

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2018**

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1  
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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Banning Lewis Ranch Metropolitan District No. 1 ("District"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of December 31, 2018, the changes in its financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

### *Other Information*

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

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
September 27, 2019

## **BASIC FINANCIAL STATEMENTS**

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and Investments	\$ 86,025
Cash and Investments - Restricted	411,482
Accounts Receivable - District Service Fees	309,804
Accounts Receivable - Other	181
Due from Banning Lewis Ranch MD No. 2	16,501
Due from Banning Lewis Ranch MD No. 3	2,817
Due from Banning Lewis Ranch MD No. 4	1,053
Due from Banning Lewis Ranch MD No. 5	1,033
Due from Banning Lewis Ranch Regional MD No. 1	428
Due from BLR Community Foundation	10,659
Prepaid Expenses	35,277
Capital Assets, Not Being Depreciated:	
Parks and Recreation	9,543,443
Construction in Progress	16,822,119
Capital Assets, Net:	
Recreation Center	6,172,751
Total Assets	33,413,573
<b>LIABILITIES</b>	
Accounts Payable	324,690
Prepaid Assessments	15,356
Resident Activity Fee Escrow	18,000
Property Tax Escrow	3,407
District Operating Fees Deposit	8,056
Landscape Deposits	287,000
Total Liabilities	656,509
<b>NET POSITION</b>	
Net Investment in Capital Assets	15,716,194
Restricted for:	
Emergency Reserves	94,400
Debt Service	22,026
Unrestricted	16,924,444
Total Net Position	\$ 32,757,064

See accompanying Notes to Basic Financial Statements.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
Primary Government:					
Government Activities:					
General Government, Including Depreciation	\$ 3,722,657	\$ 2,295,686	\$ 812,414	\$ 18,244,070	\$ 17,629,513
Total Governmental Activities	\$ 3,722,657	\$ 2,295,686	\$ 812,414	\$ 18,244,070	17,629,513
<b>GENERAL REVENUES</b>					
					382,487
					21,169
					28,750
					170,019
					602,425
<b>CHANGE IN NET POSITION</b>					18,231,938
					14,525,126
<b>NET POSITION - END OF YEAR</b>					\$ 32,757,064

See accompanying Notes to Basic Financial Statements.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

<b>ASSETS</b>	General	Debt Service	Capital Projects	Total Governmental Funds
Cash and Investments	\$ 86,025	\$ -	\$ -	\$ 86,025
Cash and Investments - Restricted	389,456	22,026	-	411,482
Accounts Receivable - Village 1 Service Fees	179,618	-	-	179,618
Accounts Receivable - Village 2 Service Fees	130,186	-	-	130,186
Accounts Receivable - Other	181	-	-	181
Due from Banning Lewis Ranch MD No. 2	16,501	-	-	16,501
Due from Banning Lewis Ranch MD No. 3	2,817	-	-	2,817
Due from Banning Lewis Ranch MD No. 4	1,053	-	-	1,053
Due from Banning Lewis Ranch MD No. 5	1,033	-	-	1,033
Due from Banning Lewis Ranch Regional MD No. 1	428	-	-	428
Due from BLR Community Foundation	10,659	-	-	10,659
Prepaid Expenses	35,277	-	-	35,277
<b>Total Assets</b>	<b>\$ 853,234</b>	<b>\$ 22,026</b>	<b>\$ -</b>	<b>\$ 875,260</b>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Accounts Payable	\$ 324,690	\$ -	\$ -	\$ 324,690
Landscape Deposit	287,000	-	-	287,000
District Operating Fees Deposit	8,056	-	-	8,056
Prepaid Assessments - Village 1	10,528	-	-	10,528
Prepaid Assessments - Village 2 West	4,828	-	-	4,828
Property Tax Escrow	3,407	-	-	3,407
Resident Activity Fee Escrow	18,000	-	-	18,000
<b>Total Liabilities</b>	<b>656,509</b>	<b>-</b>	<b>-</b>	<b>656,509</b>

**FUND BALANCES**

Nonspendable:				
Prepaid Expenditures	35,277	-	-	35,277
Restricted for:				
Emergency Reserves	94,400	-	-	94,400
Debt Service	-	22,026	-	22,026
Unassigned:				
General Government	67,048	-	-	67,048
<b>Total Fund Balances</b>	<b>196,725</b>	<b>22,026</b>	<b>-</b>	<b>218,751</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 853,234</b>	<b>\$ 22,026</b>	<b>\$ -</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital Assets, Net	32,538,313
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Net Position of Governmental Activities	<b>\$ 32,757,064</b>
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See accompanying Notes to Basic Financial Statements.



