

**NOTICE AND AGENDA
SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF
FALLBROOK VILLAS METROPOLITAN DISTRICT**

NOTICE IS HEREBY GIVEN that the Board of Directors of **Fallbrook Villas Metropolitan District**, Adams County, Colorado, will hold a special meeting on Thursday, October 19, 2023, at 2:00 p.m., or as soon thereafter as possible, via telephone and videoconference as noted below. The meeting is being held for the purpose of addressing those matters set out in the agenda below as the same may be amended at the meeting, and for the purpose of conducting such other business as may properly come before the Board. The meeting is open to the public.

Date: Thursday, October 19, 2023
Time: 2:00 p.m.
Zoom: <https://spencerfane.zoomgov.com/j/1600662988?pwd=dkVSNXVsa3h0MGZkTG11RStpZ2ppQT09>
Call-In Number: (669) 254 - 5252
Meeting ID: 160 066 2988
Passcode: 274682

AGENDA

BOARD OF DIRECTORS

KimNichelle Rivera, President, (2022-2025)
Jackie Phillips, Secretary, (2023-2025)
Jolene Simon, Treasurer, (2023-2027)
Rich Vogt, Director, (2023-2027)
Todd Geist, Director, (2023-2025)

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.

1. Call to Order
2. Approval of the Agenda and Meeting Location
3. Public Comment (limited to three minutes per person)
4. Consider for Approval the Minutes of the Regular Meeting held on June 29, 2023
5. Financial Matters
 - a. Consider Approval and Authorize Filing of 2022 Audit
 - b. Review and Consider for Approval Board Communications Letter
 - c. Review and Consider for Approval Management Representation Letter

6. 2022 Budget Amendment
 - a. Conduct Public Hearing on 2022 Budget Amendment
 - b. Consider Approval of Resolution to Amend 2022 Budget
7. Management Items
 - a. Consider Ratification of BrightView Snow Removal Services Agreement
8. Other Business
9. Executive Session as Needed Pursuant to C.R.S. Section 24-6-402(4)(b) and (e) (if necessary)
10. Adjournment/Continuation

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

HELD:

Thursday, the 29th day of June, 2023 at 3:00 p.m. via telephone and videoconference.

ATTENDANCE:

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

KimNichelle Rivera, President, (2022-2025)
Jolene Simon, Treasurer (2023-2027)
Richard Vogt, Director (2023-2027)
Jacqueline Phillips, Secretary (2023-2025)
Todd Geist, Director (2023-2025)

Also in attendance were Lisa K. Mayers, of Spencer Fane LLP, Melissa Kupferer of Advance HOA, Rebecca Hill of Simonson & Associates, Inc., and Nicholas Meyers and Mike Olson of BrightView Landscaping Services (“BrightView”).

CALL TO ORDER:

It was noted for the record that a quorum was present of the Board for the purpose of conducting a regular meeting, and on behalf of the Board of the District, Director K. Rivera called the meeting to order at 3:03 p.m.

DISCUSS AND CONSIDER APPROVAL OF RECORDING MEETINGS:

Director K. Rivera requested that all Board meetings be recorded. Discussion ensued. Following discussion, upon motion duly made, seconded and upon vote unanimously carried, the Board approved the motion and directs that all Board meetings will be recorded.

APPROVAL OF AGENDA AND MEETING LOCATION:

Director K. Rivera made a motion to amend the agenda to add an item at the beginning of the meeting to “Request a Vote of No Confidence as to Director Geist.” Following discussion, upon motion made, seconded, and vote carried 4 to 1 with Director T. Geist opposed, the agenda was amended to include the requested item.

RECORD OF PROCEEDINGS

Fallbrook Villas Metropolitan District

June 29, 2023

Page 2

MOTION FOR VOTE OF NO CONFIDENCE AS TO DIRECTOR GEIST

Director K. Rivera presented a vote of no confidence as to Director T. Geist which included a request that Director T. Geist voluntarily resign from the Board, second by Director R. Vogt. Discussion ensued. Director T. Geist opposed the action and stated that he would not voluntarily resign from the Board. No further action was taken.

PUBLIC COMMENT:

None.

APPROVAL OF MINUTES:

The Board reviewed the minutes of the special meeting held on March 24, 2023. Upon motion duly made, seconded and upon vote unanimously carried the Board approved the minutes, as presented, and authorized the Board President to execute the minutes as constituting a true and correct record of the proceedings of the meeting.

FINANCIAL ITEMS:

- a. Consider Ratification and Approval of Payment of Claims. Ms. Hill presented the claims to the Board. The Board reviewed and discussed. It was noted that Legal Counsel and the District Accountants invoices remained unpaid. Following discussion and upon motion duly made, seconded and upon vote unanimously carried the Board ratified the paid claims.
- b. Consider Ratification of Check Register from October 2022 to June 2023. Ms. Hill presented the District's check register from October 2022 to June 2023 to the Board. The Board reviewed and discussed. Following discussion and upon motion duly made, seconded and upon vote unanimously carried the Board accepted the new claims to be paid as funds on hand allow.
- c. Consider Acceptance of Financial Statements. Ms. Hill presented the financial statements and discussed with the Board. Following discussion and upon motion duly made, seconded and upon vote unanimously carried the Board accepted the financial statements, as presented.

ATTORNEY ITEMS:

- a. Discuss May 2, 2023 Election Results and Acknowledgement of Oaths of Office. Ms. Mayers presented the 2023 Regular Election results to the Board. The Board acknowledged the election results and verified the Board's Oaths of Office were completed

RECORD OF PROCEEDINGS

Fallbrook Villas Metropolitan District

June 29, 2023

Page 3

and filed with the County Clerk and Recorder, Division of Local Government, and District Court.

- b. 2023 Legislative Update. Ms. Mayers presented the 2023 legislative memorandum and provided an update on Proposition HH to the Board. Discussion ensued regarding mill levies and the Board further discussed Proposition HH. No action was taken.

DIRECTOR ITEMS:

Representatives from BrightView Landscaping Services requested the opportunity to address the Board. Nicholas Meyers, BrightView Supervisor, addressed his concerns regarding confrontation among residents in the community and his crew. He discussed concerns with the safety of BrightView's employees. The Board noted that copies of videos of confrontations are kept on file.

