# THE CANYONS METROPOLITAN DISTRICT NO. 5
# Douglas County, Colorado

## FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

## YEAR ENDED DECEMBER 31, 2019

**THE CANYONS METROPOLITAN DISTRICT NO. 5**
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**YEAR ENDED DECEMBER 31, 2019**

Dazzio & Associates, PC

Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors
The Canyons Metropolitan District No. 5
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of The Canyons Metropolitan District No. 5 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. 5, 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. 5's basic financial statements. The budget to actual schedules for the Debt Service and Capital Projects Funds (Supplementary Information), and the Schedules of Debt Service Requirements to Maturity and 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.

April 20, 2020

# BASIC FINANCIAL STATEMENTS

# THE CANYONS METROPOLITAN DISTRICT NO. 5
# STATEMENT OF NET POSITION
# DECEMBER 31, 2019

| | | Governmental Activities |
|---|---|---|
| **ASSETS** | | |
| Cash and Investments | $ | 999 |
| Cash and Investments - Restricted | | 13,595,163 |
| Accounts Receivable | | 41,094 |
| Receivable from County Treasurer | | 5 |
| Property Taxes Receivable | | 399,598 |
| Total Assets | | 14,036,859 |
| | | |
| **LIABILITIES** | | |
| Accounts Payable | | 11,846 |
| Due to Canyons District No. 6 | | 6,497 |
| Accrued Interest Payable | | 241,066 |
| Noncurrent Liabilities: | | |
| Due in More Than One Year | | 61,751,113 |
| Total Liabilities | | 62,010,522 |
| | | |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Property Tax Revenue | | 399,598 |
| Total Deferred Inflows of Resources | | 399,598 |
| | | |
| **NET POSITION** | | |
| Restricted for: | | |
| Emergency Reserves | | 1 |
| Capital Projects | | 1,290 |
| Unrestricted | | (48,374,552) |
| | | |
| Total Net Position | $ | (48,373,261) |

*See accompanying Notes to Basic Financial Statements.*

## THE CANYONS METROPOLITAN DISTRICT NO. 5
## STATEMENT OF ACTIVITIES
## YEAR ENDED DECEMBER 31, 2019

| | 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 |
|---|---|---|---|---|---|
| **FUNCTIONS/PROGRAMS** | | | | | |
| Primary Government: | | | | | |
| Government Activities: | | | | | |
| General Government | $ 58,247 | $ - | $ - | $ - | $ (58,247) |
| Public Works | 25,322,906 | - | - | - | (25,322,906) |
| Interest and Related Costs on Long-Term Debt | 4,364,948 | - | - | 1,823,715 | (2,541,233) |
| Total Governmental Activities | $ 29,746,101 | $ - | $ - | $ 1,823,715 | (27,922,386) |
| **GENERAL REVENUES** | | | | | |
| Property Taxes | | | | | 602 |
| Specific Ownership Taxes | | | | | 60 |
| Net Investment Income | | | | | 545,370 |
| Total General Revenues | | | | | 546,032 |
| **CHANGES IN NET POSITION** | | | | | (27,376,354) |
| Net Position - Beginning of Year | | | | | (20,996,907) |
| **NET POSITION - END OF YEAR** | | | | | $ (48,373,261) |

