

**JOHNSTOWN FARMS METROPOLITAN DISTRICT**  
**Town of Johnstown, Weld County, Colorado**

**FINANCIAL STATEMENTS**  
**December 31, 2020**

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### **Independent Auditor's Report**

Board of Directors  
Johnstown Farms Metropolitan District  
Weld County, Colorado

#### **Report for the Financial Statements**

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, 2020, 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, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that 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 basic 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  
June 15, 2021

## **BASIC FINANCIAL STATEMENTS**

**JOHNSTOWN FARMS METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2020**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments - unrestricted	\$ 57,250
Cash and investments - restricted	158,112
Receivable from county treasurer	481
Property taxes receivable	158,081
Prepaid expenditures	2,521
Total assets	<u>376,445</u>
 <b>LIABILITIES</b>	
Accounts payable	2,983
Accrued interest on long-term obligations	6,372
Noncurrent liabilities:	
Due within one year	25,000
Due in more than one year	2,050,000
Total liabilities	<u>2,084,355</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	158,081
Total deferred inflows of resources	<u>158,081</u>
 <b>NET POSITION</b>	
Restricted for:	
Emergency reserves	4,200
Unrestricted	<u>(1,870,191)</u>
Total net position (deficit)	<u><u>\$ (1,865,991)</u></u>

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, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 52,337	\$ -	\$ -	\$ -	\$ (52,337)
Interest and expenses on long-term debt	463,350	-	-	-	(463,350)
	<u>\$ 515,687</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(515,687)</u>
General revenues:					
Property taxes				132,047	
Specific ownership taxes				6,268	
Interest				364	
Total general revenues				<u>138,679</u>	
Special item:					
Cancellation of developer advance obligations					<u>4,333,973</u>
Change in net position					3,956,965
Net position - beginning					<u>(5,822,956)</u>
Net position - ending					<u>\$ (1,865,991)</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, 2020**

	General	Debt Service	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments - unrestricted	\$ 57,250	\$ -	\$ 57,250
Cash and investments - restricted	-	158,112	158,112
Receivable from county treasurer	481	-	481
Property taxes receivable	36,263	121,818	158,081
Prepaid expenditures	2,521	-	2,521
Total assets	\$ 96,515	\$ 279,930	\$ 376,445
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 2,983	\$ -	\$ 2,983
Total liabilities	2,983	-	2,983
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	36,263	121,818	158,081
Total deferred inflows of resources	36,263	121,818	158,081
<b>FUND BALANCES</b>			
Nonspendable:			
Prepaid expenditures	2,521	-	2,521
Restricted for:			
Emergency reserves	4,200	-	4,200
Debt service	-	158,112	158,112
Unrestricted			
Unassigned	50,548	-	50,548
Total fund balances	57,269	158,112	215,381
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
	\$ 96,515	\$ 279,930	

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

Bonds payable	(2,075,000)
Interest on bonds payable	(6,372)
Net position of governmental activities	\$ (1,865,991)

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, 2020**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 132,047	\$ -	\$ 132,047
Specific ownership taxes	6,268	-	6,268
Interest	289	75	364
Total revenues	<u>138,604</u>	<u>75</u>	<u>138,679</u>
<b>EXPENDITURES</b>			
<u>General</u>			
Audit	1,006	-	1,006
County treasurer fees	1,982	-	1,982
District management and accounting	24,122	-	24,122
Dues and subscriptions	288	-	288
Elections	274	-	274
Insurance and bonds	2,765	-	2,765
Legal	21,651	-	21,651
Miscellaneous	249	-	249
<u>Debt Service</u>			
Bond principal	-	25,000	25,000
Bond interest	-	16,122	16,122
Bond issuance costs	-	183,141	183,141
Paying agent fees	-	6,006	6,006
Developer advance repayment - principal	-	753,154	753,154
Developer advance repayment - interest	-	1,002,242	1,002,242
Total expenditures	<u>52,337</u>	<u>1,985,665</u>	<u>2,038,002</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>86,267</u>	<u>(1,985,590)</u>	<u>(1,899,323)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	-	2,100,000	2,100,000
Transfers	(43,702)	43,702	-
Total other financing sources (uses)	<u>(43,702)</u>	<u>2,143,702</u>	<u>2,100,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	42,565	158,112	200,677
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>14,704</u>	<u>-</u>	<u>14,704</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 57,269</u>	<u>\$ 158,112</u>	<u>\$ 215,381</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, 2020**

