

**JOHNSTOWN NORTH METROPOLITAN
DISTRICT NO. 1**

BASIC FINANCIAL STATEMENTS

December 31, 2023

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Johnstown North Metropolitan District No. 1
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. 1 (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. 1 as of December 31, 2023, and the respective changes in financial position and, where applicable, cash flows, 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. 1 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 19 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. 1

STATEMENT OF NET POSITION

As of December 31, 2023

| | Governmental Activities | |
|--|-------------------------|-----------------------|
| | 2023 | 2022 |
| ASSETS | | |
| Cash and Investments | \$ 350,511 | \$ 291,401 |
| Service Fees Receivable | 5,426 | 125,886 |
| Prepaid Expenses | 9,764 | 9,966 |
| Capital Assets, not depreciated | 1,460,477 | 1,148,186 |
| Capital Assets, depreciated, net of accumulated depreciation | 266,909 | 284,212 |
| | <u>2,093,087</u> | <u>1,859,651</u> |
| TOTAL ASSETS | | |
| LIABILITIES | | |
| Accounts Payable | 16,899 | 110,776 |
| Accrued Interest on Bonds | 3,053,908 | 2,988,547 |
| Noncurrent Liabilities | | |
| Due within One Year | 641,138 | 641,138 |
| Due in More Than One Year | - | - |
| | <u>3,711,945</u> | <u>3,740,461</u> |
| TOTAL LIABILITIES | | |
| NET POSITION | | |
| Net Investment in Capital Assets | 266,909 | 284,212 |
| Restricted for Emergencies | 5,800 | 13,700 |
| Restricted for Capital Projects | 5,327 | - |
| Unrestricted | (1,896,894) | (2,178,722) |
| | <u>(1,896,894)</u> | <u>(2,178,722)</u> |
| TOTAL NET POSITION | <u>\$ (1,618,858)</u> | <u>\$ (1,880,810)</u> |

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

JOHNSTOWN NORTH METROLITAN DISTRICT NO. 1

STATEMENT OF ACTIVITIES
Year Ended December 31, 2023

| FUNCTIONS/PROGRAMS | Expenses | Program Revenues Charges for Services | Net (Expense) Revenues and Change in net Position | |
|------------------------------------|-------------------|---|---|-----------------------|
| | | | Governmental Activities | |
| | | | 2023 | 2022 |
| PRIMARY GOVERNMENT | | | | |
| Governmental Activities | | | | |
| General Government | \$ 181,236 | \$ - | \$ (181,236) | \$ (208,481) |
| Interest and Other Fiscal Charges | 65,361 | - | (65,361) | (299,706) |
| Total Governmental Activities | <u>\$ 246,597</u> | <u>\$ -</u> | (246,597) | (508,187) |
| GENERAL REVENUES | | | | |
| Service Fees, Districts 2,3, and 5 | | | 151,001 | 429,297 |
| Net Investment and Other Income | | | 37,624 | 20,586 |
| LURA Revenues | | | 5,607 | 3,198 |
| Transfers from District 2 | | | 314,317 | 5,523,170 |
| TOTAL GENERAL REVENUES | | | <u>508,549</u> | <u>5,976,251</u> |
| CHANGE IN NET POSITION | | | 261,952 | 5,468,064 |
| NET POSITION, Beginning | | | <u>(1,880,810)</u> | <u>(7,348,874)</u> |
| NET POSITION, Ending | | | <u>\$ (1,618,858)</u> | <u>\$ (1,880,810)</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, 2023

