

## THE CANYONS METROPOLITAN DISTRICT NO. 7

### 2018 ANNUAL REPORT TO THE CITY OF CASTLE PINES

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Pursuant to the Amended and Restated Service Plan for The Canyons Metropolitan District Nos. 2-4 and Consolidated Service Plan for The Canyons Metropolitan District Nos. 5-11 (as amended), The Canyons Metropolitan District No. 7 is required to provide an annual report to the City of Castle Pines with regard to the matters below. Please note that the District declared inactive status on June 3, 2016 and returned to active status on November 14, 2016.

To the best of our knowledge, for the year ending December 31, 2018, the District makes the following report:

1. Boundary changes made or proposed to the District's boundary as of December 31 of the prior year:

*There were no boundary changes made to the District in 2018.*

2. Intergovernmental Agreements with other governmental entities, either entered into or proposed, as of December 31 of the prior year:

*The District entered into an amended and restated intergovernmental agreement with City of Castle Pines on November 27, 2018, regarding construction and funding of certain drainage and flood control improvements. A copy of the agreement is attached hereto as **Exhibit A**.*

3. Copies of the District's rules and regulations, if any, as of December 31 of the prior year:

*As of December 31, 2018, the District had not yet adopted rules and regulations.*

4. A summary of any litigation which involves the District's Public Improvements as of December 31 of the prior year:

*To our actual knowledge, based on review of the court records in Douglas County, there is no litigation involving the District as of December 31, 2018.*

5. Status of the District's construction of the Public Improvements as of December 31 of the prior year:

*As of December 31, 2018, the District awarded contracts for the construction of roadway bridges, offsite sewer and water mains, lift stations, storm sewer, Filing 1 infrastructure, Filing 2A-2D infrastructure, superblock entry landscaping, onsite*

*superblock utilities, and offsite superblock utilities . Those contracts are ongoing.*

6. A list of all facilities and improvements constructed by the District that have been dedicated to and accepted by the City as of December 31 of the prior year:

*As of December 31, 2018, the District has not dedicated and the City has not accepted dedication of any facilities or improvements.*

7. The assessed valuation of the District for the current year:

*The 2018 assessed valuation of the District is attached hereto as **Exhibit B**.*

8. Current year budget including a description of the Public Improvements to be constructed in such year:

*The 2018 budget for the District is attached hereto as **Exhibit C**.*

9. Audit of the District's financial statements, for the year ending December 31 of the previous year, prepared in accordance with generally accepted accounting principles or audit exemptions, if applicable:

*The 2018 Audit is attached as **Exhibit D**.*

10. Notice of any uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument:

*There are no uncured events of default by the District, which continue beyond a ninety (90) day period, under any Debt instrument.*

11. Any inability of the District to pay its obligations as they come due, in accordance with the terms of such obligations, which continue beyond a ninety (90) day period:

*The District has been able to pay its obligations as they come due.*

Respectfully submitted this 1<sup>st</sup> day of August, 2019.

THE CANYONS METROPOLITAN DISTRICT  
NO. 7

*/s/ Zachary P. White*

\_\_\_\_\_  
Zachary P. White, Esq.

General Counsel to the District

**EXHIBIT A**  
**Amended and Restated IGA with the City re Construction and Payment of Urban Drainage**  
**Improvements**

**AMENDED AND RESTATED INTERGOVERNMENTAL AGREEMENT BY AND BETWEEN THE CITY OF CASTLE PINES, COLORADO AND THE CANYONS METROPOLITAN DISTRICT NO. 7 REGARDING CONSTRUCTION AND FUNDING OF DRAINAGE AND FLOOD CONTROL IMPROVEMENTS FOR NEWLIN GULCH AND SOUTH NEWLIN GULCH LOCATED WITHIN THE CANYONS PROPERTY**

This AMENDED AND RESTATED INTERGOVERNMENTAL AGREEMENT (the “Amended and Restated Agreement”) is made and entered into as of this 27th day of November, 2018, by and among the CITY OF CASTLE PINES, a municipality of the State of Colorado (the “City”) and THE CANYONS METROPOLITAN DISTRICT NO. 7, a quasi-municipal corporation and political subdivision of the State of Colorado (“District”) (individually, a “party” and collectively, the “Parties”).

**RECITALS**

**WHEREAS**, the City and District, as Colorado governments, are constitutionally and statutorily empowered pursuant to Colo. Const., Article XIV, §18 and C.R.S. § 29-1-201, et seq., to cooperate or contract via intergovernmental agreement with one another to provide functions, services or facilities authorized to each cooperating government; and

**WHEREAS**, the City approved an amended and restated service plan for The Canyons Metropolitan Districts Nos. 2-4 and a Consolidated Service Plan for The Canyons Metropolitan District Nos. 5-11; and

**WHEREAS**, the main purpose of the amended and restated service plans and the creation of additional financing districts was to authorize The Canyons Metropolitan District Nos. 1-7 (the “Districts”) to provide for the planning, design, acquisition, construction, installation, relocation and redevelopment of public improvements necessary for development of “The Canyons” property; and

**WHEREAS**, the City and the District agree that development of The Canyons property necessitates design and construction of certain drainage and flood control improvements, among other significant public improvements; and

**WHEREAS**, the Urban Drainage and Flood Control District (“Urban Drainage”) has identified necessary drainage and flood control improvements for Newlin Gulch and South Newlin Gulch located within The Canyons (“Project”); and

**WHEREAS**, Urban Drainage and the City have entered into a certain Agreement Regarding Design and Construction of Drainage and Flood Control Improvements for Newlin Gulch and South Newlin Gulch between Interstate 25 and Rueter Hess Reservoir, Agreement No. 17-07.08, Project No. 106799 dated September 12, 2017 (“Urban Drainage IGA”) pursuant to which Urban Drainage will provide design, construction and management of the Project on the

City's behalf in exchange for the City's payment of all Project costs associated with the Project;  
and

