

Falcon Highlands Metropolitan District
Financial Statement Variances
May 31, 2020

Accounts Receivable as of 5/31/20 totals \$46,765 with past due amounts of:

- Over 90 days - \$3,184 made up of 17 customers
- Over 60 days - \$717 made up of 8 customers
- Credit balances – (\$6,626) made up of 28 customers

Property Taxes Collected

1. The 2020 collections through May are at 60.40% of the total amount levied compared to 61.50% at this time last year.

General Fund

1. Annual insurance premiums were paid in full for the year and are on budget.
2. Overall, the total General Fund expenditures are at 18% of budget.

Conservation Trust Fund

1. As of May 31, 2020, the District has received \$1,127 in Conservation Trust Fund proceeds for the year. These proceeds are paid out quarterly.

Enterprise Fund

1. As mentioned in the General Fund section, annual insurance premiums were paid in full for the year and are on budget.
2. Overall, the total Enterprise Fund expenditures are at 28% of budget.

Cash and Investments

As of June 29, 2020 the available cash and investments are as follows:

1. General Fund: \$1,349,851.12
2. Conservation Trust Fund: \$4,175.23
3. Debt Service Fund: \$872,748.96 of which \$639,444.32 is the Reserve Fund
4. Enterprise Fund: \$150,212.60

FALCON HIGHLANDS METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

MAY 31, 2020

FALCON HIGHLANDS METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
MAY 31, 2020

| | <u>General</u> | <u>Debt Service</u> | <u>Conservation Trust</u> | <u>Enterprise</u> | <u>Total</u> |
|--|---------------------|---------------------|-------------------------------|---------------------|---------------------|
| ASSETS | | | | | |
| Cash - 1st Bank | \$ 69,386 | \$ - | \$ - | \$ 87,012 | \$ 156,398 |
| C - Safe | 1,282,984 | - | 4,175 | 93,253 | 1,380,412 |
| Bond Fund - Series 2004A | - | 410,523 | - | - | 410,523 |
| Construction Fund - Series 2004A | - | 707 | - | - | 707 |
| Escrow Fund - Series 2004A | - | 733 | - | - | 733 |
| Reserve Fund - Series 2004A | - | 639,444 | - | - | 639,444 |
| Capitalized Interest - Series 2007 Subordinate | - | 10,579 | - | - | 10,579 |
| Construction Fund - Series 2007 Subordinate | - | 34 | - | - | 34 |
| Due from other funds | 1,812 | - | - | - | 1,812 |
| Accounts receivable | 12,124 | - | - | 34,641 | 46,765 |
| Receivable from County Treasurer | 16,175 | 52,917 | - | - | 69,092 |
| Accumulated depreciation | - | - | - | (2,792,066) | (2,792,066) |
| Water rights | - | - | - | 402,786 | 402,786 |
| Equipment and systems | - | - | - | 6,215,880 | 6,215,880 |
| Vehicles | - | - | - | 40,659 | 40,659 |
| TOTAL ASSETS | <u>\$ 1,382,481</u> | <u>\$ 1,114,937</u> | <u>\$ 4,175</u> | <u>\$ 4,082,165</u> | <u>\$ 6,583,758</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts payable | \$ 20,327 | \$ - | \$ - | \$ 68,185 | \$ 88,512 |
| Due to other funds | - | 1,812 | - | - | 1,812 |
| Tap Review Fee Escrow | - | - | - | 61,000 | 61,000 |
| Total Liabilities | <u>20,327</u> | <u>1,812</u> | <u>-</u> | <u>129,185</u> | <u>151,324</u> |
| FUND BALANCES | | | | | |
| Total Fund Balances | <u>1,362,154</u> | <u>1,113,125</u> | <u>4,175</u> | <u>3,952,980</u> | <u>6,432,434</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 1,382,481</u> | <u>\$ 1,114,937</u> | <u>\$ 4,175</u> | <u>\$ 4,082,165</u> | <u>\$ 6,583,758</u> |

No assurance is provided on these financial statements. Substantially all required disclosures, the government-wide financial statements, and the statements of revenues, expenditures and changes in fund balances - governmental funds have been omitted.

