**NOTICE AND AGENDA FOR THE REGULAR MEETING OF THE BOARD OF DIRECTORS**

**OF FALLBROOK VILLAS METROPOLITAN DISTRICT**

A Regular Meeting of the Board of Directors of the Fallbrook Villas Metropolitan District will be held at 6:00 p.m., Thursday, May 15, 2025, via telephone and videoconference. The call-in number is (669) 444-9171 or Meeting ID is 461 381 5754, passcode 6743379. The agenda is as follows:

1. Agenda & Administrative Matters
   1. Call to Order
   2. Approve Agenda
   3. Public Comment (limited to three minutes per person)
   4. Approve Minutes: April 17, 2025
   5. Discuss Meeting Schedule
2. Management & Maintenance Matters
   1. Update on Landscaping and Maintenance Items
   2. Discuss 2025 Violation Procedures
3. 2024 Budget Amendment
   1. Conduct Public Hearing on 2024 Budget Amendment
   2. Approve Resolution No. 5 to Amend 2024 Budget
4. Audit Matters
   1. 2024 Audit Review – Dawn Schilling
   2. Approve 2024 Audit and District Representation Letter
5. Other Business

**DISTRICT MEETINGS ARE OPEN TO THE PUBLIC**

*Attendees: whether members of the public or the Board of Directors, will not engage in obscene gestures, shouting, profanity, or other disruptive behavior. If attendees become disruptive, they will be muted, expelled from the meeting and/or fined/sanctioned.*

(Next Meeting Date: TBD at 6:00 p.m.)

**The Fallbrook Villas Metropolitan District Board of Directors:**

KimNichelle Rivera Term Expires 2029

Jolene Simon Term Expires 2027

Kaitlyn Stroud Term Expires 2029

Katie Lyons Term Expires 2029

Christina Matthews Term Expires 2027

**RECORD OF PROCEEDINGS MINUTES OF THE REGULAR MEETING**

**OF THE BOARD OF DIRECTORS OF FALLBROOK VILLAS METROPOLITAN DISTRICT**

**HELD:**

Thursday, the 17th day of April, 2025 at 6:00 p.m. via telephone and videoconference.

**ATTENDANCE**:

A regular meeting of the Board of Directors (the “Board”) of the Fallbrook Villas Metropolitan District (the “District”), Adams County, State of Colorado, was called and held as shown above and in accordance with the applicable statutes of the State of Colorado, with the following directors present and acting:

KimNichelle Rivera, President, (2022-2025) Jolene Simon, Treasurer (2023-2027) Robert Bullion, Director (2022-2025)

Todd Geist, Director (2023-2025)

Also in attendance were Judy Simonson, Nicki Simonson and Rebecca Hill of Simonson & Associates, Inc. and Daniel Rubin, District legal counsel with Dietze and Davis, P.C. Director K. Stroud’s absence was excused.

1. **AGENDA & ADMINISTRATIVE MATTERS:**
   1. Call to Order: It was noted for the record that a quorum was present of the Board for the purpose of conducting a meeting and the meeting was called to order.
   2. Agenda and Meeting Location: The meeting location and agenda were approved upon motion by Director K. Rivera and second by Director R. Bullion. Director T. Geist was opposed.
   3. Public Comment: Director T. Geist made a few comments regarding transparency and freedom of information during the public comment section.
   4. Minutes – February 20, 2025: Director T. Geist made a motion to include his personal comments in the minutes. No second was made so the motion was not considered. The minutes of the regular meeting held on February 20, 2025 were then approved with correction to the date, upon motion by Director K. Rivera and second by Director J. Simon. Director T. Geist was opposed.
2. **MANAGEMENT & MAINTENANCE MATTERS:**
   1. Review Outstanding Maintenance Items:
      * Sidewalks - There was extensive discussion surrounding the sidewalks within the District and in which division at the City of Thornton the responsibility lies to coordinate repair. Ms. N. Simonson will send her contact person a map and meet with him to get a better understanding of ownership and circle back with the Board. Any District costs associated with repairs will be built into the budget.
      * Street Signs - Director J. Simon made a motion to have Ms. N. Simonson reach out to EDI to install a “not a through street” sign at the entrance to the alley off 141st Street, and a “dead end” sign behind her home where the road abruptly ends with a stipulation that the budget not exceed $1,500. The motion was approved upon second by Director K. Rivera.
      * Playground - Ms. N. Simonson will reach out for an updated quote on mulch/wood chips for the playground along with a free standing enclosed bulletin board for posting community information. She will also see if there has been another award of safety grant money to the District for 2025.
      * Dead Tree Removal – Director T. Geist advised the Board that some tree stakes on the District trees had not been removed last fall so Ms. N. Simonson will ensure that EDI takes care of that. She will also have them check any dead trees for removal that the Board has pointed out, such as one over by the pavilion (Director K. Rivera is keeping an eye on this one as it hasn’t shown buds yet) and two over by the Jackson Street cul-de-sac on the north side that Director T. Geist mentioned. EDI still has a shrub on their agenda to replace in the median on 141st Street now that spring is here.
      * Broken Pedestal – the broken pedestal located on the north side of the firehouse belongs to Comcast and they are scheduled to repair it within the next two weeks.
   2. Summer Landscaping: The overall performance and approximate 4% cost increase of the EDI contract year over year was discussed by the Board. The idea of cutting the grass every other week was brought up with EDI and they explained there would be no cost savings as they would then only cut the grass in half the District each week. Also, the grass would be longer in between cuts and therefore take more time to cut, thereby increasing the cost. The Board decided to keep the weekly service schedule in place.
   3. Ratify Approval of the Environmental Designs Summer 2025 Contract: The EDI contract expired on March 31, 2025 so it was signed outside of a Board meeting. Director J. Simon

made a motion to ratify the approval of the EDI contract. The motion was approved upon second by Director K. Rivera. Director T. Geist was opposed.

* 1. Draft Covenants Violation Form: Ms. N. Simonson presented a form to the Board that could be used as an initial warning step in the District covenant violation procedure. The intent of the form was to be a time and cost saver for the District to provide a warning to homeowners via a handwritten notice that could be left on their front door prior to receiving an actual violation. The Board had discussed creating a committee potentially made up of homeowners that could assist with this. Attorney Daniel Rubin will review applicable rules within the statute related to covenant enforcement prior to any decisions being made. The Board was ok with putting a notice in the Fallbrook Villas next Newsletter in the meantime, to see if any homeowners volunteered to be on such a committee and take any feedback into account.

1. **FINANCIAL MATTERS:**

Approve Disbursements for February 1, 2025 through March 31, 2025: The Board reviewed and discussed the check register presented. Director J. Simon moved to approve the disbursements for the period from February 1, 2025 through March 31, 2025. The motion was approved upon second by Director K. Rivera. Director T. Geist was opposed.

The Board then reviewed the April 30, 2025 check register which was approved upon motion by Director K. Rivera and second by Director J. Simon. Director T. Geist was opposed.

Ms. J. Simonson presented the financial statements and answered any questions. She also presented the Accounts Receivable as the District received some payments from the Adams County Treasurer for the liens against 2024 property taxes for the special assessments from 2023.

