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## Accountant's Compilation Report

Board of Directors  
Sterling Hills West Metropolitan District

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Sterling Hills West Metropolitan District for the year ending December 31, 2020, including the estimate of comparative information for the year ending December 31, 2019, and the actual comparative information for the year ended December 31, 2018, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

The budgeted results may not be achieved as there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to the Sterling Hills West Metropolitan District.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
December 31, 2019

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**SUMMARY**  
**2020 BUDGET AS ADOPTED**  
**WITH 2018 ACTUAL AND 2019 ESTIMATED**  
**For the Years Ended and Ending December 31,**

12/31/19

	ACTUAL 2018	ESTIMATED 2019	2020 BUDGET
BEGINNING FUND BALANCES	\$ 369,067	\$ 470,822	\$ 546,892
REVENUE			
Property taxes	1,197,350	1,198,613	1,560,951
Specific ownership tax	87,014	93,000	93,660
Net investment income	16,458	21,900	6,500
Other income	3,155	1,195	-
Total revenue	<u>1,303,977</u>	<u>1,314,708</u>	<u>1,661,111</u>
TRANSFERS IN	6,820	-	-
Total funds available	<u>1,679,864</u>	<u>1,785,530</u>	<u>2,208,004</u>
EXPENDITURES			
General			
Accounting	37,278	30,500	33,000
Audit	2,860	2,860	2,860
County Treasurer's fees	17,976	17,980	23,420
Director fees	4,600	2,700	3,000
District management	22,600	22,500	25,000
Dues and membership	810	544	750
Election costs	703	-	15,000
Insurance	3,565	4,157	5,000
Legal	60,292	43,000	45,000
Miscellaneous	1,211	600	500
Payroll taxes	352	207	230
Phone/website service	1,035	800	900
SDA conference	1,123	-	-
Storage rental	845	900	900
Contingency	-	5,149	7,490
Operations and maintenance			
Drainage pond maintenance	1,576	591	-
Drainage pond renovations	19,696	75,000	675,000
Landscaping contract	53,406	55,000	60,000
Landscaping renovations	1,050	-	5,000
Repairs and maintenance	27,553	15,000	15,000
Snow removal	2,681	15,000	15,000
Tree/shrub maintenance	5,471	8,000	5,000
Tree planting	2,680	867	1,000
Tower mowing	-	-	-
Utilities - electric	568	450	450
Utilities - irrigation	63,554	66,500	70,000
Debt Service			
Paying agent fees	1,167	5,833	3,500
Bond interest	569,250	554,500	539,000
Bond principal	295,000	310,000	325,000
Capital Projects	3,320	-	-
Total expenditures	<u>1,202,222</u>	<u>1,238,638</u>	<u>1,877,000</u>
TRANSFERS OUT	6,820	-	-
Total expenditures and transfers out requiring appropriation	<u>1,209,042</u>	<u>1,238,638</u>	<u>1,877,000</u>
ENDING FUND BALANCES	<u>\$ 470,822</u>	<u>\$ 546,892</u>	<u>\$ 331,004</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
PROPERTY TAX SUMMARY INFORMATION  
2020 BUDGET AS ADOPTED  
WITH 2018 ACTUAL AND 2019 ESTIMATED  
For the Years Ended and Ending December 31,**

12/31/19

	ACTUAL 2018	ESTIMATED 2019	2020 BUDGET
<b>ASSESSED VALUATION</b>			
Arapahoe County			
Residential	\$ 22,722,125	\$ 22,725,394	\$ 26,944,430
Commercial	-	-	4,489
State assessed	644,400	666,500	350,170
Personal property	3,023	2,403	-
Vacant land	577,971	577,971	1,081,845
	<u>23,947,519</u>	<u>23,972,268</u>	<u>28,380,934</u>
Certified Assessed Value	<u>\$ 23,947,519</u>	<u>\$ 23,972,268</u>	<u>\$ 28,380,934</u>
<b>MILL LEVY</b>			
General	13.000	13.000	25.000
Debt Service	37.000	37.000	30.000
Total mill levy	<u>50.000</u>	<u>50.000</u>	<u>55.000</u>
<b>PROPERTY TAXES</b>			
General	\$ 311,318	\$ 311,639	\$ 709,523
Debt Service - 2006	886,058	886,974	851,428
Levied property taxes	<u>1,197,376</u>	<u>1,198,613</u>	<u>1,560,951</u>
Adjustments to actual/rounding	(26)	-	-
Budgeted property taxes	<u>\$ 1,197,350</u>	<u>\$ 1,198,613</u>	<u>\$ 1,560,951</u>
<b>BUDGETED PROPERTY TAXES</b>			
General	\$ 311,311	\$ 311,639	\$ 709,523
Debt Service	886,039	886,974	851,428
	<u>\$ 1,197,350</u>	<u>\$ 1,198,613</u>	<u>\$ 1,560,951</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**GENERAL FUND**  
**2020 BUDGET AS ADOPTED**  
**WITH 2018 ACTUAL AND 2019 ESTIMATED**  
**For the Years Ended and Ending December 31,**

