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NEW ISSUE
BOOK-ENTRY-ONLY

INSURED RATING: S&P Global Ratings "[]"
UNDERLYING RATING: S&P Global Ratings "[]"
INSURANCE: []
(See "MISCELLANEOUS—Ratings")

[Kutak Rock to review] In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that, under existing State of Colorado statutes, the Bonds and the income therefrom are exempt from State of Colorado taxation, except inheritance, estate and transfer taxes. For a more detailed description of such opinions of Bond Counsel, see "TAX MATTERS" herein.



Johnstown
Colorado

\$ _____ *
TOWN OF JOHNSTOWN
LARIMER AND WELD COUNTIES, COLORADO
Acting by and Through its Water Utility Enterprise
WATER REVENUE BONDS
SERIES 2024

Dated: Date of Delivery

Due: December 1, as shown below

The Bonds are being issued by the Town of Johnstown, Colorado, acting by and through its Water Utility Enterprise (the "Enterprise"), as fully registered form in denominations of \$5,000 or integral multiples thereof. Interest on the Bonds, at the rates set forth below, is payable semi-annually on June 1 and December 1 each year, commencing on December 1, 2024. Capitalized terms used on this cover page are defined in the Introduction to this Official Statement. DTC will act as securities depository for the Bonds and payments of principal of and interest on the Bonds will be made by the Paying Agent, initially UMB Bank n.a., Denver, Colorado, directly to DTC, which will remit such payments to Participants for subsequent distribution to Beneficial Owners of the Bonds.

MATURITY SCHEDULE
(CUSIP® 479521 1)

Maturity Date (December 1) *	Principal Amount *	Interest Rate	Price or Yield	CUSIP ®, 1	Maturity Date (December 1) *	Principal Amount *	Interest Rate	Price or Yield	CUSIP ®, 1
2024					2034				
2025					2035				
2026					2036				
2027					2037				
2028					2038				
2029					2039				
2030					2040				
2031					2041				
2032					2042				
2033					2043				

\$ _____ * _____% Term Bond maturing December 1, 20__ * Yield: _____% CUSIP®: 479521 __ 1

[The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by []]

[LOGO]

The net proceeds from the sale of the Bonds will be used will be used to (i) finance a portion of the costs to acquire, construct, and equip an expansion to the Town's water treatment plant and a new water trunkline, and (ii) pay the costs of issuance of the Bonds.

The Bonds are special and limited revenue obligations of the Town (acting by and through the Enterprise), payable solely out of and secured by an irrevocable pledge of and lien (but not necessarily an exclusive lien) upon the Net Revenues. The Bonds do not constitute a debt or indebtedness of the Town within the meaning of any constitutional, Charter or statutory provision or limitation. The Bonds are not payable in whole or in part from the proceeds of general property taxes or any other funds of the Town, except the Net Revenues, and the full faith and credit of the Town is not pledged for payment of the principal of or interest on the Bonds.

The Bonds are subject to redemption prior to maturity as described herein.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this entire Official Statement to obtain information essential to the making of an informed investment decision and should consider carefully the information contained in the section entitled "INVESTMENT CONSIDERATIONS."

The Bonds are offered when, as, and if issued by the Town and accepted by the Underwriter named below, subject to the approval of legality and certain other matters by Kutak Rock LLP, Denver, Colorado, as Bond Counsel, and by Stradling Yocca Carlson & Rauth, P.C., Denver, Colorado, as counsel to the Underwriter. Kutak Rock LLP, Denver, Colorado, has also acted as Special Counsel to the Town for purposes of assisting with the preparation of this Official Statement. Certain matters will be passed upon for the Town by the Law Office of Avi S. Rocklin, LLC, as General Counsel. It is expected that the Bonds will be available for delivery through the facilities of DTC, on or about _____, 2024.



This Official Statement is dated _____, 2024

* Preliminary; subject to change.

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1 The Town takes no responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of the Bonds.

TOWN OF JOHNSTOWN, COLORADO

Town Council

Michael P. Duncan, Mayor
Chad Young, Mayor Pro Tem
Damien Berg
Dee Anne Menzies
Jesse Molinar Jr.
Dianne Morris
Andrew Paranto

Town Officials

Matthew S. LeCerf, Town Manager
Mitzi McCoy, Deputy Town Manger
Devon McCarty, Finance Director
Ellen Hilbig Utilities Director
Avi S. Rocklin, Esq., Town Attorney

Paying Agent

UMB Bank, n.a.
Denver, Colorado

Underwriter

Stifel, Nicolaus & Company, Incorporated
Denver, Colorado

Underwriter's Counsel, P.C.

Stradling Yocca Carlson & Rauth
Denver, Colorado

Bond Counsel

Kutak Rock LLP
Denver, Colorado

No dealer, salesperson, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the Town or the Underwriter. The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Town or the Underwriter since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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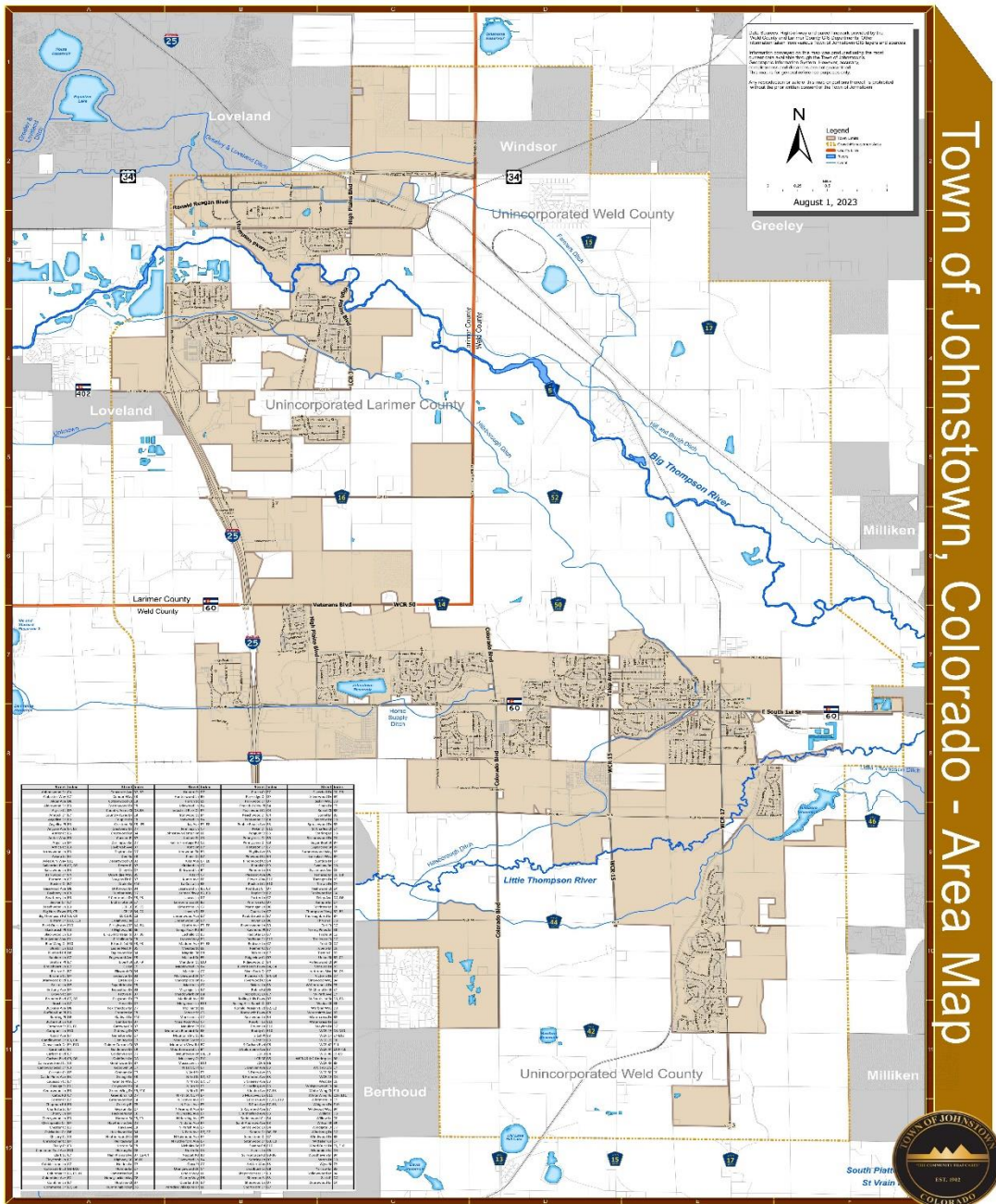
Neither the Securities and Exchange Commission nor any securities regulatory authority of any state has approved or disapproved the Bonds or this Official Statement. Any representation to the contrary is unlawful.

[[_____]] (“[___]”) makes no representation regarding the Bonds or the advisability of investing the Bonds. In addition, [___] has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding [___] supplied by [___] and presented under the heading “BOND INSURANCE” and “APPENDIX I—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”]

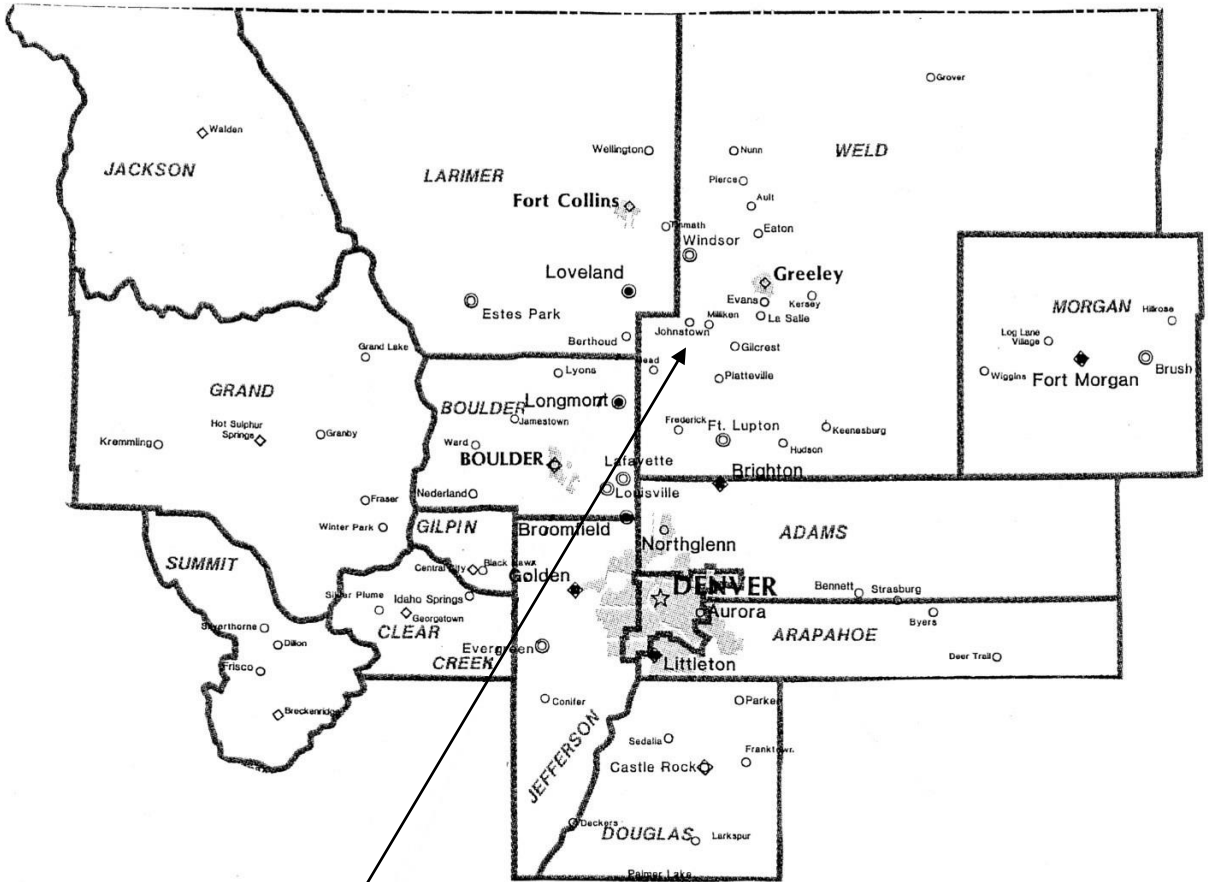
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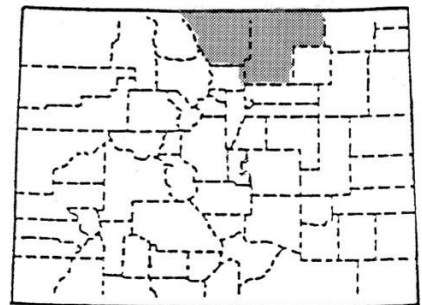
TOWN MAP



VICINITY MAP



Colorado



The Town

INTRODUCTION

This Official Statement is furnished to prospective purchasers of \$ _____ * Water Revenue Bonds, Series 2024 (the “Bonds”), issued by the Town of Johnstown, Colorado (the “Town” or “Johnstown”), acting by and through its Water Utility Enterprise (the “Enterprise”). The offering of the Bonds is made only by way of this Official Statement, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The following introductory material is only a brief description of, and is qualified by, the more complete information contained throughout this Official Statement. A full review should be made of the entire Official Statement and the documents summarized or described herein. For definitions of capitalized terms used and not otherwise defined in this section and elsewhere in this Official Statement see “APPENDIX A.”

The Town..... The Town is a home rule municipality under a council-manager form of government, that encompasses approximately 15.5 square miles and has an estimated 2023 population of 19,295. The Town is located along interstate I-25 approximately 50 miles north of Denver and 25 miles south of Fort Collins, bordering Loveland, Windsor, Milliken, Berthoud and Greeley. See “APPENDIX D—THE TOWN” and the preceding “TOWN MAP.”

The Enterprise..... The Enterprise, created by Resolution No. 5-94 (the “Enterprise Ordinance”) and codified as Section 13-70 of the Town’s Municipal Code, manages, maintains and operates the Town’s municipal water system and water facilities (as further defined herein, the “System”). The Enterprise is authorized to issue its own revenue bonds and to enter into contracts relating to the System. The Enterprise was established to constitute an “enterprise” within the meaning of Article X, Section 20 of the Colorado Constitution (“TABOR”). The financial activity of the Enterprise and net income pledged to the payment of the Bonds (as described herein) are accounted for as a proprietary fund of the Town titled “Water Fund” (as further defined herein). However, Net Revenues pledged to the payment of the Bonds do not include the revenues of the Town’s sanitary sewer water utility or stormwater utility. See “THE SYSTEM—The Enterprise.”

Security The Bonds are special and limited revenue obligations of the Town, acting by and through the Enterprise, payable solely out of and secured by an irrevocable pledge of and lien (but not necessarily an exclusive lien) on certain net revenues (the “Net Revenues”), which consist of all Gross Revenue remaining after the deduction of Operation and Maintenance Expenses.

The term “Gross Revenue” generally includes, but is not limited to, all fees (including but not limited to user fees and plant investment fees), charges and revenues directly or indirectly derived by the Town for the services furnished by, or use of, the System, or any part thereof, including all income attributable to any future dispositions of property or rights or

* Preliminary; subject to change.

related contracts, settlements, or judgments held or obtained in connection with the System or its operations. Certain revenue is excluded from Gross Revenue, as more particularly described in APPENDIX A attached hereto.

Operation and Maintenance Expenses generally include all reasonable and necessary current expenses of the Town, paid or accrued, for operating, maintaining and repairing the System as may be determined by the Town. See “THE BONDS—Security for the Bonds” and “THE SYSTEM.” Gross Revenue and Operation and Maintenance Expenses are more specifically defined in APPENDIX A hereto.

The Bonds are secured by an irrevocable pledge of and lien (but not necessarily an exclusive lien) upon the Net Revenues derived from the System, all as more particularly set forth herein and in the ordinance of the Town authorizing the issuance of the Bonds (the “Bond Ordinance”). The Bonds do not constitute a debt or indebtedness of the Town within the meaning of any applicable constitutional, Charter or statutory provision or limitation. The Bonds are not payable in whole or in part from the proceeds of general property taxes or any other funds of the Town except the Net Revenues, and the full faith and credit of the Town is not pledged for payment of the principal of or interest on the Bonds. See “THE BONDS—Security for the Bonds.”

The Bonds are also secured by a debt service reserve account (the “Reserve Account”). [Upon the issuance of the Bonds, the requirements of the Reserve Account will be satisfied with the proceeds of a surety bond (the “Reserve Surety Bond”) issued by the Bond Insurer (defined below).]

The Town is prohibited from issuing bonds in the future with a lien on the Net Revenues which is senior or superior to the lien on the Bonds and the Outstanding Parity Lien Obligations. The Bond Ordinance provides conditions for the issuance of one or more series of additional bonds, notes, interim securities or other obligations: (a) having a lien on the Net Revenue which is on a parity with, but not senior or superior to, the lien of the Bonds or the Outstanding Parity Lien Obligations; or (b) having a lien on the Net Revenue which is subordinate or junior to the lien of the Bonds (the “Subordinate Securities”). See “APPENDIX A—SELECTED DEFINITIONS AND SUMMARY OF ORDINANCE PROVISIONS—Parity Lien Obligations” and “THE BONDS—Security for the Bonds—Additional Bonds” for a description of the conditions for the issuance of Parity Lien Obligations and Subordinate Securities.

Purpose The net proceeds from the sale of the Bonds will be used to (i) finance a portion of the costs to acquire, construct, and equip an expansion to the System’s water treatment plant and a new water trunkline, and (ii) pay the costs of issuance of the Bonds (the “Project”). See “THE BONDS—Application of Bond Proceeds.”

[Bond Insurance [_____] (“[_____]” or the “Bond Insurer”) has committed to issue, effective as of the date of issuance of the Bonds, a policy of insurance (the “Insurance Policy” or “Policy”) guaranteeing the payment,

when due, of the principal of and interest on the Bonds. The insurance extends over the life of the issue and cannot be canceled by the Bond Insurer. Payment under the Policy is subject to the conditions described in “BOND INSURANCE.” A specimen of Municipal Bond Insurance Policy is attached as APPENDIX I to this Official Statement. See “BOND INSURANCE.”]

Payment Provisions..... The Bonds mature and bear interest at the rates (computed on the basis of a 360-day year of twelve 30-day months) as set forth on the cover page hereof. Interest on the Bonds is payable semiannually on June 1 and December 1 each year, commencing on [December 1, 2024]. Payments to Beneficial Owners will be made as described in “APPENDIX H—Book-Entry-Only System.”

