

PAINTEd PRAIRIE PUBLIC IMPROVEMENT AUTHORITY

Financial Statements

Period from August 22, 2019 (Date of Inception) to December 31, 2019

with

Independent Auditor's Report

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Independent Auditor's Report

Board of Directors
Painted Prairie Public Improvement Authority
Arapahoe County, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Painted Prairie Public Improvement Authority (the "Authority") as of December 31, 2019 and from the date of inception, August 22, 2019 through December 31, 2019, and the related notes to the financial statements, which collectively comprise the Authority'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; 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Painted Prairie Public Improvement Authority as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund from the date of inception, August 22, 2019 through December 31, 2019, in accordance with accounting principles generally accepted in the United States.

Other Matters

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States require 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements as a whole. The supplemental information as listed in the table of contents is presented for the purposes of legal compliance and additional analysis and is not a required part of the financial statements. The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, such information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP
Lakewood, Colorado

September 30, 2020

Painted Prairie Public Improvement Authority

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS						
Investments - restricted	\$ -	\$ 32,963,257	\$ 107,241,866	\$ 140,205,123	\$ -	\$ 140,205,123
Developer receivable	<u>12,103</u>	<u>-</u>	<u>-</u>	<u>12,103</u>	<u>(12,103)</u>	<u>-</u>
Total Assets	<u>\$ 12,103</u>	<u>\$ 32,963,257</u>	<u>\$ 107,241,866</u>	<u>\$ 140,217,226</u>		
LIABILITIES						
Accounts payable	\$ 12,103	\$ -	\$ -	\$ 12,103	-	12,103
Accrued interest	-	-	-	-	76,072	76,072
Long-term liabilities:						
Due in more than one year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,625,050</u>	<u>143,625,050</u>
Total Liabilities	<u>12,103</u>	<u>-</u>	<u>-</u>	<u>12,103</u>	<u>143,701,122</u>	<u>143,713,225</u>
FUND BALANCES/NET POSITION						
Fund Balances:						
Restricted:						
Emergencies	1,380	-	-	1,380	(1,380)	-
Debt service	-	32,963,257	-	32,963,257	(32,963,257)	-
Capital projects	-	-	107,241,866	107,241,866	(107,241,866)	-
Unassigned	<u>(1,380)</u>	<u>-</u>	<u>-</u>	<u>(1,380)</u>	<u>1,380</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>32,963,257</u>	<u>107,241,866</u>	<u>140,205,123</u>	<u>(140,205,123)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 12,103</u>	<u>\$ 32,963,257</u>	<u>\$ 107,241,866</u>	<u>\$ 140,217,226</u>		
Net Position:						
Restricted for:						
Emergencies					1,380	1,380
Debt service					32,887,185	32,887,185
Unrestricted					<u>(938,782)</u>	<u>(938,782)</u>
Total Net Position					<u>\$ (3,508,102)</u>	<u>\$ (3,508,102)</u>

The notes to the financial statements are an integral part of these statements.

Painted Prairie Public Improvement Authority

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES/STATEMENT OF ACTIVITIES GOVERNMENTAL
FUNDS

For the Period from August 22, 2019 (Date of Inception) to December 31, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
EXPENDITURES						
Accounting and audit	\$ 829	\$ -	\$ -	\$ 829	\$ -	\$ 829
Legal	11,274	-	-	11,274	-	11,274
Bond issuance costs	-	-	3,448,439	3,448,439	-	3,448,439
Bond interest expense	-	-	-	-	76,072	76,072
Total Expenditures	<u>12,103</u>	<u>-</u>	<u>3,448,439</u>	<u>3,460,542</u>	<u>76,072</u>	<u>3,536,614</u>
GENERAL REVENUES						
Interest income	<u>-</u>	<u>6,707</u>	<u>21,805</u>	<u>28,512</u>	<u>-</u>	<u>28,512</u>
Total General Revenues	<u>-</u>	<u>6,707</u>	<u>21,805</u>	<u>28,512</u>	<u>-</u>	<u>28,512</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(12,103)	6,707	(3,426,634)	(3,432,030)	(76,072)	(3,508,102)
OTHER FINANCING SOURCES (USES)						
Bond proceeds	-	-	140,735,000	140,735,000	(140,735,000)	-
Bond premium	-	-	2,890,050	2,890,050	(2,890,050)	-
Developer advances	12,103	-	-	12,103	(12,103)	-
Transfers (to)/from other funds	<u>-</u>	<u>32,956,550</u>	<u>(32,956,550)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>12,103</u>	<u>32,956,550</u>	<u>110,668,500</u>	<u>143,637,153</u>	<u>(143,637,153)</u>	<u>-</u>
NET CHANGES IN FUND BALANCES						
	-	32,963,257	107,241,866	140,205,123	(140,205,123)	
CHANGE IN NET POSITION						
					(3,508,102)	(3,508,102)
FUND BALANCES/NET POSITION:						
BEGINNING OF PERIOD	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF PERIOD	<u>\$ -</u>	<u>\$ 32,963,257</u>	<u>\$ 107,241,866</u>	<u>\$ 140,205,123</u>	<u>\$ (143,713,225)</u>	<u>\$ (3,508,102)</u>

The notes to the financial statements are an integral part of these statements.

