

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2021

**STERLING HILLS WEST METROPOLITAN DISTRICT
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YEAR ENDED DECEMBER 31, 2021**

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Board of Directors
Sterling Hills West Metropolitan District
Arapahoe County, Colorado

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of the governmental activities and each major fund of Sterling Hills West Metropolitan District (the "District"), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sterling Hills West Metropolitan District as of December 31, 2021, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

Exercise professional judgment and maintain professional skepticism throughout the audit.

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.

Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States 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.

Our audit was conducted for the purpose of forming an opinion 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 the 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. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

The continuing disclosure annual financial information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



Wipfli LLP
Lakewood, Colorado

May 19, 2022

BASIC FINANCIAL STATEMENTS

**STERLING HILLS WEST METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 129,162
Cash and Investments - Restricted	220,276
Receivable from County Treasurer	8,531
Prepaid Expenses	6,887
Property Taxes Receivable	1,600,259
Capital Assets:	
Capital Assets Not Being Depreciated	1,669,745
Capital Assets, Net of Accumulated Depreciation	<u>1,276,517</u>
Total Assets	<u>4,911,377</u>
LIABILITIES	
Accounts Payable	68,880
Accrued Interest Payable	42,125
Noncurrent Liabilities:	
Due Within One Year	457,458
Due in More Than One Year	<u>10,704,768</u>
Total Liabilities	<u>11,273,231</u>
DEFERRED INFLOWS OF RESOURCES	
Property Tax Revenue	<u>1,600,259</u>
Total Deferred Inflows of Resources	<u>1,600,259</u>
NET POSITION	
Net Investment in Capital Assets	(3,587,850)
Restricted For:	
Emergencies (TABOR)	23,000
Debt Service Reserve	159,658
Unrestricted	<u>(4,556,921)</u>
Total Net Position	<u><u>\$ (7,962,113)</u></u>

See accompanying Notes to Basic Financial Statements.

**STERLING HILLS WEST METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

		Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	-	-	-	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 332,179	\$ -	\$ -	-	\$ (332,179)
Interest and Related Costs on Long-Term Debt	436,056	-	-	-	(436,056)
Disposal of Capital Assets	104,464	-	-	-	(104,464)
Total Governmental Activities	<u>\$ 872,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>(872,699)</u>
GENERAL REVENUES					
Property Taxes					1,516,464
Specific Ownership Taxes					104,518
Other Revenue					50
Interest Income					1,781
Total General Revenues					<u>1,622,813</u>
CHANGE IN NET POSITION					750,114
Net Position - Beginning of Year					<u>(8,712,227)</u>
NET POSITION - END OF YEAR					<u>\$ (7,962,113)</u>

See accompanying Notes to Basic Financial Statements.

**STERLING HILLS WEST METROPOLITAN DISTRICT
BALANCE SHEET –
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and Investments	\$ 129,162	\$ -	\$ 129,162
Cash and Investments - Restricted	23,000	197,276	220,276
Prepaid Expenses	6,887	-	6,887
Receivable from County Treasurer	4,024	4,507	8,531
Property Taxes Receivable	754,839	845,420	1,600,259
Total Assets	\$ 917,912	\$ 1,047,203	\$ 1,965,115
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 68,880	\$ -	\$ 68,880
Total Liabilities	68,880	-	68,880
DEFERRED INFLOWS OF RESOURCES			
Property Tax Revenue	754,839	845,420	1,600,259
Total Deferred Inflows of Resources	754,839	845,420	1,600,259
FUND BALANCES			
Restricted For:			
Emergencies (TABOR)	23,000	-	23,000
Debt Service	-	201,783	201,783
Unassigned			
General Government	64,306	-	64,306
Total Fund Balances	94,193	201,783	295,976
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 917,912	\$ 1,047,203	

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 2,946,262

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 (10,110,000)
Premium on Bonds Payable (1,052,226)
Accrued Interest Payable (42,125)

Net Position of Governmental Activities \$ (7,962,113)

