

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

**FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

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## **INDEPENDENT AUDITOR'S REPORT**



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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, 2021, 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, 2021, 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.

### Correction of Error

As discussed in Note 10 to the financial statements, certain errors resulting in overstatement of amounts previously reported for accounts receivables as of December 31, 2020, were discovered by management of the District during the current year. Accordingly, amounts reported for accounts receivable and developer contributions have been restated in the 2021 financial statements now presented, and an adjustment has been made to net position as of December 31, 2020, to correct the error. Our opinion is not modified with respect to that matter.

### 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **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.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **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.

### **Supplementary 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. Such 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. The 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.

## **Other Information**

Management is responsible for the other information included in the report. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*Haynie & Company*

Littleton, Colorado  
November 3, 2022

## **BASIC FINANCIAL STATEMENTS**

**PAINT BRUSH HILLS METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
December 31, 2021

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents-unrestricted	\$ 458,598	\$ 3,436,279	\$ 3,894,877
Cash and cash equivalents-restricted	32,301	-	32,301
Accounts receivable	-	99,092	99,092
Due from County Treasurer	8,099	-	8,099
Prepaid expenses	15,709	3,779	19,488
Inventory	-	14,044	14,044
Deposits	-	9,738	9,738
Property taxes receivable	1,154,350	-	1,154,350
Capital assets not being depreciated/amortized	-	3,805,272	3,805,272
Capital assets being depreciated/amortized, net of accumulated depreciation/amortization	1,046,637	20,796,039	21,842,676
<b>Total assets</b>	<b>2,715,694</b>	<b>28,164,243</b>	<b>30,879,937</b>
<b>LIABILITIES</b>			
Accounts payable	6,961	522,042	529,003
Deposits:			
Well rehabilitation and pumphouse projects	-	19,786	19,786
Developer retaining deposit	-	1,356,688	1,356,688
Water accounts	-	43,125	43,125
Hydrant meters	-	4,500	4,500
Wages, payroll taxes and benefits payable	11,950	8,048	19,998
Paid time off payable	68	-	68
Interest payable	39,000	3,120	42,120
Long-term obligations:			
Due within one year	7,000	286,398	293,398
Due in more than one year	8,875,000	846,307	9,721,307
<b>Total liabilities</b>	<b>8,939,979</b>	<b>3,090,014</b>	<b>12,029,993</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	1,154,350	-	1,154,350
<b>Total deferred inflows of resources</b>	<b>1,154,350</b>	<b>-</b>	<b>1,154,350</b>
<b>NET POSITION</b>			
Net investment in capital assets	(7,835,363)	23,468,606	15,633,243
Restricted for:			
Emergencies	20,370	-	20,370
Parks and recreation	29,397	-	29,397
Unrestricted	406,961	1,605,623	2,012,584
<b>Total net position (deficit)</b>	<b>\$ (7,378,635)</b>	<b>\$ 25,074,229</b>	<b>\$ 17,695,594</b>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT STATEMENT OF ACTIVITIES**  
**STATEMENT OF ACTIVITIES**  
**Year Ended December 31, 2021**

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	\$ 503,149	\$ 11,767	\$ -	\$ -	\$ (491,382)	\$ -	\$ (491,382)
Parks and recreation	24,159	-	-	14,398	(9,761)	-	(9,761)
Stormwater	15,696	-	-	-	(15,696)	-	(15,696)
Debt	507,000	-	-	-	(507,000)	-	(507,000)
	<u>1,050,004</u>	<u>11,767</u>	<u>-</u>	<u>14,398</u>	<u>(1,023,839)</u>	<u>-</u>	<u>(1,023,839)</u>
Business-type activities:							
Water and sewer operations	1,588,972	1,401,787	6,701	1,112,437	-	931,953	931,953
	<u>1,588,972</u>	<u>1,401,787</u>	<u>6,701</u>	<u>1,112,437</u>	<u>-</u>	<u>931,953</u>	<u>931,953</u>
<b>Total</b>	<u><u>2,638,976</u></u>	<u><u>1,413,554</u></u>	<u><u>6,701</u></u>	<u><u>1,126,835</u></u>	<u><u>(1,023,839)</u></u>	<u><u>931,953</u></u>	<u><u>(91,886)</u></u>
General revenues:							
Taxes:							
Property taxes					873,794	-	873,794
Specific ownership taxes					102,619	-	102,619
Net investment earnings					2,662	9,558	12,220
Miscellaneous					7,314	106,775	114,089
Total general revenue and transfers					<u>986,389</u>	<u>116,333</u>	<u>1,102,722</u>
Change in net position					<u>(37,450)</u>	<u>1,048,286</u>	<u>1,010,836</u>
Net position (deficit) - Beginning of year- restated					<u>(7,341,185)</u>	<u>24,025,943</u>	<u>16,684,758</u>
Net position (deficit) - End of year					<u><u>\$ (7,378,635)</u></u>	<u><u>\$ 25,074,229</u></u>	<u><u>\$ 17,695,594</u></u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT STATEMENT OF ACTIVITIES**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2021**

