

BLUE LAKE METROPOLITAN DISTRICT NO. 3
Weld County, Colorado


FINANCIAL STATEMENTS
December 31, 2021


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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Blue Lake Metropolitan District No. 3

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Blue Lake Metropolitan District No. 3, as of and for the year ended December 31, 2021, 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 the Blue Lake Metropolitan District No. 3, as of December 31, 2021, and the respective changes in 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Blue Lake Metropolitan District No. 3 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 opinion.

Responsibilities of Management 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.

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 Blue Lake Metropolitan District No. 3'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 opinion. 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 Blue Lake Metropolitan District No. 3'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 Blue Lake Metropolitan District No. 3'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.

Required Supplementary Information

Management has omitted the 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

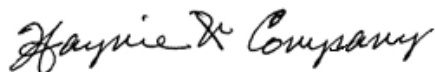
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blue Lake Metropolitan District No. 3's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purpose of 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 supplementary information, as listed in the table of contents, is 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 listed in the table of contents, included in the report. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of 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.



Littleton, Colorado
September 15, 2022

BASIC FINANCIAL STATEMENTS

BLUE LAKE METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION (DEFICIT)
December 31, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and investments - unrestricted	\$ 952
Cash and investments - restricted	503,585
Due from county treasurer	1,836
Property taxes receivable	483,081
Prepaid expense	2,521
Total assets	<u>991,975</u>
LIABILITIES	
Accounts payable	1,461
Accrued interest on long-term obligations	279,124
Noncurrent liabilities:	
Due in one year	55,000
Due in more than one year	6,285,103
Total liabilities	<u>6,620,688</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	483,081
Total deferred inflows of resources	<u>483,081</u>
NET POSITION	
Restricted for:	
Emergency reserves	1,300
Unrestricted	(6,113,094)
Total net position (deficit)	<u><u>\$ (6,111,794)</u></u>

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

BLUE LAKE METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u> <u>Revenue and</u> <u>Changes in Net</u> <u>Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 47,982	\$ -	\$ -	\$ -	\$ (47,982)
Interest and expenses on long-term debt	382,462	-	-	-	(382,462)
	<u>\$ 430,444</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (430,444)</u>
General revenues:					
Property taxes					441,913
Specific ownership taxes					22,188
Interest					180
Total general revenues					<u>464,281</u>
Change in net position					33,837
Net position (deficit) - beginning, as restated					<u>(6,145,631)</u>
Net position (deficit) - ending					<u>\$ (6,111,794)</u>

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

BLUE LAKE METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - unrestricted	\$ 952	\$ -	\$ 952
Cash and investments - restricted	-	503,585	503,585
Due from county treasurer	152	1,684	1,836
Property taxes receivable	40,075	443,006	483,081
Prepaid expenses	2,521	-	2,521
Due from other funds	-	6,870	6,870
Total assets	\$ 43,700	\$ 955,145	\$ 998,845
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 1,461	\$ -	\$ 1,461
Due to other funds	6,870	-	6,870
Total liabilities	8,331	-	8,331
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	40,075	443,006	483,081
Total deferred inflows of resources	40,075	443,006	483,081
FUND BALANCES			
Nonspendable:			
Prepaid expenditures	2,521	-	2,521
Restricted:			
Emergency reserves	1,300	-	1,300
Debt service	-	512,139	512,139
Unassigned	(8,527)	-	(8,527)
Total fund balances (deficit)	(4,706)	512,139	507,433
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	\$ 43,700	\$ 955,145	\$ 998,845
Governmental fund balance			\$ 507,433
Amounts reported for governmental activities in the statement of net position are different because:			
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds:			
Long-term obligations			(6,340,103)
Accrued interest on long-term obligations			(279,124)
Net position of governmental activities			\$ (6,111,794)

