, landscaping, hardscape, drainage and irrigation, for ownership by the CAB once complete.

Tap and Facilities Fee Purchase Agreement with Filing 1 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 certain on-site and off-site water and sewer improvements in Filing No. 1. Specifically, the CAB has an agreement with the Developer and each of the following Builders: CalAtlantic Group, Inc.; Brookfield Residential (Colorado), LLC; Richmond; Meritage Homes of Colorado, Inc.; and Lennar Colorado, LLC (two separate 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 (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 (CalAtlantic Tap Fee Agreement), 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.

On June 20, 2018, the CAB and CalAtlantic amended the CalAtlantic Tap Fee Agreement to clarify the fee payment schedule.

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

NOTE 10 AGREEMENTS (CONTINUED)

Tap and Facilities Fee Purchase Agreements with Filing 4A Builders

On October 30, 2018, the CAB entered into agreements with each Filing 4A Builder whereby the Filing 4A Builders will pay certain tap fees and facilities fees (as specifically defined in each agreement) to the CAB as a partial funding source for certain Trunk Improvements within Filing 4A and other public infrastructure necessary for the development of Filing 4A. A portion of the tap fees and facilities fees are pledged for debt service on the 2017 Bonds.

Tap and Facilities Fee Purchase Agreements with Filing 4B Builders

On November 30, 2018, the CAB entered into agreements with each Filing 4B Builder whereby the Filing 4B Builders will pay certain tap fees and facilities fees (as specifically defined in each agreement) to the CAB as a partial funding source for certain Trunk Improvements within Filing 4B and other public infrastructure necessary for the development of Filing 4B. A portion of the tap fees and facilities fees are pledged for debt service on the 2017 Bonds.

First Amendment to Tap and Facilities Fee Purchase Agreement – Filing 4B

On April 12, 2019, the CAB amended the Tap and Facilities Fee Purchase Agreement with Taylor Morrison of Colorado, Inc. to amend the requirements related to Taylor Morrison's irrevocable letter of credit and the remedies available to the parties for a breach of the agreement.

Tap and Facilities Fee Purchase Agreement (Lennar – Sterling Ranch Filing No. 4C)

On December 27, 2018, the CAB, Lennar and First American entered into a Tap and Facilities Fee Purchase Agreement under which Lennar will pay certain Tap Fees and Facilities Fees (as 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. A portion of the tap fees and facilities fees are pledged for debt service on the 2017 Bonds.

Tap and Facilities Fees Purchase Agreement – Filing 2, Amendment No. 1

On March 13, 2019, the CAB entered into an agreement with DFC Sterling Ranch, LLC and First American Title Insurance Company regarding the payment of certain tap and facility fees by DFC Sterling Ranch, LLC for lots in Sterling Ranch Filing 2. Payment of fees for 16 lots were due no later than May 10, 2019, with the remaining fees for the remaining 26 lots due 180 days after the first payment. DFC Sterling Ranch, LLC deposited \$471,820 in escrow with First American Title to be held until due, with the remaining fees secured by a payment bond and corporate guaranty issued by Dream Finders Homes, LLC.

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

NOTE 10 AGREEMENTS (CONTINUED)

Tap and Facilities Fees Purchase Agreement – Filing 4C (Richmond American Homes of Colorado, Inc.)

On July 30, 2019, the CAB entered into an agreement with Richmond American Homes of Colorado, Inc. and Land Title Guaranty Company regarding the payment of certain tap and facility fees by Richmond American Homes of Colorado, Inc. for lots in Sterling Ranch Filing 4C. Richmond American Homes of Colorado, Inc. will pay 24 tap and facility fees on the date of purchase of the lots, with the remaining 23 tap and facility fees due 12 months later. Richmond American Homes of Colorado, Inc.'s obligation to pay the additional tap and facility fees is secured by an irrevocable letter of credit.

Tap and Facilities Fees Purchase Agreement – Filing 4C (Parkwood Homes-Sterling Ranch, LLC)

On September 27, 2019, the CAB entered into an agreement with Parkwood Homes-Sterling Ranch, LLC and Land Title Guaranty Company regarding the payment of certain tap and facility fees by Parkwood Homes-Sterling Ranch, LLC for lots in Sterling Ranch Filing 4C. Parkwood Homes-Sterling Ranch, LLC will pay 9 tap and facility fees, with payments due on a schedule based on certain carryback note dates as defined in the purchase and sale agreements.