Discussion ensued regarding landscaping work not completed or that is getting done. Mike Olson addressed landscaping issues raised by the Board. It was further discussed that some services are to be performed in the Spring, which include aeration, fertilization, and spraying emergent weeds. Work to be performed in Summer and Fall include care of native plants. The matter of pruning rose bushes was discussed.

The Board discussed the notice from the City of Thornton regarding fines for the condition of native areas. BrightView and the Board discussed scheduling a walk-through of the District property for July 3, 2023.

- a. Discuss and Consider Approval of Recording Board Meetings. The Board discussed this item at the beginning of the meeting.
- b. Review and Consider Approval of Vehicle Violation Letter. The Board reviewed the draft Vehicle Violation Letter. Discussion ensued. Following discussion and upon motion duly made, seconded and vote unanimously carried, the Board approved the draft violation letter template.
- c. Discuss Maintenance Responsibilities per Section 5.1 of the Declaration. No discussion and no action was taken.
- d. Discuss and Modifications or Additions to the Code of Conduct. No discussion and no action was taken.
- e. Discuss Code of Conduct Violations. Director T. Geist made a motion to rescind the Code of Conduct, no second, motion failed.

RECORD OF PROCEEDINGS

Fallbrook Villas Metropolitan District

June 29, 2023

Page 4

- f. Discuss Colorado Open Records Act Matters (“CORA”). The Board discussed. No action was taken. Requestor “Mike” was instructed to contact Legal Counsel directly regarding CORA requests.
- g. Discuss Landscaping Concerns. The Board discussed earlier in the meeting with BrightView.
- h. Discuss Community Behavior with Landscaping Crews. The Board discussed earlier in the meeting with BrightView.
- i. Discuss Dog Stations. The Board discussed the dog stations. It was noted that one dog station box was not working properly. The box will be fixed by BrightView.
- j. Discuss Center Median. The Board discussed issues related to the center median. Director T. Geist will review ownership records and assemble a spreadsheet of ownership of areas in which there are questions.
- k. Discuss Tree Lawn Responsibilities. The Board discussed the tree lawn responsibilities. Director T. Geist will review ownership records and assemble a spreadsheet of ownership regarding responsibilities related to the tree lawns.
- l. Communications with Vendors. The Board discussed their communications with District vendors. Discussion ensued regarding that the restrictions on communication were intended to keep costs down and not to lose vendors. No action was taken.
- m. Community Cleanup. The Board discussed a waiver for a community cleanup day.

ADVANCE HOA/MANAGEMENT ITEMS:

- a. Review and Consider Approval of the BrightView Proposal for Weed Treatment. Ms. Kupferer discussed the BrightView Proposal for Weed Treatment with the Board. It was noted that a single spray costs \$415.93. Discussion ensued. Upon motion made, seconded and vote unanimously carried with one vote opposed, the Board approved the BrightView Proposal, subject of cost to not exceed \$415.93.
- b. Discuss and Consider Approval of Tree Stake Removal Proposal. The Board discussed the Tree Stake Removal Proposal. Discussion ensued regarding removal by the community. No action was taken.
- c. Discuss Tree Replacement in Common Areas. The Board discussed replacing common area trees. The Board tabled and may consider in 2024.

RECORD OF PROCEEDINGS

Fallbrook Villas Metropolitan District

June 29, 2023

Page 5

- d. Discuss Native Grass Maintenance. Item was discussed earlier in the meeting by BrightView representatives.
- e. Discuss Mulch Refresh in Common Landscape Areas. The Board discussed and confirmed the mulch refresh was completed by volunteers and at the cost of homeowners.
- f. Discuss Painting Fence on District Fire Station Lot. The Board discussed various areas of fencing and the need for painting. Discussion ensued regarding questions of ownership and maintenance responsibilities. Tabled for further research and discussion.
- g. Discuss Lot Fence Staining. The Board discussed various areas of fence staining. The Board raised questions regarding ownership and maintenance responsibilities. Tabled for further research and discussion.
- h. Discuss Payment Plan Request for Account 2333323. The Board discussed the payment plan request for account 2333323. Following discussion and upon motion duly made, seconded and vote unanimously carried the Board approved the payment plan.
- i. Discuss Design Review Request for Account 2124742. The Board discussed the design variance. Following discussion and upon motion duly made, seconded and upon vote unanimously carried, the Board approved the design variance, with the condition that owner is to remove the improvement when the current owner sells the property.
- j. Discuss Operations Fee – Letter to Board. The Board discussed the operations fee and letter to the Board. No action was taken.
- k. Discuss Erosion and Sump Pump Discharge. The Board discussed and plans to review further with BrightView.
- l. Discuss Violations – Jackson Street. The Board discussed the violations on Jackson Street. It was noted that BrightView will assist the Board with responding to the City of Thornton.
- m. Discuss Fine Waiver Request for Account 2124683. The Board reviewed the fine waiver request. The Board discussed. Following discussion and upon motion made, seconded and vote unanimously carried, the Board agreed to waive the fine if owner replaces the tree within 30 days.
- n. Discuss Account Aging Report. Ms. Kupferer provided a management report to the Board. The Board discussed. No action was taken.
- o. Discuss Violation Report. Ms. Kupferer provided a management report to the Board. The Board discussed. No action was taken.

RECORD OF PROCEEDINGS

Fallbrook Villas Metropolitan District

June 29, 2023

Page 6

- p. Discuss Management Report. Ms. Kupferer provided a management report to the Board. The Board discussed. No action was taken.

OTHER BUSINESS:

- a. Discuss Board Member Issues. The CORA requests of Mike Hammer were discussed, persons in contact with this gentleman were asked to refer him directly to Legal Counsel.

EXECUTIVE SESSION:

Not necessary.

ADJOURNMENT:

There being no further business to come before the Board of the District and upon motion duly made, seconded and upon vote unanimously carried, the meeting was adjourned at 5:17 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.

