PAINT BRUSH HILLS METROPOLITAN DISTRICT
Administrative Offices

141 Union Boulevard, Suite 150
Lakewood, Colorado 80228-1898
Tel: 303-987-0835 800-741-3254
Fax: 303-987-2032

NOTICE OF REGULAR MEETING AND AGENDA

Board of Directors:	Office:	Term/Expires:
Kim Griffin	President	2014/May 2014
Floyd Roberts	Secretary	2014/May 2014***a***
Doug Burrer	Treasurer	2016/May 2016
Calvin Pollard	Director	2016/May 2014
Vacancy		2016/May 2016

DATE: June 20, 2013

TIME: 7:00 p.m.

PLACE: Paint Brush Hills Metropolitan District Office
9830 Liberty Grove Drive
Falcon, Colorado 80831

I. ADMINISTRATIVE MATTERS

A. Present Disclosures of Potential Conflicts of Interest.

_____

B. Approve Agenda and Confirm Location of Meeting.

_____

C. Public Comment.

_____

D. Review and consider appointment of Director to fill Board vacancy.

_____

E. CONSENT AGENDA – These items are considered to be routine and will be approved and/or ratified by one motion. There will be no separate discussion of these items unless a Board member so requests; in which event, the item will be removed from the Consent Agenda and considered in the Regular Agenda.

- Acknowledge Manager's Report (to be distributed under separate cover).
- Acknowledge Operations Report (to be distributed under separate cover).
- Acknowledge Billing Report (to be distributed under separate cover).
- Acknowledge Parks & Recreation Report (to be distributed under separate cover).

- Acknowledge Administrative Update (to be distributed under separate cover).
- Minutes of the May 16, 2013 Regular Meeting (to be distributed under separate cover).

II. EMPLOYMENT MATTERS

A. Discuss District employment offers.

II. FINANCIAL MATTERS

A. Review and approve the payment of claims for the period ending June 20, 2013 in the amount of $_____ (to be distributed at the meeting).

B. Review and accept unaudited financial statements for the period ending May 31, 2013 (to be distributed at the meeting).

C. Review and consider ratifying approval of the engagement of Osborne, Parsons and Rosacker to prepare the 2012 Audit (enclosures).

IV. LEGAL MATTERS

A. Review and consider approval of Amendment to District Rules and Regulations regarding Customer Definition.

B. Discuss and ratify termination of District Administrator Contract between the District and Ms. Ellen Robley effective June 1, 2013.

V. OPERATIONS AND MAINTENANCE

A. Discuss status of entryway landscape restoration.

B. Discuss status of Paint Brush Hills Filing No. 13a construction plans signing.

C. Discuss status of Water/Wastewater Revolving Fund Eligibility Survey.

D. Water Storage Tank Report/Update:

1. .5 Mgal Water Storage Tank.

2. 1.0 Mgal Water Storage Tank.

VI. OTHER BUSINESS

A. Discuss follow-up items.

1. Discuss status of communication with Woodmen Hills Metropolitan District.

2. Discuss status of communication with Doug Woods with Meridian Ranch Services District.

B. Discuss future Agenda items.

VII. EXECUTIVE SESSION MATTERS (§24-6-402(4) (b), (e) and (f), C.R.S.))

A. Water Matters.

B. Personnel Matters.

VIII. ADJOURNMENT ***THE NEXT REGULAR MEETING IS SCHEDULED FOR JULY 18, 2013.***

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

720 NORTH TEJON STREET
COLORADO SPRINGS, COLORADO 80903-1012

JEFFREY S. ROSACKER, CPA – PARTNER
MITCHELL K. DOWNS, CPA, ABV – PARTNER
—
GREGORY P. PARSONS, CPA

TELEPHONE (719) 636-2321
FAX (719) 636-2517
WEB WWW.SPRINGSCPA.COM

TRANSMITTED VIA E-MAIL

May 24, 2013

Board of Directors
Paint Brush Hills Metropolitan District
c/o Leon Gomes, District Manager
Special District Management Services, Inc.
141 Union Blvd., Suite 150
Lakewood, CO 80228-1898
lgomes@sdmsi.com

Ladies and Gentlemen:

Thank you for allowing Osborne Parsons & Rosacker, LLP to submit this proposal to provide auditing services for the Paint Brush Hills Metropolitan District for the year ended December 31, 2012. We anticipate our fees for this service would not exceed $5,200.

