

BLUE LAKE METROPOLITAN DISTRICT NO. 2
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. 2

Opinions

We have audited the accompanying financial statements of the governmental activities, and each major fund of Blue Lake Metropolitan District No. 2, 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. 2, 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. 2 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 the Blue Lake Metropolitan District No. 2'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, including omissions, 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.



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- 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. 2'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. 2'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. 2's basic financial statements. The supplemental information, as listed in the table of contents, is presented for purposes 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 supplemental information, as presented 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. The other information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or 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.

Haynie & Company

Littleton, Colorado
September 30, 2022

BASIC FINANCIAL STATEMENTS

BLUE LAKE METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET POSITION (DEFICIT)
December 31, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and investments - unrestricted	\$ 6,786
Cash and investments - restricted	340,717
Due from county treasurer	995
Due from other funds	3,796
Property taxes receivable	251,000
Prepaid expenses	2,523
Total assets	<u>605,817</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred loss on bond refunding, net of amortization	<u>254,209</u>
Total deferred outflows of resources	<u>254,209</u>
LIABILITIES	
Due to other governmental entities	60,930
Due to other funds	3,796
Accounts payable	1,681
Accrued interest on long-term obligations	47,682
Noncurrent liabilities:	
Due in one year	63,000
Due in more than one year	4,000,951
Total liabilities	<u>4,178,040</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	<u>251,000</u>
Total deferred inflows of resources	<u>251,000</u>
NET POSITION (DEFICIT)	
Restricted for:	
Emergency reserves	1,900
Capital projects	314,627
Unrestricted	<u>(3,885,541)</u>
Total net position (deficit)	<u><u>\$ (3,569,014)</u></u>

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

BLUE LAKE METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Changes in</u>
			<u>Contribution</u>	<u>Contribution</u>	<u>Net Position</u>
					<u>Governmenta</u>
					<u>l Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 79,302	\$ -	\$ -	\$ -	\$ (79,302)
Interest and expenses on long-term debt	314,739	-	-	-	(314,739)
	<u>\$ 394,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(394,041)</u>
General revenues:					
Property taxes					239,241
Specific ownership taxes					12,015
Interest					159
Total general revenues					<u>251,415</u>
Change in net position					(142,626)
Net position (deficit) - beginning					<u>(3,426,388)</u>
Net position (deficit) - ending					<u>\$ (3,569,014)</u>

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

BLUE LAKE METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and investments - unrestricted	\$ 6,786	\$ -	\$ -	\$ 6,786
Cash and investments - restricted	-	26,090	314,627	340,717
Due from county treasurer	90	905	-	995
Due from other funds	3,796	-	-	3,796
Property taxes receivable	22,703	228,297	-	251,000
Prepaid expenditures	2,523	-	-	2,523
Total assets	<u>\$ 35,898</u>	<u>\$ 255,292</u>	<u>\$ 314,627</u>	<u>\$ 605,817</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Due to District No. 1	\$ 60,930	\$ -	\$ -	\$ 60,930
Due to other funds	-	3,796	-	3,796
Accounts payable	1,681	-	-	1,681
Total liabilities	<u>62,611</u>	<u>3,796</u>	<u>-</u>	<u>66,407</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property tax revenue	22,703	228,297	-	251,000
Total deferred inflows of resources	<u>22,703</u>	<u>228,297</u>	<u>-</u>	<u>251,000</u>
FUND BALANCES (DEFICIT)				
Nonspendable:				
Prepaid expenditures	2,523	-	-	2,523
Restricted:				
Emergency reserves	1,900	-	-	1,900
Debt service	-	23,199	-	23,199
Capital projects	-	-	314,627	314,627
Assigned				
Assigned for subsequent year's expenditures	33,258	-	-	33,258
Unassigned				
Unassigned	(87,097)	-	-	(87,097)
Total fund balances (deficit)	<u>(49,416)</u>	<u>23,199</u>	<u>314,627</u>	<u>288,410</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	<u>\$ 35,898</u>	<u>\$ 255,292</u>	<u>\$ 314,627</u>	<u>\$ 605,817</u>
Governmental fund balance				\$ 288,410
Amounts reported for governmental activities in the statement of net position (deficit) are different because:				
Deferred outflows of resources are not reported in the funds				
Bond refunding loss, net of amortization				254,209
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds				
Long-term obligations				(4,063,951)
Accrued interest on long-term obligations				(47,682)
Net position (deficit) of governmental activities				<u>\$ (3,569,014)</u>