*See accompanying Notes to Basic Financial Statements.*

# THE CANYONS METROPOLITAN DISTRICT NO. 5
# BALANCE SHEET
# GOVERNMENTAL FUNDS
# DECEMBER 31, 2019

| | General | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and Investments | $ 999 | $ - | $ - | $ 999 |
| Cash and Investments - Restricted | 1 | 8,181,305 | 5,413,857 | 13,595,163 |
| Property Tax Receivable | 9,735 | 389,863 | - | 399,598 |
| Receivable from County Treasurer | - | 5 | - | 5 |
| Accounts Receivable | - | 38,319 | 2,775 | 41,094 |
| Total Assets | $ 10,735 | $ 8,609,492 | $ 5,416,632 | $ 14,036,859 |
| **LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES** | | | | |
| **LIABILITIES** | | | | |
| Accounts Payable | $ 8,337 | $ 2,024 | $ 1,485 | $ 11,846 |
| Due to Canyons Metro District No. 6 | - | 6,497 | - | 6,497 |
| Total Liabilities | 8,337 | 8,521 | 1,485 | 18,343 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| Property Tax Revenue | 9,735 | 389,863 | - | 399,598 |
| Total Deferred Inflows or Resources | 9,735 | 389,863 | - | 399,598 |
| **FUND BALANCES** | | | | |
| Restricted for: | | | | |
| Emergency Reserves | 1 | - | - | 1 |
| Debt Service | - | 8,211,108 | - | 8,211,108 |
| Capital Projects | - | - | 5,415,147 | 5,415,147 |
| Unassigned | (7,338) | - | - | (7,338) |
| Total Fund Balances | (7,337) | 8,211,108 | 5,415,147 | 13,618,918 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | $ 10,735 | $ 8,609,492 | $ 5,416,632 | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Long-term liabilities, including bonds payable and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | | | |
| Bonds Payable | | | | (59,006,733) |
| Developer Advance Payable | | | | (130,236) |
| Accrued Bond Interest | | | | (2,843,578) |
| Accrued Interest on Devleoper Advance | | | | (11,632) |
| Net Position of Governmental Activities | | | | $ (48,373,261) |

*See accompanying Notes to Basic Financial Statements.*

# THE CANYONS METROPOLITAN DISTRICT NO. 5
# STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
# GOVERNMENTAL FUNDS
# YEAR ENDED DECEMBER 31, 2019

| | General | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Property Taxes | $ 13 | $ 589 | $ - | $ 602 |
| Specific Ownership Taxes | 1 | 59 | - | 60 |
| Net Investment Income | - | 175,510 | 369,860 | 545,370 |
| Facilities Fees | - | 1,640,000 | - | 1,640,000 |
| Public Improvement Fees | - | 183,715 | - | 183,715 |
| Total Revenues | 14 | 1,999,873 | 369,860 | 2,369,747 |
| | | | | |
| **EXPENDITURES** | | | | |
| General: | | | | |
| Accounting | 29,682 | 2,970 | - | 32,652 |
| Audit | 4,500 | - | - | 4,500 |
| County Treasurer's Fees | - | 9 | - | 9 |
| Dues and Licenses | 312 | - | - | 312 |
| Insurance | 4,008 | - | - | 4,008 |
| Legal | 12,723 | - | - | 12,723 |
| Debt Service: | | | | |
| Bond Interest - Series 2017A | - | 2,892,794 | - | 2,892,794 |
| Paying Agent Fees | - | 5,500 | - | 5,500 |
| Capital: | | | | |
| Accounting | - | - | 2,852 | 2,852 |
| Legal | - | - | 1,200 | 1,200 |
| Recognition of Public Improvement Costs | - | - | 25,322,906 | 25,322,906 |
| Total Expenditures | 51,225 | 2,901,273 | 25,326,958 | 28,279,456 |
| | | | | |
| **EXCESS OF REVENUES UNDER EXPENDITURES** | (51,211) | (901,400) | (24,957,098) | (25,909,709) |
| | | | | |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Developer Advance | 48,884 | - | 3,510 | 52,394 |
| Acceptance of Reimbursable Costs - Public Improvements Reimb. Agreement | - | - | 25,322,906 | 25,322,906 |
| Repay Developer Advance | - | - | (3,510) | (3,510) |
| Repayment of Developer Advance - Interest | - | - | (364,065) | (364,065) |
| Repayment of Reimbursable Costs - Public Improvements Reimb. Agreement | - | - | (25,322,906) | (25,322,906) |
| Total Other Financing Sources (Uses) | 48,884 | - | (364,065) | (315,181) |
| | | | | |
| **NET CHANGE IN FUND BALANCES** | (2,327) | (901,400) | (25,321,163) | (26,224,890) |
| | | | | |
| Fund Balances - Beginning of Year | (5,010) | 9,112,508 | 30,736,310 | 39,843,808 |
| | | | | |
| **FUND BALANCES - END OF YEAR** | $ (7,337) | $ 8,211,108 | $ 5,415,147 | $ 13,618,918 |

