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Accountant's Compilation Report

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

Management is responsible for the accompanying budget of revenues, expenditures and fund balances of The Canyons Metropolitan District No. 5 for the year ending December 31, 2017, including the estimate of comparative information for the year ending December 31, 2016, and the actual comparative information for the year ending December 31, 2015, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

We are not independent with respect to The Canyons Metropolitan District No. 5.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 25, 2017

THE CANYONS METROPOLITAN DISTRICT NO. 5
SUMMARY
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

1/25/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ -	\$ (14,326)	\$ -
REVENUES			
1 Property taxes	17	19	454
2 Specific ownership taxes	-	1	40
3 Developer advance	-	872,636	14,047,581
4 Bond proceeds	-	1,535,003	13,943,592
Total revenues	17	2,407,659	27,991,667
Total funds available	17	2,393,333	27,991,667
EXPENDITURES			
5 General and administration			
6 Accounting	-	-	15,000
7 Contingency	-	-	5,000
8 Insurance	-	-	3,000
9 Legal	-	-	20,000
10 Miscellaneous	-	-	1,000
11 Transfer to Canyons MD #1	17	20	-
12 Debt service			
13 Bond interest Series 2016	-	-	476
14 County Treasurer's fees	-	-	7
15 Capital projects			
16 Accounting	-	-	10,000
17 Capital outlay	-	-	13,943,592
18 Cost of issuance	-	858,310	-
19 Legal	14,326	-	50,000
20 Repayment of developer advance	-	1,535,003	13,943,592
Total expenditures	14,343	2,393,333	27,991,667
Total expenditures and transfers out requiring appropriation	14,343	2,393,333	27,991,667
ENDING FUND BALANCES	\$ (14,326)	\$ -	\$ -

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

THE CANYONS METROPOLITAN DISTRICT NO. 5
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

1/25/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
ASSESSED VALUATION - DOUGLAS			
Agricultural	\$ 250	\$ 270	\$ 11,080
Certified Assessed Value	<u>\$ 250</u>	<u>\$ 270</u>	<u>\$ 11,080</u>
MILL LEVY			
GENERAL FUND	69.000	69.000	1.000
DEBT SERVICE FUND	-	-	40.000
Total Mill Levy	<u>69.000</u>	<u>69.000</u>	<u>41.000</u>
PROPERTY TAXES			
GENERAL FUND	\$ 17	\$ 19	\$ 11
DEBT SERVICE FUND	-	-	443
Levied property taxes	<u>17</u>	<u>19</u>	<u>454</u>
Adjustments to actual/rounding	-	-	-
Budgeted Property Taxes	<u>\$ 17</u>	<u>\$ 19</u>	<u>\$ 454</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 17	\$ 19	\$ 11
DEBT SERVICE FUND	-	-	443
	<u>\$ 17</u>	<u>\$ 19</u>	<u>\$ 454</u>

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

THE CANYONS METROPOLITAN DISTRICT NO. 5
GENERAL FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

1/25/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 Property taxes	17	19	11
2 Specific ownership taxes	-	1	-
3 Developer advance	-	-	43,989
Total revenues	17	20	44,000
Total funds available	17	20	44,000
EXPENDITURES			
General and administration			
4 Accounting	-	-	15,000
5 Contingency	-	-	5,000
6 Insurance	-	-	3,000
7 Legal	-	-	20,000
8 Miscellaneous	-	-	1,000
9 Transfer to Canyons MD #1	17	20	-
Total expenditures	17	20	44,000
Total expenditures and transfers out requiring appropriation	17	20	44,000
ENDING FUND BALANCES	\$ -	\$ -	\$ -

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

THE CANYONS METROPOLITAN DISTRICT NO. 5
DEBT SERVICE FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

1/25/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 Property taxes	-	-	443
2 Specific ownership taxes	-	-	40
Total revenues	<u>-</u>	<u>-</u>	<u>483</u>
Total funds available	<u>-</u>	<u>-</u>	<u>483</u>
EXPENDITURES			
Debt service			
3 Bond interest Series 2016	-	-	476
4 County Treasurer's fees	-	-	7
Total expenditures	<u>-</u>	<u>-</u>	<u>483</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>-</u>	<u>483</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

THE CANYONS METROPOLITAN DISTRICT NO. 5
CAPITAL PROJECTS FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

1/25/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ -	\$ (14,326)	\$ -
REVENUES			
1 Developer advance	-	872,636	14,003,592
2 Bond proceeds	-	1,535,003	13,943,592
Total revenues	-	2,407,639	27,947,184
Total funds available	-	2,393,313	27,947,184
EXPENDITURES			
Capital projects			
3 Accounting	-	-	10,000
4 Capital outlay	-	-	13,943,592
5 Cost of issuance	-	858,310	-
6 Legal	14,326	-	50,000
7 Repayment of developer advance	-	1,535,003	13,943,592
Total expenditures	14,326	2,393,313	27,947,184
Total expenditures and transfers out requiring appropriation	14,326	2,393,313	27,947,184
ENDING FUND BALANCES	\$ (14,326)	\$ -	\$ -

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

THE CANYONS METROPOLITAN DISTRICT NO. 5
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

The District was organized to provide financing for the design, acquisition, installation and construction of storm and sanitary sewers, water systems, streets, parks and recreation facilities, transportation systems, television relay and translator facilities, security, mosquito control and fire protection and operation and maintenance of the District. The District's service area is located in the City of Castle Pines in Douglas County, Colorado and the District operates in connection with Districts Nos. 1 - 4 and 6 - 11.