**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED DECEMBER 31, 2018**

	General	Debt Service	Capital Projects	Total Governmental Funds
<b>REVENUES</b>				
District Service Fees - Village 1	\$ 1,373,883	\$ -	\$ -	\$ 1,373,883
District Service Fees - Village 2 West	531,662	-	-	531,662
District Service Fees - Village 2 East	328,706	-	-	328,706
District Service Fees - Carriage House	7,204	-	-	7,204
Net Investment Income	7,015	14,154	-	21,169
Design Review Fee	28,750	-	-	28,750
YMCA Program Revenues	26,270	-	-	26,270
Insurance Proceeds	168,919	-	-	168,919
FBB Lease	5,000	-	-	5,000
Other Income	1,100	-	-	1,100
Ranch House Rentals	22,961	-	-	22,961
Transfer from BLR MD No. 2 - O&M Taxes	486,748	-	-	486,748
Transfer from BLR MD No. 3 - O&M Taxes	282,738	-	-	282,738
Transfer from BLR MD No. 4 - O&M Taxes	20	-	-	20
Transfer from BLR MD No. 4 - Capital	-	-	15,417,203	15,417,203
Transfer from BLR MD No. 5 - Capital	-	-	2,826,867	2,826,867
Transfer from BLR Regional MD No. 1 - O&M Taxes	42,908	-	-	42,908
Transfer from BLR Regional MD No. 1 - DS Taxes	-	382,487	-	382,487
Total Revenues	<u>3,313,884</u>	<u>396,641</u>	<u>18,244,070</u>	<u>21,954,595</u>
<b>EXPENDITURES</b>				
Current:				
Accounting	167,124	-	315	167,439
Audit	12,950	-	-	12,950
Billing Services	95,337	-	-	95,337
Community Management	65,743	-	-	65,743
Design Review Fee	24,482	-	-	24,482
Directors Fees	400	-	-	400
District Management	203,988	-	-	203,988
Dues and Memberships	3,376	-	-	3,376
Election Costs	36,421	-	-	36,421
Engineering and Consulting	4,434	-	-	4,434
Insurance and Bonds	37,168	-	-	37,168
Legal	127,507	-	-	127,507
Legal - Special	23,642	-	-	23,642
Miscellaneous	4,385	-	-	4,385
Payroll Taxes	31	-	-	31
Repairs and Maintenance	10,453	-	-	10,453
Reserve Study	10,480	-	-	10,480
Website Maintenance	1,545	-	-	1,545
Broadband Access	451,949	-	-	451,949
Trash Removal and Recycle	299,803	-	-	299,803
Landscape Maintenance	937,939	-	-	937,939
Landscape Maintenance - Carriage House	153,911	-	-	153,911
Recreation Center	423,840	-	-	423,840
Swimming Pool	351,443	-	-	351,443
Capital Outlay	10,047	-	19,699,419	19,709,466
Total Expenditures	<u>3,458,398</u>	<u>-</u>	<u>19,699,734</u>	<u>23,158,132</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(144,514)	396,641	(1,455,664)	(1,203,537)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	1,455,664	1,455,664
Transfers Out	(315)	(1,455,349)	-	(1,455,664)
Total Other Financing Uses	<u>(315)</u>	<u>(1,455,349)</u>	<u>1,455,664</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(144,829)	(1,058,708)	-	(1,203,537)
Fund Balances - Beginning of Year	341,554	1,080,734	-	1,422,288
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 196,725</u>	<u>\$ 22,026</u>	<u>\$ -</u>	<u>\$ 218,751</u>

See accompanying Notes to Basic Financial Statements.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ (1,203,537)

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

Governmental funds report capital outlay as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay	19,709,466
Depreciation	<u>(273,991)</u>