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

BLUE LAKE METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICIT)
GOVERNMENTAL FUNDS
Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 36,660	\$ 405,253	\$ 441,913
Specific ownership taxes	1,841	20,347	22,188
Interest	12	168	180
Total revenues	<u>38,513</u>	<u>425,768</u>	<u>464,281</u>
EXPENDITURES			
General			
Accounting and management	29,754	-	29,754
Audit	4,934	-	4,934
County treasurer fees	550	6,081	6,631
Directors' fees	200	-	200
Dues and subscriptions	278	-	278
Insurance and bonds	2,522	-	2,522
Legal	3,459	-	3,459
Miscellaneous	204	-	204
Debt service			
Bond principal	-	30,000	30,000
Bond interest	-	288,487	288,487
Paying agent fees	-	6,000	6,000
Total expenditures	<u>41,901</u>	<u>330,568</u>	<u>372,469</u>
EXCESS OF EXPENDITURES OVER (UNDER)			
REVENUES	<u>(3,388)</u>	<u>95,200</u>	<u>91,812</u>
OTHER FINANCING SOURCES			
Developer advances	<u>1,851</u>	<u>-</u>	<u>1,851</u>
Total other financing sources	<u>1,851</u>	<u>-</u>	<u>1,851</u>
NET CHANGE IN FUND BALANCE	(1,537)	95,200	93,663
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	(3,169)	416,939	413,770
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (4,706)</u>	<u>\$ 512,139</u>	<u>\$ 507,433</u>

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

**BLUE LAKE METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2021**

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

Net changes in fund balances - Total governmental funds		\$ 93,663
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:</p>		
Bond principal payment	30,000	
Developer advances	(1,851)	
		28,149
<p>Some expenses reported in the Statement of Activities do not require the use of financial resources and, therefore, are not reported as expenditures in governmental funds:</p>		
Net change in accrued interest on long-term liabilities		(87,975)
Change in net position of governmental activities		\$ 33,837

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

BLUE LAKE METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2021

	<u>Budget Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 36,667	\$ 36,667	\$ 36,660	\$ (7)
Specific ownership taxes	2,200	1,840	1,841	1
Interest	-	12	12	-
Total revenues	<u>38,867</u>	<u>38,519</u>	<u>38,513</u>	<u>(6)</u>
EXPENDITURES				
Accounting and management	18,000	30,000	29,754	246
Audit	4,900	4,900	4,934	(34)
County treasurer fees	550	600	550	50
Election	500	-	-	-
Directors' fees	300	200	200	-
Dues and subscriptions	300	300	278	22
Engineering	450	-	-	-
Insurance and bonds	3,000	2,600	2,522	78
Legal	-	3,500	3,459	41
Water level monitoring	1,800	-	-	-
Miscellaneous	300	200	204	(4)
Emergency reserve	1,200	-	-	-
Total expenditures	<u>31,300</u>	<u>42,300</u>	<u>41,901</u>	<u>399</u>
EXCESS OF EXPENDITURES OVER (UNDER) REVENUES	<u>7,567</u>	<u>(3,781)</u>	<u>(3,388)</u>	<u>393</u>
OTHER FINANCING SOURCES (USES)				
Developer advances	-	1,900	1,851	(49)
Developer advance repayment	<u>(7,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(7,000)</u>	<u>1,900</u>	<u>1,851</u>	<u>(49)</u>
NET CHANGE IN FUND BALANCE	567	(1,881)	(1,537)	344
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>4,106</u>	<u>(3,169)</u>	<u>(3,169)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 4,673</u>	<u>\$ (5,050)</u>	<u>\$ (4,706)</u>	<u>\$ 344</u>

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

BLUE LAKE METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 - DEFINITION OF REPORTING ENTITY

Blue Lake Metropolitan District No. 3 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on May 17, 2004 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Weld County, Colorado, entirely within the Town of Lochbuie (Town).

The District was formed in conjunction with two other metropolitan districts, Blue Lake Metropolitan District No. 1 (District 1) and Blue Lake Metropolitan District No. 2 (District 2)(collectively the Districts). The purpose of the District is to finance, construct and install public improvements, including streets and traffic signals, and water, sewer, storm drainage and park, open space and recreation facilities for the Blue Lake Development. Public improvements and facilities constructed or acquired by the District have been dedicated and are now owned and maintained by the Town of Lochbuie, Colorado.

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

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 District organization, nor is the District a component unit of any other primary governmental entity.

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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

BLUE LAKE METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of net position reports all financial and capital resources of the District. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources 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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets and redemption of bonds, notes, and developer advances are recorded as a reduction in liabilities.

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 government 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. Expenditures, other than interest on long-term obligations are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 other funds.