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

BLUE LAKE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2021

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
REVENUES				
Property taxes	\$ 21,639	\$ 217,602	\$ -	\$ 239,241
Specific ownership taxes	1,087	10,928	-	12,015
Interest	29	111	19	159
Total revenues	<u>22,755</u>	<u>228,641</u>	<u>19</u>	<u>251,415</u>
EXPENDITURES				
General				
Audit	10,900	-	-	10,900
Consulting	-	-	13,915	13,915
County treasurer fees	325	3,265	-	3,590
District management and accounting	38,157	-	-	38,157
Dues and subscriptions	294	-	-	294
Insurance and bonds	2,523	-	-	2,523
Legal	9,728	-	-	9,728
Miscellaneous	195	-	-	195
Debt service				
2021 Loans - principal	-	115,000	-	115,000
2021 Loans - interest	-	86,332	-	86,332
2016 Note - principal	-	420,000	-	420,000
2016 Note - interest	-	170,334	-	170,334
Developer advance repayment - principal	-	213,698	-	213,698
Developer advance repayment - interest	-	59,916	-	59,916
Bond issuance costs	-	190,840	-	190,840
Paying agent fees	-	6	-	6
Total expenditures	<u>62,122</u>	<u>1,259,391</u>	<u>13,915</u>	<u>1,335,428</u>
EXCESS OF EXPENDITURES OVER REVENUES				
	<u>(39,367)</u>	<u>(1,030,750)</u>	<u>(13,896)</u>	<u>(1,084,013)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	4,000,000	-	4,000,000
Developer advances	50,351	19,649	-	70,000
Transfer (to) from capital projects fund	-	(328,523)	328,523	-
Payment to refunded bond	-	(2,708,752)	-	(2,708,752)
Total other financing sources (uses)	<u>50,351</u>	<u>982,374</u>	<u>328,523</u>	<u>1,361,248</u>
NET CHANGE IN FUND BALANCE	10,984	(48,376)	314,627	277,235
FUND BALANCE (DEFICIT) - BEGINNING OF THE YEAR	<u>(60,400)</u>	<u>71,575</u>	<u>-</u>	<u>11,175</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (49,416)</u>	<u>\$ 23,199</u>	<u>\$ 314,627</u>	<u>\$ 288,410</u>

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

BLUE LAKE METROPOLITAN DISTRICT NO. 2
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 change in fund balances - Total governmental funds	\$ 277,235
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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:

Bond proceeds	(4,000,000)	
Developer advances	(70,000)	
Repayment of developer advances	213,698	
Principal payments on bonds and notes	535,000	
Payment to refunding escrow agent	<u>2,708,752</u>	(612,550)

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:

Debt refunding deferred loss amortization	(4,543)	
Net change in accrued interest on long-term liabilities	<u>197,232</u>	

Change in net position of governmental activities	<u><u>\$ (142,626)</u></u>
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These financial statements should be read only in connection with the accompanying notes to financial statements.

BLUE LAKE METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2021

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Property taxes	\$ 21,658	\$ 21,658	\$ 21,639	\$ (19)
Specific ownership taxes	1,299	1,299	1,087	(212)
Interest	120	120	29	(91)
Total revenues	<u>23,077</u>	<u>23,077</u>	<u>22,755</u>	<u>(322)</u>
EXPENDITURES				
General				
Audit	8,600	8,600	10,900	(2,300)
Consulting	2,000	2,000	-	2,000
County treasurer fees	325	325	325	-
District management and accounting	15,000	35,000	38,157	(3,157)
Dues and subscriptions	500	500	294	206
Elections	500	-	-	-
Insurance and bonds	3,000	3,000	2,523	477
Legal	5,000	20,000	9,728	10,272
Miscellaneous	300	500	195	305
Emergency reserve	700	700	-	700
Total expenditures	<u>35,925</u>	<u>70,625</u>	<u>62,122</u>	<u>8,503</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(12,848)</u>	<u>(47,548)</u>	<u>(39,367)</u>	<u>8,181</u>
OTHER FINANCING SOURCES				
Developer advances	15,000	110,000	50,351	(59,649)
Total other financing sources	<u>15,000</u>	<u>110,000</u>	<u>50,351</u>	<u>(59,649)</u>
NET CHANGE IN FUND BALANCE	2,152	62,452	10,984	(51,468)
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR				
	<u>644</u>	<u>(60,400)</u>	<u>(60,400)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR				
	<u>\$ 2,796</u>	<u>\$ 2,052</u>	<u>\$ (49,416)</u>	<u>\$ (51,468)</u>

