

**Falcon Highlands Metropolitan District
Financial Statement Variances
January 31, 2018**

Accounts Receivable as of 01/31/18 totals \$41,886 with past due amounts of:

- Over 90 days - \$2,278 made up of 14 customers
- Over 60 days - \$1,294 made up of 11 customers
- Credit balances – (\$3,766) made up of 30 customers

Property Taxes Collected

1. The 2018 collections through January are at 1.44% of the total amount levied compared to 1.15% at this time last year.

General Fund

1. Annual insurance premiums were paid in full for the year and are on budget.
2. Miscellaneous is showing a credit due to a refund of bank fees.
3. Overall, the total General Fund expenditures are at 7% of budget.

Conservation Trust Fund

1. As of January 31, 2018, the District has not received any Conservation Trust Fund proceeds for the year. These proceeds are paid out quarterly.

Enterprise Fund

1. As mentioned in the General Fund section, annual insurance premiums were paid in full for the year and are on budget.
2. Overall, the total Enterprise Fund expenditures are at 8% of budget.

Cash and Investments

As of March 6, 2018 the available cash and investments are as follows:

1. General Fund: \$591,598.75
2. Debt Service Fund: \$724,377.48 of which \$703,156.18 is the Reserve Fund.
3. Enterprise Fund: \$177,825.55
4. Conservation Trust Fund: \$13,148.36

FALCON HIGHLANDS METROPOLITAN DISTRICT
FINANCIAL STATEMENTS
JANUARY 31, 2018

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 January 31, 2018, and the related statement of revenues, expenditures, and changes in fund balance - actual for the period from January 01, 2018 through January 31, 2018 for the General Fund in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the accompanying financial forecasted budget, which comprises the statement of revenues, expenditures, and changes in fund balance - budget for the year then ending for the General Fund, and the related summary of significant assumptions in accordance with guidelines for the presentation of financial forecast established by the American Institute of Certified Public Accountants. We have performed compilation engagements in accordance with Statements of Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. We did not audit, examine, or review the historical financial statements or the financial forecasted budget nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these historical financial statements and this financial forecasted budget.

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

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

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

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

Colorado Springs, Colorado
March 14, 2018

FALCON HIGHLANDS METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JANUARY 31, 2018

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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	\$ 13,580	\$ -	\$ -	\$ 110,382	\$ 123,962
C - Safe	584,136	376	13,133	48,950	646,595
Bond Fund - Series 2004A	-	78	-	-	78
Construction Fund - Series 2004A	-	682	-	-	682
Escrow Fund - Series 2004A	-	707	-	-	707
Reserve Fund - Series 2004A	-	703,156	-	-	703,156
Capitalized Interest - Series 2007 Subordinate	-	10,194	-	-	10,194
Construction Fund - Series 2007 Subordinate	-	33	-	-	33
Accounts receivable	12,226	-	-	29,660	41,886
Receivable from County Treasurer	8,947	9,230	-	-	18,177
Accumulated depreciation	-	-	-	(2,539,368)	(2,539,368)
Water rights	-	-	-	402,786	402,786
Equipment and systems	-	-	-	5,928,006	5,928,006
Vehicles	-	-	-	40,659	40,659
TOTAL ASSETS	<u>\$ 618,889</u>	<u>\$ 724,456</u>	<u>\$ 13,133</u>	<u>\$ 4,021,075</u>	<u>\$ 5,377,553</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ 12,509	\$ -	\$ -	\$ 30,052	\$ 42,561
TOTAL LIABILITIES	<u>12,509</u>	<u>-</u>	<u>-</u>	<u>30,052</u>	<u>42,561</u>
FUND BALANCES					
Fund balances	<u>606,380</u>	<u>724,456</u>	<u>13,133</u>	<u>3,991,023</u>	<u>5,334,992</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 618,889</u>	<u>\$ 724,456</u>	<u>\$ 13,133</u>	<u>\$ 4,021,075</u>	<u>\$ 5,377,553</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 ONE MONTH ENDED JANUARY 31, 2018**

