

**BANNING LEWIS RANCH REGIONAL
METROPOLITAN DISTRICT NO. 2
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2023

**BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023**

| | |
|--|-----------|
| INDEPENDENT AUDITOR’S REPORT | 1 |
| BASIC FINANCIAL STATEMENTS | |
| GOVERNMENT-WIDE FINANCIAL STATEMENTS | |
| STATEMENT OF NET POSITION | 1 |
| STATEMENT OF ACTIVITIES | 2 |
| FUND FINANCIAL STATEMENTS | |
| BALANCE SHEET – GOVERNMENTAL FUNDS | 3 |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS | 4 |
| RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES | 5 |
| GENERAL FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL | 6 |
| NOTES TO BASIC FINANCIAL STATEMENTS | 7 |
| SUPPLEMENTARY INFORMATION | |
| DEBT SERVICE FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL | 22 |
| CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL | 23 |
| OTHER INFORMATION | |
| SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED | 25 |



BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Banning Lewis Ranch Regional Metropolitan District No. 2

El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Banning Lewis Ranch Regional Metropolitan District No. 2 ("District"), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 the District as of December 31, 2023, the respective changes in financial position, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report. We are required to be independent of the District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 which 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 opinions on the basic financial statements are not affected by this missing information.

Supplementary 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 identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. Such 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information, as identified in the table of contents. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 25, 2024

BASIC FINANCIAL STATEMENTS

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION
DECEMBER 31, 2023

| | Governmental Activities |
|--------------------------------------|----------------------------|
| ASSETS | |
| Cash and Investments | \$ 546 |
| Cash and Investments - Restricted | 1,528,529 |
| Receivable from County Treasurer | 298 |
| Property Tax Receivable | 96,192 |
| Capital Assets: | |
| Capital Assets Not Being Depreciated | 9,263,037 |
| Total Assets | 10,888,602 |
| LIABILITIES | |
| Accounts Payable | 31,384 |
| Retainage Payable | 190,930 |
| Due to Banning Lewis Ranch MD 1 | 4,000 |
| Noncurrent Liabilities: | |
| Due in More Than One Year | 12,260,675 |
| Total Liabilities | 12,486,989 |
| DEFERRED INFLOWS OF RESOURCES | |
| Property Tax Revenue | 96,192 |
| Total Deferred Inflows of Resources | 96,192 |
| NET POSITION | |
| Restricted for: | |
| Emergency Reserve | 200 |
| Unrestricted | (1,694,779) |
| Total Net Position | \$ (1,694,579) |

See accompanying Notes to Basic Financial Statements.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

| | | Program Revenues | | | Net Revenues (Expenses) and Changes in Net Position |
|---|------------|----------------------------|--|--|--|
| FUNCTIONS/PROGRAMS | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| General Government | \$ 41,789 | \$ - | \$ - | \$ - | \$ (41,789) |
| Interest on Long-Term Debt and Related Costs | 651,242 | - | - | - | (651,242) |
| Total Governmental Activities | \$ 693,031 | \$ - | \$ - | \$ - | (693,031) |
| GENERAL REVENUES | | | | | |
| Property Taxes | | | | | 37,079 |
| Specific Ownership Taxes | | | | | 3,879 |
| Interest Income | | | | | 156,508 |
| Total General Revenues and Transfers | | | | | 197,466 |
| CHANGES IN NET POSITION | | | | | |
| | | | | | (495,565) |
| Net Position - Beginning of Year | | | | | (1,199,014) |
| NET POSITION - END OF YEAR | | | | | |
| | | | | | \$ (1,694,579) |

See accompanying Notes to Basic Financial Statements.

**BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

| | General | Debt Service | Capital Projects | Total Governmental Funds |
|--|-----------|-----------------|---------------------|--------------------------------|
| ASSETS | | | | |
| Cash and Investments | \$ 546 | \$ - | \$ - | \$ 546 |
| Cash and Investments - Restricted | 200 | 4,493 | 1,523,836 | 1,528,529 |
| Receivable from County Treasurer | 30 | 268 | - | 298 |
| Property Tax Receivable | 9,618 | 86,574 | - | 96,192 |
| Total Assets | \$ 10,394 | \$ 91,335 | \$ 1,523,836 | \$ 1,625,565 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 10,592 | \$ - | \$ 20,792 | \$ 31,384 |
| Retainage Payable | - | - | 190,930 | 190,930 |
| Due to Banning Lewis Ranch MD 1 | - | 4,000 | - | 4,000 |
| Total Liabilities | 10,592 | 4,000 | 211,722 | 226,314 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Property Tax | 9,618 | 86,574 | - | 96,192 |
| Total Deferred Inflows of Resources | 9,618 | 86,574 | - | 96,192 |
| FUND BALANCES | | | | |
| Restricted for: | | | | |
| Emergency Reserves | 200 | - | - | 200 |
| Debt Service | - | 761 | - | 761 |
| Capital Projects | - | - | 1,312,114 | 1,312,114 |
| Unassigned | (10,016) | - | - | (10,016) |
| Total Fund Balances | (9,816) | 761 | 1,312,114 | 1,303,059 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 10,394 | \$ 91,335 | \$ 1,523,836 | |

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. 9,263,037

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

| | |
|---------------------------|--------------|
| Accrued Interest | (1,472,244) |
| Bonds Payable | (10,380,000) |
| Developer Advance Payable | (28,474) |
| Unamortized Bond Premium | (379,957) |

Net Position of Governmental Activities \$ (1,694,579)

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2023

| | General | Debt Service | Capital Projects | Total Governmental Funds |
|---|-------------------|-----------------|---------------------|--------------------------------|
| REVENUES | | | | |
| Property Taxes | \$ 3,708 | \$ 33,371 | \$ - | \$ 37,079 |
| Specific Ownership Taxes | 388 | 3,491 | - | 3,879 |
| Interest Income | 64 | 1,066 | 155,378 | 156,508 |
| Total Revenues | <u>4,160</u> | <u>37,928</u> | <u>155,378</u> | <u>197,466</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Accounting | 10,776 | - | 3,928 | 14,704 |
| Auditing | 4,775 | - | - | 4,775 |
| County Treasurer's Fee | 56 | 501 | - | 557 |
| District Management | 13,798 | - | - | 13,798 |
| Election | 226 | - | - | 226 |
| Insurance | 3,021 | - | - | 3,021 |
| Legal | 5,096 | - | - | 5,096 |
| Miscellaneous | 113 | - | - | 113 |
| Debt Service: | | | | |
| Bond Interest | - | 32,798 | - | 32,798 |
| Paying Agent Fees | - | 4,000 | - | 4,000 |
| Capital Projects: | | | | |
| Engineering | - | - | 31,352 | 31,352 |
| Streets | - | - | 2,971,083 | 2,971,083 |
| Sewer | - | - | 11,784 | 11,784 |
| Water | - | - | 48,298 | 48,298 |
| Total Expenditures | <u>37,861</u> | <u>37,299</u> | <u>3,066,445</u> | <u>3,141,605</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (33,701) | 629 | (2,911,067) | (2,944,139) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Developer Advance | 17,589 | - | - | 17,589 |
| Total Other Financing Sources | <u>17,589</u> | <u>-</u> | <u>-</u> | <u>17,589</u> |
| NET CHANGE IN FUND BALANCES | (16,112) | 629 | (2,911,067) | (2,926,550) |
| Fund Balances - Beginning of Year | <u>6,296</u> | <u>132</u> | <u>4,223,181</u> | <u>4,229,609</u> |
| FUND BALANCES - END OF YEAR | <u>\$ (9,816)</u> | <u>\$ 761</u> | <u>\$ 1,312,114</u> | <u>\$ 1,303,059</u> |

See accompanying Notes to Basic Financial Statements.

**BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balances - Total Governmental Funds \$ (2,926,550)

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

Governmental funds report capital outlays as expenditures. In the statement of activities capital outlay is not reported 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, this is the amount of capital outlay, depreciation and dedication of capital assets to other governments, in the current period.