President to the Board

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2022**

DRAFT 10/9/2023

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
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 – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	6
Notes to the Financial Statements	7
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Debt Service Fund	20
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Capital Projects Fund	21
OTHER INFORMATION	
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

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Independent Auditor's Report

Board of Directors
Fallbrook Villas Metropolitan District
Adams County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fallbrook Villas Metropolitan District (District) as of and for the year ended December 31, 2022, 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, 2022, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

Required Supplemental Information

Management has omitted the management's discussion and analysis that 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.

Supplementary Information

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

Other Information

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

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

SCHILLING & COMPANY, INC.

Highlands Ranch, Colorado
 , 2023

BASIC FINANCIAL STATEMENTS

DRAFT 10/9/2023

**FALLBROOK VILLAS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
December 31, 2022**

ASSETS

Cash deposits and investments - unrestricted	\$ 32,864
Cash deposits and investments - restricted	377,073
Receivable from County Treasurer	2,810
Property taxes receivable	334,595
Accounts receivable - fees	720
Capital assets, not being depreciated	4,371,790
Total assets	5,119,852

LIABILITIES

Accounts payable	63,488
Accrued interest payable	10,434
Noncurrent liabilities:	
Due within one year	20,000
Due in more than one year	5,005,003
Total liabilities	5,098,925

DEFERRED INFLOWS OF RESOURCES

Deferred property taxes	334,595
Total deferred inflows of resources	334,595

NET POSITION

Restricted for emergencies	3,580
Restricted for debt service	398,727
Unrestricted	(715,975)
Total net position	\$ (313,668)

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, 2022**

<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>	
General government	\$ 163,383	\$ 938	\$ -	\$ (162,445)
Interest and fiscal charges	171,545	-	-	(171,545)
	<u>\$ 334,928</u>	<u>\$ 938</u>	<u>\$ -</u>	<u>(333,990)</u>

General revenues:

Property taxes	339,910
Specific ownership taxes	23,648
Miscellaneous/reimbursements	7,250
Net investment income	8,135
Total general revenues	<u>378,943</u>

Change in net position

Net position - Beginning	(358,621)
Net position - Ending	<u>\$ (313,668)</u>

DRAFT 10/19/2023

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, 2022**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash deposits and investments - unrestricted	\$ 32,864	\$ -	\$ -	\$ 32,864
Cash deposits and investments - restricted	-	377,073	-	377,073
Receivable from County Treasurer	850	1,960	-	2,810
Property tax receivable	101,162	233,433	-	334,595
Accounts receivable - fees	720	-	-	720
Due from other funds	-	30,128	-	30,128
TOTAL ASSETS	<u>\$ 135,596</u>	<u>\$ 642,594</u>	<u>\$ -</u>	<u>\$ 778,190</u>
LIABILITIES				
Accounts payable	\$ 63,488	\$ -	\$ -	\$ 63,488
Due to other funds	30,128	-	-	30,128
Total liabilities	<u>93,616</u>	<u>-</u>	<u>-</u>	<u>93,616</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred property taxes	101,162	233,433	-	334,595
Total deferred inflows of resources	<u>101,162</u>	<u>233,433</u>	<u>-</u>	<u>334,595</u>
FUND BALANCES				
Spendable:				
Restricted for emergencies	3,580	-	-	3,580
Restricted for debt service	-	409,161	-	409,161
Unassigned	(62,762)	-	-	(62,762)
Total fund balances	<u>(59,182)</u>	<u>409,161</u>	<u>-</u>	<u>349,979</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 135,596</u>	<u>\$ 642,594</u>	<u>\$ -</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.

Deferred loss on refunding, net	
Capital assets, net of accumulated depreciation	4,371,790
	<u>4,371,790</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	(2,783,000)
Accrued interest payable - 2019A Bonds	(10,434)
Unpaid accrued interest payable - 2019B Bonds	(134,190)
Developer advances - principal	(2,107,813)
	<u>(5,035,437)</u>
Net position of governmental activities	<u>\$ (313,668)</u>

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

TOLLGATE CROSSING METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS
Year Ended December 31, 2022

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property tax	\$ 102,769	\$ 237,141	\$ -	\$ 339,910
Specific ownership tax	7,150	16,498	-	23,648
Penalties and fees	938	-	-	938
Landscape maintenance payment	7,250	-	-	7,250
Net investment income	1,229	6,906	-	8,135
Total revenues	<u>119,336</u>	<u>260,545</u>	<u>-</u>	<u>379,881</u>
EXPENDITURES				
Current				
Accounting and audit	13,316	-	-	13,316
Legal	38,251	-	-	38,251
Management fees	11,856	-	-	11,856
Insurance	3,672	-	-	3,672
Election	4,771	-	-	4,771
Website maintenance	635	-	-	635
Landscape maintenance	56,621	-	-	56,621
Landscape improvements	9,979	-	-	9,979
Snowplowing	15,876	-	-	15,876
Miscellaneous	3,302	-	-	3,302
County Treasurer's fees	1,543	3,561	-	5,104
Debt service				
Bond principal	-	20,000	-	20,000
Bond interest	-	126,262	-	126,262
Paying agent fees	-	7,491	-	7,491
Total expenditures	<u>159,822</u>	<u>157,314</u>	<u>-</u>	<u>317,136</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(40,486)</u>	<u>103,231</u>	<u>-</u>	<u>62,745</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	7,065	-	7,065
Transfers out	-	-	(7,065)	(7,065)
Total other financing sources (uses)	<u>-</u>	<u>7,065</u>	<u>(7,065)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(40,486)	110,296	(7,065)	62,745
FUND BALANCES (DEFICITS) - BEGINNING OF YEAR	(18,696)	298,865	7,065	287,234
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (59,182)</u>	<u>\$ 409,161</u>	<u>\$ -</u>	<u>\$ 349,979</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 OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2022**