BLUE LAKE METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Budgets

In accordance with the Local Government Budget Law of Colorado, 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 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.

For the year ended December 31, 2021, supplementary appropriations approved by the District's board of directors modified the appropriation from \$38,300 to \$42,300 in the General Fund.

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 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 due in 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 inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

BLUE LAKE METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. board of directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level of action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District board of directors or by an official or body to which the District board of directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District board of directors has provided otherwise in its commitment or assignment actions.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The District does not have any items that qualifies for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

BLUE LAKE METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2021 are classified in the accompanying statement of net position as follows:

Cash and investments - unrestricted	\$ 952
Cash and investments - restricted	<u>503,585</u>
Total cash and investments	<u>\$ 504,537</u>

Cash and investments as of December 31, 2021 consist of the following:

Deposits with financial institutions	<u>\$ 504,537</u>
Total cash and investments	<u>\$ 504,537</u>

Cash Deposits

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 equal to 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, 2021, the District's cash deposits had a bank balance of \$507,554 and carrying balance of \$504,537.

Investments

Credit Risk

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

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

- Obligations of the United States and certain U.S. government agency securities and the World Bank

BLUE LAKE METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain securities lending agreements
- Certain corporate bonds
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

As of December 31, 2021, the District had no investments.

NOTE 4 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2021:

	<u>Balance at December 31, 2020</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance at December 31, 2021</u>	<u>Due Within One Year</u>
Bonds payable:					
General Obligation Bonds, Series 2018A	\$ 5,495,000	\$ -	\$ 30,000	\$ 5,465,000	\$ 55,000
Subordinate Limited Tax Obligation Bonds, Series 2018B	829,000	-	-	829,000	-
	<u>6,324,000</u>	<u>-</u>	<u>30,000</u>	<u>6,294,000</u>	<u>55,000</u>
Other obligations:					
Developer advances	44,252	1,851	-	46,103	-
	<u>\$ 6,368,252</u>	<u>\$ 1,851</u>	<u>\$ 30,000</u>	<u>\$ 6,340,103</u>	<u>\$ 55,000</u>

A description of the long-term obligations as of December 31, 2021 is as follows:

Direct Placement Debt

Limited Tax convertible to Unlimited Tax General Obligation Bonds Series, 2018A

On June 12, 2018, the District issued \$5,495,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds, Series 2018A (senior bonds). Interest on the senior bonds is payable semiannually on June 1 and December 1, commencing June 1, 2018, at an interest rate of 5.25%. The senior bonds are secured by and payable from senior pledged revenue which consists of the moneys derived by the District from the following sources: (i) all senior property tax revenues; (ii) all specific ownership tax revenues (iii) all capital fees; and (iv) any other legally available monies which the District determines to transfer to the trustee for application as senior pledged

BLUE LAKE METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

revenue. The senior bonds are additionally secured by capitalized interest, the senior reserve fund and the surplus fund. The senior required mill levy is defined, generally, as an ad valorem mill levy imposed on all taxable property of the District each year in an amount that is sufficient to pay the senior bonds as they become due and payable and to replenish the senior reserve fund, but not in excess of 40.862 mills. In the event that the senior pledged revenue is insufficient to pay the senior bonds, the unpaid principal will continue to bear interest, and the unpaid interest will compound semi-annually until the total repayment obligation of the senior bonds equals the amount permitted by law and its elected authorization. Proceeds of the senior bonds are to be used to: (i) finance, or reimburse the developer for, public improvements related to residential development within the District; and (ii) pay the costs of issuing the senior bonds.

The senior bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, at the redemption price of 103% between December 1, 2023 and November 30, 2024, 102% between December 1, 2024 and November 30, 2025, 101% between December 1, 2025 and November 30, 2026 and 100% on and after December 1, 2026, together with interest accrued and unpaid thereon to the date fixed for redemption.

Events of default under the senior bonds include: (i) failure to impose the senior required mill levy or apply the senior pledged revenue; (ii) failure to pay principal or interest when due; (iii) default in the performance of any covenants, agreements, or conditions; or (iv) the District files a petition under the federal bankruptcy laws seeking to adjust the debt obligation represented by the senior bonds. Immediately upon the occurrence and continuance of an event of default, the trustee has rights or remedies including (i) right to the appointment of a receiver for control of trust assets and (ii) right to file a suit for judgment, action or special proceedings as advised by trustee counsel.

