

**Falcon Highlands Metropolitan District
Financial Statement Variances
March 31, 2017**

Accounts Receivable as of 03/31/17 totals \$41,235 with past due amounts of:

- Over 90 days - \$5,251 made up of 17 customers
- Over 60 days - \$1,185 made up of 12 customers
- Credit balances – (\$3,912) made up of 27 customers

Property Taxes Collected

1. The 2017 collections through March are at 44.74% of the total amount levied compared to 45.66% at this time last year.

General Fund

1. Annual insurance premiums were paid in full for year.
2. Overall, the total General Fund expenditures are at 17% of budget.

Conservation Trust Fund

1. As of March 31, 2017, the District has received \$991 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 were paid and are on budget.
2. Overall, the total Enterprise Fund expenditures are at 22% of budget.

Cash and Investments

As of May 8, 2017 the available cash and investments are as follows:

1. General Fund: \$571,697.27
2. Debt Service Fund: \$1,105,080.30 of which \$852,622.01 is the Reserve Fund
3. Enterprise Fund: \$274,728.09
4. Conservation Trust Fund: \$9,792.61

FALCON HIGHLANDS METROPOLITAN DISTRICT

FINANCIAL STATEMENTS

MARCH 31, 2017

DRAFT



CliftonLarsonAllen

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 March 31, 2017, and the related statement of revenues, expenditures, and changes in fund balance - actual for the period from January 01, 2017 through March 31, 2017 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 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, 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 and results of operations. 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, CO
May 08, 2017

FALCON HIGHLANDS METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2017

	General	Debt Service	Conservation Trust	Enterprise	Total
ASSETS					
Bond Fund - Series 2004A	\$ -	\$ 28	\$ -	\$ -	\$ 28
C - Safe	522,148	228,403	-	48,639	799,190
Capitalized Interest - Series 2007 Subordinate	-	10,145	-	-	10,145
Cash - 1st Bank	19,093	-	-	-	19,093
Cash - Checking	23,537	-	9,793	242,512	275,842
Construction Fund - Series 2004A	-	678	-	-	678
Construction Fund - Series 2007 Subordinate	-	33	-	-	33
Escrow Fund - Series 2004A	-	703	-	-	703
Reserve Fund - Series 2004A	-	852,622	-	-	852,622
Accounts receivable	12,376	-	-	29,859	42,235
Receivable from County Treasurer	9,363	12,468	-	-	21,831
Accumulated depreciation	-	-	-	(2,434,975)	(2,434,975)
Equipment and systems	-	-	-	5,928,006	5,928,006
Vehicles	-	-	-	40,659	40,659
Water rights	-	-	-	402,786	402,786
TOTAL ASSETS	<u>\$ 586,517</u>	<u>\$ 1,105,080</u>	<u>\$ 9,793</u>	<u>\$ 4,257,486</u>	<u>\$ 5,958,876</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ 17,757	\$ -	\$ -	\$ 42,269	\$ 60,026
TOTAL LIABILITIES	<u>17,757</u>	<u>-</u>	<u>-</u>	<u>42,269</u>	<u>60,026</u>
FUND BALANCES					
Fund balances	<u>568,760</u>	<u>1,105,080</u>	<u>9,793</u>	<u>4,215,217</u>	<u>5,898,850</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 586,517</u>	<u>\$ 1,105,080</u>	<u>\$ 9,793</u>	<u>\$ 4,257,486</u>	<u>\$ 5,958,876</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 THREE MONTHS ENDED MARCH 31, 2017