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>\$ 62,745</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>20,000</u>
		<u>20,000</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		88
Change in unpaid accrued interest on 2019B Bonds		<u>(37,880)</u>
		<u>(37,792)</u>
Change in net position - Governmental activities		<u><u>\$ 44,953</u></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, 2022**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget
REVENUES				
Property tax	\$ 102,530	\$ 102,769	\$ 102,769	\$ -
Specific ownership taxes	7,177	7,150	7,150	-
Penalties and fees	-	938	938	-
Landscape maintenance payment	-	7,250	7,250	-
Other	500	-	-	-
Net investment income	-	1,229	1,229	-
Total Revenues	<u>110,207</u>	<u>119,336</u>	<u>119,336</u>	<u>-</u>
EXPENDITURES				
Accounting	7,000	8,216	8,216	-
Audit	5,000	5,100	5,100	-
Legal	8,000	38,251	38,251	-
Management fees	12,500	11,856	11,856	-
Insurance	4,200	3,672	3,672	-
Election	-	4,771	4,771	-
Website maintenance	-	635	635	-
Landscape maintenance	25,000	56,621	56,621	-
Landscape improvements	3,000	9,979	9,979	-
Other maintenance	2,500	-	-	-
Snow removal	30,000	15,876	15,876	-
Miscellaneous	500	3,302	3,302	-
Utilities	5,000	-	-	-
County Treasurer's fees	1,538	1,543	1,543	-
Contingency	9,907	-	-	-
Emergency reserve	3,127	-	-	-
Total Expenditures	<u>117,272</u>	<u>159,822</u>	<u>159,822</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(7,065)</u>	<u>(40,486)</u>	<u>(40,486)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	7,065	-	-	-
Total other financing sources (uses)	<u>7,065</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	(40,486)	(40,486)	-
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	-	(18,696)	(18,696)	-
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ (59,182)</u>	<u>\$ (59,182)</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, 2022**

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, 2022**

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 and specific ownership taxes. 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.

The Capital Project Fund accounts for the resources accumulated for capital replacement as determined by the Board of Directors.

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.

**FALLBROOK VILLAS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

For the year ended December 31, 2022, the District approved supplemental appropriations for the General Fund and Debt Service Fund.

Pooled Cash and Investments

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

Capital Assets

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

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

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.

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.

**FALLBROOK VILLAS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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:

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.

**FALLBROOK VILLAS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022 are classified in the accompanying financial statements as follows:

Cash deposits and investments - Unrestricted	\$ 32,864
Cash deposits and investments - Restricted	377,073
	\$ 409,937

Cash deposits and investments as of December 31, 2022 consist of the following:

Deposits with financial institutions	\$ 25,319
Investments	384,618
Total cash and investments	\$ 409,937

Cash Deposits – Custodial Credit Risk

Custodial risk for deposits is the risk that, in the event of a failure of a depository financial institution, the District will not be able to recover its deposits or will not be able to recover collateral securities that are in possession of an outside party. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2022, the District's cash deposits had a bank balance and carrying balance of \$25,319, respectively, which were fully insured by federal depository insurance.

Investments

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

FALLBROOK VILLAS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022

- . 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, 2022, the District invested \$384,618 in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in three portfolios, COLOTRUST Prime (Prime), COLOTRUST Plus+ (Plus+) and COLOTRUST Edge (Edge). All portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST Plus+ and COLOTRUST Edge may also invest in the highest rated commercial paper. The Prime and Plus+ portfolios are restricted to a weighted average maturity (WAM) of 60 days or less while the Edge portfolio incorporates longer-dated securities with a WAM of 60 days or more. Both Prime and Plus+ portfolios are rated AAAM by Standard and Poor's and the EDGE portfolio is rated 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.colotrust.com. The District is invested in the COLOTRUST Plus+ portfolio as of December 31, 2022.

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

**FALLBROOK VILLAS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, cash deposits and investments in the amount of \$377,073 are restricted for debt service as required under the General Obligation Bonds, Series 2019A and 2019B (Note 5).

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**FALLBROOK VILLAS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2022:

	<u>Balance at December 31, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2022</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 4,371,790	\$ -	\$ -	\$ 4,371,790
Total capital assets, not being depreciated	<u>\$ 4,371,790</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,371,790</u>

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, 2022.

	<u>Balance at December 31, 2021</u>	<u>New Issues</u>	<u>Retirements</u>	<u>Balance at December 31, 2022</u>	<u>Due Within One Year</u>
<u>General Obligation Bonds:</u>					
Limited Tax G.O. Bonds, 2019A	\$ 2,405,000	\$ -	\$ 20,000	\$ 2,385,000	\$ 20,000
Limited Tax G.O. Bonds, 2019B	398,000	-	-	398,000	-
Unpaid accrued interest, 2019B	96,310	37,880	-	134,190	-
<u>Direct borrowing:</u>					
Developer Advances - Capital	2,107,813	-	-	2,107,813	-
	<u>\$ 5,007,123</u>	<u>\$ 37,880</u>	<u>\$ 20,000</u>	<u>\$ 5,025,003</u>	<u>\$ 20,000</u>

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 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

**FALLBROOK VILLAS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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 District is required to establish and maintain a reserve fund of \$250,000 for the 2012A, Notes. At December 31, 2022, the District was in compliance with the reserve requirement.

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 District has levied 55.664 mills for debt service which is the 50.000 maximum as adjusted for changes in the method of calculating assessed valuations. The District is in compliance with the mill levy requirement.

The 2019B bonds are “cash flow” bonds meaning that no regularly scheduled principal payments are due prior to the maturity date, and interest not paid will accrue and compound until there is sufficient Subordinate Pledged Revenue for payment. In the event any amounts due and owing on the 2019B Bonds remain outstanding on December 15, 2057, such amounts shall be deemed discharged and shall no longer be due and outstanding.

The District’s long-term obligations will mature as follows:

	Principal	Interest	Total
2023	\$ 20,000	\$ 125,213	\$ 145,213
2024	25,000	124,163	149,163
2025	30,000	122,850	152,850
2026	30,000	121,275	151,275
2027	35,000	119,700	154,700
2028-2032	230,000	567,261	797,261
2033-2037	335,000	496,388	831,388
2038-2042	480,000	393,750	873,750
2043-2047	670,000	249,375	919,375
2048-2049	530,000	46,987	576,987
	<u>\$ 2,385,000</u>	<u>\$ 2,366,962</u>	<u>\$ 4,751,962</u>

**FALLBROOK VILLAS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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, 2022, 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, 2022, \$62,197,000 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, 2022, \$89,187 of this authorization remains unissued.

