

**Falcon Highlands Metropolitan District**  
**Financial Statement Variances**  
**June 30, 2019**

**Accounts Receivable as of 6/30/19 totals \$53,134 with past due amounts of:**

- Over 90 days - \$4,526 made up of 15 customers
- Over 60 days - \$592 made up of 8 customers
- Credit balances – (\$4,431) made up of 34 customers

**Property Taxes Collected**

1. The 2019 collections through June are at 96.22% of the total amount levied compared to 95.71% at this time last year.

**General Fund**

1. Annual insurance premiums were paid in full for the year and are on budget.
2. District Management is tracking ahead of budget due to additional work as directed by the board.
3. Overall, the total General Fund expenditures are at 30% of budget.

**Conservation Trust Fund**

1. As of June 30, 2019, the District has received \$2,918 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. District Management is tracking ahead of budget due to additional work as directed by the board.
3. Operating Expenses are tracking ahead of budget due to the Woodman Hills Operations Contract.
4. Overall, the total Enterprise Fund expenditures are at 44% of budget.

**Cash and Investments**

As of August 1, 2019 the available cash and investments are as follows:

1. General Fund: \$858,254.43
2. Conservation Trust Fund: \$9,312.50
3. Debt Service Fund: \$1,062,766.52 of which \$671,532.26 is the Reserve Fund
4. Enterprise Fund: \$281,455.38

**FALCON HIGHLANDS METROPOLITAN DISTRICT**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**



CliftonLarsonAllen LLP  
CLAconnect.com

## **Accountant's Compilation Report**

Board of Directors  
Falcon Highlands Metropolitan District  
El Paso County, Colorado

Management is responsible for the accompanying financial statements of Falcon Highlands Metropolitan District, which comprise the balance sheet - governmental funds and the Enterprise Fund presented as a governmental fund as of June 30, 2019, and the related statement of revenues, expenditures, and changes in fund balance - actual for the period from January 01, 2019 through June 30, 2019 for the General Fund in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the accompanying financial forecasted budget, which comprises the statement of revenues, expenditures, and changes in fund balance - budget for the year then ending for the General Fund, and the related summary of significant assumptions in accordance with guidelines for the presentation of financial forecast established by the American Institute of Certified Public Accountants. We have performed compilation engagements in accordance with Statements of Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit, examine, or review the historical financial statements or the financial forecasted budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these historical financial statements and this financial forecasted budget.

The forecasted budget results may not be achieved as there will usually be differences between the forecasted budget and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We assume no responsibility to update this report for events and circumstances occurring after the date of this report.

Management has elected to omit the management's discussion and analysis, the government-wide financial statements, the statement of revenues, expenditures and changes in fund balance - governmental funds, the statement of cash flows and substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the historical financial statements, they might influence the user's conclusions about the District's financial position, results of operations, and cash flows. Accordingly, the historical financial statements are not designed for those who are not informed about such matters.

The supplementary information and the supplementary financial forecasted budget information are presented for additional analysis and are not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement; however we have not audited, examined, or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on the supplementary historical information and the supplementary budget information.

We are not independent with respect to Falcon Highlands Metropolitan District.

Colorado Springs, Colorado  
August 01, 2019

**FALCON HIGHLANDS METROPOLITAN DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2019**

	<u>General</u>	<u>Debt Service</u>	<u>Conservation Trust</u>	<u>Enterprise</u>	<u>Total</u>
<b>ASSETS</b>					
Cash - 1st Bank	\$ 18,001	\$ -	\$ -	\$ 226,441	\$ 244,442
C - Safe	809,784	36,745	9,313	56,787	912,629
Bond Fund - Series 2004A	-	114,428	-	-	114,428
Construction Fund - Series 2004A	-	697	-	-	697
Escrow Fund - Series 2004A	-	723	-	-	723
Reserve Fund - Series 2004A	-	671,532	-	-	671,532
Capitalized Interest - Series 2007 Subordinate	-	10,431	-	-	10,431
Construction Fund - Series 2007 Subordinate	-	34	-	-	34
Accounts receivable	12,939	-	-	40,195	53,134
Receivable from County Treasurer	45,486	228,177	-	-	273,663
Accumulated depreciation	-	-	-	(2,722,775)	(2,722,775)
Water rights	-	-	-	402,786	402,786
Equipment and systems	-	-	-	6,015,748	6,015,748
Vehicles	-	-	-	40,659	40,659
<b>TOTAL ASSETS</b>	<u>\$ 886,210</u>	<u>\$ 1,062,767</u>	<u>\$ 9,313</u>	<u>\$ 4,059,841</u>	<u>\$ 6,018,131</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 14,604	\$ -	\$ -	\$ 16,914	\$ 31,518
Tap Review Fee Escrow	-	-	-	96,000	96,000
Total Liabilities	<u>14,604</u>	<u>-</u>	<u>-</u>	<u>112,914</u>	<u>127,518</u>
<b>FUND BALANCES</b>					
Total Fund Balances	<u>871,606</u>	<u>1,062,767</u>	<u>9,313</u>	<u>3,946,927</u>	<u>5,890,613</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 886,210</u>	<u>\$ 1,062,767</u>	<u>\$ 9,313</u>	<u>\$ 4,059,841</u>	<u>\$ 6,018,131</u>

