

**PAINT BRUSH HILLS
METROPOLITAN DISTRICT
El Paso County, Colorado**

**FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Paint Brush Hills Metropolitan District
Peyton, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Paint Brush Hills Metropolitan District (District), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Conservation Trust Fund, and Subdistrict A Operations Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT - CONTINUED

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Other matters

Supplemental Information

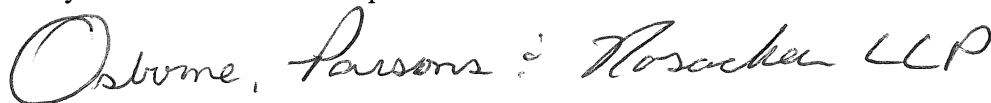
Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Subdistrict A Debt Service Fund, and the Schedule of Revenues, Expenditures and Changes in Funds Available – Budget and Actual (Budgetary Basis) – Water and Wastewater Fund be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management discussion and analysis (MDA) that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Summary of Assessed Valuation, Mill Levy and Property Taxes Collected is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Summary of Assessed Valuation, Mill Levy and Property Taxes Collected is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Summary of Assessed Valuation, Mill Levy and Property Taxes Collected is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Osborne, Parsons & Hosack LLP
Colorado Springs, Colorado
May 27, 2020

BASIC FINANCIAL STATEMENTS

PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents-unrestricted	\$ 279,478	\$ 2,024,343	\$ 2,303,821
Cash and cash equivalents-restricted	181,084	-	181,084
Accounts receivable	4,761	74,370	79,131
Accounts receivable - Developer reimbursements	-	59,852	59,852
Due from County Treasurer	5,745	-	5,745
Prepaid expenses	2,567	4,500	7,067
Deposits	-	9,738	9,738
Property taxes receivable	629,352	-	629,352
Capital assets not being depreciated/amortized	-	1,013,857	1,013,857
Capital assets being depreciated/amortized, net of accumulated depreciation/amortization	1,057,002	12,640,400	13,697,402
Total assets	<u>2,159,989</u>	<u>15,827,060</u>	<u>17,987,049</u>
LIABILITIES			
Accounts payable	18,537	60,067	78,604
Deposits:			
Well rehabilitation and pumphouse projects	-	667,284	667,284
Reimbursable costs	-	447	447
Hydrant meters	-	6,000	6,000
Wages, payroll taxes and benefits payable	1,822	8,397	10,219
Paid time off payable	68	8,259	8,327
Interest payable	-	6,798	6,798
Long-term obligations:			
Due within one year	-	287,345	287,345
Due in more than one year	-	1,789,926	1,789,926
Total liabilities	<u>20,427</u>	<u>2,834,523</u>	<u>2,854,950</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	629,352	-	629,352
Total deferred inflows of resources	<u>629,352</u>	<u>-</u>	<u>629,352</u>
NET POSITION			
Net investment in capital assets	1,057,002	11,576,986	12,633,988
Restricted for:			
Emergencies	14,302	-	14,302
Parks and recreation	13,826	-	13,826
Debt service	168,385	-	168,385
Unrestricted	256,695	1,415,551	1,672,246
Total net position	<u>\$ 1,510,210</u>	<u>\$ 12,992,537</u>	<u>\$ 14,502,747</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 333,346	\$ 11,023	\$ -	\$ -	\$ (322,323)	\$ -	\$ (322,323)
Parks and recreation	100,454	-	-	13,163	(87,291)	-	(87,291)
Stormwater	15,695	-	-	-	(15,695)	-	(15,695)
	<u>449,495</u>	<u>11,023</u>	<u>-</u>	<u>13,163</u>	<u>(425,309)</u>	<u>-</u>	<u>(425,309)</u>
Business-type activities:							
Water and sewer operations	1,856,012	1,131,027	19,709	1,635,594	-	930,318	930,318
	<u>1,856,012</u>	<u>1,131,027</u>	<u>19,709</u>	<u>1,635,594</u>	<u>-</u>	<u>930,318</u>	<u>930,318</u>
Total	<u>\$ 2,305,507</u>	<u>\$ 1,142,050</u>	<u>\$ 19,709</u>	<u>\$ 1,648,757</u>	<u>(425,309)</u>	<u>930,318</u>	<u>505,009</u>
General revenues:							
Taxes:							
Property taxes					526,291	-	526,291
Specific ownership taxes					63,720	-	63,720
Net investment earnings					2,871	6,143	9,014
Miscellaneous					1,137	-	1,137
Total general revenues					<u>594,019</u>	<u>6,143</u>	<u>600,162</u>
Change in net position					168,710	936,461	1,105,171
Net position - Beginning of year					1,341,500	12,056,076	13,397,576
Net position - End of year					<u>\$ 1,510,210</u>	<u>\$ 12,992,537</u>	<u>\$ 14,502,747</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

