

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
Paint Brush Hills Metropolitan District

Opinions

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 (the District) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 Paint Brush Hills Metropolitan District, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons 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.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Paint Brush Hills Metropolitan District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Paint Brush Hills Metropolitan District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than

for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a

substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Paint Brush Hills Metropolitan District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Paint Brush Hills Metropolitan District's ability to continue as a going concern for a reasonable period of time.

Other Matters

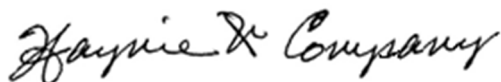
Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Paint Brush Hills Metropolitan District's basic financial statements. The supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Littleton, Colorado
September 23, 2021

BASIC FINANCIAL STATEMENTS

PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2020

	<u>Governmental Activities</u>	<u>Business-type Activites</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents-unrestricted	\$ 338,697	\$ 2,526,459	\$ 2,865,156
Cash and cash equivalents-restricted	274,553	-	274,553
Accounts receivable	3,156	84,257	87,413
Accounts receivable - Developer reimbursements	-	84,850	84,850
Due from County Treasurer	5,516	-	5,516
Prepaid expenses	31,969	18,714	50,683
Inventory	-	13,329	13,329
Deposits	-	9,738	9,738
Property taxes receivable	873,842	-	873,842
Capital assets not being depreciated/amortized	-	1,743,341	1,743,341
Capital assets being depreciated/amortized, net of accumulated depreiation/amortization	1,022,371	21,336,657	22,359,028
Total assets	<u>2,550,104</u>	<u>25,817,345</u>	<u>28,367,449</u>
LIABILITIES			
Accounts payable	7,990	143,052	151,042
Deposits:			
Well rehabilitation and pumphouse projects	-	55,794	55,794
Reimbursable costs	-	5,389	5,389
Hydrant meters	-	6,000	6,000
Wages, payroll taxes and benefits payable	9,389	7,662	17,051
Paid time off payable	68	-	68
Interest payable	-	4,469	4,469
Long-term obligations:			
Due within one year	-	269,016	269,016
Due in more than one year	9,000,000	1,215,170	10,215,170
Total liabilities	<u>9,017,447</u>	<u>1,706,552</u>	<u>10,723,999</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred property tax revenue	873,842	-	873,842
Total deferred inflows of resources	<u>873,842</u>	<u>-</u>	<u>873,842</u>
NET POSITION			
Net investment in capital assets	1,022,371	21,591,343	22,613,714
Restricted for:			
Emergencies	13,419	-	13,419
Parks and recreation	14,984	-	14,984
Unrestricted	(8,391,959)	2,519,450	(5,872,509)
Total net position	<u>\$ (7,341,185)</u>	<u>\$ 24,110,793</u>	<u>\$ 16,769,608</u>

PAINT BRUSH HILLS METROPOLITAN DISTRICT STATEMENT OF ACTIVITIES
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

Functions/Programs	Expenses	Program Revenues Operating			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
Government activities:							
General government	\$ 469,908	\$ 10,144	\$ -	\$ -	\$ (459,764)	\$ -	\$ (459,764)
Parks and recreation	100,132	-	-	12,196	(87,936)	-	(87,936)
Stormwater	17,029	-	-	-	(17,029)	-	(17,029)
	<u>587,069</u>	<u>10,144</u>	<u>-</u>	<u>12,196</u>	<u>(564,729)</u>	<u>-</u>	<u>(564,729)</u>
Business-type activities:							
Water and sewer operations	2,010,012	1,533,766	11,125	2,517,699	-	2,052,578	2,052,578
	<u>2,010,012</u>	<u>1,533,766</u>	<u>11,125</u>	<u>2,517,699</u>	<u>-</u>	<u>2,052,578</u>	<u>2,052,578</u>
Total	<u>2,597,081</u>	<u>1,543,910</u>	<u>11,125</u>	<u>2,529,895</u>	<u>(564,729)</u>	<u>2,052,578</u>	<u>1,487,849</u>
General revenues:							
Taxes:							
Property taxes					629,363	-	629,363
Specific ownership taxes					68,408	-	68,408
Net investment earnings					8,600	1,076	9,676
Miscellaneous					6,963	64,602	71,565
Transfer of assets					(9,000,000)	9,000,000	-
Total general revenue and transfers					<u>(8,286,666)</u>	<u>9,065,678</u>	<u>779,012</u>
Change in net position					<u>(8,851,395)</u>	<u>11,118,256</u>	<u>2,266,861</u>
Net position - Beginning of year					<u>1,510,210</u>	<u>12,992,537</u>	<u>14,502,747</u>
Net position - End of year					<u>\$ (7,341,185)</u>	<u>\$ 24,110,793</u>	<u>\$ 16,769,608</u>