NOTE 6 – AGREEMENTS

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

**FALLBROOK VILLAS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 7 - FUND EQUITY

At December 31, 2022, the District reported the following classifications of fund equity.

Deficit Fund Balance

The District reported a fund balance deficit of \$59,182 in the General Fund. The District anticipates that taxes, operations fees will eliminate the deficit fund balance in future years.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$3,580 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 \$409,161 is to be used exclusively for debt service requirements (NOTE 5).

NOTE 8 - NET POSITION

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

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2022 as follows:

Restricted net position:

Emergency reserves (see Note 10)	\$ 3,580
Debt Service	<u>398,727</u>
	<u><u>\$ 402,307</u></u>

The District's unrestricted net position at December 31, 2022 of (\$715,975). 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.

**FALLBROOK VILLAS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

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

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

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

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

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

TABOR Exemption for Ad Valorem Tax Revenues

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

TABOR Exemption for Non-Ad Valorem Tax Revenues

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,

**FALLBROOK VILLAS METROPOLITAN DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

collected, or authorized by law to be imposed or collected by the District, and shall such revenues be collected and spent by the District as a voter-approved revenue change without regard to any spending, revenue-raising or other limitation contained within Article X, Section 20 of the Colorado Constitution, the limits imposed on increases in property taxation by Section 29-1-301, C.R.S. in any subsequent year, or any other law which purports to limit the District's revenues or expenditures as it currently exists or as it may be amended in the future, and without limiting in any year the amount of other revenues that may be collected, retained and spent by the District?

Operations and Maintenance Mill Levy – Ad Valorem Taxes

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

Operations and Maintenance Mill Levy – Fees

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

NOTE 11 – INTERFUND TRANSFERS

The Capital Projects Fund transferred excess bond proceeds of \$7,065 to the Debt Service Fund.

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

SUPPLEMENTAL INFORMATION

DRAFT 10/9/2023

**FALLBROOK VILLAS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2022**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget
REVENUES				
Property taxes	\$ 236,589	\$ 237,141	\$ 237,141	\$ -
Specific ownership taxes	16,561	16,498	16,498	-
Net investment income	300	6,906	6,906	-
Total Revenues	253,450	260,545	260,545	-
EXPENDITURES				
County treasurer's fees	3,549	3,561	3,561	-
Bond principal	20,000	20,000	20,000	-
Bond interest	126,262	126,262	126,262	-
Paying agent fees/fees	7,000	7,491	7,491	-
Total Expenditures	156,811	157,314	157,314	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	96,639	103,231	103,231	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	7,065	7,065	-
Total other financing sources (uses)	-	7,065	7,065	-
NET CHANGE IN FUND BALANCE				
	96,639	110,296	110,296	-
FUND BALANCE - BEGINNING OF YEAR				
	301,134	298,865	298,865	-
FUND BALANCE - END OF YEAR				
	\$ 397,773	\$ 409,161	\$ 409,161	\$ -

**FALLBROOK VILLAS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2022**

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget
REVENUE			
Net investment income	\$ -	\$ -	\$ -
	-	-	-
EXPENDITURES			
Capital outlay	-	-	-
Total Expenditures	-	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	-	-	-
OTHER FINANCING SOURCES (USES)			
Transfers out	(7,065)	(7,065)	-
Total other financing sources (uses)	(7,065)	(7,065)	-
NET CHANGE IN FUND BALANCE			
	(7,065)	(7,065)	-
FUND BALANCE - BEGINNING OF YEAR			
	-	7,065	7,065
FUND BALANCE - END OF YEAR			
	\$ (7,065)	\$ -	\$ 7,065

OTHER INFORMATION

DRAFT 10/9/2023

**FALLBROOK VILLAS METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2022**

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	\$ -	\$ -	#DIV/0!
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%
Estimated for year ending December 31, 2023	\$ 4,193,380	24.123	55.664	\$ 334,595		

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, 2022**

\$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**

Year Ending December 31,	Interest Due June 1 and December 1		
	Principal	Interest	Total
2023	\$ 20,000	\$ 125,213	\$ 145,213
2024	25,000	124,163	149,163
2025	30,000	122,850	152,850
2026	30,000	121,275	151,275
2027	35,000	119,700	154,700
2028	40,000	117,862	157,862
2029	40,000	115,762	155,762
2030	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>\$ 2,385,000</u>	<u>\$ 2,366,962</u>	<u>\$ 4,751,962</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

October 19, 2023

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, 2022, 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 July 17, 2023.
- 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) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable, including the following:
 - a) The appropriateness and consistency of the measurement processes used by management in determining accounting estimates.
 - b) That the assumptions appropriately reflect management's intent and ability to carry out specific courses of action.

- c) That the disclosures related to accounting estimates are complete and appropriate.
 - d) That no subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
- 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) We have reviewed the attached Exhibit I of corrected misstatements and are in agreement with them. We have directed that these correcting entries be posted to the accounting records of the District.
 - 9) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter as Exhibit II.
 - 10) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
 - 11) Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 12) 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.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) 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.
- 15) 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.
- 16) 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.

- 17) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 19) 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 of which we are aware.

Government—specific

- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) 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.
- 22) 24) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 23) The District has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 24) 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.
- 25) 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.
- 26) 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.
- 27) 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.
- 28) 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.
- 29) 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.
- 30) 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.
- 31) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34, as amended.

- 32) 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.
- 33) Components of net position (restricted and unrestricted), and classifications of fund balance (nonspendable, restricted, and unassigned) are properly classified and, if applicable, approved.
- 34) Investments are properly valued.
- 35) 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.
- 36) 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.
- 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 38) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 39) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 40) 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.
- 41) We are following GASB Statement No. 54, to determine the fund balance classifications for financial reporting purposes.
- 42) 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.
- 43) 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.
- 44) 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.

