

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
Douglas County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Certified Public Accountants and Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Rampart Range Metropolitan District No. 1
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Rampart Range Metropolitan District No. 1 (the District), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Rampart Range Metropolitan District No. 1, as of December 31, 2016, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

I

Barnes Griggs & Associates, PC

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Darner Higgs & Associates, PC

Lakewood, Colorado
July 27, 2017

BASIC FINANCIAL STATEMENTS

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities
ASSETS	
Cash and investments	\$ 384,758
Cash and investments - Restricted	10,723,005
Receivables	551,551
Due from District No. 2	8,022
Due from District No. 7	58,378
Capital assets, net	
Land improvements	3,071,128
Parking structure	7,512,903
Infrastructure assets	19,147,749
Construction in progress	7,700,842
Total assets	49,158,336
DEFERRED OUTFLOWS OF RESOURCES	
Cost of bond/loan refundings	1,446,560
Total deferred outflows of resources	1,446,560
LIABILITIES	
Accounts payable	685,255
Retainage payable	164,330
Accrued interest payable - 2013 Loans	435,725
Noncurrent liabilities	
Due within one year	2,065,000
Due in more than one year	222,514,340
Total liabilities	225,864,650
DEFERRED INFLOWS OF RESOURCES	
Interest rate Swap	12,427,934
Total deferred inflows of resources	12,427,934
NET POSITION	
Net investment in capital assets	(478,238)
Restricted for:	
Emergency reserves	54,000
Debt service	3,318,041
Unrestricted	(190,581,491)
Total net position	\$ (187,687,688)

These financial statements should be read only in connection with
the accompanying notes to financial statements.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges</u> <u>for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Primary government:					
Government activities:					
General government	\$ 1,494,673	\$ -	\$ 1,788,116	\$ -	\$ 293,443
Public works	1,969,397	-	-	510,516	(1,458,881)
Dedication of capital assets to other entities	1,037,397	-	-	-	(1,037,397)
Interest and related costs on long-term debt	15,161,546	-	8,730,123	-	(6,431,423)
	<u>\$ 19,663,013</u>	<u>\$ -</u>	<u>\$ 10,518,239</u>	<u>\$ 510,516</u>	<u>(8,634,258)</u>
General revenues:					
Net investment income					71,044
PIF revenue					1,438,023
Total general revenues					<u>1,509,067</u>
Change in net position					(7,125,191)
Net position - Beginning					<u>(180,562,497)</u>
Net position - Ending					<u>\$ (187,687,688)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**RAMPART RANGE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service
ASSETS		
Cash and investments	\$ 178,830	\$ 205,928
Cash and investments - Restricted	54,000	10,006,613
Accrued interest receivable	-	5,481
PIF/STRR receivable	-	540,919
Reimbursement receivable	5,151	-
Due from District No. 2	1,570	6,452
Due from District No. 7	11,422	46,956
TOTAL ASSETS	\$ 250,973	\$ 10,812,349
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 29,582	\$ 8,348
Retainage payable	2,768	-
Total liabilities	32,350	8,348
FUND BALANCES		
Restricted for:		
Emergency reserves	54,000	-
Debt service	-	10,604,422
Assigned for:		
Debt Service Fund	-	199,579
Capital projects	-	-
Unassigned	164,623	-
Total fund balances	218,623	10,804,001
TOTAL LIABILITIES AND FUND BALANCES	\$ 250,973	\$ 10,812,349

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, net

Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Loans payable

Bonds payable

Accrued interest on bonds and loans

Developer advances payable and associated accrued interest

Fair market value of interest rate swap

Deferred cost of refundings

Change in value of interest rate swap

Net position of governmental activities

<u>Capital Projects D.A.</u>	<u>Capital Projects Water</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 384,758
462,958	199,434	10,723,005
-	-	5,481
-	-	540,919
-	-	5,151
-	-	8,022
-	-	58,378
<u>\$ 462,958</u>	<u>\$ 199,434</u>	<u>\$ 11,725,714</u>
\$ 464,038	\$ 183,287	\$ 685,255
63,457	98,105	164,330
<u>527,495</u>	<u>281,392</u>	<u>849,585</u>
-	-	54,000
-	-	10,604,422
-	-	199,579
(64,537)	(81,958)	(146,495)
-	-	164,623
<u>(64,537)</u>	<u>(81,958)</u>	10,876,129
<u>\$ 462,958</u>	<u>\$ 199,434</u>	
		37,432,622
		(114,715,000)
		(21,076,670)
		(7,574,043)
		(71,484,302)
		(10,165,050)
		1,446,560
		<u>(12,427,934)</u>
		<u>\$ (187,687,688)</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended December 31, 2016

	General	Debt Service	Capital Projects D.A.	Capital Projects Water	Total Governmental Funds
REVENUES					
IGA Revenue #2 - Property taxes (net)	\$ 198,674	\$ 816,771	\$ -	\$ -	\$ 1,015,445
IGA Revenue #2 - Specific ownership tax	18,557	76,290	-	-	94,847
IGA Revenue #2 - Property tax interest	-	632	-	-	632
IGA Revenue #7 - Property taxes (net)	1,273,903	5,891,799	-	-	7,165,702
IGA Revenue #7 - Specific ownership tax	135,049	555,202	-	-	690,251
IGA Revenue #7 - Contractual obligation (net)	159,238	-	-	-	159,238
IGA Revenue #7 - Property tax interest	-	905	-	-	905
IGA Revenue #7 - Development fees	-	-	510,516	-	510,516
Miscellaneous income	2,695	-	-	-	2,695
PIF revenue	-	1,438,023	-	-	1,438,023
Sales tax rebate revenue	-	1,388,524	-	-	1,388,524
Net investment income	5,858	61,000	3,017	1,169	71,044
Total revenues	<u>1,793,974</u>	<u>10,229,146</u>	<u>513,533</u>	<u>1,169</u>	<u>12,537,822</u>
EXPENDITURES					
Current					
Accounting and audit	96,226	73,543	182,064	-	351,833
Directors' fees	2,500	-	-	-	2,500
District management	27,277	5,963	84,578	4,826	122,644
Dues and subscriptions	2,949	-	-	-	2,949
Election expense	3,438	-	-	-	3,438
Financial analysis / Debt restructuring	-	23,236	48,449	-	71,685
Insurance	30,336	-	-	-	30,336
Legal	15,957	19,631	41,434	28,749	105,771
Miscellaneous	2,470	119	-	-	2,589
Payment to City (1.0 Mill Regional ML)	181,312	-	-	-	181,312
PIF collection expense	-	27,807	-	-	27,807
Schweiger Ranch Foundation donation	30,000	-	-	-	30,000
City of Lone Tree maintenance payment	250,000	-	-	-	250,000
Drainage facilities maintenance	34,900	-	-	-	34,900
Irrigation and monument lighting	182,274	-	-	-	182,274
Landscape maintenance	373,543	-	36,306	-	409,849
Landscape maintenance - Meridian reimbursement	5,669	-	-	-	5,669
Maintenance - Parking garage	50,199	-	6,454	-	56,653
Construction management	-	-	50,642	-	50,642
Engineering	-	-	-	2,541	2,541
Planning / Design	-	-	67,497	-	67,497
Planning / Design - East side	-	-	-	943,916	943,916
Sign maintenance	23,609	-	-	-	23,609
Snow removal	49,488	-	-	-	49,488
Street lights	10,034	-	-	-	10,034
Inclusion fee - Parker Water and Sanitation District	-	-	-	765,727	765,727
Streets - SkyRidge bridge	-	-	-	2,184,178	2,184,178
Debt service					
Loan interest expense - Series 2013A Note	-	1,278,034	-	-	1,278,034
Loan interest expense - Series 2013B Note	-	3,851,489	-	-	3,851,489
Loan principal expense - Series 2013A Note	-	800,000	-	-	800,000
Loan principal expense - Series 2013B Note	-	1,035,000	-	-	1,035,000
Annual bank loan fees	-	135,667	-	-	135,667
Paying agent fees	-	2,000	-	-	2,000
Capital outlay	-	-	4,077,018	-	4,077,018
Total expenditures	<u>1,372,181</u>	<u>7,252,489</u>	<u>4,594,442</u>	<u>3,929,937</u>	<u>17,149,049</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>421,793</u>	<u>2,976,657</u>	<u>(4,080,909)</u>	<u>(3,928,768)</u>	<u>(4,611,227)</u>
OTHER FINANCING SOURCES (USES)					
Developer advances	-	-	2,450,000	3,450,000	5,900,000
Developer contribution - SE Rail Extension	-	-	2,444,167	-	2,444,167
RRMD contribution to RTD (CoLT) - SE Rail Extension	-	-	(2,444,167)	-	(2,444,167)
Transfer from other Funds	-	-	500,000	-	500,000
Transfer to other Funds	(500,000)	-	-	-	(500,000)
Total other financing sources (uses)	<u>(500,000)</u>	<u>-</u>	<u>2,950,000</u>	<u>3,450,000</u>	<u>5,900,000</u>
NET CHANGE IN FUND BALANCES	(78,207)	2,976,657	(1,130,909)	(478,768)	1,288,773
FUND BALANCES - BEGINNING OF YEAR	296,830	7,827,344	1,066,372	396,810	9,587,356
FUND BALANCES - END OF YEAR	<u>\$ 218,623</u>	<u>\$ 10,804,001</u>	<u>\$ (64,537)</u>	<u>\$ (81,958)</u>	<u>\$ 10,876,129</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**RAMPART RANGE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net change in fund balances - Total governmental funds	\$ 1,288,773
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Governmental funds report capital outlays as expenditures. The statement of activities does not report capital outlay as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, the following are the amounts of capital outlay in the current period:

Capital outlay - West-side	4,077,018
Capital outlay from certain East-side expenditures	3,128,094
Depreciation expense	(650,130)

The issuance of long-term debt (e.g., bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Current year Developer advances, net	(5,900,000)
Loan principal payments	1,835,000

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest on Developer advances - Change in liability	(1,943,450)
Accrued interest on bonds and loans - Change in liability	(1,664,819)
Amortization of deferred loss on refundings	(6,258,280)
Dedication of assets to other governments	<u>(1,037,397)</u>