Record Date The Record Date for the Bonds has been established as the fifteenth day of the calendar month next preceding an interest payment date for the Bonds. See “APPENDIX A.”

Book-Entry-Only Registration..... The Bonds will be issued in fully registered form and will be registered initially in the name of “Cede & Co.” as nominee for The Depository Trust Company, New York, New York (“DTC”), a securities depository. Beneficial ownership interests in the Bonds may initially be acquired in denominations of \$5,000 in principal amount or integral multiples of \$5,000 in excess thereof through brokers and dealers who are, or who act through, participants in the DTC system (the “Participants”). Such beneficial ownership interests will be recorded on the records of the Participants. Persons for whom Participants acquire interests in the Bonds (the “Beneficial Owners”) will not receive certificates evidencing their interests in the Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal and interest on the Bonds, as well as notices and other communications made by or on behalf of the Town pursuant to the Bond Ordinance will be made to DTC or its nominee only. Disbursement of such payments, notices, and other communications by DTC to Participants, and by Participants to the Beneficial Owners, is the responsibility of DTC and the Participants pursuant to rules and procedures established by such entities. See “APPENDIX H—Book-Entry-Only System” for a discussion of the operating procedures of the DTC system with respect to payments, registration, transfers, notices, and other matters. Except as otherwise provided herein, the term “Owner” will refer to the registered owner of any Bond, as shown by the registration books maintained by UMB Bank, n.a., as Bond Registrar (the “Registrar”).

Exchange and Transfer While the Bonds remain in book-entry-only form, transfer of ownership by Beneficial Owners may be made as described under the caption “APPENDIX H—Book-Entry-Only System.” In the event that DTC ceases to act as securities depository for the Bonds, the Bond Ordinance

provides for the transfer of Bonds by the Registrar pursuant to specified terms and provisions.

Prior Redemption..... The Bonds are subject to redemption prior to maturity as described in “THE BONDS—Prior Redemption of Bonds.”

Registration and Denominations..... The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

Tax Status *[KR to review]* In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations. Bond Counsel is also of the opinion that, under existing State of Colorado statutes, the Bonds and the income therefrom are exempt from State of Colorado taxation, except inheritance, estate and transfer taxes. For a more detailed description of such opinions of Bond Counsel, see “TAX MATTERS” herein.

Authority for Issuance..... The Bonds are issued in accordance with the Constitution of the State of Colorado, the Town’s Charter, the Enterprise Ordinance, Title 57, Article 11, C.R.S., Title 37, Article 45.1, C.R.S., and all other laws of the State of Colorado thereunto enabling, and pursuant to the Bond Ordinance adopted by the Town Council of the Town (the “Council”), acting as the governing body of the Enterprise.

Delivery Information..... The Bonds are offered when, as, and if executed, delivered and accepted by Stifel, Nicolaus & Company, Incorporated (the “Underwriter”), subject to prior sale and the approving legal opinion of Bond Counsel. It is expected that the Bonds will be available for delivery on or about _____, 2024, against payment therefor.

Financial Statements..... Appended hereto are the audited general purpose financial statements of the Town as of and for the year ended December 31, 2023, being the most recent audited financial statements available.

ALL OF THE SUMMARIES OF THE STATUTES, ORDINANCES, RESOLUTIONS, OPINIONS, CONTRACTS, AND AGREEMENTS DESCRIBED IN THIS OFFICIAL STATEMENT ARE SUBJECT TO THE ACTUAL PROVISIONS OF SUCH DOCUMENTS. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing, and handling charge from: Town of Johnstown, Town Clerk, 450 South Parish, P.O. Box 609 Johnstown, Colorado 80534, telephone: (970) 587-4664; or Stifel, Nicolaus & Company, Incorporated, 1401 Lawrence Street, Suite 900, Denver, Colorado 80202, phone number (303) 296-2300.

THE BONDS

Prior Redemption of Bonds

Optional Redemption. The Bonds maturing on and before December 1, 20__ are not subject to redemption prior to their respective maturity dates. The Bonds maturing on and after December 1, 20__ are subject to redemption prior to maturity at the option of the Town, in whole or in part in integral multiples of \$5,000, and if in part in such order of maturities as the Town will determine and by lot within a maturity, on December 1, 20__ and on any date thereafter, at a redemption price equal to the principal amount thereof (with no redemption premium), plus accrued interest to the redemption date.

Mandatory Sinking Fund Redemption. The Bonds maturing December 1, 20__ are subject to mandatory sinking fund redemption, in part, by lot, on the dates set forth below, upon payment of par and accrued interest, without redemption premium, in the annual amounts set forth below.

December 1 of the Year	Principal Amount
20[]	
20[]	
20[]	
20[]	
20[] ¹	

¹ Final maturity, not a sinking fund redemption.

At its option, to be exercised on or before the forty-fifth day next preceding each sinking fund redemption date, the Town may (i) deliver to the Paying Agent for cancellation any Bonds with the same maturity date as the Bonds subject to such sinking fund redemption; and (ii) receive a credit in respect to its sinking fund redemption obligation for any Bonds with the same maturity date as the Bonds subject to such sinking fund redemption which prior to such date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled by the Paying Agent and not theretofore applied as a credit against any sinking fund redemption obligation. Each Bond so delivered or previously redeemed will be credited by the Paying Agent at the principal amount thereof to the obligation of the Town on such sinking fund redemption date, and the principal amount of the Bonds to be redeemed by operation of such sinking fund on such date will be accordingly reduced.

Redemption Procedure and Notice. Notice of any redemption of Bonds, which may be a conditional notice, will be given by the Paying Agent in the name of the Town by sending a copy of such notice by electronic means to DTC or by first class, postage prepaid mail, not less than 30 days prior to the redemption date, to the Owner of each Bond being redeemed. Such notice should specify the number or numbers of the Bonds so to be redeemed (if redemption is in part) and the redemption date. If any Bond has been duly called for redemption and if, on or before the redemption date, there will have been deposited with the Paying Agent in accordance with the Bond Ordinance funds sufficient to pay the redemption price of such Bond on the redemption date, then such Bond will become due and payable at such redemption date, and from and after such date interest will cease to accrue thereon. Failure to deliver any redemption notice or any defect in any redemption notice will not affect the validity of the proceeding for the redemption of Bonds with respect to which such failure or defect did not occur. Any Bond redeemed prior to its maturity by prior redemption or otherwise may not be reissued and will be cancelled.

Application of Bond Proceeds

The Project. In 2022, the Town started major capital projects focused on modernizing the System in order to provide better water pressure, increased raw water delivery capacity to the treatment plant, greater fire suppression capacity, more effective distribution of water, and increased overall capacity at the treatment plant and in the distribution system. In continuation of these efforts, Bond proceeds are to be used to construct an expansion of the System’s existing water treatment plant (“WTP”) and the construction of a new raw water trunkline (collectively, the “Project”), as described hereafter. The Town has selected MWH Constructors, Broomfield, Colorado, to serve as the general contractor for the construction of the Project. The Project is to be constructed pursuant to a guaranteed maximum price construction contract by and between the Contractor and the Town (the “Construction Contract”). [To be confirmed/revised after July 15 meeting]

Water Treatment Plant Expansion. The System’s existing WTP has a treatment capacity of 6 million gallons per day (“MGD”). The Town has been proactive by implementing irrigation watering restrictions since the summer of 2022 to curtail water consumption during the peak season demand. To better illustrate this, in 2023, winter average daily flows from the WTP were at about 1.6 MGD. During the summer, daily flows increased to an average of 5.3 MGD, during a very wet summer and with water restrictions in place. To accommodate both the current demand for water and the anticipated additional growth, the Town is working to complete design engineering for a new WTP that will increase the capacity of the facility from 6 MGD to 10.5 MGD. The improvements will also include additional Granular Activated Carbon to address taste and odor concerns. In accordance with the Construction Contract, construction is anticipated to begin in 2024 and anticipated to be completed in 2026. Construction of the WTP expansion project is estimated to cost between \$75,000,000 and \$80,000,000.

Water Trunk Line. The Town currently plans to use a portion of Bond proceeds, together with other legally available Town funds, to fund the construction of a new raw water trunk line from Lone Tree Reservoir to the WTP. Lone Tree Reservoir serves as the Town’s primary water source in partnership with the Consolidated Home Supply Ditch and Reservoir Company. The new trunk line will provide redundancy to the raw water transmission system and allow for additional water capacity to be delivered to the new WTP. The design phase should be completed in 2024, after which the Town plans to acquire the necessary utility easements. In accordance with the Construction Contract, construction is currently expected to begin in 2024 and to conclude in 2026, coinciding with the completion of the WTP expansion. The estimated construction cost is \$40,000,000. Successful completion of both the WTP expansion and the water trunk line projects will help secure the Town’s water supply for up to 20 years, based on growth projection estimates.

Estimated Application of Bond Proceeds: The sources and uses of the proceeds of the Bonds is as follows:

SOURCES:

Bond Proceeds
Net Original Issue Premium
Total.....

USES:

Deposit to Project Account
Capitalized Interest
Costs of issuance, including Underwriting discount ¹, rating fees,
professional fees, insurance fees[, Insurance Policy] and Reserve Surety
Bond premiums, printing costs and contingency

Total.....

¹ See “Miscellaneous—Underwriting.”

Security for the Bonds

Special Revenue Obligations. The Bonds are special limited obligations of the Town, acting by and through the Enterprise, payable only out of the Bond Account, into which the Town covenants and agrees to deposit Net Revenues in amounts sufficient to pay the principal of and interest on the Bonds when the same become due and payable, as provided in the Bond Ordinance.

The Town has covenanted in the Bond Ordinance that it will not pledge or create any other lien on the Net Revenues that is superior to the lien thereon in connection with the Bonds. The Town is not prohibited from issuing Subordinate Securities, provided that no Event of Default has occurred and be continuing. See “APPENDIX A—SELECTED DEFINITIONS AND SUMMARY OF ORDINANCE PROVISIONS” appended hereto for a discussion of the requirements for the issuance of Parity Lien Obligations.

Establishments of Accounts. Pursuant to the Bond Ordinance, the Bond Account and the Project Account are established within the Town’s existing Water Fund. A general description of said accounts is provided below. For a complete description of the accounts created pursuant to the Bond Ordinance see “APPENDIX A—SELECTED DEFINITIONS AND SUMMARY OF ORDINANCE PROVISIONS” appended hereto.

Bond Account. Moneys in the Bond Account will be used solely for the purpose of paying the principal of, premium if any, and interest on the Bonds. On or before the last day of each month, commencing in the month next succeeding the date of issuance of the Bonds, the Town is to credit to the Bond Account from the Net Revenues, an amount equal to the pro rata portion of the interest and principal to come due on the Bonds on the next succeeding interest payment date and principal payment date, respectively. All deposits to the Bond Account will first be allocated to the payment of interest to come due on the Bonds.

Reserve Account. Moneys in the Reserve Account are to be used, if necessary, solely for the purpose of paying the principal of and interest on the Bonds when due if amounts in the Bond Account are insufficient for such purposes. The Reserve Account is to be maintained in the amount of \$_____, which is to be satisfied with the purchase of the Reserve Surety Bond.

Project Account. All moneys credited to the Project Account will be applied solely to the payment of the Project Costs. Except to the extent otherwise required by the provisions of the Bond Ordinance, interest income from the investment or reinvestment of moneys credited to the Project Account will remain in and become part of the Project Account. Upon completion of the Project, the balance of moneys in the Project Account, if any, will be transferred to the Bond Account.

Definition of Net Revenues, Gross Revenue and Operations and Maintenance Expenses. The Bond Ordinance generally defines “Net Revenues” as Gross Revenue after deducting the Operation and Maintenance Expenses.

“Gross Revenue” is defined as all fees, including but not limited to user fees and plant investment fees, charges and revenues directly or indirectly derived by the Town for the services furnished by, or use of, the System, or any part thereof, including all income attributable to any future dispositions of property or rights or related contracts, settlements, or judgments held or obtained in connection with the System or

its operations; provided however, that there is excluded from Gross Revenue (a) moneys borrowed and used for providing Capital Improvements; (b) any money and securities, and investment income therefrom, in any refunding fund, escrow account, or similar account pledged to the payment of any bonds or other obligations for the purpose of defeasing the same; and (c) any moneys received as grants or appropriations from the United States, the State of Colorado, or other sources, the use of which is limited or restricted by the grantor or donor to the provision of Capital Improvements or for other purposes resulting in the general unavailability thereof, except to the extent any such moneys is to be received as payments for the use of the System, services rendered thereby, the availability of any such service, or the disposal of any commodities therefrom.

“Operation and Maintenance Expenses” is defined as all reasonable and necessary expenses of the Town, paid or accrued, for operating, maintaining, and repairing the System, including without limitation legal and overhead expenses of the Town directly related to the administration of the System; provided however, that there is to be excluded from Operation and Maintenance Expenses any allowance or transfers for depreciation, payments in lieu of taxes or franchise fees, legal liabilities not based on contract, expenses incurred in connection with Capital Improvements, payments due in connection with any bonds or other obligations issued to provide Capital Improvements, and charges for the accumulation of reserves. For purposes of the above definition expenses shall, to the extent possible, be determined in accordance with Generally Accepted Accounting Principles for governmental units as prescribed by the Governmental Accounting Standards Board.

As used above, “Capital Improvements” is defined as the acquisition of land, water or water rights, easements, facilities, and equipment (other than ordinary repairs and replacements), and the construction or reconstruction of improvements, betterments, and extensions, for use by or in connection with the System which, under Generally Accepted Accounting Principles for governmental units as prescribed by the Governmental Accounting Standards Board, are properly chargeable as capital items. See “APPENDIX A—SELECTED DEFINITIONS AND SUMMARY OF ORDINANCE PROVISIONS” appended hereto.

Rate Maintenance Covenant. The Town hereby covenants that it will establish, maintain, enforce, and collect rates, fees, and charges for services furnished by or the use of the System to create Gross Revenue each Fiscal Year sufficient to pay Operation and Maintenance Expenses and to create Net Revenues in an amount: (a) equal to not less than 110% of the amount necessary to pay when due the principal of and interest on the Bonds and any Parity Lien Obligations coming due during such Fiscal Year; (b) sufficient to make up any deficiencies in an reserve account established pursuant to the Bond Ordinance; and (c) sufficient to make any required reimbursement due in connection with the Reserve Surety Bond. In the event that the Gross Revenue at any time is not sufficient to make such payments, the Town must promptly increase such rates, fees, and charges to an extent which will ensure the payments and accumulations required by the Bond Ordinance.

Flow of Funds. Immediately upon the issuance of the Bonds, all Gross Revenue then held by the Town will be credited to the Water Fund. Thereafter, the Town will credit to the Water Fund all Gross Revenue immediately upon receipt. The Town will pay from the Water Fund all Operation and Maintenance Expenses as they become due and payable. After such payment or the allocation of Gross Revenue to such payment, the Town will apply the Net Revenue in the following order of priority:

FIRST, to the credit of the Bond Account, the amounts required by the Bond Ordinance entitled “Bond Account,” and to the credit of any other account established for the payment of the principal of, premium if any, and interest on Parity Lien Obligations, the amounts required by the instruments authorizing or controlling the payment of such Parity Lien Obligations;

SECOND, to the credit of the Reserve Account, the amounts required by the Bond Ordinance to be deposited into such Reserve Account and used to prevent a default in the timely payment of the Bonds or any Parity Lien Obligations;

THIRD, to the payment and reimbursement of all amounts due in connection with the Reserve Surety Bond and any surety or similar reserve account contract for the Bonds or any Parity Lien Obligations;

FOURTH, to the credit of any other fund or account hereafter established for the payment of the principal of, premium, if any, and interest on Subordinate Securities, including any sinking fund, reserve fund, or similar fund or account established therefor, the amounts required by the ordinance or other enactment authorizing issuance of the Subordinate Securities; and

FIFTH, to the credit of any other fund or account as may be designated by the Town, to be used for any lawful purpose, any moneys remaining in the Water Fund after the payments and accumulations set forth in First through Fourth above.

Additional Bonds. The Bond Ordinance permits the issuance of Parity Lien Obligations and Subordinate Securities only. The test for the issuance of Parity Lien Obligations requires, among other things, that for any 12-month period during the 18-month period immediately preceding the date of issuance of such Parity Lien Obligations, the Net Revenue is sufficient to pay an amount equal to at least 110% of the sum of the Combined Maximum Annual Principal and Interest Requirements for the outstanding Bonds, outstanding Parity Lien Obligations, if any, and the Parity Lien Obligations proposed to be issued. See “APPENDIX A—SELECTED DEFINITIONS AND SUMMARY OF ORDINANCE PROVISIONS” appended hereto.

Protective Covenants and Additional Bonds. For a description of the various protective covenants set forth in the Bond Ordinance, as well as other provisions such as the test for the issuance of additional bonds, see “APPENDIX A—SELECTED DEFINITIONS AND SUMMARY OF ORDINANCE PROVISIONS” appended hereto.

Bond Ordinance Irrepealable. The Bond Ordinance provides that after the Bonds have been issued, the Bond Ordinance will be and remain a contract between the Town and the Owners of the Bonds and will be and remain irrepealable until all amounts due with respect to the Bonds will be fully paid, satisfied and discharged and all other obligations of the Town with respect to the Bonds will have been satisfied in the manner provided herein.

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Debt Service Coverage

The following table sets forth the annual coverage provided by Net Revenue for the payment of the Bonds and annual coverage for \$4,171,877 * (which is the maximum annual debt service on the Bonds) which would have been provided by the Net Revenues on an historical basis. Other than the Bonds, when issued, the Town has had no water revenue bonds or similar long-term obligations outstanding during years indicated in the table. The Town has increased System rates to provide additional Net Revenues for debt service coverage. See “THE SYSTEM—System Financial Information.” See “Table II—Debt Service Requirements on the Bonds” below for the debt service requirements for the Bonds. There can be no assurance that coverage factors in future years will remain at the levels shown below.