PAINT BRUSH HILLS METROPOLITAN DISTRICT STATEMENT OF ACTIVITIES
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General Fund	Conservation Trust Fund	Subdistrict A Operations Special Revenue Fund	Subdistrict A Debt Service Fund	Total Governmental Funds
ASSETS					
Cash and cash equivalent-unrestricted	\$ 338,697	\$ -	\$ -	\$ -	\$ 338,697
Cash and cash equivalent-restricted	-	14,984	564	259,005	274,553
Accounts receivable	-	-	-	3,156	3,156
Due from County Treasurer	4,133	-	-	1,383	5,516
Prepaid expense	31,969	-	-	-	31,969
Property tax receivable	575,682	-	-	298,160	873,842
TOTAL ASSETS	<u>950,481</u>	<u>14,984</u>	<u>564</u>	<u>561,704</u>	<u>1,527,733</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts payable	7,990	-	-	-	7,990
Wages, payroll taxes and benefits payable	9,389	-	-	-	9,389
Paid time off payable	68	-	-	-	68
Total liabilities	<u>17,447</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,447</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred property tax revenues	575,682	-	-	298,160	873,842
Deferred developer reimbursements	-	-	-	-	-
Total Deferred Inflows of Resources	<u>575,682</u>	<u>-</u>	<u>-</u>	<u>298,160</u>	<u>873,842</u>
FUND BALANCES					
Nonspendable:					
Prepaid expenditures	31,969	-	-	-	31,969
Spendable:					
Restricted for:					
Emergencies	13,419	-	-	-	13,419
Parks and recreation	-	14,984	-	-	14,984
Debt service	-	-	-	263,544	263,544
Subdistrict A operating costs	-	-	564	-	564
Unassigned	311,964	-	-	-	311,964
Total Fund Balances	<u>357,352</u>	<u>14,984</u>	<u>564</u>	<u>263,544</u>	<u>636,444</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 950,481</u>	<u>\$ 14,984</u>	<u>\$ 564</u>	<u>\$ 561,704</u>	

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

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

Capital assets, net of accumulated depreciation

1,022,371

Long-term liabilities, including bonds payable and accrued interest, are not due and payable in the current period and, therefore, are not included in the fund financial statements but are included in the governmental activities of the Statement of Net Position.

Bonds Payable

(9,000,000)

Net position of governmental activities

\$ (7,341,185)

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2020**

	General Fund	Conservation Trust Fund	Subdistrict A Operations Special Revenue Fund	Subdistrict A Debt Service Fund	Total Governmental Funds
REVENUE					
Property taxes	\$ 471,548	\$ -	\$ -	\$ 157,815	\$ 629,363
Specific ownership taxes	51,254	-	-	17,154	68,408
Conservation Trust Fund	-	12,196	-	-	12,196
Subdistrict costs reimbursements	-	-	10,144	-	10,144
Net investment income	6,808	33	-	1,759	8,600
Miscellaneous	6,963	-	-	-	6,963
Total revenue	<u>536,573</u>	<u>12,229</u>	<u>10,144</u>	<u>176,728</u>	<u>735,674</u>
EXPENDITURES					
Current:					
Audit	6,500	-	-	-	6,500
Director's fees	7,000	-	-	-	7,000
District manager	39,770	-	-	-	39,770
Employee wages	62,072	-	-	-	62,072
Contract Staffing/Bond issuance costs	3,567	-	-	79,200	82,767
Payroll taxes	9,826	-	-	-	9,826
457b plan contributions	4,665	-	-	-	4,665
Payroll processing	3,557	-	-	-	3,557
Health insurance	24,225	-	-	-	24,225
Employee training	263	-	-	-	263
Billing Expense	3,137	-	-	-	3,137
Insurance	11,706	-	-	-	11,706
Legal	82,145	-	9,010	-	91,154
Election/Board Meetings	11,429	-	-	-	11,429
Miscellaneous	6,399	-	1,879	-	8,278
Bank charges	130	50	-	-	180
Dues/subscriptions/conferences	2,384	-	-	-	2,384
Office utilities	10,199	-	-	-	10,199
Office equipment	10,597	-	-	-	10,597
Office supplies	7,420	-	-	-	7,420
Telephone	1,135	-	-	-	1,135
Accounting	26,507	-	-	-	26,507
Engineer	9,242	-	-	-	9,242
Vehicle Cost	760	-	-	-	760
Office technology/website	12,297	-	-	-	12,297
Building maintenance	7,318	-	-	-	7,318
Treasurer's fees	7,076	-	-	2,369	9,446
Parks and property grounds maintenance	40,273	-	-	-	40,273
Parks maintenance and repairs	21,749	-	-	-	21,749
Parks and property landscaping	13,952	-	-	-	13,952
Training	-	-	-	-	-
Capital outlay:					
Wells	-	-	-	9,000,000	9,000,000
Park and recreation facility improvements	-	-	-	-	-
Vehicles and equipment	7,869	-	-	-	7,869
Total expenditures	<u>455,170</u>	<u>50</u>	<u>10,888</u>	<u>9,081,569</u>	<u>9,547,677</u>
Excess Revenue Over (Under) Expenditures	<u>81,403</u>	<u>12,179</u>	<u>(744)</u>	<u>(8,904,841)</u>	<u>(8,812,003)</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	9,000,000	9,000,000
Developer advance/reimbursement	-	-	-	-	-
Transfer to General Fund	-	(11,021)	-	-	(11,021)
Transfer from Conservation Trust Fund	11,021	-	-	-	11,021
Total Other Financing Sources (Uses)	<u>11,021</u>	<u>(11,021)</u>	<u>-</u>	<u>9,000,000</u>	<u>9,000,000</u>
Net Change in Fund Balance	<u>92,424</u>	<u>1,158</u>	<u>(744)</u>	<u>95,159</u>	<u>187,997</u>
FUND BALANCES - BEGINNING OF YEAR	264,928	13,826	1,308	168,385	448,447
FUND BALANCES - END OF YEAR	<u>\$ 357,352</u>	<u>\$ 14,984</u>	<u>\$ 564</u>	<u>\$ 263,544</u>	<u>\$ 636,444</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2020**