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

BLUE LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 - DEFINITION OF REPORTING ENTITY

Blue Lake Metropolitan District No. 2 (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. 3 (District 3). 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 may be owned and maintained by one or more of the Districts, or may be dedicated for ownership and maintenance to the Town of Lochbuie, Colorado, or to other non-profit or governmental entities for the use and benefit of the Blue Lake Development residents and taxpayers.

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. 2
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. 2
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.

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

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 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 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 General Fund, Debt Service Fund and Capital Projects Fund budgets subsequent to year end.

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. Investments are carried at fair value.

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.

BLUE LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Deferred Loss on Refunding

In the government-wide financial statements, deferred loss on refunding is being amortized over the term of the 2021 loans using the straight-line method. At December 31, 2021, the accumulated amortization of the deferred loss on refunding was \$4,543.

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 has one item that qualifies for reporting in this category. Accordingly, the item, deferred loss on bond refunding is deferred and recognized as an outflow of resources in the period that the amount becomes available.

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.

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.

BLUE LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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	\$ 6,786
Cash and investments - restricted	<u>340,717</u>
	<u>\$ 347,503</u>

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

Deposits with financial institutions	\$ 340,753
Investments	<u>6,750</u>
Total cash and investments	<u>\$ 347,503</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.

BLUE LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 - CASH AND INVESTMENTS (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, 2021, the District’s cash deposits had a bank balance of \$341,248 and carrying balance of \$340,753.

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
- 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

The local government investment pool, which includes Colorado Local Government Liquid Asset Trust (Colotrust) is rated AAAM by S&P Global Ratings.

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.

As of December 31, 2021, the District had the following investments:

Investment	Maturity	Carrying Value
Colorado Local Government Liquid Asset Trust (Colotrust)	Weighted average under 60 days	<u>\$ 6,750</u>

BLUE LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Colotrust

During 2021, the District invested in Colotrust, 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 Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. There are no unfunded commitments, the redemption period frequency is daily and there is no redemption period. Colotrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement.

The custodian acts as safekeeping agent for Colotrust'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 Colotrust. As of December 31, 2021, the District had \$6,750 invested in COLOTRUST PLUS+ in the name of the District.

Investment Valuation

Certain investments are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in Colotrust at year end for which the investment valuations were determined as follows.

Colotrust determines the NAV of the shares of each portfolio as of the close of business on each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of Colotrust, are accrued daily. The NAV is calculated at fair value using various inputs to determine value in accordance with FASB guidance. It is the goal of Colotrust to maintain a NAV of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by Colotrust and there can be no assurance that the NAV will not vary from \$1.00 per share.

BLUE LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 - LONG-TERM OBLIGATIONS

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

	Balance at December 31, 2020	Additions	Retirements/ Refunding	Balance at December 31, 2021	Due Within One Year
Bonds and loans payable:					
Limited Tax G.O. Bonds Series 2016A	\$ 1,950,000	\$ -	\$ 1,950,000	\$ -	\$ -
Limited Tax G.O. Bonds Series 2016B	500,000	-	500,000	-	-
Limited Tax G.O. Note Series 2016C	420,000	-	420,000	-	-
Limited Tax Refunding Loan, Series 2021A	-	2,793,000	78,000	2,715,000	44,000
Limited Tax Refunding and Improvement Loan, Series 2021B	-	1,207,000	37,000	1,170,000	19,000
	<u>2,870,000</u>	<u>4,000,000</u>	<u>2,985,000</u>	<u>3,885,000</u>	<u>63,000</u>
Other obligations:					
Developer advances	322,649	70,000	213,698	178,951	-
	<u>\$ 3,192,649</u>	<u>\$ 4,070,000</u>	<u>\$ 3,198,698</u>	<u>\$ 4,063,951</u>	<u>\$ 63,000</u>

