BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5



FINANCIAL STATEMENTS
As of and for the 12-month period ended
December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

Banning Lewis Ranch Metropolitan District No. 5

El Paso County, CO

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Banning Lewis Ranch Metropolitan District No. 5 (the "District") as of and for the year ended December 31, 2025, 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 District, as of December 31, 2025, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operation, economic, or historical context. Our opinion on the basic financial statements is 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 as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of legal compliance and additional analysis and is not a required part of the basic financial statements. 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 procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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



Castle Pines, Colorado
September 27, 2026

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5
STATEMENT OF NET POSITION
December 31, 2025

	Governmental Activities
ASSETS	
Cash and investments	$ -
Cash and investments – restricted	1,246,303
Accounts receivable – specific ownership taxes	7,452
Property taxes receivable	1,063,605
Non-depreciable capital assets	25,160
Depreciable capital assets, net	5,374,278
Total Assets	**7,716,798**
LIABILITIES	
Accounts payable and accrued liabilities	11,296
Accrued interest payable	1,509,367
Current portion of general obligation refunding bonds	90,000
General obligation refunding bonds	9,358,000
Total Liabilities	**10,968,663**
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	1,063,605
NET POSITION (DEFICIT)	
Restricted:	
Emergency reserves	12,755
Debt service	1,240,611
Capital projects	-
Non-spendable	-
Unassigned:	(5,568,836)
Net Position (Deficit)	**$ (4,315,470)**

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

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5
STATEMENT OF ACTIVITIES
For the 12-Month Period Ended
December 31, 2025

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary Government:					
Government Activities:					
General government activities	$ (408,215)	$ -	$ -	$ -	$ (408,215)
Interest and related costs on long-term debt	(640,229)	92,000	-	-	(548,229)
Capital project activities	(137,802)	-	-	-	(137,802)
	$ (1,186,246)	**$ 92,000**	**$ -**	**$ -**	**(1,094,246)**
	General Revenues				
	Property taxes				975,218
	Specific ownership taxes				93,530
	Net investment income				70,058
	Total general revenue				**1,138,806**
	Change in net position				44,560
	Net Position (Deficit) – Beginning of Year (As Adjusted Per Note 7)				(4,360,030)
	Net Position (Deficit) – End of Year				**$ (4,315,470)**

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

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5
BALANCE SHEET – GOVERNMENTAL FUNDS
December 31, 2025

	General Fund	Debt Service Fund	Capital Project Fund	Total Government Funds
ASSETS				
Cash and investments	$ -	$ -	$ -	$ -
Cash and investments - Restricted	10,327	1,235,976	-	1,246,303
Accounts receivable - specific ownership tax	2,817	4,635	-	7,452
Property taxes receivable	425,442	638,163	-	1,063,605
TOTAL ASSETS	**$ 438,586**	**$ 1,878,774**	**$ -**	**$ 2,317,360**
LIABILITIES				
Accounts payable and accrued liabilities	$ 11,296	$ -	$ -	$ 11,296
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	425,442	638,163	-	1,063,605
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**436,738**	**638,163**	**-**	**1,074,901**
FUND BALANCES				
Restricted:				
Emergencies (TABOR)	12,755	-	-	12,755
Debt service	-	1,240,611	-	1,240,611
Capital projects	-	-	-	-
Non-spendable	-	-	-	-
Unrestricted	(10,907)	-	-	(10,907)
TOTAL FUND BALANCES	**1,848**	**1,240,611**	**-**	**1,242,459**
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	**$ 438,586**	**$ 1,878,774**	**$ -**	

Amounts reported for governmental activities in the statement of net position are different because:	
Other long-term assets are not available or otherwise cannot be converted to cash to pay for current expenditures and, therefore, are recorded as expenditures in the funds	
Land and water rights	25,160
Property, structures and equipment, net	5,374,278
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:	
General obligation bonds	(9,448,000)
Accrued interest payable	(1,509,367)
Net position of governmental activities	**$ (4,315,470)**

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

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
12-Month Period Ended
December 31, 2025

	General Fund	Debt Service Fund	Capital Project Fund	Total Government Funds
REVENUES				
Property taxes	$ 368,657	$ 606,561	$ -	$ 975,218
Specific ownership taxes	35,357	58,173	-	93,530
Facility fees	-	92,000	-	92,000
Net investment income	11,495	58,563	-	70,058
Other income	-	-	-	-
Total Revenues	**415,509**	**815,297**	**-**	**1,230,806**
EXPENDITURES				
General and administration	268,311	-	-	268,311
Debt service				
Debt management & compliance	-	16,102	-	16,102
Interest payments - Series 2018 bonds	-	743,978	-	743,978
Principal payments - Series 2018 bonds	-	70,000	-	70,000
Major capital projects	-	-	-	-
Total Expenditures	**268,311**	**830,080**	**-**	**1,098,391**
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	**147,198**	**(14,783)**	**-**	**132,415**
OTHER FINANCING SOURCES (USES)				
Fund Transfers In / (Out)	(5,446)	-	5,446	-
Transfers to BLR Metro District No 1	(139,904)	-	-	(139,904)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	**1,848**	**(14,783)**	**5,446**	**(7,489)**
FIND BALANCES – BEGINNING	**-**	**1,255,394**	**(5,446)**	**1,249,948**
FUND BALANCES – END OF YEAR	**$ 1,848**	**$ 1,240,611**	**$ -**	**$ 1,242,459**