1. **ELECTIONS:**

With two new Board members being elected, it will be necessary for them to submit conflicts of interest forms and oaths of office prior to the next Board meeting to be eligible

to participate in that meeting. Simonson & Associates and Dietze & Davis will work together to ensure all paperwork is completed and filed within the necessary timeframes.

1. **EXECUTIVE SESSION:** No Executive Session was required.
2. **OTHER BUSINESS:**

Director J. Simon wanted to thank Director T. Geist and Director R. Bullion for serving on the Board. Both Directors then thanked her.

**ADJOURNMENT**:

There being no further business to come before the Board of the District and upon motion duly made by Director T. Geist and second by Director J. Simon, and upon unanimous vote, the meeting was adjourned at 7:25 p.m.

The foregoing minutes constitute a true and correct copy of the minutes of the above-referenced meeting and have been approved by the Board of Directors of the Fallbrook Villas Metropolitan District.

Kaitlyn Stroud, Secretary

**FALLBROOK VILLAS METROPOLITAN DISTRICT RESOLUTION TO AMEND 2024 BUDGET**

**2025 Resolution No. 5**

WHEREAS, the Board of Directors of the Fallbrook Villas Metropolitan District (the “District”) appropriated funds for the fiscal year 2024 as follows:

General Fund $ 167,450

; and

WHEREAS, the necessity has arisen for additional expenditures or appropriations requiring the expenditure of funds in excess of those appropriated for the fiscal year 2024; and

WHEREAS, the expenditures are a contingency which could not have been reasonably foreseen at the time of adoption of the budget; and

WHEREAS, the necessity has arisen for additional appropriations and expenditures of funds as reflected by satisfactory evidence presented to and accepted by the Board of Directors at this meeting and set out in the amended budget attached hereto as **Exhibit A**; and

WHEREAS, funds are available for such expenditures from reserve funds available to the District; and

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget amendment was available for inspection by the public at a designated public office, a public hearing was held on May 15, 2025, and interested electors were given the opportunity to file or register any objections to said proposed budget amendment.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Fallbrook Villas Metropolitan District shall and hereby does amend the budget for the fiscal year 2024 as follows:

General Fund $ 218,850

BE IT FURTHER RESOLVED that such sums are hereby appropriated from the revenues of the District to the above-referenced Fund for the purposes stated in **Exhibit A** and, if applicable, that such action of the Board is hereby ratified and approved *nunc pro tunc* as of the date of the actual expenditures.

*[remainder of page intentionally left blank; signature page follows]*

ADOPTED this 15th day of May 2025.

FALLBROOK VILLAS METROPOLITAN DISTRICT

By: President

ATTEST:

By: Secretary

**EXHIBIT A**

|  |
| --- |
| **FALLBROOK VILLAS METROPOLITAN DISTRICT** |
| **2024 SUPPLEMENTARY BUDGET** |
| **GENERAL FUND** |

|  |  |  |
| --- | --- | --- |
| APPROVED 2024 | PROPOSED 2024 | AMENDED |
| BUDGET | SUPPLEMENTARY  BUDGET | 2024  BUDGET |

|  |  |  |  |
| --- | --- | --- | --- |
| **REVENUES** |  |  |  |
| Property Taxes | 230,000 | 232,525 | 232,525 |
| Specific Ownership Taxes | 14,950 | 11,400 | 11,400 |
| Interest Income | 1,800 | 5,065 | 5,065 |
| Late Fees/Misc. Income | 500 | 950 | 950 |
| **TOTAL REVENUES** | **$ 247,250** | **$ 249,940** | **$ 249,940** |

|  |
| --- |
| **EXPENDITURES** |
| **Administration** |
| Administrative/Office Expenses |
| Election Expenses |
| Insurance |
| Professional Services |
| Accounting |
| Management |
| Audit |
| Legal |
| Other Professional Serv. |
| County Treasurer Fees |
| **Grounds Maintenance** |
| Landscape Maintenance |
| Facilities & Misc. Maintenance |
| Utilities |
| Snow Removal |
| **TOTAL EXPENDITURES** |

|  |
| --- |
| 50,000 |
| 3,000 |
| 20,000 |
| 20,000 |
| **$ 162,450** |

- -

**$ 218,850 $ 218,850**

**$ 79,800**

|  |
| --- |
| 45,000 |
| 1,620 |
| 39,150 |
| 19,600 |
| **$ 218,850** |

|  |
| --- |
| 45,000 |
| 1,620 |
| 39,150 |
| 19,600 |
| **$ 218,850** |

|  |  |
| --- | --- |
| Contingency/Emergency Reserve | 5,000 |
| **TOTAL EXPENDITURES** | **$ 167,450** |

|  |
| --- |
| **EXCESS (DEFICIENCY) OF REVENUES** |
| **OVER EXPENDITURES** |

**$ 31,090**

**$ 31,090**

**$ (74,385) $**

|  |
| --- |
| **FUNDS AVAILABLE** |
| **BEGINNING OF YEAR:** |

**(78,209) $**

**(78,209)**

**$ 5,415**

|  |
| --- |
| 5,000 |
| - |
| 5,000 |

|  |
| --- |
| 4,120 |
| 130 |
| 10,130 |

|  |
| --- |
| 4,120 |
| 130 |
| 10,130 |

|  |
| --- |
| 12,000 |
| 12,000 |
| 6,000 |
| 25,000 |
| 1,000 |
| 3,450 |

|  |
| --- |
| 10,300 |
| 68,800 |
| 5,500 |
| 11,000 |
| - |
| 3,500 |

|  |
| --- |
| 10,300 |
| 68,800 |
| 5,500 |
| 11,000 |
| - |
| 3,500 |

|  |
| --- |
| **FUNDS AVAILABLE** |
| **END OF YEAR:** |

**$ (47,119)**

**$ (47,119)**



May , 2025

To the Board of Directors

Fallbrook Villas Metropolitan District Adams County, Colorado

We have audited the financial statements of the governmental activities and the major funds of Fallbrook Villas Metropolitan District (District) for the year ended December 31, 2024 and have issued our report thereon dated May , 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated to such information in our engagement letter dated November 20, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

DRAFT

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2024.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. There were no accounting estimates that are considered particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing the audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor’s report. We are pleased to report that there were no such disagreements during the course of the audit.

*Management Representation*

We have requested certain representations from management that are included in the management representation letter dated May , 2025.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our retention.

*General Fund Deficit Fund Balance*

As of December 31, 2024, the District’s General Fund had a fund balance deficit of $46,748 and owed the Debt Service Fund $52,490. The deficit was a result of actual expenditures exceeding the budgeted expenditures in 2021, 2022, 2023. The original budget for General Fund expenditures for 2024 was $167,450 and actual expenditures were $218,472. Expenditures such as management, insurance and utilities were significantly more than budgeted expenditures.

In order to fund operations of the General Fund in 2022-2024, it has borrowed from the restricted Debt Service Funds to cover these costs. This may be in violation of certain debt requirements on the bonds and is not a good business practice. We recommend that the District repay the Debt Service Funds as soon as possible and establish policies and procedures going forward so this doesn’t occur in the future.

The Board took action and approved an Operations and Maintenance Fee on April 1, 2023 to assist the District in paying for operating and maintenance expenses. While this was an important action to take, it did not eliminate the deficit in the General Fund. The Board increased its general operating mill levy for 2024 collection in order to rectify the deficit. I encourage the Board to continue on this path to be able to fully repay the debt service funds borrowed in 2024 and prior years.

