

**Falcon Highlands Metropolitan District**  
**Financial Statement Variances**  
**September 30, 2021**

**Accounts Receivable as of 9/30/21 totals \$62,019.61 with past due amounts of:**

- Over 90 days - \$4,251 made up of 19 customers
- Over 60 days - \$1,636.14 made up of 12 customers
- Credit balances – (\$2,754) made up of 25 customers

**Property Taxes Collected**

1. The 2021 collections through September are at 100.09% of the total amount levied compared to 97.57% at this time last year.

**General Fund**

1. Annual insurance premiums were paid in full for the year and are on budget.
2. Overall, the total General Fund expenditures are at 68% of budget.

**Conservation Trust Fund**

1. As of September 30, 2021, the District has received \$4,192 in Conservation Trust Fund proceeds for the year. These proceeds are paid out quarterly.

**Enterprise Fund**

1. As mentioned in the General Fund section, annual insurance premiums were paid in full for the year and are on budget.
2. Overall, the total Enterprise Fund expenditures are at 53% of budget.

**Cash and Investments**

As of October 29, 2021 the available cash and investments are as follows:

1. General Fund: \$1,477,058.72
2. Conservation Trust Fund: \$11,993.35
3. Debt Service Fund: \$1,193,670.96 of which \$639,529.72 is the Reserve Fund
4. Enterprise Fund: \$380,104.17

**FALCON HIGHLANDS METROPOLITAN DISTRICT**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2021**

**FALCON HIGHLANDS METROPOLITAN DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021**

	<u>General</u>	<u>Debt Service</u>	<u>Conservation Trust</u>	<u>Enterprise</u>	<u>Total</u>
<b>ASSETS</b>					
Cash - 1st Bank	\$ 35,302	\$ -	\$ -	\$ 95,651	\$ 130,953
C - Safe	1,455,408	4	11,993	267,586	1,734,991
Bond Fund - Series 2004A	-	539,566	-	-	539,566
Construction Fund - Series 2004A	-	708	-	-	708
Escrow Fund - Series 2004A	-	734	-	-	734
Reserve Fund - Series 2004A	-	639,530	-	-	639,530
Capitalized Interest - Series 2007 Subordinate	-	10,581	-	-	10,581
Construction Fund - Series 2007 Subordinate	-	34	-	-	34
Accounts receivable	12,778	-	-	49,242	62,020
Receivable from County Treasurer	8,967	2,515	-	-	11,482
Prepaid insurance	180	-	-	270	450
Prepaid expense	2,392	-	-	19,672	22,064
Accumulated depreciation	-	-	-	(3,029,520)	(3,029,520)
Water rights	-	-	-	402,786	402,786
Equipment and systems	-	-	-	6,222,028	6,222,028
Vehicles	-	-	-	40,659	40,659
<b>TOTAL ASSETS</b>	<u>\$ 1,515,027</u>	<u>\$ 1,193,672</u>	<u>\$ 11,993</u>	<u>\$ 4,068,374</u>	<u>\$ 6,789,066</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 24,921	\$ -	\$ -	\$ 46,425	\$ 71,346
Tap Review Fee Escrow	-	-	-	46,000	46,000
Total Liabilities	<u>24,921</u>	<u>-</u>	<u>-</u>	<u>92,425</u>	<u>117,346</u>
<b>FUND BALANCES</b>					
Total Fund Balances	<u>1,490,106</u>	<u>1,193,672</u>	<u>11,993</u>	<u>3,975,949</u>	<u>6,671,720</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,515,027</u>	<u>\$ 1,193,672</u>	<u>\$ 11,993</u>	<u>\$ 4,068,374</u>	<u>\$ 6,789,066</u>

No assurance is provided on these financial statements. Substantially all required disclosures, the government-wide financial statements, and the statements of revenues, expenditures and changes in fund balances - governmental funds have been omitted.