**FALCON HIGHLANDS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FIVE MONTHS ENDED MAY 31, 2020**

GENERAL FUND

| | Annual Budget | Year to Date Actual | Variance |
|---|--------------------------|--------------------------------|-------------------|
| REVENUES | | | |
| Property taxes | \$ 129,389 | \$ 78,146 | \$ (51,243) |
| Specific ownership taxes | 98,218 | 36,997 | (61,221) |
| Interest income | 11,500 | 6,620 | (4,880) |
| Maintenance fees | 131,000 | 54,897 | (76,103) |
| TOTAL REVENUES | <u>370,107</u> | <u>176,660</u> | <u>(193,447)</u> |
| EXPENDITURES | | | |
| Accounting | 40,000 | 6,188 | 33,812 |
| Auditing | 8,500 | - | 8,500 |
| County Treasurer's fee | 1,941 | 1,172 | 769 |
| Directors' fees | 6,000 | 500 | 5,500 |
| Insurance and bonds | 10,000 | 7,499 | 2,501 |
| District management | 50,000 | 19,554 | 30,446 |
| Legal services | 45,000 | 12,412 | 32,588 |
| Miscellaneous | 5,000 | 466 | 4,534 |
| Payroll - wages and taxes | 460 | 38 | 422 |
| Election expense | 30,000 | 679 | 29,321 |
| Repairs and maintenance | 10,000 | 418 | 9,582 |
| Professional Services | 5,000 | - | 5,000 |
| Landscape maintenance | 5,000 | 422 | 4,578 |
| General improvements | 12,000 | - | 12,000 |
| Utilities - street lights | 25,000 | 8,441 | 16,559 |
| Fuel | 2,000 | 36 | 1,964 |
| Operating expense | 500 | - | 500 |
| Equipment expense | 10,000 | - | 10,000 |
| Trail maintenance | 10,000 | - | 10,000 |
| Park improvements | 25,000 | - | 25,000 |
| Contingency | 13,599 | - | 13,599 |
| TOTAL EXPENDITURES | <u>315,000</u> | <u>57,825</u> | <u>257,175</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 55,107 | 118,835 | 63,728 |
| OTHER FINANCING SOURCES (USES) | | | |
| Other revenue | - | 1,404 | 1,404 |
| Transfers to other fund | (50,000) | - | 50,000 |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(50,000)</u> | <u>1,404</u> | <u>51,404</u> |
| NET CHANGE IN FUND BALANCES | 5,107 | 120,239 | 115,132 |
| FUND BALANCES - BEGINNING | <u>1,176,013</u> | <u>1,241,915</u> | <u>65,902</u> |
| FUND BALANCES - ENDING | <u>\$ 1,181,120</u> | <u>\$ 1,362,154</u> | <u>\$ 181,034</u> |

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**FALCON HIGHLANDS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FIVE MONTHS ENDED MAY 31, 2020**

CONSERVATION TRUST FUND

| | <u>Annual Budget</u> | <u>Year to Date Actual</u> | <u>Variance</u> |
|------------------------------------|--------------------------|--------------------------------|-----------------|
| REVENUES | | | |
| Conservation Trust proceeds | \$ 7,500 | \$ 1,127 | \$ (6,373) |
| Interest income | 100 | 42 | (58) |
| TOTAL REVENUES | <u>7,600</u> | <u>1,169</u> | <u>(6,431)</u> |
| EXPENDITURES | | | |
| Repairs and maintenance | 11,600 | - | 11,600 |
| TOTAL EXPENDITURES | <u>11,600</u> | <u>-</u> | <u>11,600</u> |
| NET CHANGE IN FUND BALANCES | (4,000) | 1,169 | 5,169 |
| FUND BALANCES - BEGINNING | <u>4,000</u> | <u>3,006</u> | <u>(994)</u> |
| FUND BALANCES - ENDING | <u>\$ -</u> | <u>\$ 4,175</u> | <u>\$ 4,175</u> |