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

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
12-Month Period Ended
December 31, 2025

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances – Total government funds	$	(7,489)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Bonds - principal payments		70,000
Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset. Therefore, this is the net capital outlay activity for the year:		
Construction of public infrastructure		-
Depreciation expense on property, structures and equipment		(137,802)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest on debt		119,851
Changes in net position of governmental activities	**$**	**44,560**

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

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2025

	Original and Final Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Property taxes	$ 368,873	$ 368,657	$ (216)
Specific ownership taxes	36,887	35,357	(1,530)
Net investment income	1,300	11,495	10,195
Other income	18,116	-	(18,116)
Total Revenues	**425,176**	**415,509**	**(9,667)**
EXPENDITURES			
General and administration	23,649	268,311	(244,662)
Total Expenditures	**23,649**	**268,311**	**(244,662)**
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	**401,527**	**147,198**	**(254,329)**
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	(5,446)	(5,446)
Transfers to BLR Metro District No 1	(401,527)	(139,904)	261,623
Total Other Financing Sources (Uses)	**(401,527)**	**(145,350)**	**256,177**
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER	**-**	**1,848**	**1,848**
FUND BALANCE – BEGINNING OF YEAR	**-**	**-**	**-**
FUND BALANCE – END OF YEAR	**$ -**	**$ 1,848**	**$ 1,848**

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

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5
GENERAL FUND
EXPENDITURE DETAILS - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2025

	Original and Final Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
GENERAL AND ADMINISTRATION			
District management and accounting fees	$ -	$ 181,354	$ (181,354)
Administrative costs	-	260	(260)
Audit fees	-	5,720	(5,720)
Collection fees – County Treasurer	5,533	5,532	1
Board of Directors' fees	-	-	-
Board training and conferences	-	-	-
Board election costs	-	3,916	(3,916)
Insurance	-	3,249	(3,249)
Legal fees	-	68,280	(68,280)
Contingency	18,116	-	18,116
Total General and Administration	**$ 23,649**	**$ 268,311**	**$ (244,662)**

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

NOTE 1 – DEFINITION OF REPORTING ENTITY

Banning Lewis Ranch Metropolitan District No 5 (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on December 01, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32). The District operates under a consolidated service plan for Banning Lewis Ranch Metropolitan District Nos. 1, 2, 3, 4, 5 and 6 (now Banning Lewis Ranch Regional Metropolitan District No. 1) and 7 (now Banning Lewis Ranch Regional Metropolitan District No. 2) (collectively, the Districts) approved by the City of Colorado Springs (City) in October 2005 and as amended and restated with City approval in March 2008. The District's service area is approximately 155 acres located entirely within El Paso County, Colorado and is comprised of 586 single family homes located at the southwest corner of Dublin Blvd and Vista del Tierra and is divided into 11 plat filings (Banning Lewis Ranch Plat Filing No 21, 22, 23, 24, 25, 26, 27, 28, 29, 37, 38). The District was established to provide financing for the design, acquisition, construction and installation of water, sanitation, street improvements, parks and recreational facilities, television relay and translation, mosquito control and other improvements (Public Improvements) within and without the District boundaries that benefit the taxpayers and inhabitants of the District. The District was created to provide certain essential public-purpose facilities for the use and benefit of all its anticipated residents and taxpayers of real property located within the boundaries of the District.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organizations 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 organizations governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the District are as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes.

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation 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.

When both restricted and unassigned resources are available for use, it is the District's policy to use restricted resources first, then unassigned resources as they are needed.

Budgets

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

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

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

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

Specific Ownership Taxes

Beginning in 1937, the State of Colorado began assessing a tax annually on motor vehicles (aka Specific Ownership Tax). The Specific Ownership Tax is graduated based on a vehicle's age and original value. Specific Ownership Tax revenue collected by the State is apportioned among the 64 counties based on the number of state highway miles within each county. Each county allocates its respective share of specific ownership tax revenue proportionally among the various property-taxing governmental entities on the basis of total property taxes assessed by each entity in relation to total property taxes assessed by all entities within the county. In 2025, the District's share of Specific ownership taxes received from the County was equal to approximately 9.6% of the property taxes collected.

Specific ownership tax is allocated proportionally between each fund based on the ratio of property tax revenue collected for each fund compared to total property revenue collected by the District.

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by a government that is applicable to a future reporting period and a deferred outflow of resources is a consumption of net position by a government that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the statement of net position but are not recognized in the financial statement as revenues and expenses until the period(s) to which they relate. Deferred inflows of resources in the governmental fund financial statements of the District for the 12-month period ended December 31, 2025 are comprised of property taxes due from El Paso County that will not be collected within 60 days of the end of the current calendar year. Deferred inflows of resources in the government-wide financial statements represents property taxes for which an enforceable legal claim to assets exists, but for which the levy pertains to the subsequent year.