12/31/19

	ACTUAL 2018	ESTIMATED 2019	2020 BUDGET
BEGINNING FUND BALANCE	\$ 326,595	\$ 343,385	\$ 335,719
REVENUE			
Property taxes	311,311	311,639	709,523
Specific ownership tax	22,624	24,200	42,570
Other income	3,155	1,195	-
Net investment income	6,703	10,300	3,200
Total revenue	<u>343,793</u>	<u>347,334</u>	<u>755,293</u>
Total funds available	<u>670,388</u>	<u>690,719</u>	<u>1,091,013</u>
EXPENDITURES			
General and administrative			
Accounting	37,278	30,500	33,000
Audit	2,860	2,860	2,860
County Treasurer's fees	4,674	4,675	10,650
Director fees	4,600	2,700	3,000
District management	22,600	22,500	25,000
Dues and membership	810	544	750
Election costs	703	-	15,000
Insurance	3,565	4,157	5,000
Legal	60,292	43,000	45,000
Miscellaneous	1,211	600	500
Payroll taxes	352	207	230
Phone/website service	1,035	800	900
SDA conference	1,123	-	-
Storage rental	845	900	900
Contingency	-	5,149	5,760
Operations and maintenance			
Drainage pond maintenance	1,576	591	-
Drainage pond renovations	19,696	75,000	675,000
Landscaping contract	53,406	55,000	60,000
Landscaping renovations	1,050	-	5,000
Repairs and maintenance	27,553	15,000	15,000
Snow removal	2,681	15,000	15,000
Tree/shrub maintenance	5,471	8,000	5,000
Tree planting	2,680	867	1,000
Utilities - electric	568	450	450
Utilities - irrigation	63,554	66,500	70,000
Total expenditures	<u>320,183</u>	<u>355,000</u>	<u>995,000</u>
TRANSFERS OUT			
Debt Service Fund	3,500	-	-
Capital Projects Fund	3,320	-	-
Total transfers out	<u>6,820</u>	<u>-</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>327,003</u>	<u>355,000</u>	<u>995,000</u>
ENDING FUND BALANCE	<u>\$ 343,385</u>	<u>\$ 335,719</u>	<u>\$ 96,013</u>
EMERGENCY RESERVE	\$ 10,400	\$ 10,400	\$ 22,700
RESERVE FOR IRRIGATION REPLACEMENT	150,000	150,000	25,000
RESERVE FOR PLAYGROUND EQUIPMENT	45,000	40,000	10,000
RESERVE FOR DETENTION POND	114,000	14,000	-
AVAILABLE FOR OPERATIONS	23,985	121,319	38,313
	<u>\$ 343,385</u>	<u>\$ 335,719</u>	<u>\$ 96,013</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**DEBT SERVICE FUND**  
**2020 BUDGET AS ADOPTED**  
**WITH 2018 ACTUAL AND 2019 ESTIMATED**  
**For the Years Ended and Ending December 31,**

12/31/19

	ACTUAL 2018	ESTIMATED 2019	2020 BUDGET
BEGINNING FUND BALANCE	\$ 42,472	\$ 127,437	\$ 211,173
REVENUE			
Property taxes	886,039	886,974	851,428
Specific Ownership taxes	64,390	68,800	51,090
Net investment income	9,755	11,600	3,300
Total revenue	960,184	967,374	905,818
TRANSFERS IN			
General Fund	3,500	-	-
Total transfers in	3,500	-	-
Total funds available	1,006,156	1,094,811	1,116,991
EXPENDITURES			
County Treasurer's fees	13,302	13,305	12,770
Paying agent fees	1,167	5,833	3,500
Bond Interest	569,250	554,500	539,000
Bond Principal	295,000	310,000	325,000
Contingency	-	-	1,730
Total expenditures	878,719	883,638	882,000
Total expenditures and transfers out requiring appropriation	878,719	883,638	882,000
ENDING FUND BALANCE	\$ 127,437	\$ 211,173	\$ 234,991

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**STERLING HILLS WEST METROPOLITAN DISTRICT**  
**CAPITAL PROJECTS FUND**  
**2020 BUDGET AS ADOPTED**  
**WITH 2018 ACTUAL AND 2019 ESTIMATED**  
**For the Years Ended and Ending December 31,**