Direct Borrowing Debt:

Limited Tax General Obligation Bonds, Series 2016A

On December 13, 2016, the District issued \$2,000,000 Limited Tax General Obligation Bonds, Series 2016A (Senior Bonds). Interest on the Senior Bonds was payable semiannually on June 1 and December 1, commencing June 1, 2017 at an annual interest rate of 5.750%. The Senior Bonds were subject to mandatory redemption beginning December 1, 2018, and each December 1 thereafter until final maturity on December 1, 2046. The Senior Bonds were secured by and payable from senior pledged revenue which consisted of the moneys derived by the District from the following sources: (i) the senior required mill levy; (ii) capital fees, if any; (iii) the portion of the specific ownership tax which was collected as a result of imposition of the senior required mill levy; and (iv) any other legally available monies which the District determined to transfer to the trustee for application as senior pledged revenue. The senior required mill levy was 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, but not in excess of 50 mills. Proceeds of the Senior Bonds were used to: (i) finance public improvements related to residential development within the District; and (ii) pay the costs of issuing the Senior Bonds.

The Senior Bonds were 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% prior to December 1, 2021, 102% prior to December 1, 2022, 101% prior to December 1, 2023 and 100% on and after December 1, 2024, together with interest accrued and unpaid thereon to the date fixed for redemption.

BLUE LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Events of default under the Senior Bonds included: (i) failure to impose the senior required mill levy or apply the senior pledged revenue; (ii) default in the performance of any covenants, agreements, or conditions; or (iii) filing 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 had rights or remedies including (i) the right to the appointment of a receiver for control of trust assets and (ii) the right to file a suit for judgment, action or special proceedings as advised by trustee counsel.

On May 12, 2021, the Senior Bonds were refunded with the issuance of the District's Limited Tax (Convertible to Unlimited Tax) Refunding Loan, Series 2021A, as discussed below.

Subordinate Limited Tax General Obligation Bonds, Series 2016B

On December 13, 2016, the District also issued \$500,000 Subordinate Limited Tax General Obligation Bonds, Series 2016B (Subordinate Bonds). The Subordinate Bonds were structured as "cash flow" bonds and had no scheduled payments of principal. Interest on the Subordinate Bonds was payable annually on December 15, commencing December 15, 2017 with an annual interest rate of 8.000%. Both interest and principal were payable solely from and only to extent of available subordinate pledged revenue which consisted of the moneys derived by the District from the following sources: (i) the subordinate required mill levy; (ii) capital fees, if any; (iii) the portion of the specific ownership tax which was collected as a result of imposition of the subordinate required mill levy; and (iv) any other legally available monies which the District determined to transfer to the trustee for application as subordinate pledged revenue. The subordinate required mill levy was defined, generally, as an ad valorem mill levy imposed in an amount of 50 mills less the ad valorem mill levy required to be used, paid, pledged, or otherwise applied in connection with any senior bonds, including the 2016A Senior Bonds. Proceeds of the Subordinate Bonds were used to: (i) finance public improvements related to residential development within the District; and (ii) pay the costs of issuing the Subordinate Bonds.

The Subordinate Bonds were due to mature on December 15, 2046. The Subordinate Bonds were 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% prior to December 15, 2021, 102% prior to December 15, 2022, 101% prior to December 15, 2023 and 100% on and after December 15, 2024, together with interest accrued and unpaid thereon to the date fixed for redemption.

Events of default under the Subordinate Bonds included: (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) filing 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) the right to the appointment of a receiver for control of trust assets and (ii) the right to file a suit for judgment, action or special proceedings as advised by trustee counsel.

BLUE LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

On May 12, 2021, the Subordinate Bonds were refunded with the issuance of the District's Limited Tax (Convertible to Unlimited Tax) Refunding Loan, Series 2021A, as discussed below.