FALCON HIGHLANDS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FIVE MONTHS ENDED MAY 31, 2020 AND MAY 31, 2019

| | Year to Date Actual | Prior Year to Date Actual | Variance |
|---|------------------------|------------------------------|------------------|
| OPERATING REVENUES | | | |
| Facility fees | \$ - | \$ 22,686 | \$ (22,686) |
| Interest income | 476 | 603 | (127) |
| Water treatment fees | 48,507 | 48,274 | 233 |
| Administrative fees | 34,424 | 34,128 | 296 |
| Water usage fees | 68,199 | 71,697 | (3,498) |
| Penalties | 1,020 | 2,690 | (1,670) |
| Meter fees | - | 936 | (936) |
| Water tap fees | - | 32,973 | (32,973) |
| O&M fees | - | 406 | (406) |
| Inspection fees | - | 90 | (90) |
| Total operating revenues | <u>152,626</u> | <u>214,483</u> | <u>(61,857)</u> |
| OPERATING EXPENDITURES | | | |
| Accounting | 7,735 | 13,027 | 5,292 |
| Dues and membership | 1,300 | 156 | (1,144) |
| Insurance and bonds | 11,249 | 13,801 | 2,552 |
| District management | 25,421 | 28,147 | 2,726 |
| Legal services | 16,549 | 24,899 | 8,350 |
| Miscellaneous | 453 | 761 | 308 |
| Security | 2,652 | 1,754 | (898) |
| Payroll - wages and taxes | - | 22,663 | 22,663 |
| Repairs and maintenance | 991 | 1,462 | 471 |
| Professional Services | 10,243 | 15,051 | 4,808 |
| Woodman Hills sewer tap fees | - | 12,973 | 12,973 |
| Utilities - street lights | 39,684 | 21,203 | (18,481) |
| Fuel | 36 | 668 | 632 |
| Operating expense | 3,345 | 5,958 | 2,613 |
| Supplies - treatment facility | 2,558 | 1,931 | (627) |
| Utility billing | 15,863 | 15,627 | (236) |
| Telephone | 650 | 1,053 | 403 |
| Utility locates | 368 | 151 | (217) |
| Woodman Hills contract | 11,147 | - | (11,147) |
| Capital outlay | - | 25,696 | 25,696 |
| Depreciation expense | <u>-</u> | <u>52,926</u> | <u>52,926</u> |
| Total operating expenses | <u>150,244</u> | <u>259,907</u> | <u>109,663</u> |
| Operating income (loss) | 2,382 | (45,424) | 47,806 |
| OTHER FINANCING SOURCES (USES) | | | |
| Total non-operating revenues (expenses) | <u>-</u> | <u>-</u> | <u>-</u> |
| CHANGE IN NET POSITION | 2,382 | (45,424) | 47,806 |
| TOTAL NET POSITION - BEGINNING | <u>3,950,598</u> | <u>3,984,624</u> | <u>(34,026)</u> |
| TOTAL NET POSITION - ENDING | <u>\$ 3,952,980</u> | <u>\$ 3,939,200</u> | <u>\$ 13,780</u> |

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SUPPLEMENTARY INFORMATION

**FALCON HIGHLANDS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FIVE MONTHS ENDED MAY 31, 2020**

DEBT SERVICE FUND

| | <u>Annual Budget</u> | <u>Year to Date Actual</u> | <u>Variance</u> |
|------------------------------------|--------------------------|--------------------------------|--------------------------|
| REVENUES | | | |
| Property taxes | \$ 763,501 | \$ 461,126 | \$ (302,375) |
| Specific ownership taxes | 6,700 | - | (6,700) |
| Interest income | - | 3,740 | 3,740 |
| TOTAL REVENUES | <u>770,201</u> | <u>464,866</u> | <u>(305,335)</u> |
| EXPENDITURES | | | |
| County Treasurer's fee | 11,453 | 6,917 | 4,536 |
| Paying agent fees | 12,000 | - | 12,000 |
| Bond interest | 480,756 | - | 480,756 |
| Bond principal | 205,000 | - | 205,000 |
| Contingency | 4,791 | - | 4,791 |
| TOTAL EXPENDITURES | <u>714,000</u> | <u>6,917</u> | <u>707,083</u> |
| NET CHANGE IN FUND BALANCES | 56,201 | 457,949 | 401,748 |
| FUND BALANCES - BEGINNING | <u>615,687</u> | <u>655,176</u> | <u>39,489</u> |
| FUND BALANCES - ENDING | <u><u>\$ 671,888</u></u> | <u><u>\$ 1,113,125</u></u> | <u><u>\$ 441,237</u></u> |

**FALCON HIGHLANDS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND AVAILABLE - BUDGET AND ACTUAL
FOR THE FIVE MONTHS ENDED MAY 31, 2020**

