

**JOHNSTOWN NORTH METROPOLITAN  
DISTRICT NO. 2**

**BASIC FINANCIAL STATEMENTS**

**December 31, 2023**

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## **FINANCIAL SECTION**



# JOHN CUTLER & ASSOCIATES

Board of Directors  
Johnstown North Metropolitan District No. 2  
Johnstown, Colorado

## INDEPENDENT AUDITORS' REPORT

### Report on the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities and each major fund, of the Johnstown North Metropolitan District No. 2 (the "District") as of and for the year ended December 31, 2023 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 referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Johnstown North Metropolitan District No. 2 as of December 31, 2023, 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.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 Johnstown North Metropolitan District No. 2 and to meet our 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 opinions.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### *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 opinions. 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 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, 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.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required budgetary information on page 16 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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.

### ***Supplementary and 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 schedules as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements.

The individual fund schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*John Luttrell & Associates, LLC*

July 29, 2024

## **BASIC FINANCIAL STATEMENTS**

## JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

## STATEMENT OF NET POSITION

As of December 31, 2023

|                                  | Governmental Activities |                |
|----------------------------------|-------------------------|----------------|
|                                  | 2023                    | 2022           |
| ASSETS                           |                         |                |
| Cash and Investments             | \$ -                    | \$ -           |
| Restricted Cash and Investments  | 1,413,584               | 1,989,757      |
| Service Fees Receivable          | 4,178                   | 2,102          |
| TOTAL ASSETS                     | 1,417,762               | 1,991,859      |
| LIABILITIES                      |                         |                |
| Accounts Payable                 | -                       | 2,102          |
| Due to Other Districts           | 2,765                   | 102,705        |
| Accrued Interest on Bonds        | 70,292                  | -              |
| Noncurrent Liabilities           |                         |                |
| Due within One Year              | -                       | -              |
| Due in More Than One Year        | 7,934,414               | 7,931,492      |
| TOTAL LIABILITIES                | 8,007,471               | 8,036,299      |
| NET POSITION                     |                         |                |
| Net Investment in Capital Assets | (7,934,414)             | (7,931,492)    |
| Restricted for Debt Service      | 896,049                 | 1,075,584      |
| Restricted for Capital Projects  | 811,468                 | 811,468        |
| Unrestricted                     | (362,812)               | -              |
| TOTAL NET POSITION               | \$ (6,589,709)          | \$ (6,044,440) |

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

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

STATEMENT OF ACTIVITIES  
Year Ended December 31, 2022

| FUNCTIONS/PROGRAMS                | Expenses          | Program Revenues<br>Charges<br>for Services | Net (Expense)<br>Revenues and<br>Change in Net Position |                       |
|-----------------------------------|-------------------|---|---|-----------------------|
|                                   |                   |   | Governmental Activities                                 |                       |
|                                   |                   |   | 2023  | 2023                  |
| <b>PRIMARY GOVERNMENT</b>         |                   |   |   |                       |
| <b>Governmental Activities</b>    |                   |   |   |                       |
| General Government                | \$ 162,744        | \$ -  | \$ (162,744)  | \$ (437,263)          |
| Interest and Other Fiscal Charges | 627,601           | 79,081                                      | (548,520)   | (521,270)             |
| Total Governmental Activities     | <u>\$ 790,345</u> | <u>\$ 79,081</u>                            | (711,264)   | (958,533)             |
| <b>GENERAL REVENUES</b>           |                   |   |   |                       |
| Property Tax Revenue              |                   |   | 448,331   | 410,502               |
| Specific Ownership Tax            |                   |   | 31,981  | 26,761                |
| Transfers to District 2           |                   |   | (314,317)   | (5,523,170)           |
| TOTAL GENERAL REVENUES            |                   |   | <u>165,995</u>  | <u>(5,085,907)</u>    |
| CHANGE IN NET POSITION            |                   |   | (545,269)   | (6,044,440)           |
| NET POSITION, Beginning           |                   |   | <u>(6,044,440)</u>                                      | <u>-</u>              |
| NET POSITION, Ending              |                   |   | <u>\$ (6,589,709)</u>                                   | <u>\$ (6,044,440)</u> |