Other Matters

We were engaged to report on supplementary information (as listed in the table of contents to the basic financial statements), which accompanies the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

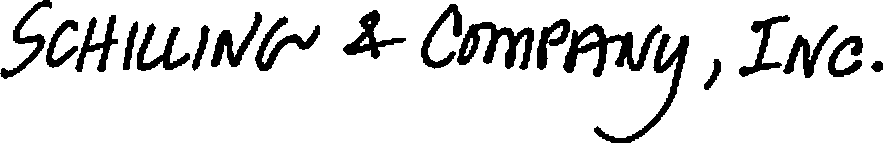
We were not engaged to report on other information (as listed in the table of contents to the basic financial statements), which accompanies the financial statements but is not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

DRAFT

Restriction on Use

This information is intended solely for the use of the Board of Directors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Schilling & Company, Inc.

DRAFT 5/8/2025

**FALLBROOK VILLAS METROPOLITAN DISTRICT**

**Adams County, Colorado**

**FINANCIAL STATEMENTS DECEMBER 31, 2024**

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## Independent Auditor’s Report

Board of Directors

Fallbrook Villas Metropolitan District Adams County, Colorado

### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fallbrook Villas Metropolitan District (District) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fallbrook Villas Metropolitan District, as of December 31, 2024, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DRAFT 5/8/2025

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibility of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor’s Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

* Exercise professional judgment and maintain professional skepticism throughout the audit.
* Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

DRAFT 5/8/2025

* Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
* Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### Required Supplemental Information

Management has omitted the management’s discussion and analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### Supplemental Information

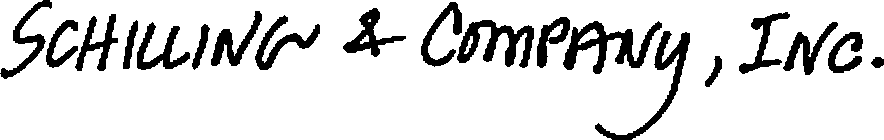
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

## Other Information

Management is responsible for the other information included in the annual report. The other information as listed in the table of contents does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

DRAFT 5/8/2025



Highlands Ranch, Colorado May , 2025

# BASIC FINANCIAL STATEMENTS

DRAFT 5/8/2025

|  |
| --- |
| **FALLBROOK VILLAS METROPOLITAN DISTRICT** |
| **STATEMENT OF NET POSITION** |
| **GOVERNMENTAL ACTIVITIES** |
| **December 31, 2024** |

|  |
| --- |
| **ASSETS** |
| Cash deposits and investments - unrestricted |
| Cash deposits and investments - restricted |
| Receivable from County Treasurer |
| Property taxes receivable |
| Accounts receivable - fees |
| Prepaid expenses |
| Capital assets, net of accumulated depreciation |
| Total assets |

|  |
| --- |
| $ 28,572 |
| 224,828 |
| 1,448 |
| 397,652 |
| 5,254 |
| 1,780 |
| 1,277,675 |
| 1,937,209 |

|  |
| --- |
| 29,444 |
| 10,238 |

30,000

|  |
| --- |
| **LIABILITIES** |
| Accounts payable |
| Accrued interest payable |
| Noncurrent liabilities: |
| Due within one year |
| Due in more than one year |
| Total liabilities |

4,755,526

4,825,208

397,652

DRAFT 5/8/2025

|  |
| --- |
| **DEFERRED INFLOWS OF RESOURCES** |
| Deferred property taxes |
| Total deferred inflows of resources |

397,652

|  |
| --- |
| **NET POSITION** |
| Restricted for emergencies |
| Restricted for debt service |
| Unrestricted |
| Total net position |

|  |
| --- |
| 7,500 |
| 268,948 |
| (3,562,099) |
| $ (3,285,651) |

|  |
| --- |
| **FALLBROOK VILLAS METROPOLITAN DISTRICT** |
| **STATEMENT OF ACTIVITIES** |
| **GOVERNMENTAL ACTIVITIES** |
| **Year Ended December 31, 2024** |

|  |
| --- |
| **Functions/Programs** |
| General government |
| Interest and fiscal charges |

|  |
| --- |
| **Expenses** |
| $ 292,217 |
| 162,416 |
| $ 454,633 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Program Revenues** | | |  |
| **Operating** | | | **Capital** |
| **Grants** | | | **Grants** |
| **Charges for** | **and** |  | **and** |
| **Services** | **Contributions** |  | **Contributions** |
| $ 947 | $ - |  | $ - |
| - | - |  | - |
| $ 947 | $ - |  | $ - |

|  |
| --- |
| **Net (Expense)** |
| **Revenue and** |
| **Changes in** |
| **Net Position** |
| $ (291,270) |
| (162,416) |
| (453,686) |

|  |
| --- |
| General revenues: |
| Property taxes |
| Specific ownership taxes |
| Net investment income |
| Total general revenues |

|  |
| --- |
| 389,220 |
| 19,079 |
| 20,545 |
| 428,844 |

|  |
| --- |
| Change in net position |
| Net position - Beginning |
| Net position - Ending |

|  |
| --- |
| (24,842) |
| (3,260,809) |
| $ (3,285,651) |

DRAFT 5/8/2025

|  |
| --- |
| **FALLBROOK VILLAS METROPOLITAN DISTRICT** |
| **BALANCE SHEET** |
| **GOVERNMENTAL FUNDS** |
| **December 31, 2024** |

**General**

|  |
| --- |
| **ASSETS** |
| Cash deposits and investments - unrestricted |
| Cash deposits and investments - restricted |
| Receivable from County Treasurer |
| Property tax receivable |
| Accounts receivable - fees |
| Due from other funds |
| Prepaid expense |
| **TOTAL ASSETS** |

|  |
| --- |
| $ 28,572 |
| - |
| 865 |
| 242,652 |
| 5,254 |
| - |
| 495 |
| $ 277,838 |

|  |
| --- |
| $ - |
| 224,828 |
| 583 |
| 155,000 |
| - |
| 52,490 |
| 1,285 |
| $ 434,186 |

|  |
| --- |
| $ 28,572 |
| 224,828 |
| 1,448 |
| 397,652 |
| 5,254 |
| 52,490 |
| 1,780 |
| $ 712,024 |

|  |
| --- |
| **LIABILITIES** |
| Accounts payable |
| Due to other funds |
| Total liabilities |

|  |
| --- |
| $ 29,444 |
| 52,490 |
| 81,934 |

|  |
| --- |
| $ - |
| - |
| - |

|  |
| --- |
| $ 29,444 |
| 52,490 |
| 81,934 |

|  |
| --- |
| **DEFERRED INFLOWS OF RESOURCES** |
| Deferred property taxes |
| Total deferred inflows of resources |

|  |
| --- |
| 242,652 |
| 242,652 |

|  |
| --- |
| 155,000 |
| 155,000 |

|  |
| --- |
| 397,652 |
| 397,652 |

|  |
| --- |
| **Total** |
| **Governmental** |
| **Funds** |

|  |
| --- |
| **Debt** |
| **Service** |

495 - 495

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|  |
| --- |
| **FUND BALANCES** |
| Nonspendable for prepaid items |
| Spendable: |
| Restricted for emergencies |
| Restricted for debt service |
| Unassigned |
| Total fund balances |
| **TOTAL LIABILITIES, DEFERRED INFLOWS OF** |
| **RESOURCES AND FUND BALANCE** |