Junior Subordinate Limited Tax General Obligation Note, Series 2016C

On December 13, 2016, the District also issued a \$420,000 Junior Subordinate Limited Tax General Obligation Note, Series 2016C (Junior Subordinate Note). The Junior Subordinate Note was structured as a "cash flow" note and had no scheduled payments of principal and was to mature on December 15, 2046. Interest on the Junior Subordinate Note was payable annually on December 15, commencing December 15, 2017 at an interest rate of 8.000% compounded annually. Both interest and principal were payable solely from and only to extent of available junior subordinate pledged revenue which consisted of the moneys derived by the District from the following sources: (i) the junior subordinate required mill levy; (ii) capital fees, if any; (iii) the portion of the specific ownership tax which was collected as a result of imposition of the junior subordinate required mill levy; and (iv) any other legally available monies which the District determined to transfer to the trustee for application as junior subordinate pledged revenue. The junior subordinate required mill levy was defined, generally, as an ad valorem mill levy imposed in an amount of 50 mills less the ad valorem mill levy required to be used, paid, pledged, or otherwise applied in connection with any senior bonds and subordinate bonds, including the 2016A Senior Bonds and 2016B Subordinate Bonds. Proceeds of the Junior Subordinate Note was used to: (i) finance public improvements related to residential development within the District; and (ii) pay the costs of issuing the Junior Subordinate Note.

On May 12, 2021, the Junior Subordinate Note was refunded with the issuance of the District's Limited Tax (Convertible to Unlimited Tax) Refunding and Improvement Loan, Series 2021B as discussed below.

Limited Tax (Convertible to Unlimited Tax) Refunding Loan, Series 2021A and Limited Tax (Convertible to Unlimited Tax) Refunding and Improvement Loan, Series 2021B

On May 12, 2021, the District issued a \$2,793,000 Limited Tax (Convertible to Unlimited Tax) Refunding Loan, Series 2021A (2021A Loan) and Limited Tax (Convertible to Unlimited Tax) Refunding and Improvement Loan, Series 2021B (2021B Loan) (collectively the 2021 Loans). Interest on the 2021A Loan is payable semiannually on June 1 and December 1, commencing December 1, 2021 at an annual interest rate of 4.310% until the tax conversion date of September 17, 2021, then 3.448% thereafter. Interest on the 2021B Loan is payable semiannually on June 1 and December 1, commencing December 1, 2021 at a rate of 3.448% per annum. The interest rate for the 2021 Loans is subject to reset on December 1, 2041 and each five year anniversary of such date until the 2021 Loans are paid in full. Principal payments for the 2021 Loans are due annually on December 1.

BLUE LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The 2021 Loans mature on December 1, 2050 and are secured by and payable from pledged revenue applied on a parity basis which consists of the moneys derived by the District from the following sources: (i) property tax revenues; (ii) specific ownership tax revenues, and (iii) any other legally available monies which the board determines to apply as pledged revenue. The required mill levy which may be pledged to the payment of the 2021 Loans is defined, generally, as an ad valorem mill levy imposed on all taxable property of the District each year in an amount, when combined with monies then held in the loan payment funds, is sufficient to pay the annual debt requirements, but not in excess of 50 mills (as adjusted by any allowable change in calculation). The required mill levy is to be reduced if the tax revenue in any year is in excess of the maximum tax increase permitted by the District’s electoral authorization. Proceeds of the 2021A Loan were used to: (i) refund the Series 2016A Bonds and Series 2016B Bonds; and (ii) pay the costs of issuing the 2021A Loan. Proceeds of the 2021B Loan were used to: (i) refund the Series 2016C Note, (ii) reimburse a portion of developer advances and accrued interest, (iii) provide funds for additional projects and (iv) pay the costs of issuance of the 2021B Loan.

Events of default under the 2021 Loans include: (i) failure to pay principal and interest when due, (ii) failure to impose the required mill levy or apply the pledged revenue as required; (iii) default in the performance of any covenants, agreements, or conditions; or (iv) filing a petition under the federal bankruptcy laws or commence any action seeking to adjust the debt obligation represented by the 2021 Loans. Immediately upon the occurrence and continuance of an event of default, rights or remedies include (i) apply a default interest rate equal to the lesser of: (i) the Wall Street Journal prime rate in effect as of the date of any event of default, plus 4.0%; or (ii) 18.0%, (ii) the right to file a suit for judgment, action or special proceedings as advised by counsel and (iii) take any other allowable action or remedy.