TABLE I
Debt Service Coverage

	2019	2020	2021	2022	2023 ¹
Charges for Services	\$ 2,851,682	\$ 3,427,297	\$ 4,900,750	\$ 5,857,782	\$ 5,164,118 ⁵
Other Revenues ²	990,577	587,334	232,937	470,948	1,948,673
Capital Contributions	<u>1,200,881</u>	<u>2,106,683</u>	<u>2,975,392</u>	<u>7,702,630</u> ⁶	<u>7,481,528</u> ⁶
Total Revenues	<u>5,043,140</u>	<u>6,121,314</u> ⁷	<u>8,109,079</u>	<u>14,031,360</u>	<u>14,594,319</u>
Operation and Maintenance Expenses (and transfers)	8,189,187 ⁴	2,948,798	4,176,365	4,317,357	5,144,672
Net Revenues	(3,146,047)	3,172,516	3,932,714	9,714,003	9,449,647
Contributed Water Shares ³	<u>6,000,000</u>	<u>1,512,500</u>	<u>18,579,000</u>	<u>27,754,600</u>	<u>-</u>
Maximum Annual Debt Service for the Bonds	\$ 4,171,877	\$ 4,171,877	\$ 4,171,877	\$ 4,171,877	\$ 4,171,877
Maximum Annual Coverage Factor for the Bonds	(0.74x)	0.76x	0.94x	2.33x	2.27x

¹ Figures are unaudited.

² Includes miscellaneous revenues and interest income.

³ Contributed Water Shares are included as Capital Contributions in the audited financials and audit reports. However, for the purpose of revenue analysis, they are listed as a distinct and separate item, as they do not represent a cash transaction.

⁴ 2019 Operations and Maintenance Expenses include a one-time purchase of \$5,854,826 in water shares.

⁵ The decrease in charges for service revenues in 2023 is a direct result of an abnormally wet spring. Precipitation totals during May – July in 2023 totaled 9.89 inches, compared to the average of 1.833 inches between 2020 and 2022. Charges for services include sales of potable and non-potable water, water permits, water leases, and water meter fees.

⁶ The Town had a surge in development in 2022 and 2023, primarily in multi-family and commercial. These categories of users have larger taps, which are more expensive, resulting in large increases in tap revenues. It is important to note that these categories of users do not typically have the same irrigation demands as single-family homes, which results in disproportionate growth when compared to tap fees and user charges.

⁷ There were additional grant revenues of \$298,500 recognized in 2020 that were not included in this table, but are included in the 2020 audit. Such revenues were eliminated from this table as they were one-time, restricted use revenues.

⁸ Other revenues have increased in 2023 primarily as a result of increases in the interest rates.

Source: Town of Johnstown Finance Department and the Underwriter

* Preliminary; subject to change.

Debt Service Requirements

Set forth in the following table is the debt service requirements for the Bonds. See the cover page of this Official Statement for the actual interest rates for each maturity of the Bonds.

TABLE II
Debt Service Requirements on the Bonds

Year *	Principal *	Interest	Annual Total
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
Total			

[BOND INSURANCE

Set forth below is a brief summary of certain information concerning the Bond Insurer and the terms of the Insurance Policy. Information with respect to the Bond Insurer and the Insurance Policy has been supplied to the Town by the Bond Insurer. The following discussion does not purport to be complete and is qualified in its entirety by reference to the Insurance Policy.]

INVESTMENT CONSIDERATIONS

THE PURCHASE OF THE BONDS IS SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE BONDS IS ENCOURAGED TO READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE FACTORS DESCRIBED BELOW WHICH, AMONG OTHERS, COULD AFFECT THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, AND COULD ALSO AFFECT THE MARKET PRICE OF THE BONDS TO AN EXTENT THAT CANNOT BE DETERMINED.

Limited Obligations

The Bonds do not constitute a lien upon any real or personal property of the Town. Rather, the Bonds constitute an irrevocable but nonexclusive first lien upon the Net Revenue and the moneys on deposit from time to time in certain accounts of the Water Fund. Therefore, the payment of the principal of, premium if any, and interest on the Bonds is dependent on the Town's receipt of revenues in connection with the operation of the System. See "THE SYSTEM." Bondholders may not look to any general or other revenues of the Town, including without limitation the proceeds of ad valorem taxes, for the payment of the principal of, premium if any, and interest on the Bonds, and the Bonds do not constitute a debt or an indebtedness of the Town within the meaning of the Charter or any constitutional provision or limitation, nor will they be considered or held to be general obligations of the Town.

Reliance on Tap Fees

Tap fees comprised between 23.81% and 51.26% of total System revenues in calendar years 2019 through 2023. Tap fees are one-time charges imposed on or about the time of issuance of a building permit and the receipt of such revenues is dependent upon, among other things, future development within the Town. A significant decrease in tap fees could require the Town to increase its System rates and charges to generate amounts sufficient to meet its debt service requirements and the additional amounts required by the Bond Ordinance. Also see "THE SYSTEM—System Financial Information."

Environmental and Other Regulations

The operation of the System, including the administration of its sources of supply, is subject to substantial environmental protection and other regulations under federal, state and local laws. Due to the ever-changing environmental regulatory environment, there can be no assurance that new laws and regulations or new interpretations of existing laws and regulations will not frustrate or delay otherwise feasible projects or result in increased capital and operating expenses for the System.

Future Changes in Laws

In addition to the various federal, state and local laws that apply to the operation of, and liability relating to, the operation of water systems (see "—Environmental and Other Regulations" above), various Colorado and federal laws and regulations also apply to the obligations created by the issuance of the Bonds. There can be no assurance that there will not be changes in interpretation of, or additions to, the applicable laws and regulations which would have a material adverse effect, directly or indirectly, on the operation of the System or the Enterprise, or on the general affairs of the Town.

Secondary Market

There is no guarantee that a secondary trading market will develop for the Bonds. Consequently, prospective bond purchasers should be prepared to hold their Bonds to maturity or prior redemption.

Subject to applicable securities laws and prevailing market conditions, the Underwriter intends but is not obligated to make a market in the Bonds.

Enforceability of Bondholders' Remedies Upon Default

In the event of a default in the payment of principal of or interest on the Bonds, there is no provision for acceleration of maturity of the principal of the Bonds. Consequently, remedies available to registered owners and Beneficial Owners of the Bonds may have to be enforced from year to year. Moreover, there is no bond trustee or similar person or entity to monitor or enforce the provisions of the Bond Ordinance on behalf of the registered owners and Beneficial Owners of the Bonds, and therefore such registered owners and Beneficial Owners of the Bonds should be prepared to enforce such provisions themselves if the need to do so ever arises.

The remedies available to the owners of the Bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law and judicial decisions, including specifically the federal bankruptcy code. The legal opinions to be delivered concurrently with delivery of the Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization and insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual equity principles which may limit the specific enforcement under state law of certain remedies; to the exercise by the United States of America of the powers delegated to it by the federal constitution; and to the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the state and its governmental bodies in the interest of serving an important public purpose.

Factors that May Cause Insufficiency of Expected Revenues

The generation of Net Revenues is dependent upon several factors outside the Town's control, such as the economy, collection of fees, continued growth (or lack thereof) and changes in law. It is impossible to predict whether current economic conditions will continue, better or worsen, or to predict how future conditions will affect the operation of the System or the Enterprise's finances in general. The following factors, among others, may impact the generation of Net Revenues in the future.

General. Payment of the Bonds is dependent upon the generation of sufficient Net Revenues of the System. If the System becomes inoperable due to damage, destruction, environmental or governmental restriction or for any other reason, if the System should lack raw water or lack treatable water due to contamination, lack of adequate supply to serve existing customers due to drought or for any other reason, if the System has inadequate storage or transmission facilities, if the Town is unable to increase rates and charges for any reason or if the Enterprise incurs unanticipated expenses or reduced revenues due to power rate increases or for any other reason, the Town may be unable to generate adequate revenues from the System to pay debt service on the Bonds. No assurance can be made that the generation of Net Revenues from the System will be sufficient to pay debt service on the Bonds, even in observation of the rate maintenance covenant provided in the Bond Ordinance. See "THE BONDS—Security for the Bonds—Rate Maintenance Covenant."

Annexations and Town Growth. Annexations are encouraged in the Town for the areas that are within the Town's Growth Management Area. While the Town is approximately 15 square miles, the Town's Growth Management Area is approximately 48 square miles allowing for substantial growth and development in the short- and long-term time frames. The Town has boundary agreements with most of its neighboring communities that help to ensure (but not guarantee) that the respective long-term growth boundaries are preserved and respected. While tax-exempt lands do exist within the community, they are not exempt from utility fees and services which will ensure repayment of the debt issuance for these

projects. Furthermore, those tax-exempt entities represent approximately 5% of the total land in the incorporated area of the Town. Consequently, they do not financially burden the Town from revenue when compared to the expenditures and services expected by the community. The Town has a development and business friendly environment working collaboratively with development to create meaningful communities that serve both the citizens and the regional commerce.

Potable Water Quality, Sanitary Wastewater and Environmental Requirements. The System is subject to numerous federal and State regulatory requirements. Those regulations are subject to change at any time. Public drinking water and sanitary sewerage systems like the System are regulated by the Environmental Protection Agency (the “EPA”) through the Colorado Department of Public Health and Environment (“CDPHE”), which has the authority to enforce drinking water quality standards and issue and regulate sanitary sewage discharge permits. Water rights and the use of ground water by the Town are regulated by the Colorado State Engineer’s office and changes in their regulations could affect the Town’s ability to deliver water. Water quality standards imposed by the federal government or the State may affect the water available to the Town. Further, implementation of those standards or enforcement by the EPA and/or CDPHE could result in increased costs associated with the Town’s production, storage, treatment or distribution operations or require significant capital expenditures. Failure to comply with regulatory changes, or the inability to comply with them in a timely manner, could cause portions of the System to become unavailable. Additional risks include the use of hazardous materials in the water treatment process and the disposal of such materials, the occurrence of upstream events that could cause contamination of the Town’s water sources, or other factors that may cause a disruption of the Town’s services. Any disruption of service or increases in costs may reduce the amount of Net Revenue available to pay debt service on the Bonds, subject to the requirement that the Town must subsequently raise rates if necessary to satisfy the rate maintenance covenant in the Bond Resolution.

The EPA is working to implement new regulations to establish nationwide drinking water quality standards. On April 10, 2024, the EPA announced the finalized National Primary Drinking Water Regulation establishing legally enforceable levels called Maximum Contaminant Levels (“MCLs”) for certain Per- and Polyfluoroalkyl Substances (“PFAS”) in drinking water. The new rules prevent companies from starting or resuming the manufacture or processing of numerous PFAS without a complete EPA review and risk determination. The EPA also finalized health-based, non-enforceable Maximum Contaminant Level Goals (“MCLGs”) for certain PFAS. Under the new regulations, public water systems must monitor for certain PFAS and have three years (by 2027) to complete initial monitoring, with ongoing compliance monitoring required thereafter. Water systems must also provide the public with information on the levels of PFAS in their drinking water beginning in 2027 and have five years (by 2029) to implement solutions that reduce PFAS if monitoring shows that drinking water levels exceed the MCLs. Although the Town does not currently have reason to suspect the occurrence of problematic levels of PFAS in its drinking water, the System will be subject to, and will need to comply with, the new regulations. *[Please confirm]*

Drought. The amount of available water depends on many factors, including water quality, economics, delivery system restrictions, aquifer depletion, and maintenance of adequate carry-over storage for droughts. As with all other water providers, the District’s water supply is subject to environmental conditions resulting from the semi-arid climate of the State, and the water supply is impacted by drought from time to time. Drought conditions may have an impact on the System’s ground water supply, which could potentially cause a materially adverse impact on water sales. Customer behavior may also impact water sales. Regardless of current conditions, customers may continue to use less water each year in response to previous droughts, water restrictions, indoor conservation/efficiency and increased water rates. In addition, the amount of water available for use under water rights owned by the District may be limited by the operation of the State’s administration system.

Fluctuations in Water Revenues. Fluctuations in water revenues can be exacerbated by the fixed nature of the Water System’s costs as the fixed cost of providing water does not vary considerably when the amount of water delivered to customers varies. The inconsistency between a fixed cost structure and a variable revenue structure causes annual budgeting and financial instability and uncertainty. It is not possible to predict what impacts, if any, such inconsistency might have on future System revenues.

Delay in Collection of Unpaid Amounts. The Town has the authority to enforce payment of its rates and charges through a number of means. The Town may certify unpaid fees and charges to the County treasurer for collection in the same manner as taxes, and the Town itself may foreclose upon liens on the real property of delinquent ratepayers. Both methods of collection from delinquent ratepayers can result in delayed collection of unpaid amounts. The statutory certification process for unpaid fees and charges is a simple process for the Town, but relies on the County treasurer collection process, which can be time-consuming. Proceeds realized from either process, if any, may not be sufficient to cover the delinquent rates and charges. Liens are used as a last resort, as the Town is very aggressive in its collection of unpaid debt. Historically, the percentage of collected fees and charges, in relation to total Town revenue, has averaged approximately [99]%.

Constitutional Limitations on Enterprises. The Town has concluded that its System presently qualifies as an “enterprise” under TABOR. If the System should fail at some time in the future to qualify as an enterprise for purposes of TABOR, the System would become subject to the limitations of TABOR, including, without limitation, the spending limits contained in TABOR. See “APPENDIX D—THE TOWN—Constitutional Amendment Limiting Taxes and Spending.” If the Town fails to maintain the enterprise status of the System, that event will not adversely affect the validity or enforceability of the Bonds, but may affect the Town’s ability to collect Net Revenue in an amount sufficient to pay debt service.

THE SYSTEM

The Enterprise

The Enterprise is responsible for the management of the System. The Enterprise was established by Resolution No. 5-94. The Council serves as the governing body of the Enterprise, and the officers of the Council and of the Town serve as officers and the governing body of the Enterprise. Powers of the Enterprise include, but are not limited to, the power to issue revenue bonds in the manner in which Town revenue bonds may be issued without voter approval in advance and to pledge any revenues of the System to the payment of such revenue bonds. The Town is to continue to own the assets of the System, acquire and convey properties constituting part of the System, employ and discharge the officers, managers and employees of the System, keep books and records relating to the System, invest and manage funds, budget and appropriate revenues and expenditures relating to the System, fix, adjust and collect water rates, fees, tolls and charges and tap fees, and prescribe rules and regulations relating to the System.

The performance of the obligations of the Enterprise under the Bond Ordinance is not subject to the limitations of TABOR so long as the Enterprise continues to qualify as an “enterprise” under TABOR. According to Bond Counsel, if the System is disqualified as an enterprise under TABOR, (i) the Town may continue to impose and increase fees, rates, and charges of the System without voter approval but subject, however, to the refund requirements of TABOR; (ii) all Net Revenues used to pay debt service on the Bonds will be excluded from the refund requirements of TABOR; and (iii) if the Town is required to reduce spending in order to comply with its fiscal year spending limit under TABOR, the Town will first be required to reduce spending for purposes for which it does not have an obligation under law or by contract prior to reducing spending required to comply with the other covenants contained in the Bond Ordinance. See “APPENDIX D—THE TOWN—Constitutional Amendment Limiting Taxes and Spending” for a discussion of the TABOR amendment.

To accommodate new growth, the Town began a series of System capital improvement projects in 2022. Bond proceeds will be used to finance a portion of additional System improvements. See “THE BONDS—Application of Bond Proceeds—*The Project*.” To ensure adequate revenues are available to pay for such capital improvements to the System (including the payment of debt service on the Bonds), the Council approved annual rate increases across the System pursuant to Resolution No. 2023-48. The initial increase became effective as of February 1, 2024, with additional increases becoming effective every January 1 through January 1, 2028. Additional amendments to System rates for water meters and to implement the West Water Storage Tank Fee were implemented pursuant to Resolution No. 2024-19, effective as of May 1, 2024. See also “SYSTEM FINANCIAL INFORMATION—Water Fund Revenues—Water Rates and Tap Fee Policy.”

System Management

The management of the System is provided by the Town’s Utilities Department, with guidance from the Town Manager’s Office and review and approval by the Council. The following individuals are the principal Town officials responsible for System management.

Director of Utilities. The responsibilities of the Town Utilities Director include, but are not limited to, all aspects of operations and infrastructure needed to provide high quality water and wastewater services to the community. The Utilities Director manages operations for the WTP, two wastewater treatment facilities, sewer collection, and water distribution, and oversees the production of five direct reports and 19 staff members.

Ellen Hilbig was hired as the Utilities Director in October 2021. Ms. Hilbig graduated from Colorado State University in 2011 with a Bachelor of Science degree in the field of Environmental Engineering. After graduation, she found employment with Schlumberger in the oilfields, which allowed her to experience many different cultures and places: Tumen, Russia; Abu Dabhi, UAE; Shreveport, Louisiana; Houston, Texas; and Bakersfield, California. Her position required her to manage onsite cement operations including operations staff, pumping, and conveyance equipment. Ms. Hilbig returned to Colorado in 2014 and accepted her first municipal job as the City Engineer for Delta, Colorado. The position provided an intensive introduction to developing programs and capital projects for municipal services, including water and sewer management to streets maintenance. In 2017, she moved to Northern Colorado to begin a new engineering job with the City of Longmont, Colorado where she specialized in development review and capital projects for streets, drainage, and trails. In 2021, she accepted the Deputy Public Works Director position with the Town of Johnstown, Colorado, which soon evolved into the role of Utilities Director position.

Water Treatment Superintendent. The responsibilities of the Water Treatment Superintendent include, but are not limited to: serving as the Town’s water treatment system Operator Responsible in Charge (ORC) per State permit CO0162418; managing treatment plant operations and improvement projects; providing operator perspective on the new plant expansion; and supervising the daily workload of a team of four other System operators.

John Ferguson was hired as the Water Treatment Superintendent in April 2023. Mr. Ferguson graduated from the University of Northern Colorado in 1995 with a Bachelor of Arts degree in Math. He obtained and has maintained his Water Treatment A certification from the State in 2017 as well as his Water Distribution 4 certification in 2018. Prior to his work with the Town, Mr. Ferguson started his water treatment career at Castle Pines Metropolitan District in 2009, maintaining two ground water treatment plants with a total capacity of 3 MGD. He continued his career with the Town of Castle Rock, Colorado, starting in 2013 and progressed his leadership to a WTP Operator Supervisor, managing seven System

operators for an Advanced Treatment Plant (pre- and post-ozone oxidation, biological filtration, granular activated carbon, and UV treatment) and five ground water plants.

Collection and Distribution Superintendent. The responsibilities of the Collection and Distribution Superintendent include, but are not limited to: serving as the Town’s water distribution system Operator Responsible in Charge (ORC) per State permit CO0162418; managing distribution system operations and improvement projects; providing operator perspective on new construction; and supervising the daily workload of a team of five other System operators.

