

LETTER OF BUDGET TRANSMITTAL

Date: January 30, 2019

To: Division of Local Government
1313 Sherman Street, Room 521
Denver, Colorado 80203

Attached are the 2019 Budget and budget message for the FALCON HIGHLANDS METROPOLITAN DISTRICT in El Paso County, Colorado, submitted pursuant to Section 29-1-113, C.R.S. This budget was adopted on November 12, 2018. If there are any questions on the budget, please contact:

CliftonLarsonAllen LLP
Attn: Josh Miller, District Manager
8390 E. Crescent Parkway, Suite 300
Greenwood Village, CO 80111
Telephone number: 303-779-5710
Josh.Miller@claconnect.com

I, Josh Miller, District Manager of the Falcon Highlands Metropolitan District, hereby certify that the attached is a true and correct copy of the 2019 Budget.

By: 

Josh Miller, District Manager

**CERTIFIED COPY OF RESOLUTION NO. 2018-11-02, TO ADOPT BUDGET AND
APPROPRIATE FUNDS FOR THE FALCON HIGHLANDS METROPOLITAN
DISTRICT FOR YEAR 2019**

STATE OF COLORADO)
) ss.
EL PASO COUNTY)

The Board of Directors of Falcon Highlands Metropolitan District, El Paso County, Colorado held a regular meeting at 7030 Old Meridian Road, Peyton, Colorado, on November 12, 2018 at 5:30 p.m.

The following members of the Board of Directors were present:

President/Chair: Tonia Joyner
Treasurer: Kevin Haas
Secretary: Tim Dickey

Also present were: Chelsea Gondeck & Carrie Bartow; CliftonLarsonAllen LLP, Jeffery E. Erb; Seter & Vadner Wall, P.C.

Counsel reported that, prior to the meeting, she notified each of the Directors of the date, time and place of this meeting and the purpose for which it was called. She further reported that this meeting is a regular meeting of the Board of Directors of the District and that Notice of Regular Meeting has heretofore been posted at three places within the boundaries of the District and at the El Paso County Clerk and Recorder's Office and to the best of her knowledge, remains posted to the date of this meeting. A copy of the Notice of Regular Meeting and a copy of the published Notice as to Public Hearing regarding Amended 2018 and Proposed 2019 Budget are incorporated into these proceedings.

NOTICE OF REGULAR MEETING
AND
NOTICE AS TO PUBLIC HEARING REGARDING
AMENDED 2018 BUDGET AND PROPOSED 2019 BUDGET

Proof of Publication

THE TRANSCRIPT
Colorado Springs, Colorado

STATE OF COLORADO, } ss.
COUNTY OF EL PASO }

I, Amy Sweet, Publisher and Executive Editor, or the undersigned Authorized Agent of the Publisher and Executive Editor, do solemnly swear that I am the Publisher and Executive Editor, or Authorized Agent of the Publisher and Executive Editor of The Transcript; that the same is a tri-weekly newspaper and published in the County of El Paso, State of Colorado, and has a general circulation therein; that said newspaper has been published continuously and uninterruptedly in said County of El Paso for a period of more than fifty-two consecutive weeks prior to the first publication of the annexed legal notice or advertisement; that said newspaper has been admitted to the United States mails as second-class matter under the provisions of the Act of March 3, 1879, or any amendments thereof, and that said newspaper is a tri-weekly newspaper duly qualified for publishing legal notices and advertisements within the meaning of the laws of the State of Colorado.


That the annexed legal notice or advertisement was published in the regular and entire issue of every number of said tri-weekly newspapers for the period of 1 consecutive insertion(s), and/or once each week and on the same days of each week; and that the first publication of said notice was in the issue of said newspaper dated:

02, NOVEMBER, A.D. 2018.

And that the last publication of said notice was in the issue of said newspaper dated:

02, NOVEMBER, A.D. 2018.

In witness whereof, I have hereunto set my hand this 2nd day of November, A.D. 2018.


Publisher and Executive Editor / Authorized Agent

Subscribed and sworn to before me, a notary public in and for the County of El Paso, State of Colorado, this 2nd day of November, A.D. 2018.