GENERAL FUND

	Annual Budget	Year to Date Actual	Variance
REVENUES			
Interest income	\$ 3,500	\$ 1,171	\$ (2,329)
Maintenance fees	131,000	32,645	(98,355)
Property taxes	91,089	40,753	(50,336)
Specific ownership taxes	70,138	20,137	(50,001)
TOTAL REVENUES	<u>295,727</u>	<u>94,706</u>	<u>(201,021)</u>
EXPENDITURES			
Accounting	32,000	7,709	24,291
Auditing	8,500	-	8,500
Bond council	30,000	-	30,000
Contingency	10,903	-	10,903
County Treasurer's fee	1,366	611	755
Directors' fees	4,000	1,700	2,300
District management	25,000	9,947	15,053
Engineering	5,000	-	5,000
Equipment expense	10,000	-	10,000
Fuel	1,200	289	911
General improvements	20,000	-	20,000
Insurance and bonds	8,800	8,056	744
John Deere Mower 2013 - Interest	65	23	42
John Deere Mower 2013 - Principal	1,666	410	1,256
Landscape maintenance	2,000	-	2,000
Legal services	40,000	12,921	27,079
Miscellaneous	3,000	754	2,246
Monuments	30,000	-	30,000
Parks equipment	20,000	-	20,000
Payroll - wages and taxes	28,000	5,793	22,207
Repairs and maintenance	10,000	-	10,000
Sidewalk improvements	20,000	3,700	16,300
Utilities - street lights	15,500	3,459	12,041
TOTAL EXPENDITURES	<u>327,000</u>	<u>55,372</u>	<u>271,628</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(31,273)	39,334	70,607
OTHER FINANCING SOURCES (USES)			
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(31,273)	39,334	70,607
FUND BALANCES - BEGINNING	<u>466,721</u>	<u>529,427</u>	<u>62,706</u>
FUND BALANCES - ENDING	<u>\$ 435,448</u>	<u>\$ 568,761</u>	<u>\$ 133,313</u>

These financial statements 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 BALANCES - BUDGET AND ACTUAL
FOR THE THREE MONTHS ENDED MARCH 31, 2017

CONSERVATION TRUST FUND

	Annual Budget	Year to Date Actual	Variance
REVENUES			
Conservation Trust proceeds	\$ 6,000	\$ 991	\$ (5,009)
TOTAL REVENUES	6,000	991	(5,009)
EXPENDITURES			
Contingency	15,027	-	15,027
TOTAL EXPENDITURES	15,027	-	15,027
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,027)	991	(10,018)
OTHER FINANCING SOURCES (USES)			
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(9,027)	991	(10,018)
FUND BALANCES - BEGINNING	9,027	8,802	(225)
FUND BALANCES - ENDING	\$ -	\$ 9,793	\$ 9,793

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

FALCON HIGHLANDS METROPOLITAN DISTRICT
ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND MARCH 31, 2016

	Year to Date Actual	Prior Year to Date Actual
OPERATING REVENUES		
Administrative fees	\$ 20,406	\$ 20,546
Other revenue	-	348
Penalties	1,420	1,450
Water treatment fees	28,843	29,052
Water usage fees	34,172	31,982
Total operating revenues	84,841	83,378
OPERATING EXPENDITURES		
Accounting	10,937	10,742
Capital outlay	-	4,200
Depreciation expense	31,318	54,346
District management	13,926	6,933
Dues and membership	275	275
Engineering	23,611	17,293
Fuel	362	101
Insurance and bonds	12,817	13,032
Legal services	23,410	8,906
Operating expense	6,537	885
Payroll - wages and taxes	6,270	11,873
Repairs and maintenance	5,974	1,383
Security	1,529	1,231
Supplies - treatment facility	2,214	792
Telephone	722	709
Utilities - street lights	13,382	11,062
Utility billing	11,416	4,474
Utility locates	45	79
Total operating expenses	164,745	148,316
Operating income (loss)	(79,904)	(64,938)
OTHER FINANCING SOURCES (USES)		
Total non-operating revenues (expenses)	-	-
CHANGE IN NET POSITION	(79,904)	(64,938)
TOTAL NET POSITION - BEGINNING	4,295,123	4,401,217
TOTAL NET POSITION - ENDING	\$ 4,215,219	\$ 4,336,279