Tyler Carpenter was hired as the Collection and Distribution Superintendent in August 2022. Mr. Carpenter graduated from Arvada West High School in 2010. He obtained and has maintained his Water Distribution 4 from the State of Colorado in 2017, as well as his Water Treatment Level D certification in 2022. He started his water distribution career at the City of Arvada in 2013 where he made the switch from parks operations to water distribution. Mr. Carpenter progressed his career with Arvada into a leadership Water Operations Foreman position, managing eight operators and handling day-to-day operations and maintenance of the water distribution system, including meter installation, water break repair, construction inspection and locates.

Employees and Staffing. The Town currently employs approximately 11.5 full time equivalent employees in the Water Fund, per the adopted 2024 budget.

Existing Water Facilities

The following provides a description of the existing service area, treatment facilities, distribution lines, and storage capacity of the System’s water facilities. The System is currently operating in compliance with all applicable laws, rules, and regulations.

Service Area. The System currently serves an area encompassing approximately 48 square miles in size (the “Service Area”). The Service Area generally encompasses an area bordered on the north along U.S. Route 34, on the south along WCR 40, on the west along Interstate 25, and on the east along WCR 19. The Service Area is located both within and outside of the boundaries of the Town, in an area identified as the Town’s Growth Management Area. As parcels annex within the Growth Management Area, they are required to connect into the Town’s water and sewer utility network.

Water Rights. The System’s potable water supply is currently served from the Home Supply Ditch, as well as through emergency interconnects with Central Weld County Water District, Little Thompson Water District, and the City of Greeley, Colorado. In 2024, the Town is using 226.75 Consolidated Home Supply Ditch and Reservoir Company (“CHSDRC”) shares, 3.33 Big Thompson Ditch and Manufacturing (“BTDMC”) shares with no seasonal limitation, 1.6 BTDMC shares that are limited to use prior to noon on July 14th, and 1.89 cubic feet per second (“cfs”) of Big Thompson River Priority No. 1 (“Priority No. 1”) water in its potable system. With respect to non-potable water, the System is using 3 cfs of Priority No. 1 water from the Reorganized Farmers Ditch, 0.25 Reorganized Farmers Ditch shares, 4.695 cfs of Priority No. 1 from the Consolidated Hillsborough Ditch, and 41 shares of CHSDRC stock.

Reservoirs serving the System include: (i) Johnstown Reservoir (total capacity of 430.29 acre-feet), with water rights delivered to this reservoir under the CHSDRC system and directly pumped to the WTP; (ii) Chapman Reservoir (total usable capacity of 440 acre-feet under Johnstown’s 7/9ths interest), with water rights filled under the CHSDRC system (the System may store any of its water rights carried under the CHSDRC system in this reservoir); (iii) Lon Hagler Reservoir (total usable capacity of up to 1,389 acre-feet of raw water under the System’s 694.5 CHSDRC shares when all such shares are changed to municipal use as noted below); (iv) Mariano Reservoir (total usable capacity of up to 1,389 acre-feet); and (v) Lone

Tree Reservoir (total usable capacity of up to 2,778 acre-feet of raw water under its 694.5 CHSDRC shares when all such shares are changed to municipal use), with water delivered to this reservoir able to be directly pumped to the WTP. Based on the annual averages from the previous five years, the System is currently capable of serving more than 14,300 taps.

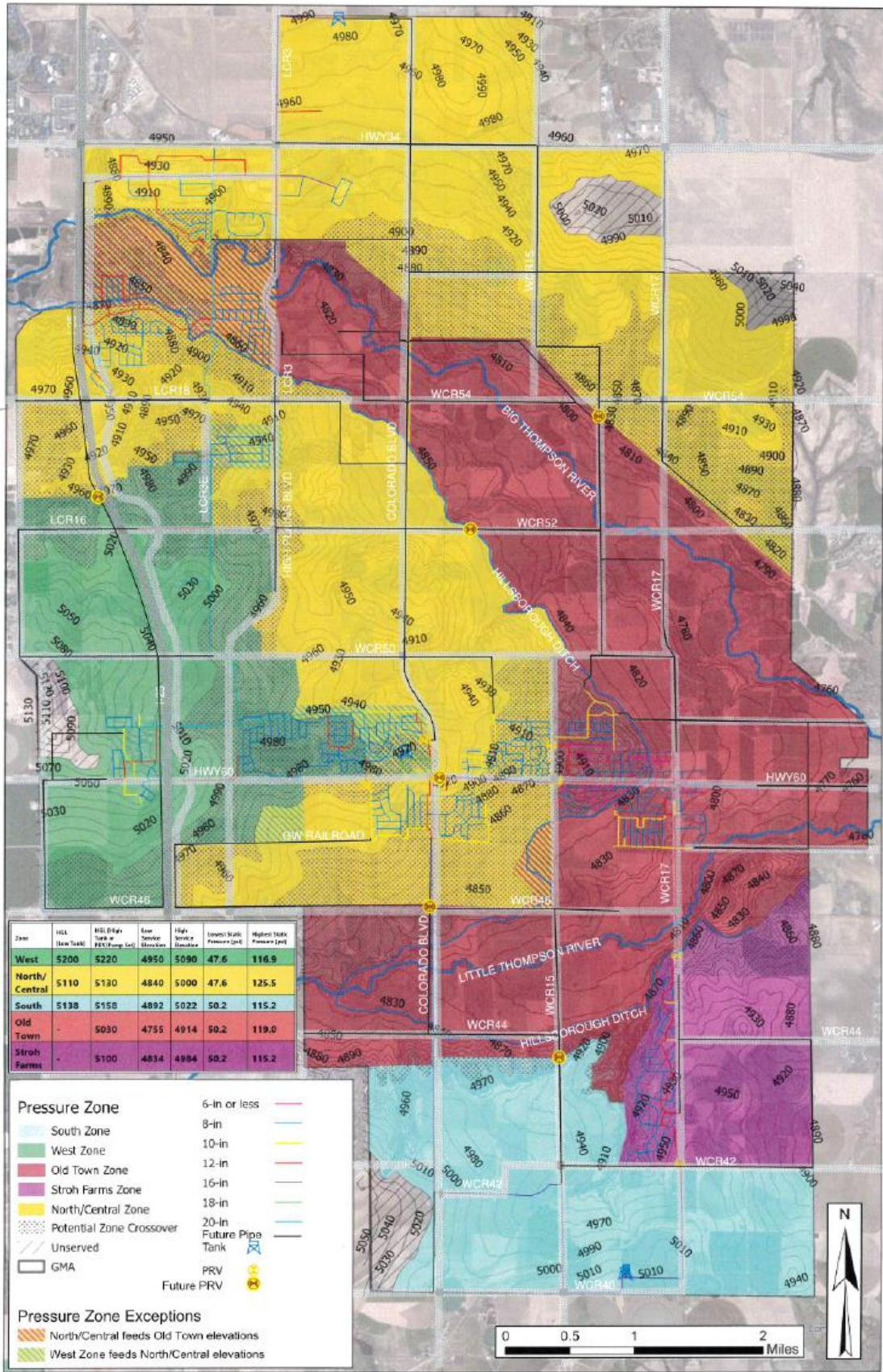
The CHSDRC owns Lon Hagler Reservoir, Mariano Reservoir, and Lone Tree Reservoir, which store water under their own water rights for use by CHSDRC shareholders. Water stored in Lone Tree Reservoir can be released directly back to the Home Supply Ditch system, while water stored in Lon Hagler Reservoir and Mariano Reservoir must be released to the Big Thompson River and exchanged back to the Home Supply Ditch headgate. Water diverted for the System can be delivered to the WTP by way of a pipeline from Lone Tree Reservoir, or from delivery to Johnstown Reservoir, off of the Home Supply ditch. Any water rights other than CHSDRC shares delivered through their system are subject to a 50% carriage charge, which means that only 50% of the water diverted under the subject water right is delivered to the owner.

The Town has changed the use of its water rights to Municipal use through the Water Court process. The System's use of its shares and water rights that have been included in a decreed change of use are subject to the replacement of historical return flows. The System replaces said return flows from wastewater treatment plant effluent, lawn irrigation return flows, and releases of fully consumable water from Mariano Reservoir and the Thompson River Ranch pipeline.

Water Storage Capacity. The System currently features two treated water storage tanks, with a total storage capacity of 2.094 billion gallons per year. With the new plant expansion (see "THE BONDS—Application of Bond Proceeds—*The Project*"), the Town will repurpose two 0.75 MG ground storage tanks currently used for chlorine contact time at the WTP for additional storage.

Water Treatment Facilities. The System's existing water treatment plant (previously defined as the "WTP") has the current capacity to treat 6 MGD. To treat the raw water of the System, the WTP utilizes a Dissolved Air Flotation pretreatment process, followed by filter bed primary treatment with a seasonal granular activated carbon polishing step in the summer. The WTP is to be expanded as described under "THE BONDS—Application of Bond Proceeds—*The Project*."

Water Distribution Lines. There are approximately 125 miles of distribution lines in the water System, ranging in size from 6" to 30", and 13 miles of raw water transmission lines in the water System, ranging in size from 16" to 18". The water System features three pump stations, including two on the raw water system, located at the Lone Tree and Johnstown Reservoirs, and one distribution pump station located off WCR 17, south of Goldeneye Drive. There are five pressure zones based on elevation and east or west of each distribution pump that feeds the zone leaving the WTP. A map of the pressure zones follows.



Based on the effluent leaving the WTP compared to the Town’s monthly meter reads, the System experiences an annual leakage/loss rate of approximately 10%. This leakage is attributable to aging System components that require replacement, necessary System repairs, unmetered connections, failing meter reading infrastructure, fire use, and operational flushing.

System Capital Improvements and Long-Term Planning

The Town’s December 2023 Capital Improvement Program (the “CIP”) is a comprehensive, ten-year plan for capital investments in maintaining and enhancing public infrastructure. Included in the CIP is a list of all anticipated Town capital improvement projects and their estimated costs over the ten-year period, from 2024 through 2033. The CIP serves as a guide that provides recommendations and a framework for meeting current and future goals related to the physical assets owned by the Town, which currently includes its nine public buildings, 46 acres of parks and open space, 4.68 miles of trails, 102 lane miles of roadways, five bridges, two wastewater treatment plants, the sewer collection infrastructure, drainage infrastructure, the existing 6 MGD water treatment plant (previously defined as the “WTP”), and water system distribution infrastructure. Capital that is specific to the Water Fund includes the WTP, 125 miles of water distribution infrastructure, 13 miles of raw water transmission main, eight pressure regulating valves, two treated water storage tanks, two raw water pump stations, and one distribution pump station. Town-wide, the CIP recommends the funding of capital projects (including the Project financed with Bond proceeds), costing approximately \$115,000,000 in 2024, and projects totaling approximately \$411,000,000 through the balance of the ten-year period (through 2033). The majority of these recommended costs (approximately 70%) are in connection with capital improvements to the System and the Town’s water and sewer infrastructure. In addition to the new water and sewer infrastructure, the remaining 30% of recommended costs are in connection with the enhancement and maintenance of assets the Town currently owns, in order to upgrade such assets and make them more efficient and less costly to operate. The implementation of the CIP may fluctuate between years due to the timing of projects and the availability of funding, and the CIP is updated annually in conjunction with the Town’s budget process to ensure that the appropriate projects are undertaken. The Town has based its funding projections reflected in the CIP on the stability of its revenues and economy. Notwithstanding the foregoing, the Town will adjust its capital budget in any given year in accordance with the availability of funds to complete the recommended projects. See also “THE BONDS—Application of Bond Proceeds—*The Project.*”

System Customer Information

The Town classified its water and wastewater customers as residential, commercial, and “other” (which includes hydrants and municipal properties). System customers are located both inside and outside Town boundaries. The following table provides the total System customers by classification.

**TABLE III
System Customers by Classification**

	System Customers	
	Inside	Outside
Residential	6,535	13
Commercial	278	3
Other (hydrant meters & municipal properties)	60	-
Total	6,873	16

[please confirm the figures above include both water and wastewater customers]

The ten largest customers of the System, in aggregate, accounted for approximately 4.13% of actual total service charge revenues during 2023 (unaudited). No single customer represented more than 0.62% of the services charged. The following table provides the ten largest customers of the System, based on the highest revenue generating properties in the System. This table does not provide the specific property owners, as the individual properties can be sold or transferred to new owners but would still be expected to have similar impacts on the System.

**TABLE IV
2023 Largest Customers of the System**

Customer	Water Consumption	Percent of Total Water Consumption	Total User Charge Revenue Collected	Percent of Total Service Charges Collected ¹
Weld Co School Dist – RE-5J	6,376,000	0.8%	\$31,898	0.62%
Forestar Real Estate Group	5,200,000	0.7%	23,190	0.45
Graybul Johnstown LLC ²	2,736,000	0.4%	22,761	0.44
Graybul Johnstown LLC ²	2,600,000	0.3%	22,103	0.43
Graybul Johnstown LLC ²	2,402,000	0.3%	21,287	0.41
Thompson River Parks & Rec	4,450,000	0.6%	19,149	0.37
Canyon Bakehouse LLC	4,240,000	0.6%	18,836	0.36
Rolling Hills Master	4,154,000	0.6%	18,484	0.36
Thompson School Dist R2-J	3,564,000	0.5%	17,891	0.35
Breeze Thru Car Wash EX	<u>4,191,000</u>	<u>0.5%</u>	<u>17,649</u>	<u>0.34</u>
Total	<u>39,913,000</u>	<u>5.32%</u>	<u>\$213,248</u>	<u>4.13%</u>

¹Based on total System revenues of \$5,164,118.

²The Town has two hydrant meter customers whose usage falls within the list of the top ten users. They were not included in this table because they are not permanent users. One customer was Scott Contracting, Inc, with a quantity of 1,799,000 at a cost of \$20,994.33 (0.41% of the total), and the other is RLW/SEMA, with a quantity of 1,604,000 at a cost of \$18,718.68 (0.36% of the total).

Water Customer Information

The following tables provide the accounts served as of December 31, 2023 as compared to the year ended December 31, 2022, as well as an analysis of consumption by customer class for fiscal year 2023.

**TABLE V
Water Accounts by Classification**

Classification	2022		2023	
	Inside	Outside	Inside	Outside
Residential	5,822	15	6,320	14
Commercial	243	3	259	3
Industrial				
Other – Hydrant	<u>53</u>	<u>--</u>	<u>53</u>	<u>--</u>
Total	<u>6,118</u>	<u>18</u>	<u>6,632</u>	<u>17</u>

Source: Town of Johnstown Finance Department

TABLE VI
2023 Water Consumption by Customer Class

Customer Class	Water Consumption (Gallons)	Percent of Total Consumption	Total Revenues Collected	Percent of Total Billed
Residential	592,488,051	78%	\$3,971,632	80%
Commercial	131,026,203	17	808,439	16
Other	<u>39,416,000</u>	<u>5</u>	<u>195,993</u>	<u>4</u>
Total	<u>762,930,254</u>	<u>100%</u>	<u>\$4,976,064</u>	<u>100%</u>

SYSTEM FINANCIAL INFORMATION

Water Fund Revenues

The funds received from the collection of charges and fees attributable to the System are deposited, paid out, and applied only in the manner and form provided for the issuance of water revenue bonds for the Town, for the purpose of extending and improving the System. Such funds are known and established as the “Water Fund,” but the Council may approve the application and crediting to such fund, available money derived from any other sources. Water Fund revenues are generally made up of charges for water services, including service fees as well as tap fees and other customer receipts. See Table VIII for a description of budgeted and current Water Fund revenues.

Water Tap Fees. Tap fees are a one-time fee that developers are charged to connect to the System. The tap fee is charged and paid for at the time of building permit issuance and is based on the current value and size of the tap into the System. The structure of each tap fee is composed of components that together reflect the equitable portion of the System impacted by new customers. As new customers connect to the System, they pay for the portion of the developed System they will use. In this way, current customers benefit from lower rates and increased reliability, while new customers pay their equitable share. Current customers do not pay tap fees.

Town staff members calculate all non-single family residential tap fees individually to ensure that the Town not only recovers the costs of providing access to the System, but to also ensure that customers are paying the appropriate tap fee for their building and its associated uses. Tap fee payments are required at the time that the building permit is issued. The obligation to pay the fees for water connections, until collected, constitutes a lien against the property. Tap fees represent the new customer’s investment in the existing capacity of the System and expansion.

Water Rates and Tap Fee Policy. The Town’s policy is to review and revise utility rates and tap fees to ensure that costs are recovered equitably. It is considered to be a best practice in the utilities industry to review, and when necessary, rebalance the rate and fees charged to ensure they are fair and equitable. In November 2023, Council approved increases to System user rates and tap fees following a rate study conducted by Raftelis, a third-party consultant. As part of the adopted rate study increases, on February 1, 2024, the base rate and the usage rate increased 30%. On January 1, 2025, and January 1, 2026, rates will increase each year by 30%, followed by a 5% increase at the beginning of 2027 and 2028.

In 2024, the raw water development fee increased 7.7% and water tap fees are scheduled to rise 3% each year through 2028. The following tables present the current rates and charges adopted by the Council in December 2023, effective as of February 1, 2024.

Water Meters

	Meter Cost ¹
5/8"	\$ 475
3/4"	505
1"	695
1.5"	1,165
2.0"	1,660
2.5" ≤	To be individually calculated
Meter Testing Fee	100

¹ Meter yokes, meter pits, meter domes, including lid and inner lid are the responsibility of the contractor. All items must be listed on the approved material list.