- 45) 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

Adj. Journal Entries
 Fallbrook Villas Metropolitan District
 December 31, 1922
 Exhibit I

Done by:	Date:	Index:
Reviewer:	Date:	

AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
1	Fund Balance - General	PY	1-3000		2,501.10
1	Miscellaneous		1-5600	2,501.10	
1	Fund Balance - Debt Service		2-3000		19,694.39
1	Bond principal		2-5165	20,000.00	
1	Interest		2-4100		305.61
1	Fund Balance		4-3000		7,065.44
1	Transfer to General Fund		4-5600	7,065.44	
To adjust beginning fund balance to 12/1/2021 Audit.					
2	Transfer from other Funds	DSTB	1-4800	6,758.86	
2	Due to Other Funds		1-2100		6,758.86
2	Transfer from other funds		2-4800		7,065.44
2	Due from other District Funds		2-1300	6,758.86	
2	UMB Fees/Expenses		2-5110	306.58	
To move transfer from CPF to Debt Service Fund at December 31, 2022.					
3	Resident receivable	B-1	1-1260	720.19	
3	Miscellaneous Income		1-4200		720.19
To record billing activity for landscape violations in 2022.					
Totals				44,111.03	44,111.03

Exhibit II

Done by:	Date:	Index:
Reviewer:	Date:	

PAJE No.	Account Description	W/P Ref	Account Number	Asset	Liability	Equity	Revenue Expense
1	Accounts payable		2-2000		-5,833.34		
1	Bond Trustee Fees	AA-2	2-5106				5,833.34
To record additional accounts payable at December 31, 2022.							
2	Accounts payable		2-2000		-5,833.34		
2	Fund Balance - Debt Service	PY	2-3000			5,833.34	
To record prior period adjustment to record accounts payable at December 31, 2021.							
PAJE Totals By Classification				<u>0.00</u>	<u>-11,666.68</u>	<u>5,833.34</u>	<u>5,833.34</u>
Classification Totals Before PAJE				<u>778,189.71</u>	<u>-428,210.76</u>	<u>-287,234.44</u>	<u>-62,744.51</u>



SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086
FAX: 720.348.2920

October 19, 2023

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, 2022 and have issued our report thereon dated October, 2023. 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 July 17, 2023. 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 2022.

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

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached Exhibit I of material misstatements detected as a result of audit procedures were corrected by management.

The attached Exhibit II summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

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 October , 2023.

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, 2022, the District's General Fund had a fund balance deficit of \$59,182 and owed the Debt Service Fund \$30,128. The deficit was a result of actual expenditures exceeding the budgeted expenditures in 2021 and 2022. The original budget for General Fund expenditures for 2022 was \$117,272 and actual expenditures were \$159,822. Expenditures such as legal,

landscape maintenance, and landscape improvements were significantly more than budgeted expenditures.

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

It is my understanding that the Board approved an Operations and Maintenance Fee on April 1, 2023 to assist the District in paying for operating and maintenance expenses. While this was an important action to take, it has not eliminated the deficit in the General Fund. I recommend the Board to continue to review expenditures going forward and consider increasing property taxes collected for operations in 2024.

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.

Adj. Journal Entries
 Fallbrook Villas Metropolitan District
 December 31, 1922
 Exhibit I

Done by:	Date:	Index:
Reviewer:	Date:	

AJE No.	Account Description	W/P Ref	Account Number	Debits	Credits
1	Fund Balance - General	PY	1-3000		2,501.10
1	Miscellaneous		1-5600	2,501.10	
1	Fund Balance - Debt Service		2-3000		19,694.39
1	Bond principal		2-5165	20,000.00	
1	Interest		2-4100		305.61
1	Fund Balance		4-3000		7,065.44
1	Transfer to General Fund		4-5600	7,065.44	

To adjust beginning fund balance to 12/1/2021 Audit.

2	Transfer from other Funds	DSTB	1-4800	6,758.86	
2	Due to Other Funds		1-2100		6,758.86
2	Transfer from other funds		2-4800		7,065.44
2	Due from other District Funds		2-1300	6,758.86	
2	UMB Fees/Expenses		2-5110	306.58	

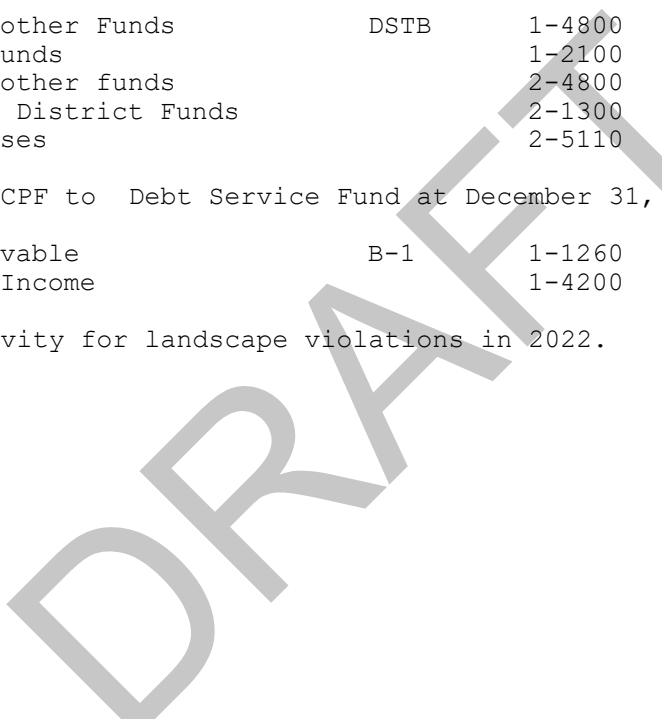
To move transfer from CPF to Debt Service Fund at December 31, 2022.

3	Resident receivable	B-1	1-1260	720.19	
3	Miscellaneous Income		1-4200		720.19

To record billing activity for landscape violations in 2022.