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>(8,812,003)</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		7,869
Depreciation		(42,500)
<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 the amounts are recognized as revenue.</p>		
Change in deferred developer reimbursements		<u>(4,761)</u>
Change in net position - Governmental activities	\$	<u>(8,851,395)</u>

PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended December 31, 2020

	Original and Final Adopted Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUE			
Property taxes	\$ 471,538	\$ 471,548	\$ 10
Specific ownership taxes	51,869	51,254	(615)
Net investment income	4,900	6,808	1,908
Miscellaneous	1,800	6,963	5,163
Total Revenue	<u>530,107</u>	<u>536,573</u>	<u>6,466</u>
EXPENDITURES			
Current:			
Audit	6,000	6,500	(500)
Director's fees	6,000	7,000	(1,000)
District manager	42,548	39,770	2,778
Employee wages	64,193	62,072	2,121
Contract staffing	5,000	3,567	1,433
Payroll taxes	8,166	9,826	(1,660)
457b plan contributions	4,270	4,665	(395)
Payroll processing	3,536	3,557	(21)
Health insurance	28,633	24,225	4,408
District manager phone allowance	232	-	232
Employee training	2,209	263	1,946
Billing Expense	88	3,137	(3,049)
Insurance	11,147	11,706	(559)
Legal	60,000	82,145	(22,145)
Election/Board Meetings	7,500	11,429	(3,929)
Miscellaneous	5,465	6,399	(934)
Bank Changes	731	130	601
Dues/subscriptions/conferences	3,035	2,384	651
Office utilities	6,305	10,199	(3,894)
Office equipment	4,050	10,597	(6,547)
Office supplies	8,650	7,420	1,230
Telephone	1,191	1,135	56
Accounting	16,703	26,507	(9,804)
Engineer	-	9,242	(9,242)
Vehicle Cost	-	760	(760)
Office technology/website	5,053	12,297	(7,244)
Administration building maintenance	14,310	7,318	6,992
Treasurer's fees	7,073	7,076	(3)
Parks and property grounds maintenance	45,277	40,273	5,004
Parks maintenance and repairs	37,917	21,749	16,168
Parks and property landscaping	950	13,952	(13,002)
Storm water facilities maintenance	10,000	-	10,000
Capital outlay:			
Park and recreation facility improvements	100,000	-	100,000
Vehicles and equipment	-	7,869	(7,869)
Contingency/emergency reserve	75,000	-	75,000
Total Expenditures	<u>591,232</u>	<u>455,170</u>	<u>136,063</u>
Excess Revenue Over (Under) Expenditures	<u>(61,125)</u>	<u>81,404</u>	<u>142,530</u>
OTHER FINANCING SOURCES (USES)			
Transfer from Conservation Trust Fund	-	11,021	11,021
Net Change in Fund Balance	<u>(61,125)</u>	<u>92,424</u>	<u>153,551</u>
FUND BALANCE - BEGINNING OF YEAR	307,665	264,928	(42,737)
FUND BALANCE - END OF YEAR	<u>\$ 246,540</u>	<u>\$ 357,351</u>	<u>\$ 110,814</u>

PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CONSERVATION TRUST FUND
Year Ended December 31, 2020

	Original and Final Adopted Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues			
Conservation Trust Fund	\$ 14,000	\$ 12,196	\$ (1,804)
Net investment income	400	33	(367)
Total Revenues	<u>14,400</u>	<u>12,229</u>	<u>(2,171)</u>
Expenditures			
Capital outlay:			
Park and recreation facility improvements	30,520	-	30,520
Bank Charges	-	50	(50)
Total Expenditures	<u>30,520</u>	<u>50</u>	<u>30,470</u>
Excess Revenue Over (Under) Expenditures	<u>(16,120)</u>	<u>12,179</u>	<u>28,299</u>
OTHER FINANCING SOURCES (USES)			
Transfer to General Fund	-	(11,021)	(11,021)
Net Change in Fund Balance	(16,120)	1,158	17,278
Fund Balance - Beginning of Year	16,120	13,826	(2,294)
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 14,984</u>	<u>\$ 14,984</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SUBDISTRICT A OPERATIONS SPECIAL REVENUE FUND
Year Ended December 31, 2020**

