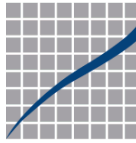


CASCADE METROPOLITAN DISTRICT NO. 1
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cascade Metropolitan District No. 1
Cascade, Colorado

Opinion

We have audited the accompanying financial statements of the business-type activities of Cascade Metropolitan District No. 1 ("District"), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the District as of December 31, 2021 and 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about District's ability to continue as a going concern for a reasonable period of time.

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

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.

Supplementary 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 26, 2022

BASIC FINANCIAL STATEMENTS

CASCADE METROPOLITAN DISTRICT NO. 1
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Cash and investments	\$ 199,314	\$ 206,848
Cash and investments - restricted	425,188	417,878
Accounts receivable, net	15,140	47,396
Total assets	<u>\$ 639,642</u>	<u>\$ 672,122</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 160,218	\$ 157,110
Accrued interest payable	22,512	22,711
Prepaid fees	6,358	5,706
Current maturities of bonds payable	65,000	65,000
Total current liabilities	<u>254,088</u>	<u>250,527</u>
Non-current liabilities:		
Bonds payable, net of current portion	<u>4,675,000</u>	<u>4,740,000</u>
Total liabilities	<u>4,929,088</u>	<u>4,990,527</u>
<u>NET POSITION</u>		
Restricted for:		
Debt service	414,188	417,878
Emergency reserve	11,000	23,600
Unrestricted	<u>(4,714,634)</u>	<u>(4,759,883)</u>
Total net position	<u>(4,289,446)</u>	<u>(4,318,405)</u>
Total liabilities and net position	<u>\$ 639,642</u>	<u>\$ 672,122</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>OPERATING REVENUES</u>		
Debt service, administrative, and other fees	\$ 363,606	\$ 525,177
Water sales	-	222,859
Property taxes	-	1,274
Total operating revenues	<u>363,606</u>	<u>749,310</u>
<u>OPERATING EXPENSES</u>		
Administration	33,500	60,000
Bank charges	4,890	5,052
Chemicals and supplies	-	110
Depreciation	-	29,101
Dues and subscriptions	250	175
Insurance	6,197	3,766
Labor	786	40,216
Office supplies and other expenses	7,313	5,418
Professional fees	36,309	53,825
Purchased water	-	237,138
Repairs and maintenance	106	43,804
Utilities and telephone	587	645
Vehicle expense	-	51
Water quality testing	-	1,923
Total operating expenses	<u>89,938</u>	<u>481,224</u>
Net operating income	<u>273,668</u>	<u>268,086</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Capital assets contributed to Colorado Springs Utilities	-	(5,364,220)
Grant revenues	-	75,395
Project closing costs	-	(100,000)
Interest expense	(272,327)	(304,405)
Interest income	241	3,462
Other revenues	27,377	278
Net non-operating revenues (expenses)	<u>(244,709)</u>	<u>(5,689,490)</u>
Income (loss) before contributions	28,959	(5,421,404)
Capital contributions - tap fees	-	15,000
Change in net position	28,959	(5,406,404)
Net position, beginning of year	<u>(4,318,405)</u>	<u>1,087,999</u>
Net position, end of year	<u>\$ (4,289,446)</u>	<u>\$ (4,318,405)</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 395,862	\$ 774,165
Payments to vendors	(85,591)	(509,404)
Payments to employees for services	(786)	(40,216)
Net change in cash from operating activities	<u>309,485</u>	<u>224,545</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Grant revenues	-	75,395
Other revenues	<u>27,377</u>	<u>278</u>
Net change in cash from non-capital financing activities	<u>27,377</u>	<u>75,673</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal payments on bonds payable	(65,000)	(55,000)
Interest expense	(272,327)	(274,444)
Tap fees received	-	15,000
Net change in cash from capital and related financing activities	<u>(337,327)</u>	<u>(314,444)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	<u>241</u>	<u>3,462</u>
Net change in cash from investing activities	<u>241</u>	<u>3,462</u>
Net change in cash and investments	(224)	(10,764)
Cash and investments, beginning of year	<u>624,726</u>	<u>635,490</u>
Cash and investments, end of year	<u>\$ 624,502</u>	<u>\$ 624,726</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Net operating income	\$ 273,668	\$ 268,086
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	-	29,101
Loss on disposition of assets	-	29,799
Decrease (increase) in operating assets:		
Accounts receivable, net	32,256	26,129
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	2,909	(128,570)
Prepaid fees	652	-
Net change in cash from operating activities	<u>\$ 309,485</u>	<u>\$ 224,545</u>
<u>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Capital assets contributed to Colorado Springs Utilities	<u>\$ -</u>	<u>\$ 5,364,220</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, 2021 AND 2020

