

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

**FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Paint Brush Hills Metropolitan District  
Peyton, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Paint Brush Hills Metropolitan District (District), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's responsibility for the financial statements**

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

**Auditor's responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the District, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Conservation Trust Fund, and

## INDEPENDENT AUDITORS' REPORT - CONTINUED

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Subdistrict A Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other matters**

#### *Supplemental Information*

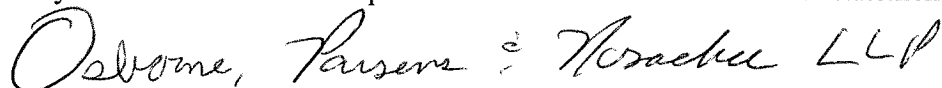
Accounting principles generally accepted in the United States of America require that the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Subdistrict A Debt Service Fund, the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary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

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

#### *Other Information*

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

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



Colorado Springs, Colorado  
June 14, 2018

## **BASIC FINANCIAL STATEMENTS**

**PAINT BRUSH HILLS METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
December 31, 2017

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and cash equivalents-unrestricted	\$ 172,722	\$ 452,351	\$ 625,073
Cash and cash equivalents-restricted	12,958	-	12,958
Accounts receivable	668	62,970	63,638
Accounts receivable - Developer reimbursements	-	9,673	9,673
Due from County Treasurer	3,545	-	3,545
Prepaid expenses	9,039	31,015	40,054
Lease proceeds receivable	-	18,026	18,026
Property taxes receivable	416,659	-	416,659
Capital assets not being depreciated/amortized	-	929,944	929,944
Capital assets being depreciated/amortized, net of accumulated depreciation/amortization	241,882	9,994,362	10,236,244
Total assets	<u>857,473</u>	<u>11,498,341</u>	<u>12,355,814</u>
<b>LIABILITIES</b>			
Accounts payable	10,665	34,355	45,020
Well rehabilitation deposit	-	129,025	129,025
Wages and payroll taxes payable	2,529	3,479	6,008
Paid time off payable	5,933	11,895	17,828
Developer deposit	3,576	-	3,576
Interest payable	-	7,075	7,075
Long-term obligations:			-
Due within one year	-	233,483	233,483
Due in more than one year	-	2,235,550	2,235,550
Total liabilities	<u>22,703</u>	<u>2,654,862</u>	<u>2,677,565</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	416,659	-	416,659
Total deferred inflows of resources	<u>416,659</u>	<u>-</u>	<u>416,659</u>
<b>NET POSITION</b>			
Net investment in capital assets	241,882	8,473,299	8,715,181
Restricted for:			-
Emergencies	12,171	-	12,171
Parks and recreation	2,459	-	2,459
Debt service	10,012	-	10,012
Unrestricted	151,587	370,180	521,767
Total net position	<u>\$ 418,111</u>	<u>\$ 8,843,479</u>	<u>\$ 9,261,590</u>

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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT**  
**STATEMENT OF ACTIVITIES**  
Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 318,965	\$ -	\$ 41,033	\$ -	\$ (277,932)	\$ -	\$ (277,932)
Parks and recreation	42,118	-	-	10,931	(31,187)	-	(31,187)
Stormwater	2,040	-	-	-	(2,040)	-	(2,040)
	<u>363,123</u>	<u>-</u>	<u>41,033</u>	<u>10,931</u>	<u>(311,159)</u>	<u>-</u>	<u>(311,159)</u>
Business-type activities:							
Water and sewer operations	1,428,290	1,019,886	41,150	391,992	-	24,738	24,738
	<u>1,428,290</u>	<u>1,019,886</u>	<u>41,150</u>	<u>391,992</u>	<u>-</u>	<u>24,738</u>	<u>24,738</u>
Total	<u>\$ 1,791,413</u>	<u>\$ 1,019,886</u>	<u>\$ 82,183</u>	<u>\$ 402,923</u>	<u>(311,159)</u>	<u>24,738</u>	<u>(286,421)</u>
General revenues:							
Taxes:							
Property taxes					328,313	-	328,313
Specific ownership taxes					44,482	-	44,482
Net investment earnings					1,237	2,384	3,621
Miscellaneous					8,168	-	8,168
Transfers					5,807	(5,807)	-
Total general revenues					<u>388,007</u>	<u>(3,423)</u>	<u>384,584</u>
Change in net position					76,848	21,315	98,163
Net position - Beginning of year					341,263	8,822,164	9,163,427
Net position - End of year					<u>\$ 418,111</u>	<u>\$ 8,843,479</u>	<u>\$ 9,261,590</u>

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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017**