	Original and Final Adopted Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenue			
Subdistrict costs reimbursements	\$ 20,000	\$ 10,144	\$ (9,856)
Net investment income	-	-	-
Total Revenue	20,000	10,144	(9,856)
Expenditures			
Accounting	2,500	-	2,500
Legal	16,500	9,010	7,490
Miscellaneous	1,000	1,879	(879)
Total Expenditures	20,000	10,888	9,112
Net Change in Fund Balance	-	(744)	(744)
Fund Balance - Beginning of Year	6,068	1,308	(4,760)
Fund Balance - End of Year	\$ 6,068	\$ 564	\$ (5,504)

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
WATER AND WASTEWATER FUND
December 31, 2020**

ASSETS

CURRENT ASSETS

Cash and cash equivalents - unrestricted	2,526,459
Accounts receivable:	
Customer	84,257
Developer	84,850
Prepaid expenses	18,714
Inventory	13,329
Deposits	9,738
Total current assets	<u>2,737,347</u>

CAPITAL ASSETS

Capital assets not being depreciated/amortized:

Land	669,455
Water rights - inexhaustible	180,000
Construction in progress	893,886
	<u>1,743,341</u>

Capital assets being depreciated/amortized:

Plant	10,376,896
Building	1,428,833
Water and sewer lines	11,409,674
Vehicles	219,055
Office equipment	6,380
Other	9,012
Water rights	4,287,600
	<u>27,737,450</u>

Less accumulated depreciation and amortization

	<u>(6,400,793)</u>
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Total capital assets, net

	<u>21,336,657</u>
--	-------------------

TOTAL ASSETS

	<u>25,817,345</u>
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LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	143,052
Deposits:	
Well rehabilitation and pumphouse projects	55,794
Reimbursable costs	5,389
Hydrant meters	6,000
Wages, payroll taxes and benefits payable	7,662
Interest payable on capital lease obligations	4,469
Current portion of capital lease obligations	269,016
Total current liabilities	<u>491,382</u>

NONCURRENT LIABILITIES

Noncurrent portion of capital lease obligations	1,215,170
Total noncurrent liabilities	<u>1,215,170</u>

NET POSITION

Net investment in capital assets	21,591,343
Unrestricted	2,519,450
Total net position	<u>24,110,793</u>

TOTAL LIABILITIES AND NET POSITION

	<u>25,817,345</u>
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**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENSES
AND CHANGES IN NET POSITION
WATER AND WASTEWATER FUND
Year Ended December 31, 2020**

OPERATING REVENUE

Water base fees	\$ 405,693
Water service fees	820,755
Wastewater service fees	81,560
Other fees	86,896
Other revenues	14,401
Total operating revenue	1,409,305

OPERATING EXPENSES

Operations	1,111,258
Depreciation/amortization	449,634
Total operating expenses	1,560,892

Net Loss From Operations (151,587)

NONOPERATING REVENUE (EXPENSES)

Net investment income	1,076
Insurance reimbursement	39,026
Grant revenue	11,125
Gain on sale of assets	24,500
Interest on capital lease obligations	(63,254)
Tap fees remitted - Outside District entities	(260,329)
Total nonoperating revenues (expenses)	(247,856)

CAPITAL CONTRIBUTIONS

Tap fees	1,387,189
Tap fees - Outside District entities	260,329
Transfer of assets	9,000,000
System development fees	217,916
Developer contributions-well rehabilitation	652,265
Total capital contributions	11,517,699

Change in Net Position 11,118,256

Net Position - Beginning of Year	\$ 12,992,537
Net Position - End of Year	\$ 24,110,793

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
STATEMENT OF CASH FLOWS
WATER AND WASTEWATER FUND
Year Ended December 31, 2020**

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 1,497,037
Payments to vendors	(558,783)
Payments to employees	(279,667)
Net cash provided by operating activities	658,587

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Capital asset purchases	(1,156,194)
Tap fees received	1,647,518
Tap fees remitted - Outside District entities	(260,329)
System development fees received	217,916
Insurance reimbursement received	39,026
Principal paid on capital leases	(593,085)
Interest paid on capital leases	(63,524)
Net cash provided by capital funding activities	(168,672)

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Grants received	11,125
Net cash provided by investing activities	11,125

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	1,076
Net cash provided by investing activities	1,076