Capital Outlay 3,062,517

The issuance of long-term debt (e.g., bonds, receipt of developer advances) 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:

Developer Advance (17,589)

Some 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 Payable Series 2021 Bonds - Change in Liability (613,285)
Accrued Interest Payable Developer Advance - Change in Liability (1,062)
Amortization of Bond Premium 404

Changes in Net Position of Governmental Activities \$ (495,565)

**BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|------------------------------|-------------------|---|
| REVENUES | | | |
| Property Taxes | \$ 3,706 | \$ 3,708 | \$ 2 |
| Specific Ownership Taxes | 371 | 388 | 17 |
| Interest Income | 30 | 64 | 34 |
| Total Revenues | <u>4,107</u> | <u>4,160</u> | <u>53</u> |
| EXPENDITURES | | | |
| Accounting | 11,500 | 10,776 | 724 |
| Auditing | 4,700 | 4,775 | (75) |
| Contingency | 7,244 | - | 7,244 |
| County Treasurer's Fee | 56 | 56 | - |
| District Management | 8,000 | 13,798 | (5,798) |
| Dues And Membership | 500 | - | 500 |
| Election | 3,000 | 226 | 2,774 |
| Insurance | 3,000 | 3,021 | (21) |
| Legal | 8,000 | 5,096 | 2,904 |
| Miscellaneous | - | 113 | (113) |
| Total Expenditures | <u>46,000</u> | <u>37,861</u> | <u>8,139</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (41,893) | (33,701) | 8,192 |
| OTHER FINANCING SOURCES (USES) | | | |
| Developer Advance | 41,993 | 17,589 | (24,404) |
| Total Other Financing Sources (Uses) | <u>41,993</u> | <u>17,589</u> | <u>(24,404)</u> |
| NET CHANGE IN FUND BALANCE | 100 | (16,112) | (16,212) |
| Fund Balance - Beginning of Year | <u>100</u> | <u>6,296</u> | <u>6,196</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 200</u> | <u>\$ (9,816)</u> | <u>\$ (10,016)</u> |

See accompanying Notes to Basic Financial Statements.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 DEFINITION OF REPORTING ENTITY

Banning Lewis Ranch Regional Metropolitan District No. 2 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized concurrently with Banning Lewis Ranch Metropolitan District Nos. 1, 2, 3, 4, 5, and 6 (now Banning Lewis Ranch Regional Metropolitan District No. 1) (collectively, the Districts) by order and decree of the District Court for the City of Colorado Springs, El Paso County, Colorado, on December 1, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The Districts' service area is located entirely within the City of Colorado Springs, El Paso County, Colorado. The Districts operate under a Consolidated Service Plan to provide financing for the design, acquisition, installation, and construction of public improvements and services, including street improvements, parks and recreational facilities, water supply, wastewater facilities, traffic and safety controls, public transportation, fire protection, mosquito control, and television relay. Pursuant to the Service Plan, the District, along with District Nos. 2, 3, 4, 5, and Banning Lewis Ranch Regional Metropolitan District No. 1 are intended to serve as the Taxing Districts related to District No. 1, which will serve as the Operating District.

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

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

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 property taxes.

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.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

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 the 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 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 Fund was established to account for financial resources to be used for the acquisition and construction of capital facilities.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

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 amended its annual budget for the year ended December 31, 2023.

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 and investments.

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 deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Amortization

Original Issue Premium

In the government-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 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. 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.

There were no depreciable fixed assets at year-end, as the capital assets are classified as construction in progress and are intended to be dedicated to other governmental entities.

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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the District'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.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (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.

Deficit

The General Fund reported a deficit in the fund financial statements as of December 31, 2023. The deficit will be eliminated with the receipt of funds advanced by the Developer in 2024.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2023, are classified in the accompanying financial statements as follows:

Statement of Net Position:

| | |
|-----------------------------------|--------------|
| Cash and Investments | \$ 546 |
| Cash and Investments - Restricted | 1,528,529 |
| Total Cash and Investments | \$ 1,529,075 |

Cash and investments as of December 31, 2023, consist of the following:

| | |
|--------------------------------------|--------------|
| Deposits with Financial Institutions | \$ 1,082 |
| Investments | 1,527,993 |
| Total Cash and Investments | \$ 1,529,075 |

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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, 2023, the District's cash deposits had a bank balance and a carrying balance of \$1,082.