*See accompanying Notes to Basic Financial Statements.*

**THE CANYONS METROPOLITAN DISTRICT NO. 5**
**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 | $ (26,224,890) |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Long-term debt (e.g., bonds) 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. 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. | |
| Developer Advance | (52,394) |
| Repayment of Developer Advance - Interest | 42 |
| Repayment of Developer Advance | 3,510 |
| 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. | |
| Bond Interest - Change in Liability | (1,076,112) |
| Amortization of Bond Discount | (19,219) |
| Accrued Interest - Developer Advances | (7,291) |
| Changes in Net Position of Governmental Activities | $ (27,376,354) |

*See accompanying Notes to Basic Financial Statements.*

**THE CANYONS METROPOLITAN DISTRICT NO. 5**
**GENERAL FUND**
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –**
**BUDGET AND ACTUAL**
**YEAR ENDED DECEMBER 31, 2019**

| | Budget | | Actual | Variance with Final Budget Positive |
|---|---|---|---|---|
| | Original | Final | Amounts | (Negative) |
| **REVENUES** | | | | |
| Property Taxes | $ 13 | $ 13 | $ 13 | $ - |
| Specific Ownership Taxes | 1 | 1 | 1 | - |
| Total Revenues | 14 | 14 | 14 | - |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| Accounting | 25,000 | 29,000 | 29,682 | (682) |
| Audit | 4,500 | 4,500 | 4,500 | - |
| Dues and Licenses | 300 | 300 | 312 | (12) |
| Insurance | 4,000 | 4,000 | 4,008 | (8) |
| Legal | 20,000 | 20,000 | 12,723 | 7,277 |
| Miscellaneous | 1,000 | 1,000 | - | 1,000 |
| Contingency | 2,200 | 2,200 | - | 2,200 |
| Total Expenditures | 57,000 | 61,000 | 51,225 | 9,775 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | (56,986) | (60,986) | (51,211) | 9,775 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Developer Advance | 56,986 | 66,996 | 48,884 | (18,112) |
| Total Other Financing Sources (Uses) | 56,986 | 66,996 | 48,884 | (18,112) |
| **NET CHANGE IN FUND BALANCE** | - | 6,010 | (2,327) | (8,337) |
| Fund Balance - Beginning of Year | 1,000 | (5,010) | (5,010) | - |
| **FUND BALANCE - END OF YEAR** | $ 1,000 | $ 1,000 | $ (7,337) | $ (8,337) |

*See accompanying Notes to Basic 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 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 (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 – 4 and 6 – 11 and serves as a financing District.

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.

## 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. Redemption of bonds are recorded as a reduction in liabilities.

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

## 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 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 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)

### Original Issue Discount/Premium

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

### 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 debt attributable to the unspent proceeds in 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 of 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:

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

**Equity (Continued)**

Fund Balance (Continued)

*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.

Deficits

The General Fund reported a deficit in the fund financial statements as of December 31, 2019. The deficit will be eliminated with the receipt of funds advanced 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 | $ 999 |
| Cash and Investments - Restricted | 13,595,163 |
| Total Cash and Investments | $ 13,596,162 |

## NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2019 consist of the following:

| | |
|---|---|
| Deposits with Financial Institutions | $ 295,164 |
| Investments | 13,300,998 |
| Total Cash and Investments | $ 13,596,162 |

**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 and a carrying balance of $295,164.

**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.

## NOTE 3 CASH AND INVESTMENTS (CONTINUED)

### Investments (Continued)

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 had the following investments:

| Investment | Maturity | Amount |
|---|---|---|
| Colorado Surplus Asset Fund Trust (CSAFE) | Weighted Average Under 60 Days | 13,300,998 |

### CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at $1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAm by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

## NOTE 4 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 |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Limited Tax GO and Special Revenue Refunding and Improvement Bonds Series 2017A - Principal | $ 47,500,000 | $ - | $ - | $ 47,500,000 | $ - |
| Subordinate Limited Tax GO and Special Revenue Bonds Series 2017B | 11,925,000 | - | - | 11,925,000 | - |
| Discount on Series 2017 | (437,486) | 19,219 | - | (418,267) | - |
| Total Bonds Payable | 58,987,514 | 19,219 | - | 59,006,733 | - |
| Subordinate Limited Tax GO and Special Revenue Bonds Series 2017B - interest | 1,526,400 | 1,076,112 | - | 2,602,512 | - |
| Developer Advance - Operations - Principal | 81,352 | 48,884 | - | 130,236 | |
| Developer Advance - Operations - Interest | 4,383 | 7,249 | - | 11,632 | - |
| Developer Advance - Capital - Principal | - | 3,510 | 3,510 | - | - |
| Developer Advance - Capital - Interest | - | 42 | 42 | - | - |
| Public Improvement Reimbursement Agreement | - | 25,322,906 | 25,322,906 | - | - |
| Public Improvement Reimbursement Agreement - Interest | - | 364,023 | 364,023 | - | |
| Total Developer Advance Payable | 85,735 | 25,746,614 | 25,690,481 | 141,868 | - |
| Total | $ 60,599,649 | $ 26,841,945 | $ 25,690,481 | $ 61,751,113 | $ - |