These financial statements should be read only in connection with the accompanying accountant's compilation report.

**FALCON HIGHLANDS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2019**

**GENERAL FUND**

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Property taxes	\$ 111,331	\$ 105,814	\$ (5,517)
Specific ownership taxes	92,374	44,094	(48,280)
Interest income	10,000	9,672	(328)
Maintenance fees	131,000	65,597	(65,403)
<b>TOTAL REVENUES</b>	<u>344,705</u>	<u>225,177</u>	<u>(119,528)</u>
<b>EXPENDITURES</b>			
Accounting	40,000	13,168	26,832
Auditing	8,500	-	8,500
County Treasurer's fee	1,670	1,589	81
Directors' fees	6,000	700	5,300
Insurance and bonds	9,000	8,872	128
District management	45,000	23,402	21,598
Legal services	45,000	19,115	25,885
Miscellaneous	5,000	18	4,982
Payroll - wages and taxes	28,000	16,124	11,876
Repairs and maintenance	10,000	354	9,646
Professional Services	5,000	375	4,625
Landscape maintenance	5,000	-	5,000
General improvements	20,000	-	20,000
Utilities - street lights	25,000	12,769	12,231
Fuel	2,000	815	1,185
Operating expense	-	309	(309)
Equipment expense	10,000	-	10,000
Trail maintenance	10,000	-	10,000
Park improvements	45,000	-	45,000
Contingency	10,830	-	10,830
<b>TOTAL EXPENDITURES</b>	<u>331,000</u>	<u>97,610</u>	<u>233,390</u>
<b>NET CHANGE IN FUND BALANCES</b>	13,705	127,567	113,862
<b>FUND BALANCES - BEGINNING</b>	<u>661,232</u>	<u>744,038</u>	<u>82,806</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 674,937</u>	<u>\$ 871,605</u>	<u>\$ 196,668</u>

These financial statements should be read only in connection with the accompanying accountant's compilation report.

**FALCON HIGHLANDS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2019**

**CONSERVATION TRUST FUND**

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Conservation Trust proceeds	\$ 6,000	\$ 2,918	\$ (3,082)
Interest income	100	93	(7)
<b>TOTAL REVENUES</b>	<u>6,100</u>	<u>3,011</u>	<u>(3,089)</u>
<b>EXPENDITURES</b>			
Contingency	<u>12,522</u>	-	<u>12,522</u>
<b>TOTAL EXPENDITURES</b>	<u>12,522</u>	<u>-</u>	<u>12,522</u>
<b>NET CHANGE IN FUND BALANCES</b>	(6,422)	3,011	9,433
<b>FUND BALANCES - BEGINNING</b>	<u>6,422</u>	<u>6,301</u>	<u>(121)</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ 9,312</u>	<u>\$ 9,312</u>

These financial statements should be read only in connection with the accompanying accountant's compilation report.

