

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

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019**

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2019**

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 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	5
GENERAL FUND – STATEMENT 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	20
CAPITAL PROJECTS FUND – SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL	21



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Banning Lewis Ranch Metropolitan District No. 1
El Paso County, Colorado

Report on the Financial Statements

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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2019, and the changes in its financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 29, 2020

BASIC FINANCIAL STATEMENTS

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities
ASSETS	
Cash and Investments	\$ 33,084
Cash and Investments - Restricted	468,911
Accounts Receivable - District Service Fees	293,156
Accounts Receivable - Other	3,071
Due from Banning Lewis Ranch MD No. 2	15,144
Due from Banning Lewis Ranch MD No. 3	18,036
Due from Banning Lewis Ranch MD No. 4	478
Due from Banning Lewis Ranch MD No. 5	55
Due from BLR Community Foundation	3,675
Prepaid Expenses	800
Capital Assets, Not Being Depreciated:	
Parks and Recreation	9,543,443
Construction in Progress	16,822,119
Capital Assets, Net:	
Recreation Center	5,898,592
Total Assets	33,100,564
LIABILITIES	
Accounts Payable	283,203
Due to Banning Lewis Ranch Regional MD No. 1	33,394
Prepaid Assessments	26,671
Resident Activity Fee Escrow	32,700
Property Tax Escrow	2,002
District Operating Fees Deposit	8,056
Landscape Deposits	325,500
Total Liabilities	711,526
NET POSITION	
Net Investment in Capital Assets	15,442,035
Restricted for:	
Emergency Reserves	101,400
Unrestricted	16,845,603
Total Net Position	\$ 32,389,038

See accompanying Notes to Basic Financial Statements.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

ASSETS	General	Debt Service	Capital Projects	Total Governmental Funds
Cash and Investments	\$ 33,084	\$ -	\$ -	\$ 33,084
Cash and Investments - Restricted	434,956	33,955	-	468,911
Accounts Receivable - Village 1 Service Fees	121,398	-	-	121,398
Accounts Receivable - Village 2 Service Fees	171,758	-	-	171,758
Accounts Receivable - Other	3,071	-	-	3,071
Due from Banning Lewis Ranch MD No. 2	15,144	-	-	15,144
Due from Banning Lewis Ranch MD No. 3	18,036	-	-	18,036
Due from Banning Lewis Ranch MD No. 4	478	-	-	478
Due from Banning Lewis Ranch MD No. 5	55	-	-	55
Due from Banning Lewis Ranch Regional MD No. 1	561	-	-	561
Due from BLR Community Foundation	3,675	-	-	3,675
Prepaid Expenses	800	-	-	800
Total Assets	\$ 803,016	\$ 33,955	\$ -	\$ 836,971

LIABILITIES AND FUND BALANCES

LIABILITIES

Accounts Payable	\$ 283,203	\$ -	\$ -	\$ 283,203
Due to other districts - BLR Regional No. 1	-	33,955	-	33,955
Landscape Deposit	325,500	-	-	325,500
District Operating Fees Deposit	8,056	-	-	8,056
Prepaid Assessments - Village 1	21,230	-	-	21,230
Prepaid Assessments - Village 2 West	5,441	-	-	5,441
Property Tax Escrow	2,002	-	-	2,002
Resident Activity Fee Escrow	32,700	-	-	32,700
Total Liabilities	678,132	33,955	-	712,087

FUND BALANCES

Nonspendable:				
Prepaid Expenditures	800	-	-	800
Restricted for:				
Emergency Reserves	101,400	-	-	101,400
Unassigned:				
General Government	22,684	-	-	22,684
Total Fund Balances	124,884	-	-	124,884
Total Liabilities and Fund Balances	\$ 803,016	\$ 33,955	\$ -	

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	32,264,154
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Net Position of Governmental Activities	\$ 32,389,038
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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, 2019

