

**JOHNSTOWN NORTH METROPOLITAN
DISTRICT NO. 1**

BASIC FINANCIAL STATEMENTS

December 31, 2020

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Johnstown North Metropolitan District No. 1
Berthoud, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Johnstown North Metropolitan District No. 1, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Johnstown North Metropolitan District No. 1, as of December 31, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required budgetary information on page 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented the management's discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund schedule listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedule is fairly stated in all material respects in relation to the financial statements as a whole.

John Cutler & Associates, LLC

May 12, 2021

BASIC FINANCIAL STATEMENTS

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

STATEMENT OF NET POSITION

As of December 31, 2020

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and Investments	\$ 211,172	111,396
Restricted Cash and Investments	524,160	1,359,495
Service Fees Receivable	3,468	3,389
Prepaid Insurance	9,795	9369
Capital Assets, not depreciated	799,671	-
Capital Assets, depreciated, net of accumulated depreciation	<u>318,819</u>	<u>336,122</u>
TOTAL ASSETS	<u>1,867,085</u>	<u>1,819,771</u>
LIABILITIES		
Accounts Payable	12,106	20,258
Accrued Interest on Bonds	2,579,129	2,368,834
Noncurrent Liabilities		
Due within One Year	3,716,138	3,711,138
Due in More Than One Year	<u>2,790,000</u>	<u>2,865,000</u>
TOTAL LIABILITIES	<u>9,097,373</u>	<u>8,965,230</u>
NET POSITION		
Net Investment in Capital Assets	(2,471,181)	(2,528,878)
Restricted for Emergencies	6,300	4,500
Restricted for Debt Service	172,796	105,000
Restricted for Capital Projects	351,364	1,248,743
Unrestricted	<u>(5,289,567)</u>	<u>(5,974,824)</u>
TOTAL NET POSITION	<u>\$ (7,230,288)</u>	<u>\$ (7,145,459)</u>

The accompanying notes are an integral part of the financial statements.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

FUNCTIONS/PROGRAMS	Expenses	Program Revenues Charges for Services	Net (Expense) Revenues and Change in Net Position	
			Governmental Activities	
			2020	2019
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 145,974	\$ -	\$ (145,974)	\$ (96,915)
Interest and Other Fiscal Charges	316,232	-	(316,232)	(480,363)
Total Governmental Activities	<u>\$ 462,206</u>	<u>\$ -</u>	(462,206)	(577,278)
GENERAL REVENUES				
Service Fees, Districts 2 and 3			375,327	337,933
Net Investment and Other Income			961	4,641
Other Revenues			1,089	-
TOTAL GENERAL REVENUES			<u>377,377</u>	<u>342,574</u>
CHANGE IN NET POSITION			(84,829)	(234,704)
NET POSITION, Beginning			<u>(7,145,459)</u>	<u>(6,910,755)</u>
NET POSITION, Ending			<u>\$ (7,230,288)</u>	<u>\$ (7,145,459)</u>

The accompanying notes are an integral part of the financial statements.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2020

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL .FUNDS	
				2020	2019
ASSETS					
Cash and Investments	\$ 211,172	\$ -	\$ -	\$ 211,172	\$ 111,396
Restricted Cash and Investments		172,796	351,364	524,160	1,359,495
Accounts Receivable	3,468	-	-	3,468	3,389
Prepaid Insurance	9,795	-	-	9,795	9,369
TOTAL ASSETS	\$ 224,435	\$ 172,796	\$ 351,364	\$ 748,595	\$ 1,483,649
LIABILITIES AND FUND EQUITY					
LIABILITIES					
Accounts Payable	\$ 12,106	\$ -	\$ -	\$ 12,106	\$ 20,258
TOTAL LIABILITIES	12,106	-	-	12,106	20,258
FUND EQUITY					
Fund Balance					
Nonspendable	9,795	-	-	9,795	9,369
Restricted for Emergencies	6,300	-	-	6,300	4,500
Restricted for Debt Service	-	172,796	-	172,796	105,000
Restricted for Capital Projects	-	-	351,364	351,364	1,248,743
Unassigned	196,234	-	-	196,234	95,779
TOTAL FUND EQUITY	212,329	172,796	351,364	736,489	1,463,391
TOTAL LIABILITIES, DEFERRED INFLOWS & FUND EQUITY	\$ 224,435	\$ 172,796	\$ 351,364		

