

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7**  
**Douglas County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2016**



**RECEIVED**

*By the Office of the State Auditor at 12:53 pm, Aug 01, 2017*

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Certified Public Accountants and Business Consultants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Rampart Range Metropolitan District No. 7  
Douglas County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Rampart Range Metropolitan District No. 7 (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. 7, 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.

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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 Higgin & Associates, PC*

Lakewood, Colorado  
July 20, 2017

## **BASIC FINANCIAL STATEMENTS**

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7**  
**STATEMENT OF NET POSITION**  
**December 31, 2016**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Receivable - County Treasurer	\$ 58,378
Property taxes receivable	<u>7,533,648</u>
Total assets	<u>7,592,026</u>
<b>LIABILITIES</b>	
Due to District No. 1	<u>58,378</u>
Total liabilities	<u>58,378</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	<u>7,533,648</u>
Total deferred inflows of resources	<u>7,533,648</u>
<b>NET POSITION</b>	
Unrestricted	<u>-</u>
Total net position	<u><u>\$ -</u></u>

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

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
Primary government:					
Government activities:					
General government	\$ 8,638,175	\$ -	\$ -	\$ 510,516	\$ (8,127,659)
	<u>\$ 8,638,175</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 510,516</u>	<u>(8,127,659)</u>
General revenues:					
Property taxes					7,436,503
Specific ownership taxes					690,251
Net Investment income					905
Total general revenues					<u>8,127,659</u>
Change in net position					-
Net position - Beginning					-
Net position - Ending					<u>\$ -</u>

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

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7  
BALANCE SHEET  
GOVERNMENTAL FUND  
December 31, 2016**

	<b>General Fund</b>
<b>ASSETS</b>	
Receivable - County Treasurer	\$ 58,378
Property taxes receivable	7,533,648
Total assets	\$ 7,592,026
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Due to District No. 1	\$ 58,378
Total liabilities	58,378
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	7,533,648
Total deferred inflows of resources	7,533,648
 <b>FUND BALANCES</b>	
Unassigned	-
Total fund balances	-
 <b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
	\$ 7,592,026

There are no reconciling differences between the fund balance of governmental funds and the net position of governmental activities.

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

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND**  
**Year Ended December 31, 2016**

	<b>General Fund</b>
<b>REVENUES</b>	
Property taxes	\$ 7,436,503
Specific ownership taxes	690,251
Development fees	510,516
Net investment income	905
Total revenues	8,638,175
<b>EXPENDITURES</b>	
County Treasurer's fees	111,563
IGA reimbursement (taxes) - District No. 1	8,016,096
IGA reimbursement (fees) - District No. 1	510,516
Total expenditures	8,638,175
<b>NET CHANGE IN FUND BALANCE</b>	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>	-
<b>FUND BALANCE - END OF YEAR</b>	\$ -

There are no reconciling differences between the net change in fund balance of government funds and the change in net position of governmental activities.

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

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
Year Ended December 31, 2016**

	<b>Budget Amounts Original / Final</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 7,553,669	\$ 7,436,503	\$ (117,166)
Specific ownership taxes	793,140	690,251	(102,889)
Development fees	668,784	510,516	(158,268)
Net investment income	2,407	905	(1,502)
Total revenues	<u>9,018,000</u>	<u>8,638,175</u>	<u>(379,825)</u>
<b>EXPENDITURES</b>			
County Treasurer's fees	113,305	111,563	1,742
IGA reimbursement (taxes) - District No. 1	8,235,911	8,016,096	219,815
IGA reimbursement (fees) - District No. 1	668,784	510,516	158,268
Total expenditures	<u>9,018,000</u>	<u>8,638,175</u>	<u>379,825</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 1 - DEFINITION OF REPORTING ENTITY**

The Rampart Range Metropolitan District No. 7 (the District), a quasi-municipal corporation, was organized on November 29, 2005, concurrently with two other districts, Rampart Range Metropolitan District Nos. 8 and 9, and is governed pursuant to provisions of the Colorado Special Districts Act (Title 32). In 2001, Rampart Range Metropolitan District Nos. 1 – 6 (together with District Nos. 7, 8 and 9, the Districts), were organized concurrently with the aforementioned Districts. The Districts' service area is located entirely within the City of Lone Tree (the City) in Douglas County, Colorado. The District operates under a 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. District No. 1, 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 – 9 are "Taxing Districts," responsible for providing the funding and tax base needed to support the debt issued by the Operating District for capital improvements and continuous operations. Pursuant to their respective Service Plans, 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. 7**  
**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 and specific ownership taxes. 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 fund:

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.

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7**  
**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 of each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

**Property Taxes**

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

Property taxes, net of estimated uncollectible taxes, are recorded initially as a deferred inflow of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

**Payment to City of Lone Tree**

Pursuant to the Service Plan, which is dated April 19, 2005, the District is required to impose a 1.000 mill levy, the Regional Improvements Mill Levy, and submit the revenue from that levy to the City to be used in planning, designing, constructing, installing, acquiring, relocating, redeveloping or financing regional improvements as determined by the City. This obligation will remain in effect until the District dissolves or until receipt of written notice from the City indicating that the revenue is no longer required. Property taxes from the Contractual Obligations mill levy (1.000 mill) are transferred to District No. 1, and have been further transferred by District No. 1 to the City in accordance with this service plan provision.

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Development Fees**

On April 16, 2007, the District adopted a joint resolution with District No. 1 imposing a Development Fee (Fee) upon property within the District. Pursuant to the resolution, the Fee is payable at the time of closing on any property purchased or leased from the Developer at a rate of \$12,000 per acre. With the issuance of the 2013 Notes (see Note 6 - Agreements), the Fee was not pledged to debt repayment, but during 2013 and 2014 was used by the District to defray costs in the Debt Service Fund that are not covered by pledged revenue. According to a resolution adopted by the District No. 1 Board of Directors on December 2, 2014, starting in 2015 the Fee is committed to be used for capital improvement costs.

