

**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 21, 2026, 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**
  - a. Call to Order
  - b. Approve Agenda
  - c. Approve Minutes: April 9, 2026
  
2. **Maintenance and Covenants Matters**
  - a. Update on Landscaping and Maintenance Items
    - i. Consider Proposal For Irrigation Repairs
  - b. Discuss Walkthrough and Violation Criteria
  
3. **Financial Matters**
  - a. Ratify Approval of April 1, 2026 through April 30, 2026 Check Register
  - b. Approve May Check Register
  - c. Review March 31, 2026 Quarterly Financial Statements
  
4. **Supplemental Budget Hearing**
  - a. Review 2025 Supplemental Budget
  - b. Approve Resolution No. 2 to Adopt Supplemental Budget and Appropriations for 2025
  
5. **Audit**
  - a. 2025 Audit Review – Dawn Schilling
  - b. Approve 2025 Audit
  - c. Approve District Representation Letter
  
6. **Other Business**
  - a. Public Comment (limited to three minutes per person)
  - b. Discuss Management Services

**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: July 16, 2026 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 Mathews	Term Expires 2027

**RECORD OF PROCEEDINGS  
MINUTES OF THE REGULAR MEETING  
OF THE BOARD OF DIRECTORS OF  
FALLBROOK VILLAS METROPOLITAN DISTRICT**

**HELD:**

Thursday, the 9th day of April, 2026 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, (2025-2029)  
Jolene Simon, Treasurer (2023-2027)  
Katie Lyons, Director (2025-2029)  
Kaitlyn Stroud, Director (2025-2029)  
Christina Mathews (2025-2027)

Also in attendance were Judy Simonson, and Rebecca Hill, of Simonson & Associates, Inc.

**1. AGENDA & ADMINISTRATIVE MATTERS:**

- a. 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. President K. Rivera presided.
- b. Agenda and Meeting Location: Director K. Stroud made a motion to add an agenda item to discuss current drought and water usage. The motion was approved upon second by Director J. Simon. Director K. Stroud then made a motion to add an agenda item for discussion surrounding tree replacements within the community. The motion was approved upon second by Director J. Simon. The items were added to the Management and Maintenance section of the agenda.
- c. Public Comment: A homeowner asked questions regarding amending violation procedures within the covenants, non-resident use of the community playground, landscaping issues, specifically weeds, Airbnb rentals, and the budget surrounding management services. The Board answered questions and addressed concerns. No other questions or comments were brought to the Board, and the public comment section was closed. A homeowner was removed from the Zoom call for repeated disruptive behavior and swearing.
- d. Minutes – November 20, 2025: The minutes of the regular meeting held on November 20, 2025 were approved upon motion by Director C. Mathews and second by Director K. Stroud.

## Meeting Minutes

Fallbrook Villas Metropolitan District

April 9, 2026

Page 2

- e. 2026 Sunshine Resolution No. 1: The 2026 Sunshine Resolution No. 1 was approved upon motion by Director C. Mathews and second by Director K. Stroud.

## 2. MANAGEMENT & MAINTENANCE MATTERS:

- a. Rocky Mountain Playground Services Proposal: The Board reviewed the proposal from Rocky Mountain Playground Services (“RMPS”) to place wood chips in the south playground. The proposal was approved upon motion by Director K. Stroud and second by Director K. Lyons. RMPS also offered to perform an inspection of the playgrounds. Ms. J. Simonson advised the Board that the Colorado Special District Insurance Pool provides that service at no charge.
- b. Update on other Maintenance Items: Discussion was held surrounding the current drought and how to provide transparency to the community. Ms. R. Hill advised the Board that there is currently a link on the Fallbrook Villas website pointing to the City of Thornton where homeowners can view current conditions and get more information. Director K. Stroud brought up the idea of substituting dead trees with rose or lilac bushes. Ms. J. Simonson mentioned that the City of Thornton requires a tree for a tree replacement so that may prohibit the placement of bushes in their place. Director K. Lyons offered to reach out to a colleague who is an arborist to see if they can isolate why so many trees are dying and if soil conditions could be an issue.
- c. Violation Issues: The Board would like legal counsel to draft two resolutions, one addressing alley parking and the second prohibiting bouncy castles on metro district owned property. Ms. J. Simonson will reach out to the District’s attorney and attempt to have drafts ready for review at the May meeting.
- d. Approve 2026 EDI Landscaping Contract: The Board discussed the contract to ensure that the additional items agreed to by EDI were shown in the contract. Extra seeding is being requested to be rescheduled to the fall and the turn-on of the irrigation system is being delayed until May due to City of Thornton guidelines. Director K. Stroud then made a motion to approve the EDI contract subject to the negotiated revisions being noted in the contract. The motion was approved upon second by Director K. Rivera.

## 3. FINANCIAL MATTERS:

Ratify Approval of Disbursements for November 21, 2025 through March 31, 2026: The Board reviewed and discussed the check register presented. Director J. Simonson moved to

**Meeting Minutes**

Fallbrook Villas Metropolitan District

April 9, 2026

Page 3

ratify the approval the disbursements for the period from October 17, 2025 through November 20, 2025. The motion was approved upon second by Director K. Stroud.

**4. OTHER BUSINESS:**

Review and Discuss Management Proposal: The Board stated they hadn't had time to review a new proposal which was presented and would like to table that until another meeting.

**ADJOURNMENT:**

There being no further business to come before the Board of the District, 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



A MONARCH LANDSCAPE COMPANY

Landscape Architecture		Construction	Maintenance	Water Management	Snow	Arbor
Golden 303.432.8282	Centennial 720.587.2520	Brighton 303.287.9113	Castle Rock 303.814.6070	Colorado Springs 719.867.1004		Northern Colorado 970.237.6225
<a href="http://www.environmentaldesigns.com">www.environmentaldesigns.com</a>						

## IRRIGATION TIME & MATERIALS AGREEMENT

EDLLC Contact: Roberto De Luna  
 Project Name: Fallbrook villas MD  
 Project Description: 2026 Irrigation start up  
 Project Address: PO Box 2830  
 Evergreen, CO 80437

Agreement #: J112181136667  
 Date of Agreement: 4/22/2026  
 Client Phone Number: 303-506-0535  
 Client Email: [jcs@jsimonson.com](mailto:jcs@jsimonson.com)

THIS IRRIGATION TIME & MATERIALS AGREEMENT (the "Agreement") is made and entered into as of 4/22/2026 (the "Effective Date") by and between Environmental Designs, LLC (the "Contractor") and Fallbrook Villas MD (the "Client"). The Client and Contractor, in consideration of the mutual covenants and agreements contained herein, the receipt and sufficiency of which is hereby acknowledged, agree as follows:

### 1. SCOPE OF WORK

A. The Contractor agrees to perform the work and services under this Agreement at its sole expense for all labor, materials, services, equipment, and tools required to fulfill its obligations and to properly execute and complete the work as described more particularly on the attachment (the "Work") identified as Exhibit A.