| | GENERAL FUND | CAPITAL PROJECTS FUND | TOTAL | |
|--|-------------------|-----------------------------|-------------------|-------------------|
| | | | 2023 | 2022 |
| ASSETS | | | | |
| Cash and Investments | \$ 338,228 | \$ 12,283 | \$ 350,511 | \$ 291,401 |
| Accounts Receivable | 5,426 | - | 5,426 | 125,886 |
| Prepaid Expenses | 9,764 | - | 9,764 | 9,966 |
| TOTAL ASSETS | \$ 353,418 | \$ 12,283 | \$ 365,701 | \$ 427,253 |
| LIABILITIES AND FUND EQUITY | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 9,943 | \$ 6,956 | \$ 16,899 | \$ 110,776 |
| TOTAL LIABILITIES | 9,943 | 6,956 | 16,899 | 110,776 |
| FUND EQUITY | | | | |
| Fund Balance | | | | |
| Nonspendable | 9,764 | - | 9,764 | 9,966 |
| Restricted for Emergencies | 5,800 | - | 5,800 | 13,700 |
| Restricted for Capital Projects | - | 5,327 | 5,327 | - |
| Unassigned | 327,911 | - | 327,911 | 292,811 |
| TOTAL FUND EQUITY | 343,475 | 5,327 | 348,802 | 316,477 |
| TOTAL LIABILITIES, DEFERRED INFLOWS & FUND EQUITY | \$ 353,418 | \$ 12,283 | | |

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. | 1,727,386 | 1,432,398 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include developer advances of \$641,138 and accrued interest \$3,053,908. | (3,695,046) | (3,629,685) |
| Net position of governmental activities | <u>\$ (1,618,858)</u> | <u>\$ (1,880,810)</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, 2023

| | GENERAL FUND | CAPITAL PROJECTS FUND | TOTAL | |
|---|-------------------|-----------------------------|-------------------|--------------------|
| | | | 2023 | 2022 |
| REVENUES | | | | |
| Service Fees | \$ 151,001 | \$ - | \$ 151,001 | \$ 429,297 |
| Net Investment and Other Income | 37,624 | - | 37,624 | 20,586 |
| LURA Revenues | 5,607 | - | 5,607 | 3,198 |
| Interest and Other Income | - | - | - | 2,683 |
| TOTAL REVENUES | <u>194,232</u> | <u>-</u> | <u>194,232</u> | <u>455,764</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | 153,459 | 10,474 | 163,933 | 191,179 |
| Costs of Issuance | - | - | - | 339,600 |
| Capital Outlay | - | 312,291 | 312,291 | - |
| Debt Service | | | | |
| Principal | - | - | - | 5,790,000 |
| Interest and Other Fiscal Charges | - | - | - | 93,930 |
| TOTAL EXPENDITURES | <u>153,459</u> | <u>322,765</u> | <u>476,224</u> | <u>6,414,709</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | <u>40,773</u> | <u>(322,765)</u> | <u>(281,992)</u> | <u>(5,958,945)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from Other Districts | - | 328,092 | 328,092 | 5,523,170 |
| Transfers In | - | - | - | 2,410,298 |
| Transfers Out | <u>(13,775)</u> | <u>-</u> | <u>(13,775)</u> | <u>(2,410,298)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(13,775)</u> | <u>328,092</u> | <u>314,317</u> | <u>5,523,170</u> |
| NET CHANGE IN FUND BALANCES | 26,998 | 5,327 | 32,325 | (435,775) |
| FUND BALANCES, Beginning | <u>316,477</u> | <u>-</u> | <u>316,477</u> | <u>752,252</u> |
| FUND BALANCES, Ending | <u>\$ 343,475</u> | <u>\$ 5,327</u> | <u>\$ 348,802</u> | <u>\$ 316,477</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, 2023

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

| | |
|---|-------------------|
| Net Changes in Fund Balances - Total Governmental Funds | \$ 32,325 |
| 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 is amount by which capital outlay \$312,291 exceeded depreciation expense \$17,303. | 294,988 |
| 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. | <u>(65,361)</u> |
| Change in Net Position of Governmental Activities | <u>\$ 261,952</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, 2023

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. 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, to provide services and improvements for the Districts, and Johnstown North Metropolitan District Nos. 2 and 3 were established as the Financing Districts to finance services and improvements provided by the District.

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, 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. 1

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.

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, 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 reports prepaid expenses as nonspendable for the year ended December 31, 2023.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

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 Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- **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.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

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:

| | |
|---------------|--------------------------|
| Cash Deposits | \$ 29,761 |
| Investments | <u>320,750</u> |
| Total | <u>\$ 350,511</u> |

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. At December 31, 2023, State regulatory commissioners have indicated that all financial institutions holding deposits for the District are eligible public depositories.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

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, 2023, the District had deposits with financial institutions with a carrying amount of \$29,761. The bank balances with the financial institutions were \$29,761. All of these balances were covered by federal depository insurance.

