

Johnstown Village Metropolitan District No. 2

Financial Statements

Year Ended December 31, 2025

with

Independent Auditor's Report

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COLORADO CPA COMPANY

Independent Auditor's Report

Board of Directors
Johnstown Village Metropolitan District No. 2
Weld County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Johnstown Village Metropolitan District No. 2 (the "District"), as of and for the year ended December 31, 2025, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Johnstown Village Metropolitan District No. 2 as of December 31, 2025, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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

Required Supplemental Information

Management has omitted the management's discussion and analysis that 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 opinions on the basic financial statements are not affected by this missing information.

Supplemental 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 supplemental information as listed in the table of contents is presented for the purpose of additional analysis and is 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 information has 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Colorado CPA Company PC

Highlands Ranch, Colorado
September 28, 2026

Johnstown Village Metropolitan District No. 2

Balance Sheet/Statement of Net Position

Governmental Funds

December 31, 2025

	General Fund	Debt Service Fund	Funds Total	Adjustments	Statement of Net Position/ (Deficit)
Assets					
Cash and investments - unrestricted	\$ 32,562	\$ -	\$ 32,562	\$ -	\$ 32,562
Cash and investments - restricted	8,867	17,597	26,464	-	26,464
Prepaid expenses	998	-	998	-	998
Receivable from County Treasurer	-	-	-	-	-
Accounts receivable - assessments	57,662	-	57,662	-	57,662
Accounts receivable - District 3	-	95,747	95,747	-	95,747
Property taxes receivable	97,432	314,435	411,867	-	411,867
Capital assets being depreciated, net	-	-	-	1,552,218	1,552,218
Bond insurance, net of amortization	-	-	-	152,104	152,104
Total assets	197,521	427,779	625,300	1,704,322	2,329,622
Deferred outflows of resources					
Deferred loss on refunding	-	-	-	160,643	160,643
Total deferred outflows of resources	-	-	-	160,643	160,643
Total assets and deferred outflows of resources	<u>\$ 197,521</u>	<u>\$ 427,779</u>			
Liabilities					
Accounts payable and accrued expenses	\$ 2,024	\$ -	\$ 2,024	-	2,024
Prepaid assessments	1,350	-	1,350	-	1,350
Long-term liabilities:					
Accrued interest on bonds	-	-	-	31,336	31,336
Due within one year	-	-	-	30,000	30,000
Due within more than one year	-	-	-	10,428,125	10,428,125
Total liabilities	3,374	-	3,374	10,489,461	10,492,835
Deferred inflows of resources					
Deferred property taxes	97,432	314,435	411,867	-	411,867
Deferred lease income	18,354	-	18,354	-	18,354
Total deferred inflows of resources	115,786	314,435	430,221	-	430,221
Fund balance/net position/(deficit)					
Fund balances:					
Non-spendable:					
Prepaid expenses	998	-	998	(998)	-
Restricted:					
Emergencies	8,867	-	8,867	(8,867)	-
Debt service	-	113,344	113,344	(113,344)	-
Capital Projects	-	-	-	-	-
Unassigned	68,496	-	68,496	(68,496)	-
Total fund balances	78,361	113,344	191,705	(191,705)	-
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 197,521</u>	<u>\$ 427,779</u>	<u>\$ 625,300</u>		
Net position/(deficit):					
Net investment in capital assets				-	-
Restricted for:					
Emergencies				8,867	8,867
Debt Service				82,008	82,008
Unrestricted				(8,523,666)	(8,523,666)
Total net position/(deficit)				<u>\$ (8,432,791)</u>	<u>\$ (8,432,791)</u>

Note: the accompanying notes are an integral part of these financial statements.

Johnstown Village Metropolitan District No. 2
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities
Governmental Funds
For the Year Ended December 31, 2025

