

FALLBROOK METROPOLITAN DISTRICT

ANNUAL FINANCIAL REPORT

AND SUPPLEMENTAL INFORMATION

FOR THE

YEAR ENDED DECEMBER 31, 2022

FALLBROOK METROPOLITAN DISTRICT

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2022

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FALLBROOK METROPOLITAN DISTRICT

ROSTER OF DISTRICT OFFICIALS
DECEMBER 31, 2022

BOARD OF DIRECTORS

Steven Slaughter	President
Suzanne Crest	Treasurer
Elizabeth Hernandez	Asst. Secretary
Michelle Slaughter	Asst. Secretary
Vacant	Asst. Secretary

DISTRICT MANAGER / SECRETARY

David Solin
Special District Management Services, Inc.

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SCOTT C. WRIGHT
CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Fallbrook Metropolitan District
Adams County, Colorado

Report on the Audit of the Financial Statements

Opinions

I 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, 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 my 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, 2022, and the changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities 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, 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

My objective is 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 my opinion. 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, I:

- 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 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 my 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.

I am 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 I 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. My opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Fallbrook Metropolitan District's basic financial statements. The supplementary budget comparison schedule identified in the table of contents is presented to supplement the basic financial statements and is presented for purposes of additional analysis and is 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 my opinion, the supplementary and other information is 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 my auditor's report thereon. My opinion on the basic financial statements does not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my 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, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Scott Wright

Salida, Colorado
July 29, 2023

FALLBROOK METROPOLITAN DISTRICT

STATEMENT OF NET POSITION DECEMBER 31, 2022

	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 287,094
Receivables	388,575
Prepaid Expenses	3,271
	<hr/>
Total Assets	678,940
DEFERRED OUTFLOW OF RESOURCES	
Deferred Charge on Refunding of Debt	58,532
	<hr/>
LIABILITIES	
Accounts Payable	4,091
Accrued Interest Payable	1,129
Noncurrent Liabilities:	
Due Within One Year	560,000
Due In More Than One Year	-
	<hr/>
Total Liabilities	565,220
DEFERRED INFLOWS OF RESOURCES	
Deferred Revenue - Property Taxes	382,270
	<hr/>
NET POSITION	
Restricted For:	
Emergencies	2,323
Debt Service	135,824
Unrestricted (Deficit)	(348,165)
	<hr/>
Total Net Position	\$ (210,018)
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

FALLBROOK METROPOLITAN DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
General Government	\$ 60,730	\$ -	\$ -	\$ -	\$ (60,730)
Interest and Fiscal Charges on Long-term Debt	167,996	-	-	-	(167,996)
Total Governmental Activities	<u>\$ 228,726</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(228,726)</u>
General Revenues:					
					962,074
					70,796
					20,527
					<u>1,053,397</u>
					824,671
					<u>(1,034,689)</u>
					<u>\$ (210,018)</u>

The accompanying notes are an integral part of the financial statements.

FALLBROOK METROPOLITAN DISTRICT

BALANCE SHEET GOVERNMENTAL FUNDS DECEMBER 31, 2022

	General Fund	Debt Service Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 157,227	\$ 129,867	\$ 287,094
Property Taxes Receivable	51,801	336,774	388,575
Prepaid Expenses	3,271	-	3,271
Total Assets	\$ 212,299	\$ 466,641	\$ 678,940
LIABILITIES AND FUND BALANCES			
Accounts Payable	\$ 4,091	\$ -	\$ 4,091
Total Liabilities	4,091	-	4,091
DEFERRED INFLOWS OF RESOURCES			
Deferred Revenue - Property Taxes	51,453	330,817	382,270
Total Deferred Inflows of Resources	51,453	330,817	382,270
FUND BALANCES			
Restricted For:			
TABOR Emergency Reserve	2,323	-	2,323
Debt Service	-	135,824	135,824
Unassigned	154,432	-	154,432
Total Fund Balances	156,755	135,824	292,579
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 212,299	\$ 466,641	\$ 678,940

The accompanying notes are an integral part of the financial statements.

