

**VILLAGES AT JOHNSTOWN
METROPOLITAN DISTRICT NO. 1
Larimer County, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2020

**VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
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YEAR ENDED DECEMBER 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Villages at Johnstown Metropolitan District No. 1
Larimer County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Villages at Johnstown Metropolitan District No. 1 (the "District"), City of Arvada, Colorado, as of and for the year ended December 31, 2020, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Villages at Johnstown Metropolitan District No. 1's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.² Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Villages at Johnstown Metropolitan District No. 1, City of Arvada, Colorado, as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has not presented 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 on the basis financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Villages at Johnstown Metropolitan District No. 1's basic financial statements. The supplemental information listed in the table of contents are presented for the purpose of additional analysis and was not a required part of the financial statements.

The supplemental schedule of Capital Projects Fund - Schedule Revenues, Expenditures and Changes in Fund Balance - Budget and Actual is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The Schedule of Assessed Valuation, Mill Levy, and Property Taxes Collected has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express any opinion or provide any assurance on it.

Watson Coon Ryan, LLC

Watson Coon Ryan, LLC
September 24, 2021
Centennial, Colorado

BASIC FINANCIAL STATEMENTS

VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities
ASSETS	
Cash and Investments	\$ 428
Cash and Investments - Restricted	100
Capital Assets, Not Being Depreciated	781,985
Total Assets	782,513
LIABILITIES	
Due to District No. 2	403
Due to District No. 3	18
Noncurrent Liabilities:	
Due in More Than One Year	139,527
Total Liabilities	139,948
NET POSITION	
Restricted for:	
Emergency Reserves	100
Unrestricted	642,465
Total Net Position	\$ 642,565

See accompanying Notes to Basic Financial Statements.

VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

		Program Revenues			Net Revenues (Expenses) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Governmental Activities:					
General Government	\$ -	\$ -	\$ 782,091	\$ -	\$ 782,091
Interest and Related Costs on Long-Term Debt	8,516	-	-	-	(8,516)
Total Governmental Activities	\$ 8,516	\$ -	\$ 782,091	\$ -	773,575
GENERAL REVENUES					
					1
					1
CHANGE IN NET POSITION					773,576
					(131,011)
NET POSITION - END OF YEAR					\$ 642,565

See accompanying Notes to Basic Financial Statements.

**VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Capital Projects	Total Governmental Fund
ASSETS			
Cash and Investments	\$ 428	\$ -	\$ 428
Cash and Investments - Restricted	100	-	100
Total Assets	\$ 528	\$ -	\$ 528
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to District No. 2	\$ 403	\$ -	\$ 403
Due to District No. 3	18	-	18
Total Liabilities	421	-	421
FUND BALANCES			
Restricted for:			
Emergency Reserves	100	-	100
Unassigned	7	-	7
Total Fund Balances	107	-	107
Total Liabilities and Fund Balances	\$ 528	\$ -	

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.

Capital Assets, Not Being Depreciated	781,985
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Developer Advance Payable	(131,011)
Accrued Interest on Developer Advance	(8,516)

Net Position of Governmental Activities	\$ 642,565
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VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020

	General	Capital Projects	Total Governmental Fund
REVENUES			
Transfer from District No. 2	\$ 102	\$ -	\$ 102
Transfer from District No. 3	4	781,985	781,989
Other Income	1	-	1
Total Revenues	107	781,985	782,092
EXPENDITURES			
Capital Projects:			
Capital Outlay	-	781,985	781,985
Total Expenditures	-	781,985	781,985
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	107	-	107
OTHER FINANCING SOURCES (USES)			
Repay Developer Advance	-	(781,985)	(781,985)
Developer Advance	-	781,985	781,985
Total Other Financing Sources (Uses)	-	-	-
NET CHANGE IN FUND BALANCES	107	-	107
Fund Balances - Beginning of Year	-	-	-
FUND BALANCES - END OF YEAR	\$ 107	\$ -	\$ 107

See accompanying Notes to Basic Financial Statements.

**VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 107

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

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation/amortization expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Capital Outlay - Current Year 781,985

The issuance of long-term debt (e.g., Loans, Developer advances) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds record the effect of premiums, discounts, and similar items when debt is first issued as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

Developer Advances 781,985
Repayment of Developer Advance (781,985)

Change in Net Position of Governmental Activities \$ 773,576

**VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Transfer from District No. 2	\$ 103	\$ 102	\$ (1)
Transfer from District No. 3	4	4	-
Other Income	-	1	1
Total Revenues	<u>107</u>	<u>107</u>	<u>-</u>
EXPENDITURES			
Accounting	30,000	-	30,000
Contingency	11,000	-	11,000
Dues and Licenses	1,800	-	1,800
Election Expense	200	-	200
Insurance	22,000	-	22,000
Legal services	30,000	-	30,000
Miscellaneous	5,000	-	5,000
Total Expenditures	<u>100,000</u>	<u>-</u>	<u>100,000</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(99,893)	107	100,000
OTHER FINANCING SOURCES (USES)			
Developer Advance	100,000	-	(100,000)
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
NET CHANGE IN FUND BALANCE	107	107	-
Fund Balance - Beginning of Year	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ 107</u>	<u>\$ 107</u>	<u>\$ -</u>

See accompanying Notes to Basic Financial Statements.

VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 DEFINITION OF REPORTING ENTITY

Villages at Johnstown Metropolitan District No. 1 (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized concurrently with Villages of Johnstown District Nos. 2-8 (collectively, the Districts) by order and decree of the District Court for Larimer County on May 30, 2018 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes).

At a special election of the eligible electors of the District on May 8, 2018, a majority of those qualified to vote voted in favor of certain ballot questions authorizing the issuance of indebtedness and imposition of taxes for the payment thereof, for the purpose of providing financing for the acquisition, construction, installation, and completion of certain public improvements.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining which governmental activities, organizations, and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens, and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

The District has no employees, and all operations and administrative functions are contracted.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a 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 as general revenues.

Separate financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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 a liability is incurred, regardless of the timing of related cash flows.

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 collectible 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. The major sources of revenue susceptible to accrual are property taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District has determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

The District reports the following major governmental funds:

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and, generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflow of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

Capital Assets

Capital assets, which include infrastructure assets, are reported in the applicable 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress and are not included in the calculation of the net investment in capital assets component of the District's net position.

VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Equity

Net Position

For government-wide presentation purposes, 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.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District's practice to use the most restrictive classification first.

VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 428
Cash and Investments - Restricted	100
Total Cash and Investments	<u>\$ 528</u>

Cash and investments as of December 31, 2020, consist of the following:

Deposits with Financial Institutions	\$ 528
Total Cash and Investments	<u>\$ 528</u>

Cash Deposits

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

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2020, the District's cash deposits had a bank balance and carrying balance of \$528.

As of December 31, 2020, the District had no investments.

NOTE 4 CAPITAL ASSETS

An analysis of the changes in property for the period ended December 31, 2020, follows:

	Balance - December 31, 2019	Additions	Reductions	Balance - December 31, 2020
Governmental Type Activities:				
Capital Assets, not Being Depreciated:				
Construction in Progress	\$ -	\$ 781,985	\$ -	\$ 781,985
Total Capital Assets, not Being Depreciated	<u>\$ -</u>	<u>\$ 781,985</u>	<u>\$ -</u>	<u>\$ 781,985</u>

VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 5 LONG-TERM OBLIGATIONS

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

<u>Governmental Activities</u>	Balance - December 31, 2019	Additions	Reductions	Balance - December 31, 2020	Due Within One Year
Developer Advances:					
Operational	\$ 131,011	\$ -	\$ -	\$ 131,011	\$ -
Capital	-	781,985	781,985	-	-
Accrued interest on					
Developer Advances:					
Operational	-	8,516	-	8,516	-
Total	<u>\$ 131,011</u>	<u>\$ 790,501</u>	<u>\$ 781,985</u>	<u>\$ 139,527</u>	<u>\$ -</u>

Authorized Debt

At December 31, 2020, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	Authorized May 8, 2018 Election	Remaining at December 31, 2020
Public Improvements	\$ 700,000,000	\$ 700,000,000
Refunding	70,000,000	70,000,000
Total	<u>\$ 770,000,000</u>	<u>\$ 770,000,000</u>

Pursuant to the Service Plan, the District is permitted to issue bond indebtedness of up to \$72,500,000.

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

**VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 6 NET POSITION

The District has net position consisting of two components – restricted and unrestricted.

The restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2020, as follows:

	Governmental Activities
Restricted Net Position:	
Emergency Reserves	\$ 100
Total Restricted Net Position	\$ 100

The remaining balance of Net Position is unrestricted.

NOTE 7 AGREEMENTS

District Coordinating Services Agreement (District Nos. 1-8)

Effective as of October 20, 2020, the Districts entered into a District Coordinating Services Agreement (the Coordinating Services Agreement) for the purpose of establishing the respective obligations of the Districts with respect to the coordination, oversight, and funding of certain administrative costs of the Districts, and costs related to the continued operation and maintenance of certain of the Public Improvements within such Districts. Pursuant to the Coordinating Services Agreement, the District was designated as the “coordinating district” (the Coordinating District). District Nos. 2-8 were each designated as “financing districts” (the Financing Districts).

