

JOHNSTOWN FARMS METROPOLITAN DISTRICT
Weld County, Colorado

FINANCIAL STATEMENTS
December 31, 2017

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September 28, 2018

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SCHILLING & COMPANY, INC.

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Independent Auditor's Report

Board of Directors
Johnstown Farms Metropolitan District
Weld County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Johnstown Farms Metropolitan District (District) as of and for the year ended December 31, 2017, 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. 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 Johnstown Farms Metropolitan District, as of December 31, 2017, 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 not presented the management's discussion and analysis that governmental 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 District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information listed in the table of contents 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.

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
September 25, 2018

BASIC FINANCIAL STATEMENTS

JOHNSTOWN FARMS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2017

	Governmental Activities
ASSETS	
Cash and investments - unrestricted	\$ 42,894
Receivable from county treasurer	548
Property taxes receivable	107,229
Prepaid expenditures	2,488
Total assets	153,159
 LIABILITIES	
Accounts payable	4,503
Developer advances payable: due in more than one year	5,087,127
Interest on developer advances: due in more than one year	218,336
Total liabilities	5,309,966
 DEFERRED INFLOWS OF RESOURCES	
Deferred property tax revenue	107,229
Total deferred inflows of resources	107,229
 NET POSITION	
Restricted for:	
Emergency reserves	3,800
Unrestricted	(5,267,836)
Total net position (deficit)	\$ (5,264,036)

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

JOHNSTOWN FARMS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Change in Net</u>
			<u>Contributions</u>	<u>Contributions</u>	<u>Position</u>
					<u>Governmental</u>
					<u>Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 25,182	\$ -	\$ -	\$ -	\$ (25,182)
Interest and expenses on long-term debt	312,579	-	-	-	(312,579)
	<u>\$ 337,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (337,761)</u>
General revenues:					
Property taxes					\$ 100,030
Specific ownership taxes					7,827
Interest					1,118
Total general revenues					<u>108,975</u>
Special item:					
Dedication of capital assets to other government					<u>(5,359,819)</u>
Change in net position					(5,588,605)
Net position - beginning					<u>324,569</u>
Net position - ending					<u>\$ (5,264,036)</u>

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

**JOHNSTOWN FARMS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2017**

	General	Capital Projects	Total Governmental Funds
ASSETS			
Cash and investments - unrestricted	\$ 42,894	\$ -	\$ 42,894
Receivable from county treasurer	548	-	548
Property taxes receivable	107,229	-	107,229
Prepaid expenditures	2,488	-	2,488
Total assets	\$ 153,159	\$ -	\$ 153,159
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 4,503	\$ -	\$ 4,503
Total liabilities	4,503	-	4,503
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	107,229	-	107,229
Total deferred inflows of resources	107,229	-	107,229
FUND BALANCES			
Nonspendable:			
Prepaid expenditures	2,488	-	2,488
Restricted for:			
Emergency reserves	3,800	-	3,800
Unrestricted			
Unassigned	35,139	-	35,139
Total fund balances	41,427	-	41,427
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
	\$ 153,159	\$ -	

Amounts reported for governmental activities in the statement of net position are different because:

Developer advances payable: due in more than one year	(5,087,127)
Interest on developer advances: due in more than one year	(218,336)
Net position of governmental activities	\$ (5,264,036)