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 8, 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 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 and 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
DECEMBER 31, 2021 AND 2020

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 balances 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 debt service, administrative, and other fees receivable (and water usage fees receivable in 2020). 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, 2021 and 2020 have been recorded net of an allowance for doubtful accounts of \$5,000 each year.

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. All costs are recorded as incurred.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2021 and 2020, are classified in the accompanying financial statements as follows:

	2021	2020
Cash and investments	\$ 199,314	\$ 206,848
Cash and investments - restricted	425,188	417,878
	\$ 624,502	\$ 624,726

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2021 and 2020, are as follows:

	2021	2020
Deposits with financial institutions	\$ 199,314	\$ 206,848
Investments	425,188	417,878
	\$ 624,502	\$ 624,726

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

3. CASH AND INVESTMENTS (CONTINUED)

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. The 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 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, 2021, the District's cash deposits had a bank balance of \$210,145 and a book balance of \$199,314. As of December 31, 2020, the District's cash deposits had a bank balance of \$199,741 and a book balance of \$206,848.

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 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.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

3. CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

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

- Obligations of the US and certain US government agency securities
- Certain international agency securities
- General obligation and revenue bonds of US 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

As of December 31, 2021, the District had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 425,188</u>

As of December 31, 2020, the District had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 417,878</u>

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

3. CASH AND INVESTMENTS (CONTINUED)

Investments (continued)

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust ("COLOTRUST" or "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 and each share is equal in value to \$1. The Trust 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 U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust'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 the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investments in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

4. CAPITAL ASSETS

There was no capital asset activity for the year ended December 31, 2021.

Capital asset activity for the year ended December 31, 2020, is as follows:

	<u>Balance 1/1/2020</u>	<u>Additions/ Reclass- ifications</u>	<u>Dispositions Reclass- ifications</u>	<u>Balance 12/31/20</u>
Non-depreciable assets:				
Construction in progress	<u>\$4,410,007</u>	<u>\$ -</u>	<u>\$(4,410,007)</u>	<u>\$ -</u>
Capital assets, being depreciated:				
Water distribution system and equipment	<u>1,503,844</u>	<u>-</u>	<u>(1,503,844)</u>	<u>-</u>
Total being depreciated	<u>1,503,844</u>	<u>-</u>	<u>(1,503,844)</u>	<u>-</u>
Less accumulated depreciation:				
Water distribution system and equipment	<u>(490,731)</u>	<u>(29,101)</u>	<u>519,832</u>	<u>-</u>
Capital assets, net	<u><u>\$5,423,120</u></u>	<u><u>\$ (29,101)</u></u>	<u><u>\$(5,394,019)</u></u>	<u><u>\$ -</u></u>

Depreciation expense for the year ended December 31, 2020 totaled \$29,101.

During the year ended December 31, 2020, the District conveyed all its capital assets to Colorado Springs Utilities (“CSU”). As of December 31, 2020, the District was obligated to reimburse CSU for the cost of improvements that had not been made prior to the conveyance. The District estimates the cost for the improvements will be \$100,000 and, accordingly, has included this balance in accounts payable and accrued liabilities on the statement of net position as of December 31, 2020 and included this amount as project closing costs on the statement of revenues, expenses and changes in net position for the year then ended. As of December 31, 2021, the reimbursement for project closing costs was still outstanding. Any differences between the estimated and actual amounts will be recorded in the period in which such differences are determinable.