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

	Limited Tax (Convertible to Unlimited Tax)		
	Refunding and Improvement Loans		
	Series 2021A and 2021B		
	Principal	Interest	Total
2022	\$ 63,000	\$ 137,175	\$ 200,175
2023	61,000	134,380	195,380
2024	67,000	132,594	199,594
2025	69,000	129,957	198,957
2026	76,000	127,563	203,563
2027-2031	444,000	596,582	1,040,582
2032-2036	585,000	511,245	1,096,245
2037-2041	751,000	399,469	1,150,469
2042-2046	873,000	262,069	1,135,069
2047-2050	896,000	90,892	986,892
	\$ 3,885,000	\$ 2,521,926	\$ 6,406,926

BLUE LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Developer Advances

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

The District and District 1 and 3 entered into an Intergovernmental Agreement Regarding Debt Allocation Between and Among Blue Lake Metropolitan District Nos. 1-3, dated April 2, 2015 (the “Debt Allocation IGA”), for the purpose of setting forth the debt allocations of the District and District 1 and 3. The Debt Allocation IGA allocates \$3,700,000 of the debt limitation to District 3 and the remaining \$20,300,000 to the District and District 1. The Debt Allocation IGA further provides that the District and District 1 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 Agreements by and Between Blue Lake Metropolitan Districts No. 1, 2 and 3 and Lochbuie Land I, LLC

The District, District 1 and District 3 each entered into Advance and Reimbursement Agreements with Lochbuie Land I, LLC (Lochbuie Land I) on June 29, 2004 (the “Advance and Reimbursement Agreement”) to establish the terms and conditions pursuant to which Lochbuie Land I would make advances to the Districts and the Districts would reimburse Lochbuie Land I for the advances. Under the Advance and Reimbursement Agreements, the Districts are required to reimburse Lochbuie Land I for advances with interest at a rate of seven percent (7%) per annum. Payments made by the Districts 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 Reimbursement Agreements are subordinate to any bonded indebtedness of the Districts. On May 12, 2021, developer advance and interest payments of \$213,698 and \$59,916, respectively, were made in conjunction with the issuance of the 2021 Loans. At December 31, 2021, outstanding advances totaled \$178,951, with additional accrued interest due of \$36,250.

BLUE LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

The following table depicts the borrowing authority authorized by the District’s voters at the 2004 District Election, the 2015 Intergovernmental Agreement Regarding Debt Allocation Between and Among Blue Lake Metropolitan District Nos. 1-3, and the amount remaining as of December 31, 2021, after application of debt issued by the District. The remaining balance is shared with District 1 and may be re-allocated in the future as noted above.

	Total Authorized	Remaining at December 31, 2021
Streets and improvements	\$ 7,680,000	\$ 6,541,107
Water system	6,240,000	5,480,800
Sanitary sewer system	5,760,000	4,650,400
Parks and recreation	4,320,000	4,320,000
Refunding	24,000,000	20,608,665
	<u>\$ 48,000,000</u>	<u>\$ 41,600,972</u>

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

At December 31, 2021, the District had a payable to District 1 in the amount of \$60,930 for expenditures paid on the District’s behalf.

NOTE 6 - 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 \$2,523 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 \$1,900 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 \$314,627 is to be used exclusively for capital projects.

BLUE LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 7 - 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 imposed by law through constitutional provisions or enabling legislation. The District’s restricted net position at December 31, 2021 is as follows:

	Governmental Activities
Restricted net position:	
TABOR emergency reserve (Note 11)	\$ 1,900
Capital projects	314,627
	\$ 316,527

In the government-wide financial statements, the District’s liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$3,569,014 representing capital improvements that were funded with long-term debt that have been dedicated to other entities, while the long-term debt remains an obligation of the District.

NOTE 8 - RELATED PARTIES

All of the members of the Board of Directors of the District are employees, owners or otherwise associated with Lochbuie Land I, and may have conflicts of interest in dealing with the District. The District entered into an Advance and Reimbursement Agreement dated June 29, 2004 with Lochbuie Land I (see Note 4). Specific details of transactions with Lochbuie Land I regarding organization, advances and debt are described elsewhere in these notes.

