CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 2
TOWN OF CASTLE ROCK, COLORADO

2017 ANNUAL REPORT

Pursuant to the Amended and Consolidated Service Plan, as amended, for Crystal Valley Metropolitan District No. 2 (the "District") dated November 21, 2001, the District is required to submit an annual report to the Town of Castle Rock, Colorado (the "Town") which reflects activity and financial events of the District through the preceding December 31 (the "report year") and includes the following:

To the best of our actual knowledge, for the year ending December 31, 2017, the District makes the following report:

A. A narrative summary of the progress of the District in implementing their service plan for the report year:

The District continues to implement the development schedule as contemplated in the Service Plan, as amended on May 6, 2014.

B. Except when an exemption from audit has been granted for the report year under the Local Government Audit Law, the audited financial statements of the District for the report year including a statement of financial condition (i.e. balance sheet) as of December 31 of the report year and the statement of operations (i.e. revenues and expenditures) for the report year:

A copy of the audit filed by the District for the year ending December 31, 2017 is attached as **Exhibit A**.

C. Unless disclosed within a separate schedule to the financial statements, a summary of the capital expenditures incurred by the District in development of public facilities in the report year, as well as any capital improvements or projects proposed to be undertaken in the five (5) years following the report year:

As of December 31, 2017, there are only a few which remain to be completed relative to infrastructure required within Crystal Valley: the I-25 Interchange, which the District or CVRA LLC has funded 100% of its prorate share. It is anticipated that construction of the I-25 Interchange may begin in the next few years, as deemed appropriate by the Town of Castle Rock and Douglas County. Crystal Valley Metropolitan District No. 1 is moving forward with construction of the Sewer Line Upsizing, project in 2018 subject to funding from private entities. Crystal Valley Metropolitan District No. 2 will not be participating in any construction and the District will not issue further debt for any additional infrastructure absent a determination to do so subject to a Service Plan Amendment.

A copy of the District's budget for the year ending December 31, 2017 is attached as **Exhibit B**.

D. Unless disclosed within a separate schedule to the financial statements, a summary of the financial obligations of the District at the end of the report year, including the amount of outstanding indebtedness, the amount and terms of any new District indebtedness or long-term obligations issued in the report year, the amount of payment or retirement of existing indebtedness or long-term obligations issued in the report year, the total assessed valuation of all taxable properties within the District as of January 1 of the report year, and the current mill levy of the District pledged to debt retirement in the report year:

For a summary of the financial obligations of the District as of December 31, 2017, see attached **Exhibit A**. It should be noted that the financial obligations of the District was substantially restructured in August 2014 pursuant to the financial proforma set forth in the First Amendment to the Amended and Restated Service Plan, as approved by the Town of Castle Rock on May 6, 2014.

The 2017 assessed valuation of all taxable properties within Crystal Valley Metropolitan District No. 2 is attached hereto as **Exhibit C**.

In 2017 the District issued 10.779 mills for general operating expenses and 49.508 mills for contractual obligations.

E. The District's budget for the calendar year in which the annual report is submitted:

A copy of the District's 2018 budget is attached as **Exhibit D.**

F. A summary of residential and commercial development that has occurred within the District for the report year:

There were approximately 121 new residential properties developed and no commercial development in 2017.

G. A summary of all fees, charges and assessments imposed by the District as of January 1 of the report year:

A copy of the District's current fee resolution is attached as **Exhibit E**. Information regarding specific fees is also included in the Audits attached as **Exhibit A**.

H. Certification of the Board that no action, event, or condition of Section 11.02.060 (Material Modification of Service Plan) of this chapter has occurred in the report year:

The Board of Directors of the District hereby certify that as of December 31, 2017 and pursuant to the City Resolution No. 2008-51, no action, event or condition has taken place constituting a material modification of the Amended and Restated Service Plan, as approved by the Town of Castle Rock on May 6, 2014. The District has submitted an application for Quinquennial Review to the Town Attorney on August 23, 2018.

I. The names, business addresses and phone numbers of all members of the Board and its chief administrative officer and general counsel, together with the date, place and time of the regular meetings of the board:

Jerry Richmond, Assistant Secretary
10864 Trotwood Way
Highlands Ranch, CO 80126
Telephone: (303) 267-6195

Paul "Joe" Knopinski, Assistant Secretary
7629 S. Platte Canyon Drive
Littleton, CO 80128
Telephone: (720) 480-9670

Mark Turner, Vice President
4058 Eagle Ridge Way
Castle Rock, CO 80104
Telephone: (303) 818-0854

Nicholas "Nick" Johnson, President
5266 Fawn Ridge Way
Castle Rock, CO 80104
Telephone: (720) 498-2191

General Counsel:

Blair M. Dickhoner, Esq.
White Bear Ankele Tanaka and Waldron, Attorneys at Law
2154 E. Commons Ave., Suite 2000
Centennial, CO 80122
Telephone: (303) 858-1800

Regular Meetings:

Date: The first Wednesday of April, June, October, and November
Place: 2160 Fox Haven Drive, Castle Rock, CO
Time: 5:00 p.m.

EXHIBIT A
2017 Audit

CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 2

Financial Statements

Year Ended December 31, 2017

with

Independent Auditor's Report

C O N T E N T S

Hiratsuka & Associates, L.L.P.
Certified Public Accountants & Business Advisors

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Crystal Valley Metropolitan District No. 2
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Crystal Valley Metropolitan District No. 2 (the District), Douglas County, Colorado, as of and for the year ended December 31, 2017, 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 (U.S. GAAP); 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 an opinion 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 of 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Crystal Valley Metropolitan District No. 2, Douglas County, Colorado, as of December 31, 2017, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with U.S. GAAP.