We appreciate this opportunity and we are confident that our firm can provide the District with the services and expertise needed to meet its needs well into the future.

The executive summary and firm profile included in the proposal provides a summary of our firm's audit philosophy and expertise.

Should our proposal be accepted, Paint Brush Hills Metropolitan District will be expected to sign the attached formal engagement letter authorizing us to proceed.

If you have any questions regarding our proposal, please do not hesitate to contact Mitch Downs or me.

Very truly yours,

Gregory P. Parsons, CPA

Attachments

PROPOSAL FOR SERVICES

FOR

PAINT BRUSH HILLS METROPOLITAN DISTRICT

YEAR ENDED
DECEMBER 31, 2012

SUBMITTED BY

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS
COLORADO SPRINGS, COLORADO

TABLE OF CONTENTS

	Page
Executive summary	**1**
Firm profile	**2**
Experience and expertise in governmental entities	**4**
Proposed audit approach	**5**
Fee estimate	**7**
Leadership resumes	**8**

Executive Summary
Audit Proposal for Paint Brush Hills Metropolitan District
from
Osborne, Parsons & Rosacker, LLP

Osborne, Parsons & Rosacker, LLP, is a local full service CPA firm providing professional accounting, audit, tax and consulting services to the Pikes Peak Region for nearly 60 years. We are members of the American Institute of Certified Public Accountants' Private Companies Practice Division and its Governmental Audit Quality Control Center and its Employee Benefit Plan Audit Quality Control Center. Our firm is fully committed to providing quality, professional services to our clients.

We approach our audit engagements from the standpoint of first obtaining a complete understanding of our client, the way it does business and the environment in which it operates. From that base of understanding we design audit strategies and procedures to ensure we have obtained necessary information to report on our client's financial statements. Our approach entails our having prepared a complete set of draft financial statements including footnotes prior to beginning the main field work of the audit. We anticipate a four-week elapsed time for our audits from the time we begin our work to the time we deliver a draft of our report and the financial statements to the client.

Information about the leadership personnel expected to participate in the audit of Paint Brush Hills Metropolitan District is attached. These individuals have extensive backgrounds including governmental organization audits with some of those audits having governmental Single Audit requirements and, in addition, have a great deal of experience in the similar audit requirements imposed on nonprofit organizations receiving large federal government grants.

We have attached a list of governmental organizations our firm is presently serving with an indication of those having Single Audit requirements. In years past and with other firms, members of the proposed leadership team have had governmental audit experience that has included the City of Colorado Springs, Colorado Springs Utilities and El Paso County.

Our proposed fee for the audit of Paint Brush Hills Metropolitan District is on page 7 of our proposal. That fee is based on our preliminary analysis of the prior-year financial statements of the Paint Brush Hills Metropolitan District and on discussions with District staff and we feel it is appropriate for the current year, having said that we do understand we may encounter unforeseen issues and may request a reevaluation of the fee structure for future years after completion of the first year's audit. Typically fee restructuring does not happen with our audit engagements.

FIRM PROFILE

Osborne, Parsons & Rosacker, LLP, a full service Certified Public Accounting firm located in Colorado Springs, Colorado, will celebrate its sixtieth anniversary in 2015. The firm's present partners, and principals, Greg Parsons, Jeff Rosacker and Mitchell Downs, represent over 85 years of diversified public accounting experience. We are members of the Private Companies Practice Division, the Governmental Audit Quality Control Center and the Employee Benefit Plan Audit Quality Control Center of the American Institute of Certified Public Accountants and are subject to an outside-party peer review of our practice every three years.

Our firm's philosophy is based on the concept of timely, professional and complete service to our clients. This is accomplished through the following means:

Obtaining and maintaining a strong understanding of our client's organization

Our personnel, partners and staff alike, are expected to understand a client's business and industry and to maintain that knowledge by continuing close contact with the client throughout the year. It is our opinion that many business advantages and opportunities are lost as a result of contract professionals not being aware of the details of a client's business and, as a result, not being able to direct their specialized talents to a situation until after a transaction has been consummated.