ENTERPRISE FUND

| | Annual Budget | Year to Date Actual | Variance |
|--|--------------------------|--------------------------------|------------------|
| REVENUE | | | |
| Interest income | \$ 1,000 | \$ 476 | \$ (524) |
| Water treatment fees | 117,000 | 48,507 | (68,493) |
| Administrative fees | 81,500 | 34,424 | (47,076) |
| Water usage fees | 260,000 | 68,199 | (191,801) |
| Penalties | 7,000 | 1,020 | (5,980) |
| TOTAL REVENUE | <u>466,500</u> | <u>152,626</u> | <u>(313,874)</u> |
| EXPENDITURES | | | |
| Accounting | 50,000 | 7,735 | 42,265 |
| Dues and membership | 500 | 1,300 | (800) |
| Insurance and bonds | 15,000 | 11,249 | 3,751 |
| District management | 65,000 | 25,421 | 39,579 |
| Legal services | 60,000 | 16,549 | 43,451 |
| Miscellaneous | 1,000 | 453 | 547 |
| Security | 7,500 | 2,652 | 4,848 |
| Repairs and maintenance | 25,000 | 991 | 24,009 |
| Professional Services | 50,000 | 10,243 | 39,757 |
| SCADA system inspection | 2,500 | - | 2,500 |
| Utilities - street lights | 50,000 | 39,684 | 10,316 |
| Fuel | 2,000 | 36 | 1,964 |
| Operating expense | 15,000 | 3,345 | 11,655 |
| Supplies - treatment facility | 10,000 | 2,558 | 7,442 |
| Utility billing | 38,000 | 15,863 | 22,137 |
| Telephone | 3,000 | 650 | 2,350 |
| Utility locates | 500 | 368 | 132 |
| Equipment expense | 500 | - | 500 |
| Woodman Hills contract | 60,000 | 11,147 | 48,853 |
| Permits - fees | 1,000 | - | 1,000 |
| Capital outlay | 75,000 | - | 75,000 |
| Small tools and supplies | 1,500 | - | 1,500 |
| Contingency | 7,000 | - | 7,000 |
| TOTAL EXPENDITURES | <u>540,000</u> | <u>150,244</u> | <u>389,756</u> |
| EXCESS OF REVENUE OVER (UNDER) EXPENDITURES | (73,500) | 2,382 | 75,882 |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers from other funds | 50,000 | - | (50,000) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>50,000</u> | <u>-</u> | <u>(50,000)</u> |
| NET CHANGE IN FUNDS AVAILABLE | (23,500) | 2,382 | 25,882 |
| FUNDS AVAILABLE - BEGINNING | <u>64,992</u> | <u>83,338</u> | <u>18,346</u> |
| FUNDS AVAILABLE - ENDING | <u>\$ 41,492</u> | <u>\$ 85,720</u> | <u>\$ 44,228</u> |

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**FALCON HIGHLANDS METROPOLITAN DISTRICT
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Services Provided

Falcon Highlands Metropolitan District (the District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court of El Paso County, Colorado on November 14, 2002, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Service Plan approved by El Paso County Commissioners on July 25, 2002. The District's service area is located in the unincorporated town of Falcon in El Paso County, Colorado. The District was established to provide water, sanitary sewage, drainage, landscaping, public transportation, street improvements, traffic and safety controls, parks and recreation facilities, mosquito control and television relay and translation systems.

On November 5, 2002, the District voters approved authorized debt in the amount \$20,750,000 for streets, parks and recreation, water, storm and sanitary sewer, public transportation, mosquito control, safety control, television relay, and operations and maintenance. Also, the District voters approved authorized debt in the amount of \$20,000,000 for debt refunding; and an annual increase in taxes of \$450,000. The election also provided for intergovernmental agreements as multi-fiscal year obligations and allows the District to retain all revenues, other than ad valorem taxes, without regard to the limitations contained in Article X, Section 20 of the Colorado Constitution or any other law.

The District's service plan limits the total debt issuance to \$25,000,000, with a maximum mill levy of 30.000 mills for debt service and 5.000 mills for operations and maintenance, as adjusted for changes in the ratio of actual value to assessed value of property within the District. The debt service and operations and maintenance mill levies have been adjusted due to a change in the method of calculating assessed valuation.

The District prepares its budget on the modified accrual basis of accounting in accordance with the requirements of Colorado Revised Statutes C.R.S. 29-1-105 using its best estimates as of the date of the budget hearing. These estimates are based on expected conditions and its expected course of actions. The assumptions disclosed herein are those that the District believes are significant to the budget. There will usually be differences between the budget and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. For financial statement reporting purposes in accordance with generally accepted accounting principles (GAAP), the District uses the accrual method of accounting for the Enterprise Fund. Under GAAP, capital expenditures are recorded as assets and depreciation on fixed assets is recognized as an operating expense. For budget reporting, capital expenditures are reported as expenditures and depreciation is not recognized. To distinguish the difference in reporting, for budget reporting the District uses "Funds Available," which is defined as current assets less current liabilities, in lieu of fund balance for GAAP reporting.

The District has no employees. All administrative and operating functions are contracted.

**FALCON HIGHLANDS METROPOLITAN DISTRICT
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues

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.

The calculation of the taxes levied is displayed on the Property Tax Summary page of the budget using the adopted mill levy imposed by the District.

The change in assessment ration from 7.20% to 7.15% allows the District to adjust its mill levy to offset the decrease in revenues. Accordingly, the District adjusted its mill levy to 6.140 for operation and 36.839 for debt service.

Specific Ownership Taxes

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The budget assumes that the District's share will be equal to approximately 11% of the property taxes collected.

Service Charges

The District receives service fees for street lighting, maintenance, administration, water treatment, and water usage. The District bills residential and commercial customers monthly for such services at established rates.