	General Fund	Debt Service Fund	Funds Total	Adjustments	Statement of Activities
Expenditures/expenses					
Accounting and audit	\$ 1,900	\$ -	\$ 1,900	\$ -	\$ 1,900
Administrative costs/management	46,800	-	46,800	-	46,800
Bad debt expense	440	-	440	-	440
Bank fees	-	2,243	2,243	-	2,243
Community events	1,468	-	1,468	-	1,468
Design review fees	2,100	-	2,100	-	2,100
Directors fees	-	-	-	-	-
Election	-	-	-	-	-
Engineering	1,908	-	1,908	-	1,908
Insurance/SDA Dues	485	-	485	-	485
Irrigation maintenance	12,893	-	12,893	-	12,893
Landscape contract	60,000	-	60,000	-	60,000
Landscape maintenance/projects	4,700	-	4,700	-	4,700
Legal	30,483	-	30,483	-	30,483
Miscellaneous expense	-	-	-	-	-
Office expenses	3,218	-	3,218	-	3,218
Pet stations/pest control	3,383	-	3,383	-	3,383
Signage	353	-	353	-	353
Street maintenance/snow removal	2,164	-	2,164	-	2,164
Trash services	-	-	-	-	-
Utilities	92,195	-	92,195	-	92,195
Treasurer's fees	1,281	6,404	7,685	-	7,685
Paying agent fees	-	7,000	7,000	-	7,000
Payment to refunded bond escrow agent from existing resources	-	872,410	872,410	(872,410)	-
Bond interest expense	-	349,000	349,000	125,016	474,016
Bond insurance	-	152,528	152,528	(152,104)	424
Developer advance interest	-	-	-	157,018	157,018
Depreciation expense	-	-	-	42,333	42,333
Total expenditures/expenses	265,771	1,389,585	1,655,356	(700,147)	955,209
Program revenues					
Assessments	125,115	-	125,115	-	125,115
Late fees, interest and pentalties	9,467	-	9,467	-	9,467
Design review fees	1,800	-	1,800	-	1,800
Total program revenues	136,382	-	136,382	-	136,382
Net program income/(expense)	(129,389)	(1,389,585)	(1,518,974)	700,147	(818,827)
General revenues					
Property taxes	84,900	424,486	509,386	-	509,386
Specific ownership taxes	3,915	19,576	23,491	-	23,491
Interest income	110	36,654	36,764	-	36,764
Lease income	15,395	-	15,395	-	15,395
Miscellaenous income	10,840	-	10,840	-	10,840
Transfers from other governments	-	37,124	37,124	-	37,124
Total revenues	115,160	517,840	633,000	-	633,000
Excess/(deficiency) of revenues over expenditures	(14,229)	(871,745)	(885,974)	700,147	(185,827)
Other financing sources/(uses)					
Proceeds from refunding bonds	-	7,878,626	7,878,626	(7,878,626)	-
Bond issuance costs	-	(335,019)	(335,019)	-	(335,019)
Payment to refunded bond escrow agent	-	(7,384,924)	(7,384,924)	7,384,924	-
Permanent easement sale	113,376	-	113,376	-	113,376
Net other financing sources/(uses)	113,376	158,683	272,059	(493,702)	(221,643)
Net changes in fund balances	99,147	(713,062)	(613,915)	613,915	
Change in net position/(deficit)				(407,470)	(407,470)
Fund balances / net position/(deficit)					
Beginning of year	(20,786)	826,406	805,620	(8,830,941)	(8,025,321)
End of year	\$ 78,361	\$ 113,344	\$ 191,705	\$ (8,624,496)	\$ (8,432,791)

Note: the accompanying notes are an integral part of these financial statements.

Johnstown Village Metropolitan District No. 2
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended December 31, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues				
Assessments	\$ 131,500	\$ 131,500	\$ 125,115	\$ (6,385)
Late fees, interest and pentalties	-	-	9,467	9,467
Design review fees	5,000	5,000	1,800	(3,200)
Property taxes	85,357	85,357	84,900	(457)
Specific ownership taxes	4,268	4,268	3,915	(353)
Interest income	-	-	110	110
Lease income	-	-	15,395	15,395
Miscellaenous income	-	-	10,840	10,840
Developer advances	25,000	25,000	-	(25,000)
Permanent easement sale	-	-	113,376	113,376
Transfers from other governments	-	-	-	-
Total revenues	<u>251,125</u>	<u>251,125</u>	<u>364,918</u>	<u>113,793</u>
Expenditures				
Accounting and audit	3,000	3,000	1,900	1,100
Administrative costs/management	46,800	46,800	46,800	-
Bad debt expense	-	-	440	(440)
Bank fees	-	-	-	-
Community events	-	-	1,468	(1,468)
Design review fees	5,000	5,000	2,100	2,900
Directors fees	-	-	-	-
Election	8,000	8,000	-	8,000
Engineering	-	-	1,908	(1,908)
Insurance/SDA Dues	13,963	13,963	485	13,478
Irrigation maintenance	8,000	8,000	12,893	(4,893)
Landscape contract	70,379	70,379	60,000	10,379
Landscape maintenance/projects	7,500	7,500	4,700	2,800
Legal	7,500	10,583	30,483	(19,900)
Miscellaneous expense	-	-	-	-
Office expenses	500	500	3,218	(2,718)
Pet stations/pest control	3,000	3,000	3,383	(383)
Signage	-	-	353	(353)
Street maintenance/snow removal	6,000	6,000	2,164	3,836
Utilities	61,500	92,195	92,195	-
Treasurer's fees	1,280	1,280	1,281	(1)
Contingency/reserve	5,000	5,000	-	5,000
Total expenditures	<u>247,422</u>	<u>281,200</u>	<u>265,771</u>	<u>15,429</u>
Net changes in fund balances	3,703	(30,075)	99,147	129,222
Fund balances				
Beginning of year	(3,589)	(3,589)	(20,786)	(17,197)
End of year	<u>\$ 114</u>	<u>\$ (33,664)</u>	<u>\$ 78,361</u>	<u>\$ 112,025</u>

Note: the accompanying notes are an integral part of these financial statements.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 1 – Definition of Reporting Entity

Definition of Reporting Entity

Johnstown Village Metropolitan District No. 2 (the “District”), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on January 3, 2019 pursuant to a Service Plan which was approved by the governing body of the Town of Johnstown, and is governed pursuant to provisions of the Colorado Special District Act. The District’s service area is located in Weld County, Colorado. The District was formed in conjunction with Johnstown Village Metropolitan District Nos. 1 and 3 through 5 (collectively, the “Districts”). The Districts were formed to serve the needs of the approximately 120-acre Johnstown Village development being developed by Forestar (USA) Real Estate Group, Inc. (the “Developer” or “Forestar”) which consists of 263-single family detached homes marketed under the name “Mallard Ridge.” The powers and authority of the Districts are provided by the Colorado Special District Act and the Consolidated Service Plan for Johnstown Village Districts No. 1-5, which authorizes the Districts to provide street improvements, traffic and safety controls, water and sanitation improvements and services, parks or recreational facilities or programs, television relay and translator facilities (as limited by the Service Plan), public transportation facilities, mosquito control, fire protection facilities (as limited by the Service Plan) and solid waste disposal service. The District’s primary sources of revenues are property taxes and various district fees. The District is governed by an elected Board of Directors.