PAINT BRUSH HILLS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019

	General Fund	Conservation Trust Fund	Subdistrict A Operations Special Revenue Fund	Subdistrict A Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalents-unrestricted	\$ 277,458	\$ -	\$ 2,020	\$ -	\$ 279,478
Cash and cash equivalents-restricted	-	13,826	-	167,258	181,084
Accounts receivable	-	-	4,761	-	4,761
Due from County Treasurer	4,618	-	-	1,127	5,745
Prepaid expenditures	2,567	-	-	-	2,567
Property tax receivable	471,538	-	-	157,814	629,352
TOTAL ASSETS	\$ 756,181	\$ 13,826	\$ 6,781	\$ 326,199	\$ 1,102,987
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 17,825	\$ -	\$ 712	\$ -	\$ 18,537
Wages, payroll taxes and benefits payable	1,822	-	-	-	1,822
Paid time off payable	68	-	-	-	68
Total Liabilities	19,715	-	712	-	20,427
DEFERRED INFLOWS OF RESOURCES					
Deferred property tax revenues	471,538	-	-	157,814	629,352
Deferred developer reimbursements	-	-	4,761	-	4,761
Total Deferred Inflows of Resources	471,538	-	4,761	157,814	634,113
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	2,567	-	-	-	2,567
Spendable:					
Restricted for:					
Emergencies	14,302	-	-	-	14,302
Parks and recreation	-	13,826	-	-	13,826
Debt service	-	-	-	168,385	168,385
Committed for:					
Subdistrict A operating costs	-	-	1,308	-	1,308
Assigned:					
Subsequent year's expenditures	61,125	-	-	-	61,125
Unassigned	186,934	-	-	-	186,934
Total Fund Balances	264,928	13,826	1,308	168,385	448,447
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 756,181	\$ 13,826	\$ 6,781	\$ 326,199	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Some assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Capital assets, net of accumulated depreciation

1,057,002

Some amounts are deferred because they are measurable, but not available, and are therefore reported as deferred inflows of resources on the Balance Sheet - Governmental Funds.

However for the Statement of Net Position they are not deferred as they are considered earned.

Deferred developer reimbursements

4,761

Net position of governmental activities

\$ 1,510,210

These financial statements should be read only in connection with
the accompanying notes to financial statements.

PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS
Year Ended December 31, 2019

	General Fund	Conservation Trust Fund	Subdistrict A Operations Special Revenue Fund	Subdistrict A Debt Service Fund	Total Governmental Funds
REVENUES					
Property taxes	\$ 423,050	\$ -	\$ -	\$ 103,241	\$ 526,291
Specific ownership taxes	51,220	-	-	12,500	63,720
Conservation Trust Fund	-	13,163	-	-	13,163
Subdistrict costs reimbursements	-	-	13,930	-	13,930
Net investment income	1,337	40	2	1,492	2,871
Miscellaneous	1,137	-	-	-	1,137
Total revenues	476,744	13,203	13,932	117,233	621,112
EXPENDITURES					
Current:					
Audit	5,700	-	-	-	5,700
Director's fees	6,700	-	-	-	6,700
District manager	21,957	-	-	-	21,957
Employee wages	45,966	-	-	-	45,966
Payroll taxes	6,409	-	-	-	6,409
457b plan contributions	2,734	-	-	-	2,734
Payroll processing	3,152	-	-	-	3,152
Health insurance	26,949	-	-	-	26,949
District manager phone allowance	270	-	-	-	270
Employee training	2,084	-	-	-	2,084
Insurance	10,516	-	-	-	10,516
Legal	113,871	-	11,023	-	124,894
Miscellaneous	4,040	-	-	-	4,040
Bank charges	681	-	-	-	681
Dues/subscriptions/conferences	2,989	-	-	-	2,989
Office utilities	6,856	-	-	-	6,856
Office equipment	1,055	-	-	-	1,055
Office supplies	10,229	-	-	-	10,229
Postage	234	-	-	-	234
Telephone	1,052	-	-	-	1,052
Accounting	16,125	-	-	-	16,125
Office technology/website	8,342	-	-	-	8,342
Building maintenance	16,296	-	-	-	16,296
Treasurer's fees	6,350	-	-	1,553	7,903
Parks and property grounds maintenance	40,207	-	-	-	40,207
Parks maintenance and repairs	34,753	-	-	-	34,753
Parks and property landscaping	1,582	-	-	-	1,582
Training	213	-	-	-	213
Capital outlay:					
Park and recreation facility improvements	7,406	-	-	-	7,406
Vehicles and equipment	24,834	-	-	-	24,834
Total expenditures	429,552	-	11,023	1,553	442,128
NET CHANGE IN FUND BALANCES	47,192	13,203	2,909	115,680	178,984
FUND BALANCES (DEFICIT) - BEGINNING OF YEAR	217,736	623	(1,601)	52,705	269,463
FUND BALANCES - END OF YEAR	\$ 264,928	\$ 13,826	\$ 1,308	\$ 168,385	\$ 448,447

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2019**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net position reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds		<u>\$ 178,984</u>
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		32,240
Depreciation		<u>(39,607)</u>
		<u>(7,367)</u>
<p>Governmental funds report revenues that are measurable but not available within 60 days of yearend as deferred revenue. However, in the statement of activities these amounts are recognized as revenue.</p>		
Change in deferred developer reimbursements		<u>(2,907)</u>
Change in net position - Governmental activities		<u><u>\$ 168,710</u></u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2019**

