

**CASCADE METROPOLITAN  
DISTRICT NO. 1**

**FINANCIAL STATEMENTS**

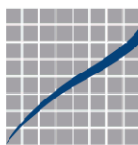
**DECEMBER 31, 2018 AND 2017**



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**BiggsKofford**  
CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

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Board of Directors

**Cascade Metropolitan District No. 1**

Cascade, Colorado

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of Cascade Metropolitan District No. 1 ("District") as of and for the years ended December 31, 2018 and 2017, and the notes to the 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Cascade Metropolitan District No. 1 as of December 31, 2018 and 2017, respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*BiggsKofford, P.C.*

Colorado Springs, Colorado  
July 15, 2019

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**STATEMENTS OF NET POSITION**  
**DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and investments	\$ 291,738	\$ 175,301
Cash and investments - restricted	945,300	2,769,446
Accounts receivable, net	64,941	65,113
<u>Total current assets</u>	<u>1,301,979</u>	<u>3,009,860</u>
Non-current assets:		
Capital assets, net	4,397,276	1,936,020
<u>Total non-current assets</u>	<u>4,397,276</u>	<u>1,936,020</u>
<u>Total assets</u>	<u>\$ 5,699,255</u>	<u>\$ 4,945,880</u>
<b><u>LIABILITIES</u></b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 367,476	\$ 99,347
Accrued interest payable	23,517	23,517
Prepaid water sales	5,706	3,552
Current maturities of bonds payable	50,000	45,000
<u>Total current liabilities</u>	<u>446,699</u>	<u>171,416</u>
Non-current liabilities:		
Bonds payable, net of current portion	4,827,910	4,875,767
<u>Total liabilities</u>	<u>5,274,609</u>	<u>5,047,183</u>
<b><u>NET POSITION</u></b>		
Invested in capital assets, net of related debt	(459,071)	(427,411)
Restricted for emergency reserves	23,701	24,711
Unrestricted	860,016	301,397
<u>Total net position</u>	<u>424,646</u>	<u>(101,303)</u>
<u>Total liabilities and net position</u>	<u>\$ 5,699,255</u>	<u>\$ 4,945,880</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>OPERATING REVENUES</u></b>		
Water sales	\$ 790,025	\$ 759,855
Total operating revenues	<u>790,025</u>	<u>759,855</u>
<b><u>OPERATING EXPENSES</u></b>		
Purchased water	238,594	322,794
Labor	66,659	54,100
Administration	60,000	60,375
Professional fees	137,006	36,224
Depreciation	31,660	31,660
Insurance	8,694	6,959
Bank charges	5,186	9,139
Repairs and maintenance	242,525	14,204
Office supplies and other expenses	7,064	4,300
Vehicle expense	1,413	1,063
Chemicals and supplies	597	1,847
Utilities and telephone	2,271	2,121
Water quality testing	1,909	1,762
Dues and subscriptions	1,371	1,619
Bad debt expense	5,883	-
Total operating expenses	<u>810,832</u>	<u>548,167</u>
Net operating income (loss)	<u>(20,807)</u>	<u>211,688</u>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>		
Other revenues	4,554	5,919
Grant revenues	781,858	-
Interest income	42,437	33,561
Interest expense	(282,093)	(284,364)
Net non-operating revenues (expenses)	<u>546,756</u>	<u>(244,884)</u>
Income (loss) before contributions	525,949	(33,196)
Capital contributions (tap fees)	-	15,000
Change in net position	525,949	(18,196)
Total net position, beginning of year	<u>(101,303)</u>	<u>(83,107)</u>
Total net position, end of year	<u>\$ 424,646</u>	<u>\$ (101,303)</u>