As required by accounting principles generally accepted in the United States of America (“GAAP”), these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the Governmental Accounting Standards Boards (“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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

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 operation and administrative functions are contracted.

The accounting policies of the District conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34, *“Special Purpose Governments.”*

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. Governmental activities are normally supported by property taxes and various district fees.

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 instead as general revenues.

For the most part, the effect of inter-fund activity has been eliminated from these financial statements.

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

Estimates

The preparation of these financial statements in conformity with GAAP requires the District management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

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. Property taxes are recognized as revenues in the year for which they are levied and collected.

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 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 period. The material sources of revenue subject to accrual are property taxes and interest. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition and construction of capital facilities and other assets.

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 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 total 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.

The District amended the General Fund and Debt Service Fund appropriations due to higher-than-expected operating costs and costs of issuance on the Series 2025 Bonds (see Note 5). The expenditures in the Debt Service Fund exceeded appropriated amounts, which may be a violation of State Budget Law.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The District's financial instruments include cash and investments, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments as of December 31, 2025, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District's cash and investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The District follows the practice of pooling cash 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.

Accounts Receivable - Assessments

Accounts receivable - assessments represent fees due from homeowners and builders which support maintenance of common areas within the District. All amounts are deemed collectible as such fees constitute a perpetual lien against the property served. If fees are waived, the amount is written off as a bad debt expense.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category, which is the deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available or are collected.

Capital Assets

Capital assets, which include property and infrastructure assets (e.g. streets and similar items), are reported in the applicable governmental or business-type activities columns 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements that will be conveyed to other governmental entities are classified as construction in progress, are not included in the calculation of net investment in capital assets and are not depreciated. Land and certain landscaping improvements are not depreciated.

Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable, using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current charge. Depreciation expense has been computed using the straight-line method for infrastructure over the estimated economic useful life of 40 years.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

Original Issue Premium, Loss on Refunding and Prepaid Debt Insurance

Original issue premium, loss on refunding and prepaid debt insurance from the Series 2025 Bonds are being amortized over the respective terms of the bonds using the straight-line method. As of December 31, 2025, accumulated amortization of these items amounted to:

Account	Accumulated amortization
Original issue premium	<u>\$ 274</u>
Loss on refunding	<u>\$ 447</u>
Prepaid debt insurance	<u>\$ 424</u>

Bond Issuance Costs

In the government-wide and fund financial statements, bond issuance costs are recognized as expenses during the period incurred. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

Fund balances for governmental funds are 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: non-spendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all these components.

The following classifications describe the relative strength of the spending constraints:

Non-spendable fund balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaids and inventory) or is legally or contractually required to be maintained intact.

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

Committed fund balance – The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision-making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board of Directors.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Equity (continued)

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 above criteria.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive classification first when more than one classification is available.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports the following categories of net position:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 2 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes are levied by the District 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 who assess the property tax obligation of 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 at the taxpayers' election, in equal installments in February and June. Delinquent taxpayers are notified in August and the sales of the resultant tax liens on delinquent properties are generally 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 revenue in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Adoption of New Accounting Standard

In December 2023, the GASB issued Statement No. 102, "*Certain Risk Disclosures*" ("GASBS No. 102"). GASBS No. 102 requires note disclosure when (a) a concentration or constraint is known prior to issuance of the financial statements, (b) it makes the reporting unit vulnerable to the risk of a substantial impact, and (c) an event associated with the concentration or constraint has occurred, has begun to occur, or is more likely than not to begin to occur within 12 months of issuance. This District adopted the requirements of the guidance effective for the year ended December 31, 2025. Management performed the analysis required under GASBS No. 102 and did not identify any concentrations or constraints that require disclosure.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements For the Year Ended December 31, 2025

Note 3 – Cash and Investments

Cash and investments as of December 31, 2025, are classified in the accompanying financial statement as follows:

Statement of net position:

Cash and investments - unrestricted	\$	32,562
Cash and investments - restricted		<u>26,464</u>
Total	\$	<u>59,026</u>

Cash and investments as of December 31, 2025, consist of the following:

Deposits with financial institutions	\$	43,087
Investments		<u>15,939</u>
Total	\$	<u>59,026</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. As of December 31, 2025, the District's cash deposits had a bank balance of \$43,087 and a carrying balance of \$43,087.

Custodial Credit Risks – Deposits

For deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of December 31, 2025, none of the District's bank balance was exposed to custodial credit risk.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 3 – Cash and Investments (continued)

Investments

Investment Policies

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service or sinking fund requirements. Colorado State statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- * Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contracts
- * Local government investment pools

The District generally limits its concentration of investments to those noted with an asterisk (*) above, which are believed to have minimal credit risk; minimal interest rate risk and no foreign currency risk.

Concentration Risk and Custodial Risk – Investments

Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Investment Valuation

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. 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 unobservable inputs. The District's investments in COLOTRUST are not required to be categorized within the fair value hierarchy and are calculated using the net asset value ("NAV") method.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 3 – Cash and Investments (continued)

Investments (continued)

Summary of Investments

As of December 31, 2025, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
COLOTRUST PLUS+	Weighted Average Under 60 Days	\$ 15,939
Total investments		<u>\$ 15,939</u>

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. COLOTRUST offers shares in three portfolios: COLOTRUST Prime, COLOTRUST PLUS+, and COLOTRUST Edge. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST using the NAV method. A designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. The custodian’s internal records identify the investments owned by participating governments.