	Original and Final Adopted Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 423,060	\$ 423,050	\$ (10)
Specific ownership taxes	50,767	51,220	453
Net investment income	3,500	1,337	(2,163)
Miscellaneous	500	1,137	637
Total Revenues	<u>477,827</u>	<u>476,744</u>	<u>(1,083)</u>
EXPENDITURES			
Current:			
Audit	6,000	5,700	300
Director's fees	6,000	6,700	(700)
District manager	40,140	21,957	18,183
Employee wages	50,240	45,966	4,274
Contract staffing	5,000	-	5,000
Payroll taxes	8,020	6,409	1,611
457b plan contributions	2,610	2,734	(124)
Payroll processing	2,940	3,152	(212)
Health insurance	27,200	26,949	251
District manager phone allowance	360	270	90
Employee training	6,000	2,084	3,916
Insurance	10,400	10,516	(116)
Legal	60,000	113,871	(53,871)
Miscellaneous	2,500	4,040	(1,540)
Bank charges	600	681	(81)
Dues/subscriptions/conferences	4,500	2,989	1,511
Office utilities	7,000	6,856	144
Office equipment	2,000	1,055	945
Office supplies	5,000	10,229	(5,229)
Postage	1,400	234	1,166
Telephone	600	1,052	(452)
Accounting	16,000	16,125	(125)
Office technology/website	7,200	8,342	(1,142)
Administration building maintenance	7,500	16,296	(8,796)
Treasurer's fees	6,346	6,350	(4)
Parks and property grounds maintenance	29,000	40,207	(11,207)
Parks maintenance and repairs	4,000	34,753	(30,753)
Parks and property landscaping	7,500	1,582	5,918
Training	-	213	(213)
Storm water facilities maintenance	40,000	-	40,000
Capital outlay:			
Park and recreation facility improvements	100,000	7,406	92,594
Vehicles and equipment	-	24,834	(24,834)
Contingency/emergency reserve	50,000	-	50,000
Total Expenditures	<u>516,056</u>	<u>429,552</u>	<u>86,504</u>
NET CHANGE IN FUND BALANCE	(38,229)	47,192	85,421
FUND BALANCE - BEGINNING OR YEAR	189,322	217,736	28,414
FUND BALANCE - END OF YEAR	<u>\$ 151,093</u>	<u>\$ 264,928</u>	<u>\$ 113,835</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CONSERVATION TRUST FUND
Year Ended December 31, 2019**

	Original and Final Adopted Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Conservation Trust Fund	\$ 11,000	\$ 13,163	\$ 2,163
Net investment income	-	40	40
Total Revenues	<u>11,000</u>	<u>13,203</u>	<u>2,203</u>
EXPENDITURES			
Capital outlay:			
Park and recreation facility improvements	24,526	-	24,526
Total Expenditures	<u>24,526</u>	<u>-</u>	<u>24,526</u>
NET CHANGE IN FUND BALANCE	(13,526)	13,203	26,729
FUND BALANCE - BEGINNING OF YEAR	<u>13,526</u>	<u>623</u>	<u>(12,903)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 13,826</u>	<u>\$ 13,826</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL
SUBDISTRICT A OPERATIONS SPECIAL REVENUE FUND
Year Ended December 31, 2019**

	Original and Final Adopted Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Subdistrict costs reimbursements	\$ 20,000	\$ 13,930	\$ (6,070)
Net investment income	-	2	2
Total Revenues	<u>20,000</u>	<u>13,932</u>	<u>(6,068)</u>
EXPENDITURES			
Accounting	2,500	-	2,500
Legal	16,500	11,023	5,477
Miscellaneous	1,000	-	1,000
Total Expenditures	<u>20,000</u>	<u>11,023</u>	<u>8,977</u>
NET CHANGE IN FUND BALANCE	-	2,909	2,909
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR	<u>-</u>	<u>(1,601)</u>	<u>(1,601)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 1,308</u>	<u>\$ 1,308</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
WATER AND WASTEWATER FUND
December 31, 2019**

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	\$	2,024,343
Accounts receivable:		
Customer		74,370
Developer		59,852
Prepaid expenses		4,500
Deposits		9,738
Total current assets		2,172,803

CAPITAL ASSETS

Capital assets not being depreciated/amortized:		
Land		669,455
Water rights - inexhaustible		180,000
Construction in progress		164,402
		1,013,857

Capital assets being depreciated/amortized:

Plant		10,288,386
Building		1,428,833
Water and sewer lines		2,409,674
Vehicles		167,939
Office equipment		6,380
Other		28,975
Water rights		4,287,600
		18,617,787

Less accumulated depreciation and amortization

(5,977,387)

12,640,400

13,654,257

\$ 15,827,060

Total capital assets, net

TOTAL ASSETS

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$	60,067
Deposits:		
Well rehabilitation and pumphouse projects		667,284
Reimbursable costs		447
Hydrant meters		6,000
Wages, payroll taxes and benefits payable		8,397
Paid time off payable		8,259
Interest payable on capital lease obligations		6,798
Current portion of capital lease obligations		287,345
Total current liabilities		1,044,597

NONCURRENT LIABILITIES

Noncurrent portion of capital lease obligations		1,789,926
Total noncurrent liabilities		1,789,926

NET POSITION

Net investment in capital assets		11,576,986
Unrestricted		1,415,551
Total net position		12,992,537

TOTAL LIABILITIES AND NET POSITION \$ 15,827,060

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
WATER AND WASTEWATER FUND
Year Ended December 31, 2019**

OPERATING REVENUE	
Water base fees	\$ 357,795
Water service fees	582,090
Wastewater service fees	71,574
Other fees	100,658
Other revenues	18,910
Total operating revenue	1,131,027
 OPERATING EXPENSES	
Operations	1,023,726
Depreciation/amortization	437,339
Total operating expenses	1,461,065
 NET LOSS FROM OPERATIONS	 (330,038)
 NONOPERATING REVENUES (EXPENSES)	
Net investment income	6,143
Insurance reimbursement	7,718
Tank rental - Antennas	6,991
Grant revenue	5,000
Interest on capital lease obligations	(74,947)
Tap fees remitted - Outside District entities	(320,000)
Total nonoperating revenues (expenses)	(369,095)
 CAPITAL CONTRIBUTIONS	
Tap fees - District	998,475
Tap fees - Outside District entities	320,000
System development fees	41,600
Developer contributions-well rehabilitation	275,519
Total capital contributions	1,635,594
 CHANGE IN NET POSITION	 936,461
 NET POSITION - BEGINNING OF YEAR	 12,056,076
NET POSITION - END OF YEAR	\$ 12,992,537