**STERLING HILLS WEST METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021**

	General	Debt Service	Total Governmental Funds
REVENUES			
Property Taxes	\$ 715,313	\$ 801,151	\$ 1,516,464
Specific Ownership Taxes	49,301	55,217	104,518
Interest Income	882	899	1,781
Other Revenue	50	-	50
Total Revenues	<u>765,546</u>	<u>857,267</u>	<u>1,622,813</u>
EXPENDITURES			
Current:			
Accounting	42,464	-	42,464
Auditing	3,000	-	3,000
County Treasurer's Fee	10,739	12,028	22,767
Directors' Fees	2,800	-	2,800
Dues and Licenses	422	-	422
Insurance and Bonds	5,233	-	5,233
Phone Service	829	-	829
Storage Rental	1,001	-	1,001
District Management	24,250	-	24,250
Legal Services	19,551	-	19,551
Website Maintenance	92	-	92
Miscellaneous	483	-	483
Banking Fees	34	-	34
Payroll Taxes	214	-	214
Maintenance and Repairs	205,261	-	205,261
Debt Service:			
Bond Interest	-	522,750	522,750
Bond Principal	-	345,000	345,000
Paying Agent Fees	-	3,500	3,500
Capital Projects	1,062,166	-	1,062,166
Total Expenditures	<u>1,378,539</u>	<u>883,278</u>	<u>2,261,817</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(612,993)	(26,011)	(639,004)
Fund Balances - Beginning of Year	<u>707,186</u>	<u>227,794</u>	<u>934,980</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 94,193</u></u>	<u><u>\$ 201,783</u></u>	<u><u>\$ 295,976</u></u>

See accompanying Notes to Basic Financial Statements.

**STERLING HILLS WEST METROPOLITAN DISTRICT
 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, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ (639,004)

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	1,062,166
Disposal of Capital Assets	(104,464)
Depreciation Expense	(15,806)

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.

Bond Principal Payment	345,000
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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	100,784
Accrued Interest on Bonds - Change in Liability	1,438
	1,438

Change in Net Position of Governmental Activities	\$ 750,114
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**STERLING HILLS WEST METROPOLITAN DISTRICT
GENERAL FUND –
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 715,341	\$ 712,000	\$ 715,313	\$ 3,313
Specific Ownership Taxes	50,074	49,700	49,301	(399)
Interest Income	1,900	800	882	82
Other Revenue	-	50	50	-
Total Revenues	<u>767,315</u>	<u>762,550</u>	<u>765,546</u>	<u>2,996</u>
EXPENDITURES				
Administrative:				
Accounting	40,000	46,000	42,464	3,536
Auditing	3,000	3,000	3,000	-
County Treasurer's Fee	10,730	10,680	10,739	(59)
Directors' Fees	3,000	2,800	2,800	-
Dues and Licenses	600	422	422	-
Insurance and Bonds	6,000	5,917	5,233	684
Phone Service	1,045	825	829	(4)
Storage Rental	900	1,000	1,001	(1)
District Management	26,000	26,000	24,250	1,750
Legal Services	35,000	20,000	19,551	449
Website Maintenance	90	92	92	-
Banking Fees	-	34	34	-
Miscellaneous	1,000	500	483	17
Payroll Taxes	230	215	214	1
Operations/Maintenance:				
Repairs and Maintenance	30,000	45,000	42,000	3,000
Landscaping - Contract	48,000	53,500	49,077	4,423
Drainage Pond Maintenance	5,000	-	-	-
Landscape Renovations	5,000	-	-	-
Snow Removal	15,000	35,000	20,933	14,067
Tree/Shrub Maintenance	7,500	4,000	3,923	77
Utilities - Irrigation	70,000	90,000	88,910	1,090
Utilities - Electricity	500	450	418	32
Capital Projects				
Drainage Pond Construction	690,000	916,223	916,223	-
Drainage Pond Landscaping	20,000	55,000	76,764	(21,764)
Drainage Pond Renovations - Soft Costs	25,000	65,000	69,179	(4,179)
Contingency	21,405	18,342	-	18,342
Total Expenditures	<u>1,065,000</u>	<u>1,400,000</u>	<u>1,378,539</u>	<u>21,461</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(297,685)	(637,450)	(612,993)	24,457
Fund Balance - Beginning of Year	<u>546,818</u>	<u>707,186</u>	<u>707,186</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ 249,133</u></u>	<u><u>\$ 69,736</u></u>	<u><u>\$ 94,193</u></u>	<u><u>\$ 24,457</u></u>