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

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

As of December 31, 2023, the District had the following investments:

| <u>Investment</u> | <u>Maturity</u> | <u>Amount</u> |
|---|-----------------------------------|---------------------|
| Colorado Local Government Liquid Asset Trust (COLOTRUST) | Weighted-Average Under 60 Days | \$ 1,527,993 |
| | | <u>\$ 1,527,993</u> |

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust currently offers three portfolios – COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund and each share is equal in value to \$1.00, offer daily liquidity. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

COLOTRUST EDGE, a variable Net Asset Value (NAV) Local Government Investment Pool, offers weekly liquidity and is managed to approximate a \$10.00 transactional share price. COLOTRUST EDGE may invest in securities authorized by Section 24-75-601.1, C.R.S., including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, and highest rated commercial paper.

A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor’s. COLOTRUST EDGE is rated AAAs/S1 by FitchRatings. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2023 follows:

| | Balance at December 31, 2022 | Increases | Decreases | Balance at December 31, 2023 |
|--|------------------------------------|---------------------|-------------|------------------------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Construction in Progress | \$ 6,200,520 | \$ 3,062,517 | \$ - | \$ 9,263,037 |
| Total Capital Assets, Not Being Depreciated | <u>\$ 6,200,520</u> | <u>\$ 3,062,517</u> | <u>\$ -</u> | <u>\$ 9,263,037</u> |

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2023:

| | Balance at December 31, 2022 | Additions | Reductions | Balance at December 31, 2023 | Due Within One Year |
|--|------------------------------------|-------------------|------------------|------------------------------------|---------------------------|
| Bonds Payable: | | | | | |
| Limited General Obligation | | | | | |
| Bonds - Series 2021 | \$ 10,380,000 | \$ - | \$ - | \$ 10,380,000 | \$ - |
| Original Issue Premium | 380,361 | - | 404 | 379,957 | - |
| Accrued Interest on: | | | | | |
| Limited General Obligation | | | | | |
| Bonds - Series 2021 | 858,959 | 646,083 | 32,798 | 1,472,244 | - |
| Subtotal of Bonds Payable | <u>11,619,320</u> | <u>646,083</u> | <u>33,202</u> | <u>12,232,201</u> | <u>-</u> |
| Loans/Notes from Direct Borrowings: | | | | | |
| Developer Advance - Operating | | | | | |
| Accrued Interest on: | | | | | |
| Developer Advance - Operating | 9,688 | 17,589 | - | 27,277 | - |
| Subtotal of Loans/Notes from Direct Borrowings: | <u>135</u> | <u>1,062</u> | <u>-</u> | <u>1,197</u> | <u>-</u> |
| Total Long-Term Obligations | <u>\$ 11,629,143</u> | <u>\$ 664,734</u> | <u>\$ 33,202</u> | <u>\$ 12,260,675</u> | <u>\$ -</u> |

The details of the District's general obligation bonds outstanding during 2023 are as follows:

Limited Tax General Obligation Bonds, Series 2021 (the Bonds)

Bond Proceeds

The District issued the Bonds on July 29, 2021, in the par amount of \$10,380,000. Proceeds from the sale of the Bonds were used to finance or reimburse the costs of public improvements related to the development and pay the costs of issuing the Bonds.

Details of the Bonds

The Bonds bear interest at the rate of 5.750% (yield 5.1128%) per annum and are payable annually on December 1, beginning on December 1, 2021, from and to the extent of available Pledged Revenue, if any. The Bonds mature on December 1, 2051.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation Bonds, Series 2021 (the Bonds) (Continued)

Details of the Bonds (Continued)

The Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest. Unpaid interest on the Bonds compounds annually on each December 1. In the event any amounts due and owing on the Bonds remain outstanding on December 1, 2061, such amounts shall be deemed discharged and no longer due and outstanding.

