

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

Accounts Receivable as of 12/31/17 totals \$42,049 with past due amounts of:

- Over 90 days - \$2,031 made up of 11 customers
- Over 60 days - \$1,005 made up of 10 customers
- Credit balances – (\$3,688) made up of 30 customers

Property Taxes Collected

1. The 2017 collections through December are at 100.13% of the total amount levied compared to 99.87% at this time last year.

General Fund

1. Legal expenditures are over of the original budget due to attorney work on bond refunding, pending litigation work and additional meeting attendance.
2. District management is over the original budget primarily due to the handbook update, special election and additional meeting attendance.
3. Accounting is over the original budget due to the annual audit prep and additional meeting attendance.
4. Utilities are over budget as we now carry a one to two month credit balance on accounts to avoid late penalties.
5. Overall, the total General Fund expenditures are at 74% of budget.

Conservation Trust Fund

1. As of December 31, 2017, the District has received \$4,256 in Conservation Trust Fund proceeds for the year. These proceeds are paid out quarterly.

Enterprise Fund

1. As mentioned in the General Fund section, district management is over the original budget primarily due to the handbook update, special election and additional meeting attendance.
2. As mentioned in the General Fund section, accounting is over the original budget primarily due to the annual audit prep and additional meeting attendance.
3. Operating expenses is over the original budget due to additional SCADA work.
4. Engineering is over the original budget due to pending litigation work, the Arapahoe Well Rehab, additional SCADA work and unanticipated work regarding water rights.
5. Legal expenditures are over the original budget due to additional meeting attendance and unanticipated additional legal work.
6. Security expenditures are over budget due to a change in contract with the current provider.
7. Overall, the total Enterprise Fund expenditures are at 98% of budget.

Cash and Investments

As of January 25, 2018 the available cash and investments are as follows:

1. General Fund: \$596,884.35
2. Debt Service Fund: \$714,603.51 of which \$702,621.31 is the Reserve Fund.
3. Enterprise Fund: \$155,145.03
4. Conservation Trust Fund: \$13,117.10

FALCON HIGHLANDS METROPOLITAN DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2017

DRAFT



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 December 31, 2017, and the related statement of revenues, expenditures, and changes in fund balance - budget and actual, for the period from January 01, 2017 through December 31, 2017, for the General Fund, in accordance with accounting principles generally accepted in the United States of America. 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 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.

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 and results of operations. Accordingly, the historical financial statements are not designed for those who are not informed about such matters.

The supplementary information is presented for additional analysis and is not a required part of the basic financial statements. This information is the responsibility 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.

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

Colorado Springs, Colorado
February 08, 2018

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

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	<u>General</u>	<u>Debt Service</u>	<u>Conservation Trust</u>	<u>Enterprise</u>	<u>Total</u>
ASSETS					
Cash - 1st Bank	\$ 14,552	\$ -	\$ -	\$ 116,202	\$ 130,754
C - Safe	591,742	376	13,117	48,891	654,126
Construction Fund - Series 2004A	-	681	-	-	681
Escrow Fund - Series 2004A	-	706	-	-	706
Reserve Fund - Series 2004A	-	702,621	-	-	702,621
Capitalized Interest - Series 2007 Subordinate	-	10,186	-	-	10,186
Construction Fund - Series 2007 Subordinate	-	33	-	-	33
Accounts receivable	12,231	-	-	29,818	42,049
Receivable from County Treasurer	6,680	-	-	-	6,680
Property tax receivable	108,400	650,442	-	-	758,842
Prepaid insurance	-	-	-	21,658	21,658
Accumulated depreciation	-	-	-	(2,528,929)	(2,528,929)
Water rights	-	-	-	402,786	402,786
Equipment and systems	-	-	-	5,928,006	5,928,006
Vehicles	-	-	-	40,659	40,659
TOTAL ASSETS	<u>\$ 733,605</u>	<u>\$ 1,365,045</u>	<u>\$ 13,117</u>	<u>\$ 4,059,091</u>	<u>\$ 6,170,858</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
CURRENT LIABILITIES					
Accounts payable	\$ 13,381	\$ -	\$ -	\$ 41,037	\$ 54,418
TOTAL LIABILITIES	<u>13,381</u>	<u>-</u>	<u>-</u>	<u>41,037</u>	<u>54,418</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property tax	108,400	650,442	-	-	758,842
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>108,400</u>	<u>650,442</u>	<u>-</u>	<u>-</u>	<u>758,842</u>
FUND BALANCES					
Fund balances	611,824	714,603	13,117	4,018,054	5,357,598
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 733,605</u>	<u>\$ 1,365,045</u>	<u>\$ 13,117</u>	<u>\$ 4,059,091</u>	<u>\$ 6,170,858</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 TWELVE MONTHS ENDED DECEMBER 31, 2017**