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

**Series 2017A Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds**

On May 25, 2017 the District issued $47,500,000 of Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds. The proceeds from the sale of the 2017A Bonds were used to:

(a) finance the acquisition, construction, and installation of certain public improvements;
(b) refund the outstanding balance on the 2016 Bonds;
(c) fund the Capitalized Interest Fund;
(d) fund the Senior Reserve Fund; and
(e) pay the costs of issuing the Bonds.

## NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

**Series 2017A Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds (Continued)**

The Series 2017A Bonds bear interest at rates ranging from 6.000% to 6.125%, payable semi-annually on June 1 and December 1 each year, to the extent of Senior Pledged Revenue available therefor, beginning on December 1, 2017. Annual mandatory sinking fund principal payments on the Series 2017A Bonds are due on December 1, beginning on December 1, 2026. The Series 2017A Bonds mature on December 1, 2047.

The Series 2017A Bonds are secured by and payable solely from and to the extent of the Senior Pledged Revenue, net of any costs of collection, which is defined generally in the 2017A Indenture as:

(a) the Senior Property Tax Revenues;
(b) the Senior Specific Ownership Tax Revenues attributable to the Senior Required Mill Levy;
(c) Capital Fees, including particularly and without limitation, the Facilities Fees;
(d) Pledged PIF Revenues; and
(e) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

Senior Pledged Revenue that is not needed to pay debt service on the Series 2017A Bonds in any year will be deposited to and held in the Senior Surplus Fund, up to the Maximum Surplus Amount of $2,375,000. The Senior Surplus Fund is established and held as an account of the Trustee, and moneys therein are to be used solely for the purpose of paying the principal of and interest on the Series 2017A Bonds to the extent the moneys in the Senior Bond Fund are insufficient for such purpose. Amounts on deposit in the Senior Surplus Fund (if any) on the maturity date of the Series 2017A Bonds shall be applied to the payment of the Series 2017A Bonds.

The Series 2017A Bonds are further secured by amounts on deposit in the Senior Reserve Fund, which was funded with proceeds from the Series 2017A Bonds in the amount of the Required Reserve of $4,529,294.

The Series 2017A Indenture provides a Senior Required Mill Levy be imposed in an amount sufficient to pay the principal of, premium if any, and interest on the Series 2017A Bonds as the same become due and payable (less any amount thereof for which amounts are then on deposit in the Senior Bond Fund and, solely to the extent provided in the Senior Indenture, the Senior Surplus Fund and the Senior Reserve Fund) and to replenish the Senior Reserve Fund to the Senior Reserve Requirement, but not in excess of 40.000 mills (as adjusted). For so long as the Senior Surplus Fund is less than the Maximum Surplus Amount, the Senior Required Mill Levy shall be equal to 40.000 mills (as adjusted), or such lesser amount that will generate Senior Property Tax Revenues (i) sufficient to pay the principal of,

## NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

**Series 2017A Limited Tax General Obligation and Special Revenue Refunding and Improvement Bonds (Continued)**

premium if any, and interest on the Series 2017A Bonds as the same become due and payable, and to fully fund the Senior Surplus Fund to the Maximum Surplus Amount, or (ii) which, when combined with moneys then on deposit in the Senior Bond Fund, the Senior Surplus Fund and the Senior Reserve Fund, will pay the Series 2017A Bonds in full. Such maximum and minimum mill levies are subject to adjustment per changes in the residential assessment rate.