Other Matters

Required Supplementary Information

Management has not presented Management's Discussion and Analysis. Such missing information, although not a part of the basic financial statements, is required by GASB, 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 the missing information.

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Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund and Summary of Assessed Valuation, Mill Levy, and Property Taxes Collected were presented for the purpose of additional analysis and were not a required part of the financial statements.

The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Debt Service Fund and Summary of Assessed Valuation, Mill Levy, and Property Taxes Collected are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hiratsuka & Associates, LLP

July 30, 2018
Wheat Ridge, Colorado

CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 2

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2017

	General	Debt Service	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and investments	$ 426,423	$ -	$ 426,423	$ -	$ 426,423
Cash and investments - restricted	540	1,141,012	1,141,552	-	1,141,552
Receivable - County Treasurer	1,797	8,255	10,052	-	10,052
Property taxes receivable	364,094	1,672,754	2,036,848	-	2,036,848
Prepaid expenses	3,367	-	3,367	-	3,367
Total Assets	$ 796,221	$ 2,822,021	$ 3,618,242	-	3,618,242
LIABILITIES					
Accounts payable	$ 61	$ -	$ 61	-	61
Accrued interest on bonds	-	-	-	5,769,073	5,769,073
Long-term liabilities:					
Due within one year	-	-	-	465,000	465,000
Due in more than one year	-	-	-	60,575,000	60,575,000
Total Liabilities	61	-	61	66,809,073	66,809,134
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	364,094	1,672,754	2,036,848	-	2,036,848
Total Deferred Inflows of Resources	364,094	1,672,754	2,036,848	-	2,036,848
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepaids	3,367	-	3,367	(3,367)	-
Restricted:					
Emergencies	540	-	540	(540)	-
Debt service	-	1,149,267	1,149,267	(1,149,267)	-
Unassigned	428,159	-	428,159	(428,159)	-
Total Fund Balances	432,066	1,149,267	1,581,333	(1,581,333)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 796,221	$ 2,822,021	$ 3,618,242		
Net Position:					
Restricted for:					
Emergencies				540	540
Debt service				(4,619,806)	(4,619,806)
Unrestricted				(60,608,474)	(60,608,474)
Total Net Position				$ (65,227,740)	$ (65,227,740)

The notes to the financial statements are an integral part of these statements.

CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL FUNDS

For the Year Ended December 31, 2017

	General	Debt Service	Total	Adjustments	Statement of Activities
EXPENDITURES					
Insurance	$ 3,371	$ -	$ 3,371	$ -	$ 3,371
Audit	4,100	-	4,100	-	4,100
Directors fees	1,600	-	1,600	-	1,600
Payroll taxes	122	-	122	-	122
Miscellaneous	148	16	164	-	164
Transfer to District No. 1	65,000	5,695,455	5,760,455	-	5,760,455
Paying agent / trustee fees	-	1,500	1,500	-	1,500
Costs of issuance	-	254,700	254,700	-	254,700
Treasurer's fees	3,675	16,884	20,559	-	20,559
Interest expense	-	621,682	621,682	1,864,822	2,486,504
Principal payment	-	300,000	300,000	(300,000)	-
Total Expenditures	78,016	6,890,237	6,968,253	1,564,822	8,533,075
GENERAL REVENUES					
Property taxes	244,810	1,124,659	1,369,469	-	1,369,469
Specific ownership taxes	26,827	123,243	150,070	-	150,070
Interest income	1,953	9,693	11,646	-	11,646
Total General Revenues	273,590	1,257,595	1,531,185	-	1,531,185
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	195,574	(5,632,642)	(5,437,068)	(1,564,822)	(7,001,890)
OTHER FINANCING SOURCES (USES)					
Loan proceeds	-	6,110,000	6,110,000	(6,110,000)	-
Total Other Financing Sources (Uses)	-	6,110,000	6,110,000	(6,110,000)	-
NET CHANGES IN FUND BALANCES	195,574	477,358	672,932	(672,932)	
CHANGE IN NET POSITION				(7,001,890)	(7,001,890)
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	236,492	671,909	908,401	(59,134,251)	(58,225,850)
END OF YEAR	$ 432,066	$ 1,149,267	$ 1,581,333	$ (66,809,073)	$ (65,227,740)

The notes to the financial statements are an integral part of these statements.

CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 2

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

For the Year Ended December 31, 2017

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	$ 244,895	$ 244,810	$ (85)
Specific ownership taxes	19,592	26,827	7,235
Interest income	243	1,953	1,710
Total Revenues	264,730	273,590	8,860
EXPENDITURES			
Insurance	3,500	3,371	129
Audit	4,500	4,100	400
Directors fees	6,000	1,600	4,400
Payroll taxes	500	122	378
Legal	-	-	-
Miscellaneous	1,000	148	852
Transfer to District No. 1	245,107	65,000	180,107
Treasurer's fees	3,673	3,675	(2)
Emergency reserve	450	-	450
Total Expenditures	264,730	78,016	186,714
NET CHANGE IN FUND BALANCE	-	195,574	195,574
FUND BALANCE:			
BEGINNING OF YEAR	-	236,492	236,492
END OF YEAR	$ -	$ 432,066	$ 432,066

The notes to the financial statements are an integral part of these statements.