Tap and Facilities Fees Purchase Agreement – Filing 4B, Amendment No. 1

On November 26, 2019, the CAB entered into an agreement with Tri Pointe Homes, Inc. and Land Title Guaranty Company regarding the payment of certain tap and facility fees by Tri Pointe Homes, Inc. for lots in Sterling Ranch Filing 4B. Tri Pointe Homes, Inc. will pay 23 tap and facility fees on the date of purchase of the lots, with the remaining 23 tap and facility fees due 9 months later. Tri Pointe Homes, Inc.'s obligation to pay the additional tap and facility fees is secured by an irrevocable letter of credit.

Tap and Facilities Fees Purchase Agreement – Filing 3A, Phase 1A

On December 23, 2019, the CAB entered into an agreement with DFH Mandarin, LLC and Land Title Guaranty Company regarding the payment of certain tap and facility fees by DFH Mandarin for lots in Sterling Ranch Filing 3A. DFH Mandarin deposited \$177,130 in escrow with Land Title to be held until due, with the remaining fees secured by a payment bond and corporate guaranty issued by Dream Finders Homes, LLC.

Tap and Facilities Fees Purchase Agreement – Filing 3A, Phase 1B

On December 11, 2019, the CAB entered into an agreement with Meritage Homes of Colorado, Inc. and Land Title Guaranty Company regarding the payment of certain tap and facility fees by Meritage Homes of Colorado, Inc. for lots in Sterling Ranch Filing 3A. Meritage Homes of Colorado, Inc. will pay its fees in phases, with fees for 22 single family detached lots ("SFD") and 48 single family attached lots ("SFA") due upon closing of the purchase of the lots from Developer, 7 SFD and 12 SFA due on the first carryback date and the 28 SFD and 60 SFA due on the second carryback date, as those dates are defined in the purchase and sale agreement. Meritage's obligation to pay is secured by a promissory note and deed of trust against the lots for which the fees are owed.

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

NOTE 10 AGREEMENTS (CONTINUED)

Tap Pre-Purchase Agreement and Collateral Assignment – Filing 4B, Amendment No. 1, Lots 126 to 171

On December 20, 2019, the CAB entered into an agreement with Sterling Ranch Development Company, LLC and Land Title Guaranty Company under which Developer pre-paid \$653,000 to the CAB in tap fees ultimately owed by Tri Pointe Homes, Inc. to be repaid when the tap fees are paid by Tri Pointe Homes, Inc. under the existing Tap and Facilities Pre Purchase Agreement. Developer pledged the right to receive the future tap fees as collateral for funds borrowed by Developer.

Construction Disbursement Agreement

On November 5, 2015, the CAB entered into an agreement with the Developer and Hobbs (Filing 1 CDA) 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.

Construction Disbursement Agreement – Castle Rock Pipeline Project

On October 4, 2018, the CAB, Dominion, UMB Bank, n.a., and CliftonLarsonAllen, LLP entered into the Construction Disbursement Agreement Castle Rock Pipeline Project, under which UMB created a segregated bank account into which the funds necessary to design and construct the Castle Rock Pipeline pursuant to the CRPP IGA and that certain Water and Wastewater Service Agreement for Sterling Ranch, dated January 6, 2014, were deposited. CliftonLarsonAllen, LLP acts as the disbursing agent under the Construction Disbursement Agreement Castle Rock Pipeline Project, and pays various contractors or vendors providing work or services to the Castle Rock Pipeline Project upon receipt of a disbursement request approved by the CAB and Dominion.

On October 23, 2018, the parties entered into that First Amendment to Construction Disbursement Agreement – Castle Rock Pipeline Project, which provides Richmond, as the Contract Administrator, with the authority to submit disbursement requests under the terms set forth in the agreement.