Changes in Net Position of Governmental Activities \$ 18,231,938

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
District Service Fees - Village 1	\$ 1,346,630	\$ 1,346,630	\$ 1,373,883	\$ 27,253
District Service Fees - Village 2 West	483,590	483,590	531,662	48,072
District Service Fees - Village 2 East	61,430	530,430	328,706	(201,724)
District Service Fees - Carriage House	530,430	61,430	7,204	(54,226)
Net Investment Income	3,400	3,400	7,015	3,615
Design Review Fee	20,000	20,000	28,750	8,750
YMCA Program Revenues	32,800	32,800	26,270	(6,530)
Insurance Proceeds	-	169,000	168,919	(81)
FBB Lease	-	-	5,000	5,000
Other Income	5,000	5,000	1,100	(3,900)
Ranch House Rentals	20,000	20,000	22,961	2,961
Transfer from BLR MD No. 2 - O&M Taxes	481,234	481,234	486,748	5,514
Transfer from BLR MD No. 3 - O&M Taxes	280,860	280,860	282,738	1,878
Transfer from BLR MD No. 4 - O&M Taxes	18	18	20	2
Transfer from BLR Regional MD No. 1 - O&M Taxes	43,046	43,046	42,908	(138)
Total Revenues	<u>3,308,438</u>	<u>3,477,438</u>	<u>3,313,884</u>	<u>(163,554)</u>
<b>EXPENDITURES</b>				
Accounting	165,000	165,000	167,124	(2,124)
Audit	13,500	13,500	12,950	550
Billing Services	99,855	99,855	95,337	4,518
Community Management	72,100	72,100	65,743	6,357
Design Review Fee	25,000	25,000	24,482	518
Directors Fees	1,200	1,200	400	800
District Management	120,000	200,000	203,988	(3,988)
Dues and Memberships	4,000	4,000	3,376	624
Election Costs	30,000	30,000	36,421	(6,421)
Engineering and Consulting	-	4,500	4,434	66
Insurance and Bonds	33,100	33,100	37,168	(4,068)
Legal	35,000	125,000	127,507	(2,507)
Legal - Special	75,000	75,000	23,642	51,358
Mailbox Repairs (S&K)	5,000	5,000	-	5,000
Miscellaneous	10,000	10,000	4,385	5,615
Payroll Taxes	92	92	31	61
Repairs and Maintenance	20,000	20,000	10,453	9,547
Reserve Study	20,000	20,000	10,480	9,520
Security System	25,000	25,000	-	25,000
Website Maintenance	500	500	1,545	(1,045)
Broadband Access	444,775	450,000	451,949	(1,949)
Trash Removal and Recycle	328,500	328,500	299,803	28,697
Landscape Maintenance	843,460	893,460	937,939	(44,479)
Landscape Maintenance - Carriage House	168,000	168,000	153,911	14,089
Recreation Center	395,630	415,905	423,840	(7,935)
Swimming Pool	207,530	207,530	351,443	(143,913)
Capital Outlay - Landscape	100,000	100,000	10,047	89,953
Contingency	7,758	7,758	-	7,758
Total Expenditures	<u>3,250,000</u>	<u>3,500,000</u>	<u>3,458,398</u>	<u>41,602</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	58,438	(22,562)	(144,514)	(121,952)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	-	-	(315)	(315)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>(315)</u>	<u>(315)</u>
<b>NET CHANGE IN FUND BALANCE</b>	58,438	(22,562)	(144,829)	(122,267)
Fund Balance - Beginning of Year	299,934	341,554	341,554	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 358,372</u>	<u>\$ 318,992</u>	<u>\$ 196,725</u>	<u>\$ (122,267)</u>

See accompanying Notes to Basic Financial Statements.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

Banning Lewis Ranch Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized concurrently with Banning Lewis Ranch Metropolitan District Nos. 2-5, 6 (now Banning Lewis Ranch Regional Metropolitan District No. 1) and 7 (now Banning Lewis Ranch Regional Metropolitan District No. 2) (collectively, the Districts and Regional Districts) by order and decree of the District Court for the city of Colorado Springs, El Paso County, Colorado, on December 1, 2005, and is governed pursuant to provisions of the Colorado Special Districts Act (Title 32, Article 1, Colorado Revised Statutes). The Districts' service area is located entirely within the city of Colorado Springs, El Paso County, Colorado. The Districts operate under a Consolidated Service Plan to provide financing for the design, acquisition, installation and construction of public improvements and services, including street improvements, parks and recreational facilities, water supply, wastewater facilities, traffic and safety controls, public transportation, fire protection, mosquito control and television relay. Pursuant to the Service Plan, the District is intended to serve as the Operating District related to District Nos. 2-5 and the Regional Districts, the Taxing Districts.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

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

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

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The more significant accounting policies of the District are described as follows:

**Government-Wide and Fund Financial Statements**

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

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

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-Wide and Fund Financial Statements (Continued)**

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are intergovernmental revenues. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for the principal and interest on long-term debt of the governmental funds.