Totals

	44,111.03	44,111.03
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Passed Adjusting Journal Entries
 Fallbrook Villas Metropolitan District
 December 31, 2022
 Exhibit II

Done by:	Date:	Index:
Reviewer:	Date:	

PAJE No.	Account Description	W/P Ref	Account Number	Asset	Liability	Equity	Revenue Expense
1	Accounts payable		2-2000		-5,833.34		
1	Bond Trustee Fees	AA-2	2-5106				5,833.34
To record additional accounts payable at December 31, 2022.							
2	Accounts payable		2-2000		-5,833.34		
2	Fund Balance - Debt Service	PY	2-3000			5,833.34	
To record prior period adjustment to record accounts payable at December 31, 2021.							
PAJE Totals By Classification				0.00	-11,666.68	5,833.34	5,833.34
Classification Totals Before PAJE				778,189.71	-428,210.76	-287,234.44	-62,744.51

DRAFT

**RESOLUTION TO AMEND 2022 BUDGET
FALLBROOK VILLAS METROPOLITAN DISTRICT**

WHEREAS, the Board of Directors of the Fallbrook Villas Metropolitan District appropriated funds for the fiscal year 2022 as follows:

General Fund	\$ 117,272
Debt Service Fund	\$ 156,811

; and

WHEREAS, the necessity has arisen for additional expenditures or appropriations requiring the expenditure of funds in excess of those appropriated for the fiscal year 2022; and

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

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

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

WHEREAS, upon due and proper notice, published or posted in accordance with the law, said proposed budget amendment was available for inspection by the public at a designated public office, a public hearing was held on October 19, 2023, 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 2022 as follows:

General Fund	\$ 159,822
Debt Service Fund	\$ 157,314

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

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

ADOPTED this 19th day of October, 2023.

FALLBROOK VILLAS METROPOLITAN
DISTRICT

By: _____
President

ATTEST:

By: _____
Secretary

EXHIBIT A

ADDENDUM TO ANNUAL SNOW REMOVAL SERVICES AGREEMENT
(Fallbrook Villas Metropolitan District)

THIS ADDENDUM TO ANNUAL SNOW REMOVAL SERVICES AGREEMENT (this “Addendum”) is effective the 1st day of October, 2023, and amends the Annual Snow Removal Services Agreement (the “Agreement”) entered into by and between the FALLBROOK VILLAS METROPOLITAN DISTRICT (“Client”) and BRIGHTVIEW LANDSCAPE SERVICES, INC. (“Contractor”), a copy of which is appended hereto as Exhibit A. Client and Contractor hereby agree to the following provisions of this Addendum as though the provisions of this Addendum were fully set forth in the Agreement:

1. DEFINITIONS. All capitalized terms used but not defined in this Addendum shall have the meaning given to them in the Agreement.

2. CONFLICT OF TERMS. In the event there is any conflict or inconsistency between the provisions of the Agreement (Exhibit A) and those of this Addendum, the provisions of this Addendum shall control and govern the rights and obligations of the parties. All other provisions of the Agreement not expressly altered by this Addendum remain in full force and effect.

3. SEVERABILITY. If any clause, provision, subparagraph, or paragraph set forth in this Addendum or the Agreement is illegal, invalid, or unenforceable under present or future applicable laws, then and in that event it is the intention of the parties hereto that the remainder of the Agreement and this Addendum shall not be affected thereby.

4. NO WAIVER OF GOVERNMENTAL IMMUNITY. Contractor understands and agrees that Client is a quasi-municipal corporation and political subdivision of the State of Colorado, and Client is relying on and does not waive or intend to waive by the Agreement or any provision thereof, the monetary limitations or any other rights, immunities, and protections provided by the Colorado Governmental Immunity Act, C.R.S. Section 24-10-101, et seq., as from time to time amended, or otherwise available to Client.

5. NO PERSONAL LIABILITY. No elected official, director, officer, agent or employee of the Client shall be charged personally or held contractually liable by or to Contractor under any term or provision of the Agreement or this Addendum or because of any breach thereof or because of its or their execution, approval or attempted execution of the Agreement or this Addendum.

6. APPROPRIATION/NO LIENS. Contractor acknowledges and agrees that Client is a political subdivision of the State of Colorado and, as such, (1) any and all financial obligations of Client under and pursuant to the Agreement are subject to prior appropriations of monies expressly made by the Client’s Board of Directors for the purposes of the Agreement, and (2) neither the Contractor nor any of the Contractor’s subcontractors shall have lien rights against the Client or against any property of the Client in the event of nonpayment of any amount due under this Agreement or for any other reason.

7. SALES AND USE TAX. Client is exempt from Colorado sales and use tax. It is Contractor's responsibility to obtain and use the sales tax exemption number of Client as applicable. Client shall not reimburse Contractor for sales or use taxes erroneously paid.

8. INDEMNIFICATION. To the extent the Agreement provides the Client will indemnify Contractor under any circumstances, such indemnification will be limited to the extent permitted by law. This provision shall survive termination of the Agreement for any reason.

9. INSURANCE. Contractor shall at all times during the term of this Agreement carry and maintain in full force at Contractor's expense insurance that meets or exceeds the insurance coverages shown below:

A. Workers' Compensation Insurance as required by State of Colorado law.

B. Commercial General Liability Insurance, which shall include premises/operations, contractual, products/completed operations, explosion, collapse, and underground hazard coverage with minimum limits of liability of:

\$2,000,000 General Aggregate

\$1,000,000 Each Occurrence

The Client, and any other party required by the Client, shall be added as an Additional Insured on the Contractor's Commercial General Liability policy. The Contractor's policy shall be primary to any other insurance policies held by the Contractor or any other additional insured, and no other insurance of the Contractor will be called on to contribute to a loss. Limits will apply on a per project basis.

In the event any work is performed by a subcontractor, the Contractor shall be responsible for any liability directly or indirectly arising out of the work performed under this Agreement by the subcontractor, which liability is not covered by the subcontractor's insurance.

If requested by the Client, Contractor shall provide the Client with certificates of insurance evidencing the policies listed above, which certificates shall state that the Client is named as an additional insured for all general liability insurance and shall contain a statement that the policies certified shall not be cancelled nor materially modified without at least 10 days' prior written notice to the Client. The Client and Contractor waive all rights of subrogation against each other and all other contractors to the extent of any property insurance recovery obtained by the waiving party for loss and damages caused by fire or other perils, except such rights as such party may have to insurance proceeds held by another person as trustee or otherwise on behalf of such party.

10. INDEPENDENT CONTRACTOR. Contractor, for all purposes arising out of this Agreement, is an independent contractor and shall not be deemed an employee of Client.