Subordinate Limited Tax General Obligation Bonds, Series 2018B

On June 12, 2018, the District also issued \$829,000 Subordinate Limited Tax General Obligation Bonds, Series 2018B (subordinate bonds). The subordinate bonds are structured as “cash flow” bonds and have no scheduled payments of principal. Interest on the subordinate bonds is payable annually on December 15, commencing December 15, 2018 at an interest rate of 7.5%. Both interest and principal are payable solely from and only to extent of available subordinate pledged revenue which consists of the moneys derived by the District from the following sources: (i) all senior property tax revenues; (ii) all specific ownership tax revenues (iii) all capital fees; and (iv) any other legally available monies which the District determines to transfer to the trustee for application as senior pledged revenue. The subordinate required mill levy is defined, generally, as an ad valorem mill levy imposed on all taxable property of the District each year in an amount that is sufficient to pay the senior bonds as they become due and payable and to replenish the senior reserve fund, but not in excess of 40.862 mills, less the ad valorem mill levy required to be used, paid, pledged, or otherwise applied in connection with any senior bonds. Proceeds of the subordinate bonds are to be used to: (i) finance, or reimburse the

BLUE LAKE METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

developer for, public improvements related to residential development within the District; and (ii) pay the costs of issuing the subordinate bonds.

The subordinate bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, at the redemption price of 103% between December 1, 2023 and November 30, 2024, 102% between December 1, 2024 and November 30, 2025, 101% between December 1, 2025 and November 30, 2026 and 100% on and after December 1, 2026, together with interest accrued and unpaid thereon to the date fixed for redemption.

Events of default under the subordinate bonds include: (i) failure to impose the subordinate required mill levy or apply the subordinate pledged revenue; (ii) default in the performance of any covenants, agreements, or conditions; or (iii) the District files a petition under the federal bankruptcy laws seeking to adjust the debt obligation represented by the subordinate bonds. Immediately upon the occurrence and continuance of an event of default, the trustee has rights or remedies including (i) right to the appointment of a receiver for control of trust assets and (ii) right to file a suit for judgment, action or special proceedings as advised by trustee counsel.

The District's long-term obligations mature as follows:

Limited Tax General Obligation Bonds - Series 2018A and 2018B			
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 55,000	\$ 607,225	\$ 662,225
2023	55,000	370,223	425,223
2024	65,000	373,801	438,801
2025	70,000	377,338	447,338
2026	80,000	381,134	461,134
2027-2031	515,000	1,968,533	2,483,533
2032-2036	775,000	2,098,637	2,873,637
2037-2041	1,110,000	2,280,026	3,390,026
2042-2046	1,540,000	2,546,457	4,086,457
2047-2048	2,029,000	1,059,060	3,088,060
	<u>\$ 6,294,000</u>	<u>\$ 12,062,434</u>	<u>\$ 18,356,434</u>

Intergovernmental Agreement Regarding Debt Allocation Between and Among Blue Lake Metropolitan District Nos. 1-3.

The Districts entered into an Intergovernmental Agreement Regarding Debt Allocation Between and Among Blue Lake Metropolitan District Nos. 1-3, dated April 2, 2015 (Debt Allocation IGA), for the purpose of setting forth the debt allocations of the Districts. The Debt Allocation

BLUE LAKE METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

IGA allocates \$3,700,000 of the debt limitation to the District and the remaining \$20,300,000 to District 1 and District 2. The Debt Allocation IGA further provides that District 1 and District 2 may further allocate the \$20,300,000 allocation between and amongst themselves in any manner that the respective boards of the Districts may agree upon, all in conformance with applicable law.