	General Fund	Conservation Trust Fund	Subdistrict A Operations Special Revenue Fund	Subdistrict A Debt Service Fund	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents-unrestricted	\$ 168,801	\$ -	\$ 3,921	\$ -	\$ 172,722
Cash and cash equivalents-restricted	-	3,145	-	9,813	12,958
Accounts receivable	-	-	668	-	668
Due from County Treasurer	3,346	-	-	199	3,545
Prepaid expenditures	9,039	-	-	-	9,039
Property tax receivable	378,530	-	-	38,129	416,659
<b>TOTAL ASSETS</b>	<b>\$ 559,716</b>	<b>\$ 3,145</b>	<b>\$ 4,589</b>	<b>\$ 48,141</b>	<b>\$ 615,591</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 9,634	\$ 686	\$ 345	\$ -	\$ 10,665
Wages and payroll taxes payable	2,529	-	-	-	2,529
Paid time off payable	5,933	-	-	-	5,933
Developer deposit	-	-	3,576	-	3,576
Total Liabilities	18,096	686	3,921	-	22,703
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred property tax revenues	378,530	-	-	38,129	416,659
Deferred developer reimbursements	-	-	668	-	668
Total Deferred Inflows of Resources	378,530	-	668	38,129	417,327
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid expenditures	9,039	-	-	-	9,039
Spendable:					
Restricted for:					
Emergencies	12,171	-	-	-	12,171
Parks and recreation	-	2,459	-	-	2,459
Debt service	-	-	-	10,012	10,012
Assigned:					
Subsequent year's expenditures	13,801	-	-	-	13,801
Unassigned	128,079	-	-	-	128,079
Total Fund Balances	163,090	2,459	-	10,012	175,561
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 559,716</b>	<b>\$ 3,145</b>	<b>\$ 4,589</b>	<b>\$ 48,141</b>	

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

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

Capital assets, net of accumulated depreciation

241,882

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

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

Deferred developer reimbursements

668

Net position of governmental activities

\$ 418,111

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



**PAINT BRUSH HILLS METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES (DEFICITS) - GOVERNMENTAL FUNDS**  
**Year Ended December 31, 2017**

	General Fund	Conservation Trust Fund	Subdistrict A Operations Special Revenue Fund	Subdistrict A Debt Service Fund	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$ 319,384	\$ -	\$ -	\$ 8,929	\$ 328,313
Specific ownership taxes	43,272	-	-	1,210	44,482
Conservation Trust Fund	-	10,931	-	-	10,931
Net investment income	950	280	-	7	1,237
Subdistrict costs reimbursements	-	-	6,424	-	6,424
Miscellaneous	8,168	-	-	-	8,168
Total revenues	<u>371,774</u>	<u>11,211</u>	<u>6,424</u>	<u>10,146</u>	<u>399,555</u>
<b>EXPENDITURES</b>					
Current:					
Audit	5,400	-	-	-	5,400
Director's fees	5,600	-	-	-	5,600
District manager	69,752	-	-	-	69,752
Employee wages	17,692	-	-	-	17,692
Contract staffing	13,741	-	-	-	13,741
Payroll taxes	7,294	-	-	-	7,294
457b plan contributions	2,583	-	-	-	2,583
Payroll processing	2,556	-	-	-	2,556
Health insurance	14,397	-	-	-	14,397
District manager phone allowance	753	-	-	-	753
Election/Board meetings	298	-	-	-	298
Insurance	8,178	-	-	-	8,178
Legal	35,493	-	7,092	-	42,585
Miscellaneous	13,088	-	-	-	13,088
Bank charges	600	25	-	-	625
Dues/subscriptions/conferences	3,342	-	-	-	3,342
Office rent and expense	9,836	-	-	-	9,836
Office utilities	5,232	-	-	-	5,232
Office equipment	24,389	-	-	-	24,389
Office supplies	10,179	-	-	-	10,179
Postage	685	-	-	-	685
Telephone	2,362	-	-	-	2,362
Accounting	17,653	-	-	-	17,653
Office technology/website	16,553	-	-	-	16,553
Building maintenance	2,501	-	-	-	2,501
Treasurer's fees	4,792	-	-	134	4,926
Parks and property grounds maintenance	31,815	-	-	-	31,815
Parks maintenance and repairs	4,912	-	-	-	4,912
Parks and property landscaping	5,391	-	-	-	5,391
Park and recreation facility improvements	15,619	52,601	-	-	68,220
Storm water facilities maintenance	2,040	-	-	-	2,040
Other	358	-	-	-	358
Total expenditures	<u>355,084</u>	<u>52,626</u>	<u>7,092</u>	<u>134</u>	<u>414,936</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>16,690</u>	<u>(41,415)</u>	<u>(668)</u>	<u>10,012</u>	<u>(15,381)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Insurance recovery	33,941	-	-	-	33,941
Transfer in	-	-	5,807	-	5,807
Total other financing sources (uses)	<u>33,941</u>	<u>-</u>	<u>5,807</u>	<u>-</u>	<u>39,748</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>50,631</u>	<u>(41,415)</u>	<u>5,139</u>	<u>10,012</u>	<u>24,367</u>
<b>FUND BALANCES (DEFICITS) - BEGINNING OF YEAR</b>	<u>112,459</u>	<u>43,874</u>	<u>(5,139)</u>	<u>-</u>	<u>151,194</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 163,090</u>	<u>\$ 2,459</u>	<u>\$ -</u>	<u>\$ 10,012</u>	<u>\$ 175,561</u>