GENERAL FUND			
	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 108,400	\$ 1,562	\$ (106,838)
Specific ownership taxes	98,649	7,409	(91,240)
Interest income	8,000	713	(7,287)
Maintenance fees	131,000	10,918	(120,082)
GOCO Grant	45,000	-	(45,000)
TOTAL REVENUES	<u>391,049</u>	<u>20,602</u>	<u>(370,447)</u>
EXPENDITURES			
Accounting	40,000	3,753	36,247
County Treasurer's fee	1,626	23	1,603
Directors' fees	6,000	400	5,600
Insurance and bonds	9,000	8,475	525
District management	38,000	4,134	33,866
Legal services	50,000	6,251	43,749
Miscellaneous	3,000	(350)	3,350
Payroll - wages and taxes	28,000	1,876	26,124
Election expense	3,000	126	2,874
Engineering	5,000	-	5,000
Landscape maintenance	2,000	-	2,000
Sidewalk improvements	20,000	-	20,000
General improvements	20,000	-	20,000
Bond council	30,000	-	30,000
Utilities - street lights	20,000	1,177	18,823
Fuel	2,000	38	1,962
John Deere Mower 2013 - Principal	573	142	431
John Deere Mower 2013 - Interest	6	2	4
Equipment expense	10,000	-	10,000
Auditing	8,500	-	8,500
Repairs and maintenance	10,000	-	10,000
Park improvements	75,000	-	75,000
Contingency	10,295	-	10,295
TOTAL EXPENDITURES	<u>392,000</u>	<u>26,047</u>	<u>365,953</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(951)	(5,445)	(4,494)
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	(951)	(5,445)	(4,494)
FUND BALANCES - BEGINNING	<u>526,934</u>	<u>611,825</u>	<u>84,891</u>
FUND BALANCES - ENDING	<u>\$ 525,983</u>	<u>\$ 606,380</u>	<u>\$ 80,397</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 ONE MONTH ENDED JANUARY 31, 2018**

CONSERVATION TRUST FUND

	Annual Budget	Year to Date Actual	Variance
REVENUES			
Conservation Trust proceeds	\$ 6,000	\$ -	\$ (6,000)
Interest income	100	16	(84)
TOTAL REVENUES	6,100	16	(6,084)
EXPENDITURES			
Contingency	18,952	-	18,952
TOTAL EXPENDITURES	18,952	-	18,952
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,852)	16	12,868
OTHER FINANCING SOURCES (USES)			
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(12,852)	16	12,868
FUND BALANCES - BEGINNING	12,852	13,117	265
FUND BALANCES - ENDING	\$ -	\$ 13,133	\$ 13,133

FALCON HIGHLANDS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE ONE MONTH ENDED JANUARY 31, 2018 AND JANUARY 31, 2017

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	<u>Year to Date Actual</u>	<u>Prior Year to Date Actual</u>	<u>Variance</u>
OPERATING REVENUES			
Interest income	\$ 59	\$ -	\$ 59
Water treatment fees	9,675	9,584	91
Administrative fees	6,767	6,785	(18)
Water usage fees	12,813	11,995	818
Penalties	520	470	50
Total operating revenues	<u>29,834</u>	<u>28,834</u>	<u>1,000</u>
OPERATING EXPENDITURES			
Accounting	4,692	3,548	(1,144)
Dues and membership	275	275	-
Insurance and bonds	13,183	12,286	(897)
District management	5,113	4,423	(690)
Legal services	9,376	6,379	(2,997)
Miscellaneous	5	-	(5)
Security	439	510	71
Payroll - wages and taxes	4,020	4,098	78
Repairs and maintenance	-	2,116	2,116
Engineering	-	10,158	10,158
Utilities - street lights	5,266	7,435	2,169
Fuel	38	219	181
Operating expense	563	3,361	2,798
Utility billing	2,260	5,420	3,160
Telephone	215	272	57
Utility locates	15	23	8
Depreciation expense	<u>10,439</u>	<u>10,439</u>	<u>-</u>
Total operating expenses	<u>55,899</u>	<u>70,962</u>	<u>15,063</u>
Operating income (loss)	(26,065)	(42,128)	16,063
OTHER FINANCING SOURCES (USES)			
Total non-operating revenues (expenses)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	(26,065)	(42,128)	16,063
TOTAL NET POSITION - BEGINNING	<u>4,017,087</u>	<u>4,295,123</u>	<u>(278,036)</u>
TOTAL NET POSITION - ENDING	<u>\$ 3,991,022</u>	<u>\$ 4,252,995</u>	<u>\$ (261,973)</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 ONE MONTH ENDED JANUARY 31, 2018**

DEBT SERVICE FUND

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 650,442	\$ 9,371	\$ (641,071)
Interest income	<u>7,000</u>	<u>621</u>	<u>(6,379)</u>
TOTAL REVENUES	<u>657,442</u>	<u>9,992</u>	<u>(647,450)</u>
EXPENDITURES			
County Treasurer's fee	9,757	140	9,617
Paying agent fees	10,000	-	10,000
Bond interest	508,588	-	508,588
Bond principal	175,000	-	175,000
Contingency	<u>4,655</u>	<u>-</u>	<u>4,655</u>
TOTAL EXPENDITURES	<u>708,000</u>	<u>140</u>	<u>707,860</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(50,558)	9,852	60,410
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	(50,558)	9,852	60,410
FUND BALANCES - BEGINNING	<u>708,649</u>	<u>714,604</u>	<u>5,955</u>
FUND BALANCES - ENDING	<u>\$ 658,091</u>	<u>\$ 724,456</u>	<u>\$ 66,365</u>