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, 2023

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Local Government Investment Pools

The District had invested \$320,750 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, 2023, is summarized below:

| | <u>Balances</u> <u>12/31/22</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balances</u> <u>12/31/23</u> |
|---|------------------------------------|-------------------|------------------|------------------------------------|
| Governmental Activities | | | | |
| Capital Assets, not depreciated | | | | |
| Construction in Process | \$ 1,148,186 | \$ 312,291 | \$ - | \$ 1,460,477 |
| Capital Assets, depreciated | | | | |
| Improvements | 494,952 | - | - | 494,952 |
| Accumulated Depreciation | 210,740 | 17,303 | - | 228,043 |
| Capital Assets, depreciated, net | 284,212 | (17,303) | - | 266,909 |
| Governmental Activities, Capital Assets, Net | <u>\$ 1,432,398</u> | <u>\$ 294,988</u> | <u>\$ -</u> | <u>\$ 1,727,386</u> |

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

NOTE 5: LONG-TERM DEBT

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

| | Balance <u>12/31/22</u> | <u>Additions</u> | <u>Payments</u> | Balance <u>12/31/23</u> | Due In <u>One Year</u> |
|-------------------------|----------------------------|-------------------------|--------------------|----------------------------|---------------------------|
| Developer Debt, Capital | \$ 641,138 | \$ - | \$ - | \$ 641,138 | \$ 641,138 |
| Accrued Interest | <u>2,988,547</u> | <u>65,361</u> | <u>-</u> | <u>3,053,908</u> | <u>-</u> |
| Total | <u>\$ 3,629,685</u> | <u>\$ 65,361</u> | <u>\$ -</u> | <u>\$ 3,695,046</u> | <u>\$ 641,138</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. On November 15, 2021, the Agreement and note were amended. The note was refunded and a new note was issued. 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, 2023. 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, 2023

NOTE 5: LONG-TERM DEBT (Continued)

Developer Debt, Capital (Continued)

On November 1, 2020, the District entered into an 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. On August 16, 2022, the District accepted public improvement and related costs for \$144,942. The District paid Centerra Commercial, LLC with cash on hand.

Advance and Reimbursement Agreement

On January 1, 2023, the District and Centerra Commercial, LLC entered into an Advance and Reimbursement Agreement, which provides for Centerra Commercial to advance funds to the District in an amount not to exceed \$1,250,000 for the District to pay the costs associated with the design, construction, and installation of public improvements to serve the Districts (the "2023 Agreement"). Such advances would be made through December 31, 2023. To evidence the District's reimbursement obligation to Centerra Commercial, the District issued a subordinate promissory note to Centerra Commercial in an amount not to exceed \$1,250,000, with an interest rate of two percent (2%) plus the current Federal Reserve Board prime rate or at the rate of six percent (6%), whichever rate is greater, simple interest, from the date of each advance received by the District, with a maturity date of December 31, 2062 (the "2023 Note"). On October 26, 2023, the District and Centerra Commercial entered into a First Amendment to the 2023 Agreement, which provided for an increase in advances to be received by the District from Centerra Commercial in an amount not to exceed \$2.5 million through December 31, 2024. In connection with the First Amendment, the District refunded the 2023 Note and issued a new subordinate promissory note to Centerra Commercial in an amount not to exceed \$2.5 million at the same interest rate and with the same maturity date as the 2023 Note. Any amounts that remain outstanding on the note at maturity shall be discharged with no further obligation owed by the District.

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2023

NOTE 6: 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. 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, 2023, in the amount of \$641,138 and accrued interest on the outstanding debt in the amount of \$3,053,908.

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, 2023

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, 2023, the amount of debt authorized but unissued was \$22,000,000 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, 2023

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, 2023, an emergency reserve of \$5,800 was recorded as a restriction of fund balance in the General Fund.

NOTE 10: DEFICIT NET POSITION

As of December 31, 2023, the District had a government-wide net position deficit of \$1,618,858. 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 July 29, 2024. It was determined that the following event is required to be disclosed through this date.