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	1,118,490	336,122
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include loans payable \$2,865,000, developer advances \$3,641,138, and accrued interest \$2,579,129.	(9,085,267)	(8,944,972)
Net position of governmental activities	<u>\$ (7,230,288)</u>	<u>\$ (7,145,459)</u>

The accompanying notes are an integral part of the financial statements.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2020

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL .FUNDS	
				2020	2019
REVENUES					
Service Fees	\$ 208,396	\$ 166,422	\$ 509	\$ 375,327	\$ 337,933
Other Income	961	-	-	961	4,641
Utility Revenues	1,089	-	-	1,089	7,270
Interest Income	-	-	-	-	522
TOTAL REVENUES	<u>210,446</u>	<u>166,422</u>	<u>509</u>	<u>377,377</u>	<u>350,366</u>
EXPENDITURES					
Current					
General Government	107,765	10,872	38,356	156,993	78,667
Costs of Issuance	-	-	-	-	128,203
Capital Outlay	-	-	771,349	771,349	33,722
Debt Service					
Principal	-	70,000	-	70,000	1,715,000
Interest and Other Fiscal Charges	-	105,937	-	105,937	87,477
TOTAL EXPENDITURES	<u>107,765</u>	<u>186,809</u>	<u>809,705</u>	<u>1,104,279</u>	<u>2,043,069</u>
EXCESS OF REVENUES OVER (UNDER) EXPENSES	<u>102,681</u>	<u>(20,387)</u>	<u>(809,196)</u>	<u>(726,902)</u>	<u>(1,692,703)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from the Issuance of Debt	-	-	-	-	3,000,000
Transfers In	-	-	(88,183)	(88,183)	1,249,641
Transfers Out	-	88,183	-	88,183	(1,249,641)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>88,183</u>	<u>(88,183)</u>	<u>-</u>	<u>3,000,000</u>
NET CHANGE IN FUND BALANCES	102,681	67,796	(897,379)	(726,902)	1,307,297
FUND BALANCES, Beginning	<u>109,648</u>	<u>105,000</u>	<u>1,248,743</u>	<u>1,463,391</u>	<u>156,094</u>
FUND BALANCES, Ending	<u>\$ 212,329</u>	<u>\$ 172,796</u>	<u>\$ 351,364</u>	<u>\$ 736,489</u>	<u>\$ 1,463,391</u>

The accompanying notes are an integral part of the financial statements.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

Amounts Reported for Governmental Activities in the Statement of Activities
are Different Because:

Net Changes in Fund Balances - Total Governmental Funds	\$ (726,902)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount by which capital outlay \$799,671 exceeded depreciation expense \$17,303.	782,368
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This amount is the change in accrued interest of (\$210,295), and payment of loan principal \$70,000	<u>(140,295)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (84,829)</u></u>

The accompanying notes are an integral part of the financial statements.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Johnstown North Metropolitan District No. 1 (“District”) was formed to provide public services and improvements for the District and surrounding area within its boundaries. The District is governed by a five-member Board of Directors (the “Board”) elected by the constituents. The District was formed together with Johnstown North Metropolitan District No. 2 and Johnstown North Metropolitan District No. 3., collectively, the “Districts.” The District was established as the Operating District, and Johnstown North Metropolitan District Nos. 2 and 3 were established as the Financing Districts.

The accounting policies of the District conform to generally accepted accounting principles (“GAAP”) as applicable to governments. The following is a summary of the more significant policies.

Reporting Entity

In accordance with governmental accounting standards, the District has considered the possibility of inclusion of additional entities in its financial statements. The definition of the reporting entity is based primarily on financial accountability. The District is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if District officials appoint a voting majority of the organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. The District may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the District does not include additional organizations in its reporting entity.