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
WATER AND WASTEWATER FUND
Year Ended December 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 1,115,835
Payments to vendors	(713,547)
Payments to employees	(322,993)
Net cash provided by operating activities	<u>79,295</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital asset purchases	(336,617)
Tap fees received	1,318,475
Tap fees remitted - Outside District entities	(310,000)
System development fees received	41,600
Well rehabilitation deposit received	714,250
Insurance reimbursement received	7,718
Principal paid on capital leases	(280,099)
Interest paid on capital leases	(76,134)
Net cash provided by capital financing activities	<u>1,079,193</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Tank rental - Antennas received	6,991
Grants received	5,000
Net cash provided by non-capital financing activities	<u>11,991</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	6,143
Net cash provided by investing activities	<u>6,143</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,176,622
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	847,721
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,024,343</u></u>
 RECONCILIATION OF OPERATING LOSS TO CASH FLOWS REQUIRED BY OPERATING ACTIVITIES	
Net loss from operations	\$ (330,038)
Adjustments to reconcile gain from operations to net cash provided by operating activities:	
Depreciation/amortization	437,339
Effects of changes in operating assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable	27,381
Accounts receivable - Developer reimbursements	(43,020)
Prepaid expenses	8,581
Accounts payable	(20,448)
Wages and payroll taxes payable	2,696
Paid time off payable	(3,643)
Other deposits	447
Net cash provided by operating activities	<u><u>\$ 79,295</u></u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 – DEFINITION OF REPORTING ENTITY

Paint Brush Hills Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in El Paso County, Colorado. The District was organized by recorded order and decree of the District Court of the County of El Paso in 1987. The District operates under a service plan approved by the El Paso County Board of County Commissioners, as amended. The District currently provides water, wastewater, and parks services and facilities, to residents within the District's boundaries.

The District was established to coordinate the acquisition and financing of public improvements within and outside the District's boundaries. After construction of the public improvements was completed, many assets were transferred to El Paso County for ownership and operations, and maintenance. The District has retained its responsibility for providing water and wastewater service and maintaining parks services for and to the residents of the District.

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

In 2015, the District adopted a resolution to create the Paint Brush Hills Metropolitan District Subdistrict A (Subdistrict A). The Subdistrict A was formed to provide certain services, programs and facilities to be furnished within the area of the Subdistrict A, and to provide for the fair and equitable taxation within said area. Any debt incurred by the Subdistrict A shall be treated separately and distinct from the debt of the District, which is limited and not to exceed \$9,000,000. The Subdistrict A is limited to a maximum debt service mill levy of 40.000 mills. Upon the discharge of any and all debt issued by or on behalf of the Subdistrict A, the District's Board of Directors shall have the option to dissolve the Subdistrict A. The District Board of Directors shall constitute ex officio the Subdistrict A's Board of Directors, with each director of the Subdistrict A's Board of Directors possessing all rights, privileges and immunities as granted by law to the directors of the District. Due to the relationship of the Subdistrict A to the District, the Subdistrict A has been included in these basic financial statements as a blended component unit.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. For

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

the most part, the effect of interfund activity has been removed from these statements. Governmental activities which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position reports all financial and capital resources of the District, with the difference between the assets, liabilities, and deferred inflows of resources of the District being reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation and amortization is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds, notes and capital leases are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and program generated revenues. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

The *Conservation Trust Fund*, a special revenue fund, is used to account for State of Colorado Lottery proceeds that are restricted for recreational expenditures.

The *Subdistrict A Fund Operations Special Revenue Fund (previously Subdistrict A Special Revenue Fund)*, a special revenue fund, is used to account for the activities of the Paint Brush Hills Metropolitan District Subdistrict A which has been included as a blended component unit.

The *Subdistrict A Fund Debt Service Fund*, a debt service fund, is used to account for the property taxes levied for the future payment of debt which is anticipated to be issued by the Paint Brush Hills Metropolitan District Subdistrict A which has been included as a blended component unit.

The District reports the following major proprietary fund:

The *Water and Wastewater Fund* is used to account for the activities of providing water and sewer services to the residents within the District's boundaries.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. Operating revenues consist of charges to customers for service provided. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. For the year ended December 31, 2019, the District adopted a budget for an Enterprise Capital/Rehabilitation Reserve Fund, but did not appropriate any expenditures for the fund. For the year ended December 31, 2019, there were no revenues or expenditures for the Enterprise Capital/Rehabilitation Reserve Fund, and therefore it is not presented in these financial statements.

For the year ended December 31, 2019, the \$1,553 of expenditures in the Subdistrict A Debt Service Fund exceeded the appropriated expenditures of \$1,549 by \$4, which may be in violation of State of Colorado budget law. This was the result of county treasurer's fees, which

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

are beyond the control of the District, being higher than anticipated due to interest assessed on property taxes paid by some of the property owners.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Receivables

Receivables are reported net of an allowance for uncollectible accounts, if applicable.

Prepaid Expenditures/Expenses

Certain payments to vendors for goods or services reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

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 30 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue and reported as deferred inflows of resources in the year they are levied and measurable. The deferred property tax revenues are recorded as revenue in the year they are available or collected.

Cash Equivalents

For purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less when purchased, to be cash equivalents. All of the cash and investments held by the District qualify as cash and cash equivalents, and are therefore reported as cash and cash equivalents in financial statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Capital Assets

Capital assets, which include land, property, plant, equipment, vehicles and water rights, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements or the proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and a useful life exceeding one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation or amortization expense has been computed using the straight-line method over the following estimated economic useful lives:

Parks and recreation – parks, facilities and improvements	10-20 years
Storm sewer facilities	50 years
Plant	5-40 years
Buildings	40 years
Water and sewer lines	50 years
Vehicles	4-10 years
Office equipment	5 years
Other	5 years
Water rights - exhaustible	100 years
Water rights - inexhaustible	Not amortized

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were assumed in preparing the financial statements.

