

STERLING HILLS WEST METROPOLITAN DISTRICT
Arapahoe County, Colorado

FINANCIAL STATEMENTS
December 31, 2016

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Independent Auditor's Report

Board of Directors
Sterling Hills West Metropolitan District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sterling Hills West Metropolitan District as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Sterling Hills West Metropolitan District as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

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

L. Paul Goedecke P.C.

L. Paul Goedecke, P.C.
April 27, 2017

BASIC FINANCIAL STATEMENTS

STERLING HILLS WEST METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities
ASSETS	
Cash and investments	\$ 449,141
Cash and investments - Restricted	11,362
Interest receivable	1,348
Receivable from County Treasurer	7,306
Prepaid expenses	3,729
Property taxes receivable	1,306,361
Capital assets	
Capital assets not being depreciated	1,655,407
Capital assets, net of accumulated depreciation	100,918
Total assets	3,535,572
LIABILITIES	
Accounts payable	8,647
Accrued interest payable	49,893
Noncurrent liabilities	
Due within one year	560,000
Due in more than one year	12,514,223
Total liabilities	13,132,763
DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	1,306,361
Total deferred inflows of resources	1,306,361
NET POSITION	
Net investment in capital assets	(895,110)
Restricted for:	
Emergencies (TABOR)	10,000
Debt service reserve	25,000
Unrestricted	(10,043,442)
Total net position	\$ (10,903,552)

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

**STERLING HILLS WEST METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 291,730	\$ -	\$ -	\$ 13,900	\$ (277,830)
Debt forgiveness	-	-	-	899,873	899,873
Interest and related costs on long-term debt	644,217	-	-	-	(644,217)
	<u>\$ 935,947</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 913,773</u>	<u>(22,174)</u>
General revenues:					
Property taxes					1,293,057
Specific ownership taxes					100,063
Net investment income					5,346
Total general revenues					<u>1,398,466</u>
Change in net position					1,376,292
Net position - Beginning					<u>(12,279,844)</u>
Net position - Ending					<u>\$ (10,903,552)</u>

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

**STERLING HILLS WEST METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments	\$ 449,141	\$ -	\$ 449,141
Cash and investments - Restricted	10,000	1,362	11,362
Prepaid expenses	3,729	-	3,729
Interest receivable	1,348	-	1,348
Receivable from County Treasurer	7,306	-	7,306
Property taxes receivable	217,500	1,088,861	1,306,361
Total assets	\$ 689,024	\$ 1,090,223	\$ 1,779,247
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 7,322	\$ 1,325	\$ 8,647
Total liabilities	7,322	1,325	8,647
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	217,500	1,088,861	1,306,361
Total deferred inflows of resources	217,500	1,088,861	1,306,361
FUND BALANCES (DEFICITS):			
Nonspendable:			
Prepaid amounts	3,729	-	3,729
Restricted for:			
Emergencies (TABOR)	10,000	-	10,000
Debt service reserve	-	25,000	25,000
Assigned to:			
Subsequent year's expenditures	60,960	-	60,960
Unassigned			
General government	389,513	-	389,513
Debt service	-	(24,963)	(24,963)
Total fund balances (deficits)	464,202	37	464,239
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)	\$ 689,024	\$ 1,090,223	

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

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

Capital assets 1,756,325

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

Bonds payable (11,965,000)

Premium on bonds payable (36,021)

Payable to bond insurer (1,073,202)

Accrued interest payable (49,893)

Net position of governmental activities \$ (10,903,552)