COLOTRUST PLUS+ operates similarly to a money market fund and each share is equal in value to \$1.00. The portfolio may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under C.R.S. 24-75-601. It is rated AAAM by Standard and Poor’s. Purchases and redemptions are available daily at a NAV of \$1.00. There are no unfunded commitments and there is no redemption notice period.

Restricted Cash and Investments

As of December 31, 2025, portions of cash and investments were restricted for emergency reserves and debt service.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 4 – Capital Assets

An analysis of the District's changes in capital assets for the year ended December 31, 2025, follows:

<u>Governmental activities</u>	<u>Balances 01/01/2025</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances 12/31/2025</u>
Capital assets being depreciated:				
Infrastructure	<u>\$ 1,693,328</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,693,328</u>
Total capital assets being depreciated	1,693,328	-	-	1,693,328
Less: accumulated depreciation	<u>(98,777)</u>	<u>(42,333)</u>	<u>-</u>	<u>(141,110)</u>
Net capital assets being depreciated	<u>1,594,551</u>	<u>(42,333)</u>	<u>-</u>	<u>1,552,218</u>
Government-type assets, net	<u><u>\$ 1,594,551</u></u>	<u><u>\$ (42,333)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,552,218</u></u>

Depreciation in the amount of \$42,333 was charged to the general governmental function during the year.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements For the Year Ended December 31, 2025

Note 5 – Long-Term Obligations

General obligation bonds issued for governmental activities are liquidated by the debt service fund. An analysis of changes in the District's long-term obligations for the year ended December 31, 2025, follows:

Governmental activities:	Balances 01/01/2025	Additions	Deletions	Balances 12/31/2025	Current Portion
General obligation bonds:					
Series 2020A General obligation limited tax bonds	\$ 6,980,000	\$ -	\$ (6,980,000)	\$ -	\$ -
Series 2020B Subordinate general obligation limited tax bonds	711,000	-	(711,000)	-	-
Series 2020A General obligation limited tax bonds premium	48,466	-	(48,466)	-	-
Series 2025 General obligation limited tax refunding bonds	-	7,780,000	-	7,780,000	30,000
Series 2025 General obligation limited tax refunding bonds premium	-	98,627	(274)	98,353	-
Total general obligation bonds	7,739,466	7,878,627	(7,739,740)	7,878,353	30,000
Developer advances:					
Developer advance - operations:					
Principal	396,923	-	-	396,923	-
Accrued interest	69,937	31,754	-	101,691	-
Total	466,860	31,754	-	498,614	-
Developer advance - capital:					
Principal	1,565,796	-	-	1,565,796	-
Accrued interest	390,098	125,264	-	515,362	-
Total	1,955,894	125,264	-	2,081,158	-
Total developer advances	2,422,754	157,018	-	2,579,772	-
Governmental activities, total	<u>\$ 10,162,220</u>	<u>\$ 8,035,645</u>	<u>\$ (7,739,740)</u>	<u>\$ 10,458,125</u>	<u>\$ 30,000</u>

Series 2025 Bonds

In December 2025, the District issued Limited Tax General Obligation Refunding Bonds, Series 2025, ("Series 2025 Bonds") with a par value of \$7,780,000. The Series 2025 Bonds were issued at a premium of \$98,625, along with other available funds of approximately \$872,410, resulting in gross proceeds of \$8,751,035. The Series 2025 Bonds were issued for the purpose of paying the costs of refunding the Series 2020A and 2020B Bonds, funding reserves and capitalized interest to the extent provided by the Indenture, and paying other costs incurred in connection with the issuance of the Series 2025 Bonds and the refunding of the 2020A and 2020B Bonds.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 5 – Long-Term Obligations (continued)

Series 2025 Bonds (continued)

The 2025 Bonds are secured by and payable from Pledged Revenue, which includes moneys derived from (a) the Required Mill Levy; (b) Pledged Fees; (c) the portion of specific ownership tax which is collected as a result of imposition of the Required Mill Levy; and (d) any other legally available moneys which the District determines, in its absolute discretion, to transfer to the Trustee for application as Pledged Revenue. Subject to the receipt of sufficient Pledged Revenues, the 2025 Bonds are secured by a Required Reserve of \$592,487.50.

The Series 2025 Bonds bear interest from the issuance date at a rate ranging from 4.75% to 5% calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent Pledged Revenues available therefore semiannually on each June 1 and December 1, commencing June 1, 2026, until the Series 2025 Bonds are deemed to be paid in full or are redeemed prior to maturity. To the extent principal of any Bond is not paid when due, such principal shall remain outstanding until the earlier of its payment or the Termination Date, which is December 1, 2060, and shall continue to bear interest at the rate then borne by the Bond. The Series 2025 Bonds, and interest thereon, will be deemed to be paid, satisfied and discharged on December 2, 2060, regardless of the amount of principal and interest paid prior to the Termination Date.