**FALCON HIGHLANDS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

**GENERAL FUND**

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Property taxes	\$ 131,515	\$ 131,634	\$ 119
Specific ownership taxes	88,951	78,374	(10,577)
Interest income	6,600	508	(6,092)
Maintenance fees	131,000	98,777	(32,223)
<b>TOTAL REVENUES</b>	<u>358,066</u>	<u>309,293</u>	<u>(48,773)</u>
<b>EXPENDITURES</b>			
Accounting	40,000	13,225	26,775
Auditing	8,700	8,500	200
County Treasurer's fee	1,973	1,976	(3)
Directors' fees	3,000	1,400	1,600
Insurance and bonds	10,000	9,438	562
District management	50,000	34,544	15,456
Legal services	45,000	54,593	(9,593)
Miscellaneous	5,000	142	4,858
Payroll - wages and taxes	230	130	100
Repairs and maintenance	10,000	-	10,000
Professional Services	5,000	-	5,000
Landscape maintenance	5,000	-	5,000
General improvements	12,000	-	12,000
Utilities	30,000	10,780	19,220
Fuel	2,000	-	2,000
Operating expense	500	-	500
Equipment expense	10,000	-	10,000
Trail maintenance	10,000	-	10,000
Storm drainage	10,000	-	10,000
Park improvements	55,000	88,600	(33,600)
Contingency	13,597	-	13,597
<b>TOTAL EXPENDITURES</b>	<u>327,000</u>	<u>223,328</u>	<u>103,672</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	31,066	85,965	54,899
<b>OTHER FINANCING SOURCES (USES)</b>			
Other revenue	-	31,770	31,770
Transfers to other fund	(50,000)	-	50,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(50,000)</u>	<u>31,770</u>	<u>81,770</u>
<b>NET CHANGE IN FUND BALANCES</b>	(18,934)	117,735	136,669
<b>FUND BALANCES - BEGINNING</b>	<u>1,333,305</u>	<u>1,372,371</u>	<u>39,066</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,314,371</u>	<u>\$ 1,490,106</u>	<u>\$ 175,735</u>

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**FALCON HIGHLANDS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

**CONSERVATION TRUST FUND**

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Conservation Trust proceeds	\$ 5,000	\$ 4,192	\$ (808)
Interest income	25	3	(22)
<b>TOTAL REVENUES</b>	<u>5,025</u>	<u>4,195</u>	<u>(830)</u>
<b>EXPENDITURES</b>			
Repairs and maintenance	<u>13,106</u>	-	<u>13,106</u>
<b>TOTAL EXPENDITURES</b>	<u>13,106</u>	<u>-</u>	<u>13,106</u>
<b>NET CHANGE IN FUND BALANCES</b>	(8,081)	4,195	12,276
<b>FUND BALANCES - BEGINNING</b>	<u>8,081</u>	<u>7,799</u>	<u>(282)</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ 11,994</u>	<u>\$ 11,994</u>

**FALCON HIGHLANDS METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021 AND SEPTEMBER 30, 2020**

	<u>Year to Date Actual</u>	<u>Prior Year to Date Actual</u>	<u>Variance</u>
<b>OPERATING REVENUES</b>			
Facility fees	\$ 29,126	\$ -	\$ 29,126
Interest income	61	559	(498)
Water treatment fees	87,370	87,303	67
Administrative fees	62,146	62,034	112
Water usage fees	177,609	205,204	(27,595)
Penalties	2,310	1,020	1,290
Meter fees	1,461	-	1,461
Water tap fees	80,000	-	80,000
O&M fees	813	-	813
Inspection fees	90	-	90
Total operating revenues	<u>440,986</u>	<u>356,120</u>	<u>84,866</u>
<b>OPERATING EXPENDITURES</b>			
Accounting	16,531	16,106	(425)
Dues and membership	1,149	1,144	(5)
Insurance and bonds	14,157	11,249	(2,908)
District management	39,907	50,266	10,359
Legal services	72,791	54,775	(18,016)
Miscellaneous	999	906	(93)
Security	4,214	4,491	277
Repairs and maintenance	2,141	991	(1,150)
Professional Services	25,979	16,667	(9,312)
SCADA system inspection	-	3,680	3,680
Utilities	64,841	47,831	(17,010)
Fuel	-	36	36
Operating expense	10,129	6,496	(3,633)
Supplies - treatment facility	7,313	6,137	(1,176)
Utility billing	29,502	21,785	(7,717)
Telephone	765	779	14
Utility locates	552	627	75
Woodman Hills contract	34,442	25,176	(9,266)
Capital outlay	-	2,468	2,468
Depreciation expense	<u>95,267</u>	<u>95,267</u>	<u>-</u>
Total operating expenses	<u>420,679</u>	<u>366,877</u>	<u>(53,802)</u>
Operating income (loss)	20,307	(10,757)	31,064
<b>OTHER FINANCING SOURCES (USES)</b>			
Other revenue	15,000	-	15,000
Total non-operating revenues (expenses)	<u>15,000</u>	<u>-</u>	<u>15,000</u>
<b>CHANGE IN NET POSITION</b>	35,307	(10,757)	46,064
<b>TOTAL NET POSITION - BEGINNING</b>	<u>3,940,639</u>	<u>3,975,598</u>	<u>(34,959)</u>
<b>TOTAL NET POSITION - ENDING</b>	<u>\$ 3,975,946</u>	<u>\$ 3,964,841</u>	<u>\$ 11,105</u>

No assurance is provided on these financial statements. Substantially all required disclosures, the government-wide financial statements, and the statements of revenues, expenditures and changes in fund balances - governmental funds have been omitted.