Developing and maintaining strong technical skills

The strength of a public accounting firm is found in the talents of its staff and partners. We hire and promote the most competent staff available and foster their professional growth through the use of professional training targeted toward the needs of our client base and toward new areas of firm practice development. The close intermingling of our staff and our highly experienced partners allows us to pass the benefits of the judgment obtained through years of professional practice from one generation of our firm to the next.

Timely service

The delayed delivery of a report dropped off at your door at the last minute is, at best, an unnecessary nuisance that adds to the complications of managing a business. At worst, untimely service can cost a business an opportunity or, more measurably, a fine or penalty. We attempt to minimize the potential for untimely service by establishing with management the timetables for our service and for the outputs of any of our engagements. These timetables are established in meetings with management well in advance of our beginning any engagement and include details of the type of assistance we can expect from management as well as the dates within which we will perform our work and the timing of the output of our engagement.

Complete service

As a small firm, we are aware of the limits of the service we are able to provide our clients. Large firms are able to supply highly sophisticated consulting services from within the ranks of their staff. We believe that we can better serve our client base in these areas by having a partner directly involved in the fieldwork and in maintaining our independence. We also have close professional relations with other firms that concentrate on various specialty-consulting areas. By following this path, we do not have the economic obligation to "feed" a group of

expensive (although perhaps talented) consultants and we do have the ability to recommend to our clients a range of talents from which they can choose. We do feel that we have the internal ability to completely address 90% of the requirements that clients require from a firm of Certified Public Accountants and, within certain defined areas, we are confident that we can respond with our staff and partners to meet 100% of our clients' needs.

In summary

We are a local independent firm, primarily serving clients located in Colorado. We effectively compete with much larger regional and national firms through maintenance of the highest professional standards, a flexible and innovative approach, and a proven ability to render diverse auditing, tax, consulting and accounting services.

EXPERIENCE AND EXPERTISE IN GOVERNMENTAL ENTITIES

Governmental audit clients

1. Southeastern Colorado Water Conservation District
2. Lowell Metropolitan District
3. Westwood Lakes Water District
4. Teller County Water & Sanitation District
5. Highland Lakes Water District
6. Black Forest Fire Protection District
7. Broadmoor Fire Protection District
8. Pueblo City-County Health Department *
9. Greater Downtown Colorado Springs Business Improvement District
10. Colorado Springs Downtown Development Authority
11. The Town of Rye *
12. El - Paso Teller County Emergency Telephone Service Authority
13. Florissant Fire Protection District
14. Spanish Peaks Library District
15. The Town of Boone *
16. Upper Huerfano Fire Protection District
17. Fourth Judicial district Special Investigation Fund *
18. Cherokee Metropolitan District
19. Peyton Fire Protection District

Application for Exemption from Audit

1. Crystal Park Metropolitan District
2. Southern Park County Fire Protection District
3. Four Mile Fire Protection District
4. Red Feather Mountain Library District

* Has or has had a single audit requirement

PROPOSED AUDIT APPROACH

Our audit approach is based on the needs of our clients and on professional requirements. Auditing theory is predicated on an ideal situation where a client presents the auditor with finalized financial statements complete with footnotes, the auditor performs the necessary audit procedures applicable to the engagement and then submits a report on the financial statements. In our experience, this approach is rarely applicable in the real world. As a result our firm has adopted a stepped approach to serving our audit and review clients. The following is an outline of that approach:

Planning

1. We obtain an understanding of our client's business. A client's service or product, how that service or product is delivered, and how the systems have been developed to control and monitor the related activities, must be understood before an auditor can be effective. It makes little difference whether the client is involved in a commercial enterprise or in the governmental or non-profit arenas. This understanding is obtained by reviewing a client's accounting systems, examining non-accounting data and through inquiry. In addition, during this stage we obtain historical and legal information about the organization. The information includes gathering copies of formative documents, applications with the Internal Revenue Service, etc. In addition, similar organizations are researched using our present client base, published industry statistics and professional materials and those available on the internet.