The District was formed by District Court Order on December 19, 2001, and held its organizational meeting on March 14, 2002. The relationship between the Service District and Financing Districts, including the means for approving, financing, constructing and operating the public services and improvements needed to serve the development are outlined in the Master Reimbursement Agreement executed December 29, 2015 by the District and District Nos. 6 and 7.

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

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

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

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

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105.

THE CANYONS METROPOLITAN DISTRICT NO. 5
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Revenues

Developer Advances

The District is in the development stage. As such, the operating, administrative and capital expenditures for 2017 are to be funded by the Developer. Advances are recorded as revenue for budget purposes with an obligation for future repayment when the District is financially able to reimburse others from bond proceeds and other available revenue.

Property Taxes

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

The calculation of the taxes levied is displayed on page 3 of the Budget and is pursuant to the Master Reimbursement Agreement. Collectively, Districts Nos. 5, 6, and 7 levy 69.000 mills. The total adopted mill levy is 41.000 mills; 1.000 for general operations and 40.000 for debt service.

Specific Ownership Tax

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing with the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 9% of the property taxes collected by the Debt Service Fund.

Facilities Fees

The District imposes a Facilities Fee in the amount of \$4,000 on each residential lot within the boundaries of the District. Such fees are allowed to increase the lesser of 5% annually or the percentage increase in the Denver-Boulder Consumer price index percentage increase for the prior year, effective January 1, 2017. The Facilities Fees are due and payable on the earlier to occur of (i) the initial transfer of a residential lot to a third party builder or (ii) the issuance of a building permit for a residential unit. No amounts are anticipated to be collected in 2017.

Public Improvement Fee (PIF)

The Mixed-Use Owner has imposed a Public Improvement Fee ("PIF") through the Declaration of Covenants Imposing And Implementing The North Canyons Public Improvements Fee ("PIF Covenant"). The PIF rate applicable to Construction Activities is 50% of the applicable Use Tax rate pursuant to the City's Sales/Use Tax Ordinance. Construction Activities is defined in the PIF Covenant as the use of building and construction materials for incorporation into the construction of any new building. Eighty percent (80%) of the PIF Revenue is collected by the District and pledged to the payment of the 2016 Bonds. The PIF is due prior to obtaining a building permit. No amounts are anticipated to be collected in 2017.

**THE CANYONS METROPOLITAN DISTRICT NO. 5
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

Bond Proceeds

The District anticipates issuing Bonds in 2017 to reimburse the Developer for costs incurred for public improvements pursuant to the Master Reimbursement Agreement.

Expenditures

County Treasurer's Fees

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

General and Administrative

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

Debt Service

The District anticipates making a partial interest payment in 2017 based on available cash flow. No debt to maturity schedule is attached as the timing of repayments is unknown.

Capital Outlay

The District anticipates capital expenditures as noted on page 6 of the budget.

Debt and Leases

On November 10, 2016 the District issued Series 2016 Limited Tax General Obligation and Special Revenue Bonds in an aggregate amount of up to \$68,664,991, of which \$1,535,003 was issued at closing, and the remainder of which is to be issued from time to time upon satisfaction of the conditions of the Indenture, in payment of the District No. 5 Reimbursement Obligation under the Master Reimbursement Agreement. The proceeds from the sale of the 2016 Bonds were used to reimburse a portion of the costs of infrastructure improvements constructed by the owners of property within the District and to pay the cost of issuance on the Bonds. It is anticipated the District will issue bonds on a quarterly basis based on certified improvements eligible for reimbursement from bond proceeds.

The Series 2016 Bonds bear interest at 7% per annum and are payable annually on December 15, but only to the extent of available Pledged Revenue, beginning on December 15, 2017. The 2016 Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest. To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until paid. Unpaid interest on the 2016 Bonds compounds annually on each December 15. The 2016 Bonds mature on December 15, 2057.

The 2016 Bonds are secured by and payable solely from Pledged Revenue but on a basis subordinate to Senior Obligations, which includes (i) property taxes derived from the 2016 Bond Required Mill Levy, net of

**THE CANYONS METROPOLITAN DISTRICT NO. 5
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (continued)

the cost of collection; (ii) Specific Ownership Taxes attributable to the 2016 Bond Required Mill Levy; (iii) Facilities Fees; (iv) Pledged PIF Revenues, and; (v) any other legally available moneys of the District credited to the 2016 Bond Fund.

The District has no operating or capital leases.

Reserves

Emergency Reserves

The District has provided for an Emergency Reserve fund equal to at least 3% of fiscal year spending for 2017, as defined under TABOR.

This information is an integral part of the accompanying budget.