BLUE LAKE METROPOLITAN DISTRICT NO. 3
Weld County, Colorado

FINANCIAL STATEMENTS

with Independent Auditors' Report

December 31, 2025

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July 28, 2026

To the Board of Directors and Management
Blue Lake Metropolitan District

We have audited the financial statements of the governmental activities and each major fund of Blue Lake Metropolitan District No. 3 (the "District") for the year ended December 31, 2025, and have issued our report thereon dated July 28, 2026. Professional standards require that we provide you with the following information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 7, 2025. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Blue Lake Metropolitan District No. 3 are described in Note 2 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2025. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates noted in the current year.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements noted.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

1221 West Mineral Avenue, Ste. 202, Littleton, CO 80120 303-734-4800 HaynieCPAs.com

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 28, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Blue Lake Metropolitan District No. 3's auditors. However, these discussions occurred in the normal course of our professional relationship and out responses were not a condition to our retention.

<u>Other Matters</u>

We were engaged to report on the supplementary information as listed in the table of contents, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary and other information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the other information as listed in the table of contents, which accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

<u>Restriction on Use</u>

The information is intended solely for the use of the Board of Directors of and management of Blue Lake Metropolitan District No. 3 and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Haynie

Haynie

Littleton, Colorado

BASIC FINANCIAL STATEMENTS

BLUE LAKE METROPOLITAN DISTRICT NO. 3
STATEMENT OF NET POSITION (DEFICIT)
December 31, 2025

		Governmental Activities
ASSETS		
Cash and investments - unrestricted	$	68,997
Cash and investments - restricted		129,950
Property taxes receivable		506,385
Prepaid expense		2,774
Total assets		708,106
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding, net of amortization		229,507
Total deferred outflows of resources		229,507
LIABILITIES		
Accounts payable		1,817
Accrued interest on long-term obligations		40,948
Noncurrent liabilities:		
Due in one year		31,000
Due in more than one year		6,639,729
Total liabilities		6,713,494
DEFERRED INFLOWS OF RESOURCES		
Deferred property tax revenue		506,385
Total deferred inflows of resources		506,385
NET POSITION (DEFICIT)		
Restricted for:		
Emergency reserves		3,100
Unrestricted		(6,285,366)
Total net position (deficit)	$	(6,282,266)

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

BLUE LAKE METROPOLITAN DISTRICT NO. 3
STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

		Program Revenues			Net (Expense) Revenue and Change 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	$ 72,834	$ -	$ -	$ -	$ (72,834)
Interest and expenses on long-term debt	360,476	-	-	-	(360,476)
	$ 433,310	$ -	$ -	$ -	$ (433,310)
General revenues:					
Property taxes					541,665
Specific ownership taxes					21,937
Interest					468
Total general revenues					564,070
Change in net position					130,760
Net position (deficit) - beginning					(6,413,026)
Net position (deficit) - ending					$ (6,282,266)

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

BLUE LAKE METROPOLITAN DISTRICT NO. 3
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2025

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - unrestricted	$ 68,997	$ -	$ 68,997
Cash and investments - restricted	-	129,950	129,950
Property taxes receivable	137,683	368,702	506,385
Prepaid expenses	2,774	-	2,774
Total assets	$ 209,454	$ 498,652	$ 708,106
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 1,817	$ -	$ 1,817
Total liabilities	1,817	-	1,817
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	137,683	368,702	506,385
Total deferred inflows of resources	137,683	368,702	506,385
FUND BALANCES			
Nonspendable:			
Prepaid expenditures	2,774	-	2,774
Restricted:			
Emergency reserves	3,100	-	3,100
Debt service	-	129,950	129,950
Unassigned	64,080	-	64,080
Total fund balances	69,954	129,950	199,904
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 209,454	$ 498,652	$ 708,106

Governmental fund balance	$ 199,904
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources are not reported in the funds	
Bond refunding loss, net of amortization	229,507
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term obligations	(6,670,729)
Accrued interest on long-term obligations	(40,948)
Net position of governmental activities	$ (6,282,266)