|  |
| --- |
| 7,500 |
| - |
| (54,743) |
| (46,748) |

|  |
| --- |
| - |
| 279,186 |
| - |
| 279,186 |

|  |
| --- |
| 7,500 |
| 279,186 |
| (54,743) |
| 232,438 |

$ 277,838 $ 434,186

Amounts reported for governmental activities in the Statement of Net Position are different because:

|  |
| --- |
| Some assets used in governmental activities are not financial resources and, |
| therefore, are not reported in the Balance Sheet - Governmental Funds. |
| Capital assets, net of accumulated depreciation |

|  |
| --- |
| 1,277,675 |
| 1,277,675 |

|  |
| --- |
| Some liabilities, including bonds payable and accrued interest payable, are not |
| due and payable in the current period and, therefore, are not reported in |
| the Balance Sheet - Governmental Funds. |
| Bonds payable - 2019A & 2019B Bonds - principal |
| Accrued interest payable - 2019A Bonds |
| Unpaid accrued interest payable - 2019B Bonds |
| Developer advances - principal |

Net position of governmental activities

|  |
| --- |
| (2,676,626) |
| (10,238) |
| (1,087) |
| (2,107,813) |
| (4,795,764) |
| $ (3,285,651) |

|  |
| --- |
| **FALLBROOK VILLAS METROPOLITAN DISTRICT** |
| **STATEMENT OF REVENUES, EXPENDITURES AND CHANGES** |
| **IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS** |
| **Year Ended December 31, 2024** |

**Debt**

|  |
| --- |
| **Total** |
| **Governmental** |
| **Funds** |

**General Service**

|  |
| --- |
| **REVENUES** |
| Property tax |
| Specific ownership tax |
| Service fees |
| Net investment income |
| Total revenues |

|  |
| --- |
| $ 232,522 |
| 11,398 |
| 947 |
| 5,066 |
| 249,933 |

|  |
| --- |
| $ 156,698 |
| 7,681 |
| - |
| 15,479 |
| 179,858 |

|  |
| --- |
| $ 389,220 |
| 19,079 |
| 947 |
| 20,545 |
| 429,791 |

|  |
| --- |
| **EXPENDITURES** |
| Current |
| Accounting and audit |
| Legal |
| Management fees |
| Insurance |
| Election |
| Administrative/office expenses |
| Landscape maintenance |
| Utilities |
| Snowplowing |
| County Treasurer's fees |
| Debt service |
| Bond principal |
| Bond interest |
| Paying agent fees |
| Total expenditures |

|  |
| --- |
| 15,779 |
| 10,821 |
| 68,793 |
| 10,129 |
| 128 |
| 4,112 |
| 46,541 |
| 39,133 |
| 19,547 |
| 3,489 |

|  |
| --- |
| - |
| - |
| - |
| - |
| - |

|  |
| --- |
| 15,779 |
| 10,821 |
| 68,793 |
| 10,129 |
| 128 |
| 4,112 |
| 46,541 |
| 39,133 |
| 19,547 |
| 5,841 |

**NET CHANGE IN FUND BALANCES** 31,461 (245,678) (214,217)

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|  |
| --- |
| - |
| - |
| - |
| 2,352 |

|  |
| --- |
| - |
| - |
| - |
| 218,472 |

|  |
| --- |
| 86,374 |
| 329,057 |
| 7,753 |
| 425,536 |

|  |
| --- |
| 86,374 |
| 329,057 |
| 7,753 |
| 644,008 |

|  |
| --- |
| **FUND BALANCES (DEFICITS) - BEGINNING OF YEAR** |
| **FUND BALANCES (DEFICITS) - END OF YEAR** |

|  |
| --- |
| (78,209) |
| $ (46,748) |

|  |
| --- |
| 524,864 |
| $ 279,186 |

|  |
| --- |
| 446,655 |
| $ 232,438 |

|  |
| --- |
| **FALLBROOK VILLAS METROPOLITAN DISTRICT** |
| **RECONCILIATION OF THE STATEMENT OF REVENUES,** |
| **EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) OF** |
| **GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES** |
| **Year Ended December 31, 2024** |

|  |
| --- |
| A reconciliation reflecting the differences between the governmental funds net |
| change in fund balances and change in net position reported for governmental |
| activities in the Statement of Activities as follows: |

Net change in fund balances - Total governmental funds

|  |
| --- |
| Governmental funds report capital outlays as expenditures. However, in the |
| Statement of Activities the cost of those assets is allocated over their |
| estimated useful lives and reported as depreciation expense. |
| Depreciation |

|  |
| --- |
| Some expenses reported in the Statement of Activities do not require the use |
| of current financial resources and, therefore, are not reported as |
| expenditures in governmental funds. |
| Change in accrued interest on 2019A Bonds |
| Change in unpaid accrued interest on 2019B Bonds |

$ (214,217)

|  |
| --- |
| (71,393) |
| (71,393) |

|  |
| --- |
| 86,374 |
| 86,374 |

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|  |
| --- |
| Long-term debt (e.g. bonds, advances) provide current financial resources to |
| governmental funds, while the repayment of the principal of long-term debt |
| consumes the current financial resources of governmental funds. Neither |
| transaction, however, has any effect on net position. Also, governmental |
| funds report the effect of premiums, discounts, and gains/losses on refundings |
| and similar items when debt is first issued, whereas these amounts are |
| deferred and amortized in the Statement of Activities. |
| Principal payments |

174,248

174,394

Change in net position - Governmental activities $ (24,842)

|  |
| --- |
| **FALLBROOK VILLAS METROPOLITAN DISTRICT** |
| **STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN** |
| **FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL** |
| **GENERAL FUND** |
| **Year Ended December 31, 2024** |

**Actual**

|  |
| --- |
| **Final** |
| **Budgeted** |
| **Amounts** |
| $ 232,525  11,400  5,065  950 |
| 249,940 |
| 10,300  5,500  11,000  68,800  - 10,130  130  4,120  45,000  1,620  19,600  39,150  3,500  - |
| 218,850 |
| 31,090  (78,209) |
| $ (47,119) |

|  |
| --- |
| **Original** |
| **Budgeted** |
| **Amounts** |

|  |
| --- |
| **Variance with** |
| **Final Budget** |

|  |
| --- |
| **REVENUES** |
| Property tax |
| Specific ownership taxes |
| Net investment income |
| Service fees |
| Total Revenues |

|  |
| --- |
| $ 230,000 |
| 14,950 |
| 1,800 |
| 500 |
| 247,250 |

|  |
| --- |
| $ 232,522 |
| 11,398 |
| 5,066 |
| 947 |
| 249,933 |

|  |
| --- |
| $ (3) |
| (2) |
| 1 |
| (3) |
| (7) |

|  |
| --- |
| **EXPENDITURES** |
| Accounting |
| Audit |
| Legal |
| Management fees |
| Other professional services |
| Insurance |
| Election |
| Administrative/office expenses |
| Landscape maintenance |
| Facilities maintenance |
| Snow removal |
| Utilities |
| County Treasurer's fees |
| Emergency reserve/ contingency |
| Total Expenditures |

|  |
| --- |
| 12,000 |
| 6,000 |
| 25,000 |
| 12,000 |
| 1,000 |
| 5,000 |
| - |
| 5,000 |
| 50,000 |
| 3,000 |
| 20,000 |
| 20,000 |
| 3,450 |
| 5,000 |
| 167,450 |

|  |
| --- |
| 10,279 |
| 5,500 |
| 10,821 |
| 68,793 |
| - |
| 10,129 |
| 128 |
| 4,112 |
| 44,929 |
| 1,612 |
| 19,547 |
| 39,133 |
| 3,489 |
| - |
| 218,472 |

|  |
| --- |
| 21 |
| - |
| 179 |
| 7 |
| - |
| 1 |
| 2 |
| 8 |
| 71 |
| 8 |
| 53 |
| 17 |
| 11 |
| - |
| 378 |

