

Johnstown Village Metropolitan District No. 2

FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2020

*Table of Contents*

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENTAL FUNDS BALANCE SHEET/ STATEMENT OF NET POSITION	6
STATEMENT OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE/STATEMENT OF ACTIVITIES	7
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	8
NOTES TO FINANCIAL STATEMENTS	9
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – DEBT SERVICE FUND	24
SCHEDULE OF EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – CAPITAL PROJECTS FUND	25



REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS

Board of Directors  
Johnstown Village Metropolitan District No. 2  
Weld County, Colorado

***Report on the Financial Statements***

We have audited the accompanying basic financial statements of the governmental activities and the governmental funds of the Johnstown Village Metropolitan District No. 2 (the "District"), as of and for the year ended December 31, 2020, 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on conducting our audit in accordance with auditing standards generally accepted in the United States of America as established by the *American Institute of Certified Public Accountants* ("US GAAS").

We conducted our audit in accordance with US GAAS. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether these financial statements are free of material misstatement.

An audit includes 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 on the Financial Statements***

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the governmental funds of the Johnstown Village Metropolitan District No. 2 as of December 31, 2020, the respective change 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***

#### *Supplementary Information*

Our audit was conducted with the purpose of forming an opinion on the basic financial statements of the Johnstown Village Metropolitan District No. 2 taken as a whole. The supplementary information on pages 24 and 25 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management of the District and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to our auditing procedures applied in the audit of the financial statements and certain other 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### *Management's Discussion and Analysis*

The Board of Directors has omitted the Management's Discussion and Analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of the 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 omitted information.

*Marc, James and Associates, PC*

Highlands Ranch, Colorado  
July 28, 2021

*BASIC FINANCIAL STATEMENTS*

## Johnstown Village Metropolitan District No. 2

## GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2020

	Governmental Funds				Adjustments	Statement of Net Position
	General	Debt Service	Capital Projects	Total		
<b>ASSETS</b>						
Restricted cash and cash equivalents	\$ -	\$ 1,550,635	\$ -	\$ 1,550,635	\$ -	\$ 1,550,635
Property taxes receivable	431	2,156	-	2,587	-	2,587
Due from developer	-	-	4,522	4,522	(4,522)	-
Capital assets	-	-	-	-	5,695,205	5,695,205
<b>Total assets</b>	<b>\$ 431</b>	<b>\$ 1,552,791</b>	<b>\$ 4,522</b>	<b>\$ 1,557,744</b>	<b>5,690,683</b>	<b>7,248,427</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 4,522	\$ 4,522	-	4,522
Developer advance	-	-	-	-	7,140	7,140
Accrued interest payable	-	-	-	-	42,859	42,859
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>4,522</b>	<b>4,522</b>	<b>49,999</b>	<b>54,521</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes	431	2,156	-	2,587	-	2,587
<b>LONG-TERM DEBT</b>						
Bond premium	-	-	-	-	55,998	55,998
Due in more than one year	-	-	-	-	7,691,000	7,691,000
<b>Total long-term debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,746,998</b>	<b>7,746,998</b>
<b>FUND BALANCE</b>						
Restricted	-	1,550,635	-	1,550,635	(1,550,635)	-
<b>Total fund balance</b>	<b>-</b>	<b>1,550,635</b>	<b>-</b>	<b>1,550,635</b>	<b>(1,550,635)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 431</b>	<b>\$ 1,552,791</b>	<b>\$ 4,522</b>	<b>\$ 1,557,744</b>		
<b>NET POSITION</b>						
Restricted					1,550,635	1,550,635
Unrestricted					(2,106,314)	(2,106,314)
<b>Total net position</b>					<b>\$ (555,679)</b>	<b>\$ (555,679)</b>

The accompanying notes are an integral part of these financial statements

Johnstown Village Metropolitan District No. 2  
STATEMENT OF GOVERNMENTAL FUNDS REVENUE, EXPENDITURES AND  
CHANGE IN FUND BALANCE/STATEMENT OF ACTIVITIES