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

Net change in fund balances - total governmental funds	\$ 200,677
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The net effect of these differences in the treatment of long-term debt is as follows:

Bond proceeds	(2,100,000)	
Bond principal payment	25,000	
Developer advance principal repayment	753,154	
Cancellation of developer advance obligations	<u>4,333,973</u>	3,012,127

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

Net change in accrued interest on long-term obligations	<u>744,161</u>
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Change in net position of governmental activities	<u><u>\$ 3,956,965</u></u>
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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, 2020**

	<u>Budget Amounts</u> <u>Original and Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 132,047	\$ 132,047	\$ -
Specific ownership taxes	5,678	6,268	590
Interest	1,000	289	(711)
Total revenues	<u>138,725</u>	<u>138,604</u>	<u>(121)</u>
<b>EXPENDITURES</b>			
Audit	1,000	1,006	(6)
County treasurer fees	1,980	1,982	(2)
District management and accounting	11,000	24,122	(13,122)
Dues and subscriptions	500	288	212
Elections	1,000	274	726
Engineering	2,000	-	2,000
Insurance and bonds	3,000	2,765	235
Legal	12,000	21,651	(9,651)
Miscellaneous	500	249	251
Emergency reserve	4,132	-	4,132
Total expenditures	<u>37,112</u>	<u>52,337</u>	<u>(15,225)</u>
<b>EXCESS OF REVENUES OVER</b> <b>EXPENDITURES</b>	<u>101,613</u>	<u>86,267</u>	<u>(15,346)</u>
<b>OTHER FINANCING USES</b>			
Transfer to other funds	<u>(100,000)</u>	<u>(43,702)</u>	<u>56,298</u>
<b>Total other financing uses</b>	<u>(100,000)</u>	<u>(43,702)</u>	<u>56,298</u>
<b>NET CHANGE IN FUND BALANCE</b>	1,613	42,565	40,952
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>12,029</u>	<u>14,704</u>	<u>2,675</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 13,642</u>	<u>\$ 57,269</u>	<u>\$ 43,627</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, 2020**

**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 Title 32, Article 1, Colorado Revised Statutes (Colorado Special District Act). The District's boundaries are located entirely in the Town of Johnstown (Town), County of Weld, Colorado. The District is governed by an elected board of directors (Board).

The District was established principally to finance the construction of various public improvements, including streets, traffic and safety signals, storm drainage, sewer, water, and park and recreation facilities (Public Improvements) for the use and benefit of all its residents and taxpayers within the District's boundaries. Upon completion of construction and installation of the Public Improvements, certain Public Improvements were dedicated to the Town or its designee for operation and maintenance. The District is anticipated to accept certain drainage and detention pond improvements for ongoing ownership and maintenance.

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 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, 2020**

**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, 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Debt Service Fund accounts for the resources accumulated and payments made for principal, interest and related expenses on the long-term obligation debt of the governmental 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 Local Government Budget Law of Colorado, the Board 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 Board can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified following public notification and a public hearing on the proposed modification. The budget includes each fund on its basis of accounting unless otherwise indicated.

The 2020 budget included appropriations of \$1,755,396, as amended from \$100,000 for the Capital Project Fund; however, no expenditures were incurred during 2020 for this fund. For the year ended December 31, 2020, supplementary appropriations approved by the Board modified the appropriation in the Debt Service Fund from \$0 to \$3,742,435.

**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 Board. The levy is based on assessed valuations determined by the county assessor generally as of January 1 of each year. The levy is 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, 2020**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Bond Issuance Costs**

In the fund and government-wide financial statements, bond issuance costs, whether or not withheld from the actual debt proceeds received, are recognized during the current period as debt service expenditures.

**Deferred Inflows of Resources**

In addition to liabilities, the statement of net position will sometimes report 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The revenue continues to be recognized when earned in the government-wide statements. 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 Board or by an official or body to which the Board 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 Board has provided otherwise in its commitment or assignment actions.