### 2. SCHEDULE

A. The Client acknowledges that the Contractor cannot guarantee the date upon which commencement of the Work shall begin (the "Commencement Date") and that any date that is given is approximate and only a target date.

### 3. GENERAL PROVISIONS

- A. Client shall be solely responsible to establish and provide property line locations at the Property. ["Rough Grade" shall mean the establishment of the initial grade, slope, soil composition and drainage of the Property, to +/- 1" of final grade.] Rough Grade establishment is the responsibility of the Client, unless otherwise outlined in "EXHIBIT A – Scope of Services (the "Work")". Contractor shall not be responsible for any cracking, buckling, marking, or breaking of any concrete or paved surfaces or existing plant material on the Property. Contractor shall not be responsible for any damage to or moving of materials, equipment, or furniture that is not explicitly part of this Agreement, including but not limited to, BBQ appliances, patio furniture, statuary, garden art, play structures, etc. Does not include engineering unless otherwise outlined in "EXHIBIT A – Scope of Services (the "Work")".
- B. This agreement shall supersede all prior agreements between the Parties as it relates to the Work, as outlined within this Agreement, whether verbal or written. Any changes to this Agreement must be made in writing and evidenced by a Change Order (each a "Change Order" and collectively "Change Orders") executed by both the Client and the Contractor. All Change Orders shall be attached hereto and shall become part of this Agreement. Upon execution of each Change Order, Owner shall make payments as outlined within the Change Order. The charges for work covered by Change Orders shall be generated using then current pricing which may differ from the pricing of the original Work or other Change Orders.
- C. Unless otherwise outlined in "EXHIBIT A – Scope of Services (the "Work")", any pricing and charges for permits, material changes to Work, underground obstructions, and erosion control are not included in the original pricing and must be addressed with the generation of a Change Order.
- D. Consultation with Subcontractors or Other Contractors performing Work is not included in the pricing under this Agreement and shall be billed to the Client at \$150.00 per hour with a two-hour minimum: unless said Subcontractor or Other Contractor is hired directly by Contractor to perform the Work.
- E. Unless accepted in writing, by Client and an authorized agent of Contractor, as evidenced by their signatures below, and the Contractor receives notice of acceptance within ten (10) calendar days of the date of the Agreement, Contractor reserves the right to withdraw or modify the proposal. If accepted this document shall become a binding Agreement between the Client and the Contractor.
- F. Client agrees that they will not directly contract with, hire, or otherwise employ any employee or subcontractor of Contractor or Contractor's subcontractors for a period of one year after the completion of the project as outlined within this agreement and any subsequent change orders. Client further agrees that if Client were to directly contract with, hire, or otherwise employ any employee or subcontractor of Contractor or Contractor's subcontractors that Contractor will suffer damages and Client shall be liable to Contractor for said damages.

#### 4. TERMINATION

A. Either party may terminate this Agreement by written notice by certified mail to the other party. Notice to be given at least thirty (30) days prior to the effective date of such termination. Alternately this Agreement may be terminated by mutual agreement on a mutually agreed upon timeframe.

B. In the event that the Contractor cannot secure an adequate labor force to perform the work as outlined within this agreement, at the sole discretion of the Contractor, the Contractor may cancel this Agreement without penalty from Client subject to notification as outlined above.

#### 5. INSURANCE

A. The Contractor shall at all times be covered by adequate liability and workers compensation insurance. Upon the Client's request, the Contractor shall provide proof of coverage.

#### 6. WARRANTY

A. With the exception of the excluded plants listed below and unless otherwise outlined in "EXHIBIT A – Scope of Services (the "Work")", plant material #5 and greater in size, sod, irrigation and hardscapes installed by Contractor (collectively "installations") will carry a one year, one time replacement, warranty, provided they are properly maintained. The warranty period shall begin upon substantial completion of the Work. All warranties on sod, which is planted between September and April, and all warranties on plant material will be considered waived, voided, and null unless the Client agrees to have the Contractor perform winter watering services as needed during the winter months while irrigation systems are winterized, as outlined in "EXHIBIT A – Scope of Services (the "Work")". Deciduous trees more than three inches (3") caliper and evergreen trees in excess of nine feet (9') in height shall not be warranted unless access by machine is available, which access shall be determined by Contractor, in its sole discretion. If no access is available trees of this size may be replaced with a smaller tree. Reprogramming of irrigation controllers, Seed installation, night lighting bulbs, finished concrete, weeds, truck-spaded trees and reapplication of groundcover mulches (including rock) are not warranted. Weeds in your landscape areas are a natural occurrence and are considered a maintenance issue and Contractor does not guarantee a weed free landscape. Warranties on work performed by Subcontractors shall be passed through directly from the Subcontractor and no additional warranty or guaranty shall be made by Contractor. Any parts of the work that are damaged or die because of acts of God, fire, hail, flood, abuse, neglect, animal damage, insect damage, disease or fungal damage and freezing are not warranted. Excluded plant varieties include Redbuds, Arborvitaes, Rhododendrons, Japanese Maples, Boxwoods, and Agave. All Warranties are non-transferable.

B. All warranties are void if all Payments are not made as outlined in this Agreement.

C. Client acknowledges that, if native seed is part of this agreement as outlined in EXHIBIT A, they have received and understand the information and limitations set forth in the Seed Installation Addendum.

#### 7. PRICE AND TERMS

A. The Client shall pay the Contractor **\$1,690.90** plus sales taxes as appropriate for the Work in EXHIBIT A - Scope of Services (the "Work")

B. Per the state and local sales tax codes, all materials are subject to sales tax and the appropriate Sales Tax will be added to the final bill for all materials utilized performing the services included in this Agreement, unless the Project outlined within this agreement is exempt from sales tax through the State of Colorado and/or the local municipality that the Project is located in and Client has provided the necessary Sales Tax Exemption documentation.

C. This price is valid for ten (10) days from the date of this Agreement.

D. A surcharge fee of not less than 2% and not more than the fee paid by the Contractor to the Processor or Service Provider will be applied to all credit card payments. This fee may be charged as a separate transaction once these costs are known.

E. If the Contractor's Vendors charge additional freight or add fuel surcharges, these fees will be passed on to the client. Additionally, utilizing data from eia, the U.S. Energy Information Administration, [https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM\\_EPFRU\\_PTE\\_YDEN\\_DPG&f=W](https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=EMM_EPFRU_PTE_YDEN_DPG&f=W), for every \$0.50 increase in average fuel price, from the Weekly Denver, CO Regular Conventional Retail Gasoline Prices (Dollars per Gallon) correlating with the date of signing this agreement ("Benchmark Price"), a fuel surcharge of 0.5% will be applied to each invoice.