Waterton Boulevard Infrastructure Development Agreement

On November 13, 2018, the CAB, the Developer and the County entered into the Waterton Boulevard Infrastructure Development Agreement whereby the County agreed to provide partial funding in the amount of \$5,000,000 to the CAB to accelerate the construction of the extension of Waterton Boulevard as the same will alleviate demands on other roads leading out of the Chatfield Urban Area. In exchange, the CAB agrees to contribute \$5,775,000 to the County pursuant to the terms of the agreement for use towards transportation projects within the County.

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

NOTE 11 INTERFUND TRANSFERS

	TRANSFER FROM						Total
	General	Water and Wastewater Services	Debt Service Fund-2017 Bonds	Debt Service Fund-2019 Bonds	CPF-Filing 2-6 Trunk Improvements	CPF-Filing 2-6 Intract Improvements	
TRANSFER TO							
Water and Wastewater Services	-	-	70,307 ⁽²⁾	-	1,529,306 ⁽⁴⁾	107,520 ⁽⁵⁾	1,707,133
Debt service Fund-O&M Note	787,916 ⁽¹⁾	1,718,533 ⁽¹⁾	-	-	-	-	2,506,449
CPF - General & Preconst.	-	-	722,337 ⁽²⁾	7,441,824 ⁽³⁾	50,177 ⁽⁴⁾	-	8,214,338
CPF-Filing 1 Trunk Improvements	-	-	-	20,175,108 ⁽³⁾	1,100 ⁽⁴⁾	-	20,176,208
CPF-Filing 2-6 Trunk Improvements	-	-	17,405,693 ⁽²⁾	-	11,052 ⁽⁴⁾	-	17,416,745
Total	787,916	1,718,533	18,198,337	27,616,932	1,591,635	107,520	50,020,873

- (1) Revenues required to be transferred for repayment of O&M Note
- (2) Transfer bond proceeds to fund eligible capital costs in other Funds
- (3) Transfer of bond proceeds to repay SR Entities Advances
- (4) Transfer of tap/facilities fees for capital expenditures
- (5) Transfer of builder funds for water service

NOTE 12 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 13 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.

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

NOTE 13 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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.

SUPPLEMENTARY INFORMATION

**STERLING RANCH COMMUNITY AUTHORITY BOARD
DEBT SERVICE FUND – 2015 BONDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net Investment Income	\$ 50,000	\$ 82,101	\$ 32,101
Facilities Fees	-	10,000	10,000
Transfer from Sterling Ranch District No. 2	683,802	683,801	(1)
Total Revenues	<u>733,802</u>	<u>775,902</u>	<u>42,100</u>
EXPENDITURES			
Trustee/Paying Agent Fees	5,500	5,250	250
Bond Interest	1,217,775	1,217,775	-
Total Expenditures	<u>1,223,275</u>	<u>1,223,025</u>	<u>250</u>
NET CHANGES IN FUND BALANCE	(489,473)	(447,123)	42,350
Fund Balance - Beginning of Year	<u>4,335,146</u>	<u>4,333,337</u>	<u>(1,809)</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 3,845,673</u></u>	<u><u>\$ 3,886,214</u></u>	<u><u>\$ 40,541</u></u>

**STERLING RANCH COMMUNITY AUTHORITY BOARD
DEBT SERVICE FUND – 2017 BONDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net Investment Income	\$ 770,000	\$ 1,395,946	\$ 625,946
Filing 2 Pledged Facilities Fees	1,277,500	1,000,000	(277,500)
Filing 2 Pledged Tap Fees	1,022,000	800,000	(222,000)
Transfer from Sterling Ranch District No. 3	55,575	55,075	(500)
Total Revenues	<u>3,125,075</u>	<u>3,251,021</u>	<u>125,946</u>
EXPENDITURES			
Trustee/Paying Agent Fees	6,000	5,250	750
Bond Interest	<u>3,751,500</u>	<u>3,751,500</u>	<u>-</u>
Total Expenditures	<u>3,757,500</u>	<u>3,756,750</u>	<u>750</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(632,425)	(505,729)	126,696
OTHER FINANCING SOURCES (USES)			
Transfer to Other Funds	<u>(29,632,500)</u>	<u>(18,198,337)</u>	<u>11,434,163</u>
Total Other Financing Sources (Uses)	<u>(29,632,500)</u>	<u>(18,198,337)</u>	<u>11,434,163</u>
NET CHANGES IN FUND BALANCE	(30,264,925)	(18,704,066)	11,560,859
Fund Balance - Beginning of Year	<u>75,671,297</u>	<u>54,413,018</u>	<u>(21,258,279)</u>
FUND BALANCE - END OF YEAR	<u>\$ 45,406,372</u>	<u>\$ 35,708,952</u>	<u>\$ (9,697,420)</u>