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

BLUE LAKE METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2025

	General	Debt Service	Total Governmental Funds
REVENUES			
Property taxes	$ 133,963	$ 407,702	$ 541,665
Specific ownership taxes	5,420	16,517	21,937
Interest	311	157	468
Total revenues	139,694	424,376	564,070
EXPENDITURES			
General			
Accounting and management	25,680	-	25,680
Audit	10,000	-	10,000
County treasurer fees	2,008	6,118	8,126
Directors fees and payroll taxes	969	-	969
Dues and subscriptions	569	-	569
Insurance and bonds	3,021	-	3,021
Legal	7,932	-	7,932
Repayment of developer advances principal	35,675	-	35,675
Repayment of developer advances interest	14,325	-	14,325
Miscellaneous	2,197	15	2,212
Debt service			
Bond principal	-	22,000	22,000
Bond interest 2023	-	348,194	348,194
Paying agent fees	-	20	20
Total expenditures	102,376	376,347	478,723
NET CHANGES IN FUND BALANCES	37,318	48,029	85,347
FUND BALANCES - BEGINNING OF YEAR	32,636	81,921	114,557
FUND BALANCES - END OF YEAR	$ 69,954	$ 129,950	$ 199,904

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

BLUE LAKE METROPOLITAN DISTRICT NO. 3
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2025

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

Net changes in fund balances - Total governmental funds		$ 85,347
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	35,675	
Bond principal payment	22,000	57,675
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		(8,197)
Net change in accrued interest on long-term liabilities		(4,065)
Change in net position of governmental activities		$ 130,760

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

BLUE LAKE METROPOLITAN DISTRICT NO. 3
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2025

	Budget Amounts Original & Final	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property taxes	$ 133,788	$ 133,963	$ 175
Specific ownership taxes	6,690	5,420	(1,270)
Interest	-	311	311
Total revenues	140,478	139,694	(784)
EXPENDITURES			
Accounting and management	30,000	25,680	4,320
Audit	10,000	10,000	-
County treasurer fees	2,010	2,008	2
Directors fees and payroll taxes	-	969	(969)
Dues and subscriptions	350	569	(219)
Insurance and bonds	3,000	3,021	(21)
Legal	6,000	7,932	(1,932)
Repayment of developer advances principal	50,000	35,675	14,325
Repayment of developer advances interest	-	14,325	(14,325)
Miscellaneous	300	2,197	(1,897)
Emergency reserve	4,200	-	4,200
Total expenditures	105,860	102,376	3,484
NET CHANGE IN FUND BALANCE	34,618	37,318	2,700
FUND BALANCE - BEGINNING OF YEAR	27,060	32,636	5,576
FUND BALANCE - END OF YEAR	$ 61,678	$ 69,954	$ 8,276

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. 3 (the District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on May 17, 2004 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Weld County, Colorado, entirely within the Town of Lochbuie (Town).

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-wide and Fund Financial Statements

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Pooled Cash and Investments

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

Property Taxes

Property taxes are levied by the District's board of directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are due in April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax revenues are recorded as revenue in the year they are available or collected.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Deferred Outflows/Inflows of Resources

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

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.

NOTE 3 - CASH AND INVESTMENTS

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

Cash and investments – unrestricted	$	68,997
Cash and investments – restricted		129,950
Total cash and investments	$	198,947

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

Deposits with financial institutions	$	198,947
Total cash and investments	$	198,947

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.

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, 2025, the District's cash deposits had a bank balance of $200,688, and carrying balance of $198,947.

NOTE 4 - 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	Retirements/ Refunding	Balance at December 31, 2025	Due Within One Year
Bonds payable:					
General Obligation Loan, Series 2023	$ 6,460,000	$ -	$ 22,000	$ 6,438,000	$ 31,000
	6,460,000	-	22,000	6,438,000	31,000
Other obligations:					
Developer advances					
Operations and maintenance	46,103	-	-	46,103	-
Infrastructure and acquisition	222,301	-	35,675	186,626	-
Total other obligations	268,404	-	35,675	232,729	-
Total	$ 6,728,404	$ -	$ 57,675	$ 6,670,729	$ 31,000

A description of the long-term obligations as of December 31, 2025 is as follows:

Direct Placement Debt

Limited Tax convertible to Unlimited Tax General Obligation Refunding and Improvements Loan, Series 2023

On July 13, 2023, the District issued $6,462,000 Limited Tax (Convertible to Unlimited Tax) General Obligation Refunding and Improvement Loan, Series 2023. Interest on the loan is payable semiannually on June 1 and December 1, commencing on December 1, 2023 at an interest rate of 6.44% thru November 15, 2023, 5.39% to December 1, 2028 and 4.5% thereafter. The loan matures on December 1, 2053 and is secured by and payable from pledged revenue 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 moneys which the board determines in its sole discretion to apply as pledged revenue. The required mill levy is defined, generally, as an ad valorem mill levy imposed on all taxable property of the District each year in an amount that is sufficient to pay the loan as it becomes due and payable, but not in excess of 40.862 mills (as adjusted by any allowable change in calculation). Proceeds of the 2023 Loan were used to: (i) refund the Series 2018A & 2018B Bonds, (ii)pay the costs of issuing the 2023 Loan and (iii) reimburse a portion of developer advances and accrued interest.