For the Year ended December 31, 2020

	Governmental Funds				Adjustments	Statement of Activities
	General	Debt Service	Capital Projects	Total		
<b>EXPENDITURES</b>						
<b>OPERATIONS</b>						
Bank charges	\$ -	\$ 76	\$ -	\$ 76	\$ -	\$ 76
Engineering	-	-	11,662	11,662	-	11,662
<b>DEBT SERVICE</b>						
Cost of issuance	-	443,723	-	443,723	-	443,723
Interest expense	-	59,136	-	59,136	42,389	101,525
<b>CAPITAL EXPENDITURES</b>						
Infrastructure	-	-	5,695,205	5,695,205	(5,695,205)	-
Total expenditures	-	502,935	5,706,867	6,209,802	(5,652,816)	556,986
<b>GENERAL REVENUE</b>						
Interest	-	1,307	-	1,307	-	1,307
Total general revenue	-	1,307	-	1,307	-	1,307
EXCESS OF EXPENDITURES OVER REVENUE	-	(501,628)	(5,706,867)	(6,208,495)	5,652,816	(555,679)
<b>OTHER SOURCES AND (USES)</b>						
Proceeds from the issuance of debt	-	7,747,468	-	7,747,468	(7,747,468)	-
Developer advance	-	-	11,662	11,662	(11,662)	-
Transfer in(out)	-	(5,695,205)	5,695,205	-	-	-
Net other sources and (uses)	-	2,052,263	5,706,867	7,759,130	(7,759,130)	-
CHANGE IN FUND BALANCE	-	1,550,635	-	1,550,635	(1,550,635)	-
CHANGE IN NET POSITION	-	-	-	-	(555,679)	(555,679)
<b>FUND BALANCE /NET POSITION</b>						
Beginning of the year	-	-	-	-	-	-
End of the year	\$ -	\$ 1,550,635	\$ -	\$ 1,550,635	\$ (2,106,314)	\$ (555,679)

The accompanying notes are an integral part of these financial statements

Johnstown Village Metropolitan District No. 2

STATEMENT OF REVENUE, EXPENDITURES AND  
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For the Year ended December 31, 2020

	Original Budget	Amended and Final Budget	Actual	Variance
<b>REVENUE</b>				
Property and other taxes	\$ 19	\$ 3	\$ -	\$ (3)
Total revenues	<u>19</u>	<u>3</u>	<u>-</u>	<u>(3)</u>
<b>EXPENDITURES</b>				
<b>OPERATING</b>				
Audit	1,000	1,000	-	1,000
Contingency	5,000	5,000	-	5,000
Election	5,000	5,000	-	5,000
Engineering	5,000	5,000	-	5,000
Insurance	3,000	3,000	-	3,000
Legal	20,000	20,000	-	20,000
Management and accounting	8,000	8,000	-	8,000
Total expenditures	<u>47,000</u>	<u>47,000</u>	<u>-</u>	<u>47,000</u>
EXCESS OF EXPENDITURES OVER REVENUES	(46,981)	(46,997)	-	46,997
<b>OTHER SOURCES</b>				
Developer advances	50,000	49,997	-	(49,997)
Total other sources	<u>50,000</u>	<u>49,997</u>	<u>-</u>	<u>(49,997)</u>
CHANGE IN FUND BALANCE	<u>\$ 3,019</u>	<u>\$ 3,000</u>	<u>-</u>	<u>\$ (3,000)</u>
<b>FUND BALANCE</b>				
Beginning balance			<u>-</u>	
Ending balance			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Johnstown Village Metropolitan District No. 2 (the “District”) conform to the accounting principles generally accepted in the United States of America (“US GAAP”) as applicable to governmental entities. The following is a summary of the more significant policies consistently applied in the preparation of the basic financial statements of the District.

*1. Reporting Entity*

The District was formed, pursuant to the Colorado Special District Act, Article 1 of Title 32 of the Colorado Revised Statutes, in January 2019, as a quasi-municipal corporation and a political subdivision of the State of Colorado. The District was formed in conjunction with Johnstown Village Metropolitan District Nos. 1 and 3 through 5 (the “District’s”). The District is governed by a five-member Board of Directors. The District is in the Town of Johnstown, Weld County, Colorado and is located in northern Colorado.

The Districts were formed to serve the needs of the approximately 118-acre Johnstown Village development being developed by Forestar (USA) Real Estate Group, Inc. (the “Developer” or “Forestar”) currently planned to consist of 263-single family detached homes being marketed under the name “Mallard Ridge.”