Tap Fees and Contributed Capital Assets

Tap fees are recorded as capital contributions when received. Capital assets, such as water and sewer lines and facilities, contributed to the District are recorded as capital contributions and additions to the systems at estimated fair value when received.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualifies for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item that qualifies for reporting in this category, which is property taxes levied for the ensuing year.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Issuance costs are expensed as incurred.

Fund Balances – Governmental Funds

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints as follows:

Nonspendable fund balance—the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance—the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance—amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance—amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance—amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 - CASH AND INVESTMENTS

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102 percent of the aggregate uninsured deposits.

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2019, the District's cash deposits had a bank balance of \$2,457,188 and a carrying balance of \$2,475,181.

Investments

Credit Risk

The District has not adopted a formal investment policy, however, the District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- . Obligations of the United States and certain U.S. government agency securities and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Interest Rate Risk

The District's investment policy states that the maturity of the securities shall be structured to avoid any undue concentration in any sector of the yield curve. No portion of the portfolio shall exceed five years in maturity with consideration for a laddering approach.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

At December 31, 2019, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
COLOTRUST	Weighted average under 60 days	<u>\$ 9,724</u>

COLOTRUST

At December 31, 2019, the District has invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain obligations of U.S. government agencies and instrumentalities, and repurchase agreements collateralized with certain U.S. government agencies or instrumentalities. COLOTRUST PLUS+ may also invest in the highest rated commercial paper. Both the COLOTRUST PRIME and COLOTRUST PLUS+ portfolios are rated AAAM by Standard and Poor's. It is the goal of the Trust to maintain value of \$1.00 per share, however changes in interest rates may affect the fair value of the securities held by COLOTRUST and there can be no assurance that the value will not vary from \$1.00 per share.

Investment Valuation

The value of the District's investment in COLOTRUST is calculated using the net asset value (NAV) per share. COLOTRUST determines the NAV of the shares of each portfolio as of the close of business of each day. The NAV per share of each portfolio is computed by dividing the total value of the securities and other assets of the portfolios, less any liabilities, by the total outstanding shares of the portfolios. Liabilities, which include all expenses and fees of COLOTRUST, are accrued daily. The NAV is calculated at fair value using various inputs in determine value in accordance with FASB guidance.

Restricted Cash and Investments

At December 31, 2019, the District reports cash and investments in the amount of \$13,826 in the Conservation Trust Fund and \$167,258 Subdistrict A Debt Service Fund as restricted. The amounts are restricted for parks and recreation and debt service, respectively.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in the governmental activities capital assets for the year ended December 31, 2019 follows:

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

	<u>Balance at December 31, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2019</u>
Governmental activities				
Capital assets, being depreciated:				
Parks and recreation - parks, facilities and improvements	\$ 440,110	\$ 7,406	\$ -	\$ 447,516
Storm sewer facilities	784,773	-	-	784,773
Vehicles and equipment	-	24,834	-	24,834
Total capital assets, being depreciated	<u>1,224,883</u>	<u>32,240</u>	<u>-</u>	<u>1,257,123</u>
Less accumulated depreciation for:				
Parks and recreation - parks, facilities and improvements	(156,590)	(23,912)	-	(180,502)
Storm sewer facilities	(3,924)	(15,695)	-	(19,619)
Vehicles and equipment	-	-	-	-
Total accumulated depreciation	<u>(160,514)</u>	<u>(39,607)</u>	<u>-</u>	<u>(200,121)</u>
Total capital assets, being depreciated, net	<u>1,064,369</u>	<u>(7,367)</u>	<u>-</u>	<u>1,057,002</u>
Government capital assets, net	<u><u>\$ 1,064,369</u></u>	<u><u>\$ (7,367)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,057,002</u></u>

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**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

An analysis of the changes in the business-type activities capital assets for the year ended December 31, 2019 follows:

	Balance at December 31, 2018	Additions	Deletions	Balance December 31, 2019
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 669,455	\$ -	\$ -	\$ 669,455
Water rights - inexhaustible	180,000	-	-	180,000
Construction in progress	483,351	302,431	(621,380)	164,402
Total capital assets, not being depreciated	<u>1,332,806</u>	<u>302,431</u>	<u>(621,380)</u>	<u>1,013,857</u>
Capital assets, being depreciated/ amortized:				
Plant	9,715,871	572,515	-	10,288,386
Buildings	1,348,344	80,489	-	1,428,833
Water and sewer lines	2,409,674	-	-	2,409,674
Vehicles	167,939	-	-	167,939
Office equipment	6,380	-	-	6,380
Other	9,012	19,963	-	28,975
Water rights	4,287,600	-	-	4,287,600
Total capital assets, being depreciated/amortized	<u>17,944,820</u>	<u>672,967</u>	<u>-</u>	<u>18,617,787</u>
Less accumulated depreciation/ amortization for:				
Plant	(3,728,728)	(291,783)	-	(4,020,511)
Buildings	(53,372)	(35,721)	-	(89,093)
Water and sewer lines	(12,048)	(48,194)	-	(60,242)
Vehicles	(69,988)	(23,731)	-	(93,719)
Office equipment	(6,380)	-	-	(6,380)
Other	(9,012)	(1,165)	-	(10,177)
Water rights - exhaustible	(1,660,520)	(36,745)	-	(1,697,265)
Total accumulated depreciation	<u>(5,540,048)</u>	<u>(437,339)</u>	<u>-</u>	<u>(5,977,387)</u>
Total capital assets, being depreciated, net	<u>12,404,772</u>	<u>235,628</u>	<u>-</u>	<u>12,640,400</u>
Business-type capital assets, net	<u>\$ 13,737,578</u>	<u>\$ 538,059</u>	<u>\$ (621,380)</u>	<u>\$ 13,654,257</u>

Depreciation/amortization expense was charged to the following functions/programs:

Governmental activities

Parks and recreation	\$ 23,912
Stormwater	15,695
	<u>\$ 39,607</u>

Business-type activities

Water and sewer operations	<u>\$ 437,339</u>
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**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 – LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations of the business-type activities for the year ended December 31, 2019.