	<u>General Fund</u>	<u>Conservation Trust Fund</u>	<u>Subdistrict A Operations Special Revenue Fund</u>	<u>Subdistrict A Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalent-unrestricted	458,598	\$ -	\$ -	\$ -	\$ 458,598
Cash and cash equivalent-restricted	-	29,397	-	2,904	32,301
Due from County Treasurer	5,335	-	-	2,764	8,099
Prepaid expense	15,709	-	-	-	15,709
Property tax receivable	703,472	-	-	450,878	1,154,350
<b>TOTAL ASSETS</b>	<u>1,183,114</u>	<u>29,397</u>	<u>-</u>	<u>456,546</u>	<u>1,669,057</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	6,961	-	-	-	6,961
Wages, payroll taxes and benefits payable	11,950	-	-	-	11,950
Paid time off payable	68	-	-	-	68
Interest payable	-	-	-	-	-
Total liabilities	<u>18,979</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,979</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property tax revenues	703,472	-	-	450,878	1,154,350
Total Deferred Inflows of Resources	<u>703,472</u>	<u>-</u>	<u>-</u>	<u>450,878</u>	<u>1,154,350</u>
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid expenditures	15,709	-	-	-	15,709
Spendable:					
Restricted for:					
Emergencies	20,370	-	-	-	20,370
Parks and recreation	-	29,397	-	-	29,397
Debt service	-	-	-	5,668	5,668
Assigned:					
Subsequent year's expenditures	15,709	-	-	-	15,709
Unassigned	408,875	-	-	-	408,875
Total Fund Balances	<u>460,663</u>	<u>29,397</u>	<u>-</u>	<u>5,668</u>	<u>495,728</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 1,183,114</u>	<u>\$ 29,397</u>	<u>\$ -</u>	<u>\$ 456,546</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

1,046,637

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.

Accrued interest payable

(39,000)

Bonds payable

(8,882,000)

Net position (deficit) of governmental activities

\$ (7,378,635)

**PAINT BRUSH HILLS METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2021**

	<b>General Fund</b>	<b>Conservation Trust Fund</b>	<b>Subdistrict A Operations Special Revenue Fund</b>	<b>Subdistrict A Debt Service Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Property taxes	\$ 575,634	\$ -	\$ -	\$ 298,160	\$ 873,794
Specific ownership taxes	67,605	-	-	35,014	102,619
Conservation Trust Fund	-	14,398	-	-	14,398
Subdistrict costs reimbursements	-	-	11,767	-	11,767
Net investment income	2,220	15	-	427	2,662
Miscellaneous	7,314	-	-	-	7,314
Total revenue	<u>652,773</u>	<u>14,413</u>	<u>11,767</u>	<u>333,601</u>	<u>1,012,554</u>
<b>EXPENDITURES</b>					
Current:					
Audit	9,295	-	-	-	9,295
Director's fees	6,300	-	-	-	6,300
District manager	73,060	-	-	-	73,060
Employee wages	143,499	-	-	-	143,499
Contract Staffing/Bond issuance costs	9,565	-	-	1,001	10,566
Payroll taxes	17,342	-	-	-	17,342
457b plan contributions	9,150	-	-	-	9,150
Payroll processing	3,575	-	-	-	3,575
Health insurance	46,726	-	-	-	46,726
Employee reimbursement	4,016	-	-	-	4,016
Employee training	209	-	-	-	209
Insurance	32,484	-	-	-	32,484
Legal	25,485	-	-	-	25,485
Election/Board Meetings	123	-	-	-	123
Miscellaneous	3,818	-	300	-	4,118
Bank charges	222	-	-	-	222
Dues/subscriptions/conferences	2,318	-	-	-	2,318
Office utilities	14,900	-	-	-	14,900
Office equipment	5,468	-	-	-	5,468
Office supplies	3,048	-	-	-	3,048
Telephone	1,210	-	-	-	1,210
Accounting	30,067	-	-	-	30,067
Engineer	5,505	-	-	-	5,505
Vehicle Cost	80	-	-	-	80
Office technology/website	5,159	-	-	-	5,159
Building maintenance	4,301	-	-	-	4,301
Treasurer's fees	8,639	-	-	4,476	13,115
Parks and property grounds maintenance	5,529	-	-	-	5,529
Parks maintenance and repairs	12,402	-	-	-	12,402
Parks and property landscaping	5,778	-	-	-	5,778
Bond payment	-	-	-	586,000	586,000
Capital outlay:					
Water Rights	-	-	12,031	-	12,031
Vehicles and equipment	60,189	-	-	-	60,189
Total expenditures	<u>549,462</u>	<u>-</u>	<u>12,331</u>	<u>591,477</u>	<u>1,153,270</u>
<b>Net Change in Fund Balance</b>	<u>103,311</u>	<u>14,413</u>	<u>(564)</u>	<u>(257,876)</u>	<u>(140,716)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	357,352	14,984	564	263,544	636,444
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 460,663</u>	<u>\$ 29,397</u>	<u>\$ -</u>	<u>\$ 5,668</u>	<u>\$ 495,728</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2021**

