

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2

2022 ANNUAL REPORT

1. Boundary changes made or proposed to the District's boundary as of December 31 of the prior year.

During the report year of 2022, there were no changes made to the District's boundaries.

2. Intergovernmental agreements with other governmental entities, either entered into or proposed as of December 31 of the prior year.

During the report year of 2022, the District terminated an Intergovernmental Agreement with Banning Lewis Ranch Regional Metropolitan District No. 1. There were no other Intergovernmental Agreements for the District.

3. Copies of the District's rules and regulations, if any, as of December 31 of the prior year.

The Northtree Rules and Regulations for the Banning Lewis Ranch Oakwood Homes Community, as attached to the 2021 and 2020 Annual Report still apply. There are no other rules or regulations for the District.

4. A summary of any litigation which involves the any District's Public Improvements as of December 31 of the prior year.

During the report year of 2022, the District was not involved in any litigation.

5. Status of the District's construction of the Public Improvements as of December 31 of the prior year.

During the report year of 2022, the District constructed streets and sewer and water infrastructure in accordance with the Service Plan.

6. A list of all facilities and improvements constructed by the District that have been dedicated to and accepted by the City as of December 31 of the prior year.

No facilities or improvements constructed by the District were dedicated to or accepted by the City as of December 31st of the prior year.

7. The assessed valuation of the District for the current year.

The assessed valuation of the District is \$3,612,100.

8. Current year budget including a description of the Public Improvements to be constructed in such year.

The 2023 budget is attached as **Exhibit A**.

9. Audit of the District financial statements for the year ending December 31 of the previous year prepared in accordance with generally accepted accounting principles or audit exemption, if applicable.

The 2022 Audit is in process and will be provided once it is complete.

10. Notice of any uncured events of noncompliance by the District under any Debt instrument, which continue beyond a 90-day period.

During the report year of 2022, the District did not have any uncured events on default.

11. Any inability of the District to pay their obligations as they come due, in accordance with the terms of such obligations, which continue beyond a 90-day period.

During the report year of 2022, the District did not have an inability to pay their obligations.

12. Copies of any Certifications of an External Financial Advisor provided as required by the Privately Placed Debt Limitation provision.

The Certificate of the External Financial Advisor for the Limited Tax General Obligation Bonds, Series 2021, issued on July 29, 2021 is attached hereto as **Exhibit B**.

EXHIBIT A

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
ANNUAL BUDGET
FOR THE YEAR ENDING DECEMBER 31, 2023

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
SUMMARY
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,

12/5/22

| | ACTUAL 2021 | ESTIMATED 2022 | BUDGET 2023 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCES | \$ - | \$ 6,807,160 | \$ 4,315,173 |
| REVENUES | | | |
| Property taxes | - | 5,562 | 37,078 |
| Specific ownership tax | - | 558 | 3,708 |
| Interest income | 972 | 30,075 | 43,630 |
| Developer advance | - | 30,996 | 41,993 |
| Other revenue | - | 413 | 10,000 |
| Bond proceeds - series 2021 | 10,380,000 | - | - |
| Bond premium | 380,427 | - | - |
| Total revenues | 10,761,399 | 67,604 | 136,409 |
| Total funds available | 10,761,399 | 6,874,764 | 4,451,582 |
| EXPENDITURES | | | |
| General Fund | - | 31,533 | 46,000 |
| Debt Service Fund | - | 5,558 | 36,709 |
| Capital Projects Fund | 3,954,239 | 2,522,500 | 4,368,673 |
| Total expenditures | 3,954,239 | 2,559,591 | 4,451,382 |
| Total expenditures and transfers out requiring appropriation | 3,954,239 | 2,559,591 | 4,451,382 |
| ENDING FUND BALANCES | \$ 6,807,160 | \$ 4,315,173 | \$ 200 |

No assurance provided. See summary of significant assumptions.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
PROPERTY TAX SUMMARY INFORMATION
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,

12/5/22

| ACTUAL | ESTIMATED | BUDGET |
|--------|-----------|--------|
| 2021 | 2022 | 2023 |

ASSESSED VALUATION

| | | | |
|---------------------------|--------|------------|--------------|
| Single Family Residential | \$ - | \$ - | \$ 657,650 |
| Agricultural | - | 7,780 | 6,890 |
| Vacant land | 830 | 491,820 | 2,947,560 |
| | 830 | 499,600 | 3,612,100 |
| Adjustments | - | - | - |
| Certified Assessed Value | \$ 830 | \$ 499,600 | \$ 3,612,100 |