Government-Wide and Fund Financial Statements

The Government-Wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Government-Wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current *financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Service fees, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

In the fund financial statements, the District reports the following major governmental funds:

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

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

The *Capital Projects Fund* accounts for the acquisition and construction of capital assets.

The *Debt Service Fund* accounts for the payment of principal and interest due on the District's debt.

Assets, Liabilities, and Net Position/Fund Balance

Receivables

Receivables are reported net of an allowance for uncollectible accounts, where applicable.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid expenses in both the government-wide and fund financial statements using the consumption method.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property and equipment of the District is depreciated using the straight-line method over the estimated useful lives between fifteen and thirty years.

Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities fund type statement of net position.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position/Fund Balance (Continued)

Long-Term Obligations (Continued)

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Net Investment in Capital Assets includes the District's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The District typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The District reports prepaid expenses as nonspendable for the year ended December 31, 2020.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities, and Net Position/Fund Balance (Continued)

Fund Balance Classification (Continued)

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The District has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The Districts also classifies the fund balance in the Debt Service Fund as restricted for debt service and the fund balance in the Capital Projects Fund to be restricted for capital outlay.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The District did not have any committed resources as of December 31, 2020.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before October 15th, District Management submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to December 31, the budget is legally enacted through passage of a resolution.
- District Management is authorized to transfer budgeted amounts between departments within any fund. However, any revisions that alter the total expenditures of any fund must be approved by the Board.
- Budgets are legally adopted for all funds of the District on a basis consistent with GAAP.
- Budgeted amounts in the financial statements are as originally adopted or as amended by the Board. All appropriations lapse at year end.

NOTE 3: CASH AND INVESTMENTS

A summary of deposits and investments as of December 31, 2020 follows:

Cash Deposits	\$ 538,196
Investments	<u>197,136</u>
Total	<u>\$ 735,332</u>

Cash and investments are reported in the financial statements as follows:

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by State regulations.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

At December 31, 2020, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The District has no policy regarding custodial credit risk for deposits.

At December 31, 2020, the District had deposits with financial institutions with a carrying amount of \$538,196. The bank balances with the financial institutions were \$538,196. Of these balances, \$266,379 was covered by federal depository insurance and \$271,817 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

The District has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- General obligation and revenue bonds of U.S. local government entities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Local Government Investment Pools

The District had invested \$197,136 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2020, is summarized below:

	Balances <u>12/31/19</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>12/31/20</u>
Governmental Activities				
Capital Assets, not depreciated				
Construction in Process	\$ _____ -	\$ 799,671	\$ _____ -	\$ 799,671
Capital Assets, depreciated				
Improvements	494,952	-	-	494,952
Accumulated Depreciation	(158,830)	(17,303)	-	(176,133)
Capital Assets, depreciated, net	336,122	(17,303)	-	318,819
Governmental Activities, Capital Assets, Net	<u>\$ 336,122</u>	<u>\$ 782,368</u>	<u>\$ _____ -</u>	<u>\$ 1,118,490</u>

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2020.

	Balance <u>12/31/19</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>12/31/20</u>	Due In <u>One Year</u>
Developer Debt, Capital	\$ 3,641,138	\$ -	\$ -	\$ 3,641,138	\$ 3,641,138
Loan Payable Series 2019	2,935,000	-	70,000	2,865,000	75,000
Accrued Interest	<u>2,368,834</u>	<u>210,295</u>	<u>-</u>	<u>2,579,129</u>	<u>-</u>
Total	<u>\$ 8,944,972</u>	<u>\$ 210,295</u>	<u>\$ 70,000</u>	<u>\$ 9,085,267</u>	<u>\$ 3,716,138</u>