GENERAL FUND			
	Amended Budget	Year to Date Actual	Variance
REVENUES			
Property taxes	\$ 91,089	\$ 91,208	\$ 119
Specific ownership taxes	83,000	86,387	3,387
Interest income	7,000	7,138	138
Maintenance fees	131,000	130,774	(226)
TOTAL REVENUES	<u>312,089</u>	<u>315,507</u>	<u>3,418</u>
EXPENDITURES			
Accounting	40,000	41,627	(1,627)
County Treasurer's fee	1,366	1,372	(6)
Directors' fees	6,000	6,300	(300)
Insurance and bonds	8,152	8,152	-
District management	36,000	34,232	1,768
Legal services	50,000	47,605	2,395
Miscellaneous	3,000	2,944	56
Payroll - wages and taxes	26,000	23,158	2,842
Election expense	16,000	23,142	(7,142)
Landscape maintenance	2,000	-	2,000
Sidewalk improvements	30,000	23,150	6,850
General improvements	20,000	-	20,000
Parks equipment	29,000	-	29,000
Utilities - street lights	17,000	19,453	(2,453)
Fuel	1,600	1,449	151
John Deere Mower 2013 - Principal	1,666	1,667	(1)
John Deere Mower 2013 - Interest	65	64	1
Equipment expense	10,000	-	10,000
Auditing	8,500	8,500	-
Repairs and maintenance	10,000	-	10,000
Contingency	10,651	-	10,651
TOTAL EXPENDITURES	<u>327,000</u>	<u>242,815</u>	<u>84,185</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,911)	72,692	87,603
OTHER FINANCING SOURCES (USES)			
Other revenue	9,350	9,705	355
TOTAL OTHER FINANCING SOURCES (USES)	<u>9,350</u>	<u>9,705</u>	<u>355</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(5,561)	82,397	87,958
FUND BALANCES - BEGINNING	<u>529,427</u>	<u>529,427</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 523,866</u>	<u>\$ 611,824</u>	<u>\$ 87,958</u>

**FALCON HIGHLANDS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017**

CONSERVATION TRUST FUND

	Annual Budget	Year to Date Actual	Variance
REVENUES			
Conservation Trust proceeds	\$ 6,000	\$ 4,256	\$ (1,744)
Interest income	-	59	59
TOTAL REVENUES	6,000	4,315	(1,685)
EXPENDITURES			
Contingency	15,027	-	15,027
TOTAL EXPENDITURES	15,027	-	15,027
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,027)	4,315	13,342
OTHER FINANCING SOURCES (USES)			
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(9,027)	4,315	13,342
FUND BALANCES - BEGINNING	9,027	8,802	(225)
FUND BALANCES - ENDING	\$ -	\$ 13,117	\$ 13,117

FALCON HIGHLANDS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017 AND DECEMBER 31, 2016

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	<u>Year to Date Actual</u>	<u>Prior Year to Date Actual</u>	<u>Variance</u>
OPERATING REVENUES			
Interest income	\$ 252	\$ -	\$ 252
Water treatment fees	115,551	115,719	(168)
Administrative fees	81,728	81,844	(116)
Water usage fees	242,154	244,446	(2,292)
Penalties	6,624	6,300	324
Total operating revenues	<u>446,309</u>	<u>448,309</u>	<u>(2,000)</u>
OPERATING EXPENDITURES			
Accounting	49,264	48,592	(672)
Dues and membership	275	275	-
Insurance and bonds	12,969	13,271	302
District management	47,925	49,700	1,775
Legal services	77,266	51,819	(25,447)
Miscellaneous	332	213	(119)
Security	7,149	5,931	(1,218)
Payroll - wages and taxes	50,452	55,243	4,791
Repairs and maintenance	24,640	3,815	(20,825)
Engineering	135,362	70,741	(64,621)
Utilities - street lights	69,274	69,212	(62)
Fuel	1,812	1,349	(463)
Operating expense	18,409	9,329	(9,080)
Supplies - treatment facility	11,595	8,776	(2,819)
Utility billing	37,242	34,011	(3,231)
Telephone	2,779	2,879	100
Utility locates	255	332	77
Permits - fees	850	850	-
Capital outlay	56,992	-	(56,992)
Depreciation expense	<u>125,272</u>	<u>144,528</u>	<u>19,256</u>
Total operating expenses	<u>730,114</u>	<u>570,866</u>	<u>(159,248)</u>
Operating income (loss)	(283,805)	(122,557)	(161,248)
OTHER FINANCING SOURCES (USES)			
Other revenue	6,735	16,463	(9,728)
Total non-operating revenues (expenses)	<u>6,735</u>	<u>16,463</u>	<u>(9,728)</u>
CHANGE IN NET POSITION	(277,070)	(106,094)	(170,976)
TOTAL NET POSITION - BEGINNING	<u>4,295,124</u>	<u>4,401,217</u>	<u>(106,093)</u>
TOTAL NET POSITION - ENDING	<u>\$ 4,018,054</u>	<u>\$ 4,295,123</u>	<u>\$ (277,069)</u>