**WHEREAS**, the District and the City have entered into that certain Intergovernmental Agreement by and between the City of Castle Pines and the Canyons Metropolitan District No. 7 regarding construction and funding of drainage and flood control improvements for Newlin Gulch and South Newlin Gulch located within the Canyons property ("District Funding Agreement");  
and

**WHEREAS**, on June 9, 2017, the District and Shea Canyons, LLC entered into that certain Amended and Restated Contribution Agreement which obligates Shea Canyons, LLC to provide funding to the District to pay for costs related to the construction of public improvements, including drainage improvements proposed to be constructed pursuant to the Urban Drainage IGA;  
and

**WHEREAS**, due to increased Project costs, Urban Drainage requires an amendment to the Urban Drainage IGA between the City and Urban Drainage to document the increased Project costs and require payment of the same; and

**WHEREAS**, in order to cover the increased Project costs, the City and the District desire to execute an amended and restated District Funding Agreement as set forth herein.

**NOW, THEREFORE**, in consideration of the covenants and mutual agreements herein contained, and of other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

#### **COVENANTS AND AGREEMENTS**

1. **Purpose.** The purpose of this Amended and Restated Agreement is to memorialize the District's agreement to pay for all of the Projects costs and to establish the process by which the District's participation will be accomplished. The total costs associated with the Project, including but not limited to design, construction management and construction ("Estimated Project Cost") are currently estimated at Four Hundred Thirteen Thousand Seven Hundred Eighty-Five Dollars and 02/100 Cents (\$413,785.02). The actual Project costs expended on the Project shall be referred to herein as the "Actual Project Cost".

2. **General Description of the Project.** The Project is generally described in the Urban Drainage IGA, a copy of which is attached hereto as **Exhibit A**. The parties acknowledge and confirm that Urban Drainage will be responsible for design, construction, and construction and financial management of the Project in accordance with the Urban Drainage IGA.

3. **Costs of Project.** The Actual Project Costs will be funded entirely by the District. The District's estimated financial contribution is in the amount of the Estimated Project Cost of

One Million One Hundred Twenty-One Thousand Seventy Seven Dollars as 02/100 Cents (\$1,121,077.02) of which Four Hundred Thirteen Thousand Seven Hundred Eighty-Five Dollars and 02/100 Cents (\$413,785.02) has been paid to the City upon execution of the original IGA executed September 12, 2017. The District shall pay the City the balance of \$ 707,222.00 for the Project in accordance with Section 4 (“District’s Contribution”). If the Actual Project Cost is lower than the Estimated Project Cost, then the District shall be reimbursed the amount of the Project savings resulting from the difference between the Estimated Project Cost and the Actual Project Cost. If the Actual Project Cost exceeds the Estimated Project Cost, the District shall be responsible for paying the difference between the Estimated Project Cost and the Actual Project Cost. In such event, the City shall request additional or supplemental funds from the District in writing and the District shall remit any such additional or supplemental funds to the City within ten (10) business days following receipt of a written request from the City.

4. Payment to City. The District shall pay the District’s Contribution to the City within twenty (20) calendar days following execution of this Amended and Restated Agreement by the District, but in no event later than twenty (20) calendar days from the date of approval of the City Resolution approving this IGA. The City shall hold the District’s Contribution in a separate account or fund of the City designated for the Project until such time as the City is required to remit the District’s Contribution to Urban Drainage.

5. Reporting by City. Following remittance of the District’s Contribution to Urban Drainage, the City shall provide copies to the District of all periodic accounting reports and invoices received from Urban Drainage. The District acknowledges and confirms that the City has no independent management or supervisory authority over the Project and that Urban Drainage shall initiate, manage and approve final completion of the Project.

6. District to Provide Necessary Right of Way. The District has or will obtain all necessary rights-of-way and easements for the Project, at the District’s cost and expense, and shall convey the necessary property for the Project in fee or by non-revocable easements, including temporary construction easements, to the City prior to commencement of the Project. Commencement of the Project shall be evidenced by a notice to proceed issued by Urban Drainage.

7. Final accounting. Following completion of the Project and conditional acceptance thereof by Urban Drainage, the City shall provide the District with a final accounting of the total costs associated with the Project as provided to the City by Urban Drainage.

8. No Debt. This Amended and Restated Agreement shall not constitute a debt or indebtedness by the District within the meaning of any constitutional or statutory provision, nor shall it constitute a multiple-fiscal-year obligation. Further, any amounts due under this Amended and Restated Agreement shall at all times be subject to annual appropriation by the District. In no event shall the City be liable for any costs, cost overruns, or other expenses arising from the Project.

9. Miscellaneous.

(a) Governing Law. The Parties agree this Amended and Restated Agreement shall be governed by and construed in accordance with the laws of the State of Colorado.

(b) Successors and Assigns. This Amended and Restated Agreement shall be binding upon and inure to the benefit of the Parties and their successors, assigns, and legal representatives.

(c) No Third Party Beneficiaries. It is specifically agreed among the Parties executing this Amended and Restated Agreement that it is not intended by any of the provisions of any part of this Amended and Restated Agreement to create a third party beneficiary hereunder, or to authorize anyone not a party to this Amended and Restated Agreement to maintain any claim under this Amended and Restated Agreement. The duties, obligations and responsibilities of the Parties to this Amended and Restated Agreement with respect to other third parties shall remain as imposed by law.

(d) Entire Agreement; Amendments. This Amended and Restated Agreement, including its exhibits, contains the entire understanding of the Parties with respect to the funding of the Project. This Amended and Restated Agreement supersedes all prior agreements and understandings between the Parties with respect to its subject matter. This Amended and Restated Agreement may be amended only by a written instrument duly executed by the Parties or their respective successors or assigns.