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

STERLING HILLS WEST METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 215,285	\$ 1,077,772	\$ 1,293,057
Specific ownership taxes	100,063	-	100,063
Other revenue	13,900	-	13,900
Net investment income	3,654	1,692	5,346
Proceeds from bond insurer	-	990,715	990,715
Total revenues	<u>332,902</u>	<u>2,070,179</u>	<u>2,403,081</u>
EXPENDITURES			
Current			
Accounting	29,157	-	29,157
Audit	2,600	-	2,600
County Treasurer's fee	3,234	16,190	19,424
Directors' fees	1,900	-	1,900
Dues and licenses	561	-	561
Election expense	804	-	804
Insurance and bonds	3,398	-	3,398
Legal	33,285	-	33,285
Miscellaneous	472	-	472
Conferences and Seminars	1,725	-	1,725
Payroll taxes	145	-	145
Maintenance and repairs	162,592	-	162,592
Debt service			
Bond interest	-	583,029	583,029
Bond principal	-	540,000	540,000
Bond insurer interest	-	57,317	57,317
Bond insurer principal	-	987,392	987,392
Paying agent fees	-	2,650	2,650
Capital projects	45,312	-	45,312
Total expenditures	<u>285,185</u>	<u>2,186,578</u>	<u>2,471,763</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>47,717</u>	<u>(116,399)</u>	<u>(68,682)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	<u>(114,325)</u>	<u>114,325</u>	<u>-</u>
Total other financing sources (uses)	<u>(114,325)</u>	<u>114,325</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(66,608)	(2,074)	(68,682)
FUND BALANCES - BEGINNING OF YEAR			
	<u>530,810</u>	<u>2,111</u>	<u>532,921</u>
FUND BALANCES - END OF YEAR	<u>\$ 464,202</u>	<u>\$ 37</u>	<u>\$ 464,239</u>

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

**STERLING HILLS WEST METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net changes in fund balances - Total governmental funds	\$	(68,682)
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Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital outlay		45,312
Depreciation expense		(51,857)

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.

Forgiveness of developer advance		899,873
Bond principal payment		540,000
Advance from bond insurance policy		(990,715)
Payment to bond insurer		987,392
Amortization of bond premium		4,157

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:

Accrued interest on advance from bond insurer - Change in liability		8,899
Accrued interest on bonds - Change in liability		1,913

Change in net position of governmental activities	\$	<u><u>1,376,292</u></u>
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

**STERLING HILLS WEST METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Property taxes	\$ 217,320	\$ 217,320	\$ 215,285	\$ (2,035)
Specific ownership taxes	82,410	112,000	100,063	(11,937)
Aurora rebate program	15,000	13,900	13,900	-
Investment income	800	3,500	3,654	154
Total revenues	<u>315,530</u>	<u>346,720</u>	<u>332,902</u>	<u>(13,818)</u>
EXPENDITURES				
Accounting	26,000	26,000	29,157	(3,157)
Audit	2,600	2,600	2,600	-
County Treasurer's fees	3,260	3,260	3,234	26
Directors' fees	2,000	1,900	1,900	-
Dues and licenses	600	561	561	-
Election expense	15,000	764	804	(40)
Insurance and bonds	3,500	3,398	3,398	-
Legal	30,000	38,000	33,285	4,715
Miscellaneous	500	500	472	28
Payroll taxes	153	145	145	-
Drainage pond maintenance	2,000	2,100	2,168	(68)
Drainage pond repair/renovation	10,000	8,000	7,425	575
Tower mowing	3,400	1,700	850	850
Utilities - Electric	800	700	639	61
Snow removal	5,000	6,000	3,038	2,962
Irrigation	80,000	73,000	71,436	1,564
Irrigation upgrades	40,000	37,412	37,412	-
Repairs and maintenance	15,000	20,000	17,260	2,740
Landscape maintenance - contract	60,000	55,000	55,223	(223)
Tree/shrub maintenance	8,500	5,000	4,553	447
Tree planting	10,000	-	-	-
Park lighting	8,000	7,900	7,900	-
Landscape renovations	15,000	-	-	-
Contingency	4,037	6,260	-	6,260
Conferences and seminars	-	1,800	1,725	75
Total expenditures	<u>345,350</u>	<u>302,000</u>	<u>285,185</u>	<u>16,815</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(29,820)</u>	<u>44,720</u>	<u>47,717</u>	<u>2,997</u>
OTHER FINANCING SOURCES (USES)				
Transfers from (to) other funds	<u>(2,650)</u>	<u>(113,000)</u>	<u>(114,325)</u>	<u>(1,325)</u>
Total other financing sources (uses)	<u>(2,650)</u>	<u>(113,000)</u>	<u>(114,325)</u>	<u>(1,325)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>(32,470)</u>	<u>(68,280)</u>	<u>(66,608)</u>	<u>1,672</u>
FUND BALANCES -				
BEGINNING OF YEAR	<u>526,629</u>	<u>530,810</u>	<u>530,810</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 494,159</u>	<u>\$ 462,530</u>	<u>\$ 464,202</u>	<u>\$ 1,672</u>

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

STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

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

STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

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

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.

STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District amended its annual budget for the year ended December 31, 2016.

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.

Investments are carried at fair value.

Property Taxes

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

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

Capital Assets

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

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in process, and are not included in the calculation of net investment in capital assets component of the District's net position.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements, with the exception of landscaping improvements (e.g. trees, sod, and similar items) are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Amortization

Original Issue Discount/Premium

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Deferred property tax revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are is deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity

Net Position

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

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance

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

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.
- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

NOTE 3 - CASH AND INVESTMENTS

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

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 449,141
Cash and investments - Restricted	<u>11,362</u>
	<u>\$ 460,503</u>

STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2016, consist of the following:

Deposits with financial institutions	\$ 353,388
Investments	<u>107,115</u>
	<u>\$ 460,503</u>

Deposits with Financial Institutions

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

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

At December 31, 2016, the District's cash deposits had a bank balance of \$21,452 and a carrying balance of \$2,586.

At December 31, 2016, the District had \$350,802 in certificates of deposit with financial institutions, which are insured through the FDIC.

Investments

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

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors, such actions are generally associated with a debt service reserve or sinking fund requirements.

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

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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

Fair Value Measurement and Application

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

As of December 31, 2016, the District had the following investments:

Investment	Maturity	Fair Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 107,115</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.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016, follows:

<u>By Classification</u>	<u>December 31, 2015</u>	<u>Additions</u>	<u>Transfers and Retirements</u>	<u>December 31, 2016</u>
Capital assets, not being depreciated				
Landscape improvements	\$ 1,655,407	\$ -	\$ -	\$ 1,655,407
Total capital assets, not being depreciated	<u>1,655,407</u>	<u>-</u>	<u>-</u>	<u>1,655,407</u>
Capital assets, being depreciated				
Sidewalks	64,283	-	-	64,283
Cobble and river rock	9,198	-	-	9,198
Fencing/monuments	45,920	-	-	45,920
Park lighting	92,354	7,900	-	100,254
Irrigation system	575,745	37,412	-	613,157
Total capital assets, being depreciated	<u>787,500</u>	<u>45,312</u>	<u>-</u>	<u>832,812</u>
Less accumulated depreciation for:				
Sidewalks	(35,204)	(3,215)	-	(38,419)
Cobble and river rock	(4,676)	(920)	-	(5,596)
Fencing/monuments	(27,271)	(2,296)	-	(29,567)
Park lighting	(81,604)	(6,419)	-	(88,023)
Irrigation system	(531,282)	(39,007)	-	(570,289)
Total accumulated depreciation	<u>(680,037)</u>	<u>(51,857)</u>	<u>-</u>	<u>(731,894)</u>
Total capital assets, being depreciated, net	<u>107,463</u>	<u>(6,545)</u>	<u>-</u>	<u>100,918</u>
Governmental activities - Capital assets, net	<u>\$ 1,762,870</u>	<u>\$ (6,545)</u>	<u>\$ -</u>	<u>\$ 1,756,325</u>

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

Governmental activities:

 General government \$ 51,857

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

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

	<u>Balance at December 31, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
G.O. Limited Tax Refunding and Improvement Bonds - Series 2007	\$ 12,505,000	\$ -	\$ 540,000	\$ 11,965,000	\$ 560,000
Loan from Bond Insurer	1,069,771	990,823	987,392	1,073,202	-
Developer advance payable	899,873	-	899,873	-	-
	<u>14,474,644</u>	<u>990,823</u>	<u>2,427,265</u>	<u>13,038,202</u>	<u>560,000</u>
Bond premium	40,178	-	4,157	36,021	3,993
	<u>\$ 14,514,822</u>	<u>\$ 990,823</u>	<u>\$ 2,431,422</u>	<u>\$ 13,074,223</u>	<u>\$ 563,993</u>

