BLUE LAKE METROPOLITAN DISTRICT NO. 1
Weld County, Colorado

FINANCIAL STATEMENTS

With Independent Auditors' Report

December 31, 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors

Blue Lake Metropolitan District No. 1

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund of Blue Lake Metropolitan District No. 1, as of and for the year ended December 31, 2025, 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 the major fund of Blue Lake Metropolitan District No. 1, as of December 31, 2025, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Blue Lake Metropolitan District No. 1 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.

Emphasis of Matter – Correction of an Error

As described in Note 12 to the financial statements, the District identified errors in previously issued financial statements related to the accounting for certain capital assets and depreciation. Accordingly, the District has restated beginning net position as of January 1, 2025. Our opinions is not modified with respect to this matter.

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. 1'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 .

Auditors' 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 auditors' 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

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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. Misstatementsare considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Blue Lake Metropolitan District No. 1'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. 1'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.

Other Information

Management is responsible for the other information as listed in the table of contents. Our opinion on the basic financial statements does 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.

Sincerely,

Haynie

Haynie

Littleton, Colorado

July 29, 2026

BASIC FINANCIAL STATEMENTS

BLUE LAKE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION (DEFICIT)
December 31, 2025

	Governmental Activities
ASSETS	
Cash and investments - unrestricted	$ 474,603
Cash and investments - restricted	42,000
Property taxes receivable	162,009
Prepaid expenses	2,774
Capital assets, not being depreciated	172,264
Capital assets, being depreciated	10,630
Total assets	864,280
LIABILITIES	
Accounts payable	8,220
Noncurrent liabilities:	
Due in more than one year	918,037
Accrued interest payable - developer advances	8,627
Total liabilities	934,884
DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	162,009
Total deferred inflows of resources	162,009
NET POSITION	
Net investment in capital assets	182,894
Restricted for:	
Emergency reserves	42,000
Unrestricted	(457,507)
Total net position (deficit)	$ (232,613)

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, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Primary government:					
Governmental activities:					
General government	$ 136,708	$ -	$ -	$ -	$ (136,708)
Interest and expenses on long-term debt	93,852	-	-	-	(93,852)
	$ 230,560	$ -	$ -	$ -	(230,560)
General revenues:					
Property taxes					480,434
Specific ownership taxes					11,115
Interest					37,925
Total general revenues					529,474
Change in net position					298,914
Net position beginning - as restated					(531,527)
Net position - ending					$ (232,613)

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
Year Ended December 31, 2025

		General Fund
ASSETS		
Cash and investments - unrestricted	$	474,603
Cash and investments - restricted		42,000
Property taxes receivable		162,009
Prepaid expenditures		2,774
Total assets	$	681,386
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES		
LIABILITIES		
Accounts payable	$	8,220
Total liabilities		8,220
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue		162,009
Total deferred inflows of resources		162,009
FUND BALANCES		
Nonspendable:		
Prepaid expenditures		2,774
Restricted:		
Emergency reserves		42,000
Unassigned		466,383
Total fund balances		511,157
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$	681,386

Governmental fund balance	$	511,157
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		182,894
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Long-term obligations		(918,037)
Accrued interest on long-term obligations		(8,627)
Net position of governmental activities	$	(232,613)

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

BLUE LAKE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended December 31, 2025

	General Fund
REVENUES	
Property taxes	$ 480,434
Specific ownership taxes	11,115
Interest	37,925
Total revenues	529,474
EXPENDITURES	
General	
County treasurer fees	4,116
Developer advance repayment - principal	565,408
Developer advance repayment - interest	634,592
District management and accounting	18,931
Dues and subscriptions	2,026
Insurance and bonds	2,771
Legal	15,689
Miscellaneous	12,525
Repairs and maintenance	79,469
Capital outlay	
Consulting	64,065
Total expenditures	1,399,592
NET CHANGE IN FUND BALANCE	(870,118)
FUND BALANCE - BEGINNING OF YEAR	1,381,275
FUND BALANCE - END OF YEAR	$ 511,157