**NET CHANGE IN FUND BALANCE** 79,800 31,461 371

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|  |
| --- |
| **FUND BALANCE (DEFICIT) - BEGINNING OF YEAR** |
| **FUND BALANCE (DEFICIT) - END OF YEAR** |

|  |
| --- |
| (74,385) |
| $ 5,415 |

|  |
| --- |
| (78,209) |
| $ (46,748) |

|  |
| --- |
| - |
| $ 371 |

These financial statements should be read only in connection with the accompanying notes to financial statements.

# NOTE 1 – DEFINITION OF REPORTING ENTITY

Fallbrook Villas Metropolitan District (District) was organized on November 3, 2015 as a quasi- municipal corporation and political subdivision of the State of Colorado and is governed pursuant to the provisions of the Colorado Special District Act. The District’s service area is located in the City of Thornton (the City) in Adams County, Colorado. The District operates pursuant to a service plan approved by the City on August 11, 2015. The District was established to provide for the design, acquisition, construction, installation and financing of public improvements for the use and benefit of the residents and property owners within the service area. The District is governed by an elected Board of Directors.

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

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

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

# NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## Government-wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

## Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes, specific ownership taxes and service fees. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

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The District reports the following major governmental funds:

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

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, then unrestricted resources as they are needed.

## Budgets

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

For the year ended December 31, 2024, the District approved supplemental appropriations for the General Fund.

## Pooled Cash and Investments

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

## Capital Assets

Capital assets, which include construction in progress, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the estimated economic useful lives:

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Park and landscape improvements 15-30 years Irrigation systems 10-25 years

Fencing 15 years

Retaining walls 30 years

Concrete alleys 30 years

## Property Taxes

Property taxes are levied by the District’s Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or if in equal installments, at the taxpayer’s election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

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

## Service Fees

For 2023, the District implemented an annual $500 service fee per residential unit to add to and supplement the District’s revenue to pay for services provided by the District including operations and administration fees, district maintenance fees including landscape maintenance, irrigation, snow removal and trash removal service, HOA-type costs and other expenses permitted by statute to be performed by the District. The District discontinued the service fee for 2024.

## Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The District has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

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## Debt Issue Costs and Original Issue Discount/Premium

In the government-wide financial statements, debt premiums and discounts are deferred and amortized over the life of the issue using the percentage of current principal payments to total debt issue. Debt issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## Estimates

The preparation of financial statements in conformity with generally accepted account principles in the United States requires the District’s management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Fund Balances – Governmental Funds

The District’s governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaid items) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance*—*amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District’s Board of Directors has provided otherwise in its commitment or assignment actions.

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# NOTE 3 – CASH DEPOSITS AND INVESTMENTS

Cash deposits and investments as of December 31, 2024 are classified in the accompanying financial statements as follows:

Cash deposits and investments - Unrestricted $ 28,572

Cash deposits and investments - Restricted 224,828

$ 253,400

Cash deposits and investments as of December 31, 2024 consist of the following:

|  |  |
| --- | --- |
| Deposits with financial institutions | $ 12,748 |
| Investments | 240,652 |
| Total cash and investments | $ 253,400 |
| **Cash Deposits – Custodial Credit Risk** |  |
| Custodial risk for deposits is the risk that, | in the event of a failure of a depository financial |

institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels ($250,000) must be collateralized. The eligible collateral is determined

by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2024, the District's cash deposits had a bank balance of $12,748 and carrying balance of $12,748, respectively, which were fully insured by federal depository insurance.

## Investments

The District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

. Obligations of the United States and certain U.S. government agency securities and the World Bank

. General obligation and revenue bonds of U.S. local government entities

. Bankers' acceptances of certain banks

. Commercial paper

. Certain reverse repurchase agreements

. Certain securities lending agreements

. Certain corporate bonds

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. Written repurchase agreements collateralized by certain authorized securities

. Certain money market funds

. Guaranteed investment contracts

. Local government investment pools

## Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

## Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rate by a nationally recognized statistical rating organization.

# COLOTRUST

As of December 31, 2024, the District invested $240,652 in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in three portfolios, COLOTRUST Prime (Prime), COLOTRUST Plus+ (Plus+) and COLOTRUST Edge (Edge). All portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with

certain U.S. government agencies or instrumentalities. COLOTRUST Plus+ and COLOTRUST Edge may also invest in the highest rated commercial paper. The Prime and Plus+ portfolios are restricted to a weighted average maturity (WAM) of 60 days or less while the Edge portfolio incorporates longer-dated securities with a WAM of 60 days or more. Both Prime and Plus+ portfolios are rated AAAm by Standard and Poor’s and the EDGE portfolio is rated AAAf/S1 by Fitch Ratings. Information related to COLOTRUST, including the annual audited financial statements, can be found at the COLOTRUST website at [www.colotrust.com.](http://www.colotrust.com/) The District is invested in the COLOTRUST Plus+ portfolio as of December 31, 2024.

## Investment Valuation

Certain investments that are measured at fair value on a recurring basis are categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Certain investments held by the District are not required to be categorized within the fair value hierarchy. These investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments such as COLOTRUST.

COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. Each share of Prime and Plus is equal in value to $1.00 and the redemption frequency is daily with no redemption notice period. Edge’s net asset value is managed to approximate a $10.00 transactional share price and the redemption frequency is five business days. The principal value of an Edge investment may fluctuate and could be greater or less than $10.00 per share at time of purchase, prior to redemption, and at the time of redemption. There are no unfunded commitments.

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## Restricted Cash and Investments

At December 31, 2024, cash deposits and investments in the amount of $224,828 are restricted for debt service as required under the General Obligation Bonds, Series 2019A and 2019B (Note 5).

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# NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2024:

|  |  |  |  |
| --- | --- | --- | --- |
| **Balance at** |  |  | **Balance at** |
| **December 31,** |  |  | **December 31,** |
| **2023** | **Increases** | **Decreases** | **2024** |

Capital assets, being depreciated:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Park and landscape improvements | $ 309,156 | $ - $ - $ 309,156 | | | | | |
| Irrigation system | 251,291 | - - 251,291 | | | | | |
| Fencing | 175,389 | - - 175,389 | | | | | |
| Retaining walls | 290,069 | - - 290,069 | | | | | |
| Concrete Alleys | 394,556 | - - 394,556 | | | | | |
| Total capital assets, being depreciated | 1,420,461 | - |  | - |  | 1,420,461 |  |
| Less accumulated depreciation for: Park and landscape improvements | (16,827) | (16,827) |  | - |  | (33,654) |  |
| Irrigation system | (20,052) | (20,052) |  | - |  | (40,104) |  |
| Fencing | (11,693) | (11,693) |  | - |  | (23,386) |  |
| Retaining walls | (9,669) | (9,669) |  | - |  | (19,338) |  |
| Concrete Alleys | (13,152) | (13,152) |  | - |  | (26,304) |  |
|  | (71,393) | (71,393) |  | - |  | (142,786) |  |
| Total capital assets, being depreciated, net | 1,349,068 | (71,393) |  | - |  | 1,277,675 |  |
| Capital assets, net | $ 1,349,068 | $ (71,393) |  | $ - |  | $ 1,277,675 |  |

Depreciation expense is charged to the general government function.

