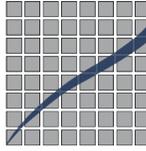


**AUDIT
BANNING LEWIS RANCH
METROPOLITAN DISTRICT NO. 1
El Paso County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
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YEAR ENDED DECEMBER 31, 2021**

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Banning Lewis Ranch Metropolitan District No. 1

El Paso County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Banning Lewis Ranch Metropolitan District No. 1 ("District") as of and for the year ended December 31, 2021, 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, 2021, the respective changes in financial position, and the budgetary comparison schedule for the general fund, and the budgetary comparison for the general fund for the year then ended in accordance with the 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.

Responsibility 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 within one year after the date that the financial statements are available to be issued.

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 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. 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 information 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.

BiggsKofford, P.C.

Colorado Springs, Colorado
September 27, 2022

BASIC FINANCIAL STATEMENTS

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Activities
ASSETS	
Cash and Investments	\$ 1,108,297
Cash and Investments - Restricted	648,358
Accounts Receivable - District Service Fees	495,829
Accounts Receivable - Other	38,002
Due from Banning Lewis Ranch MD No. 2	20,370
Due from Banning Lewis Ranch MD No. 3	18,276
Due from Banning Lewis Ranch MD No. 4	30,189
Due from Banning Lewis Ranch MD No. 5	10,849
Due from Banning Lewis Ranch MD No. 8	8,136
Due from Banning Lewis Ranch Regional MD No. 2	5,000
Prepaid Expenses	60,451
Capital Assets, Not Being Depreciated:	
Parks and Recreation CIP	862,074
Capital Assets, Net of Accumulated Depreciation:	
Parks and Recreation	12,632,358
Recreation Center	5,350,274
Total Assets	21,288,463
LIABILITIES	
Accounts Payable	141,026
Due to Banning Lewis Ranch Community Foundation	23,991
Due to Banning Lewis Ranch Regional MD No. 1	98,553
Prepaid Assessments	66,976
Resident Activity Fee Escrow	39,000
Property Tax Escrow	2,002
District Operating Fees Deposit	8,056
Landscape Deposits	461,125
Total Liabilities	840,729
NET POSITION	
Net Investment in Capital Assets	18,844,706
Restricted for:	
Emergency Reserves	167,800
Unrestricted	1,435,228
Total Net Position	\$ 20,447,734

See accompanying Notes to Basic Financial Statements.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	Program Revenues			Net (Expense) Revenue and Change in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Government Activities:					
General Government, Including Depreciation	\$ 5,185,755	\$ 3,795,756	\$ 1,628,034	\$ 862,074	\$ 1,100,109
Total Governmental Activities	\$ 5,185,755	\$ 3,795,756	\$ 1,628,034	\$ 862,074	1,100,109
GENERAL REVENUES					
Net Investment Income				386	
Design Review Fees				35,250	
Other Income				131,697	
Total General Revenues				167,333	
CHANGE IN NET POSITION				1,267,442	
Net Position - Beginning of Year				19,180,292	
NET POSITION - END OF YEAR				\$ 20,447,734	

See accompanying Notes to Basic Financial Statements.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 1,108,297	\$ -	\$ -	\$ 1,108,297
Cash and Investments - Restricted	636,981	11,377	-	648,358
Accounts Receivable - Village 1 Service Fees	137,146	-	-	137,146
Accounts Receivable - Village 2 Service Fees	358,683	-	-	358,683
Accounts Receivable - Other	38,002	-	-	38,002
Due from Banning Lewis Ranch MD No. 2	20,370	-	-	20,370
Due from Banning Lewis Ranch MD No. 3	18,276	-	-	18,276
Due from Banning Lewis Ranch MD No. 4	30,189	-	-	30,189
Due from Banning Lewis Ranch MD No. 5	10,849	-	-	10,849
Due from Banning Lewis Ranch MD No. 8	8,136	-	-	8,136
Due from BLR Regional MD No. 2	5,000	-	-	5,000
Prepaid Expense	60,451	-	-	60,451
	<u>\$ 2,432,380</u>	<u>\$ 11,377</u>	<u>\$ -</u>	<u>\$ 2,443,757</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 141,026	\$ -	\$ -	\$ 141,026
Due to BLR Community Foundation	23,991	-	-	23,991
Due to BLR Regional MD No. 1	87,176	11,377	-	98,553
Landscape Deposit	461,125	-	-	461,125
District Operating Fees Deposit	8,056	-	-	8,056
Prepaid Assessments - Village 1	21,220	-	-	21,220
Prepaid Assessments - Village 2 West	45,756	-	-	45,756
Property Tax Escrow	2,002	-	-	2,002
Resident Activity Fee Escrow	39,000	-	-	39,000
Total Liabilities	<u>829,352</u>	<u>11,377</u>	<u>-</u>	<u>840,729</u>
FUND BALANCES				
Nonspendable:				
Prepaid Expenditures	60,451	-	-	60,451
Restricted for:				
Emergency Reserves	167,800	-	-	167,800
Unassigned:				
General Government	1,374,777	-	-	1,374,777
Total Fund Balances	<u>1,603,028</u>	<u>-</u>	<u>-</u>	<u>1,603,028</u>
Total Liabilities and Fund Balances	<u>\$ 2,432,380</u>	<u>\$ 11,377</u>	<u>\$ -</u>	
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
Capital Assets, Net				18,844,706
Net Position of Governmental Activities				\$ 20,447,734