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

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets**

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

The District amended its annual budget for the year ended December 31, 2018.

**Pooled Cash and Investments**

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

**District Service Fees**

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

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, sidewalks and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of net investment in capital assets component of the District's net position.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets (Continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Until either construction is completed for the capital assets that the District will operate and maintain or until such time capital assets are conveyed to the city, capital assets of the District are recorded as construction in progress.

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

**Equity**

**Net Position**

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

**Fund Balance**

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

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

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

*Committed Fund Balance* – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity (Continued)**

**Fund Balance (Continued)**

*Assigned Fund Balance* – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

*Unassigned Fund Balance* – The residual portion of fund balance that does not meet any of the criteria described above.

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

**NOTE 3 CASH AND INVESTMENTS**

Cash and investments as of December 31, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 86,025
Cash and Investments - Restricted	<u>411,482</u>
Total Cash and Investments	<u><u>\$ 497,507</u></u>

Cash and investments as of December 31, 2018 consist of the following:

Deposits with Financial Institutions	\$ 175,529
Investments	<u>321,978</u>
Total Cash and Investments	<u><u>\$ 497,507</u></u>

**Deposits with Financial Institutions**

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



**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2018**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**Deposits with Financial Institutions (Continued)**

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

At December 31, 2018, the District's cash deposits had a bank balance and a carrying balance of \$175,529.

**Investments**

The District has not adopted a formal investment policy; however the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those noted with an asterisk (\*) below, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States, certain U.S. government agency securities, and securities of the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Certain certificates of participation
- . Certain securities lending agreements
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- \* Local government investment pool

As of December 31, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	<u>\$ 321,978</u>

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 3 CASH AND INVESTMENTS (CONTINUED)**

**COLOTRUST**

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all state statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

**NOTE 4 CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

	Balance at December 31, 2017	Increases	Decreases	Balance at December 31, 2018
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Parks and Recreation	\$ 9,543,443	\$ -	\$ -	\$ 9,543,443
Construction in progress	-	16,822,119	-	16,822,119
Total Capital Assets, Not Being Depreciated	9,543,443	16,822,119	-	26,365,562
Capital Assets, Being Depreciated:				
Recreation Center	5,287,178	2,887,347	-	8,174,525
Total Capital Assets, Being Depreciated	5,287,178	2,887,347	-	8,174,525
Less Accumulated Depreciation For:				
Recreation Center	(1,727,783)	(273,991)	-	(2,001,774)
Total Accumulated Depreciation	(1,727,783)	(273,991)	-	(2,001,774)
Total Capital Assets, Being Depreciated, Net	3,559,395	2,613,356	-	6,172,751
Governmental Activities Capital Assets, Net	<u>\$ 13,102,838</u>	<u>\$ 19,435,475</u>	<u>\$ -</u>	<u>\$ 32,538,313</u>

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 4 CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to the general government function/program of the District for the year ended December 31, 2018 in the amount of \$273,991.

**NOTE 5 DEBT AUTHORIZATION**

On November 1, 2005, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$929,500,000 for infrastructure improvements and operations, such debt to bear interest at a rate not in excess of 18% per annum.

At December 31, 2018, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Amount Authorized on November 1, 2005	Authorization Used	Authorized But Unissued at December 31, 2018
Street Improvements	\$ 84,500,000	\$ -	\$ 84,500,000
Water	84,500,000	-	84,500,000
Sanitation	84,500,000	-	84,500,000
Traffic and Safety	84,500,000	-	84,500,000
Fire Protection, Ambulance Service	84,500,000	-	84,500,000
Park and Recreation	84,500,000	-	84,500,000
Mosquito Control	84,500,000	-	84,500,000
Television Relay and Translation	84,500,000	-	84,500,000
Public Transportation	84,500,000	-	84,500,000
Operations and Maintenance	84,500,000	-	84,500,000
Debt Refunding	84,500,000	-	84,500,000
Total	<u>\$ 929,500,000</u>	<u>\$ -</u>	<u>\$ 929,500,000</u>

