

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
Arapahoe County, Colorado

**FINANCIAL STATEMENTS**  
December 31, 2017

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Office of the State Auditor

May 2, 2018

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## **Independent Auditor's Report**

Board of Directors  
Sterling Hills West Metropolitan District

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Sterling Hills West Metropolitan District as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Sterling Hills West Metropolitan District as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

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 opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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. The continuing disclosure as listed in the Table of Contents has not been audited and accordingly, we express no opinion on it.



L. Paul Goedecke, P.C.  
April 12, 2018

## **BASIC FINANCIAL STATEMENTS**

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 318,198
Cash and investments - Restricted	52,572
Interest receivable	173
Receivable from County Treasurer	8,863
Prepaid expenses	3,565
Property taxes receivable	1,197,376
Capital assets	
Capital assets not being depreciated	1,694,125
Capital assets, net of accumulated depreciation	191,478
Total assets	3,466,350
<b>LIABILITIES</b>	
Accounts payable	14,304
Accrued interest payable	47,438
Noncurrent liabilities	
Due within one year	404,749
Due in more than one year	12,463,831
Total liabilities	12,930,322
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	1,197,376
Total deferred inflows of resources	1,197,376
<b>NET POSITION</b>	
Net investment in capital assets	(1,083,208)
Restricted for:	
Emergencies (TABOR)	10,100
Unrestricted	(9,588,240)
Total net position	\$ (10,661,348)

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

**STERLING HILLS WEST METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 342,260	\$ -	\$ -	\$ -	\$ (342,260)
Interest and related costs on long-term debt	840,118	-	-	-	(840,118)
	<u>\$ 1,182,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,182,378)</u>
General revenues:					
Property taxes					1,306,360
Specific ownership taxes					111,863
Net investment income					6,359
Total general revenues					<u>1,424,582</u>
Change in net position					242,204
Net position - Beginning					(10,903,552)
Net position - Ending					<u>\$ (10,661,348)</u>

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

**STERLING HILLS WEST METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and investments	\$ 318,198	\$ -	\$ -	\$ 318,198
Cash and investments - Restricted	10,100	42,472	-	52,572
Prepaid expenses	3,565	-	-	3,565
Interest receivable	173	-	-	173
Receivable from County Treasurer	8,863	-	-	8,863
Property taxes receivable	311,318	886,058	-	1,197,376
Total assets	<u>\$ 652,217</u>	<u>\$ 928,530</u>	<u>\$ -</u>	<u>\$ 1,580,747</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 14,304	\$ -	\$ -	\$ 14,304
Total liabilities	<u>14,304</u>	<u>-</u>	<u>-</u>	<u>14,304</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property tax revenue	311,318	886,058	-	1,197,376
Total deferred inflows of resources	<u>311,318</u>	<u>886,058</u>	<u>-</u>	<u>1,197,376</u>
<b>FUND BALANCES (DEFICITS):</b>				
Nonspendable:				
Prepaid amounts	3,565	-	-	3,565
Restricted for:				
Emergencies (TABOR)	10,100	-	-	10,100
Debt service	-	42,472	-	42,472
Assigned to:				
Subsequent year's expenditures	88,162	-	-	88,162
Unassigned				
General government	224,768	-	-	224,768
Total fund balances (deficits)	<u>326,595</u>	<u>42,472</u>	<u>-</u>	<u>369,067</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)</b>				
	<u>\$ 652,217</u>	<u>\$ 928,530</u>	<u>\$ -</u>	

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

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

Capital assets 1,885,603

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable (11,395,000)

Premium on bonds payable (1,473,580)

Accrued interest payable (47,438)

Net position of governmental activities \$ (10,661,348)