FALLBROOK METROPOLITAN DISTRICT

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION DECEMBER 31, 2022

	<u>Total</u>
Total Fund Balances - Governmental Fund	<u>\$ 292,579</u>
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Some liabilities, including bonds, notes and leases payable, and compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	
- Refunding Loans	<u>(560,000)</u>
Deferred outflows of resources are not available to pay for current period expenditures and therefore are deferred in the funds.	
- Deferred Charge on Refunding of Debt	<u>58,532</u>
Accrued interest payable is recognized for governmental activities but is not due and payable in the current period and therefore is not reported as a liability in the governmental funds.	<u>(1,129)</u>
Net Position of Governmental Activities	<u><u>\$ (210,018)</u></u>

FALLBROOK METROPOLITAN DISTRICT

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2022

	General Fund	Debt Service Fund	Total
Revenues			
Taxes:			
General Property Taxes	\$ 53,020	\$ 909,054	\$ 962,074
Specific Ownership Tax	3,902	66,894	70,796
Investment Earnings	2,836	17,691	20,527
	<hr/>	<hr/>	<hr/>
Total Revenues	59,758	993,639	1,053,397
	<hr/>	<hr/>	<hr/>
Expenditures			
Current:			
General and Administrative	47,088	13,642	60,730
Debt Service:			
Loan Interest	-	42,955	42,955
Loan Principal - Scheduled Payment	-	575,000	575,000
Loan Principal - Optional Payment	-	640,000	640,000
Fiscal Charges	-	500	500
	<hr/>	<hr/>	<hr/>
Total Expenditures	47,088	1,272,097	1,319,185
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	12,670	(278,458)	(265,788)
	<hr/>	<hr/>	<hr/>
Fund Balances, Beginning of Year	144,085	414,282	558,367
	<hr/>	<hr/>	<hr/>
Fund Balances, End of Year	\$ 156,755	\$ 135,824	\$ 292,579
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

FALLBROOK METROPOLITAN DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Total</u>
Net change in fund balances - Total Governmental Funds	\$ (265,788)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in governmental funds.	
- Change in Accrued Interest Payable on Outstanding Loan	2,451
- Amortization of Deferred Charge on Refunding	<u>(126,992)</u>
	<u>(124,541)</u>
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position.	
- Repayment of Refunding Loan	<u>1,215,000</u>
Change in Net Position of Governmental Activities	<u><u>\$ 824,671</u></u>

FALLBROOK METROPOLITAN DISTRICT

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts <u>Original and Final</u>	Actual Amounts	Variance with Final Budget - Positive (Negative)
Revenues			
Taxes:			
General Property Taxes	\$ 52,938	\$ 53,020	\$ 82
Specific Ownership Tax	3,706	3,902	196
Investment Earnings	100	2,836	2,736
Total Revenues	<u>56,744</u>	<u>59,758</u>	<u>3,014</u>
Expenditures			
Current:			
Accounting	19,000	14,323	4,677
Audit	4,700	5,000	(300)
County Treasurer Fees	794	795	(1)
District Management	10,000	8,454	1,546
Election Costs	1,500	1,154	346
Insurance	6,400	3,288	3,112
Legal	8,000	13,401	(5,401)
Miscellaneous	1,000	673	327
Contribution to HOA	10,000	-	10,000
Contingency	8,606	-	8,606
Total Expenditures	<u>70,000</u>	<u>47,088</u>	<u>22,912</u>
Net Change in Fund Balances	(13,256)	12,670	25,926
Fund Balances, Beginning of Year	<u>147,173</u>	<u>144,085</u>	<u>(3,088)</u>
Fund Balances, End of year	<u>\$ 133,917</u>	<u>\$ 156,755</u>	<u>\$ 22,838</u>

The accompanying notes are an integral part of the financial statements.