## **SUPPLEMENTARY INFORMATION**

**FALCON HIGHLANDS METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

**DEBT SERVICE FUND**

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
<b>REVENUES</b>			
Property taxes	\$ 757,996	\$ 758,681	\$ 685
Interest income	3,600	494	(3,106)
<b>TOTAL REVENUES</b>	<u>761,596</u>	<u>759,175</u>	<u>(2,421)</u>
<b>EXPENDITURES</b>			
County Treasurer's fee	11,564	11,386	178
Paying agent fees	12,000	-	12,000
Bond interest	465,125	232,563	232,562
Bond principal	220,000	-	220,000
Contingency	5,311	-	5,311
<b>TOTAL EXPENDITURES</b>	<u>714,000</u>	<u>243,949</u>	<u>470,051</u>
<b>NET CHANGE IN FUND BALANCES</b>	47,596	515,226	467,630
<b>FUND BALANCES - BEGINNING</b>	<u>714,468</u>	<u>678,445</u>	<u>(36,023)</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 762,064</u>	<u>\$ 1,193,671</u>	<u>\$ 431,607</u>



**FALCON HIGHLANDS METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND AVAILABLE - BUDGET AND ACTUAL  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

**ENTERPRISE FUND**

	<u>Annual Budget</u>	<u>Year to Date Actual</u>	<u>Variance</u>
<b>REVENUE</b>			
Facility fees	\$ -	\$ 29,126	\$ 29,126
Interest income	750	61	(689)
Water treatment fees	117,000	87,370	(29,630)
Administrative fees	81,500	62,146	(19,354)
Water usage fees	260,000	177,609	(82,391)
Penalties	7,000	2,310	(4,690)
Meter fees	-	1,461	1,461
Water tap fees	-	80,000	80,000
O&M fees	-	813	813
Inspection fees	-	90	90
<b>TOTAL REVENUE</b>	<u>466,250</u>	<u>440,986</u>	<u>(25,264)</u>
<b>EXPENDITURES</b>			
Accounting	50,000	16,531	33,469
Dues and membership	1,000	1,149	(149)
Insurance and bonds	15,000	14,157	843
District management	65,000	39,907	25,093
Legal services	60,000	72,791	(12,791)
Miscellaneous	2,500	999	1,501
Security	7,500	4,214	3,286
Repairs and maintenance	25,000	2,141	22,859
Professional Services	50,000	25,979	24,021
SCADA system inspection	2,500	-	2,500
Utilities	130,000	64,841	65,159
Fuel	2,000	-	2,000
Operating expense	15,000	10,129	4,871
Supplies - treatment facility	10,000	7,313	2,687
Utility billing	38,000	29,502	8,498
Telephone	3,000	765	2,235
Utility locates	500	552	(52)
Equipment expense	500	-	500
Woodman Hills contract	50,000	34,442	15,558
Permits - fees	1,000	-	1,000
Capital outlay	75,000	-	75,000
Small tools and supplies	1,500	-	1,500
Contingency	5,000	-	5,000
<b>TOTAL EXPENDITURES</b>	<u>610,000</u>	<u>325,412</u>	<u>284,588</u>
<b>EXCESS OF REVENUE OVER (UNDER) EXPENDITURES</b>	(143,750)	115,574	259,324
<b>OTHER FINANCING SOURCES (USES)</b>			
Other revenue	-	15,000	15,000
Transfers from other funds	50,000	-	(50,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>50,000</u>	<u>15,000</u>	<u>(35,000)</u>
<b>NET CHANGE IN FUNDS AVAILABLE</b>	(93,750)	130,574	224,324
<b>FUNDS AVAILABLE - BEGINNING</b>	<u>214,545</u>	<u>108,338</u>	<u>(106,207)</u>
<b>FUNDS AVAILABLE - ENDING</b>	<u>\$ 120,795</u>	<u>\$ 238,912</u>	<u>\$ 118,117</u>

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**FALCON HIGHLANDS METROPOLITAN DISTRICT  
2021 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 no employees. All administrative and operating functions are contracted.