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

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCES - GOVERNMENTAL FUNDS**  
Year Ended December 31, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property taxes	\$ 217,500	\$ 1,088,860	\$ -	\$ 1,306,360
Specific ownership taxes	111,863	-	-	111,863
Net investment income	4,436	1,791	132	6,359
Total revenues	<u>333,799</u>	<u>1,090,651</u>	<u>132</u>	<u>1,424,582</u>
<b>EXPENDITURES</b>				
Current				
Accounting	48,674	-	4,054	52,728
Audit	2,860	-	-	2,860
Conferences and seminars	1,041	-	-	1,041
County Treasurer's fees	3,266	16,351	-	19,617
Directors' fees	5,200	-	-	5,200
Dues and licenses	582	-	-	582
Insurance and bonds	3,491	-	-	3,491
Legal	83,801	-	6,297	90,098
Miscellaneous	225	17	-	242
Payroll taxes	398	-	-	398
Maintenance and repairs	166,026	-	2,620	168,646
Debt service				
Bond interest	-	411,283	-	411,283
Bond insurer interest	-	41,343	-	41,343
Bond insurer principal	-	1,294,812	-	1,294,812
Bond issue costs	-	179,935	-	179,935
Paying agent fees	-	1,325	-	1,325
Capital projects	-	-	143,003	143,003
Total expenditures	<u>315,564</u>	<u>1,945,066</u>	<u>155,974</u>	<u>2,416,604</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>18,235</u>	<u>(854,415)</u>	<u>(155,842)</u>	<u>(992,022)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	11,395,000	-	11,395,000
Bond premium	-	1,498,883	-	1,498,883
Proceeds from bond insurer	-	221,610	-	221,610
Payment to refunding escrow	-	(12,218,643)	-	(12,218,643)
Transfers from (to) other funds	(155,842)	-	155,842	-
Total other financing sources (uses)	<u>(155,842)</u>	<u>896,850</u>	<u>155,842</u>	<u>896,850</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<u>(137,607)</u>	<u>42,435</u>	<u>-</u>	<u>(95,172)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>				
	<u>464,202</u>	<u>37</u>	<u>-</u>	<u>464,239</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 326,595</u>	<u>\$ 42,472</u>	<u>\$ -</u>	<u>\$ 369,067</u>

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

**STERLING HILLS WEST METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

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

Net changes in fund balances - Total governmental funds	\$	(95,172)
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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		143,003
Depreciation expense		(13,725)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of 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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Current year bond issuance		(11,395,000)
Current year bond premium		(1,498,883)
Bond principal payment		11,965,000
Advance from bond insurance policy		(221,610)
Payment to bond insurer		1,294,812

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 premium		25,303
Accrued interest on advance from bond insurer - Change in liability		3,220
Accrued interest on bonds - Change in liability		35,256

Change in net position of governmental activities	\$	<u>242,204</u>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Property taxes	\$ 217,500	\$ 217,000	\$ 217,500	\$ 500
Specific ownership taxes	104,440	110,000	111,863	1,863
Investment income	2,100	4,500	4,436	(64)
Total revenues	<u>324,040</u>	<u>331,500</u>	<u>333,799</u>	<u>2,299</u>
<b>EXPENDITURES</b>				
Administratiave				
Accounting	26,000	50,000	48,674	1,326
Audit	2,800	2,860	2,860	-
Conferences and seminars	1,800	1,100	1,041	59
County Treasurer's fees	3,260	3,260	3,266	(6)
Directors' fees	2,000	4,700	5,200	(500)
Dues and licenses	600	582	582	-
Insurance and bonds	3,500	3,491	3,491	-
Legal	30,000	77,000	83,801	(6,801)
Miscellaneous	500	500	225	275
Payroll taxes	153	360	398	(38)
Operations/maintenance				
Drainage pond maintenance	2,100	2,400	2,168	232
Drainage pond repair/renovation	25,000	25,000	23,812	1,188
Holiday decorations	10,000	2,000	-	2,000
Landscape maintenance - contract	60,000	66,000	58,877	7,123
Landscape renovations	15,000	-	-	-
Repairs and maintenance	20,000	15,000	11,040	3,960
Snow removal	6,000	6,000	680	5,320
Tower mowing	3,400	1,700	1,700	-
Tree planting	10,000	-	-	-
Tree/shrub maintenance	8,500	-	-	-
Utilities - electric	800	600	605	(5)
Utiliites - irrigation	75,000	67,000	67,144	(144)
Contingency	8,437	3,597	-	3,597
Total expenditures	<u>314,850</u>	<u>333,150</u>	<u>315,564</u>	<u>17,586</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>9,190</u>	<u>(1,650)</u>	<u>18,235</u>	<u>19,885</u>
<b>OTHER FINANCIING SOURCES (USES)</b>				
Transfers from (to) other funds	<u>(70,150)</u>	<u>(166,850)</u>	<u>(155,842)</u>	<u>11,008</u>
Total other financing sources (uses)	<u>(70,150)</u>	<u>(166,850)</u>	<u>(155,842)</u>	<u>11,008</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<u>(60,960)</u>	<u>(168,500)</u>	<u>(137,607)</u>	<u>30,893</u>
<b>FUND BALANCES -</b>				
<b>BEGINNING OF YEAR</b>	<u>462,530</u>	<u>464,202</u>	<u>464,202</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 401,570</u>	<u>\$ 295,702</u>	<u>\$ 326,595</u>	<u>\$ 30,893</u>