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

General Obligation Limited Tax Refunding and Improvement Bonds

On September 13, 2007, the District advance refunded and defeased (debt legally satisfied): 1) \$3,135,000 of General Obligation Exchange Bonds Series 2001A dated August 21, 2001, with an interest rate of 8.0%, 2) \$5,915,000 of General Obligation bonds Series 2001A dated August 1, 2001, with an interest rate of 8.0%, and 3) \$2,770,617 of General Obligation Bonds Series 2004 dated August 25, 2004, with an interest rate of 7.5% (collectively the Prior Bonds) by the issuance of \$15,240,000 in General Obligation Limited Tax Refunding and Improvement Bonds Series 2007 (the Bonds). The Prior Bonds are not considered a liability of the District since sufficient funds (\$13,813,352) were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the Prior Bonds when due. All Prior Bonds have been repaid as of December 1, 2014.

The Bonds are serial and term bonds that bear interest from 4.0% to 5.0% per annum, due June 1 and December 1. Principal is due on December 1. Bonds maturing on and after December 1, 2017, are subject to redemption prior to maturity at the option of the district without premium. Payment of the principal and interest on the Bonds when due is insured by Financial Security

Assurance, Inc. Financial Security Assurance, Inc. was acquired by Assured Guaranty, Ltd. on July 1, 2009. The Bonds mature on December 1, 2031.

In addition to refunding all of the District's outstanding Prior Bonds, additional bond proceeds were used to acquire certain public improvements and facilities, purchase a financial guaranty insurance policy, and pay the costs of issuing the bonds.

Pursuant to an indenture of trust, a reserve fund in the amount of \$25,000 was established with bond proceeds as additional security for the Bonds. Monies in the Reserve Fund shall be used only to prevent a default in the payment of principal of, premium if any, or interest on the Bonds when due, and the Reserve Fund is pledged to the payment of the Bonds for such purpose.

STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

The District used this reserve fund for debt service payments in 2014. The balance in the Reserve Fund at December 31, 2016, was \$—.

The 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, and 2) 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 a amount sufficient to pay the principal, premium if any, and interest on the Bonds as the same become due and payable and, if necessary, to fund the Reserve Fund to the required reserve amount, but not in excess of 42.550 mills; adjusted for changes in the ratio of actual value to assessed value of property within the District after the year 2000. The maximum mill levy as adjusted is 52.065. Once the debt to assessed ratio is 50% or less, the required mill levy will be an ad valorem mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable, without limitation of rate. At December 31, 2016, the debt to assessed ratio was 60%.

Between 2013 and 2016, Material Events Notices were generated in connection with the Sterling Hills West Metropolitan District Series 2007 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds in the original principal amount of \$15,240,000. Because there was not on deposit with the Trustee after making all transfers and deposits required under the Indenture monies sufficient to pay the entire debt service due on the Bonds on each payment date since December 1, 2013, the Trustee made claims to Assured Guaranty Municipal Corporation (the "Bond Insurer") in the total amount of \$3,553,720, of which \$2,478,306 has been repaid as of December 31, 2016. This action was necessary due to the fact that: 1) not all property has been developed within the boundaries of the District as anticipated and 2) the assessed value of the property located within the boundaries of the District was reduced 20% between 2010 and 2015 due to the downturn of the economy, resulting in the collection of levied property taxes that are insufficient to completely account for the debt service payment due and owing on the Bonds. The District is certifying the maximum mill levy available to it for debt service purposes at 52.065 mills, which is insufficient to meet debt service requirements for the Bonds. It is acknowledged that due to the limited nature of the Pledged Revenue, prior to the Unlimited Tax Receipt Date, the failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an Event of Default under the Indenture.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 560,000	\$ 560,079	\$ 1,120,079
2018	600,000	532,079	1,132,079
2019	630,000	504,328	1,134,328
2020	655,000	478,184	1,133,184
2021	685,000	450,019	1,135,019
2022-2026	3,910,000	1,765,982	5,675,982
2027-2031	4,925,000	761,162	5,686,162
	<u>\$ 11,965,000</u>	<u>\$ 5,051,833</u>	<u>\$ 17,016,833</u>