Advance and Reimbursement Agreement by and Between Blue Lake Metropolitan District No. 3 and LGI Homes LLC

The District entered into an Advance and Reimbursement Agreement with LGI Homes LLC (LGI Homes) on June 23, 2017 (Advance and Reimbursement Agreement) to establish the terms and conditions pursuant to which LGI Homes would make advances for operations and maintenance costs to the District and the District would reimburse LGI Homes for the advances. Under the Advance and Reimbursement Agreement, the District is required to reimburse LGI Homes for advances with interest at a rate of seven percent (7%) per annum. Payments made by the District are subject to annual appropriation and budget approval and are not to be made from funds otherwise required for operations, capital improvements and debt service costs and expenses of the Districts. Amounts payable under the Advance and Reimbursement Agreement are subordinate to any bonded indebtedness of the District. At December 31, 2021, outstanding advances totaled \$46,103, with additional accrued interest due of \$11,747.

Authorized Debt

At an election held on May 4, 2004, the District's eligible electors authorized the District to issue up to \$48,000,000 for the purpose of providing certain improvements and facilities in general obligation bonds. After the issuance of the Bonds, \$41,676,000 of this authorization remain unissued. The board currently has no plans to seek voter approval for general obligation indebtedness in excess of this amount. However, the Indentures permit the issuance of Subordinate Bonds or Junior Lien Bonds, as applicable, and the District may issue such subordinate debt at some point in the future, although the timing and size of the debt is not yet known and depends on future conditions.

Pursuant to the District's service plan, the Districts are prohibited from issuing cumulative general obligation debt in excess of \$24,000,000 without Town authorization. Also, according to the Debt Allocation IGA the District agrees to a debt limit allocation of \$7,100,000.

BLUE LAKE METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

At December 31, 2021, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes.

	Total Authorized	Remaining at December 31, 2021
Streets and improvements	\$ 7,680,000	\$ 2,690,364
Water system	6,240,000	5,550,684
Sanitary sewer system	5,760,000	5,178,192
Parks and recreation	4,320,000	4,256,760
Refunding	24,000,000	24,000,000
	\$ 48,000,000	\$ 41,676,000

NOTE 5 – FUND EQUITY

At December 31, 2021, the District reported the following classification of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$2,521 represents prepaid expenditures for the ensuing fiscal year and is therefore not in a spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$1,300 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado.

The restricted fund balance in the amount of \$512,139 is to be used exclusively for debt service requirements.

Unassigned Fund Balance

The District anticipates that the deficit unassigned fund balance in the amount of \$8,527 will be eliminated with developer advances.

NOTE 6 - NET POSITION

The District's net position consists of two components, restricted and unrestricted.

The restricted portion of the net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or

BLUE LAKE METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 6 - NET POSITION (CONTINUED)

imposed by law through constitutional provisions or enabling legislation. The District's restricted net position at December 31, 2021 consists of \$1,300 for emergency reserves.

In the government-wide financial statements, the District's unrestricted net deficit as of December 31, 2021 totaled \$6,113,094 , primarily due to capital improvements that were funded with long-term debt that have been dedicated to the Town of Lochbuie, Colorado, while the long-term debt remains an obligation of the District.

NOTE 7 - RELATED PARTIES

All of the members of the board of directors of the District are employees, owners or otherwise associated with the District's developer and may have conflicts of interest in dealing with the District.

NOTE 8 - 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.

BLUE LAKE METROPOLITAN DISTRICT NO. 3
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 9 - 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, except Enterprise.

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.

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.

On May 4, 2004, a majority of the District's electors authorized the District to collect, retain and spend any and all amounts annually from any revenue sources whatsoever, other than ad valorem taxes, as a voter-approved revenue change without regard to any spending, revenue-raising or other limitation contained within Article X, Section 20 of the Colorado Constitution and without limiting in any year the amount of other revenues that may be collected and spent by the District.

NOTE 10 - RESTATEMENT

Capital Assets

During the year ended December 31, 2021 it was determined that capital assets consisting of construction in process had been transferred to other entities for ownership or otherwise were no longer owned by the District in 2020 or prior years.