See accompanying Notes to Basic Financial Statements.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
District Service Fees - Village 1	\$ 925,966	\$ -	\$ -	\$ 925,966
District Service Fees - Village 2W	681,140	-	-	681,140
District Service Fees - Village 2E	379,170	-	-	379,170
District Service Fees - Village 2W Carriage	410,306	-	-	410,306
District Service Fees - Village 2E Carriage	242,830	-	-	242,830
District Service Fees - Village 2E Bungalow	192,590	-	-	192,590
District Service Fees - Village 3E Duets	231,891	-	-	231,891
District Service Fees - Village 3E Carriage	202,009	-	-	202,009
District Service Fees - Village 3E Bungalow	45,530	-	-	45,530
District Service Fees - Village 3W The Retreat	323,424	-	-	323,424
District Service Fees - Village 3	109,730	-	-	109,730
Design Review Fee	35,250	-	-	35,250
YMCA Program Revenues	38,002	-	-	38,002
Net Investment Income	386	-	-	386
Other Revenue	131,697	-	-	131,697
Ranch House Rentals	13,168	-	-	13,168
Intergovernmental Revenue - BLR MD No. 2	548,349	-	-	548,349
Intergovernmental Revenue - BLR MD No. 3	585,180	-	-	585,180
Intergovernmental Revenue - BLR MD No. 4	407,092	-	-	407,092
Intergovernmental Revenue - BLR MD No. 5	84,277	-	862,074	946,351
Intergovernmental Revenue - BLR MD No. 8	3,136	-	-	3,136
Total Revenues	5,591,123	-	862,074	6,453,197
EXPENDITURES				
Accounting	229,298	-	-	229,298
Audit	27,158	-	-	27,158
Billing Services	208,255	-	-	208,255
Community Management	133,194	-	-	133,194
Design Review Fee	18,473	-	-	18,473
Directors Fees	1,478	-	-	1,478
District Management	238,640	-	-	238,640
Dues and Memberships	4,443	-	-	4,443
Engineering and Consulting	2,861	-	-	2,861
Insurance and Bonds	132,829	-	-	132,829
Legal	140,573	-	-	140,573
Mailbox Repairs (S&K)	7,192	-	-	7,192
Miscellaneous	6,188	-	-	6,188
Payroll Taxes	245	-	-	245
Repairs and Maintenance	2,500	-	-	2,500
Website Maintenance	3,100	-	-	3,100
Trash Removal and Recycle	484,048	-	-	484,048
Landscape Maintenance	1,769,627	-	-	1,769,627
Landscape Maintenance - Carriage House	351,947	-	-	351,947
Recreation Center	404,174	-	-	404,174
Swimming Pool	294,218	-	-	294,218
Capital Outlay	-	-	862,074	862,074
Total Expenditures	4,460,441	-	862,074	5,322,515
EXCESS OF REVENUES OVER EXPENDITURES	1,130,682	-	-	1,130,682
NET CHANGE IN FUND BALANCES	1,130,682	-	-	1,130,682
Fund Balances - Beginning of Year	472,346	-	-	472,346
FUND BALANCES - END OF YEAR	\$ 1,603,028	\$ -	\$ -	\$ 1,603,028

See accompanying Notes to Basic Financial Statements.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 1,130,682

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

Governmental funds report capital outlay 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.