Painted Prairie Public Improvement Authority

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND

For the Period from August 22, 2019 (Date of Inception) to
December 31, 2019

	Original & Final		Variance
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
REVENUES			
Transfers from Painted Prairie MD #2-10	\$ -	\$ -	\$ -
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Accounting and audit	10,000	829	9,171
Election expense	3,500	-	3,500
Insurance	2,500	-	2,500
Legal	25,000	11,274	13,726
Miscellaneous expenses	5,000	-	5,000
Contingency	2,620	-	2,620
Emergency reserve	<u>1,380</u>	<u>-</u>	<u>1,380</u>
Total Expenditures	<u>50,000</u>	<u>12,103</u>	<u>37,897</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(50,000)	(12,103)	37,897
OTHER FINANCING SOURCES			
Developer advances	<u>50,000</u>	<u>12,103</u>	<u>(37,897)</u>
Total Other Financing Sources	<u>50,000</u>	<u>12,103</u>	<u>(37,897)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE:			
BEGINNING OF PERIOD	<u>-</u>	<u>-</u>	<u>-</u>
END OF PERIOD	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of these statements.

PAINTED PRAIRIE PUBLIC IMPROVEMENT AUTHORITY

Notes to Financial Statements
December 31, 2019

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Painted Prairie Public Improvement Authority (“Authority”), located in the City of Aurora in Arapahoe County, Colorado, conform to the accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The Authority was established on August 22, 2019, as a quasi-municipal organization established under the State of Colorado Special District Act. It was established pursuant to the Painted Prairie Public Improvement Authority Establishment Agreement entered into by Painted Prairie Metropolitan Districts Nos. 2-9 (the “Districts”) for the purpose of owning, operating, maintaining, financing or otherwise providing public improvements for any functions, service or facility lawfully authorized by the Districts. On December 12, 2019, District No. 10 was included with the approval of the Painted Prairie Public Improvement Authority Amended and Restated Establishment Agreement. The primary revenues of the Authority will be property taxes transferred from the other Districts. The Authority is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the Authority, which is legally separate and financially independent of other state and local governments. The Authority follows the GASB pronouncements, which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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. The pronouncements also require including a possible component unit if it would be misleading to exclude it.

The Authority is not financially accountable for any other organization. The Authority has no component units as defined by the GASB.

The Authority has no employees and all operations and administrative functions are contracted.

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

PAINTED PRAIRIE PUBLIC IMPROVEMENT AUTHORITY

Notes to Financial Statements December 31, 2019

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the Authority. The statement of net position reports all financial and capital resources of the Authority. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the Authority is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The Authority reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources not accounted for and reported in another fund.

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Notes to Financial Statements December 31, 2019

Debt Service Fund – The Debt Service Fund is used to account for all the financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Capital Projects Fund – The Capital Projects Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other assets.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the Authority's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The Authority'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. The appropriation is at the total fund expenditures level and lapses at year end.

Assets, Liabilities and Net Position

Fair Value of Financial Instruments

The Authority's financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The Authority estimates that the fair value of all financial instruments at December 31, 2019, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

The Authority 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 minimum number of bank accounts. 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.

Estimates

The preparation of these financial statements in conformity with GAAP requires the Authority management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PAINTED PRAIRIE PUBLIC IMPROVEMENT AUTHORITY

Notes to Financial Statements December 31, 2019

Deferred Outflows/Inflows 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has no items that qualify 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has no items that qualify for reporting in this category.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable using the straight-line method. Depreciation on property that will remain assets of the Authority is reported on the Statement of Activities as a current charge. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. The Authority does not have any Capital Assets as of December 31, 2019.

Property Taxes

Property taxes are levied by the Painted Prairie Metropolitan Districts' 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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 inflows in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

PAINTED PRAIRIE PUBLIC IMPROVEMENT AUTHORITY

Notes to Financial Statements December 31, 2019

Original Issue Discount and Prepaid Debt Insurance

Original issue premium from the Series 2019 Bonds will be amortized over the term of the bonds using the interest method. Due to the timing of the Series 2019 Bond issue, there is no amortization of the original issue premium in 2019.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of \$1,380 of the General Fund balance has been reserved in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of \$32,963,257 is restricted for the payment of the debt service costs associated with the Special Revenue Bonds Series 2019 (see Note 3).