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



JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of December 31, 2023

|  | GENERAL<br>FUND | DEBT<br>SERVICE<br>FUND | CAPITAL<br>PROJECTS<br>FUND | TOTAL               |                     |
|--|-----------------|-------------------------|-----------------------------|---------------------|---------------------|
|  |                 |                         |                             | 2023                | 2022                |
| <b>ASSETS</b>  |                 |                         |                             |                     |                     |
| Restricted Cash and Investments                                  | \$ -            | \$ 894,636              | \$ 518,948                  | \$ 1,413,584        | \$ 1,989,757        |
| Accounts Receivable  | 664             | 3,514                   | -                           | 4,178               | 2,102               |
| <b>TOTAL ASSETS</b>  | <b>\$ 664</b>   | <b>\$ 898,150</b>       | <b>\$ 518,948</b>           | <b>\$ 1,417,762</b> | <b>\$ 1,991,859</b> |
| <b>LIABILITIES AND FUND EQUITY</b>                               |                 |                         |                             |                     |                     |
| <b>LIABILITIES</b>   |                 |                         |                             |                     |                     |
| Accounts Payable   | \$ -            | \$ -                    | \$ -                        | \$ -                | \$ 2,102            |
| Due to Other Districts   | 664             | 2,101                   | -                           | 2,765               | 102,705             |
| <b>TOTAL LIABILITIES</b>   | <b>664</b>      | <b>2,101</b>            | <b>-</b>                    | <b>2,765</b>        | <b>104,807</b>      |
| <b>FUND EQUITY</b>   |                 |                         |                             |                     |                     |
| Fund Balance   |                 |                         |                             |                     |                     |
| Restricted for Debt Service                                      | -               | 896,049                 | -                           | 896,049             | 1,075,584           |
| Restricted for Capital Projects                                  | -               | -                       | 518,948                     | 518,948             | 811,468             |
| Unassigned   | -               | -                       | -                           | -                   | -                   |
| <b>TOTAL FUND EQUITY</b>   | <b>-</b>        | <b>896,049</b>          | <b>518,948</b>              | <b>1,414,997</b>    | <b>1,887,052</b>    |
| <b>TOTAL LIABILITIES, DEFERRED<br/>INFLOWS &amp; FUND EQUITY</b> | <b>\$ 664</b>   | <b>\$ 898,150</b>       | <b>\$ 518,948</b>           |                     |                     |

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

Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include bonds payable (\$8,025,000), bond premium of \$90,586, and accrued interest of (\$70,292).

|   |                       |                       |
|---|-----------------------|-----------------------|
|   | (8,004,706)           | (7,931,492)           |
| Net position of governmental activities | <u>\$ (6,589,709)</u> | <u>\$ (6,044,440)</u> |

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

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended December 31, 2023

|   | GENERAL<br>FUND | DEBT<br>SERVICE<br>FUND | CAPITAL<br>PROJECTS<br>FUND | TOTAL            |                  |
|---|-----------------|-------------------------|-----------------------------|------------------|------------------|
|   |                 |                         |                             | 2023             | 2022             |
| <b>REVENUES</b>                                     |                 |                         |                             |                  |                  |
| Property Taxes                                      | \$ 143,466      | \$ 304,865              | \$ -                        | \$ 448,331       | \$ 410,502       |
| Specific Ownership                                  | 10,234          | 21,747                  | -                           | 31,981           | 26,761           |
| Intrest and Other Income                            | 24              | 43,485                  | 35,572                      | 79,081           | 12,588           |
| <b>TOTAL REVENUES</b>                               | <b>153,724</b>  | <b>370,097</b>          | <b>35,572</b>               | <b>559,393</b>   | <b>449,851</b>   |
| <b>EXPENDITURES</b>                                 |                 |                         |                             |                  |                  |
| <b>Current</b>                                      |                 |                         |                             |                  |                  |
| General Government                                  | 153,724         | 6,098                   | -                           | 159,822          | 437,263          |
| Costs of Issuance                                   | -               | -                       | -                           | -                | 593,392          |
| <b>Debt Service</b>                                 |                 |                         |                             |                  |                  |
| Principal   | -               | -                       | -                           | -                | -                |
| Interest and Other Fiscal Charges                   | -               | 557,309                 | -                           | 557,309          | 33,974           |
| <b>TOTAL EXPENDITURES</b>                           | <b>153,724</b>  | <b>563,407</b>          | <b>-</b>                    | <b>717,131</b>   | <b>1,064,629</b> |
| <b>EXCESS OF REVENUES OVER<br/>(UNDER) EXPENSES</b> | <b>-</b>        | <b>(193,310)</b>        | <b>35,572</b>               | <b>(157,738)</b> | <b>(614,778)</b> |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>           |                 |                         |                             |                  |                  |
| Proceeds from the Issuance of Debt                  | -               | -                       | -                           | -                | 8,025,000        |
| Transfers from Other Districts                      | -               | 13,775                  | -                           | 13,775           | -                |
| Transfers to Other Districts                        | -               | -                       | (328,092)                   | (328,092)        | (5,523,170)      |
| <b>TOTAL OTHER FINANCING<br/>SOURCES (USES)</b>     | <b>-</b>        | <b>13,775</b>           | <b>(328,092)</b>            | <b>(314,317)</b> | <b>2,501,830</b> |
| <b>NET CHANGE IN FUND<br/>BALANCES</b>              | <b>-</b>        | <b>(179,535)</b>        | <b>(292,520)</b>            | <b>(472,055)</b> | <b>1,887,052</b> |
| FUND BALANCES, Beginning                            | -               | 1,075,584               | 811,468                     | 1,887,052        | -                |
| FUND BALANCES, Ending                               | \$ -            | \$ 896,049              | \$ 518,948                  | \$ 1,414,997     | \$ 1,887,052     |