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
District Service Fees - Village 1	\$ 922,703	\$ -	\$ -	\$ 922,703
District Service Fees - Village 2 West	634,493	-	-	634,493
District Service Fees - Village 2 East	116,609	-	-	116,609
District Service Fees - Carriage House	452,200	-	-	452,200
District Service Fees - Carriage House Village 2 East	96,299	-	-	96,299
District Service Fees - Bungalow Village 2 East	66,897	-	-	66,897
Net Investment Income	10,273	-	-	10,273
Design Review Fee	27,750	-	-	27,750
YMCA Program Revenues	38,763	-	-	38,763
Insurance Proceeds	122,027	-	-	122,027
FBB Lease	6,000	-	-	6,000
Other Income	2,315	-	-	2,315
Ranch House Rentals	22,720	-	-	22,720
Intergovernmental Revenue - BLR MD No. 2	488,977	-	-	488,977
Intergovernmental Revenue - BLR MD No. 3	426,368	-	-	426,368
Intergovernmental Revenue - BLR MD No. 4	12,254	-	-	12,254
Intergovernmental Revenue - BLR MD No. 5	1,293	-	-	1,293
Intergovernmental Revenue - BLR Regional MD No. 1	53,174	-	-	53,174
Total Revenues	3,501,115	-	-	3,501,115
EXPENDITURES				
Current:				
Accounting	243,322	-	2,811	246,133
Audit	25,100	-	-	25,100
Billing Services	136,800	-	-	136,800
Community Management	93,032	-	-	93,032
Design Review Fee	25,344	-	-	25,344
Directors Fees	400	-	-	400
District Management	192,660	-	-	192,660
Dues and Memberships	3,507	-	-	3,507
Insurance and Bonds	40,088	-	-	40,088
Legal	126,773	-	-	126,773
Miscellaneous	5,947	-	-	5,947
Payroll Taxes	31	-	-	31
Repairs and Maintenance	4,331	-	-	4,331
Capital Improvements	7,119	-	-	7,119
Website Maintenance	2,035	-	-	2,035
Trash Removal and Recycle	327,858	-	-	327,858
Landscape Maintenance	1,120,591	-	-	1,120,591
Landscape Maintenance - Carriage House	358,614	-	-	358,614
Recreation Center	424,058	-	-	424,058
Swimming Pool	432,535	-	-	432,535
Intergovernmental Expenditure - Banning Lewis Ranch Regional Metropolitan District No. 1	-	22,026	-	22,026
Total Expenditures	3,570,145	22,026	2,811	3,594,982
EXCESS OF REVENUES UNDER EXPENDITURES	(69,030)	(22,026)	(2,811)	(93,867)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	2,811	2,811
Transfers Out	(2,811)	-	-	(2,811)
Total Other Financing Uses	(2,811)	-	2,811	-
NET CHANGE IN FUND BALANCES	(71,841)	(22,026)	-	(93,867)
Fund Balances - Beginning of Year	196,725	22,026	-	218,751
FUND BALANCES - END OF YEAR	\$ 124,884	\$ -	\$ -	\$ 124,884

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, 2019**

Net Change in Fund Balances - Total Governmental Funds \$ (93,867)

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.

Depreciation (274,159)

Changes in Net Position of Governmental Activities \$ (368,026)