**FALCON HIGHLANDS METROPOLITAN DISTRICT  
2021 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 7.20% to 7.15% in 2019 allowed the District to adjust its mill levy to offset the decrease in revenues. Accordingly, the District adjusted its mill levy to 6.140 for operation and 36.839 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 10% 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 2021.

**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 2021.

**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  
2021 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 outsourced operating 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  
2021 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  
2021 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.

**Developer Advances**

The District has entered into Funding and Reimbursement Agreement(s) with the Developer as follows:

**Capital Funding and Reimbursement Agreement**

On June 15, 2005, the District entered into a Capital Funding and Reimbursement Agreement with Cygnet Land, LLC (Developer) to repay advances made by the Developer for capital infrastructure costs. The District agreed to repay the Developer for such capital advances plus accrued interest at the rate of 8.0%. The maximum capital loan amount shall not exceed the aggregate total of \$750,000 and is subject to annual renewal by the Developer. As of December 31, 2019, the current status of the Reimbursement Agreement, the balance of any outstanding advances and any accrued interest is unavailable.

**FALCON HIGHLANDS METROPOLITAN DISTRICT  
2021 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Debt and leases - (continued)**

	Balance at December 31, 2019	Additions	Reductions	Balance at December 31, 2020
Series 2004A Discount	34,431	-	3,380	31,051
Series 2004A Accrued Interest	20,031	480,105	480,756	19,380
Series 2007 Accrued Interest	9,011,456	1,264,321	-	10,275,777
Series 2004 B-1 Subordinate Notes	1,000,000	-	-	1,000,000
Series 2004 B-1 Accrued Interest	599,500	55,000	-	654,500
Series 2006 B-2 Subordinate Notes	1,500,000	-	-	1,500,000
Series 2006 B-2 Accrued Interest	796,917	82,500	-	879,417
Series 2006 B-3 Subordinate Notes	440,000	-	-	440,000
Series 2006 B-3 Accrued Interest	233,762	24,200	-	257,962
Cygnet, LLC - Note Payable	4,025,291	-	-	4,025,291
RDS, LLC - Note Payable	128,682	-	-	128,682
Tamlin Ventures, LLC - Note Payable	447,534	-	-	447,534
Cygnet, LLC - Letter of Credit	265,000	-	-	265,000
Total	<u>18,502,604</u>	<u>1,906,126</u>	<u>484,136</u>	<u>19,924,594</u>

	Balance at December 31, 2020	Additions	Reductions	Balance at December 31, 2021
Series 2004A Discount	31,051	-	3,270	27,781
Series 2004A Accrued Interest	19,380	464,426	465,125	18,681
Series 2007 Accrued Interest	10,275,777	1,378,938	-	11,654,715
Series 2004 B-1 Subordinate Notes	1,000,000	-	-	1,000,000
Series 2004 B-1 Accrued Interest	654,500	55,000	-	709,500
Series 2006 B-2 Subordinate Notes	1,500,000	-	-	1,500,000
Series 2006 B-2 Accrued Interest	879,417	82,500	-	961,917
Series 2006 B-3 Subordinate Notes	440,000	-	-	440,000
Series 2006 B-3 Accrued Interest	257,962	24,200	-	282,162
Cygnet, LLC - Note Payable	4,025,291	-	-	4,025,291
RDS, LLC - Note Payable	128,682	-	-	128,682
Tamlin Ventures, LLC - Note Payable	447,534	-	-	447,534
Cygnet, LLC - Letter of Credit	265,000	-	-	265,000
Total	<u>19,924,594</u>	<u>2,005,064</u>	<u>468,395</u>	<u>21,461,263</u>

\*The above are based on estimates

**FALCON HIGHLANDS METROPOLITAN DISTRICT  
2021 BUDGET  
SUMMARY OF SIGNIFICANT ASSUMPTIONS**

**Reserve Funds**

**Debt Service Reserve**

The Debt Service Reserve Fund requirement is \$936,650 for the senior 2004 Series Bonds. The 2021 budget anticipates replenishing the reserve funds during 2021, leaving an anticipated remaining balance of \$774,921.