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

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2023

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

|   |                            |
|---|----------------------------|
| Net Changes in Fund Balances - Total Governmental Funds   | \$ (472,055)               |
| 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 (\$70,292) and amortization of bond premium of (\$2,922). | <u>(73,214)</u>            |
| Change in Net Position of Governmental Activities   | <u><u>\$ (545,269)</u></u> |

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

## JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

#### NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Johnstown North Metropolitan District No. 2 (“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. 1 and Johnstown North Metropolitan District No. 3, collectively, the “Districts.” The Johnstown North Metropolitan District No. 3 was established as the Financing District to finance services and improvements provided by District No. 1, and Johnstown North Metropolitan District Nos. 1 and 3 were established as the Operating Districts to provide services and improvements for the 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. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**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. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**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. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**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 does not report any nonspendable fund balance for the year ended December 31, 2023.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**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 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, 2023.
- 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.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.



JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**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 public 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, 2023 follows:

Total Investments **\$ 1,413,584**

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

**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.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**NOTE 3: CASH AND INVESTMENTS** (Continued)

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.

Local Government Investment Pools

The District had invested \$1,413,584 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.

**Fair Value**

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. The District had no investments requiring fair value measurement as of December 31, 2023.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2023

**NOTE 4: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the governmental activities for the year ended December 31, 2023.

|                  | Balance<br><u>12/31/22</u> | <u>Additions</u>            | <u>Payments</u>        | Balance<br><u>12/31/23</u> | Due In<br><u>One Year</u>   |
|------------------|----------------------------|-----------------------------|------------------------|----------------------------|-----------------------------|
| GO Bonds, Series | \$ 8,025,000               | \$ 8,025,000                | \$ -                   | \$ 8,025,000               | \$ -                        |
| Bond Premium     | <u>(93,508)</u>            | <u>                    </u> | <u>2,922</u>           | <u>(90,586)</u>            | <u>                    </u> |
| <b>Total</b>     | <b><u>\$ 7,931,492</u></b> | <b><u>\$ 7,931,492</u></b>  | <b><u>\$ 2,922</u></b> | <b><u>\$ 7,934,414</u></b> | <b><u>\$ -</u></b>          |

**Bonds Payable**

On November 2, 2022, the District issued Limited Tax General Obligation Refunding and Improvement Bonds Series 2022A in the amount of \$6,025,000 and Subordinate Limited Tax General Obligation Bonds, Series 2022B in the amount of \$2,000,000. The proceeds of the Series 2022A Senior Bonds will be used for the purposes of: (a) repaying a portion of the Subordinate Developer Notes, (b) financing or reimbursing a portion of the costs of acquiring, constructing, and/or installing certain Public Improvements to serve the Development, (c) paying a portion of the interest to accrue on the Series 2022A Senior Bonds, (d) funding a deposit to the Reserve Fund in the amount of the Reserve Requirement, and (e) paying the costs of issuing the Bonds. The proceeds of the Series 2022B Subordinate Bonds will be used for the purposes of: (a) refunding the 2019 Loan and (b) repaying a portion of the Subordinate Developer Notes.