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District has 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 that are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of the net investment in capital assets.

When purchased or constructed, the District classifies newly acquired property, equipment and structures by functional area. The estimated depreciable lives assigned to each asset class are based on the assumption that such assets are reasonably and regularly maintained and used for their intended purpose.

Liabilities

The District identifies and records liabilities that meet the following three essential characteristics of a liability as defined by FASB Concept Statement No. 6:

1) it embodies a present duty or responsibility to one or more other entities that entails settlement by probable future transfer or use of assets at a specified or determinable date, on occurrence of a specified event, or on demand;

2) the duty or responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice; and

3) the transaction or other event obligating the entity has already happened.

Agreements where amounts payable by the District are subject to annual appropriation and are not multiple-fiscal year obligations for the purposes of Article X, Section 20 of the Colorado Constitution do not meet the definition of a liability and are considered contingent obligations.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: non-spendable, 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:

- ***Non-spendable fund balance*** – The portion of a fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts) or legally or contractually required to be maintained intact.

- ***Restricted fund balance*** – The portion of a fund balance that is constrained to being used for a specific purpose by external parties (such as lenders), constitutional provisions, or enabling legislation.

- ***Committed fund balance*** – The portion of a 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 a 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 a fund balance that does not meet any of the criteria described above.

If more than one classification of find balance is available for use when an expenditure is incurred, it is the District's policy to use the most restrictive classification first.

Adoption of New Accounting Standards

In December 2023, the GASB issued Statement No. 102, Certain Risk Disclosures ("Statement 102"). Statement 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance of these financial statements.

The District adopted the requirements of this guidance effective January 01, 2025, and has elected to apply the provisions of this standard to the beginning of the period of adoption. Management performed the analysis required under Statement 102 and did not identify any concentrations or constraints that require disclosure.

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2025 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments – unrestricted	$ -
Cash and investments – restricted	1,246,303
Total cash and investments	**$ 1,246,303**

Cash and investments as of December 31, 2025 consist of the following:

Deposits with financial institutions	$ -
Investments	1,246,303
Total cash and investments	**$ 1,246,303**

Deposits with Financial Institutions

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

by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2025, the District's cash deposits had a bank balance and carrying balance of $0.

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 listed 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 disclosure requirements or subject to 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.

Revenue bonds of local government securities, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds, are limited to maturities of three years or less.

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 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 purchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2025, the District's investments were comprised of the following:

Investment	Maturity	Amortized Cost
ColoTrust+ Fund	Weighted Average Under 60 Days	$ 1,246,303

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus finds. 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. 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.

NOTE 4 – CAPITAL ASSETS & LAND

An analysis of the changes in capital assets for the 12-month period ended December 31, 2025, follows:

	Balance at Dec. 31, 2024	Additions	Dedications	Balance at Dec. 31, 2025	Accumulated Depreciation
Streets (25.2 acres)	$ 5,512,080	$ -	$ -	$ 5,512,080	($ 137,802)
Total	**$ 5,512,080**	**$ -**	**$ -**	**$ 5,512,080**	**($ 137,802)**

There are 21 land tracts totaling approximately 29.3 acres within the District designated for parks, open spaces and recreational facilities. Recreational facilities situated on these land tracts include (1) the Barn Clubhouse and adjacent parking lot, (2) the sales office building, (3) pickleball courts and (4) community swimming pool. All of these facilities, parks and open space land tracts are owned by either Banning Lewis Ranch Metropolitan District No 1 or Clayton Properties Group II, Inc (Developer).

NOTE 5 – LONG-TERM DEBT

The following is a summary of the changes in the District's long-term debt for the 12-month period ended December 31, 2025:

	Balance at Dec. 31, 2024	Additions	Retirements	Balance at Dec. 31, 2025	Due within one year
Series 2018A G.O. Bonds	$ 6,565,000	$ -	($ 70,000)	$ 6,495,000	$ 90,000
Accrued Interest – Series 2018A G.O. Bonds	31,457	377,488	(377,488)	31,457	-
Series 2018B G.O. Bonds	1,011,000	-	-	1,011,000	-
Accrued Interest – Series 2018B G.O. Bonds	504,188	121,215	(366,490)	258,913	-
Series 2018C Junior Lien Bonds	1,942,000	-	-	1,942,000	-
Accrued Interest – Series 2018C Junior Lien Bonds	1,093,572	125,424	-	1,218,996	-
Total	**$ 11,147,217**	**$ 624,127**	**($ 813,978)**	**$ 10,957,366**	**$ 90,000**

Details regarding the District's long-term obligations are as follows:

Series 2018A Limited Tax General Obligation Bonds (Senior Bonds)