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

| Year Ending December 31, | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ - | $ 2,892,794 | $ 2,892,794 |
| 2021 | - | 2,892,794 | 2,892,794 |
| 2022 | - | 2,892,794 | 2,892,794 |
| 2023 | - | 2,892,794 | 2,892,794 |
| 2024 | - | 2,892,794 | 2,892,794 |
| 2025-2029 | 1,640,000 | 14,395,570 | 16,035,570 |
| 2030-2034 | 6,335,000 | 13,282,870 | 19,617,870 |
| 2035-2039 | 9,600,000 | 11,008,357 | 20,608,357 |
| 2040-2044 | 14,135,000 | 7,561,005 | 21,696,005 |
| 2045-2047 | 15,790,000 | 2,244,506 | 18,034,506 |
| Total | $ 47,500,000 | $ 62,956,278 | $ 110,456,278 |

**Series 2017B Subordinate Limited Tax General Obligation and Special Revenue Bonds**

On May 25, 2017 the District issued $11,925,000 of Limited Tax General Obligation and Special Revenue Bonds. The proceeds from the sale of the Series 2017B Bonds were used to finance the acquisition, construction, and installation of certain public improvements.

The Series 2017B Bonds bear an interest rate of 8.00% per annum and payable annually on December 15, but only to the extent of available Subordinate Pledged Revenue. The Series 2017B Bonds are structured as cash flow bonds, meaning that there are no scheduled payments of principal or interest thereof prior to the final maturity date. Rather, principal on the Series 2017B Bonds is payable on each December 15 (if at all) from, and solely to the extent of, Subordinate Pledged Revenue (if any) remaining after the payment of interest then due on the Series 2017B Bonds on December 15 of the then current year. Unpaid interest on the 2017B Bonds compounds annually on each December 15.

In the event that, on December 15, 2057 any amount of principal of or interest on the Series 2017B Bonds remains unpaid after application of all Subordinate Pledged Revenue available therefor in accordance with the Subordinate Indenture, the Series 2017B Bonds and the lien of the Subordinate Indenture securing payment thereof is to be deemed discharged.

## NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

**Series 2017B Subordinate Limited Tax General Obligation and Special Revenue Bonds (Continued)**

The Series 2017B Bonds are secured by and payable solely from and to the extent of the Subordinate Pledged Revenue, net of any costs of collection, which is defined generally in the 2017B Indenture as:

(a) all Subordinate Property Tax Revenues;
(b) all Subordinate Specific Ownership Tax Revenues attributable to the Subordinate Required Mill Levy;
(c) all Subordinate Capital Fee Revenue, including particularly and without limitation, the Facilities Fees;
(d) all Subordinate PIF Revenue; and
(e) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

Pursuant to the Series 2017B Indenture, the District has further covenanted to levy a Subordinate Required Mill Levy each year in the amount equal to (i) 40.000 mills (as adjusted from January 1, 2009) less the Senior Required Mill Levy, or (ii) such lesser amount that will generate Subordinate Property Tax Revenues which, when combined with moneys then on deposit in the Subordinate Bond Fund, will pay the 2017B Bonds in full.

Due to the uncertainty of the timing of the principal and interest payments on the Series 2017B Bonds, a schedule of the timing of these payments is not available.

**Series 2016 Limited Tax General Obligation and Special Revenue Bonds**

The District previously authorized its Limited Tax General Obligation and Special Revenue Bonds, Series 2016, in the aggregate principal amount of up to $68,664,991 and, of such amount, the District has issued $1,535,003 in aggregate principal amount. The Series 2016 Bonds were authorized to be issued from time to time in accordance with an Indenture of Trust between the District and UMB Bank, n.a., as trustee thereunder (the “2016 Trustee”) dated as of November 1, 2016, as amended by the First Supplemental Indenture of Trust between the District and the 2016 Trustee dated as of the date of issuance of the Bonds (the “2016 First Supplement” and, as so supplemented, the “2016 Indenture”).

Proceeds of the Series 2017A Bonds will be used to refund the outstanding balance of the Series 2016 Bonds in the principal amount of $1,535,003. As a result of the provisions of the 2016 First Supplement, the Series 2016 Bonds will thereafter have a reduced aggregate principal amount. The 2016 Indenture and related documents will allow additional draws on the 2016 Bonds of up to $9,950,000 in aggregate principal amount for the purpose of paying the Original Landowner amounts due pursuant to the District’s Reimbursement Obligation under the Master Reimbursement Agreement to the extent proceeds of the Series 2017A and 2017B Bonds are insufficient for such purpose. Repayment of the Series 2016 Bonds is fully subordinate and junior to the payment of the 2017A Bonds and the 2017B Bonds.

## NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

### 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 | Authorization Used - Series 2016 Bonds | Authorization Used - Series 2017 Bonds | Authorized But Unissued |
|---|---|---|---|---|---|
| Streets | $ 100,000,000 | $ 226,000,000 | $ - | $ 13,350,481 | $ 312,649,519 |
| Water | 100,000,000 | 226,000,000 | - | 13,730,477 | 312,269,523 |
| Sanitation | 100,000,000 | 226,000,000 | 1,535,003 | 18,914,969 | 305,550,028 |
| Parks and Recreation | 100,000,000 | 226,000,000 | - | 12,679,076 | 313,320,924 |
| 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 | - | 749,997 | 325,250,003 |
| 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 | $ 1,300,000,000 | $ 3,390,000,000 | $ 1,535,003 | $ 59,425,000 | $ 4,629,039,997 |

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. 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.

### Developer Advance

The District has entered into Funding and Reimbursement Agreements with the Developer as follows:

#### Operations Funding and Reimbursement Agreement

The District and North Canyons, LLLP (North Canyons) entered into a Funding and Reimbursement Agreement (Operations and Maintenance) on October 26, 2016, and as amended on November 29, 2017 (Operations Funding Agreement) whereby North Canyons agreed to loan moneys to the District for the purpose of covering revenue shortfalls with respect to operation and maintenance expenses of the District.

## NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

**Developer Advance (Continued)**

Operations Funding and Reimbursement Agreement (Continued)

Under the Operations Funding Agreement, North Canyons 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 6.5% 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 O&M Loan Obligation Termination Date will automatically extend for additional one-year terms unless North Canyons provides written notice to the District of termination at least 30 days prior to December 31 of each year. Upon each automatic one-year extension of the O&M Loan Obligation Termination Date, North Canyons agrees to loan to the District one or more sums of money up to the Annual O&M Loan Cap, and the Maximum Loan Amount shall be increased by the additional amount of such Annual O&M Loan Cap for each extension year, if any.

Each loan advance made under the Operations Funding Agreement accrues simple interest at the rate of 6.5% per annum from the date of such advance until the date the applicable O&M Reimbursement Obligation is issued (or the date such advance is repaid, if earlier).

As of December 31, 2019, $130,236 of principal and $11,632 of interest are outstanding under this Agreement.

Capital Funding and Reimbursement Agreement

North Canyons entered into a Funding and Reimbursement Agreement (Capital) on February 22, 2017, and as amended on November 29, 2017 (the Capital Funding Agreement) whereby North Canyons agreed to loan moneys to the District for the purpose of funding certain capital costs of the District.

Under the Capital Funding Agreement, North Canyons agrees to loan the District up to $60,000 per year (the Annual Capital Loan Cap), for four years (being fiscal years 2017, 2018, 2019 and 2020), up to the aggregate of $240,000 (subject to increase as described below, the “Maximum Capital Loan Amount”). Interest accrues at a rate of 6.5% 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, 2020 (the Capital Loan Obligation Termination Date). Thereafter, the Capital Loan Obligation Termination Date will automatically extend for additional one-year terms unless North Canyons provides written notice to the District of termination at least 30 days prior to December 31 of each year. Upon each automatic one-year extension of the Capital Loan Obligation Termination Date, North Canyons agrees to loan to the District one or more sums of money up to the Annual Capital Loan Cap, and the Maximum Capital Loan Amount shall be increased by the additional amount of such Annual Capital Loan Cap for each extension year, if any.

As of December 31, 2019, no amounts were outstanding under this agreement.

## NOTE 4 LONG-TERM OBLIGATIONS (CONTINUED)

**Public Improvements Reimbursement Agreement**

North Canyons entered into a Public Improvement Reimbursement Agreement, dated as of October 26, 2016, pursuant to which the District and North Canyons agreed, among other things, that the District No. 5 Reimbursement Obligation (as defined in the Master Reimbursement Agreement – see Note 7) will be paid by the District to North Canyons from the issuance of Bonds. The Public Improvements Reimbursement Agreement also contains provisions relating to the expectation that the Master Builder is expected to carry out its obligations to cause the construction of Public Improvements. District No. 7 shall provide a certificate to the District pertaining to the District-Eligible Public Improvements so constructed for reimbursement. Reimbursement obligations accrue at an interest rate of 7.5% simple interest, annually.