Changes in net position of governmental activities	<u><u>\$ (7,125,191)</u></u>
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
IGA Revenue #2 - Property taxes (net)	\$ 198,676	\$ 198,676	\$ 198,674	\$ (2)
IGA Revenue #2 - Specific ownership taxes	21,179	21,179	18,557	(2,622)
IGA Revenue #7 - Property taxes (net)	1,293,976	1,293,976	1,273,903	(20,073)
IGA Revenue #7 - Specific ownership taxes	155,180	155,180	135,049	(20,131)
IGA Revenue #7 - Contractual obligation (net)	161,747	161,747	159,238	(2,509)
Miscellaneous income	-	-	2,695	2,695
Net investment income	1,242	1,242	5,858	4,616
Total revenues	<u>1,832,000</u>	<u>1,832,000</u>	<u>1,793,974</u>	<u>(38,026)</u>
EXPENDITURES				
General and administration				
Accounting and audit	90,500	98,450	96,226	2,224
Directors' fees	4,000	2,500	2,500	-
District management	55,000	28,000	27,277	723
Dues and subscriptions	3,500	2,949	2,949	-
Election expense	10,000	3,800	3,438	362
Financial analysis / Debt restructuring	20,000	2,500	-	2,500
Insurance	30,000	30,340	30,336	4
Legal	25,000	17,000	15,957	1,043
Miscellaneous	10,000	3,980	2,470	1,510
Payment to City (1.0 Mill Regional ML)	183,927	181,312	181,312	-
Schweiger Ranch Foundation donation	30,000	30,000	30,000	-
Operations and maintenance				
City of Lone Tree maintenance payment	250,000	250,000	250,000	-
Drainage facilities maintenance	-	35,000	34,900	100
Irrigation and monument lighting	255,000	185,000	182,274	2,726
Landscape maintenance	430,000	380,000	373,543	6,457
Landscape maintenance - Meridian reimbmsmt	10,000	5,669	5,669	-
Maintenance - Parking garage	-	53,000	50,199	2,801
Sign and Upgrades maintenance	8,000	24,000	23,609	391
Snow removal	45,000	50,000	49,488	512
Street lights	35,000	10,500	10,034	466
Contingency	25,073	-	-	-
Total expenditures	<u>1,520,000</u>	<u>1,394,000</u>	<u>1,372,181</u>	<u>21,819</u>
EXCESS OF REVENUES OVER				
(UNDER) EXPENDITURES	<u>312,000</u>	<u>438,000</u>	<u>421,793</u>	<u>(16,207)</u>
OTHER FINANCING SOURCES (USES)				
Transfer to other Funds	-	(500,000)	(500,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(500,000)</u>	<u>(500,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	312,000	(62,000)	(78,207)	(16,207)
FUND BALANCES - BEGINNING OF YEAR	<u>213,000</u>	<u>296,830</u>	<u>296,830</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 525,000</u>	<u>\$ 234,830</u>	<u>\$ 218,623</u>	<u>\$ (16,207)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

The Rampart Range Metropolitan District No. 1 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the Douglas County District Court on March 12, 2001, concurrently with five other districts, Rampart Range Metropolitan District Nos. 2 - 6, and is governed pursuant to provisions of the Colorado Special Districts Act (Title 32, Article 1, Colorado Revised Statutes). In 2005, Rampart Range Metropolitan District Nos. 7 - 9 (together with District Nos. 1 – 6, the Districts) were also organized. The District's service area is located entirely within the City of Lone Tree (the City) in Douglas County, Colorado. The District operates under an Amended and Restated Service Plan approved by the City on April 19, 2005. The Districts were established to provide financing for the design, acquisition, installation and construction of water and irrigation systems, streets, traffic and safety controls, fire protection and emergency medical services, television relay and translator facilities, transportation systems, parks and recreation facilities, sanitation facilities and mosquito and pest control. The District, acting as the Operating District, is responsible for managing the construction and operation of facilities and services of the Districts and for issuing debt. District Nos. 2 through 9 (the Taxing Districts) are responsible for providing the funding and tax base needed to support the debt issued by the District for the capital improvements and continuous operations. Pursuant to the Amended and Restated Service Plan, the Taxing Districts are obligated to impose a Regional Improvements Mill Levy, which is currently equal to 1.000 mill, and convey the revenue to the City to be used for the planning, constructing or acquiring of regional improvements.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity, including the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes, Public Improvement Fees, and Sales Tax Rebate Revenue. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The Capital Projects Funds are used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities. The District accounts for capital activities in two capital projects funds: Capital Projects Developer Advances Fund (Capital Projects D.A.) for West-Side capital items and Capital Projects Water Fund for East-Side capital items.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2016.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Investments are carried at amortized cost.

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.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Public Improvements Fee

On June 29, 2004, the Declaration of Covenants Imposing and Implementing the RidgeGate Public Improvements Fee (PIF) was made by the Developer. The PIF is imposed on each sale or exchange of goods or services for money that occurs within the Districts, excluding residential property, upon which a sales tax would be payable to the City pursuant to the provisions of the City's Municipal Code.

The PIF is to be in an amount not to exceed 1.25% of the revenue generated by the sale, with such amount to be determined by the Designated Receiving Entity in its sole discretion. The District is the Designated Receiving Entity. The District has set the PIF rate at 1.25%. During 2016, the District recorded \$1,438,023 in PIF revenue.

Sales Tax Rebate Revenue

Another significant revenue source for the District is "Sales Tax Rebate Revenue" (STRR) or Sales Tax Rebates, which is defined in detail under Note 9 – Agreements, per both of the sections - Sales Tax Sharing Agreement as well as Ridgeway West Side Agreement Regarding Dedication, Acceptance and Maintenance of Public Improvements and Sales Tax Sharing. The obligation of the City to make payments of Sales Tax Rebate Revenue to the District commenced with regards to "Sales Tax Revenues" (defined as sales tax, lodging tax, admissions tax, or use tax imposed by the City) earned for the period January 1, 2013, and runs through December 31, 2032. The percentage of Sales Tax Revenue to be rebated by the City to the District is 45% of collections for the period of January 1, 2014, through December 31, 2018. The City makes payments of STRR quarterly within 60 days of each calendar quarter. During 2016, the District recorded \$1,388,524 in Sales Tax Rebate Revenue which was for all 2016 collections.

Capital Assets

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

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Currently, the District has assets that are being treated as construction in progress and assets that are being depreciated. For 2016, all capital infrastructure assets that are owned and maintained by the District, were moved out of construction in progress and were added to assets that are being depreciated, and depreciation began on these assets for the first full year. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Parking garage	50 years
Infrastructure assets:	
Storm drainage system	40 years
Parks, trails and pedestrian underpass facilities	40 years
Retaining walls (Cabela's area)	30 years
Communication systems (CINET)	20 years

The District will convey its construction in progress to the City and other governmental entities. The District removes the assets from its property records once initial acceptance has taken place. Prior to January 1, 2015, the City would not accept for maintenance any assets constructed by the District since the inception of construction in 2001. With the December 2014 signing of the new Ridgegate West Side Agreement Regarding Dedication, Acceptance and Maintenance of Public Improvements and Sales Tax Sharing (which is defined in detail under Note 9 - Agreements, per the section of the same name on page 34) among RidgeGate, the District and the City, the City accepted ownership of all previously constructed and currently existing streets, sidewalks, street lighting, traffic signals and related landscaping effective as of January 1, 2015. On page 17, capital assets reflected as being dedicated to the City during 2016, include \$1,037,397 of costs.

Water Rights

The cost of water rights includes acquisition cost, legal and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. All other costs, including costs incurred for the protection of those rights, are expensed.

Amortization

Deferred Cost of Bond/Loan Refundings

In the government-wide financial statements, the deferred cost of bond/loan refundings is being amortized using the interest method over the life of the new loans. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as cost of bond/loan refundings under deferred outflows.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports 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 government has only one item that qualifies for reporting in this category. Accordingly, the unamortized cost of *bond/loan refundings* is deferred and recognized as an outflow of resources in the period that it is amortized.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Equity

Net Position

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

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.
- *Restricted fund balance* – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.
- *Committed fund balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.
- *Assigned fund balance* – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *Unassigned fund balance* – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

Deficits

Both Capital Projects Funds reported deficits in the fund financial statements as of December 31, 2016. The deficits will be eliminated with the receipt of funds advanced by the Developer in 2017.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 384,758
Cash and investments - Restricted	<u>10,723,005</u>
Total cash and investments	<u>\$ 11,107,763</u>

Cash and investments as of December 31, 2016, consist of the following:

Deposits with financial institutions	\$ 27,251
Investments	<u>11,080,512</u>
Total cash and investments	<u>\$ 11,107,763</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the District's cash deposits had a bank balance of \$85,667 and a carrying balance of \$27,251.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

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

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

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

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

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

Fair Value Measurement and Application

The District categorizes its fair value measurements 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; and Level 3 inputs are significant unobservable inputs. Investments not measured at fair value and not categorized include governmental money market funds (PFM Funds Governmental Select series); money market funds (generally held by Bank Trust Departments in their role as paying agent or trustee); and CSAFE which record their investments at amortized cost.

As of December 31, 2016, the District had the following investments:

Investment	Maturity	Value
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	<u>\$ 11,080,512</u>

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds, and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodial agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's.