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>(140,716)</u>
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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.

Capital Outlay			72,220
Depreciation			<u>(47,952)</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal paid			118,000
Accrued interest			<u>(39,000)</u>

Change in net position (deficit) - Governmental activities		\$	<u>(37,448)</u>
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**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
Year Ended December 31, 2021**

	<u>Adopted Budget Original &amp; Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 575,682	\$ 575,634	\$ (48)
Specific ownership taxes	50,439	67,605	17,166
Net investment income	7,965	2,220	(5,745)
Miscellaneous	6,700	7,314	614
Total Revenue	<u>640,786</u>	<u>652,773</u>	<u>11,987</u>
<b>EXPENDITURES</b>			
Current:			
Audit	6,500	9,295	(2,795)
Director's fees	7,800	6,300	1,500
District manager	88,269	73,060	15,209
Employee wages	143,373	143,499	(126)
Contract staffing	6,029	9,565	(3,536)
Payroll taxes	17,397	17,342	55
457b plan contributions	9,266	9,150	116
Payroll processing	3,200	3,575	(375)
Health insurance	67,564	46,726	20,838
Employee reimbursement	-	4,016	(4,016)
District manager phone allowance	1,084	-	1,084
Employee training	1,200	209	991
Insurance	32,024	32,484	(460)
Legal	72,000	25,485	46,515
Election/Board Meetings	-	123	(123)
Miscellaneous	1,200	3,818	(2,618)
Bank Charges	-	222	(222)
Dues/subscriptions/conferences	3,600	2,318	1,282
Office utilities	8,123	14,900	(6,777)
Office equipment	9,480	5,468	4,012
Office supplies	12,143	3,048	9,095
Telephone	1,281	1,210	71
Accounting	14,400	30,067	(15,667)
Engineer	-	5,505	(5,505)
Vehicle Cost	-	80	(80)
Office technology/website	6,240	5,159	1,081
Administration building maintenance	2,011	4,301	(2,290)
Treasurer's fees	9,391	8,639	752
Parks and property grounds maintenance	36,000	5,529	30,471
Parks maintenance and repairs	18,000	12,402	5,598
Parks and property landscaping	2,400	5,778	(3,378)
Storm water facilities maintenance	6,000	-	6,000
Capital outlay:			
Vehicles and equipment	-	60,189	(60,189)
Contingency/emergency reserve	19,224	-	19,224
Total Expenditures	<u>605,199</u>	<u>549,462</u>	<u>55,737</u>
<b>Net Change in Fund Balance</b>	<u>35,587</u>	<u>103,311</u>	<u>67,724</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>342,631</u>	<u>357,352</u>	<u>14,721</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 378,218</u>	<u>\$ 460,663</u>	<u>\$ 82,445</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, 2021**