Notary Public
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20114063677
COMMISSION EXPIRES OCTOBER 5, 2019

NOTICE AS TO PUBLIC HEARING
REGARDING AMENDED 2018 AND
PROPOSED 2019 BUDGET OF
FALCON HIGHLANDS
METROPOLITAN DISTRICT

NOTICE IS HEREBY GIVEN that proposed 2019 budget has been submitted to the Board of Directors of the Falcon Highlands Metropolitan District for the ensuing year 2019; a copy of such proposed budget has been filed in the office of the District located at CliftonLarsonAllen LLP, 8390 E. Crescent Parkway, Suite 300, Greenwood Village, Colorado, where same is open for public inspection; and that such proposed budget will be considered at a regular meeting of the Board of Directors of the District to be held at the Falcon Fire Protection District, Station No. 3, 7030 Old Meridian Road, Peyton, Colorado 80831, on Monday, November 12th, 2018 at 5:30 p.m.

NOTICE IS FURTHER GIVEN that the Board of Directors of the Falcon Highlands Metropolitan District may also consider amending the District's 2018 budget at this meeting. A copy of such proposed budget amendment will be available for inspection by the public at the office of the District located at CliftonLarsonAllen LLP, 8390 E. Crescent Parkway, Suite 300, Greenwood Village, Colorado.

Any elector within the District may, at any time prior to the final adoption of the 2019 budget or 2018 budget amendment, inspect the budgets and file or register any objections thereto.

This meeting is open to the public.

BY ORDER OF THE BOARD
OF DIRECTORS;

/s/ Josh Miller, Manager

Publication Date: November 2, 2018

Published in The Transcript

DT34375

Thereupon, Director Dickey introduced and moved the adoption of the following Resolution:

RESOLUTION

A RESOLUTION SUMMARIZING EXPENDITURES AND REVENUES FOR EACH FUND AND ADOPTING A BUDGET, LEVYING GENERAL PROPERTY TAXES FOR COLLECTION IN THE YEAR 2019 TO HELP DEFRAY THE COSTS OF GOVERNMENT, AND APPROPRIATING SUMS OF MONEY TO EACH FUND IN THE AMOUNTS AND FOR THE PURPOSES SET FORTH HEREIN FOR THE FALCON HIGHLANDS METROPOLITAN DISTRICT, EL PASO COUNTY, COLORADO, FOR THE CALENDAR YEAR BEGINNING ON THE FIRST DAY OF JANUARY, 2019, AND ENDING ON THE LAST DAY OF DECEMBER, 2019.

WHEREAS, the Board of Directors of the Falcon Highlands Metropolitan District has authorized its budget officer to prepare and submit a proposed budget to said governing body at the proper time; and

WHEREAS, the proposed budget has been submitted to the Board of Directors of the District for its consideration; and

WHEREAS, upon due and proper notice, published in accordance with law, said proposed budget was open for inspection by the public at a designated place, a public hearing was held on November 12, 2018, and interested electors were given the opportunity to file or register any objections to said proposed budget; and

WHEREAS, the budget being adopted by the Board has been prepared based on the best information available to the Board regarding the effects of Article X, Section 20 of the Colorado Constitution; and

WHEREAS, whatever increases may have been made in the expenditures, like increases were added to the revenues so that the budget remains in balance, as required by law.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE FALCON HIGHLANDS METROPOLITAN DISTRICT OF EL PASO COUNTY, COLORADO:

Section 1. Summary of 2019 Revenues and 2019 Expenditures. That the estimated revenues and expenditures for each fund for fiscal year 2019, as more specifically set forth in the budget attached hereto, are accepted and approved.

Section 2. Adoption of Budget. That the budget as submitted, amended and attached hereto and incorporated herein is approved and adopted as the budget of the Falcon Highlands Metropolitan District for fiscal year 2019.

Section 3. 2019 Levy of General Property Taxes. That the foregoing budget indicated that the amount of money necessary to balance the budget for the General Fund for operating expenses from property tax revenue is \$111,331, that the 2018 valuation for assessment, as certified by the El Paso County Assessor, is \$19,341,810. That for the purposes of meeting all general operating expenses of the District during the 2019 budget year, there is hereby levied a tax of 5.674 mills upon each dollar of the total valuation of assessment of all taxable property within the District for the year 2018.