As of December 31, 2019, no amounts were outstanding under this Agreement.

## NOTE 5 NET POSITION

The District had a deficit unrestricted net position as of December 31, 2019. The deficit was a result of the District being responsible for the repayment of bonds issued for public improvements to be constructed and conveyed to other entities by District No. 7.

## NOTE 6 RELATED PARTIES

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

## NOTE 7 DISTRICT AGREEMENTS

**Master Reimbursement Agreement**

The District entered into a Master Reimbursement Agreement (the Agreement) with The Canyons Metropolitan District No. 6 (District No. 6) and The Canyons Metropolitan District No. 7 (District No. 7), the Original Landowner, the Master Builder, and Oread Canyons, LLC (Oread), a Colorado limited liability company. Pursuant to the Agreement, the District 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. District No. 7 will own, operate, and maintain all District-Eligible Public Improvements within its boundaries that are not dedicated to any other public entity.

## NOTE 7 DISTRICT AGREEMENTS (CONTINUED)

**Master Reimbursement Agreement (Continued)**

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 69.000 mills. The District 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. The District and District No. 6 will each impose 1.000 mill to pay for the respective District's administrative costs, as adjusted for changes in the residential assessment ratio. District No. 7 will impose 17.000 mills for operations, as adjusted for changes in the residential assessment ratio..

The Agreement states that the District is also entitled to 80% of PIF Revenues and Facilities Fees, and is obligated to pay 80% 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.

**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 entity. 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 8 RISK MANAGEMENT

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

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

The District pays annual premiums to the Pool for liability, 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 9 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.

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. 5
# DEBT SERVICE 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) |
|---|---|---|---|
| **REVENUES** | | | |
| Property Taxes | $ 589 | $ 589 | $ - |
| Specific Ownership Taxes | 59 | 59 | - |
| Net Investment Income | 150,000 | 175,510 | 25,510 |
| Facilities Fees | 820,000 | 1,640,000 | 820,000 |
| PIF Revenue | 480,000 | 183,715 | (296,285) |
| Total Revenues | 1,450,648 | 1,999,873 | 549,225 |
| **EXPENDITURES** | | | |
| County Treasurer's Fees | 9 | 9 | - |
| Accounting | - | 2,970 | (2,970) |
| Bond Interest - Series 2017A | 2,892,794 | 2,892,794 | - |
| Bond Interest - Series 2017B | 394,743 | - | 394,743 |
| Paying Agent Fees | 6,000 | 5,500 | 500 |
| Total Expenditures | 3,293,546 | 2,901,273 | 392,273 |
| **NET CHANGE IN FUND BALANCE** | (1,842,898) | (901,400) | 941,498 |
| Fund Balance - Beginning of Year | 10,558,826 | 9,112,508 | (1,446,318) |
| **FUND BALANCE - END OF YEAR** | $ 8,715,928 | $ 8,211,108 | $ (504,820) |

**THE CANYONS METROPOLITAN DISTRICT NO. 5**
**CAPITAL PROJECTS FUND**
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**
**YEAR ENDED DECEMBER 31, 2019**

| | Budget Original | Budget Final | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Net Investment Income | $ 300,000 | $ 300,000 | $ 369,860 | $ 69,860 |
| Total Revenues | 300,000 | 300,000 | 369,860 | 69,860 |
| **EXPENDITURES** | | | | |
| Accounting | 5,000 | 5,000 | 2,852 | 2,148 |
| Legal | 10,000 | 10,000 | 1,200 | 8,800 |
| Recognition of Public Improvement Costs | 25,257,366 | 25,797,500 | 25,322,906 | 474,594 |
| Total Expenditures | 25,272,366 | 25,812,500 | 25,326,958 | 485,542 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | (24,972,366) | (25,512,500) | (24,957,098) | 555,402 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Acceptance of Reimbursable Costs - Public Improvements Reimb. Agreement | 25,257,366 | 25,257,366 | 25,322,906 | 65,540 |
| Developer Advance | 15,000 | 15,000 | 3,510 | (11,490) |
| Repay Developer Advance | (15,000) | (15,000) | (3,510) | 11,490 |
| Repayment of Developer Advance - Interest | (200,000) | (375,000) | (364,065) | 10,935 |
| Repayment of Reimbursable Costs - Public Improvements Reimb. Agreement | (25,257,366) | (25,797,500) | (25,322,906) | 474,594 |
| Total Other Financing Sources (Uses) | (200,000) | (915,134) | (364,065) | 551,069 |
| **NET CHANGE IN FUND BALANCE** | (25,172,366) | (26,427,634) | (25,321,163) | 1,106,471 |
| Fund Balance - Beginning of Year | 30,611,602 | 30,736,310 | 30,736,310 | - |
| **FUND BALANCE - END OF YEAR** | $ 5,439,236 | $ 4,308,676 | $ 5,415,147 | $ 1,106,471 |