NOTE 9 – EASEMENT AND MAINTENANCE AGREEMENT

On April 27, 2016, the District entered into an Easement and Maintenance Agreement (the Maintenance Agreement) with Lochbuie Land I for the benefit of Bella Vista Master Association, Colorado nonprofit corporation (the HOA). Pursuant to the Maintenance Agreement, the District and Lochbuie Land I granted the HOA a permanent easement in order to operate, maintain, repair, construct, patrol, inspect, improve and replace public improvements located within the District, including parks and a retention pond. The HOA is responsible for all ongoing costs associated with its uses of the public improvements.

BLUE LAKE METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2021

NOTE 10 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God.

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

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

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, 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.

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

SUPPLEMENTARY INFORMATION

BLUE LAKE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2021

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUE				
Property taxes	\$ 217,790	\$ 217,790	\$ 217,602	\$ (188)
Specific ownership taxes	13,067	13,067	10,928	(2,139)
Interest	500	500	111	(389)
Total revenues	<u>231,357</u>	<u>231,357</u>	<u>228,641</u>	<u>(2,716)</u>
EXPENDITURES				
General				
County treasurer fees	3,267	3,267	3,265	2
Debt service				
Bond principal - Series 2016A	20,000	-	-	-
Bond interest - Series 2016A	112,125	-	-	-
Bond interest - Series 2016B	88,915	-	-	-
Loan principal - Series 2021A	-	78,000	78,000	-
Loan interest - Series 2021A	-	67,880	62,864	5,016
Loan principal - Series 2021B	-	37,000	37,000	-
Loan interest - Series 2021B	-	23,468	23,468	-
Note principal - 2016C	-	420,000	420,000	-
Note interest - 2016C	-	170,334	170,334	-
Developer advance repayment - principal	-	213,698	213,698	-
Developer advance repayment - interest	-	59,916	59,916	-
Bond issuance costs	-	191,000	190,840	160
Paying agents fees	7,000	10,000	6	9,994
Total expenditures	<u>231,307</u>	<u>1,274,563</u>	<u>1,259,391</u>	<u>15,172</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>50</u>	<u>(1,043,206)</u>	<u>(1,030,750)</u>	<u>12,456</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	4,000,000	4,000,000	-
Developer advances	-	19,649	19,649	-
Transfer to capital projects fund	-	(328,523)	(328,523)	-
Payment to refunding bond escrow agent	-	(2,708,752)	(2,708,752)	-
Total other financing sources (uses)	<u>-</u>	<u>982,374</u>	<u>982,374</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	50	(60,832)	(48,376)	12,456
FUND BALANCE - BEGINNING OF YEAR	<u>70,435</u>	<u>71,575</u>	<u>71,575</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 70,485</u>	<u>\$ 10,743</u>	<u>\$ 23,199</u>	<u>\$ 12,456</u>

BLUE LAKE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL FUND
Year Ended December 31, 2021

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Interest	\$ -	\$ 100	\$ 19	\$ (81)
Total revenues	<u>-</u>	<u>100</u>	<u>19</u>	<u>(81)</u>
EXPENDITURES				
General				
Capital outlay	-	320,123	-	320,123
Consulting fees	-	7,500	13,915	(6,415)
Custodial fees	-	1,000	-	1,000
Total expenditures	<u>-</u>	<u>328,623</u>	<u>13,915</u>	<u>314,708</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>-</u>	<u>(328,523)</u>	<u>(13,896)</u>	<u>314,627</u>
OTHER FINANCING SOURCES				
Transfer from debt service fund	-	328,523	328,523	-
Total other financing sources	<u>-</u>	<u>328,523</u>	<u>328,523</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	314,627	314,627
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 314,627</u>	<u>\$ 314,627</u>

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

OTHER INFORMATION

BLUE LAKE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2021

\$2,793,000 Series 2021A
Limited Tax
(Convertible to Unlimited Tax)
Refunding Loan
Dated May 12, 2021
Interest Rate of 4.310%
Payable on June 1 and December 1,
Principal Due December 1

\$1,207,000 Series 2021B
Limited Tax
(Convertible to Unlimited Tax)
Refunding and Improvement Loan
Dated May 12, 2021
Interest Rate of 4.310% (1)
Payable on June 1 and December 1,
Principal Due December 1