The Series 2025 Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2030, and on any date thereafter, upon payment of par, accrued interest, and a redemption premium of a percentage of the principal amount so redeemed, as follows:

<u>Date of Redemption</u>	<u>Redemption Premium</u>
December 1, 2030, to and including November 30, 2031	3%
December 1, 2031, to and including November 30, 2032	2%
December 1, 2032, to and including November 30, 2033	1%
December 1, 2033, and thereafter	0%

Events of default as defined in the Series 2025 Bond Indenture are (a) the District fails or refuses to impose the Required Mill Levy or to properly apply the Pledged revenue; (b) the District defaults in the performance or observance of any of the covenants, agreements, or conditions on the part of the District in the Indenture or the Bond Resolution and fails to remedy such failure after notice thereof pursuant to the Indenture; or (c) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy law seeking to adjust the obligation represented by the bond agreement. Due to the limited nature of the Pledged Revenue, the failure to pay the principal of or interest on the Series 2025 Bonds when due does not, of itself, constitute an event of default.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 5 – Long-Term Obligations (continued)Series 2025 Bonds (continued)

As a result of the issuance of the Series 2025 Bonds, the Series 2020A and 2020B Bonds are considered to be defeased and the liability related to these bonds has been removed from the governmental activities column of the Statement of Net Position. The reacquisition price of the old debt exceeded the net carrying value by \$161,091. This amount is recorded as a deferred outflow and is being amortized over the life of the Series 2025 Bonds. The refunding resulted in an economic gain/loss of \$316,763 due to the average interest rate of the Series 2025 Bonds being lower than the Refunded Bonds.

Amended and Restated Capital Pledge Agreement (Series 2025 Bonds)

The Capital Pledge Agreement is between the District, Johnstown Village Metropolitan District No. 3 (the “Pledge District”) and UMB Bank. Under the Capital Pledge Agreement, District No. 3 covenants to impose the Mandatory Capital Levy and remit the Pledge District Capital Revenue to the District. The Capital Pledge Agreement shall continue until the earlier of (a) the date on which the Series 2025 Bonds are no longer outstanding or (b) the Termination Date (December 2, 2060).

Future Maturity

The following is a summary of the annual long-term debt principal and interest requirements related to the Series 2025 Bonds:

Year Ending December 31,	Principal	Interest	Total
2026	\$ 30,000	\$ 376,850	\$ 406,850
2027	45,000	376,400	421,400
2028	75,000	374,150	449,150
2029	90,000	370,400	460,400
2030	105,000	365,900	470,900
2031-2035	655,000	1,743,000	2,398,000
2036-2040	970,000	1,549,500	2,519,500
2041-2045	1,370,000	1,269,250	2,639,250
2046-2050	1,900,000	885,163	2,785,163
2051-2055	2,540,000	375,725	2,915,725
Total	<u>\$ 7,780,000</u>	<u>\$ 7,686,338</u>	<u>\$ 15,466,338</u>

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 5 – Long-Term Obligations (continued)

Series 2020A and 2020B Bonds (Refunded in 2025)

Limited Tax General Obligation Bonds, Series 2020A

In September 2020, the District issued Limited Tax General Obligation Bonds, Series 2020A, ("Series 2020A Bonds") with a par value of \$6,980,000. The Series 2020A Bonds were issued at a premium of \$56,468, resulting in gross proceeds of \$7,036,468. The Series 2020A Bonds were issued for the purpose of reimbursing the Developer for the costs of the public improvements conveyed directly to the Town of Johnstown and public improvements accepted and to be maintained by the District, paying the cost of issuance of the Series 2020A Bonds, and funding a portion of the interest accruing on the Series 2020A Bonds.

The Series 2020A Bonds had a final maturity of December 1, 2050, and bore interest from the issuance date at a rate of 5% calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent Senior Pledged Revenues, as defined in the Senior Trust Indenture, were available semiannually on each June 1 and December 1, commencing June 1, 2020, until the Series 2020A Bonds were deemed to be paid in full or are redeemed prior to maturity.

The Senior Pledged Revenue and other amounts available may be insufficient to pay the principal of, and any interest on the Series 2020A Bonds when due. As long as the District neither fails nor refuses to impose the Senior Required Mill Levy or to apply the Senior Pledged Revenue as required, the inability of the District to pay the principal, and any interest when due will not constitute an event of default. Any principal of the Series 2020A Bonds that is not paid when due shall remain outstanding until paid or until the Series 2020A Termination Date, December 1, 2060. Any interest on the Series 2020A Bonds that is not paid when due will compound semiannually on each Series 2020A Interest Payment Date listed above at the interest rate borne by such Series 2020A Bonds.

Under the terms of the Trust Indenture any amount of principal or interest on the Series 2020A Bonds that remains unpaid after the application of all Pledged Revenue available on December 15, 2060, shall be deemed discharged.

The Series 2020A Bonds were subject to redemption prior to maturity, at the option of the District, as a whole or partial multiples of \$1,000, on September 1, 2025, and on any date thereafter, upon payment of par, accrued interest and redemption premium equal to a percentage of the principal amount so redeemed at a rate of between 0-3%.

The bond premium associated with the Series 2020A Bonds was being accreted over the 30 year scheduled repayment period using the straight-line method.

The Series 2020A Bonds were defeased in 2025 by the Series 2025 Bonds.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 5 – Long-Term Obligations (continued)

Series 2020A and 2020B Bonds (Refunded in 2025) (continued)

Subordinated Limited Tax General Obligation Bond, Series 2020B

In September 2020, the District issued Subordinate Limited Tax General Obligation Bonds, Series 2020B, ("Series 2020B Bonds") in the amount of \$711,000. The Series 2020B Bonds were issued for the purpose of funding the costs of the public improvements and paying the cost of issuance.