**FALCON HIGHLANDS METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND JUNE 30, 2018**

	<u>Year to Date Actual</u>	<u>Prior Year to Date Actual</u>	<u>Variance</u>
<b>OPERATING REVENUES</b>			
Facility fees	\$ 22,686	\$ -	\$ 22,686
Interest income	714	455	259
Water treatment fees	57,970	57,698	272
Administrative fees	40,978	40,689	289
Water usage fees	95,530	100,354	(4,824)
Penalties	3,220	3,100	120
Meter fees	936	-	936
Water tap fees	32,973	-	32,973
O&M fees	406	-	406
Inspection fees	90	-	90
Tap review fees	-	15,000	(15,000)
Total operating revenues	<u>255,503</u>	<u>217,296</u>	<u>38,207</u>
<b>OPERATING EXPENDITURES</b>			
Accounting	16,460	21,464	5,004
Dues and membership	156	275	119
Insurance and bonds	13,801	13,736	(65)
District management	31,203	31,925	722
Legal services	25,486	30,422	4,936
Miscellaneous	761	117	(644)
Security	2,985	2,807	(178)
Payroll - wages and taxes	34,551	22,715	(11,836)
Repairs and maintenance	1,462	2,371	909
Professional Services	15,051	23,711	8,660
Woodman Hills sewer tap fees	12,973	-	(12,973)
Utilities - street lights	21,203	31,287	10,084
Fuel	611	581	(30)
Operating expense	10,276	5,907	(4,369)
Supplies - treatment facility	2,684	4,129	1,445
Utility billing	18,985	15,326	(3,659)
Telephone	1,053	1,631	578
Utility locates	172	135	(37)
Capital outlay	29,266	8,314	(20,952)
Depreciation expense	<u>63,511</u>	<u>63,511</u>	<u>-</u>
Total operating expenses	<u>302,650</u>	<u>280,364</u>	<u>(22,286)</u>
Operating income (loss)	(47,147)	(63,068)	15,921
<b>OTHER FINANCING SOURCES (USES)</b>			
Other revenue	-	4,122	(4,122)
Total non-operating revenues (expenses)	<u>-</u>	<u>4,122</u>	<u>(4,122)</u>
<b>CHANGE IN NET POSITION</b>	(47,147)	(58,946)	11,799
<b>TOTAL NET POSITION - BEGINNING</b>	<u>3,994,074</u>	<u>4,071,703</u>	<u>(77,629)</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 3,946,927</u>	<u>\$ 4,012,757</u>	<u>\$ (65,830)</u>

These financial statements should be read only in connection with the accompanying accountant's compilation report.

## **SUPPLEMENTARY INFORMATION**



**FALCON HIGHLANDS METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2019**

**DEBT SERVICE FUND**

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Property taxes	\$ 658,454	\$ 634,868	\$ (23,586)
Interest income	10,000	8,243	(1,757)
<b>TOTAL REVENUES</b>	<u>668,454</u>	<u>643,111</u>	<u>(25,343)</u>
<b>EXPENDITURES</b>			
County Treasurer's fee	9,877	9,533	344
Paying agent fees	12,000	-	12,000
Bond interest	495,244	247,622	247,622
Bond principal	190,000	-	190,000
Contingency	4,879	-	4,879
<b>TOTAL EXPENDITURES</b>	<u>712,000</u>	<u>257,155</u>	<u>454,845</u>
<b>NET CHANGE IN FUND BALANCES</b>	(43,546)	385,956	429,502
<b>FUND BALANCES - BEGINNING</b>	<u>675,165</u>	<u>676,811</u>	<u>1,646</u>
<b>FUND BALANCES - ENDING</b>	<u><u>\$ 631,619</u></u>	<u><u>\$ 1,062,767</u></u>	<u><u>\$ 431,148</u></u>

This supplementary information should be read only in connection with the accompanying accountant's compilation report.

**FALCON HIGHLANDS METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND AVAILABLE - BUDGET AND ACTUAL  
FOR THE SIX MONTHS ENDED JUNE 30, 2019**

**ENTERPRISE FUND**

	<b>Annual Budget</b>	<b>Year to Date Actual</b>	<b>Variance</b>
<b>REVENUE</b>			
Facility fees	\$ -	\$ 22,686	\$ 22,686
Interest income	1,000	714	(286)
Water treatment fees	115,500	57,970	(57,530)
Administrative fees	81,500	40,978	(40,522)
Water usage fees	260,000	95,530	(164,470)
Penalties	7,000	3,220	(3,780)
Meter fees	-	936	936
Water tap fees	-	32,973	32,973
O&M fees	-	406	406
Inspection fees	-	90	90
<b>TOTAL REVENUE</b>	<u>465,000</u>	<u>255,503</u>	<u>(209,497)</u>
<b>EXPENDITURES</b>			
Accounting	50,000	16,460	33,540
Dues and membership	500	156	344
Insurance and bonds	14,000	13,801	199
District management	60,000	31,203	28,797
Legal services	60,000	25,486	34,514
Miscellaneous	1,000	761	239
Security	6,000	2,985	3,015
Payroll - wages and taxes	60,000	34,551	25,449
Repairs and maintenance	25,000	1,462	23,538
Professional Services	50,000	15,051	34,949
SCADA system inspection	2,500	-	2,500
Woodman Hills sewer tap fees	-	12,973	(12,973)
Utilities - street lights	70,000	21,203	48,797
Fuel	1,500	611	889
Operating expense	15,000	10,276	4,724
Supplies - treatment facility	10,000	2,684	7,316
Utility billing	38,000	18,985	19,015
Telephone	3,200	1,053	2,147
Utility locates	500	172	328
Equipment expense	500	-	500
Permits - fees	1,000	-	1,000
Capital outlay	75,000	29,266	45,734
Small tools and supplies	1,500	-	1,500
Contingency	4,000	-	4,000
<b>TOTAL EXPENDITURES</b>	<u>549,200</u>	<u>239,139</u>	<u>310,061</u>
<b>NET CHANGE IN FUNDS AVAILABLE</b>	(84,200)	16,364	100,564
<b>FUNDS AVAILABLE - BEGINNING</b>	<u>145,050</u>	<u>194,143</u>	<u>49,093</u>
<b>FUNDS AVAILABLE - ENDING</b>	<u>\$ 60,850</u>	<u>\$ 210,507</u>	<u>\$ 149,657</u>