On December 11, 2018, the District issued Limited Tax General Obligation Bonds, Series 2018A in the amount of $6,585,000. The stated interest rate on the Senior Bonds is 5.75%, and the Bonds are payable semi-annually on June 1

and December 1, beginning on June 01, 2019. Annual mandatory sinking fund principal payments are due on December 1, beginning on December 01, 2024. The Senior Bonds mature on December 1, 2048. In the event any amounts due and owing on the Senior Bonds remain outstanding on December 01, 2059, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The proceeds from the sale of the Senior Bonds were used as follows:

Bond proceeds	$	6,585,000
Less:		
Capitalized interest costs	(	1,135,913)
Funds restricted for the Senior Reserve Fund	(	565,000)
Underwriter's discount	(	131,700)
Legal, accounting and other costs of issuance	(	212,100)
Net bond proceeds available for funding costs of public improvements within and without the District	**$**	**4,540,287**

The Senior Bonds are secured by and payable solely from Senior Pledged Revenue, net of any costs of collection, which is comprised of the following:

a) all Senior Property Tax Revenues (generated by the imposition of the Senior Required Mill Levy);
b) all Senior Specific Ownership Taxes (attributable to the Senior Required Mill Levy);
c) all Capital Fees; and
d) any other legally available amounts that the District determines, in its absolute discretion, to credit to the Senior Bond Fund.

Amounts on deposit in the Senior Bond Fund and, prior to the Conversion Date, amounts on deposit in the Senior Surplus Fund also secure payment of the Senior Bonds. Available Senior Pledged Revenue, if any, is to be accumulated in the Senior Surplus Fund in accordance with the Senior Indenture up to the Maximum Surplus Amount of $658,500. The Senior Reserve Fund was originally funded with bond proceeds in the amount of $565,000.

Prior to the Conversion Date, Senior Pledged Revenue that is not needed to pay debt service on the Senior Bonds in any year will be deposited to and held in the Senior Surplus Fund, up to the Maximum Surplus Amount. Pursuant to the Senior Indenture, the Senior Surplus Fund will be terminated upon the Conversion Date, if it occurs, and any moneys therein applied to any legal purpose of the District.

The Senior Bonds are subject to redemption prior to maturity, at the option of the District on December 1, 2023, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium (%)	Redemption Premium ($)
December 1, 2025, to November 30, 2026	1.0%	$ 64,950
December 1, 2026, and thereafter	0.0%	$ -

Outstanding bond principal and interest on the Senior Bonds mature as follows:

	Principal	Interest	Total
2026	$ 90,000	$ 373,463	$ 463,463
2027	95,000	368,288	463,288
2028	110,000	362,825	472,825
2029	115,000	356,500	471,500
2030	135,000	349,888	484,888
2031-2035	850,000	1,621,213	2,471,213
2036-2040	1,270,000	1,331,125	2,601,125
2041-2045	1,825,000	905,913	2,730,913
2046-2048	2,005,000	266,800	2,271,800
Total	**$ 6,495,000**	**$ 5,936,013**	**$ 12,431,013**

The District's detail debt service schedule for its Series 2018A Bonds is provided on page 27.

Series 2018B Subordinate Limited Tax G.O. Bonds (Subordinate Bonds)

On December 11, 2018, the District issued Subordinate Limited Tax General Obligation Bonds, Series 2018B in the amount of $1,011,000. The stated interest rate on the Subordinate Bonds is 8.00% per annum, and the Bonds are payable annually on December 15, beginning December 15, 2019, from, and to the extent of, Subordinate Pledged Revenue available, if any, and mature on December 15, 2048. The Subordinate Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Subordinate Bonds compounds annually on each December 15. In the event any amounts due and owing on the Subordinate Bonds remain outstanding on December 15, 2059, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The proceeds from the sale of the Subordinate Bonds were used as follows:

Bond proceeds	$ 1,011,000
Less:	
Underwriter's discount	(30,330)
Net bond proceeds available for funding costs of public improvements within and without the District	**$ 980,670**

The Subordinate Bonds are secured by and payable from Subordinate Pledged Revenue, net of any costs of collection, which includes:

a) all Subordinate Property Taxes (generated by the imposition of the Subordinate Required Mill Levy);
b) all Subordinate Specific Ownership Taxes (attributable to the Subordinate Required Mill Levy);
c) all Subordinate Capital Fee Revenue (meaning any Capital Fee Revenue remaining after deduction of any amounts applied to the payment of the Senior Bonds); and
d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Subordinate Bond Fund.

Under the Subordinate Indenture, any amounts in the Senior Surplus Fund (which is funded up to the Maximum Amount) upon termination of such fund are pledged to the payment of the Subordinate Bonds.

