

FALLBROOK METROPOLITAN DISTRICT

Adams County, Colorado

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

DECEMBER 31, 2021

**FALLBROOK METROPOLITAN DISTRICT
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Fallbrook Metropolitan District
Adams County, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Fallbrook Metropolitan District, as of and for the year ended December 31, 2021, 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 Metropolitan District, as of December 31, 2021, and the respective changes in financial position and, the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Fallbrook Metropolitan District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fallbrook Metropolitan 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 Fallbrook Metropolitan 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 Supplementary Information

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of assessed valuation, mill levy and property taxes collected, but 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.

Morain Bakarich, CPAs

Morain Bakarich, CPAs
September 30, 2022

BASIC FINANCIAL STATEMENTS

**FALLBROOK METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Governmental Activities
Assets	
Cash and investments	\$ 150,539
Cash and investments - Restricted	410,299
Property taxes receivable	966,693
Prepaid expenses	2,969
Total Assets	1,530,500
Deferred Outflows of Resources	
Deferred cost of refunding	185,524
Total Deferred Outflows of Resources	185,524
Liabilities	
Current Liabilities	
Accounts payable	11,560
Accrued interest	3,580
Total Current Liabilities	15,140
Long Term Liabilities:	
Due within one year	575,000
Due in more than one year	1,200,000
Total Long Term Liabilities	1,775,000
Total Liabilities	1,790,140
Deferred Inflows of Resources	
Deferred property tax revenue	960,573
Total Deferred Inflows of Resources	960,573
Net Position	
Restricted for:	
Emergency reserve	1,800
Debt service	410,702
Unrestricted	(1,447,191)
Total Net Position	\$ (1,034,689)

The accompanying notes and independent auditors' report are an integral part of the financial statements.

**FALLBROOK METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Function/Program	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental activities:					
General government	\$ 48,269	\$ -	\$ -	\$ -	\$ 48,269
Interest and related costs on long-term debt	153,814	-	-	-	153,814
Total governmental activities	202,083	-	-	-	202,083
Total Governmental Activities	\$ 202,083	\$ -	\$ -	\$ -	\$ 202,083
General Revenues:					
Property Taxes					\$ 981,934
Specific Ownership Taxes					81,956
Interest Income					1,423
Total general revenues					1,065,313
Change in Net Position					863,230
Net Position, Beginning of Year					(1,897,919)
Net position, End of Year					\$ (1,034,689)

The accompanying notes and independent auditors' report are an integral part of the financial statements.

**FALLBROOK METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 150,539	\$ -	\$ 150,539
Cash and investments - Restricted	1,800	408,499	410,299
Property taxes receivable	53,275	913,418	966,693
Prepaid expenses	2,969	-	2,969
Total current assets	<u>208,583</u>	<u>1,321,917</u>	<u>1,530,500</u>
Total Assets	<u><u>208,583</u></u>	<u><u>1,321,917</u></u>	<u><u>1,530,500</u></u>
Liabilities			
Current Liabilities			
Accounts payable	11,560	-	11,560
Total current liabilities	<u>11,560</u>	<u>-</u>	<u>11,560</u>
Deferred Inflows of Resources			
Property tax revenue	52,938	907,635	960,573
Total Deferred Inflows of Resources	<u>52,938</u>	<u>907,635</u>	<u>960,573</u>
Fund Balances			
Nonspendable			
Prepaid items	2,969	-	2,969
Restricted for:			
Debt Service	-	414,282	414,282
Emergency reserve	1,800	-	1,800
Unassigned			
General government	139,316	-	139,316
Total fund balances	<u>144,085</u>	<u>414,282</u>	<u>558,367</u>
Total Liabilities, Fund Balance, and Deferred Inflows	<u><u>\$ 208,583</u></u>	<u><u>\$ 1,321,917</u></u>	

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

Deferred refunding costs used in governmental activities are not financial resources and, therefore, are not reported in the funds.	185,524
Long-term liabilities, including limited obligation notes, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.	
Series 2015 loan payable	(1,775,000)
Accrued interest payable	<u>(3,580)</u>
Total Net Position of Governmental Activities	<u><u>\$ (1,034,689)</u></u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