The Series 2020B Bonds had a final maturity of December 15, 2050, and bore interest at a rate of 7.75% calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Subordinate Pledged Revenues, as defined in the Subordinate Trust Indenture, were available annually on each December 15, commencing December 15, 2020, to the extent of the Subordinate Pledged Revenue available therefor, until the Series 2020B Bonds were paid in full or are redeemed prior to maturity.

The Series 2020B Bonds were structured as "cash flow" bonds. Interest on the Series 2020B Bonds was payable on each Interest Payment Date to the extent of any Subordinated Pledged Revenue were available. There were no scheduled principal payments prior to the maturity date. However, the Series 2020B Bonds were subject to mandatory redemption on December 15 of each year, commencing December 15, 2020, to the extent of any funds available. As long as the District neither failed nor refused to impose the Subordinate Required Mill Levy or to apply the Subordinate Pledged Revenue as required, the inability of the District to pay the principal, and any interest when due will not constitute an event of default.

Under the terms of the Subordinate Trust Indenture any amount of principal or interest on the Series 2020B Bonds that remained unpaid after the application of all Subordinate Pledged Revenue available on December 15, 2060, shall be deemed discharged.

The Series 2020B Bonds were subject to optional redemption prior to maturity at the option of the District, as a whole or in integral multiples of \$1,000, beginning on September 1, 2025, and on any date thereafter, upon payment of par, accrued interest and redemption premium equal to a percentage of the principal amount so redeemed at a rate of between 0-3%.

The Series 2020B Bonds were defeased in 2025 by the Series 2025 Bonds.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 5 – Long-Term Obligations (continued)

Series 2020A and 2020B Bonds (Refunded in 2025) (continued)

Events of Default (Series 2020A and Series 2020B Bonds)

Events of Default as defined in the Series 2020A and 2020B Bond Indentures are 1) the Pledge District fails to impose the Mandatory Capital Levy; 2) the Pledge District fails to promptly remit its Pledge District Capital Reserve to District No. 2; 3) the Pledge District fails to observe or perform any other of the material covenants, agreements, duties or conditions on the part of the Pledge District in the bond agreement and such failure is not remedied to the satisfaction of the Trustee or the District within 30 days after the Pledge District received written notice from the Trustee or the District of the occurrence of such failure; 4) any representation or warranty made by the Pledge District in the bond agreement proves to have been untrue or incomplete in any material respect when made or deemed made; or 5) the Pledge District files a petition under the federal bankruptcy laws or other applicable bankruptcy law seeking to adjust the obligation represented by the bond agreement.

Capital Pledge Agreement (Series 2020A and Series 2020B Bonds)

The Capital Pledge Agreement was between the District, Johnstown Village Metropolitan District No. 3 and UMB Bank. Under the Capital Pledge Agreement, the property tax revenue derived from the taxable property of Johnstown Village Metropolitan District No. 3 and other revenue received shall be made available to the District to pay, in combination with the District's revenue, the debt service on the Series 2020A and 2020B Bonds issued by the District. The Capital Pledge Agreement expired on December 16, 2060, and was amended and restated with the Series 2025 Bonds.

Infrastructure Acquisition and Funding Agreement

The Infrastructure Acquisition and Funding Agreement (the "Infrastructure Acquisition Funding Agreement") was entered into in May 2020, by and between the District and Forestar. Forestar in its sole and absolute discretion, may either advance funds to the District to plan, design, engineer, acquire, construct, install and complete certain Public Infrastructure or may plan, design, engineer, acquire, construct, install and complete certain Public Infrastructure and then to transfer such Public Infrastructure to the District, the Town or other governmental entity for public use. If and to the extent the District (i) receives bond proceeds for the acquisition or completion of the Public Infrastructure or (ii) has other legally available revenue which is not otherwise appropriated, obligated, pledged or reserved for any current or future purpose in any fiscal year, the District will, from such available sources, pay to Forestar for all the costs and other amounts actually advanced hereunder, together with interest thereon at 8.0% per annum from the date of advance or transfer to the District or the Town or other governmental entity. The agreement terminates when the Operating Reimbursement Amount has been paid in full to Forestar (or its assignee) or 40 years after the agreement date, whichever date occurs first. Any Operating Reimbursement Amount remaining unpaid after 40 years shall be considered discharged and satisfied in full.

As of December 31, 2025, there was a balance under the Infrastructure Acquisition Funding Agreement in the amount of \$1,565,796 with accrued interest of \$515,362.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 5 – Long-Term Obligations (continued)

Operating Reimbursement Agreement

The Operating Reimbursement Agreement was entered into in May 2020, between the District and Forestar. At the time of the agreement the District did not have sufficient funds available to pay its operating, maintenance, and administrative expenses. Forestar, in its sole and absolute discretion, may advance funds as requested from time to time by the District to pay such expenses with the expectation of eventually being reimbursed by the District pursuant to the Operating Reimbursement Agreement. If the District determines that it will not have sufficient funds available to pay the District's anticipated operating, maintenance, and/or administrative expenses for the next fiscal year, the District shall calculate the anticipated amount of such funding shortfall (the "Funding Shortfall"), which shall be classified by nature of use.