The Subordinate Bonds are subject to redemption prior to maturity, at the option of the District on December 15, 2023, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium (%)	Redemption Premium ($)
December 15, 2025, to December 14, 2026	1.0%	$ 10,110
December 15, 2026, and thereafter	0.0%	$ -

Series 2018C Junior Lien Limited Tax General Obligation Bonds (Junior Lien Bonds)

On December 11, 2018, the District issued Junior Lien Limited Tax General Obligation Bonds, Series 2018C in the amount of $1,942,000. The stated interest rate on the Junior Lien Bonds is currently 6.00% per annum, and the Bonds are payable annually on December 15, beginning December 15, 2019, from, and to the extent of, Junior Lien Pledged Revenue available, if any, and mature on December 15, 2051. In the event any amounts due and owing on the Senior Bonds remain outstanding on December 01, 2059, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The Junior Lien Bonds are structured as cash flow bonds meaning that there are no scheduled payments of principal or interest prior to the final maturity date. Unpaid interest on the Junior Lien Bonds compounds annually on each December 15. In no event is any principal or interest to be paid on the Junior Lien Bonds until the Subordinate Bonds, and to the extent required by the applicable Senior/Subordinate Obligation Indentures, any other Senior/Subordinate Obligations, have been paid in full or defeased.

The Junior Lien Bonds are secured by and payable from Junior Lien Pledged Revenue, net of any costs of collection, which includes:

a) all Junior Lien Property Taxes (generated by the imposition of the Junior Lien Required Mill Levy);
b) all Junior Lien Specific Ownership Taxes (attributable to the Junior Lien Required Mill Levy);
c) all Junior Lien Capital Fee Revenue (meaning any Capital Fee Revenue remaining after deduction of any amounts applied to the payment of the Senior Bonds and the Subordinate Bonds); and
d) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Junior Lien Bond Fund.

The Junior Lien Bonds are subject to redemption prior to maturity, at the option of the District on December 15, 2023, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium equal to a percentage of the principal amount so redeemed, as follows:

Date of Redemption	Redemption Premium (%)	Redemption Premium ($)
December 15, 2025, to December 14, 2026	1.0%	$ 19,420
December 15, 2026, and thereafter	0.0%	$ -

Per the 2018 Financial Forecast included with the Junior Lien Bond Offering document, repayments on the Junior Lien Bonds were projected to total $9,238,625 through 2059, which equates to an annual net effective interest rate of 12.7%.

Events of Default – Series 2018 Bonds

The following events are considered events of default under the 2018 bond indentures of trust: (1) the District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Indenture of Trust, (2) the District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Indenture or the Bond Resolution and fails to remedy the same after notice thereof is provided to the District by the Trustee or Bond Owners or (3) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds. Failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an Event of Default. Available remedies for an Event of Default are (1) placing the district in receivership, (2) Trustee initiating a lawsuit against the District and (3) compelling the District to cure the default via mandamus or any other suit, action, or proceeding at law or in equity. Acceleration of the repayment of the Bonds is not an available remedy for an Event of Default.

Debt Authorization

Debt Authorization – Service Plan

The District's amended and restated Service Plan (approved by the City in March 2008) authorizes the District to issue up to $100 million in debt and repayment of such debt, including any refinancing of such debt, shall not be over a period in excess of 40 years from the date the District first issues any debt. The repayment of the District's debt can exceed 40 years if the majority of the District's Board are residents of the District and the District's Board has voted in favor of refunding a part or all of the District's debt.

The District's Service Plan also establishes a Maximum Mill levy the District is permitted to impose on taxable property within the District for the payment of debt. As long as the District's total outstanding debt exceeds 50% of the assessed valuation of all taxable property within the District, the Maximum Debt Mill Levy is 30 mills, as adjusted by the State of Colorado for changes in the ratio of taxable valuation to assessed valuation of real property since January 1, 2008. As of January 01, 2008, the ratio was 7.96%. The ratio for 2025 was 6.70% with a $55,000 valuation exemption per residential lot, which caused the Maximum Mill Levy for debt service for 2025 to be 37.956.

As of December 31, 2025, total remaining debt issuance authorization under the District's Amended and Restated Service Plan is as follows:

Authorized maximum debt issuance per Service Plan	$ 100,000,000
Less:	
2018A Senior Bonds	6,585,000
2018B Subordinate Bonds	1,011,000
2018C Junior Lien Bonds	1,942,000
Unused, authorized debt issuance as of Dec. 31, 2025	**$ 90,462,000**

Debt Authorization – TABOR

On November 07, 2006, the District's three electors (all of whom were qualified to vote by the owner of all land within the District at that time) unanimously approved the District to issue debt at a net effective interest rate not to exceed 18% per annum in an amount not to exceed $760.5 million to fund infrastructure improvements, $84.5 million to fund the District's operations and maintenance costs and $84.5 million to refund debt at a net cost increase to taxpayers.

On November 04, 2025, 560 of the District's electors participated in an election approving by a margin of 95% to forever eliminate all remaining, unused borrowing power granted by the District's eligible electors to the District in all past elections.