	<b>Adopted Budget Original &amp; Final</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>Revenues</b>			
Conservation Trust Fund	\$ 14,000	\$ 14,398	\$ 398
Net investment income	33	15	(18)
<b>Total Revenues</b>	<u>14,033</u>	<u>14,413</u>	<u>380</u>
<b>Expenditures</b>			
Capital outlay:			
Conservation Trust Expenditure	13,033	-	13,033
<b>Total Expenditures</b>	<u>13,033</u>	<u>-</u>	<u>13,033</u>
<b>Net Change in Fund Balance</b>	1,000	14,413	13,413
<b>Fund Balance - Beginning of Year</b>	<u>12,110</u>	<u>14,984</u>	<u>2,874</u>
<b>Fund Balance - End of Year</b>	<u>\$ 13,110</u>	<u>\$ 29,397</u>	<u>\$ 16,287</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
SUBDISTRICT A OPERATIONS SPECIAL REVENUE FUND  
Year Ended December 31, 2021**

	<u>Adopted Budget Original &amp; Final</u>	<u>Actual</u>	<u>Variance with Final Budget - Positive (Negative)</u>
<b>Revenues</b>			
Subdistrict costs reimbursements	\$ 12,000	\$ 11,767	\$ (233)
Total Revenue	<u>12,000</u>	<u>11,767</u>	<u>(233)</u>
<b>Expenditures</b>			
Legal	12,000	-	12,000
Engineering	-	12,031	(12,031)
Miscellaneous	-	300	(300)
Total Expenditures	<u>12,000</u>	<u>12,331</u>	<u>(331)</u>
<b>Net Change in Fund Balance</b>	-	(564)	(564)
<b>Fund Balance - Beginning of Year</b>	5,152	564	(4,588)
<b>Fund Balance - End of Year</b>	<u>\$ 5,152</u>	<u>\$ -</u>	<u>\$ (5,152)</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
WATER AND WASTEWATER FUND  
December 31, 2021**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents - unrestricted	3,436,279
Accounts receivable	99,092
Prepaid expenses	3,779
Inventory	14,044
Deposits	9,738
Total current assets	3,562,932

**CAPITAL ASSETS**

Capital assets not being depreciated/amortized:

Land	669,455
Water rights - inexhaustible	180,000
Construction in progress	2,955,817
	3,805,272

Capital assets being depreciated/amortized:

Plant	10,445,087
Building	1,428,833
Water and sewer lines	11,409,674
Vehicles	219,055
Office equipment	6,380
Other	45,596
Water rights	4,287,600
	27,842,225

Less accumulated depreciation and amortization	(7,046,186)
	20,796,039

Total capital assets, net	24,601,311
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**TOTAL ASSETS**

**28,164,243**

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts payable	522,042
Deposits:	
Well rehabilitation and pumphouse projects	19,786
Developer retaining deposit	1,356,688
Water accounts	43,125
Hydrant meters	4,500
Wages, payroll taxes and benefits payable	8,048
Interest payable on capital lease obligations	3,120
Current portion of capital lease obligations	286,398
Total current liabilities	2,243,707

**NONCURRENT LIABILITIES**

Noncurrent portion of capital lease obligations	846,307
Total noncurrent liabilities	846,307

**NET POSITION**

Net investment in capital assets	23,468,606
Unrestricted	1,605,623
Total net position	25,074,229

**TOTAL LIABILITIES AND NET POSITION**

**28,164,243**

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
WATER AND WASTEWATER FUND  
Year Ended December 31, 2021**

**OPERATING REVENUES**

Water base fees	\$ 447,899
Water service fees	803,414
Wastewater service fees	89,585
Other fees	60,889
Other revenues	106,775
Total operating revenue	1,508,562

**OPERATING EXPENSES**

Operations	867,327
Depreciation/amortization	645,394
Total operating expenses	1,512,720

**Net Loss From Operations** (4,158)

**NONOPERATING REVENUES (EXPENSES)**

Net investment income	9,558
Grant revenue	6,701
Interest on capital lease obligations	(44,252)
Tap fees remitted - Outside District entities	(32,000)
Total nonoperating revenues (expenses)	(59,993)

**CAPITAL CONTRIBUTIONS**

Tap fees	410,156
System development fees	31,487
Developer contributions-well rehabilitation	670,794
Total capital contributions	1,112,437

**Change in Net Position** 1,048,286

<b>Net Position - Beginning of Year- restated</b>	\$ 24,025,943
<b>Net Position - End of Year</b>	\$ 25,074,229