These financial statements 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 TWELVE MONTHS ENDED DECEMBER 31, 2017**

DEBT SERVICE FUND

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 546,533	\$ 547,247	\$ 714
Interest income	<u>2,500</u>	<u>6,368</u>	<u>3,868</u>
TOTAL REVENUES	<u>549,033</u>	<u>553,615</u>	<u>4,582</u>
EXPENDITURES			
County Treasurer's fee	8,198	8,231	(33)
Paying agent fees	15,000	8,322	6,678
Bond interest	521,169	521,169	-
Bond principal	165,000	165,000	-
Contingency	<u>3,633</u>	<u>-</u>	<u>3,633</u>
TOTAL EXPENDITURES	<u>713,000</u>	<u>702,722</u>	<u>10,278</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(163,967)	(149,107)	14,860
OTHER FINANCING SOURCES (USES)			
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(163,967)	(149,107)	14,860
FUND BALANCES - BEGINNING	<u>857,381</u>	<u>863,710</u>	<u>6,329</u>
FUND BALANCES - ENDING	<u>\$ 693,414</u>	<u>\$ 714,603</u>	<u>\$ 21,189</u>

**FALCON HIGHLANDS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND AVAILABLE - BUDGET AND ACTUAL
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017**

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ENTERPRISE FUND

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
REVENUE			
Interest income	\$ -	\$ 252	\$ 252
Water treatment fees	115,500	115,551	51
Administrative fees	81,500	81,728	228
Water usage fees	260,000	242,154	(17,846)
Penalties	6,000	6,624	624
TOTAL REVENUE	<u>463,000</u>	<u>446,309</u>	<u>(16,691)</u>
EXPENDITURES			
Accounting	40,000	49,264	(9,264)
Dues and membership	1,000	275	725
Insurance and bonds	14,000	12,969	1,031
District management	35,000	47,925	(12,925)
Legal services	74,000	77,266	(3,266)
Miscellaneous	1,000	332	668
Security	6,100	7,149	(1,049)
Payroll - wages and taxes	61,000	50,452	10,548
Repairs and maintenance	30,000	24,640	5,360
Engineering	90,000	135,362	(45,362)
Utilities - street lights	85,000	69,274	15,726
Fuel	1,500	1,812	(312)
Operating expense	12,000	18,409	(6,409)
Supplies - treatment facility	20,000	11,595	8,405
Utility billing	35,000	37,242	(2,242)
Telephone	3,000	2,779	221
Utility locates	1,000	255	745
Equipment expense	500	-	500
Permits - fees	1,000	850	150
Capital outlay	100,000	56,992	43,008
Small tools and supplies	1,500	-	1,500
Contingency	6,400	-	6,400
TOTAL EXPENDITURES	<u>619,000</u>	<u>604,842</u>	<u>14,158</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(156,000)	(158,533)	(2,533)
OTHER FINANCING SOURCES (USES)			
Other revenue	-	6,735	6,735
TOTAL OTHER FINANCING SOURCES (USES)	-	6,735	6,735
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(156,000)	(151,798)	4,202
FUNDS AVAILABLE - BEGINNING	<u>254,899</u>	<u>327,330</u>	<u>72,431</u>
FUNDS AVAILABLE - ENDING	<u>\$ 98,899</u>	<u>\$ 175,532</u>	<u>\$ 76,633</u>