**STERLING RANCH COMMUNITY AUTHORITY BOARD
DEBT SERVICE FUND – 2017 BONDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Total Revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Cost of Issuance	-	290,000	172,400	117,600
Total Expenditures	-	290,000	172,400	117,600
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(290,000)	(172,400)	117,600
OTHER FINANCING SOURCES (USES)				
Bond Issuance	-	29,000,000	27,616,932	(1,383,068)
Sterling Ranch Entities Cash Advances	-	290,000	172,400	(117,600)
Transfer to Other Funds	-	(29,000,000)	(27,616,932)	1,383,068
Total Other Financing Sources (Uses)	-	290,000	172,400	(117,600)
NET CHANGES IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

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

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Total Revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Interest	329,470	572,471	404,763	167,708
Principal	2,965,232	2,830,529	2,101,686	728,843
Total Expenditures	<u>3,294,702</u>	<u>3,403,000</u>	<u>2,506,449</u>	<u>896,551</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,294,702)	(3,403,000)	(2,506,449)	896,551
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	<u>3,294,702</u>	<u>3,403,000</u>	<u>2,506,449</u>	<u>(896,551)</u>
Total Other Financing Sources (Uses)	<u>3,294,702</u>	<u>3,403,000</u>	<u>2,506,449</u>	<u>(896,551)</u>
NET CHANGES IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Total Revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Total Expenditures	-	-	-
NET CHANGES IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STERLING RANCH COMMUNITY AUTHORITY BOARD
CAPITAL PROJECTS FUND – GENERAL AND PRECONSTRUCTION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Public Improvement Fees	\$ -	\$ 1,500	\$ 8,646	\$ 7,146
Total Revenues	-	1,500	8,646	7,146
EXPENDITURES				
General and Administration:				
Accounting	150,000	170,000	175,158	(5,158)
Audit	10,000	-	6,510	(6,510)
Insurance and Bonds	75,000	-	-	-
CAB Management	143,000	210,000	197,414	12,586
Legal	374,000	150,000	204,392	(54,392)
Market Study	-	-	20,055	(20,055)
Miscellaneous	-	20,000	9,543	10,457
Banking Fees	-	-	5,045	(5,045)
Cost Verifications/Certifications	-	30,000	48,300	(18,300)
Salaries and Benefits	343,000	340,000	366,270	(26,270)
Payroll Taxes	30,000	95,000	21,777	73,223
Parks/Landscape/Streets Maintenance	-	10,300	129,895	(119,595)
Capital Outlay:				
Streets	-	-	2,725	(2,725)
Traffic and Safety Control	-	-	2,362	(2,362)
Civic Center Improvements	-	20,000	45,252	(25,252)
Engineering and Management	500,000	515,000	832,658	(317,658)
Permits	-	-	2,310	(2,310)
Technology Integration	-	182,248	182,248	-
Other Construction Costs	100,000	-	-	-
Total Expenditures	1,725,000	1,742,548	2,251,914	(509,366)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(1,725,000)	(1,741,048)	(2,243,268)	(502,220)
OTHER FINANCING SOURCES (USES)				
O&M Note Proceeds	1,050,000	1,035,000	1,221,121	186,121
Revenue Note Proceeds	675,000	707,548	153,385	(554,163)
Transfers from Other Funds	-	8,300,000	8,214,338	(85,662)
Repayment to Sterling Ranch Entities	-	(8,300,000)	(7,441,824)	858,176
Total Other Financing Sources (Uses)	1,725,000	1,742,548	2,147,020	404,472
NET CHANGES IN FUND BALANCE				
	-	1,500	(96,248)	(97,748)
Fund Balance - Beginning of Year	2,465	(308,034)	(308,034)	-
FUND BALANCE - END OF YEAR	\$ 2,465	\$ (306,534)	\$ (404,282)	\$ (97,748)