## OTHER INFORMATION

**THE CANYONS METROPOLITAN DISTRICT NO. 5**
**SCHEDULE OF DEBT SERVICE**
**REQUIREMENTS TO MATURITY**
**LONG-TERM DEBT**
**DECEMBER 31, 2019**

| Bonds and Interest Maturing in the Year Ending December 31, | $47,500,000 General Obligation Refunding Bonds Series 2017A Interest 6.0% - 6.125% Dated May 25, 2017 Interest Payable June 1 and December 1 Principal Payable December 1 | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2020 | $ - | $ 2,892,794 | $ 2,892,794 |
| 2021 | - | 2,892,794 | 2,892,794 |
| 2022 | - | 2,892,794 | 2,892,794 |
| 2023 | - | 2,892,794 | 2,892,794 |
| 2024 | - | 2,892,794 | 2,892,794 |
| 2025 | - | 2,892,794 | 2,892,794 |
| 2026 | 20,000 | 2,892,794 | 2,912,794 |
| 2027 | 260,000 | 2,891,594 | 3,151,594 |
| 2028 | 560,000 | 2,875,994 | 3,435,994 |
| 2029 | 800,000 | 2,842,394 | 3,642,394 |
| 2030 | 1,040,000 | 2,794,394 | 3,834,394 |
| 2031 | 1,135,000 | 2,731,994 | 3,866,994 |
| 2032 | 1,280,000 | 2,663,894 | 3,943,894 |
| 2033 | 1,360,000 | 2,587,094 | 3,947,094 |
| 2034 | 1,520,000 | 2,505,494 | 4,025,494 |
| 2035 | 1,610,000 | 2,414,294 | 4,024,294 |
| 2036 | 1,785,000 | 2,317,694 | 4,102,694 |
| 2037 | 1,895,000 | 2,210,594 | 4,105,594 |
| 2038 | 2,090,000 | 2,096,894 | 4,186,894 |
| 2039 | 2,220,000 | 1,968,881 | 4,188,881 |
| 2040 | 2,440,000 | 1,832,906 | 4,272,906 |
| 2041 | 2,585,000 | 1,683,456 | 4,268,456 |
| 2042 | 2,830,000 | 1,525,125 | 4,355,125 |
| 2043 | 3,005,000 | 1,351,787 | 4,356,787 |
| 2044 | 3,275,000 | 1,167,731 | 4,442,731 |
| 2045 | 3,475,000 | 967,137 | 4,442,137 |
| 2046 | 3,775,000 | 754,294 | 4,529,294 |
| 2047 | 8,540,000 | 523,075 | 9,063,075 |
| Total | $ 47,500,000 | $ 62,956,278 | $ 110,456,278 |

**THE CANYONS METROPOLITAN DISTRICT NO. 5**
**SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED**
**DECEMBER 31, 2019**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Property Tax Levy | Mills Levied | Property Taxes Levied | Property Taxes Collected | Percent Collected to Levied |
|---|---|---|---|---|---|
| 2015 | $ 250 | 69.000 | $ 17 | $ 17 | 100.00 % |
| 2016 | 270 | 69.000 | 19 | 19 | 100.00 |
| 2017 | 11,080 | 41.000 | 454 | 454 | 100.00 |
| 2018 | 13,200 | 45.222 | 597 | 597 | 100.00 |
| 2019 | 13,330 | 45.222 | 602 | 602 | 100.00 |
| Estimated for Year Ending December 31, 2020 | $ 8,754,870 | 45.643 | $ 399,598 | | |

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