

Johnstown Village Metropolitan District No. 2

FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

December 31, 2021

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

We have audited the accompanying financial statements of 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, 2021 and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2021, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("US GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements – continued

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit,
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements,
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed,
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements,
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other 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
August 23, 2022

BASIC FINANCIAL STATEMENTS

Johnstown Village Metropolitan District No. 2

GOVERNMENTAL FUNDS BALANCE SHEET/STATEMENT OF NET POSITION

December 31, 2021

	Governmental Funds				Adjustments	Statement of Net Position
	General	Debt Service	Capital Projects	Total		
ASSETS						
Cash and cash equivalents	\$ 1,735	\$ -	\$ -	\$ 1,735	\$ -	\$ 1,735
Restricted cash	-	1,204,406	-	1,204,406	-	1,204,406
Property taxes receivable	2,825	14,131	-	16,956	-	16,956
Due from county	2	10	-	12	-	12
Due from developer	35,271	-	25,200	60,471	(60,471)	-
Capital assets	-	-	-	-	2,027,278	2,027,278
Total assets	\$ 39,833	\$ 1,218,547	\$ 25,200	\$ 1,283,580	1,966,807	3,250,387
LIABILITIES						
Accounts payable	\$ 24,173	\$ 7,000	\$ 25,200	\$ 56,373	-	56,373
Developer advance	-	-	-	-	1,621,645	1,621,645
Accrued interest payable	-	-	-	-	116,792	116,792
Total liabilities	24,173	7,000	25,200	56,373	1,738,437	1,794,810
DEFERRED INFLOWS OF RESOURCES						
Property taxes	2,825	14,131	-	16,956	-	16,956
LONG-TERM DEBT						
Bond premium	-	-	-	-	54,115	54,115
Due in more than one year	-	-	-	-	7,691,000	7,691,000
Total long-term debt	-	-	-	-	7,745,115	7,745,115
FUND BALANCE						
Restricted	-	1,197,416	-	1,197,416	(1,197,416)	-
Unrestricted	12,835	-	-	12,835	(12,835)	-
Total fund balance	12,835	1,197,416	-	1,210,251	(1,210,251)	-
Total liabilities, deferred inflows of resources and fund balance	\$ 39,833	\$ 1,218,547	\$ 25,200	\$ 1,283,580		
NET POSITION						
Restricted					1,197,416	1,197,416
Unrestricted					(7,503,910)	(7,503,910)
Total net position					\$ (6,306,494)	\$ (6,306,494)

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, 2021

	Governmental Funds				Adjustments	Statement of Activities
	General	Debt Service	Capital Projects	Total		
EXPENDITURES						
OPERATIONS						
Audit	\$ 6,500	\$ -	\$ -	\$ 6,500	\$ -	\$ 6,500
Bank charges	-	162	-	162	-	162
Community events	1,950	-	-	1,950	-	1,950
Design review fees	1,050	-	-	1,050	-	1,050
District management	9,000	-	-	9,000	-	9,000
Engineering	10,362	-	-	10,362	-	10,362
Insurance	2,127	-	-	2,127	-	2,127
Legal	21,228	-	-	21,228	-	21,228
Office	410	-	-	410	-	410
Utilities	14,526	-	-	14,526	-	14,526
Treasurer's fees	6	32	-	38	-	38
DEBT SERVICE						
Paying agent	-	7,000	-	7,000	-	7,000
Interest expense	-	349,000	-	349,000	72,105	421,105
CAPITAL PROJECTS						
Infrastructure	-	-	1,421,532	1,421,532	(1,421,532)	-
Repairs	-	-	25,200	25,200	-	25,200
Total expenditures	67,159	356,194	1,446,732	1,870,085	(1,349,427)	520,658
CHARGES FOR SERVICES						
Design review fees	1,050	-	-	1,050	-	1,050
Total charges for services	1,050	-	-	1,050	-	1,050
NET EXPENDITURES	66,109	356,194	1,446,732	1,869,035	(1,349,427)	519,608
GENERAL REVENUE						
Property and other taxes	456	2,281	-	2,737	-	2,737
Interest	9	694	-	703	-	703
Total general revenue	465	2,975	-	3,440	-	3,440
EXCESS OF EXPENDITURES OVER REVENUE	(65,644)	(353,219)	(1,446,732)	(1,865,595)	1,349,427	(516,168)
OTHER SOURCES AND (USES)						
Assumption of liabilities	-	-	-	-	(145,189)	(145,189)
Developer advance	78,479	-	1,446,732	1,525,211	(1,525,211)	-
Net other sources and (uses)	78,479	-	1,446,732	1,525,211	(1,670,400)	(145,189)
CHANGE IN FUND BALANCE	12,835	(353,219)	-	(340,384)	340,384	-
CHANGE IN NET POSITION	-	-	-	-	(661,357)	(661,357)
FUND BALANCE /NET POSITION						
Beginning of the year	-	1,550,635	-	1,550,635	(7,195,772)	(5,645,137)
End of the year	\$ 12,835	\$ 1,197,416	\$ -	\$ 1,210,251	\$ (7,516,745)	\$ (6,306,494)