**STERLING RANCH COMMUNITY AUTHORITY BOARD
CAPITAL PROJECTS FUND – FILING 1 – TRUNK IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Facilities Fees	\$ -	\$ 20,000	\$ 20,000	\$ -
Net Investment Income	-	1,500	2,669	1,169
Other Income	-	-	35,813	35,813
Tap Fees	-	130,000	130,000	-
Installment Gap Funds	-	563,785	590,204	26,419
Total Revenues	-	715,285	778,686	63,401
EXPENDITURES				
General and Administration:				
Accounting	-	5,000	6,809	(1,809)
Insurance and Bonds	-	105,000	75,000	30,000
Legal	-	114,000	100,234	13,766
Capital Outlay:				
Parks and Recreation (Landscaping)	-	224,391	113,811	110,580
Streets	-	292,150	12,897	279,253
Streets - Other Engineering/Consulting	-	30,000	2,880	27,120
Engineering and Management	-	85,000	321,261	(236,261)
Contingency	-	100,000	-	100,000
Total Expenditures	-	955,541	632,892	322,649
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(240,256)	145,794	386,050
OTHER FINANCING SOURCES (USES)				
SR Entities Advances and Repayments:				
Sterling Ranch Entities Cash Advances	-	1,050,000	742,843	(307,157)
Repayment to Sterling Ranch Entities	-	(20,700,000)	(20,175,108)	524,892
O&M Note Proceeds	-	191,948	292,049	100,101
Transfers from Other Funds	-	20,700,000	20,176,208	(523,792)
Total Other Financing Sources (Uses)	-	1,241,948	1,035,992	(205,956)
NET CHANGES IN FUND BALANCE	-	1,001,692	1,181,786	180,094
Fund Balance - Beginning of Year	-	(1,002,770)	(1,002,770)	-
FUND BALANCE - END OF YEAR	\$ -	\$ (1,078)	\$ 179,016	\$ 180,094

**STERLING RANCH COMMUNITY AUTHORITY BOARD
CAPITAL PROJECTS FUND – FILING 1 – FINISHED LOTS IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES				
Net Investment Income	\$ -	\$ 5,000	\$ 5,965	\$ 965
Builder Funds	-	63,554	26,891	(36,663)
Reimbursed Expenditures	-	308,000	307,157	(843)
Total Revenues	-	376,554	340,013	(36,541)
EXPENDITURES				
Capital Outlay:				
Parks and Recreation (Landscaping)	-	43,609	-	43,609
Sidewalk	-	7,963	7,963	-
Streets	-	348,428	307,157	41,271
Total Expenditures	-	400,000	315,120	84,880
NET CHANGES IN FUND BALANCE	-	(23,446)	24,893	48,339
Fund Balance - Beginning of Year	419,083	418,985	418,985	-
FUND BALANCE - END OF YEAR	<u>\$ 419,083</u>	<u>\$ 395,539</u>	<u>\$ 443,878</u>	<u>\$ 48,339</u>