F. If the Contractor is unable to commence all or some parts of the work prior to 6 months from the date of this agreement, due to forces outside of Contractor's control, the Contractor reserves the right to re-price all or part of the work and present a new Agreement or Change Order for approval before moving forward. Additionally, if Contractor is required to leave the site, for reasons outside of the Contractor's control, once the Work has commenced and remobilize at a later date to complete the Work, Client will be responsible for additional mobilization fees.

G. Substantial Completion shall be defined as the moment the project is complete, including punch list items, and can be used for its intended purpose. Warranty items are not punch list items and shall not hold up final payment of all monies due. Any delay in making the final payment upon Substantial Completion shall result in all warranties being voided.

H. If any Payment is not made as required by this Agreement, a mechanic's lien may be placed on the Property for the entire balance due. Upon Final Payment, provided that all other Payments have been made, Contractor shall release any liens that Contractor has placed on the Property and, upon Client's written request, shall issue waivers of lien for all Work performed.

I. Payments thirty (30) days past due shall incur finance charge of 1.5% per month (18% per annum). Contractor and/or its assignee shall be entitled to collect all reasonable costs of collection, including but not limited to, collection agency fees and attorney fees.

#### 8. ADDITIONAL SERVICES AVAILABLE

A. The Contractor offers the following services to complete their Landscape Maintenance & Construction Package:

1. Full Landscape Maintenance Services on Commercial and Residential Properties.
2. Landscape Design Services by in house Architects and Designers.
3. All sizes of landscape construction projects, both residential and commercial.
4. Irrigation system design, installation, and service.
5. Annual Floral Color design, installation, and maintenance including beds, pots, hanging pots, decks, etc.
6. Replacement of or addition of trees, shrubs, ornamental grasses, and perennial flowers.
7. Full Plant Health Care (PHC) including pest control, fertilization, and deep root watering.
8. Full Arbor Services including tree pruning, tree removal, and stump grinding.
9. Native Grass and Field Mowing
10. Holiday Lighting and Decoration



## **EXHIBIT A Scope of Services (the "Work")**

The Client and the Contractor agree that the scope for the "Work" included in this Agreement is as follows:

**The Client and the Contractor agree that the price for the "Work" included in this Agreement is an APPROXIMATE PRICE ONLY. Many times, there are unforeseen issues that may require more time and/or material to make the necessary repairs.**

**\*\* THIS PRICE DOES NOT INCLUDE SALES TAX \*\***

### **Irrigation Proposal**

*This Agreement authorizes the Contractor to perform the work listed below, including any additional issues that may be uncovered while completing said work. The final bill for this work will reflect the actual Time and Material used, billed at the Client's current Maintenance Agreement Irrigation Repair rate. If there is no current Maintenance Agreement, then Time will be billed at \$115.00 per hour.*

**The Client and the Contractor agree that the price for the "Work" included in this Agreement is an APPROXIMATE PRICE ONLY. Many times, there are unforeseen issues that may require more time and/or material to make the necessary repairs.**

**This Agreement authorizes the Contractor to perform the work listed below, including any additional issues that may be uncovered while completing said work. The final bill for this work will reflect the actual Time and Material used, billed at the Client's current Maintenance Agreement Irrigation Repair rate. If there is no current Maintenance Agreement, then Time will be billed at \$115.00 per hour.**

**The following is the listing of the items found during our irrigation system inspection. These are the items that, on the day of inspection, EDI found to be in need of repair.**

- **controller 1 s to home 14063**
  
- **Zone 35 replace 1 mp rotor**
- **Zone 41 replace 1 mp rotor**
- **Zone 57 need Replace 1.5" valve**
- **Zone 58 need to Replace 1.5" valve**
- **Need time to troubleshoot 8 Zones that are not coming on. Could be decoder or could be solenoid. Repairs on those zones will not be done until approval is given.**

**EXHIBIT A**  
**Scope of Services (the "Work")**

The Client and the Contractor agree that the scope for the "Work" included in this Agreement is as follows:

**The Client and the Contractor agree that the price for the "Work" included in this Agreement is an APPROXIMATE PRICE ONLY. Many times, there are unforeseen issues that may require more time and/or material to make the necessary repairs.**

**\*\* THIS PRICE DOES NOT INCLUDE SALES TAX \*\***

---

<b>Group Total</b>	<b>\$1,690.90</b>
--------------------	-------------------

\_\_\_\_\_ By initialing here, the Client agrees to have the services in this group performed as part of this Agreement. If all groups are not accepted by the Client, then the final price of this Agreement shall be adjusted accordingly.

---

**EXHIBIT A**  
**Scope of Services (the "Work")**

The Client and the Contractor agree that the scope for the "Work" included in this Agreement is as follows:

**The Client and the Contractor agree that the price for the "Work" included in this Agreement is an APPROXIMATE PRICE ONLY. Many times, there are unforeseen issues that may require more time and/or material to make the necessary repairs.**

**\*\* THIS PRICE DOES NOT INCLUDE SALES TAX \*\***

**Fallbrook Villas Metropolitan District**  
**Check Register**  
**For the Period From Apr 1, 2026 to Apr 30, 2026**

Filter Criteria includes: Report order is by Date.

<b>Check #</b>	<b>Date</b>	<b>Payee</b>	<b>Cash Account</b>	<b>Amount</b>
1150	4/22/26	Dietze and Davis, P.C.	1-1000	655.50
1151	4/22/26	Simonson & Associates, Inc.	1-1000	4,540.06
1152	4/22/26	Streamline	1-1000	104.00
1153	4/22/26	UMB Bank, N.A.	1-1000	4,000.00
1154	4/22/26	UMB Bank, N.A.	1-1000	3,000.00
ACH042326	4/23/26	Xcel Energy	1-1000	18.61
ACH042726	4/27/26	Xcel Energy	1-1000	43.63
ACH042926	4/29/26	City of Thornton	1-1000	48.03
<b>Total</b>				<b><u>12,409.83</u></b>

**Fallbrook Villas Metropolitan District**  
**Check Register**  
**For the Period From May 1, 2026 to May 31, 2026**

Filter Criteria includes: Report order is by Date.