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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017**

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>\$ 24,367</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		68,220
Depreciation		<u>(16,407)</u>
		<u>51,813</u>
<p>Governmental funds report revenues that are measurable but not available within 60 days of yearend as deferred revenue. However, in the statement of activities these amounts are recognized as revenue.</p>		
Deferred developer reimbursements		<u>668</u>
		<u>668</u>
Change in net position - Governmental activities		<u><u>\$ 76,848</u></u>

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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2017**

	Original Adopted Budget	Final Adopted Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 319,389	\$ 319,389	\$ 319,384	\$ (5)
Specific ownership taxes	35,136	43,178	43,272	94
Net investment income	350	750	950	200
Insurance recovery	-	33,941	33,941	-
Miscellaneous	249	104	8,168	8,064
Total Revenues	355,124	397,362	405,715	8,353
<b>EXPENDITURES</b>				
Current:				
Audit	5,600	5,400	5,400	-
Director's fees	8,000	5,500	5,600	(100)
District manager	75,000	63,769	69,752	(5,983)
Employee wages	15,000	11,524	17,692	(6,168)
Contract staffing	-	13,741	13,741	-
Payroll taxes	11,000	6,300	7,294	(994)
457b plan contributions	2,800	2,284	2,583	(299)
Payroll processing	3,100	2,558	2,556	2
Health insurance	13,000	12,725	14,397	(1,672)
District manager phone allowance	780	716	753	(37)
Employee training	6,000	-	-	-
Election/Board meetings	1,500	298	298	-
Insurance	31,000	8,178	8,178	-
Legal	57,000	37,091	35,493	1,598
Miscellaneous	1,500	12,841	13,088	(247)
Bank charges	700	588	600	(12)
Dues/subscriptions/conferences	2,500	4,010	3,342	668
Office rent and expense	11,600	9,836	9,836	-
Office utilities	5,600	4,862	5,232	(370)
Office equipment	8,500	28,133	24,389	3,744
Office supplies	7,500	10,256	10,179	77
Postage	750	646	685	(39)
Telephone	3,000	2,238	2,362	(124)
Accounting	15,000	15,023	17,653	(2,630)
Office technology/website	10,000	18,826	16,553	2,273
Building maintenance	-	1,625	2,501	(876)
Treasurer's fees	4,791	4,792	4,792	-
Parks and property grounds maintenance	27,000	29,851	31,815	(1,964)
Parks maintenance and repairs	2,000	5,213	4,912	301
Parks and property landscaping	7,000	5,265	5,391	(126)
Park and recreation facility improvements	-	15,619	15,619	-
Storm water facilities maintenance	-	2,040	2,040	-
Other	-	430	358	72
Contingency/emergency reserve	-	17,822	-	17,822
Total Expenditures	337,221	360,000	355,084	4,916
<b>NET CHANGE IN FUND BALANCE</b>	17,903	37,362	50,631	13,269
<b>FUND BALANCE - BEGINNING OR YEAR</b>	115,494	113,749	112,459	(1,290)
<b>FUND BALANCE - END OF YEAR</b>	\$ 133,397	\$ 151,111	\$ 163,090	\$ 11,979

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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL  
CONSERVATION TRUST FUND  
Year Ended December 31, 2017**

	<b>Original and Final Adopted Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Conservation Trust Fund	\$ 13,000	\$ 10,931	\$ (2,069)
Net investment income	-	280	280
Total Revenues	<u>13,000</u>	<u>11,211</u>	<u>(1,789)</u>
<b>EXPENDITURES</b>			
Bank charges	-	25	(25)
Parks and recreation	58,181	52,601	5,580
Total Expenditures	<u>58,181</u>	<u>52,626</u>	<u>5,555</u>
<b>NET CHANGE IN FUND BALANCE</b>	(45,181)	(41,415)	3,766
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>45,181</u>	<u>43,874</u>	<u>(1,307)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 2,459</u>	<u>\$ 2,459</u>