Upon conversion of the water distribution system to CSU, the District did not dissolve and will not be permitted to do so until the debt incurred for the required improvements to the infrastructure has been repaid in full. Accordingly, the District is required to continue to impose and collect ongoing monthly debt service, administrative, and other fees.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2021:

	<u>Balance 1/1/2021</u>	<u>Additions</u>	<u>Repayments/ Defeasance</u>	<u>Balance 12/31/21</u>	<u>Due Within One Year</u>
Series 2015A Bonds	\$3,360,000	\$ -	\$ (50,000)	\$ 3,310,000	\$ 50,000
Series 2015B Bonds	<u>1,445,000</u>	<u>-</u>	<u>(15,000)</u>	<u>1,430,000</u>	<u>15,000</u>
	<u>\$4,805,000</u>	<u>\$ -</u>	<u>\$ (65,000)</u>	<u>\$ 4,740,000</u>	<u>\$ 65,000</u>

The following is a summary of long-term debt of the District during the year ended December 31, 2020:

	<u>Balance 1/1/2020</u>	<u>Additions</u>	<u>Repayments/ Defeasance</u>	<u>Balance 12/31/20</u>	<u>Due within one year</u>
Series 2015A Bonds	\$3,400,000	\$ -	\$ (40,000)	\$ 3,360,000	\$ 50,000
Series 2015A Bond Premium	35,514	-	(35,514)	-	-
Series 2015A Underwriter Discount	(39,962)	-	39,962	-	-
Series 2015B Bonds	1,460,000	-	(15,000)	1,445,000	15,000
Series 2015B Bond Discount	<u>(25,513)</u>	<u>-</u>	<u>25,513</u>	<u>-</u>	<u>-</u>
	<u>\$4,830,039</u>	<u>\$ -</u>	<u>\$ (25,039)</u>	<u>\$ 4,805,000</u>	<u>\$ 65,000</u>

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

5. LONG-TERM OBLIGATIONS (CONTINUED)

Bonds payable consist of the following as of December 31, 2021 and 2020:

	2021	2020
Water Enterprise Revenue Refunding and Improvement Bonds, Series 2015A (the "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.	\$ 3,310,000	\$ 3,360,000
Water Enterprise Revenue Refunding and Improvement Bonds, Series 2015B (the "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.	1,430,000	1,445,000
Total	4,740,000 <u>(65,000)</u>	4,805,000 <u>(65,000)</u>
	<u>\$ 4,675,000</u>	<u>\$ 4,740,000</u>

Series 2015 Water Enterprise Revenue Refunding and Improvement Bonds

Optional redemption

The Series 2015A Bonds and Series 2015B Bonds (together, the "Bonds") are subject to redemption prior to maturity, at the option of the District, in whole or in part, in denominations of \$500,000 or any multiples of \$1,000 in excess thereof, from such series and maturities as are selected by the Issuer and by lot within a maturity, in such a manner as the trustee may determine, on December 1, 2023, or on any date thereafter, at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date without a redemption premium.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

5. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2015 Water Enterprise Revenue Refunding and Improvement Bonds (continued)

The Bonds are secured by and payable from the pledged revenues, net of any operation and maintenance expenses of the water system, consisting of monies directly or indirectly derived by the District from the operation or use of the water system, or any part thereof, including any rates, fees, system development fees, tap fees, availability of service fees, plant investment fees, debt service fees, tolls and charges for the availability of, connection to and services furnished by, or for the use of, the water system, and all income attributable to any past or future dispositions of water system property or rights or related contracts, settlements or judgments, provided. Amounts excluded from pledged revenue are monies borrowed and used for providing capital improvements, any money and securities, and investment income therefrom, in any refunding account, escrow fund or similar account pledged to the payment of any bonds or other obligations, and any monies received as grants or appropriations from the US, the state, other local governments or enterprises or other sources, the use of which is limited or restricted by the grantor or donor to the provision of capital improvements (including oversizing of facilities or similar capital improvements) or for other purposes resulting in the general unavailability thereof, except to the extent any such monies are received as payments for the use of the water system, services rendered thereby, the availability of any such service or the disposal of any commodities therefrom.