Developer Debt, Capital

On July 9, 2012, the District entered into a Second Amended and Restated Improvement Acquisition and Reimbursement Agreement with Iron Horse, LLC, which refunded and consolidated prior agreements, pursuant to which Iron Horse agreed to fund the District's organizational costs and to construct certain public improvements to be acquired by the District. To evidence the District's repayment obligation to Iron Horse for funding the District's organizational costs and constructing improvements acquired by the District, the District authorized the issuance of a subordinate promissory note on July 9, 2012, to Iron Horse, in a principal amount not to exceed \$18,000,000. On October 26, 2020, Iron Horse assigned all its rights, title and interest in the subordinate promissory note to Centerra Commercial, LLC. The note refunds a prior subordinate promissory note issued to Iron Horse on February 19, 2009, and bears interest at a rate of 2% plus the Federal Reserve Bank Prime Rate, simple interest. The promissory note matures on February 19, 2049.

On January 1, 2019, the District authorized the issuance of a subordinate promissory note to Iron Horse, LLC in the amount of \$1,327,535 to evidence the District's repayment obligation to Iron Horse for funds advanced to the District to pay for costs associated with the construction of public improvements. On October 26, 2020, Iron Horse assigned all its rights, title and interest in the subordinate promissory note to Centerra Commercial, LLC. This note was issued pursuant to a 2015 Advance and Reimbursement Agreement entered into between the District and Iron Horse on January 1, 2015 pursuant to which the funding obligation term thereunder has expired. This note refunds a prior subordinate promissory note issued to Iron Horse that remained unpaid at maturity on December 31, 2019. The note bears interest at a rate 2% plus the Federal Reserve Bank Prime Rate, or 6%, whichever is greater, compound annually, and matures on December 31, 2020. The note is refunded annually for any amounts that remain unpaid at maturity.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE 5: LONG-TERM DEBT (Continued)

Developer Debt, Capital (Continued)

On November 1, 2020, the District entered into a 2020 Improvement Acquisition and Reimbursement Agreement with Centerra Commercial LLC to provide for the acquisition and payment by the District of public improvements constructed by Centerra Commercial LLC and the reimbursement of costs to Centerra Commercial for public improvements constructed by Centerra Commercial and dedicated to other governmental entities. If the District lacks sufficient funds to pay for the public improvements acquired by Centerra Commercial or costs associated with public improvements constructed by Centerra Commercial and dedicated to other governmental entities, the District will issue a subordinate note to Centerra Commercial to evidence the District's reimbursement obligation. As of December 31, 2020, no public improvements had been acquired by the District from Centerra Commercial and no costs approved by the District for public improvements dedicated to other governmental entities, and no subordinate promissory note has been issued.

2019 Notes Payable

In May 2019, the District entered into a loan agreement with US Bank National Association (the "Bank"). The agreement calls for the Bank to initially loan the District \$3,000,000 and additional future loans in the amount \$3,500,000. Principal payments are due annually on December 1 through May 1, 2024. Interest payments are due June 1 and December 1 and accrues at 3.56% per annum.

Future Debt Service Requirements

Annual debt service requirements for the Notes Payable at December 31, 2020 are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 75,000	\$ 101,994	\$ 176,994
2022	85,000	99,324	184,324
2023	95,000	96,298	191,298
2024	<u>2,610,000</u>	<u>48,149</u>	<u>2,658,149</u>
Total Debt Service Requirements	<u>\$ 2,865,000</u>	<u>\$ 345,765</u>	<u>\$ 3,210,765</u>

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 6: RELATED PARTIES

The Developer of the property within the Districts is Iron Horse, LLC. All of the members of the Board are employees of McWhinney Real Estate Services Inc., manager of Iron Horse, and may be owners or are otherwise associated with the Developer, and have disclosed any potential conflicts of interest in taking action on matters brought before the Board. The District currently is indebted to the Developer for public improvements costs certified as constructed and acquired by the District or constructed by the District, as of December 31, 2020 in the amount of \$3,641,138 and accrued interest on the outstanding debt in the amount of \$2,579,129.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, injuries to employees, and natural disasters. The District participates in the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool insures property and liability exposures through contributions made by member districts. The District does not maintain an equity interest in the self-insurance pool.

