THE CANYONS METROPOLITAN DISTRICT NO. 7
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2017

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Dazzio & Associates, PC
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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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.

Dazzio & Associates, P.C.

July 6, 2018

BASIC FINANCIAL STATEMENTS

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

		Governmental Activities
ASSETS		
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
LIABILITIES		
Accounts payable		1,127,623
Retainage payable		189,486
Noncurrent liabilities		
Due in more than one year		46,197
Total liabilities		1,363,306
DEFERRED INFLOWS OF RESOURCES		
Property tax revenue		224
Total deferred inflows of resources		224
NET POSITION		
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

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary government:					
Government activities:					
General government	$ 92,274	$ -	$ -	$ 6,554,883	$ 6,462,609
	$ 92,274	$ -	$ -	$ 6,554,883	6,462,609
General revenues:					
Property taxes					188
Specific ownership taxes					17
Other income					1
Total general revenues					206
Change in net position					6,462,815
Net position - Beginning					-
Net position - Ending					$ 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
BALANCE SHEET
GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments	$ 1,029	$ -	$ 1,029
Property taxes receivable	224	-	224
Receivable from County Treasurer	1	-	1
Prepaid expenditure	2,488	-	2,488
TOTAL ASSETS	$ 3,742	$ -	$ 3,742
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
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
DEFERRED INFLOWS OF RESOURCES			
Property tax revenue	224	-	224
Total deferred inflows of resources	224	-	224
FUND BALANCES			
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)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 3,742	$ -	

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	$ 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 REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	General Fund	Capital Projects	Total Governmental Funds
REVENUES			
Property taxes	$ 188	$ -	$ 188
Specific ownership taxes	17	-	17
Other income	1	-	1
Total revenues	206	-	206
EXPENDITURES			
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	48,801	7,864,865	7,913,666
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(48,595)	(7,864,865)	(7,913,460)
OTHER FINANCING SOURCES (USES)			
Developer contribution	-	6,554,883	6,554,883
Developer advance	44,986	-	44,986
Total other financing sources (uses)	44,986	6,554,883	6,599,869
NET CHANGE IN FUND BALANCES	(3,609)	(1,309,982)	(1,313,591)
FUND BALANCES - BEGINNING OF YEAR	-	-	-
FUND BALANCES - END OF YEAR	$ (3,609)	$ (1,309,982)	$ (1,313,591)

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)
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)
Changes in net position of governmental activities	$	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

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

Year Ended December 31, 2017

	Budgets Original	Budgets Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property tax	$ 188	$ 188	$ 188	$ -
Specific ownership tax	20	20	17	(3)
Other income	-	-	1	1
Total revenues	208	208	206	(2)
EXPENDITURES				
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	50,003	60,000	48,801	11,199
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(49,795)	(59,792)	(48,595)	11,197
OTHER FINANCING SOURCES (USES)				
Developer advance	50,000	60,000	44,986	(15,014)
Total other financing sources (uses)	50,000	60,000	44,986	(15,014)
NET CHANGE IN FUND BALANCES	205	208	(3,609)	(3,817)
FUND BALANCES - BEGINNING OF YEAR	-	-	-	-
FUND BALANCES - END OF YEAR	$ 205	$ 208	$ (3,609)	$ (3,817)

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

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.

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.

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.

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.

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:

	Balance at December 31, 2016	Additions	Deletions	Balance at December 31, 2017
Governmental Type Activities:				
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

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:

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

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.

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:

	Amount Authorized May 4, 2010	Amount Authorized November 4, 2014	Authorized But Unissued
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
	$ 1,300,000,000	$ 3,390,000,000	$ 4,690,000,000

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.

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 Pubic 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.

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.

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.

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

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Net investment income	$ -	$ -	$ -
Total revenues	-	-	-
EXPENDITURES			
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	21,500,000	7,864,865	13,635,135
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(21,500,000)	(7,864,865)	13,635,135
OTHER FINANCING SOURCES (USES)			
Developer contribution	21,500,000	6,554,883	(14,945,117)
Total other financing sources (uses)	21,500,000	6,554,883	(14,945,117)
NET CHANGE IN FUND BALANCES	-	(1,309,982)	(1,309,982)
FUND BALANCES - BEGINNING OF YEAR	-	-	-
FUND BALANCES - END OF YEAR	$ -	$ (1,309,982)	$ (1,309,982)

OTHER INFORMATION

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

Year Ended December 31	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
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.