(e) Notice and Communications. Any notice pursuant to the terms and conditions of this Amended and Restated Agreement shall be in writing and delivered personally, or sent by certified mail, return receipt requested, or sent by a recognized overnight mail or courier services, with delivery receipt requested, to the following addresses (or to such other address as may from time to time be specified in writing by the Parties):

If to the City:

City of Castle Pines  
Attn: City Manager  
360 Village Square Lane, Suite B  
Castle Pines, CO 80108

With a copy to:

City Attorney  
c/o City of Castle Pines  
360 Village Square Lane, Suite B  
Castle Pines, CO 80108

If to DISTRICT:

The Canyons Metropolitan District No. 7

c/o White Bear Ankele Tanaka & Waldron  
2154 E Commons Ave #2000  
Centennial, CO 80122  
Attn: Kristen D. Bear, Esq.

Notices shall be effective when received by the party to whom addressed.

- (f) Default/Remedies. In the event of a breach or default of this Amended and Restated Agreement by any party, the non-defaulting party shall be entitled to exercise all remedies available at law or in equity, specifically including but not limited to: suits for specific performance or monetary damages, suspension of all work within The Canyons property, and/or withholding of building permits or certificates of occupancy for any work or structures within The Canyons property. In the event of any litigation, arbitration or other proceeding to enforce the terms, covenants or conditions hereof, the prevailing party in such litigation, arbitration or other proceeding shall be entitled to obtain as part of its judgment or award its reasonable attorneys' fees.
- (g) Counterpart Execution. This Amended and Restated Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.
- (h) Governmental Immunity. Nothing herein shall be construed as a waiver of the respective rights and privileges of the City or the District pursuant to the Colorado Governmental Immunity Act, §§ 24-10-101, et seq., C.R.S., as amended from time to time.
- (i) Relationship of Parties. This Amended and Restated Agreement does not and shall not be construed as creating a relationship of joint venturers, partners, or employer-employee between the Parties.
- (j) Waiver. The waiver of a breach of any of the provisions of this Amended and Restated Agreement by either Party shall not constitute a continuing waiver or a waiver of any subsequent breach of the same or another provision of this Amended and Restated Agreement.
- (k) Severability. Invalidation of any of the provisions of this Amended and Restated Agreement or of any paragraph, sentence, clause, phrase or work herein, or the application thereof in any given circumstance, shall not affect the validity of any other provision of this Amended and Restated Agreement.
- (l) Headings for Convenience Only. The headings, captions and titles contained herein are for convenience and reference only and are not intended to enlarge or restrict the content thereof.



IN WITNESS WHEREOF, the City and District have executed this Intergovernmental Agreement as of the above date.

**CITY OF CASTLE PINES,  
COLORADO**

DocuSigned by:  
*Tera Radloff*  
By: 8E068E02700G470...  
Tera Stave Radloff, Mayor

**ATTEST:**

DocuSigned by:  
*Tobi Basile*  
AD03A0B02002485...  
Tobi Basile, City Clerk

**APPROVED AS TO FORM:**

DocuSigned by:  
*Linda C. Michow*  
5241DE898FF444...  
Linda Michow, City Attorney

**THE CANYONS METROPOLITAN DISTRICT  
NO. 7**

By:   
\_\_\_\_\_  
President

**ATTEST:**

  
\_\_\_\_\_  
Secretary

**EXHIBIT B**  
**2018 Assessed Valuation**

# CERTIFICATION OF VALUATION BY DOUGLAS COUNTY ASSESSOR

Name of Jurisdiction: 4526 - Canyons Metro District 7

IN DOUGLAS COUNTY ON 11/21/2018

New Entity: No

<b>USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATIONS (5.5% LIMIT) ONLY</b>
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IN ACCORDANCE WITH 39-5-121(2)(a) AND 39-5-128(1),C.R.S. AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES THE TOTAL VALUATION FOR ASSESSMENT FOR THE TAXABLE YEAR 2018 IN DOUGLAS COUNTY, COLORADO

1. PREVIOUS YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	\$13,190
2. CURRENT YEAR'S GROSS TOTAL TAXABLE ASSESSED VALUATION: *	\$13,320
3. LESS TIF DISTRICT INCREMENT, IF ANY:	\$0
4. CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	\$13,320
5. NEW CONSTRUCTION: **	\$0
6. INCREASED PRODUCTION OF PRODUCING MINES: #	\$0
7. ANNEXATIONS/INCLUSIONS:	\$0
8. PREVIOUSLY EXEMPT FEDERAL PROPERTY: #	\$0
9. NEW PRIMARY OIL OR GAS PRODUCTION FROM ANY PRODUCING OIL AND GAS LEASEHOLD OR LAND ( 29-1-301(1)(b) C.R.S.): ##	\$0
10. TAXES COLLECTED LAST YEAR ON OMITTED PROPERTY AS OF AUG. 1 (29-1-301(1))(a) C.R.S.):	\$0.00
11. TAXES ABATED AND REFUNDED AS OF AUG. 1 (29-1-301(1)(a) C.R.S.) and (39-10-114(1)(a)(I)(B) C.R.S.):	\$0.00

\* This value reflects personal property exemptions IF enacted by the jurisdiction as authorized by Art. X, Sec.20(8)(b),Colo.

\*\* New construction is defined as: Taxable real property structures and the personal property connected with the structure.

# Jurisdiction must submit respective certifications (Forms DLG 52 AND 52A) to the Division of Local Government in order for the values to be treated as growth in the limit calculation.

## Jurisdiction must apply (Forms DLG 52B) to the Division of Local Government before the value can be treated as growth in the limit calculation.