Optional Redemption

The Bonds are subject to redemption prior to maturity, at the option of the District, on June 1, 2026, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

| <u>Date of Redemption</u> | <u>Redemption Premium</u> |
|------------------------------|---------------------------|
| June 1, 2026 to May 31, 2027 | 3.00% |
| June 1, 2027 to May 31, 2028 | 2.00 |
| June 1, 2028 to May 31, 2029 | 1.00 |
| June 1, 2029 and Thereafter | 0.00 |

Pledged Revenue

The Bonds are secured by and payable from moneys derived by the District from the following sources: (a) all Property Tax Revenues; (b) all Specific Ownership Tax Revenues; (c) all Capital Fees, if any; and (d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund.

“Property Tax Revenues” means all monies derived from imposition by the District of the Required Mill Levy and does not include specific ownership taxes. Property Tax Revenues are net of the collection costs of the County and any tax refunds or abatements authorized by or on behalf of the County.

“Specific Ownership Tax Revenues” means the specific ownership taxes remitted to the District as a result of its imposition of its Required Mill Levy.

“Capital Fees” means all fees, rates, tolls penalties, and charges of a capital nature, excluding periodic, recurring service charges now or hereafter imposed by the District, including the Facility Fees. The District has not imposed Capital Fees to date.

Required Mill Levy

Pursuant to the Indenture, the District has covenanted to impose a Required Mill Levy upon all taxable property of the District each year in an amount equal to nine mills (subject to adjustment for changes in the method of calculating assessed valuation after January 1, 2017) or such lesser amount that will generate Property Tax Revenues which, when combined with moneys then on deposit in the Bond Fund, will pay the Bonds in full in the year such levy is collected.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Limited Tax General Obligation Bonds, Series 2021 (the Bonds) (Continued)

Bonds Debt Service

The annual debt service requirements of the Bonds are not currently determinable since they are payable only from available Pledged Revenue.

Remedies on Occurrence of Event of Default for the Revenue Bonds

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions shall constitute an event of default under the Indenture:

- (i) The issuer fails to impose the required mill levy or to apply the pledged revenue as provided in the indenture.
- (ii) The issuer fails to observe or perform any covenant and agreement on its part under the indenture.
- (iii) The issuer institutes proceedings to be adjudicated as bankrupt or insolvent.

It is acknowledged that due to the limited nature of the revenues, the failure to pay the principal of or interest on the bonds when due shall not, in and of itself, constitute an event of default hereunder, if the issuer is otherwise in compliance with all provisions under the indenture.

Upon the occurrence and continuance of an Event of Default, the trustee shall have the following rights:

- (i) Trustee's Right to Receiver: The trustee shall be entitled as the right to the appointment of a receiver ex parte upon prior written notice to the issuer.
- (ii) Legal Proceedings by Trustee: The trustee in its discretion may, and upon the written request of the majority interest and receipt of indemnity of its satisfaction, shall, in its own name:
 - a. By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Issuer to enforce any rights under this Indenture, the Cooperation Agreement, and to require the Issuer to carry out any other provisions of this Indenture for the benefit of the Bondholders; and
 - b. By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

No Acceleration

Except as may be provided in the supplemental indenture applicable to all series of bonds outstanding hereunder, there shall be no rights of acceleration with respect to the bonds.

As of December 31, 2023, the District was not in default.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Developer Advances

The District entered into an Advance, Acquisition, and Reimbursement Agreement (Agreement) on November 13, 2020 with Clayton Properties Group II, Inc. (the Developer), that will allow the District to receive advance from the Developer to fund operations and maintenance expenses. Any sums advanced to the District or on behalf of prior to the date of this Agreement shall be considered advances pursuant to this Agreement.

The District agrees to repay the Developer along with a simple interest of 7% from the date of the advance or, in the event the Developer has paid construction or acquisition costs directly for public improvements constructed by third parties, such costs shall bear said interest from the date the completed improvements are accepted by the District. The Agreement does not constitute “debt” or a “multiple-fiscal year direct or indirect District debt or other financial obligations” within the meaning of the Colorado constitution or any other Colorado law, and shall not constitute the District’s pledge of funds from any specific source except as contemplated in the Agreement, including: 1) bond or note proceeds, 2) imposition of fees, charges, and general ad valorem taxes, and 3) the creation and maintenance of reserve and contingency funds. As of December 31, 2023, outstanding Developer advances under the agreement totaled \$28,474, including \$1,197 of accrued interest.