During 2016, the District collected \$510,516 in Development Fee revenue.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(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, *property tax revenue*, 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.

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- *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.
- *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.

**NOTE 3 - CASH AND INVESTMENTS**

**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 for the reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2016, the District had no cash deposits.

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7**  
**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

As of December 31, 2016, the District had no investments.

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 4 - DEBT AUTHORIZATION**

On November 1, 2005, the District's electors authorized the issuance of indebtedness in an amount not to exceed \$5,505,000,000 at an interest rate not to exceed 18%, allocated for the following purposes:

Street and street improvements	\$ 500,000,000
Water	500,000,000
Sanitary or storm sewer	500,000,000
Parks and recreation	500,000,000
Traffic and safety	500,000,000
Mosquito control	500,000,000
Public transportation	500,000,000
Fire protection and ambulance	500,000,000
Television relay and translation	500,000,000
Operations and maintenance	5,000,000
Debt refunding	500,000,000
Intergovernmental contracts	<u>500,000,000</u>
	<u>\$ 5,505,000,000</u>

Pursuant to the Service Plan dated April 19, 2005, the District is limited to issuing \$500,000,000 in debt. In addition, the maximum debt service mill levy for the District is 50 mills, as adjusted for changes in the ratio of actual value to assessed value of property within the District.

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.

As of December 31, 2016, the District had not issued debt for the purposes listed above.

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; however, as of the date of this audit, the amount and timing of any debt issuance is not determinable.

**NOTE 5 - RELATED PARTIES**

The developer of the property which constitutes the Districts is RidgeGate Investments, Inc. (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.

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 6 - AGREEMENTS**

**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 (Master IGA) among District Nos. 1 – 9 to coordinate the construction, operation and maintenance, and financing of facilities that are intended to benefit both the District and District No. 1. In accordance with the Master IGA, as the Operating District, District No. 1 agrees to construct, manage the financing, operate and maintain the public facilities and services. As one of the Taxing Districts, the District will pay all costs related to the construction, operation and maintenance of these facilities and services. Pursuant to the Master IGA the District agrees to pay its respective share of the costs of facilities and services provided by District No. 1.

**Pledge Agreements**

On April 30, 2007, the District entered into an Operations Pledge Agreement with District No. 1 whereby the District agreed to impose an operations mill levy in amounts determined as necessary by District No. 1 in order to pay the District's proportionate share of administration and operations and maintenance costs associated with services provided by District No. 1. During 2016, the District received and reimbursed to District No. 1 a total of \$1,273,903 for its proportionate share of the administration and operations and maintenance costs.

On September 12, 2013, District No. 1 entered into two new loan agreements with U.S. Bank National Association, 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 were used to redeem and refund the outstanding Series 2010C Bond held by the Developer, with the remaining portion being used to redeem certain outstanding developer advances from the Capital Funding and Reimbursement Agreement – West Side. The second note is the Rampart Range Metropolitan District No. 1 Tax Supported Refunding Revenue Note, Series 2013B (2013B Note) (together with the 2013A Note, the 2013 Notes), evidencing a 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 previously outstanding District No. 1 senior debt.

In conjunction with the issuance of the 2013 Notes, the District, District No. 1 and District No. 2 also entered into a "Second Amended and Restated Capital Pledge Agreement" dated September 12, 2013, for the repayment of the 2013 Notes. Pursuant to the Second Amended and Restated Capital Pledge Agreement the District agreed to pledge certain revenues to repay the 2013 Notes and any additional bonds authorized thereunder and issued by District No. 1. Pledged revenues include the District's covenant to levy the required mill levy of at least 35 mills but not in excess of 50 mills, on all taxable property within the District, net of reasonable operation and maintenance costs incurred by the District, and a portion of the 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, proportionately.

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2016**

**NOTE 7 - 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 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 8 - 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. The District voters approved an election question in 2005 to remove limits on the amount of revenue, excluding revenues generated from ad valorem taxes, the District is allowed to retain.

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. All revenues of the District are transferred to District No. 1 pursuant to the Master IGA; therefore, District No. 1 has established the Emergency Reserves for all of the Districts within the project.

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 administration, 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.

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

**SUPPLEMENTARY INFORMATION**

**RAMPART RANGE METROPOLITAN DISTRICT NO. 7  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
December 31, 2016**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Tax Levy</b>	<b>Mills Levied</b>	<b>Total Property Taxes</b>		<b>Percent Collected to Levied</b>
			<b>Levied</b>	<b>Collected</b>	
2012	\$ 11,230,780	46.000	\$ 516,616	\$ 499,895	96.76%
2013	\$ 74,425,260 *	46.000	\$ 3,423,561	\$ 3,411,572	99.65%
2014	\$ 86,719,170	46.000	\$ 3,989,081	\$ 3,862,569	96.83%
2015	\$ 107,548,550	46.000	\$ 4,947,234	\$ 4,946,455	99.98%
2016	\$ 164,210,200	46.000	\$ 7,553,669	\$ 7,436,503	98.45%
Estimated for the year ending December 31, 2017	\$ 163,774,950	46.000	\$ 7,533,648		

\* Most of the increase in the District's assessed valuation for the year ended December 31, 2013, is the result of a property inclusion which added the SkyRidge medical complex properties as well as the strip mall properties just east of the Target store into the boundaries of the District and excluded them from the boundaries of Rampart Range Metropolitan District No. 2.