<b>Check #</b>	<b>Date</b>	<b>Payee</b>	<b>Cash Account</b>	<b>Amount</b>
ACH052026	5/20/26	Xcel Energy	1-1000	40.84
1155	5/21/26	Environmental Designs	1-1000	6,659.64
1156	5/21/26	Rocky Mountain Playground Services, LLC	1-1000	3,283.28
1157	5/21/26	Schilling & Company, Inc.	1-1000	6,100.00
1158	5/21/26	Simonson & Associates, Inc.	1-1000	5,172.57
1159	5/21/26	Streamline	1-1000	99.00
WIRE052126	5/21/26	UMB Bank, N.A.	1-1000	60,637.50
1160	5/21/26	Environmental Designs	1-1000	935.00
ACH052626	5/26/26	Xcel Energy	1-1000	18.62
ACH052926	5/29/26	City of Thornton	1-1000	140.82
<b>Total</b>				<b><u>83,087.27</u></b>

# Fallbrook Villas Metropolitan District

## FINANCIAL STATEMENTS

For The Period Ending March 31, 2026

DRAFT PENDING AUDIT

April 29, 2026

*Prepared by*

**Simonson & Associates, Inc.**

32045 Castle Court, Suite 103

Evergreen, CO 80439

303-674-3379

Fax: 303-674-3380

# Fallbrook Villas Metropolitan District

## BALANCE SHEET

### GOVERNMENTAL FUNDS

March 31, 2026

	GENERAL FUND	DEBT SERVICE FUND	TOTAL FUNDS
<b>ASSETS</b>			
Cash and Equivalents	116,454	213,016	329,470
Cash with County Treasurer	13,536	8,268	21,804
Accts. Rec. - Customers	936	0	936
Taxes Receivable	163,472	99,854	263,326
Prepaid Interest	0	1,285	1,285
Due from other District Funds	0	73,451	73,451
	<hr/>	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>294,398</b>	<b>395,874</b>	<b>690,272</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	12,306	0	12,306
Due to Other Funds	73,451	0	73,451
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>85,757</b>	<b>0</b>	<b>85,757</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Property Taxes	163,472	99,854	263,326
	<hr/>	<hr/>	<hr/>
<b>Total Deferred Inflow of Resources</b>	<b>163,472</b>	<b>99,854</b>	<b>263,326</b>
<b>FUND BALANCES (DEFICITS)</b>			
Restricted for Debt Service	0	244,033	244,033
Current Yr Additions (Deficit)	53,550	51,987	105,537
Unassigned	(8,381)	0	(8,381)
	<hr/>	<hr/>	<hr/>
<b>Total Fund Balances (Deficits)</b>	<b>45,169</b>	<b>296,020</b>	<b>341,189</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>294,398</b>	<b>395,874</b>	<b>690,272</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Fallbrook Villas Metropolitan District**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL OPERATING FUND**  
For the Three Months Ending March 31, 2026

	<b>QUARTERLY ACTUAL</b>	<b>QUARTERLY BUDGETED</b>	<b>YEAR TO DATE ACTUAL</b>	<b>YEAR TO DATE BUDGETED</b>	<b>ANNUAL BUDGET</b>
<b>REVENUES</b>					
Property Taxes	91,913	90,390	91,913	90,390	255,390
Specific Ownership Tax	3,003	2,500	3,003	2,500	10,000
Interest	407	778	407	778	3,110
Miscellaneous Income/Fees	0	0	0	0	500
<b>TOTAL REVENUES</b>	<b>95,323</b>	<b>93,668</b>	<b>95,323</b>	<b>93,668</b>	<b>269,000</b>
<b>EXPENDITURES</b>					
<b>Maintenance Activities</b>					
Landscape Maintenance	9,261	13,750	9,261	13,750	55,000
Facilities Maintenance	0	0	0	0	4,000
Utilities	354	300	354	300	25,000
Snow Removal	2,363	20,000	2,363	20,000	35,000
Contingency/Emergency Reserves	0	0	0	0	10,000
<b>Total Maintenance Expenses</b>	<b>11,978</b>	<b>34,050</b>	<b>11,978</b>	<b>34,050</b>	<b>129,000</b>
<b>General Operating Expenses</b>					
General/Administrative Expense	1,338	1,250	1,338	1,250	5,000
County Treasurer Fees	1,379	1,650	1,379	1,650	5,000
Insurance	15,884	16,000	15,884	16,000	16,000
<b>Professional Services</b>					
Accounting and Management	10,543	13,750	10,543	13,750	55,000
Audit	0	0	0	0	6,100
Legal	656	2,500	656	2,500	10,000
<b>Total Gen. Expenses and Prof. Servs.</b>	<b>29,800</b>	<b>35,150</b>	<b>29,800</b>	<b>35,150</b>	<b>97,100</b>
<b>TOTAL EXPENDITURES</b>	<b>41,778</b>	<b>69,200</b>	<b>41,778</b>	<b>69,200</b>	<b>226,100</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>53,545</b>	<b>24,468</b>	<b>53,545</b>	<b>24,468</b>	<b>42,900</b>

**Fallbrook Villas Metropolitan District**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
For the Three Months Ending March 31, 2026

	QUARTERLY ACTUAL	QUARTERLY BUDGETED	YEAR TO DATE ACTUAL	YEAR TO DATE BUDGETED	ANNUAL BUDGET
<b>REVENUES</b>					
Property Taxes	56,143	50,000	56,143	50,000	156,000
Specific Ownership Tax	1,834	1,875	1,834	1,875	7,500
Interest	1,985	2,000	1,985	2,000	8,000
<b>TOTAL REVENUES</b>	<b>59,962</b>	<b>53,875</b>	<b>59,962</b>	<b>53,875</b>	<b>171,500</b>
<b>EXPENDITURES</b>					
Bond Fees	7,136	7,050	7,136	7,050	7,200
County Treasurer Fees	842	1,300	842	1,300	3,500
Bond Interest	0	0	0	0	145,275
Bond Principal	0	0	0	0	40,000
<b>TOTAL EXPENDITURES</b>	<b>7,978</b>	<b>8,350</b>	<b>7,978</b>	<b>8,350</b>	<b>195,975</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>51,984</b>	<b>45,525</b>	<b>51,984</b>	<b>45,525</b>	<b>(24,475)</b>

**Fallbrook Villas Metropolitan District**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - COMPARATIVE TO LAST YEAR**  
**GENERAL OPERATING FUND**  
For the Three Months Ending March 31, 2026

	QUARTERLY THIS YEAR	QUARTERLY LAST YEAR	YEAR TO DATE THIS YEAR	YEAR TO DATE LAST YEAR
<b>OPERATING REVENUES</b>				
Property Taxes	91,913	92,385	91,913	92,385
Specific Ownership Tax	3,003	3,021	3,003	3,021
Interest	407	327	407	327
Miscellaneous Income/Fees	0	0	0	0
<b>TOTAL OPERATING REVENUES</b>	<b>95,323</b>	<b>95,733</b>	<b>95,323</b>	<b>95,733</b>
<b>OPERATING EXPENDITURES</b>				
<b>Maintenance Activities</b>				
Landscape Maintenance	9,261	8,899	9,261	8,899
Utilities	354	338	354	338
Snow Removal	2,363	27,189	2,363	27,189
<b>Total Maintenance Activities</b>	<b>11,978</b>	<b>36,426</b>	<b>11,978</b>	<b>36,426</b>
<b>General Operating Expenses</b>				
General & Administrative Exps.	1,338	1,162	1,338	1,162
County Treasurer Fees	1,379	1,427	1,379	1,427
Insurance	15,884	16,339	15,884	16,339
Election Costs	0	7,484	0	7,484
<b>Professional Services</b>				
Management & Accounting	10,543	11,709	10,543	11,709
Legal	656	3,868	656	3,868
<b>Total General Operating Expenses</b>	<b>29,800</b>	<b>41,989</b>	<b>29,800</b>	<b>41,989</b>
<b>TOTAL OPERATING EXPENDITURES</b>	<b>41,778</b>	<b>78,415</b>	<b>41,778</b>	<b>78,415</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>53,545</b>	<b>17,318</b>	<b>53,545</b>	<b>17,318</b>