Water Tap Fees

Potable Water Tap Fee—Water Meter Size-In Town Rates

Tap Size	2024	2025	2026	2027
≤ 3/4"	\$ 7,116	\$ 7,329	\$ 7,549	\$ 7,776
1"	12,097	12,460	12,834	13,219
1.5"	23,482	24,186	24,912	25,659
2"	37,714	38,845	40,011	41,211
3"	83,255	85,753	88,325	90,975
4"	149,432	153,915	158,532	163,288
6"	308,116	317,359	326,880	336,687
8"	663,907	683,824	704,339	725,469
10"	996,216	1,026,102	1,056,886	1,088,592

Water Tap Fees

Potable Water Tap Fee—Water Meter Size-Out of Town Rates

Tap Size	2024	2025	2026	2027
≤ 3/4"	10,674	10,994	11,324	11,664
1"	18,146	18,690	19,251	19,828
1.5"	35,223	36,280	37,368	38,489
2"	56,571	58,268	60,016	61,817
3"	124,883	128,629	132,488	136,462
4"	224,148	230,872	237,799	244,933
6"	462,174	476,039	490,320	505,030
8"	995,861	1,025,736	1,056,508	1,088,204
10"	1,494,324	1,539,154	1,585,328	1,632,888

Raw Water Development Fee

Meter Size	In-Town Rates	Out of Town Rates
≤ 3/4"	\$ 6,291	\$ 9,437
1"	10,693	16,040
1.5"	20,758	31,137
2"	33,338	50,007
3"	73,596	110,394
4"	132,095	198,143
6"	272,369	408,554
8"	586,882	880,323
10"	880,636	1,320,954

**Water Service Charges
Water Usage Rates ¹
Residential – Single Family Equivalent – In Town**

	2024	2025	2026	2027	2028
Base	\$29.69	\$38.60	\$50.18	\$52.68	\$55.32
Volume Charge ² Gallons					
0-5,000	3.69	4.80	6.24	6.55	6.88
5,001-10,000	4.24	5.51	7.17	7.52	7.90
10,001-15,000	5.09	6.62	8.60	9.03	9.48
15,001-20,000	6.37	8.28	10.77	11.30	11.87
20,001-25,000	7.96	10.35	13.45	14.13	14.83
≥25,000	9.95	12.94	16.82	17.66	18.54
Residential Multi Family					
Base (per dwelling unit)	14.84	19.29	25.08	26.33	27.65
0-100,000	4.13	5.37	6.98	7.33	7.70
100,000≤	6.29	8.18	10.63	11.16	11.72

Residential – Single Family Equivalent – Out of Town

Base	\$44.54	\$57.90	\$75.26	\$79.03	\$82.98
Volume Charge ¹ Gallons					
0-5,000	5.54	7.20	9.35	9.82	10.31
5,001-10,000	6.36	8.27	10.75	11.29	11.85
10,001-15,000	7.64	9.93	12.90	13.55	14.23
15,001-20,000	9.56	12.42	16.15	16.96	17.80
20,001-25,000	11.94	15.52	20.18	21.19	22.25
≥25,000	14.93	19.40	25.22	26.48	27.81
Residential Multi Family					
Base (per dwelling unit)	22.26	28.94	37.62	39.50	41.48
0-100,000	6.20	8.05	10.47	10.99	11.54
100,000≤	9.44	12.27	15.95	16.74	17.58

¹ Water Base and Usage Rates as of February 1, 2024 and January 1 of 2025 to 2028.

² Volume charge is per thousand gallons.

**Water Service Charges
Non-Residential/Commercial/Industrial – In Town**

Base By Meter Size	2024	2025	2026	2027	2028
Commercial 5/8"	\$ 29.69	\$ 38.60	\$ 50.18	\$52.68	\$ 55.32
Commercial 1"	50.48	65.62	85.31	89.58	94.06
Commercial 1.5"	98.01	127.41	165.64	173.92	182.61
Commercial 2"	157.39	204.61	265.99	279.29	293.25
Commercial 3"	347.44	451.67	587.17	616.53	647.36
Commercial 4"	623.62	810.71	1,053.92	1,106.61	1,161.94
Commercial 6"	1,285.73	1,671.45	2,172.88	2,281.53	2,395.60
Commercial 8"	2,770.41	3,601.53	4,681.99	4,916.09	5,161.89
Commercial 10"	4,157.09	5,404.22	7,025.49	7,376.76	7,745.60

Usage Per 1,000 Gallons

Commercial 5/8"	\$6.57	\$8.54	\$11.10	\$11.66	\$12.24
Commercial 1"	6.57	8.54	11.10	11.66	12.24
Commercial 1.5"	6.57	8.54	11.10	11.66	12.24
Commercial 2"	6.57	8.54	11.10	11.66	12.24
Commercial 3"	6.57	8.54	11.10	11.66	12.24
Commercial 4"	6.57	8.54	11.10	11.66	12.24
Commercial 6"	6.57	8.54	11.10	11.66	12.24
Commercial 8"	6.57	8.54	11.10	11.66	12.24
Commercial 10"	6.57	8.54	11.10	11.66	12.24

Non-Residential/Commercial/Industrial – Out of Town

Base By Meter Size

Commercial 5/8"	\$ 44.54	\$ 57.90	\$ 75.26	\$ 79.03	\$ 82.98
Commercial 1"	75.72	98.44	127.97	134.37	141.08
Commercial 1.5"	147.02	191.12	248.46	260.88	273.92
Commercial 2"	236.09	306.91	398.98	418.93	439.88
Commercial 3"	521.16	677.51	880.76	924.80	971.04
Commercial 4"	935.43	1,216.06	1,580.88	1,659.92	1,742.92
Commercial 6"	1,928.60	2,507.17	3,259.33	3,422.29	3,593.41
Commercial 8"	4,155.61	5,402.29	7,022.98	7,374.13	7,742.84
Commercial 10"	6,235.64	8,106.33	10,538.23	11,065.15	11,618.40

Usage Per 1,000 Gallons

Commercial 5/8"	\$9.86	\$12.81	\$16.65	\$17.48	\$18.36
Commercial 1"	9.86	12.81	16.65	17.48	18.36
Commercial 1.5"	9.86	12.81	16.65	17.48	18.36
Commercial 2"	9.86	12.81	16.65	17.48	18.36
Commercial 3"	9.86	12.81	16.65	17.48	18.36
Commercial 4"	9.86	12.81	16.65	17.48	18.36
Commercial 6"	9.86	12.81	16.65	17.48	18.36
Commercial 8"	9.86	12.81	16.65	17.48	18.36
Commercial 10"	9.86	12.81	16.65	17.48	18.36

Water Service Charges				
Raw Water Usage Per Thousand Gallons				
2024	2025	2026	2027	2028
\$2.42	\$3.15	\$4.09	\$4.29	\$4.51
Bulk Potable Water for Construction Per Thousand Gallons				
15.17	19.72	25.64	26.92	28.27

The following provides a history of the System’s water tap fee revenues.

TABLE VII
Water Tap Fee Revenues

Year	Taps Issued	Tap Fee Revenues Collected
2019	97	\$ 580,095
2020	130	1,091,454
2021	194	1,601,574
2022	411	3,596,898
2023	472	3,235,764
2024 ¹	188	1,580,440

¹ Water Tap Fee revenue through May 31, 2024.

Billing and Collection. The water charges that are levied are billed monthly and are payable within 15 days after the date of the utility bill. Late fees are assessed (20) days after the date of the utility bill. If the deficiencies are not corrected, a penalty of \$10 is added to the outstanding amount (as set forth in Resolution 2020-38 Adopting a Consolidated Fee Schedule). All water charges are a charge and lien upon the premises to which service is furnished from the date the same becomes due and until paid, and the owners of every building, premises, lot or house will be liable for all service taken from his or her premises, which lien and liability may be enforced by the Town by action at law or suit to enforce such lien. In case the tenant in possession of such premises or building pays the water charge, it will relieve his or her landlord from such obligation and lien, but the Town is not required to look to any person whatsoever other than the owner for the payment of service as provided. Further, if the charges are not paid by the owner or by the tenant, then and in that event the Town Clerk will notify in writing the County Treasurer and give him or her the legal description of the property and the amount of the charges due, which will be certified to the County Treasurer and added to the real estate taxes of the property owner.

In addition, the Town may discontinue water service to any premises as to which the service charges remain delinquent. The average monthly bill for a single-family resident within the Town in 2023 was \$50.97, which was less than the average of \$54.54 in 2022. The decrease in 2023 was the result of a particularly wet spring and summer, which resulted in decreased water demands during what is typically the high season for this utility. Except for 2023, the average water bill has been steadily increasing due to regular water rate increases each year. Historically, collections of billed System charges have been 0.99%.

Historical and Budgeted System Financial Information. The Town utilizes the enterprise fund concept for System accounting, an accounting concept appropriate for governmental entities with revenue generating operations. The Town has established a Water Fund to account for System revenues. All activities necessary to provide the System's services are accounted for in this fund, including but not limited to administration, operations, maintenance, financing and related debt service. Set forth below is a five-year comparative statement of Water Fund revenues and expenses.

**TABLE VIII
Water Fund
Comparative Statement of Revenues, Expenses and Changes in Net Position**

	2018	2019	2020	2021	2022
Operating Revenues:					
Charges for Services	\$ 2,933,688	\$ 2,851,682	\$ 3,427,297	\$ 4,900,750	\$ 5,857,782
Miscellaneous	<u>831,868</u>	<u>428,406</u>	<u>372,344</u>	<u>217,810</u>	<u>254,371</u>
Total Operating Revenue	<u>3,765,556</u>	<u>3,280,088</u>	<u>3,799,641</u>	<u>5,118,560</u>	<u>6,112,153</u>
Operating Expenses:					
Administration	216,058	6,196,252	194,215	202,862	232,318
Operations	1,239,251	1,747,519	2,298,152	3,518,714	3,567,015
Depreciation	<u>338,800</u>	<u>350,416</u>	<u>356,431</u>	<u>434,789</u>	<u>518,024</u>
Total Operating Expenses	<u>1,794,109</u>	<u>8,294,187</u>	<u>2,848,798</u>	<u>4,156,365</u>	<u>4,317,357</u>
Operating Income	1,971,447	(5,014,099)	950,843	962,195	1,794,796
Non-Operating Revenues (Expenses):					
Interest Income	294,696	562,171	214,990	15,127	216,577
Grant Income	<u>--</u>	<u>--</u>	<u>298,500</u>	<u>--</u>	<u>--</u>
Total Non-Operating Revenues (Expenses)	<u>294,696</u>	<u>562,171</u>	<u>513,490</u>	<u>15,127</u>	<u>216,577</u>
Income (Loss) Before Contributions and Transfers	2,266,143	(4,451,928)	1,464,333	977,322	2,011,373
Capital Contributions ¹	1,452,449	7,200,881	3,619,183	21,554,392	35,457,230
Transfers In/Out	<u>121,416</u>	<u>105,000</u>	<u>(100,000)</u>	<u>(20,000)</u>	<u>--</u>
Net Income	<u>3,840,008</u>	<u>2,853,953</u>	<u>4,983,516</u>	<u>22,511,714</u>	<u>37,468,603</u>
Net Position, Beginning as Previously Reported	--	35,901,451	--	48,634,920	80,946,634
Prior Period Adjustment	--	4,896,000 ²	--	9,800,000 ³	21,201,375 ⁴
Net Position Beginning, as restated	<u>32,061,443</u>	<u>40,797,451</u>	<u>43,651,404</u>	<u>58,434,920</u>	<u>102,148,009</u>
Net Position Ending	<u>\$35,901,451</u>	<u>\$43,651,404</u>	<u>\$48,634,920</u>	<u>\$80,946,634</u>	<u>\$139,616,612</u>

¹ Represents Tap Fees.

² Prior period adjustment as a result of water share contributions.

³ Prior period adjustment as a result of water share contributions.

⁴ Prior period adjustment as a result of water share contributions.

Source: Town of Johnstown Finance Department

Set forth hereafter is a comparative summary of the 2023 and 2024 Water Fund budgets and the 2024 year to date unaudited actual financials.

TABLE IX
Water Fund Budget Summary

	2023 Budget (as adopted)	2023 Year to date actuals (unaudited) ¹	2024 Budget (as adopted) ²	2024 Year to date actuals (unaudited) ³
Beginning Fund Balance	\$ 18,030,853	\$ 18,030,853	\$ 9,653,578	\$23,133,505
Revenues:				
Charges for Services	4,555,000	4,641,200	5,935,000	2,173,607
Miscellaneous Revenue	<u>15,000</u>	<u>36,750</u>	<u>20,000</u>	<u>258,953</u>
Total Operating Revenue	<u>4,570,000</u>	<u>4,677,950</u>	<u>5,955,000</u>	<u>2,432,559</u>
Expenditures:				
Operations and Maintenance	4,600,650	4,185,615	4,689,550	1,904,461
Capital	37,017,280	16,129,397	39,277,500	3,354,103
Depreciation	970,000	544,200	994,200	346,032
Debt	--	--	--	--
Transfer Out	<u>--</u>	<u>600,000</u>	<u>--</u>	<u>--</u>
Total Operating Expenditures	<u>42,587,930</u>	<u>21,459,212</u>	<u>44,961,250</u>	<u>5,604,596</u>
Operating Income (Loss)	(38,017,930)	(16,781,262)	(39,006,250)	(3,172,037)
Non-Operating Revenues (Expenses):				
Tap Fees	1,357,605	2,700,000	1,397,933	1,580,440
Capital Investment Fees	1,147,945	2,350,000	1,100,925	1,359,512
Miscellaneous Revenues	70,611,500	2,623,987	52,516,000	7,999,763
Interest Expense	20,000	730,000	250,000	360,461
Bond Issuance	<u>--</u>	<u>--</u>	<u>72,000,000</u>	<u>--</u>
Total Non-Operating Revenues (Expenses)	<u>73,137,050</u>	<u>8,403,987</u>	<u>127,264,858</u>	<u>11,300,176</u>
Excess (Deficiency) of Revenues and Expenditures	<u>35,119,120</u>	<u>(8,377,275)</u>	<u>88,258,608</u>	<u>8,128,140</u>
Ending Fund Balance ⁴	<u>\$46,247,113</u>	<u>\$ 9,653,578</u>	<u>\$ 97,912,186</u>	<u>\$31,261,645</u>

¹ Unaudited year to date figures through December 31, 2023, which numbers may change during the audit process.

² The budget may be amended at any time after adopted. Accordingly, figures shown are subject to additional amendments.

³ Unaudited year-to-date figures through May 31, 2024.

⁴ Budget Fund Balance is presenting in cash and does not include assets.

Source: Town of Johnstown Finance Department

Outstanding Financial Obligations

As of the date of issuance, the Bonds will constitute the Town's only outstanding water revenue obligations. The Town provides for the operation of certain of its additional services, such as wastewater collection and treatment, as an enterprise which is not subject to the provisions of Article X, Section 20 (see "APPENDIX D—THE TOWN—Constitutional Amendment Limiting Taxes and Spending"). As of the date of this Official Statement, the Town's Sanitary Sewer Utility Enterprise Wastewater Revenue Bonds, Series 2021, are currently outstanding in the aggregate principal amount of \$45,775,000 (the "Series 2021 Bonds"). The Series 2021 Bonds are payable from the net revenues of the Town's Sanitary Sewer Utility Enterprise and are not considered Parity Lien Obligations with the Bonds.

LEGAL MATTERS

Sovereign Immunity

The Colorado Governmental Immunity Act, Title 24, Article 10, C.R.S. (the "Governmental Immunity Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the Town, for injuries which lie in tort or could lie in tort.

The Governmental Immunity Act provides that sovereign immunity is waived by a public entity for injuries occurring as a result of certain specified actions or conditions, including the operation of a non-emergency motor vehicle owned or leased by the public entity; the operation of any public hospital, correctional facility or jail; a dangerous condition of any public building; certain dangerous conditions of a public highway, road or street; and the operation and maintenance of any public water facility, gas facility, sanitation facility, electrical facility, power facility or swimming facility by such public entity.

In such instances the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which are not willful and wanton, and which occur during the performance of their duties and within the scope of their employment.

The maximum amounts that may be recovered under the Governmental Immunity Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, the sum of \$387,000 for claims accruing on or after January 1, 2018 and before January 1, 2022 or the sum of \$424,000 for claims accruing on or after January 1, 2022 and after January 2026; and (b) for an injury to two or more persons in any single occurrence, the sum of \$1,093,000 for claims accruing on or after January 1, 2018, and before January 1, 2022 (except in such instance, no single person may recover in excess of \$387,000) or the sum of \$1,195,000 for claims accruing on or after January 1, 2022 and before January 1, 2026 (except in such instance, no single person may recover in excess of \$424,000). These amounts increase every four years pursuant to a formula based on the Denver-Boulder-Greeley Consumer Price Index, with the first such increase occurring on January 1, 2018. The governing board of a public entity may increase any maximum amount that may be recovered from the public entity for certain types of injuries. However, a public entity may not be held liable either directly or by indemnification for punitive or exemplary damages unless the applicable entity voluntarily pays such damages in accordance with State law.

Suits against both the Town and a public employee do not increase such maximum amounts which may be recovered. The Town may not be held liable either directly or by indemnification for punitive or exemplary damages. In the event that the Town is required to levy an ad valorem property tax to discharge a settlement or judgment, such tax may not exceed a total of 10 mills per annum for all outstanding settlements or judgments.

The Town may be subject to civil liability and damages including punitive or exemplary damages and it may not be able to claim sovereign immunity for actions founded upon various federal laws, or other actions filed in federal court. Examples of such civil liability include suits filed pursuant to 42 U.S.C. Section 1983 alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the Town may be enjoined from engaging in anti-competitive practices which violate the antitrust laws. However, the Governmental Immunity Act provides that it applies to any State court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

Pending and Threatened Litigation Involving the Town

The Town Attorney states that as of the date hereof, to the best of her knowledge, belief, and information, no litigation of any nature is now pending or threatened against the Town which, if determined adversely to the Town, would be expected to have a material adverse effect upon the Town's ability to comply with its obligations under the Bond Ordinance.

Legal Representation

Legal matters incidental to the authorization, issuance and delivery of the Bonds, and with respect to the treatment of interest thereon for purposes of federal and State of Colorado income taxation, are subject to the approval of validity by Kutak Rock LLP, as Bond Counsel. In addition, Kutak Rock LLP has been retained to advise the Town concerning, and has assisted the Town in the preparation of, this Official Statement. Certain procedural legal matters will be passed upon for the Town by the Law Office of Avi S. Rocklin, LLC as General Counsel to the Town.

The obligations of the Town under the Bond Ordinance are subject to the application of equitable principles, to the reasonable exercise in the future by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado, and to exercise by the United States of America of the powers delegated to it by the federal Constitution including without limitation, bankruptcy powers.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

General Matters. *[Kutak Rock to review]* In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. The opinions described in the preceding sentence assume the accuracy of certain representations and compliance by the Town with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences.

Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Bond Counsel is also of the opinion that, under existing State of Colorado statutes, the Bonds and the income therefrom are exempt from State of Colorado taxation, except inheritance, estate and transfer taxes. Bond Counsel has expressed no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State of Colorado or any other state or jurisdiction.

Original Issue Discount. The Bonds that have an original yield above their respective interest rates, as shown on the cover page of this Official Statement (collectively, the "Discount Bonds"), are being sold at an original issue discount. The difference between the initial public offering prices of such Discount Bonds and their stated amounts to be paid at maturity (excluding "qualified stated interest" within the meaning of Section 1.1273-1 of the Treasury Regulations) constitutes original issue discount treated in the same manner for federal income tax purposes as interest, as described above.