MILL LEVY

| | | | |
|-----------------|-------|--------|--------|
| General | 0.000 | 1.113 | 1.026 |
| Debt Service | 0.000 | 10.019 | 9.239 |
| Total mill levy | 0.000 | 11.132 | 10.265 |

PROPERTY TAXES

| | | | |
|--------------------------------|------|----------|-----------|
| General | \$ - | \$ 556 | \$ 3,706 |
| Debt Service | - | 5,006 | 33,372 |
| | - | 5,562 | 37,078 |
| Levied property taxes | - | 5,562 | 37,078 |
| Adjustments to actual/rounding | - | - | - |
| Refunds and abatements | - | - | - |
| Budgeted property taxes | \$ - | \$ 5,562 | \$ 37,078 |

BUDGETED PROPERTY TAXES

| | | | |
|---------------------|-------------|-----------------|------------------|
| General | \$ - | \$ 556 | \$ 3,706 |
| Debt Service | - | 5,006 | 33,372 |
| ARI | - | - | - |
| | \$ - | \$ 5,562 | \$ 37,078 |

No assurance provided. See summary of significant assumptions.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
GENERAL FUND
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,

12/5/22

| | ACTUAL 2021 | ESTIMATED 2022 | BUDGET 2023 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ - | \$ - | \$ 100 |
| REVENUES | | | |
| Property taxes | - | 556 | 3,706 |
| Specific ownership tax | - | 56 | 371 |
| Interest income | - | 25 | 30 |
| Developer advance | - | 30,996 | 41,993 |
| Other revenue | - | - | - |
| Total revenues | - | 31,633 | 46,100 |
| Total funds available | - | 31,633 | 46,200 |
| EXPENDITURES | | | |
| General and administrative | | | |
| Accounting | - | 10,000 | 11,500 |
| Audit | - | 4,525 | 4,700 |
| County Treasurer's fee | - | 8 | 56 |
| Dues and membership | - | - | 500 |
| Insurance and bonds | - | - | 3,000 |
| District management | - | 7,000 | 8,000 |
| Legal services | - | 7,000 | 8,000 |
| Election expense | - | 3,000 | 3,000 |
| Contingency | - | - | 7,244 |
| Intergovernmental expenditures | - | - | - |
| Total expenditures | - | 31,533 | 46,000 |
| Total expenditures and transfers out requiring appropriation | - | 31,533 | 46,000 |
| ENDING FUND BALANCE | \$ - | \$ 100 | \$ 200 |

No assurance provided. See summary of significant assumptions.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
DEBT SERVICE FUND
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,

12/5/22

| | ACTUAL 2021 | ESTIMATED 2022 | BUDGET 2023 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ - | \$ - | \$ - |
| REVENUES | | | |
| Property taxes | - | 5,006 | 33,372 |
| Specific ownership tax | - | 502 | 3,337 |
| Interest income | - | 50 | - |
| Other revenue | - | - | - |
| Total revenues | <u>-</u> | <u>5,558</u> | <u>36,709</u> |
| Total funds available | <u>-</u> | <u>5,558</u> | <u>36,709</u> |
| EXPENDITURES | | | |
| General and administrative | | | |
| County Treasurer's fee | - | 75 | 501 |
| Paying agent fees | - | 4,000 | 4,000 |
| Contingency | - | - | - |
| Debt Service | | | |
| Bond interest Senior Bonds | - | 1,483 | 32,208 |
| Total expenditures | <u>-</u> | <u>5,558</u> | <u>36,709</u> |
| Total expenditures and transfers out requiring appropriation | <u>-</u> | <u>5,558</u> | <u>36,709</u> |
| ENDING FUND BALANCE | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

No assurance provided. See summary of significant assumptions.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
CAPITAL PROJECTS FUND
2023 BUDGET
WITH 2021 ACTUAL AND 2022 ESTIMATED
For the Years Ended and Ending December 31,