2. We document our understanding of the client's operating activities using standard documentation materials, descriptive memos or flow charts or a combination of all three.

3. We obtain information regarding the client's past year of operations. This information includes copies of Board of Director minutes, client publications, tax and regulatory authority communications, etc.

4. We obtain unaudited financial data (trial balances or detail general ledgers) and prepare preliminary, full disclosure financial statements. We use these statements to perform preliminary analytical tests and assist in designing fieldwork tests. In addition, we make a determination of whether or not "other accounting procedures" will be required to make the financial statements auditable. These procedures are of an accounting or bookkeeping nature and are not part of the audit process. Any such procedures identified are communicated to the client and a determination of whether the client (preferred) or our firm will perform them is made. These procedures would become subject to the terms of a separate engagement. Once the determination is made that no "other accounting procedures" are required, preliminary draft financial statements are given to the client for their initial reaction and any suggestions relative to presentation and footnote disclosure. The first confirmation procedures with outside sources takes place at this time.

5. We perform initial evaluations and design preliminary fieldwork tests. Lists of required information and documents for the year-end fieldwork stage are given to the client and mutually agreed delivery dates are established. Those agreed dates are used to establish the timing of the year-end fieldwork.

PROPOSED AUDIT APPROACH - Continued

Year-end field work

6. At this point in the engagement our staff has obtained a fairly detailed understanding of the client's business and should be in possession of the materials requested in step 5., above. The advance preparation to this point serves to reduce the time spent in the field at a client's office and eliminates a significant part of the disruption of having an outside auditor in your office.

Review and completion

7. When the fieldwork is complete the partner in charge of the engagement reviews the adjusted financial statements and the audit work papers. When that review is complete, a second partner or senior staff person performs an independent review of the financial statements.

8. After the reviews are complete, final draft financial statements, required client correspondence documents and management letters, are given to the client for their review and acceptance before the auditors' reports are signed and the financial statements are finalized.

9. Once all work product documents are finalized, the audit is presented to the client's Board of Directors or the appropriately delegated committee.

FEE ESTIMATE

Year ended December 31, 2012

	Audit
December 31, 2012	$ 5,200

Mitchell (Mitch) K. Downs, CPA, ABV – Partner

Experience

Mitch has over 20 years of public accounting experience. Public accounting experience includes planning, managing and reviewing engagements for companies and organizations of varying size, including audits, reviews, and compilations for the following:

Commercial organizations with revenues ranging from $50,000 to $70,000,000
Exempt organizations with revenues ranging from $100,000 to $6,000,000
Local governments with revenues ranging from $75,000 to $6,000,000
Qualified retirement plans
Tax consulting for individuals, business

Industry Background

Local government entities, exempt organizations, software developers, retail organizations and wholesale distributors

Mitch is qualified to perform work in accordance with generally accepted government audit standards, otherwise known as "The Yellow Book" and is qualified to perform engagements that require compliance auditing under OMB Circular A-133 "Audits of State and Local Government and Non-profit Organizations"

Professional Involvement

Member of the American Institute of Certified Public Accountants
Member of the Colorado Society of Certified Public Accountants
Member of the American Institute of Certified Public Accountants – Forensic and Valuation Services Section

Volunteer Activities

Pikes Peak Historical Street Railway Foundation – Board member
Dreampower Animal Rescue Foundation, Inc. – Past treasurer

Gregory (Greg) P. Parsons, CPA – Partner Emeritus

Experience

Greg has over 40 years in both public and private accounting. Including 7 years as audit partner with national public accounting firms, 23 years as audit partner with Osborne, Parsons & Rosacker, LLP and 3 years as controller/vice president of finance for private companies operating in as many as 30 states. Public accounting experience includes the following:

> Audit, management consulting, and tax consulting responsibilities for commercial clients, exempt organizations and governmental agencies with revenues ranging from $400,000 per year to over $50,000,000 per year
>
> Review partner responsibilities for both large and small exempt, governmental, and commercial entities
>
> Vice president of finance responsibility (on a consulting basis) for a fee for service not-for-profit organization with over $11,000,000 in annual revenue. These responsibilities include general supervision of accounting staff, oversight and development of computer systems and procedures, budgeting, cash flow projection and monitoring, and monitoring compliance with the requirements of Federal and State funding sources and long range business planning