Pursuant to the Consolidated Service Plan, District No. 2 is only permitted to issue debt up to \$84,500,000. District Nos. 3-5 and the Regional Districts will be permitted to issue additional debt only at such time that such additional debt is approved by the city and that repayment of such additional debt can be accomplished only to the extent of the maximum permitted residential or commercial mill levy of 30.000 mills and 50.000 mills, respectively, as may be adjusted by a change in the ratio of actual valuation.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 6 NET POSITION**

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

Net investment in capital assets consists of capital assets, net of accumulated depreciation. As of December 31, 2018, the District had net investment in capital assets calculated as follows:

	Governmental Activities
Net Investment in Capital Assets:	
Capital Assets, Net	\$ 15,716,194
Net Investment in Capital Assets	\$ 15,716,194

Restricted assets include amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2018 as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 94,400
Debt Service	22,026
Total	\$ 116,426

**NOTE 7 RELATED PARTIES**

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

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 8 INTERGOVERNMENTAL AGREEMENTS**

**District Facilities Agreements**

Effective as of January 1, 2007, the District and District No. 2 entered into a District Facilities Agreement wherein the District has agreed to construct, own, operate and maintain facilities benefitting both the District and District No. 2. District No. 2 has agreed to pay for the costs of operation and maintenance of such facilities from: 1) the imposition of a mill levy not to exceed 20.000 mills, adjusted to account for constitutional and legislative changes, including new exemptions, in the manner, method or base percentage calculation for the computation of assessed values of taxable property, provided that the levy shall never exceed 50.000 mills, 2) to the extent that the 20.000 mills are insufficient to pay the costs of operations, from the imposition of fees assessed and collected from each single family lot and from each multi-family unit, and from each square foot of commercial development, their pro rata share of the operating costs, and 3) from any other revenues District No. 2 may have legally available to pay for such costs.

Effective as of December 1, 2014, the District and District No. 3 entered into a District Facilities Agreement wherein the District has agreed to construct, own, operate and maintain facilities benefitting both the District and District No. 3. District No. 3 has agreed to pay for the costs of operation and maintenance of such facilities from: 1) the imposition of a mill levy not to exceed 20.000 mills, adjusted to account for constitutional and legislative changes, including new exemptions, in the manner, method or base percentage calculation for the computation of assessed values of taxable property, provided that the levy shall never exceed 50.000 mills, 2) to the extent that the 20.000 mills are insufficient to pay the costs of operations, from the imposition of fees assessed and collected from each single family lot and from each multi-family unit, and from each square foot of commercial development, their pro rata share of the operating costs, and 3) from any other revenues District No. 3 may have legally available to pay for such costs.

Effective as of August 2, 2018, and Amended and Restated as of November 12, 2018, the District and District No. 4 entered into a District Facilities Agreement wherein the District has agreed to construct, own, operate and maintain facilities benefitting both the District and District No. 4. District No. 4 has agreed to pay for the costs of operation and maintenance of such facilities from: 1) the imposition of a mill levy not to exceed 20.000 mills, adjusted to account for constitutional and legislative changes, including new exemptions, in the manner, method or base percentage calculation for the computation of assessed values of taxable property, provided that the levy shall never exceed 50.000 mills, 2) to the extent that the 20.000 mills are insufficient to pay the costs of operations, from the imposition of fees assessed and collected from each single family lot and from each multi-family unit, and from each square foot of commercial development, their pro rata share of operating costs, and 3) from any other revenues District No. 4 may have legally available to pay for such costs.

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 8 INTERGOVERNMENTAL AGREEMENTS (CONTINUED)**

**District Facilities Agreements (Continued)**

Effective as of August 2, 2018, and Amended and Restated as of November 12, 2018, the District and District No. 5 entered into a District Facilities Agreement wherein the District has agreed to construct, own, operate and maintain facilities benefitting both the District and District No. 5. District No. 5 has agreed to pay for the costs of operation and maintenance of such facilities from: 1) the imposition of a mill levy not to exceed 20.000 mills, adjusted to account for constitutional and legislative changes, including new exemptions, in the manner, method or base percentage calculation for the computation of assessed values of taxable property, provided that the levy shall never exceed 50.000 mills, 2) to the extent that the 20.000 mills are insufficient to pay the costs of operations, from the imposition of fees assessed and collected from each single family lot and from each multi-family unit, and from each square foot of commercial development, their pro rata share of operating costs, and 3) from any other revenues District No. 5 may have legally available to pay for such costs.