The restricted fund balance in the Capital Projects Fund in the amount of \$107,241,866 is restricted for capital improvements.

Committed Fund Balance

Committed fund balance is the portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

PAINTED PRAIRIE PUBLIC IMPROVEMENT AUTHORITY

Notes to Financial Statements
December 31, 2019

Assigned Fund Balance

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

Unassigned Fund Balance

Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all funds can report negative amounts.

Net Position

Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Authority can report three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the Authority.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority will use the most restrictive net position first.

Note 2: Investments

As of December 31, 2019, investments are classified in the accompanying financial statements as follows:

Statement of Net Position:

Investments - restricted	\$ <u>140,205,123</u>
Total	\$ <u>140,205,123</u>

PAINTED PRAIRIE PUBLIC IMPROVEMENT AUTHORITY

Notes to Financial Statements
December 31, 2019

Investments as of December 31, 2019, consist of the following:

COLOTRUST	\$ <u>140,205,123</u>
Total	\$ <u>140,205,123</u>

Deposits

At December 31, 2019, the Authority had no deposits.

Investments

Investments

Investment Valuation

Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Authority's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

Credit risk

The Authority has not adopted a formal investment policy; however, the Authority follows state statutes regarding investments. Colorado statutes specify the types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. Government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk

None of the Authority's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

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Notes to Financial Statements
December 31, 2019

As of December 31, 2019, the Authority had the following investments:

COLOTRUST

The local government investment pool, Colorado Local Government Liquid Asset Trust (“COLOTRUST”) is rated AAAM by Standard & Poor’s with a weighted average maturity of under 60 days. COLOTRUST is an investment trust/joint venture established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the COLOTRUST. COLOTRUST operates similarly to a money market fund with each share maintaining a value of \$1.00. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians’ internal records identify the investments owned by COLOTRUST. At December 31, 2019, the Authority had \$140,205,123 invested in COLOTRUST.

Note 3: Long-Term Obligations

A description of the long-term obligations as of December 31, 2019, is as follows:

\$140,735,000 Special Revenue Bonds, Series 2019

On December 27, 2019, the Authority issued \$140,735,000 of Special Revenue Bonds, Series 2019 (“Series 2019 Bonds”), dated December 31, 2019, for the purpose of paying or reimbursing public improvement costs related to the Districts, funding capitalized interest on the Series 2019 Bonds, funding the Initial Surplus Fund Deposit Amount and paying the costs of issuance on the Series 2019 Bonds.

The Series 2019 Bonds bear interest at rates from 4.00% to 5.00%, payable semiannually on each June 1 and December 1, commencing on June 1, 2020 and mature on December 1, 2049. The Series 2019 Bonds are subject to a mandatory sinking fund redemption commencing on December 1, 2027 and are subject to redemption prior to maturity, at the option of the Authority, as a whole or in integral multiples of \$1,000, in any order of maturity and in whole or partial maturities, commencing on December 1, 2024, upon payment of par, accrued interest, and a redemption premium that ranges between 0% and 3%.

PAINTED PRAIRIE PUBLIC IMPROVEMENT AUTHORITY

Notes to Financial Statements
December 31, 2019

The Series 2019 Bonds are Special Revenue Bonds of the Authority and are secured by a) the Commercial/Multi-Family District Pledged Revenues of Painted Prairie Metropolitan District Nos. 6, 7, 8 and 9, b) the Residential District Pledged Revenues of Painted Prairie Metropolitan District Nos. 3, 4, 5 and 10, c) the PILOT Revenues, d) the PIF Revenues, and e) the District No. 2 Pledged Revenues of Painted Prairie Metropolitan District No 2. The Series 2019 Bonds are also secured by the Capitalized Interest Fund and the Surplus Fund.