This supplementary information should be read only in connection with the accompanying accountant's compilation report.

**FALCON HIGHLANDS METROPOLITAN DISTRICT  
2019 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 employees and all administrative functions are contracted.

**FALCON HIGHLANDS METROPOLITAN DISTRICT  
2019 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 7.96% to 7.2% allows the District to adjust its mill levy to offset the decrease in revenues. Accordingly, the District adjusted its mill levy to 5.674 for operation and 34.043 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 12% 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 2019.

**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 2019.

**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  
2019 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 salaries and related payroll 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  
2019 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  
2019 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 2019 budget anticipates additional draws from the reserve funds to satisfy the 2019 debt service requirements, leaving an anticipated remaining balance of \$632,978.

**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 2019, 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**

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 190,000	\$ 495,244	\$ 685,244
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>\$ 6,495,000</u>	<u>\$ 5,392,783</u>	<u>\$ 11,887,783</u>



**FALCON HIGHLANDS METROPOLITAN DISTRICT**  
**Schedule of Cash Position**  
**June 30, 2019**  
**Updated as of July 31, 2019**

	<b>General Fund</b>	<b>Conservation Trust Fund</b>	<b>Debt Service Fund</b>	<b>Enterprise Fund</b>	<b>Total</b>
<b><u>1st Bank - Checking</u></b>					
Balance as of June 30, 2019	\$ 18,000.74	\$ -	\$ -	\$ 226,440.51	\$ 244,441.25
Subsequent activities:					
07/01/19 - Transfer from CSAFE	5,000.00	-	-	-	5,000.00
07/01/19 - Refund Overpayment of Tap Fees	-	-	-	(35,000.00)	(35,000.00)
07/31/19 - UI Payment	(93.09)	-	-	-	(93.09)
July service receipts to date	-	-	-	50,700.32	50,700.32
July payroll and taxes	(322.95)	-	-	-	(322.95)
July Voided Bill.com	3.34	-	-	-	3.34
Anticipated Bill.com Payment	(14,604.18)	-	-	(17,472.49)	(32,076.67)
<b>Anticipated Balance</b>	<b>7,983.86</b>	<b>-</b>	<b>-</b>	<b>224,668.34</b>	<b>232,652.20</b>
<b><u>CSAFE</u></b>					
Balance as of June 30, 2019	809,784.15	9,312.50	36,744.75	56,787.04	912,628.44
Subsequent activities:					
07/01/19 - Transfer to Bond Fund	-	-	(39,244.75)	-	(39,244.75)
07/01/19 - Transfer to Checking	(5,000.00)	-	-	-	(5,000.00)
07/10/19 - Property/SO taxes	45,486.42	-	228,176.74	-	273,663.16
Anticipated transfer to US Bank	-	-	(225,676.74)	-	(225,676.74)
<b>Anticipated Balance</b>	<b>850,270.57</b>	<b>9,312.50</b>	<b>-</b>	<b>56,787.04</b>	<b>916,370.11</b>
<b><u>US Bank Series 2004 Bond Fund</u></b>					
Balance as of June 30, 2019	-	-	114,427.74	-	114,427.74
Subsequent activities:					
07/01/19 - Transfer from CSAFE	-	-	39,244.75	-	39,244.75
Anticipated transfer from CSAFE	-	-	225,676.74	-	225,676.74
<b>Anticipated Balance</b>	<b>-</b>	<b>-</b>	<b>379,349.23</b>	<b>-</b>	<b>379,349.23</b>
<b><u>US Bank Series 2004 Reserve Fund</u></b>					
Balance as of June 30, 2019	-	-	671,532.26	-	671,532.26
Subsequent activities:					
<b>Anticipated Balance</b>	<b>-</b>	<b>-</b>	<b>671,532.26</b>	<b>-</b>	<b>671,532.26</b>
<b><u>US Bank Series 2004 Construction Fund</u></b>					
Balance as of June 30, 2019	-	-	697.47	-	697.47
Subsequent activities:					
<b>Anticipated Balance</b>	<b>-</b>	<b>-</b>	<b>697.47</b>	<b>-</b>	<b>697.47</b>
<b><u>US Bank Series 2004 Escrow Fund</u></b>					
Balance as of June 30, 2019	-	-	723.19	-	723.19
Subsequent activities:					
<b>Anticipated Balance</b>	<b>-</b>	<b>-</b>	<b>723.19</b>	<b>-</b>	<b>723.19</b>
<b><u>US Bank Series 2007 Sub Bond Capitalized Interest</u></b>					
Balance as of June 30, 2019	-	-	10,430.71	-	10,430.71
Subsequent activities:					
<b>Anticipated Balance</b>	<b>-</b>	<b>-</b>	<b>10,430.71</b>	<b>-</b>	<b>10,430.71</b>
<b><u>US Bank Series 2007 Sub Bond Construction Fund</u></b>					
Balance as of June 30, 2019	-	-	33.66	-	33.66
Subsequent activities:					
<b>Anticipated Balance</b>	<b>-</b>	<b>-</b>	<b>33.66</b>	<b>-</b>	<b>33.66</b>
<b>Anticipated Balances</b>	<b>\$ 858,254.43</b>	<b>\$ 9,312.50</b>	<b>\$ 1,062,766.52</b>	<b>\$ 281,455.38</b>	<b>\$ 2,211,788.83</b>