The District funds pool contributions, outside insurance purchases, deductible, and uninsured losses through the General Fund. Settled claims have not exceeded this coverage in any of the past three fiscal years.

NOTE 8: DEBT AUTHORIZATION

On November 7, 2006, a majority of the qualified electors of the District authorized the issuance of indebtedness consisting of general or special obligation bonds, revenue bonds or other multiple fiscal year financial obligations as follows:

- An amount not to exceed \$22,000,000 at an interest rate not to exceed 18% per annum, for providing street improvements; and
- An amount not to exceed \$22,000,000 at an interest rate not to exceed 18% per annum, for traffic and safety controls and devices; and
- An amount not to exceed \$22,000,000 at an interest rate not to exceed 18% per annum, for sanitary sewage collection and transmission systems; and
- An amount not to exceed \$22,000,000 at an interest rate not to exceed 18% per annum, for parks and recreational facilities, improvements and programs; and
- An amount not to exceed \$22,000,000 at an interest rate not to exceed 18% per annum, for transportation system improvements; and
- An amount not to exceed \$22,000,000 at an interest rate not to exceed 18% per annum, for television relay and translation system improvements; and

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 8: DEBT AUTHORIZATION (Continued)

- An amount not to exceed \$22,000,000 at an interest rate not to exceed 18% per annum, for mosquito control; and
- An amount not to exceed \$22,000,000 at an interest rate not to exceed 18% per annum, for security services and improvements; and
- An amount not to exceed \$1,000,000 at an interest rate not to exceed 18% per annum, for operations and maintenance debt; and
- An amount not to exceed \$44,000,000 at an interest rate not to exceed 18% per annum, for refunding bonds; and
- An amount not to exceed \$23,000,000, at an interest rate not to exceed 18% per annum, for intergovernmental agreements for capital and operations and maintenance; and
- An amount not to exceed \$22,000,000 at an interest rate not to exceed 18% per annum, for mortgage debt; and
- An amount not to exceed \$22,000,000 at an interest rate not to exceed 18% per annum, for construction management agreements; and
- An amount not to exceed \$23,000,000 at an interest rate not to exceed 18% per annum, for reimbursement agreements.

On May 8, 2012, a majority of the qualified electors of the District authorized the issuance of indebtedness consisting of general obligation bonds, revenue bonds, notes, certificates, debentures, or other multiple fiscal year financial obligations, for potable and non-potable water systems, improvements and facilities.

As of December 31, 2020, the amount of debt authorized but unissued was \$18,720,000 by Johnstown North Metropolitan District No.1. The total debt issuance limit for all Districts combined is \$22,000,000. The District intends to issue over time a part or all 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.

NOTE 9: COMMITMENTS AND CONTINGENCIES

TABOR Amendment ("Amendment") - Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)

The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2020, an emergency reserve of \$6,300 was recorded as a restriction of fund balance in the General Fund.

NOTE 10: DEFICIT NET POSITION

As of December 31, 2020, the District had a government-wide net position deficit of \$7,230,288. This deficit was created as the District used funding from the Developer to construct capital assets. The District can expect to eliminate the deficit net position as the District pays down its debt.

NOTE 11: SUBSEQUENT EVENTS

Potential subsequent events were considered through May 12, 2021. It was determined that the following event is required to be disclosed through this date.

COVID-19

As a result of the coronavirus pandemic (COVID-19), economic uncertainties may have economic implications on the financial position, results of operations and cash flows of the District. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