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

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

Sterling Hills West Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Arapahoe County on December 3, 1999, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a service plan approved by the City of Aurora (City) which was amended in 2004 and 2007. The District's service area is located in Arapahoe County, Colorado. The District was established to provide financing for the construction and installation of facilities for water, wastewater, streets, park and recreation, and other improvements. As set forth in its first amended service plan, the District has limited itself to issue no more than \$11,600,000 in debt without prior approval of the City. With the second amendment to the service plan approved on August 27, 2007, the City approved the issuance of debt to pay the costs of additional public improvements not to exceed \$1,100,000, plus the amount necessary to fully refund the District's 2004 bonds.

The District 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 District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District 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. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

The District reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

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

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year end. The District'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 District amended its annual budget for the year ended December 31, 2017.

**Pooled Cash and Investments**

The District 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 the total cash.

**Property Taxes**

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**Capital Assets**

Capital assets, which include property, equipment and infrastructure assets (e.g. park and recreation facilities, vinyl park fencing, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in process, and are not included in the calculation of net investment in capital assets component of the District'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, with the exception of landscaping improvements (e.g. trees, sod, and similar items) are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

Park sidewalks, vinyl park fencing/monuments	10-20 years
Irrigation systems, playground/picnic equipment	15 years

**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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Equity**

***Net Position***

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

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Fund Balance***

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors 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 District’s practice to use the most restrictive classification first.

**NOTE 3 - CASH AND INVESTMENTS**

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

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

Statement of net position:

Cash and investments	\$ 318,198
Cash and investments - Restricted	<u>52,572</u>
	<u><u>\$ 370,770</u></u>

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

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

Deposits with financial institutions	\$ 294,225
Investments	<u>76,545</u>
	<u>\$ 370,770</u>

**Deposits with Financial Institutions**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. 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, 2017, the District's cash deposits had a bank balance and a carrying balance of \$41,090.

At December 31, 2017, the District had \$253,135 in certificates of deposit with financial institutions, \$250,000 of which is insured through the FDIC, with the remaining balance collateralized through single institution pools.

**Investments**

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

The District 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 District is not subject to concentration 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

**STERLING HILLS WEST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase and reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pools

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

<b>Investment</b>	<b>Maturity</b>	<b>Amount</b>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 69,824
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>6,721</u>
		<u>\$ 76,545</u>

**CSAFE**

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE using the amortized cost method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**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

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2017, follows:

<u>By Classification</u>	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance at December 31, 2017</u>
Capital assets, not being depreciated				
Landscape improvements	\$ 1,655,407	\$ -	\$ -	\$ 1,655,407
Park design	-	38,718	-	38,718
Total capital assets, not being depreciated	<u>1,655,407</u>	<u>38,718</u>	<u>-</u>	<u>1,694,125</u>
Capital assets, being depreciated				
Sidewalks	64,283	-	-	64,283
Cobble and river rock	9,198	-	-	9,198
Fencing/monuments	45,920	-	-	45,920
Park lighting/playgrounds	100,254	-	-	100,254
Park facilities	-	104,285	-	104,285
Irrigation system	613,157	-	-	613,157
Total capital assets, being depreciated	<u>832,812</u>	<u>104,285</u>	<u>-</u>	<u>937,097</u>
Less accumulated depreciation for:				
Sidewalks	(38,419)	(3,214)	-	(41,633)
Cobble and river rock	(5,596)	(920)	-	(6,516)
Fencing/monuments	(29,567)	(2,296)	-	(31,863)
Park lighting/playgrounds	(88,023)	(1,273)	-	(89,296)
Park facilities	-	(3,000)	-	(3,000)
Irrigation system	(570,289)	(3,022)	-	(573,311)
Total accumulated depreciation	<u>(731,894)</u>	<u>(13,725)</u>	<u>-</u>	<u>(745,619)</u>
Total capital assets, being depreciated, net	<u>100,918</u>	<u>90,560</u>	<u>-</u>	<u>191,478</u>
Governmental activities - Capital assets, net	<u>\$ 1,756,325</u>	<u>\$ 129,278</u>	<u>\$ -</u>	<u>\$ 1,885,603</u>

**STERLING HILLS WEST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions/programs of the District as follows:

Governmental activities:	
General government	<u>\$ 13,725</u>

All infrastructure, with the exception of certain pocket parks and street landscaping improvements (which are expected to be owned and maintained by the District), has been accepted for warranty and maintenance by the City.