Water Tap, Sewer Tap and Infrastructure Improvement Fees

The District charges water tap, sewer tap and infrastructure fees for new users to connect to the District's water and sewer systems. The District has not budgeted any water, sewer, and infrastructure taps and fees for 2020.

Water Meter, Inspection, and Operations and Maintenance Reserve Fees

The District collects water meter, inspection, and operations and maintenance reserve fees with each tap application to cover the costs of administration and future maintenance needs. The District has not budgeted any water meter, inspection and operations and maintenance reserve fees for 2020.

Conservation Trust (Lottery Proceeds)

The District anticipates receiving revenue from the State Lottery on a per capita basis ratio. The revenue is restricted for recreation purposes under state statutes.

**FALCON HIGHLANDS METROPOLITAN DISTRICT
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues (continued)

Net Investment Income

Interest earned on the District's funds has been estimated based on historical interest earning.

Expenditures

Administrative Expenditures

Administrative expenditures have been budgeted based on estimates of the District's Board of Directors and consultants and include the services necessary to maintain the District's administrative viability such as legal, audit, accounting, insurance, management, maintenance and other administrative expenses.

General and Operations Expenditures

These expenditures represent outsourced operating costs, repairs and maintenance, utilities, and other related expenses associated with the treatment and delivery of water to the District's customers.

County Treasurer's Fees

County Treasurer's fees have been computed at 1.5% of property tax collections.

Capital Outlay

The District's capital outlay consists primarily of expenditures for rehabilitation and replacement of existing facilities.

Debt Service

Principal and interest payments on the District's senior obligations are provided based on the Schedule of Senior Debt Service Requirements to Maturity.

Debt and Leases

General Obligation Bonds and Notes

The District has budgeted for the payment of the General Obligation Limited Tax Bonds, Series 2004A. The additional information regarding other debt has been presented for informational purposes only.

On June 16, 2004, the District issued and authorized the issuance of the following Bonds and Notes: (1) \$9,465,000 General Obligation Limited Tax Bonds, Series 2004A (the "Bonds"); (2) \$1,000,000 General Obligation Limited Tax Notes, Series 2004 B-1 (the "Series 2004 B-1 Notes"); and authorized the issuance of the (3) \$1,500,000 General Obligation Limited Tax Notes, Series 2006 B-2 (the "Series 2006 B-2 Notes"); (4) \$440,000 Subordinate General Obligation Limited Tax Notes, Series 2006 B-3 (the "Series 2006 B-3 Notes") upon fulfillment of certain conditions and authorization by the Board of

**FALCON HIGHLANDS METROPOLITAN DISTRICT
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases – (continued)

Directors of the District. The Bonds, the Series 2004 B-1 Notes and the Series 2006 B-2 Notes (collectively the “Notes”) were issued for the purposes of (i) constructing certain infrastructure improvements within the District; (ii) reimbursing the Developer for funds expended by the Developer for organizational costs of the District and construction of certain infrastructure improvements completed by the Developer within the District; (iii) funding the Reserve Account for the Bonds, which Reserve Account will also be available to pay debt service on the Bonds under certain circumstances; (iv) paying approximately one and one-fourth year’s capitalized interest on the bonds, and (v) paying the issuance expenses and Underwriter’s fees with respect to the Bonds and Notes.

The Bonds bear interest at 7.625%, calculated on the basis of a 360 day year of twelve 30 day months, payable semi-annually on June 15 and December 15, beginning on December 15, 2004. Annual mandatory sinking fund principal payments are due on December 15, beginning on December 15, 2005. The Bonds mature on December 15, 2034. The Bonds are subject to redemption prior to maturity at the option of the District beginning June 15, 2014 at a premium of 102%; which premium reduces to zero after June 15, 2016.

The Notes bear interest at 2.000% - 8.000%, calculated on the basis of a 360 day year of twelve 30 day months, payable annually on December 15, to the extent funds are available for payment. The Notes shall bear interest at the rates established from the date of issuance until paid and shall mature, unless paid sooner, as to the Series 2004 B-1 Notes, on December 15, 2035 and, as to the Series 2006 B-2 Notes on December 15, 2037.

During 2011, the 2006 B-2 Notes were assigned to Enterprise Bank & Trust Co. in a civil case, No. 11-CV-00026-CV-W-DW, pursuant to a Commercial Pledge Agreement executed by Cygnet Land, LLC.