The following is an analysis of changes in long-term debt for the period ending December 31, 2019:

	Balance 8/22/2019	Additions	Deletions	Balance 12/31/2019	Current Portion
Special Revenue Bonds Series 2019	\$ -	\$140,735,000	\$ -	\$ 140,735,000	\$ -
Premium on Series 2019 Bonds	-	2,890,050	-	2,890,050	-
Total	<u>\$ -</u>	<u>\$143,625,050</u>	<u>\$ -</u>	<u>\$ 143,625,050</u>	<u>\$ -</u>

Debt Authorization

Pursuant to Section 29-1-203.5, C.R.S., bonds, notes, or other financial obligations issued under paragraph (a) of Section 29-1-203.5(3) of the Authority Act (such as the Bonds), which are payable solely from the revenue received under contracts entered into by the Issuer, are not an indebtedness of the Issuer within the meaning of any provision or limitation specified in the State constitution or law. Consequently, because the Bonds are payable solely from revenue received from the Districts in accordance with the Pledge Agreements, the Authority was not required to receive voter approval for the issuance of the Bonds and the Bonds do not constitute an indebtedness of the Authority within the meaning of any provision of limitation specified in the State constitution or law.

PAINTED PRAIRIE PUBLIC IMPROVEMENT AUTHORITY

Notes to Financial Statements
December 31, 2019

The following is a summary of the annual long-term debt principal and interest requirements for the Series 2019 Bonds.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ -	\$ 6,475,750	\$ 6,475,750
2021	-	6,979,850	6,979,850
2022	-	6,979,850	6,979,850
2023	-	6,979,850	6,979,850
2024	-	6,979,850	6,979,850
2025 - 2029	5,690,000	34,733,250	40,423,250
3030 - 2034	16,920,000	32,199,250	49,119,250
2035 - 2039	24,295,000	27,270,250	51,565,250
2040 - 2044	33,975,000	20,277,750	54,252,750
2045 - 2049	59,855,000	10,585,750	70,440,750
	<u>\$140,735,000</u>	<u>\$ 159,461,400</u>	<u>\$ 300,196,400</u>

Note 4: Agreements

Capital Pledge Agreement (District No. 2)

On December 1, 2019, the Authority and Painted Prairie Metropolitan District No. 2 (“District No. 2”) and UMB Bank as Trustee (“Trustee”) entered into the Capital Pledge Agreement whereby District No. 2 pledged any remaining revenues after repayment of its 2018 Bonds (and any refunding thereof) to the Authority for repayment of the Series 2019 Bonds of the Authority. District No. 2 was also required to impose a mill levy of 50.000 mills for payment of the Series 2019 Bonds.

Capital Pledge Agreement (Residential- District Nos. 3, 4, 5 and 10)

On December 1, 2019, the Authority and Painted Prairie Metropolitan District Nos. 3, 4, 5 and 10 (“Residential Districts”) and UMB Bank as Trustee (“Trustee”) entered into the Capital Pledge Agreement the Residential Districts agreed to impose certain mill levies for debt service purposes.

Capital Pledge Agreement (Commercial/Multi-Family - District Nos. 6, 7, 8 and 9)

On December 1, 2019, the Authority and Painted Prairie Metropolitan District Nos. 6, 7, 8 and 9 (“Commercial Districts”) and UMB Bank as Trustee (“Trustee”) entered into the Capital Pledge Agreement whereby the Commercial Districts agreed to impose certain mill levies for debt service purposes.

PAINTED PRAIRIE PUBLIC IMPROVEMENT AUTHORITY

Notes to Financial Statements December 31, 2019

Assignment of Facilities Funding and Acquisition Agreement

On December 12, 2019, the Districts and the Authority entered into the Assignment of Facilities Funding and Acquisition Agreement whereby the Districts assigned all of their respective rights, obligations, title and interest related to payment of the Developer Advances (as defined in the Facilities Funding Agreements) to the Authority, and the Authority accepted such rights, obligations, title and interest related to the payment of Developer Advances.

Painted Prairie Public Improvement Authority Establishment Agreement

The Authority was organized on August 22, 2019 pursuant to the Painted Prairie Improvement Authority Establishment Agreement (“Establishment Agreement”) as amended and restated on December 12, 2019 among the Districts. The Authority was established in accordance with the Establishment Agreement to (i) provide ongoing financing, planning, designing, constructing, installing, repairing, maintaining, relocating and redeveloping of Public Improvements and facilities, including, but not limited to certain street, traffic and safety controls, water, sanitation, stormwater, parks and recreation, as further set forth in the Service Plan; and (ii) incur financial obligation on behalf of the Districts as may be identified and agreed upon by the Districts from time to time.

The Establishment Agreement also provides the Authority certain enumerated powers, which may be exercised by the Authority to the extent permitted by law and subject to the limitations of the Establishment Agreement. These powers are described in the Establishment Agreement. The Authority will be governed by a Board of Directors, in which all of the legislative power of the Authority is vested and which shall exercise and perform all the powers, rights and duties vested in and imposed on the Authority by the Establishment Agreement and applicable law.

Infrastructure Acquisition and Funding Agreement .