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Events of default under the 2023 Loan include (i) failure to pay the principal and interest when due; (ii)failure to impose the required mill levy or to remit the pledged revenues as required; (iii) default in the performance of covenants, agreements, or conditions; ((iv) filing a petition under the federal bankruptcy laws or commence any action seeking to adjust the debt obligation represented by the 2023 loan Immediately upon the occurrence and continuance of an event of default the Loan shall bear interest at the default rate and may take any other action or exercise any other remedy available.

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

	Limited Tax General Obligation Loan - Series 2023		
	Principal	**Interest**	**Total**
2026	$ 31,000	$ 347,008	$ 378,008
2027	32,000	345,337	377,337
2028	42,000	343,613	385,613
2029	100,000	284,985	384,985
2030	112,000	280,485	392,485
2031-2035	692,000	1,319,445	2,011,445
2036-2040	978,000	1,139,265	2,117,265
2041-2045	1,331,000	888,930	2,219,930
2046-2050	1,787,000	550,260	2,337,260
2051-2053	1,333,000	122,130	1,455,130
	$ 6,438,000	$ 5,621,458	$ 12,059,458

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

The Districts entered into an Intergovernmental Agreement Regarding Debt Allocation Between and Among Blue Lake Metropolitan District Nos. 1-3, dated April 2, 2015, amended on February 23, 2018 (Debt Allocation IGA), for the purpose of setting forth the debt allocations of the Districts. The Debt Allocation IGA allocates $7,100,000 of the debt limitation to the District and the remaining $16,900,000 to District 1 and District 2. The Debt Allocation IGA further provides that District 1 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 Agreement by and Between Blue Lake Metropolitan District No. 3 and LGI Homes LLC

The District entered into an Advance and Reimbursement Agreement with LGI Homes LLC (LGI Homes) on June 23, 2017 (Advance and Reimbursement Agreement) to establish the terms and conditions pursuant to which LGI Homes would make advances for operations and maintenance costs to the District and the District would reimburse LGI Homes for the advances. Under the Advance and Reimbursement Agreement, the District is required to reimburse LGI

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

Homes for advances with interest at a rate of seven percent (7%) per annum. Payments made by the District are subject to annual appropriation and budget approval and are not to be made from funds otherwise required for operations, capital improvements and debt service costs and expenses of the Districts. Amounts payable under the Advance and Reimbursement Agreement are subordinate to any bonded indebtedness of the District. At December 31, 2025, outstanding advances totaled $46,103, with additional accrued interest due of $24,664.

Infrastructure Acquisition Agreement by and Between Blue Lake Metropolitan District No. 3 and LGI Homes LLC

The District entered into an Infrastructure Acquisition Agreement with LGI Homes) on May 17, 2018 (Infrastructure Acquistion Agreement) to establish the terms and conditions pursuant to which LGI Homes would make advances for public infrastructure costs to the District and the District would reimburse LGI Homes for the advances. Under the Advance and Reimbursement Agreement, the District is required to reimburse LGI Homes for advances with interest at a rate of seven percent (7%) per annum. Payments made by the District are subject to annual appropriation and budget approval and are not to be made from funds otherwise required for operations, capital improvements and debt service costs and expenses of the Districts. Amounts payable under the Advance and Reimbursement Agreement are subordinate to any bonded indebtedness of the District. At December 31, 2025, outstanding advances totaled $186,626, including additional accrued interest due of $1,825.

Authorized Debt

At an election held on May 4, 2004, the District's eligible electors authorized the District to issue up to $48,000,000 for the purpose of providing certain improvements and facilities in general obligation bonds. After the issuance of the Bonds, $35,214,000 of this authorization remains unissued. The board currently has no plans to seek voter approval for general obligation indebtedness in excess of this amount. However, the Indentures permit the issuance of Subordinate Bonds or Junior Lien Bonds, as applicable, and the District may issue such subordinate debt at some point in the future, although the timing and size of the debt is not yet known an depends on future conditions.

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

At December 31, 2025, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes.

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

	Total Authorized	Remaining at December 31, 2025
Streets and improvements	$ 7,680,000	$ 2,466,029
Water system	6,240,000	5,519,692
Sanitary sewer system	5,760,000	5,152,034
Parks and recreation	4,320,000	4,253,917
Refunding	24,000,000	17,822,328
	$ 48,000,000	$ 35,214,000

NOTE 5 – 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 $3,100 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 Debt Service Fund in the amount of $129,950 is to be used exclusively for debt service requirements.