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FALLBROOK METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

The financial statements of Fallbrook Metropolitan District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting board for establishing governmental accounting and financial reporting principles. The following notes are an integral part of the District's financial statements.

Note 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

As required by generally accepted accounting principles, these financial statements present Fallbrook Metropolitan District (the primary government). The District does not have any component units for which the District is considered financially accountable.

Primary Government. 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) and the Service Plan, approved by the City of Thornton on August 30, 2005. 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 following is a summary of the more significant policies consistently applied in the preparation of financial statements. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which amended GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 29, *Determining Whether Certain Organizations are Component Units*, which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

FALLBROOK METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

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:

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements. The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the District. The Statement of Activities demonstrates the degree to which the direct expenses of a given function or business segment are offset by program revenues and helps identify the extent to which each is self-financing or draws from the general revenues of the District. Direct expenses are those that are clearly identifiable with a specific function or business segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements. Fund financial statements report detailed information about the District with the focus on major funds rather than on reporting funds by type. Separate financial statements are provided for governmental funds. The District has no proprietary or fiduciary funds. Individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement Focus and Basis of Accounting. The government-wide financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the liability is incurred regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period (60 days). The major sources of revenue which are 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 generally are recorded when the liability is incurred, as under full accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Financial Statement Presentation – Fund Accounting. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts which are segregated for the purpose of

FALLBROOK METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

accounting for specific activities. The District uses funds to report results of operations and financial position, and demonstrate compliance with legal, contractual, and regulatory requirements.

The District reports the following major governmental funds:

- *General Fund* - This is the District's primary operating fund. It is used to account for all activities of the District not required to be accounted for in another fund.
- *Debt Service Fund* - This fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the governmental funds.

D. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents the consumption of net position that applies to a future period that will not be recognized as an outflow of the resources (expenditure) until the future period. At the end of the current fiscal year, the District has one item that qualifies for reporting in this category. Accordingly, the *deferred charges on refunding of debt* are deferred and recognized as an outflow of resources in the period that the amount is incurred.

Deferred charges on refunding net of accumulated amortization of \$58,532, are included in the Statement of Net Position as a deferred outflow of resources. The District has recorded a deferred charge on refunding for the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report 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(s) 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 - deferred property tax revenues.

The governmental funds also reported deferred inflows of resources representing deferred property tax revenues.

Deferred outflows of resources are presented below the total assets on the government-wide and governmental fund statements. Deferred inflows of resources are presented below the total liabilities on the government-wide and governmental fund statements.

FALLBROOK METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

E. Cash and Investments

The District's cash and cash investments are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value. 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 minimum number of bank accounts. 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 fund's average equity balance in the total cash.

F. Long-term Obligations

In the government-wide Statement of Net Position long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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 are reported as debt service expenditures.

G. Fund Equity

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory or prepaid/deferred charges) or are required to be maintained intact;
- Restricted fund balance – 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 a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

FALLBROOK METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

When fund balance resources are available for a specific purpose in more than one classification, it is the District's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. The District considers all unassigned fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 6).

H. Budgetary Information

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 resolution 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. There was one supplemental amendment during the year ended December 31, 2022.

I. 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 15th by certification to the County Commissioners to put the tax lien on the individual properties as of January 1st 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.

FALLBROOK METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

Note 2. Deposits and Investments

Cash and investments as of December 31, 2022, are classified in the accompanying financial statements as follows:

Cash and Cash Equivalents	\$ 287,094
Total	<u>\$ 287,094</u>

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

Deposits With Financial Institutions	\$ 10,418
Deposits With Local Government Investment Pools	<u>276,676</u>
Total	<u>\$ 287,094</u>

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or would not be able to recover collateral securities that are in the possession of an outside party.