The District may submit written requests on a quarterly basis to Forestar to deposit with the District's bank the amount of the Funding Shortfall anticipated to be needed for the next fiscal quarter. Forestar, after reasonable verification of such Funding Shortfall, may, in its sole and absolute discretion, make an Advance and fund the Funding Shortfall for the next fiscal quarter after such request from the District. To the extent any Advance is not spent by the District in the fiscal quarter for which it was requested, the unspent amount of the Advance shall be applied to reduce any Funding Shortfall anticipated for the subsequent fiscal quarter.

If and to the extent the District has legally available revenue which is not otherwise appropriated, obligated, pledged or reserved for any current or future purpose in any fiscal year, the District will, from such available sources, reimburse Forestar for all Advances, together with interest thereon at 8.0% per annum commencing as of the date of each Advance, but in no event prior to the date the District was organized.

Any decision by the Board of Directors of the District to appropriate the Operating Reimbursement Amount, however, shall be purely discretionary and nonobligatory. No proceeds of tax-exempt obligations of the District shall be used to reimburse Forestar for the Operating Reimbursement. Effective January, 2021, the Board of Directors determined that the District will serve as the operating District and as such the District assumed prior operating advances provided to Johnstown Village Metropolitan District No. 1 in the amount of \$37,787.

The agreement terminates when the Operating Reimbursement Amount has been paid in full to Forestar (or its assignee) or 40 years after the agreement date, whichever date occurs first. Any Operating Reimbursement Amount remaining unpaid after 40 years shall be considered discharged and satisfied in full.

As of December 31, 2025, the balance due under the Operating Reimbursement Agreement was \$396,922 with accrued interest payable of \$101,691.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 5 – Long-Term Obligations (continued)

Debt authorization

The amount of the voter authorized, but unissued, debt for the District is \$564,309.000. However, the District's Service Plan limits its total debt issuance to \$22,000,000. As such, the District has \$14,220,000 in remaining authorized, but unissued debt. In the future, the District may issue a portion or all of the remaining authorized, but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area. However, the amount and timing of any debt issuances, if any, are not determinable.

Note 6 – Community Wide District Operations and Funding Agreement

The Community Wide District Operations and Funding Agreement (the "Operations and Funding Agreement") was made between the District and Johnstown Village Metropolitan District Nos. 1 and 3-5, collectively referred to as the Districts. Whereas the Districts were organized for the purpose of providing for the financing, construction, installation, operation and maintenance of public infrastructure and improvements serving a residential development. The District and/or District No. 2 will encompass all single family detached residential homes and it is anticipated that the District will provide, in addition to the Community Wide Operation and Maintenance Services described in this agreement, any operations services for the Single Family Detached lots. Johnstown Village Metropolitan District No. 3 and or No. 4 will encompass all single family attached residential homes and it is anticipated that the District will provide, in addition to the Community Wide Operation and Maintenance Services described in this agreement, any operations services for the Single Family Attached lots.

Under the terms of the agreement, the District will own, operate and maintain all Community Wide Public Improvements within and without the boundaries of the Districts that are not dedicated or conveyed to the Town of Johnstown. The District agrees to provide those operation and maintenance services, and to pay the cost associated with providing the Community Wide Operation and Maintenance Services. It is the intent that the Districts pay for their proportionate share of the Community Wide Operation and Maintenance costs in an amount equal to the number of residential units. Until such time that Johnstown Village Metropolitan District No. 3 is developed, Johnstown Village Metropolitan District No. 2 shall remit to the District \$416 per month up to \$5,000 annually.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 7 – Fund Balances and Net Position/(Deficit)

Fund Balances

The District's total fund balance consists of the following components:

Fund balance - non-spendable:	
Prepaid expenses	\$ 998
Fund balance - restricted for:	
Emergencies (TABOR)	8,867
Debt service	113,344
Capital projects	-
Total restricted fund balance	122,211
Fund balance - unassigned	68,496
Total fund balance	<u>\$ 191,705</u>

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation. Emergency reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 10). As of December 31, 2025, the restricted portion of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund is restricted for the payment of the debt service costs associated with the District's long-term obligations (see Note 5).

The unassigned fund balance represents the residual portion of fund balance that does not meet any of the above-described criteria and is available for general use by the District.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 7 – Fund Balances and Net Position/(Deficit) (continued)

Net Position/(Deficit)

The District's net position/(deficit) consists of the following components:

Net position - restricted for:

Emergencies (TABOR)	\$ 8,867
Debt service	82,008
Capital projects	<u>-</u>
Total restricted net position	90,875

Net position/(deficit) - unrestricted	<u>(8,523,666)</u>
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Total net position/(deficit)	<u><u>\$ (8,432,791)</u></u>
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Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

The restricted components of net position includes assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

The unrestricted net position includes all other net position that does not meet the definition of the above two components and is available for general use by the District.

Note 8 – Related Parties

The members of the Board of Directors of the District are owners of property within the District, and may have conflicts of interest in dealing with the District. Management believes that all potential conflicts, if any, have been disclosed.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements For the Year Ended December 31, 2025

Note 9 – Risk Management

The District is exposed to various risks of loss related to 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”) as of December 31, 2025. 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.

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 Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer’s Bill of Rights (“TABOR”), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future 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.

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.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above tax policy change directly causing a net tax revenue gain to any local government. Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

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.

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 11 – Easements

During 2025, the District sold a permanent easement and a temporary easement to the Northern Water Integrated Supply Project (“NISP”), as follows:

Proceeds from easement sales:	
Permanent easement	\$ 113,376
Temporary construction easement	<u>33,749</u>
Total proceeds	<u>\$ 147,125</u>

Permanent Easement

The District sold the permanent non-exclusive easement on a parcel of property located within the district. The property carries \$0 cost basis for the District, and the proceeds are recognized as a gain on the sale.