The Bonds and the Notes shall constitute limited tax obligations of the District. The principal of, premium if any, and interest on or in connection with the Bonds, and the principal of and interest on or in connection with the Notes, shall be payable solely from and to the extent of the revenues of the District pledged to the payment of the Bonds and the Notes. Pledged revenues, consisting of monies derived from the District from (i) its Limited Mill Levy, except for that portion thereof levied for operations and maintenance expense of the District, (ii) Infrastructure Improvement Fees, (iii) Facility Fees, (iv) Water Tap Fees and (v) with respect to the Notes only, any other legally available monies credited to the Note Account, are pledged to the payment of the Bonds and the Notes. The Pledged Revenues are first applied to the Bond Accounts then to the Note Accounts as monies are available.

\$4,935,000 General Obligation Limited Tax Subordinate Bonds, Series 2007

On February 26, 2007, the District issued the \$4,935,000 General Obligation Limited Tax Subordinate Bonds, Series 2007 (the “Series 2007 Bonds”). The Series 2007 Bonds were issued for the purposes of (i) to construct certain infrastructure improvements within the District; (ii) to reimburse the Developer for construction of certain infrastructure improvements completed, (iii) to pay a portion of approximately twenty months of capitalized interest on the Series 2007 Bonds; (iv) to pay the issuance expenses and Underwriter’s fees with respect to the Series 2007 Bonds.

The Series 2007 Bonds bear interest at 8.500%, payable semi-annually on June 15 and December 15, beginning on June 15, 2007. To the extent interest on the Series 2007 Bonds is not paid when due, such interest shall compound semi-annually on June 15 and December 15 at the rate of the bonds. The

**FALCON HIGHLANDS METROPOLITAN DISTRICT
2020 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases – (continued)

Series 2007 Bonds are subject to optional and extraordinary redemption. The Series 2007 Bonds are subordinate in all respects to the District's 2004A Bonds; but senior to the payment of debt service on the Notes. Principal of, and interest on the Series 2007 Bonds payable on any interest payment date will be made only to the extent that the District has revenue in excess of debt service requirements of the Series 2004A Bonds or from sources not pledged to the payment of the Series 2004A Bonds. Unpaid principal and interest on the Series 2007 Bonds due on any date will accrue until such time as the Series 2004A Bonds are no longer outstanding or the District's revenues exceed then current debt service on the Series 2004A Bonds.

Furthermore, owners of the Series 2007 Bonds will have no power to exercise, or to direct the Trustee to exercise, any remedy upon default or otherwise while the Series 2004A Bonds are outstanding.

The Series 2007 Bonds share the same pledged revenue sources as the 2004A Bonds and the Notes. In addition to said pledged revenue; the Series 2007 Bonds and the Notes are also payable from drainage and other credits (if, and to the extent received by the District, the "Credits") paid to the District by El Paso County, Colorado, which Credits are not pledged to the payment of debt service on the Series 2004A Bonds.

The District has no material operating or capital leases.

Reserve Funds

Debt Service Reserve

The Debt Service Reserve Fund requirement is \$936,650 for the senior 2004 Series Bonds. The 2020 budget anticipates replenishing the reserve funds during 2020, leaving an anticipated remaining balance of \$671,888.

Operations and Maintenance Reserve

The District collects an Operations and Maintenance Reserve Fee at the time of water and sewer tap sale. These fees are held in reserve for future operation and maintenance needs of the District's water and sewer system.

Emergency Reserve

The District has provided for an Emergency Reserve equal to at least 3% of general government fiscal year spending for 2020, as defined under TABOR.

FALCON HIGHLANDS METROPOLITAN DISTRICT
SCHEDULE OF SENIOR DEBT REQUIREMENTS TO MATURITY
December 31, 2019

\$9,465,000
General Obligation Limited Tax Bonds
Dated June 22, 2004
Series 2004A
Interest Rate of 7.625%
June 15 and December 15

| Year Ending December 31, | Principal | Interest | Total |
|-------------------------------------|---------------------|---------------------|----------------------|
| 2020 | \$ 205,000 | \$ 480,756 | \$ 685,756 |
| 2021 | 220,000 | 465,125 | 685,125 |
| 2022 | 235,000 | 448,350 | 683,350 |
| 2023 | 255,000 | 430,431 | 685,431 |
| 2024 | 270,000 | 410,988 | 680,988 |
| 2025 | 295,000 | 390,400 | 685,400 |
| 2026 | 315,000 | 367,906 | 682,906 |
| 2027 | 340,000 | 343,888 | 683,888 |
| 2028 | 365,000 | 317,963 | 682,963 |
| 2029 | 395,000 | 290,131 | 685,131 |
| 2030 | 425,000 | 260,013 | 685,013 |
| 2031 | 455,000 | 227,606 | 682,606 |
| 2032 | 490,000 | 192,913 | 682,913 |
| 2033 | 525,000 | 155,550 | 680,550 |
| 2034 | 1,515,000 | 115,519 | 1,630,519 |
| | <u>\$ 6,305,000</u> | <u>\$ 4,897,539</u> | <u>\$ 11,202,539</u> |