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

JOHNSTOWN FARMS METROPOLITAN DISTRICT
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year Ended December 31, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 100,030	\$ -	\$ 100,030
Specific ownership taxes	7,827	-	7,827
Interest	1,118	-	1,118
Total revenues	<u>108,975</u>	<u>-</u>	<u>108,975</u>
EXPENDITURES			
<u>General</u>			
Audit	1,239	-	1,239
County treasurer fees	1,512	-	1,512
District management and accounting	12,952	-	12,952
Dues and subscriptions	270	-	270
Insurance and bonds	2,675	-	2,675
Legal	6,219	-	6,219
Miscellaneous	315	-	315
<u>Debt Service</u>			
Repayment of developer advances - interest	-	100,000	100,000
<u>Capital Outlay</u>			
Public infrastructure	-	3,782,071	3,782,071
Total expenditures	<u>25,182</u>	<u>3,882,071</u>	<u>3,907,253</u>
EXCESS OF EXPENDITURES OVER (UNDER)			
REVENUES	<u>83,793</u>	<u>(3,882,071)</u>	<u>(3,798,278)</u>
OTHER FINANCING SOURCES (USES)			
Developer advances	-	3,782,071	3,782,071
Transfers (out) in	(100,000)	100,000	-
Total other financing uses (sources)	<u>(100,000)</u>	<u>3,882,071</u>	<u>3,782,071</u>
NET CHANGE IN FUND BALANCE	(16,207)	-	(16,207)
FUND BALANCE - BEGINNING OF YEAR	<u>57,634</u>	<u>-</u>	<u>57,634</u>
FUND BALANCE - END OF YEAR	<u>\$ 41,427</u>	<u>\$ -</u>	<u>\$ 41,427</u>

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

**JOHNSTOWN FARMS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2017**

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

Net change in fund balances - total governmental funds \$ (16,207)

Governmental funds report capital outlays as expenditures. In the
statement of activities, capital outlay is not reported as an
expenditure. In addition, some expenses in the statement of
activities do require the use of financial resources and,
therefore, are not reported as expenditures in governmental
funds. The net effect of these differences is as follows:

Capital outlay 3,782,071

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 advances (3,782,071)

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:

Dedication of capital assets to other government (5,359,819)

Net change in accrued interest on developer advances (212,579)

Change in net position of governmental activities \$ (5,588,605)

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

JOHNSTOWN FARMS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 100,794	\$ 100,794	\$ 100,030	\$ (764)
Specific ownership taxes	8,100	8,100	7,827	(273)
Facility Fees	4,000	-	-	-
Interest	200	1,000	1,118	118
Total revenues	<u>113,094</u>	<u>109,894</u>	<u>108,975</u>	<u>(919)</u>
EXPENDITURES				
General				
Audit/Audit exemption	1,000	1,300	1,239	61
County treasurer fees	1,512	1,512	1,512	-
District management and accounting	11,000	13,000	12,952	48
Dues and subscriptions	300	300	270	30
Insurance and bonds	2,500	2,700	2,675	25
Legal	10,000	6,300	6,219	81
Miscellaneous	300	300	315	(15)
Emergency reserve	3,400	3,400	-	3,400
Total expenditures	<u>30,012</u>	<u>28,812</u>	<u>25,182</u>	<u>3,630</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>83,082</u>	<u>81,082</u>	<u>83,793</u>	<u>2,711</u>
OTHER FINANCING USES				
Repayment of developer advances	(75,000)	-	-	-
Transfer to Capital Projects Fund	-	(100,000)	(100,000)	-
Total other financing uses	<u>(75,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	8,082	(18,918)	(16,207)	2,711
FUND BALANCE - BEGINNING OF YEAR	<u>65,191</u>	<u>57,634</u>	<u>57,634</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 73,273</u>	<u>\$ 38,716</u>	<u>\$ 41,427</u>	<u>\$ 2,711</u>

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

JOHNSTOWN FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - DEFINITION OF REPORTING ENTITY

Johnstown Farms Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado was organized on December 10, 2007 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area boundaries are located entirely in the Town of Johnstown (Town), County of Weld, Colorado.

The District was established principally to finance the construction of various categories of public improvements, such as streets, traffic and safety signals, storm drainage, sewer, water, and park and recreation facilities for the use and benefit of all its residents and taxpayers within the District's boundaries. Upon completion of construction and installation, it is the District's intent to dedicate all public improvements to the Town or its designee for operation and maintenance. Certain landscaping, park and recreation improvements, addition of retention/detention ponds, and irrigation system improvements may be maintained by the District unless the Town accepts ownership of any such improvements.

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 except for fiduciary activities. 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.

JOHNSTOWN FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 the 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. Expenditures for property and equipment are shown as increases in assets and redemption of bonds and notes 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 and specific ownership 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 another fund.