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 44,000	\$ 96,273	\$ 140,273	\$ 19,000	\$ 40,902	\$ 59,902
2023	43,000	94,142	137,142	18,000	40,238	58,238
2024	47,000	92,877	139,877	20,000	39,717	59,717
2025	48,000	91,048	139,048	21,000	38,909	59,909
2026	53,000	89,388	142,388	23,000	38,175	61,175
2027	55,000	87,622	142,622	23,000	37,371	60,371
2028	59,000	85,972	144,972	26,000	36,667	62,667
2029	61,000	83,741	144,741	26,000	35,658	61,658
2030	66,000	81,644	147,644	29,000	34,749	63,749
2031	69,000	79,423	148,423	30,000	33,735	63,735
2032	74,000	77,278	151,278	32,000	32,776	64,776
2033	77,000	74,564	151,564	33,000	31,568	64,568
2034	82,000	71,924	153,924	35,000	30,414	65,414
2035	85,000	69,145	154,145	37,000	29,191	66,191
2036	91,000	66,411	157,411	39,000	27,974	66,974
2037	94,000	63,149	157,149	41,000	26,534	67,534
2038	101,000	59,915	160,915	43,000	25,101	68,101
2039	104,000	56,506	160,506	45,000	23,597	68,597
2040	111,000	53,073	164,073	48,000	22,084	70,084
2041	115,000	49,164	164,164	49,000	20,346	69,346
2042	109,000	45,214	154,214	47,000	18,633	65,633
2043	114,000	41,299	155,299	49,000	16,990	65,990
2044	122,000	37,508	159,508	53,000	15,319	68,319
2045	128,000	33,275	161,275	55,000	13,424	68,424
2046	137,000	28,905	165,905	59,000	11,502	70,502
2047	143,000	24,272	167,272	62,000	9,439	71,439
2048	153,000	19,438	172,438	66,000	7,291	73,291
2049	160,000	14,204	174,204	69,000	4,964	73,964
2050	170,000	8,732	178,732	73,000	2,552	75,552
	<u>\$ 2,715,000</u>	<u>\$ 1,776,106</u>	<u>\$ 4,491,106</u>	<u>\$ 1,170,000</u>	<u>\$ 745,820</u>	<u>\$ 1,915,820</u>

BLUE LAKE METROPOLITAN DISTRICT NO. 2
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2021

<u>Year Ended December 31,</u>	Prior Year Assessed Valuation for Current Year Property Tax Levy	<u>Mills Levied</u>	<u>Total Property Taxes</u>		Percentage Collected to Levied
			<u>Levied</u>	<u>Collected</u>	
2005	\$ 10	15.000	\$ -	\$ -	100.00%
2006	\$ 10	45.000	\$ -	\$ -	100.00%
2007	\$ 682,710	45.000	\$ 30,722	\$ 30,722	100.00%
2008	\$1,528,300	45.000	\$ 68,774	\$ 68,774	100.00%
2009	\$1,472,710	45.000	\$ 66,271	\$ 65,691	99.12%
2010	\$1,252,030	45.000	\$ 56,341	\$ 56,342	100.00%
2011	\$1,262,750	45.000	\$ 56,824	\$ 56,824	100.00%
2012	\$ 928,380	50.000	\$ 46,419	\$ 46,419	100.00%
2013	\$ 932,960	50.000	\$ 46,648	\$ 46,648	100.00%
2014	\$ 761,030	50.000	\$ 38,052	\$ 38,107	100.14%
2015	\$ 817,470	50.000	\$ 40,874	\$ 40,876	100.00%
2016	\$1,284,560	50.000	\$ 64,228	\$ 64,229	100.00%
2017	\$2,654,120	50.000	\$ 132,706	\$ 132,706	100.00%
2018	\$3,440,440	50.277	\$ 190,155	\$ 190,155	100.00%
2019	\$3,502,190	55.277	\$ 193,591	\$ 193,591	100.00%
2020	\$4,276,470	55.656	\$ 238,011	\$ 238,011	100.00%
2021	\$4,302,290	55.656	\$ 239,448	\$ 239,241	100.00%
Estimated for the year ending December 31, 2022	\$4,506,120	55.702	\$ 251,000		

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.