NET INCREASE IN CASH AND CASH EQUIVALENTS

502,116

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

2,024,343

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 2,526,459

**RECONCILIATION OF OPERATING LOSS TO CASH FLOWS
REQUIRED BY OPERATING ACTIVITIES**

Net loss from operations	\$ (260,843)
Adjustments to reconcile gain from operations to net cash provided by operating activities:	
Depreciation/amortization	449,634
Effects of changes in operating assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable	(9,887)
Accounts receivable - Developer reimbursements	(24,998)
Prepaid expenses	(14,214)
Accounts payable	(82,985)
Wages and payroll taxes payable	735
Paid time off payable	597
Other deposits	600,548
Net cash provided by operating activities	\$ 658,587

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020**

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, 2020**

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 a proprietary 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, 2020, 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, 2020, 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, 2020, the District approved a supplemental appropriation for the Subdistrict A Debt Service Fund from \$2,367 to \$9,081,567.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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.

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.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 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 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 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.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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.

NOTE 3 - CASH AND INVESTMENTS

The District’s deposits and investments consist of the following at December 31, 2020:

	<u>Deposits</u>	<u>COLOTRUST</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,016,832	\$ 1,848,324	\$ 2,865,156
Restricted cash and cash equivalents	274,553		274,553
Total	<u>\$ 1,291,384</u>	<u>\$ 1,848,324</u>	<u>\$ 3,139,709</u>

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 338,697	\$ 2,526,459	\$ 2,865,156
Restricted cash and cash equivalents	274,553	-	274,553
Total	<u>\$ 613,250</u>	<u>\$ 2,526,459</u>	<u>\$ 3,139,709</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020, the District's cash deposits had a bank balance of \$1,510,839 and a carrying balance of \$1,291,384.

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, 2020**

At December 31, 2020, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
COLOTRUST	Weighted average under 60 days	<u>\$ 1,848,324</u>

COLOTRUST

At December 31, 2020, 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, 2020, the District reports cash and investments in the amount of \$14,984 in the Conservation Trust Fund, \$584 in the Subdistrict A Special Revenue Fund and \$259,005 Subdistrict A Debt Service Fund as restricted. The amounts are restricted for parks and recreation, operations and debt service, respectively.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in the governmental activities capital assets for the year ended December 31, 2020 as follows:

	<u>Balance at December 31, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>
Governmental activities				
Capital assets, being depreciated:				
Parks and recreation - parks, facilities and improvements	\$ 447,516	-	-	\$ 447,516
Storm sewer facilities	784,773	-	-	784,773
Vehicles and equipment	24,834	7,869	-	32,703
Total capital assets, being depreciated	<u>1,257,123</u>	<u>7,869</u>	<u>-</u>	<u>1,264,992</u>
Less accumulated depreciation for:				
Parks and recreation - parks, facilities and improvements	(180,502)	(24,158)	-	(204,660)
Storm sewer facilities	(19,619)	(15,695)	-	(35,314)
Vehicles and equipment	-	(2,647)	-	(2,647)
Total accumulated depreciation	<u>(200,121)</u>	<u>(42,500)</u>	<u>-</u>	<u>(242,621)</u>
Total capital assets, being depreciated, net	<u>1,057,002</u>	<u>(34,631)</u>	<u>-</u>	<u>1,022,371</u>
Government capital assets, net	<u>\$ 1,057,002</u>	<u>\$ (34,631)</u>	<u>-</u>	<u>\$ 1,022,371</u>

In 2020 the Subdistrict A Debt Service Fund accepted certified costs of \$9,000,000 for wells built by Eagle Development Company. This capital item was transferred to the Enterprise Fund upon acceptance, as it was incorporated into the District's Water System.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

An analysis of the changes in the business-type activities capital assets for the year ended December 31, 2020 are as follows:

	<u>Balance at December 31, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2020</u>
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 669,455	\$ -	\$ -	\$ 669,455
Water rights - inexhaustible	180,000	-	-	180,000
Construction in progress	164,402	893,886	(164,402)	893,886
Total capital assets, not being depreciated	<u>1,013,857</u>	<u>893,886</u>	<u>(164,402)</u>	<u>1,743,341</u>
Capital assets, being depreciated/ amortized:				
Plant	10,288,386	88,510	-	10,376,896
Buildings	1,428,833	-	-	1,428,833
Water and sewer lines	2,409,674	9,000,000	-	11,409,674
Vehicles	167,939	76,179	(25,063)	219,055
Office equipment	6,380	-	-	6,380
Other	28,975	-	(19,963)	9,012
Water rights	4,287,600	-	-	4,287,600
Total capital assets, being depreciated/amortized	<u>18,617,787</u>	<u>9,164,689</u>	<u>(45,026)</u>	<u>27,737,450</u>
Less accumulated depreciation/ amortization for:				
Plant	(4,020,511)	(300,902)	-	(4,321,413)
Buildings	(89,093)	(35,721)	-	(124,814)
Water and sewer lines	(60,242)	(48,193)	-	(108,435)
Vehicles	(93,719)	(28,072)	25,063	(96,728)
Office equipment	(6,380)	-	-	(6,380)
Other	(10,177)	-	1,164	(9,013)
Water rights - exhaustible	(1,697,265)	(36,745)	-	(1,734,010)
Total accumulated depreciation	<u>(5,977,387)</u>	<u>(449,633)</u>	<u>26,227</u>	<u>(6,400,793)</u>
Total capital assets, being depreciated, net	<u>12,640,400</u>	<u>8,715,056</u>	<u>(18,799)</u>	<u>21,336,657</u>
Business-type capital assets, net	<u>\$ 13,654,257</u>	<u>\$ 9,608,942</u>	<u>\$ (183,201)</u>	<u>\$ 23,079,998</u>