See accompanying Notes to Basic Financial Statements.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1 DEFINITION OF REPORTING ENTITY

Sterling Hills West Metropolitan District (the 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 (the 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 (the City) on September 27, 1999, which was amended in 2004 and 2007. The District's service area is located entirely within the County. The District was established to provide financing for the construction and installation of facilities for water, wastewater, streets, park and recreation, traffic and safety controls, and other improvements. As set forth in the First Amendment to the Service Plan approved on July 26, 2004, 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 property taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the assets, deferred outflow of resources, liabilities, and deferred inflow of resources of the District is reported as net position.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (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 the 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 general obligation debt of the governmental funds.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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's Board of Directors amended its annual budget for the year ended December 31, 2021, by resolution adopted on November 11, 2021.

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 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (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 capital 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 to 20 Years
Irrigation Systems, Playground/Picnic Equipment	15 Years
Drainage Pond	30 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (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.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 129,162
Cash and Investments - Restricted	220,276
Total Cash and Investments	\$ 349,438

Cash and investments as of December 31, 2021, consist of the following:

Deposits with Financial Institutions	\$ 16,064
Investments	333,374
Total Cash and Investments	\$ 349,438

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, 2021, the District's cash deposits had a bank balance and a carrying balance of \$16,064.

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.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

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

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted-Average Under 60 Days	\$ 630
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	332,744
Total		<u>\$ 333,374</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 at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST 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.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2021 follows:

<u>By Classification</u>	Balance - December 31, 2020	Additions	Transfers and Retirements	Balance - December 31, 2021
Capital Assets, Not Being Depreciated:				
Landscaping	\$ 1,655,407	\$ -	\$ 62,426	\$ 1,592,981
Drainage Pond Renovation	165,544	1,062,166	1,150,946	76,764
Park Design	42,038	-	42,038	-
Total Capital Assets, Not Being Depreciated	1,862,989	1,062,166	1,255,410	1,669,745
Capital Assets, Being Depreciated:				
Drainage Pond	-	1,150,946	-	1,150,946
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	937,097	1,150,946	-	2,088,043
Less Accumulated Depreciation For:				
Sidewalks	(51,275)	(3,214)	-	(54,489)
Cobble and River Rock	(9,198)	-	-	(9,198)
Fencing/Monuments	(38,751)	(2,296)	-	(41,047)
Park Lighting/Playgrounds	(93,116)	(1,273)	-	(94,389)
Park Facilities	(21,000)	(6,000)	-	(27,000)
Irrigation System	(582,380)	(3,023)	-	(585,403)
Total Accumulated Depreciation	(795,720)	(15,806)	-	(811,526)
Total Capital Assets, Being Depreciated, Net	141,377	1,135,140	-	1,276,517
Governmental Activities - Capital Assets, Net	<u>\$ 2,004,366</u>	<u>\$ 2,197,306</u>	<u>\$ 1,255,410</u>	<u>\$ 2,946,262</u>

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

Governmental Activities:
General Government

\$ 15,806

All infrastructure, with the exception of certain pocket parks, drainage facilities, 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.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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, 2021:

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021	Due Within One Year
G.O. Limited Tax Refunding Bonds -					
Series 2017	\$ 10,455,000	\$ -	\$ 345,000	\$ 10,110,000	\$ 360,000
Subtotal	10,455,000	-	345,000	10,110,000	360,000
Bond Premium	1,153,010	-	100,784	1,052,226	97,458
Total	<u>\$ 11,608,010</u>	<u>\$ -</u>	<u>\$ 445,784</u>	<u>\$ 11,162,226</u>	<u>\$ 457,458</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 to 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.