FALCON HIGHLANDS METROPOLITAN DISTRICT

Schedule of Cash Position

May 31, 2020

Updated as of June 29, 2020

| | General Fund | Conservation Trust Fund | Debt Service Fund | Enterprise Fund | Total |
|---|-------------------------|------------------------------------|------------------------------|----------------------------|------------------------|
| <u>1st Bank - Checking</u> | | | | | |
| Balance as of May 31, 2020 | \$ 69,385.82 | \$ - | \$ - | \$ 87,012.27 | \$ 156,398.09 |
| <i>Subsequent activities:</i> | | | | | |
| 06/01/20 - Void Bill.com Payment | - | - | - | 4,287.64 | 4,287.64 |
| 06/01/20 - Bill.com Payment | - | - | - | (782.80) | (782.80) |
| 06/05/20 - Bill.com Payment | (100.07) | - | - | - | (100.07) |
| 06/12/20 - Online MVEA Payment | - | - | - | (868.00) | (868.00) |
| 06/12/20 - Bill.com Payment | (13,333.54) | - | - | (37,714.44) | (51,047.98) |
| 06/12/20 - Online VISA Card Payment | - | - | - | (482.84) | (482.84) |
| 06/24/20 - Bill.com Payment | (7,072.14) | - | - | (34,306.82) | (41,378.96) |
| June Service Receipts to Date | - | - | - | 39,814.25 | 39,814.25 |
| <i>Anticipated Balance</i> | 48,880.07 | - | - | 56,959.26 | 105,839.33 |
| <u>CSAFE</u> | | | | | |
| Balance as of May 31, 2020 | 1,282,983.80 | 4,175.23 | - | 93,253.34 | 1,380,412.37 |
| <i>Subsequent activities:</i> | | | | | |
| 06/10/20 - Property/SO Taxes | 16,175.25 | - | 52,917.23 | - | 69,092.48 |
| <i>Interfund Transfer</i> | <i>1,812.00</i> | <i>-</i> | <i>(1,812.00)</i> | <i>-</i> | <i>-</i> |
| <i>Anticipated transfer to US Bank</i> | <i>-</i> | <i>-</i> | <i>(51,105.23)</i> | <i>-</i> | <i>(51,105.23)</i> |
| <i>Anticipated Balance</i> | 1,300,971.05 | 4,175.23 | - | 93,253.34 | 1,398,399.62 |
| <u>US Bank Series 2004 Bond Fund</u> | | | | | |
| Balance as of May 31, 2020 | - | - | 410,523.32 | - | 410,523.32 |
| <i>Subsequent activities:</i> | | | | | |
| 06/15/20 - Debt Service Payment | - | - | (240,378.13) | - | (240,378.13) |
| <i>Anticipated Transfer from CSAFE</i> | <i>-</i> | <i>-</i> | <i>51,105.23</i> | <i>-</i> | <i>51,105.23</i> |
| <i>Anticipated Balance</i> | - | - | 221,250.42 | - | 221,250.42 |
| <u>US Bank Series 2004 Reserve Fund</u> | | | | | |
| Balance as of May 31, 2020 | - | - | 639,444.32 | - | 639,444.32 |
| <i>Subsequent activities:</i> | | | | | |
| <i>Anticipated Balance</i> | - | - | 639,444.32 | - | 639,444.32 |
| <u>US Bank Series 2004 Construction Fund</u> | | | | | |
| Balance as of May 31, 2020 | - | - | 707.39 | - | 707.39 |
| <i>Subsequent activities:</i> | | | | | |
| <i>Anticipated Balance</i> | - | - | 707.39 | - | 707.39 |
| <u>US Bank Series 2004 Escrow Fund</u> | | | | | |
| Balance as of May 31, 2020 | - | - | 733.49 | - | 733.49 |
| <i>Subsequent activities:</i> | | | | | |
| <i>Anticipated Balance</i> | - | - | 733.49 | - | 733.49 |
| <u>US Bank Series 2007 Sub Bond Capitalized Interest</u> | | | | | |
| Balance as of May 31, 2020 | - | - | 10,579.19 | - | 10,579.19 |
| <i>Subsequent activities:</i> | | | | | |
| <i>Anticipated Balance</i> | - | - | 10,579.19 | - | 10,579.19 |
| <u>US Bank Series 2007 Sub Bond Construction Fund</u> | | | | | |
| Balance as of May 31, 2020 | - | - | 34.15 | - | 34.15 |
| <i>Subsequent activities:</i> | | | | | |
| <i>Anticipated Balance</i> | - | - | 34.15 | - | 34.15 |
| <i>Anticipated Balances</i> | \$ 1,349,851.12 | \$ 4,175.23 | \$ 872,748.96 | \$ 150,212.60 | \$ 2,376,987.91 |

Yield information (as of 5/31/20):

US Bank MM - 0.22%

CSAFE - .58%

No assurance is provided on these financial statements. Substantially all required disclosures, the government-wide financial statements, and the statements of revenues, expenditures and changes in fund balances - governmental funds have been omitted.