**Fallbrook Villas Metropolitan District**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - COMPARATIVE TO LAST YEAR**  
**DEBT SERVICE FUND**  
For the Three Months Ending March 31, 2026

	QUARTERLY THIS YEAR	QUARTERLY LAST YEAR	YEAR TO DATE THIS YEAR	YEAR TO DATE LAST YEAR
<b>DEBT SERVICE REVENUES</b>				
Property Taxes	56,143	59,013	56,143	59,013
Specific Ownership Tax	1,834	1,930	1,834	1,930
Interest	1,985	2,256	1,985	2,256
<b>TOTAL DEBT SERVICE REVENUES</b>	<b>59,962</b>	<b>63,199</b>	<b>59,962</b>	<b>63,199</b>
<b>DEBT SERVICE EXPENDITURES</b>				
Bond Fees	7,136	7,131	7,136	7,131
County Treasurer Fees	842	885	842	885
<b>TOTAL DEBT SERVICE EXPENDITURES</b>	<b>7,978</b>	<b>8,016</b>	<b>7,978</b>	<b>8,016</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>51,984</b>	<b>55,183</b>	<b>51,984</b>	<b>55,183</b>

EXHIBIT A

FALLBROOK VILLAS METROPOLITAN DISTRICT  
2025 SUPPLEMENTARY BUDGET  
GENERAL FUND

	APPROVED 2025 BUDGET	PROPOSED 2025 SUPPLEMENTARY BUDGET	AMENDED 2025 BUDGET
<b>REVENUES</b>			
Property Taxes	242,650	242,652	242,652
Specific Ownership Taxes	10,000	12,099	12,099
Special Assessments	-	-	-
Interest Income	5,000	3,466	3,466
Late Fees/Misc. Income	500	925	925
<b>TOTAL REVENUES</b>	<b>\$ 258,150</b>	<b>\$ 259,142</b>	<b>\$ 259,142</b>
<b>EXPENDITURES</b>			
<b>Administration</b>			
Administrative/Office Expenses	5,000	4,969	4,969
Election Expenses	20,000	8,645	8,645
Insurance	12,000	16,389	16,389
Professional Services			
Accounting & Management	50,000	61,375	61,375
Audit	5,600	5,800	5,800
Legal	9,000	7,120	7,120
County Treasurer Fees	4,200	3,724	3,724
<b>Grounds Maintenance</b>			
Landscape Maintenance	45,000	50,378	50,378
Facilities Maintenance	10,000	7,680	7,680
Utilities	25,000	16,690	16,690
Snow Removal	20,000	38,005	38,005
<b>TOTAL EXPENDITURES</b>	<b>\$ 205,800</b>	<b>\$ 220,775</b>	<b>\$ 220,775</b>
Contingency/Emergency Reserve	10,000	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 215,800</b>	<b>\$ 220,775</b>	<b>\$ 220,775</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER OPERATING EXPENDITURES</b>	<b>\$ 42,350</b>	<b>\$ 38,367</b>	<b>\$ 38,367</b>
Contingency/Emergency Reserve	10,000	-	-
<b>NET CHANGE CHANGE IN FUND BALANCE</b>	<b>\$ 42,350</b>	<b>\$ 38,367</b>	<b>\$ 38,367</b>
<b>FUNDS AVAILABLE</b>			
<b>BEGINNING OF YEAR:</b>	<b>\$ (41,939)</b>	<b>\$ (46,748)</b>	<b>\$ (46,748)</b>
<b>FUNDS AVAILABLE</b>			
<b>END OF YEAR:</b>	<b>\$ 411</b>	<b>\$ (8,381)</b>	<b>\$ (8,381)</b>
<b>BUDGET RECAP:</b>			
<b>Expenditures are as Follows:</b>			\$ 220,775
Total Expenditures			<u>\$ 220,775</u>
<b>Operating Revenues are as Follows:</b>			
From Property Taxes			242,652
From Sources Other Than Property Tax:			
Other Revenues			\$ 4,391
Specific Ownership Tax			\$ 12,099
Total Sources Other Than Property Tax			<u>\$ 16,490</u>
Unappropriated Surpluses			-
Total General Fund Revenues			<u>\$ 259,142</u>

**FALLBROOK VILLAS METROPOLITAN DISTRICT**

**RESOLUTION TO AMEND BUDGET AND  
SUPPLEMENTAL APPROPRIATION FOR 2025  
2026 Resolution No. 2**

**WHEREAS**, the Board of Directors of the Fallbrook Villas Metropolitan District (the “District”) adopted an annual budget for fiscal year 2025, according to the Local Government Budget Law, C.R.S. § 29-1-101, et seq., and appropriated funds for the fiscal year 2025 as follows:

General Fund	\$215,800
--------------	-----------

; and

**WHEREAS**, the Board of Directors of the District (the “Board”) has determined that the District will incur expenditures that were not anticipated at the time of adoption of the 2025 budget, and the necessity has arisen for additional expenditures or appropriations requiring the expenditure of funds in excess of those appropriated for the fiscal year 2025; and

**WHEREAS**, C.R.S. § 29-1-111 provides that “[i]n cases of emergency which could not have been reasonably foreseen at the time of adoption of the budget, the governing body may authorize the expenditure of funds in excess of the appropriation by ordinance or resolution duly adopted by a majority vote of such governing body at a public meeting;” and

**WHEREAS**, the expenditures were related to additional costs incurred for snow removal, and 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 provisions of C.R.S. § 29-1-106, said proposed budget amendment was available for inspection by the public at a designated public office, a public hearing was held on May 21, 2026, 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 2025 as follows:

General Fund	\$ 220,775
--------------	------------

**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.

**BE IT FURTHER RESOLVED** that The District's Manager is authorized and directed to file a certified copy of this Resolution and Supplemental Budget and Appropriation with the Division of Local Government.