NOTE 4 - RELATED PARTIES

Prior to December 31, 2007, the Developer of the property which constitutes the Districts was Colony Investments, Inc. (Colony). Effective July 1, 2007, Colony created a new corporation, RidgeGate Investments, Inc. (RidgeGate) which, as of December 31, 2007, is the entity that is developing the property. Collectively, RidgeGate and Colony are referred to herein as the "Developer". Certain members of the Board of Directors of the District are employees, owners or otherwise associated with the Developer, and may have conflicts of interest in dealing with the District. See Note 6 - Long Term Obligations concerning advances made by the Developer.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016, follows:

<u>Governmental Activities:</u>	<u>December 31, 2015</u>	<u>Increases</u>	<u>Reclassify Category</u>	<u>Dedication to Other Entities</u>	<u>December 31, 2016</u>
				(See Note 2 - Capital Assets)	
Capital assets, not being depreciated:					
Land improvements	\$ 947,346	\$ -	\$ 2,123,782	\$ -	\$ 3,071,128
Construction in progress-West					
Streets	8,583,948	905,332	(8,136,388)	764,928	587,964
Water	6,727	234,413	-	-	241,140
Storm drainage	8,221,725	179,684	(8,331,409)	-	70,000
Sanitary sewer	600	-	-	-	600
Landscaping	262,069	350,158	(184,830)	272,469	154,928
Parks, Trails and Open space	2,509,510	2,373,326	(4,882,836)	-	-
Communication systems	206,541	7,765	(214,306)	-	-
Public transportation	160,345	26,340	-	-	186,685
Sub-total - West-Side assets	<u>20,898,811</u>	<u>4,077,018</u>	<u>(19,625,987)</u>	<u>1,037,397</u>	<u>4,312,445</u>
Construction in progress-East					
East-Side - Planning/design	774,515	943,916	-	-	1,718,431
East-Side - Sanitary assets	2,556,916	-	-	-	2,556,916
East-Side - Streets-SR bridge	-	2,184,178	-	-	2,184,178
Sub-total - East-Side assets	<u>3,331,431</u>	<u>3,128,094</u>	<u>-</u>	<u>-</u>	<u>6,459,525</u>
Total capital assets, not being depreciated	<u>24,230,242</u>	<u>7,205,112</u>	<u>(19,625,987)</u>	<u>1,037,397</u>	<u>10,771,970</u>
Capital assets, being depreciated:					
Parking garage	<u>9,686,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,686,716</u>
Infrastructure assets - West					
Storm drainage	-	-	8,666,433	-	8,666,433
Parks, Trails and Open space	-	-	5,157,460	-	5,157,460
Pedestrian Underpass-Parks	-	-	2,520,198	-	2,520,198
Retaining Walls	-	-	3,067,590	-	3,067,590
Communication systems	-	-	214,306	-	214,306
Sub-total - West-Side assets	<u>-</u>	<u>-</u>	<u>19,625,987</u>	<u>-</u>	<u>19,625,987</u>
Total capital assets, being depreciated	<u>9,686,716</u>	<u>-</u>	<u>19,625,987</u>	<u>-</u>	<u>29,312,703</u>
Less accumulated depreciation for:					
Parking garage	(2,001,921)	(171,892)	-	-	(2,173,813)
Infrastructure assets - West	-	(478,238)	-	-	(478,238)
Total accumulated depreciation	<u>(2,001,921)</u>	<u>(650,130)</u>	<u>-</u>	<u>-</u>	<u>(2,652,051)</u>
Total capital assets, being depreciated, net	<u>7,684,795</u>	<u>(650,130)</u>	<u>19,625,987</u>	<u>-</u>	<u>26,660,652</u>
Capital assets, net	<u>\$ 31,915,037</u>	<u>\$ 6,554,982</u>	<u>\$ -</u>	<u>\$ 1,037,397</u>	<u>\$ 37,432,622</u>

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 5 - CAPITAL ASSETS (CONTINUED)

During 2016, a significant portion of the capital assets constructed by the District were conveyed to other governmental entities. The costs of all capital assets transferred to other governmental entities were removed from the District's financial records. There is a two year warranty period on the capital assets conveyed to the City. The District anticipates that the costs, if any, associated with the warranty will be insignificant.

Depreciation expense was charged to functions/programs of the primary government as follows:

Public works	<u>\$ 650,130</u>
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NOTE 6 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2016:

	Balance December 31, 2015	Additions	Deletions	Balance December 31, 2016	Due Within One Year
Series 2010A					
Subordinate Revenue Bond	\$ 13,183,000	\$ -	\$ -	\$ 13,183,000	\$ -
Series 2013B					
Mezzanine Revenue Bond	7,893,670	-	-	7,893,670	-
Accrued interest on Series					
2010A Subordinate Revenue Bond	4,899,405	1,356,181	-	6,255,586	-
Accrued interest on Series					
2013B Mezzanine Revenue Bond	585,945	296,787	-	882,732	-
U.S. Bank Loan - 2013A Note	49,320,000	-	800,000	48,520,000	900,000
U.S. Bank Loan - 2013B Note	67,230,000	-	1,035,000	66,195,000	1,165,000
Developer advances					
Capital projects - West-Side - A	26,823,466	2,450,000	-	29,273,466	-
Developer advances					
Water rights - B	8,143,469	-	-	8,143,469	-
Developer advances					
Water / East capital advances - B	13,480,864	3,450,000	-	16,930,864	-
Accrued interest on Developer					
advances - Capital projects - West-Side - A	3,875,913	944,197	-	4,820,110	-
Accrued interest on Developer					
advance - Water rights - B	7,568,867	471,369	-	8,040,236	-
Accrued interest on Developer					
advances - Water / East-Side capital advances - B	3,748,273	527,884	-	4,276,157	-
Fair value of interest rate Swap	11,770,417	-	1,605,367	10,165,050	-
Total long-term obligations	\$ 218,523,289	\$ 9,496,418	\$ 3,440,367	\$ 224,579,340	\$ 2,065,000

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

A = Developer advances identified as “-A” refers to the Restated 2007 Capital Agreement from Note 6.

B = Developer advances identified as “-B” refers to the Amended 2007 PWSD Funding Agreement from Note 6.

The details of the District’s long-term obligations are as follows:

Revenue Bonds

Series 2007 Bonds

On April 30, 2007, the District issued its \$70,000,000 Tax Supported Revenue Bonds, Series 2007 (Series 2007 Bonds). The Series 2007 Bonds were variable rate bonds due December 1, 2030. The bond transaction included a swap agreement, whereby the District was able to fix its interest rate at 4.0697% for the term of the Series 2007 Bonds.

The Series 2007 Bonds were payable from pledged “Revenues” which included revenues generated from District Nos. 2 and 7 from the following sources, net of any collection costs: 1) the Capital Levies Revenue, 2) the portion of Specific Ownership Taxes which are attributable to the collected Capital Levies Revenue, 3) all PIF Revenue, 4) all Pledged Development Fees, which are equal to 75% of the development fees collected, and 5) Sales Tax Rebate Revenue received, if any, pursuant to an agreement with the City. The Series 2007 Bonds were also secured by amounts held by the Trustee in a Debt Service Reserve Fund. The Capital Levies Revenue means an ad valorem property tax mill levy imposed by each Taxing District at a rate agreed to with the District pursuant to the Capital Pledge Agreement (see Note 9 - Agreements).

There was also a First Supplemental Trust Indenture for the Series 2007 Bonds, which was dated April 1, 2007. During the time frame that the First Supplemental Trust Indenture was in effect, the District was required to calculate “excess revenues” as of December 31, which basically consisted of pledged Revenues collected by the District during the year, which were not needed to pay debt service for the current year. After setting aside enough of the yearly excess revenues in order to pay bond interest for the next six month period of time, on January 20th of the following year, 40% of the remaining excess revenues were used to call bonds, and the other 60% was released to the District for any legal purpose (Released Revenue).

As of November 30, 2010, with the issuance of the District’s Series 2010 Bonds, the Released Revenue was to be released to the District and pledged towards the payment on the Series 2010 Bonds on February 1 annually (see below). Each January from 2009 through 2012 some bonds were called extraordinarily and the remaining excess funds were released to the District or became Released Revenue.

On March 28, 2012, with proceeds of the 2012 Note (see below), the District refunded and defeased (debt legally satisfied) the remaining \$68,870,000 of Series 2007 Bonds. The Series 2007 Bonds were completely redeemed on March 28, 2012.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer Bonds - Series 2010 Bonds and related Series 2013B Bond

On November 30, 2010, the District issued the Subordinate Revenue Bond, Series 2010A (Tax-Exempt) in the principal amount of \$13,183,000 (Series 2010A Bond) with an interest rate of 7.50% payable annually on February 1 (the Payment Date), commencing February 1, 2011, and continuing through maturity on February 1, 2040. Proceeds from the Series 2010A Bond were used to repay the outstanding principal and accrued and unpaid interest on the Capital Note, Series 2006 Loan Agreement (which was entered into as of March 1, 2006, between the District and Colony), as well as costs of issuance.

On November 30, 2010, the District also issued the Junior Revenue Bond, Series 2010B (Taxable) in the principal amount of \$37,367,000 (Series 2010B Bond) with an interest rate of 9.750% payable annually on February 1, commencing February 1, 2011, and continuing through maturity on February 1, 2050. Proceeds from the Series 2010B Bond were used to repay RidgeGate for the outstanding advances and the accrued and unpaid interest on such advances as of November 30, 2010, related to the 2007 Capital Funding and Reimbursement Agreement - West Side for the construction of capital improvements within the District, as well as costs of issuance.

The Series 2010A and 2010B Bonds (collectively, the Series 2010 Bonds) were authorized and are governed by the 2010 Bond Agreement that was entered into on November 30, 2010, by and between the District and RidgeGate (the 2010 Bond Agreement). The 2010 Bond Agreement was amended on March 28, 2012, to conform to provisions of the 2012 Note (see below).

The 2010 Bond Agreement was further amended and restated on September 12, 2013, to conform to provisions of the 2013A Loan Agreement dated September 12, 2013 (2013A Loan Agreement), and the 2013B Loan Agreement dated September 12, 2013 (2013B Loan Agreement), and together with the 2013A Loan Agreement, the 2013 Loan Agreements), and their respective Notes (see below).

On December 3, 2013, the District issued the Mezzanine Revenue Bond, Series 2013B (Taxable) in the principal amount of \$7,893,670 (Series 2013B Bond) with an interest rate of 3.50% payable annually on February 1, commencing on February 1, 2014, and continuing through maturity on February 1, 2050. The Series 2013B Bond was issued to separate District costs associated with the construction of the parking garage in the District from other construction costs which were all a part of the Series 2010B Bond. Therefore, the proceeds from the Series 2013B Bond were used to repay outstanding principal on the Series 2010B Bond of \$7,893,670. At the same time all interest that had accrued on the parking garage portion of the Series 2010B Bond was forgiven by RidgeGate in the amount of \$2,559,120. In conjunction with the issuance of the Series 2013B Bond, a Second Amended and Restated 2010 Bond Agreement (the Restated Bond Agreement) was entered into as of December 3, 2013, to recognize the issuance of the Series 2013B Bond, to rename the Series 2010B Bond as the Series 2010C Bond, and to modify other provisions of the 2010 Bond Agreement.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

When issued, the Series 2010 Bonds were payable, to the extent available, from the same pledged Revenues defined by the Series 2007 Bonds on an annual basis on each February 1st. Those provisions were transferred to the 2012 Note and were further transferred to similar provisions of the 2013 Loan Agreements. The Series 2010 Bonds and the Series 2013B Bond are payable on an annual basis on the Payment Date from "Released Revenues" as defined in the Restated Bond Agreement and the 2013 Loan Agreements and subject to other specific provisions defined in those documents. The Series 2010A Bond, the Series 2010C Bond and the Series 2013B Bond are all held by and are payable to RidgeGate and are referred to collectively as the "Developer Bonds". The Developer Bonds are subordinate in payment priority to the payments required to be made according to the 2013 Loan Agreements. Furthermore, the Series 2013B Bond and the Series 2010C Bond are subordinate to the Series 2010A Bond, and the Series 2010C Bond is subordinate to the Series 2013B Bond.