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

Governmental activities

Parks and recreation	\$ 24,158
Stormwater	15,695
Vehicles and equipment	2,647
	<u>\$ 42,500</u>

Business-type activities

Water and sewer operations	<u>\$ 449,633</u>
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**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020:

	Balance at December 3 2019	Additions	Reductions	Balance December 31 2020	Due Within One Year
Governmental activities					
Bonds payable	\$ -	\$ 9,000,000	\$ -	\$ 9,000,000	\$ -
	<u>\$ -</u>	<u>\$ 9,000,000</u>	<u>\$ -</u>	<u>\$ 9,000,000</u>	<u>\$ -</u>

	Balance at December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Business-type activities					
Capital Lease Obligations:					
Refinance lease	\$ 1,244,631	\$ -	\$ (229,252)	\$ 1,015,379	\$ 223,881
Building construction:					
Lease purchase #1	554,607	-	(137,593)	417,014	24,294
Lease purchase #2	167,162	-	(167,162)	-	-
Ford Escape lease purchase	16,765	-	(16,765)	-	-
Ford F250 lease purchase	22,161	-	(22,161)	-	-
SCADA system lease purchase	71,945	-	(20,153)	51,792	20,841
	<u>\$ 2,077,271</u>	<u>\$ -</u>	<u>\$ (593,084)</u>	<u>\$ 1,484,186</u>	<u>\$ 269,016</u>

The following are considered to be events of default under the bond agreements:

- (a) Failure by the Subdistrict to take action or cause action to be taken to impose the Limited Mill Levy, to deposit the Pledged Revenue in the Pledged Revenue Account, and to apply the Pledged Revenue as required by the terms of the agreement.
- (b) Breach by the Subdistrict of any material covenant set forth herein or failure by the Subdistrict to perform any material duty imposed on it hereunder and continuation of such breach or failure for a period of sixty days after receipt by the Subdistrict of written notice thereof from the Paying Agent or from the Owner.
- (c) The Subdistrict files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the Debt represented by the Bond.

The following are considered remedies for events of default under the bond agreement:

- (a) Upon the occurrence and continuance of an Event of Default, the Owner of the Bond may proceed to protect and enforce its rights under this Resolution by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction. Without any required action on the part of the Subdistrict or the Owner, if any amount of principal or interest remains due and owing on the Bond on the Maturity Date,

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

such amounts shall continue to bear interest at the Interest Rate compounding annually, to be paid only from the Pledged Revenue.

- (b) The failure of the Owner to proceed in accordance with subsection (a) of this Section shall not relieve the Subdistrict of any liability for failure to perform or carry out its duties under this Resolution. Each right or privilege of any such Owner (or trustee therefor) is in addition and is cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any Owner shall not be deemed a waiver of any other right or privilege of such Owner.

Series 2020 Limited Tax General Obligation Bonds— In 2020, the District issued \$9,000,000 in limited tax general obligation bonds for the purpose of reimbursing Eagle Development Company for the construction of three water wells within the District’s property and pursuant to an agreement dated February 10, 2017.

The bonds bear interest at 5.2% per annum, payable on June 1 and December 1, commencing on June 1, 2021, and shall mature on December 1, 2040. The bonds are secured and payable from pledged revenue which consists of moneys derived from the the required mill levy and a portion of the Specific Ownership Tax.

Annual debt service requirements to maturity for the 2020 general obligation bonds are as follows:

Year Ended December 31.	Principal	Interest	Total
2021	\$ -	\$ 474,500	\$ 474,500
2022	7,000	468,000	475,000
2023	169,000	467,636	636,636
2024	354,000	458,848	812,848
2025	372,000	440,440	812,440
2026 - 2030	2,316,000	1,880,632	4,196,632
2031 - 2035	3,184,000	1,192,828	4,376,828
2036 - 2040	2,598,000	291,304	2,889,304
Total	<u>\$ 9,000,000</u>	<u>\$ 5,674,188</u>	<u>\$ 14,674,188</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, 2020, the Security Facilities had an original cost of \$10,093,167 and accumulated depreciation of \$4,321,413. 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%.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020, the Project had an original cost of \$1,428,833 and accumulated depreciation of \$124,814. 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%.

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 2020, the District paid this lease in full in the amount of \$167,162.

