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Accountant's Compilation Report

Board of Directors
Banning Lewis Ranch Metropolitan District No. 3
El Paso County, Colorado

We have compiled the accompanying forecasted budget of revenues, expenditures and fund balances of the Banning Lewis Ranch Metropolitan District No. 3 for the General, Debt Service and Capital Projects Funds for the year ending December 31, 2015, including the forecasted estimate of comparative information for the year ending December 31, 2014, in accordance with attestation standards established by the American Institute of Certified Public Accountants. A compilation is limited to presenting, in the form of a forecast, information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not audited or reviewed the forecast and, accordingly, do not express an opinion or any other form of assurance about whether the accompanying budget of revenues, expenditures and fund balances or assumptions are in accordance with attestation standards generally accepted in the United States of America. Furthermore, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Management is responsible for the preparation and fair presentation of the forecast in accordance with attestation standards generally accepted in the United States of America, and for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the forecast.

The actual historical information for the year 2013 is presented for comparative purposes only. Such information is taken from the Application for Exemption from Audit of the District for the year ended December 31, 2013.

Management has elected to omit the summary of significant accounting policies required by the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants. If the omitted disclosures were included in the forecast, they might influence the user's conclusions about the District's results of operations for the forecasted periods. Accordingly, this forecast is not designed for those who are not informed about such matters.

We are not independent with respect to Banning Lewis Ranch Metropolitan District No. 3.

CliftonLarsonAllen LLP

Colorado Springs, Colorado
November 26, 2014

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3
SUMMARY
FORECASTED 2015 BUDGET AS ADOPTED
WITH 2013 ACTUAL AND 2014 ESTIMATED
For the Years Ended and Ending December 31,

11/26/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 34
REVENUES			
1 Property taxes	-	52	55
2 Specific ownership taxes	-	5	5
3 Developer advance	-	300,000	10,410,000
4 Facilities fees	-	-	100,000
Total revenues	-	300,057	10,510,060
Total funds available	-	300,057	10,510,094
EXPENDITURES			
5 General and administration			
6 Intergovernmental - Developer advance	-	300,000	10,410,000
7 Intergovernmental - Dist. No. 1 - Capital	-	-	100,000
8 Intergovernmental - Dist. No. 1 - O&M	-	23	24
Total expenditures	-	300,023	10,510,024
Total expenditures and transfers out requiring appropriation	-	300,023	10,510,024
ENDING FUND BALANCES	\$ -	\$ 34	\$ 70

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

11/26/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015
ASSESSED VALUATION - EL PASO			
Agricultural	\$ 660	\$ 710	\$ 710
State Assessed	280	330	380
Certified Assessed Value	<u>\$ 940</u>	<u>\$ 1,040</u>	<u>\$ 1,090</u>
MILL LEVY			
GENERAL FUND	-	20.000	20.000
DEBT SERVICE FUND	-	30.000	30.000
Total Mill Levy	<u>-</u>	<u>50.000</u>	<u>50.000</u>
PROPERTY TAXES			
GENERAL FUND	\$ -	\$ 21	\$ 22
DEBT SERVICE FUND	-	31	33
Levied property taxes	<u>-</u>	<u>52</u>	<u>55</u>
Adjustments to actual/rounding	-	-	-
Budgeted Property Taxes	<u>\$ -</u>	<u>\$ 52</u>	<u>\$ 55</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ -	\$ 21	\$ 22
DEBT SERVICE FUND	-	31	33
	<u>\$ -</u>	<u>\$ 52</u>	<u>\$ 55</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3
GENERAL FUND
FORECASTED 2015 BUDGET AS ADOPTED
WITH 2013 ACTUAL AND 2014 ESTIMATED
For the Years Ended and Ending December 31,

11/26/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 Property taxes	-	21	22
2 Specific ownership taxes	-	2	2
3 Developer advance	-	300,000	510,000
Total revenues	<u>-</u>	<u>300,023</u>	<u>510,024</u>
Total funds available	<u>-</u>	<u>300,023</u>	<u>510,024</u>
EXPENDITURES			
General and administration			
4 Intergovernmental - Developer advance	-	300,000	510,000
5 Intergovernmental - Dist. No. 1 - O&M	-	23	24
Total expenditures	<u>-</u>	<u>300,023</u>	<u>510,024</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>300,023</u>	<u>510,024</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3
DEBT SERVICE FUND
FORECASTED 2015 BUDGET AS ADOPTED
WITH 2013 ACTUAL AND 2014 ESTIMATED
For the Years Ended and Ending December 31,