However, provisions under the 2013A Loan Agreement with US Bank (see below) allowed for proceeds from that loan to be used to make payments towards the Series 2010C Bond before either of the other outstanding Developer Bonds had been paid in full. On June 6, 2014, with proceeds of the final draw on the 2013A Note (see below), the Series 2010C Bond was repaid in full and is no longer outstanding.

Each Series of the Developer Bonds bears interest based on a 360-day year of twelve 30-day months. Any accrued interest not paid in full on a Payment Date shall compound annually as of that date. However, no interest or principal may be paid on the Series 2013B Bond until all interest and principal due on the Series 2010A Bond has been paid, or duly provided for, in full. While the Series 2010A Bond is outstanding, payments made, if any, are to be applied first to accrued and unpaid interest on the Series 2010A Bond and second to redeem outstanding principal. Once the Series 2010A Bond is paid, or provided for, in full, payments are applied to the Series 2013B Bond in like fashion. The Developer Bonds may be redeemed, in whole or in part, on any date upon payment of the principal amount redeemed plus accrued interest thereon to the date of redemption without penalty. Such optional redemption payments are to be applied to the Developer Bonds in the same payment priority defined above.

No payment was made on February 1, 2016, on the Series 2010A Bond to RidgeGate.

Loans

2012 Note

On March 28, 2012, the District entered into a Loan Agreement (2012 Loan Agreement) with U.S. Bank National Association (US Bank), which direct loan was evidenced by a promissory note, the Tax Supported Refunding Revenue Note, Series 2012 in the aggregate principal amount of \$70,000,000 (2012 Note). Most of the proceeds of the 2012 Note were used to redeem and refund all of the outstanding Series 2007 Bonds. From a portion of the funds that were released from the Trustee Accounts under the Series 2007 Bonds as of the closing date a repayment to RidgeGate on a portion of the outstanding prior advances under the Capital Funding and Reimbursement Agreement - West Side in the amount of \$3,700,382 was made. The 2012 Note evidenced a five year loan with a Stated Maturity Date of March 28, 2017.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The 2012 Loan Agreement also specified that the revenue sharing under the Sales Tax Sharing Agreement (see Note 9 - Agreements) must be triggered to commence on or before January 1, 2013. The Developer did, in fact, trigger the revenue sharing to start as of January 1, 2013. The District's swap agreement with RBC was also further amended on March 28, 2012, to conform to the terms of the 2012 Note. The pledged Revenues for the 2012 Note were the same as those described in the second full paragraph on page 18 for the Series 2007 Bonds, with the exception of development fees which were not pledged to the 2012 Note. (Please see "Amended and Restated Capital Pledge Agreement" under Note 9 - Agreements.)

The 2012 Loan Agreement also had provisions similar to those of the Series 2007 Bonds, to release "Unused Revenues" as of December 31 of each year, upon the satisfaction of certain conditions. The "Custodian" for the District's accounts under the 2012 Loan Agreement, which was also U.S. Bank National Association, was to allocate any yearly Unused Revenues in the following order: 1) to set aside funds in the Revenue Fund equal to the interest payment due on March 1 of the following year, and 2) then transfer all remaining Unused Revenues to the Surplus Fund. From the Surplus Fund, amounts were to be transferred first to the Surplus Fund Retained Minimum Account to equal a base amount of \$1,750,000. These funds essentially were to act as an additional Debt Service Reserve Fund. Once the Retained Minimum Account had been fully funded, all Unused Revenues in the Surplus Fund were to be transferred to the Surplus Fund Subordinate Payment Account (SFSPA). Monies held in the SFSPA on December 31 would be released to the District on January 23 of the following year, which could then be used by the District for any lawful purpose or to make repayments on subordinate debt of the District. How these funds could be used was restricted by covenants addressed in Section 3.11 of the 2012 Loan Agreement. The 2012 Note was redeemed and refunded in full by the 2013B Note on September 12, 2013, as described below; however, these provisions regarding Unused Revenues remain in the 2013 Loan Agreements.

2013A and 2013B Notes

On September 12, 2013, District No. 1 entered into the 2013 Loan Agreements with US Bank, which direct loans are evidenced by promissory notes as follows. First, the Rampart Range Metropolitan District No. 1 Tax Supported Refunding Revenue Note, Series 2013A (2013A Note), evidencing a multi-draw term loan in the original principal amount of \$50,000,000 (2013A Loan). The proceeds of the 2013A Note have been used to redeem and refund the non-parking garage portion of the outstanding Series 2010B Bond (which was later renamed the 2010C Bond, as explained above), with the remaining portion being used to redeem certain outstanding developer advances from the Capital Funding and Reimbursement Agreement – West Side. On the closing date of the 2013A Loan, an initial draw of \$10,600,000 of loan proceeds was released to the District, and these funds were used to: 1) make an initial deposit of \$395,000 to the 2013A Debt Service Reserve Fund, 2) pay for costs of issuance of the 2013A Note, and 3) make a repayment to RidgeGate on a portion of the outstanding Series 2010B Bond in the amount of \$9,047,500 – \$8,763,769 in accrued interest and \$283,731 applied to outstanding principal. Remaining draws of loan proceeds from the 2013A Note were essentially tied to increases in the assessed valuation within District Nos. 2 and 7, according to various restrictions and calculations as set forth in the 2013A Loan Agreement.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Secondly, on September 12, 2013, the District entered into the Rampart Range Metropolitan District No. 1 Tax Supported Refunding Revenue Note, Series 2013B (2013B Note), evidencing the loan in the aggregate principal amount of \$70,000,000 (2013B Loan). The proceeds of the 2013B Note were used to completely redeem and refund the outstanding 2012 Note. As the 2012 Note had an outstanding balance of \$70,000,000 on September 12, 2013, and the 2013B Note was being issued in the same amount, no cash was actually disbursed, and only the paper notes were exchanged. Funds were also released from the Custodial Accounts under the 2012 Note and transferred to the corresponding new accounts under the 2013B Note as of the closing date. The 2013B Loan was entered into at the request of US Bank in order to make most of the provisions within the preceding 2012 Loan Agreement match those of the new 2013A Loan Agreement.

On June 6, 2014, the District entered into Amendment No. 1 to the 2013A Loan Agreement as well as Amendment No. 1 to the 2013B Loan Agreement with US Bank. When the 2013A Loan Agreement was entered into on September 12, 2013, an initial draw of \$10,600,000 was released to the District. Since that time, no new draws had been made on the 2013A Note which had a commitment amount of \$50,000,000. The purpose of Amendment No. 1 to the 2013A Loan Agreement was to allow the District to draw down the remaining loan proceeds of \$39,400,000 from the 2013A Note in exchange for the Developer funding an additional \$30,000,000 into the "Guaranty Account" that had already been established with US Bank and which acts as an additional Debt Service Reserve Fund for the 2013 Notes. The balance in the Guaranty Account on June 6, 2014, after this additional deposit, was \$40,111,968. All of these funds have been provided by the Developer, investment of such funds are controlled by the Developer, and all of these funds will eventually be released to the Developer based on release provisions described in Section 3.07 of the 2013 Loan Agreements. The proceeds of the final draw on the 2013A Note of \$39,400,000 were released to the District on June 6, 2014, and were used to: 1) fund the remaining portion of the Debt Service Reserve Fund for the 2013A Note in the amount of \$1,477,500, 2) make a deposit for the payment of the costs of issuance on the 2013A Note amendment in the amount of \$382,000, 3) make a final repayment to RidgeGate on the remaining portion of the outstanding Series 2010C Bond in the amount of \$31,313,857 – \$2,124,258 in accrued and outstanding interest and \$29,189,599 being applied to the remaining outstanding principal, and 4) to make a repayment to RidgeGate on a portion of the outstanding prior advances under the Capital Funding and Reimbursement Agreement - West Side in the amount of \$6,226,643, of which \$1,008,197 paid accrued interest and \$5,218,446 repaid principal. One other term under the 2013A Loan Amendment reduced the current Applicable Margin from 2.150% to 2.100% for the 2013A Note only. The purpose of Amendment No. 1 to the 2013B Loan Agreement is to conform the 2013B Loan Agreement to the new and revised provisions of the 2013A Loan Agreement, as applicable.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The 2013A Note and the 2013B Note (collectively, the 2013 Notes) both evidence five year loans with a Stated Maturity Date of September 12, 2018. Interest payments on the 2013 Notes are calculated on the basis of actual number of days over a 360-day year and are due quarterly – on March 1, June 1, September 1 and December 1 – commencing on December 1, 2013, and principal is paid annually on December 1. The US Bank interest rate on each of the 2013 Notes is equal to the sum of: 1) the current 70% of 3-month LIBOR Rate, plus 2) the Applicable Margin. The Applicable Margin for 2016 is 2.10% for the 2013A Note and is 2.15% for the 2013B Note, which are the rates in effect while the Debt Service Coverage Ratio is less than 1.30 according to each of the 2013 Loan Agreement Amendments. The 2013B Note is also partially hedged by the District's swap agreement which was further modified on September 12, 2013, (see below), to conform to the terms of the 2013B Loan. When taken in conjunction with the District's swap agreement with a fixed rate of 3.7660%, the effective interest rate for the 2013B Note is 5.9160%.