The Bonds require the maintenance of a debt service reserve account. The purpose of the debt service reserve account is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The debt service reserve account is required to be maintained as long as the bonds are outstanding. The District was in compliance with these requirements as of December 31, 2021 and 2020.

Events of default

The occurrence of any one or more of the following events or the existence of any one or more of the following conditions constitutes an event of default under the indenture.

- i. Default in the payment of the principal of or premium, if any, on any bond when it becomes due and payable, whether at the stated maturity thereof, on a sinking fund payment date, or upon proceedings for redemption.

- ii. Default in the payment of any installment of interest on any bond when it becomes due and payable.

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CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

5. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2015 Water Enterprise Revenue Refunding and Improvement Bonds (continued)

Events of default (continued)

iii. Default in the performance of any covenant, contract, or other provision in the bonds or the indenture and such default continues for a period of 30 days after written notice to the District and the trustee from the beneficial owners of at least 25% in aggregate principal amount of the bonds then outstanding or to the District from the trustee specifying such default and requiring it to be remedied, provided, no event of default will be deemed to have occurred so long as a course of action adequate to remedy such failure shall have been commenced within such 30 day period and is diligently prosecuted to completion and the failure is remedied.

iv. Default by the District in the payment of any indebtedness, in a material amount (other than under the indenture), and any period of grace with respect thereto expired, or an event of default occurs, which default in payment or event of default may result in such indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable.

v. The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the District in an involuntary case under the federal bankruptcy laws or any other applicable federal or state bankruptcy, insolvency, or other similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the District or the issuer or for any substantial part of its property, or ordering the winding-up or liquidation of its affairs and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days.

vi. The commencement by the District of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of the District or for any substantial part of its property, or the making by it of any assignment for the benefit of creditors, or the failure of the District generally to pay its debts as such debts become due, or the taking of corporate action by the District or the issuer in furtherance of any of the foregoing.

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CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

5. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2015 Water Enterprise Revenue Refunding and Improvement Bonds (continued)

Events of default (continued)

Upon the occurrence and continuance of an event of default, the trustee has the following rights and remedies:

i. Receivership: To the extent permitted by law, upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the trustee and of the bondholders, the trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the trust estate, and of the rents, revenues, income, products, and profits thereof, pending such proceedings, but, notwithstanding the appointment of any receiver, trustee, or other custodian, the trustee shall be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of this indenture to, the trustee.

ii. Suit for judgment on the bonds: The trustee shall be entitled to sue for and recover judgment, either before or after or during the pendency of any proceedings for the enforcement of the lien of the indenture, for the enforcement of any of its rights, or the rights of the bondholders, but any such judgment against the issuer shall be enforceable only against the trust estate. No recovery of any judgment by the trustee shall in any manner or to any extent affect the lien of the indenture or any rights, powers, or remedies of the trustee, or any lien, rights, powers, or remedies of the owners of the bonds, but such lien, rights, powers, and remedies of the trustee and the bondholders shall continue unimpaired as before.

iii. Rights of secured party: The trustee is entitled to exercise all the rights and remedies of a secured party under the Colorado Uniform Commercial Code with respect to the net pledged revenue.