The District's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held under Colorado's Public Deposit Protection Act (PDPA). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. PDPA requires that cash be deposited in eligible public depositories and that deposits 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 with the District being a named participant in the single institution collateral pool. The minimum pledging requirement is 102% of the uninsured deposits. The Colorado State Banking Board verifies the market value at least monthly. Bank assets (usually securities) are required by PDPA to be delivered to a third-party institution for safekeeping and pledged to the Colorado Division of Banking. Based on the above, the Colorado State Auditor has concluded that there is no custodial risk for public deposits collateralized under PDPA. The carrying amount of the District's demand deposits was \$10,039 at year end.

Local Government Investment Pools

Local government investment pools are trusts established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the trusts. A designated custodial bank serves as custodian pursuant to a custodian agreement. The custodian acts as safekeeping agent for the trusts' 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 trusts.

FALLBROOK METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

The District invests its surplus funds in the Colorado Local Government Liquid Asset Trust's COLOTRUST PLUS+ fund. The PLUS+ fund may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities as well as in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. The PLUS+ fund is a stable \$1.00 net asset value (NAV) fund that offers daily liquidity.

Investments

Credit Risk. Colorado State Statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. These investments include local government investment pools and certain obligations of the United States government. State law limits investments in commercial paper, corporate bonds, and money market mutual funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investment choices.

Presented below is the minimum rating, as required by Colorado State Statutes, for investments held by the District as of December 31, 2022.

Ratings <u>S&P</u>	Local Government <u>Investment Pools</u>
AAAm	<u>\$ 276,676</u>

Interest Rate Risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk. The District places no limit on the amount it may invest in any one issuer. As discussed above, the District invests its surplus funds in the Colorado Local Government Liquid Asset Trust's COLOTRUST PLUS+ fund. The investment is not categorized because the investment is not evidenced by securities that exist in physical or book entry form. At December 31, 2022, the District had an investment of \$276,676 for both market and carrying value.

Fair Value of Investments. The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At December 31, 2022, the District had no investments measured at fair value and had the following investments measured at net asset value:

FALLBROOK METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
COLOTRUST PLUS+	\$ 276,676
Total	<u>\$ 276,676</u>

At December 31, 2022, there were no unrealized losses reflective of changes in the fair market value of investments.

Note 3. Capital Assets

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

Note 4. Long-term Debt

General Obligation Refunding Loan. On July 17, 2015, the District issued its Series 2015 General Obligation Refunding Loan, (“Series 2015 Loan”) totaling \$6,520,000 with an interest rate of 2.42% payable semi-annually on June 1 and December 1 each year commencing on December 1, 2015. The Series 2015 Loan is secured by the District’s covenant to impose a mill levy, as defined in the Series 2015 Loan agreement.

The Series 2015 Loan was issued for the purpose of advance refunding all of the District’s outstanding General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds Series 2006, current refunding the District’s Series 2007 Subordinate Convertible Capital Appreciation General Obligation (Limited Tax Convertible to Unlimited Tax) Bonds and paying the cost of issuance of the loan. The refunding resulted in an economic gain of \$637,331 with a cash flow savings of \$988,142.

The District may, at its option, prepay the Series 2015 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 together with accrued and unpaid interest thereon to the date of prepayment. On November 28, 2022, the lender agreed to waive the maximum annual prepayment limitation of \$40,000 and allowed the District to prepay an additional \$600,000 of principal, subject to any additional yield maintenance fees calculated by the lender. There were no yield maintenance fees paid in 2022.