<b>USE FOR 'TABOR' LOCAL GROWTH CALCULATIONS ONLY</b>
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IN ACCORDANCE WITH THE PROVISION OF ARTICLE X, SECTION 20, COLO CONST, AND 39-5-121(2)(b),C.R.S. THE ASSESSOR CERTIFIES THE TOTAL ACTUAL VALUATION FOR THE TAXABLE YEAR 2018 IN DOUGLAS COUNTY, COLORADO ON AUGUST 25, 2018

1. CURRENT YEAR'S TOTAL ACTUAL VALUE OF ALL REAL PROPERTY: @	\$45,938
ADDITIONS TO TAXABLE REAL PROPERTY:	
2. CONSTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS: !	\$0
3. ANNEXATIONS/INCLUSIONS:	\$0
4. INCREASED MINING PRODUCTION: %	\$0
5. PREVIOUSLY EXEMPT PROPERTY:	\$0
6. OIL OR GAS PRODUCTION FROM A NEW WELL:	\$0
7. TAXABLE REAL PROPERTY OMITTED FROM THE PREVIOUS YEAR'S TAX WARRANT:	\$0

(If land and/or a structure is picked up as omitted property for multiple years, only the most current year's actual value can be reported as omitted property.)

DELETIONS FROM TAXABLE REAL PROPERTY:

8. DESTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS:	\$0
9. DISCONNECTIONS/EXCLUSION:	\$0
10. PREVIOUSLY TAXABLE PROPERTY:	\$0

@ This includes the actual value of all taxable real property plus the actual value of religious, private schools, and charitable real property.

! Construction is defined as newly constructed taxable real property structures.

% Includes production from new mines and increases in production of existing producing mines.

IN ACCORDANCE WITH 39-5-128(1),C.R.S. AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES TO SCHOOL DISTRICTS : 1. TOTAL ACTUAL VALUE OF ALL TAXABLE PROPERTY:----->	\$0
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NOTE: All levies must be Certified to the Board of County Commissioners NO LATER THAN DECEMBER 15, 2018

Data Date: 11/20/2018

**EXHIBIT C**  
**2018 Budget**



CliftonLarsonAllen

CliftonLarsonAllen LLP  
CLAAconnect.com

## Accountant's Compilation Report

Board of Directors  
The Canyons Metropolitan District No. 7  
Douglas County, Colorado

Management is responsible for the accompanying budget of revenues, expenditures and fund balances of The Canyons Metropolitan District No. 7 for the year ending December 31, 2018, including the estimate of comparative information for the year ending December 31, 2017, and the actual comparative information for the year ending December 31, 2016, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. 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 American Institute of Certified Public Accountants. 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.

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 Canyons Metropolitan District No. 7.

*CliftonLarsonAllen LLP*

Greenwood Village, Colorado  
January 11, 2018

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**SUMMARY**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 1,000
<b>REVENUES</b>			
1 Property taxes	-	188	224
2 Specific ownership taxes	-	20	20
3 Developer advance	-	28,103	52,756
4 Other income	-	2	-
5 Developer Contribution	-	8,317,507	23,039,837
Total revenues	-	8,345,820	23,092,837
Total funds available	-	8,345,820	23,093,837
<b>EXPENDITURES</b>			
6 General and administration			
7 Accounting	-	23,932	28,000
8 Audit	-	-	4,800
9 Contingency	-	-	197
10 County Treasurer's fees	-	3	3
11 Dues and membership	-	300	500
12 Election	-	-	2,000
13 Insurance	-	2,000	2,500
14 Legal	-	18,582	35,000
15 Miscellaneous	-	10	-
16 Capital projects			
17 Capital outlay	-	7,375,906	19,638,547
18 Contingency	-	-	1,800,000
19 Engineering	-	924,087	1,581,290
Total expenditures	-	8,344,820	23,092,837
Total expenditures and transfers out requiring appropriation	-	8,344,820	23,092,837
ENDING FUND BALANCES	\$ -	\$ 1,000	\$ 1,000
EMERGENCY RESERVE	\$ -	\$ 100	\$ 100
TOTAL RESERVE	\$ -	\$ 100	\$ 100

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

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**PROPERTY TAX SUMMARY INFORMATION**  
**For the Years Ended and Ending December 31,**

1/11/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
<b>ASSESSED VALUATION - DOUGLAS</b>			
Agricultural	\$ -	\$ 11,070	\$ 11,880
Vacant Land	270	-	-
Natural Resources	-	-	1,310
Certified Assessed Value	<u>\$ 270</u>	<u>\$ 11,070</u>	<u>\$ 13,190</u>
<b>MILL LEVY</b>			
GENERAL FUND	-	17.000	17.000
Total Mill Levy	<u>-</u>	<u>17.000</u>	<u>17.000</u>
<b>PROPERTY TAXES</b>			
GENERAL FUND	\$ -	\$ 188	\$ 224
Budgeted Property Taxes	<u>\$ -</u>	<u>\$ 188</u>	<u>\$ 224</u>
<b>BUDGETED PROPERTY TAXES</b>			
GENERAL FUND	\$ -	\$ 188	\$ 224
	<u>\$ -</u>	<u>\$ 188</u>	<u>\$ 224</u>

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



**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**GENERAL FUND**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 1,000
<b>REVENUES</b>			
1 Property taxes	-	188	224
2 Specific ownership taxes	-	20	20
3 Developer advance	-	28,103	52,756
4 Other income	-	2	-
Total revenues	-	28,313	53,000
Total funds available	-	28,313	54,000
<b>EXPENDITURES</b>			
General and administration			
5 Accounting	-	15,000	18,000
6 Audit	-	-	4,800
7 Contingency	-	-	197
8 County Treasurer's fees	-	3	3
9 Dues and membership	-	300	500
10 Election	-	-	2,000
11 Insurance	-	2,000	2,500
12 Legal	-	10,000	25,000
13 Miscellaneous	-	10	-
Total expenditures	-	27,313	53,000
Total expenditures and transfers out requiring appropriation	-	27,313	53,000
ENDING FUND BALANCES	\$ -	\$ 1,000	\$ 1,000
EMERGENCY RESERVE	\$ -	\$ 100	\$ 100
TOTAL RESERVE	\$ -	\$ 100	\$ 100