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
STATEMENT OF CASH FLOWS  
WATER AND WASTEWATER FUND  
Year Ended December 31, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 1,499,883
Payments to vendors	(651,111)
Payments to employees	(289,571)
Net cash provided by operating activities	559,201

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Capital asset purchases	(1,679,551)
Tap fees received	410,156
Tap fees remitted - Outside District entities	(32,000)
System development fees received	31,487
Developer contributions	670,794
Developer contributions- unearned	1,329,206
Principal paid on capital leases	(351,480)
Interest paid on capital leases	(44,252)
Net cash provided by capital funding activities	334,360

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Grants received	6,701
Net cash provided by investing activities	6,701

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	9,558
Net cash provided by investing activities	9,558

**NET INCREASE IN CASH AND CASH EQUIVALENTS**

909,820

**CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR**

2,526,459

**CASH AND CASH EQUIVALENTS - END OF YEAR**

\$ 3,436,279

**RECONCILIATION OF OPERATING LOSS TO CASH FLOWS**

**REQUIRED BY OPERATING ACTIVITIES**

Net loss from operations	\$ (4,158)
Adjustments to reconcile gain from operations to net cash provided by operating activities:	
Depreciation/amortization	645,394
Effects of changes in operating assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable	8,679
Prepaid expenses	14,935
Accounts payable	(106,262)
Wages and payroll taxes payable	386
Other deposits	228
Net cash provided by operating activities	\$ 559,201

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

For 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, 2021**

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

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

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

The District reports the following major proprietary fund:

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

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

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

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

### **Budgets**

In accordance with the Local Government Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. For the year ended December 31, 2021, the Subdistrict A Special Revenue Fund exceeded the budget by \$331. This may be a violation of State statute.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, 2021**

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 qualifies for reporting in this category.

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

**Long-term Obligations**

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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, 2021:

	<u>Deposits</u>	<u>ColoTrust</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,894,877	\$ -	\$ 3,894,877
Restricted cash and cash equivalents	32,104	197	32,301
Total	<u>\$ 3,926,981</u>	<u>\$ 197</u>	<u>\$ 3,927,178</u>
	<u>Governmental</u>	<u>Business-type</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 458,598	\$ 3,436,279	\$ 3,894,877
Restricted cash and cash equivalents	32,301	-	32,301
Total	<u>\$ 490,899</u>	<u>\$ 3,436,279</u>	<u>\$ 3,927,178</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, 2021, the District's cash deposits had a bank balance of \$3,928,334 and a carrying balance of \$3,926,981.

**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, 2021**

At December 31, 2021, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
COLOTRUST	Weighted average under 60 days	<u>\$ 197</u>

**COLOTRUST**

At December 31, 2021, 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, 2021, the District reports cash and investments in the amount of \$29,397 in the Conservation Trust Fund and \$2,904 Subdistrict A Debt Service Fund as restricted. The amounts are restricted for parks and recreation and debt service, respectively.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in the governmental activities capital assets for the year ended December 31, 2021 as follows:

	<u>Balance at December 31, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2021</u>
<b>Governmental activities</b>				
Capital assets, being depreciated:				
Parks and recreation - parks, facilities and improvements	\$ 447,516	-	-	\$ 447,516
Storm sewer facilities	784,773	-	-	784,773
Water rights	-	12,031	-	12,031
Vehicles and equipment	32,703	60,189	-	92,892
Total capital assets, being depreciated	<u>1,264,992</u>	<u>72,220</u>	<u>-</u>	<u>1,337,211</u>
Less accumulated depreciation for:				
Parks and recreation - parks, facilities and improvements	(204,660)	(24,159)	-	(228,819)
Storm sewer facilities	(35,314)	(15,696)	-	(51,010)
Water rights	-	-	-	-
Vehicles and equipment	(2,647)	(8,097)	-	(10,744)
Total accumulated depreciation	<u>(242,621)</u>	<u>(47,952)</u>	<u>-</u>	<u>(290,574)</u>
Total capital assets, being depreciated, net	<u>1,022,371</u>	<u>24,268</u>	<u>-</u>	<u>1,046,637</u>
Government capital assets, net	<u>\$ 1,022,371</u>	<u>\$ 24,268</u>	<u>-</u>	<u>\$ 1,046,637</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