NOTE 6 – CONTINGENT OBLIGATIONS

Advance, Acquisition, and Reimbursement Agreement. The District, District 1 and Clayton Properties Group II, Inc (CPG2) entered into an Advance, Acquisition and Reimbursement Agreement (the AARA), with an effective date of August 02, 2018, whereby CPG2 may request the District to subsidize (1) funds advanced by CPG2 to District 1 to construct Public Infrastructure (as defined in the AARA) within District 5 or (2) costs incurred by CPG2 to construct Public Infrastructure within the District. Considering, per the 2018 IGA between the District and District 1, the District is not authorized to construct any Public Infrastructure, the AARA incorrectly characterizes CPG2 as an agent authorized to construct Public Infrastructure on behalf of the District and costs incurred by CPG2 on behalf of the District are "reimbursable" to CPG2 from the District. Such claims submitted by CPG2 to the District under the AARA are actually requests for the District to subsidize CPG2's construction activities.

The AARA allows reimbursable costs incurred by CPG2 on behalf of the District to accrue simple interest at the rate of 7% per annum. However, because CPG2 was not constructing any public infrastructure on behalf of the District, none of the claims submitted by CPG2 to the District under the AARA are "reimbursable" costs incurred by CPG2 on behalf of the District and, therefore, no interest has accrued under the AARA on CPG2 claims.

Although the AARA allows CPG2 to request the District to subsidize CPG2's construction activities that substantially increased the value of CPG2's land (caused by the additional of roads, sewer lines, water lines, parks, etc to CPG2's land), the AARA does not address whether CPG2 should share with the District any of the profits incurred by CPG2 from selling improved land funded by District subsidies.

The District has neither registered nor filed a notice of claim of exemption regarding this contingent obligation agreement with the Colorado Securities Commissioner ("Commissioner"). Interpretative Order No. 06-IN-001 issued by the Commissioner provides that neither a registration application nor notice of claim of exemption is required to be filed with the Commissioner for a contractual obligation to repay a developer for advanced fund if such obligation provides that it is not transferable. This contingent obligation agreement is not transferrable to third parties.

The Original AARA does not constitute a debt or indebtedness of the District within the meaning of any constitutional or statutory provision, nor does it constitute a multiple fiscal year financial obligation, and the making of any reimbursement thereunder will be at all times subject to annual appropriation by the District.

For the 12-month period ended December 31, 2025, financial activity that occurred under the AARA was as follows:

CPG2 Outstanding Claims		
Beginning Balance (Jan 01, 2025)	$	939,766
Additional subsidy claims		-
Accrued interest		258,397
Subsidies paid to CPG2		-
Ending Balance (Dec. 31, 2025)	**$**	**1,198,163**

NOTE 7 – NET POSITION (DEFICIT)

Correction of Beginning Balances

In 2024, the Developer transferred approximately 16,212 linear feet of streets to the District. The District failed to report the streets as an asset of the District in its 2024 financial statements.

Between 2018 and 2024, the District incorrectly recognized as liabilities amounts claimed by CPG2 under the AARA. This contingent obligation agreement is subject to annual appropriation by the District and is not a multiple-fiscal year obligation for the purposes of Article X, Section 20 of the Colorado Constitution. The District's beginning net position (deficit) has been restated to reflect the removal from the liability section of the District's Statement of Net Position of such CPG2 claims that are contingently payable by the District under the AARA.

The effects from these adjustments are as follows:

Net deficit - December 31, 2024, as originally stated	($ 11,029,649)
Addition of streets and land owned by District	5,537,240
Correct improper recognition of claims under the AARA as liabilities	1,132,379
Net deficit - December 31, 2024, as restated	**($ 4,360,030)**

Restricted Net Position

The District's restricted net position as of December 31, 2025 in the general fund, debt service fund and capital projects fund totaled $12,755, $1,240,611 and $0, respectively. The restricted net position within the general fund is due to spending restrictions established by TABOR. See Note 11 for further details. The restricted net position within the debt service fund is comprised of funds that are restricted to servicing the Series 2018 Bonds. The restricted net position within the capital project fund is comprised of funds restricted for funding the construction of public infrastructure and repairing and replacing existing infrastructure owned by the District.

Unassigned Net Position

The District's unassigned net position as of December 31, 2025 totaled ($5,568,836). This deficit amount was a result of the District being responsible for the repayment of general obligation debt issued for public improvements conveyed to the City and the District.

NOTE 8 – INTERGOVERNMENTAL AGREEMENTS

District Facilities Agreement (DFA)

On August 02, 2018 – as amended and restated on November 12, 2018 – the District and District 1 entered into the DFA whereby District 1 would (1) own and operate all public facilities within the District (including the recreation center, pool, sports courts, parks, open spaces, perimeter fencing, and entrance monumentation), (2) provide certain public services (including but not limited to enforcement of the covenants, landscape maintenance and snow removal services to the individual home lots and weekly trash pick-up services) to all property owners within the District and (3) provide all administrative, accounting and legal services necessary for the operation of the District. In exchange, the District agreed to financially support District 1's services by (1) levying the maximum allowed general mill levy under its service plan each year and remit such revenues to District 1 and (2) allow District 1 to levy and collect service fees on all property owners within the District.