As required by US GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local government entities. The District has no component units as defined by Governmental Accounting Standards Board (“GASB”), Statement No. 14, *The Reporting Entity* and GASB No. 39, *Determining Whether Certain Organizations are Component Units*.

*2. Measurement Focus and Financial Reporting Framework*

*Government-wide Financial Statements*

The government-wide financial statements, the Statement of Net Position and the Statement of Activities, report information on the accrual basis of accounting related to the *governmental-type activities* of the District, which rely to a significant extent on property taxes and specific ownership taxes. The Statement of Activities demonstrates the degree to which expenses of the *governmental-type activities* are supported by property tax and specific ownership taxes.

*Governmental Fund Financial Statements*

The governmental fund financial statements are prepared 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 if the revenues are collectible within the current period or soon thereafter to pay liabilities of the current period. For that purpose, the District considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period.

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

2. *Measurement Focus and Financial Reporting Framework - continued*

*Governmental Funds*

The District maintains three individual governmental funds. The governmental funds information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, the Debt Service Fund and the Capital Projects Fund, all of which, the District considers to be major funds.

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term liabilities of the District.

The *Capital Projects Fund* accounts for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition of capital facilities and other assets.

3. *Cash and Cash Equivalents*

The District considers cash and cash equivalents to include cash on hand, unrestricted demand deposits and money market accounts, as applicable.

4. *Fair Value of Financial Instruments*

The District's financial instruments may include cash and cash equivalents, property taxes receivable, accounts payable, accrued liabilities and deferred inflows of resources. The District estimates that the fair value of these financial instruments as of December 31, 2020, do not differ materially from the aggregate carrying values used in the accompanying financial statements. The carrying amount of these financial instruments approximates the fair value due to the short maturity of these financial instruments.

5. *Capital Assets*

The District's capital assets which consist of construction in process, primarily infrastructure, are reported in the government-wide financial statements, Statement of Net Position. The District's capital assets are recorded at cost, if purchased or constructed.

The District has a capitalization policy of \$5,000. The District's Board of Directors has the option to capitalize certain items less than \$5,000.

The cost of normal maintenance and repairs that do not add to the value of, or materially extend the life of, the related capital asset, are charged to expense as incurred.

It is the intent of the District to convey, transfer or dedicate portions, if not all, of the completed infrastructure to the Town of Johnstown or other applicable local governmental entities.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - *continued*

6. *Property Taxes*

Property taxes, as applicable, are levied on December 15 and attach an enforceable lien on the respective property on January 1. Taxes are payable in full on or before April 30 or in two installments on February 28 and June 15. The County Treasurer collects and remits the property taxes to the District on a monthly basis.

For the year ended December 31, 2020, the District did not levy property taxes.

7. *Use of Estimates*

The preparation of financial statements in conformity with US GAAP involves the use of District management's estimates that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses as applicable, during the reporting period. These estimates are based upon District management's best judgment, after considering past events and assumptions about future events. Actual results could differ from those estimates.

NOTE B – BUDGET INFORMATION

The District's annual budget is prepared on a Non-GAAP basis for the District's General Fund, Debt Service Fund and Capital Projects Fund. An annual appropriated budget is adopted at the total fund expenditure level and the annual appropriations lapse at the end of the District's fiscal year.

The District conforms to the following procedures, in accordance with the State of Colorado Revised Statutes, in the establishment of the budgetary information reflected in the accompanying financial statements.

On or before October 15, the District's Treasurer and/or the District's Manager submit a proposed budget for the subsequent fiscal year to the District's Board of Directors. The budget sets forth all proposed expenditures for administration, operations, maintenance, debt service, and capital projects for the budget year; all anticipated revenues for the budget year; estimated beginning and ending fund balances; actual figures for the prior fiscal year and projected figures through the end of the current year; and a written budget message describing the important features of the budget.

Following receipt of the proposed budget, the District publishes notice of the hearing at which the adoption of the proposed budget will be considered, a statement that the proposed budget is available for inspection, and that any interested elector may file objections to the proposed budget prior to its adoption. The budget hearing is held at a regular or special Board of Directors' meeting.