FALLBROOK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
General Property taxes	\$ 54,115	\$ 927,819	\$ 981,934
Ownership tax	4,517	77,439	81,956
Interest Income	94	1,329	1,423
Total revenues	<u>58,726</u>	<u>1,006,587</u>	<u>1,065,313</u>
Expenditures:			
Accounting	19,163	-	19,163
Audit	4,300	-	4,300
County treasurer fees	812	13,927	14,739
Insurance	5,784	-	5,784
District management	9,572	-	9,572
Legal	8,401	-	8,401
Miscellaneous	237	-	237
Paying agent fee	-	500	500
Loan prepayment fee	-	22,429	22,429
Loan interest	-	82,522	82,522
Loan principal - optional prepayment	-	1,085,000	1,085,000
Loan principal - scheduled payment	-	550,000	550,000
Total expenditures	<u>48,269</u>	<u>1,754,378</u>	<u>1,802,647</u>
Net Change in Fund Balance	10,457	(747,791)	(737,334)
Fund Balance, Beginning of Year	133,628	1,162,073	1,295,701
Fund Balance, End of Year	<u>\$ 144,085</u>	<u>\$ 414,282</u>	<u>\$ 558,367</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

**FALLBROOK METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

Net Change in Fund Balances - Governmental Funds	\$ (737,334)
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Amounts reported for governmental activities in the statement of activities are different because:

The issuance of long-term debt (e.g., bonds, loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Loan Principal Payments	1,635,000
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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 the governmental funds.

Current Year Amortization - Deferred Refunding Costs	(37,733)
Accrued Interest on Loan - Change in Liability	3,297

Change in Net Position of Governmental Activities	<u>\$ 863,230</u>
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The accompanying notes and independent auditors' report are an integral part of the financial statements.

**FALLBROOK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2021
BUDGETARY BASIS**

	Original and Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
Revenues			
Property Taxes	\$ 54,204	\$ 54,115	\$ (89)
Ownership Taxes	3,794	4,517	723
Interest	800	94	(706)
Total revenues	<u>58,798</u>	<u>58,726</u>	<u>(72)</u>
Expenditures			
Accounting and auditing	18,000	19,163	(1,163)
Auditing	4,600	4,300	300
County treasurer fees	813	812	1
Insurance	4,200	5,784	(1,584)
District management	9,000	9,572	(572)
Legal	7,000	8,401	(1,401)
Miscellaneous	3,000	237	2,763
Contingency	8,387	-	8,387
Total expenditures	<u>55,000</u>	<u>48,269</u>	<u>6,731</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,798</u>	<u>10,457</u>	<u>6,659</u>
Fund Balance, Beginning of Year	<u>128,851</u>	<u>133,628</u>	<u>4,777</u>
Fund Balance, End of Year	<u>\$ 132,649</u>	<u>\$ 144,085</u>	<u>\$ 11,436</u>

The accompanying notes and independent auditors' report are an integral part of the financial statements.

**FALLBROOK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Fallbrook Metropolitan District (the District), a quasi-municipal corporation and a political subdivision of the state of Colorado, was organized by order and decree of the District Court in and for Adams County, Colorado, on December 5, 2005, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District was established to finance and construct certain public infrastructure improvements including sanitary and storm sewers, streets, water, safety protection, and other improvements that benefit the citizens of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

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.

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

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. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by property taxes and intergovernmental revenues.

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

Separate financial statements are provided for the governmental funds. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The District has two governmental funds (below) and does not maintain proprietary or fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Major funds are defined as funds that have either assets, liabilities, revenues, or expenditures/expenses equal to ten percent of their fund-type total and five percent of the grand total. The general fund is always a major fund. The District may also select other funds it believes should be presented as major funds.

**FALLBROOK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are accounted for 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 District 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. All other revenue items are considered to be measurable and available only when cash is received by the District. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation due.

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.

Budgets

In accordance with the Colorado Budget Law, the District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to October 15th the budget is submitted to the Board of Directors of the District.
2. A public hearing on the budget is held prior to its adoption.
3. On the date of the hearing, the Board reviews the proposed budget and formally adopts it by resolution.
4. At the time of adopting the budget the Board also adopts the mill levies.
5. Prior to the beginning of the calendar year, the Board passes an appropriating ordinance giving the District legal authority to spend.
6. The District adopts budgets for the general and debt service funds on a basis consistent with generally accepted accounting principles. The District's Board of Directors can modify the budget and appropriations resolutions upon completion of notification and publication requirements. The appropriation is at the total fund expenditures and other financing uses level and lapses at year-end and lapses at year end.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors.