**FALCON HIGHLANDS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND AVAILABLE - BUDGET AND ACTUAL
FOR THE ONE MONTH ENDED JANUARY 31, 2018**

ENTERPRISE FUND

	Annual Budget	Year to Date Actual	Variance
REVENUE			
Interest income	\$ 200	\$ 59	\$ (141)
Water treatment fees	115,500	9,675	(105,825)
Administrative fees	81,500	6,767	(74,733)
Water usage fees	260,000	12,813	(247,187)
Penalties	7,000	520	(6,480)
TOTAL REVENUE	464,200	29,834	(434,366)
EXPENDITURES			
Accounting	50,000	4,692	45,308
Dues and membership	500	275	225
Insurance and bonds	14,000	13,183	817
District management	47,000	5,113	41,887
Legal services	75,000	9,376	65,624
Miscellaneous	1,000	5	995
Security	6,100	439	5,661
Payroll - wages and taxes	60,000	4,020	55,980
Repairs and maintenance	30,000	-	30,000
Engineering	95,000	-	95,000
SCADA system inspection	2,500	-	2,500
Utilities - street lights	70,000	5,266	64,734
Fuel	2,000	38	1,962
Operating expense	15,000	563	14,437
Supplies - treatment facility	12,000	-	12,000
Utility billing	38,000	2,260	35,740
Telephone	3,000	215	2,785
Utility locates	1,000	15	985
Equipment expense	500	-	500
Permits - fees	1,000	-	1,000
Capital outlay	50,000	-	50,000
Small tools and supplies	1,500	-	1,500
Contingency	5,900	-	5,900
TOTAL EXPENDITURES	581,000	45,460	535,540
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(116,800)	(15,626)	101,174
OTHER FINANCING SOURCES (USES)			
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(116,800)	(15,626)	101,174
FUNDS AVAILABLE - BEGINNING	161,240	174,566	13,326
FUNDS AVAILABLE - ENDING	\$ 44,440	\$ 158,940	\$ 114,500

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

FALCON HIGHLANDS METROPOLITAN DISTRICT
2018 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. 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
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Revenues – (continued)

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 operations and 34.046 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 13% 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 2018.

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 2018.

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 historical interest earning.

FALCON HIGHLANDS METROPOLITAN DISTRICT
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

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 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.

FALCON HIGHLANDS METROPOLITAN DISTRICT
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS

Debt and Leases – (continued)

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 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.

**FALCON HIGHLANDS METROPOLITAN DISTRICT
2018 BUDGET
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

Debt and Leases – (continued)

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.

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 2018 budget anticipates additional draws from the reserve funds to satisfy the 2018 debt service requirements, leaving an anticipated remaining balance of \$658,091.

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 2018, as defined under TABOR.

