

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2019**

**THE CANYONS METROPOLITAN DISTRICT NO. 7  
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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, 2019, 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, 2019, 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.

*Dazio & Associates, P.C.*

June 2, 2020

## **BASIC FINANCIAL STATEMENTS**

**THE CANYONS METROPOLITAN DISTRICT NO. 7  
STATEMENT OF NET POSITION  
YEAR ENDED DECEMBER 31, 2019**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 902
Cash and Investments - Restricted	100
Prepaid Expense	2,510
Accounts Receivable	1,165,256
Receivable - County Treasurer	2
Property Taxes Receivable	165,686
Construction in Progress	53,983,784
Total Assets	55,318,240
<b>LIABILITIES</b>	
Accounts Payable	1,200,040
Retainage Payable	1,229,570
Noncurrent Liabilities:	
Due in More Than One Year	185,398
Total Liabilities	2,615,008
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Tax Revenue	165,686
Total Deferred Inflows of Resources	165,686
<b>NET POSITION</b>	
Restricted for:	
Emergency Reserves	100
Unrestricted	52,537,446
Total Net Position	\$ 52,537,546

See accompanying Notes to Basic Financial Statements.

**THE CANYONS METROPOLITAN DISTRICT NO. 7  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2019**

		Program Revenues			Net Revenues (Expenses) and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>					
Primary Government:					
Government Activities:					
General Government	\$ 116,214	\$ -	\$ -	\$ 30,492,509	\$ 30,376,295
Interest and Related Costs on Long-Term Debt	10,651	-	-	-	(10,651)
Total Governmental Activities	\$ 126,865	\$ -	\$ -	\$ 30,492,509	30,365,644
<b>GENERAL REVENUES</b>					
					226
					23
					249
<b>CHANGES IN NET POSITION</b>					30,365,893
					22,171,653
<b>NET POSITION - END OF YEAR</b>					\$ 52,537,546

See accompanying Notes to Basic Financial Statements.

**THE CANYONS METROPOLITAN DISTRICT NO. 7  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2019**

	General	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Cash and Investments	\$ 902	\$ -	\$ 902
Cash and Investments - Restricted	100	-	100
Accounts Receivable	9,771	1,155,485	1,165,256
Receivable from County Treasurer	2	-	2
Prepaid Expenditure	2,510	-	2,510
Property Taxes Receivable	165,686	-	165,686
	<u>\$ 178,971</u>	<u>\$ 1,155,485</u>	<u>\$ 1,334,456</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 13,598	\$ 1,186,442	\$ 1,200,040
Retainage Payable	-	1,229,570	1,229,570
Total Liabilities	<u>13,598</u>	<u>2,416,012</u>	<u>2,429,610</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Tax Revenue	165,686	-	165,686
Total Deferred Inflows of Resources	<u>165,686</u>	<u>-</u>	<u>165,686</u>
<b>FUND BALANCES</b>			
Nonspendable	2,510	-	2,510
Restricted for:			
Emergency Reserves	100	-	100
Unassigned	(2,923)	(1,260,527)	(1,263,450)
Total Fund Balances	<u>(313)</u>	<u>(1,260,527)</u>	<u>(1,260,840)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 178,971</u>	<u>\$ 1,155,485</u>	
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			53,983,784
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			(167,500)
Accrued Interest on Developer Advance Payable			(17,898)
Net Position of Governmental Activities			<u>\$ 52,537,546</u>

See accompanying Notes to Basic Financial Statements.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2019**

	General Fund	Capital Projects	Total Governmental Funds
<b>REVENUES</b>			
Property Taxes	\$ 226	\$ -	\$ 226
Specific Ownership Taxes	23	-	23
Total Revenues	<u>249</u>	<u>-</u>	<u>249</u>
<b>EXPENDITURES</b>			
General & Administrative:			
Accounting	31,708	-	31,708
Audit	4,800	-	4,800
County Treasurer's Fee	3	-	3
Dues and Membership	308	-	308
Insurance and Bonds	2,758	-	2,758
District Management	1,852	-	1,852
Legal	20,840	-	20,840
Capital:			
Accounting	-	13,338	13,338
Legal	-	40,607	40,607
Engineering	-	785,980	785,980
Landscaping	-	674,573	674,573
Water	-	3,101,006	3,101,006
Drainage/Storm	-	4,316,083	4,316,083
Street Improvements	-	10,514,423	10,514,423
Sewer	-	5,909,814	5,909,814
Total Expenditures	<u>62,269</u>	<u>25,355,824</u>	<u>25,418,093</u>
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>	(62,020)	(25,355,824)	(25,417,844)
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Contribution	-	30,492,509	30,492,509
Developer Advance	76,427	-	76,427
Total Other Financing Sources	<u>76,427</u>	<u>30,492,509</u>	<u>30,568,936</u>
<b>NET CHANGE IN FUND BALANCES</b>	14,407	5,136,685	5,151,092
Fund Balances - Beginning of Year	<u>(14,720)</u>	<u>(6,397,212)</u>	<u>(6,411,932)</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ (313)</u>	<u>\$ (1,260,527)</u>	<u>\$ (1,260,840)</u>