The pledged Revenues for the 2013 Notes are the same as those described for the 2012 Note, and the Unused Revenues provisions as described under the 2012 Loan were also carried over to the 2013 Loans. During 2015, there were three quarterly releases from the Guaranty Account to RidgeGate in the amount of \$32,172,707 for increases in the District's assessed valuation. As of December 31, 2015, the Guaranty Account had a remaining balance of \$5,120,175. Due to a slight decrease in the certified assessed valuation of Taxing District No. 7 as of November 21, 2016, no funds were released from the Guaranty Account to the Developer during 2016. On December 1, 2016, a principal payment of \$800,000 was made on the 2013A Note and a principal payment of \$1,035,000 was made on the 2013B Note. As of December 31, 2016, \$3,092,668 of Unused Revenues were released to the Surplus Fund. Of this amount, \$614,512 was transferred to the Surplus Fund Retained Minimum Account, which fully funded this account at \$1,750,000. The remaining funds of \$2,478,156 in the Surplus Fund were released to the Surplus Fund Subordinate Payment Account, and were subsequently released to the District on January 23, 2017.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The District's debt maturities for the 2013A and 2013B Notes as of December 31, 2016, are as follows:

Series 2013A Note			
Maturities for the period ending:	Principal	Bank Interest	Total Debt Service
December 1, 2017	\$ 900,000	\$ 1,278,882	\$ 2,178,882
September 12, 2018	47,620,000	1,055,577	48,675,577
	\$ 48,520,000	\$ 2,334,459	\$ 50,854,459

Series 2013B Note				
Maturities for the period ending:	Principal	Bank Interest	Swap Interest	Total Debt Service
December 1, 2017	\$ 1,165,000	\$ 1,778,314	\$ 1,819,948	\$ 4,763,262
September 12, 2018	65,030,000	1,467,239	1,230,213	67,727,452
	\$ 66,195,000	\$ 3,245,553	\$ 3,050,161	\$ 72,490,714

Developer Advances

Capital Funding and Reimbursement Agreement - West Side

On December 31, 2007, the District, Colony and RidgeGate entered into a Capital Funding and Reimbursement Agreement – West-Side (the 2007 Capital Agreement). This agreement was amended on December 31, 2008, then on November 18, 2009, and again on November 24, 2010. The 2007 Capital Agreement was amended and restated on November 30, 2012, and, further revised with a first amendment on September 22, 2014, pursuant to which prior capital advances and repayments were acknowledged and RidgeGate agreed to advance up to \$80,000,000 to the District through December 31, 2016. A second amendment on September 23, 2015 reduced the interest rate – these advances will bear an interest rate of 8% per annum, compounded annually, through December 31, 2014; however, commencing on January 1, 2015, interest shall accrue at the higher of 3% per annum or the applicable short term federal interest rate in effect as of the first day of each year. Furthermore, if all outstanding principal and accrued interest has not been repaid in full to the Developer as of December 31, 2019, the interest rate will increase. Most recently, there was a third amendment to the amended and restated agreement on November 21, 2016 (together with all amendments and/or restatements, the Restated 2007 Capital Agreement), which extended the term to December 31, 2017, without changing the maximum funding amount of \$80,000,000.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

During 2010, all outstanding West-Side Developer advances principal and accrued and unpaid interest balances were discharged with the issuance of the Series 2010B Junior Revenue Bond on November 30, 2010. The principal amount reflected as paid was \$30,726,413 and the accrued interest reflected as paid was \$6,475,024. On March 28, 2012, with the refunding of the Series 2007 Bonds and the closing on the 2012 Note, \$3,700,382 (the total accrued interest on the 2011 advances as of March 28, 2012, in the amount of \$255,311, plus principal of \$3,445,071) was repaid to RidgeGate for advances made under the Restated 2007 Capital Agreement. Furthermore, on June 6, 2014, with the final draw on the 2013A Note from US Bank, after the full repayment of the Series 2010C (Developer) Bond, \$6,226,643 was repaid to RidgeGate – accrued interest of \$1,008,197 on specific advances only and principal of \$5,218,446. The Restated 2007 Capital Agreement also specified that repayments made against the outstanding West-Side advances were to be made against each advance individually, on a first in, first out (FIFO) basis, first being applied towards accrued and outstanding interest and then to principal. As of December 31, 2016, the principal and interest outstanding under the Restated 2007 Capital Agreement was \$29,273,466 and \$4,820,110, respectively. The remaining balance of the funding obligation under the Restated 2007 Capital Agreement available for use as of December 31, 2016, was \$11,336,604.

Capital Funding and Reimbursement Agreement for Water and Sewer Service through Parker Water and Sanitation District

On December 31, 2007, the District, Colony and RidgeGate entered into the 2007 Capital Funding and Reimbursement Agreement for Water and Sewer Service through Parker Water and Sanitation District (PWSD) (2007 PWSD Funding Agreement). The 2007 PWSD Funding Agreement establishes the obligation of RidgeGate to fund, and the District to reimburse, RidgeGate \$9,385,033 for advances previously made, including \$8,143,469 for certain water rights conveyed from Colony to the District, and up to an additional \$5,000,000 per year for advances made for construction of water and sewer improvements required by the PWSD IGA (discussed below in Note 9 - Agreements). Amounts due under the 2007 PWSD Funding Agreement are to be reimbursed, with 8% interest (including interest from the date of advance on advances made prior to December 31, 2007), until such time as the District's existing financial obligations are satisfied, or the District has issued bonds for such purpose, as further set forth in the 2007 PWSD Funding Agreement. On September 23, 2015, a first amendment revised certain terms of the agreement and reduced the interest rate. Advances made according to the amended 2007 PWSD Funding Agreement will bear an interest rate of 8% per annum, compounded annually, through December 31, 2014; however, commencing on January 1, 2015, interest shall accrue at the higher of 3% per annum or the applicable short term federal interest rate in effect as of the first day of each year. Furthermore, if all outstanding principal and accrued interest has not been repaid in full to the Developer as of December 31, 2019, the interest rate will increase. On December 9, 2016, a second amendment to the 2007 PWSD Funding Agreement (together with the original agreement, the Amended 2007 PWSD Funding Agreement) revised the definition of the "improvements" under the agreement to include street improvements of the "Sky Ridge Bridge Extension Project". The balance owed to RidgeGate pursuant to the Amended 2007 PWSD Funding Agreement was a principal balance of \$25,074,333 plus \$12,316,393, in accrued interest as of December 31, 2016.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

Derivatives

Swap Agreement

On April 30, 2007, the District entered into an interest rate swap agreement (the Swap) in order to hedge interest rates and protect against rising interest rates. The Swap was associated with the Series 2007 Bonds, and used the original debt service maturity schedule of the Series 2007 Bonds as the notional amount of the Swap. An International Swaps and Derivatives Association (ISDA) Master Agreement was used to develop the Swap which was set to terminate on December 1, 2030.

From the original issuance on April 30, 2007, through December 1, 2011, the District was the fixed payer under the Swap, paying a rate of 4.0697%, semi-annually, based on a 30/360 day count while the counterparty, the Royal Bank of Canada (RBC), paid the current USD-SIFMA Municipal Swap Index Rate monthly, based on an actual/actual day count, to the District.

On November 1, 2011, the District amended its Swap with RBC which became effective for the calculation period starting December 1, 2011, through the original termination date of December 1, 2030. This Swap amendment changed the fixed pay rate to 3.6260% to be paid quarterly commencing on March 1, 2012. The amendment also changed the floating rate payer to quarterly payments, paying the current 70% of 3-month LIBOR rate based on an actual/360 day count.

On March 28, 2012, the District further amended its Swap with RBC to change the payee for the floating rate payer from JP Morgan to US Bank, as well as to conform the Swap to the terms of the 2012 Note; however, it did not change the notional schedule from that of the Series 2007 Bonds. In addition, RBC required the introduction of a "Mandatory Termination Date" concept into the contract which essentially terminated the Swap on March 28, 2017.

As a result of the District refunding the Series 2007 Bonds with the 2012 Note, the Swap was deemed to have "terminated" as of March 28, 2012, according to GASB Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments"* (GASB No. 53). The Swap had a negative fair market value as of March 28, 2012 of \$(13,732,361), which was added to the deferred cost of bond/loan refundings and was being amortized over the life of the 2012 Note.

On September 12, 2013, the District novated its Swap from RBC to US Bank, in an effort to better conform the Swap to the terms of the 2013B Loan; however, it still did not change the notional schedule from that of the original Series 2007 Bonds. The notional amount of the US Bank Swap on the trade date of September 12, 2013, was \$69,830,000, and it also specified a "Mandatory Termination Date" in the contract of September 12, 2018, matching that of the 2013B Loan maturity.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

As a result of the District novating the Swap from RBC to US Bank with the 2013B Note, the Swap was deemed to have “terminated” as of September 12, 2013, according to GASB No. 53. The Swap had a negative fair market value as of September 12, 2013, of \$(8,860,623), which was added to the deferred cost of unamortized bond/loan refundings and is being amortized over the shorter period of the refunded 2012 Note or the refunding 2013B Note, which continues to be through March 28, 2017, the stated maturity date of the 2012 Note.

The following is a summary of the interest rate Swap transaction as of December 31, 2016:

	Swap Notional Amount	Interest Rate Swap Payments	Bank Interest Payments	Total
December 31, 2017	\$ 2,785,000	\$ 1,842,341	\$ 1,710,809	\$ 6,338,150
September 12, 2018	57,275,000	1,229,837	1,126,391	59,631,228
	<u>\$ 60,060,000</u>	<u>\$ 3,072,178</u>	<u>\$ 2,837,200</u>	<u>\$ 65,969,378</u>

Payments on the variable rate 2013B Note and the Swap are calculated using interest rates in effect on December 31, 2016.

The following is a summary of the effective interest rate calculation on the District’s swap agreement for the year ended December 31, 2016:

Interest payments to loan lender	\$ (1,656,624)
Net remittance payable under swap contract	(2,075,176)
Net payment by District	<u>\$ (3,731,800)</u>

Effective interest rate (\$3,731,800/\$62,700,000) = 5.9518%.

The following is a summary of the District’s derivative for the year ended December 31, 2016:

	Net Change in Fair Value		Fair Value at		Notional Amount
	Classification	Amount	Classification	Amount	
<u>Governmental</u>					
<u>Activities:</u>					
Cash flow hedges:					
Pay-fixed interest rate Swap	Deferred outflow	\$1,605,367	Debt	\$(10,165,050)	\$60,060,000

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 - LONG-TERM OBLIGATIONS (CONTINUED)

The basic terms and parties to the September 12, 2013, novated and amended Swap are listed below:

Counterparty	Trade Date	Effective Date	Original Notional Amount	Termination Date	Mandatory Termination Date	Associated Debt Series	Payable Swap Rate	Variable Swap Rate	Fair Value at December 31, 2016
US Bank National Assoc.	9/12/2013	9/12/2013	\$ 69,830,000	12/1/2030	9/12/2018	2013B Note	3.7660%	70% 3-month LIBOR	\$(10,165,050)

The year-end fair values were calculated using the mid-market LIBOR valuations as of December 31, 2016. As of this date, the 70% of 3-month LIBOR Index rate was 0.698523%. Fair values represent the difference between the present value of the fixed payments and the present value of the floating payments, at forward floating rates as of December 31, 2016. The fair valuation of the swap is determined based on Level 3 criteria according to GASB 72.