An analysis of the changes in the business-type activities capital assets for the year ended December 31, 2021 are as follows:

	<u>Balance at December 31, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2021</u>
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 669,455	\$ -	\$ -	\$ 669,455
Water rights - inexhaustible	180,000	-	-	180,000
Construction in progress	893,886	2,121,907	(59,976)	2,955,817
Total capital assets, not being depreciated	<u>1,743,341</u>	<u>2,121,907</u>	<u>(59,976)</u>	<u>3,805,272</u>
Capital assets, being depreciated/ amortized:				
Plant	10,376,896	68,191	-	10,445,087
Buildings	1,428,833	-	-	1,428,833
Water and sewer lines	11,409,674	-	-	11,409,674
Vehicles	219,055	-	-	219,055
Office equipment	6,380	-	-	6,380
Other	9,012	36,584	-	45,596
Water rights	4,287,600	-	-	4,287,600
Total capital assets, being depreciated/amortized	<u>27,737,450</u>	<u>104,775</u>	<u>-</u>	<u>27,842,225</u>
Less accumulated depreciation/ amortization for:				
Plant	(4,321,413)	(304,532)	-	(4,625,945)
Buildings	(124,814)	(35,720)	-	(160,534)
Water and sewer lines	(108,435)	(228,193)	-	(336,628)
Vehicles	(96,728)	(37,896)	-	(134,624)
Office equipment	(6,380)	-	-	(6,380)
Other	(9,013)	(2,307)	-	(11,320)
Water rights - exhaustible	(1,734,010)	(36,745)	-	(1,770,755)
Total accumulated depreciation	<u>(6,400,793)</u>	<u>(645,394)</u>	<u>-</u>	<u>(7,046,186)</u>
Total capital assets, being depreciated, net	<u>21,336,657</u>	<u>(540,619)</u>	<u>-</u>	<u>20,796,039</u>
Business-type capital assets, net	<u>\$ 23,079,998</u>	<u>\$ 1,581,288</u>	<u>\$ (59,976)</u>	<u>\$ 24,601,311</u>

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

**Governmental activities**

Parks and recreation	\$ 24,159
Stormwater	15,696
Vehicles and equipment	8,097
	<u>\$ 47,952</u>

**Business-type activities**

Water and sewer operations	<u>\$ 645,394</u>
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**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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, 2021:

	<u>Balance at December 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2021</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Bonds payable	\$ 9,000,000	\$ -	\$ (118,000)	\$ 8,882,000	\$ 7,000
	<u>\$ 9,000,000</u>	<u>\$ -</u>	<u>\$ (118,000)</u>	<u>\$ 8,882,000</u>	<u>\$ 7,000</u>
	<u>Balance at December 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2021</u>	<u>Due Within One Year</u>
<b>Business-type activities</b>					
Capital Lease Obligations:					
Refinance lease	\$ 1,015,379	\$ -	\$ (248,595)	\$ 766,784	\$ 232,200
Building construction:					
Lease purchase #1	417,014	-	(81,987)	335,027	32,586
SCADA system lease purchase	51,792	-	(20,898)	30,894	21,612
	<u>\$ 1,484,186</u>	<u>\$ -</u>	<u>\$ (351,480)</u>	<u>\$ 1,132,705</u>	<u>\$ 286,398</u>

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

- (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 in the bond agreement or failure by the Subdistrict to perform any material duty imposed on it per the bond agreement 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, such amounts shall continue to bear interest at the Interest Rate compounding annually, to be paid only from the Pledged Revenue.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

(b) The failure of the Owner to proceed in accordance with the bond agreement shall not relieve the Subdistrict of any liability for failure to perform or carry out its duties under the Bond Resolution.

**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 required mill levy and a portion of the Specific Ownership Tax.

Annual debt service requirements to maturity for the 2021 general obligation bonds are as follows:

<b>Year Ended December 31,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
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	406,000	421,096	827,096
2027 - 2031	2,466,000	1,760,200	4,226,200
2032 - 2036	3,397,000	1,027,260	4,424,260
2037 - 2040	1,829,000	156,208	1,985,208
Total	<u>\$ 9,000,000</u>	<u>\$ 5,199,688</u>	<u>\$14,199,688</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, 2021, the Security Facilities had an original cost of \$10,093,167 and accumulated depreciation of \$4,625,945. 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  
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**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, 2021, the Project had an original cost of \$1,428,833 and accumulated depreciation of \$160,534. 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%.

