

BLUE LAKE METROPOLITAN DISTRICT NO. 1
Weld County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Blue Lakes Metropolitan District No. 1

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, and each major fund of Blue Lakes Metropolitan District No. 1, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the Blue Lakes Metropolitan District No. 1, as of December 31, 2016, 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.

Other Matters

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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Blue Lakes Metropolitan District No. 1's basic financial statements. The other 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.

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

Haynie & Co

Littleton, Colorado
September 27, 2017

BASIC FINANCIAL STATEMENTS

BLUE LAKE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
December 31, 2016

	Governmental Activities
ASSETS	
Cash and investments - unrestricted	\$ 57,341
Prepays	2,488
Due from other governmental entities	8,424
Property taxes receivable	11
Total assets	68,264
LIABILITIES	
Accounts payable	40,146
Developer advances payable:	
Due in more than one year	470,114
Interest on developer advances due in more than one year	41,098
Total liabilities	551,358
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	11
Total deferred inflows of resources	11
NET POSITION	
Restricted for:	
Emergency reserves	6,200
Unrestricted	(489,305)
Total net position (deficit)	\$ (483,105)

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

BLUE LAKE METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016

<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 Net</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 56,547	\$ -	\$ -	\$ -	\$ (56,547)
Assignment of developer advances to District 2	-	-	2,900,000	-	2,900,000
Interest and other costs on long-term debt	156,036	-	-	-	(156,036)
	<u>\$ 212,583</u>	<u>\$ -</u>	<u>\$ 2,900,000</u>	<u>\$ -</u>	<u>2,687,417</u>
General revenues:					
Transfers in from District 2					237,573
Property taxes					11
Other income					1
Total general revenues					<u>237,585</u>
Change in net position					2,925,002
Net position (deficit) - Beginning					<u>(3,408,107)</u>
Net position (deficit) - Ending					<u>\$ (483,105)</u>

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

BLUE LAKE METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUND
GENERAL FUND
December 31, 2016

ASSETS

Cash and investments - unrestricted	\$ 57,341
Prepays	2,488
Due from other governmental entities	8,424
Property taxes receivable	11
Total assets	\$ 68,264

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND FUND BALANCES**

LIABILITIES

Accounts payable	\$ 40,146
Total liabilities	40,146

DEFERRED INFLOWS OF RESOURCES

Deferred property tax revenue	11
Total deferred inflows of resources	11

FUND BALANCES

Nonspendable:	
Prepaid expenditures	2,488
Spendable:	
Restricted fund balance	
Emergency reserves	6,200
Unassigned fund balance	19,419
Total fund balances	28,107

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND FUND BALANCES**

	\$ 68,264
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Governmental fund balance	\$ 28,107
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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 reported in the funds:

Developer advance payable	(470,114)
Accrued interest on developer advance payable	(41,098)
Net position (deficit) of governmental activities	\$ (483,105)

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

BLUE LAKE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
GENERAL FUND
Year Ended December 31, 2016

	General
REVENUE	
Property taxes	\$ 11
Other income	1
Total revenue	12
EXPENDITURES	
Audit	1,000
District management and accounting	9,620
Consulting	3,210
Insurance and bonds	2,743
Legal	8,917
Public improvements	31,022
Miscellaneous	35
Total expenditures	56,547
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(56,535)
OTHER FINANCING SOURCES (USES)	
Transfers from District 2	237,573
Developer advance repayment	(150,000)
Total other financing sources (uses)	87,573
NET CHANGE IN FUND BALANCE	31,038
FUND BALANCE - BEGINNING OF YEAR	(2,931)
FUND BALANCE - END OF YEAR	\$ 28,107

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

**BLUE LAKE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUE,
EXPENDITURES, AND CHANGE IN FUND BALANCE
OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net changes in fund balances - Total governmental funds \$ 31,038

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:

Developer advance repayment	\$ 150,000	
Assignment of developer advance to District 2	2,900,000	3,050,000

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Net change in accrued interest on developer advances	(156,036)
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Change in net position of governmental activities	\$ 2,925,002
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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. 1
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended December 31, 2016

	Budget Amounts <u>Original & Final</u>	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUE			
Property taxes	\$ 11	\$ 11	\$ -
Other income	-	1	1
Total revenue	<u>11</u>	<u>12</u>	<u>1</u>
EXPENDITURES			
Audit	1,000	1,000	-
District management and accounting	7,500	9,620	(2,120)
Dues and subscriptions	600	-	600
Elections	1,000	-	1,000
Consulting	-	3,210	(3,210)
Insurance and bonds	5,000	2,743	2,257
Legal	10,000	8,917	1,083
Public improvements	-	31,022	(31,022)
Miscellaneous	-	35	(35)
Contingency	12,000	-	12,000
Total expenditures	<u>37,100</u>	<u>56,547</u>	<u>(19,447)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>(37,089)</u>	<u>(56,535)</u>	<u>(19,446)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from District 2	290,000	237,573	(52,427)
Developer advance repayment	(260,000)	(150,000)	110,000
Total other financing sources (uses)	<u>30,000</u>	<u>87,573</u>	<u>57,573</u>
NET CHANGE IN FUND BALANCE	(7,089)	31,038	38,127
FUND BALANCE - BEGINNING OF YEAR	<u>13,708</u>	<u>(2,931)</u>	<u>(16,639)</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,619</u>	<u>\$ 28,107</u>	<u>\$ 21,488</u>