**Yield information (as of 6/30/19):**

US Bank MM - 0.22%

CSAFE - 2.38%

**FALCON HIGHLANDS METROPOLITAN DISTRICT**  
**Property Taxes Reconciliation**  
**2019**

	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
January	\$ 18,710.70	\$ (790.82)	\$ 8,460.38	\$ (15.80)	\$ (280.66)	-	-	\$ 26,083.80	2.33%	2.33%	\$ 18,176.99	1.44%	1.44%
February	295,504.70	-	6,121.53	-	(4,432.57)	-	2,915.02	300,108.68	38.39%	40.72%	308,547.87	40.25%	41.69%
March	31,879.02	-	7,302.69	4.17	(478.25)	-	-	38,707.63	4.14%	44.86%	27,615.59	2.66%	44.34%
April	81,614.20	-	6,963.53	-	(1,224.21)	-	-	87,353.52	10.60%	55.46%	74,972.31	9.08%	53.42%
May	46,471.90	-	7,789.89	9.61	(697.22)	-	-	53,574.18	6.04%	61.50%	165,835.46	21.14%	74.56%
June	267,292.70	-	7,456.04	8.92	(4,009.52)	-	2,915.02	273,663.16	34.72%	96.22%	166,524.87	21.15%	95.71%
July	-	-	-	-	-	-	-	-	0.00%	96.22%	23,832.49	2.04%	97.75%
August	-	-	-	-	-	-	-	-	0.00%	96.22%	23,616.58	2.02%	99.77%
September	-	-	-	-	-	-	-	-	0.00%	96.22%	7,900.99	0.00%	99.77%
October	-	-	-	-	-	-	-	-	0.00%	96.22%	9,809.77	-0.06%	99.71%
November	-	-	-	-	-	-	-	-	0.00%	96.22%	8,647.76	0.00%	99.71%
December	-	-	-	-	-	-	-	-	0.00%	96.22%	8,416.79	0.00%	99.71%
<b>Total</b>	<b>\$ 741,473.22</b>	<b>\$ (790.82)</b>	<b>\$ 44,094.06</b>	<b>\$ 6.90</b>	<b>\$ (11,122.43)</b>	<b>\$ -</b>	<b>\$ 5,830.04</b>	<b>\$ 779,490.97</b>	<b>96.22%</b>	<b>96.22%</b>	<b>\$ 843,897.47</b>	<b>99.71%</b>	<b>99.71%</b>

Taxes Levied	% of Levied	Property Taxes Collected	% Collected to Amount Levied
\$ 109,972	14.29%	\$ 105,813.98	96.22%
659,813	85.71%	634,868.42	96.22%
<b>769,785</b>	<b>100.00%</b>	<b>\$ 740,682.40</b>	<b>96.22%</b>

**Property Tax**

General Fund  
Debt Service Fund  
Total

**Specific Ownership Tax**

General Fund  
Total

**Treasurer's Fees**

General Fund  
Debt Service Fund  
Total