REQUIRED SUPPLEMENTAL INFORMATION

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2020

	2020			VARIANCE Positive (Negative)	2019 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Service Fees	\$ 207,800	\$ 204,863	\$ 208,396	\$ 3,533	\$ 96,180
Other Income	-	1,000	961	(39)	4,641
Utility Income	1,295	1,740	1,089	(651)	7,270
TOTAL REVENUES	209,095	207,603	210,446	2,843	108,091
EXPENDITURES					
Current					
General Government					
Accounting and Financial Management	24,340	24,340	24,340	-	15,985
District Management and Administration	20,520	20,520	20,520	-	20,355
Directors' Fees	1,250	1,250	1,100	150	700
Insurance	7,744	9,369	9,369	-	6,914
Landscape Maintenance and Repairs	17,135	16,885	10,698	6,187	12,764
Legal	10,000	25,000	22,822	2,178	10,454
Repairs and Replacement	1,450	1,450	3,800	(2,350)	2,535
Office, Dues and Other	4,700	2,600	3,994	(1,394)	2,002
Utilities	2,798	9,355	6,979	2,376	1,100
Other Expenses	2,250	1,810	4,143	(2,333)	2,554
Contingency	5,000	5,000	-	5,000	-
TOTAL EXPENDITURES	97,187	117,579	107,765	9,814	75,363
NET CHANGE IN FUND BALANCE	111,908	90,024	102,681	12,657	32,728
FUND BALANCE, Beginning	92,290	109,647	109,648	1	76,920
FUND BALANCE, Ending	<u>\$ 204,198</u>	<u>\$ 199,671</u>	<u>\$ 212,329</u>	<u>\$ 12,658</u>	<u>\$ 109,648</u>

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2020

	2020		VARIANCE Positive (Negative)	2019 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Service Fees	\$ 166,421	\$ 166,422	\$ 1	\$ 205,817
Interest Income	5,000	-	(5,000)	522
TOTAL REVENUES	<u>171,421</u>	<u>166,422</u>	<u>(4,999)</u>	<u>206,339</u>
EXPENDITURES				
Current				
General Government	8,538	10,872	(2,334)	-
Cost of Issuance	5,000		5,000	128,203
Debt Service				
Principal	92,125	70,000	22,125	1,715,000
Interest	146,625	105,937	40,688	87,477
Contingency	5,000		5,000	-
TOTAL EXPENDITURES	<u>257,288</u>	<u>186,809</u>	<u>70,479</u>	<u>1,930,680</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(85,867)</u>	<u>(20,387)</u>	<u>65,480</u>	<u>(1,724,341)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the Issuance of Debt	880,000	-	(880,000)	3,000,000
Transfers Out	(841,340)	88,183	929,523	(1,249,641)
TOTAL OTHER FINANCING SOURCES (USES)	<u>38,660</u>	<u>88,183</u>	<u>49,523</u>	<u>1,750,359</u>
NET CHANGE IN FUND BALANCE	(47,207)	67,796	115,003	26,018
FUND BALANCE, Beginning	<u>185,873</u>	<u>105,000</u>	<u>(80,873)</u>	<u>78,982</u>
FUND BALANCE, Ending	<u>\$ 138,666</u>	<u>\$ 172,796</u>	<u>\$ 34,130</u>	<u>\$ 105,000</u>

See the accompanying independent auditors' report.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended December 31, 2020

	2020		VARIANCE Positive (Negative)	2019 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Service Fees	\$ -	\$ 509	\$ 509	\$ 35,936
TOTAL REVENUES	-	509	509	35,936
Utility Income				
Current				
General Government				
District Management	7,500	38,356	(30,856)	3,304
Debt Service				
Principal	-	-	-	-
Capital Outlay	1,982,839	771,349	1,211,490	33,722
TOTAL EXPENDITURES	1,990,339	809,705	1,180,634	37,026
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,990,339)	(809,196)	1,181,143	(1,090)
OTHER FINANCING SOURCES (USES)				
Transfers In	841,340	-	(841,340)	1,249,641
Transfers Out	-	(88,183)	(88,183)	-
TOTAL OTHER FINANCING SOURCES (USES)	841,340	(88,183)	(929,523)	1,249,641
NET CHANGE IN FUND BALANCE	(1,148,999)	(897,379)	251,620	1,248,551
FUND BALANCE, Beginning	1,148,999	1,248,743	99,744	192
FUND BALANCE, Ending	\$ -	\$ 351,364	\$ 351,364	\$ 1,248,743

See the accompanying independent auditors' report.