**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 2021, as defined under TABOR.



**FALCON HIGHLANDS METROPOLITAN DISTRICT**  
**SCHEDULE OF SENIOR DEBT REQUIREMENTS TO MATURITY**  
**December 31, 2019**

**\$9,465,000**

**General Obligation Limited Tax Bonds**

**Dated June 22, 2004**

**Series 2004A**

**Interest Rate of 7.625%**

**June 15 and December 15**

<b>Year Ending December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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>\$ 6,100,000</u>	<u>\$ 4,416,783</u>	<u>\$ 10,516,783</u>

No assurance is provided on these financial statements. Substantially all required disclosures, the government-wide financial statements, and the statements of revenues, expenditures and changes in fund balances - governmental funds have been omitted.

**FALCON HIGHLANDS METROPOLITAN DISTRICT**

**Schedule of Cash Position**

**September 30, 2021**

**Updated as of October 29, 2021**

	<u>General Fund</u>	<u>Conservation Trust Fund</u>	<u>Debt Service Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
<b><u>1st Bank - Checking</u></b>					
Balance as of September 30, 2020	\$ 35,302.24	\$ -	\$ -	\$ 95,650.73	\$ 130,952.97
<i>Subsequent activities:</i>					
10/05/21 - Waste Connections Autopay	-	-	-	(27.00)	(27.00)
10/09/21 - Transfer from CSafe	25,000.00	-	-	-	25,000.00
10/21/21 - Bill.com Payment	(22,619.10)	-	-	(43,267.48)	(65,886.58)
October Service Receipts to Date	-	-	-	60,161.74	60,161.74
<b>Anticipated Balance</b>	<u>37,683.14</u>	<u>-</u>	<u>-</u>	<u>112,517.99</u>	<u>150,201.13</u>
<b><u>CSAFE</u></b>					
Balance as of September 30, 2020	1,455,408.22	11,993.35	4.11	267,586.18	1,734,991.86
<i>Subsequent activities:</i>					
10/09/21 - Transfer to 1st Bank	(25,000.00)	-	-	-	(25,000.00)
10/10/21 - Property/SO Taxes	8,967.36	-	2,514.85	-	11,482.21
Anticipated Transfer to US Bank	-	-	(2,518.96)	-	(2,518.96)
<b>Anticipated Balance</b>	<u>1,439,375.58</u>	<u>11,993.35</u>	<u>-</u>	<u>267,586.18</u>	<u>1,718,955.11</u>
<b><u>US Bank Series 2004 Bond Fund</u></b>					
Balance as of September 30, 2020	-	-	539,566.31	-	539,566.31
<i>Subsequent activities:</i>					
Anticipated Transfer from CSAFE	-	-	2,518.96	-	2,518.96
<b>Anticipated Balance</b>	<u>-</u>	<u>-</u>	<u>542,085.27</u>	<u>-</u>	<u>542,085.27</u>
<b><u>US Bank Series 2004 Reserve Fund</u></b>					
Balance as of September 30, 2020	-	-	639,529.72	-	639,529.72
<i>Subsequent activities:</i>					
<b>Anticipated Balance</b>	<u>-</u>	<u>-</u>	<u>639,529.72</u>	<u>-</u>	<u>639,529.72</u>
<b><u>US Bank Series 2004 Construction Fund</u></b>					
Balance as of September 30, 2020	-	-	707.55	-	707.55
<i>Subsequent activities:</i>					
<b>Anticipated Balance</b>	<u>-</u>	<u>-</u>	<u>707.55</u>	<u>-</u>	<u>707.55</u>
<b><u>US Bank Series 2004 Escrow Fund</u></b>					
Balance as of September 30, 2020	-	-	733.65	-	733.65
<i>Subsequent activities:</i>					
<b>Anticipated Balance</b>	<u>-</u>	<u>-</u>	<u>733.65</u>	<u>-</u>	<u>733.65</u>
<b><u>US Bank Series 2007 Sub Bond Capitalized Interest</u></b>					
Balance as of September 30, 2020	-	-	10,580.62	-	10,580.62
<i>Subsequent activities:</i>					
<b>Anticipated Balance</b>	<u>-</u>	<u>-</u>	<u>10,580.62</u>	<u>-</u>	<u>10,580.62</u>
<b><u>US Bank Series 2007 Sub Bond Construction Fund</u></b>					
Balance as of September 30, 2020	-	-	34.15	-	34.15
<i>Subsequent activities:</i>					
<b>Anticipated Balance</b>	<u>-</u>	<u>-</u>	<u>34.15</u>	<u>-</u>	<u>34.15</u>
<b>Anticipated Balances</b>	<u>\$ 1,477,058.72</u>	<u>\$ 11,993.35</u>	<u>\$ 1,193,670.96</u>	<u>\$ 380,104.17</u>	<u>\$ 3,062,827.20</u>

**Yield information (as of 9/30/21):**

US Bank MM - .01%

CSAFE - .01%

No assurance is provided on these financial statements. Substantially all required disclosures, the government-wide financial statements, and the statements of revenues, expenditures and changes in fund balances - governmental funds have been omitted.