The accompanying notes and independent auditor's report should be read with these financial statements.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Receipts from customers	\$ 790,197	\$ 759,855
Cash payments to vendors	(503,703)	(461,878)
Cash payments to employees for services	(5,186)	(9,139)
Net cash provided by operating activities	<u>281,308</u>	<u>288,838</u>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>		
Grant proceeds	781,858	-
Other revenues	4,554	5,919
Net cash provided by non-capital financing activities	<u>786,412</u>	<u>5,919</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Principal paid on bonds payable	(45,000)	(45,000)
Interest expense and penalties	(277,428)	(279,699)
Acquisition and construction of capital assets	(2,492,916)	(544,557)
Tap fees received	-	15,000
Net cash used in capital and related financing activities	<u>(2,815,344)</u>	<u>(854,256)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Interest income	39,915	31,059
Net cash provided by investing activities	<u>39,915</u>	<u>31,059</u>
Net decrease in cash and investments	(1,707,709)	(528,440)
Cash and investments, beginning of year	<u>2,944,747</u>	<u>3,473,187</u>
Cash and investments, end of year	<u>\$ 1,237,038</u>	<u>\$ 2,944,747</u>

The accompanying notes and independent auditor's report should be read with these financial statements.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating income (loss)	\$ (20,807)	\$ 211,688
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	31,660	31,660
Bad debt recovery	5,883	-
Decrease (increase) in operating assets:		
Accounts receivable	(5,711)	2,587
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	268,129	41,967
Prepaid water sales	2,154	936
Net cash provided by operating activities	<u>\$ 281,308</u>	<u>\$ 288,838</u>

The accompanying notes and independent auditor's report  
should be read with these financial statements.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**1. DEFINITION OF REPORTING ENTITY**

Cascade Metropolitan District No. 1 ("District"), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 16, 2004 to provide residential and commercial water services in the unincorporated Town of Cascade, Colorado. The District is governed pursuant to provisions of the Colorado Special District Act. It is governed by an elected five-member board of directors, which is the policy-making body 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.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the District conform to accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District is similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The more significant accounting policies of the District are described as follows:

Basis of accounting

The District's records are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when liabilities are incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of accounting (continued)

The District distinguishes between operating revenues and expenses and non-operating items in the statements of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water services to its customers. Operating revenues consist of charges to customers for services provided.

Use of estimates

The preparation of financial statements in accordance with US GAAP requires the District to use estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates.

Cash and equivalents

For purposes of the statements of cash flows, the District considers cash and all highly liquid debt instruments with initial maturities of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable of the District consist of water usage fees and service fees receivable. Accounts receivable are stated at the amount the District expects to collect. The District maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer creditworthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the District's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Accounts receivable as of December 31, 2018 and 2017 have been recorded net of an allowance for doubtful accounts of \$5,000 each year.

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital assets

Capital assets purchased or acquired with original costs of \$5,000 or greater are recorded at historical cost. Contributed capital assets are recorded at their estimated fair value on the date received. Additions, improvements, and other capital outlays that significantly extend the life of an asset are capitalized. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Water distribution system and equipment	40 years
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Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable property, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in non-operating revenues (expenses). Construction in progress is not depreciated until the assets are placed in service.

Revenues and expenses

Operating expenses include the cost of service, administrative expenses and depreciation of assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses or capital contributions.

Net position

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

Budgets and budgetary accounting

In accordance with the Local Government Budget Law of Colorado, the District's board of directors holds public hearings in the fall each year to adopt the budget and appropriate the funds for the ensuing year. 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 appropriation is at the total fund expenditures level and lapses at year end.

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**3. CASH AND INVESTMENTS**

Cash and investments are reflected in the December 31, 2018 and 2017 statements of net position and statements of cash flows as follows:

	<b>2018</b>	<b>2017</b>
Cash	\$ 291,738	\$ 175,301
Cash and investments - restricted	945,300	2,769,446
	<b>\$1,237,038</b>	<b>\$2,944,747</b>

The carrying amounts of cash and investments, which equals fair value, as of December 31, 2018 and 2017 are as follows:

	<b>2018</b>	<b>2017</b>
Deposits with financial institutions	\$ 313,786	\$ 175,301
Investments	923,252	2,769,446
	<b>\$1,237,038</b>	<b>\$2,944,747</b>

Deposits with financial institutions

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% of the aggregate uninsured deposits.

The state commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2018, the District had cash deposits and money market funds with a bank balance of \$321,614 and a carrying balance of \$313,786. As of December 31, 2017, the District had cash deposits and money market funds with a bank balance of \$210,843 and a carrying balance of \$175,301.

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**3. CASH AND INVESTMENTS (CONTINUED)**

Investments

The District has not adopted a formal investment policy; however, the District follows state statutes regarding investments.