The bonds carry interest rates ranging from 4.625% to 7.625%. Interest payments on the bonds are due semi-annually on June 1 and December 1 beginning in December 2022. Principal payments are due annually on December 1 beginning in December 2032 through 2052.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2023

**NOTE 4: LONG-TERM DEBT** (Continued)

Estimated future debt service requirements are as follows:

| <u>Year Ended</u><br><u>December 31,</u> | <u>Principal</u>    | <u>Interest</u>      | <u>Total</u>         |
|--|---------------------|----------------------|----------------------|
| 2024                                     | \$ -                | \$ 421,750           | \$ 421,750           |
| 2025                                     | -                   | 672,482              | 672,482              |
| 2026                                     | -                   | 463,453              | 463,453              |
| 2027                                     | -                   | 538,519              | 538,519              |
| 2028                                     | -                   | 630,589              | 630,589              |
| 2029 – 2033                              | 740,000             | 3,937,695            | 4,677,695            |
| 2034 – 2038                              | 2,085,000           | 2,423,935            | 4,508,935            |
| 2039 – 2043                              | 1,060,000           | 1,685,600            | 2,745,600            |
| 2044 – 2048                              | 1,640,000           | 1,237,950            | 2,877,950            |
| 2049 – 2052                              | <u>\$ 2,500,000</u> | <u>491,600</u>       | <u>2,991,600</u>     |
| Total                                    | <u>\$ 8,025,000</u> | <u>\$ 12,503,573</u> | <u>\$ 20,528,573</u> |

**NOTE 5: RELATED PARTIES**

The Developer of the property within the Districts is Centerra Commercial, LLC. All of the members of the Board are employees of McWhinney Real Estate Services Inc., manager of Centerra Commercial, LLC, 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.

**NOTE 6: 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.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

**NOTE 7: 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.

The District has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At December 31, 2023, no amounts were reserved as there is no unrestricted fund balance.

**NOTE 8: DEFICIT NET POSITION**

As of December 31, 2022, the District had a government-wide net position deficit of \$6,589,709. 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 9: SUBSEQUENT EVENTS**

Potential subsequent events were considered through July 26, 2024. It was determined that no events were required to be disclosed through this date.

**REQUIRED SUPPLEMENTAL INFORMATION**

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2023

|                                | 2023               |                 |            | VARIANCE<br>Positive<br>(Negative) | 2022<br>ACTUAL |
|--------------------------------|--------------------|-----------------|------------|------------------------------------|----------------|
|                                | ORIGINAL<br>BUDGET | FINAL<br>BUDGET | ACTUAL     |                                    |                |
| REVENUES                       |                    |                 |            |                                    |                |
| Property Tax                   | \$ 142,068         | \$ 142,068      | \$ 143,466 | \$ 1,398                           | \$ 170,851     |
| Specific Ownership             | 9,945              | 9,945           | 10,234     | 289                                | 11,138         |
| Other Income                   | 1,000              | 1,000           | 24         | (976)                              | -              |
| TOTAL REVENUES                 | 153,013            | 153,013         | 153,724    | 711                                | 181,989        |
| EXPENDITURES                   |                    |                 |            |                                    |                |
| Current                        |                    |                 |            |                                    |                |
| General Government             |                    |                 |            |                                    |                |
| Treasurer Fees                 | 2,841              | 2,870           | 2,870      | -                                  | 3,397          |
| Service Fees to District No. 1 | 149,172            | 150,854         | 150,854    | -                                  | 178,592        |
| Contingency                    | 1,000              | -               | -          | -                                  | -              |
| TOTAL EXPENDITURES             | 153,013            | 153,724         | 153,724    | -                                  | 181,989        |
| NET CHANGE IN FUND BALANCE     | -                  | (711)           | -          | 711                                | -              |
| FUND BALANCE, Beginning        | -                  | -               | -          | -                                  | -              |
| FUND BALANCE, Ending           | \$ -               | \$ (711)        | \$ -       | \$ 711                             | \$ -           |

See the accompanying independent auditors' report.