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

FALCON HIGHLANDS METROPOLITAN DISTRICT
Schedule of Cash Position
December 31, 2017
Updated as of February 8, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Enterprise Fund</u>	<u>Conservation Trust Fund</u>	<u>Total</u>
<u>1st Bank - Checking</u>					
Balance as of December 31, 2017	14,552.07	-	116,201.60	-	130,753.67
<i>Subsequent activities:</i>					
January service receipts	-	-	41,784.77	-	41,784.77
January debit card purchases	-	-	(325.50)	-	(325.50)
January vouchers payable	(14,521.73)	-	(42,009.43)	-	(56,531.16)
January payroll and taxes	(1,872.67)	-	(4,369.57)	-	(6,242.24)
01/09/18 - Refund of bank fees	366.37	-	-	-	366.37
01/25/18 - Transfer from CSAFE	15,000.00	-	-	-	15,000.00
01/31/18 - 4th Quarter Wage and Premium Reporting	(54.29)	-	-	-	(54.29)
01/31/18 - Bank service fee	(16.27)	-	-	-	(16.27)
<i>Anticipated Balance</i>	<u>13,453.48</u>	<u>-</u>	<u>111,281.87</u>	<u>-</u>	<u>124,735.35</u>
<u>CSAFE</u>					
Balance as of December 31, 2017	591,742.33	375.55	48,891.04	13,117.10	654,126.02
<i>Subsequent activities:</i>					
01/10/18 - Property/SO taxes	6,680.21	-	-	-	6,680.21
01/25/18 - Transfer to Wells Fargo	(15,000.00)	-	-	-	(15,000.00)
01/31/18 - Interest income	713.38	0.45	58.94	15.81	788.58
<i>Anticipated Balance</i>	<u>584,135.92</u>	<u>376.00</u>	<u>48,949.98</u>	<u>13,132.91</u>	<u>646,594.81</u>
<u>US Bank Series 2004 Reserve Fund</u>					
Balance as of December 31, 2017	-	702,621.31	-	-	702,621.31
<i>Anticipated Balance</i>	<u>-</u>	<u>702,621.31</u>	<u>-</u>	<u>-</u>	<u>702,621.31</u>
<u>US Bank Series 2004 Construction Fund</u>					
Balance as of December 31, 2017	-	681.11	-	-	681.11
<i>Anticipated Balance</i>	<u>-</u>	<u>681.11</u>	<u>-</u>	<u>-</u>	<u>681.11</u>
<u>US Bank Series 2004 Escrow Fund</u>					
Balance as of December 31, 2017	-	706.26	-	-	706.26
<i>Anticipated Balance</i>	<u>-</u>	<u>706.26</u>	<u>-</u>	<u>-</u>	<u>706.26</u>
<u>US Bank Series 2007 Sub Bond Capitalized Interest</u>					
Balance as of December 31, 2017	-	10,186.41	-	-	10,186.41
<i>Anticipated Balance</i>	<u>-</u>	<u>10,186.41</u>	<u>-</u>	<u>-</u>	<u>10,186.41</u>
<u>US Bank Series 2007 Sub Bond Construction Fund</u>					
Balance as of December 31, 2017	-	32.87	-	-	32.87
<i>Anticipated Balance</i>	<u>-</u>	<u>32.87</u>	<u>-</u>	<u>-</u>	<u>32.87</u>
<i>Anticipated Balances</i>	<u>\$ 597,589.40</u>	<u>\$ 714,603.96</u>	<u>\$ 160,231.85</u>	<u>\$ 13,132.91</u>	<u>\$ 1,485,558.12</u>

Yield information (as of 01/31/18):

US Bank MM - 0.22%

CSAFE - 1.42%

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	46,872.52	-	6,090.42	-	(703.09)	-	52,259.85	7.35%	52.09%	44,780.35	6.17%	51.83%
May	51,269.35	-	7,217.19	-	(769.04)	-	57,717.50	8.04%	60.13%	132,477.60	19.99%	71.81%
June	212,491.85	-	7,239.56	5.77	(3,187.46)	-	216,549.72	33.33%	93.46%	155,815.86	23.66%	95.48%
July	16,159.15	376.77	7,099.87	375.93	(253.68)	-	23,758.04	2.59%	96.05%	20,913.14	2.29%	97.76%
August	13,127.10	-	7,795.45	525.08	(204.78)	-	21,242.85	2.06%	98.11%	19,792.00	2.04%	99.81%
September	-	-	7,560.72	-	-	-	7,560.72	0.00%	98.11%	6,353.89	0.00%	99.81%
October	12,525.45	-	8,695.17	751.53	(199.15)	-	21,773.00	1.96%	100.07%	7,444.76	0.06%	99.87%
November	95.90	263.20	7,871.66	70.67	(6.45)	-	8,294.98	0.06%	100.13%	6,527.46	0.00%	99.87%
December	-	-	6,680.21	-	-	-	6,680.21	0.00%	100.13%	6,422.95	0.00%	99.87%
	\$ 637,618.12	\$ 837.02	\$ 86,386.75	\$ 1,750.65	\$ (9,603.09)	\$ -	\$ 716,989.45	100.13%	100.13%	\$ 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%	\$ 91,208.02	100.13%
Debt Service Fund	546,533	85.71%	547,247.12	100.13%
Total	<u>637,622</u>	<u>100.00%</u>	<u>\$ 638,455.14</u>	<u>100.13%</u>

Specific Ownership Tax

General Fund	70,138	100.00%	\$ 86,386.75	123.17%
Total	<u>70,138</u>	<u>100.00%</u>	<u>\$ 86,386.75</u>	<u>123.17%</u>

Treasurer's Fees

General Fund	1,366	14.29%	\$ 1,371.87	100.43%
Debt Service Fund	8,198	85.71%	8,231.22	100.41%
Total	<u>\$ 9,564</u>	<u>100.00%</u>	<u>\$ 9,603.09</u>	<u>100.41%</u>

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