Following the budget hearing, the Board of Directors adopts the budget and makes appropriations for the budget year. The District also certifies a mill levy for collection in the budget year. Because the District certifies a mill levy, the adoption of the budget, appropriations and certification of the mill levy must occur on or before December 15. Expenditures in excess of the amounts appropriated for a Fund or transfer of monies between Funds must be approved by the Board of Directors in the same manner as the adoption of the budget.

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE B – BUDGET INFORMATION – *continued*

For the year ended December 31, 2020, the Board of Directors approved the amended budgets for the General Fund, Debt Service Fund and the Capital Projects Fund.

State of Colorado Statutes requires a balanced budget. For 2020, the District's amended General Fund amended budgeted revenues and other sources and uses exceeded budgeted expenditures by \$3,000, and the District's Debt Service Fund amended budgeted revenue and other sources and uses exceeded budgeted expenditures by \$1,550,088. It was anticipated that the current year surpluses would be used in subsequent years in both funds.

NOTE C – CASH AND INVESTMENTS

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine the eligibility. Amounts on deposit in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance levels must be collateralized. The eligible collateral is determined by the PDPA. The PDPA allows institutions to create a single collateral pool for all public funds. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits. The market value of the collateral must be equal to 102% of the aggregate uninsured public deposits. The Colorado Division of Banking for banks and savings associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2020, all of the District's funds were held in eligible public depositories.

NOTE D – RESTRICTED CASH

The cash and cash equivalents held in the Debt Service Fund is reflected as restricted as of December 31, 2020.

NOTE E – CAPITAL ASSETS

The change in the District's capital assets for the year ended December 31, 2020 is as follows:

	Balance December 31, 2019	Additions	Disposals	Balance December 31, 2020
Capital assets				
Construction in process	\$ -	\$ 5,695,205	\$ -	\$ 5,695,205

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE F – LONG-TERM DEBT

*Limited Tax General Obligation Bonds, Series 2020A*

In September 2020, the District issued Limited Tax General Obligation Bonds, Series 2020A, ("Series 2020A Bonds") with a par value of \$6,980,000. The Series 2020A Bonds were issued at a premium of \$56,468, resulting in gross proceeds of \$7,036,468. The Series 2020A Bonds were issued for the purpose of funding the costs of the public improvements, paying the cost of issuance, and funding a portion of the initial interest to accrue on the Series 2020A Bonds.

The Series 2020A Bonds have a final maturity of December 1, 2050, and bear interest from the issuance date at a rate of 5% calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent Senior Pledged Revenues, as defined in the Senior Trust Indenture, are available semiannually on each June 1 and December 1, commencing June 1, 2020, until the Series 2020A Bonds are deemed to be paid in full or are redeemed prior to maturity.

The Senior Pledged Revenue and other amounts available may be insufficient to pay the principal of, and any interest on the Series 2020A Bonds when due. As long as the District neither fails nor refuses to impose the Senior Required Mill Levy or to apply the Senior Pledged Revenue as required, the inability of the District to pay the principal, and any interest when due will not constitute an event of default.

Any principal of the Series 2020A Bonds that is not paid when due shall remain outstanding until paid or until the Series 2020A Termination Date, December 1, 2060. Any interest on the Series 2020A Bonds that is not paid when due will compound semiannually on each Series 2020A Interest Payment Date listed above at the interest rate borne by such Series 2020A Bonds.

Under the terms of the Trust Indenture any amount of principal or interest on the Series 2020A Bonds that remains unpaid after the application of all Pledged Revenue available on December 15, 2060 shall be deemed discharged.

In 2020, interest payments totaling \$59,136 were made as scheduled, and as of December 31, 2020, there was accrued interest payable of \$29,083 which is reflected on the Statement of Net Position.

*Optional Redemption*

The Series 2020A Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or partial multiples of \$1,000, on September 1, 2025, and on any date thereafter, upon payment of par, accrued interest and redemption premium equal to a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
September 1, 2025 to August 31, 2026	3.00%
September 1, 2026 to August 31, 2027	2.00
September 1, 2027 to August 31, 2028	1.00
September 1, 2028 and thereafter	-

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE F – LONG-TERM DEBT - *continued*

*Subordinated Limited Tax General Obligation Bond, Series 2020B*

In September 2020, the District issued Subordinate Limited Tax General Obligation Bonds, Series 2020B, ("Series 2020B Bonds") in the amount of \$711,000. The Series 2020B Bonds were issued for the purpose of funding the costs of the public improvements and paying the cost of issuance.