When the present value of payments to be made by the District exceeds the present value of payments to be received, the Swap has a negative value to the District. When the present value of payments to be received by the District exceeds that of payments to be made, the Swap has a positive value to the District.

The following risks are generally associated with the Swap:

Credit Risk

The Swap relies upon the performance of the Swap counterparty. The District is exposed to the risk of this counterparty being unable to fulfill its financial obligation to the District. The District measures the extent of this risk based upon the credit ratings of the counterparty and the fair value of the Swap. As of December 31, 2016, there was no risk of loss as the fair value of the Swap was negative. The ratings of the counterparty as of December 31, 2016, are as follows:

Counterparty	Ratings of Counterparty		
	S&P	Moody's	Fitch
US Bank National Association	AA-	Aa1	AA+

Termination Risk

Either party to the Swap may terminate the Swap if the other party fails to perform under the terms of the agreement. Further, certain credit or tax events can lead to a termination event under the Swap. If the Swap has a negative fair value at the time of the termination, the District could be liable to the counterparty for a payment equal to the Swap's fair value. If the Swap is terminated, the associated variable rate loan would no longer be hedged with a synthetic fixed interest rate. The District is not aware of any existing event that would lead to a termination event with respect to the Swap.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 7 - DEBT AUTHORIZATION

On May 4, 2004, a majority of the District's qualified electors authorized the issuance of indebtedness in an amount not to exceed \$882,250,000 at an interest rate not to exceed 18% per annum. On November 1, 2005, the District's electors authorized the issuance of additional indebtedness in an amount not to exceed \$5,505,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized May 4, 2004 Election	Authorized November 1, 2005 Election	Total Authorized	Authorization Used	Remaining at December 31, 2016
Emergency medical facilities and fire protection	\$ 14,700,000	\$ 500,000,000	\$ 514,700,000	\$ -	\$ 514,700,000
Intergovernmental agreements	-	500,000,000	500,000,000	-	500,000,000
Mosquito control	-	500,000,000	500,000,000	-	500,000,000
Operating expenses	-	5,000,000	5,000,000	-	5,000,000
Parks and recreation	214,470,000	500,000,000	714,470,000	11,106,967	703,363,033
Refund debt	-	500,000,000	500,000,000	71,713,877	428,286,123
Sanitary sewer (Includes Storm)	126,030,000	500,000,000	626,030,000	15,806,273	610,223,727
Streets	306,920,000	500,000,000	806,920,000	91,127,467	715,792,533
Television relay and translation system	14,700,000	500,000,000	514,700,000	61,953	514,638,047
Traffic and safety control	22,050,000	500,000,000	522,050,000	663,181	521,386,819
Transportation system	14,700,000	500,000,000	514,700,000	401,922	514,298,078
Water facilities	168,680,000	500,000,000	668,680,000	5,798,360	662,881,640
Election authorization totals	<u>\$ 882,250,000</u>	<u>\$ 5,505,000,000</u>	<u>\$ 6,387,250,000</u>	<u>\$ 196,680,000</u>	<u>\$ 6,190,570,000</u>
Service plan debt totals			<u>\$ 500,000,000</u>	<u>\$ 196,680,000</u>	<u>\$ 303,320,000</u>

Pursuant to the Service Plan, the District is limited to issuing \$500,000,000 in total debt, regardless of individual debt category line amounts. In addition, the maximum debt service mill levy for the District is 50 mills, as adjusted for changes in the ratio of actual value of assessed value of property within the District. No changes to the ratio have occurred as of December 31, 2016, and the maximum mill levy for the District remains at 50 mills.

Subsequent to year end the residential assessment rate was changed from 7.96% to 7.20%. Based upon the May 2017 preliminary assessed valuations, the service plan limitation of 50.000 mills could be increased to 55.278 mills. The final adjusted mill levy will be based upon final assessed value for collection in Budget Year 2018.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

The District anticipates issuing \$195,000,000 in general obligation debt in the year ending December 31, 2017, as set forth in the budget for the year ending December 31, 2017.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 8 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2016, the District had net investment in capital assets, calculated as follows:

	Governmental Activities
Net investment in capital assets:	
Depreciable capital assets	\$ 26,660,652
Noncurrent portion of long-term obligations	<u>(27,138,890)</u>
	<u><u>\$ (478,238)</u></u>

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2016, as follows:

	Governmental Activities
Restricted net position:	
Emergency reserves - TABOR	\$ 54,000
Debt service	<u>3,318,041</u>
	<u><u>\$ 3,372,041</u></u>

The District had a deficit unrestricted net position as of December 31, 2016. This deficit amount is a result of the District being responsible for the repayment of debt issued for public improvements which were conveyed to other governmental entities and which costs were removed from the District's financial records.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 - AGREEMENTS

Annexation and Development Agreement

Colony Investments, Inc. entered into an Annexation and Development Agreement with the City, which was recorded by the Douglas County Clerk on September 5, 2000 (the Annexation Agreement), which sets forth and establishes an overall plan for the provision of capital infrastructure (including but not limited to financing, development, operations, maintenance, repair and replacement) to assist in development of property within the service area of the Districts, also known as the RidgeGate planned development (the Property). Although the Districts were not organized until after the Annexation Agreement was executed, the Annexation Agreement does anticipate that certain rights and obligations would be assigned to the Districts upon their organization. The Annexation Agreement establishes obligations of the Developer and/or the District to provide certain on-site Improvements and off-site Improvements, which are needed for the development of the Property. In consideration for the obligation to provide the Improvements to the Property, the Annexation Agreement sets forth the City's agreement to pay certain Net Shared Sales Taxes (defined below) to the Developer. The agreement to provide such Net Shared Sales Taxes is further clarified in the Sharing Agreement (described below), and the right to receive such Net Shared Sales Taxes has been assigned to the District and pledged towards the payments of the District's 2013 Notes. Also per the Annexation Agreement, the City's obligation is to provide various Municipal Services, identified in the Annexation Agreement, including public road and bridge maintenance, cleaning, snow removal and repairs. The City's "Total Costs" of providing these services are defined as all direct costs paid by the City, plus an allocation of administrative and overhead costs associated with the services or activities for which the direct costs were paid, less costs recovered by the City from fees or other charges reasonably allocable to said services, plus fifteen percent (15%) of the foregoing sum for an emergency maintenance and repair reserve.

The Annexation Agreement further recognizes that Sales Tax Revenues may not be sufficient in any particular year for the City to pay the Total Costs of providing Municipal Services to the Property. Such a deficiency is referred to as a "Shortfall". To the extent such Sales Tax Revenues from within the Property boundaries are not sufficient in any particular year to pay the Total Costs of providing Municipal Services to the Property, the Shortfall must be paid to the City by either the Developer or the District, which Shortfall shall not be subject to repayment by the City to the Developer or the paying entity. The City is to maintain an accounting system which accurately accounts for the Total Costs of providing Municipal Services to the Property and credits the related sources of revenue for the Property. The City has set-up a Special Revenue Fund to track the costs paid for and revenues received from the RidgeGate Development. In years where there is no Shortfall, the excess revenues are transferred to the City's General Fund and the District (for the RidgeGate Development) gets no benefit from such surplus, either in that year or future years.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 - AGREEMENTS (CONTINUED)

Furthermore, the Annexation Agreement states that the City shall not be obligated to accept dedication of Improvements and assume the Total Costs of operation and maintenance, and repair or replacement, of those Improvements, until (a) the City reasonably determines that the Sales Tax Revenues are sufficient to pay its Total Costs related to those Improvements, or (b) the City and the appointed districts formed by the Developer have entered into an intergovernmental agreement in which the districts agree to maintain those Improvements or pay the Shortfall to the City in order for the City to do so.

The District made the first Shortfall payments to the City in 2012, and those amounts were accrued to 2011. A total payment of \$256,671 was paid to the City from the District's Capital Projects Developer Advance Fund for a Shortfall of \$183,511 for calendar year 2008, and a Shortfall of \$73,160 for calendar year 2010. In calendar year 2009, as well as in 2012 through 2014, there were surpluses in the RidgeGate Special Revenue Fund of the City. The City has calculated a shortfall in the RidgeGate Special Revenue Fund for calendar year 2011 in the amount of \$386,630. As of December 31, 2014, the District had not paid or accrued the calculated 2011 Shortfall, because as of January 1, 2015, this 2011 Shortfall was no longer deemed by the City to be due (see below). The term of the Annexation Agreement shall last until December 31, 2040, after which time certain provisions of the Annexation Agreement shall be deemed terminated and of no further force and effect. As of January 1, 2015, this Annexation Agreement was modified as a result of the West-Side Agreement described below.

Sales Tax Sharing Agreement

On September 18, 2001, the Developer entered into a Sales Tax Sharing Agreement with the City, wherein the City agreed to share certain Sales Tax Revenues with the Developer to fund public infrastructure improvements, with a First Amendment to the agreement dated April 17, 2007 (the Sharing Agreement). Per the Sharing Agreement, "Sales Tax Revenues" means any sales tax, lodging tax, admissions tax or use tax imposed by, or on behalf of, the City upon taxable transactions occurring on the Property, specifically excluding ad valorem property taxes.

On an annual basis, if the Sales Tax Revenues less the Total Costs described above under the Annexation Agreement equals a negative amount, that amount is a Shortfall; however, if the calculation produces a positive amount, that amount is referred to as "Net Shared Sales Taxes". Net Shared Sales Taxes are to be allocated 60% to the District, and 40% to the City (with the exception of certain Sales Tax Revenues from Cabela's Wholesale, Inc. associated specifically with a Memorandum of Understanding dated May 1, 2012, between the District, RidgeGate, and the City – the "Cabela's Sales Tax"), commencing on a date to be specified by the Developer, by notice to the City, and extending for a term of 20 years from such date, but not later than August 2020. During 2012, the Developer notified the City that it was triggering the Sales Tax Sharing Agreement to commence effective on January 1, 2013, as required by the 2012 Note. Once triggered, the City agreed to pay the District's portion of the Net Shared Sales Taxes to the District - the "Sales Tax Rebates". As of September 12, 2013, the Sales Tax Rebates paid by the City to the District, if any, were considered to be pledged Revenues of the 2013 Notes. As of January 1, 2015, this Sharing Agreement was modified as a result of the West-Side Agreement described below.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 - AGREEMENTS (CONTINUED)

Ridgegate West Side Agreement Regarding Dedication, Acceptance and Maintenance of Public Improvements and Sales Tax Sharing

On December 23, 2014, the Douglas County Clerk recorded the Ridgegate West Side Agreement Regarding Dedication, Acceptance and Maintenance of Public Improvements and Sales Tax Sharing (the West-Side Agreement) among RidgeGate, the District and the City which became effective as of January 1, 2015. Simultaneously with the execution of the West-Side Agreement, RidgeGate and the City entered into amendments to the Annexation Agreement and the Sharing Agreement that exclude all of the District property located west of I-25 (the West-Side Property) from both of these Agreements. For all of the District property located east of I-25 (the East-Side Property), the main premises of both the Annexation and the Sharing Agreement are still applicable. The West-Side Agreement shall terminate as to RidgeGate on December 31, 2032.