NOTE 8 RELATED PARTIES

The property within the District is being developed by J-25 Land Holding, LLC (Developer). During 2020, all of the members of the Board of Directors were officers or employees of, or otherwise associated with the Developer, and may have conflicts of interest in matters involving the District.

Infrastructure Acquisition and Reimbursement Agreement

The District and the Developer entered into an Infrastructure Acquisition and Reimbursement Agreement on October 16, 2018. Further, the District, District No. 3, and the Developer entered an Infrastructure Acquisition and Reimbursement Agreement, through an Addendum to the Agreement effective October 20, 2020. Pursuant to the agreement, the District and the Developer acknowledge that the District is authorized to construct, acquire and install public improvements and other facilities and services that benefit the Property, subject to the limitations set forth in the Service Plan.

**VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 8 RELATED PARTIES (CONTINUED)

Infrastructure Acquisition and Reimbursement Agreement (Continued)

The Parties agreed that only completed phases of work shall be eligible for reimbursement by the District. The District agrees to reimburse the Developer for certified construction costs related to improvements together within simple interest that shall accrue on amounts reimbursable to the Developer under this Agreement, until paid, at the rate of 6.5% per annum.

Pursuant to the Coordinating Agreement, the District, as the “Coordinating District,” will own, operate and maintain all Public Infrastructure within the boundaries of Villages at Johnstown Metropolitan District Nos. 1-8 and District No. 3, as a “Financing District” and along with the other Financing Districts, is responsible for its respective share of any and all costs, fees, charges and expenses incurred by District No. 1 in providing administrative, operations and maintenance services to and for the benefit of the Districts.

As of December 31, 2020, outstanding advances and accrued interest under this agreement totaled \$0-.

Funding and Reimbursement Agreement (Operations and Maintenance)

The District and the Developer entered into a Funding and Reimbursement Agreement on October 16, 2018, for the purposes of funding operations and maintenance costs. With respect to each loan advance made under this agreement prior to the issuance of any Reimbursement Obligation reflecting such advance, the interest rate shall be 6.5% per annum, from the date any such advance is made, simple interest, to the earlier of the date the Reimbursement Obligation is issued to evidence such advance, or the date of repayment of such amount. As of December 31, 2020, the Developer has paid for District expenditures but has not yet provided the necessary support for the District to recognize the reimbursement obligation.

As of December 31, 2020, outstanding advances under this agreement totaled \$131,011 and accrued interest totaled \$8,516.

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (the Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials’ liability, boiler and machinery, and workers’ compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 9 RISK MANAGEMENT (CONTINUED)

The District pays annual premiums to the Pool for liability, property, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 10 TAX, SPENDING, AND DEBT LIMITATION

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue, and debt limitations which apply to the state of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

On November 6, 2018, the District's voters approved for an annual increase in taxes of \$5,000,000 for general operations and maintenance without limitation of rate. This election question allowed the District to collect and spend the additional revenue without regard to any spending, revenue raising, or other limitations contained within TABOR.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the Emergency Reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits, will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2020**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Transfer from District No. 3	\$ 4,750,000	\$ 781,985	\$ (3,968,015)
Total Revenues	<u>4,750,000</u>	<u>781,985</u>	<u>(3,968,015)</u>
EXPENDITURES			
Capital Outlay	<u>28,000,000</u>	<u>781,985</u>	<u>27,218,015</u>
Total Expenditures	<u>28,000,000</u>	<u>781,985</u>	<u>27,218,015</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(23,250,000)	-	23,250,000
OTHER FINANCING SOURCES (USES)			
Repay Developer Advance	(4,750,000)	(781,985)	3,968,015
Developer Advance	<u>28,000,000</u>	<u>781,985</u>	<u>(27,218,015)</u>
Total Other Financing Sources (Uses)	<u>23,250,000</u>	<u>-</u>	<u>(23,250,000)</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

OTHER INFORMATION

**VILLAGES AT JOHNSTOWN METROPOLITAN DISTRICT NO. 1
 SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
 DECEMBER 31, 2020**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied for		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2019	\$ 189	0.000	0.000	\$ -	\$ -	N/A
2020	168	0.000	0.000	-	-	N/A
Estimated for the Year Ending December 31,						
2021	\$ 168	0.000	0.000	\$ -		