Section 4. 2019 Levy of Debt Retirement Expenses. That the foregoing budget indicated that the amount of money necessary to balance the budget for the Debt Service Fund for debt retirement expense from property tax revenue is \$658,454 and that the 2018 valuation for assessment, as certified by the El Paso County Assessor, is \$19,341,810. That for the purposes of meeting all debt retirement expenses of the District during the 2019 budget year, there is hereby levied a tax of 34.043 mills upon each dollar of the total valuation of assessment of all taxable property within the District for the year 2018.

Section 5. Certification to County Commissioners. That the Secretary or Assistant Secretary of the District or its designee, is hereby authorized and directed to immediately certify to the County Commissioners of El Paso County, the mill levy for the District hereinabove

determined and set forth on the Certification of Tax Levies for Non-School Governments attached hereto.

Section 6. Appropriations. That the amounts set forth as expenditures and balances remaining, as specifically allocated in the budget attached hereto, are hereby appropriated from the revenue of each fund, to each fund, for the purposes stated and no other.

Section 7. Budget Certification. That the budget shall be certified by the Secretary or Assistant Secretary of the District, and made a part of the public records of the Falcon Highlands Metropolitan District.

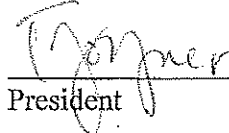
The foregoing Resolution was seconded by Director Joyner.

RESOLUTION APPROVED AND ADOPTED THIS 12TH DAY OF NOVEMBER, 2018.

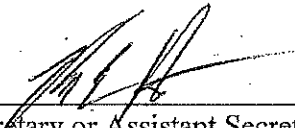
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Falcon Highlands Metropolitan District
2019 Budget Resolution
Signature Page

FALCON HIGHLANDS METROPOLITAN DISTRICT

By: 
President

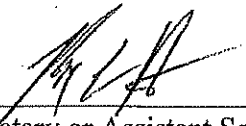
ATTEST:

By: 
Secretary or Assistant Secretary

STATE OF COLORADO
COUNTY OF EL PASO
FALCON HIGHLANDS METROPOLITAN DISTRICT

I certify that I am a Director and the duly elected and qualified Secretary or Assistant Secretary of the Falcon Highlands Metropolitan District, and that the foregoing constitute a true and correct copy of the record of proceedings of the Board of Directors of said District, adopted at a regular meeting of the Board of Directors of the Falcon Highlands Metropolitan District held on November 12, 2018, Peyton, Colorado, as recorded in the official record of the proceedings of the District, insofar as said proceedings relate to the budget hearing for fiscal year 2019; that said proceedings were duly had and taken; that the meeting was duly held; and that the persons were present at the meeting as therein shown.

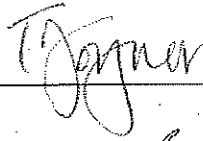
IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the official seal of the District this 12th day of November, 2018.

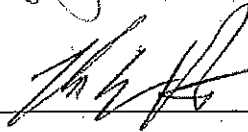


Secretary or Assistant Secretary

ACKNOWLEDGEMENT OF NOTICE AND
APPROVAL OF RECORD OF PROCEEDINGS

We, the undersigned members of the Board of Directors of the Falcon Highlands Metropolitan District, El Paso County, Colorado, do hereby acknowledge receipt of proper notice of the meeting of the Board held Monday, November 12th, 2018, at 5:30 p.m., at 7030 Old Meridian Road, Peyton, Colorado, informing of the date, time and place of the meeting and the purpose for which it was called, and we do hereby approve said record of proceedings and the actions taken by the Board as stated therein.





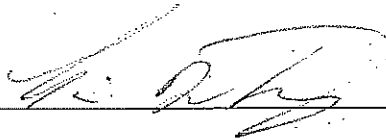


EXHIBIT A

**BUDGET DOCUMENT
AND
BUDGET MESSAGE**



CliftonLarsonAllen LLP
www.CLAconnect.com

Accountant's Compilation Report

Board of Directors
Falcon Highlands Metropolitan District

Management is responsible for the accompanying budget of revenues, expenditures, and fund balances of Falcon Highlands Metropolitan District for the year ending December 31, 2019, including the estimate of comparative information for the year ending December 31, 2018 and the actual comparative information for the year ended December 31, 2017, in the format prescribed by Colorado Revised Statutes (C.R.S. 29-1-105 and the related summary of significant assumptions in accordance with guidelines for the presentation of a budget established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the 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 the accompanying budget.