Debt Authorization

On November 7, 2006, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$929,500,000 for infrastructure improvements and operations, such debt to bear interest at a rate not in excess of 18% per annum. At December 31, 2023, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

| | Authorized November 7, 2006 | Authorization Used Series 2021 | Remaining at December 31, 2023 |
|---------------------------------------|-----------------------------------|--------------------------------------|--------------------------------------|
| Street Improvements | \$ 84,500,000 | \$ 2,595,000 | \$ 81,905,000 |
| Water | 84,500,000 | 2,595,000 | 81,905,000 |
| Sanitation | 84,500,000 | 2,595,000 | 81,905,000 |
| Traffic and Safety | 84,500,000 | - | 84,500,000 |
| Fire Protection and Ambulance Service | 84,500,000 | - | 84,500,000 |
| Park and Recreation | 84,500,000 | 2,595,000 | 81,905,000 |
| Mosquito Control | 84,500,000 | - | 84,500,000 |
| Television Relay and Translation | 84,500,000 | - | 84,500,000 |
| Public Transportation | 84,500,000 | - | 84,500,000 |
| Operations and Maintenance | 84,500,000 | - | 84,500,000 |
| Debt Refunding | 84,500,000 | - | 84,500,000 |
| Total | <u>\$ 929,500,000</u> | <u>\$ 10,380,000</u> | <u>\$ 919,120,000</u> |

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 5 LONG TERM OBLIGATIONS (CONTINUED)

Debt Authorization (Continued)

Pursuant to the Consolidated Service Plan dated September 6, 2005 and the Amended and Restated Service Plan dated February 26, 2008, the District is only permitted to issue debt up to \$100,000,000. District Nos. 2, 3, 4, 5, and Banning Lewis Ranch Regional Metropolitan District No. 1 will be permitted to issue additional debt only at such time that such additional debt is approved by the city and that repayment of such additional debt can be accomplished only to the extent of the maximum permitted residential or commercial mill levy of 30.000 mills and 50.000 mills, respectively, as may be adjusted by a change in the ratio of actual valuation.

Pursuant to the Amended and Restated Service Plan dated June 18, 2018, the District is now permitted to issue debt up to \$150,000,000 with a maximum permitted mill levy of 9.000 mills as may be adjusted by a change in the ratio of actual valuation.

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.

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

Restricted net position consists of 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, 2023, as follows:

| | Governmental Activities |
|-------------------------------|----------------------------|
| Restricted Net Position: | |
| Emergencies | \$ 200 |
| Total Restricted Net Position | \$ 200 |

The District has a deficit in unrestricted net position. This deficit amount is the result of the District being responsible for the repayment of bonds issued for public improvements, as well as unpaid accrued interest.

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is Clayton Properties Group II, Inc. Certain members of the Board of Directors are officers of, employees of, or associated with, the Developer and may have conflicts of interest in dealing with the District. See Note 5 concerning advances made by the Developer.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 INTERGOVERNMENTAL AGREEMENT

Effective on January 1, 2021, the District ("Financing District") and Banning Lewis Ranch Regional Metropolitan District No. 1 ("Service District") entered into a District Facilities Agreement (Agreement) wherein District No. 1 has agreed to construct, own, operate, and maintain facilities benefiting both the District and District No. 1. The District has agreed to pay for the costs of operation and maintenance of such facilities from: 1) the imposition of a mill levy not to exceed 1.000 mills, adjusted as described below, and as authorized under the Districts' Service Plan, as amended (the Service Levy), and (2) such other revenues of the Financing District as may be legally available to pay, as and when due, the obligations hereunder; provided, that nothing in the foregoing shall limit the Service District's power or ability to acquire the funds necessary to perform its rights and obligations hereunder from any other source including, but not limited to, the exercise of the Service District's power, independent of this Agreement, to assess fees and charges as described in Section 32-1-1001, C.R.S. As of March 31, 2023, this Agreement was terminated.