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, 2020 had accumulated depreciation of \$18,563.16. 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%. 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, 2020 had accumulated depreciation of \$21,751. 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%. On March 1, 2020, the District paid 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, 2020 the vmSCADA system had accumulated depreciation of \$51,437. 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%.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
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The following are considered to be events of default under the lease agreements:

- (a) If any representation or warranty made by the Lessee in any document related to this financing arrangement proves to be in any material sense false or misleading, and if any bankruptcy, reorganization, insolvency, dissolution or any other material adverse change is present in the Lessee's financial, market and/ or economic condition, the Bank's commitment to extend credit shall terminate at the Bank's option.

The future principal lease obligations and net present value of these minimum lease payments as of December 31, 2020, were as follows:

<u>Year Ending</u>	<u>Business- Type Activities</u>
2021	\$ 269,016
2022	277,638
2023	273,646
2024	272,598
2025	106,150
2026-2030	161,482
2031-2035	123,656
Total lease payments	<u>\$ 1,484,186</u>

NOTE 6 - FUND EQUITY

At December 31, 2020, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$31,969 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 \$13,419 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 \$14,984 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 \$263,544 is restricted for the future payment of debt service.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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.

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, 2020, the District had invested in capital assets of \$1,022,371 for the governmental activities and \$21,591,343 for the business-type activities for a combined net investment in capital assets of \$22,613,714.

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 bylaw through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2020 as follows:

Restricted for:		
Emergencies	\$	13,419
Parks and recreation		14,984
	\$	<u>28,403</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, 2020. 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, 2020**

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 2020, 119 single family equivalent tap connections were sold leaving a total of 17 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 REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
SUBDISTRICT A DEBT SERVICE FUND
Year Ended December 31, 2020**

	<u>Adopted Budget Original</u>	<u>Adopted Budget Amended</u>	<u>Actual</u>	Variance with Final Budget - Positive (Negative)
REVENUE				
Property taxes	\$ 157,814	\$ 157,814	\$ 157,815	\$ 1
Specific ownership taxes	17,360	17,360	17,154	(206)
Net investment income	1,200	1,200	1,759	559
Total Revenue	<u>176,374</u>	<u>176,374</u>	<u>176,728</u>	<u>354</u>
EXPENDITURES				
Treasurer's fees	2,367	2,367	2,369	(2)
Capital Outlay	-	9,000,000	9,000,000	
Contract Staffing/Bond issuance costs	-	79,200	79,200	-
Total Expenditures	<u>2,367</u>	<u>9,081,567</u>	<u>9,081,569</u>	<u>(2)</u>
EXCESS REVENUE OVER (UNDER) EXPENDITURES	<u>174,007</u>	<u>(8,905,193)</u>	<u>(8,904,841)</u>	<u>352</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	-	9,000,000	9,000,000	-
Developer advance/reimbursement	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>9,000,000</u>	<u>9,000,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>174,007</u>	<u>94,807</u>	<u>95,159</u>	<u>352</u>
FUND BALANCE - BEGINNING OF YEAR	<u>167,501</u>	<u>168,385</u>	<u>168,385</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 341,508</u>	<u>\$ 263,192</u>	<u>\$ 263,544</u>	<u>\$ 352</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER AND WASTEWATER FUND
Year Ended December 31, 2020**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
REVENUE			
Water - base fees	378,000	405,693	27,693
Water - church	110	52	(58)
Water - residential	564,210	752,390	188,180
Water - school	23,650	68,313	44,663
Wastewater - church	290	288	(2)
Wastewater - residential	73,500	78,968	5,468
Wastewater - school	2,020	2,304	284
Underdrain	700	691	(9)
Street lighting	3,500	9,804	6,304
Penalties	6,000	8,348	2,348
Meters	50,000	62,004	12,004
Inspection Fees	2,500	1,925	(575)
Tap Fees	916,800	1,647,518	730,718
System development fees	-	217,916	217,916
Transfer Fees	8,800	2,500	(6,300)
Developer expenditure reimbursement	10,000	-	(10,000)
Grants	-	11,125	11,125
Interest	2,500	1,076	(1,424)
Tank rental-antennas	7,222	-	(7,222)
Bulk water sales	6,000	-	(6,000)
Insurance reimbursement	-	39,026	39,026
Other operating revenue	5,000	3,215	(1,785)
Other service fees	2,300	1,624	(676)
Misc. income	-	11,186	11,186
Proceeds from sale of cap asset	-	24,500	24,500
Developer contributions-capital	1,150,000	652,265	(497,735)
Total Revenue	<u>3,213,102</u>	<u>4,002,731</u>	<u>789,629</u>
EXPENDITURES			
Operating:			
District manager wages	42,548	36,234	6,314
Employee wages	219,550	243,433	(23,883)
Payroll taxes	20,050	21,264	(1,214)
457b plan contributions	10,484	10,044	440
Health insurance	50,581	62,169	(11,588)
District manager and operator phone allowances	2,086	3,816	(1,730)
Employee training	124	368	(244)
Insurance	37,105	36,788	317
Legal	22,000	3,925	18,075
Miscellaneous	2,862	2,968	(106)
Dues and subscriptions	438	955	(517)
Maintenance shop utilities	667	-	667
Telephone	1,420	1,309	111
Office technology and website	15,905	9,980	5,925
Engineer	25,601	9,513	16,089