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

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**CAPITAL PROJECTS FUND**  
**2018 BUDGET AS ADOPTED**  
**WITH 2016 ACTUAL AND 2017 ESTIMATED**  
**For the Years Ended and Ending December 31,**

1/11/2018

	ACTUAL 2016	ESTIMATED 2017	ADOPTED 2018
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 Developer Contribution	-	8,317,507	23,039,837
Total revenues	<u>-</u>	<u>8,317,507</u>	<u>23,039,837</u>
Total funds available	<u>-</u>	<u>8,317,507</u>	<u>23,039,837</u>
EXPENDITURES			
General and administration			
2 Accounting	-	8,932	10,000
3 Legal	-	8,582	10,000
Capital projects			
4 Capital outlay	-	7,375,906	19,638,547
5 Contingency	-	-	1,800,000
6 Engineering	-	924,087	1,581,290
Total expenditures	<u>-</u>	<u>8,317,507</u>	<u>23,039,837</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>8,317,507</u>	<u>23,039,837</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**2018 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Services Provided**

The District was organized to provide financing for the design, acquisition, installation and construction of storm and sanitary sewers, water systems, streets, parks and recreation facilities, transportation systems, television relay and translator facilities, security, mosquito control and fire protection and operation and maintenance of the District. The District's service area is located in the City of Castle Pines in Douglas County, Colorado and the District operates in connection with Districts Nos. 1 - 6 and 8 - 11.

The District was formed by District Court Order on December 19, 2001, and held its organizational meeting on March 14, 2002. The relationship between the Service District and Financing Districts, including the means for approving, financing, constructing and operating the public services and improvements needed to serve the development are outlined in the Master Reimbursement Agreement executed December 29, 2015 by the District and District Nos. 5 and 6.

On November 4, 2014, District voters approved authorization to increase property taxes up to \$5,000,000, annually, as necessary, to pay for the operations and maintenance expenditures of the District. Debt authorization was approved in the amount of \$151,000,000 for the above listed facilities and an equal amount for refunding debt. The voters also authorized debt of \$5,000,000 for the costs of operating and maintaining the District's systems and \$10,000,000 for the issuance of mortgages, liens and other encumbrances on District real and personal property. The election also allows the District to retain all revenues without regard to the limitations contained in Article X, Section 20 of the Colorado constitution or any other law.

On November 4, 2014, District voters approved authorization to increase property taxes up to \$100,000,000, annually, as necessary, to pay for the operations and maintenance expenditures of the District as well as \$100,000,000, annually, as necessary to pay for the capital expenditures of the District. Debt authorization was approved in the amount of \$2,260,000,000 for the above listed facilities and \$226,000,000 for refunding debt. The voters authorized debt of \$226,000,000 for the costs of operating and maintaining the District's systems and \$50,000,000 for the issuance of mortgages, liens and other encumbrances on District real and personal property. The voters also authorized \$226,000,000 in debt for both Intergovernmental Agreements and Private Agreements. The election also allows the District to retain all revenues without regard to the limitations contained in Article X, Section 20 of the Colorado constitution or any other law.

Pursuant to the Amended and Restated Service Plan, the maximum mill levy for general obligation debt and operations and maintenance is 69.000 mills. This limit is to be adjusted for increases or decreases in the residential assessment ratio (for the debt portion of the mill levy only) so that the actual tax revenues derived from the mill levy, as adjusted, are neither diminished nor enhanced as a result.

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.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**2018 BUDGET**  
**SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Revenues**

**Developer Advance**

The District is in the development stage. As such, the operating and administrative expenditures are to be funded by others. Advances are recorded as revenue for budget purposes with an obligation for future repayment when the District is financially able to reimburse others from bond proceeds and other available revenue.

**Developer Contributions**

The District is in the development stage. As such, the capital expenditures are to be funded by others. The District will receive contributions to fund such costs with no obligation for repayment.

**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 page of the Budget and is pursuant to the Master Reimbursement Agreement. Collectively, Districts Nos. 5, 6, and 7 are permitted to levy 69.000 mills, with the debt service portion of Districts No. 5 and No 6 being adjusted for changes in the assessment ration which brings the total mill leave for all three districts to 74.277 mills. The total adopted mill levy is shown on the Property Tax Summary page of the budget.

**Specific Ownership Tax**

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing with 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 11% of the property taxes collected.

**Expenditures**

**County Treasurer's Fees**

County Treasurer's collection fees have been computed at 1.5% of property taxes.

**General and Administrative Expenditures**

General and administrative expenditures have been provided based on estimates of the District's Board of Directors and consultants and include the services necessary to maintain the District's administrative viability such as accounting, legal, insurance, and other administrative expenditures.

**THE CANYONS METROPOLITAN DISTRICT NO. 7  
2018 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Expenditures (continued)**

**Capital Outlay**

The District anticipates capital expenditures as noted on the Capital Projects Fund page of the budget. The District will own, operate and maintain all District eligible public improvements within its boundaries that are not dedicated to any other public entity. District Nos. 5 and 6 will finance the cost of such improvements.

**Debt and Leases**

The District has no outstanding debt, nor any operating or capital leases.