NOTE 9 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 (the 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 10 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.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 10 TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

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.

On November 7, 2006, the District's voters authorized the District to increase property taxes \$8,000,000 annually, without limitation of rate and without regard to any spending, revenue raising, or other limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR) or Section 29-1-301, C.R.S., to pay the District's operations, maintenance, and other expenses. Additionally, the District's electors authorized the District to collect, spend, or retain all revenue without regard to any limitations under TABOR.

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.

SUPPLEMENTARY INFORMATION

**BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

| | Budget | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|---------------|---------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Property Taxes | \$ 33,372 | \$ 33,370 | \$ 33,371 | \$ 1 |
| Specific Ownership Taxes | 3,337 | 3,366 | 3,491 | 125 |
| Interest Income | - | 1,064 | 1,066 | 2 |
| Total Revenues | <u>36,709</u> | <u>37,800</u> | <u>37,928</u> | <u>128</u> |
| EXPENDITURES | | | | |
| County Treasurer's Fee | 501 | 501 | 501 | - |
| Paying Agent Fees | 4,000 | 4,000 | 4,000 | - |
| Bond Interest | 32,208 | 33,299 | 32,798 | 501 |
| Total Expenditures | <u>36,709</u> | <u>37,800</u> | <u>37,299</u> | <u>501</u> |
| NET CHANGE IN FUND BALANCE | - | - | 629 | 629 |
| Fund Balance - Beginning of Year | <u>-</u> | <u>-</u> | <u>132</u> | <u>132</u> |
| FUND BALANCE - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 761</u> | <u>\$ 761</u> |

**BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2023**

| | Original and Final Budget | Actual Amounts | Variance with Final Budget Positive (Negative) |
|-----------------------------------|------------------------------|----------------------------|---|
| REVENUES | | | |
| Interest Income | \$ 43,600 | \$ 155,378 | \$ 111,778 |
| Other Revenue | 10,000 | - | (10,000) |
| Total Revenues | <u>53,600</u> | <u>155,378</u> | <u>101,778</u> |
| EXPENDITURES | | | |
| Accounting | 5,000 | 3,928 | 1,072 |
| District Management | 10,000 | - | 10,000 |
| Engineering | 15,000 | 31,352 | (16,352) |
| Streets | 2,000,000 | 2,971,083 | (971,083) |
| Sewer | 2,328,673 | 11,784 | 2,316,889 |
| Water | - | 48,298 | (48,298) |
| Contingency | 10,000 | - | 10,000 |
| Total Expenditures | <u>4,368,673</u> | <u>3,066,445</u> | <u>1,302,228</u> |
| NET CHANGE IN FUND BALANCE | (4,315,073) | (2,911,067) | 1,404,006 |
| Fund Balance - Beginning of Year | <u>4,315,073</u> | <u>4,223,181</u> | <u>(91,892)</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ -</u></u> | <u><u>\$ 1,312,114</u></u> | <u><u>\$ 1,312,114</u></u> |

OTHER INFORMATION

**BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2023**

| Year Ended December 31, | Prior Year Assessed Valuation for Current Year Tax Levy | Mills Levied | | Total Property Taxes | | Percent Collected to Levied |
|--|---|--------------|--------------|----------------------|-----------|-----------------------------------|
| | | General | Debt Service | Levied | Collected | |
| 2019 | \$ 830 | 0.000 | 0.000 | \$ - | \$ - | N/A |
| 2020 | 830 | 0.000 | 0.000 | - | - | N/A |
| 2021 | 830 | 0.000 | 0.000 | - | - | N/A |
| 2022 | 499,600 | 1.113 | 10.019 | 5,562 | 5,561 | 99.98 % |
| 2023 | 3,612,100 | 1.026 | 9.239 | 37,078 | 37,079 | 100.00 % |
| Estimated for Year Ending December 31, 2024 | \$ 8,334,870 | 1.154 | 10.387 | \$ 96,193 | | |

NOTE:

Property taxes shown as collected in any one year include collection of delinquent property taxes or abatements of property taxes assessed in prior years. This presentation does not attempt to identify specific years of assessments.