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

SUPPLEMENTARY INFORMATION

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FALCON HIGHLANDS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE THREE MONTHS ENDED MARCH 31, 2017

DEBT SERVICE FUND

	Annual Budget	Year to Date Actual	Variance
REVENUES			
Interest income	\$ 2,500	\$ 758	\$ (1,742)
Property taxes	546,533	244,520	(302,013)
TOTAL REVENUES	549,033	245,278	(303,755)
EXPENDITURES			
Bond interest	521,169	-	521,169
Bond principal	165,000	-	165,000
Contingency	3,633	-	3,633
County Treasurer's fee	8,198	3,668	4,530
Paying agent fees	15,000	240	14,760
TOTAL EXPENDITURES	713,000	3,908	709,092
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(163,967)	241,370	405,337
OTHER FINANCING SOURCES (USES)			
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(163,967)	241,370	405,337
FUND BALANCES - BEGINNING	857,381	863,709	6,328
FUND BALANCES - ENDING	\$ 693,414	\$ 1,105,079	\$ 411,665

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 THREE MONTHS ENDED MARCH 31, 2017

ENTERPRISE FUND

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
REVENUE			
Water treatment fees	\$ 115,500	\$ 28,843	\$ (86,657)
Administrative fees	81,500	20,406	(61,094)
Water usage fees	260,000	34,172	(225,828)
Penalties	6,000	1,420	(4,580)
TOTAL REVENUE	<u>463,000</u>	<u>84,841</u>	<u>(378,159)</u>
EXPENDITURES			
Dues and membership	1,000	275	725
Legal services	74,000	23,410	50,590
Security	6,100	1,529	4,571
Payroll - wages and taxes	61,000	6,270	54,730
Engineering	90,000	23,611	66,389
Utilities - street lights	85,000	13,382	71,618
Fuel	1,500	362	1,138
Operating expense	12,000	6,537	5,463
Supplies - treatment facility	20,000	2,214	17,786
Utility billing	35,000	11,416	23,584
Telephone	3,000	722	2,278
Utility locates	1,000	45	955
Equipment expense	500	-	500
Permits - fees	1,000	-	1,000
Accounting	40,000	10,937	29,063
Insurance and bonds	14,000	12,817	1,183
District management	35,000	13,926	21,074
Miscellaneous	1,000	-	1,000
Repairs and maintenance	30,000	5,974	24,026
Small tools and supplies	1,500	-	1,500
Capital outlay	100,000	-	100,000
Contingency	6,400	-	6,400
TOTAL EXPENDITURES	<u>619,000</u>	<u>133,427</u>	<u>485,573</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(156,000)	(48,586)	107,414
OTHER FINANCING SOURCES (USES)			
TOTAL OTHER FINANCING SOURCES (USES)	_____	_____	_____
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(156,000)	(48,586)	107,414
FUNDS AVAILABLE - BEGINNING	<u>254,899</u>	<u>327,329</u>	<u>(72,430)</u>
FUNDS AVAILABLE - ENDING	<u>\$ 98,899</u>	<u>\$ 278,743</u>	<u>\$ 34,984</u>

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

**FALCON HIGHLANDS METROPOLITAN DISTRICT
2017 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 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. 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.

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.

**FALCON HIGHLANDS METROPOLITAN DISTRICT
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Revenues – (continued)

The calculation of the taxes levied is displayed on page 3 of the Budget at the adopted total mill levy of 35.000, 5.000 mills for operations and 30.000 mills 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 2017.

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 2017.

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.

Net Investment Income

Interest earned on the District's funds has been estimated based on an average interest rate of approximately 0.75%.

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.

Expenditures – (continued)

**FALCON HIGHLANDS METROPOLITAN DISTRICT
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

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 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.

Debt and Leases – (continued)

**FALCON HIGHLANDS METROPOLITAN DISTRICT
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

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 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.