**Reserves**

**Emergency Reserves**

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

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

**EXHIBIT D**  
**2017 Audit Report**

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**Douglas County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2017**

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Dazzio & Associates, PC

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Certified Public Accountants

## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
The Canyons Metropolitan District No. 7  
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of The Canyons Metropolitan District No. 7 as of and for the year December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

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• Member American Institute of Certified Public Accountants • Member Colorado Society of Certified Public Accountants •

## Opinions

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 Canyons Metropolitan District No. 7, as of December 31, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

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 opinion on the basic financial statements is not affected by this missing information.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The Canyons Metropolitan District No. 7's basic financial statements. The budget to actual schedule for the Capital Projects Fund (Supplementary Information) and the Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected (Other Information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Dassio & Associates, P.C.*

July 6, 2018

## **BASIC FINANCIAL STATEMENTS**

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**STATEMENT OF NET POSITION**  
**Year Ended December 31, 2017**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and investments	\$ 1,029
Prepaid expense	2,488
Receivable - County Treasurer	1
Property taxes receivable	224
Construction in progress	7,822,603
Total assets	7,826,345
<b>LIABILITIES</b>	
Accounts payable	1,127,623
Retainage payable	189,486
Noncurrent liabilities	
Due in more than one year	46,197
Total liabilities	1,363,306
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	224
Total deferred inflows of resources	224
<b>NET POSITION</b>	
Unrestricted	6,462,815
Total net position	\$ 6,462,815

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

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
				<u>Governmental Activities</u>	
Primary government:					
Government activities:					
General government	\$ 92,274	\$ -	\$ -	\$ 6,554,883	\$ 6,462,609
	<u>\$ 92,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,554,883</u>	<u>6,462,609</u>
General revenues:					
Property taxes				188	
Specific ownership taxes				17	
Other income				1	
Total general revenues				<u>206</u>	
Change in net position				6,462,815	
Net position - Beginning				-	
Net position - Ending				<u>\$ 6,462,815</u>	

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

**THE CANYONS METROPOLITAN DISTRICT NO. 7  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2017**

	<b>General</b>	<b>Capital Projects</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 1,029	\$ -	\$ 1,029
Property taxes receivable	224	-	224
Receivable from County Treasurer	1	-	1
Prepaid expenditure	2,488	-	2,488
<b>TOTAL ASSETS</b>	<b>\$ 3,742</b>	<b>\$ -</b>	<b>\$ 3,742</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Accounts payable	\$ 7,127	\$ 1,120,496	\$ 1,127,623
Retainage payable	-	189,486	189,486
Total liabilities	7,127	1,309,982	1,317,109
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	224	-	224
Total deferred inflows of resources	224	-	224
<b>FUND BALANCES</b>			
Nonspendable:	2,488	-	2,488
Restricted for:			
Capital Projects	-	(1,309,982)	(1,309,982)
Unassigned:	(6,097)	-	(6,097)
Total fund balances	(3,609)	(1,309,982)	(1,313,591)
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 3,742</b>	<b>\$ -</b>	

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 as assets in the funds.		
Construction in progress		7,822,603
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.		
Developer advance payable		(44,986)
Accrued interest on developer advance payable		(1,211)
Net position of governmental activities		<b>\$ 6,462,815</b>

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

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 188	\$ -	\$ 188
Specific ownership taxes	17	-	17
Other income	1	-	1
Total revenues	<u>206</u>	<u>-</u>	<u>206</u>
<b>EXPENDITURES</b>			
Current			
Accounting	15,097	-	15,097
County treasurer's fee	3	-	3
Dues and membership	300	-	300
Legal	33,392	-	33,392
Miscellaneous	9	-	9
Capital			
Accounting	-	8,610	8,610
Legal	-	33,153	33,153
Miscellaneous	-	499	499
Engineering	-	1,409,363	1,409,363
Soft costs	-	595,010	595,010
Drainage/storm	-	900	900
Street improvements	-	13,152	13,152
Sewer	-	5,804,178	5,804,178
Total expenditures	<u>48,801</u>	<u>7,864,865</u>	<u>7,913,666</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(48,595)</u>	<u>(7,864,865)</u>	<u>(7,913,460)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer contribution	-	6,554,883	6,554,883
Developer advance	44,986	-	44,986
Total other financing sources (uses)	<u>44,986</u>	<u>6,554,883</u>	<u>6,599,869</u>
<b>NET CHANGE IN FUND BALANCES</b>	(3,609)	(1,309,982)	(1,313,591)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ (3,609)</u>	<u>\$ (1,309,982)</u>	<u>\$ (1,313,591)</u>

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

**THE CANYONS METROPOLITAN DISTRICT NO. 7  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

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

Net change in fund balances - Total governmental funds	\$	(1,313,591)
--	----	-------------

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		7,822,603
----------------	--	-----------

The issuance of long-term debt (e.g. bond issuance, developer advance) provides current financial resources to governmental funds, while the repayment of the 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 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.

Developer advance		(44,986)
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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.

Accrued interest on developer advances		(1,211)
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Changes in net position of governmental activities	\$	<u>6,462,815</u>
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.



**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES - BUDGET AND ACTUAL**  
**Year Ended December 31, 2017**

	<u>Budgets</u>		<u>Actual Amounts</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>REVENUES</b>				
Property tax	\$ 188	\$ 188	\$ 188	\$ -
Specific ownership tax	20	20	17	(3)
Other income	-	-	1	1
Total revenues	<u>208</u>	<u>208</u>	<u>206</u>	<u>(2)</u>
<b>EXPENDITURES</b>				
Accounting	18,000	18,000	15,097	2,903
County treasurer's fee	3	3	3	-
Contingency	4,500	4,497	-	4,497
Dues and membership	500	500	300	200
Insurance and bonds	2,000	2,000	-	2,000
Legal	25,000	35,000	33,392	1,608
Miscellaneous	-	-	9	(9)
Total expenditures	<u>50,003</u>	<u>60,000</u>	<u>48,801</u>	<u>11,199</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(49,795)</u>	<u>(59,792)</u>	<u>(48,595)</u>	<u>11,197</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer advance	50,000	60,000	44,986	(15,014)
Total other financing sources (uses)	<u>50,000</u>	<u>60,000</u>	<u>44,986</u>	<u>(15,014)</u>
<b>NET CHANGE IN FUND BALANCES</b>	205	208	(3,609)	(3,817)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 205</u>	<u>\$ 208</u>	<u>\$ (3,609)</u>	<u>\$ (3,817)</u>

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

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court of Douglas County, Colorado ("City") on June 4, 2010, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan approved by the City of Castle Pines North in Douglas County, Colorado on October 22, 2009, as amended by a First Amendment thereto approved by the City on December 8, 2015. The District's service area is located in the City of Castle Pines North in Douglas County, Colorado and the District operates in connection with Districts Nos. 1-6 and 8-11.