Capital Outlay	862,074
Depreciation	<u>(725,314)</u>

Changes in Net Position of Governmental Activities \$ 1,267,442

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
District Service Fees - Village 1	\$ 925,360	\$ 925,966	\$ 606
District Service Fees - Village 2W	681,570	681,140	(430)
District Service Fees - Village 2E	379,170	379,170	-
District Service Fees - Village 2W Carriage	414,490	410,306	(4,184)
District Service Fees - Village 2E Carriage	242,830	242,830	-
District Service Fees - Village 2E Bungalow	192,590	192,590	-
District Service Fees - Village 3E Duets	246,100	231,891	(14,209)
District Service Fees - Village 3E Carriage	202,010	202,009	(1)
District Service Fees - Village 3E Bungalow	45,530	45,530	-
District Service Fees - Village 3W The Retreat	465,400	323,424	(141,976)
District Service Fees - Village 3	339,580	109,730	(229,850)
Interest income	3,000	386	(2,614)
Design Review Fee	71,785	35,250	(36,535)
YMCA Program Revenues	25,000	38,002	13,002
Other Income	-	131,697	131,697
Ranch House Rentals	20,000	13,168	(6,832)
Intergovernmental Revenue - BLR MD No. 2	535,646	548,349	12,703
Intergovernmental Revenue - BLR MD No. 3	574,776	585,180	10,404
Intergovernmental Revenue - BLR MD No. 4	400,875	407,092	6,217
Intergovernmental Revenue - BLR MD No. 5	82,977	84,277	1,300
Intergovernmental Revenue - BLR MD No. 8	1,097	3,136	2,039
Total Revenues	5,849,786	5,591,123	(258,663)
EXPENDITURES			
Accounting	250,000	229,298	20,702
Audit	30,000	27,158	2,842
Billing Services	180,900	208,255	(27,355)
Community Management	188,500	133,194	55,306
Community Events - Active Adult	541,100	-	541,100
Design Review Fee	71,785	18,473	53,312
Directors Fees	5,000	1,478	3,522
District Management	225,000	238,640	(13,640)
Dues and Memberships	5,000	4,443	557
Engineering and Consulting	-	2,861	(2,861)
Insurance and Bonds	75,000	132,829	(57,829)
Legal	175,000	140,573	34,427
Mailbox Repairs (S&K)	5,000	7,192	(2,192)
Miscellaneous	10,000	6,188	3,812
Payroll Taxes	400	245	155
Repairs and Maintenance	50,000	2,500	47,500
Website Maintenance	4,000	3,100	900
Trash Removal and Recycle	572,000	484,048	87,952
Landscape Maintenance	1,382,308	1,769,627	(387,319)
Landscape Maintenance - Carriage House	348,072	351,947	(3,875)
Recreation Center	436,961	404,174	32,787
Swimming Pool	330,377	294,218	36,159
Contingency	213,597	-	213,597
Total Expenditures	5,100,000	4,460,441	639,559
EXCESS OF REVENUES OVER EXPENDITURES	749,786	1,130,682	380,896
NET CHANGE IN FUND BALANCE	749,786	1,130,682	380,896
Fund Balance - Beginning of Year	514,745	472,346	472,346
FUND BALANCE - END OF YEAR	\$ 1,264,531	\$ 1,603,028	\$ 853,242

See accompanying Notes to Basic Financial Statements.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 1 DEFINITION OF REPORTING ENTITY

Banning Lewis Ranch Metropolitan District No. 1 (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. 2-5, 6 (now Banning Lewis Ranch Regional Metropolitan District No. 1) and 7 (now Banning Lewis Ranch Regional Metropolitan District No. 2) (collectively, the Districts and Regional 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 Districts 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 is intended to serve as the Operating District related to District Nos. 2-5 and the Regional Districts, the Taxing Districts.

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 and intergovernmental revenues.

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

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 intergovernmental revenues. 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 the principal and interest on long-term debt of the governmental funds.

The Capital Project Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

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

The District has amended its annual budget for the year ended December 31, 2021.

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 total cash and investments.

District Service Fees

During 2021, the District collected a service fee of \$86.45 per month from the homeowners of the Northtree Village No. 1 in BLR MD No. 2, Northtree Village No. 2 West in District No. 3, and Northtree Village No. 2 East in District No. 4. The service fees charged help pay the costs of trash removal and recycling and to cover a portion of the recreation center expenditures.