(Continued)

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
WATER AND WASTEWATER FUND
Year Ended December 31, 2020**

Analytical testing	20,000	8,024	11,976
Chemical/equipment	17,703	17,048	655
Miscellaneous supplies and tools	4,748	2,783	1,965
Safety equipment	2,355	8,013	(5,658)
OPS certification and training	867	718	149
Billing expense	48,441	12,877	35,564
Refunds	-	4,261	(4,261)
Meters-residential repairs and replacement	18,800	176,290	(157,490)
Bulk water purchases	34,400	29,621	4,779
Inspection services-Developer	3,539	-	3,539
Tap fees remitted-Outside District entities	200,000	260,329	(60,329)
SCADA system maintenance	39,711	36,075	3,636
Collection system repairs and maintenance	40,515	77,007	(36,492)
Storage and port-o-let fees (pumphouse)	334	1,526	(1,192)
Pumphouse maintenance	6,360	44,489	(38,129)
Well repairs and maintenance	5,000	1,404	3,596
Storage tank repairs and maintenance	7,500	1,586	5,914
Lift station repairs and maintenance	-	2,057	(2,057)
Roadway and waterline repairs	84,038	1,054	82,984
Street light utilities	2,000	6,092	(4,092)
Utilities	200,000	203,943	(3,943)
Security	-	1,305	(1,305)
Vehicle maintenance and repair	15,000	13,106	1,894
Storm water facilities maintenance	-	416	(416)
Wastewater-collection expense	32,000	-	32,000
Loss on disposal of capital assets	-	18,798	(18,798)
Collection system - sewer mains	21,830	-	21,830
Capital outlay:	2,080,000	1,058,575	1,021,425
Debt service:			
Principal	288,990	593,085	(304,095)
Interest	66,572	63,254	3,318
Contingency	200,000	-	200,000
Total Expenditures	<u>3,892,124</u>	<u>3,086,501</u>	<u>805,623</u>
NET CHANGE IN FUNDS AVAILABLE	(679,022)	916,230	1,595,252
FUND AVAILABLE - BEGINNING OF YEAR	1,254,251	1,415,551	161,300
FUND AVAILABLE - END OF YEAR	<u>\$ 575,229</u>	<u>\$ 2,331,781</u>	<u>\$ 1,756,552</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF
REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND
Year Ended December 31, 2020**

Excess of revenue over expenses	<u>\$ 2,331,781</u>
Reconciling Items:	
Expenditures included in statement of revenue, expenses and changes in net position, but not included with expenditures on a budgetary basis:	
Depreciation	449,633
Expenditures included under budgetary basis, but not included in statement of revenues, expenses and changes in net position	
Capital outlay	(1,058,575)
Debt paid	593,085
Transfer of assets	9,000,000
Escrowed Taps	(260,329)
Developer Deposits	<u>62,661</u>
Change in net position per statement of revenues, expenses and changes in net position	<u>\$ 11,118,256</u>

OTHER INFORMATION

Paint Brush Hills Metropolitan District

Year Ended December 31, 2020	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Property Taxes		Percentage Collected to Levied
		Operations	Levied	Collected			
2016	\$ 16,488,770	22.107	\$ 364,517	\$ 364,957		100.10%	
2017	\$ 17,681,870	18.063 (A)	\$ 319,388	\$ 319,384		100.00%	
2018	\$ 19,105,130	19.813 (B)	\$ 378,530	\$ 378,530		100.00%	
2019	\$ 21,257,170	19.902 (C)	\$ 423,060	\$ 423,050		100.00%	
2020	\$ 25,437,650	\$ 18.54 (D)	\$ 471,538	\$ 471,548		100.00%	
Estimated for year ending December 31, 2021	\$ 575,682						

Paint Brush Hills Metropolitan District Subdistrict A

Year Ended December 31, 2020	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Property Taxes		Percentage Collected to Levied
		Operations	Levied	Collected			
2016	\$ -	0	\$ -	\$ -		N/A	
2017	\$ 223,230	40	\$ 8,929	\$ 8,929		100.00%	
2018	\$ 953,220	40	\$ 38,129	\$ 38,129		100.00%	
2019	\$ 2,581,040	40	\$ 103,242	\$ 103,241		100.00%	
2020	\$ 3,945,360	\$ 40	\$ 157,814	\$ 157,815		100.00%	
Estimated for year ending December 31, 2021	\$ 298,160						

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

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

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

(D) - Net of temporary mill levy reduction 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.