**NOTE 5 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2017:

	Balance at December 31, 2016	Additions	Reductions	Balance at December 31, 2017	Due Within One Year
G.O. Limited Tax Refunding and Improvement Bonds - Series 2007	\$ 11,965,000	\$ -	\$ 11,965,000	\$ -	\$ -
G.O. Limited Tax Refunding Bonds - Series 2017	-	11,395,000	-	11,395,000	295,000
Loan from Bond Insurer	1,073,202	221,610	1,294,812	-	-
	<u>13,038,202</u>	<u>11,616,610</u>	<u>13,259,812</u>	<u>11,395,000</u>	<u>295,000</u>
Bond premium	36,021	1,498,883	61,324	1,473,580	109,749
	<u>\$ 13,074,223</u>	<u>\$ 13,115,493</u>	<u>\$ 13,321,136</u>	<u>\$ 12,868,580</u>	<u>\$ 404,749</u>

The details of the District's long-term obligations are as follows:

**General Obligation Refunding Bonds**

On September 8, 2017, the District refunded \$11,965,000 of General Obligation Refunding and Improvement Bonds (2007 Bonds) dated September 13, 2007, with interest rates from 4.0% to 5.0% by the issuance of \$11,385,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Refunding Bonds (2017 Bonds). Funds from the issuance of the 2017 Bonds were deposited with a trustee and invested in U.S. government securities. The 2007 Bonds were repaid in full by the trustee on December 1, 2017. Proceeds of the 2017 Bonds were also used pay amounts due to the Bond Insurer of the 2007 Bonds and the cost of issuance of the 2017 Bonds.

The 2017 Bonds bear interest at the rate of 5.0% per annum, with an effective interest rate of 3.86% due to the payment of a \$1,498,883 premium paid at the time of issuance. Interest is due June 1 and December 1. Principal is due on December 1. The 2017 Bonds mature on December 1, 2039. The 2017 Bonds are subject to redemption prior to maturity, at the option of the District on December 1, 2027, and on any date thereafter, upon payment of par and accrued interest thereon to the date of redemption.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

The 2017 Bonds are secured by and payable from Pledged Revenue consisting of monies derived by the District from the following sources, net of any collection costs: (1) the Required Mill Levy, (2) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy, and (3) any other legally available monies which the District determines to be treated as Pledged Revenue. The Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the 2017 Bonds as the same become due and payable but not in excess of 42.55 mills, provided however, that in the event the method of calculating assessed valuation is or was changed after 2000, the maximum mill levy will be increased or decreased to reflect such changes. For budget year 2018, the Required Mill Levy has been adjusted to 57.561 mills. Once the debt to assessed ratio is 40% or less, the Required Mill Levy means an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal, premium if any, and interest on the 2017 Bonds as the same become due and payable without limitation of rate. At December 31, 2017, the debt to assessed ratio was 47.5%.

The District's long-term obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 295,000	\$ 569,250	\$ 864,250
2019	310,000	554,500	864,500
2020	325,000	539,000	864,000
2021	345,000	522,750	867,750
2022	360,000	505,500	865,500
2023-2027	2,085,000	2,239,000	4,324,000
2028-2032	2,660,000	1,663,500	4,323,500
2033-2037	3,395,000	928,000	4,323,000
2038-2039	1,610,000	121,750	1,731,750
	<u>\$ 11,385,000</u>	<u>\$ 7,643,250</u>	<u>\$ 19,028,250</u>

**Authorized Debt**

On November 2, 1999, a majority of the District's qualified electors authorized the incurrence of indebtedness in an amount not to exceed \$13,550,000 in principal at an interest rate not to exceed 12.5%. On November 7, 2000, a majority of the District's qualified electors also authorized the incurrence of indebtedness in an amount not to exceed \$13,550,000 in principal at an interest rate not to exceed 12.5%. At December 31, 2017, the District has authorized but unissued indebtedness for the following purposes:

**STERLING HILLS WEST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)**

	<u>1999 Election</u>	<u>2000 Election</u>	<u>Debt</u>
Street improvements	\$ 3,600,000	\$ 3,600,000	\$ 7,200,000
Traffic controls	500,000	500,000	1,000,000
Water system	1,000,000	1,000,000	2,000,000
Sanitary sewer	1,500,000	1,500,000	3,000,000
Parks and recreation	6,200,000	6,200,000	12,400,000
Operations/maintenance	750,000	750,000	1,500,000
	<u>\$ 13,550,000</u>	<u>\$ 13,550,000</u>	<u>\$ 27,100,000</u>

	<u>Authorization Used</u>				<u>Remaining at December 31, 2017</u>
	<u>Series 2000 Bonds</u>	<u>Series 2001 Bonds</u>	<u>Series 2004 Bonds</u>	<u>Series 2007 Bonds</u>	
Street improvements	\$ 1,185,000	\$ 2,129,400	\$ 640,255	\$ 1,681,326	\$ 1,564,019
Traffic controls	-	-	-	-	1,000,000
Water system	485,000	59,150	16,909	546,302	892,639
Sanitary sewer	555,000	295,750	31,561	224,847	1,892,842
Parks and recreation	980,000	3,430,700	1,511,275	1,508,400	4,969,625
Operations/maintenance	115,000	-	-	29,125	1,355,875
	<u>\$ 3,320,000</u>	<u>\$ 5,915,000</u>	<u>\$ 2,200,000</u>	<u>\$ 3,990,000</u>	<u>\$ 11,675,000</u>

The issuance of the Series 2017 Bonds refunded the Series 2007 Bonds and did not use any debt authorization.

Per its amended service plan, the District is not authorized to issue additional debt without authorization from the City.

**NOTE 6 - NET POSITION**

The District has net position consisting of three components - net investment in capital assets, restricted and unrestricted.

Net investment in capital assets component of net position consists of capital assets that are owned by the District, 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 improvements of those assets.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 6 - NET POSITION (CONTINUED)**

As of December 31, 2017, the District had net investment in capital assets calculated as follows:

	<b>Governmental Activities</b>
Capital assets, net	\$ 1,885,603
Less: capital related debt	
Current portion	(93,377)
Noncurrent portion	(2,875,434)
Net investment in capital assets	\$ (1,083,208)

The restricted component of net position consists of assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2017, as follows:

	<b>Governmental Activities</b>
Restricted net position:	
Emergencies (TABOR)	\$ 10,100
Total restricted net position	\$ 10,100

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The District has a deficit in unrestricted net position. This deficit amount is the result of the District being responsible for the repayment of debt issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

**NOTE 7 - INTERFUND TRANSFERS**

The transfer of \$155,842 from the General Fund to the Capital Projects Fund was to fund expenditures for park improvements.

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 8 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

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

**NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS**

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

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

On November 2, 1999, the voters within the District authorized an increase in property taxes generated from an operations and maintenance mill levy of up to \$500,000, as well as authorizing \$500,000 for revenues other than ad valorem property taxes. On November 7, 2000, the voters within the District reauthorized an additional increase in property taxes generated from an operations and maintenance mill levy of up to \$500,000.

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 District'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.

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

**SUPPLEMENTARY INFORMATION**

**STERLING HILLS WEST METROPOLITAN DISTRICT  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Budget Amounts Original &amp; Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 1,088,861	\$ 1,088,860	\$ (1)
Investment income	500	1,791	1,291
Total revenues	<u>1,089,361</u>	<u>1,090,651</u>	<u>1,290</u>
<b>EXPENDITURES</b>			
Bond interest	560,079	411,283	148,796
Bond insurer interest	38,000	41,343	(3,343)
Bond insurer principal	1,337,000	1,294,812	42,188
Bond issue costs	410,000	179,935	230,065
County Treasurer's fees	16,330	16,351	(21)
Miscellaneous	-	17	(17)
Paying agent fees	2,650	1,325	1,325
Contingency	2,941	-	2,941
Total expenditures	<u>2,367,000</u>	<u>1,945,066</u>	<u>421,934</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(1,277,639)</u>	<u>(854,415)</u>	<u>423,224</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	13,300,000	11,395,000	(1,905,000)
Bond premium	-	1,498,883	1,498,883
Proceeds from bond insurer	280,040	221,610	(58,430)
Payment to refunding escrow	(11,965,000)	(12,218,643)	(253,643)
Transfers from (to) other funds	2,650	-	(2,650)
Total other financing sources (uses)	<u>1,617,690</u>	<u>896,850</u>	<u>(720,840)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	340,051	42,435	(297,616)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>129</u>	<u>37</u>	<u>(92)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 340,180</u>	<u>\$ 42,472</u>	<u>\$ (297,708)</u>