The amount of original issue discount that is treated as having accrued with respect to a Discount Bond is added to the cost basis of the owner of the certificate in determining, for federal income tax purposes, gain or loss upon disposition of such Discount Bond (including its sale, redemption or payment at maturity). Amounts received on disposition of such Discount Bond that are attributable to accrued or otherwise recognized original issue discount will be treated as tax-exempt interest, rather than as taxable gain, for federal income tax purposes.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discount Bond, on days that are determined by reference to the maturity date of such Discount Bond. The amount treated as original issue discount on such Discount Bond for a particular semiannual accrual period is equal to (a) the product of (i) the yield to maturity for such Discount Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discount Bond at the beginning of the particular accrual period if held by the original purchaser, less (b) the amount of any interest payable for such Discount Bond during the accrual period. The tax basis for purposes of the preceding sentence is determined by adding to the initial public offering price on such Discount Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If such Discount Bond is sold between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Owners of Discount Bonds should consult their tax advisors with respect to the determination and treatment of original issue discount accrued as of any date and with respect to the state and local tax consequences of owning a Discount Bond. Subsequent purchasers of Discount Bonds that purchase such

bonds for a price that is higher or lower than the “adjusted issue price” of the bonds at the time of purchase should consult their tax advisors as to the effect on the accrual of original issue discount.

Original Issue Premium. The Bonds that have an original yield below their respective interest rates, as shown on the cover of this Official Statement (collectively, the “Premium Bonds”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Bond over its stated redemption price at maturity constitutes premium on such Premium Bond. A purchaser of a Premium Bond must amortize any premium over such Premium Bond’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Bonds callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period, and the purchaser’s basis in such Premium Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Bond prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Bonds should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Bond.

Backup Withholding. An owner of a Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Bonds if such owner fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner’s taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading “TAX MATTERS” or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE BONDS.

MISCELLANEOUS

Ratings

S&P Global Ratings (“S&P”) assigned its municipal bond ratings of “[]” to the Bonds with the understanding that upon delivery of the Bonds, the policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Bond Insurer. In addition, S&P has assigned an underlying rating of “[]” to the Bonds based upon its rating of the Bonds without regard to the delivery of the Policy. Such ratings reflect only the view of such rating agency. Any explanation of the significance of such ratings should be obtained from S&P at 55 Water Street, New York, New York, 10041.

Generally, the rating agency bases its ratings on the information and materials furnished to them and on investigations, studies and assumptions of their own. There is no assurance that such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if, in the judgment of such agency, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Bonds.

Registration of Bonds

Registration or qualification of the offer and sale of the Bonds (as distinguished from registration of the ownership of the Bonds) is not required under the federal Securities Act of 1933, as amended, the Colorado Securities Act, as amended, pursuant to an exemption from registration provided in said act. **THE TOWN ASSUMES NO RESPONSIBILITY FOR QUALIFICATION OR REGISTRATION OF THE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE BONDS MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED.**

Undertaking to Provide Ongoing Disclosure

Pursuant to the requirements of Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (the “Rule”), the Town has agreed for the benefit of the holders of the Bonds to provide certain financial information, other operating data and notices of certain enumerated events to the Electronic Municipal Market Access facility (“EMMA”) operated by the Municipal Securities Rulemaking Board (“MSRB”) after the Bonds are executed and delivered. The form of the Town’s Continuing Disclosure Undertaking (the “Undertaking”) is attached as “APPENDIX C” to this Official Statement.

The Town previously entered into a continuing disclosure undertaking (the “Previous Undertaking”) in connection with the issuance of the Series 2021 Bonds. *[KR to review compliance]*

A failure by the Town to comply with the requirements of the Rule will not constitute an Event of Default under the authorizing resolution (although Bond owners will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Interest of Certain Persons Named in this Official Statement

The legal fees to be paid to Kutak Rock LLP are contingent upon the sale and delivery of the Bonds.

Underwriting

The Bonds are being sold by the Town at an underwriting discount of \$_____ to the Underwriter pursuant to a purchase contract. See “THE BONDS—Application of Bond Proceeds.” Expenses associated with the issuance of the Bonds are being paid by the Town from proceeds of the issue. The right of the Underwriter to receive compensation in connection with this issue is contingent upon the actual sale and delivery of the Bonds. The Underwriter have initially offered the Bonds to the public at the prices or yields set forth on the cover page of this Official Statement. Such prices or yields, as the case may be, may subsequently change without any requirement of prior notice. The Underwriter reserve the right to join with dealers and other investment banking firms in offering the Bonds to the public.

Independent Auditors

The basic financial statements of the Town as of and for the year ended December 31, 2023, included in this Official Statement, have been audited by Independent Auditors, John Cutler & Associates, LLC, Denver, Colorado, as stated in their report appearing therein. Such financial statements and auditor’s opinion have been included without prior review or consent of the auditor.

Additional Information

Copies of statutes, ordinances, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports and documents described in this Official Statement are either publicly available or available upon request and the payment of a reasonable copying, mailing, and handling charge from the sources noted in Introduction.

Official Statement Certification

The preparation of this Official Statement and its distribution have been authorized by the Council. This Official Statement is hereby duly approved by the Council as of the date on the cover page hereof. This Official Statement is not to be construed as an agreement or contract between the Town and the purchasers or holders of any Bond.

TOWN OF JOHNSTOWN, COLORADO

By /s/
Mayor

APPENDIX A

SELECTED DEFINITIONS AND SUMMARY OF ORDINANCE PROVISIONS

APPENDIX B

**AUDITED BASIC FINANCIAL STATEMENTS OF THE TOWN
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

This Continuing Disclosure Undertaking (this “Undertaking”) is executed and delivered, as of _____, 2024, by the Town of Johnstown, in Larimer and Weld Counties, Colorado, acting by and through its Water Utility Enterprise (the “Town”), in connection with the issuance of \$_____ * aggregate principal amount of Water Revenue Bonds, Series 2024 (the “Bonds”). The Bonds are being issued pursuant to an Ordinance adopted by the Town Council of the Town prior to the issuance of the Bonds (the “Ordinance”). Capitalized terms used but not otherwise defined herein shall have the meanings assigned thereto in the Ordinance.

In consideration of the issuance of the Bonds by the Town and the purchase of such Bonds by the owners thereof, the Town hereby covenants and agrees as follows:

Section 1. Purpose of this Undertaking. This Undertaking is executed and delivered by the Town as of the date set forth below, for the benefit of the holders and owners (the “Bondholders”) of the Bonds and in order to assist the Participating Underwriter (as defined below) in complying with the requirements of the Rule (as defined below).

Section 2. Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

“*Annual Financial Information*” means the financial information and operating data described in Exhibit I.

“*Annual Financial Information Disclosure*” means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4 hereof.

“*Audited Financial Statements*” means the audited consolidated financial statements of the Town, prepared pursuant to the standards and as described in Exhibit I.

“*Commission*” means the Securities and Exchange Commission.

“*Dissemination Agent*” means, initially the Town, or any successor agent designated as such in writing by the Town and which has filed with the Town a written acceptance of such designation, and such agent’s successors and assigns.

“*EMMA*” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

“*Financial Obligation*” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii), except that “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB.

* Preliminary; subject to change.

“*Material Event*” means the occurrence of any of the events with respect to the Bonds set forth in Exhibit II.

“*Material Events Disclosure*” means dissemination of a notice of a Material Event as set forth in Section 6.

“*MSRB*” means the Municipal Securities Rulemaking Board.

“*Participating Underwriter*” means each broker, dealer or municipal securities dealer acting as an underwriter in any primary offering of the Bonds.

“*Prescribed Form*” means, with regard to the filing of Annual Financial Information, Audited Financial Statements and notices of Material Events with the MSRB at www.emma.msrb.org (or such other address or addresses as the MSRB may from time to time specify), such electronic format, accompanied by such identifying information, as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of such information.

“*Rule*” means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

“*State*” means the State of Colorado.

Section 3. CUSIP Number/Final Official Statement. The final CUSIP[©] for the Bonds is 479521 ____¹. The final Official Statement relating to the Bonds is dated _____, 2024 (the “Final Official Statement”).

Section 4. Annual Financial Information Disclosure. Subject to Section 10 of this Undertaking, the Town hereby covenants that it will disseminate the Annual Financial Information and the Audited Financial Statements (in the form and by the dates set forth below and in Exhibit I) by the Town’s delivery of such Annual Financial Information and Audited Financial Statements to the MSRB by September 30 following of the completion date of the Town’s fiscal year.

The Town is required to deliver such information in Prescribed Form and by such time so that such entities receive the information by the dates specified.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Town will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Undertaking, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to the MSRB) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

Section 5. Material Events Disclosure. Subject to Section 10 of this Undertaking, the Town hereby covenants that it will disseminate in a timely manner, not in excess of 10 Business Days after the occurrence of the event, Material Events Disclosure to the MSRB in Prescribed Form. Notwithstanding

© Copyright 2024 CUSIP Global Services. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by FactSet Research Systems Inc.

¹ The Town takes no responsibility for the accuracy of the CUSIP numbers, which are included solely for the convenience of owners of the Bonds.

the foregoing, notice of optional or unscheduled redemption of any Bonds need not be given under this Undertaking any earlier than the notice (if any) of such redemption is given to the owners of the Bonds pursuant to the Ordinance. From and after the Effective Date, the Town is required to deliver such Material Events Disclosure in the same manner as provided by Section 4 of this Undertaking.

Section 6. Duty to Update EMMA/MSRB. The Town shall determine, in the manner it deems appropriate, whether there has occurred a change in the MSRB's e-mail address or filing procedures and requirements under EMMA each time it is required to file information with the MSRB.

Section 7. Consequences of Failure of the Town to Provide Information. The Town shall give notice in a timely manner, not in excess of 10 Business Days after the occurrence of the event, to the MSRB in Prescribed Form of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Town to comply with any provision of this Undertaking, the Bondholder of any Bond may seek specific performance by court order to cause the Town to comply with its obligations under this Undertaking. A default under this Undertaking shall not be deemed an Event of Default under the Ordinance or any other agreement, and the sole remedy under this Undertaking in the event of any failure of the Town to comply with this Undertaking shall be an action to compel performance.

Section 8. Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the Town may amend this Undertaking, and any provision of this Undertaking may be waived, if:

- (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Town or type of business conducted;
- (ii) This Undertaking, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (iii) The amendment or waiver does not materially impair the interests of the Bondholders of the Bonds, as determined either by parties unaffiliated with the Town or the Town (such as the Paying Agent) or by an approving vote of the Bondholder Representative or of the Bondholders of the Bonds holding a majority of the aggregate principal amount of the Bonds (excluding Bonds held by or on behalf of the Town or its affiliates) at the time of the amendment, pursuant to the terms of the Ordinance; or
- (iv) The amendment or waiver is otherwise permitted by the Rule.

Section 9. Termination of Agreement. The Agreement of the Town shall be terminated hereunder when the Town shall no longer have any legal liability under the terms of the Ordinance pursuant to the terms of the Ordinance for any obligation on or relating to the repayment of the Bonds. The Town shall give notice to the MSRB in a timely manner and in Prescribed Form if this Section is applicable.

Section 10. Dissemination Agent. The Dissemination Agent shall transmit all information delivered to it by the Town hereunder to the MSRB as provided in this Undertaking. The Town may, from time to time, appoint or engage a substitute Dissemination Agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Section 11. Additional Information. Nothing in this Undertaking shall be deemed to prevent the Town from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Material Event, in addition to that which is required by this Undertaking. If the Town chooses to include any information from any document or notice of occurrence of a Material Event in addition to that which is specifically required by this Undertaking, the Town shall not have any obligation under this Undertaking to update such information or include it in any future disclosure or notice of the occurrence of a Material Event.

Section 12. Beneficiaries. This Undertaking has been executed in order to assist the Participating Underwriter in complying with the Rule; however, this Undertaking shall inure solely to the benefit of the Town, the Dissemination Agent, if any, the Town, the Bondholder Representative and the Bondholders of the Bonds, and shall create no rights in any other person or entity.

Section 13. Recordkeeping. The Town shall maintain records of all Annual Financial Information Disclosure and Material Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

Section 14. Assignment. The Town shall not transfer its obligations under the Ordinance unless the transferee agrees to assume all obligations of the Town under this Undertaking or to execute a continuing disclosure agreement under the Rule.

Section 15. Governing Law. This Undertaking shall be governed by the laws of the State.

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EXHIBIT I

**ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED
FINANCIAL STATEMENTS**

“*Annual Financial Information*” means financial information and operating data exclusive of Audited Financial Statements as set forth below.

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to the MSRB or filed with the Commission, and such information need not be provided in the exact format as shown in the Final Official Statement. The Town shall clearly identify each such item of information included by reference.

Annual Financial Information will be provided to the MSRB by September 30 following the completion of the Town’s fiscal year, commencing with the fiscal year ending December 31, 2023.

Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included, and Audited Financial Statements will be provided to the MSRB within 10 Business Days after availability to the Town.

Audited Financial Statements will be prepared in accordance with generally accepted accounting principles in the United States as in effect from time to time.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, including for this purpose a change made to the fiscal year-end of the Town, the Town will disseminate a notice to the MSRB of such change in Prescribed Form as required by such Section 4.

Tables to be updated annually:

20[] Debt Service Coverage

Charges for Services	\$
Other Revenues	
Capital Fees	
Total Revenues	
Operation and Maintenance Expenses	
Net Revenues	
Maximum Annual Debt Service for the Bonds	
Maximum Annual Coverage Factor for the Bonds	x

Water Accounts by Classification

Classification	20[]	
	Inside	Outside
Residential		
Commercial		
Other ¹		
Total		

¹ Including hydrants and municipal properties.

Water Tap Fee Revenues

Year	Taps Issued	Tap Fee Revenues Collected
20[]		

20[] Ten Largest Customers of the Water System

Customer	Water Consumption	Percent of Total Water Consumption ¹	Total User Charge Revenue Collected	Percent of Total Service Charges Collected ¹
			\$	%

¹ Based on total Water System revenues of \$_____.

EXHIBIT II

EVENTS WITH RESPECT TO THE BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Nonpayment-related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Town^{*}
13. The consummation of a merger, consolidation or acquisition involving the Town or the sale of all or substantially all of the assets of the Town, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional Paying Agent or the change of name of a Paying Agent, if material.
15. Incurrence of a Financial Obligation (as defined in Footnote 1 below) of the Town, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Town, any of which affect security holders, if material
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the Town, any of which reflect financial difficulties.

^{*}This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Town in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Town, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Town.

¹“Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into, in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

APPENDIX D

THE TOWN

The Town of Johnstown (the “Town”) is located in Larimer and Weld Counties, along interstate I-25 approximately 50 miles north of Denver, 25 miles south of Fort Collins and bordering Loveland, Windsor, Milliken, Berthoud and Greeley. The Town encompasses approximately 15.534 square miles and has a current estimated population of 19,295. Incorporated as a municipal corporation in 1907, the Town became a home rule municipality in 2006 upon adoption of its Charter.

Town Powers

Pursuant to the Charter, the Town has the power of local self-government and home rule, as well as all municipal powers established by the constitution and laws of the State of Colorado. Among those powers, rights and liabilities specifically granted by the Charter are the following: perpetual succession; to own, possess and hold real and personal property; to succeed to all rights and liabilities, to acquire all benefits and to assume payment of all bonds, obligations and indebtedness of the Town; to sue and defend, plead and be impleaded in all courts and places and in all matters and proceedings; to purchase, receive, hold and enjoy, or sell and dispose of real and personal property; to acquire, hold and manage property outside Town limits by gift, lease or purchase for park or recreation purposes and to adopt rules, regulations and schedules of charges for the use of such property; and to have and use a common seal. Pursuant to Section 16.2 of the Charter, the Town has the power to fix from time to time such just and reasonable rates and other charges as may be deemed advisable for supplying the inhabitants of the Town and others with such public utility services as the Town may provide. In addition, the powers granted to municipalities by the constitution and laws of the State of Colorado include the powers relating to the assessment of property and the levy and collection of general taxes.

Governing Body

The Town operates under a council manager form of government whereby, except as otherwise provided by the Charter or statute, the Council exercises all powers conferred upon or possessed by the Town and has the power and authority to adopt such laws, ordinances and resolutions as it deems proper in the exercise thereof, and the Town Manager serves as the chief administrative officer of the Town government. The Council consists of seven members, six council members and the mayor, all of whom are elected from the Town at large. The mayor is the presiding officer of the Council and has an equal voice and vote in all proceedings of the Council, but has no veto power. The mayor *pro tem* is appointed from the Council membership to serve in the event of absence or disability of the mayor.

The Council effects its decisions through the passage of ordinances, resolutions or motions. Actions by resolution or motion pertain to matters required or permitted to be so done by the Charter or by state or federal law, or pertaining to the internal affairs or concern of the Town government. All legislative acts of the Council, and all acts carrying a penalty for violation, must be by ordinance.

Name/Office	Principal Occupation	Years of Service	Term Expires
Michael P. Duncan, Mayor	Industrial Security Analyst	-- ¹	2028
Chad Young, Mayor Pro Tem	Funeral Director	26	2028
Damien Berg	Management	5	2028
Dee Anne Menzies	Retired Higher Education Administrator	-- ²	2028
Jesse Molinar Jr.	Firefighter	16	2026
Dianne Morris	Real Estate Agent	2	2026
Andrew Paranto	Electrical Engineer	1	2026

¹ Michael P. Duncan was sworn into office on April 15, 2024.

² Dee Anne Menzies was sworn into office on April 15, 2024.

Administration

The Council is responsible for providing policy direction for the Town and the adoption of ordinances, resolutions and motions regulating Town affairs. However, the day-to-day operations of the Town are conducted by Town staff members. Below is certain information on administrative and management personnel most directly involved in the management of the Town, their duties within the Town government and their background experience.

The Administration Department consists of the Town Manager, Deputy Town Manager and Executive Assistant. Together, they are responsible for managing and coordinating the day-to-day operations of the Town and for the enforcement of all policies, laws, and ordinances. The Administration Department implements the Council's goals and objectives and is responsible for the coordination of all municipal programs and services. In addition, the Town Manager makes recommendations to the Mayor and the Council as appropriate during Council meetings concerning current and future needs of the Town, without the right to vote.

The Town Manager is responsible for the preparation of the Town's annual budget. The budget reflects the expected revenue and projected expenses for the ensuing year. The Town Manager, in carrying out the responsibilities of fiscal planning and of other areas of Town government, has the authority to appoint the heads of the various departments and divisions.