\* \* \* \* \*

ADOPTED this 21st day of May, 2026

FALLBROOK VILLAS METROPOLITAN DISTRICT

By: \_\_\_\_\_  
President

ATTEST:

By: \_\_\_\_\_  
Secretary

EXHIBIT A

FALLBROOK VILLAS METROPOLITAN DISTRICT  
2025 SUPPLEMENTARY BUDGET  
GENERAL FUND

	APPROVED 2025 BUDGET	PROPOSED 2025 SUPPLEMENTARY BUDGET	AMENDED 2025 BUDGET
<b>REVENUES</b>			
Property Taxes	242,650	242,652	242,652
Specific Ownership Taxes	10,000	12,099	12,099
Special Assessments	-	-	-
Interest Income	5,000	3,466	3,466
Late Fees/Misc. Income	500	925	925
<b>TOTAL REVENUES</b>	<b>\$ 258,150</b>	<b>\$ 259,142</b>	<b>\$ 259,142</b>
<b>EXPENDITURES</b>			
<b>Administration</b>			
Administrative/Office Expenses	5,000	4,969	4,969
Election Expenses	20,000	8,645	8,645
Insurance	12,000	16,389	16,389
Professional Services			
Accounting & Management	50,000	61,375	61,375
Audit	5,600	5,800	5,800
Legal	9,000	7,120	7,120
County Treasurer Fees	4,200	3,724	3,724
<b>Grounds Maintenance</b>			
Landscape Maintenance	45,000	50,378	50,378
Facilities Maintenance	10,000	7,680	7,680
Utilities	25,000	16,690	16,690
Snow Removal	20,000	38,005	38,005
<b>TOTAL EXPENDITURES</b>	<b>\$ 205,800</b>	<b>\$ 220,775</b>	<b>\$ 220,775</b>
Contingency/Emergency Reserve	10,000	-	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 215,800</b>	<b>\$ 220,775</b>	<b>\$ 220,775</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER OPERATING EXPENDITURES</b>	<b>\$ 42,350</b>	<b>\$ 38,367</b>	<b>\$ 38,367</b>
Contingency/Emergency Reserve	10,000	-	-
<b>NET CHANGE CHANGE IN FUND BALANCE</b>	<b>\$ 42,350</b>	<b>\$ 38,367</b>	<b>\$ 38,367</b>
<b>FUNDS AVAILABLE</b>			
<b>BEGINNING OF YEAR:</b>	<b>\$ (41,939)</b>	<b>\$ (46,748)</b>	<b>\$ (46,748)</b>
<b>FUNDS AVAILABLE</b>			
<b>END OF YEAR:</b>	<b>\$ 411</b>	<b>\$ (8,381)</b>	<b>\$ (8,381)</b>
<b>BUDGET RECAP:</b>			
<b>Expenditures are as Follows:</b>			\$ 220,775
Total Expenditures			<u>\$ 220,775</u>
<b>Operating Revenues are as Follows:</b>			
From Property Taxes			242,652
From Sources Other Than Property Tax:			
Other Revenues			\$ 4,391
Specific Ownership Tax			\$ 12,099
Total Sources Other Than Property Tax			<u>\$ 16,490</u>
Unappropriated Surpluses			-
Total General Fund Revenues			<u>\$ 259,142</u>



# SCHILLING & COMPANY, INC.

*Certified Public Accountants*

P.O. Box 631579  
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086  
FAX: 720.348.2920

May 21, 2026

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, 2025 and have issued our report thereon dated May 21, 2026. 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 October 31, 2025. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *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 2025.

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.

Certain accounting estimates are particularly sensitive because of their significance to financial statements and because the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the District's financial statements was (were):

- Depreciable lives of capital assets

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. No misstatements were noted as a result of our audit procedures.

### *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 21, 2026.

### *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.

### *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, 2025, the District's General Fund had a fund balance deficit of \$8,381 and owed the Debt Service Fund \$30,990. The deficit was a result of actual expenditures exceeding the budgeted expenditures in 2021, 2022 and 2023. In order to fund operations of the General Fund in 2022-2024, it 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.

The Board took action and increased its general operating mill levy for collection in 2024 in order to begin to rectify the deficit. Through this effort, the General Fund was able to repay a portion of

the balance due to the Debt Service Fund in 2025. We 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.

#### 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.*

Schilling & Company, Inc.

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
Adams County, Colorado**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

DRAFT 5/13/2026

## Table of Contents

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	I
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements	
Statement of Net Position – Governmental Activities	1
Statement of Activities – Governmental Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes In Fund Balances (Deficits) – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) of Governmental Funds to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit)– Budget and Actual – General Fund	6
Notes to the Financial Statements	7
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Debt Service Fund	21
<b>OTHER INFORMATION</b>	
Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	22
Schedule of Debt Service Requirements to Maturity	23



## SCHILLING & COMPANY, INC.

*Certified Public Accountants*

P.O. Box 631579  
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086  
FAX: 720.348.2920

### **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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Fallbrook Villas Metropolitan District, as of December 31, 2025, 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.

#### ***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.
- 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, as 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.

*SCHILLING & COMPANY, INC.*

Highlands Ranch, Colorado  
          , 2026

**BASIC FINANCIAL STATEMENTS**

DRAFT 5/13/2026

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
December 31, 2025**

**ASSETS**

Cash deposits and investments - unrestricted	\$ 45,705
Cash deposits and investments - restricted	211,168
Receivable from County Treasurer	1,512
Property taxes receivable	411,390
Accounts receivable - fees	936
Prepaid expenses	1,780
Capital assets, net of accumulated depreciation	<u>1,206,282</u>
Total assets	<u><u>1,878,773</u></u>

**LIABILITIES**

Accounts payable	25,449
Accrued interest payable	10,106
Noncurrent liabilities:	
Due within one year	30,000
Due in more than one year	<u>4,705,461</u>
Total liabilities	<u><u>4,771,016</u></u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred property taxes	411,390
Total deferred inflows of resources	<u><u>411,390</u></u>

**NET POSITION**

Net investment in capital assets	(3,529,179)
Restricted for emergencies	7,800
Restricted for debt service	233,927
Unrestricted	<u>(16,181)</u>
Total net position	<u><u>\$ (3,303,633)</u></u>

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

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
Year Ended December 31, 2025**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
General government	\$ 294,495	\$ 925	\$ -	\$ -	\$ (293,570)
Interest and fiscal charges	156,374	-	-	-	(156,374)
	<u>\$ 450,869</u>	<u>\$ 925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(449,944)</u>

General revenues:	
Property taxes	397,651
Specific ownership taxes	19,827
Net investment income	14,484
Total general revenues	<u>431,962</u>
Change in net position	(17,982)
Net position - Beginning	<u>(3,285,651)</u>
Net position - Ending	<u>\$ (3,303,633)</u>