The District generally limits its concentration of investments to those with an asterisk below which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the District is not subject to concentration risk disclosure requirements or subject to investment custodial credit risk for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless otherwise formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain United States government agency securities
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certificates of deposit in Colorado PDPA approved banks or savings banks
- Certain money market funds
- Guaranteed investment contracts
- \* Local government investment pools

Fair value measurement and application

The District categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The District invests in local government investment pools which are recorded at fair value and measured using Level 2 inputs.

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**3. CASH AND INVESTMENTS (CONTINUED)**

Fair value measurement and application (continued)

As of December 31, 2018, the District had the following investments:

<b>Investments</b>	<b>Maturity</b>	<b>Fair Value</b>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 923,252</u>

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST"), an external investment pool that records its investments at fair value and measures fair value using Level 2 inputs. COLOTRUST is 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 COLOTRUST. COLOTRUST operates similarly to a money market fund and each share is equal in value to \$1. COLOTRUST offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in US Treasury securities and repurchase agreements collateralized by US Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of US government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for COLOTRUST's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for COLOTRUST's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by COLOTRUST. COLOTRUST is rated AAAM by Standard & Poor's.

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

**4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 is as follows:

	<u>Balance 01/01/18</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 12/31/18</u>
Non-depreciable assets:				
Construction in progress	\$ 859,587	\$ 2,492,916	\$ -	\$3,352,503
Capital assets, being depreciated:				
Water distribution system and equipment	1,503,844	-	-	1,503,844
Total being depreciated	1,503,844	-	-	1,503,844
Less accumulated depreciation:				
Water distribution system and equipment	(427,411)	(31,660)	-	(459,071)
Capital assets, net	<u>\$1,936,020</u>	<u>\$ 2,461,256</u>	<u>\$ -</u>	<u>\$4,397,276</u>

Capital asset activity for the year ended December 31, 2017 is as follows:

	<u>Balance 01/01/17</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 12/31/17</u>
Non-depreciable assets:				
Construction in progress	\$ 315,030	\$ 544,557	\$ -	\$ 859,587
Capital assets, being depreciated:				
Water distribution system and equipment	1,503,844	-	-	1,503,844
Total being depreciated	1,503,844	-	-	1,503,844
Less accumulated depreciation:				
Water distribution system and equipment	(395,751)	(31,660)	-	(427,411)
Capital assets, net	<u>\$1,423,123</u>	<u>\$ 512,897</u>	<u>\$ -</u>	<u>\$1,936,020</u>

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**4. CAPITAL ASSETS (CONTINUED)**

Depreciation expense for the years ended December 31, 2018 and 2017 totaled \$31,660 each year.

**5. BONDS PAYABLE**

The following is a analysis of the changes in the District's bonds payable for the year ended December 31, 2018:

	<u>Balance 01/01/18</u>	<u>Additions</u>	<u>Amortization / (Accretion) / (Repayments)</u>	<u>Balance 12/31/18</u>	<u>Due within one year</u>
Series 2015A Bonds	\$3,470,000	\$ -	\$ (35,000)	\$3,435,000	\$ 35,000
Series 2015A Bond Premium	40,459	-	(2,483)	37,976	-
Series 2015A Underwriter Discount	(45,527)	-	2,794	(42,733)	-
Series 2015B Bonds	1,485,000	-	(10,000)	1,475,000	15,000
Series 2015B Bond Discount	(29,165)	-	1,832	(27,333)	-
	<u>\$4,920,767</u>	<u>\$ -</u>	<u>\$ (42,857)</u>	<u>\$4,877,910</u>	<u>\$ 50,000</u>

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**5. BONDS PAYABLE (CONTINUED)**

The following is a analysis of the changes in the District's bonds payable for the year ended December 31, 2017:

	<u>Balance 01/01/17</u>	<u>Additions</u>	<u>Amortization / (Accretion) / (Repayments)</u>	<u>Balance 12/31/17</u>	<u>Due within one year</u>
Series 2015A Bonds	\$3,500,000	\$ -	\$ (30,000)	\$3,470,000	\$ 35,000
Series 2015A Bond Premium	42,961	-	(2,502)	40,459	-
Series 2015A Underwriter Discount	(48,341)	-	2,814	(45,527)	-
Series 2015B Bonds	1,500,000	-	(15,000)	1,485,000	10,000
Series 2015B Bond Discount	(31,016)	-	1,851	(29,165)	-
	<u>\$4,963,604</u>	<u>\$ -</u>	<u>\$ (42,837)</u>	<u>\$4,920,767</u>	<u>\$ 45,000</u>

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
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**5. BONDS PAYABLE (CONTINUED)**

Bonds payable consisted of the following as of December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Series 2015A Bonds bearing interest at rates between 4.75% and 6.00% per annum until maturity on December 1, 2036. Interest rates vary based on graduated maturity dates. Interest and principal are payable semi-annually on each June 1 and December 1, beginning December 1, 2015.	3,435,000	3,470,000
Series 2015B Bonds bearing interest at a rate of 5.50% per annum until maturity on December 1, 2035. Interest and principal are payable semi-annually on each June 1 and December 1, beginning December 1, 2015.	1,475,000	1,485,000
Total	\$4,910,000	\$4,955,000
Less current portion	(50,000)	(45,000)
	<b>\$4,860,000</b>	<b>\$4,910,000</b>

Future commitments on bonds payable as of December 31, 2018 are as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 50,000	\$ 279,950	\$ 329,950
2020	55,000	277,738	332,738
2021	65,000	275,250	340,250
2022	65,000	272,525	337,525
2023	75,000	75,000	150,000
2024 - 2028	490,000	1,268,275	1,758,275
2029 - 2033	710,000	1,111,025	1,821,025
2034 - 2036	3,400,000	510,725	3,910,725
	<b>\$4,910,000</b>	<b>\$ 4,070,488</b>	<b>\$8,980,488</b>

The 2015 Series Bonds require the maintenance of a debt service reserve account. The District was in compliance with this requirement as of December 31, 2018 and 2017.

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
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**6. NET POSITION**

The District has net position consisting of three components - invested in capital assets, net of related debt; restricted; and unrestricted.

Invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, plus unspent debt proceeds, and reduced by outstanding balances of bonds payable or other borrowing attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2018 and 2017, the District had an investment in capital assets, net of related debt as follows:

	<b>2018</b>	<b>2017</b>
Capital assets, net of accumulated depreciation	\$1,044,773	\$1,076,433
Bonds payable	(1,503,844)	(1,503,844)
	<b>\$ (459,071)</b>	<b>\$ (427,411)</b>

Restricted net position include amounts that are restricted for use either externally by creditors, grantors, contributors, or by laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had a restricted net position as of December 31, 2018 and 2017 as follows:

	<b>2018</b>	<b>2017</b>
Restricted for emergency reserves (see Note 8)	\$ 23,701	\$ 24,711

Unrestricted net position consists of amounts that do not meet the definition of invested in capital, net of related debt or restricted net position.

**7. RISK MANAGEMENT**

Except as provided in the Colorado Governmental Immunity Act, as amended, the District may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to volunteers or contractors; and natural disasters. The District carries commercial insurance for some of these risks of loss. The remaining risks of loss are retained by the District. There were no significant changes in coverage during the years ended December 31, 2018 or 2017.

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018 AND 2017**

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**8. 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 which apply to the State of Colorado and all local governments within the State of Colorado.

Spending and revenue limits are determined based on the prior 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. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues.

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. For the years ended December 31, 2018 and 2017, management used 3% of revenues to calculate the reserve amount.

In 2004, the District's voters authorized the District to collect, spend and retain all revenues without regard to the limitations contained within TABOR.

The Districts' 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 likely require judicial interpretation.

**9. ENERGY & MINERAL IMPACT ASSISTANCE GRANT**

On August 5, 2015 the District received a grant from the Colorado Department of Local Affairs ("DOLA"). The grant is intended to improve the efficiency of the water system and implement improvements required by Colorado Springs Utilities for an eventual takeover of the water distribution system. The District is eligible to request reimbursement once costs are incurred in connection with the approved project. During the year ended December 31, 2017, the District received an addition to the grant of \$200,000 and the project completion date was extended to December 31, 2019. The total grant award is \$1,707,914, the total anticipated cost of the project is \$4,807,877 and the District has agreed to fund the shortfall using proceeds from the Series 2015 Bonds. Any cost savings are split pro-rata between DOLA and the District. As of December 31, 2018, the District had received a total of \$781,858 related to this grant.