**INDIVIDUAL FUND SCHEDULES**



JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2023

|   | 2023               |                   |                   | VARIANCE<br>Positive<br>(Negative) | 2022<br>ACTUAL      |
|---|--------------------|-------------------|-------------------|------------------------------------|---------------------|
|   | ORIGINAL<br>BUDGET | FINAL<br>BUDGET   | ACTUAL            |                                    |                     |
| REVENUES  |                    |                   |                   |                                    |                     |
| Property Tax                                    | \$ 301,894         | \$ 301,894        | \$ 304,865        | \$ 2,971                           | \$ 239,651          |
| Specific Ownership                              | 21,133             | 21,133            | 21,747            | 614                                | 15,623              |
| Interest Income                                 | 312                | 312               | 43,485            | 43,173                             | 6,853               |
| TOTAL REVENUES                                  | <u>323,339</u>     | <u>323,339</u>    | <u>370,097</u>    | <u>46,758</u>                      | <u>262,127</u>      |
| EXPENDITURES                                    |                    |                   |                   |                                    |                     |
| Current   |                    |                   |                   |                                    |                     |
| General Government                              | 13,039             | 6,098             | 6,098             | -                                  | 255,274             |
| Debt Service                                    |                    |                   |                   |                                    |                     |
| Principal                                       | -                  | -                 | -                 | -                                  | -                   |
| Interest  | 421,750            | 557,309           | 557,309           | -                                  | 33,974              |
| Contingency                                     | -                  | -                 | -                 | -                                  | -                   |
| TOTAL EXPENDITURES                              | <u>434,789</u>     | <u>563,407</u>    | <u>563,407</u>    | <u>-</u>                           | <u>289,248</u>      |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | <u>(111,450)</u>   | <u>(240,068)</u>  | <u>(193,310)</u>  | <u>46,758</u>                      | <u>(27,121)</u>     |
| OTHER FINANCING SOURCES (USES)                  |                    |                   |                   |                                    |                     |
| Transfers In(Out)                               | (4,584)            | (4,584)           | -                 | 4,584                              | 1,102,705           |
| Transfers from Other Districts                  | -                  | -                 | 13,775            | 13,775                             | -                   |
| TOTAL OTHER FINANCING<br>SOURCES (USES)         | <u>(4,584)</u>     | <u>(4,584)</u>    | <u>13,775</u>     | <u>18,359</u>                      | <u>1,102,705</u>    |
| NET CHANGE IN FUND BALANCE                      | (116,034)          | (244,652)         | (179,535)         | 65,117                             | 1,075,584           |
| FUND BALANCE, Beginning                         | <u>1,068,729</u>   | <u>1,068,729</u>  | <u>1,075,584</u>  | <u>6,855</u>                       | <u>-</u>            |
| FUND BALANCE, Ending                            | <u>\$ 952,695</u>  | <u>\$ 824,077</u> | <u>\$ 896,049</u> | <u>\$ 71,972</u>                   | <u>\$ 1,075,584</u> |

See the accompanying independent auditors' report.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 2

CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended December 31, 2023

|   | 2023               |                 |            | VARIANCE               | 2022<br>ACTUAL |
|---|--------------------|-----------------|------------|------------------------|----------------|
|   | ORIGINAL<br>BUDGET | FINAL<br>BUDGET | ACTUAL     | Positive<br>(Negative) |                |
| REVENUES  |                    |                 |            |                        |                |
| Interest and Other                              | \$ -               | \$ -            | \$ 35,572  | \$ 35,572              | \$ 5,735       |
| TOTAL REVENUES                                  | -                  | -               | 35,572     | 35,572                 | 5,735          |
| Utility Income                                  |                    |                 |            |                        |                |
| Current   |                    |                 |            |                        |                |
| Cost of Issuance                                | -                  | -               | -          | -                      | 593,392        |
| TOTAL EXPENDITURES                              | -                  | -               | -          | -                      | 593,392        |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES | -                  | -               | 35,572     | 35,572                 | (587,657)      |
| OTHER FINANCING SOURCES (USES)                  |                    |                 |            |                        |                |
| Bond Proceeds                                   | -                  | -               | -          | -                      | 8,025,000      |
| Transfers In(Out)                               | 327,138            | 327,138         | -          | (327,138)              | (1,102,705)    |
| Transfers to Other Districts                    | (327,138)          | (328,092)       | (328,092)  | -                      | (5,523,170)    |
| TOTAL OTHER FINANCING<br>SOURCES (USES)         | -                  | (954)           | (328,092)  | (327,138)              | 1,399,125      |
| NET CHANGE IN FUND BALANCE                      | -                  | (954)           | (292,520)  | -                      | 811,468        |
| FUND BALANCE, Beginning                         | -                  | -               | 811,468    | 811,468                | -              |
| FUND BALANCE, Ending                            | \$ -               | \$ (954)        | \$ 518,948 | \$ 811,468             | \$ 811,468     |

See the accompanying independent auditors' report.