Developer Advances

Under an Improvement Acquisition Agreement dated April 27, 2000 (the 2000 Agreement), the District agreed to acquire from the Developer certain public improvements constructed by the Developer within the District, with bond proceeds and other District funds. On March 10, 2016, the District and the Developer entered into a Satisfaction and Release Agreement whereby the Developer forgave and discharged the entire unpaid amount of \$899,873, and the Developer and the District have no other further obligation to perform under the 2000 Agreement. As a result of the Satisfaction and Release Agreement, the District recorded \$899,873 of debt forgiveness on the government-wide financial statements.

Authorized Debt

On November 2, 1999, a majority of the District's qualified electors authorized the incurrence of indebtedness in an amount not to exceed \$13,550,000 in principal at an interest rate not to exceed 12.5%. On November 7, 2000, a majority of the District's qualified electors also authorized the incurrence of indebtedness in an amount not to exceed \$13,550,000 in principal at an interest rate not to exceed 12.5%. At December 31, 2016, the District has authorized but unissued indebtedness for the following purposes:

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

	<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
	<u>\$ 13,550,000</u>	<u>\$ 13,550,000</u>	<u>\$ 27,100,000</u>

	<u>Authorization Used</u>				<u>Remaining at December 31, 2016</u>
	<u>Series 2000 Bonds</u>	<u>Series 2001 Bonds</u>	<u>Series 2004 Bonds</u>	<u>Series 2007 Bonds</u>	
Street improvements	\$1,185,000	\$2,129,400	\$ 640,255	\$1,681,326	\$ 1,564,019
Traffic controls	-	-	-	-	1,000,000
Water system	485,000	59,150	16,909	546,302	892,639
Sanitary sewer	555,000	295,750	31,561	224,847	1,892,842
Parks and recreation	980,000	3,430,700	1,511,275	1,508,400	4,969,625
Operations/maintenance	115,000	-	-	29,125	1,355,875
	<u>\$3,320,000</u>	<u>\$5,915,000</u>	<u>\$2,200,000</u>	<u>\$3,990,000</u>	<u>\$ 11,675,000</u>

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

NOTE 6 - NET POSITION

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

Net investment in capital assets component of net position consists of capital assets that are owned by the District, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

**STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 6 - NET POSITION (CONTINUED)

As of December 31, 2016, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Capital assets, net	\$ 1,756,325
Less: capital related debt	
Current portion	(123,723)
Noncurrent portion	(2,527,712)
Net investment in capital assets	\$ (895,110)

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, 2016, as follows:

	Governmental Activities
Restricted net position:	
Emergencies (TABOR)	\$ 10,000
Debt service reserve	25,000
Total restricted net position	\$ 35,000

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

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

NOTE 7 - INTERFUND TRANSFERS

The transfer of \$114,325 from the General Fund to the Debt Service Fund was to help fund the debt service requirements of the District.

STERLING HILLS WEST METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - RISK MANAGEMENT

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

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

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

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

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

SUPPLEMENTARY INFORMATION

**STERLING HILLS WEST METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Budget Amounts Original & Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 1,087,959	\$ 1,077,772	\$ (10,187)
Investment income	-	1,692	1,692
Proceeds from bond insurer	1,123,029	990,715	(132,314)
Total revenues	<u>2,210,988</u>	<u>2,070,179</u>	<u>(140,809)</u>
EXPENDITURES			
Bond interest	583,029	583,029	-
Bond principal	540,000	540,000	-
Bond insurer interest	40,708	57,317	(16,609)
Bond insurer principal	1,030,285	987,392	42,893
County Treasurer's fees	16,320	16,190	130
Paying agent fees	2,650	2,650	-
Total expenditures	<u>2,212,992</u>	<u>2,186,578</u>	<u>26,414</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,004)</u>	<u>(116,399)</u>	<u>(114,395)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	2,650	114,325	111,675
Total other financing sources (uses)	<u>2,650</u>	<u>114,325</u>	<u>111,675</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	646	(2,074)	(2,720)
FUND BALANCES - BEGINNING OF YEAR	<u>(646)</u>	<u>2,111</u>	<u>2,757</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 37</u>	<u>\$ 37</u>