DRAFT 5/13/2026

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

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2025**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash deposits and investments - unrestricted	\$ 45,705	\$ -	\$ 45,705
Cash deposits and investments - restricted	-	211,168	211,168
Receivable from County Treasurer	922	590	1,512
Property tax receivable	255,390	156,000	411,390
Accounts receivable - fees	936	-	936
Due from other funds	-	30,990	30,990
Prepaid expense	495	1,285	1,780
<b>TOTAL ASSETS</b>	<u>\$ 303,448</u>	<u>\$ 400,033</u>	<u>\$ 703,481</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 25,449	\$ -	\$ 25,449
Due to other funds	30,990	-	30,990
Total liabilities	<u>56,439</u>	<u>-</u>	<u>56,439</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property taxes	255,390	156,000	411,390
Total deferred inflows of resources	<u>255,390</u>	<u>156,000</u>	<u>411,390</u>
<b>FUND BALANCES</b>			
Nonspendable for prepaid items	495	1,285	1,780
Spendable:			
Restricted for emergencies	7,800	-	7,800
Restricted for debt service	-	242,748	242,748
Unassigned	(16,676)	-	(16,676)
Total fund balances	<u>(8,381)</u>	<u>244,033</u>	<u>235,652</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 303,448</u>	<u>\$ 400,033</u>	

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	1,206,282
	<u>1,206,282</u>

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	(2,626,626)
Accrued interest payable - 2019A Bonds	(10,106)
Unpaid accrued interest payable - 2019B Bonds	(1,022)
Developer advances - principal	(2,107,813)
	<u>(4,745,567)</u>
Net position of governmental activities	<u>\$ (3,303,633)</u>

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

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS  
Year Ended December 31, 2025**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property tax	\$ 242,652	\$ 154,999	\$ 397,651
Specific ownership tax	12,099	7,728	19,827
Service fees	925	-	925
Net investment income	3,466	11,018	14,484
Total revenues	<u>259,142</u>	<u>173,745</u>	<u>432,887</u>
<b>EXPENDITURES</b>			
Current			
Accounting and audit	5,800	-	5,800
Legal	7,120	-	7,120
Management fees	61,375	-	61,375
Insurance	16,389	-	16,389
Election	8,645	-	8,645
Administrative/office expenses	4,969	-	4,969
Landscape maintenance	58,058	-	58,058
Utilities	16,690	-	16,690
Snowplowing	38,005	-	38,005
County Treasurer's fees	3,724	2,327	6,051
Debt service			
Bond principal	-	50,000	50,000
Bond interest	-	148,577	148,577
Paying agent fees	-	7,994	7,994
Total expenditures	<u>220,775</u>	<u>208,898</u>	<u>429,673</u>
<b>NET CHANGE IN FUND BALANCES</b>	38,367	(35,153)	3,214
<b>FUND BALANCES (DEFICITS) - BEGINNING OF YEAR</b>	(46,748)	279,186	232,438
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>	<u>\$ (8,381)</u>	<u>\$ 244,033</u>	<u>\$ 235,652</u>

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

**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, 2025**

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		<u>\$ 3,214</u>
<p>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.</p>		
Depreciation		<u>(71,393)</u>
		<u>(71,393)</u>
<p>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.</p>		
Principal payments		<u>50,000</u>
		<u>50,000</u>
<p>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.</p>		
Change in accrued interest on 2019A Bonds		132
Change in accrued interest on 2019B Bonds		65
		<u>197</u>
Change in net position - Governmental activities		<u>\$ (17,982)</u>

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

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended December 31, 2025**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget
<b>REVENUES</b>				
Property tax	\$ 242,650	\$ 242,652	\$ 242,652	\$ -
Specific ownership taxes	10,000	12,099	12,099	-
Net investment income	5,000	3,466	3,466	-
Service fees	500	925	925	-
Total Revenues	<u>258,150</u>	<u>259,142</u>	<u>259,142</u>	<u>-</u>
<b>EXPENDITURES</b>				
Audit	5,600	5,800	5,800	-
Legal	9,000	7,120	7,120	-
Management fees	50,000	61,375	61,375	-
Insurance	12,000	16,389	16,389	-
Election	20,000	8,645	8,645	-
Administrative/office expenses	5,000	4,969	4,969	-
County Treasurer's fees	4,200	3,724	3,724	-
Landscape maintenance	45,000	50,378	50,378	-
Facilities maintenance	10,000	7,680	7,680	-
Snow removal	20,000	38,005	38,005	-
Utilities	25,000	16,690	16,690	-
Emergency reserve/ contingency	10,000	-	-	-
Total Expenditures	<u>215,800</u>	<u>220,775</u>	<u>220,775</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	42,350	38,367	38,367	-
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	(41,939)	(46,748)	(46,748)	-
<b>FUND BALANCE (DEFICIT) - END OF YEAR</b>	<u>\$ 411</u>	<u>\$ (8,381)</u>	<u>\$ (8,381)</u>	<u>\$ -</u>

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

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**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.

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.

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

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.

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, 2025, the District approved supplemental appropriations for the General Fund.

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**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:

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.

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**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. Beginning in 2024, the District discontinued the service fee.

**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.

**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:

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

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.

**NOTE 3 – CASH DEPOSITS AND INVESTMENTS**

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

Cash deposits and investments - Unrestricted	\$ 45,705
Cash deposits and investments - Restricted	211,168
	\$ 256,873

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

Deposits with financial institutions	\$ 4,863
Investments	252,010
Total cash and investments	\$ 256,873

**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

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

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, 2025, the District's cash deposits had a bank balance of \$14,505 and carrying balance of \$4,863, which was 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
- . 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, 2025, the District invested \$252,010 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

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

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 AA Af/S1 by Fitch Ratings. Information related to COLOTRUST, including the annual audited financial statements, can be found at the COLOTRUST website at [www.colotruster.com](http://www.colotruster.com). The District is invested in the COLOTRUST Plus+ portfolio as of December 31, 2025.

**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.

**Restricted Cash and Investments**

At December 31, 2025, cash deposits and investments in the amount of \$211,168 are restricted for debt service as required under the General Obligation Bonds, Series 2019A and 2019B (Note 5).

THE REMAINDER OF THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**NOTE 4 - CAPITAL ASSETS**

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

	<b>Balance at December 31, 2024</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2025</b>
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	(33,654)	(16,827)	-	(50,481)
Irrigation system	(40,104)	(20,052)	-	(60,156)
Fencing	(23,386)	(11,693)	-	(35,079)
Retaining walls	(19,338)	(9,669)	-	(29,007)
Concrete alleys	(26,304)	(13,152)	-	(39,456)
	(142,786)	(71,393)	-	(214,179)
Total capital assets, being depreciated, net	1,277,675	(71,393)	-	1,206,282
Capital assets, net	\$ 1,277,675	\$ (71,393)	\$ -	\$ 1,206,282

Depreciation expense is charged to the general government function.

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, 2025.

	<b>Balance at December 31, 2024</b>	<b>New Issues</b>	<b>Retirements</b>	<b>Balance at December 31, 2025</b>	<b>Due Within One Year</b>
<u>General Obligation Bonds:</u>					
Limited Tax G.O. Bonds, 2019A	\$ 2,340,000	\$ -	\$ 30,000	\$ 2,310,000	\$ 30,000
Limited Tax G.O. Bonds, 2019B	336,626	-	20,000	316,626	-
Unpaid accrued interest, 2019B	1,087	25,662	25,727	1,022	-
<u>Direct borrowing:</u>					
Developer Advances - Capital	2,107,813	-	-	2,107,813	-
	\$ 4,785,526	\$ 25,662	\$ 75,727	\$ 4,735,461	\$ 30,000

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**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%.