The Series 2020B Bonds have a final maturity of December 15, 2050, and shall bear interest at a rate of 7.75% calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Subordinate Pledged Revenues, as defined in the Subordinate Trust Indenture, are available annually on each December 15, commencing December 15, 2020, to the extent of the Subordinate Pledged Revenue available therefor, until the Series 2020B Bonds are paid in full or are redeemed prior to maturity.

The Series 2020B Bonds are structured as "cash flow" bonds. Interest on the Series 2020B Bonds is payable on each Interest Payment Date to the extent of any Subordinated Pledged Revenue is available. There are no schedule principal payments prior to the maturity date. However, the Series 2020B Bonds are subject to mandatory redemption on December 15 of each year, commencing December 15, 2020, to the extent of any funds available. As long as the District neither fails nor refuses to impose the Subordinate Required Mill Levy or to apply the Subordinate Pledged Revenue as required, the inability of the District to pay the principal, and any interest when due will not constitute an event of default.

The December 15, 2020, interest payment was not made and as of December 31, 2020, there was accrued interest payable of \$13,776 which is reflected on the Statement of Net Position.

Under the terms of the Subordinate Trust Indenture any amount of principal or interest on the Series 2020B Bonds that remains unpaid after the application of all Subordinate Pledged Revenue available on December 15, 2060, shall be deemed discharged.

Optional Redemption

The Series 2020B Bonds are subject to optional redemption prior to maturity at the option of the District, as a whole or in integral multiples of \$1,000, beginning on September 1, 2025, and on any date thereafter, upon payment of par, accrued interest and redemption premium equal to a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
September 1, 2025 to August 31, 2026	3.00%
September 1, 2026 to August 31, 2027	2.00
September 1, 2027 to August 31, 2028	1.00
September 1, 2028 and thereafter	-

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE F – LONG-TERM DEBT - *continued*

Changes in Long-Term Debt

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

	December 31, 2019	Additions	Accretion/ Payments	December 31, 2020	Due within One Year
Series 2020A Bonds	\$ -	\$ 6,980,000	\$ -	\$ 6,980,000	\$ -
Series 2020B Bonds	-	711,000	-	711,000	-
Series 2020A Bonds premium	-	56,468	(470)	55,988	-
	<u>\$ -</u>	<u>\$ 7,747,468</u>	<u>\$ (470)</u>	<u>\$ 7,746,988</u>	<u>\$ -</u>

The bond premium associated with the Series 2020A Bonds is being accreted over the 30 year scheduled repayment period using the straight-line method. The accretion for the year ended December 31, 2020, \$470, is reflected as a reduction of interest expense in the Statement of Activities.

Future Minimum Debt Service Requirements

The future minimum debt service requirements for the Series 2020A Bonds as of December 31, 2020 are as follows:

Year ended December 31	Principal	Interest	Total
2021	\$ -	\$ 349,000	\$ 349,000
2022	-	349,000	349,000
2023	-	349,000	349,000
2024	-	349,000	349,000
2025	-	349,000	349,000
2026-2030	485,000	1,707,000	2,192,000
2031-2035	825,000	1,547,500	2,372,500
2036-2040	1,195,000	1,306,000	2,501,000
2041-2045	1,660,000	963,500	2,623,500
2046-2050	2,815,000	491,500	3,306,500
	<u>\$ 6,980,000</u>	<u>\$ 7,760,500</u>	<u>\$ 14,740,500</u>

Due to the “cash flow” structure of the Series 2020B Bonds, the future minimum required payments cannot be projected.

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE F – LONG-TERM DEBT – *continued*

*Authorized, But Unissued Debt*

As of December 31, 2020, the amount of the voter authorized, but unissued, debt for the District and Johnstown Village Metropolitan District No. 2 is \$564,309,000. However, the District's Service Plan limits its total debt issuance to \$22,000,000. As such, the District has \$14,309,000 in remaining authorized, but unissued debt.

In the future, the District may issue a portion or all of the remaining authorized, but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. However, the amount and timing of any debt issuances, if any, are not determinable.