**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, 2021 the vmSCADA system had accumulated depreciation of \$72,012. 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%.

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

- (a) If any representation or warranty made by the Lessee 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, 2021, were as follows:

<u>Year Ending</u>	<u>Business-Type Activities</u>
2022	\$ 286,398
2023	282,457
2024	281,834
2025	85,514
2026	38,234
2027-2031	158,269
Total lease payments	<u>\$ 1,132,706</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 6 - FUND EQUITY**

At December 31, 2021, the District reported the following classifications of fund equity.

**Nonspendable Fund Balance**

The nonspendable fund balance in the General Fund in the amount of \$15,710 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 \$20,370 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 11).

The restricted fund balance in the Conservation Trust Fund in the amount of \$29,397 represents unspent Conservation Trust Fund receipts which are restricted for parks and recreation purposes.

**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, 2021, the District had invested in capital assets of \$1,046,637 for the governmental activities and \$23,468,606 for the business-type activities for a combined net investment in capital assets of \$15,633,243.

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	\$	20,370
Parks and recreation		<u>29,397</u>
	\$	<u>49,767</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**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.

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 2021, 16 single family equivalent tap connections were sold leaving a total of 1 unsold single family equivalent tap connections.

**NOTE 10: RESTATEMENT OF BEGINNING BALANCE– ENTERPRISE FUND**

The District has restated Net Position at December 31, 2020 to correctly reflect the accounts receivable- developer reimbursements amounts. The Restatement is noted below:

Net Position at 12/31/20, as originally stated	<u>\$ 24,110,793</u>
Restatement:	
Accounts receivable- developer reimbursements -	
Reduction of accounts receivable	<u>(84,850)</u>
Net Position at 12.31.20 - as restated	<u>\$ 24,025,943</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS**

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

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

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

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

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

## **SUPPLEMENTAL INFORMATION**

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
SUBDISTRICT A DEBT SERVICE FUND  
Year Ended December 31, 2021**

	<b>Adopted Budget Original &amp; Final</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 298,160	\$ 298,160	\$ -
Specific ownership taxes	16,881	35,014	18,133
Net investment income	2,031	427	(1,604)
Total Revenue	<u>317,072</u>	<u>333,601</u>	<u>16,529</u>
<b>EXPENDITURES</b>			
Treasurer's fees	4,476	4,476	-
Bond payment	654,989	586,000	68,989
Contract Staffing/Bond issuance costs	-	1,001	(1,001)
Total Expenditures	<u>659,465</u>	<u>591,477</u>	<u>67,988</u>
<b>EXCESS REVENUE OVER (UNDER) EXPENDITURES</b>	<u>(342,393)</u>	<u>(257,876)</u>	<u>84,517</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(342,393)</u>	<u>(257,876)</u>	<u>84,517</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>342,393</u>	<u>263,544</u>	<u>(78,849)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 5,668</u>	<u>\$ 5,668</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**WATER AND WASTEWATER FUND**  
**Year Ended December 31, 2021**

	<b>Adopted Budget Original &amp; Final</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Water - base fees	437,190	447,899	10,709
Water - church	81	79	(2)
Water - residential	1,133,013	748,247	(384,766)
Water - school	73,066	55,088	(17,978)
Wastewater - church	256	288	32
Wastewater - residential	87,438	86,993	(445)
Wastewater - school	2,048	2,304	256
Underdrain	612	517	(95)
Street lighting	14,419	13,418	(1,001)
Penalties	11,042	17,370	6,328
Meters	49,500	8,000	(41,500)
Inspection Fees	-	3,694	3,694
Tap Fees	2,440,531	410,156	(2,030,375)
System development fees	183,368	31,487	(151,881)
Transfer Fees	3,833	14,500	10,667
Grants	6,000	6,701	701
Interest	507	9,558	9,051
Tank rental-antennas	8,844	-	(8,844)
Other service fees	1,200	3,390	2,190
Misc. income	-	106,775	106,775
Transfer from Conservation Trust Fund	13,033	-	(13,033)
Developer contributions-capital	2,000,000	670,794	(1,329,206)
Total Revenues	6,465,981	2,637,258	(3,828,723)
<b>EXPENDITURES</b>			
Operating:			
Employee wages	201,613	211,595	(9,982)
Payroll taxes	15,215	17,226	(2,011)
457b plan contributions	7,783	7,174	609
Health insurance	57,963	53,576	4,387
Employee reimbursement	6,340	3,815	2,525
Employee training	1,200	-	1,200
Insurance	17,791	19,276	(1,485)
Legal	4,800	16,825	(12,025)
Miscellaneous	-	2,422	(2,422)
Dues and subscriptions	955	1,440	(485)
Telephone	1,460	1,736	(276)
Computers & computer accessories	-	3,995	(3,995)
Office technology and website	4,056	6,545	(2,489)
Entertainment/ Monthly BBQ's	2,400	1,902	498
Engineer	14,400	56	14,344
Engineer - developer- reimbursable	2,000,000	6,402	1,993,598
Analytical testing	7,440	12,515	(5,075)
Chemical/equipment	15,540	16,898	(1,358)
Miscellaneous supplies and tools	2,214	8,075	(5,861)
Safety equipment	6,000	2,550	3,450
OPS certification and training	359	135	224
Billing expense	16,167	17,845	(1,678)
Refunds	-	7,553	(7,553)
Meters-residential repairs and replacement	900	14,938	(14,038)
Bulk water purchases	28,723	38,382	(9,659)