FALCON HIGHLANDS METROPOLITAN DISTRICT
Property Taxes Reconciliation
2020

| Current Year | | | | | | | | | | | Prior Year | | |
|----------------|--|--------------------------|----------|------------------|---------------|--------------------|---------------------|------------------------------------|--------|---------------------|------------------------------------|--------|--|
| Property Taxes | Delinquent Taxes, Rebates and Abatements | Specific Ownership Taxes | Interest | Treasurer's Fees | Due to County | Special Assessment | Net Amount Received | % of Total Property Taxes Received | | Total Cash Received | % of Total Property Taxes Received | | |
| | | | | | | | | Monthly | Y-T-D | | Monthly | Y-T-D | |
| \$ 8,764.18 | \$ - | \$ 9,025.37 | \$ - | \$ (131.46) | - | - | \$ 17,658.09 | 0.98% | 0.98% | \$ 26,083.80 | 2.33% | 2.33% | |
| 371,077.87 | - | 7,966.66 | - | (5,566.17) | - | 2,516.96 | 375,995.32 | 41.56% | 42.54% | 300,108.68 | 38.39% | 40.72% | |
| 54,636.98 | - | 6,547.62 | - | (819.55) | - | - | 60,365.05 | 6.12% | 48.66% | 38,707.63 | 4.14% | 44.86% | |
| 41,966.19 | - | 6,250.13 | - | (629.49) | - | - | 47,586.83 | 4.70% | 53.36% | 87,353.52 | 10.60% | 55.46% | |
| 62,827.42 | - | 7,207.47 | - | (942.41) | - | - | 69,092.48 | 7.04% | 60.40% | 53,574.18 | 6.04% | 61.50% | |
| - | - | - | - | - | - | - | - | 0.00% | 60.40% | 273,663.16 | 34.72% | 96.22% | |
| - | - | - | - | - | - | - | - | 0.00% | 60.40% | 8,796.71 | 0.08% | 96.30% | |
| - | - | - | - | - | - | - | - | 0.00% | 60.40% | 7,827.32 | 0.00% | 96.30% | |
| - | - | - | - | - | - | - | - | 0.00% | 60.40% | 1,616.28 | -0.72% | 95.58% | |
| - | - | - | - | - | - | - | - | 0.00% | 60.40% | 30,743.69 | 2.64% | 98.22% | |
| - | - | - | - | - | - | - | - | 0.00% | 60.40% | 7,963.94 | 0.00% | 98.22% | |
| - | - | - | - | - | - | - | - | 0.00% | 60.40% | 15,412.41 | 0.86% | 99.08% | |
| \$ 539,272.64 | \$ - | \$ 36,997.25 | \$ - | \$ (8,089.08) | \$ - | \$ 2,516.96 | \$ 570,697.77 | 60.40% | 60.40% | \$ 851,851.32 | 99.08% | 99.08% | |
| | | | | | | | | | | | | | |

| Taxes Levied | % of Levied | Property Taxes Collected | % Collected to Amount Levied |
|----------------|----------------|--------------------------|------------------------------|
| \$ 129,389 | 14.49% | \$ 78,146.19 | 60.40% |
| 763,501 | 85.51% | 461,126.45 | 60.40% |
| 892,890 | 100.00% | \$ 539,272.64 | 60.40% |

Property Tax

General Fund
Debt Service Fund
Total

Specific Ownership Tax

General Fund
Total

| | | | |
|---------------|----------------|---------------------|---------------|
| 98,218 | 100.00% | \$ 36,997.25 | 37.67% |
| 98,218 | 100.00% | \$ 36,997.25 | 37.67% |

Treasurer's Fees

General Fund
Debt Service Fund
Total

| | | | |
|------------------|----------------|--------------------|---------------|
| 1,941 | 14.49% | \$ 1,172.19 | 60.39% |
| 11,453 | 85.51% | 6,916.89 | 60.39% |
| \$ 13,394 | 100.00% | \$ 8,089.08 | 60.39% |

No assurance is provided on these financial statements. Substantially all required disclosures, the government-wide financial statements, and the statements of revenues, expenditures and changes in fund balances - governmental funds have been omitted.