Debt and Leases – (continued)

**FALCON HIGHLANDS METROPOLITAN DISTRICT
2017 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Capital Leases

The capital lease purchase agreements do not constitute general obligation debt of the District as defined by Colorado Revised State Statutes, as there are annual appropriation clauses in the lease agreements. The following leases are accounted for in both the General Fund and the Enterprise Fund.

John Deere Lease

On May 9, 2013, the District entered into a Master - Lease Purchase Agreement for the purpose of financing a 2013 John Deere ZTRAK mower. The total amount financed was \$7,804, with a payment interest rate of approximately 4.30%. Upon the termination date of the payment in full of all timely payments, the District may exercise its option to purchase the leased equipment for \$1.00. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date; however, the lease agreement is subject to annual appropriations by the District.

Lease purchase agreement schedules of annual payments, including all optional renewal terms, are included as supplementary schedules to this budget.

The District has no material operating leases.

Reserve Funds

Debt Service Reserve

The Debt Service Reserve Fund requirement is \$936,650 for the senior 2004 Series Bonds. The 2017 budget anticipates additional draws from the reserve funds to satisfy the 2017 debt service requirements, leaving an anticipated remaining balance of \$693,414.

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 2017, as defined under TABOR.

This information is an integral part of the accompanying budget.

FALCON HIGHLANDS METROPOLITAN DISTRICT
Schedule of Cash Position
March 31, 2017
Updated as of May 8, 2017

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Enterprise Fund</u>	<u>Conservation Trust Fund</u>	<u>Total</u>
<u>Wells Fargo - Checking</u>					
Balance as of March 31, 2017	\$ 23,537.05	\$ -	\$ 242,512.43	\$ 9,792.61	\$ 275,842.09
<i>Subsequent activities:</i>					
April directors fees and taxes	(538.25)	-	-	-	(538.25)
April payroll and taxes	(1,844.25)	-	(4,303.25)	-	(6,147.50)
April service receipts	-	-	43,215.56	-	43,215.56
April vouchers payable	(247.19)	-	(55,336.13)	-	(55,583.32)
April bank charge	(417.32)	-	-	-	(417.32)
Anticipated Balance	<u>20,490.04</u>	<u>-</u>	<u>226,088.61</u>	<u>9,792.61</u>	<u>256,371.26</u>
<u>CSAFE</u>					
Balance as of March 31, 2017	522,147.86	228,403.15	48,639.48	-	799,190.49
<i>Subsequent activities:</i>					
04/10/17 - March property/SO taxes	9,363.11	12,467.72	-	-	21,830.83
04/30/17 - Interest income	640.20	-	-	-	640.20
Anticipated transfer to UMB	-	(240,870.87)	-	-	(240,870.87)
Anticipated Balance	<u>532,151.17</u>	<u>-</u>	<u>48,639.48</u>	<u>-</u>	<u>580,790.65</u>
<u>1st Bank - Debit Card</u>					
Balance as of March 31, 2017	19,092.56	-	-	-	19,092.56
<i>Subsequent activities:</i>					
04/14/17 - Rampart Plumbing & Heating	(3.27)	-	-	-	(3.27)
04/17/17 - Falcon Car Wash	(4.00)	-	-	-	(4.00)
04/27/17 - Fed Ex Office	(29.23)	-	-	-	(29.23)
Anticipated Balance	<u>19,056.06</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,056.06</u>
<u>US Bank Series 2004 Reserve Fund</u>					
Balance as of March 31, 2017	-	852,622.01	-	-	852,622.01
Anticipated Balance	<u>-</u>	<u>852,622.01</u>	<u>-</u>	<u>-</u>	<u>852,622.01</u>
<u>US Bank Series 2004 Bond Fund</u>					
Balance as of March 31, 2017	-	28.10	-	-	28.10
<i>Subsequent activities:</i>					
Anticipated transfer from CSAFE	-	240,870.87	-	-	240,870.87
Anticipated Balance	<u>-</u>	<u>240,898.97</u>	<u>-</u>	<u>-</u>	<u>240,898.97</u>
<u>US Bank Series 2004 Construction Fund</u>					
Balance as of March 31, 2017	-	678.32	-	-	678.32
Anticipated Balance	<u>-</u>	<u>678.32</u>	<u>-</u>	<u>-</u>	<u>678.32</u>
<u>US Bank Series 2004 Escrow Fund</u>					
Balance as of March 31, 2017	-	703.37	-	-	703.37
Anticipated Balance	<u>-</u>	<u>703.37</u>	<u>-</u>	<u>-</u>	<u>703.37</u>
<u>US Bank Series 2007 Sub Bond Capitalized Interest</u>					
Balance as of March 31, 2017	-	10,144.89	-	-	10,144.89
Anticipated Balance	<u>-</u>	<u>10,144.89</u>	<u>-</u>	<u>-</u>	<u>10,144.89</u>
<u>US Bank Series 2007 Sub Bond Construction Fund</u>					
Balance as of March 31, 2017	-	32.74	-	-	32.74
Anticipated Balance	<u>-</u>	<u>32.74</u>	<u>-</u>	<u>-</u>	<u>32.74</u>
Anticipated Balances	<u>\$ 571,697.27</u>	<u>\$ 1,105,080.30</u>	<u>\$ 274,728.09</u>	<u>\$ 9,792.61</u>	<u>\$ 1,961,298.27</u>