Restatement of Net Position

	December 31, 2020			December 31, 2020	
	As Originally			December 31, 2020	
	Stated	Restatement		As Restated	
Net Position	\$ (653,058)	\$ (5,492,573)	\$	(6,145,631)	
Capital Assets	\$ 5,492,573	\$ (5,492,573)	\$	-	

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

BLUE LAKE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2021

	Original and Final Budget	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Property taxes	\$ 405,329	\$ 405,253	\$ (76)
Specific ownership taxes	24,320	20,347	(3,973)
Interest	-	168	168
Total revenues	<u>429,649</u>	<u>425,768</u>	<u>(3,881)</u>
EXPENDITURES			
General			
County treasurer fees	6,080	6,081	(1)
Debt service			
Bond principal	30,000	30,000	-
Bond interest	350,663	288,487	62,176
Paying agent fees	-	6,000	(6,000)
Total expenditures	<u>386,743</u>	<u>330,568</u>	<u>56,175</u>
NET CHANGE IN FUND BALANCE	42,906	95,200	52,294
FUND BALANCE - BEGINNING OF YEAR	<u>326,750</u>	<u>416,939</u>	<u>90,189</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 369,656</u></u>	<u><u>\$ 512,139</u></u>	<u><u>\$ 142,483</u></u>

OTHER INFORMATION

BLUE LAKE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2021

\$5,495,000 Series 2018A
Limited Tax (Convertible to Unlimited Tax)
General Obligation Bonds Series 2018A
Dated June 12, 2018
Interest Rate of 5.25%
Payable on June 1 and December 1,
Principal Due December 1

\$829,000 Series 2018B
Subordinate Limited Tax General Obligation Bonds
Series 2018B
Dated June 12, 2018
Interest Rate of 7.5%
Payable on December 15,
Principal Due December 15, 2048

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 55,000	\$ 286,913	\$ 341,913	-	\$ 320,312	\$ 320,312
2023	55,000	284,025	339,025	-	86,198	86,198
2024	65,000	281,138	346,138	-	92,663	92,663
2025	70,000	277,725	347,725	-	99,613	99,613
2026	80,000	274,050	354,050	-	107,084	107,084
2027	85,000	269,850	354,850	-	115,115	115,115
2028	95,000	265,387	360,387	-	123,749	123,749
2029	100,000	260,400	360,400	-	133,030	133,030
2030	115,000	255,150	370,150	-	143,007	143,007
2031	120,000	249,112	369,112	-	153,733	153,733
2032	135,000	242,812	377,812	-	165,263	165,263
2033	140,000	235,725	375,725	-	177,658	177,658
2034	155,000	228,375	383,375	-	190,982	190,982
2035	165,000	220,238	385,238	-	205,306	205,306
2036	180,000	211,575	391,575	-	220,703	220,703
2037	190,000	202,125	392,125	-	237,256	237,256
2038	210,000	192,150	402,150	-	255,050	255,050
2039	220,000	181,125	401,125	-	274,179	274,179
2040	240,000	169,575	409,575	-	294,743	294,743
2041	250,000	156,975	406,975	-	316,848	316,848
2042	270,000	143,850	413,850	-	340,612	340,612
2043	285,000	129,675	414,675	-	366,158	366,158
2044	310,000	114,712	424,712	-	393,620	393,620
2045	325,000	98,437	423,437	-	423,141	423,141
2046	350,000	81,375	431,375	-	454,877	454,877
2047	370,000	63,000	433,000	-	488,993	488,993
2048	830,000	43,575	873,575	829,000	463,492	1,292,492
	<u>\$ 5,465,000</u>	<u>\$ 5,419,049</u>	<u>\$ 10,884,049</u>	<u>\$ 829,000</u>	<u>\$ 6,643,385</u>	<u>\$ 7,472,385</u>

**BLUE LAKE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2021**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2013	\$ 190	50.000	\$ 10	\$ 10	100.00%
2014	\$ 190	50.000	\$ 10	\$ 10	100.00%
2015	\$ 10	50.000	\$ 1	\$ 1	100.00%
2016	\$ 2,910	50.000	\$ 146	\$ 146	100.00%
2017	\$ 4,790	50.000	\$ 240	\$ 240	100.00%
2018	\$ 2,530,190	55.277	\$ 139,861	\$ 139,861	100.00%
2019	\$ 3,970,840	60.277	\$ 239,350	\$ 239,350	100.00%
2020	\$ 5,083,430	60.694	\$ 308,534	\$ 308,534	100.00%
2021	\$ 7,282,370	60.694	\$ 441,996	\$ 441,913	99.98%
Estimated for the year ending December 31, 2022	\$ 7,957,970	60.704	\$ 483,081		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the county treasurer does not permit identification of specific year of assessment.