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
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**10. COMMITMENTS**

On December 11, 2017, the District executed a Construction Contract with RMS Utilities for the construction of the District's water system improvements project totaling \$3,670,008. The project is anticipated to be complete in October 2019 at which time the District will pursue conversion of the water system with Colorado Springs Utilities. As of December 31, 2018 the District had paid a total of \$3,352,503 under this contract.

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See independent auditor's report.

## **SUPPLEMENTARY INFORMATION**



**CASCADE METROPOLITAN DISTRICT NO. 1**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET COMPARED TO ACTUAL**  
**CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2018**

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
<b><u>OPERATING REVENUES</u></b>				
Water sales	\$ 226,000	\$ 226,000	\$ 237,818	\$ 11,818
Bulk water sales	15,000	15,123	19,671	4,548
Meter fee	95,000	118,378	115,849	(2,529)
Pipeline surcharge	70,000	46,622	58,804	12,182
Late fees	2,000	2,583	3,811	1,228
Tap fees	15,000	-	-	-
Debt service water fee	346,875	346,875	348,608	1,733
<b>Total operating revenues</b>	<b>769,875</b>	<b>755,581</b>	<b>784,561</b>	<b>28,980</b>
<b><u>OPERATING EXPENDITURES</u></b>				
Purchased water	267,500	265,130	238,594	26,536
Labor	68,000	65,000	41,859	23,141
Administration	60,000	60,000	60,000	-
Professional fees	65,500	41,050	69,464	(28,414)
Insurance	10,000	10,000	8,694	1,306
Bank charges	8,800	8,764	5,186	3,578
Repairs and maintenance	16,000	13,500	126,645	(113,145)
Office supplies and other expenses	8,600	7,502	7,064	438
Vehicle expense	1,000	1,000	1,413	(413)
Chemicals and supplies	2,500	1,000	597	403
Utilities and telephone	2,200	2,200	2,271	(71)
Water quality testing	2,000	2,000	1,909	91
Dues and subscriptions	2,200	1,500	1,371	129
Capital outlay	4,016,457	3,081,795	2,492,916	588,879
Contingency	42,479	5,000	3,954	1,046
<b>Total operating expenditures</b>	<b>4,573,236</b>	<b>3,565,441</b>	<b>3,061,937</b>	<b>503,504</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>				
Interest and principal payments	(324,950)	(324,950)	(324,950)	-
Grant revenues	-	-	781,858	781,858
Interest income	13,250	34,793	42,437	7,644
Other revenues	5,800	4,302	4,554	252
<b>Total non-operating revenues and expenditures</b>	<b>(305,900)</b>	<b>(285,855)</b>	<b>503,899</b>	<b>789,754</b>
<b>Excess (deficit) of revenue over expenditures - budgetary basis</b>	<b>\$ (4,109,261)</b>	<b>\$ (3,095,715)</b>	<b>\$ (1,773,477)</b>	<b>\$ 1,322,238</b>

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**RECONCILIATION OF AMOUNTS FROM US GAAP TO CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2018**

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The accompanying supplementary Schedule of Revenues and Expenditures - Budget Compared to Actual on page 21 presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with US GAAP, a reconciliation of differences in revenues and expenditures is presented below.

Total revenues per financial statements	\$ 1,618,874
Add:	
Revenue accruals and non-cash adjustments at December 31, 2017	22,293
Less:	
Revenue accruals and non-cash adjustments at December 31, 2018	(27,757)
Total actual revenues and receipts per the budget	\$ 1,613,410
Total expenses and capital expenditures per financial statements	\$ 1,092,925
Add:	
Principal payment on bonds	45,000
Expense and capital expenditure accruals and non-cash adjustments at at December 31, 2018	2,746,481
Less:	
Expense and capital expenditure accruals and non-cash adjustments at at December 31, 2017	(465,859)
Depreciation expense	(31,660)
Total actual expenses and capital expenditures per the budget	\$ 3,386,887

See independent auditor's report.