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 2021, the District levied 53.000 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, 2021, the debt to assessed ratio was 34.63%. For budget year 2022, the District levied 53.000 mills.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Refunding Bonds (Continued)

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2027-2031	2,535,000	1,790,250	4,325,250
2032-2036	3,235,000	1,089,750	4,324,750
2037-2039	2,355,000	239,500	2,594,500
Total	<u>\$ 10,110,000</u>	<u>\$ 5,457,750</u>	<u>\$ 15,567,750</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 principle, 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 principle at an interest rate not to exceed 12.5%. At December 31, 2021, the District has authorized but unissued indebtedness for the following purposes:

	<u>Authorized November 2, 1999 Election</u>	<u>Authorized November 7, 2000 Election</u>	<u>Total Authorized 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
Total	<u>\$ 13,550,000</u>	<u>\$ 13,550,000</u>	<u>\$ 27,100,000</u>

	<u>Authorization Used</u>				<u>Remaining at December 31, 2021</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
Total	<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.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of bonds that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2021, the District had net investment in capital assets calculated as follows:

	<u>Governmental Activities</u>
Capital Assets, Net	\$ 2,946,262
Less: Capital Related Debt	
Current Portion	(267,785)
Noncurrent Portion	<u>(6,266,327)</u>
Net investment in Capital Assets	<u><u>\$ (3,587,850)</u></u>

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, 2021, as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Emergencies (TABOR)	\$ 23,000
Debt Service	159,658
Total Restricted Net Position	<u><u>\$ 182,658</u></u>

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.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 7 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 (the 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 8 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.

SUPPLEMENTARY INFORMATION

**STERLING HILLS WEST METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 801,182	\$ 801,151	\$ (31)
Specific Ownership Tax	56,083	55,217	(866)
Interest Income	1,100	899	(201)
Total Revenues	<u>858,365</u>	<u>857,267</u>	<u>(1,098)</u>
EXPENDITURES			
County Treasurer's Fee	12,018	12,028	(10)
Paying Agent Fees	3,500	3,500	-
Bond Interest	522,750	522,750	-
Bond Principal	345,000	345,000	-
Contingency	1,732	-	1,732
Total Expenditures	<u>885,000</u>	<u>883,278</u>	<u>1,722</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(26,635)	(26,011)	624
Fund Balance - Beginning of Year	<u>246,526</u>	<u>227,794</u>	<u>(18,732)</u>
FUND BALANCES - END OF YEAR	<u>\$ 219,891</u>	<u>\$ 201,783</u>	<u>\$ (18,108)</u>

**STERLING HILLS WEST METROPOLITAN DISTRICT
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2021**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percentage Collected to Levied
		General	Debt Service	Levied	Collected	
2017	\$ 20,913,485	10.400	52.065	\$ 1,306,361	\$ 1,306,360	100.00
2018	23,947,519	13.000	37.000	1,197,376	1,197,350	100.00
2019	23,972,268	13.000	37.000	1,198,613	1,198,612	100.00
2020	28,380,934	25.000	30.000	1,560,951	1,526,083	97.77
2021	28,613,653	25.000	28.000	1,516,523	1,516,464	100.00
Estimated for the Year Ending December 31, 2022	\$ 30,193,572	25.000	28.000	\$ 1,600,259		

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.

**STERLING HILLS WEST METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2021**

\$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 Principal Due December 1			
<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total All Bonds</u>
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
Total	\$ 10,110,000	\$ 5,457,750	\$ 15,567,750

CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION

**STERLING HILLS WEST METROPOLITAN DISTRICT
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION
(UNAUDITED)
DECEMBER 31, 2021**

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

Taxpayer Name	2021 Assessed Valuation	Percentage of Total Assessed Valuation
Public Service Company of Colorado (Xcel Energy)	\$ 708,250	2.35 %
Secure World Foundation	667,000	2.21
AMH Development LLC	552,363	1.83
Individual Property Owner	40,747	0.13
Individual Property Owner	36,944	0.12
Individual Property Owner	36,915	0.12
Individual Property Owner	36,701	0.12
Individual Property Owner	36,436	0.12
Individual Property Owner	36,350	0.12
Individual Property Owner	36,251	0.12
All Others	28,005,615	92.76
Total	<u>\$ 30,193,572</u>	<u>100.00 %</u>

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