During 2021, the District collected service fees of \$174.45 per month from homeowners of the Carriage House, Bungalows, and Townhomes in District Nos. 3 and 4 to pay for costs of trash removal and recycling, to cover a portion of the recreation center expenditures, and to cover the costs of front yard landscaping, maintenance and repairs, park and common area maintenance, snow removal within the common driveway, and utilities (water and electric).

During 2021, the District collected service fees of \$179.90 per month from homeowners of the Village 3 East in District No. 4 and service fees of \$288.00 per month from the homeowners of the Village 3 West in District No. 5 to pay for costs of trash removal and recycling, to cover a portion of the recreation center expenditures, and to cover the costs of front yard landscaping, maintenance and repairs, park and common area maintenance, snow removal within the common driveway, and utilities (water and electric).

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), are reported in the applicable governmental activities' column 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 investment in capital assets component of the District's net position.

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. Until either construction is completed for the capital assets that the District will operate and maintain or until such time capital assets are conveyed to the city, capital assets of the District are recorded as construction in progress.

Depreciation expense has been computed on the Recreation center using the straight-line method over the estimated economic useful life of 30 years.

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.

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.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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

Cash and investments as of December 31, 2021 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 1,108,297
Cash and Investments - Restricted	648,358
Total Cash and Investments	<u>\$ 1,756,655</u>

Cash and investments as of December 31, 2021 consist of the following:

Deposits with Financial Institutions	\$ 404,363
Investments	1,352,292
Total Cash and Investments	<u>\$ 1,756,655</u>

Deposits with Financial Institutions

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

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

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, 2021, the District's cash deposits had a bank balance of \$404,363 and a carrying balance of \$404,363, respectively.

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 pool

As of December 31, 2021, 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	\$ <u><u>1,352,292</u></u>

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 CRS 24-75-601, including U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601. 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 is rated AAAM by Standard & Poor's. 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 METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2021 follows:

Governmental Activities	Balance at December 31, 2020	Increases	Decreases	Balance at December 31, 2021
Capital Assets, Not Being Depreciated:				
Parks and Recreation	\$ -	\$ -	\$ -	\$ -
Construction in Progress	-	862,074	-	862,074
Total Capital Assets, Not Being Depreciated	-	862,074	-	862,074
Capital Assets, Being Depreciated:				
Parks and Recreation	13,534,668	-	-	13,534,668
Recreation Center	8,174,525	-	-	8,174,525
Total Capital Assets, Being Depreciated	21,709,193	-	-	21,709,193
Less Accumulated Depreciation:				
Parks and Recreation	(451,155)	(451,155)	-	(902,310)
Recreation Center	(2,550,092)	(274,159)	-	(2,824,251)
Total Accumulated Depreciation	(3,001,247)	(725,314)	-	(3,726,561)
Total Capital Assets, Being Depreciated, Net	18,707,946	(725,314)	-	17,982,632
Governmental Activities Capital Assets, Net	<u>\$ 18,707,946</u>	<u>\$ 136,760</u>	<u>\$ -</u>	<u>\$ 18,844,706</u>

Depreciation expense was charged to the general government function/program of the District for the year ended December 31, 2021 in the amount of \$725,314.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 5 DEBT AUTHORIZATION

On November 1, 2005, 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, 2021, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 1, 2005	Authorization Used	Authorized But Unissued at December 31, 2021
Street Improvements	\$ 84,500,000	\$ -	\$ 84,500,000
Water	84,500,000	-	84,500,000
Sanitation	84,500,000	-	84,500,000
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	-	84,500,000
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>\$ -</u>	<u>\$ 929,500,000</u>

Pursuant to the Consolidated Service Plan, District No. 2 is only permitted to issue debt up to \$84,500,000. District Nos. 3-5 and the Regional Districts 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.