**STERLING HILLS WEST METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2016**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
		<u>General</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2012	\$ 16,825,500	13.900	52.065	\$ 1,109,894	\$ 1,102,814	99.36%
2013	\$ 16,867,080	13.900	52.065	\$ 1,112,637	\$ 1,071,789	96.33% (A)
2014	\$ 15,914,480	13.900	52.065	\$ 1,049,798	\$ 1,039,343	99.00%
2015	\$ 15,768,045	13.900	52.065	\$ 1,040,139	\$ 1,029,413	98.97%
2016	\$ 20,896,163	10.400	52.065	\$ 1,305,279	\$ 1,293,057	99.06%
Estimated for the year ending December 31, 2017	\$ 20,913,485	10.400	52.065	\$ 1,306,361		

NOTE:

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

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

**STERLING HILLS WEST METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016**

**\$15,240,000 General Obligation Refunding
and Improvement Bonds
Limited Tax Convertible to Unlimited Tax
Dated September 13, 2007
Series 2007**

**Interest Rate of 4.00% - 5.00%
Payable June 1 and December 1**

	Principal Due December 1		Total
	Principal	Interest	All Bonds
2017	\$ 560,000	\$ 560,079	\$ 1,120,079
2018	600,000	532,079	1,132,079
2019	630,000	504,328	1,134,328
2020	655,000	478,184	1,133,184
2021	685,000	450,019	1,135,019
2022	715,000	420,050	1,135,050
2023	750,000	388,769	1,138,769
2024	780,000	355,019	1,135,019
2025	815,000	319,919	1,134,919
2026	850,000	282,225	1,132,225
2027	890,000	242,912	1,132,912
2028	930,000	201,750	1,131,750
2029	980,000	155,250	1,135,250
2030	1,025,000	106,250	1,131,250
2031	1,100,000	55,000	1,155,000
	<u>\$ 11,965,000</u>	<u>\$ 5,051,833</u>	<u>\$ 17,016,833</u>

CONTINUING DISCLOSURE ANNUAL FINANCIAL INFORMATION

**STERLING HILLS WEST METROPOLITAN DISTRICT
OVERLAPPING GENERAL OBLIGATION DEBT
December 31, 2016
(Unaudited)**

Certain public entities whose boundaries may be entirely within, coterminous with or only partially within the District are also authorized to incur general obligation debt and to the extent that properties within the District are also within such overlapping public entities, such properties will be liable for an allocable portion of such debt. For purposes of this table, the percentage of each entity's outstanding debt chargeable to District property owners is calculated by comparing the assessed valuation of the portion overlapping the District to the total assessed valuation of the overlapping entity. To the extent the District's assessed valuation changes disproportionately with the assessed valuation of overlapping entities, the percentage of general obligation debt for which District property owners are responsible will also change. The following table sets forth the estimated overlapping general obligation debt chargeable to properties within the District as of December 31, 2016.

<u>Entity (1)</u>	<u>2016 Assessed Valuation (2)</u>	<u>Outstanding General Obligation Debt (3)</u>	<u>Outstanding General Obligation Debt Chargeable to the District</u>	
			<u>Percent</u>	<u>Amount</u>
City of Aurora	\$ 365,866,090	\$ -	0.57%	\$ -
Aurora Public Schools (3)	<u>2,176,592,000</u>	<u>312,092,167</u>	0.95%	<u>2,975,790</u>
	<u>\$2,542,458,090</u>	<u>\$ 312,092,167</u>		<u>\$ 2,975,790.07</u>

(1) The following entities also overlap the District but have no reported general obligation debt outstanding: Arapahoe County, Regional Transportation District, West Arapahoe Soil Conservancy District, Urban Drainage and Flood Control District, Developmental Disabilities, and Urban Drainage and Flood Control District - South Platte.

(2) The 2016 assessed valuation figures were certified by the respective county assessors for collection of ad valorem property taxes in 2017.

(3) Outstanding General Obligation Debt for Aurora Public Schools is as of June 30, 2016.