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 than 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 2025, the District levied 31.453 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

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	45,000	113,662	158,662
2031-2035	290,000	528,151	818,151
2036-2040	420,000	439,162	859,162
2041-2045	585,000	313,162	898,162
2046-2049	825,000	126,000	951,000
	<u>\$ 2,310,000</u>	<u>\$ 1,994,736</u>	<u>\$ 4,304,736</u>

**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, 2025, the District has \$2,107,813 of principal due under the Reimbursement Agreement.

**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, 2025, \$89,187 of this authorization remains unissued.

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**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, 2025, the District reported the following classifications of fund equity.

**Nonspendable Fund Balance**

The nonspendable fund balance in the General Fund in the amount of \$495 and the Debt Service Fund in the amount of \$1,285, are 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 \$7,800 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 \$242,748 is to be used exclusively for debt service requirements (NOTE 5).

**Deficit Fund Balance**

The District reported an unassigned fund balance deficit of \$16,676 and a total fund balance deficit of \$8,381 in the General Fund. The District anticipates that taxes will eliminate the deficit fund balance in future years.

**NOTE 8 - NET POSITION**

The District has net position consisting of three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2025, the District had net investment in capital assets calculated as follows:

Net investment in capital assets:	
Capital assets, net	\$ 1,206,282
Current portion of long-term obligations	(30,000)
Noncurrent portion of long-term obligations	<u>(4,705,461)</u>
Net investment in capital assets	<u><u>\$ (3,529,179)</u></u>

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)	\$ 7,800
Debt Service	<u>233,927</u>
	<u><u>\$ 241,727</u></u>

The District's unrestricted net position at December 31, 2024 of (\$16,181). 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.

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.

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

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.

The District's management believes it is in compliance with the provisions of Section 29-1-1702, C.R.S. However, this section of the C.R.S. is complex and subject to 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**

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?

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2025**

**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?

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

**SUPPLEMENTAL INFORMATION**

DRAFT 5/13/2026

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
DEBT SERVICE FUND  
Year Ended December 31, 2025**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget
<b>REVENUES</b>			
Property taxes	\$ 155,000	\$ 154,999	\$ (1)
Specific ownership taxes	8,000	7,728	(272)
Net investment income	8,000	11,018	3,018
Total Revenues	<u>171,000</u>	<u>173,745</u>	<u>2,745</u>
<b>EXPENDITURES</b>			
County treasurer's fees	3,500	2,327	1,173
Bond principal	130,000	50,000	80,000
Bond interest	152,910	148,577	4,333
Paying agent fees/fees	7,200	7,994	(794)
Total Expenditures	<u>293,610</u>	<u>208,898</u>	<u>84,712</u>
<b>NET CHANGE IN FUND BALANCE</b>	(122,610)	(35,153)	87,457
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>332,522</u>	<u>279,186</u>	<u>(53,336)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 209,912</u>	<u>\$ 244,033</u>	<u>\$ 34,121</u>

**OTHER INFORMATION**

DRAFT 5/13/2026

**FALLBROOK VILLAS METROPOLITAN DISTRICT  
SUMMARY OF ASSESSED VALUATION , MILL LEVY  
AND PROPERTY TAXES COLLECTED  
December 31, 2025**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Property Taxes		Percentage Collected to Levied
		General	Debt	Levied	Collected	
		2017	\$ 1,330	0.000	0.000	
2018	\$ 412,730	11.056	55.277	\$ 27,378	\$ 27,377	100.0%
2019	\$ 970,670	11.056	55.277	\$ 64,387	\$ 64,388	100.0%
2020	\$ 1,802,080	11.130	55.664	\$ 120,372	\$ 119,612	99.4%
2021	\$ 2,766,130	24.123	55.664	\$ 220,701	\$ 217,549	98.6%
2022	\$ 4,250,300	24.123	55.664	\$ 339,119	\$ 339,910	100.2%
2023	\$ 4,193,380	24.123	55.664	\$ 334,595	\$ 334,611	100.0%
2024	\$ 4,841,610	47.505	32.014	\$ 385,000	\$ 385,000 *	100.0%
2025	\$ 4,927,960	49.240	31.453	\$ 397,652	\$ 397,651	100.0%
Estimated for year ending December 31, 2026	\$ 4,939,220	51.707	31.584	\$ 411,390		

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

**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, 2025**

**\$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**

<b>Year Ending December 31,</b>	<b>Interest Due June 1 and December 1</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	45,000	113,662	158,662
2031	50,000	111,300	161,300
2032	55,000	108,675	163,675
2033	55,000	105,788	160,788
2034	65,000	102,900	167,900
2035	65,000	99,488	164,488
2036	75,000	96,075	171,075
2037	75,000	92,137	167,137
2038	85,000	88,200	173,200
2039	90,000	83,738	173,738
2040	95,000	79,012	174,012
2041	100,000	74,025	174,025
2042	110,000	68,775	178,775
2043	115,000	63,000	178,000
2044	125,000	56,962	181,962
2045	135,000	50,400	185,400
2046	145,000	43,313	188,313
2047	150,000	35,700	185,700
2048	165,000	27,825	192,825
2049	365,000	19,162	384,162
	<u>\$ 2,310,000</u>	<u>\$ 1,994,736</u>	<u>\$ 4,304,736</u>

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 21, 2026

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, 2025, 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 October 31, 2025.
- 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**

- 10) We have provided you with:
  - a) 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.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the District or those designated by the District from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 12) 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.
- 13) We have no knowledge of any fraud or suspected fraud that affects the District and involves:
  - a) Management,
  - b) Others where the fraud could have a material effect on the financial statements.
- 14) 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.
- 15) 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.
- 16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 17) 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**

- 18) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 19) 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.

- 20) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 21) 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.
- 22) 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.
- 23) We have appropriately identified, recorded, and disclosed all leases in accordance with GASB No. 87, if any.
- 24) We have appropriately disclosed all information for conduit debt obligations in accordance with GASB 91, if any.
- 25) We have appropriately identified, recorded and disclosed subscription-based information technology arrangements in accordance with GASB No. 96, if any.
- 26) 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.
- 27) 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.
- 28) 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.
- 29) 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.
- 30) 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.
- 31) 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.
- 32) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34, as amended, if any.
- 33) 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.
- 34) 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.

- 35) Investments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) 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.
- 38) 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.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 42) 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.
- 43) We are following GASB Statement No. 54, to determine the fund balance classifications for financial reporting purposes.
- 44) 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.
- 45) With respect to the Supplementary Information as listed in the table of contents to the financial statements:
  - a) 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.
  - b) 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.
- 46) 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.
- 47) 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