JOHNSTOWN FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of public infrastructure.

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

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's board of directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's board of directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

For the year ended December 31, 2017, supplementary appropriations approved by the District's board of directors modified the appropriation in the General Fund from \$105,012 to \$128,812 and the appropriation in the Capital Projects Fund from -0- to \$3,882,071.

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 payable 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.

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 property tax revenue is recorded as revenue in the year they are available or collected.

JOHNSTOWN FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Facility Fees

The District can impose facility fees upon residences located within the District in the amount of \$1,000 per single family and multi-family dwelling unit. The facility fee shall be due upon the issuance of a building permit.

Capital Assets

Capital assets are reported in the governmental activities column in the governmental-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements that will be dedicated to other governmental entities are not depreciated. Improvements to be owned by the District are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

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.

**JOHNSTOWN FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of December 31, 2017 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments – unrestricted	<u>\$ 42,894</u>
Total cash and investments	<u>\$ 42,894</u>

Cash and investments as of December 31, 2017 consist of the following:

Deposits with financial institutions	\$ 1,386
Investments	<u>41,508</u>
Total cash and investments	<u>\$ 42,894</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2017, the District’s cash deposits had a bank balance of \$1,861 and a carrying balance of \$1,386.

**JOHNSTOWN FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

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

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investment that are in the possession of another party.

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.

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

As of December 31, 2017, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted average under 60 days	\$ 41,508
Total Investments		<u>\$ 41,508</u>

During 2017, the District invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank serves as custodian for CSAFE's portfolio

**JOHNSTOWN FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

pursuant to custodian agreements. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. As of December 31, 2017, the District had \$41,508 invested in CSAFE in the name of the District. CSAFE is rated AAAM by S&P Global Ratings.

Investment Valuation

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

However, the District's investments are not measured at fair value and are therefore not required to be categorized within the fair value hierarchy. These investments include a 2a7-like external investment pool (CSAFE). The District is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value ("NAV") per share (or its equivalent) of the investment.

CSAFE's primary goal is to maintain \$1.00 per share NAV. Many funds utilize the amortized cost method but CSAFE does not take this approach. CSAFE prices its portfolio on a weekly basis using a third-party pricing entity to determine if the pool's NAV deviates materially from \$1.00 per share. CSAFE has in place a NAV monitoring policy to take action if a material variation exists.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2017, follows:

	Balance at December 31, 2016	Increases	Decreases	Balance at December 31, 2017
<u>Governmental Activities</u>				
Capital assets, not being depreciated:				
Public infrastructure dedicated to other gove	\$ 1,577,748	\$ 3,782,071	\$ 5,359,819	\$ -
Total capital assets	<u>\$ 1,577,748</u>	<u>\$ 3,782,071</u>	<u>\$ 5,359,819</u>	<u>\$ -</u>

**JOHNSTOWN FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in long-term obligations for the year ended December 31, 2017:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
Governmental Activities:					
Developer advances	\$ 1,305,056	\$ 3,782,071	\$ -	\$ 5,087,127	\$ -
Accrued interest on developer advances	5,757	312,579	100,000	218,336	-
	<u>\$ 1,310,813</u>	<u>\$ 4,094,650</u>	<u>\$ 100,000</u>	<u>\$ 5,305,463</u>	<u>\$ -</u>

The detail of the District's long-term obligations is as follows:

Advance and Reimbursement Agreement – Forestar (USA) Real Estate Group, Inc.

The District entered into an advance and reimbursement agreement with Forestar (USA) Real Estate Group, Inc on November 21, 2013. The agreement establishes the terms and conditions for reimbursing hard and soft construction costs pursuant to the District's reimbursement policy resolution dated December 13, 2012 and specifies simple interest to accrue on amounts certified and accepted for reimbursement at an annual rate of 7.0%. The District shall make payment for the advances, subject to annual appropriation and budget approval, from funds available within any fiscal year and not otherwise required for operations, capital improvements, and debt service costs and expenses of the District. At December 31, 2017, the District owed Forestar (USA) Real Estate Group, Inc. \$5,087,127 in principal and \$218,336 in accrued interest. Subsequent to year end this agreement was assigned to TF Johnstown Farms, L.P.