NOTE 6 - NET POSITION (DEFICIT)

The District's net position (deficit) 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, 2025 consists of $3,100 for emergency reserves.

In the government-wide financial statements, the District's unrestricted net deficit as of December 31, 2025 totaled $6,285,366, (deficit) primarily due to capital improvements that were funded with long-term debt that have been dedicated to the Town of Lochbuie, Colorado, while the long-term debt remains an obligation of the District.

NOTE 7 - RELATED PARTIES

During 2025, the board transitioned from being a board where all members were employees, owners or otherwise associated with the District's developer to a resident run board.

NOTE 8 - RISK MANAGEMENT

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

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

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

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

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

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through [Report Date], and no material events were identified requiring disclosure.

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

SUPPLEMENTAL INFORMATION

BLUE LAKE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2025

	Budget Amounts Original & Final	Actual Amounts	Variance with Budget Positive (Negative)
REVENUES			
Property taxes	$ 407,702	$ 407,702	$ -
Specific ownership taxes	20,385	16,517	(3,868)
Interest	250	157	(93)
Total revenues	428,337	424,376	(3,961)
EXPENDITURES			
General			
County treasurer fees	6,200	6,118	82
Debt service			
Bond principal Series 2023	22,000	22,000	-
Bond Interest Series 2023	348,194	348,194	-
Miscellaneous expenses	-	15	(15)
Paying agent fees	-	20	(20)
Total expenditures	376,394	376,347	47
NET CHANGE IN FUND BALANCE	51,943	48,029	(3,914)
FUND BALANCE - BEGINNING OF YEAR	84,168	81,921	(2,247)
FUND BALANCE - END OF YEAR	$ 136,111	$ 129,950	$ (6,161)

OTHER INFORMATION

BLUE LAKE METROPOLITAN DISTRICT NO. 3
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2025

$6,642,000 Series 2023
Tax Exempt
Loan Refunding, Series 2023
Dated July 13, 2023
6.44% (txl) thru 11/15/23, 5.39% (t-e) to 12/1/28, 4.5% thereafter
Payable on June 1 and December 1,
Principal Due December 1

	Principal	Interest	Total
2026	31,000	347,008	378,008
2027	32,000	345,337	377,337
2028	42,000	343,613	385,613
2029	100,000	284,985	384,985
2030	112,000	280,485	392,485
2031	117,000	275,445	392,445
2032	131,000	270,180	401,180
2033	136,000	264,285	400,285
2034	151,000	258,165	409,165
2035	157,000	251,370	408,370
2036	172,000	244,305	416,305
2037	180,000	236,565	416,565
2038	197,000	228,465	425,465
2039	206,000	219,600	425,600
2040	223,000	210,330	433,330
2041	233,000	200,295	433,295
2042	252,000	189,810	441,810
2043	264,000	178,470	442,470
2044	285,000	166,590	451,590
2045	297,000	153,765	450,765
2046	320,000	140,400	460,400
2047	334,000	126,000	460,000
2048	358,000	110,970	468,970
2049	374,000	94,860	468,860
2050	401,000	78,030	479,030
2051	419,000	59,985	478,985
2052	447,000	41,130	488,130
2053	467,000	21,015	488,015
	$ 6,438,000	$ 5,621,458	$ 12,059,458

BLUE LAKE METROPOLITAN DISTRICT NO. 3
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
2013	$ 190	50.000	$ 10	$ 10	100.00%
2014	$ 190	50.000	$ 10	$ 10	100.00%
2015	$ 10	50.000	$ 1	$ 1	100.00%
2016	$ 2,910	50.000	$ 146	$ 146	100.00%
2017	$ 4,790	50.000	$ 240	$ 240	100.00%
2018	$ 2,530,190	55.277	$ 139,861	$ 139,861	100.00%
2019	$ 3,970,840	60.277	$ 239,350	$ 239,350	100.00%
2020	$ 5,083,430	60.694	$ 308,534	$ 308,534	100.00%
2021	$ 7,282,370	60.694	$ 441,996	$ 441,913	99.98%
2022	$ 7,957,970	60.704	$ 483,081	$ 483,457	100.08%
2023	$ 7,742,760	61.759	$ 478,185	$ 478,186	100.00%
2024	$ 8,766,640	61.759	$ 541,419	$ 541,419	100.00%
2025	$ 8,767,780	61.759	$ 541,489	$ 541,665	100.03%
Estimated for the year ending December 31, 2026	$ 9,023,100	56.121	$ 506,385		

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.