Notes to Financial Statements
December 31, 2017

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Crystal Valley Metropolitan District No. 2, (the "District"), located in Douglas County, Colorado, conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized in 1986 concurrently with Crystal Valley Metropolitan District No. 1 ("District No. 1"), as a quasi-municipal organization established under the State of Colorado Special District Act. District No. 1 has the power to provide water, streets, traffic and safety controls, television relay and translator, transportation, park and recreation, mosquito and pest control, fire protection and emergency medical services, sanitation facilities and other related improvements for the benefit of the taxpayers and service users within both District No. 1 and No. 2 boundaries. The Service Plan anticipates that the District No. 1 will convey water, sanitation facilities, streets and other facilities to the Town of Castle Rock, Colorado ("the Town") or Douglas County ("the County") for operation and maintenance purposes. District No. 1 may however, upon mutual agreement with the Town, retain ownership in the facilities and/or retain responsibility for operations and maintenance.

The District is intended to serve as the "Taxing District" while District No. 1 is intended to serve as the "Operating District". The District collects property and specific ownership taxes, and on a yearly basis remits payments to District No. 1 for the purpose of funding operational expenses and the retirement of long-term debt.

The Operating District is responsible for providing the day-to-day operations and administrative management for both Districts.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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.*

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 *availabl*e when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

> *General Fund* - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.
>
> *Debt Service Fund* – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

In October 2017, the District amended the appropriations in the Debt Service Fund from $1,242,703 to $7,500,000 primarily due to the issuance of the Series 2017 loan (see Note 3).

Assets, Liabilities, Deferred Inflows/Inflows of Resources and Net Position

Fair Value of Financial Instruments

The District's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2017, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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.

Estimates
The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of items that qualify for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

Long-Term Obligations
In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity
Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance
Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance
The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of $540 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of $1,149,267 is restricted for the payment of the debt service costs associated with the General Obligation Refunding Loan Series 2015 (see Note 3) and for the transfer to District No. 1 as outlined in the District Facilities Construction and Service Agreement with District No. 1 on June 4, 2001 and amended February 21, 2012 (see Note 6).

Committed Fund Balance
The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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
Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance
Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.
For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position
Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. At December 31, 2017, the District did not have any amounts to report in this category.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

As of December 31, 2017, cash and investments are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and investments	$ 426,423
Cash and investments - Restricted	1,141,552
Total	$ 1,567,975

Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	$ 843,799
Investments - COLOTRUST	724,176
	$ 1,567,975

Deposits

Custodial Credit Risk
The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 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.

The District does not have a formal policy for deposits, however, none of the District's deposits were exposed to custodial credit risk.

Investments

Credit Risk
The District has not adopted a formal investment policy; however the District follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk
Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

As of December 31, 2017, the District had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAm by Standard & Poor's with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint ventures established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the net asset value method. The trusts operate similarly to a money market fund with each share maintaining a value of $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2017, the District had $724,176 invested in COLOTRUST.

Note 3: Long Term Debt

A description of the long-term obligations as of December 31, 2017, is as follows:

General Obligation Refunding Subordinate Bonds Series 2014A and Series 2014B
On August 1, 2014, the District issued $28,370,000 of General Obligation Refunding Subordinate Bonds Series 2014A at an interest rate of 5.5% and $10,000,000 of General Obligation Refunding Subordinate Bonds Series 2014B at an interest rate of 0%. The 2014A and 2014B Bonds mature on December 15, 2049. Both sets of bonds were issued for the purpose of refunding developer notes, including any accrued interest, held by District No. 1.

The amounts of all other Subordinate Debt of District No. 1, as listed above, that is not otherwise restructured into the Series 2014A and Series 2014B Bonds have been discharged in its entirety. Per a Limited Mutual Release between the Districts and the Subordinate Bondholders, dated July 2, 2014, both the Series 2014A and 2014B Bonds are subject to discharge in their entirety thirty-five years after issuance, unless litigation is filed against the developer entity, Bondholders or current or past board members by or through the Districts challenging the enforceability or terms of the Bonds, or relating in any way to the operations of the District. The Subordinate Bondholders also agree to release the Districts, their successors, administrators, principals, board members, officers and assigns and any construction management fees of any possible challenges on the past, present or future operations of the Districts. If such litigation is filed by either party, the principal and interest due on the Series 2014A and Series 2014B Bonds will not be discharged at year thirty-five (35) but rather will be due and payable until paid in full.

Limited Tax General Obligation Refunding Loan Series 2015
On December 23, 2015, the District authorized the issuance of Limited Tax General Obligation Refunding Loan Series 2015, (the "Series 2015 Loan") for refunding of the outstanding Limited Tax General Obligation Bonds Series 2004A and a portion of the Series 2004B bonds held by District No. 1. The loan bears interest at 3.54% per annum, payable semiannually on each June 1 and December 1, commencing on June 1, 2016. The loan is subject to mandatory sinking fund redemption commencing on December 1, 2016. The 2015 Series Loan is secured by Pledged Revenues including (i) the Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

Limited Tax General Obligation Refunding Loan Series 2017

On November 1, 2017, the District authorized the issuance of Limited Tax General Obligation Refunding Loan Series 2017, (the "Series 2017 Loan") for refunding of the outstanding Limited Tax General Obligation Bonds Series 2004B bonds held by District No. 1. The loan bears interest at 3.25% per annum, payable semiannually on each June 1 and December 1, commencing on December 1, 2017. The loan is subject to mandatory sinking fund redemption commencing on December 1, 2018. The 2017 Series Loan is secured by Pledged Revenues including (i) the Required Mill Levy; (ii) the portion of the Specific Ownership Tax which is collected as a result of the imposition of the Required Mill Levy; and (iii) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue.