**FALLBROOK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of basic financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

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 normally 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 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and, generally, sale 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 inflow of resources in the year they are levied and measurable. The unearned 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 position that applies to a future period and so will not be recognized as an outflow of resources (expense) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred cost of refunding*, is deferred and recognized as an outflow of resources in the period that the amount is incurred.

Deferred refunding costs, net of accumulated amortization, of \$185,524 are included in the Statement of Net Position as a deferred outflow of resources. The deferred refunding costs relates to the refunding of District's Series 2006 and Series 2007 bonds, and the issuance of the 2015 Loan. The deferred refunding costs are amortized over the life of the refunded bonds (11.5 years). In 2021, \$37,733 of amortization relating to the deferred refunding costs was included in interest expense in the Statement of Activities.

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 position 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.

Equity - Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources. In the government-wide financial statements, fund equity is classified as net position. Net position may be classified into three components: net investment in capital assets, restricted, and unrestricted.

**FALLBROOK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance – Governmental Funds

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

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

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

Assigned Fund Balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

Reconciliation of Government-wide and Fund Financial Statements

The governmental funds balance sheet includes a reconciliation between fund balances of the governmental funds and the net position of governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between the net change in fund balances of the governmental funds and the changes in net position of governmental activities as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for government fund statements to the economic resources measurement and full accrual basis used for government-wide statements.

**FALLBROOK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2: CASH AND INVESTMENTS

Cash and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of Net Position:

Cash and Investments	\$ 150,539
Cash and Investments – Restricted	<u>410,299</u>
Total Cash and Investments	<u>\$ 560,838</u>

Cash and investments as of December 31, 2021, consist of the following:

Deposits with Financial Institutions	\$ 9,903
Investments	<u>550,935</u>
Total Cash and Investments	<u>\$ 560,838</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2021, the District’s cash deposits had a bank balance of \$13,333 and a carrying balance of \$9,903.

Investments

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

The District generally limits its concentration of investments to those noted with an asterisk (*) below, which are believed to have minimal credit risk, minimal interest rate risk, and no foreign currency risk. Additionally, the District is not subject to concentration risk or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

**FALLBROOK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 2: CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

As of December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	<u>\$ 550,808</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (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 and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 3: CAPITAL ASSETS

All capital assets have been conveyed to the City of Thornton.

**FALLBROOK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 4: LONG-TERM DEBT OBLIGATIONS

The following is an analysis of changes in the District’s long-term obligations for the year ended December 31, 2021:

	Balance December 31, 2020	Additions	Retirements	Balance December 31, 2021
2015 Loan	\$ 3,410,000	\$ -	\$ 1,635,000	\$ 1,775,000
Total	\$ 3,410,000	\$ -	\$ 1,635,000	\$ 1,775,000

2015 Loan

On July 17, 2015, the District issued its \$6,520,000 General Obligation Refunding Loan, Series 2015 dated July 17, 2015 (2015 Loan) for the purpose of advance-refunding all of the District’s outstanding Limited Tax (Convertible to Unlimited Tax) General Obligation Bonds Series 2006, refunding on a current basis the District’s Subordinate Convertible Capital Appreciation General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds Series 2007, and paying the cost of issuance of the loan. The 2015 Loan bears interest at a fixed rate of 2.42% per annum, payable semiannually on each June 1 and December 1, commencing on December 1, 2015. The 2015 Loan is due December 1, 2026. The District may, at its option, prepay the Loan, in part, on December 1 of each year commencing on December 1, 2015 in the maximum principal amount of up to \$40,000 each December 1, at a prepayment price equal to the sum of the principal so prepaid together with accrued and unpaid interest thereon to the date of prepayment. The 2015 Loan is secured by the District’s covenant to impose the Mill Levy (as defined in the Loan Agreement).

In December 2021, the lender agreed to waive the maximum annual prepayment limitation of \$40,000 and allowed the District to prepay an additional \$1,045,000 of principal, subject to yield maintenance fees calculated by the lender. For the year ended December 31, 2021, the District paid yield maintenance fees of \$22,429.

The District’s 2015 Loan will mature as follows:

Year Ending December 31 st :	Principal	Interest	Total
2022	\$ 575,000	\$ 42,955	\$ 617,955
2023	585,000	29,040	614,040
2024	615,000	14,883	629,883
Total	\$ 1,775,000	\$ 86,878	\$ 1,861,878

Authorized Debt

At an election held on November 1, 2005, a majority of the qualified electors of the District authorized the issuance of general obligation indebtedness in an amount not to exceed \$8,500,000 for providing public improvements, \$500,000 for intergovernmental agreements, and \$9,000,000 for refunding of previously issued indebtedness. As of December 31, 2021, the District has remaining voted authorization to issue up to \$500,000 for intergovernmental agreements and up to \$9,000,000 for refunding. In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing additional public improvements within the District’s service area, if needed.