	Balance at December 31, 2018	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Business-type activities					
Capital Lease Obligations:					
Refinance lease	\$ 1,455,318	\$ -	\$ (210,687)	\$ 1,244,631	\$ 217,083
Building construction:					
Lease purchase #1	577,014	-	(22,407)	554,607	23,270
Lease purchase #2	176,175	-	(9,013)	167,162	9,366
Ford Escape lease purchase	24,751	-	(7,986)	16,765	8,224
Ford F250 lease purchase	32,626	-	(10,465)	22,161	10,903
SCADA system lease purchase	91,486	-	(19,541)	71,945	18,499
	<u>\$ 2,357,370</u>	<u>\$ -</u>	<u>\$ (280,099)</u>	<u>\$ 2,077,271</u>	<u>\$ 287,345</u>

Farmers State Bank – Refinance Lease

On March 31, 2015, the District entered into a Lease Purchase Agreement (Refinancing Lease) with Farmers State Bank, in the amount of \$2,174,856, to refinance a Refinancing Lease Purchase Agreement with Wells Fargo Bank, National Association (WF Lease) which was originally dated March 29, 2005 and as amended January 18, 2013. The WF Lease had been issued to refinance the purchase of certain land and equipment as well as provide financing of additional equipment, at a total cost of \$10,093,167. The Refinancing Lease is secured by the base rentals of the District as well as a leasehold interest in land, facilities, improvements, fixtures, equipment, furnishings and support facilities (Security Facilities). As of December 31, 2019, the Security Facilities had an original cost of \$10,093,167 and accumulated depreciation of \$3,961,448. The Refinancing Lease requires monthly payments of \$21,002 beginning on May 1, 2015 through maturity on April 1, 2025, including interest at a rate of 3.00%. During 2019, the District paid interest of \$41,340 and recognized interest expense of \$40,796.

Farmers State Bank – Building Construction Lease Purchase #1

On September 1, 2016, the District entered into a Lease Purchase Agreement (Lease Purchase #1) with Farmers State Bank, in the amount of \$624,244, to finance the acquisition, construction, improvement and equipping of an office facility and maintenance shop (Project). The Lease Purchase #1 is secured by the base rentals of the District as well as a leasehold interest in the Project. As of December 31, 2019, the Project had an original cost of \$1,428,833 and accumulated depreciation of \$89,093. The Lease Purchase #1 requires monthly payments of \$3,783 beginning on October 1, 2016 through maturity on September 1, 2036, including interest at a rate of 4.00%. During 2019, the District paid interest of \$22,987 and recognized interest expense of \$22,909.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Farmers State Bank – Building Construction Lease Purchase #2

On December 9, 2016, the District entered into an Amendment to Lease Purchase Agreement (Lease Purchase #2) with Farmers State Bank, in the amount of \$218,274, to amend Lease Purchase #1 to provide additional funding for the Project as discussed above. The Lease Purchase #2 security is the same as discussed above for Lease Purchase #1. The Lease Purchase #2 requires monthly payments of \$1,333 beginning on January 1, 2017 through maturity on September 1, 2036, including interest at a rate of 4.00%. During 2019, the District paid interest of \$6,978 and recognized interest expense of \$6,947.

Farmers State Bank – Ford Escape Lease Purchase

On January 18, 2018, the District entered into a Lease/Purchase Agreement with Farmers State Bank for the purchase of a 2018 Ford Escape vehicle with a cost of \$24,751. The lease is secured by the 2018 Ford Escape, which as of December 31, 2019 had accumulated depreciation of \$12,375. The lease purchase agreement requires three annual payments of \$8,844 beginning on January 18, 2019 and ending on January 18, 2021, including interest at a rate of 3.50%. During 2019, the District paid interest of \$857 and recognized interest expense of \$601. Subsequent to yearend, on March 1, 2020, the District paid off this lease in full.

Farmers State Bank – Ford F250 Pickup Lease Purchase

On April 19, 2018, the District entered into a Lease/Purchase Agreement with Farmers State Bank for the purchase of a 2018 Ford F250 Pickup vehicle with a cost of \$32,626. The lease is secured by the 2018 Ford F250 Pickup, which as of December 31, 2019 had accumulated depreciation of \$13,594. The lease purchase agreement requires three annual payments of \$11,658 beginning on April 19, 2019 and ending on April 19, 2021, including interest at a rate of 3.50%. During 2019, the District paid interest of \$1,193 and recognized interest expense of \$915. Subsequent to yearend, on March 1, 2020, the District paid off this lease in full.

Browns Hill Engineering & Controls, LLC – SCADA System Lease Purchase

On February 15, 2018, the District entered into a Software and Equipment Lease with Browns Hills Engineering & Controls, LLC for the lease of a vmSCADA system with a cost of \$102,874. The lease is secured by the vmSCADA system and a security deposit of \$9,738. At December 31, 2019 the vmSCADA system had accumulated depreciation of \$30,862. The lease agreement requires sixty monthly payments of \$1,860 which began on July 1, 2019 and ending on June 1, 2023, including imputed interest at a rate of 3.364%. During 2019, the District paid interest of \$2,778 and recognized interest expense of \$2,778.