The District funded a Reserve Fund for the Series 2015 Loan and the Series 2017 Loan in the amount of $696,339. The Reserve Fund shall be maintained by the Trustee until the date upon the Series 2015 Loan and the Series 2017 Loan are fully repaid.

Amended and Restated Intercreditor Agreement

The District entered into an Amended and Restated Intercreditor Agreement with District No. 1 and all bond holders of both Districts, dated August 1, 2014, in order to set priority of payment of the debt issued by District No. 1 and the District. Under the obligations of the Master IGA, the District is to provide revenues to District No. 1 to pay its debt service obligations. The Series 2004A Bonds issued by District No. 1 have priority of the revenues provided by the District for interest and principal payments followed by the Series 2004B Bonds (also issued by District No. 1), the Series 2014A Bonds and finally the Series 2014B Bonds if not discharged. On December 23, 2015, the Series 2015 Loan repayment replaced the Series 2004A Bonds. On November 1, 2017, the Series 2017 Loan replaced the Series 2004B Bonds.

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2015 Loan:

	Principal	Interest	Total
2018	$ 375,000	$ 594,366	$ 969,366
2019	390,000	580,907	970,907
2020	420,000	568,462	988,462
2021	435,000	551,834	986,834
2022	470,000	832,555	1,302,555
2023	14,470,000	815,268	15,285,268
	$ 16,560,000	$ 3,943,392	$ 20,503,392

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2017 Loan:

	Principal	Interest	Total
2018	$ 90,000	$ 198,575	$ 288,575
2019	95,000	195,650	290,650
2020	105,000	192,563	297,563
2021	110,000	189,150	299,150
2022	115,000	185,575	300,575
2023 - 2027	25,000	1,407,238	1,432,238
2028 - 2032	60,000	1,530,100	1,590,100
2033 - 2037	420,000	1,480,325	1,900,325
2038 - 2042	985,000	1,305,425	2,290,425
2043 - 2047	4,105,000	898,700	5,003,700
	$ 6,110,000	$ 7,583,300	$ 13,693,300

The following is an analysis of changes in long-term debt for the period ending December 31, 2017:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017	Current Portion
G.O. Refunding Sub. Bonds 2014A	$ 28,370,000	$ -	$ -	$ 28,370,000	$ -
G.O. Refunding Sub. Bonds 2014B	10,000,000	-	-	10,000,000	-
G.O. Refunding Loan 2015	16,860,000	-	300,000	16,560,000	375,000
G.O. Refunding Loan 2017	-	6,110,000	-	6,110,000	90,000
Total	$ 55,230,000	$ 6,110,000	$ 300,000	$ 61,040,000	$ 465,000

The schedules for the Series 2014A and Series 2014B bonds are not presented as the repayments of those bonds are subordinate to the Series 2015 and Series 2017 loans.

<u>Debt Authorization</u>

In 1999, 2000 and 2001, a majority of the qualified electors of the District who voted in the election authorized the issuance of indebtedness of $137,500,000. As of December 31, 2017, the amount of debt authorized by the District's electorate but unissued was $99,130,000. Per the District's Service Plan, the District debt is limited to $45,000,000 of which $6,630,000 is remaining. The District has not budgeted to issue any new debt during 2018.

Note 5: Related Party

Two members of the Board of Directors of the District are consultants, directly or indirectly, to Paulson Property Management, LLC, (the "Investor") which acquired significant ownership and/or development interests in property within the District in February 2012. In February 2012, one of the board members who provided consulting services to the Investor was hired as the Executive Vice President of Raintree Investment Corporation, the exclusive agent for the Investor. Management believes that all potential conflicts, if any, have been disclosed to the Secretary of State and the Board of Directors.

Note 6: Agreements

District Facilities Construction and Service Agreement
On June 4, 2001, and as amended on February 24, 2012, the District entered into a District Facilities Construction and Service Agreement with District No. 2 under which the District coordinates the financing, acquisition, construction, installation, completion, operation, maintenance and repair of public improvements and the management, administration and provision of services benefitting both Districts. District No. 2 will financially support the repayment of bonds and other obligations incurred in connection with the completion, operation, maintenance and repair of public improvements and the management, administration and provision of services by District No. 1.

Note 7: Tax, Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer 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 limit must be refunded unless the voters approve retention of such revenue.

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.

On November 6, 2001, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under Article X, Section 20 of the Colorado Constitution

Note 8: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The *Governmental Funds Balance Sheet/Statement of Net Position* includes an adjustments column. The adjustments have the following elements:

1) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The *Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities* includes an adjustments column. The adjustments have the following elements:

1) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;

2) governmental funds report developer advances and/or bond proceeds as revenue; and,

3) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 2

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	$ 1,125,048	$ 1,125,048	$ 1,124,659	$ (389)
Specific ownership taxes	78,753	78,753	123,243	44,490
Interest income	500	500	9,693	9,193
Total Revenues	1,204,301	1,204,301	1,257,595	53,294
EXPENDITURES				
Miscellaneous	5,500	5,500	16	5,484
Transfer to District No. 1	317,483	6,295,234	5,695,455	599,779
Paying agent / trustee fees	6,000	6,000	1,500	4,500
Costs of issuance	-	254,700	254,700	-
Treasurer's fees	16,876	16,884	16,884	-
Interest expense	596,844	621,682	621,682	-
Principal payment	300,000	300,000	300,000	-
Total Expenditures	1,242,703	7,500,000	6,890,237	609,763
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(38,402)	(6,295,699)	(5,632,642)	663,057
OTHER FINANCING SOURCES (USES)				
Loan proceeds	-	6,110,000	6,110,000	-
Total Other Financing Sources (Uses)	-	6,110,000	6,110,000	-
NET CHANGE IN FUND BALANCE	(38,402)	(185,699)	477,358	663,057
FUND BALANCE:				
BEGINNING OF YEAR	584,740	584,740	671,909	87,169
END OF YEAR	$ 546,338	$ 399,041	$ 1,149,267	$ 750,226

The notes to the financial statements are an integral part of these statements.

CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 2

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2017

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied General Fund	Mills Levied Debt Service	Total Property Tax Budgeted	Total Property Tax Collected	Percent Collected to Levied
2003	$ 58,390	40.000	0.000	$ 2,336	$ 2,339	100.15%
2004	$ 1,554,320	1.000	47.940	$ 76,068	$ 77,900	102.41%
2005	$ 4,648,370	1.000	45.940	$ 218,194	$ 230,085	105.45%
2006	$ 6,905,280	1.000	45.940	$ 324,134	$ 390,995	120.63%
2007	$ 14,088,457	1.000	45.940	$ 661,312	$ 663,021	100.26%
2008	$ 18,898,700	1.000	45.940	$ 887,105	$ 798,105	89.97%
2009	$ 18,965,710	1.000	45.940	$ 890,250	$ 703,655	79.04%
2010	$ 17,990,510	10.000	45.940	$ 1,006,389	$ 1,005,743	99.94%
2011	$ 18,241,110	10.000	45.940	$ 1,020,408	$ 1,022,812	100.24%
2012	$ 14,771,930	10.000	45.940	$ 826,342	$ 819,337	99.15%
2013	$ 14,710,110	10.000	45.940	$ 822,884	$ 820,305	99.69%
2014	$ 15,147,230	10.000	45.940	$ 847,336	$ 847,327	100.00%
2015	$ 16,535,800	10.000	45.940	$ 925,013	$ 924,958	99.99%
2016	$ 21,544,050	10.000	45.940	$ 1,205,174	$ 1,205,243	100.01%
2017	$ 24,489,510	10.000	45.940	$ 1,369,943	$ 1,369,469	99.97%
Estimated for year ending December 31, 2018	$ 33,787,540	10.776	49.508	$ 2,036,848		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.

EXHIBIT B
2017 Budget

CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 2
2017
BUDGET MESSAGE

Attached please find a copy of the adopted 2017 budget for the Crystal Valley Metropolitan District No. 2.

The Crystal Valley Metropolitan District No. 2 has adopted two separate funds, a General Fund to provide for the payment of general operating expenditures and transfers to Crystal Valley Metropolitan District No. 1 for the payment of general operating expenditures; and a Debt Service Fund to provide for payments on the general obligation loan and transfers to Crystal Valley Metropolitan District No. 1 for payments on the outstanding revenue debt.

The District's accountants have utilized the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

The primary source of revenue for the District in 2017 will be property taxes. The District intends to impose a 55.940 mill levy on the property within the District for 2017, of which 10.000 mills will be dedicated to the General Fund and the balance of 45.940 mills will be allocated to the Debt Service Fund.

Crystal Valley Metropolitan District No. 2
Adopted Budget
General Fund
For the Year ended December 31, 2017

	Actual 2015	Adopted Budget 2016	Actual 6/30/2016	Estimate 2016	Adopted Budget 2017
Beginning fund balance	12,757	28,208	86,034	86,034	-
Revenues:					
Property taxes	165,348	215,440	213,025	215,440	244,895
Specific ownership taxes	15,899	17,236	9,766	17,235	19,592
Interest income	242	-	232	250	243
Total revenues	181,489	232,676	223,023	232,925	264,730
Total funds available	194,246	260,884	309,057	318,959	264,730
Expenditures:					
Audit	4,000	4,500	4,100	4,100	4,500
Directors fees	3,400	6,000	500	4,000	6,000
Insurance	2,605	3,000	3,127	3,127	3,500
Legal	10,140	20,000	-	-	-
Miscellaneous	152	1,000	8	100	1,000
Payroll taxes	260	500	38	306	500
Payment to District 1	85,174	221,617	20,000	304,094	245,107
Treasurer fees	2,481	3,232	3,196	3,232	3,673
Emergency reserve (3%)	-	1,035	-	-	450
Total expenditures	108,212	260,884	30,969	318,959	264,730
Ending fund balance	86,034	-	278,088	-	-
Assessed valuation	16,535,800	21,544,050			24,489,510
Mill Levy	10.000	10.000			10.000

Crystal Valley Metropolitan District No. 2
Adopted Budget
Debt Service Fund
For the Year ended December 31, 2017

	Actual 2015	Adopted Budget 2016	Actual 6/30/2016	Estimate 2016	Adopted Budget 2017
Beginning fund balance	108,367	613,992	646,857	646,857	584,740
Revenues:					
Property taxes	759,610	989,734	978,639	989,734	1,125,048
Specific ownership taxes	73,039	79,179	44,867	79,179	78,753
Bond Proceeds	17,100,000	-	-	-	-
Interest income	1,113	500	1,142	500	500
Total revenues	17,933,762	1,069,413	1,024,648	1,069,413	1,204,301
Total funds available	18,042,129	1,683,405	1,671,505	1,716,270	1,789,041
Expenditures:					
Miscellaneous	-	5,500	45	100	5,500
Paying Agent / Trustee fees	1,500	6,000	-	6,000	6,000
Treasurer's fees	11,400	14,846	14,682	14,846	16,876
Cost of Issuance	486,250	-	-	-	-
Series 2015 - Principal pymt	-	-	-	280,000	300,000
Series 2015 - Interest expense	-	835,574	270,721	555,574	596,844
Transfer to District 1	16,896,122	275,010	-	275,010	317,483
Total expenditures	17,395,272	1,136,930	285,448	1,131,530	1,242,703
Ending fund balance	646,857	546,475	1,386,057	584,740	546,338
Required reserve		546,338			546,338
Ending fund balance		137			-
Assessed valuation	16,535,800	21,544,050			24,489,510
Mill Levy	45.940	45.940			45.940
Total Mill Levy	55.940	55.940			55.940