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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL  
SUBDISTRICT A OPERATIONS SPECIAL REVENUE FUND  
Year Ended December 31, 2017**

	<b>Original and Final Adopted Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Subdistrict costs reimbursements	\$ 25,000	\$ 6,424	\$ (18,576)
Bond issuance proceeds	2,500,000	-	(2,500,000)
Transfer in	-	5,807	5,807
Total Revenues	<u>2,525,000</u>	<u>12,231</u>	<u>(2,512,769)</u>
<b>EXPENDITURES</b>			
Infrastructure improvements	2,500,000	-	2,500,000
Accounting	2,500	-	2,500
Legal	21,500	7,092	14,408
Miscellaneous	1,000	-	1,000
Total Expenditures	<u>2,525,000</u>	<u>7,092</u>	<u>2,517,908</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	5,139	5,139
<b>FUND BALANCE (DEFICIT) - BEGINNING OF YEAR</b>	<u>-</u>	<u>(5,139)</u>	<u>(5,139)</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**December 31, 2017**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	452,351
Lease proceeds receivable		18,026
Accounts receivable (net of allowance of \$2,215)		62,970
Accounts receivable - Developer reimbursements		9,673
Prepaid expenses		31,015
Total current assets		574,035

**CAPITAL ASSETS**

Capital assets not being depreciated/amortized:

Land		669,455
Water rights - inexhaustible		180,000
Construction in progress		80,489
		929,944

Capital assets being depreciated/amortized:

Plant		9,423,712
Building		1,348,344
Vehicles		104,094
Office equipment and other		6,380
Other		9,012
Water rights		4,287,600
		15,179,142

Less accumulated depreciation and amortization

(5,184,780)

9,994,362

Total capital assets, net

10,924,306

**TOTAL ASSETS** \$ 11,498,341

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts payable	\$	34,355
Well rehabilitation deposit		129,025
Wages and payroll taxes payable		3,479
Paid time off payable		11,895
Interest payable on capital lease obligations		7,075
Current portion of capital lease obligations		233,483
Total current liabilities		419,312

**NONCURRENT LIABILITIES**

Noncurrent portion of capital lease obligations		2,235,550
Total noncurrent liabilities		2,235,550

**NET POSITION**

Net investment in capital assets		8,473,299
Unrestricted		370,180
Total net position		8,843,479

**TOTAL LIABILITIES AND NET POSITION** \$ 11,498,341

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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
Year Ended December 31, 2017**

<b>OPERATING REVENUE</b>	
Water base fees	\$ 296,781
Water service fees	584,754
Wastewater service fees	61,255
Other fees	77,096
Total operating revenue	1,019,886
 <b>OPERATING EXPENSES</b>	
Operations	756,504
Depreciation/amortization	323,895
Total operating expenses	1,080,399
 <b>NET GAIN FROM OPERATIONS</b>	 (60,513)
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Net investment income	2,384
Insurance reimbursement	41,150
Interest on capital lease obligations	(86,591)
Lease purchase issuance costs	(21,244)
Tap fees remitted - Outside District entities	(240,056)
Total nonoperating revenues (expenses)	(304,357)
 <b>CAPITAL CONTRIBUTIONS</b>	
Tap fees - District	151,936
Tap fees - Outside District entities	240,056
Total capital contributions	391,992
 <b>TRANSFERS</b>	
Transfers out	(5,807)
 <b>CHANGE IN NET POSITION</b>	 21,315
 <b>NET POSITION - BEGINNING OF YEAR</b>	 8,822,164
<b>NET POSITION - END OF YEAR</b>	<b>\$ 8,843,479</b>

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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**Year Ended December 31, 2017**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 1,007,576
Payments to vendors	(518,100)
Payments to employees	(230,032)
Transfers out	(5,807)
Net cash provided by operating activities	253,637

**CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES**

Capital asset purchases	(1,106,768)
Tap fees received	391,992
Tap fees remitted - Outside District entities	(240,056)
Well rehabilitation deposit received	129,025
Insurance reimbursement received	41,150
Capital lease proceeds received	697,166
Capital lease issuance costs	(21,244)
Principal paid on capital leases	(226,406)
Interest paid on capital leases	(87,006)
Net cash required by capital financing activities	(422,147)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	2,384
Net cash provided by investing activities	2,384