12/5/22

| | ACTUAL 2021 | ESTIMATED 2022 | BUDGET 2023 |
|---|----------------|-------------------|----------------|
| BEGINNING FUND BALANCE | \$ - | \$ 6,807,160 | \$ 4,315,073 |
| REVENUES | | | |
| Interest income | 972 | 30,000 | 43,600 |
| Other revenue | - | 413 | 10,000 |
| Bond proceeds - series 2021 | 10,380,000 | - | - |
| Bond premium | 380,427 | - | - |
| Total revenues | 10,761,399 | 30,413 | 53,600 |
| Total funds available | 10,761,399 | 6,837,573 | 4,368,673 |
| EXPENDITURES | | | |
| General and administrative | | | |
| Accounting | 2,675 | 2,500 | 5,000 |
| Insurance and bonds | 413 | - | - |
| District management | - | 10,000 | 10,000 |
| Contingency | - | - | 10,000 |
| Bond issue costs | 420,585 | - | - |
| Capital Projects | | | |
| Engineering | 18,966 | 10,000 | 15,000 |
| Streets | - | 2,000,000 | 2,000,000 |
| Sewer | 3,372,984 | 500,000 | 2,328,673 |
| Capital outlay | 138,616 | - | - |
| Total expenditures | 3,954,239 | 2,522,500 | 4,368,673 |
| Total expenditures and transfers out requiring appropriation | 3,954,239 | 2,522,500 | 4,368,673 |
| ENDING FUND BALANCE | \$ 6,807,160 | \$ 4,315,073 | \$ - |

No assurance provided. See summary of significant assumptions.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
2023 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

The Banning Lewis Ranch Regional Metropolitan District No. 2 (“the District”), formerly Banning Lewis Ranch Metropolitan District No. 7, a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized 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 District was organized to provide street improvements, parks and recreational facilities, water supply, wastewater facilities, traffic and safety controls, public transportation, fire protection, mosquito control and television relay. The District was originally one of the Financing Districts organized in conjunction with six other related Districts - Banning Lewis Ranch Metropolitan District Nos. 1, 2, 3, 4, 5, and 6 (now Banning Lewis Ranch Regional Metropolitan District No. 1). It is the District’s intention to serve as a Regional District for the continued growth within the Banning Lewis Ranch community. The District’s service area is located entirely within the City of Colorado Springs, El Paso County, Colorado.

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

The District prepares its budget on the modified accrual basis of accounting, in accordance with requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Revenues

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.

The calculation of property taxes is reflected on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

Senate Bill 21-293 among other things, designates multi-family residential real property (defined generally, as property that is a multi-structure of four or more units) as a new subclass of residential real property. For tax collection year 2023, the assessment rate for single family residential property decreases to 6.95% from 7.15%. The rate for multifamily residential property, the newly created subclass, decreases to 6.80% from 7.15%. Agricultural and renewable energy production property decreases to 26.4% from 29.0%. Producing oil and gas remains at 87.5%. All other nonresidential property stays at 29%.

**BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
2023 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 10% of the property taxes collected.

Developer Advance

Developer advances are expected to fund a portion of general fund expenditures. Developer advances are to be recorded as revenue for budget purposes with an obligation for future repayment when the District is financially able to issue bonds to reimburse the Developer.

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 1.5%.

Expenditures

Administrative and Operating Expenditures

Operating and administrative expenditures include the estimated services necessary to maintain the District's administrative viability such as legal, management, accounting, insurance and meeting expense.

County Treasurer's Fees

County Treasurer's fees have been computed at 1.5% of property tax collections.

Capital Outlay

The District anticipates infrastructure improvements as noted in the Capital Projects fund.

Debt and Leases

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

Limited Tax General Obligation Bonds, Series 2021(3) (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 regional public improvements and pay the costs of issuing the Bonds.

BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
2023 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Debt and Leases (continued)

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.

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. Capital Fees does not include the Excluded Fees or any fee imposed solely for the purpose of funding operations and maintenance expenses. Excluded Fees means certain service fees that may be imposed by the District pursuant to the District Facilities Agreement.

**BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
2023 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases (continued)

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 9 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.

Bonds Debt Service

The annual debt service requirements of the Bonds are payable from available Pledged Revenue.