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, 2021

	Original Budget	Amended and Final Budget	Actual	Variance
REVENUE				
Design review fees	\$ -	\$ 1,050	\$ 1,050	\$ -
Interest	-	9	9	-
Property and other taxes	453	456	456	-
Total revenues	453	1,515	1,515	-
EXPENDITURES				
OPERATING				
Audit	9,000	6,500	6,500	-
Community events	-	-	1,950	(1,950)
Contingency	5,000	1,950	-	1,950
Design review fees	-	1,050	1,050	-
District management	9,000	9,000	9,000	-
Engineering	-	10,362	10,362	-
Insurance	6,500	2,127	2,127	-
Legal	20,000	22,000	21,228	772
Office	-	492	410	82
Snow removal	5,000	-	-	-
Treasurer's fees	6	6	6	-
Utilities	-	14,493	14,526	(33)
Total expenditures	54,506	67,980	67,159	821
EXCESS OF EXPENDITURES OVER REVENUE	(54,053)	(66,465)	(65,644)	821
OTHER SOURCES				
Developer advances	54,277	71,479	78,479	7,000
Total other sources	54,277	71,479	78,479	7,000
CHANGE IN FUND BALANCE	\$ 224	\$ 5,014	12,835	\$ 7,821
FUND BALANCE				
Beginning balance			-	
Ending balance			<u>\$ 12,835</u>	

The accompanying notes are an integral part of these financial statements

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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 “Districts”). 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 120-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, 2021

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 revenue, expenditures, and change 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, 2021, 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*

As of December 31, 2021, the District's capital assets which consist of storm water control infrastructure and park landscaping 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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.

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 moneys 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, 2021

NOTE B – BUDGET INFORMATION – *continued*

For the year ended December 31, 2021, the Board of Directors approved the amended budgets for the General Fund and the Debt Service Fund.

State of Colorado Statutes requires a balanced budget. For 2021, the District’s General Fund amended budgeted revenues and other sources exceeded budgeted expenditures by \$5,014, and the District’s Debt Service Fund amended budgeted expenditures exceeded budgeted revenue and other sources by \$346,219. It was anticipated that the deficit budget in the Debt Service Fund would be offset by prior year surpluses.

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, 2021, 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, 2021.