**NET DECREASE IN CASH AND CASH EQUIVALENTS**

(166,126)

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

618,477

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

\$ 452,351

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

Net loss from operations	\$ (60,513)
Adjustments to reconcile gain from operations to net cash provided by operating activities:	
Depreciation/amortization	323,895
Effects of changes in operating assets, deferred outflows, liabilities and deferred inflows	
Accounts receivable	(2,637)
Accounts receivable - Developer reimbursements	(9,673)
Prepaid expenses	(31,015)
Accounts payable	34,355
Wages and payroll taxes payable	75
Paid time off payable	4,957
Transfers out	(5,807)
Net cash provided by operating activities	\$ 253,637

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



**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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 the most part, the effect of interfund activity has been removed from these statements.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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.

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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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 enterprise 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 State Budget Law, 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, 2017, supplementary appropriations approved by the District modified the appropriations from \$337,221 to \$360,000 in the General Fund, from \$1,106,123 to \$1,110,256 in the Capital Projects Fund and from \$1,173,620 to \$1,800,000 in the Water and Wastewater Fund.

For District management purposes, the District adopts budgets for a General Fund, Conservation Trust Fund, Subdistrict A Fund, Capital Project Fund and Enterprise Fund. Since the activities of the Capital Project Fund are for the financing and construction of facilities to be used primarily by the water and wastewater operations of the District, the Capital Project Fund and Enterprise Fund activity has been combined for reporting in the government-wide financial statements and proprietary fund statements. However, as separate budgets have been adopted

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

for the Capital Project Fund and Enterprise Fund, separate budget to actual comparison schedules have been included in the supplemental information.

**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.

**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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

life exceeding one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Parks and recreation – parts, facilities and improvements	20 years
Plant	40 years
Buildings	40 years
Vehicles	4-10 years
Office equipment	5 years
Other equipment	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.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**Long-term Obligations**

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

**Fund Balances – Governmental Funds**

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

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

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

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

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

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

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

**NOTE 3 - CASH AND INVESTMENTS**

**Cash Deposits**

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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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, 2017, the District's cash deposits had a bank balance of \$720,959 and a carrying balance of \$616,160.

**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.

At December 31, 2017, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
COLOTRUST	Weighted average under 60 days	<u>\$ 21,871</u>

**COLOTRUST**

At December 31, 2017, the District has invested \$21,871 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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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.

**Investment Valuation**

Certain investments are required to be measured at fair value on a recurring basis and categorized within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments are not categorized within the fair value hierarchy. Instead the District's investments are measured at amortized cost or in certain circumstances the value is calculated using the net asset value (NAV) per share, or its equivalent of the investment. These investments include 2a7-like external investment pools and money market investments. The District held investments in COLOTRUST at yearend for which the investment valuations were determined as follows.

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. It is the goal of the Trust to maintain a NAV 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 NAV will not vary from \$1.00 per share.

**Restricted Cash and Investments**

At December 31, 2017, the District reports cash and investments in the amount of \$3,145 in the Conservation Trust Fund and \$9,813 Subdistrict A Debt Service Fund as restricted. The amounts are restricted for parks and recreation and debt service on the, respectively.

**Cash and 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 as of December 31, 2017.



**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in the governmental activities capital assets for the year ended December 31, 2017 follows:

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2017</u>
<b>Governmental activities</b>				
Capital assets, being depreciated:				
Parks and recreation - parks, facilities and improvements	\$ 311,078	\$ 68,220	\$ -	\$ 379,298
Total capital assets, being depreciated	<u>311,078</u>	<u>68,220</u>	<u>-</u>	<u>379,298</u>
Less accumulated depreciation for:				
Parks and recreation - parks, facilities and improvements	(121,009)	(16,407)	-	(137,416)
Total accumulated depreciation	<u>(121,009)</u>	<u>(16,407)</u>	<u>-</u>	<u>(137,416)</u>
Total capital assets, being depreciated, net	<u>190,069</u>	<u>51,813</u>	<u>-</u>	<u>241,882</u>
Government capital assets, net	<u>\$ 190,069</u>	<u>\$ 51,813</u>	<u>\$ -</u>	<u>\$ 241,882</u>

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**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

An analysis of the changes in the business-type activities capital assets for the year ended December 31, 2017 follows:

	<b>Balance at December 31, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2017</b>
<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	339,821	1,089,012	(1,348,344)	80,489
Total capital assets, not being depreciated	<u>1,189,276</u>	<u>1,089,012</u>	<u>(1,348,344)</u>	<u>929,944</u>
Capital assets, being depreciated/ amortized:				
Plant	9,423,712	-	-	9,423,712
Buildings	-	1,348,344	-	1,348,344
Vehicles	104,094	-	-	104,094
Office equipment	6,380	-	-	6,380
Other	9,012	-	-	9,012
Water rights	4,287,600	-	-	4,287,600
Total capital assets, being depreciated/amortized	<u>13,830,798</u>	<u>1,348,344</u>	<u>-</u>	<u>15,179,142</u>
Less accumulated depreciation/ amortization for:				
Plant	(3,207,055)	(251,464)	-	(3,458,519)
Buildings	-	(19,663)	-	(19,663)
Vehicles	(51,409)	(16,022)	-	(67,431)
Office equipment	(6,380)	-	-	(6,380)
Other	(9,012)	-	-	(9,012)
Water rights	(1,587,029)	(36,746)	-	(1,623,775)
Total accumulated depreciation	<u>(4,860,885)</u>	<u>(323,895)</u>	<u>-</u>	<u>(5,184,780)</u>
Total capital assets, being depreciated, net	<u>8,969,913</u>	<u>1,024,449</u>	<u>-</u>	<u>9,994,362</u>
Business-type capital assets, net	<u>\$ 10,159,189</u>	<u>\$ 2,113,461</u>	<u>\$ (1,348,344)</u>	<u>\$ 10,924,306</u>

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

**Governmental activities**

Parks and recreation \$ 16,407

**Business-type activities**

Water and sewer operations \$ 323,895

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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, 2017.

	<u>Balance at December 31, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2017</u>	<u>Due Within One Year</u>
<b>Business-type activities</b>					
Capital Lease Obligations:					
Refinance lease	\$ 1,857,969	\$ -	\$ (198,268)	\$ 1,659,701	\$ 204,383
Building construction:					
Lease purchase #1	619,196	-	(20,664)	598,532	21,518
Lease purchase #2	218,274	-	(7,474)	210,800	7,582
	<u>\$ 2,695,439</u>	<u>\$ -</u>	<u>\$ (226,406)</u>	<u>\$ 2,469,033</u>	<u>\$ 233,483</u>

**Farmers State Bank Lease – 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, 2017, the Security Facilities had an original cost of \$10,093,167 and accumulated depreciation of \$3,458,519. The Refinancing Lease requires monthly payments of \$21,002 beginning on May 1, 2015 through maturity on April 1, 2025, including interest at a rate of 3.00%. During 2017, the District paid interest of \$53,760 and recognized interest expense of \$53,248.

**Farmers State Bank – Building Construction Lease Purchase #1**

On September 1, 2016, the District 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, 2017, the Project had an original cost of \$1,348,344 and accumulated depreciation of \$19,663. The Lease Purchase #1 requires monthly payments of \$3,783 beginning on October 1, 2016 through maturity on September 1, 2036, including interest at a rate of 4.00%. During 2017, the District paid interest of \$24,729 and recognized interest expense of \$24,658.

**Farmers State Bank – Building Construction Lease Purchase #2**

On December 9, 2016, the District 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

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

September 1, 2036, including interest at a rate of 4.00%. During 2017, the District paid interest of \$8,516 and recognized interest expense of \$8,685.

The future minimum lease obligations and net present value of these minimum lease payments as of December 31, 2017, were as follows:

Year Ending	<b>Business- Type Activities</b>
2017	\$ 313,412
2018	313,412
2019	313,412
2020	313,412
2021	313,412
2022-2026	901,326
2027-2031	306,922
2032-2036	<u>239,579</u>
Total minimum lease payments	3,014,887
Less amount representing interest	<u>(545,854)</u>
Present value of minimum lease payments	<u><u>\$ 2,469,033</u></u>

**Authorized but Unissued Debt**

At December 31, 2017, the Subdistrict A had authorized but unissued debt of \$9,000,000. Subdistrict A does not anticipate issuing any debt during 2017.

**NOTE 7 - FUND EQUITY**

At December 31, 2017, the District reported the following classifications of fund equity.

**Nonspendable Fund Balance**

The nonspendable fund balance in the General Fund in the amount of \$9,039 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 \$12,171 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 \$2,459 represents unspent Conservation Trust Fund receipts which are restricted for parks and recreation purposes.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
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The restricted fund balance in the Subdistrict A Debt Service Fund in the amount of \$10,012 is restricted for the future payment of debt service on debt which is anticipated to be issued by the Paint Brush Hills Metropolitan District Subdistrict A.

**NOTE 8 - 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, 2017, the District had invested in capital assets of \$241,882 for the governmental activities and \$8,473,299 for the business-type activities for a combined net investment in capital assets of \$8,715,181.

