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Accountant's Compilation Report

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

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Banning Lewis Ranch Metropolitan District No. 3 for the year ending December 31, 2017, including the estimate of comparative information for the year ending December 31, 2016, and the actual comparative information for the year ending December 31, 2015, in the format prescribed by Colorado Revised Statutes (C.R.S.) 29-1-105. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit or review the budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on the accompanying budget.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

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

CliftonLarsonAllen LLP

Colorado Springs, Colorado
January 4, 2017

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3
SUMMARY
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

1/4/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ 101,034	\$ 2,154,440	\$ 1,914,591
REVENUES			
1 Property taxes	55	103,347	249,607
2 Specific ownership taxes	6	11,568	27,457
3 Developer advance	50,000	457,101	230,000
4 Net investment income	339	11,630	9,090
5 Other income	-	-	1,000
6 System development fees	148,000	210,000	210,000
7 Bond issuance - Series 2015A	8,455,000	-	-
8 Bond issuance - Series 2015B	1,620,000	-	-
Total revenues	<u>10,273,400</u>	<u>793,646</u>	<u>727,154</u>
TRANSFERS IN			
	<u>2,042,696</u>	-	-
Total funds available	<u>12,417,130</u>	<u>2,948,086</u>	<u>2,641,745</u>
EXPENDITURES			
9 General and administration			
10 Contingency	-	-	2,500
11 County Treasurer's fees	-	620	1,500
12 Intergovernmental - Developer advance	50,000	457,101	230,000
13 Intergovernmental - Dist. No. 1 - O&M	25	45,406	107,876
14 Repayment of developer advance	7,582,309	-	-
15 Debt service			
16 Bond interest Series 2015A	-	527,938	517,869
17 Contingency	-	-	3,381
18 County Treasurer's fees	-	930	2,250
19 Paying agent fees	-	1,500	1,500
20 Capital projects			
21 Capital outlay	445,024	-	56,412
22 Original issue discount	142,636	-	-
Total expenditures	<u>8,219,994</u>	<u>1,033,495</u>	<u>923,288</u>
TRANSFERS OUT			
	<u>2,042,696</u>	-	-
Total expenditures and transfers out requiring appropriation	<u>10,262,690</u>	<u>1,033,495</u>	<u>923,288</u>
ENDING FUND BALANCES	<u>\$ 2,154,440</u>	<u>\$ 1,914,591</u>	<u>\$ 1,718,457</u>
DEBT SERVICE RESERVE	\$ 755,869	\$ 755,869	\$ 755,869
CAPITALIZED INTEREST FUND	1,169,976	699,172	181,303
SURPLUS FUND	173,193	403,278	781,285
TOTAL RESERVE	<u>\$ 2,099,038</u>	<u>\$ 1,858,319</u>	<u>\$ 1,718,457</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
PROPERTY TAX SUMMARY INFORMATION
For the Years Ended and Ending December 31,

1/4/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
ASSESSED VALUATION - EL PASO			
Residential	\$ -	\$ 664,590	\$ 3,121,210
Commercial	-	670	42,110
Agricultural	710	770	-
Vacant Land	-	1,400,510	1,828,240
State Assessed	380	400	580
Certified Assessed Value	<u>\$ 1,090</u>	<u>\$ 2,066,940</u>	<u>\$ 4,992,140</u>
MILL LEVY			
GENERAL FUND	20.000	20.000	20.000
DEBT SERVICE FUND	30.000	30.000	30.000
Total Mill Levy	<u>50.000</u>	<u>50.000</u>	<u>50.000</u>
PROPERTY TAXES			
GENERAL FUND	\$ 22	\$ 41,339	\$ 99,843
DEBT SERVICE FUND	33	62,008	149,764
Levied property taxes	<u>55</u>	<u>103,347</u>	<u>249,607</u>
Adjustments to actual/rounding	-	-	-
Budgeted Property Taxes	<u>\$ 55</u>	<u>\$ 103,347</u>	<u>\$ 249,607</u>
BUDGETED PROPERTY TAXES			
GENERAL FUND	\$ 22	\$ 41,339	\$ 99,843
DEBT SERVICE FUND	33	62,008	149,764
	<u>\$ 55</u>	<u>\$ 103,347</u>	<u>\$ 249,607</u>