Industry Background

Exempt organizations (audit, tax, and consulting), local government entities, construction contractors, land developers, real estate, manufacturing, wholesale distributors, retail and service organizations

Greg is qualified to perform work in accordance with generally accepted government audit standards, otherwise known as "The Yellow Book" and is qualified to perform engagements that require compliance auditing under OMB Circular A-133 "Audits of State and Local Government and Non-profit Organizations"

Professional Involvement

Member of the American Institute of Certified Public Accountants

Member of the Colorado Society of Certified Public Accountants

Past member of the following Colorado Society of Certified Public Accountants committees:

> Not for Profit Committee
> Private Companies Practice Committee
> Report Review Committee

Volunteer Activities

Colorado Swimming, Inc. – Past board member and Finance Vice Chairman

YMCA of the Pikes Peak Region - Advisor and member of the finance committee

Community Partnership for Child Development (Head Start) - Board member and Treasurer

Catholic Charities of Colorado Springs – Past board member and treasurer

Clint L. Bulkley, CPA

Experience

Clint has over 40 years in both public and private accounting. Including seven years as audit partner with national public accounting firms, and 14 years as controller/vice president of finance for a software development and sales company. Public accounting experience includes the following:

Audit, management consulting, and tax consulting responsibilities for commercial clients and exempt organizations with revenues ranging from $400,000 per year to over $40,000,000 per year

Partner responsibilities for both large and small exempt entities, local governmental units and commercial entities

Industry Background

Exempt organizations including hospitals, local government units, construction contractors, land developers, real estate, manufacturing, wholesale distributors, retail and service organizations

Clint's current emphasis is providing audit services under generally accepted government auditing standards.

Clint is qualified to perform work in accordance with generally accepted government audit standards, otherwise known as "The Yellow Book" and is qualified to perform engagements that require compliance auditing under OMB Circular A-133 "Audits of State and Local Government and Non-profit Organizations"

Professional Involvement

Member of the American Institute of Certified Public Accountants
Member of the Colorado Society of Certified Public Accountants
Member of the Society for Nonprofit Organizations

OSBORNE, PARSONS & ROSACKER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

720 NORTH TEJON STREET
COLORADO SPRINGS, COLORADO 80903-1012

JEFFREY S. ROSACKER, CPA – PARTNER
MITCHELL K. DOWNS, CPA, ABV – PARTNER

GREGORY P. PARSONS, CPA

TELEPHONE (719) 636-2321
FAX (719) 636-2517
WEB WWW.SPRINGSCPA.COM

May 24, 2013

Paint Brush Hills Metropolitan District
Falcon, Colorado

We are pleased to confirm our understanding of the services we are to provide Paint Brush Hills Metropolitan District (District) for the year ended December 31, 2012. We will audit the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of the District as of and for the year ended December 31, 2012. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's 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 to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

1. Schedule of revenues, expenses, and changes in fund net assets – fiduciary fund, budget (non-GAAP basis) and actual

Audit Objective

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with generally accepted accounting principles

and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of the accounting records and other procedures we consider necessary to enable us to express such opinions. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

Management Responsibilities

Management is responsible for the basic financial statements and all accompanying information as well as all representations contained therein. You agree to assume all management responsibilities for any nonattest services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Management is responsible for establishing and maintaining effective internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the

supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Audit Procedures-General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements, or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures-Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures-Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, and agreements. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We understand that your employees will prepare all cash or other confirmations we request and will locate any documents selected by us for testing.

Mitchell K. Downs is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. Our fee for these services will be $5,200. Our fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

We appreciate the opportunity to be of service to the Paint Brush Hills Metropolitan District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know.

Osborne, Parsons & Rosacker LLP

Osborne, Parsons & Rosacker, LLP

RESPONSE: This letter correctly sets forth the understanding of the Paint Brush Hills Metropolitan District.

By: _____

Title: DIRECTOR / TREASURER

Date: 27 MAY 2013