*Dependence Upon Timely Payment of Property Taxes*

Delinquency in the payment of property taxes by the owners of taxable property in the District and Johnstown Village Metropolitan District No. 3 may impair the repayment of the Series 2020A Bonds and 2020B Bonds in a timely manner. Generally, property tax does not constitute a personal obligation on the property owner, but rather constitutes a lien against the taxed property until paid. The County Treasurer can enforce the payment of delinquent property taxes through the power of foreclosure and subsequent sale in the manner provided by applicable law. The ability of the District to enforce and collect the necessary property taxes is dependent upon the taxed property to have sufficient market value to support the property taxes that are imposed against it.

NOTE G – FUND BALANCE/NET POSITION

*Fund Balance*

The District utilizes the fund balance presentation as required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances are categorized as non-spendable, restricted, committed, assigned or unassigned.

*Non-spendable* – represents amounts that cannot be spent because they are either in non-spendable form or legally required to remain intact,

*Restricted* – represents amounts with external constraints placed on the use of these resources or imposed by enabling legislation,

*Committed* – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the District's Board of Directors. Committed resources cannot be used for any other purpose unless the District's Board of Directors removes or changes the specific use by the same type of action used to commit those amounts, either by resolution or by ordinance,

*Assigned* – represents amounts that the District intends to use for specific purposes as expressed by the District's Board of Directors or a District official delegated the authority to assign amounts,

*Unassigned* – represents the residual classification for the general fund or deficit balances in other funds, as applicable.

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE G – FUND BALANCE/NET POSITION - *continued*

Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of these unrestricted fund balances classifications could be used.

As of December 31, 2020, the District’s fund balance consisted of the following:

		General Fund	Debt Service Fund	Capital Projects Fund	Total
Fund balances					
Restricted					
Fund balance	\$	-	\$ 1,550,635	-	1,550,635
Total	\$	-	\$ 1,550,635	\$ -	\$ 1,550,635

*Net Position*

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

*Net investment in capital assets* – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows or resources related to those assets.

*Restricted net position* – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

*Unrestricted net position* – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District will use the most restrictive net position first.

NOTE H - RELATED PARTY

*Members of the Board of Directors*

Members of the Board of Directors are affiliated with Forestar.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE I – AGREEMENTS AND COMMITMENTS

*Infrastructure Acquisition and Funding Agreement*

The Infrastructure Acquisition and Funding Agreement (the “Infrastructure Funding Agreement”) was entered into to be effective as of September 17, 2020, by and between the District and Forestar.

Forestar in its sole and absolute discretion, may either advance funds to the District to plan, design, engineer, acquire, construct, install and complete certain Public Infrastructure or may plan, design, engineer, acquire, construct, install and complete certain Public Infrastructure and then to transfer such Public Infrastructure to the District, the Town or other governmental entity for public use.

If and to the extent the District (i) receives bond proceeds for the acquisition or completion of the Public Infrastructure or (ii) has other legally available revenue which is not otherwise appropriated, obligated, pledged or reserved for any current or future purpose in any fiscal year, the District will, from such available sources, pay to Forestar for all the costs and other amounts actually advanced hereunder, together with interest thereon at 8.0% per annum from the date of advance or transfer to the District or the Town or other governmental entity.

*Operating Reimbursement Agreement*

The Operating Reimbursement Agreement was entered into to be effective as September 17, 2020, between the District and Forestar

At present the District does not have sufficient funds available to pay its operating, maintenance, and administrative expenses.

Forestar, in its sole and absolute discretion, may advance funds as requested from time to time by the District to pay such expenses with the expectation of eventually being reimbursed by the District pursuant to the Operating Reimbursement Agreement.

If the District determines that it will not have sufficient funds available to pay the District’s anticipated operating, maintenance, and/or administrative expenses for the next fiscal year, the District shall calculate the anticipated amount of such funding shortfall (the “Funding Shortfall”), which shall be classified by nature of use.

The District may submit written requests on a quarterly basis to Forestar to deposit with the District’s bank the amount of the Funding Shortfall anticipated to be needed for the next fiscal quarter. Forestar, after reasonable verification of such Funding Shortfall, may, in its sole and absolute discretion, make an Advance and fund the Funding Shortfall for the next fiscal quarter after such request from the District. To the extent any Advance is not spent by the District in the fiscal quarter for which it was requested, the unspent amount of the Advance shall be applied to reduce any Funding Shortfall anticipated for the subsequent fiscal quarter.