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Pursuant to the Service Plan, all public improvements are to be owned and maintained by the City upon their completion and acceptance by the City, except for park and recreation improvements, which the District is obligated to continue to own and operate.

# NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District’s long-term obligations for the year ended December 31, 2024.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance at**  **December 31,** | |  | |  | | **Balance at**  **December 31,** | | **Due**  **Within** | |
| General Obligation Bonds: **2023** | | **New Issues** | | **Retirements** | | **2024** | | **One Year** | |
| Limited Tax G.O. Bonds, 2019A | $ 2,365,000 |  | $ - |  | $ 25,000 |  | $ 2,340,000 |  | $ 30,000 |
| Limited Tax G.O. Bonds, 2019B | 398,000 |  | - |  | 61,374 |  | 336,626 |  | - |
| Unpaid accrued interest, 2019B Direct borrowing:  Developer Advances - Capital | 175,335  2,107,813 |  | 30,647  - |  | 204,895  - |  | 1,087  - 2,107,813 |  | -  - |
|  | $ 5,046,148 |  | $ 30,647 |  | $ 291,269 |  | $ 4,785,526 |  | $ 30,000 |

## General Obligation (Limited Tax Convertible to Unlimited Tax) Bond, Series 2019A and

**$398,000 Subordinate General Obligation Limited Tax Bonds, Series 2019B**

On February 7, 2019, the District issued $2,405,000 General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2019A (“Series 2019A Bonds”) and $398,000 Subordinate General Obligation Limited Tax Bonds, Series 2019B (“Series 2019B Bonds”). The Series 2019A Bonds were issued for the purpose of financing public improvements related to a residential development in the City of Thornton, Colorado, (“the Development”) paying capitalized interest on the 2019A Bonds, funding a deposit to the Senior Reserve Fund and paying other costs in connection with the issuance of the Series 2019A Bonds. The Series 2019B Bonds were issued for the purpose of funding additional public improvements related to the Development and paying other costs in connection with the issuance of the Series 2019B Bonds. The Series 2019A Bonds bear interest at the rate of 5.250%, payable semiannually on each June 1 and December 1, commencing on June 1, 2019, and mature on December 1, 2049. The Series 2019B Bonds bear interest at the rate of 7.750%, payable annually on December 15, commencing on December 15, 2019, to the extent that Subordinate Pledged Revenue is available, and mature on December 15, 2049. The Series 2019A Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2022 and are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of

$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2023, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

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The Series 2019A Bonds are secured by the Senior Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Senior Required Mill Levy, Capital Fees, and any other legally available moneys as determined by the District. The Series 2019A Bonds are also secured by the Senior Reserve Fund in the initial amount of $192,825. The Series 2019B Bonds are secured by the Subordinate Required Mill Levy, the portion of the Specific Ownership Tax which is collected as a result of the Subordinate Required Mill Levy, the amount in the Senior Surplus Fund after the termination of such fund pursuant to the Senior Indenture, Subordinate Capital Fee Revenue, and any other legally available moneys as determined by the District.

Prior to the Conversion Date from Limited Tax to Unlimited Tax, an ad valorem mill levy is to be imposed each year in an amount necessary to generate revenues sufficient to pay the principal and interest on the Bonds as the same become due and payable (less any amount thereof for which amounts are then on deposit in the Senior Bond Fund) and to replenish the Reserve Fund to $192,825, but not in excess of 50.000 mills however, for so long as the Surplus Fund is required to be maintained and the amount on deposit is less that the $240,500 Maximum Surplus Amount, the Senior Required Mill Levy is to be equal to 50.000 mills and is subject to adjustment in the event that the method of calculating assessed valuation is changed after January 1, 2015. The Bonds converted from Limited Tax to Unlimited Tax in December 2023 which allows the District to levy property taxes sufficient to make the principal and interest payments on the 2019A Bonds. For collection in 2024, the District levied 32.014 mills for debt service.

The 2019B bonds are “cash flow” bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Subordinate Pledged Revenue for payment. In the event any amounts

due and owing on the 2019B Bonds remain outstanding on December 15, 2057, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The District’s Series 2019A Bonds will mature as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Principal** | **Interest** |  | **Total** |  |
| 2025 | $ 30,000 | $ 122,850 |  | $ 152,850 |  |
| 2026 | 30,000 | 121,275 |  | 151,275 |  |
| 2027 | 35,000 | 119,700 |  | 154,700 |  |
| 2028 | 40,000 | 117,862 |  | 157,862 |  |
| 2029 | 40,000 | 115,762 |  | 155,762 |  |
| 2030-2034 | 270,000 | 542,325 |  | 812,325 |  |
| 2035-2039 | 390,000 | 459,638 |  | 849,638 |  |
| 2040-2044 | 545,000 | 341,774 |  | 886,774 |  |
| 2045-2049 | 960,000 | 176,400 |  | 1,136,400 |  |
|  | $ 2,340,000 | $ 2,117,586 |  | $ 4,457,586 |  |

## Advance, Acquisition and Reimbursement Agreement

On January 1, 2019, the District entered into an Advance, Acquisition and Reimbursement Agreement with Calatlantic Group, Inc., a Colorado limited liability company (the “Developer”) (the “Reimbursement Agreement”). The Reimbursement Agreement replaces a terminated Funding and Reimbursement Agreement dated June 1, 2016. The Reimbursement Agreement requires the Developer to construct and install all Public Improvements in accordance with City standards and specifications and warranty such improvements for the period required by the City upon the transfer to the District, the City or other applicable jurisdiction. The reimbursable cost of any Public Improvement transferred to the District, the City or other applicable jurisdiction is required to be determined based upon actual costs verified by the Developer, which costs may be verified by an independent public accountant, professional engineer or valuation consultant reasonably acceptable to the District based upon “as built” drawings and other construction documentation available and applicable to such Public Improvements. Reimbursements for Public Improvements may be made from appropriated legally available revenue not otherwise appropriated, obligated, pledged or reserved for any current or future purpose in any year. Reimbursements may also be made from the proceeds of tax-exempt bonds, subject to applicable law. The Reimbursement Agreement does not provide for interest to be paid or accrued. At December 31, 2024, the District has $2,107,813 of principal due under the Reimbursement Agreement.

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## Debt Authorization

On November 3, 2015 a majority of the qualified electors of the District authorized the issuance of indebtedness in the amount not to exceed $50,000,000. As of December 31, 2024,

$45,089,187 of this authorization remains unissued. The Service Plan provides that the District shall not issue bonds or other debt in excess of $5,000,000. At December 31, 2024, $89,187 of this authorization remains unissued.