**JOHNSTOWN FARMS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments – unrestricted	\$ 57,250
Cash and investments – restricted	<u>158,112</u>
Total cash and investments	<u><u>\$ 215,362</u></u>

Cash and investments as of December 31, 2020 consist of the following:

Deposits with financial institutions	\$ 4,431
Investments	<u>210,931</u>
Total cash and investments	<u><u>\$ 215,362</u></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, 2020, the District's cash deposits had a bank balance of \$5,640 and a carrying balance of \$4,431.

**Investments**

Credit Risk

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

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board. 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:

**JOHNSTOWN FARMS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

- \* Obligations of the United States and certain U.S. government agency securities and the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Certain reverse repurchase agreements
- Certain corporate bonds
- Certain securities and lending arrangements
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- \* Local government investment pools

The District generally limits its concentration of investments to those noted with an asterisk (\*) above, 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.

Investments

As of December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Surplus Asset Fund Trust	Weighted average under 60 days	\$ 52,819
Colorado Local Government Asset Trust	Weighted average under 60 days	<u>158,112</u>
Total investments		<u>\$ 210,931</u>

During 2020, 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 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, 2020, the District had \$52,819 invested in CSAFE in the name of the District. CSAFE is rated AAAM by S&P Global Ratings.

**JOHNSTOWN FARMS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

**COLOTRUST**

During 2020, the District invested in Colorado Local Government Liquid Asset Trust (Colostrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing Colostrust. Colostrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colostrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper, and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for Colostrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colostrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colostrust. As of December 31, 2020, the District had \$158,112 invested in COLOTRUST PLUS+ in the name of the District. Colostrust is rated AAAM by S&P Global Ratings.

**Bond Funds**

Cash and investments in the amount of \$3,805 and \$154,307 are restricted for payment of debt service and reserve funds, respectively, on the District's outstanding bond obligation.

**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 and Colostrust). 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.

**JOHNSTOWN FARMS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

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

**NOTE 4 - LONG-TERM OBLIGATIONS**

The following is an analysis of the changes in long-term obligations for the year ended December 31, 2020:

	<u>Balance at December 31, 2019</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance at December 31, 2020</u>	<u>Due Within One Year</u>
Direct Placement Advances:					
Developer advances	\$ 5,087,127	\$ -	\$ 5,087,127	\$ -	\$ -
Accrued interest on developer advances	750,533	251,709	1,002,242	-	-
Direct Borrowing:					
G.O. Limited Tax Bonds, Series 2020	-	2,100,000	25,000	2,075,000	25,000
	<u>\$ 5,837,660</u>	<u>\$ 2,351,709</u>	<u>\$ 6,114,369</u>	<u>\$ 2,075,000</u>	<u>\$ 25,000</u>

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

**Advance and Reimbursement and Infrastructure Acquisition Agreements**

In 2008 and 2013, the District entered into advance and reimbursement agreements (Original Agreements) with Forestar (USA) Real Estate Group, Inc. and Johnstown Farms, LLC (Original Developers) that provided, among other things, for the Original Developers to advance funds to the District to pay for the costs related to the construction of certain public improvements and reimbursement by the District for costs associated with construction of such public improvements.

In September 2014, the District certified costs in the amount of \$1,577,748, and in March 2017, the District certified costs in the amount of \$3,782,070 (Original Certified Costs) pursuant to the Original Agreements. The Original Certified Costs began accruing interest at a rate of 7.0% per year from the date certified.

On February 8, 2018, the Original Developers assigned their rights to all reimbursements due under the Original Agreements to TF Johnstown Farms, L.P. (Developer), including amounts due for the Original Certified Costs in connection with the purchase by the Developer of certain property within the District.

**JOHNSTOWN FARMS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

On May 22, 2018, the District and the Developer entered into an agreement to terminate the February 8, 2018 assignment (Termination Agreement), and concurrent with the Termination Agreement, the District and the Developer entered into an Infrastructure and Acquisition Agreement (IAA) dated May 22, 2018, which provided that the District would be responsible to reimburse the Developer for the Original Certified Costs and future eligible costs related to public improvements for the benefit of the District.

Subsequent to entering into the IAA, the Developer determined to exclude the remainder of its developable property from the District and form a new metropolitan district to serve such property. In addition, the Developer did not anticipate construction and financing of additional public improvements in the District but desired to be reimbursed for the Original Certified Costs plus accrued interest.