NOTE E – CAPITAL ASSETS

The change in the District’s capital assets for the year ended December 31, 2021 is as follows:

	Balance December 31, 2020	Additions	Disposals	Balance December 31, 2021
Capital assets				
Storm water control infrastructure	\$ 317,263	\$ -	\$ -	\$ 317,263
Park landscaping	288,483	1,421,532	-	1,710,015
	<u>\$ 605,746</u>	<u>\$ 1,421,532</u>	<u>\$ -</u>	<u>\$ 2,027,278</u>

The District’s capital assets as reflected above were substantially complete as of December 31, 2021. However, the final acceptance by the District was completed in August 2022, and as such, no depreciation was recorded for the year ended December 31, 2021.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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 reimbursing the Developer for the costs of the public improvements conveyed directly to the Town of Johnstown and public improvements accepted and to be maintained by the District, paying the cost of issuance of the Series 2020A Bonds, and funding a portion of the interest accruing 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 2021, interest payments totaling \$349,000 were made as scheduled, and as of December 31, 2021, 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:

Date of Redemption	Redemption Premium
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	-

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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 scheduled 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, 2021 and 2020, interest payments were not made and as of December 31, 2021, there was accrued interest payable of \$68,878 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:

Date of Redemption	Redemption Premium
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, 2021

NOTE F – LONG-TERM DEBT - *continued*

Change in Long-Term Debt

The following is an analysis of the change in the long-term debt for the year ended December 31, 2021:

	December 31, 2020	Additions	Accretion/ Payments	December 31, 2021	Due within One Year
Series 2020A Bonds	\$ 6,980,000	\$ -	\$ -	\$ 6,980,000	\$ -
Series 2020B Bonds	711,000	-	-	711,000	-
Series 2020A Bonds premium	55,998	-	(1,883)	54,115	1,883
	<u>\$ 7,746,998</u>	<u>\$ -</u>	<u>\$ (1,883)</u>	<u>\$ 7,745,115</u>	<u>\$ 1,883</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, 2021, \$1,883, 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, 2021 are as follows:

Year ended December 31	Principal	Interest	Total
2022	\$ -	\$ 349,000	\$ 349,000
2023	-	349,000	349,000
2024	-	349,000	349,000
2025	-	349,000	349,000
2026	35,000	349,000	384,000
2027-2031	590,000	1,682,750	2,272,750
2032-2036	825,000	1,506,250	2,401,250
2037-2041	1,275,000	1,246,250	2,521,250
2042-2046	1,770,000	880,500	2,650,500
2047-2050	2,415,000	350,750	2,765,700
	<u>\$ 6,980,000</u>	<u>\$ 7,411,500</u>	<u>\$ 14,391,500</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, 2021

NOTE F – LONG-TERM DEBT – *continued*

Authorized, But Unissued Debt

As of December 31, 2021, 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, 2021

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

Fund Balance - 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, 2021, the District’s fund balance consisted of the following:

		General Fund	Debt Service Fund	Capital Projects Fund	Total
Fund balances					
Restricted					
Fund balance	\$	-	\$ 1,197,416	-	1,197,416
Unrestricted		12,835	-	-	12,835
Total	\$	<u>12,835</u>	<u>\$ 1,197,416</u>	<u>\$ -</u>	<u>\$ 1,210,251</u>

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, 2021

NOTE I – AGREEMENTS AND COMMITMENTS

Infrastructure Acquisition and Funding Agreement

The Infrastructure Acquisition and Funding Agreement (the “Infrastructure Funding Agreement”) was entered into in September 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.

In November 2021, the District accepted a cost certification in the amount \$1,528,935, which included landscaping costs of \$1,421,532, reflected in NOTE E and other non-capitalized costs totaling \$107,403. As of December 31, 2021, there was a balance under the Infrastructure Funding Agreement in the amount of \$1,540,596 with accrued interest of \$14,401.

Operating Reimbursement Agreement

The Operating Reimbursement Agreement was entered into in September 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.

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE I – AGREEMENTS AND COMMITMENTS – *continued*

Operating Reimbursement Agreement – continued

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.

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.

Effective January, 2021, the Board of Directors determined that the District will serve as the operating District and as such the District assumed prior operating advances provided to Johnstown Village Metropolitan District No. 1 in the amount of \$37,787.

As of December 31, 2021, the balance due under the Operating Reimbursement Agreement was \$81,049 with accrued interest payable of \$4,430.