12/31/19

	ACTUAL 2018	ESTIMATED 2019	2020 BUDGET
BEGINNING FUND BALANCE	\$ -	\$ -	\$ -
REVENUE			
Total revenue	-	-	-
TRANSFERS IN			
General Fund	3,320	-	-
Total transfers in	3,320	-	-
Total funds available	3,320	-	-
EXPENDITURES			
Green Park	3,320	-	-
Total expenditures	3,320	-	-
Total expenditures and transfers out requiring appropriation	3,320	-	-
ENDING FUND BALANCE	\$ -	\$ -	\$ -

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
2020 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

The District was formed by Court Order on December 3, 1999, with its formation election held on November 2, 1999. The election approved general obligation indebtedness of \$3,600,000 for streets, \$500,000 for safety controls, \$1,000,000 for water facilities, \$1,500,000 for sewer and storm drainage facilities, \$6,200,000 for parks, and \$750,000 for general operations and maintenance. The election also approved an annual increase in taxes of \$500,000 for general operations and maintenance and \$2,148,000 for repayment of the combined approved debt.

In accordance with its Service Plan, the District was formed to provide for the construction of improvements for streets, landscaping, storm drainage, water and sewer, safety protection, and park improvements and facilities in its service area within the City of Aurora (City). During 2004 the District amended its Service Plan with the City, which allowed the District to increase its debt limitation from \$9,400,000 to \$11,600,000 in order to fund additional capital project costs. As required by the original Service Plan, the District received approval from the City on August 27, 2007 of a Second Amendment to the Service Plan, which approved a refunding of the District's outstanding debt and the issuance of additional debt to pay costs of public improvements in an amount not to exceed \$1,100,000, an extension of the maturity of debt to 2031, and the imposition of a mill levy for payment of debt of not more than 42.55 mills, subject to adjustment for changes occurring after 2000 in the method of calculating assessed valuation. The adjusted maximum mill levy is 57.963.

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**Revenues**

**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.

The calculation of the taxes levied is displayed on the property tax summary page at the adopted mill levy of 55.000.

**STERLING HILLS WEST METROPOLITAN DISTRICT  
2020 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues (continued)**

**Specific Ownership Taxes**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 6% of total property taxes collected.

**Net Investment Income**

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 1.50%.

**Expenditures**

**Administrative Expenses**

Administrative and operating expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, accounting, insurance, general engineering, meeting expense, and other administrative expenses.

**Operations and maintenance**

Certain pocket parks and street landscaping improvements are owned and maintained by the District. The estimated costs for repairs and maintenance, and certain upgrades of the improvements are found on the General Fund page of the budget. The District has budgeted \$675,000 for major renovation of a drainage pond for which the District is responsible.

**Debt Service**

Principal and interest payments in 2020 are provided based on the debt amortization schedule from the Series 2017 Bonds as detailed on the debt service schedule and debt service summary page of the Budget (discussed under Debt and Leases).

**Contingency**

The District has provided for the possibility of additional expenditures for landscaping or other contingencies.



**STERLING HILLS WEST METROPOLITAN DISTRICT  
2020 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Debt and Leases**

**General Obligation Refunding Bonds**

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

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

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 2020, the Required Mill Levy has been adjusted to 57.963 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, 2019, the District's debt to assessed ratio was 38%.

The District has no operating or capital leases.

**Reserve Funds**

**Emergency Reserves**

The District has provided an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2020, as defined under TABOR.

**Reserve for Capital Replacement**

The District has set aside funds for the replacement of certain capital assets owned by the District.

**This information is an integral part of the accompanying budget.**

**STERLING HILLS WEST METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY**

**\$11,385,000 General Obligation Limited  
Tax Convertible to Unlimited Tax  
Refunding Bonds  
5.00% Serial & Term Bonds Due December 1, 2039  
Series 2017, Dated September 8, 2017  
Interest Payable June 1 and December 1,  
Principal Due December 1**

<b>Year Ended December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2020	\$ 325,000	\$ 539,000	\$ 864,000
2021	345,000	522,750	867,750
2022	360,000	505,500	865,500
2023	380,000	487,500	867,500
2024	395,000	468,500	863,500
2025	415,000	448,750	863,750
2026	435,000	428,000	863,000
2027	460,000	406,250	866,250
2028	480,000	383,250	863,250
2029	505,000	359,250	864,250
2030	530,000	334,000	864,000
2031	560,000	307,500	867,500
2032	585,000	279,500	864,500
2033	615,000	250,250	865,250
2034	645,000	219,500	864,500
2035	680,000	187,250	867,250
2036	710,000	153,250	863,250
2037	745,000	117,750	862,750
2038	785,000	80,500	865,500
2039	825,000	41,250	866,250
<b>Total</b>	<b><u>\$ 10,780,000</u></b>	<b><u>\$ 6,519,500</u></b>	<b><u>\$ 17,299,500</u></b>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.