FALCON HIGHLANDS METROPOLITAN DISTRICT
Schedule of Cash Position
January 31, 2018
Updated as of March 6, 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 January 31, 2018	13,580.38	-	110,381.99	-	123,962.37
<i>Subsequent activities:</i>					
February service receipts	-	-	40,537.63	-	40,537.63
February debit card purchases	-	-	(371.56)	-	(371.56)
February vouchers payable	(13,828.03)	-	(30,539.76)	-	(44,367.79)
February payroll and taxes	(1,904.97)	-	(4,444.92)	-	(6,349.89)
February tap review fees	-	-	12,000.00	-	12,000.00
02/21/18 - Transfer from CSAFE	15,000.00	-	-	-	15,000.00
02/28/18 - Bank fees	(18.75)	-	-	-	(18.75)
March service receipts	-	-	1,262.84	-	1,262.84
March debit card purchases	-	-	(8.25)	-	(8.25)
Anticipated Balance	<u>12,828.63</u>	<u>-</u>	<u>128,817.97</u>	<u>-</u>	<u>141,646.60</u>
<u>CSAFE</u>					
Balance as of January 31, 2018	584,135.92	376.00	48,949.98	13,132.91	646,594.81
<i>Subsequent activities:</i>					
02/10/18 - Property/SO taxes	8,946.88	9,230.11	-	-	18,176.99
02/21/18 - Transfer to 1st Bank	(15,000.00)	-	-	-	(15,000.00)
02/28/18 - Interest income	687.32	0.44	57.60	15.45	760.81
Anticipated Balance	<u>578,770.12</u>	<u>9,606.55</u>	<u>49,007.58</u>	<u>13,148.36</u>	<u>650,532.61</u>
<u>US Bank Series 2004 Reserve Fund</u>					
Balance as of January 31, 2018	-	703,156.18	-	-	703,156.18
Anticipated Balance	<u>-</u>	<u>703,156.18</u>	<u>-</u>	<u>-</u>	<u>703,156.18</u>
<u>US Bank Series 2004 Construction Fund</u>					
Balance as of January 31, 2018	-	681.59	-	-	681.59
Anticipated Balance	<u>-</u>	<u>681.59</u>	<u>-</u>	<u>-</u>	<u>681.59</u>
<u>US Bank Series 2004 Escrow Fund</u>					
Balance as of January 31, 2018	-	706.75	-	-	706.75
Anticipated Balance	<u>-</u>	<u>706.75</u>	<u>-</u>	<u>-</u>	<u>706.75</u>
<u>US Bank Series 2007 Sub Bond Capitalized Interest</u>					
Balance as of January 31, 2018	-	10,193.52	-	-	10,193.52
Anticipated Balance	<u>-</u>	<u>10,193.52</u>	<u>-</u>	<u>-</u>	<u>10,193.52</u>
<u>US Bank Series 2007 Sub Bond Construction Fund</u>					
Balance as of January 31, 2018	-	32.89	-	-	32.89
Anticipated Balance	<u>-</u>	<u>32.89</u>	<u>-</u>	<u>-</u>	<u>32.89</u>
Anticipated Balances	<u>\$ 591,598.75</u>	<u>\$ 724,377.48</u>	<u>\$ 177,825.55</u>	<u>\$ 13,148.36</u>	<u>\$ 1,506,950.14</u>

Yield information (as of 02/28/18):

US Bank MM - 0.22%

CSAFE - 1.51%

FALCON HIGHLANDS METROPOLITAN DISTRICT
Property Taxes Reconciliation
2018

	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	\$ 10,932.35	\$ -	\$ 7,408.63	\$ -	\$ (163.99)	-	\$ 18,176.99	1.44%	1.44%	\$ 13,716.62	1.15%	1.15%
February	-	-	-	-	-	-	-	0.00%	1.44%	265,605.13	41.27%	42.43%
March	-	-	-	-	-	-	-	0.00%	1.44%	21,830.83	2.31%	44.74%
April	-	-	-	-	-	-	-	0.00%	1.44%	52,259.85	7.35%	52.09%
May	-	-	-	-	-	-	-	0.00%	1.44%	57,717.50	8.04%	60.13%
June	-	-	-	-	-	-	-	0.00%	1.44%	216,549.72	33.33%	93.46%
July	-	-	-	-	-	-	-	0.00%	1.44%	23,758.04	2.59%	96.05%
August	-	-	-	-	-	-	-	0.00%	1.44%	21,242.85	2.06%	98.11%
September	-	-	-	-	-	-	-	0.00%	1.44%	7,560.72	0.00%	98.11%
October	-	-	-	-	-	-	-	0.00%	1.44%	21,773.00	1.96%	100.07%
November	-	-	-	-	-	-	-	0.00%	1.44%	8,294.98	0.06%	100.13%
December	-	-	-	-	-	-	-	0.00%	1.44%	6,680.21	0.00%	100.13%
	\$ 10,932.35	\$ -	\$ 7,408.63	\$ -	\$ (163.99)	\$ -	\$ 18,176.99	1.44%	1.44%	\$ 716,989.45	100.13%	100.13%

	Taxes Levied	% of Levied	Property Taxes Collected	% Collected to Amount Levied
Property Tax				
General Fund	\$ 108,400	14.28%	\$ 1,561.68	1.44%
Debt Service Fund	650,442	85.72%	9,370.67	1.44%
Total	758,842	100.00%	\$ 10,932.35	1.44%

	Taxes Levied	% of Levied	Property Taxes Collected	% Collected to Amount Levied
Specific Ownership Tax				
General Fund	98,649	100.00%	\$ 7,408.63	7.51%
Total	98,649	100.00%	\$ 7,408.63	7.51%

	Taxes Levied	% of Levied	Property Taxes Collected	% Collected to Amount Levied
Treasurer's Fees				
General Fund	1,626	14.28%	\$ 23.43	1.44%
Debt Service Fund	9,757	85.72%	140.56	1.44%
Total	\$ 11,383	100.00%	\$ 163.99	1.44%