EXHIBIT C
2017 Assessed Valuation

CERTIFICATION OF VALUATION BY DOUGLAS COUNTY ASSESSOR

Name of Jurisdiction: 4210 - Crystal Valley Metro District 2

IN DOUGLAS COUNTY ON 11/20/2017 New Entity: No

USE FOR STATUTORY PROPERTY TAX REVENUE LIMIT CALCULATIONS (5.5% LIMIT) ONLY

IN ACCORDANCE WITH 39-5-121(2)(a) AND 39-5-128(1),C.R.S. AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES THE TOTAL VALUATION FOR ASSESSMENT FOR THE TAXABLE YEAR 2017 IN DOUGLAS COUNTY. COLORADO

1. PREVIOUS YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	$24,489,510
2. CURRENT YEAR'S GROSS TOTALTAXABLE ASSESSED VALUATION: *	$33,787,540
3. LESS TIF DISTRICT INCREMENT, IF ANY:	$0
4. CURRENT YEAR'S NET TOTAL TAXABLE ASSESSED VALUATION:	$33,787,540
5. NEW CONSTRUCTION: **	$2,321,380
6. INCREASED PRODUCTION OF PRODUCING MINES: #	$0
7. ANNEXATIONS/INCLUSIONS:	$0
8. PREVIOUSLY EXEMPT FEDERAL PROPERTY: #	$0
9. NEW PRIMARY OIL OR GAS PRODUCTION FROM ANY PRODUCING OIL AND GAS LEASEHOLD ## OR LAND (29-1-301(1)(b) C.R.S.):	$0
10. TAXES COLLECTED LAST YEAR ON OMITTED PROPERTY AS OF AUG. 1 (29-1-301(1))(a) C.R.S.):	$0.00
11. TAXES ABATED AND REFUNDED AS OF AUG. 1 (29-1-301(1)(a) C.R.S.) and (39-10-114(1)(a)(I)(B) C.R.S.):	$355.00

* This value reflects personal property exemptions IF enacted by the jurisdiction as authorized by Art. X, Sec.20(8)(b),Colo.

** New construction is defined as. Taxable real property structures and the personal property connected with the structure.

\# Jurisdiction must submit respective certifications (Forms DLG 52 AND 52A) to the Division of Local Government in order for the values to be treated as growth in the limit calculation.

\## Jurisdiction must apply (Forms DLG 52B) to the Division of Local Government before the value can be treated as growth in the limit calculation.

USE FOR 'TABOR' LOCAL GROWTH CALCULATIONS ONLY

IN ACCORDANCE WITH THE PROVISION OF ARTICLE X, SECTION 20, COLO CONST, AND 39-5-121(2)(b),C.R.S. THE ASSESSOR CERTIFIES THE TOTAL ACTUAL VALUATION FOR THE TAXABLE YEAR 2017 IN DOUGLAS COUNTY, COLORADO ON AUGUST 25, 2017

1. CURRENT YEAR'S TOTAL ACTUAL VALUE OF ALL REAL PROPERTY: @	$375,589,267
ADDITIONS TO TAXABLE REAL PROPERTY:	
2. CONSTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS: !	$31,808,046
3. ANNEXATIONS/INCLUSIONS:	$0
4. INCREASED MINING PRODUCTION: %	$0
5. PREVIOUSLY EXEMPT PROPERTY:	$0
6. OIL OR GAS PRODUCTION FROM A NEW WELL:	$0
7. TAXABLE REAL PROPERTY OMITTED FROM THE PREVIOUS YEAR'S TAX WARRANT:	$0

(If land and/or a structure is picked up as omitted property for multiple years, only the most current year's actual value can be reported as omitted property.)

DELETIONS FROM TAXABLE REAL PROPERTY:	
8. DESTRUCTION OF TAXABLE REAL PROPERTY IMPROVEMENTS:	$0
9. DISCONNECTIONS/EXCLUSION:	$0
10. PREVIOUSLY TAXABLE PROPERTY:	$63

@ This includes the actual value of all taxable real property plus the actual value of religious, private schools, and charitable real property.

! Construction is defined as newly constructed taxable real property structures.

% Includes production from new mines and increases in production of existing producing mines.

IN ACCORDANCE WITH 39-5-128(1),C.R.S. AND NO LATER THAN AUGUST 25, THE ASSESSOR CERTIFIES TO SCHOOL DISTRICTS : 1. TOTAL ACTUAL VALUE OF ALL TAXABLE PROPERTY:------------>	$0

NOTE: All levies must be Certified to the Board of County Commissioners NO LATER THAN DECEMBER 15, 2017

Data Date: 11/20/2017

EXHIBIT D
2018 Budget

CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 2
2018
BUDGET MESSAGE

Attached please find a copy of the adopted 2018 budget for the Crystal Valley Metropolitan District No. 2.