Temporary Construction Easement

The temporary easement is considered a lease under GASBS No. 87, *Leases*. The entire amount of \$33,749 was paid to the District during 2025 and is being deferred until the Commencement Date. Upon commencement of the lease, the deferred amount will be amortized ratably over the term of the lease.

The Commencement Date begins forty five (45) days after NISP gives written notice of intent to commence construction to the District and shall continue for a term of two (2) years from the date stated in the notice of intent to commence construction. In the event that construction is not completed within the two-year term, then NISP may give notice to the District thirty (30) days before expiration of the term that it is extending the term of the Temporary Construction Easement for up to an additional twelve (12) months and the District shall, for each month of such extended term, be paid a sum equal to 1/24th of the consideration amount above. If the Commencement Date does not occur on or before the date that is five (5) years after the date of execution of this Temporary Construction Easement Deed, then the Temporary Construction Easement shall automatically terminate.

Amounts recognized under the Temporary Construction Easement for the year are as follows:

Proceeds received	\$ 33,749
Amount recognized during the year	<u>(15,395)</u>
Amount deferred at year-end	<u>\$ 18,354</u>

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 12 – Reconciliation of Government-Wide and Fund Financial Statements

The Government Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.
- Prepaid bond insurance and deferred loss on refunding are not financial resources and, therefore, are not reported in the funds.
- Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Capital assets, net	\$ 1,552,218
Bond insurance, net of amortization	152,104
Deferred loss on refunding	160,643
Accrued and unpaid interest on bonds	(31,336)
Bonds payable	(7,780,000)
Bond premium, net of amortization	(98,353)
Developer advances payable	<u>(2,579,772)</u>
Total	<u>\$ (8,624,496)</u>

Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements
For the Year Ended December 31, 2025

Note 12 – Reconciliation of Government-Wide and Fund Financial Statements (continued)

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- Governmental funds report capital outlay as expenditures. In the Statement of Activities, capital outlay is not reported as an expenditure. However, the Statement of Activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.
- Long-term debt 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. Also, governmental funds do not report new long-term commitments until paid, while the commitment expense is recorded as a change in net position.
- Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities, and governmental funds don't report amortization of prepaid bond insurance or the premium on the bonds, however, in the statement of activities, the amortization is included as a component of bond interest.

Interest:

Bonds	\$ 125,016
Developer advances	157,018

Bond refunding:

Proceeds	7,878,626
Payments to refunded bond escrow agent	(8,257,334)

Bond insurance	(152,104)
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Depreciation expense	42,333
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Total	<u>\$ (206,445)</u>
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Johnstown Village Metropolitan District No. 2

Notes to the Financial Statements For the Year Ended December 31, 2025

Note 13 – Restatement

The District discovered an error on their previously prepared financial statements, whereby certain amounts were incorrectly reported. The District corrected the beginning balances in its 2025 financial statements. A summary of the changes resulting from the correction, follows:

	Government-wide Net Position
Balance at 12/31/2024, as previously reported	\$ (8,083,944)
Effect of error correction	58,623
Balance at 12/31/2024, as restated	<u>\$ (8,025,321)</u>

<u>Government-wide Financial Statements</u>	<u>Balance 12/31/2024, as previously reported</u>	<u>Effect of Error Correction</u>	<u>Balance 12/31/2024, as restated</u>
Due from Johnstown Village Metropolitan District No. 3	\$ -	\$ 58,623	\$ 58,623
Net position	<u>\$ (8,083,944)</u>	<u>\$ 58,623</u>	<u>\$ (8,025,321)</u>

Supplemental Information

Johnstown Village Metropolitan District No. 2
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
Debt Service Fund
December 31, 2025

	Original Budget	Final Budget	Actual	Variance - Favorable (Unfavorable)
General revenues				
Property taxes	\$ 426,771	\$ 426,771	\$ 424,486	\$ (2,285)
Specific ownership taxes	21,339	21,339	19,576	(1,763)
Interest income	23,090	23,090	36,654	13,564
Proceeds from refunding bonds	-	7,878,626	7,878,626	(0)
Transfers from other governments	-	-	37,124	37,124
Total revenues	<u>471,200</u>	<u>8,349,826</u>	<u>8,396,466</u>	<u>46,640</u>
Expenditures				
Bank fees	1,155	1,155	2,243	(1,088)
Treasurer's fees	6,402	6,402	6,404	(2)
Paying agent fees	7,000	7,000	7,000	-
Payment to refunded bond escrow agent	-	8,675,524	8,257,334	418,190
Bond issuance costs	-	-	335,019	(335,019)
Bond interest expense	349,000	349,000	349,000	-
Bond insurance	-	-	152,528	(152,528)
Total expenditures	<u>363,557</u>	<u>9,039,081</u>	<u>9,109,528</u>	<u>(70,447)</u>
Net changes in fund balances	107,643	(689,255)	(713,062)	(23,807)
Fund balances / net position/(deficit)				
Beginning of year	<u>767,110</u>	<u>767,110</u>	<u>826,406</u>	<u>59,296</u>
End of year	<u>\$ 874,753</u>	<u>\$ 77,855</u>	<u>\$ 113,344</u>	<u>\$ 35,489</u>