The budgeted results may not be achieved as there will usually be differences between the budgeted 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.

We draw attention to the summary of significant assumptions which describe that the budget is presented in accordance with the requirements of C.R.S. 29-1-105, and is not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

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

Colorado Springs, Colorado
January 29, 2019



An independent member of Nexia International

**FALCON HIGHLANDS METROPOLITAN DISTRICT
SUMMARY
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

1/29/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCES	\$ 1,729,269	\$ 1,513,483	\$ 1,487,869
REVENUES			
Property taxes	638,455	758,842	769,785
Specific ownership taxes	86,387	90,970	92,374
Interest income	13,817	28,775	21,100
Maintenance fees	130,774	131,000	131,000
Conservation trust proceeds	4,256	4,500	6,000
Water treatment fees	115,551	115,500	115,500
Water usage fees	242,154	260,000	260,000
Penalties	6,624	7,000	7,000
Other revenue	16,440	4,122	-
Administrative fees	81,728	81,500	81,500
Tap review fees	-	15,000	-
Total revenues	1,336,186	1,497,209	1,484,259
Total funds available	3,065,455	3,010,692	2,972,128
EXPENDITURES			
General Fund	242,815	294,962	331,000
Debt Service Fund	702,722	703,380	712,000
Conservation Trust Fund	-	11,470	12,522
Enterprise Fund	606,435	513,011	549,200
Total expenditures	1,551,972	1,522,823	1,604,722
Total expenditures and transfers out requiring appropriation	1,551,972	1,522,823	1,604,722
ENDING FUND BALANCES	\$ 1,513,483	\$ 1,487,869	\$ 1,367,406
EMERGENCY RESERVE	\$ 9,800	\$ 10,400	\$ 10,300
SERIES 2004 A REQUIRED RESERVE (\$936,650)	714,603	675,165	631,619
O&M RESERVE	22,750	22,750	22,750
TOTAL RESERVE	\$ 747,153	\$ 708,315	\$ 664,669

This financial information should be read only in connection with the accompanying accountant's
compilation report and summary of significant assumptions.

**FALCON HIGHLANDS METROPOLITAN DISTRICT
PROPERTY TAX SUMMARY INFORMATION
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

1/29/19

ACTUAL	ESTIMATED	BUDGET
2017	2018	2019

ASSESSED VALUATION

Residential	\$ 8,206,420	\$ 8,249,550	\$ 8,277,080
Commercial	7,897,610	8,702,340	8,901,240
Agricultural	3,500	3,750	3,750
Vacant land	1,455,570	1,451,940	1,451,940
State assessed	654,680	697,210	707,800
Certified Assessed Value	<u>\$ 18,217,780</u>	<u>\$ 19,104,790</u>	<u>\$ 19,341,810</u>

MILL LEVY

General	5.000	5.674	5.674
Debt Service	30.000	34.046	34.043
Refund and abatements	0.000	0.000	0.082
Total mill levy	<u>35.000</u>	<u>39.720</u>	<u>39.799</u>

PROPERTY TAXES

General	\$ 91,089	\$ 108,400	\$ 109,745
Debt Service	546,533	650,442	658,454
Refund and abatements	-	-	1,586
Levied property taxes	<u>637,622</u>	<u>758,842</u>	<u>769,785</u>
Adjustments to actual/rounding	833	-	-
Refunds and abatements	-	(1,605)	-
Budgeted property taxes	<u>\$ 638,455</u>	<u>\$ 757,237</u>	<u>\$ 769,785</u>

BUDGETED PROPERTY TAXES

General	\$ 91,208	\$ 108,170	\$ 111,331
Debt Service	547,247	649,067	658,454
	<u>\$ 638,455</u>	<u>\$ 757,237</u>	<u>\$ 769,785</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**FALCON HIGHLANDS METROPOLITAN DISTRICT
GENERAL FUND
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