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**JOHNSTOWN FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Authorized Debt

On November 6, 2007, a majority of the qualified electors of the District authorized the issuance of indebtedness. The District's service plan limits general obligation debt to \$5,600,000.

	Total Authorized	Remaining at December 31, 2017
Street improvements	\$ 5,600,000	\$ 5,600,000
Sanitation improvements	5,600,000	5,600,000
Park and recreation	5,600,000	5,600,000
Water improvements	5,600,000	5,600,000
Refunding	5,600,000	5,600,000
Operations	500,000	500,000
	\$ 28,500,000	\$ 28,500,000

NOTE 6 – FUND EQUITY

At December 31, 2017, the District reported the following classifications of fund equity.

Non-spendable - The non-spendable fund balance in the General Fund in the amount of \$2,488 represents prepaid expenditures for the ensuing fiscal year and is therefore not in a spendable form.

Restricted - The restricted fund balance in the General Fund in the amount of \$3,800 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 (see Note 10).

Unrestricted - amounts that are available for any purpose.

NOTE 7 - NET POSITION

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

Restricted net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or law and regulations of other governments, or as imposed by law through constitutional provisions or enabling legislation. The District's restricted net position at December 31, 2017, consists of \$3,800 for emergency reserves.

JOHNSTOWN FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 - NET POSITION (CONTINUED)

As of December 31, 2017, the District had a deficit unrestricted net position of \$5,267,836. This deficit amount is the result of the District being responsible for the repayment of developer advances issued for public improvements which were conveyed to other governmental entities.

NOTE 8 - RELATED PARTIES

The members of the Board of Directors of the District are owners of Kirschner Co, LLC, and earn a monthly fee and commission when lots or land parcels are sold within the District.

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

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.

JOHNSTOWN FARMS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

On November 6, 2007, a majority of the District's electors authorized the District to collect, spend, or retain annually any and all amounts from any revenue sources without regard to any limitation imposed by TABOR.

On November 6, 2007, the District's voters approved an increase in District taxes of \$500,000 annually for coverage of operations, maintenance and other expenses without regard to any spending, revenue-raising, or other limitation contained within TABOR or Section 29-1-301, Colorado Revised Statutes.

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.

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

SUPPLEMENTAL INFORMATION

JOHNSTOWN FARMS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2017

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
General				
Capital projects	-	3,782,071	3,782,071	-
Repayment of developer advances	-	100,000	100,000	-
Total expenditures	-	3,882,071	3,882,071	-
EXCESS OF REVENUES OVER EXPENDITURES	-	(3,882,071)	(3,882,071)	-
OTHER FINANCING SOURCES (USES)				
Developer advances		3,782,071	3,782,071	
Transfers in (out)	-	100,000	100,000	-
Total other financing uses		3,882,071	3,882,071	-
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	-	-	-	-
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

OTHER INFORMATION

**JOHNSTOWN FARMS METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION,
MILL LEVY AND PROPERTY TAXES COLLECTED
December 31, 2017**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Total Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2011	\$ 129,660	40.000	\$ 5,186	\$ 5,186	99.99%
2012	\$ 138,200	40.000	\$ 5,528	\$ 5,528	100.00%
2013	\$ 141,370	40.000	\$ 5,655	\$ 5,655	100.00%
2014	\$ 3,885,154	40.000	\$ 155,406	\$ 155,406	100.00%
2015	\$ 3,712,280	40.000	\$ 148,491	\$ 148,505	100.01%
2016	\$ 3,710,340	40.000	\$ 148,414	\$ 147,039	99.07%
2017	\$ 2,519,840	40.000	\$ 100,794	\$ 100,030	99.24%
Estimated for the year ending December 31, 2018	\$ 2,680,720	40.000	\$ 107,229		

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.