# NOTE 6 – AGREEMENTS

On January 7, 2016, the District and the City entered into an Intergovernmental Agreement Regarding the Service Plan for the District (“the IGA”) which requires the District to convey all Public Improvements to the City or other appropriate jurisdiction except for park and recreation improvements, which the District is obligated to continue to own and operate. The IGA, with minor exceptions, also generally prohibits the District from constructing, acquiring or operating any fire protection, television relay and television and telecommunication facilities. The IGA further requires all Public Improvements to generally be constructed in accordance with City standards and specifications and be subject to City zoning and land use requirements. Finally, the IGA limited any District debt to $5,000,000, prohibits the imposition of any fee for debt that is payable by an end user of taxable property subsequent to the issuance of a certificate of occupancy, imposes a maximum debt service mill levy that is consistent with the District’s definitions of Senior Required Mill Levy and Subordinate Required Mill Levy contained in the Indentures, and imposes a maximum debt service mill levy imposition term that is consistent with the discharge dates described herein.

# NOTE 7 - FUND EQUITY

At December 31, 2024, the District reported the following classifications of fund equity.

## Nonspendable Fund Balance

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The nonspendable fund balance in the General Fund in the amount of $1,780 is comprised of prepaid amounts which are not in spendable form.

## Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of $7,500 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (NOTE 10).

The restricted fund balance in the Debt Service Fund in the amount of $279,186 is to be used exclusively for debt service requirements (NOTE 5).

## Deficit Fund Balance

The District reported an unassigned fund balance deficit of $54,743 and a total fund balance deficit of $46,748 in the General Fund. The District anticipates that taxes and service fees will eliminate the deficit fund balance in future years.

# NOTE 8 - NET POSITION

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

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2024 as follows:

Restricted net position:

Emergency reserves (see Note 10)

$ 7,500

Debt Service 268,948

$ 276,448

The District’s unrestricted net position at December 31, 2024 of ($3,562,099). This deficit amount was a result of the District being responsible for repayment of debt issued for public improvements conveyed to other governmental entities.

# NOTE 9 – CONTINGENCIES

## Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., C.R.S. the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees or acts of God.

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

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

# NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

On November 3, 2015, a majority of the District’s electors approved the following ballot questions:

## TABOR Exemption for Ad Valorem Tax Revenues

Shall the Fallbrook Villas Metropolitan District be authorized to collect, retain and spend the full amount of all taxes, tax increment revenues, tap fees, park fees, facility fees, service charges, inspection charges, administrative charges, grants or any other fee, rate, toll, penalty, or charge authorized by law or contract to be imposed, collected or received by the District during 2015 and each fiscal year thereafter, such amounts to constitute a voter-approved revenue change and be collected, retained and spent by the District without regard to any spending, revenue- raising or other limitation contained within Article X, Section 20 of the Colorado Constitution , the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any subsequent year, or any other law which purports to limit the District’s revenues or expenditures as it currently exists or as it may be amended in the future, and without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

## TABOR Exemption for Non-Ad Valorem Tax Revenues

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Shall the Fallbrook Villas Metropolitan District be authorized to collect, retain and spend any and all amounts annually from any revenue sources whatsoever other than ad valorem taxes, including but not limited to tap fees, facility fees, service charges, inspection charges, administrative charges, grants, or any other fee, rate, toll, penalty, income, or charge imposed, collected, or authorized by law to be imposed or collected by the District, and shall such revenues be collected and spent by the District as a voter-approved revenue change without regard to any spending, revenue-raising or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29- 1-301, C.R.S. in any subsequent year, or any other law which purports to limit the District’s revenues or expenditures as it currently exists or as it may be amended in the future, and without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

## Operations and Maintenance Mill Levy – Ad Valorem Taxes

Shall Fallbrook Villas Metropolitan District taxes be increased $500,000, annually, or by such lesser annual amount as may be necessary to pay the District’s administration, operations, maintenance, and other expenses; such taxes to consist of an ad valorem mill levy imposed on all taxable property of the District without limitation of rate or with such limitations as may be determined by the District Board of Directors, and in amounts sufficient to produce the annual increase set forth above or such lesser amount as may be necessary, to be used for the purpose of paying the District’s operations, maintenance, and other expenses, and shall the proceeds of such taxes and investment income thereon be collected and spent by the District as a voter-approved revenue change in 2015 and in each year thereafter, without regard to any spending, revenue-raising or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301

Colorado Revised Statutes, or any other law which purports to limit the District’s revenues or expenditures, as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

## Operations and Maintenance Mill Levy – Fees

Shall Fallbrook Villas Metropolitan District taxes be increased $500,000, annually, or by such lesser annual amount as may be necessary to pay the District’s administration, operations, maintenance, and other expenses; by the imposition of a fee or fees imposed, without limitation as to rate or amount or any other condition to pay such expense and shall the proceeds of such fees and any investment income thereon be collected, retained and spent by the District in fiscal year 2015 and in each fiscal year thereafter for as long as the District continues in existence, such authorization to constitute a voter-approved revenue change which may be collected, retained and spent by the District without regarding to any spending, revenue-raising, or other limitation contained in Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301 Colorado Revised Statutes, or any other law which purports to limit the District’s revenues or expenditures, as it currently exists or as it may be amended in the future, all without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

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This information is an integral part of the accompanying financial statements.

# SUPPLEMENTAL INFORMATION

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|  |
| --- |
| **FALLBROOK VILLAS METROPOLITAN DISTRICT** |
| **SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN** |
| **FUND BALANCE - BUDGET AND ACTUAL** |
| **DEBT SERVICE FUND** |
| **Year Ended December 31, 2024** |

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**Actual**

|  |
| --- |
| **REVENUES** |
| Property taxes |
| Specific ownership taxes |
| Net investment income |
| Total Revenues |

|  |
| --- |
| $ 155,000 |
| 10,850 |
| 10,000 |
| 175,850 |

|  |
| --- |
| $ 156,698 |
| 7,681 |
| 15,479 |
| 179,858 |

|  |
| --- |
| $ 1,698 |
| (3,169) |
| 5,479 |
| 4,008 |

|  |
| --- |
| **EXPENDITURES** |
| County treasurer's fees |
| Bond principal |
| Bond interest |
| Paying agent fees/fees |
| Total Expenditures |

|  |
| --- |
| 2,327 |
| 103,000 |
| 330,343 |
| 7,200 |
| 442,870 |

|  |
| --- |
| 2,352 |
| 86,374 |
| 329,057 |
| 7,753 |
| 425,536 |

|  |
| --- |
| (25) |
| 16,626 |
| 1,286 |
| (553) |
| 17,334 |

|  |
| --- |
| **Original and** |
| **Final** |
| **Budgeted** |
| **Amounts** |

|  |
| --- |
| **Variance with** |
| **Final Budget** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **NET CHANGE IN FUND BALANCE** | (267,020) |  | (245,678) |  | 21,342 |
| **FUND BALANCE - BEGINNING OF YEAR** | 467,303 |  | 524,864 |  | 57,561 |
| **FUND BALANCE - END OF YEAR** | $ 200,283 |  | $ 279,186 |  | $ 78,903 |