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

BLUE LAKE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

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

Net change in fund balance - Total governmental fund	$ (870,118)
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:	
Repayment of developer advances - principal	565,408
Repayment of developer advances - accrued interest	634,592
Governmental funds report capital outlays as expenditures. In the Statement of Activities capital outlay and depreciation is not reported as an expenditure. This amount represents net capital outlay for the current period:	
Capital outlay	64,065
Depreciation	(1,181)
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:	
Net change in accrued interest on long-term liabilities	(93,852)
Change in net position of governmental activities	$ 298,914

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

BLUE LAKE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2025

	Budget Amounts Original	Budget Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	$ 274,372	$ 480,434	$ 480,434	$ -
Specific ownership taxes	16,462	16,462	11,115	(5,347)
Interest	20,000	25,000	37,925	12,925
Total revenues	310,834	521,896	529,474	7,578
EXPENDITURES				
General				
Audit	13,500	-	-	-
County treasurer fees	4,116	4,116	4,116	-
Developer advance repayment - principal	750,000	1,206,500	565,408	641,092
Developer advance repayment - interest	-	-	634,592	(634,592)
District management and accounting	34,000	20,000	18,931	1,069
Dues and subscriptions	925	2,026	2,026	-
Insurance and bonds	2,771	2,771	2,771	-
Legal	15,000	15,000	15,689	(689)
Miscellaneous	1,000	1,000	12,525	(11,525)
Repairs and maintenance	-	-	79,469	(79,469)
Emergency reserve	24,700	24,000	-	24,000
Capital outlay				
Consulting	300,000	300,000	64,065	235,935
Public improvements	100,000	-	-	-
Total expenditures	1,246,012	1,575,413	1,399,592	175,821
EXCESS OF REVENUES OVER EXPENDITURES	(935,178)	(1,053,517)	(870,118)	183,399
NET CHANGE IN FUND BALANCE	(935,178)	(1,053,517)	(870,118)	183,399
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	1,474,087	1,381,275	1,381,275	-
FUND BALANCE - END OF YEAR	$ 538,909	$ 327,758	$ 511,157	$ 183,399

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

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 4, 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 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.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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.

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 by April 30 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.

Additional property taxes of $206,060 were received in April from a Legislative Adjustment. This adjustment caused the tax collected to be 175%.

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.

Capital Assets

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

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 no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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's 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's board of directors has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results differ from those estimates.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2025 are classified in the accompanying statement of net position as follows:

Statement of net position:	
Cash and investments - unrestricted	$ 474,603
Cash and investments – restricted	42,000
Total cash and investments	$ 516,603

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Cash and investments as of December 31, 2025 consist of the following:

Deposits with financial institutions	$ 516,603
Total cash and investments	$ 516,603

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.

At December 31, 2025, the District's cash deposits had a bank balance of $518,859 and carrying balance of $516,603.

NOTE 4 – CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2025 follows:

Governmental Activities	Balance at December 31, 2024 (Restated)	Increases	Decreases	Balance at December 31, 2025
Capital assets, not being depreciated:				
Engineering and design costs	$ 88,199	$ 64,065	$ -	$ 152,264
Easement	20,000	-	-	20,000
Total capital assets, not being depreciated	$ 108,199	$ 64,065	$ -	$ 172,264
Capital assets, being depreciated				
Fencing	17,717	-	-	17,717
Total capital assets, being depreciated	$ 17,717	$ -	$ -	17,717
Less accumulated depreciation for:				
Fencing	(5,906)	(1,181)	-	(7,087)
Total accumulated depreciation	$ (5,906)	$ (1,181)	$ -	(7,087)
Total capital assets being depreciated, net	11,811	(1,181)	-	10,630
			Less outstanding capital debt	-
			Net investment in capital assets	$ 182,894

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2025:

	Balance at December 31, 2024	Additions	Payments	Balance at December 31, 2025	Due Within One Year
Other obligations:					
Developer advances	$ 1,483,445	$ -	$ 565,408	$ 918,037	$ -
Accrued interest on developer advances	549,367	93,852	634,592	8,627	-
	$ 2,032,812	$ 93,852	$ 1,200,000	$ 926,664	$ -

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 (Debt Allocation IGA), dated April 2, 2015 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.