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BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3
GENERAL FUND
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

1/4/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ -	\$ -	\$ -
REVENUES			
1 Property taxes	22	41,339	99,843
2 Specific ownership taxes	2	4,627	10,983
3 Developer advance	50,000	457,101	230,000
4 Net investment income	1	60	50
5 Other income	-	-	1,000
Total revenues	50,025	503,127	341,876
Total funds available	50,025	503,127	341,876
EXPENDITURES			
General and administration			
6 Contingency	-	-	2,500
7 County Treasurer's fees	-	620	1,500
8 Intergovernmental - Developer advance	50,000	457,101	230,000
9 Intergovernmental - Dist. No. 1 - O&M	25	45,406	107,876
Total expenditures	50,025	503,127	341,876
Total expenditures and transfers out requiring appropriation	50,025	503,127	341,876
ENDING FUND BALANCES	\$ -	\$ -	\$ -

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
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

1/4/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ 34	\$ 2,099,038	\$ 1,858,319
REVENUES			
1 Property taxes	33	62,008	149,764
2 Specific ownership taxes	4	6,941	16,474
3 Net investment income	271	10,700	8,900
4 System development fees	56,000	210,000	210,000
Total revenues	56,308	289,649	385,138
TRANSFERS IN			
CAPITAL PROJECTS FUND	2,042,696	-	-
Total transfers in	2,042,696	-	-
Total funds available	2,099,038	2,388,687	2,243,457
EXPENDITURES			
Debt service			
5 Bond interest Series 2015A	-	527,938	517,869
6 Contingency	-	-	3,381
7 County Treasurer's fees	-	930	2,250
8 Paying agent fees	-	1,500	1,500
Total expenditures	-	530,368	525,000
Total expenditures and transfers out requiring appropriation	-	530,368	525,000
ENDING FUND BALANCES	\$ 2,099,038	\$ 1,858,319	\$ 1,718,457
DEBT SERVICE RESERVE	\$ 755,869	\$ 755,869	\$ 755,869
CAPITALIZED INTEREST FUND	1,169,976	699,172	181,303
SURPLUS FUND	173,193	403,278	781,285
TOTAL RESERVE	\$ 2,099,038	\$ 1,858,319	\$ 1,718,457

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
2017 BUDGET AS ADOPTED
WITH 2015 ACTUAL AND 2016 ESTIMATED
For the Years Ended and Ending December 31,

1/4/2017

	ACTUAL 2015	ESTIMATED 2016	ADOPTED 2017
BEGINNING FUND BALANCES	\$ 101,000	\$ 55,402	\$ 56,272
REVENUES			
1 Net investment income	67	870	140
2 System development fees	92,000	-	-
3 Bond issuance - Series 2015A	8,455,000	-	-
4 Bond issuance - Series 2015B	1,620,000	-	-
Total revenues	10,167,067	870	140
Total funds available	10,268,067	56,272	56,412
EXPENDITURES			
General and administration			
5 Repayment of developer advance	7,582,309	-	-
Capital projects			
6 Capital outlay	445,024	-	56,412
7 Original issue discount	142,636	-	-
Total expenditures	8,169,969	-	56,412
TRANSFERS OUT			
DEBT SERVICE FUND			
	2,042,696	-	-
Total transfers out	2,042,696	-	-
Total expenditures and transfers out requiring appropriation	10,212,665	-	56,412
ENDING FUND BALANCES	\$ 55,402	\$ 56,272	\$ -

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
2017 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, in accordance with requirements of Colorado Revised Statutes C.R.S. 29-1-105.

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 2017, 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.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 11% of the property taxes collected.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues - (continued)

System Development 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 210 lots in 2017. These fees are pledged toward payment of debt service of the District's Series 2015 bonds.

Developer Advances

The District is in the development stage. As such, the Developer is expected to fund a portion of the District's operational expenditures in 2017. 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 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 for the expenditures.

Interest Income

Interest earned on the District's available funds has been estimated based on an average interest rate of approximately 0.50%.

Expenditures

Intergovernmental expenditure – Banning Lewis Ranch Metropolitan District No. 1 – Developer Advances

Advances from the Developer for operational expenditures 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 for the expenditures.

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.

Debt Service

The debt service requirements on the District's Series 2015A General Obligation Limited Tax Bonds are detailed on page 5 and page 11 of the Budget.