**STERLING HILLS WEST METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
Year Ended December 31, 2017**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Grant revenue	\$ 67,500	\$ -	\$ -	\$ -
Investment income	-	150	132	(18)
Total revenues	<u>67,500</u>	<u>150</u>	<u>132</u>	<u>(18)</u>
<b>EXPENDITURES</b>				
Accounting	-	5,000	4,054	946
Legal	-	7,000	6,297	703
Repairs and maintenance	-	-	2,620	(2,620)
Park and recreation	135,000	155,000	143,003	11,997
Total expenditures	<u>135,000</u>	<u>167,000</u>	<u>155,974</u>	<u>11,026</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(67,500)</u>	<u>(166,850)</u>	<u>(155,842)</u>	<u>11,008</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers from (to) other funds	67,500	166,850	155,842	(11,008)
Total other financing sources (uses)	<u>67,500</u>	<u>166,850</u>	<u>155,842</u>	<u>(11,008)</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	-	-	-	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**STERLING HILLS WEST METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2017**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2013	\$ 16,867,080	13.900	52.065	\$ 1,112,637	\$ 1,071,789	96.33% (A)
2014	\$ 15,914,480	13.900	52.065	\$ 1,049,798	\$ 1,039,343	99.00%
2015	\$ 15,768,045	13.900	52.065	\$ 1,040,139	\$ 1,029,413	98.97%
2016	\$ 20,896,163	10.400	52.065	\$ 1,305,279	\$ 1,293,057	99.06%
2017	\$ 20,913,485	10.400	52.065	\$ 1,306,361	\$ 1,306,360	100.00%
Estimated for the year ending December 31, 2018	\$ 23,947,519	13.000	37.000	\$ 1,197,376		

**NOTE:**

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.

(A) During 2013, \$23,414 of ad valorem taxes were refunded/rebated to property owners.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2017**

**\$11,385,000 General Obligation Limited  
Tax Convertible to Unlimited Tax  
Refunding Bonds  
Dated September 8, 2017  
Series 2017**

**Interest Rate of 5.00%  
Payable June 1 and December 1**

	<b>Principal Due December 1</b>				<b>Total All Bonds</b>
	<b>Principal</b>	<b>Interest</b>			
2018	\$ 295,000	\$ 569,250	\$		864,250
2019	310,000	554,500			864,500
2020	325,000	539,000			864,000
2021	345,000	522,750			867,750
2022	360,000	505,500			865,500
2023	380,000	487,500			867,500
2024	395,000	468,500			863,500
2025	415,000	448,750			863,750
2026	435,000	428,000			863,000
2027	460,000	406,250			866,250
2028	480,000	383,250			863,250
2029	505,000	359,250			864,250
2030	530,000	334,000			864,000
2031	560,000	307,500			867,500
2032	585,000	279,500			864,500
2033	615,000	250,250			865,250
2034	645,000	219,500			864,500
2035	680,000	187,250			867,250
2036	710,000	153,250			863,250
2037	745,000	117,750			862,750
2038	785,000	80,500			865,500
2039	825,000	41,250			866,250
	<u>\$ 11,385,000</u>	<u>\$ 7,643,250</u>			<u>\$ 19,028,250</u>

**CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION**

**STERLING HILLS WEST METROPOLITAN DISTRICT  
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION  
(UNAUDITED)  
December 31, 2017**

**Ten Largest Owners of Taxable Property in the District (1)**

<u>Taxpayer Name</u>	<u>2017 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Public Service Company of Colorado (Xcel Energy)	\$ 412,780	1.73%
Secure World Foundation	266,945	1.12%
Sterling Ridge LLLP	197,273	0.82%
Sterling Hills Aurora LLLP	113,753	0.48%
American Homes 4 Rent	74,504	0.31%
Individual property owner	43,164	0.18%
Qwest Corporation	35,200	0.15%
Individual property owner	29,786	0.12%
Individual property owner	29,714	0.12%
Individual property owner	29,678	0.12%
All others	<u>22,714,722</u>	<u>94.85%</u>
	<u><u>\$ 23,947,519</u></u>	<u><u>100.00%</u></u>

(1) Based upon information furnished by the Arapahoe County Assessor's Office