Schedule of Long Term Obligations

| | Balance at December 31, 2021 | Additions* | Repayments* | Balance at December 31, 2022* |
|--------------------------------|----------------------------------|-------------------|------------------|----------------------------------|
| G.O. Bonds - Series 2021 | \$ 10,380,000 | \$ - | \$ - | \$ 10,380,000 |
| Accrued interest - Series 2021 | 252,973 | 611,389 | 1,483 | 862,879 |
| Issue Premium - Series 2021 | 380,427 | - | 18 | 380,409 |
| Developer Advance - Operations | - | 30,996 | - | 30,996 |
| Accrued interest - Operations | - | 449 | - | 449 |
| | <u>11,013,400</u> | <u>642,834</u> | <u>1,501</u> | <u>11,654,733</u> |
| | <u>\$ 11,013,400</u> | <u>\$ 642,834</u> | <u>\$ 1,501</u> | <u>\$ 11,654,733</u> |
| | | | | |
| | Balance at December 31, 2022* | Additions* | Repayments* | Balance at December 31, 2023* |
| G.O. Bonds - Series 2021 | \$ 10,380,000 | \$ - | \$ - | \$ 10,380,000 |
| Accrued interest - Series 2021 | 862,879 | 646,296 | 32,208 | 1,476,967 |
| Issue Premium - Series 2021 | 380,409 | - | 448 | 379,961 |
| Developer Advance - Operations | 30,996 | 41,993 | - | 72,989 |
| Accrued interest - Operations | 449 | 3,623 | - | 4,072 |
| | <u>11,654,733</u> | <u>691,439</u> | <u>36,843</u> | <u>12,309,329</u> |
| | <u>\$ 11,654,733</u> | <u>\$ 691,439</u> | <u>\$ 36,843</u> | <u>\$ 12,309,329</u> |

* Estimate

The District has no operating or capital leases.

Reserves

Emergency Reserves

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending.

This information is an integral part of the accompanying budget.

EXHIBIT B



North Slope Capital Advisors

1165 Delaware Street, Suite 140

Denver, CO 80204

303-953-4101

**BANNING LEWIS RANCH REGIONAL METROPOLITAN DISTRICT NO. 2
EL PASO COUNTY, COLORADO
relating to**

**\$10,380,000
LIMITED TAX GENERAL OBLIGATION BONDS
SERIES 2021⁽³⁾**

CERTIFICATE OF THE EXTERNAL FINANCIAL ADVISOR

The undersigned, authorized signatories of North Slope Capital Advisors, Denver, Colorado, are providing this certificate in connection with the issuance of the above referenced Limited Tax General Obligation Bonds, Series 2021⁽³⁾ (the "Series 2021⁽³⁾ Bonds"), dated July 29, 2021 and issued by the Banning Lewis Ranch Regional Metropolitan District No. 2 (the "District"). The undersigned hereby represents to the District as follows:

- 1) We are an External Financial Advisor because we: (i) advise Colorado governmental entities on matters relating to the issuance of securities by Colorado governmental entities, including matters such as the pricing, sales and marketing of such securities and the procuring of bond ratings, credit enhancement and insurance in respect of such securities; (ii) are listed as a public finance advisor in the Bond Buyer's Municipal Market Place; and (iii) are not officers or employees of the District and have not been otherwise engaged to provide services in connection with the issuances related to the applicable Series 2021⁽³⁾ Bonds.
- 2) Per the final pricing numbers provided by Piper Sandler & Co. (the "Underwriter") on July 22, 2021, we certify that: (1) the net effective interest rate (calculated as defined in Section 32-1-103(12), C.R.S.) to be borne by the Series 2021⁽³⁾ Bonds with a final maturity of December 1, 2051 does not exceed a reasonable current limited tax interest rate, using criteria deemed appropriate by us and based upon our analysis of comparable high yield securities. The true interest cost of 5.55% is consistent with other senior non-rated transactions we are observing in the current market; and (2) the structure of the Series 2021⁽³⁾ Bonds, including maturities and early redemption provisions, is reasonable considering the financial circumstances of the District.

IN WITNESS WHEREOF, we have hereunto set our hands as of July 29, 2021.

Handwritten signature of Stephanie Chichester in black ink.

By: Stephanie Chichester

Its: President

Handwritten signature of Nick Taylor in black ink.

By: Nick Taylor

Its: Managing Director/CCO