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Accountant's Compilation Report

Board of Directors
The Canyons Metropolitan District No. 2

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of The Canyons Metropolitan District No. 2 for the year ending December 31, 2020, including the estimate of comparative information for the year ending December 31, 2019 and the actual comparative information for the year ended December 31, 2018, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). 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 AICPA. 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.

The budgeted results may not be achieved as there will usually be differences between the budgeted and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

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. 2.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
January 23, 2020

**THE CANYONS METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,**

01/23/20

| | ACTUAL 2018 | ESTIMATED 2019 | BUDGET 2020 |
|----------------------------|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ - | \$ - | \$ - |
| REVENUES | | | |
| Property taxes | 14,913 | 14,835 | 30,783 |
| Specific ownership tax | 1,577 | 1,400 | 2,770 |
| Interest income | 2 | 5 | 100 |
| Total revenues | <u>16,492</u> | <u>16,240</u> | <u>33,653</u> |
| Total funds available | <u>16,492</u> | <u>16,240</u> | <u>33,653</u> |
| EXPENDITURES | | | |
| General and administrative | | | |
| County Treasurer's fee | 224 | 223 | 462 |
| Transfer to Canyons MD #1 | <u>16,268</u> | <u>16,017</u> | <u>33,191</u> |
| Total expenditures | <u>16,492</u> | <u>16,240</u> | <u>33,653</u> |
| requiring appropriation | <u>16,492</u> | <u>16,240</u> | <u>33,653</u> |
| ENDING FUND BALANCE | <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. 2
PROPERTY TAX SUMMARY INFORMATION
2020 BUDGET
WITH 2018 ACTUAL AND 2019 ESTIMATED
For the Years Ended and Ending December 31,

01/23/20

| | ACTUAL 2018 | ESTIMATED 2019 | BUDGET 2020 |
|--------------------------------|----------------|-------------------|----------------|
| ASSESSED VALUATION | | | |
| Agricultural | \$ 8,580 | \$ 8,450 | \$ 8,870 |
| State assessed | 206,600 | 205,600 | 436,600 |
| Other | 950 | 950 | 660 |
| Certified Assessed Value | \$ 216,130 | \$ 215,000 | \$ 446,130 |
| MILL LEVY | | | |
| General | 69.000 | 69.000 | 69.000 |
| Total mill levy | 69.000 | 69.000 | 69.000 |
| PROPERTY TAXES | | | |
| General | \$ 14,912 | \$ 14,835 | \$ 30,783 |
| Levied property taxes | 14,912 | 14,835 | 30,783 |
| Adjustments to actual/rounding | 1 | - | - |
| Budgeted property taxes | \$ 14,913 | \$ 14,835 | \$ 30,783 |
| BUDGETED PROPERTY TAXES | | | |
| General | \$ 14,913 | \$ 14,835 | \$ 30,783 |
| | \$ 14,913 | \$ 14,835 | \$ 30,783 |

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. 2
2020 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 District Nos. 1, 3, 4 and 8 - 11.

The District was formed by District Court Order on December 19, 2001, and held its organizational meeting on March 14, 2002. The relationship between the Service District and Financing Districts, including the means for approving, financing, constructing and operating the public services and improvements needed to serve the development, will be established by means of a Master Intergovernmental Agreement between the applicable Districts as the project evolves.

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 adjustment only applies to the debt service portion of the mill levy.

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 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

**THE CANYONS METROPOLITAN DISTRICT NO. 2
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues

Property Taxes

The District sets a mill levy for property taxes collectible to fund a portion of its operations. The calculation of the taxes levied is displayed the property tax page of the budget.

Specific Ownership Tax

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

Expenditures

County Treasurer's Fees

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

Intergovernmental Expenditures

Intergovernmental expenditures are transfers to District No. 1 to provide funding for the overall administrative and operating costs for the District and Districts 1, 3 – 4 and 8 -11.

Debt and Leases

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

Reserves

Emergency Reserves

District No. 1 has provided for an emergency reserve fund equal to at least 3% of fiscal year spending for the District as defined under TABOR.

This information is an integral part of the accompanying budget.