**STERLING RANCH COMMUNITY AUTHORITY BOARD
CAPITAL PROJECTS FUND – FILING 2-6 – TRUNK IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net Investment Income	\$ 2,000	\$ 29,003	\$ 27,003
Facilities Fees	4,823,800	2,560,000	(2,263,800)
Reimbursed Expenditures	-	259,022	259,022
Tap Fees	3,809,400	1,978,600	(1,830,800)
Total Revenues	<u>8,635,200</u>	<u>4,826,625</u>	<u>(3,808,575)</u>
EXPENDITURES			
General and Administration:			
Accounting	5,000	3,133	1,867
Legal	-	39,547	(39,547)
CDOT Fees	2,697,000	-	2,697,000
Cost Verifications/Certifications	-	550	(550)
Project Management Fee	340,000	255,499	84,501
Capital Outlay:			
Parks and Recreation (Landscaping)	7,724,000	2,970,087	4,753,913
Parks and Recreation - Other Engineering/Consulting	-	16,922	(16,922)
Traffic and Safety Control	-	1,104,004	(1,104,004)
Miscellaneous/Contingency	2,111,000	497,939	1,613,061
Streets	13,654,000	8,520,276	5,133,724
Streets - Other Engineering/Consulting	227,000	581,744	(354,744)
Street - Grading and Erosion Control	445,000	2,683,576	(2,238,576)
Storm Sewer	3,903,000	1,860,936	2,042,064
Sanitation	1,463,000	290,128	1,172,872
Sanitation - Other Engineering/Consulting	10,000	2,911	7,089
Water	1,105,000	757,007	347,993
Engineering and Management	2,030,000	3,674,665	(1,644,665)
Total Expenditures	<u>35,714,000</u>	<u>23,258,924</u>	<u>12,455,076</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(27,078,800)	(18,432,299)	8,646,501
OTHER FINANCING SOURCES (USES)			
O&M Note Proceeds	5,000	105,874	100,874
Revenue Note Proceeds	-	5,425	5,425
Transfers from Other Funds	29,632,500	17,416,745	(12,215,755)
Transfers to Other Funds	-	(1,591,635)	(1,591,635)
Total Other Financing Sources (Uses)	<u>29,637,500</u>	<u>15,936,409</u>	<u>(13,701,091)</u>
NET CHANGES IN FUND BALANCE	2,558,700	(2,495,890)	(5,054,590)
Fund Balance - Beginning of Year	<u>99,904</u>	<u>13,222,878</u>	<u>13,122,974</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,658,604</u>	<u>\$ 10,726,988</u>	<u>\$ 8,068,384</u>

**STERLING RANCH COMMUNITY AUTHORITY BOARD
CAPITAL PROJECTS FUND – FILING 2-6 – FINISHED LOTS IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net Investment Income	\$ 1,000	\$ 8,228	\$ 7,228
Other Income	-	2,500	2,500
Reimbursed expenditures	900,000	954,149	54,149
Builder Funds	24,089,000	4,671,830	(19,417,170)
Builder Damage Deposit	-	858,500	858,500
Total Revenues	<u>24,990,000</u>	<u>6,495,207</u>	<u>(18,494,793)</u>
EXPENDITURES			
General and Administration			
Project Management Fee	470,000	233,732	236,268
Capital Outlay			
Parks and Recreation (Landscaping)	329,000	-	329,000
Traffic and Safety Control	-	304,791	(304,791)
Miscellaneous/Contingency	1,391,000	30	1,390,970
Streets	8,896,000	2,340,487	6,555,513
Streets - Other Engineering/Consulting	379,000	148,773	230,227
Streets - Grading and Erosion Control	435,000	445,395	(10,395)
Storm Sewer	1,994,000	306,204	1,687,796
Sanitation	2,514,000	529,324	1,984,676
Water	2,081,000	164,083	1,916,917
Dry Utilities	3,951,000	185,981	3,765,019
Engineering and Management	2,550,000	1,444,900	1,105,100
Total Expenditures	<u>24,990,000</u>	<u>6,103,700</u>	<u>18,886,300</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	391,507	391,507
OTHER FINANCING SOURCES (USES)			
Transfers to Other Fund	-	(107,520)	(107,520)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(107,520)</u>	<u>(107,520)</u>
NET CHANGES IN FUND BALANCE	-	283,987	283,987
Fund Balance - Beginning of Year	<u>60,187</u>	<u>113,342</u>	<u>53,155</u>
FUND BALANCE - END OF YEAR	<u>\$ 60,187</u>	<u>\$ 397,329</u>	<u>\$ 337,142</u>

OTHER INFORMATION

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

<u>Bonds and Interest Maturing in the Year Ending December 31,</u>	\$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>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2046	-	-	-
	\$ 21,500,000	\$ 22,574,488	\$ 44,074,488

STERLING RANCH COMMUNITY AUTHORITY BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
DECEMBER 31, 2019

<u>Bonds and Interest Maturing in the Year Ending December 31,</u>	\$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>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 73,762,500</u>	<u>\$ 148,792,500</u>

STERLING RANCH COMMUNITY AUTHORITY BOARD
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
DECEMBER 31, 2019

Bonds and Interest Maturing in the Year Ending	Totals		
	Principal	Interest	Total
<u>December 31,</u>			
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	\$ 96,336,988	\$ 192,866,988