Capital Expenditures

Anticipated capital expenditures for 2017 are displayed on page 6 of the Budget.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Debt and Leases

On November 24, 2015, the District issued General Obligation Limited Tax Bonds, Series 2015A (Series 2015A Bonds), in the principal amount of \$8,455,000 for the purpose of paying and reimbursing the costs of capital infrastructure improvements, funding a Senior Reserve Fund, providing capitalized interest on the 2015A Bonds, and paying costs of issuance of the Bonds. The 2015A Bonds have a maturity date of December 1, 2045, and carry a fixed interest rate of 6.125%. Interest is payable on June 1 and December 1 of each year beginning on June 1, 2016. Principal payments are due annually on December 1, beginning on December 1, 2021. The debt to maturity schedule is provided on page 11 of the Budget.

On November 24, 2015, the District issued Subordinate General Obligation Limited Tax Bonds, Series 2015B (Series 2015B Subordinate Bonds), in the principal amount of \$1,620,000 for the purpose of paying and reimbursing the costs of capital infrastructure improvements. The 2015B Subordinate Bonds have a maturity date of December 15, 2045 and carry a fixed interest rate of 7.750%. The Series 2015B Subordinate Bonds are cash-flow bonds and no payments are expected on these bonds until 2021. Therefore no estimated debt to maturity schedule is provided.

The 2015A Bonds are secured by and payable solely from the Senior Pledged Revenue, which includes property taxes derived from the required mill levy, net of the cost of collection, Specific Ownership Taxes attributable to the Senior Required Mill Levy, Facility Fees, and any other legally available moneys of the District credited to the Senior Revenue Fund.

The Series 2015A Bonds are also secured by amounts held by a Trustee in the Reserve Fund in the amount of \$755,869, as well as a Surplus Fund up to a maximum amount of \$814,000. No payments may be made on the Series 2015B Subordinate Bonds if the Reserve Fund and the Surplus Fund are less than the maximum amounts.

The 2015B Subordinate Bonds are secured by and payable solely from the Subordinate Pledged Revenue, which includes property taxes derived from the required subordinate mill levy, net of the cost of collection, Specific Ownership Taxes attributable to the Subordinate Required Mill Levy, Subordinate Facility Fees, and any other legally available moneys of the District credited to Subordinate Pledged Revenue.

The District has no operating or capital leases.

Reserves

Debt Service Reserves

The District has a debt service reserve fund for the Series 2015A Bonds in the amount of \$755,869.

Emergency Reserve

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 the District's operations and maintenance costs, the Emergency Reserve for these funds is reflected in the budget of District No. 1.

This information is an integral part of the accompanying budget.

BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2016

Bonds and Interest Maturing in the Year Ending December 31, Year	\$8,455,00 General Obligation Limited Tax Bonds Series 2015A Dated November 24, 2015 Principal Due December 1 Interest Rate 6.125% Payable June 1 and December 1			Total
	Principal	Interest		
2017	\$ -	\$ 517,869	\$ 517,869	
2018	-	517,869	517,869	
2019	-	517,869	517,869	
2020	-	517,869	517,869	
2021	65,000	517,869	582,869	
2022	95,000	513,887	608,887	
2023	100,000	508,068	608,068	
2024	120,000	501,943	621,943	
2025	125,000	494,594	619,594	
2026	145,000	486,937	631,937	
2027	155,000	478,056	633,056	
2028	175,000	468,562	643,562	
2029	190,000	457,843	647,843	
2030	215,000	446,206	661,206	
2031	225,000	433,037	658,037	
2032	250,000	419,256	669,256	
2033	270,000	403,943	673,943	
2034	300,000	387,406	687,406	
2035	315,000	369,031	684,031	
2036	350,000	349,737	699,737	
2037	370,000	328,300	698,300	
2038	405,000	305,637	710,637	
2039	430,000	280,831	710,831	
2040	475,000	254,493	729,493	
2041	500,000	225,400	725,400	
2042	545,000	194,775	739,775	
2043	580,000	161,393	741,393	
2044	630,000	125,868	755,868	
2045	1,425,000	87,281	1,512,281	
	<u>\$ 8,455,000</u>	<u>\$ 11,271,829</u>	<u>\$ 19,726,829</u>	

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