REQUIRED SUPPLEMENTAL INFORMATION

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended December 31, 2023

| | 2023 | | VARIANCE Positive (Negative) | 2022 ACTUAL |
|---|---------------------------------|------------|------------------------------------|----------------|
| | ORIGINAL AND FINAL BUDGET | ACTUAL | | |
| REVENUES | | | | |
| Service Fees | \$ 149,319 | \$ 151,001 | \$ 1,682 | \$ 178,592 |
| Other Income | 10,850 | 37,624 | 26,774 | 20,586 |
| Utility Income | 1,230 | 5,607 | 4,377 | 3,198 |
| TOTAL REVENUES | 161,399 | 194,232 | 32,833 | 202,376 |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | | | | |
| Accounting and Financial Management | 47,500 | 48,780 | (1,280) | 28,210 |
| District Management and Administration | 39,500 | 40,370 | (870) | 34,308 |
| Directors' Fees | 2,500 | 600 | 1,900 | 2,900 |
| Insurance | 10,700 | 9,966 | 734 | 9,557 |
| Landscape Maintenance and Repairs | 19,652 | 8,333 | 11,319 | 42,036 |
| Legal | 22,000 | 22,264 | (264) | 38,058 |
| Repairs and Replacement | 16,504 | 15,704 | 800 | 2,557 |
| Office, Dues and Other | 8,443 | 6,747 | 1,696 | 6,302 |
| Utilities | 1,250 | 638 | 612 | 5,231 |
| Other Expenses | | 57 | (57) | 233 |
| Contingency | 10,000 | | 10,000 | - |
| TOTAL EXPENDITURES | 178,049 | 153,459 | 24,590 | 169,392 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (16,650) | 40,773 | 57,423 | 32,984 |
| OTHER FINANCING USES | | | | |
| Transfers Out | - | (13,775) | (13,775) | - |
| NET CHANGE IN FUND BALANCE | (16,650) | 26,998 | 43,648 | 32,984 |
| FUND BALANCE, Beginning | 337,207 | 316,477 | (20,730) | 283,493 |
| FUND BALANCE, Ending | \$ 320,557 | \$ 343,475 | \$ 22,918 | \$ 316,477 |

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULES

JOHNSTOWN NORTH METROPOLITAN DISTRICT NO. 1

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

| | 2023 | | VARIANCE Positive (Negative) | 2022 ACTUAL |
|---|---------------------------------|------------------|------------------------------------|--------------------|
| | ORIGINAL AND FINAL BUDGET | ACTUAL | | |
| REVENUES | | | | |
| Service Fees | \$ - | \$ - | \$ - | \$ - |
| Interest and Other | - | - | - | - |
| TOTAL REVENUES | - | - | - | - |
| Utility Income | | | | |
| Current | | | | |
| General Government | | | | |
| District Management | 45,000 | 8,325 | 36,675 | 12,005 |
| Engineering | 5,000 | 2,149 | 2,851 | 3,912 |
| Debt Service | | | | |
| Principal | - | - | - | 3,000,000 |
| Interest | - | - | - | - |
| Capital Outlay | 1,269,336 | 312,291 | 957,045 | 339,600 |
| TOTAL EXPENDITURES | 1,319,336 | 322,765 | 996,571 | 3,355,517 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,319,336) | (322,765) | 996,571 | (3,355,517) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from District 2 | - | 328,092 | 328,092 | - |
| Transfers In ((Out) | 4,584 | - | (4,584) | (2,410,298) |
| Capital Advances | 1,250,000 | - | (1,250,000) | 5,523,170 |
| TOTAL OTHER FINANCING SOURCES (USES) | 1,254,584 | 328,092 | (926,492) | 3,112,872 |
| NET CHANGE IN FUND BALANCE | (64,752) | 5,327 | 70,079 | (242,645) |
| FUND BALANCE, Beginning | 337,207 | - | (337,207) | 242,645 |
| FUND BALANCE, Ending | \$ 272,455 | \$ 5,327 | \$ (267,128) | \$ - |

See the accompanying independent auditors' report.