

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2022**

**STERLING HILLS WEST METROPOLITAN DISTRICT  
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**INSERT INDEPENDENT AUDITOR'S REPORT**

## **BASIC FINANCIAL STATEMENTS**

**STERLING HILLS WEST METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 488,401
Cash and Investments - Restricted	250,779
Receivable from County Treasurer	7,461
Prepaid Expenses	6,066
Property Taxes Receivable	1,500,228
Capital Assets:	
Capital Assets Not Being Depreciated	1,769,699
Capital Assets, Net of Accumulated Depreciation	1,225,473
Total Assets	5,248,107
<b>LIABILITIES</b>	
Accounts Payable	53,311
Accrued Interest Payable	40,625
Noncurrent Liabilities:	
Due Within One Year	473,988
Due in More Than One Year	10,230,780
Total Liabilities	10,798,704
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	1,500,228
Total Deferred Inflows of Resources	1,500,228
<b>NET POSITION</b>	
Net Investment in Capital Assets	(3,290,683)
Restricted For:	
Emergencies (TABOR)	24,500
Debt Service Reserve	189,596
Unrestricted	(3,974,238)
Total Net Position	\$ (7,050,825)

See accompanying Notes to Basic Financial Statements.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
General Government	\$ 389,859	\$ -	\$ -	\$ -	\$ (389,859)
Interest and Related Costs on Long-Term Debt	422,730	-	-	-	(422,730)
Total Governmental Activities	\$ 812,589	\$ -	\$ -	\$ -	(812,589)
<b>GENERAL REVENUES</b>					
Property Taxes					1,599,886
Specific Ownership Taxes					101,054
Other Revenue					2,509
Interest Income					20,428
Total General Revenues					1,723,877
<b>CHANGE IN NET POSITION</b>					911,288
Net Position - Beginning of Year					(7,962,113)
<b>NET POSITION - END OF YEAR</b>					\$ (7,050,825)

See accompanying Notes to Basic Financial Statements.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
BALANCE SHEET –  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 488,401	\$ -	\$ 488,401
Cash and Investments - Restricted	24,500	226,279	250,779
Prepaid Expenses	6,066	-	6,066
Receivable from County Treasurer	3,519	3,942	7,461
Property Taxes Receivable	676,573	823,655	1,500,228
Total Assets	\$ 1,199,059	\$ 1,053,876	\$ 2,252,935
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 53,311	\$ -	\$ 53,311
Total Liabilities	53,311	-	53,311
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Tax Revenue	676,573	823,655	1,500,228
Total Deferred Inflows of Resources	676,573	823,655	1,500,228
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid Amounts	6,066	-	6,066
Restricted For:			
Emergencies (TABOR)	24,500	-	24,500
Debt Service	-	230,221	230,221
Unassigned			
General Government	438,609	-	438,609
Total Fund Balances	469,175	230,221	699,396
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,199,059	\$ 1,053,876	

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 2,995,172

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 (9,750,000)  
Premium on Bonds Payable (954,768)  
Accrued Interest Payable (40,625)

Net Position of Governmental Activities \$ (7,050,825)

See accompanying Notes to Basic Financial Statements.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2022**

	General	Debt Service	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 754,663	\$ 845,223	\$ 1,599,886
Specific Ownership Taxes	47,667	53,387	101,054
Interest Income	8,912	11,516	20,428
Other Revenue	2,509	-	2,509
Total Revenues	<u>813,751</u>	<u>910,126</u>	<u>1,723,877</u>
<b>EXPENDITURES</b>			
Current:			
Accounting	29,944	-	29,944
Auditing	3,500	-	3,500
County Treasurer's Fee	11,329	12,688	24,017
Directors' Fees	2,000	-	2,000
Dues and Licenses	891	-	891
Insurance and Bonds	5,946	-	5,946
Phone Service	1,116	-	1,116
Storage Rental	1,140	-	1,140
District Management	26,400	-	26,400
Legal Services	22,731	-	22,731
Website Maintenance	92	-	92
Miscellaneous	915	-	915
Conferences/Seminars	800	-	800
Payroll Taxes	153	-	153
Election Expense	2,682	-	2,682
Maintenance and Repairs	214,618	-	214,618
Debt Service:			
Bond Interest	-	505,500	505,500
Bond Principal	-	360,000	360,000
Paying Agent Fees	-	3,500	3,500
Capital Projects	114,512	-	114,512
Total Expenditures	<u>438,769</u>	<u>881,688</u>	<u>1,320,457</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	374,982	28,438	403,420
Fund Balances - Beginning of Year	<u>94,193</u>	<u>201,783</u>	<u>295,976</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 469,175</u></u>	<u><u>\$ 230,221</u></u>	<u><u>\$ 699,396</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, 2022**