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 the 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.

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

NOTE I – AGREEMENTS AND COMMITMENTS – *continued*

Community Wide District Operations and Funding Agreement - continued

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.

Warranty on Conveyed Infrastructure

For infrastructure and other assets transferred by the Districts to the Town of Johnstown the Districts are responsible for the warranty period not to exceed two years from the date of the convenience.

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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.

The spread of COVID-19 and its variants has altered the behavior of individuals and businesses in a manner that has had significant impacts on global, national, and local economies. Accordingly, state and local governments, including the State of Colorado, announced orders, recommendations and other measures intended to slow the spread of COVID-19, including the closing of businesses and “stay at home” orders. The COVID-19 measures are changing rapidly and in 2022, many restrictions are being relaxed or eliminated.

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.

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,	\$	2,027,278
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,		60,471
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,		54,115
Interest is recognized in the governmental funds as paid; therefore, accrued interest is only recognized on the Statement of Net Position.		116,792

Johnstown Village Metropolitan District No. 2

NOTES TO FINANCIAL STATEMENTS

December 31, 2021

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

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 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,	\$	1,525,211
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,		72,105
As discussed in NOTE I, in 2021 the District assumed the liability for advances, \$37,786, previously made by the Developer to District No. 1. Additionally, as discussed in NOTE I, the District accepted a cost certification which included non-capitalized costs totaling \$107,403. This is the amount of the liabilities assumed which only impacts the government-wide financial statement presentation.		145,189

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 August 23, 2022, which is the date the financial statements and accompanying footnotes were available for issuance.

NOTE O – RESTATEMENT OF DECEMBER 31, 2020 NET POSITION

The net position as of December 31, 2020, was restated to reduce the capital assets and net position by \$5,089,458, respectively. During 2020, the Developer was reimbursed for the cost of public improvements from the proceeds of the Series 2020A Bonds. Included in the amount reimbursed to the Developer were public improvements totaling \$5,089,458 which were conveyed directly by the Developer to the Town of Johnstown. The \$5,089,458 of directly conveyed public improvements was reflected as being transferred to and held by the District as of December 31, 2020 in error.

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, 2021

	Original Budget	Amended and Final Budget	Actual	Variance
REVENUES				
Property and other taxes	\$ 2,264	\$ 2,281	\$ 2,281	\$ -
Interest	-	694	694	-
Total revenues	2,264	2,975	2,975	-
EXPENDITURES				
OPERATIONS				
Bank charges	-	162	162	-
Treasurer's fee	32	32	32	-
DEBT SERVICE				
Paying agent	-	7,000	7,000	-
Interest	349,000	349,000	349,000	-
Total expenditures	349,032	356,194	356,194	-
EXCESS OF EXPENDITURES OVER REVENUE	(346,768)	(353,219)	(353,219)	-
OTHER SOURCES				
Developer advance	-	7,000	-	(7,000)
Total other sources	-	7,000	-	(7,000)
CHANGE IN FUND BALANCE	<u>(346,768)</u>	<u>(346,219)</u>	<u>(353,219)</u>	<u>(7,000)</u>
FUND BALANCE				
Beginning balance			<u>1,550,635</u>	
Ending balance			<u>\$ 1,197,416</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, 2021

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
EXPENDITURES			
CAPITAL PROJECTS			
Infrastructure	1,000,000	1,421,532	(421,532)
Repairs	<u> -</u>	<u> 25,200</u>	<u> (25,200)</u>
Total expenditures	<u>1,000,000</u>	<u>1,446,732</u>	<u> (446,732)</u>
OTHER SOURCES			
Developer advance	<u>1,000,000</u>	<u>1,446,732</u>	<u> 446,732</u>
Total other sources	<u>1,000,000</u>	<u>1,446,732</u>	<u> 446,732</u>
CHANGE IN FUND BALANCE	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE			
Beginning balance		<u> -</u>	
Ending balance		<u>\$ -</u>	