See accompanying Notes to Basic 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, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ 5,151,092

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay 25,301,879

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 (76,427)

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 (10,651)

Changes in Net Position of Governmental Activities \$ 30,365,893

**THE CANYONS METROPOLITAN DISTRICT NO. 7  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Budgets		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property Tax	\$ 226	\$ 226	\$ 226	\$ -
Specific Ownership Tax	23	23	23	-
Total Revenues	<u>249</u>	<u>249</u>	<u>249</u>	<u>-</u>
<b>EXPENDITURES</b>				
Accounting	25,000	31,750	31,708	42
Audit	4,800	4,800	4,800	-
County Treasurer's Fee	3	3	3	-
Contingency	997	2,147	-	2,147
Dues and Membership	500	500	308	192
Insurance and Bonds	2,700	2,800	2,758	42
District Management	-	2,000	1,852	148
Legal	25,000	26,000	20,840	5,160
Total Expenditures	<u>59,000</u>	<u>70,000</u>	<u>62,269</u>	<u>7,731</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(58,751)	(69,751)	(62,020)	7,731
<b>OTHER FINANCING SOURCES (USES)</b>				
Developer Advance	58,751	85,471	76,427	(9,044)
Total Other Financing Sources (Uses)	<u>58,751</u>	<u>85,471</u>	<u>76,427</u>	<u>(9,044)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	15,720	14,407	(1,313)
Fund Balance - Beginning of Year	<u>1,000</u>	<u>(14,720)</u>	<u>(14,720)</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ (313)</u>	<u>\$ (1,313)</u>

See accompanying Notes to Basic Financial Statements.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

The Canyons Metropolitan District No. 7 (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 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 (Service Plan) approved by the City of Castle Pines North (City) in Douglas County, Colorado on October 22, 2009, as amended by a First Amendment thereto approved by the City on December 8, 2015 and by a Second Amendment thereto approved by the City on December 10, 2019 collectively, the "Service Plan." 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 CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Government-Wide and Fund Financial Statements (Continued)**

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 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 BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**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.

The District has amended its annual budget for the year ended December 31, 2019.

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

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

**Capital Assets**

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

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

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**Equity**

**Net Position**

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

In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

*Net investment in capital assets* – this component of net position consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction or improvements of those assets. If there are significant unspent debt proceeds at year end, the portion of the debt attributable to the unspent proceeds is not included in this component.

*Restricted* – this component of net position consists of assets that are restricted for use as imposed by external parties such as creditors, grantors, or contributors, or as imposed by laws or regulations of other governments, or as imposed through constitutional provisions or enabling legislation.

*Unrestricted* – the component of net position that does not meet the definitions above.

**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.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Equity (Continued)**

Fund Balance (Continued)

*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.

Deficits

The General Fund and the Capital Projects Fund reported a deficit in the fund financial statements as of December 31, 2019. The deficit will be eliminated with the receipt of funds advance by the Developer in 2020.

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	<u>\$ 1,002</u>
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Cash and investments as of December 31, 2019 consist of the following:

Deposits with Financial Institutions	<u>\$ 1,002</u>
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**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**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, 2019, the District's cash deposits had a bank balance of \$81,950 and a carrying balance of \$1,002.

**Investments**

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

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

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

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

- . Obligations of the United States, certain U.S. government agency securities and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

As of December 31, 2019, the District has no investments.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	Balance at December 31, 2018	Additions	Deletions	Balance at December 31, 2019
<b>Governmental Type Activities:</b>				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 28,681,905	25,301,879	\$ -	\$ 53,983,784
Total Capital Assets, Not Being Depreciated	<u>\$ 28,681,905</u>	<u>25,301,879</u>	<u>\$ -</u>	<u>\$ 53,983,784</u>

**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, 2019:

	Balance at December 31, 2018	Additions	Reductions	Balance at December 31, 2019	Due Within One Year
<b>Governmental Activities:</b>					
Developer Advance - Operations - Principal	\$ 91,073	\$ 76,427	\$ -	\$ 167,500	\$ -
Developer Advance - Operations - Interest	7,247	10,651	-	17,898	-
Total Long-Term Liabilities	<u>\$ 98,320</u>	<u>\$ 87,078</u>	<u>\$ -</u>	<u>\$ 185,398</u>	<u>\$ -</u>

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

**Operations Funding and Reimbursement Agreement**

The District and Shea Canyons (Master Builder) 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.