If and to the extent the District has legally available revenue which is not otherwise appropriated, obligated, pledged or reserved for any current or future purpose in any fiscal year, the District will, from such available sources, reimburse the Company for all Advances, together with interest thereon at 8.0% per annum commencing as of the date of each Advance, but in no event prior to the date the District was organized.

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE I – AGREEMENTS AND COMMITMENTS – *continued*

*Operating Reimbursement Agreement - continued*

Any decision by the Board of Directors of the District to appropriate the Operating Reimbursement Amount, however, shall be purely discretionary and nonobligatory. No proceeds of tax-exempt obligations of the District shall be used to reimburse the Company for the Operating Reimbursement.

*Capital Pledge Agreement*

The Capital Pledge Agreement is between the District, Johnstown Village Metropolitan District No. 2 and UMB Bank.

Under the Capital Pledge Agreement, the property tax revenue derived from the taxable property of Johnstown Village Metropolitan District No. 3 and other revenue received shall be made available to the District to pay, in combination with District's revenue, the debt service on the Series 2020A and 2020B Bonds issued by the District.

The Capital Pledge Agreement expires on December 16, 2060.

*Community Wide District Operations and Funding Agreement*

The Community Wide District Operations and Funding Agreement (the "Operations and Funding Agreement") was made between the District and Johnstown Village Metropolitan District No. 3, collectively referred to as the Districts.

Whereas the Districts were organized for the purpose of providing for the financing, construction, installation, operation and maintenance of public infrastructure and improvements serving a residential development. The District will encompass all single family detached residential homes and it is anticipated that the District will provide, in addition to the Community Wide Operation and Maintenance Services described in this agreement, any operations services for the Single Family Detached lots. Johnstown Village Metropolitan District No. 3 will encompass all single family attached residential homes and it is anticipated that the District will provide, in addition to the Community Wide Operation and Maintenance Services described in this agreement, any operations services for the Single Family Attached lots.

Under the terms of the agreement, the District will own, operate and maintain all Community Wide Public Improvements within and without the boundaries of the Districts that are not dedicated or conveyed to the Town of Johnstown. The District agrees to provide those operation and maintenance services, and to pay the cost associated with providing the Community Wide Operation and Maintenance Services. It is the intent that the Districts pay for their proportionate share of the Community Wide Operation and Maintenance costs in an amount equal to the number of residential units. Until such time that Johnstown Village Metropolitan District No. 3 is developed, Johnstown Village Metropolitan District No. 3 shall remit to the District \$416 per month up to \$5,000 annually.

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE I – AGREEMENTS AND COMMITMENTS - *continued*

*District Management Agreement*

The District outsources the management of the District which includes overall management, accounting and administrative services. The service contract renews annually each year on January 1, unless notice of non-renewal is provided by either party as described in the service contract.

NOTE J – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets and natural disasters. These risks are covered by commercial insurance purchased from independent insurance brokers. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE K – 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 and debt limitations which apply to the State of Colorado and all local governments.

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 calculation of the fiscal year spending limits may require judicial interpretation.

NOTE L – CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") originated in Wuhan, China and has since spread world-wide, including the United States. In March 2020, the World Health Organization characterized COVID-19 as a pandemic.

COVID-19 has adversely affected the economies and financial markets of the United States, including Colorado, resulting in a world-wide economic downturn, operational closures, and social restrictions that has impacted and delayed some of the operations of the District, including the business of land development, home building and sales.

The District continues to monitor and assess the effects of the COVID-19 pandemic on the District; however, the ultimate impact of the COVID-19 outbreak or a similar health epidemic is highly uncertain and subject to change.