1/29/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCE	\$ 529,427	\$ 611,824	\$ 661,232
REVENUES			
Property taxes	91,208	108,400	111,331
Specific ownership taxes	86,387	90,970	92,374
Interest income	7,138	14,000	10,000
Maintenance fees	130,774	131,000	131,000
Other revenue	9,705	-	-
Total revenues	325,212	344,370	344,705
Total funds available	854,639	956,194	1,005,937
EXPENDITURES			
General and administrative			
Accounting	41,627	40,000	40,000
Auditing	8,500	8,500	8,500
County Treasurer's fee	1,372	1,628	1,670
Directors' fees	6,300	3,200	6,000
Insurance and bonds	8,152	8,830	9,000
District management	34,232	58,000	45,000
Legal services	47,605	40,000	45,000
Miscellaneous	2,944	5,000	5,000
Bond council	-	30,000	-
Payroll - wages and taxes	23,158	25,000	28,000
Election expense	23,142	1,432	-
Contingency	-	10,295	10,830
Debt Service			
John Deere Mower 2013 - Principal	1,667	572	-
John Deere Mower 2013 - Interest	64	5	-
Operations and maintenance			
Repairs and maintenance	-	11,000	10,000
Professional Services	-	5,000	5,000
Landscape maintenance	-	5,000	5,000
Trail maintenance	23,150	-	10,000
Park improvements	-	-	45,000
General improvements	-	-	20,000
Fuel	1,449	1,500	2,000
Utilities	19,453	40,000	25,000
Equipment expense	-	-	10,000
Total expenditures	242,815	294,962	331,000
Total expenditures and transfers out requiring appropriation	242,815	294,962	331,000
ENDING FUND BALANCE	\$ 611,824	\$ 661,232	\$ 674,937
EMERGENCY RESERVE	\$ 9,800	\$ 10,400	\$ 10,300
TOTAL RESERVE	\$ 9,800	\$ 10,400	\$ 10,300

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**FALCON HIGHLANDS METROPOLITAN DISTRICT
CONSERVATION TRUST FUND
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

1/29/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCE	\$ 8,802	\$ 13,117	\$ 6,422
REVENUES			
Conservation Trust proceeds	4,256	4,500	6,000
Interest income	59	275	100
Total revenues	4,315	4,775	6,100
Total funds available	13,117	17,892	12,522
EXPENDITURES			
General and administrative			
Repairs and maintenance	-	11,470	-
Contingency	-	-	12,522
Total expenditures	-	11,470	12,522
Total expenditures and transfers out requiring appropriation	-	11,470	12,522
ENDING FUND BALANCE	\$ 13,117	\$ 6,422	\$ -

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**FALCON HIGHLANDS METROPOLITAN DISTRICT
DEBT SERVICE FUND
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

1/29/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUND BALANCE	\$ 863,710	\$ 714,603	\$ 675,165
REVENUES			
Property taxes	547,247	650,442	658,454
Interest income	6,368	13,500	10,000
Total revenues	553,615	663,942	668,454
Total funds available	1,417,325	1,378,545	1,343,619
EXPENDITURES			
Debt Service			
Bond interest	521,169	508,588	495,244
Bond principal	165,000	175,000	190,000
County Treasurer's fee	8,231	9,792	9,877
Paying agent fees	8,322	10,000	12,000
Contingency	-	-	4,879
Total expenditures	702,722	703,380	712,000
Total expenditures and transfers out requiring appropriation	702,722	703,380	712,000
ENDING FUND BALANCE	\$ 714,603	\$ 675,165	\$ 631,619
SERIES 2004 A REQUIRED RESERVE (\$936,650)	\$ 714,603	\$ 675,165	\$ 631,619
TOTAL RESERVE	\$ 714,603	\$ 675,165	\$ 631,619

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**FALCON HIGHLANDS METROPOLITAN DISTRICT
ENTERPRISE FUND
2019 BUDGET
WITH 2017 ACTUAL AND 2018 ESTIMATED
For the Years Ended and Ending December 31,**