The DFA may be terminated by either District upon (1) provision to the other party of a notice one year in advance of the planned termination date and (2) the District paying in full any amounts incurred by District 1 for providing the services under the DFA that District 1 that has not yet been fully offset by service fees and property tax contributions from District 1. Upon termination of the DFA, District 1 shall transfer to the District (1) clean title to all property and facilities located within the District and (2) all service contracts, easements, leases and other obligations related to the necessary operation of such properties and facilities.

Cooperation Agreement

On July 18, 2019, the District entered into a "Cooperation Agreement" with District 1, Banning Lewis Ranch Metro District No 2 ("District 2"), Banning Lewis Ranch Metro District No 3 ("District 3") and Banning Lewis Ranch Metro District No 4 ("District 4") whereby all five districts formed an advisory committee for the purpose of providing advice and recommendations to District 1 regarding District 1's provision of services and management of public facilities located in District 2, District 3, District 4 and the District. District 2, District 3 and District 4 each entered into agreements with District 1 that are similar to the DFA between the District and District 1.

The Cooperation Agreement does not obligate District 1 to follow any of the advice or recommendations provided by this advisory committee.

The District withdrew from the Cooperation Agreement effective as of December 31, 2025.

NOTE 9 – RELATED PARTIES

The owners and developers of the land within the District was Clayton Properties Group II, Inc (CPG2). Beginning in May 2022, none of the directors serving on the Board were affiliated with or employed by CPG2. Between December 2005 and May 2022, all directors serving on the Board were affiliated with or employed by CPG2.

All directors serving on the District 1 Board are employees or otherwise affiliated with CPG2.

In 2025, none of the directors serving on the District's Board reported conflicts of interest regarding their service on the Board.

As of December 31, 2025, one active agreement exists between the District and CPG2 – the AARA as defined in Note 6. The AARA was executed between the District, District 1 and CPG2 in 2018 when CPG2 controlled all directors serving on the District's board and District 1's board.

As of December 31, 2025, one active agreement exists between the District and District 1 – the DFA as defined in Note 8. The DFA was executed between the District and District 1 in 2018 when CPG2 controlled all directors serving on the District's board and District 1's board.

NOTE 10 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be 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, public officials' liability, and workers compensation 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 11 – TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution—referred to 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 07, 2006, the District's three electors (all of whom were employees or spouses of employees of the Developer) unanimously voted to authorize the District to levy up to $8 million in property taxes annually (exclusive of property taxes levied for debt service) without limitation to rate, to pay the District's operations, maintenance and other expenses.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding debt service). TABOR prohibits the District from using its emergency reserves to compensate for economic conditions and revenue shortfalls.

TABOR is complex and subject to legal interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, may require judicial interpretation.

NOTE 12 – SUBSEQUENT EVENTS

On April 16, 2026, the District and District 1 entered into an Interim Management, Accounting and Operations Agreement (IMAOA) which essentially establishes a transition plan that is anticipated to lead towards the effective termination of the DFA (defined in Note 8) as of December 31, 2026. Per the IMAOA, the District will begin providing all services to all property owners within the District and manage and operate all properties and facilities currently owned by District 1 within the District. To fund the provision of these services, the District will retain its general tax revenues and begin assessing, collecting and retaining the monthly services fees previously assessed and collected by District 1 on all District property owners. The IMAOA remains in effect until December 31, 2026 and may be extended once by either party unilaterally for 90 days. The IMAOA does not replace or modify the DFA.

SUPPLEMENTARY INFORMATION

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2025

	Original and Final Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Property taxes	$ 606,916	$ 606,561	$ (355)
Specific ownership taxes	60,692	58,173	(2,519)
Facility fees	92,000	92,000	-
Other income	25,686	-	(25,686)
Net investment income	50,000	58,563	8,563
Total Revenues	**835,294**	**815,297**	**(19,997)**
EXPENDITURES			
Debt management & compliance	41,790	16,102	25,688
Cash payments on debt			
Interest payments - Series 2018A Bonds	377,488	377,488	-
Interest payments - Series 2018B Bonds	363,781	366,490	(2,709)
Interest payments - Series 2018C Bonds	-	-	-
Principal payments – 2018A Series Bonds	70,000	70,000	-
Principal payments – 2018B Series Bonds	-	-	-
Principal payments – 2018C Series Bonds	-	-	-
Total Expenditures	**853,059**	**830,080**	**22,979**
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	**(17,765)**	**(14,783)**	**2,982**
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	-	-	-
Total Other Financing Sources (Uses)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	**(17,765)**	**(14,783)**	**2,982**
FUND BALANCE – BEGINNING	**1,241,265**	**1,255,394**	**14,129**
FUND BALANCE – END OF YEAR	**$ 1,223,500**	**$ 1,240,611**	**$ 17,111**

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

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5
DEBT SERVICE FUND
DEBT MANAGEMENT & COMPLIANCE EXPENDITURE DETAILS - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2025