Restricted net position includes amounts that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2017 as follows:

Restricted for:	
Emergencies	\$ 12,171
Parks and recreation	2,459
Debt service	10,012
	<u>\$ 24,642</u>

**NOTE 9 – RISK MANAGEMENT**

The District is 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, 2017. 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.

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 10 – 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 2017, 26 single family equivalent tap connections were sold leaving a total of 332 unsold single family equivalent tap connections.

**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, 2017**

	<b>Original and Final Adopted Budget</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 8,929	\$ 8,929	\$ -
Specific ownership taxes	982	1,210	228
Net investment income	-	7	7
Total Revenues	<u>9,911</u>	<u>10,146</u>	<u>235</u>
<b>EXPENDITURES</b>			
Treasurer's fees	<u>134</u>	<u>134</u>	<u>-</u>
Total Expenditures	<u>134</u>	<u>134</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	9,777	10,012	235
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 9,777</u></u>	<u><u>\$ 10,012</u></u>	<u><u>\$ 235</u></u>



**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)  
CAPITAL PROJECTS FUND  
Year Ended December 31, 2017**

	<b>Original Budgeted Amounts</b>	<b>Final Budgeted Amounts</b>	<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
<b>REVENUES</b>				
Transfer from Enterprise Fund	145,159	\$ 389,344	\$ 389,344	\$ -
Total revenues	<u>145,159</u>	<u>389,344</u>	<u>389,344</u>	<u>-</u>
<b>EXPENDITURES</b>				
Engineering and project management	72,560	90,560	90,560	-
Legal	5,000	39	39	-
Construction	1,028,563	998,413	998,413	-
Lease purchase issuance costs	-	21,244	21,244	-
Total expenditures	<u>1,106,123</u>	<u>1,110,256</u>	<u>1,110,256</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(960,964)	(720,912)	(720,912)	-
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>960,964</u>	<u>720,912</u>	<u>720,912</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**PAINT BRUSH HILLS METROPOLITAN DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**ENTERPRISE FUND**  
**Year Ended December 31, 2017**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
<b>REVENUES</b>				
Water - base fees	270,000	296,000	296,781	781
Water-church	3,000	3,000	93	(2,907)
Water-residential	375,000	490,000	492,248	2,248
Water-school	50,000	92,000	92,413	413
Wastewater-church	450	450	278	(172)
Wastewater-residential	54,000	58,000	58,409	409
Wastewater-school	5,500	2,600	2,568	(32)
Underdrain	-	600	576	(24)
Street Lighting	-	1,400	1,473	73
Penalties	-	12,000	12,090	90
Stormwater maintenance fees	30,000	-	-	-
Meters	2,000	5,000	5,000	-
Inspection Fees	5,000	1,000	750	(250)
Tap Fees	106,400	391,992	391,992	-
Transfer Fees	5,000	7,500	7,500	-
Developer expenditure reimbursement	-	40,000	39,521	(479)
Interest	1,600	2,400	2,384	(16)
Tank Rental-Antennas	5,700	4,300	3,800	(500)
Insurance reimbursement	-	41,000	41,150	150
Other operating revenue	-	6,000	6,386	386
Total Revenues	913,650	1,455,242	1,455,412	170
<b>EXPENDITURES</b>				
Operating:				
Employee wages	175,840	187,000	186,439	561
Payroll taxes	12,500	15,000	14,627	373
457b plan contributions	5,000	5,000	4,999	1
Health insurance	30,000	27,000	26,818	182
Operator phone allowance	2,900	2,900	2,181	719
Employee training	9,000	-	-	-
Insurance	-	26,000	25,062	938
Legal	10,000	22,000	21,494	506
Miscellaneous	2,000	2,000	2,109	(109)
Engineer	25,000	11,000	10,683	317
Analytical testing	10,000	5,000	4,546	454
Chemical/equipment	11,000	8,000	7,079	921
Miscellaneous supplies and tools	25,000	17,000	16,438	562
Safety equipment	5,000	2,000	1,866	134
OPS certification and training	2,000	11,000	10,345	655
Billing expense	7,500	11,000	10,252	748
Meters-residential repairs & replacement	30,000	7,500	7,028	472
Bulk water purchases	31,000	29,000	28,046	954
Inspection services - Developer	-	30,000	28,546	1,454
Tap fees remitted - Outside District entities	28,000	240,056	240,056	-
Collection system repairs and maintenance	30,000	3,000	2,549	451
Storage & Port-O-Let fees (pumphouse)	300	300	770	(470)
Pumphouse maintenance	5,000	54,000	53,507	493
Well Repairs and maintenance	25,000	43,000	42,648	352
Storage tank repairs and maintenance	50,000	3,000	2,743	257
Roadway and waterline repairs	25,000	55,000	54,611	389
Utilities	139,000	183,000	181,146	1,854
Vehicle maintenance and repair	10,000	10,000	9,522	478
Storage tanks, SCADA and booster	-	500	450	50