The Crystal Valley Metropolitan District No. 2 has adopted two separate funds, a General Fund to provide for the payment of general operating expenditures and transfers to Crystal Valley Metropolitan District No. 1 for the payment of general operating expenditures; and a Debt Service Fund to provide for payments on the general obligation loans.

The District's accountants have utilized the modified accrual basis of accounting and the budget has been adopted after proper postings, publications and public hearing.

The primary source of revenue for the District in 2018 will be property taxes. The District intends to impose a 60.284 mill levy on the property within the District for 2018, of which 10.776 mills will be dedicated to the General Fund and the balance of 49.508 mills will be allocated to the Debt Service Fund.

Crystal Valley Metropolitan District No. 2
Adopted Budget
General Fund
For the Year ended December 31, 2018

	Actual 2016	Adopted Budget 2017	Actual 6/30/2017	Estimate 2017	Adopted Budget 2018
Beginning fund balance	86,034	-	236,492	236,492	181,101
Revenues:					
Property taxes	215,453	244,895	243,246	244,895	364,094
Property taxes - abatements	-	-	(75)	(75)	-
Specific ownership taxes	19,821	19,592	12,905	19,592	29,129
Interest income	845	243	615	250	360
Total revenues	236,119	264,730	256,691	264,662	393,583
Total funds available	322,153	264,730	493,183	501,154	574,684
Expenditures:					
Audit	4,100	4,500	-	4,100	5,000
Directors fees	2,000	6,000	800	4,000	8,000
Insurance	3,127	3,500	3,371	3,127	4,000
Miscellaneous	48	1,000	78	1,000	1,002
Payroll taxes	153	500	92	500	612
Payment to District 1	73,000	245,107	65,000	304,094	550,069
Treasurer fees	3,233	3,673	3,650	3,232	5,461
Emergency reserve (3%)	-	450	-	-	540
Total expenditures	85,661	264,730	72,991	320,053	574,684
Ending fund balance	236,492	-	420,192	181,101	-
Assessed valuation		24,489,510			33,787,540
Mill Levy		10.000			10.776

Crystal Valley Metropolitan District No. 2
Adopted Budget
Debt Service Fund
For the Year ended December 31, 2018

	Actual 2016	Adopted Budget 2017	Actual 6/30/2017	Estimate 2017	Adopted Budget 2018
Beginning fund balance	646,857	584,740	671,909	671,909	1,120,995
Revenues:					
Property taxes	989,790	1,125,048	1,117,471	1,125,048	1,672,754
Property taxes - abatements			(347)	(347)	-
Specific ownership taxes	91,059	78,753	59,287	78,753	117,093
Loan 2017 Proceeds	-	-	-	6,135,000	-
Interest income	4,054	500	3,139	500	1,036
Total revenues	1,084,903	1,204,301	1,179,550	7,338,954	1,790,883
Total funds available	1,731,760	1,789,041	1,851,459	8,010,863	2,911,878
Expenditures:					
Miscellaneous	61	5,500	-	100	5,508
Paying Agent / Trustee fees	1,500	6,000	1,500	6,000	6,000
Treasurer's fees	14,854	16,876	16,767	14,846	25,091
Cost of Issuance	-	-	-	265,200	-
Series 2017 - Principal pymt	-	-	-	-	90,000
Series 2017 - Interest expense	-	-	-	18,957	199,572
Series 2015 - Principal pymt	240,000	300,000	-	300,000	375,000
Series 2015 - Interest expense	578,436	596,844	301,738	596,844	586,224
Transfer to District 1	225,000	317,483	-	5,687,921	-
Total expenditures	1,059,851	1,242,703	320,005	6,889,868	1,287,395
Ending fund balance	671,909	546,338	1,531,454	1,120,995	1,624,483
Required reserve		546,338			723,497
Ending fund balance		-			900,986
Assessed valuation		24,489,510			33,787,540
Mill Levy		45.940			49.508
Total Mill Levy		55.940			60.284

EXHIBIT E
Current Fee Resolution

SECOND AMENDED AND RESTATED
JOINT RESOLUTION CONCERNING IMPOSITION OF DISTRICT DEVELOPMENT FEE

WHEREAS, pursuant to an order of District Court of Douglas County, Colorado, Crystal Valley Metropolitan District Nos. 1 and 2 (collectively, the "Districts") have been duly and validly created as metropolitan districts in accordance with all applicable law; and

WHEREAS, the Districts are authorized pursuant to C.R.S. Section 32-1-1001(1)(j) to fix fees, rates, tolls, charges and penalties for services or facilities provided by the Districts which, until paid, shall constitute a perpetual lien on and against the property served; and

WHEREAS, the Districts' Consolidated Service Plan ("Service Plan") similarly empowers the imposition of such fees and rates for services and facilities provided by the Districts; and

WHEREAS, on June 4, 2001, the Districts adopted and approved the Joint Resolution Concerning Imposition of District Development Fee (the "Resolution") which imposed certain development fees and charges against property within the boundaries of the Districts (the "Development Fees"), as recorded in the Douglas County Clerk and Recorders records at reception number 2003027696, which was amended and restated on or about December 2, 2009; and

WHEREAS, the Districts are parties to a District Facilities Construction and Services Agreement, dated as of June 4, 2001, as amended (the "Master IGA"), which Master IGA provides that District No. 1 shall own, operate, maintain, construct all public facilities benefitting the Districts and that District No. 2 will fund all such activities from the proceeds of bonds or property taxes; and

WHEREAS, pursuant to the Master IGA, all fees and charges are imposed by District No. 1 for services and facilities provided to or for the benefit of District No. 2; and

WHEREAS, the Board of Directors of District No. 1 desires to restate the provisions of the Resolution to provide for differential rates for single and multi-family products and further clarify the circumstances under which the Development Fee may be increased or decreased.