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE M – RECONCILIATION OF GOVERNMENT-WIDE AND GOVERNMENTAL FUND FINANCIAL STATEMENTS

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column which reconciles the differences between the government-wide and fund financial statements as follows:

Capital assets reflected in the Statement of Net Position are not financial resources in the governmental funds and accordingly are not reported in the governmental funds,	\$	5,695,205
Long-term liabilities are not due and payable in the current period and, therefore, are not reflected in the governmental funds,		7,691,000
The actual amount of the developer advance is not due and payable in the current period and, therefore, it is not reflected in the governmental funds.		7,140
The premium associated with the issuance of the Series 2020A Bonds, reflected in the Statement of Net Position is not a financial liability in the governmental funds and accordingly is not reported in the governmental funds,		55,998
Interest is recognized in the governmental funds as paid; therefore, accrued interest is only recognized on the Statement of Net Position.		42,859

The Statements of Governmental Funds Revenues, Expenditures and Changes in Fund Balance/Statement of Net Activities includes an adjustment column which reconciles the differences between the government-wide and fund financial statements as follows:

The proceeds from the issuance of long-term liabilities are reflected as other sources of revenue in the governmental fund statements but the proceeds are not revenue in the government-wide statements	\$	7,747,468
The actual and accrued developer advances in the current year are reflected as other sources of revenue in the governmental fund statements, but not in the government-wide statements.		11,662
Interest is recognized in the governmental funds as paid. For the Statement of Activities interest expense is recognized as incurred. This is the difference between the amount of interest paid and the amount of interest incurred, plus the accretion of the bond premium,		42,389
Governmental funds report capital expenditures as expenditures. However, in the Statement of Net Position, the capital expenditures are capitalized. During 2020, this is the amount of capital expenditures capitalized.		5,695,205

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE N – MANAGEMENT’S EVALUATION OF SUBSEQUENT EVENTS

The preparation of the District’s financial statements and accompanying footnotes in conformity with generally accepted accounting principles requires management of the District to evaluate transactions and events subsequent to the balance sheet date involving the District. Management has evaluated the subsequent transactions and events of the District through July 28, 2021, which is the date the financial statements and accompanying footnotes were available for issuance.

*SUPPLEMENTARY INFORMATION*

Johnstown Village Metropolitan District No. 2

SCHEDULE OF REVENUE, EXPENDITURES AND  
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND

For the Year ended December 31, 2020

	Original Budget	Amended and Final Budget	Actual	Variance
<b>REVENUES</b>				
Property and other taxes	\$ -	\$ 17	\$ -	\$ (17)
Interest	-	-	1,307	1,307
Total revenues	-	17	1,307	1,290
<b>EXPENDITURES</b>				
<b>OPERATIONS</b>				
Bank charges	-	-	76	(76)
<b>DEBT SERVICE</b>				
Cost of issuance	-	443,723	443,723	-
Interest	-	59,136	59,136	-
Total expenditures	-	502,859	502,935	(76)
<b>EXCESS OF EXPENDITURES OVER REVENUE</b>	-	(502,842)	(501,628)	1,214
<b>OTHER SOURCES AND (USES)</b>				
Proceeds from the issuance of debt	-	7,747,468	7,747,468	-
Transfer out	-	(5,694,538)	(5,695,205)	(667)
Net other uses	-	2,052,930	2,052,263	(667)
<b>CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$1,550,088</b>	1,550,635	<b>\$ 547</b>
<b>FUND BALANCE</b>				
Beginning balance			-	
Ending balance			<u>\$ 1,550,635</u>	

Johnstown Village Metropolitan District No. 2

SCHEDULE OF EXPENDITURES AND  
CHANGE IN FUND BALANCE - BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

For the Year ended December 31, 2020

	<u>Original Budget</u>	<u>Amended and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES				
OPERATIONS				
Engineering	\$ -	\$ -	\$ 11,662	\$ (11,662)
CAPITAL EXPENDITURES				
Infrastructure	<u>-</u>	<u>5,694,538</u>	<u>5,695,205</u>	<u>(667)</u>
Total expenditures	<u>-</u>	<u>5,694,538</u>	<u>5,706,867</u>	<u>(12,329)</u>
OTHER SOURCES				
Developer advance	-	-	11,662	11,662
Transfer in	<u>-</u>	<u>5,694,538</u>	<u>5,695,205</u>	<u>667</u>
Total other sources	<u>-</u>	<u>5,694,538</u>	<u>5,706,867</u>	<u>12,329</u>
CHANGE IN FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	-	<u><u>\$ -</u></u>
FUND BALANCE				
Beginning balance			<u>-</u>	
Ending balance			<u><u>\$ -</u></u>	