**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, 2019**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
District Service Fees - Village 1	\$ 924,320	\$ 924,320	\$ 922,703	\$ (1,617)
District Service Fees - Village 2 West	662,380	662,380	634,493	(27,887)
District Service Fees - Village 2 East	85,840	116,609	116,609	-
District Service Fees - Carriage House	637,090	452,200	452,200	-
District Service Fees - Carriage House Village 2 East	-	96,299	96,299	-
District Service Fees - Bungalow Village 2 East	-	204,800	66,897	(137,903)
Net Investment Income	6,000	10,274	10,273	(1)
Design Review Fee	40,000	40,000	27,750	(12,250)
YMCA Program Revenues	25,000	25,000	38,763	13,763
Insurance Proceeds	-	122,027	122,027	-
FBB Lease	-	6,000	6,000	-
Other Income	-	11,000	2,315	(8,685)
Ranch House Rentals	35,000	35,000	22,720	(12,280)
Intergovernmental Revenue - BLR MD No. 2	485,816	488,977	488,977	-
Intergovernmental Revenue - BLR MD No. 3	426,392	426,392	426,368	(24)
Intergovernmental Revenue - BLR MD No. 4	12,364	12,364	12,254	(110)
Intergovernmental Revenue - BLR MD No. 5	1,288	1,293	1,293	-
Intergovernmental Revenue - BLR Regional MD No. 1	56,837	56,837	53,174	(3,663)
Total Revenues	<u>3,398,327</u>	<u>3,691,772</u>	<u>3,501,115</u>	<u>(190,657)</u>
EXPENDITURES				
Accounting	165,000	243,322	243,322	-
Audit	26,000	25,100	25,100	-
Billing Services	114,995	136,800	136,800	-
Community Management	117,200	93,032	93,032	-
Design Review Fee	50,000	25,344	25,344	-
Directors Fees	500	400	400	-
District Management	175,000	192,660	192,660	-
Dues and Memberships	4,000	3,507	3,507	-
Insurance and Bonds	39,000	40,088	40,088	-
Legal	75,000	126,773	126,773	-
Mailbox Repairs (S&K)	5,000	-	-	-
Miscellaneous	10,000	5,947	5,947	-
Payroll Taxes	74	31	31	-
Repairs and Maintenance	20,000	4,331	4,331	-
Capital Improvements	-	7,119	7,119	-
Reserve Study	15,000	-	-	-
Security System	25,000	-	-	-
Website Maintenance	500	2,035	2,035	-
Trash Removal and Recycle	381,800	327,858	327,858	-
Landscape Maintenance	1,197,500	1,120,591	1,120,591	-
Landscape Maintenance - Carriage House	183,160	358,614	358,614	-
Recreation Center	410,000	424,058	424,058	-
Swimming Pool	210,000	432,535	432,535	-
Contingency	25,271	3,855	-	3,855
Total Expenditures	<u>3,250,000</u>	<u>3,574,000</u>	<u>3,570,145</u>	<u>3,855</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	148,327	117,772	(69,030)	(186,802)
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(2,811)	(2,811)	-
Total Other Financing Uses	<u>-</u>	<u>(2,811)</u>	<u>(2,811)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	148,327	114,961	(71,841)	(186,802)
Fund Balance - Beginning of Year	<u>204,587</u>	<u>196,725</u>	<u>196,725</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 352,914</u>	<u>\$ 311,686</u>	<u>\$ 124,884</u>	<u>\$ (186,802)</u>

See accompanying Notes to Basic Financial Statements.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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, 2019

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 Projects 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, 2019

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, 2019.

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 most of 2018, the District collected a service fee of \$128.95 per month from the homeowners of the Northtree Village (Village 1) in BLR MD No. 2 to pay for the costs of broadband access, trash removal, and recycling, and to cover a portion of the Northtree Recreation Center expenditures. During most of 2018, a service fee of \$86.45 per month was collected from the homeowners of the Northtree Village No. 2, West in District No. 3 and Northtree Village No. 2 East in District No. 4 to pay for the costs of trash removal and recycling and to cover a portion of the recreation expenditures. An additional service fee of \$88.00 per month was collected from homeowners of Carriage House, Bungalows, and Townhomes in District Nos. 3 and 4 to pay for 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 2019, the District decreased the service fees for Village 1 by the \$42.50 per month charged for broadband access, as residents of Village 1 now contract for broadband access with the vendor directly. The additional service fee for Carriage House was not changed.

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.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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.

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.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

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, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 33,084
Cash and Investments - Restricted	468,911
Total Cash and Investments	<u>\$ 501,995</u>

Cash and investments as of December 31, 2019 consist of the following:

Deposits with Financial Institutions	\$ 135,905
Investments	366,090
Total Cash and Investments	<u>\$ 501,995</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, 2019**

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, 2019, the District's cash deposits had a bank balance of \$124,895 and a carrying balance of \$135,905, 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, 2019, 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	\$ 366,090

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. 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. 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, and there is no redemption notice period.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2019 follows:

	Balance at December 31, 2018	Increases	Decreases	Balance at December 31, 2019
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Parks and Recreation	\$ 9,543,443	\$ -	\$ -	\$ 9,543,443
Construction in progress	16,822,119	-	-	16,822,119
Total Capital Assets, Not Being Depreciated	26,365,562	-	-	26,365,562
Capital Assets, Being Depreciated:				
Recreation Center	8,174,525	-	-	8,174,525
Total Capital Assets, Being Depreciated	8,174,525	-	-	8,174,525
Less Accumulated Depreciation For:				
Recreation Center	(2,001,774)	(274,159)	-	(2,275,933)
Total Accumulated Depreciation	(2,001,774)	(274,159)	-	(2,275,933)
Total Capital Assets, Being Depreciated, Net	6,172,751	(274,159)	-	5,898,592
Governmental Activities Capital Assets, Net	<u>\$ 32,538,313</u>	<u>\$ (274,159)</u>	<u>\$ -</u>	<u>\$ 32,264,154</u>

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the general government function/program of the District for the year ended December 31, 2019 in the amount of \$274,159.

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, 2019, 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, 2019
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, 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, 2019

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, 2019, the District had net investment in capital assets calculated as follows:

	<u>Governmental Activities</u>
Net Investment in Capital Assets:	
Capital Assets, Net	<u>\$ 15,442,035</u>
Net Investment in Capital Assets	<u><u>\$ 15,442,035</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, 2019 as follows:

	<u>Governmental Activities</u>
Restricted Net Position:	
Emergency Reserves	<u><u>\$ 101,400</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, 2019

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 benefitting 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 benefitting 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 benefitting 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, 2019

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 benefitting 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.

The District and Regional District No. 1 have not yet entered into a District Facilities Agreement (2019 Agreement). It is anticipated that during 2019, and effective as of November 1, 2018, the 2019 Agreement will be executed, whereby the District agrees to construct, own, operate and maintain facilities benefitting both the District and Regional District No. 1. Regional District No. 1 will agree 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 (the General Fund Mill Levy), 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 10.000 mills and 2) from any other revenues Regional District No. 1 may have legally available to pay for such costs. In anticipation of the execution of the 2019 Agreement, Regional District No. 1 has transferred all General Fund revenue in 2019, net of fees, to the District, as it has each year since issuance of the General Fund Mill Levy.

Financing Agreement

Effective January 1, 2011, the District entered into an Intergovernmental Financing Agreement with Regional District No. 1 wherein the District has agreed to accept the rights and perform the obligations of Regional District No. 1 under the Modified Wastewater Agreement with Colorado Springs Utilities, whereas both the District and Regional District No. 1 have the power to finance public wastewater and related improvements. The District shall pay the costs, using funds paid to the District pursuant to this agreement, and such other revenues of the Regional District No. 1 and the District as may be legally available to the District. Commencing on or before December 15, 2011, and continuing pursuant to the agreement, the Regional District No. 1 shall levy the maximum debt mill levy and shall pay any and all amounts derived from the maximum debt mill levy to the District at least once per month. The \$1,455,349 that the District was holding under this agreement at August 31, 2018 was used to fund a portion of the capital improvements paid for by the Developer and District Nos. 4 and 5 and turned over to the District during 2018. On November 1, 2018 the agreement was terminated.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

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.

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.

On November 1, 2005, 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.

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.

SUPPLEMENTARY INFORMATION

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Total Revenues	-	-	-	-
EXPENDITURES				
Intergovernmental Revenue - Banning Lewis Ranch Regional Metropolitan District No. 1	-	25,881	22,026	3,855
Total Expenditures	-	25,881	22,026	3,855
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(25,881)	(22,026)	3,855
NET CHANGE IN FUND BALANCE	-	(25,881)	(22,026)	3,855
Fund Balance - Beginning of Year	25,881	25,881	22,026	(3,855)
FUND BALANCE - END OF YEAR	<u>\$ 25,881</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2019**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Intergovernmental Revenue - BLR MD No. 5	\$ 2,496,178	\$ -	\$ (2,496,178)
Total Revenues	<u>2,496,178</u>	<u>-</u>	<u>(2,496,178)</u>
EXPENDITURES			
Current:			
Accounting	-	2,811	(2,811)
Capital Outlay Improvements	2,496,178	-	2,496,178
Total Expenditures	<u>2,496,178</u>	<u>2,811</u>	<u>2,493,367</u>
EXCESS OF REVENUES UNDER EXPENDITURES	-	(2,811)	(2,811)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	2,811	2,811
Total Other Financing Sources	<u>-</u>	<u>2,811</u>	<u>2,811</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>