The District was established to provide financing for the operations and maintenance and design, acquisition, installation, construction, relocation, redevelopment, and completion of public improvements, covenant enforcement services, and planning services, including water, sanitation, streets, security services, park and recreation, public transportation, traffic and safety, limited fire protection, limited television relay and translation, and mosquito control.

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

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

**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.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

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

Separate financial statements are provided for 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 government 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 taxes 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 Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital improvements.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**Budgets**

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures 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 unearned property tax revenues are recorded as revenue in the year they are available or collected.

**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.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**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.

***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
- *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.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 - CASH AND INVESTMENTS**

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

Statement of net position:  
Cash and investments \$ 1,029

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

Deposits with financial institutions \$ 1,029

**Deposits with Financial Institutions**

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

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

At December 31, 2017, the District's cash deposits had a bank balance of \$894,769 and a carrying balance of \$1,029.

**NOTE 4 – CAPITAL ASSETS**

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

	<b>Balance at December 31, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at December 31, 2017</b>
<b>Governmental Type Activities:</b>				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$7,822,603	\$ -	\$ 7,822,603
Total capital assets, not being depreciated	\$ -	\$7,822,603	\$ -	\$ 7,822,603

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – LONG TERM OBLIGATIONS**

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

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Developer advance - Operations - Principal	\$ -	\$ 44,986	\$ -	\$ 44,986	\$ -
Developer advance - Operations - Interest	-	1,211	-	1,211	-
Total long term liabilities	<u>\$ -</u>	<u>\$ 46,197</u>	<u>\$ -</u>	<u>\$ 46,197</u>	<u>\$ -</u>

The detail of the District's long-term obligation is as follows:

**Operations Funding and Reimbursement Agreement**

The District and the Master Builder (see Note 7) entered into a Funding and Reimbursement Agreement (Operations and Maintenance) on November 14, 2016 (“Operations Funding Agreement”) whereby the Master Builder agreed to loan moneys to the District for the purpose of covering revenue shortfalls with respect to operation and maintenance expenses of the District.

Under the Operations Funding Agreement, the Master Builder agrees to loan the District up to \$50,000 per year (the “Annual O&M Loan Cap”), for four years (being fiscal years 2016, 2017, 2018 and 2019), not to exceed \$200,000 (subject to increase as described below, the “Maximum Loan Amount”). Interest accrues at a rate of 5%, plus the Municipal Market Data (MMD) BAA 30 year index, simple interest, annually. The funds are to be loaned to the District in a series of installments and are to be available to the District through December 31, 2019 (the “O&M Loan Obligation Termination Date”). Thereafter, the Master Builder may agree to renew its agreement on an annual basis by providing written notice to the District, in which case, the Loan Obligation Termination Date will be amended to the date provided but not earlier than December 31 of the succeeding year.

After forty (40) years from the execution of this Agreement, the Parties hereby agree and acknowledge that any obligation which remains due and outstanding, including accrued interest, is forgiven in its entirety, generally and conditionally released, waived, acquitted and forever discharged, and shall be deemed a contribution to the District by Shea Canyons and there shall be no further obligation of the District to pay or reimburse Shea Canyons.

As of December 31, 2017, the District had \$44,986 of principal outstanding and accrued interest of \$1,211 outstanding under this Agreement.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

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

**Authorized Debt**

At December 31, 2017, the District has authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Amount Authorized May 4, 2010</u>	<u>Amount Authorized November 4, 2014</u>	<u>Authorized But Unissued</u>
Streets	\$ 100,000,000	\$ 226,000,000	\$ 326,000,000
Water	100,000,000	226,000,000	326,000,000
Sanitation	100,000,000	226,000,000	326,000,000
Parks and recreation	100,000,000	226,000,000	326,000,000
Public transportation	100,000,000	226,000,000	326,000,000
Television relay	100,000,000	226,000,000	326,000,000
Mosquito control	100,000,000	226,000,000	326,000,000
Security services	100,000,000	226,000,000	326,000,000
Traffic and safety	100,000,000	226,000,000	326,000,000
Fire protection	-	226,000,000	226,000,000
Operations and maintenance	100,000,000	226,000,000	326,000,000
Refundings	100,000,000	226,000,000	326,000,000
Intergovernmental Agreements	100,000,000	226,000,000	326,000,000
Private Agreements	100,000,000	226,000,000	326,000,000
Special Assessment indebtedness	-	226,000,000	226,000,000
	<u>\$ 1,300,000,000</u>	<u>\$ 3,390,000,000</u>	<u>\$ 4,690,000,000</u>

Pursuant to the Amended and Restated Service Plan, the aggregate debt limit is \$226,000,000 for all of District Nos. 2-11 combined, exclusive of refundings.

Pursuant to the Amended and Restated Service Plan, the maximum mill levy for general obligation debt and operations and maintenance is 69.000 mills of which the District imposes 17 mills for operations. The debt service portion of the limit is to be adjusted for increases or decreases in the residential assessment ratio so that the actual tax revenues derived from the mill levy, as adjusted, are neither diminished nor enhanced as a result.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**NOTE 6 - NET POSITION**

The District had an unrestricted net position as of December 31, 2017.



**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 7 - RELATED PARTIES**

The Original landowner of the property which constitutes the District is North Canyons, LLLP. During 2016, the Original landowner sold property to the Shea Canyons (the "Master Builder") who will serve as Developer of the first phase of development for the project.