<u>Purpose</u>	<u>Interest Rate</u>	<u>Amount</u>
General Government – Refunding	2.42%	<u>\$560,000</u>

FALLBROOK METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

Annual debt service requirements to maturity for revenue bonds outstanding at December 31, 2022, are as follows:

Year Ending <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ <u>560,000</u>	\$ <u>13,552</u>
Total	\$ <u>560,000</u>	\$ <u>13,522</u>

Changes in Long-term Liabilities. Long-term liability activity for the year ended December 31, 2022, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation					
Refunding Loan	\$ <u>1,775,000</u>	\$ _____ -	\$ <u>1,215,000</u>	\$ <u>560,000</u>	\$ <u>560,000</u>
Total Governmental Activity					
Long- term Liabilities	\$ <u>1,775,000</u>	\$ _____ -	\$ <u>1,215,000</u>	\$ <u>560,000</u>	\$ <u>560,000</u>

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

The District pays annual premiums to the Pool for liability, property, 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. Commitments and Contingencies

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

FALLBROOK METROPOLITAN DISTRICT

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2022

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 has established an emergency reserve for the year ended December 31, 2022, in the amount of \$2,323.

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 interpretation of how to calculate Fiscal Year Spending limits may require judicial interpretation.

Note 7. Deficit Net Position

The District has a deficit net position of \$210,018 as of December 31, 2022. The District has incurred general obligation debt since inception for the construction of public improvements within the District. All of these improvements 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, 2022.

Note 8. Subsequent Events

On July 13, 2023, the District communicated to the lender its intent to prepay the remainder of the Series 2015 Loan in the amount of \$560,000 together with accrued and unpaid interest to the date of payment. On July 21, 2023, final payment was made to the lender in the amount of \$561,480.04.

Because the District has satisfied its outstanding debt and no longer maintains any financial obligations, The Board may petition the District Court for dissolution pursuant to its Service Plan and C.R.S 32-1-701 (1).

FALLBROOK METROPOLITAN DISTRICT

SCHEDULE OF ASSESSED VALUATION, MILL LEVY AND PROPERTY TAX COLLECTIONS DECEMBER 31, 2022

Levy Year	Collection Year	Assessed Value	Mill Rate		Total Property Taxes		Percent of Current Taxes Collected
			General	Debt Service	Levied	Collected	
2017	2018	\$ 21,348,710	2.342	40.000	\$ 903,947	\$ 903,947	100.00%
2018	2019	21,423,420	2.333	40.000	906,918	906,918	100.00%
2019	2020	23,219,280	2.333	40.000	982,942	982,887	99.99%
2020	2021	23,233,710	2.333	40.000	983,553	981,934	99.84%
2021	2022	22,690,860	2.333	40.000	960,572	962,075	100.16%
2022	2023	22,054,460	2.333	15.000	382,270	NA	NA

Notes:

(1) Taxes are due and payable on January 1 based on the prior year's assessed valuation.

(2) Property taxes collected in any one year includes collection of delinquent property taxes, refunds and abatements. Information received from the County Treasurer does not permit identification of the specific assessment year.

FALLBROOK METROPOLITAN DISTRICT

DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (BUDGETARY BASIS) - BUDGET AND ACTUAL FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
General property Taxes	\$ 907,634	\$ 907,634	\$ 909,054	\$ 1,420
Specific Ownership Taxes	63,534	63,534	66,894	3,360
Investment Earnings	1,600	1,600	17,691	16,091
Total Revenues	<u>972,768</u>	<u>972,768</u>	<u>993,639</u>	<u>20,871</u>
Expenditures				
Current:				
General and Administrative	13,615	13,615	13,642	(27)
Contingency	7,930	27,930	-	27,930
Debt Service:				
Loan Interest	42,955	42,955	42,955	-
Loan Principal - Scheduled Payment	575,000	575,000	575,000	-
Loan Principal - Optional Payment	40,000	640,000	640,000	-
Fiscal Charges	500	500	500	-
Total Expenditures	<u>680,000</u>	<u>1,300,000</u>	<u>1,272,097</u>	<u>27,903</u>
Net Change in Fund Balances	292,768	(327,232)	(278,458)	48,774
Fund Balances, Beginning of Year	<u>414,565</u>	<u>414,565</u>	<u>414,282</u>	<u>(283)</u>
Fund Balances, End of year	<u>\$ 707,333</u>	<u>\$ 87,333</u>	<u>\$ 135,824</u>	<u>\$ 48,491</u>