Town Manager. The Town Manager is the chief administrative officer of the Town and is responsible to the Council for all Town affairs placed in his or her charge by the Charter or by law, including responsibility for the efficient operation of all administrative departments of the Town government with the exception of those under the direction of the Town Attorney and the municipal court. The Town Manager is further required to perform such other duties as requested by the Council.

Matthew S. LeCerf was appointed as Town Manager in October 2018. Prior to his employment with the Town, Mr. LeCerf was Town Manager for the Town of Frederick, Colorado for nearly seven years and City Manager for the City of Maryville, Missouri for almost six years prior to that. Mr. LeCerf has a Bachelor of Science degree in Geography focusing on Geographic Information Systems and a Masters of Public Administration from Valdosta State University. He is a member of the International City and County Management Association, a Credential Manager as defined by ICMA, and the Colorado City and County Management Association.

Deputy Town Manager. The Deputy Town Manager, Mitzi McCoy, acts as the Town Treasurer. Ms. McCoy was hired as the Finance Director in February 2019 before being promoted to the Deputy Town

Manager position in June 2022. Prior to her employment with the Town, Ms. McCoy served as the Finance Director for the Town of Frederick, Colorado for over seven years and for the Town of Milliken, Colorado for over three years. Ms. McCoy has a Bachelor of Science degree with emphasis in Accounting from the University of Northern Colorado and a Master of Business Administration degree from Western Governors University. Ms. McCoy is a member of the Government Finance Officers Association, International City and County Management Association, and the Colorado City and County Management Association.

Finance Director. The responsibilities of the Finance Director include, but are not limited to, accounting and financial reporting, debt management, sales tax administration, revenue collection, investments, and purchasing.

Devon McCarty was hired in August 2021 as an Accountant, before being promoted to Finance Director in December 2022. Prior to her employment with the Town, Ms. McCarty served as the Finance Manager at Boxelder Sanitation District in Fort Collins, Colorado for three years. Ms. McCarty has a Bachelor of Science degree with an emphasis in Accounting from the University of Northern Colorado. Ms. McCarty is a member of the Government Finance Officers Association and the Colorado Government Finance Officers Association.

Town Employees and Benefits

Currently, the Town employs 98 full-time employees, 1 part-time employee and no seasonal employees. The Town considers its employee relations to be “excellent.” Staffing levels in the Town were previously below the minimum necessary for effective and efficient operations, especially considering the significant growth in the community over the past five to ten years. Recently staffing levels have been increased to enhance service delivery to the community. As the community and its service needs continue to expand, staffing levels will need to keep pace with this growth.

The Town does not recognize or collectively bargain with any employee union or association. The Town has worked to develop a comprehensive compensation package for its staff members, including medical coverage, dental coverage, vision coverage and life insurance. Employees earn paid time off at rates that increase as the length of the employee’s service increases.

Services Provided by the Town

The Town is a full-service municipality, providing a broad range of municipal services to the community including police protection; water, wastewater and storm drainage utilities; solid waste services; parks, recreation and libraries; street maintenance and construction; cultural and general administrative services; and planning and community development.

Required Elections

Article X, Section 20 of the Colorado Constitution requires that, with certain exceptions, the Town must have voter approval in advance for the creation of any multiple-fiscal year direct or indirect Town debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. Enterprises, as defined in Article X, Section 20, refundings at a lower interest rate, and obligations subject to annual appropriation are excluded from the application of said Section and the voter approval requirements established therein. For a discussion of Article X, Section 20 see “—Constitutional Amendment Limiting Taxes and Spending” below.

Constitutional Amendment Limiting Taxes and Spending

General. In 1992, Colorado voters approved the Taxpayer’s Bill of Rights (“TABOR”) that constitutes Article X, Section 20 of the Colorado Constitution. TABOR imposes various limits and new requirements on the State of Colorado and all Colorado local governments which do not qualify as “enterprises” under TABOR (each of which is referred to in this section as a “governmental unit”). Any of the following actions, for example, now require voter approval in advance: (a) any increase in a governmental unit’s spending from one year to the next in excess of the rate of inflation plus a “growth factor” based on the net percentage change in actual value of all real property in a governmental unit from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from, taxable real property for government units other than school districts, and the percentage change in student enrollment for a school district; (b) any increase in the real property tax revenues of a local governmental unit (not including the state) from one year to the next in excess of inflation plus the appropriate “growth factor” referred to in (a), above; (c) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, extension of an expiring tax or a tax policy change directly causing a net tax revenue gain; and (d) except for refinancing bonded indebtedness at a lower interest rate or adding new employees to existing pension plans, creation of any multiple fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. Elections on such matters may only be held on the same day as a State general election, at the governmental unit’s regular biennial election or on the first Tuesday in November of odd numbered years, and must be conducted in accordance with procedures described in TABOR.

Revenue collected, kept or spent in violation of the provisions of TABOR must be refunded, with interest. TABOR requires a governmental unit to create an emergency reserve of 3% of its fiscal year spending (excluding bonded debt service) in 1995 and subsequent years. TABOR provides that “[w]hen a governmental unit’s annual . . . revenue is less than annual payments on general obligation bonds, pensions, and final court judgments, [the voter approval requirement for mill levy and other tax increases referred to in clause (c) of the preceding paragraph and the voter approval requirement for spending and real property tax revenue increases referred to in clauses (a) and (b) of the preceding paragraph] shall be suspended to provide for the deficiency.” The preferred interpretation of TABOR shall, by its terms, be the one that reasonably restrains most the growth of government.

Enterprises. Enterprises are excluded from the provisions of the Amendment. As defined in TABOR, enterprise means a government owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined. The Enterprise currently qualifies and is operated as an “enterprise” for TABOR purposes.

Electoral Authorization to Collect, Retain and Spend Revenues (“De-Brucing”). On November 7, 2000, voters within the Town approved the collection, retention and expenditure of the full revenue generated by the Town commencing on January 1, 1999, and subsequent years. Accordingly, the Town is not subject to the revenue limitations of TABOR.

Budget Process

The Town’s budget is a fiscal blueprint for service delivery. As set forth in the Charter, the Council must adopt a balanced budget on a calendar year basis.

On or before October 15 of each year the Town Manager must prepare and submit a recommended budget to the Council. The recommended budget must provide an estimate of anticipated revenues classified by source; estimate of cash available, if any, as of December 31 of the current fiscal year;

proposed expenditures for the operation of the Town, by fund, department, office and agency, and the methods of financing such expenditures; provisions for reserves and contingencies; proposed capital expenditures, by fund, department, office and agency, and the proposed methods of financing such expenditures; anticipated net surplus or deficit for each municipal utility system and the proposed method of its disposition; anticipated net surplus or deficit for each municipal enterprise and the proposed method of its disposition; an estimate of the amount required to be raised from an ad valorem property tax levy; a statement of the outstanding securities and other debt and payment obligations of the Town, showing the debt redemption and interest requirements, the debt authorized and outstanding and the condition of sinking funds, if any; and such other information as the Council may require. If required by the Council, by resolution or ordinance, the Town Manager will submit to the Council, simultaneously with his recommended budget, a schedule showing all recommended capital outlay expenditures during the following five fiscal years. The budget must also contain such additional information as the Council may request.

A public hearing on the proposed budget must be held before its final adoption. Notice of the hearing must be published not less than ten days prior to its scheduled date, stating that the proposed budget is available for public inspection at the Town. In accordance with state statutes, the budget is to be adopted no later than the 15th of December. On or before the last day of the current fiscal year, the Council will appropriate by resolution, based upon the budget as adopted, the moneys needed for municipal purposes during the next fiscal year. The Council adopted the Town's 2024 budget in a timely manner pursuant to the above-described procedure.

Subject to the restriction discussed below, the adopted budget must provide for a levy on real and personal property which will result in the collection of revenues in the amount necessary to be raised from ad valorem property taxes for municipal purposes. Following adoption of the budget, the Council certifies to the county assessors the amount to be levied on taxable property within the Town for collection by the county treasurers.

The Town Manager submits to the Council as often as required, data comparing the estimated and actual revenues and appropriated expenditures to date. If accrued revenues are less than anticipated, the Council may reduce appropriations, except amounts required for debt and interest charges, as is necessary to keep expenditures within revenues.

With the exception of expenditures to be financed by the issuance of bonds or by special assessment, no expenditure may be made from Town funds unless a specific appropriation has been made for such purpose. The Council must approve all purchases and contracts in excess of \$250,000, with the Town Manager having the authority to approve purchases and contracts in lesser amounts if funds have previously been budgeted to cover such expenses. In the case of an emergency or other unforeseeable event, money designated for contingencies may be transferred without additional appropriation by resolution but does require the adoption of a resolution; the Town Manager may order the transfer of funds within a departmental budget; or the Council may transfer any unencumbered appropriation balance, or any portion thereof, from one account or department (by motion) to another, and from one fund or agency (by ordinance) to another, at any time during the year. If the Town receives revenues which were unanticipated at the time of adoption of the budget, the Council may authorize, by resolution, the expenditure thereof by adopting supplemental appropriations. The balance of any budget appropriation which has not been spent at the end of the year reverts to the fund from which the appropriation was made.

Cybersecurity

There have been no material cybersecurity incidents within the last five years in the Town. The Town has a security awareness program in place that trains employees on cybersecurity issues and tests

employees through phishing simulations. The Town does not currently have a business continuity plan in the event of a cyberattack [are there any plans to implement one?]. The [Town and/or its IT provider] inventories its systems and keeps those systems patched and up to date, periodically running antivirus programs on all systems, backing up its systems to an offsite location on a regular basis, testing for successful restoration. The Town contracts with [INSURANCE PROVIDER] for cybersecurity insurance.

APPENDIX E

TOWN FINANCIAL INFORMATION AND DEBT STRUCTURE

Accounting Policies and Financial Statements

The accounts of the Town are organized on the basis of funds which are segregated for the purpose of accounting for the operation of specific activities or attaining certain objectives. Each fund is considered a separate accounting entity. The operations of each fund include its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. For a description of the various funds and account groups, see the Town's financial statements appended hereto.

The Charter requires that an independent audit be made of all Town accounts at least annually, and more frequently if deemed necessary by the Council. The audited financial statements must be filed with the state auditor by July 31st of each year. Failure to comply with this requirement to file an audit report may result in the withholding of the Town's property tax revenues by the county treasurers pending compliance.

The basic financial statements from the Town's 2022 Annual Financial Report are appended hereto. Such financial statements are the most current audited financial information available for the Town.

Major Sources of General Fund Revenues

The governmental fund utilized for the administration and operation of the Town is the General Fund. The following are the major sources of revenue to such fund. See also the "Historical General Fund Revenues, Expenditures and Changes in Fund Balances" table hereafter.

Sales and Use Taxes. Revenues from Sales and Use Tax represent the largest source of revenue in the Town's General Fund, comprising \$15,266,164 (45%) of total 2022 General Fund Revenues and \$16,025,689 (43%) in 2023 (unaudited). The Town's sales and use tax rate is 3.5%

Property Taxes. Property tax revenues represent the second largest source of revenue in the Town's General Fund, comprising of \$8,218,144 (24%) of total 2022 General Fund Revenues and \$9,020,167 (24%) in 2023 (unaudited).

Other Revenue Sources. The Town also receives General Fund revenues from several additional sources including investments, rents, insurance proceeds, building permits, liquor licenses, planning and development fees, business and contractor licenses, administration fees, reimbursement of expense and other miscellaneous revenue sources, park development fees, fines and forfeitures, cigarette taxes and interest income.

Historical General Fund Operations

Set forth in the following table is a comparative statement of revenues and expenditures of the Town's General Fund, including the December 31 fund balance for each year. The following information should be read together with the general purpose financial statements and accompanying notes of the Town appended hereto. Preceding years' audited financial statements of the Town may be obtained from the sources designated in "MISCELLANEOUS—Additional Information."

Historical General Fund Revenues, Expenditures and Changes in Fund Balances

	2018	2019	2020	2021	2022
Revenues					
Taxes and Fees	\$11,695,694	\$13,640,275	\$18,176,264	\$22,851,898	\$27,448,150
Licenses and Permits	807,291	577,879	806,904	1,076,864	2,582,811
Intergovernmental	1,148,846	900,096	933,830	251,847	2,495,231
Charges for Services	751,504	782,587	12,624	16,855	--
Fines and Forfeitures	145,413	214,125	148,877	271,401	243,213
Interest Income	542,811	774,643	397,304	109,057	359,913
Miscellaneous	<u>62,628</u>	<u>1,022,180</u>	<u>719,737</u>	<u>989,445</u>	<u>604,617</u>
Total Revenues	<u>15,154,187</u>	<u>17,911,785</u>	<u>21,195,540</u>	<u>25,567,367</u>	<u>33,733,935</u>
Expenditures					
General Government	1,368,025	1,541,510	3,277,859	3,026,863	2,534,277
Public safety	2,151,841	2,377,020	3,193,597	3,275,647	4,115,595
Public works	1,380,547	1,598,277	1,259,106	1,681,466	2,349,027
Health and Welfare	72,130	71,959	--	--	--
Culture and Recreation	230,455	254,439	441,756	500,000	525,000
Capital Outlay	<u>2,875,276</u>	<u>21,625,367</u>	<u>9,011,382</u>	<u>802,575</u>	<u>1,977,207</u>
Total Expenditures	<u>8,078,274</u>	<u>27,468,572</u>	<u>17,183,700</u>	<u>9,286,551</u>	<u>11,501,106</u>
Excess of Revenues Over (Under) Expenditures	7,075,913	(9,556,787)	4,011,840	16,280,816	22,232,829
Other Financing Sources (Uses)					
Transfers In	2,250,000	9,000,000	59,895	557,943	613,266
Transfers Out	<u>(571,416)</u>	<u>(2,285,554)</u>	<u>(3,970,256)</u>	<u>(1,851,006)</u>	<u>(3,072,095)</u>
Total Other Financing Sources (Uses)	<u>1,678,584</u>	<u>6,714,446</u>	<u>(3,910,361)</u>	<u>(1,293,063)</u>	<u>(2,458,829)</u>
Net Change in Fund Balances	8,754,497	(2,842,341)	101,479	14,987,753	19,774,000
Beginning Fund Balance	43,633,723	52,388,220	54,864,679 ²	<u>54,966,158</u>	<u>69,953,911</u>
Ending Fund Balance	<u>\$52,388,220</u>	<u>\$49,545,879</u> ²	<u>\$54,966,158</u>	<u>\$69,953,911</u>	<u>\$89,727,911</u>

¹ Fund balance increased \$5,318,800 between 2019 and 2020 as a result of fund restructuring. It is important to note that in 2020, the Town restructured their funds in an attempt to eliminate unnecessary funds making sure that only the minimum number of funds are maintained, consistent with legal and operating requirements. The new funds are structured in a way that allows users to better assess the accountability of the organization.

Source: Town of Johnstown Finance Department

General Fund Budget Summary and Comparison. The following table compares the Town's General Fund budgets for 2020 and 2021.

General Fund Budget Summary and Comparison

	2023 Budget (as adopted)	2023 Year to Date Actuals (unaudited)	2024 Budget (as adopted)	2024 Year to Date Actuals ¹
Revenues				
Taxes and Fees	\$ 19,417,534	\$ 26,603,115	\$ 32,347,410	\$ 20,104,901
Licenses and Permits	1,963,700	3,896,937	2,193,300	1,307,772
Fines and Forfeitures	175,500	280,799	215,000	131,976
Intergovernmental	25,000	216,374	50,000	34,130
Earnings on Investment	15,000	2,454,865	500,000	1,219,712
Miscellaneous Revenue	<u>757,500</u>	<u>3,014,124</u>	<u>380,000</u>	<u>535,832</u>
Total Revenue	<u>22,354,234</u>	<u>36,466,214</u>	<u>35,685,710</u>	<u>23,334,323</u>
Expenditures				
Council	1,306,440	1,223,725	1,925,100	817,389
Town Manager	1,442,430	1,410,465	2,399,485	766,108
Town Clerk	441,910	436,504	542,300	191,785
Finance	450,870	407,997	708,120	329,069
Planning	566,310	390,940	696,050	220,722
Building Inspections	413,820	411,573	403,400	130,135
Police	6,006,610	5,155,085	10,265,820	2,708,883
Public Works and Engineering	761,350	734,320	1,999,595	472,961
Reimbursements	700,000	805,774	350,000	268,160
Buildings	<u>288,100</u>	333,312	<u>1,003,300</u>	<u>133,320</u>
Transfers Out	<u>52,156,508</u>	<u>52,058,240</u>	<u>55,356,967</u>	<u>989,286</u>
Total Expenditures	<u>64,534,348</u>	<u>63,367,935</u>	<u>75,650,137</u>	<u>7,027,818</u>
Excess (Deficiency) of Revenues and Expenditures	<u>(42,180,114)</u>	<u>(26,901,721)</u>	<u>(39,964,427)</u>	<u>16,306,505</u>
Beginning Balance	<u>89,263,737</u>	<u>89,263,737</u>	<u>57,780,682</u>	<u>57,780,682</u>
Ending Balance	<u>\$ 47,083,623</u>	<u>\$ 62,362,016</u>	<u>\$ 17,816,255</u>	<u>74,087,187</u>

¹ Unaudited figures through May 31, 2024.

Source: Town of Johnstown Finance Department

Retirement and Pension Matters

See Note 8 to the Town's financial statements appended hereto for a more complete discussion of the Town's retirement and pension matters.

Insurance Coverage

The Council acts to protect the Town against loss and liability by maintaining certain insurance coverages. The Town carries commercial insurance to cover these risks. The Town Manager believes the

Town's present insurance coverage to be adequate. However, there can be no assurance that the Town will continue to maintain this level of coverage.

Deposit and Investment of Town Funds

The Council updated its Investment Policy in April 2022 (the "Investment Policy"), setting forth policies with regard to investing the financial assets of all Town funds except for its Employee Pension Plan Funds, the Deferred Compensation Fund, and the Fire and Police Pension Fund, which are organized and administered separately. Under the Charter and the Investment Policy, the authority to manage the Town's investment portfolio is vested with the Town Treasurer. Pursuant to the Investment Policy, the Town is to invest its financial assets in accordance with applicable State statutes in eligible depositories and for the collateralization of such deposited funds. See also Note 3 to the Town's financial statements appended hereto. The investment of the proceeds of this issue also is subject to the provisions of the Federal Tax Code. See "TAX MATTERS."