**FALLBROOK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 5: RISK MANAGEMENT

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

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

NOTE 6: 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 which 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. At December 31, 2021, the District determined its required emergency reserve to be approximately \$1,800.

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.

NOTE 7: DEFICIT NET POSITION

The District has deficit net position of \$1,034,689 as of December 31, 2021. The District has incurred general obligation debt since inception for the construction of public improvements within the District. All of these assets have been deeded or transferred to other local and state governmental entities. These entities have assumed the responsibility for continued maintenance of these improvements and therefore, these assets no longer belong to the District but still exist for the benefit and use of the taxpayers of the District. GASB 34 requires netting the debt acquired to purchase assets against those assets the District still holds title to, which creates the net deficit as of December 31, 2021.

**FALLBROOK METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021**

NOTE 8: COVID-19

In early 2020, the spread of the coronavirus (COVID-19) severely impacted local and global economies. Businesses were forced to cease or limit operations for substantial or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in economic disruption. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

Although the effects of COVID-19 could have an impact on the District's revenues, expenditures, fund balance and net position, the District's management believe that any reduction in revenue will only be temporary, and that the District has sufficient reserves to mitigate any temporary reduction in revenue. The District is exposed to market, liquidity, geographic, and economic risks as a result of this pandemic. Due to the uncertainty surrounding the COVID-19 pandemic, the economic and financial impact to the District, if any, cannot be reasonably estimated.

NOTE 9: DISSOLUTION

The District intends to prepay the remainder of the debt owed on the 2015 Loan in 2023. At that time, the District will no longer have any financial, contractual, or other obligations to fulfill. As soon as the District has satisfied its debt and no longer maintains any obligations, the District will have effectively fulfilled the purpose for which it was organized. Thus, upon the final prepayment expected to be made in 2023, it is the intent of the District to petition the district court for dissolution pursuant to its Service Plan and to 32-1-701(1) C.R.S.

NOTE 10: SUBSEQUENT EVENTS

The District has evaluated subsequent events through September 30, 2022, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**FALLBROOK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2021
BUDGETARY BASIS**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Property Taxes	\$ 929,348	\$ 929,348	\$ 927,819	\$ (1,529)
Ownership Taxes	65,054	65,054	77,439	12,385
Interest Income	17,200	17,200	1,329	(15,871)
Total revenues	<u>1,011,602</u>	<u>1,011,602</u>	<u>1,006,587</u>	<u>(5,015)</u>
Expenditures				
County treasurer's fee	13,940	13,940	13,927	13
Paying agent fees	500	500	500	-
Loan prepayment fee	-	168,038	22,429	145,609
Loan interest	82,522	82,522	82,522	-
Loan principal - Optional prepayment	40,000	1,085,000	1,085,000	-
Loan principal - Scheduled payment	550,000	550,000	550,000	-
Total expenditures	<u>686,962</u>	<u>1,900,000</u>	<u>1,754,378</u>	<u>145,622</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>324,640</u>	<u>(888,398)</u>	<u>(747,791)</u>	<u>140,607</u>
Fund Balance, Beginning of Year	<u>1,162,046</u>	<u>1,162,046</u>	<u>1,162,073</u>	<u>27</u>
Fund Balance, End of Year	<u>\$ 1,486,686</u>	<u>\$ 273,648</u>	<u>\$ 414,282</u>	<u>\$ 140,634</u>

OTHER INFORMATION

FALLBROOK METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2021

Year Ended December 31 st :	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied		Total Property Taxes		Percent Collected to Levied
		General	Debt Service	Levied	Collected	
2017	\$ 18,236,640	2.741	40.000	\$ 779,452	\$ 779,452	100.00%
2018	21,348,710	2.342	40.000	903,947	903,947	100.00%
2019	21,423,420	2.333	40.000	906,918	906,918	100.00%
2020	23,219,280	2.333	40.000	982,942	982,887	99.99%
2021	23,233,710	2.333	40.000	983,552	981,934	99.84%
Estimated for the Year Ending December 31 st :						
2022	\$ 22,690,860	2.333	40.000	\$ 960,572		