	Original and Final Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
DEBT MANAGEMENT & COMPLIANCE			
Collection fees – County Treasurer	$ 9,104	$ 9,102	$ 2
Debt covenant compliance and management	-	-	-
Bond paying agent fees	7,000	7,000	-
Miscellaneous	25,686	-	25,686
Total Debt Management & Compliance	**$ 41,790**	**$ 16,102**	**$ 25,688**

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

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5
CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
12-Month Period Ended
December 31, 2025

	Original and Final Budget	Actual Amounts	Positive / (Negative) Variance with Original Budget
REVENUES			
Net investment income	$ -	$ -	$ -
Other income	-	-	-
Total Revenues	-	-	-
EXPENDITURES			
General and administrative fees	-	-	-
Capital projects			
Major capital projects	-	-	-
Total Expenditures	-	-	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	-	5,446	5,446
Total Other Financing Sources (Uses)	-	**5,446**	**5,446**
EXCESS OF REVENUES AND OTHER FINANCIAL SOURCES	-	**5,446**	**5,446**
FUND BALANCE – BEGINNING OF YEAR	-	**(5,446)**	**(5,446)**
FUND BALANCE – END OF YEAR	$ -	$ -	$ -

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

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5

SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2025

The District's repayment schedule for its Series 2018A Bonds is as follows:

Year Ended December 31,	Principal	Interest	Interest Rate	Total
2026	$ 90,000	$ 373,463	5.75%	$ 463,463
2027	95,000	368,288	5.75%	463,288
2028	110,000	362,825	5.75%	472,825
2029	115,000	356,500	5.75%	471,500
2030	135,000	349,888	5.75%	484,888
2031	140,000	342,125	5.75%	482,125
2032	160,000	334,075	5.75%	494,075
2033	165,000	324,875	5.75%	489,875
2034	185,000	315,388	5.75%	500,388
2035	200,000	304,750	5.75%	504,750
2036	220,000	293,250	5.75%	513,250
2037	230,000	280,600	5.75%	510,600
2038	255,000	267,375	5.75%	522,375
2039	270,000	252,713	5.75%	522,713
2040	295,000	237,188	5.75%	532,188
2041	315,000	220,225	5.75%	535,225
2042	340,000	202,113	5.75%	542,113
2043	360,000	182,563	5.75%	542,563
2044	395,000	161,863	5.75%	556,863
2045	415,000	139,150	5.75%	554,150
2046	450,000	115,288	5.75%	565,288
2047	475,000	89,413	5.75%	564,413
2048	1,080,000	62,100	5.75%	1,142,100
	$ 6,495,000	**$ 5,936,013**		**$ 12,431,013**

The original amount borrowed under the Series 2018A Bonds was $6,585,000. Interest is payable each year on June 1st and December 1st, and principal payments are due each year on December 1st.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5

SUMMARY OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAXES COLLECTED

December 31, 2025

Year Ended December 31,	Prior Year Assessed Valuation for Current Year tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		Operations	Debt	Levied	Collected (Note A)	
2019	$ 52,650	22.111	33.166	$ 2,900	$ 2,910	100.3%
2020	176,710	22.266	33.398	9,800	9,836	100.4%
2021	3,434,230	22.266	33.398	191,200	191,162	100.0%
2022	6,359,050	22.266	33.398	354,000	353,970	100.0%
2023	11,241,380	21.993	32.989	618,100	618,074	100.0%
2024	13,297,300	23.136	38.617	821,100	821,148	100.0%
2025	15,990,000	23.069	37.956	975,800	975,218	99.9%
2026	17,025,900	24.988	37.482	1,063,600	[TBD]	[TBD]

NOTE A: Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years.

OTHER SUPPLEMENTARY INFORMATION

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5

CHANGE IN TOTAL OVERLAPPING MILL LEVY

December 31, 2025

	2024 Mill Levy *	2025 Mill Levy **	Change
Banning Lewis Ranch Metropolitan District No 5	61.025	62.470	1.445
El Paso County School District #49	45.565	45.649	0.084
Banning Lewis Ranch Regional Metro #1	12.465	12.019	(0.446)
El Paso County	6.985	7.187	0.202
City of Colorado Springs	3.554	3.009	(0.545)
Pikes Peak Library District	3.140	2.938	(0.202)
Southeastern Colorado Water Conservation District	0.747	0.850	0.103
Total Mill Levy	**133.481**	**134.122**	**0.641**

* -- For property tax collections in 2025

** -- For property tax collections in 2026

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO 5

HISTORICAL DEBT RATIOS

December 31, 2025

	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25
General Obligation Debt	$ 9,538,000	$ 9,538,000	$ 9,538,000	$ 9,518,000	$ 9,448,000
Accrued, unpaid interest - Debt	850,662	1,113,949	1,434,400	1,629,217	1,509,366
Restricted cash in debt fund	(958,300)	(930,228)	(1,068,108)	(1,244,449)	(1,235,976)
Combined assessed property values within the District	6,359,050	11,241,380	13,297,300	15,990,000	17,025,900
Ratio of debt to assessed property values	148.3%	86.5%	74.5%	61.9%	57.7%