**FALCON HIGHLANDS METROPOLITAN DISTRICT**  
**Property Taxes Reconciliation**  
**2021**

	Current Year										Prior Year			
	Property Taxes	Delinquent Taxes, Rebates and Abatements	Specific Ownership Taxes	Interest	Treasurer's Fees	Due to County	Special Assessment	Net Amount Received	% of Total Property Taxes Received		Total Cash Received	% of Total Property Taxes Received		
									Monthly	Y-T-D		Monthly	Y-T-D	
						(25,087.50)								
January	\$ 4,250.33	\$ -	\$ 8,379.44	\$ -	\$ (63.75)	12,566.02	-	\$ -	0.48%	0.48%	\$ 17,658.09	0.98%	0.98%	
February	260,827.27	-	8,247.59	-	(3,912.41)	12,521.48	-	252,640.97	29.32%	29.80%	375,995.32	41.56%	42.54%	
March	124,204.56	6.83	9,600.13	-	(1,863.17)	-	-	131,948.35	13.96%	43.76%	60,365.05	6.12%	48.66%	
April	93,992.28	924.10	7,917.89	101.65	(1,425.27)	-	-	101,510.65	10.67%	54.44%	47,586.83	4.70%	53.36%	
May	84,871.74	17.91	8,842.65	-	(1,273.34)	-	-	92,458.96	9.54%	63.98%	69,092.48	7.04%	60.40%	
June	308,372.29	-	8,231.29	38.64	(4,626.16)	-	809.02	312,825.08	34.67%	98.65%	290,235.17	31.93%	92.33%	
July	4,557.61	-	8,483.03	124.35	(70.23)	-	-	13,094.76	0.51%	99.16%	16,583.28	0.88%	93.20%	
August	5,293.58	-	10,140.50	211.75	(82.58)	-	-	15,563.25	0.60%	99.75%	46,279.41	4.18%	97.39%	
September	2,853.45	142.67	8,531.03	-	(44.94)	-	-	11,482.21	0.34%	100.09%	9,814.03	0.18%	97.57%	
October	-	-	-	-	-	-	-	-	0.00%	100.09%	27,950.04	2.09%	99.66%	
November	-	-	-	-	-	-	-	-	0.00%	100.09%	8,052.71	0.00%	99.66%	
December	-	-	-	-	-	-	-	-	0.00%	100.09%	0.00	-3.69%	95.98%	
	\$ 889,223.11	\$ 1,091.51	\$ 78,373.55	\$ 476.39	\$ (13,361.85)	\$ -	\$ 809.02	\$ 931,524.23	100.09%	100.09%	\$ 969,612.41	95.98%	95.98%	

Taxes Levied	% of Levied	Property Taxes Collected	% Collected to Amount Levied
\$ 131,515	14.79%	\$ 131,633.82	100.09%
757,996	85.21%	758,680.80	100.09%
<u>889,511</u>	<u>100.00%</u>	<u>\$ 890,314.62</u>	<u>100.09%</u>

**Property Tax**

General Fund	\$ 131,515	14.79%	\$ 131,633.82	100.09%
Debt Service Fund	757,996	85.21%	758,680.80	100.09%
Total	<u>889,511</u>	<u>100.00%</u>	<u>\$ 890,314.62</u>	<u>100.09%</u>

**Specific Ownership Tax**

General Fund	88,951	100.00%	\$ 78,373.55	88.11%
Total	<u>88,951</u>	<u>100.00%</u>	<u>\$ 78,373.55</u>	<u>88.11%</u>

**Treasurer's Fees**

General Fund	1,973	14.79%	\$ 1,975.56	100.13%
Debt Service Fund	11,564	85.21%	11,386.29	98.46%
Total	<u>\$ 13,537</u>	<u>100.00%</u>	<u>\$ 13,361.85</u>	<u>98.71%</u>

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