(Continued)

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
WATER AND WASTEWATER FUND  
Year Ended December 31, 2021**

Tap fees remitted-Outside District entities	198,000	32,000	166,000
SCADA system maintenance	33,300	28,014	5,286
Collection system repairs and maintenance	-	15,667	(15,667)
Storage and port-o-let fees (pumphouse)	1,957	522	1,435
Pumphouse maintenance	12,240	32,299	(20,059)
Well repairs and maintenance	150,000	37,044	112,956
Locates	3,000	1,719	1,281
Storage tank repairs and maintenance	30,000	-	30,000
Lift station repairs and maintenance	7,635	6,484	1,151
Roadway and waterline repairs	30,000	23	29,977
Street light utilities	4,800	13,648	(8,848)
Utilities	91,340	1,651	89,689
Utilities- pumphouse	124,341	232,367	(108,026)
Security	-	12,803	(12,803)
Vehicle maintenance and repair	12,261	12,210	51
Wastewater-collection expense	85,200	-	85,200
Capital outlay	2,472,421	2,166,706	305,715
Vehicle replacements	10,008	-	10,008
Debt service:			
Principal	580,405	351,480	228,925
Interest	52,641	44,252	8,389
Contingency	133,979	-	133,979
Total Expenditures	<u>6,446,847</u>	<u>3,461,765</u>	<u>2,985,082</u>
<b>NET CHANGE IN FUNDS AVAILABLE</b>	19,134	(824,507)	(843,641)
<b>FUND AVAILABLE - BEGINNING OF YEAR</b>	1,896,254	2,331,781	435,527
<b>FUND AVAILABLE - END OF YEAR</b>	<u>\$ 1,915,388</u>	<u>\$ 1,507,274</u>	<u>\$ (408,114)</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF  
REVENUES, EXPENSES AND CHANGE IN NET POSITION - WATER AND WASTEWATER FUND  
Year Ended December 31, 2021**

Excess of revenue over expenses	<u>\$ (824,507)</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	(645,394)
Expenditures included under budgetary basis, but not included in statement of revenues, expenses and changes in net position	
Capital outlay	2,166,706
Debt paid	<u>351,480</u>
Change in net position per statement of revenues, expenses and changes in net position	<u>\$ 1,048,285</u>

## **OTHER INFORMATION**

Paint Brush Hills Metropolitan District Summary of Assessed Valuation, Mill Levy and Property Taxes Collected  
December 31, 2021

**Paint Brush Hills Metropolitan District**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Property Taxes		Percentage Collected to Levied
		Operations	Levied	Collected	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	18.537 (D)	\$ 471,538	\$ 471,548		100.00%	
2021	\$ 28,841,770	22.107	\$ 575,682	\$ 575,634		100.00%	
Estimated for year ending December 31, 2022			\$ 703,472				

**Paint Brush Hills Metropolitan District Subdistrict A**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied			Property Taxes		Percentage Collected to Levied
		Operations	Levied	Collected	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	\$ 157,814		100.00%	
2021	\$ 7,453,990	40	\$ 298,160	\$ 298,160		100.00%	
Estimated for year ending December 31, 2022			\$ 450,878				

(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.