11. **THIRD PARTY BENEFICIARIES.** Nothing expressed or implied in the Agreement is intended or shall be construed to confer upon or to give to any person or entity other than the Client and Contractor any right, remedy, or claim under or by reason of the Agreement or any covenants, terms, conditions, or provisions thereof, and all the covenants, terms, conditions, and provisions in the Agreement by and on behalf of the Client and Contractor shall be for the sole and exclusive benefit of the Client or Contractor. It is the express intention of the parties that any person other than the parties shall be deemed to be an incidental beneficiary only.

12. **NO MEDIATION OR ARBITRATION.** Client is a political subdivision of the State of Colorado and does not agree to binding mediation or arbitration of any kind.

13. **LIMITATIONS OF LIABILITY.** Client and Contractor understand and agree that Client is a political subdivision of the State of Colorado, and to the extent any provisions of the Agreement limit Contractor's liability to Client under the Agreement, such limitation(s) will be effective only to the extent permitted by law. Contractor's total liability for any losses, damages, and expenses of any type whatsoever incurred by Client or any of its affiliates, guests, tenants, invitees, and lessees ("Losses"), which are caused by wrongful acts or omissions of Contractor in connection with, or related to Contractor's performance under the Contract, shall be limited solely to proven direct and actual damages in an aggregate amount not to exceed the coverage limits of Contractor's applicable insurance policies.

14. **CHOICE OF LAW; VENUE.** The parties agree that Colorado law shall apply to the Agreement and that any legal dispute arising thereunder shall be tried and heard in the District Court for the County of Adams, State of Colorado. In the event that legal action is instituted to enforce any of the provisions of the Agreement, the prevailing party shall recover from the losing party its reasonable attorneys' fees and court costs.

15. **COLORADO OPEN RECORDS ACT.** Contractor expressly recognizes that the Client is a political subdivision of the State of Colorado and is subject to the provisions of the Colorado Open Records Act, Section 24-72-201, et seq., C.R.S. The Client agrees to protect confidential, proprietary, trademark, copyrighted and otherwise protected materials of Contractor, but only to the extent such protection does not conflict with the Colorado Open Records Act and other applicable law, and the Client's obligations thereunder.

16. **ASSIGNMENT.** The Agreement may not be assigned by Contractor without the express written consent of Client. Any assignment without Client's consent shall be null and void *ab initio*.

17. **COUNTERPARTS.** The Agreement and this Addendum may be executed in counterparts, each of which shall be an original, but all of which together shall constitute one document.

18. **CAPTIONS.** The caption of each paragraph of this Addendum is added as a matter of convenience only and shall be considered of no effect in the interpretation or construction of any provision or provisions of this Addendum.

18. CAPTIONS. The caption of each paragraph of this Addendum is added as a matter of convenience only and shall be considered of no effect in the interpretation or construction of any provision or provisions of this Addendum.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed effective as of the date first above written.

CLIENT:
FALLBROOK VILLAS METROPOLITAN DISTRICT

By: Johanne Simon
Name: Johanne Simon for KR
Its: Treasurer

CONTRACTOR:
BRIGHTVIEW LANDSCAPE SERVICES, INC.

By: A. Lott
Name: Aaron Lott
Its: Director of Finance

CLIENT PRICING AGREEMENT

2023.23969623



Annual Snow Service Order

BrightView Landscape Services, Inc. (BrightView)

8/22/2023 12:35

40060_BVLS Denver East

12570 E 39th Ave Denver CO 80239

Ph: (303) 288-2701

400600504

• SERVICE LOCATION (Location)

Loc ID 23969623 Location Name FALLBROOK VILLAS METRO DISTRIC Estimate 400600504 Location Address 14071 HARRISON ST., THORNTON, CO 80602

• CLIENT INFORMATION (Client)

Client ID Company Name FALLBROOK VILLAS METRO DISTRICT Billing Address PO BOX 2830, , EVERGREEN, CO 80439

• SCOPE OF SERVICES Service Start: 10/01/2023 Service End: 05/31/2024 Start Season: 2023

Table with 4 columns: Vehicle Site Area(s) (VEH), Service Start Trigger, Pedestrian Sites Areas (PED), Service Start Trigger. Row 1: Roads / Lots / Drives (RLD), 2", Sidewalks (WALKS), 2"

BrightView is only responsible for performing Services in the selected Site Areas after the indicated Service Trigger is reached. Services requested before the Trigger is met shall begin upon a reasonable period after notification from the Client and may result in additional fees.

- Client Declines to have BrightView stake the Location.
• BrightView will not be responsible for damages caused to roads, curbs, road-edges, turf-edges or other objects not properly identified.
• Speed bumps/humps/tables shall not be repaired/replaced regardless of staking conditions.
• Bulk de-icing material will be purchased (Supplied) by BrightView and applied by BrightView.
• Bagged de-icing material will be purchased (Supplied) by BrightView and applied by BrightView.
• All Time & Material Rates are Port-to-Port, and are subject to minimum fees as noted in the Price Schedule
• Please Refere to Exhibit A Service Map for service requirements for specific sidewalks
• All prices exclude any applicable sales tax, should client request tax to be included BrightView may automatically adjust the price if tax laws change to reflect such increase.

By signing this Service Order, Client acknowledges and agrees that (a) snow or ice may accumulate while Services are being performed, (b) even when there is no precipitation present, snow may blow or drift onto a Service Location or be brushed onto cars, parking, and driving areas or walkways, and (c) properly plowed snow may melt and refreeze after Services are fully performed.

• PRICE SCHEDULE BrightView will be compensated for work performed at the Service Location according to the agreed to prices shown below. All listed equipment items includes the respective equipment and required operator.

Price Schedule table with columns: Category, Area, Service/Unit Description, Unit, Min. Chg., Price, Price, Price, Price, 2023 Price. Rows include items like Truck with Plow, Shoveler / Crew Member, Skid Steer, Loader 3CY+ Bucket w/ Push Box, etc.

• ORDER EFFECTIVE DATE: 10/01/2023 This Service Order is accepted by BrightView and Client and forms part of the Master Snow Management Agreement signed by the parties and restates and replaces any Service Order previously agreed to for the above Location.

For BrightView: Printed: 10/01/2023 Email: Title:

For Client: Kimnichelle Rivera 10/01/2023 Email: Knriverafallbrookvillas@gmail.com Title: Board President