**THE CANYONS METROPOLITAN DISTRICT NO. 7  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2019**

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

**Operations Funding and Reimbursement Agreement (Continued)**

After 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 the Master Builder and there shall be no further obligation of the District to pay or reimburse the Master Builder.

As of December 31, 2019, the District had \$167,500 of principal outstanding and accrued interest of \$17,898 outstanding under this Agreement.

**Authorized Debt**

At December 31, 2019, 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
Total	<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 Service Plan, the maximum mill levy for general obligation debt and operations and maintenance is 69.000 mills of which the District imposes 18.925 mills for operations. 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.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

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

**Authorized Debt (Continued)**

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 has net position consisting of two components – restricted and unrestricted.

The restricted component of net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislations. The District had restricted net position as of December 31, 2019, as follows:

Restricted Net Position:

Emergencies	<u>\$ 100</u>
Total Restricted Net Position	<u><u>\$ 100</u></u>

**NOTE 7 RELATED PARTIES**

The Original landowner of the property which constitutes the District is North Canyons, LLLP. During 2016, the Original landowner in connection with Oread Canyons, LLC (Oread), sold property to the Master Builder who will serve as Developer of the first phase of development for the project. The majority members of the Board of Directors are employees, owners or otherwise associated with the Master Builder and may have conflicts of interest in dealing with the District.

**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) as amended and restated on June 9, 2017, 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. The Master Builder is the construction manager and oversees the construction of the Public Improvements. All Contribution Funds received by the District shall be deemed to be a contribution in their entirety. During 2019, the District received capital contributions totaling \$30,492,509.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 8 DISTRICT AGREEMENTS (CONTINUED)**

**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), North Canyons, LLLP (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 the Original Landowner and Oread, respectively, 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 Service Plan established a combined mill levy limitation (applicable to both debt service and operation and maintenance mill levies imposed by the Districts) of 69.000 mills. District No. 5 will impose 40.000 mills for debt service and District No. 6 will impose 10.000 mills for debt service as adjusted for changes in the residential assessment ratio. District No. 5 and District No. 6 will each impose 1.000 mill to pay for the respective District's administrative costs. The District will impose 18.925 mills for operations as adjusted for changes in the residential assessment ratio.

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.

**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

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 8 DISTRICT AGREEMENTS (CONTINUED)**

**Intergovernmental Agreement with the City (Continued)**

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.

**THE CANYONS METROPOLITAN DISTRICT NO. 7**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019**

**NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)**

On May 4, 2010 and November 4, 2014, the District voters passed an election question to increase property taxes \$100,000,000 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.

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.

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

**Construction Commitments**

As of December 31, 2019, the District had construction related contract commitments of approximately \$5,705,452.

## **SUPPLEMENTARY INFORMATION**

**THE CANYONS METROPOLITAN DISTRICT NO. 7  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE – BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Total Revenues	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>			
Accounting	20,000	13,338	6,662
Legal	20,000	40,607	(20,607)
Contingency	1,000,000	-	1,000,000
Landscaping	1,446,640	674,573	772,067
Engineering	1,044,498	785,980	258,518
Water	3,759,014	3,101,006	658,008
Drainage/Storm	4,915,719	4,316,083	599,636
Street Improvements	13,616,751	10,514,423	3,102,328
Sewer	6,789,086	5,909,814	879,272
Total Expenditures	<u>32,611,708</u>	<u>25,355,824</u>	<u>7,255,884</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(32,611,708)	(25,355,824)	7,255,884
<b>OTHER FINANCING SOURCES (USES)</b>			
Developer Contribution	32,611,708	30,492,509	(2,119,199)
Total Other Financing Sources (Uses)	<u>32,611,708</u>	<u>30,492,509</u>	<u>(2,119,199)</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	5,136,685	5,136,685
Fund Balance - Beginning of Year	-	<u>(6,397,212)</u>	<u>(6,397,212)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ (1,260,527)</u>	<u>\$ (1,260,527)</u>

## **OTHER INFORMATION**

**THE CANYONS METROPOLITAN DISTRICT NO. 7  
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED  
YEAR ENDED DECEMBER 31, 2019**

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 %
2018	13,190	17.000	0.000	224	224	100.00
2019	13,320	17.000	0.000	226	226	100.00
Estimated for Year Ending December 31, 2020	\$ 8,754,860	18.925	0.000	\$ 165,686		

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