The future minimum lease obligations and net present value of these minimum lease payments as of December 31, 2019, were as follows:

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Year Ending	Business- Type <u>Activities</u>
2020	\$ 354,374
2021	356,234
2022	335,732
2023	324,572
2024	313,412
2025-2029	397,271
2030-2034	284,968
2035-2036	<u>86,451</u>
Total minimum lease payments	2,453,014
Less amount representing interest	<u>(375,743)</u>
Present value of minimum lease payments	<u><u>\$ 2,077,271</u></u>

Authorized but Unissued Debt

At December 31, 2019, the Subdistrict A had authorized but unissued debt of \$9,000,000. Subdistrict A anticipates issuing debt during 2020 in the amount of \$9,000,000.

NOTE 6 - FUND EQUITY

At December 31, 2019, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$2,567 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$14,302 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 10).

The restricted fund balance in the Conservation Trust Fund in the amount of \$13,826 represents unspent Conservation Trust Fund receipts which are restricted for parks and recreation purposes.

The restricted fund balance in the Subdistrict A Debt Service Fund in the amount of \$168,385 is restricted for the future payment of debt service on debt which is anticipated to be issued by the Paint Brush Hills Metropolitan District Subdistrict A.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

Committed Fund Balance

The committed fund balance in the Subdistrict A Operations Special Revenue fund is comprised of amounts committed by the Board of Directors by agreement for the payment of operating costs of Subdistrict A.

Assigned Fund Balance

The assigned fund balance in the General Fund in the amount of \$61,125 is comprised of amounts assigned by the Board of Directors by a resolution to eliminate the projected budgetary deficit in the subsequent year's budget.

NOTE 7 - NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2019, the District had invested in capital assets of \$1,057,002 for the governmental activities and \$11,576,986 for the business-type activities for a combined net investment in capital assets of \$12,633,988.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2019 as follows:

Restricted for:	
Emergencies	\$ 14,302
Parks and recreation	13,826
Debt service	<u>168,385</u>
	<u>\$ 196,513</u>

NOTE 8 – RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, as may be amended from time to time, the District may be exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2019. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

The District pays annual premiums to the Pool for property, liability, public officials' liability, boiler and machinery and workers compensation coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

NOTE 9 – WATER AND SEWER TAP CONNECTIONS

The District acquired its water rights in 1987 when it entered into an agreement to issue water and sewer tap connections to the original developer of Falcon Hills in exchange for the developer's water rights that were valued at \$3,574,200. The unsold connection rights were acquired by a third party in 1999 when they purchased the undeveloped portion of Falcon Hills. The purchaser of the remaining connection rights was a related party to the District until 2009 when the last remaining beneficial owner resigned from the District's Board of Directors. In 2009, the District entered into an agreement with the subsequent developer to split the sale of future connections, 60% to the developer and 40% to the District. In 2019, 151 single family equivalent tap connections were sold leaving a total of 62 unsold single family equivalent tap connections.

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTAL INFORMATION

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SUBDISTRICT A DEBT SERVICE FUND
Year Ended December 31, 2019**

	Original and Final Adopted Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property taxes	\$ 103,242	\$ 103,241	\$ (1)
Specific ownership taxes	12,377	12,500	123
Net investment income	300	1,492	1,192
Total Revenues	<u>115,919</u>	<u>117,233</u>	<u>1,314</u>
EXPENDITURES			
Treasurer's fees	1,549	1,553	(4)
Total Expenditures	<u>1,549</u>	<u>1,553</u>	<u>(4)</u>
NET CHANGE IN FUND BALANCE	114,370	115,680	1,310
FUND BALANCE - BEGINNING OF YEAR	<u>52,836</u>	<u>52,705</u>	<u>(131)</u>
FUND BALANCE - END OF YEAR	<u>\$ 167,206</u>	<u>\$ 168,385</u>	<u>\$ 1,179</u>

PAINT BRUSH HILLS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER AND WASTEWATER FUND
Year Ended December 31, 2019

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Water - base fees	324,720	357,795	33,075
Water-church	90	97	7
Water-residential	547,660	551,314	3,654
Water-school	58,810	24,895	(33,915)
Wastewater-church	290	288	(2)
Wastewater-residential	60,170	69,174	9,004
Wastewater-school	1,370	2,112	742
Underdrain	-	662	662
Street Lighting	-	2,705	2,705
Penalties	-	8,109	8,109
Meters	37,500	74,000	36,500
Inspection Fees	2,500	4,450	1,950
Tap Fees	623,700	1,318,475	694,775
System development fees	120,000	41,600	(78,400)
Transfer Fees	6,000	8,875	2,875
Developer expenditure reimbursement	12,000	16,917	4,917
Grants	-	5,000	5,000
Interest	2,500	6,143	3,643
Tank Rental-Antennas	7,222	6,991	(231)
Bulk water sales	-	5,784	5,784
Insurance reimbursement	-	7,718	7,718
Other operating revenue	-	1,993	1,993
Other service fees	2,300	1,857	(443)
Developer contributions-well rehabilitation	1,000,000	275,519	(724,481)
Total Revenues	2,806,832	2,792,473	(14,359)
EXPENDITURES			
Operating:			
District Manager wages	40,140	27,573	12,567
Employee wages	203,080	214,916	(11,836)
Payroll taxes	19,160	19,561	(401)
457b plan contributions	7,010	8,721	(1,711)
Health insurance	32,680	49,073	(16,393)
District Manager and Operator phone allowances	2,300	2,202	98
Employee training	3,000	78	2,922
Insurance	34,490	35,005	(515)
Legal	22,000	12,875	9,125
Miscellaneous	2,000	10,661	(8,661)
Dues and subscriptions	1,000	275	725
Maintenance shop utilities	1,200	912	288
Telephone	1,000	1,193	(193)
Office technology and website	7,500	20,974	(13,474)
Mobile radios	11,500	3,237	8,263
Engineer	45,000	13,510	31,490
Engineer-Developer	-	7,855	(7,855)
Analytical testing	20,000	8,828	11,172
Chemical/equipment	15,000	16,215	(1,215)
Miscellaneous supplies and tools	15,000	3,066	11,934
Safety equipment	5,000	2,088	2,912
OPS certification and training	6,000	545	5,455
Billing expense	30,000	28,438	1,562
Meters-residential repairs and replacement	104,400	142,103	(37,703)
Bulk water purchases	31,000	32,406	(1,406)