Revenue Obligations

The Council may, by ordinance and without any election and indebtedness, issue securities, and may, without any election, otherwise incur financial obligations for any public purpose payable in whole or in part from any source of revenues other than general ad valorem property taxes or sales and use taxes. Notwithstanding the provisions of Section 13.4 of the Code, the Council may, by ordinance, agreement or resolution, and without any election and indebtedness, utilize property, sales or use tax incentives for economic development or public purpose incentives as determined by the Council. See THE SYSTEM—Outstanding Financial Obligations."

Leases and Long-Term Contracts

The Council has the authority to enter into installment or lease option contracts, subject to annual appropriation, for the purchase of property or capital equipment without prior electoral approval. The term of any such contract may not extend over a period greater than the estimated useful life of the property or equipment. The Town does not have any outstanding leases and long-term contract obligations upon issuance of the Bonds.

Charter Debt Limitation

Article 13 of the Charter does not limit the total outstanding indebtedness of the Town, including the total of principal amounts payable under any installment or lease option contracts. General obligation debt must be approved by a majority of the registered electors voting thereon at an election. Excluded from this requirement is any indebtedness for the acquisition or extension of a water system and supply, public utilities, projects, enterprises, works or ways from which the Town will derive revenue. The Town has no outstanding indebtedness applicable to the debt limitation.

General Obligation Debt

"Debt" or "indebtedness" as used in this section means, generally, obligations backed by the Town's full faith and credit and secured by the unlimited power of the Town to levy ad valorem property taxes for the payment of bonds and the interest thereon. Any general obligation indebtedness of the Town is subject to certain election requirements. The Town does not have any outstanding general obligation debt upon issuance of the Bonds.

Town Debt Policy

The Town updated its debt policy in April 2022. Prior to formally adopting a policy, the Town adhered to the provisions of its Charter and complied with applicable state and federal legal requirements for municipal debt. Staff also followed guidance provided by the Government Finance Officers Association (“GFOA”) in their Recommended Practices for Debt Management and from the rating agencies regarding prudent financial management for municipalities.

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APPENDIX F

ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the larger metropolitan area within which the Town is located. The statistics presented below have been obtained from the referenced sources and represent the most current information available from such sources; however, certain of the information is released only after a significant amount of time has passed since the most recent date of the reported data and therefore, such information may not be indicative of economic and demographic conditions as they currently exist or conditions which may be experienced in the near future. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information not presented herein may be available concerning the area in which the Town is located and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the Town or its officers, employees, or advisors.*

Population

The following table sets forth the population of the Town of Johnstown (the “Town”), Larimer County (“Larimer”), Weld County (“Weld”) and the State of Colorado (the “State”).

Population ¹								
Year	Town of Johnstown	Percent Change	Larimer County ¹	Percent Change	Weld County ¹	Percent Change	Colorado	Percent Change
1980	1,535	--	149,184	--	123,438	--	2,889,735	--
1990	1,579	2.87%	186,136	24.77%	131,821	6.79%	3,294,473	14.01%
2000	3,827	142.37	251,494	35.11	180,936	37.26	4,302,015	30.58
2010	9,887	158.35	299,630	19.14	252,825	39.73	5,029,196	16.90
2020	17,320	75.18	359,701	20.05	331,184	30.99	5,783,168	14.99
2023 ²	19,756	14.06	370,771	3.08	359,442	8.53	5,877,610	1.63

¹ The Town of Johnstown is located in both Larimer and Weld Counties and therefore information for both counties is included herein as pertinent to the Town.

² Estimate.

Source: U.S. Department of Commerce, Bureau of the Census Population and Housing Unit Costs 2010 Census and Colorado Department of Local Affairs

Housing Stock

The following table sets forth information on housing units in the Town and the County.

	Housing Units		Percent Change	2022 ¹
	2010	2020		
Johnstown (Town of)	3,554	6,456	81.65%	7,000
Weld County	96,281	121,007	25.68	129,656

¹ Estimate.

Source: Source: U.S. Department of Commerce, Bureau of the Census

Income

The following tables set forth certain information on per capita personal income in the Town and Larimer and Weld Counties, the State and the United States.

	Per Capita Personal Income				
	2018	2019	2020	2021	2022
Larimer County	\$53,689	\$56,220	\$59,762	\$65,501	\$67,849
Weld County	47,817	49,708	51,920	56,592	58,860
Colorado	57,794	61,258	64,852	71,923	75,722
United States	53,309	55,547	59,153	64,430	65,470

Source: United States Department of Commerce, Bureau of Economic Analysis

Retail Sales

The retail trade sector employs a large portion of the Town’s work force and is important to the area’s economy. The following table sets forth information on retail sales within the Town, Larimer and Weld Counties, and the State for the years indicated.

Retail Sales (in thousands)								
Year	Johnstown	Percent Change	Larimer County	Percent Change	Weld County	Percent Change	Colorado	Percent Change
2019	\$483,420	--	\$12,432,024	--	\$13,251,205	--	\$224,618,938	--
2020	573,596	18.65%	13,623,881	9.59%	13,198,755	4.35%	233,586,882	3.99%
2021 ¹	682,263	18.94	15,112,748	10.93	14,711,836	4.64	268,328,759	14.87
2022	799,521	17.19	16,974,683	12.32	17,101,940	4.68	299,823,778	11.74
2023	804,901	0.67	17,671,240	4.10	17,741,875	4.54	302,570,432	0.92
2024 ¹	111,728	--	2,287,763	--	2,483,175	--	43,430,841	--

¹ Retail sales through February 29, 2024. *[to be updated prior to posting]*

Source: State of Colorado, Department of Revenue, Retail Sales Reports 2019-2024

School Enrollment

The following table presents a five-year history of school enrollment for Thompson School District R2-J in Larimer County, and Johnstown-Milliken School District RE-5J in Weld County, the school districts serving the Town.

School Enrollment		
Year	Thompson R2-J	Johnstown-Milliken RE-5J
2019/2020	16,163	3,969
2020/2021	14,965	3,738
2021/2022	15,291	3,783
2022/2023	15,212	3,869
2023/2024	15,039	3,976

Source: Colorado Department of Education

Building Activity

The following tables set forth the building permit activity for the Town of Johnstown.

Building Permit History

Year	Residential Single Family		Residential Multi-Family		Commercial	
	Permits	Valuation	Permits	Valuation	Permits	Valuation
2019	87	\$ 25,120,200	3	\$12,000,000	32	\$ 25,048,600
2020	108	40,405,800	--	--	36	41,667,900
2021	184	60,391,951	--	--	16	60,525,576
2022	423	137,600,915	4	44,260,387	44	101,460,236
2023	451	133,284,749	3	18,000,000	10	22,931,904
2024 ¹	116	37,329,725	--	--	1	9,500

¹ Permits issued through March 31, 2024. *[to be updated prior to posting]*

Source: Johnstown Building Department

Foreclosure Activity

The number of foreclosures filed in Larimer and Weld Counties are set forth in the following table.

History of Foreclosures

Year	Larimer County	Percent Change	Weld County	Percent Change
2019	205	--	333	--
2020 ¹	83	(18.45)%	116	(65.17)%
2021 ¹	56	7.89	61	(47.41)
2022	179	(12.68)	449	636.07
2023	216	20.67	405	(9.80)
2024 ²	72	--	129	--

¹ The decrease in the number of foreclosures filed in 2020 and 2021 was the result of the State imposed restrictions in place regarding foreclosures. See "INVESTMENT CONSIDERATIONS—COVID-19."

² Foreclosures filed through May 9, 2024. *[to be updated prior to posting]*

Source: Larimer and Weld County Public Trustees

Employment

The following tables set forth employment statistics by industry and the most recent historical labor force estimates for Larimer and Weld Counties and the State.

Total Business Establishments and Employment—Larimer County

Industry ¹	Third Quarter 2022		Third Quarter 2023		Quarterly Change	
	Units	Average Employment	Units	Average Employment	Units	Average Employment
Agriculture, Forestry, Fishing and Hunting	108	935	106	946	(2)	11
Mining	47	425	54	477	7	52
Utilities	33	885	34	917	1	32
Construction	1,521	11,972	1,506	11,469	(15)	(503)
Wholesale Trade	830	5,803	863	5,968	33	165
Information	334	2,807	377	2,621	43	(186)
Finance and Insurance	790	3,597	807	3,558	17	(39)
Real Estate, Rental and Leasing	892	3,411	884	3,088	(8)	(323)
Professional and Technical Services	3,216	13,245	3,445	13,197	229	(48)
Management of Companies and Enterprises	207	1,034	206	1,023	(1)	(11)
Administrative and Waste Services	862	8,073	839	8,272	(23)	199
Educational Services	280	18,151	299	19,021	19	870
Health Care and Social Assistance	1,474	26,821	1,539	27,410	65	589
Arts, Entertainment and Recreation	280	4,005	286	4,206	6	201
Accommodation and Food Services	945	19,742	960	19,383	15	(359)
Other Services, Ex. Public Administration	1,157	5,290	1,213	5,355	56	65
Public Administration	56	8,840	59	9,372	3	532
Unclassified	<u>7</u>	<u>22</u>	<u>9</u>	<u>24</u>	<u>2</u>	<u>2</u>
Total ³	<u>15,021</u>	<u>173,932</u>	<u>15,501</u>	<u>174,691</u>	<u>480</u>	<u>759</u>
Government ⁴						
Federal	42	2638	45	2,771	3	133
Local	51	15266	51	16,162	--	896
State	38	18866	38	19,726	--	860

¹ Information provided herein reflects only those employers who are subject to State unemployment insurance law.

² Information suppressed due to confidentiality as set forth in State Law.

³ Totals may not add due to rounding.

⁴ Government figures *are* included within the industry categories listed above.

Source: Colorado Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW)

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Total Business Establishments and Employment—Weld County

Industry ¹	Third Quarter 2022		Third Quarter 2023		Quarterly Change	
	Units	Average Employment	Units	Average Employment	Units	Average Employment
Agriculture, Forestry, Fishing and Hunting	232	4283	232	4252	--	(31)
Mining	255	5288	268	6322	13	1,034
Utilities	40	534	39	566	(1)	32
Construction	1,255	12,299	1,296	13,643	41	1,344
Wholesale Trade	547	4,348	545	4,482	(2)	134
Information	142	769	148	806	6	37
Finance and Insurance	430	2,953	462	2,801	32	(152)
Real Estate, Rental and Leasing	444	1,410	454	1,539	10	129
Professional and Technical Services	1,304	3,951	1,423	4,076	119	125
Management of Companies and Enterprises	109	1,813	111	1,787	2	(26)
Administrative and Waste Services	559	6,152	584	6,210	25	58
Educational Services	146	9,966	155	10,112	9	146
Health Care and Social Assistance	862	10,295	892	10,435	30	140
Arts, Entertainment and Recreation	111	1,346	114	1,763	3	417
Accommodation and Food Services	514	9,392	538	9,751	24	359
Other Services, Ex. Public Administration	671	2,874	681	2,984	10	110
Public Administration	80	6,244	81	6,696	1	452
Unclassified	6	15	13	40	(67)	25
Total ²	9,226	112,479	9,605	116,865	379	4,386
Government ³						
Federal	50	596	51	646	1	50
Local	88	13,342	90	14,431	2	1,089
State	21	3,029	21	2,664	--	(365)

¹ Information provided herein reflects only those employers who are subject to State unemployment insurance law.

² Totals may not add due to rounding.

³ Government figures *are* included within the industry categories listed above.

Source: Colorado Department of Labor and Employment, Labor Market Information, Quarterly Census of Employment and Wages (QCEW)

Labor Force Estimates

Year	Larimer County		Weld County		Colorado	
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed
2019	206,483	2.4%	170,001	2.5%	3,148,766	2.8%
2020 ¹	203,683	6.3	166,666	7.0	3,122,237	7.3
2021 ¹	207,449	4.9	168,903	5.8	3,190,760	5.6
2022	212,332	2.9	169,035	3.6	3,235,022	3.4
2023	215,347	2.8	171,603	3.2	3,244,096	2.9
2024 ²	215,906	3.5	171,484	4.1	3,219,568	3.9

¹ As a result of the COVID-19 pandemic and the federal government induced quarantine, unemployment numbers increased exponentially since reported in April 2020. See “INVESTMENT CONSIDERATIONS—COVID-19.”

² Labor force averages through March 31, 2024. *[to be updated prior to posting]*

Source: State of Colorado, Division of Employment and Training, Labor Market Information, Colorado Labor Force Review

The following table sets forth selected major employers within the Town and the Counties of Larimer and Weld. No independent investigation has been made of and there can be no representation as to the stability or financial condition of the entities listed below, or the likelihood that they will maintain their status as major employers in the Counties.

Town of Johnstown—2024 Principal Employers

Employer	Product or Service	Number of Employees
Scheel’s All Sports	Retail	600
Weld RE-5J School District–Johnstown	Education	371
Sampson Construction Company	Construction	325
Blackeagle Energy Services	Energy Services	250
Canyon Bakehouse	Manufacturing	250
High Country Beverage	Manufacturing	245
Kroger Fulfillment Center	Grocery and Household Goods	225
Northern Colorado Rehabilitation Hospital	Healthcare	210
Hays Market, Inc.	Retail	86
Town of Johnstown	Government	67

Source: Town Economic Profile 2024

Larimer County—2022 Selected Major Employers ¹

Employer	Product or Service	Estimated Number of Employees
Colorado State University	Higher Education	7,554
UC Health: Poudre Valley Hospital	Healthcare	7,520
Poudre School District R-1	Education	4,176
Thompson School District R2-J	Education	2,399
Larimer County	County Government	2,048
City of Fort Collins	Municipal Government	2,000
Columbine Health Systems	Healthcare	1,690
Banner Health: McKee Medical Center	Healthcare	1,530
Broadcom Inc.	Global Technology Solutions	1,500
Woodward Inc.	Aerospace Design and Manufacturing	1,300

Source: Larimer County 2022 Comprehensive Annual Financial Report, the most recent information available.

Weld County—2022 Selected Major Employers ¹

Employer	Product or Service	Estimated Number of Employees
JBS Swift Beef Company	Food Processing	6,000
Banner Health (NCCMC)	Regional Hospital	3,560
Vestas	Sustainable Energy Services	2,710
Greeley/Evans School District 6	Education	2,258
Weld County Government	County Government	1,823
University of Northern Colorado	Higher Education	1,488
City of Greeley	Municipal Government	1,145
UC Health	Healthcare	1,060
State Farm Insurance	Insurance Provider	950
AIMS Community College	Higher Education	934

Source: Weld County 2022 Comprehensive Annual Financial Report; and Upstate Colorado, the most recent information available.

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APPENDIX G

FORM OF BOND COUNSEL OPINION

_____, 2024

Town of Johnstown, Colorado

Stifel, Nicolaus & Company, Incorporated
Denver, Colorado

\$ _____ *
TOWN OF JOHNSTOWN
LARIMER AND WELD COUNTIES, COLORADO
Acting by and Through its Water Utility Enterprise
WATER REVENUE BONDS
SERIES 2024

Ladies and Gentlemen:

We have been engaged by the Town of Johnstown, Colorado, acting by and through its Water Utility Enterprise (the “Town”), to act as bond counsel in connection with the issuance of the Town’s Water Revenue Bonds, Series 2024, dated _____, 2024, in the aggregate principal amount of \$ _____ * (the “Bonds”). The Bonds are being issued pursuant to the home rule charter of the Town and Town Ordinance No. 2024-__, which was finally passed, adopted and approved by the Town Council of the Town, acting as the governing body of the Water Utility Enterprise (the “Enterprise”), on [July 15], 2024 (the “Bond Ordinance”). All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed in the Bond Ordinance.

We have examined the constitution and the laws of the State of Colorado (the “State”); the provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations, rulings and judicial decisions relevant to the opinions set forth in paragraph 3 below; the provisions of the Securities Act of 1933, as amended, and the regulations, rulings and judicial decisions relevant to the opinion set forth in paragraph 5 below; and such certified proceedings, certificates, documents, opinions and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law and as of the date hereof, that:

1. The Bonds are valid and binding revenue obligations of the Town, acting by and through the Enterprise.
2. The principal of and interest on the Bonds are payable solely from the Net Revenues derived from the operation of the Town’s water system and water facilities, as more particularly set forth in the Bond Ordinance. The Bonds constitute an irrevocable and first lien upon the Net Revenues, but not an exclusive such lien.

* Preliminary; subject to change.

3. Under the laws, regulations, rulings and judicial decisions existing on the date hereof, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. The opinions set forth in the preceding sentence assume the accuracy of certain representations and continuing compliance by the Town and Trustee with certain covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause such interest on the Bonds to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. Interest on the Bonds may affect the federal alternative minimum tax imposed on certain corporations.

4. Under existing State of Colorado statutes, the Bonds and income therefrom are exempt from State of Colorado taxation, except inheritance, estate and transfer taxes.

5. The Bonds are exempt from registration under the Securities Act of 1933, as amended.

The rights of the holders of the Bonds and the enforceability of the Bonds and the Bond Ordinance may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity, by the exercise by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado and by the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America.

We express no opinion herein as to any matter not specifically set forth above. In particular, but without limitation, we express no opinion herein as to the accuracy, adequacy or completeness of any official statement, memorandum, prospectus or other statement used in connection with the offer and sale of the Bonds.

This opinion is given as of the date hereof and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

This opinion may be relied upon solely by the addressees hereto in connection with the issuance of the Bonds. This opinion may not be relied upon for any other purpose or by any person other than the addressees. This opinion has been addressed to persons other than the Town at the request of, and as an accommodation to, our client, the Town. The inclusion of persons other than the Town as addressee(s) does not create or imply an attorney-client relationship between Kutak Rock and such persons.

Respectfully Submitted,

APPENDIX H

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company (“DTC”) New York, NY and DTC’s book-entry-only system has been obtained from DTC, and the Town and the Underwriter take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for the Bonds, as set forth on the inside cover page hereof, in the aggregate principal amount of each maturity of the Bonds and deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation & Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book entry-system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no

knowledge of the actual Beneficial Owners of Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Town as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds are to be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Town or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or Town, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the responsibility of the Town or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner will give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender or Remarketing Agent, and will effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Tender or Remarketing Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit for tendered Bonds to Tender or Remarketing Agent's DTC account.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Town or the Paying Agent. Under such circumstances, in the

event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Town may decide to discontinue use of the system of book entry only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

**[APPENDIX I
SPECIMEN MUNICIPAL BOND INSURANCE POLICY]**