Therefore, in anticipation of the issuance of the District's General Obligation Limited Tax Bonds, Series 2020, the District and the Developer entered into an Amended and Restated Infrastructure Acquisition Agreement (A&R IAA) in order to establish the terms and conditions for (a) reimbursement of Original Certified Costs plus accrued interest thereon and (b) acquisition of a detention pond from the Developer. Under the A&R IAA, the Developer waived its right to reimbursement for any Original Certified Costs not previously reimbursed or reimbursed with the anticipated bond proceeds.

On September 16, 2020, the Developer was reimbursed \$753,154 in principal and \$1,002,242 in interest through the issuance of bonds as discussed below. The amount of Original Certified Costs cancelled and no longer eligible for future reimbursement totaled \$4,333,973.

**General Obligation Limited Tax Bonds, Series 2020**

On September 16, 2020, the District issued its General Obligation Limited Tax Bonds, Series 2020 (Series 2020 Bonds), in the principal amount of \$2,100,000. The Series 2020 is a term bond and bears an interest rate of 3.685%, with interest payable semi-annually on June 1 and December 1, with annual sinking fund principal payments beginning December 1, 2020. The Series 2020 Bonds mature on December 1, 2049. The Series 2020 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in part on December 1, 2030, and on any date thereafter, upon payment of the principal amount of the bonds to be redeemed together with accrued interest, without redemption premiums.

The Series 2020 Bonds are secured by and payable solely from pledged revenue, which includes property taxes derived from the required mill levy net of the cost of collection, specific ownership taxes and any other legally available moneys of the District. The Series 2020 Bonds were issued for the purpose of (i) paying or reimbursing Prior Costs (as discussed above) (ii) funding the Reserve Fund and (iii) paying the costs of issuance of the Bonds.

Significant events of default under the Series 2020 Bonds include (i) failure to impose required mill levy or apply required pledged revenue, (ii) failure to meet financial or custodial agreement covenants and (iii) filing of a petition for bankruptcy.

**JOHNSTOWN FARMS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)**

Immediately upon the occurrence and continuance of an event of default, the trustee has rights or remedies including (i) rights to the appointment of a receiver for control of trust assets and (ii) right to file a suit for judgment, action or special proceedings as advised by trustee counsel.

The following table sets forth the estimated debt service payment schedule for the principal and interest on the Series 2020 Bonds:

	<b>General Obligation Limited Tax Bonds - Series 2020</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 25,000	\$ 76,464	\$ 101,464
2022	25,000	75,543	100,543
2023	30,000	74,621	104,621
2024	30,000	73,516	103,516
2025	35,000	72,410	107,410
2026-2030	205,000	341,417	546,417
2031-2035	275,000	298,669	573,669
2036-2040	365,000	241,551	606,551
2041-2045	465,000	167,114	632,114
2046-2049	620,000	66,698	686,698
	<u>\$ 2,075,000</u>	<u>\$ 1,488,003</u>	<u>\$ 3,563,003</u>

**Authorized Debt**

On November 6, 2007, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$28,500,000 for general obligation bonds and loans. The District's service plan, however, established a total debt limit for the District of \$5,600,000 (Service Plan Debt Limit). Upon exclusion of certain property from the District during 2020, the Town and the District agreed to reduce the Service Plan Debt Limit to \$2,100,000. As a result of the issuance of the Series 2020 Bonds, the District has no remaining debt authorized under the Service Plan Debt Limit.

**NOTE 5 – FUND EQUITY**

At December 31, 2020, the District reported the following classifications of fund equity.

**Nonspendable Fund Balance**

The non-spendable fund balance in the General Fund in the amount of \$2,521 represents prepaid expenditures for the ensuing fiscal year and is therefore not in a spendable form.

**JOHNSTOWN FARMS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2020**

**NOTE 5 – FUND EQUITY (CONTINUED)**

**Restricted Fund Balance**

The restricted fund balance in the General Fund in the amount of \$4,200 is comprised of the emergency reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 8).

The restricted fund balance in the Debt Service Fund in the amount of \$158,112 is to be used exclusively for debt service requirements (see Note 4).

**NOTE 6 - NET POSITION**

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

The restricted portion of the net position includes amounts that are restricted either externally by creditors, grantors, contributors, or law and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation. The District’s restricted net position at December 31, 2020 is as follows:

	<b>Governmental Activities</b>
Restricted net position:	
TABOR emergency reserve (Note 8)	\$ 4,200
	\$ 4,200

In the government-wide financial statements, the District’s unrestricted net deficit as of December 31, 2020 totaled \$1,870,191, primarily due to capital improvements that were funded with long-term debt that have been dedicated to other entities, while the long-term debt remains an obligation of the District.