NOW, THEREFORE, be it resolved by the Board of Directors of the District No. 1 as follows:

COVENANTS AND AGREEMENTS

1. <u>Amendment and Restatement of Fee Resolution</u>. The Fee Resolution is hereby amended and restated in its entirety with this Resolution.

2. Imposition of Fees. As of the effective date hereto, District No. 1 authorizes imposition of all fees and charges established hereunder against all property as is now and in the future within the boundaries of District No. 1 and District No. 2, as such boundaries may be adjusted in the future ("Legal Boundaries").

a. Residential Property. A one-time "Development Fee" is hereby established for all residential dwelling units within the Legal Boundaries of the Districts.

i. Residential Detached Dwelling Units. The Development Fee for all residential detached dwelling units shall be set hereunder at the rate of $2,100.

ii. Multi-family Attached Dwelling Units. The Development Fee for all multi-family attached dwelling units shall be set hereunder at the rate of $1,260.

b. Commercial Property. A one-time "Development Fee" is hereby established for all property within the Legal Boundaries developed for commercial uses at an SFE rate of $2,100 and shall be applied to all such commercial property on the basis of 4 SFEs per each acre of commercial property or $8,400 per acre of zoned commercial property.

c. The Development Fees established hereunder shall be subject to increase at the discretion of the Board of Directors of District No. 1 on an annual basis as part of the next succeeding year's budget. Any such increases shall be limited to five percent (5%) rounded to the nearest twenty-five dollars ($25.00) on January 1 of each year commencing January 1, 2012 until no further single or multi-family dwelling units or commercial property remain to be constructed within the Districts.

3. Due at Building Permit. All Development Fees shall be due not later than the date a building permit is obtained by the owner of any portion of the property within the Districts upon which a dwelling unit or commercial property may be constructed. The amount of each Development Fee due hereunder shall be at the rate in effect at the time of that the building permit is obtained.

4. Penalties for Late Payment. Any Fee that is not paid in full within ten (10) days after the scheduled due date may be assessed a late fee of $25 per month, not to exceed twenty-five percent (25%) of the amount due, pursuant to §29-1-1102(3), C.R.S. The District may also apply interest to the outstanding fee, exclusive of assessed late fees, at the rate of eighteen (18%) per annum pursuant to §29-1-1102(7), C.R.S.

5. Decrease of Development Fee. Development Fees established hereunder are intended for use in connection with costs of District facilities and services. The Districts are parties to a Prepaid Development Fee Agreement, dated as of December 15, 2005, under which Crystal Valley Development Company LLC ("CVDC") has purchased and hold Certificates for 108 prepaid development fees (the "Prepaid Fees"). Development fees required to be paid hereunder shall first be applied for redemption of the Prepaid Fees by CVDC until no further Prepaid Fees are outstanding. By signature below, the Districts further acknowledge and represent that after

application of the Development Fees for redemption of the Prepaid Fees, the next $300,000 of Development Fees collected shall be placed in an escrow account for necessary funding associated with construction of the I-25 Interchange at Crystal Valley Parkway (the "Interchange Escrow"). If the District determines in its sole discretion that funding of the Interchange Escrow is not necessary or is necessary in an amount less than $300,000, all Development Fees thereafter received shall constitute a pledged revenue source for payment subordinate indebtedness of the Districts. Any decrease in the Development Fees established hereunder shall not be permitted without the prior written consent of at least 75% of subordinate bondholders, including those individuals or entities that hold multi-fiscal year loans, promissory notes or other financial obligations of the Districts. The lien of such pledge shall be valid, binding, and enforceable as against all persons having claims of any kind in tort, contract, or otherwise against the District irrespective of whether such persons have notice of the lien.

6. <u>Perpetual Lien.</u> All fees contemplated herein shall, until paid, constitute a perpetual lien on and against the property served or to be served by any improvements provided by the Districts. All such liens shall be in a senior position as against all other liens of record affecting the property served or benefited, or to be served or benefited by improvements of the Districts and shall run with the Property and remain in effect as to any portion of such property as to which the appropriate fee has not been paid. All liens contemplated herein may be foreclosed in any manner authorized by law at such time as the Districts may determine that Fees hereunder have not been paid as required.

7. <u>Prepayment Agreements.</u> The Districts may enter into agreements for the prepayment of Development Fees in order to permit property owners to avoid scheduled increases in the Development Fee. The rate for such prepaid Development fees shall be the rate of the then-current Development Fee at the time of prepayment rather than the rate in effect at the time a building permit is obtained for the dwelling unit to which such prepaid Development Fee shall be allocated.

7. <u>Amendment.</u> The Districts may raise the amount of the Development Fee set hereunder when, in the Districts discretion, inflation or other budgetary factors so require.

8. <u>Validity.</u> Invalidation of any of the provisions of this Resolution or of any paragraph, sentence, clause, phrase, or word herein, or the application thereof in any given circumstance, shall not affect the validity of any other provision of this Resolution.

[Remainder of Page Intentionally Blank].

ADOPTED AND APPROVED this 19 day of October 2011.

CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 1

Gregory W. Brown, President

ATTEST:

Secretary

ACKNOWLEDGED AND AGREED TO:

CRYSTAL VALLEY METROPOLITAN DISTRICT NO. 2

Gregory W. Brown, President

ATTEST:

Secretary