First Amendment to 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 (Debt Allocation IGA), dated April 2, 2015 for the purpose of setting forth the debt allocations of the District and District 2 and 3. The first amendment, dated February 23, 2018, to the Debt Allocation IGA reallocates from $3,700,000 to an increased $7,100,000 of the debt limitation to District 3 and the remaining $16,900,000 to the District and District 2. The Debt Allocation IGA further provides that the District and District 2 may further allocate the $16,900,000 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, L.L.C.

The District, District 2 and District 3 each entered into Advance and Reimbursement Agreements with Lochbuie Land I, L.L.C. (Lochbuie Land I) on June 29, 2004 (Advance and Reimbursement Agreements) 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

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

and are not to be made from funds otherwise required for operations, capital improvements and debt service costs and expenses of the Districts. Amounts payable under the Advance and Reimbursement Agreements are subordinate to any bonded indebtedness of the Districts.

Partial Assignment of Advance and Reimbursement Agreement by and Between Blue Lake Metropolitan District No. 1, Blue Lake Metropolitan District No. 2 and Lochbuie Land I, L.L.C.

On December 8, 2022, the District, District 2 and Lochbuie Land I entered into a Partial Assignment of Advance and Reimbursement Agreement (Partial Assignment) to establish the terms and conditions under which District 2 would assign a portion of its obligations under the Advance and Reimbursement Agreement to the District.

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, 2023, after application of debt issued by the District. The remaining balance is shared with District 2 and may be re-allocated in the future as noted above.

	Total Authorized	Remaining at December 31, 2025
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
	$ 48,000,000	$ 41,600,972

NOTE 6 - FUND EQUITY

At December 31, 2025, the District reported the following classification of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of $2,774 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 $42,000 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 three components – net investment in capital assets, restricted and unrestricted. Net Investment in capital assets consists of net capital assets, reduced by outstanding balances of any related debt -obligations and deferred inflows of resources attributable to the acquisition, construction or improvement of those assets and increased by balances of deferred outflows or resources related to those assets. As of December 31, 2025, the District had a net investment in capital assets of $182,894.

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, 2025 is as follows:

	Governmental Activities
Restricted net position:	
TABOR emergency reserve (Note 10)	$ 42,000

Unrestricted net position consists of all other net position that does not meet the definition of the above two components and is available for general use by 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 5). 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 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 (CONTINUED)

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

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

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

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 27, 2026, and no material events were identified requiring disclosure.

NOTE 12 – RESTATEMENT OF BEGINNING BALANCES

During the fiscal year ended December 31, 2025, management identified capital assets recorded by the District that had been conveyed to another government entity in prior years. In addition, construction in progress of $11,811 was placed into service but not transferred to depreciable capital assets. Therefore construction in progress was overstated by $964,835 and depreciation expense was understated by $11,811.

	Reporting Unit Affected by Adjustments to and Restatements of Beginning Balances	
12/31/2024, as previously reported	$	421,497
Error correction		(953,024)
12/31/2024, as restated	$	(531,527)

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, 2025

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes Levied	Total Property Taxes Collected	Percentage Collected to Levied
2005	$ 10	15.000	$ -	$ -	100.00%
2006	$ 10	15.000	$ -	$ -	100.00%
2007	$ 10	15.000	$ -	$ -	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	$ 10	100.00%
2015	$ 10	50.000	$ 1	$ 1	100.00%
2016	$ 220	50.000	$ 11	$ 11	100.00%
2017	$ 220	50.000	$ 11	$ 11	100.00%
2018	$ 37,780	50.000	$ 1,889	$ 1,889	100.00%
2019	$ 27,330	50.000	$ 1,367	$ 1,367	100.00%
2020	$ 235,100	50.000	$ 11,755	$ 11,755	100.00%
2021	$ 258,220	50.000	$ 12,911	$ 12,911	100.00%
2022	$ 3,401,430	50.000	$ 170,072	$ 170,072	100.00%
2023	$21,624,120	55.000	$ 1,189,327	$ 1,189,327	100.00%
2024	$10,242,240	55.000	$ 563,323	$ 563,323	100.00%
2025	$ 4,988,590	55.000	$ 274,372	$ 480,434	175.00%
Estimated for the year ending December 31, 2026	$ 2,949,080	55.000	$ 162,199		

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.