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CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

5. LONG-TERM OBLIGATIONS (CONTINUED)

Series 2015 Water Enterprise Revenue Refunding and Improvement Bonds (continued)

The District's long-term obligations on the Bonds mature as follows:

<u>Year ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 65,000	\$ 269,325	\$ 334,325
2023	75,000	266,125	341,125
2024	80,000	262,450	342,450
2025	90,000	258,500	348,500
2026	90,000	254,075	344,075
2027-2031	785,000	1,183,075	1,968,075
2032-2036	3,555,000	931,925	4,486,925
	<u>\$4,740,000</u>	<u>\$ 3,425,475</u>	<u>\$ 8,165,475</u>

6. NET POSITION

The District has a net position consisting of two components: restricted and unrestricted.

Restricted net position includes restrictions 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 a restricted net position as of December 31, 2021 and 2020, as follows:

	<u>2021</u>	<u>2020</u>
Restricted net position:		
Debt service (Note 5)	\$ 414,188	\$ 417,878
Emergency reserve (Note 8)	11,000	23,600
Total restricted net position	<u>\$ 425,188</u>	<u>\$ 441,478</u>

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CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021 and 2020.

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

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.

District management believes the District 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.

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CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

9. RESTATEMENT

The District restated its financial statements as of and for the year ended December 31, 2020, to account for purchased water in the proper period, as follows:

Net operating income, previously reported	\$ 310,130
Additional purchased water	<u>(42,044)</u>
Net operating income, as restated	<u>\$ 268,086</u>
Net position, previously reported	\$(4,276,361)
Additional purchased water	<u>(42,044)</u>
Net position, as restated	<u><u>\$(4,318,405)</u></u>

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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 - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>OPERATING REVENUES</u>				
Debt service, administrative, and other fees	\$ 393,348	\$ 379,791	\$ 363,606	\$ (16,185)
Total operating revenues	393,348	379,791	363,606	(16,185)
<u>OPERATING EXPENDITURES</u>				
Administration	33,500	33,500	33,500	-
Bank charges	4,600	5,100	4,890	210
Collection charges	5,000	-	-	-
Cost of sales	-	2,500	-	2,500
CSU settlement	35,000	-	-	-
Contingency	10,000	-	-	-
Dues and subscriptions	250	250	250	-
Insurance	1,000	5,500	6,197	(697)
Labor	-	786	786	-
Office supplies and other expenses	-	3,600	7,313	(3,713)
Professional fees	28,500	34,400	36,309	(1,909)
Purchased water	-	42,044	-	42,044
Repairs and maintenance	-	150	106	44
Utilities and telephone	-	150	587	(437)
Total operating expenditures	117,850	127,980	89,938	38,042
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest income	4,000	232	241	9
Other revenues	-	11,275	27,377	16,102
Interest and principal payments	(337,525)	(337,525)	(337,327)	198
Total non-operating revenues and expenditures	(333,525)	(326,018)	(309,709)	16,309
Excess (deficit) of revenue over expenditures - budgetary basis	<u>\$ (58,027)</u>	<u>\$ (74,207)</u>	<u>\$ (36,041)</u>	<u>\$ 38,166</u>

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF AMOUNTS FROM
US GAAP BASIS TO MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2021

The accompanying supplementary Schedule of Revenues and Expenditures - Budget Compared to Actual on page 25 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.

<u>Total revenues per financial statements</u>	\$	391,224
Add:		
Revenue accruals and non-cash adjustments at December 31, 2020		(2,382)
Less:		
Revenue accruals and non-cash adjustments at December 31, 2021		2,382
<u>Total actual revenues and receipts per the budget</u>	\$	<u>391,224</u>
<u>Total expenses and capital expenditures per financial statements</u>	\$	362,265
Less:		
Expense and capital expenditure accruals and non-cash adjustments at December 31, 2020		(1,620,788)
Principal payment on bonds		(55,000)
Depreciation expense		29,101
Add:		
Expense and capital expenditure accruals and non-cash adjustments at December 31, 2021		1,646,687
Principal payment on bonds		65,000
<u>Total actual expenses and capital expenditures per the budget</u>	\$	<u>427,265</u>

See independent auditor's report.