Yield information (as of 04/30/17):

US Bank MM - 0.02%
CSAFE - 0.96%

FALCON HIGHLANDS METROPOLITAN DISTRICT
Property Taxes Reconciliation
2017

	Current Year							Prior Year				
	Property Taxes	Delinquent Taxes, Rebates and Abatements	Specific Ownership Taxes	Interest	Treasurer's Fees	Due to County	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	\$ 7,355.96	\$ -	\$ 6,471.00	\$ -	\$ (110.34)	-	\$ 13,716.62	1.15%	1.15%	\$ 8,159.54	0.38%	0.38%
February	263,172.37	-	6,380.35	-	(3,947.59)	-	265,605.13	41.27%	42.43%	267,387.32	41.34%	41.71%
March	14,548.47	197.05	7,285.15	21.67	(221.51)	-	21,830.83	2.31%	44.74%	31,173.50	3.94%	45.66%
April							-	0.00%	44.74%	44,780.35	6.17%	51.83%
May							-	0.00%	44.74%	132,477.60	19.99%	71.81%
June							-	0.00%	44.74%	155,815.86	23.66%	95.48%
July							-	0.00%	44.74%	20,913.14	2.29%	97.76%
August							-	0.00%	44.74%	19,792.00	2.04%	99.81%
September							-	0.00%	44.74%	6,353.89	0.00%	99.81%
October							-	0.00%	44.74%	7,444.76	0.06%	99.87%
November							-	0.00%	44.74%	6,527.46	0.00%	99.87%
December							-	0.00%	44.74%	6,422.95	0.00%	99.87%
	\$ 285,076.80	\$ 197.05	\$ 20,136.50	\$ 21.67	\$ (4,279.44)	\$ -	\$ 301,152.58	44.74%	44.74%	\$ 707,248.37	99.87%	99.87%

	Taxes Levied	% of Levied	Property Taxes Collected	% Collected to Amount Levied
Property Tax				
General Fund	\$ 91,089	14.29%	\$ 40,753.47	44.74%
Debt Service Fund	546,533	85.71%	244,520.38	44.74%
Total	637,622	100.00%	\$ 285,273.85	44.74%

Specific Ownership Tax

General Fund	70,138	100.00%	\$ 20,136.50	28.71%
Total	70,138	100.00%	\$ 20,136.50	28.71%

Treasurer's Fees

General Fund	1,366	14.29%	\$ 611.35	44.75%
Debt Service Fund	8,198	85.71%	3,668.09	44.74%
Total	\$ 9,564	100.00%	\$ 4,279.44	44.75%