1/29/19

	ACTUAL 2017	ESTIMATED 2018	BUDGET 2019
BEGINNING FUNDS AVAILABLE	\$ 327,330	\$ 173,939	\$ 145,050
REVENUES			
Other revenue	6,735	4,122	-
Water treatment fees	115,551	115,500	115,500
Administrative fees	81,728	81,500	81,500
Water usage fees	242,154	260,000	260,000
Penalties	6,624	7,000	7,000
Interest income	252	1,000	1,000
Tap review fees	-	15,000	-
Total revenues	<u>453,044</u>	<u>484,122</u>	<u>465,000</u>
Total funds available	<u>780,374</u>	<u>658,061</u>	<u>610,050</u>
EXPENDITURES			
General and administrative			
Accounting	49,264	50,000	50,000
Dues and membership	275	275	500
Insurance and bonds	13,535	13,736	14,000
District management	47,925	70,000	60,000
Legal / litigation	70,765	55,000	60,000
Miscellaneous	332	500	1,000
Payroll - wages and taxes	56,953	55,000	60,000
Contingency	-	-	4,000
Professional Services	135,362	75,000	50,000
Utilities	69,274	65,000	70,000
Fuel	1,812	1,500	1,500
Small tools and supplies	-	1,500	1,500
Operating expense	18,409	24,000	15,000
Supplies - treatment facility	11,595	10,000	10,000
SCADA system inspection	-	2,500	2,500
Repairs and maintenance	25,667	13,000	25,000
Utility billing	37,242	35,000	38,000
Telephone	2,779	3,200	3,200
Utility locates	255	300	500
Equipment expense	-	500	500
Security	7,149	6,000	6,000
Permits - fees	850	1,000	1,000
Capital Projects			
Capital outlay	56,992	30,000	75,000
Total expenditures	<u>606,435</u>	<u>513,011</u>	<u>549,200</u>
Total expenditures and transfers out requiring appropriation	<u>606,435</u>	<u>513,011</u>	<u>549,200</u>
ENDING FUNDS AVAILABLE	<u>\$ 173,939</u>	<u>\$ 145,050</u>	<u>\$ 60,850</u>
O&M RESERVE	<u>\$ 22,750</u>	<u>\$ 22,750</u>	<u>\$ 22,750</u>
TOTAL RESERVE	<u>\$ 22,750</u>	<u>\$ 22,750</u>	<u>\$ 22,750</u>

This financial information should be read only in connection with the accompanying accountant's compilation report and summary of significant assumptions.

**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 ratio 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.

This information is an integral part of the accompanying budget.

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
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>

CERTIFICATION OF TAX LEVIES, continued

THIS SECTION APPLIES TO TITLE 32, ARTICLE 1 SPECIAL DISTRICTS THAT LEVY TAXES FOR PAYMENT OF GENERAL OBLIGATION DEBT (32-1-1603 C.R.S.). Taxing entities that are Special Districts or Subdistricts of Special Districts must certify separate mill levies and revenues to the Board of County Commissioners, one each for the funding requirements of each debt (32-1-1603, C.R.S.) Use additional pages as necessary. The Special District's or Subdistrict's total levies for general obligation bonds and total levies for contractual obligations should be recorded on Page 1, Lines 3 and 4 respectively.

CERTIFY A SEPARATE MILL LEVY FOR EACH BOND OR CONTRACT:

BONDS^J:

1.	Purpose of Issue:	Public Infrastructure
	Series:	General Obligation Limited Tax Bonds, Series 2004A
	Date of Issue:	June 24, 2004
	Coupon Rate:	7.625%
	Maturity Date:	December 15, 2034
	Levy:	34.043
	Revenue:	\$658,454
2.	Purpose of Issue:	Public Infrastructure
	Series:	General Obligation Limited Tax Subordinate Bonds, Series 2007
	Date of Issue:	February 26, 2007
	Coupon Rate:	8.500%
	Maturity Date:	December 15, 2036
	Levy:	0.000
	Revenue:	\$0

CONTRACTS^K:

3.	Purpose of Contract:	
	Title:	
	Date:	
	Principal Amount:	
	Maturity Date:	
	Levy:	
	Revenue:	
4.	Purpose of Contract:	
	Title:	
	Date:	
	Principal Amount:	
	Maturity Date:	
	Levy:	
	Revenue:	

Use multiple copies of this page as necessary to separately report all bond and contractual obligations per 32-1-1603, C.R.S.