11/26/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015
BEGINNING FUND BALANCES	\$ -	\$ -	\$ 34
REVENUES			
1 Property taxes	-	31	33
2 Specific ownership taxes	-	3	3
Total revenues	<u>-</u>	<u>34</u>	<u>36</u>
Total funds available	<u>-</u>	<u>34</u>	<u>70</u>
EXPENDITURES			
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>-</u>	<u>-</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ 34</u>	<u>\$ 70</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3
CAPITAL PROJECTS FUND
FORECASTED 2015 BUDGET AS ADOPTED
WITH 2013 ACTUAL AND 2014 ESTIMATED
For the Years Ended and Ending December 31,

11/26/2014

	ACTUAL 2013	ESTIMATED 2014	ADOPTED 2015
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 Developer advance	-	-	9,900,000
2 Facilities fees	-	-	100,000
Total revenues	<u>-</u>	<u>-</u>	<u>10,000,000</u>
Total funds available	<u>-</u>	<u>-</u>	<u>10,000,000</u>
EXPENDITURES			
General and administration			
3 Intergovernmental - Developer advance	-	-	9,900,000
4 Intergovernmental - Dist. No. 1 - Capital	-	-	100,000
Total expenditures	<u>-</u>	<u>-</u>	<u>10,000,000</u>
Total expenditures and transfers out requiring appropriation	<u>-</u>	<u>-</u>	<u>10,000,000</u>
ENDING FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3
2015 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Services Provided

The Banning Lewis Ranch Metropolitan District No. 3 (“the District”), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by order and decree of the District Court for the City of Colorado Springs, El Paso County, Colorado on December 1, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

The District was organized to provide street improvements, parks and recreational facilities, water supply, wastewater facilities, traffic and safety controls, public transportation, fire protection, mosquito control and television relay. The District is one of the Financing Districts organized in conjunction with six other related Districts - Banning Lewis Ranch Metropolitan District Nos. 1, 2, 4, 5, 7 and Banning Lewis Ranch Regional Metropolitan District (formerly District No. 6). District No. 1 serves as the Operating District which will pay all vendors of and receive reimbursement/contributions from the Financing Districts. All other Districts, including District No. 3, are the Financing Districts which will issue debt, levy ad valorem taxes on taxable properties within each District and assess fees, rates and other charges as authorized by law. Banning Lewis Ranch Regional Metropolitan District will serve as the Regional Improvement District serving all of the Districts. The District's service area is located entirely within the City of Colorado Springs, El Paso County, Colorado.

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

The District prepares its budget on the modified accrual basis of accounting.

Revenues

Property Taxes

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

For collection year 2015, the District adopted a mill levy of 20.000 for operations and 30.000 for debt service. The calculation is reflected on page 3 of the Budget.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3
2015 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Revenues (continued)

Specific Ownership Taxes

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

Facilities Fees

The District assesses a system development fee of \$1,000 per lot, which is collected at time of lot sale. The budget anticipates the collection of system development fees from 100 lots in 2015. These fees are expected to be transferred to District No. 1, the Operating District, which will contract with and pay the contractors for capital improvements.

Developer Advances – Capital and Operations

The District is in the development stage. As such, the Developer is expected to fund all costs of constructing public infrastructures and a major portion of the District's operational expenditures in 2015. Developer advances are recorded as revenue for budget purposes with an obligation for future repayment when the District is financially able to reimburse the Developer. Developer advances for operational expenditures and capital improvements will be recorded in District No. 3, the Financing District; but proceeds are expected to be transferred to District No. 1, the Operating District, which will pay the contractors.

Expenditures

Intergovernmental expenditure – Banning Lewis Ranch Metropolitan District No. 1 – Developer Advance for Operational and Capital Costs

Advances from the Developer for operational expenditures and capital improvements will be recorded in District No. 3, the Financing District; but proceeds are expected to be transferred to District No. 1, the Operating District, which will contract with and pay the contractors.

Intergovernmental expenditure – Banning Lewis Ranch Metropolitan District No. 1 - O&M Taxes

Property taxes generated from the 20.000 mills levied by the District for operations and maintenance, net of fees, are expected to be transferred to District No. 1, the Operating District, which pays all administrative expenditures of the District.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3
2015 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Expenditures (continued)

**Intergovernmental expenditure – Banning Lewis Ranch Metropolitan District No. 1 –
Capital**

Facilities fees are expected to be transferred to District No. 1, the Operating District, which pays all capital improvement expenditures of the District.

Debt and Leases

The District has no outstanding debt, nor any operating or capital leases.

Reserves

Emergency Reserves

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of fiscal year spending. Since substantially all funds received by the District are transferred to District No. 1, which pays for all Districts' operations and maintenance costs, an emergency reserve is not reflected in the District's 2015 Budget.

This information is an integral part of the accompanying forecasted budget.