**NOTE 8 - DISTRICT AGREEMENTS**

**Capital Contribution Agreement**

The District and the Master Builder entered into a Contribution Agreement (Capital) on December 20, 2016 ("Contribution Agreement") whereby the Master Builder agreed to contribute funding to the District in order to finance the completion of the Public Improvements. The Contribution Funds shall be used by the District for the sole purpose of financing the Public Improvements. The District and the Master Builder agree and acknowledge that there shall be, under no circumstance, any obligation, present or future, of the District to pay or reimburse the Master Builder with respect to the Contribution Funds it receives to fund the Construction Contract the Public Improvements. All Contribution Funds received by the District shall be deemed to be a contribution in their entirety. During 2017, the District received capital contributions totaling \$6,554,883.

**Master Reimbursement Agreement**

The District entered into a Master Reimbursement Agreement (the "Agreement") with The Canyons Metropolitan District No. 5 ("District No. 5") and The Canyons Metropolitan District No. 6 ("District No. 6"), the Original Landowner, the Master Builder, and Oread Canyons, LLC ("Oread"), a Colorado limited liability company. Pursuant to the Agreement, District No. 5 and District No. 6 will reimburse Oread and the Original Landowner for the costs of the District-Eligible Public Improvements, which are to be constructed by the Master Builder or its assignee, all as more particularly described in the Agreement. The District will own, operate and maintain all District-Eligible Public Improvements within its boundaries that are not dedicated to any other public entity.

Under the Agreement, the Consolidated Service Plan established a combined mill levy limitation (applicable to both debt service and operation and maintenance mill levies imposed by the Districts) of 69 mills. District No. 5 will impose 40 mills for debt service and District No. 6 will impose 10 mills for debt service as adjusted for changes in the residential assessment ratio. District No. 5 and District No. 6 will each impose 1 mill to pay for the respective District's administrative costs. The District will impose 17 mills for operations.

The Agreement states that District No. 5 and District No. 6 are also entitled to 80% and 20% respectively of PIF Revenues and Facilities Fees, and is obligated to pay 80% and 20% respectively of the Collective Reimbursement Obligation, or the Bonds used for financing District-Eligible Public Improvements.

The Agreement also sets forth the procedures for submittal, review, certification and acceptance of the costs of Public Improvements constructed by the District and the Master Builder.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 8 - DISTRICT AGREEMENTS (CONTINUED)**

**Intergovernmental Agreement with the City**

As contemplated by the Service Plan, the Canyons Districts (being District Nos. 1-11) and the City entered into an Intergovernmental Agreement for The Canyons Metropolitan District Nos. 1-11, dated as of December 6, 2010, as amended pursuant to a First Amendment thereto dated December 11, 2015 (as so amended, the "City IGA"), which, among other things, recites the limitations on the Canyons Districts' provision of services and exercise of powers as set forth in the Service Plan.

In addition to the limitations contained in the Service Plan, the City IGA specifies that completed Public Improvements are to be dedicated to the City, Parker Water and Sanitation District ("Parker Water"), or other appropriate governmental entities. The Canyons Districts are authorized to undertake and coordinate any operational requirements for Public Improvements that will not ultimately be conveyed to the City, Parker Water, or other governmental entity and may also operate and maintain Public Improvements that are pending final acceptance by the City. Upon acceptance by the City, Parker Water, or other appropriate governmental entity, none of the Canyons Districts are authorized to operate or maintain such Public Improvements unless authorized under separate intergovernmental agreement with the City, Parker Water, or such other governmental entity, respectively. The Canyons Districts are specifically authorized to own, operate and maintain park and recreation improvements and landscaped or open space parcels. The City IGA also specifies that none of the Canyons Districts are authorized to engage in the provision of any television relay and translation facilities or services and, subject to certain exceptions for improvements comprising a portion of the water system improvements, shall not be authorized to provide fire protection facilities or services.

**NOTE 9 - 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, workers compensation, property and public officials' liability 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.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, referred to 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 limits must be refunded unless the voters approve retention of such revenue.

On May 4, 2010 and November 4, 2014, the District voters passed an election question to increase property taxes \$100,000,000 per election annually as adjusted for inflation, without limitation of rate, to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, retain and spend all revenue without regard to any limitations under TABOR.

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. District No. 1, which serves as the Operating District, has established an Emergency Reserve for the District.

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**

**THE CANYONS METROPOLITAN DISTRICT NO. 7  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Net investment income	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES</b>			
Accounting	-	8,610	(8,610)
Legal	-	33,153	(33,153)
Miscellaneous	-	499	(499)
Engineering	-	1,409,363	(1,409,363)
Soft costs	-	595,010	(595,010)
Drainage/storm	-	900	(900)
Street improvements	-	13,152	(13,152)
Sewer	-	5,804,178	(5,804,178)
Capital outlay	21,500,000	-	21,500,000
Total expenditures	<u>21,500,000</u>	<u>7,864,865</u>	<u>13,635,135</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(21,500,000)</u>	<u>(7,864,865)</u>	<u>13,635,135</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer contribution	21,500,000	6,554,883	(14,945,117)
Total other financing sources (uses)	<u>21,500,000</u>	<u>6,554,883</u>	<u>(14,945,117)</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	(1,309,982)	(1,309,982)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ (1,309,982)</u>	<u>\$ (1,309,982)</u>

## **OTHER INFORMATION**

**THE CANYONS METROPOLITAN DISTRICT NO. 7  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY  
AND PROPERTY TAXES COLLECTED  
Year Ended December 31, 2017**

<b>Year Ended December 31</b>	<b>Prior Year Assessed Valuation for Current Year Property Tax Levy</b>	<b>Mills Levied</b>		<b>Total Property Taxes</b>		<b>Percent Collected to Levied</b>
		<b>General</b>	<b>Debt Service</b>	<b>Levied</b>	<b>Collected</b>	
2016	\$ 270	0.000	0.000	\$ -	\$ -	N/A
2017	\$ 11,070	17.000	0.000	\$ 188	\$ 188	100.00%
Estimated for year ending December 31, 2018	\$ 13,190	17.000	0.000	\$ 224		

Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.