On December 12, 2019, the Authority and PPO LLC entered into an Infrastructure Acquisition and Funding Agreement (the “Infrastructure Acquisition Agreement”). The Infrastructure Acquisition and Agreement provides that PPO LLC will either (i) advance funds to the Issuer to construct, install and complete certain Public Improvements, or (ii) may construct, install and complete certain Public Improvements and then transfer such Public Improvements to District No. 1 or other governmental entity for public use. It is anticipated that the Infrastructure Acquisition Agreement will govern the financing and construction of Public Improvements on behalf of the Issuer, and the reimbursement to PPO LLC for such related costs.

Note 5: Tax, Spending and Debt Limitations

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

PAINTED PRAIRIE PUBLIC IMPROVEMENT AUTHORITY

Notes to Financial Statements
December 31, 2019

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 Authority'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.

Note 6: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the Authority may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The Authority has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The Authority pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the Authority may be called upon to make additional contributions to the Pool on the basis proportionate to other 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 7: Related Parties

All of the Board of Directors are employees, owners or are otherwise associated with the Developer and may have conflicts of interest in dealing with the Authority. Management believes that all potential conflicts, if any, have been disclosed to the Board.

PAINTED PRAIRIE PUBLIC IMPROVEMENT AUTHORITY

Notes to Financial Statements
December 31, 2019

Note 8: Interfund and Operating Transfers

The transfer of \$32,956,550 from the Capital Projects Fund to Debt Service Fund was transferred for the purpose of funding the Senior Bond Fund and the Surplus Fund of the Series 2019 Bonds (See Note 3).

Note 9: Reconciliation of Government-Wide Financial Statements and Fund Financial Statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

- 1) capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and
- 2) long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

- 1) governmental funds report capital outlays as expenditures, however, in the statement of activities, the costs of those assets are held as construction in process pending transfer to other governmental entities or depreciated over their useful lives;
- 2) governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;
- 3) governmental funds report developer advances and/or bond proceeds as revenue; and,
- 4) governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

Painted Prairie Public Improvement Authority

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND

For the Period from August 22, 2019 (Date of Inception) to
December 31, 2019

	Original & Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Interest income	\$ -	\$ 6,707	\$ 6,707
Total Revenues	<u>-</u>	<u>6,707</u>	<u>6,707</u>
EXPENDITURES			
Bond interest expense	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	6,707	6,707
OTHER FINANCING SOURCES			
Transfers (to)/from other funds	<u>33,080,526</u>	<u>32,956,550</u>	<u>(123,976)</u>
Total Other Financing Sources	<u>33,080,526</u>	<u>32,956,550</u>	<u>(123,976)</u>
NET CHANGE IN FUND BALANCE	33,080,526	32,963,257	(117,269)
FUND BALANCE:			
BEGINNING OF PERIOD	<u>-</u>	<u>-</u>	<u>-</u>
END OF PERIOD	<u>\$ 33,080,526</u>	<u>\$ 32,963,257</u>	<u>\$ (117,269)</u>

The notes to the financial statements are an integral part of these statements.

Painted Prairie Public Improvement Authority

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND

For the Period from August 22, 2019 (Date of Inception) to
December 31, 2019

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES				
Interest income	\$ -	\$ 20,000	\$ 21,805	\$ 1,805
Total Revenues	<u>-</u>	<u>20,000</u>	<u>21,805</u>	<u>1,805</u>
EXPENDITURES				
Bond issuance costs	<u>3,219,700</u>	<u>3,500,000</u>	<u>3,448,439</u>	<u>51,561</u>
Total Expenditures	<u>3,219,700</u>	<u>3,500,000</u>	<u>3,448,439</u>	<u>51,561</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,219,700)	(3,480,000)	(3,426,634)	53,366
OTHER FINANCING SOURCES (USES)				
Bond proceeds	140,985,000	141,000,000	140,735,000	(265,000)
Bond premium	672,777	2,900,000	2,890,050	(9,950)
Transfers (to)/from other funds	<u>(33,080,526)</u>	<u>(33,080,526)</u>	<u>(32,956,550)</u>	<u>123,976</u>
Total Other Financing Sources (Uses)	<u>108,577,251</u>	<u>110,819,474</u>	<u>110,668,500</u>	<u>(150,974)</u>
NET CHANGE IN FUND BALANCE	105,357,551	107,339,474	107,241,866	(97,608)
FUND BALANCE:				
BEGINNING OF PERIOD	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
END OF PERIOD	<u>\$ 105,357,551</u>	<u>\$ 107,339,474</u>	<u>\$ 107,241,866</u>	<u>\$ (97,608)</u>

The notes to the financial statements are an integral part of these statements.