(Continued)

**PAINT BRUSH HILLS METROPOLITAN DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUNDS AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)**  
**ENTERPRISE FUND**  
**Year Ended December 31, 2017**  
(Continued)

	Original Budgeted Amounts	Original Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
Capital outlay:				
Tank painting	25,000	-	-	-
Debt service:				
FSB lease purchase (9/1/16)-building-principal	21,011	21,011	20,664	347
FSB lease purchase (9/1/16)-building-interest	24,382	24,382	24,658	(276)
FSB lease purchase (12/9/16)-building-principal	-	7,474	7,474	-
FSB lease purchase (12/9/16)-building-interest	-	8,685	8,685	-
FSB lease purchase-principal	199,063	199,063	198,268	795
FSB lease purchase-interest	52,965	52,965	53,248	(283)
Transfers out:				
Capital Projects Fund	145,159	389,344	389,344	-
Subdistrict A Operations Special Revenue Fund	-	-	5,807	(5,807)
Contingency	-	86,820	-	86,820
	<u>1,173,620</u>	<u>1,800,000</u>	<u>1,704,708</u>	<u>95,292</u>
<b>NET CHANGE IN FUNDS AVAILABLE</b>	(259,970)	(344,758)	(249,296)	95,462
<b>FUNDS AVAILABLE - BEGINNING OF YEAR</b>	<u>462,388</u>	<u>637,502</u>	<u>637,502</u>	<u>-</u>
<b>FUNDS AVAILABLE - END OF YEAR</b>	<u>\$ 202,418</u>	<u>\$ 292,744</u>	<u>\$ 388,206</u>	<u>\$ 95,462</u>
<b>FUNDS AVAILABLE - CAPITAL PROJECTS FUND (PAGE 26)</b>			\$ -	
<b>FUNDS AVAILABLE - ENTERPRISE FUND</b>			<u>388,206</u>	
			<u>\$ 388,206</u>	
<b>FUNDS AVAILABLE IS CALCULATED AS FOLLOWS:</b>				
Current assets			\$ 574,035	
Current liabilities			(419,312)	
Add back current portion of capital lease obligations			<u>233,483</u>	
			<u>\$ 388,206</u>	

**PAINT BRUSH HILLS METROPOLITAN DISTRICT  
RECONCILIATION OF BUDGETARY BASIS TO STATEMENT OF  
REVENUES, EXPENSES AND CHANGES IN NET POSITION  
Year Ended December 31, 2017**

Capital Projects Fund revenues - budgetary basis	\$	389,344
Enterprise Fund revenues - budgetary basis		1,455,412
Less interfund transfer		<u>(389,344)</u>
Revenues per Statements of Revenues, Expenses and Changes in Net Position		<u>1,455,412</u>
Capital Projects Fund expenditures - budgetary basis		1,110,256
Enterprise Fund expenditures - budgetary basis		1,704,708
Less principal paid on capital lease obligations		(226,406)
Less capital outlay		(1,089,012)
Less interfund transfer		(389,344)
Add depreciation		<u>323,895</u>
Expenses per Statements of Revenues, Expenses and Changes in Net Position		<u>1,434,097</u>
Change in net position per Statements of Revenues, Expenses and Changes in Net Position	<u>\$</u>	<u>21,315</u>

## **OTHER INFORMATION**

**PAIN BRUSH HILLS METROPOLITAN DISTRICT  
SUMMARY OF ASSESSED VALUATION , MILL LEVY  
AND PROPERTY TAXES COLLECTED  
December 31, 2017**

**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	Debt Service	Levied	Collected	
2016	\$ 16,488,770	22.107	0.000	\$ 364,517	\$ 364,957	100.1%
2017	\$ 17,681,870	18.063 (A)	0.000	\$ 319,388	\$ 319,384	100.0%
Estimated for year ending December 31, 2018	\$ 19,105,130	19.813 (B)	0.000	\$ 378,530		

**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	Debt Service	Levied	Collected	
2016	\$ -	0.000	0.000	\$ -	\$ -	N/A
2017	\$ 223,230	0.000	40.000	\$ 8,929	\$ 8,929	100.0%
Estimated for year ending December 31, 2018	\$ 953,220	0.000	40.000	\$ 38,129		

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

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