**NOTE 7 - 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.

**JOHNSTOWN FARMS METROPOLITAN DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020**

**NOTE 7 - RISK MANAGEMENT (CONTINUED)**

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 8 - 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.

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**  
**DEBT SERVICE FUND**  
**Year Ended December 31, 2020**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 75	\$ 75
Total revenues	<u>-</u>	<u>-</u>	<u>75</u>	<u>75</u>
<b>EXPENDITURES</b>				
Bond principal	-	25,000	25,000	-
Bond interest	-	16,122	16,122	-
Bond issuance costs	-	184,521	183,141	1,380
Paying agent fees	-	6,000	6,006	(6)
Developer advance repayment - principal	-	753,154	753,154	-
Developer advance repayment - interest	-	1,002,242	1,002,242	-
Total expenditures	<u>-</u>	<u>1,987,039</u>	<u>1,985,665</u>	<u>1,374</u>
<b>EXCESS OF EXPENDITURES OVER REVENUES</b>	<u>-</u>	<u>(1,987,039)</u>	<u>(1,985,590)</u>	<u>1,449</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Bond proceeds	-	2,100,000	2,100,000	-
Developer advances	-	1,755,396	-	(1,755,396)
Transfer from other funds	-	-	43,702	43,702
Transfer to other funds	-	(1,755,396)	-	1,755,396
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>2,100,000</u>	<u>2,143,702</u>	<u>43,702</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	112,961	158,112	45,151
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 112,961</u>	<u>\$ 158,112</u>	<u>\$ 45,151</u>

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

## **OTHER INFORMATION**

**JOHNSTOWN FARMS METROPOLITAN DISTRICT  
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY  
December 31, 2020**

**\$2,100,000 Series 2020  
General Obligation Limited Tax Bonds  
Dated September 16, 2020  
Interest Rate of 3.685%  
Payable on June 1 and December 1,  
Principal Due December 1**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 25,000	\$ 76,464	\$ 101,464
2022	25,000	75,543	100,543
2023	30,000	74,621	104,621
2024	30,000	73,516	103,516
2025	35,000	72,410	107,410
2026	35,000	71,121	106,121
2027	40,000	69,831	109,831
2028	40,000	68,357	108,357
2029	45,000	66,883	111,883
2030	45,000	65,225	110,225
2031	50,000	63,566	113,566
2032	50,000	61,724	111,724
2033	55,000	59,881	114,881
2034	60,000	57,855	117,855
2035	60,000	55,643	115,643
2036	65,000	53,432	118,432
2037	70,000	51,037	121,037
2038	75,000	48,458	123,458
2039	75,000	45,694	120,694
2040	80,000	42,930	122,930
2041	85,000	39,982	124,982
2042	90,000	36,850	126,850
2043	90,000	33,533	123,533
2044	100,000	30,217	130,217
2045	100,000	26,532	126,532
2046	110,000	22,847	132,847
2047	110,000	18,793	128,793
2048	120,000	14,740	134,740
2049	280,000	10,318	290,318
	<u>\$ 2,075,000</u>	<u>\$ 1,488,003</u>	<u>\$ 3,563,003</u>

**JOHNSTOWN FARMS METROPOLITAN DISTRICT  
SCHEDULE OF ASSESSED VALUATION,  
MILL LEVY AND PROPERTY TAXES COLLECTED  
Year Ended December 31, 2020**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Property Tax Levy</b>	<b>Mills Levied</b>	<b>Total Property Taxes</b>		<b>Percentage Collected to Levied</b>
			<b>Levied</b>	<b>Collected</b>	
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	\$ 100,794	100.00%
2018	\$ 2,680,720	40.000	\$ 107,229	\$ 107,229	100.00%
2019	\$ 2,780,110	40.000	\$ 111,204	\$ 111,205	100.00%
2020	\$ 3,301,180	40.000	\$ 132,047	\$ 132,047	100.00%
Estimated for the year ending December 31, 2021	\$ 3,626,280	43.593	\$ 158,081		

**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.