Net Change in Fund Balances - Total Governmental Funds \$ 403,420

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	99,954
Depreciation Expense	(51,044)

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	360,000
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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	97,458
Accrued Interest on Bonds - Change in Liability	<u>1,500</u>

Change in Net Position of Governmental Activities	<u><u>\$ 911,288</u></u>
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See accompanying Notes to Basic Financial Statements.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
GENERAL FUND –  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2022**

	Original And Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 754,839	\$ 754,663	\$ (176)
Specific Ownership Taxes	52,839	47,667	(5,172)
Interest Income	200	8,912	8,712
Other Revenue	-	2,509	2,509
Total Revenues	<u>807,878</u>	<u>813,751</u>	<u>5,873</u>
<b>EXPENDITURES</b>			
Administrative:			
Accounting	48,000	29,944	18,056
Auditing	3,200	3,500	(300)
County Treasurer's Fee	11,323	11,329	(6)
Directors' Fees	3,000	2,000	1,000
Dues and Licenses	500	891	(391)
Insurance and Bonds	6,500	5,946	554
Phone Service	1,000	1,116	(116)
Storage Rental	1,000	1,140	(140)
District Management	26,000	26,400	(400)
Legal Services	22,000	22,731	(731)
Website Maintenance	100	92	8
Security	10,000	-	10,000
Miscellaneous	1,000	915	85
Conferences/Seminars	-	800	(800)
Payroll Taxes	230	153	77
Election Expense	15,000	2,682	12,318
Operations/Maintenance:			
Repairs and Maintenance	35,000	19,062	15,938
Landscaping - Contract	60,000	42,725	17,275
Drainage Pond Maintenance	5,000	1,646	3,354
Parks and landscaping	-	9,230	(9,230)
Snow Removal	30,000	7,975	22,025
Tree/Shrub Maintenance	5,000	11,507	(6,507)
Utilities - Irrigation	90,000	121,917	(31,917)
Utilities - Electricity	500	556	(56)
Irrigation Upgrades	15,000	-	15,000
Capital Projects			
Drainage Pond Construction	-	20,370	(20,370)
Drainage Pond Landscaping	75,000	79,584	(4,584)
Drainage Pond Renovations - Soft Costs	-	14,558	(14,558)
Contingency	15,647	-	15,647
Total Expenditures	<u>480,000</u>	<u>438,769</u>	<u>41,231</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>327,878</b>	<b>374,982</b>	<b>47,104</b>
Fund Balance - Beginning of Year	<u>69,736</u>	<u>94,193</u>	<u>24,457</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 397,614</u></u>	<u><u>\$ 469,175</u></u>	<u><u>\$ 71,561</u></u>

See accompanying Notes to Basic Financial Statements.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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, 2022**

**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, 2022**

**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.

**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, 2022**

**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, 2022**

**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, 2022**

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2022, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 488,401
Cash and Investments - Restricted	250,779
Total Cash and Investments	\$ 739,180

Cash and investments as of December 31, 2022, consist of the following:

Deposits with Financial Institutions	\$ 69,838
Investments	669,342
Total Cash and Investments	\$ 739,180

**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, 2022, the District's cash deposits had a bank balance and a carrying balance of \$69,838.

**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, 2022**

**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, 2022, 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	\$ 640
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted-Average Under 60 Days	668,702
Total		<u>\$ 669,342</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 currently offers two portfolios – CSAFE CASH FUND and CSAFE CORE.

CSAFE CASH FUND operations 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, any security allowed under Section 24-75-601.1, C.R.S.

CSAFE CORE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$2.00 transactional share price. CSAFE CORE may invest in securities authorized by Section 24-75-601.1, C.R.S. including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and highest rated commercial paper.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

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

**CSAFE (continued)**

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 CASH FUND is rated AAmmf and CSAFE CORE is rated AAf/S1 by Fitch Ratings. 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 currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. 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.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and highest rated commercial paper.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2022 follows:

<u>By Classification</u>	<u>Balance - December 31, 2021</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>Balance - December 31, 2022</u>
Capital Assets, Not Being Depreciated:				
Landscaping	\$ 1,592,981	\$ -	\$ -	\$ 1,592,981
Drainage Pond Renovation	76,764	99,954	-	176,718
Total Capital Assets, Not Being Depreciated	1,669,745	99,954	-	1,769,699
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	2,088,043	-	-	2,088,043
Less Accumulated Depreciation For:				
Drainage Pond	-	(38,365)	-	(38,365)
Sidewalks	(54,489)	(1,959)	-	(56,448)
Cobble and River Rock	(9,198)	-	-	(9,198)
Fencing/Monuments	(41,047)	(424)	-	(41,471)
Park Lighting/Playgrounds	(94,389)	(1,273)	-	(95,662)
Park Facilities	(27,000)	(6,000)	-	(33,000)
Irrigation System	(585,403)	(3,023)	-	(588,426)
Total Accumulated Depreciation	(811,526)	(51,044)	-	(862,570)
Total Capital Assets, Being Depreciated, Net	1,276,517	(51,044)	-	1,225,473
Governmental Activities - Capital Assets, Net	<u>\$ 2,946,262</u>	<u>\$ 48,910</u>	<u>\$ -</u>	<u>\$ 2,995,172</u>

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

Governmental Activities:	
General Government	<u>\$ 51,044</u>

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, 2022**

**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, 2022:

	Balance at December 31, 2021	Additions	Reductions	Balance at December 31, 2022	Due Within One Year
G.O. Limited Tax Refunding Bonds -					
Series 2017	\$ 10,110,000	\$ -	\$ 360,000	\$ 9,750,000	\$ 380,000
Subtotal	10,110,000	-	360,000	9,750,000	380,000
Bond Premium	1,052,226	-	97,458	954,768	93,988
Total	<u>\$ 11,162,226</u>	<u>\$ -</u>	<u>\$ 457,458</u>	<u>\$ 10,704,768</u>	<u>\$ 473,988</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 2022, 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, 2022, the debt to assessed ratio was 33.14%. For budget year 2023, the District levied 51.000 mills.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2022**

**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>
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
2028-2032	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
Total	<u>\$ 9,750,000</u>	<u>\$ 4,952,250</u>	<u>\$ 14,702,250</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 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, 2022, 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, 2022</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, 2022**

**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, 2022, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Capital Assets, Net	\$ 2,995,172
Less: Capital Related Debt	
Current Portion	(278,326)
Noncurrent Portion	(6,007,529)
Net investment in Capital Assets	\$ (3,290,683)

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, 2022, as follows:

	Governmental Activities
Restricted Net Position:	
Emergencies (TABOR)	\$ 24,500
Debt Service	189,596
Total Restricted Net Position	\$ 214,096

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, 2022**

**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, 2022**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 845,420	\$ 845,223	\$ (197)
Specific Ownership Tax	59,179	53,387	(5,792)
Interest Income	200	11,516	11,316
Total Revenues	<u>904,799</u>	<u>910,126</u>	<u>5,327</u>
<b>EXPENDITURES</b>			
County Treasurer's Fee	12,681	12,688	(7)
Paying Agent Fees	3,500	3,500	-
Bond Interest	505,500	505,500	-
Bond Principal	360,000	360,000	-
Contingency	2,319	-	2,319
Total Expenditures	<u>884,000</u>	<u>881,688</u>	<u>2,312</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	20,799	28,438	7,639
Fund Balance - Beginning of Year	<u>198,874</u>	<u>201,783</u>	<u>2,909</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 219,673</u></u>	<u><u>\$ 230,221</u></u>	<u><u>\$ 10,548</u></u>

**STERLING HILLS WEST METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
DECEMBER 31, 2022**

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	
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	1,599,886	105.50
2022	30,193,572	25.000	28.000	1,600,259	1,599,886	99.98
Estimated for the Year Ending December 31, 2023	\$ 29,416,245	23.000	28.000	\$ 1,500,228		

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, 2022**

\$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			
Year Ending December 31,	Principal	Interest	Total All Bonds
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	\$ 9,750,000	\$ 4,952,250	\$ 14,702,250

**CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION**

**STERLING HILLS WEST METROPOLITAN DISTRICT  
CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION  
(UNAUDITED)  
DECEMBER 31, 2022**

**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)	\$ 714,270	2.43 %
Secure World Foundation	667,000	2.27
AMH Development LLC	552,363	1.88
Individual Property Owner	39,608	0.13
Individual Property Owner	35,910	0.12
Individual Property Owner	35,883	0.12
Individual Property Owner	35,674	0.12
Individual Property Owner	35,417	0.12
Individual Property Owner	35,334	0.12
Individual Property Owner	35,237	0.12
All Others	27,229,549	92.58
Total	<u>\$ 29,416,245</u>	<u>100.00 %</u>

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