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.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 6 NET POSITION

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation. As of December 31, 2021, the District had net investment in capital assets calculated as follows:

	<u>Governmental Activities</u>
Net Investment in Capital Assets:	
Capital Assets, Net	<u>\$ 18,844,706</u>
Net Investment in Capital Assets	<u><u>\$ 18,844,706</u></u>

Restricted assets include amounts that are restricted for use either externally 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, 2021 as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Emergency Reserves	<u><u>\$ 167,800</u></u>

NOTE 7 RELATED PARTIES

The Developer of the property which constitutes the District is Clayton Properties Group II, Inc., dba: Oakwood Homes. The members of the Board of Directors are officers of, employees of, or otherwise associated with the Developer and may have conflicts of interest in dealing with the District.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 INTERGOVERNMENTAL AGREEMENTS

District Facilities Agreements

Effective as of January 1, 2007, the District and District No. 2 entered into a District Facilities Agreement wherein the District has agreed to construct, own, operate and maintain facilities benefiting both the District and District No. 2. District No. 2 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 20.000 mills, adjusted to account for constitutional and legislative changes, including new exemptions, in the manner, method or base percentage calculation for the computation of assessed values of taxable property, provided that the levy shall never exceed 50.000 mills, 2) to the extent that the 20.000 mills are insufficient to pay the costs of operations, from the imposition of fees assessed and collected from each single family lot and from each multi-family unit, and from each square foot of commercial development, their pro rata share of the operating costs, and 3) from any other revenues District No. 2 may have legally available to pay for such costs.

Effective as of December 1, 2014, the District and District No. 3 entered into a District Facilities Agreement wherein the District has agreed to construct, own, operate and maintain facilities benefiting both the District and District No. 3. District No. 3 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 20.000 mills, adjusted to account for constitutional and legislative changes, including new exemptions, in the manner, method or base percentage calculation for the computation of assessed values of taxable property, provided that the levy shall never exceed 50.000 mills, 2) to the extent that the 20.000 mills are insufficient to pay the costs of operations, from the imposition of fees assessed and collected from each single family lot and from each multi-family unit, and from each square foot of commercial development, their pro rata share of the operating costs, and 3) from any other revenues District No. 3 may have legally available to pay for such costs.

Effective as of August 2, 2018, and Amended and Restated as of November 12, 2018, the District and District No. 4 entered into a District Facilities Agreement wherein the District has agreed to construct, own, operate and maintain facilities benefiting both the District and District No. 4. District No. 4 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 20.000 mills, adjusted to account for constitutional and legislative changes, including new exemptions, in the manner, method or base percentage calculation for the computation of assessed values of taxable property, provided that the levy shall never exceed 50.000 mills, 2) to the extent that the 20.000 mills are insufficient to pay the costs of operations, from the imposition of fees assessed and collected from each single family lot and from each multi-family unit, and from each square foot of commercial development, their pro rata share of operating costs, and 3) from any other revenues District No. 4 may have legally available to pay for such costs.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

NOTE 8 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)

District Facilities Agreements (Continued)

Effective as of August 2, 2018, and Amended and Restated as of November 12, 2018, the District and District No. 5 entered into a District Facilities Agreement wherein the District has agreed to construct, own, operate and maintain facilities benefiting both the District and District No. 5. District No. 5 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 20.000 mills, adjusted to account for constitutional and legislative changes, including new exemptions, in the manner, method or base percentage calculation for the computation of assessed values of taxable property, provided that the levy shall never exceed 50.000 mills, 2) to the extent that the 20.000 mills are insufficient to pay the costs of operations, from the imposition of fees assessed and collected from each single family lot and from each multi-family unit, and from each square foot of commercial development, their pro rata share of operating costs, and 3) from any other revenues District No. 5 may have legally available to pay for such costs.

Effective on November 21, 2019, the District and Banning Lewis Ranch Regional Metropolitan District No. 1 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 20.000 mills, adjusted to account for constitutional and legislative changes, including new exemptions, in the manner, method, or base percentage calculation for the computation of assessed values of taxable property, provided that the levy shall never exceed 50.000 mills, 2) to the extent that the 20.000 mills are insufficient to pay the costs of operations, from the imposition of fees assessed and collected from each single family lot and from each multi-family unit, and from each square foot of commercial development, their pro rata share of the operating costs, and 3) from any other revenues the District may have legally available to pay for such costs.

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 (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.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

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

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

On November 1, 2005, a majority of the District's electors 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 Constitutions (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.

SUPPLEMENTARY INFORMATION

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2021**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue - BLR MD No. 5	\$ -	\$ 862,074	\$ 862,074	\$ -
Total Revenues	<u>-</u>	<u>862,074</u>	<u>862,074</u>	<u>-</u>
EXPENDITURES				
Capital Outlay	-	862,074	862,074	-
Total Expenditures	<u>-</u>	<u>862,074</u>	<u>862,074</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>