(Continued)

PAINT BRUSH HILLS METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER AND WASTEWATER FUND
Year Ended December 31, 2019
(Continued)

	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Inspection services-Developer	-	248	(248)
Tap fees remitted-Outside District entities	150,000	320,000	(170,000)
SCADA system maintenance	-	36,075	(36,075)
Collection system repairs and maintenance	30,000	25,481	4,519
Storage and Port-O-Let fees (pumphouse)	300	210	90
Pumphouse maintenance	5,000	14,809	(9,809)
Well Repairs and maintenance	5,000	22	4,978
Storage tank repairs and maintenance	7,500	4,886	2,614
Roadway and waterline repairs	50,000	79,132	(29,132)
Street light utilities	1,956	1,788	168
Utilities	200,000	191,006	8,994
Vehicle maintenance and repair	15,000	7,759	7,241
Wastewater-collection expense	32,000	-	32,000
Collection system - sewer mains	21,830	-	21,830
Capital outlay:			
Collection system repairs, maintenance (capital)	40,000	10,700	29,300
Pumphouses	750,000	65,092	684,908
Radio repeater	-	19,963	(19,963)
Capital - fixed-location equipment	30,000	-	30,000
Capital - heavy equipment/vehicles	30,000	-	30,000
Storage tanks, SCADA and booster	65,620	-	65,620
Well/well house construction and rehabilitation	300,000	258,263	41,737
Debt service:			
FSB lease purchase (9/1/16)-building-principal	22,407	22,407	-
FSB lease purchase (9/1/16)-building-interest	22,987	22,909	78
FSB lease purchase (12/9/16)-building-principal	9,013	9,013	-
FSB lease purchase (12/9/16)-building-interest	6,978	6,947	31
FSB lease purchase-principal	210,687	210,687	-
FSB lease purchase-interest	41,341	40,796	545
FSB Ford Escape lease purchase-principal	7,964	7,986	(22)
FSB Ford Escape lease purchase-interest	880	601	279
FSB Ford F-250 lease purchase-principal	10,498	10,465	33
FSB Ford F-250 lease purchase-interest	1,160	915	245
SCADA system lease purchase-principal	-	19,541	(19,541)
SCADA system lease purchase-interest	-	2,779	(2,779)
Transfers out:			
Capital projects fund	301,086	-	
System development fund	120,000	-	
Contingency	100,000	-	100,000
	<u>3,248,667</u>	<u>2,052,790</u>	<u>774,791</u>
NET CHANGE IN FUNDS AVAILABLE	(441,835)	739,683	760,432
FUNDS AVAILABLE - BEGINNING OF YEAR	819,115	675,868	(143,247)
FUNDS AVAILABLE - END OF YEAR	\$ 377,280	\$ 1,415,551	\$ 617,185
FUNDS AVAILABLE IS CALCULATED AS FOLLOWS:			
Current assets		\$ 2,172,803	
Current liabilities		(1,044,597)	
Add back current portion of capital lease obligations		287,345	
		<u>\$ 1,415,551</u>	

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN NET POSITION
WATER AND WASTEWATER FUND
Year Ended December 31, 2019**

Enterprise Fund revenues - budgetary basis	\$ 2,792,473
Revenues per Statements of Revenues, Expenses and Changes in Net Position	<u>2,792,473</u>
Enterprise Fund expenditures - budgetary basis	2,052,790
Less principal paid on capital lease obligations	(280,099)
Less capital outlay	(354,018)
Add depreciation and amortization	<u>437,339</u>
Expenses per Statements of Revenues, Expenses and Changes in Net Position	<u>1,856,012</u>
Change in net position per Statements of Revenues, Expenses and Changes in Net Position	<u><u>\$ 936,461</u></u>

OTHER INFORMATION

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2019**

Paint Brush Hills Metropolitan District

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied Operations	Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2016	\$ 16,488,770	22.107	\$ 364,517	\$ 364,957	100.1%
2017	\$ 17,681,870	18.063 (A)	\$ 319,388	\$ 319,384	100.0%
2018	\$ 19,105,130	19.813 (B)	\$ 378,530	\$ 378,530	100.0%
2019	\$ 21,257,170	19.902 (C)	\$ 423,060	\$ 423,050	100.0%
Estimated for year ending December 31, 2020	\$ 25,437,650	18.537 (D)	\$ 471,538		

Paint Brush Hills Metropolitan District Subdistrict A

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied Debt Service	Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2016	\$ -	0.000	\$ -	\$ -	N/A
2017	\$ 223,230	40.000	\$ 8,929	\$ 8,929	100.0%
2018	\$ 953,220	40.000	\$ 38,129	\$ 38,129	100.0%
2019	\$ 2,581,040	40.000	\$ 103,242	\$ 103,241	100.0%
Estimated for year ending December 31, 2020	\$ 3,945,360	40.000	\$ 157,814		

(A) - Net of temporary mill levy reductoin of 4.044 mills.

(B) - Net of temporary mill levy reductoin of 2.294 mills.

(C) - Net of temporary mill levy reductoin of 2.205 mills.

(D) - Net of temporary mill levy reductoin of 3.570 mills.

NOTE: Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.