The West-Side Agreement provided direction regarding various West-Side Property issues as follows: 1) on January 1, 2015, the District dedicated to the City and the City accepted all currently existing streets, sidewalks, street lighting and signals for perpetual ownership, repair, replacement and maintenance (including snow removal on streets only) from the District and released both the District and RidgeGate from any future costs associated with the same, except for improvements that are defined in the agreement as "Upgrades"; 2) the City will accept all future streets, sidewalks, street lighting and signals, in accordance with certain standards and procedures adopted by the City, at the time of dedication; 3) the District and the City acknowledge that the District has constructed and will construct certain improvements that will not be offered to the City, and the District shall remain responsible for the operation, maintenance, repair and replacement of such improvements; and 4) in order to offset costs incurred by the City in connection with references (1) and (2) above, (a) during the years 2015 through 2019 the District shall make five annual Maintenance Cost Payments to the City in the amount of \$250,000 each by July 1 of each such year, and (b) commencing in tax collection year 2024, the District will impose an additional "Operational Mill Levy" in the amount of one mill which shall be paid to the City.

The West-Side Agreement also provided direction regarding sales tax sharing for the West-Side Property only, as follows: 1) the concepts of Total Costs and Shortfalls as defined in the Annexation Agreement no longer exist for the West-Side Property, the City is no longer required to account for such costs separately, and the 2011 Shortfall Obligation the District owed to the City in the amount of \$386,630 has been eliminated; 2) the Sales Tax Rebates from the Sharing Agreement are calculated using a reducing allocation between the District and the City. For Sales Tax Revenues collected by the City, the District shall receive (a) 45% for the period of January 1, 2014, through December 31, 2018, (b) 25% for January 1, 2019, through December 31, 2023, (c) 15% for January 1, 2024, through December 31, 2028, and (d) 10% for January 1, 2029, through December 31, 2032; and 3) the Sales Tax Rebates owed to the District by the City for the calendar year 2014 collections should be (and were) paid no later than July 31, 2015, along with the payment for the first quarter of 2015. Thereafter, Sales Tax Rebates shall be paid by the City within sixty days of each calendar quarter. (See Note 2 – Summary of Significant Accounting Policies - Sales Tax Rebate Revenue.)

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 - AGREEMENTS (CONTINUED)

District Facilities Construction and Service Agreement

On April 30, 2007, the District entered into a Second Amended and Restated District Facilities Construction and Service Agreement among District Nos. 1 – 9 (Master IGA). In accordance with the Master IGA, as the Operating District, the District agrees to construct, manage the financing, operate and maintain the public facilities and services. As the Taxing Districts, District Nos. 2 – 9 will pay all costs related to the construction, operation and maintenance of these facilities and services. Pursuant to the Master IGA, District Nos. 2 – 9 agree to consider obligating themselves to pay their respective shares of the costs of facilities and services provided by the District.

Pledge Agreements

The District and District Nos. 2 and 7 entered into a Capital Pledge Agreement dated April 1, 2007, for repayment of the Series 2007 Bonds. Pursuant to the agreement, District Nos. 2 and 7 agreed to pledge certain revenues to repay the Series 2007 Bonds issued by the District. Pledged revenues included District Nos. 2 and 7's covenant to levy the required mill levy, up to but not in excess of 50 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District under State statutes on all taxable property within District Nos. 2 and 7, net of reasonable operation and maintenance costs incurred by District Nos. 2 and 7, seventy-five percent (75%) of the development fees collected by District Nos. 2 and 7, all Public Improvement Fee revenue, and a portion of the specific ownership taxes.

In conjunction with the 2012 Note, the District also entered into an Amended and Restated Capital Pledge Agreement dated March 28, 2012, for the repayment of the 2012 Note. This amended Capital Pledge Agreement conforms the agreement to the terms of the 2012 Loan Agreement and pledges the same revenues as described above for the original Capital Pledge Agreement dated April 1, 2007, with the exception of development fees, which are no longer pledged Revenues. Development fees will only be pledged if a Development Fees Pledge Resolution (defined in the Amended and Restated Capital Pledge Agreement) is executed.

With the issuance of the 2013 Notes, the District, District No. 2 and District No. 7 also entered into a Second Amended and Restated Capital Pledge Agreement dated September 12, 2013, for the repayment of the obligations under the 2013 Loans. The Second Amended and Restated Capital Pledge Agreement replaces and supersedes the Amended and Restated Capital Pledge Agreement of 2012 in its entirety and pledges certain revenues from both Districts Nos. 2 and 7 to District No. 1, inclusive of capital levy revenues and specific ownership taxes, of which some or all of these revenues are further pledged towards the payment of District No. 1's debt obligations, senior of which are the 2013A Note and the 2013B Note (which includes the Swap), proportionately.

Additionally, on April 30, 2007, the District, District No. 2 and District No. 7 entered into an Operations Pledge Agreement whereby District Nos. 2 and 7 agreed to impose an operations mill levy in amounts determined as necessary by the District in order to pay their proportionate share of the District's administration and operations and maintenance costs.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 - AGREEMENTS (CONTINUED)

Water Rights and Wells Purchase Agreement with Colony Investments, Inc.

In October 2006, the District entered into a water rights and wells purchase agreement with Colony Investments, Inc. These water rights were subsequently conveyed to PWSD for the benefit of the properties within District Nos. 4 through 6, and 8 and 9.

Intergovernmental Agreement for Water and Sewer Service

In December 2006, the District approved an Intergovernmental Agreement (PWSD IGA) for water and sewer service with PWSD. Pursuant to the PWSD IGA, it is acknowledged that the area in District Nos. 4 through 6, 8 and 9 will be included into the service area for PWSD. The PWSD IGA addresses conveyance of certain water rights and well sites and clarifies the obligations for construction of the water and sewer improvements to serve the Districts within PWSD's service area. Such assets will ultimately be conveyed to PWSD for ownership and maintenance. The District is obligated to pay inclusion fees to PWSD over a ten year period commencing December 2007 in exchange for PWSD providing water and sewer services to the Districts within its service area. The District paid its tenth and final installment to PWSD in the amount of \$765,727 pursuant to the PWSD IGA during 2016; as of December 31, 2016, there was \$-0- remaining to be paid under the PWSD IGA. PWSD has been paid annually along with 6.25% interest. The District's obligation to pay PWSD was contingent upon receipt of funding from RidgeGate under the 2007 PWSD Funding Agreement.

Southeast Rail Extension Project and Related Agreements

The District and the City have been in discussions with the Regional Transportation District (RTD) to extend the metropolitan light rail system into the District for several years, and RTD has been working on designs and pursuing federal funding and local funding in order to accomplish such a project. During 2015, RTD announced that it had reached agreement with the Federal Transit Authority and local entities to construct the Southeast Rail Extension Project (SERE Project) which consists of an approximately 2.3-mile light rail train and track system between the existing Lincoln Station and the proposed RidgeGate Station at RidgeGate Parkway and Interstate-25. The SERE Project was designed as part of RTD's "FasTracks Plan" which requires a 2.5% contribution from local jurisdictions in the RTD district in consideration for the construction of transit improvements that will benefit the local jurisdiction and its citizens. On October 7, 2015, RTD and the City entered into the Southeast Rail Extension Corridor Contribution Intergovernmental Agreement (City SERE IGA), which established the City as the "Local Agency" and set forth the various local funding participation requirements of the SERE Project. According to the City SERE IGA, the Local Agency will contribute or will help facilitate a contribution totaling up to \$40 million dollars to fulfill the FasTracks Plan's required 2.5% local jurisdiction contribution. The "Contribution" is to be in the form of up to \$25 million in cash, which will be contributed by the Local Agency, Douglas County, the Southeast Public Improvement Metropolitan District and the District, and paid by the Local Agency to RTD, and up to \$15 million in land value, permits, and other in-kind contributions, the majority of which will be derived from the value of land and other property conveyed in a Purchase and Sale Agreement (PSA) between RTD and RidgeGate Investments, Inc. The Local Agency is responsible for the

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 - AGREEMENTS (CONTINUED)

\$25 million cash component of the Contribution which is scheduled to be paid to RTD in three escalating annual payments, each of two equal installments, starting on May 2, 2016, and every six months thereafter.

Preceding the execution of the City SERE IGA, the District and RTD entered into an Intergovernmental Agreement Regarding Conveyance of Tracts B, C and E, RidgeGate Filing 17, to Construct the Southeast Rail Extension Project on August 20, 2015, as revised with the First Amendment to such agreement on June 2, 2016, to include a portion of Tract A (District Conveyance IGA). As part of the non-cash component of the City SERE IGA Contribution, within thirty (30) days of the District's receipt of written notice from RTD verifying receipt of the SERE Project's Federal Funding Grant Agreement (FFGA), the District shall convey to RTD by Quit Claim Deed, Tracts B, C and E, as well as a portion of Tract A, of Filing 17; provided, however, only under the condition that RidgeGate, the Developer, also conveys certain property to RTD under the PSA, which was executed on January 8, 2016. The District signed over conveyance of the Tracts under the District Conveyance IGA to RTD on May 25, 2016.

On July 21, 2015, the District and the City entered into an Intergovernmental Agreement Regarding Cost Sharing to Construct the SERE Project (the District SERE CSA). The District SERE CSA established the District's portion of the City's \$25 million cash Contribution at \$7,332,500 dollars (the Rampart Range Cash Contribution). The District SERE CSA set forth the payment schedule by which the District shall satisfy the Rampart Range Cash Contribution by making three annual payments of \$2,444,167 each in 2016, 2017, and 2018, and each annual payment may be made in two equal installments. The District's first installment of the Rampart Range Cash Contribution was due to the City by June 30, 2016, and then every six months thereafter, for the remaining five payments. In the event that the construction costs of the SERE Project exceed project estimates, the District shall have no obligation to commit any additional funds over the \$7,332,500. During 2016, the first Rampart Range Cash Contribution installment was wired to the City on June 24 and the second installment was wired on December 20, for a total cash contribution of \$2,444,167.