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

BLUE LAKE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 1 - DEFINITION OF REPORTING ENTITY

Blue Lake Metropolitan District No. 1 (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. 2 (District 2) and Blue Lake Metropolitan District No. 3 (District 3). The purpose of the District is to coordinate the financing, construction and installation of 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. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 fund:

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. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

BLUE LAKE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2016 are classified in the accompanying statement of net position as follows:

Cash and investments - unrestricted	\$ <u>57,341</u>
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Cash and investments as of December 31, 2016 consist of the following:

Deposits with financial institutions	\$ <u>57,341</u>
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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

BLUE LAKE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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, 2016, the District's cash deposits had a bank balance of \$84,272 and a carrying balance of \$57,341.

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 pools, which include the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (Colostrust) are both 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, 2016, the District had no investments.

BLUE LAKE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2016:

	Balance at December 31, 2015	Additions	Payments	Balance at December 31, 2016	Due Within One Year
Developer advances	\$ 2,045,181	\$ -	\$ 1,575,067	\$ 470,114	\$ -
Accrued interest on developer advances	1,359,995	156,036	1,474,933	41,098	-
	<u>\$ 3,405,176</u>	<u>\$ 156,036</u>	<u>\$ 3,050,000</u>	<u>\$ 511,212</u>	<u>\$ -</u>

Payments on developer advances above include assignment of the advances to District 2 of \$1,425,067 in principal and \$1,474,933 in accrued interest.

Developer Advances

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

The District and District 2 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 2 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 2. The Debt Allocation IGA further provides that the District 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 Agreements by and Between Blue Lake Metropolitan Districts No. 1, 2 and 3 and Lochbuie Land I, LLC

The District, District 2 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. As of November 17, 2016, there was \$2,082,966 in principal and \$817,034 in accrued and unpaid interest outstanding under the District's Advance and Reimbursement Agreement. The improvements financed with

BLUE LAKE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

the advances are located in District 2 and District 3 or the benefit of those Districts.

Partial Assignment of Advance and Reimbursement Agreement by and Between District No. 1 and the District.

On November 3, 2016, the District and District 2 entered into a Partial Assignment of Advance Reimbursement Agreement (the "Partial Assignment") to establish the terms and conditions under which the District would assign a portion of its obligations under the Advance and Reimbursement Agreement to District 2. Under the Partial Assignment, \$2,900,000 of public improvements subject to the Advance and Reimbursement Agreement are attributable to District 2. Pursuant to the Partial Assignment, the District assigned, and District 2 accepted, all obligations with respect to the District advances, including reimbursement of Lochbuie Land I for the District advances.

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, 2016. The District shares this authorized debt with District 2, and the remaining balance reflects the amount remaining after application of debt issued by District 2. The remaining balance may be re-allocated between the District and District 2 in the future, as noted above.

	Total Authorized	Remaining at December 31, 2016
Streets	\$ 7,680,000	\$ 6,643,619
Water supply improvements	6,240,000	5,481,817
Sewer and drainage	5,760,000	4,637,387
Parks and recreation	620,000	620,000
	<u>\$ 20,300,000</u>	<u>\$ 17,382,823</u>

NOTE 5 – INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

At December 31, 2016, the District had a receivable from District 2 in the amount of \$8,424 for expenditures paid on District 2's behalf.

BLUE LAKE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 6 – FUND EQUITY

At December 31, 2016, the District reported the following classification of fund equity.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$6,200 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.

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, 2016 consists of \$6,200 for emergency reserves.

In the government-wide financial statements, the District's liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$489,305 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 - 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

BLUE LAKE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 9 - RISK MANAGEMENT (CONTINUED)

may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

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

OTHER INFORMATION

**BLUE LAKE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2016**

<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>	
2005	\$ 10	15.000	\$ -	\$ -	100.00%
2006	\$ 10	15.000	\$ -	\$ -	100.00%
2007	\$ 10	0.000	\$ -	\$ -	100.00%
2008	\$ 10	45.000	\$ -	\$ -	100.00%
2009	\$ 10	45.000	\$ -	\$ -	100.00%
2010	\$ 10	45.000	\$ -	\$ -	100.00%
2011	\$ 90	45.000	\$ 4	\$ 4	100.00%
2012	\$ 150	50.000	\$ 8	\$ 8	100.00%
2013	\$ 190	50.000	\$ 10	\$ 10	100.00%
2014	\$ 190	50.000	\$ 10	\$ 8	80.00%
2015	\$ 10	50.000	\$ 1	\$ -	0.00%
2016	\$ 220	50.000	\$ 11	\$ 11	100.00%
Estimated for the year ending December 31, 2017	\$ 220	50.000	\$ 11		

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.