# OTHER INFORMATION

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|  |
| --- |
| **FALLBROOK VILLAS METROPOLITAN DISTRICT** |
| **SUMMARY OF ASSESSED VALUATION , MILL LEVY** |
| **AND PROPERTY TAXES COLLECTED** |
| **December 31, 2024** |

**Property Taxes bt Levied**

|  |
| --- |
| **Prior Year** |
| **Assessed Valuation** |
| **for Current** |
| **Year Property** |
| **Tax Levy** |
| $ 1,330 |
| $ 412,730 |
| $ 970,670 |
| $ 1,802,080 |
| $ 2,766,130 |
| $ 4,250,300 |
| $ 4,193,380 |
| $ 4,841,610 |

|  |
| --- |
| **Percentage** |
| **Collected** |
| **to Levied** |
| 0.0% |
| 100.0% |
| 100.0% |
| 99.4% |
| 98.6% |
| 100.2% |
| 100.0% |
| 100.0% |

|  |
| --- |
| **Year Ended** |
| **December 31,** |
| 2017 |
| 2018 |
| 2019 |
| 2020 |
| 2021 |
| 2022 |
| 2023 |
| 2024 |

|  |  |
| --- | --- |
| **Mills Levied** | |
| **General** | **De** |
| 0.000 0. | |
| 11.056 | 55. |
| 11.056 | 55. |
| 11.130 | 55. |
| 24.123 | 55. |
| 24.123 | 55. |
| 24.123 | 55. |
| 47.505 | 32. |

|  |  |
| --- | --- |
| **Collected** |  |
| $ - |  |
| $ 27,377 |  |
| $ 64,388 |  |
| $ 119,612 |  |
| $ 217,549 |  |
| $ 339,910 |  |
| $ 334,611 |  |
| $ 385,000 | \* |

000

277

277

664

664

664

664

014

$ -

$ 27,378

$ 64,387

$ 120,372

$ 220,701

$ 339,119

$ 334,595

$ 385,000

$ 4,927,960

|  |
| --- |
| Estimated for |
| year ending |
| December 31, |
| 2025 |

49.240 31.453

$ 397,652

\* - Excludes funds received during the year from SB22-238/ 23B-001 of $4,220

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**NOTE:** Property taxes collected in any one year may include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

|  |
| --- |
| **FALLBROOK VILLAS METROPOLITAN DISTRICT** |
| **SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY** |
| **December 31, 2024** |

**$2,405,000**

**General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds, Series 2019A**

**Dated February 7, 2019 Interest Rate of 5.250% Principal Due December 1**

**Interest Due June 1 and December 1**

|  |
| --- |
| **Year Ending** |
| **December 31,** |
| 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 |

**Principal**

|  |
| --- |
| **Interest** |
| $ 122,850 |
| 121,275 |
| 119,700 |
| 117,862 |
| 115,762 |
| 113,662 |
| 111,300 |
| 108,675 |
| 105,788 |
| 102,900 |
| 99,488 |
| 96,075 |
| 92,137 |
| 88,200 |
| 83,738 |
| 79,012 |
| 74,025 |
| 68,775 |
| 63,000 |
| 56,962 |
| 50,400 |
| 43,313 |
| 35,700 |
| 27,825 |
| 19,162 |
| $ 2,117,586 |

|  |
| --- |
| **Total** |
| $ 152,850 |
| 151,275 |
| 154,700 |
| 157,862 |
| 155,762 |
| 158,662 |
| 161,300 |
| 163,675 |
| 160,788 |
| 167,900 |
| 164,488 |
| 171,075 |
| 167,137 |
| 173,200 |
| 173,738 |
| 174,012 |
| 174,025 |
| 178,775 |
| 178,000 |
| 181,962 |
| 185,400 |
| 188,313 |
| 185,700 |
| 192,825 |
| 384,162 |
| $ 4,457,586 |

$ 30,000

30,000

35,000

40,000

40,000

45,000

50,000

55,000

55,000

65,000

65,000

DRAFT 5/8/2025

75,000

75,000

85,000

90,000

95,000

100,000

110,000

115,000

125,000

135,000

145,000

150,000

165,000

365,000

$ 2,340,000

|  |
| --- |
| Because of the uncertainty of the timing of the principal and interest payment on the |
| Series 2019B Bonds, no schedule of principal and interest is presented. |

### FALLBROOK VILLAS METROPOLITAN DISTRICT

May , 2025

Schilling & Company, Inc. PO Box 631579

Highlands Ranch, CO 80163

This representation letter is provided in connection with your audit of the financial statements of Fallbrook Villas Metropolitan District, which comprise the respective financial position of the governmental activities and each major fund as of December 31, 2024, and the respective changes in financial for the year then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of the Independent Auditor’s Report, the following representations made to you during your audit.

## Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 20, 2024.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units, if any, required by generally accepted accounting principles to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

## Information Provided

1. We have provided you with:
   1. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
   2. Additional information that you have requested from us for the purpose of the audit.
   3. Unrestricted access to persons within the District or those designated by the District from whom you determined it necessary to obtain audit evidence.
   4. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any fraud or suspected fraud that affects the District and involves:
   1. Management,
   2. Others where the fraud could have a material effect on the financial statements.
5. We have no knowledge of any allegations of fraud or suspected fraud affecting the District’s financial statements communicated by employees, former employees, regulators, or others.
6. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse or waste, whose effects should be considered when preparing financial statements.
7. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
8. We have disclosed to you the names of the District’s related parties and all the related party relationships and transactions, including any side agreements.

## Government—specific

1. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
2. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
3. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
4. The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
5. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
6. We have appropriately identified, recorded, and disclosed all leases in accordance with GASB No. 87, if any.
7. We have appropriately disclosed all information for conduit debt obligations in accordance with GASB 91, if any.
8. We have appropriately identified, recorded and disclosed subscription-based information technology arrangements in accordance with GASB No. 96, if any.
9. We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts and grant agreements that we believe have a material effect on the financial.
10. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
11. As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.
12. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
13. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
14. The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
15. The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34, as amended, if any.
16. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
17. Components of net position (net investment in capital assets; restricted and unrestricted), and classifications of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
18. Investments are properly valued.
19. Provisions for uncollectible receivables have been properly identified and recorded.
20. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
21. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
22. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
23. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
24. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
25. We have appropriately disclosed the District’s policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
26. We are following GASB Statement No. 54, to determine the fund balance classifications for financial reporting purposes.
27. The Management’s Discussion and Analysis which is required supplementary information (RSI) has been omitted from the financial statements. We are aware that such information is required by accounting principles generally accepted in the United States.
28. With respect to the Supplementary Information as listed in the table of contents to the financial statements:
    1. We acknowledge our responsibility for presenting the Supplementary Information in accordance with accounting principles generally accepted in the United States of America, and we believe the Supplementary Information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the Supplementary Information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
    2. If the Supplementary Information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor’s report thereon.
29. The District understands that TABOR (Section 20 of Article X of the Colorado Constitution) is complex and subject to interpretation and that many of the provisions will require judicial interpretation. We have reviewed the various provisions and interpretations and believe to the best of our knowledge at this time, the District is in compliance.
30. We have directed that all banking and savings and loan institutions be notified of our assigned number which identifies that our deposits are subject to the respective Public Deposit Protection Act.

FALLBROOK VILLAS METROPOLITAN DISTRICT

Member of the Board of Directors

District Accountant