The final agreement related to the SERE Project for the District determines how the District will fund the Rampart Range Cash Contribution. The Capital Contribution Agreement – Southeast Rail Extension Project was entered into as of February 24, 2016, by and between the District and RidgeGate (SERE CCA). The District already has certain existing financial obligations to finance public improvements for the Rampart Range Districts and does not project to have funds readily available to satisfy the Rampart Range Cash Contribution. As the Developer of the Districts, RidgeGate desires to facilitate construction of the SERE Project and development of the Property within the Districts; as such, as documented in the SERE CCA, RidgeGate will contribute the funds to the District to make the Rampart Range Cash Contribution. The RidgeGate Contributions will be non-reimbursable contributions from RidgeGate to the District. During 2016, RidgeGate made two equal Developer SERE Contributions to the District on June 21 and December 16, equaling a total amount of \$2,444,167, which were used by the District to fund the 2016 Rampart Range Cash Contributions to the City.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 10 - INTERFUND AND OPERATING TRANSFERS

The transfer from the General Fund to the Capital Projects Developer Advances Fund was the result of excess revenues which were not needed in 2016 to fund General Fund expenditures, which were transferred to be used for current capital construction costs.

NOTE 11 - RISK MANAGEMENT

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

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

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

As of December 31, 2016, the District had unexpended construction related contract commitments of \$8,128,777.

NOTE 13 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue. On November 7, 2000, a majority of the District's electors approved an election question to remove limits on the amount of revenue, excluding revenues generated from ad valorem taxes, the District is allowed to collect and spend or retain without regard to any limitations under TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 13 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

On May 4, 2004, District voters passed an election question to increase property taxes \$500,000 annually, without limitation of rate, to pay the District's operational and maintenance costs. On November 1, 2005, District voters passed an election question to increase property taxes \$5,000,000 annually, without limitation of rate, to pay the District's operational and maintenance costs.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

NOTE 14 – SUBSEQUENTS EVENT

Capital Funding and Reimbursement Agreement - East Side

On March 2, 2017, the District and RidgeGate entered into a Capital Funding and Reimbursement Agreement - East Side (the East-Side Capital Agreement), with an effective date of January 1, 2017. The East-Side Capital Agreement sets forth the terms by which RidgeGate will advance funds to the District for costs incurred on the properties to be served by PWSD, which are within the boundaries of Rampart Range Metropolitan Districts Nos. 3 – 6, 8 and 9 (the East-Side CFRA Properties). The East-Side Capital Agreement identified and "Transferred" prior capital advances in the principal amount of \$3,743,052 plus additional accrued interest, which were initially funded under the Amended 2007 PWSD Funding Agreement to the East-Side Capital Agreement, where such advances were deemed to be more appropriately accounted for. These costs include general planning expenses and preliminary design costs associated with the East-Side CFRA Properties, as well as costs associated with the Sky Ridge Bridge Extension Project. Under the East-Side Capital Agreement, RidgeGate agreed to advance up to \$30,000,000 to the District through December 31, 2020. These advances will accrue interest at the higher rate of 3% per annum or the applicable short term federal interest rate in effect as of the first day of each year, compounded annually.

On February 22, 2017, concurrent with the drafting of the East-Side Capital Agreement, the District and RidgeGate entered into the "Third Amendment" to the Amended 2007 PWSD Funding Agreement, which was also effective as of January 1, 2017. The Third Amendment acknowledged the principal and accrued interest balances being Transferred to the East-Side Capital Agreement, removing them in their totality from the current agreement, and further revised the definition of the "improvements" under the agreement to exclude street improvements of the Sky Ridge Bridge Extension Project, which had been added with the second amendment.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
IGA Revenue #2 - Property taxes (net)	\$ 816,777	\$ 816,771	\$ (6)
IGA Revenue #2 - Specific ownership tax	87,067	76,290	(10,777)
IGA Revenue #2 - Property tax interest	837	632	(205)
IGA Revenue #7 - Property taxes (net)	5,984,641	5,891,799	(92,842)
IGA Revenue #7 - Specific ownership tax	637,960	555,202	(82,758)
IGA Revenue #7 - Property tax interest	2,407	905	(1,502)
PIF revenue	1,380,000	1,438,023	58,023
Sales tax rebate revenue	1,600,000	1,388,524	(211,476)
Net investment income	14,811	61,000	46,189
Total revenues	<u>10,524,500</u>	<u>10,229,146</u>	<u>(295,354)</u>
EXPENDITURES			
Accounting	80,000	73,543	6,457
District management	7,000	5,963	1,037
Financial analysis / Debt restructuring	50,000	23,236	26,764
Legal	23,000	19,631	3,369
Miscellaneous	-	119	(119)
PIF collection expense	25,655	27,807	(2,152)
Debt service			
Loan interest expense - Series 2013A Note	1,202,158	1,278,034	(75,876)
Loan interest expense - Series 2013B Note	3,844,520	3,851,489	(6,969)
Loan principal expense - Series 2013A Note	800,000	800,000	-
Loan principal expense - Series 2013B Note	1,035,000	1,035,000	-
Annual bank loan fees	135,667	135,667	-
Paying agent fees	2,000	2,000	-
Contingency	25,000	-	25,000
Total expenditures	<u>7,230,000</u>	<u>7,252,489</u>	<u>(22,489)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,294,500</u>	<u>2,976,657</u>	<u>(317,843)</u>
OTHER FINANCING SOURCES (USES)			
Bond / Loan issuance proceeds	32,000,000	-	(32,000,000)
Bond / Loan issuance costs	(995,000)	-	995,000
Repayment - Developer advance interest	(4,181,534)	-	4,181,534
Repayment - Developer advance principal	(26,823,466)	-	26,823,466
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	3,294,500	2,976,657	(317,843)
FUND BALANCES - BEGINNING OF YEAR	<u>7,830,500</u>	<u>7,827,344</u>	<u>(3,156)</u>
FUND BALANCES - END OF YEAR	<u>\$ 11,125,000</u>	<u>\$ 10,804,001</u>	<u>\$ (320,999)</u>

**RAMPART RANGE METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS DEVELOPER ADVANCES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
IGA Revenue #7 - Development fees	\$ 668,784	\$ 510,516	\$ 510,516	\$ -
Net investment income	2,216	3,445	3,017	(428)
Total revenues	<u>671,000</u>	<u>513,961</u>	<u>513,533</u>	<u>(428)</u>
EXPENDITURES				
Capital projects				
Accounting	170,000	185,000	182,064	2,936
District management	100,000	88,000	84,578	3,422
Financial analysis / Debt restructuring	70,000	50,000	48,449	1,551
Legal	65,000	45,500	41,434	4,066
Miscellaneous	10,000	-	-	-
Landscape maintenance	55,000	45,000	36,306	8,694
Maintenance - Parking garage	-	9,833	6,454	3,379
Construction management	65,000	55,000	50,642	4,358
Planning / Design	60,000	80,000	67,497	12,503
Contingency	400,000	-	-	-
Capital outlay				
Communication systems	10,000	10,000	7,765	2,235
Grading	50,000	33,624	33,624	-
Landscaping	350,000	600,000	350,158	249,842
Parking garage repairs	1,250,000	-	-	-
Parks and recreation	3,060,000	2,500,000	2,373,326	126,674
Public transportation (light rail)	30,000	35,000	26,340	8,660
Sewer	10,000	-	-	-
Storm drainage	270,000	225,000	179,684	45,316
Streets	750,000	50,000	40,472	9,528
Streetscape	730,000	1,275,000	831,236	443,764
Water	15,000	238,376	234,413	3,963
Total expenditures	<u>7,520,000</u>	<u>5,525,333</u>	<u>4,594,442</u>	<u>930,891</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(6,849,000)</u>	<u>(5,011,372)</u>	<u>(4,080,909)</u>	<u>930,463</u>
OTHER FINANCING SOURCES (USES)				
Developer advances	6,469,000	3,445,000	2,450,000	(995,000)
Developer contribution - SE Rail Extension	-	2,444,167	2,444,167	-
RRMD contribution to RTD - SE Rail Extension	-	(2,444,167)	(2,444,167)	-
Transfer from other Funds	-	500,000	500,000	-
Total other financing sources (uses)	<u>6,469,000</u>	<u>3,945,000</u>	<u>2,950,000</u>	<u>(995,000)</u>
NET CHANGE IN FUND BALANCES	(380,000)	(1,066,372)	(1,130,909)	(64,537)
FUND BALANCES - BEGINNING OF YEAR	<u>880,000</u>	<u>1,066,372</u>	<u>1,066,372</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ (64,537)</u>	<u>\$ (64,537)</u>

RAMPART RANGE METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS WATER FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Investment income	\$ 500	\$ 1,169	\$ 669
Total revenues	<u>500</u>	<u>1,169</u>	<u>669</u>
EXPENDITURES			
Capital projects - East-side			
District management	20,000	4,826	15,174
Legal	100,000	28,749	71,251
Engineering expense	60,000	2,541	57,459
Planning / Design - East-side	1,250,000	943,916	306,084
Inclusion fee - Parker Water and San. District	765,727	765,727	-
Capital outlay - East-side			
East-side capital assets	11,500,000	-	11,500,000
Streets - SkyRidge bridge	-	2,184,178	(2,184,178)
Contingency	304,273	-	304,273
Total expenditures	<u>14,000,000</u>	<u>3,929,937</u>	<u>10,070,063</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(13,999,500)</u>	<u>(3,928,768)</u>	<u>10,070,732</u>
OTHER FINANCING SOURCES (USES)			
Developer advances	13,579,500	3,450,000	(10,129,500)
Total other financing sources (uses)	<u>13,579,500</u>	<u>3,450,000</u>	<u>(10,129,500)</u>
NET CHANGE IN FUND BALANCES	(420,000)	(478,768)	(58,768)
FUND BALANCES - BEGINNING OF YEAR	<u>420,000</u>	<u>396,810</u>	<u>(23,190)</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ (81,958)</u>	<u>\$ (81,958)</u>