The District and Regional District No. 1 have not yet entered into a District Facilities Agreement (2019 Agreement). It is anticipated that during 2019, and effective as of November 1, 2018, the 2019 Agreement will be executed, whereby the District agrees to construct, own, operate and maintain facilities benefitting both the District and Regional District No. 1. Regional District No. 1 will agree to pay for the costs of operation and maintenance of such facilities from: 1) the imposition of a mill levy not to exceed 1.000 mills (the General Fund Mill Levy), adjusted to account for constitutional and legislative changes, including new exemptions, in the manner, method or base percentage calculation for the computation of assessed values of taxable property, provided that the levy shall never exceed 10.000 mills and 2) from any other revenues Regional District No. 1 may have legally available to pay for such costs. In anticipation of the execution of the 2019 Agreement, Regional District No. 1 has transferred all General Fund revenue in 2018, net of fees, to the District, as it has each year since issuance of the General Fund Mill Levy.

**Financing Agreement**

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

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**NOTE 9 RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations which apply to the state of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

On November 1, 2005, the District's voters authorized the District to increase property taxes \$8,000,000 annually, without limitation of rate and without regard to any spending, revenue raising or other limitations contained within Article X, Section 20 of the Colorado Constitution (TABOR) or Section 29-1-301, C.R.S., to pay the District's operations, maintenance and other expenses. Additionally, the District's electors authorized the District to collect, spend or retain all revenue without regard to any limitations under TABOR.

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

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

**SUPPLEMENTARY INFORMATION**



**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Net Investment Income	\$ 12,700	\$ 12,700	\$ 14,154	\$ 1,454
Transfer from BLR Regional MD No. 1 - DS Taxes	387,286	387,286	382,487	(4,799)
<b>Total Revenues</b>	<u>399,986</u>	<u>399,986</u>	<u>396,641</u>	<u>(3,345)</u>
<b>EXPENDITURES</b>				
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	399,986	399,986	396,641	(3,345)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>-</u>	<u>(1,460,000)</u>	<u>(1,455,349)</u>	<u>4,651</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(1,460,000)</u>	<u>(1,455,349)</u>	<u>4,651</u>
<b>NET CHANGE IN FUND BALANCE</b>	399,986	(1,060,014)	(1,058,708)	1,306
Fund Balance - Beginning of Year	<u>1,083,672</u>	<u>1,080,734</u>	<u>1,080,734</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 1,483,658</u></u>	<u><u>\$ 20,720</u></u>	<u><u>\$ 22,026</u></u>	<u><u>\$ 1,306</u></u>

**BANNING LEWIS RANCH METROPOLITAN DISTRICT NO. 1  
CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Transfer from BLR MD No. 3 - Developer Advance	\$ 30,000,000	\$ -	\$ (30,000,000)
Transfer from BLR MD No. 3 - Capital	57,074	-	(57,074)
Transfer from BLR MD No. 4 - Capital	-	15,417,203	15,417,203
Transfer from BLR MD No. 5 - Capital	-	2,826,867	2,826,867
Total Revenues	<u>30,057,074</u>	<u>18,244,070</u>	<u>(11,813,004)</u>
<b>EXPENDITURES</b>			
Current:			
Accounting	-	315	(315)
Capital Outlay:	30,057,074	-	30,057,074
Parks and Recreation	-	6,868,523	(6,868,523)
Streets	-	2,594,377	(2,594,377)
Sewer/Storm Drainage	-	8,242,700	(8,242,700)
Water	-	1,993,819	(1,993,819)
Total Expenditures	<u>30,057,074</u>	<u>19,699,734</u>	<u>10,357,340</u>
<b>EXCESS OF REVENUES UNDER EXPENDITURES</b>	-	(1,455,664)	(1,455,664)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	1,455,664	1,455,664
Total Other Financing Sources	<u>-</u>	<u>1,455,664</u>	<u>1,455,664</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>