

**CASCADE METROPOLITAN  
DISTRICT NO. 1**

**FINANCIAL STATEMENTS**

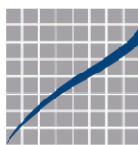
**DECEMBER 31, 2013**



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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 year ended December 31, 2013, and 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 ("US GAAP"); 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Basis for Qualified Opinion***

As more fully described in Note 11, due to the insufficiency of records for the period, balances as of January 1, 2012 and revenues and expenses for the period from January 1, 2013 through June 30, 2013, management was not able to substantiate the classification of revenues and expenses and the presentation of cash flows. The amount by which these departures from US GAAP, if any, would affect the change in net position and cash flows has not been determined.

### ***Qualified Opinion***

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the District as of December 31, 2013, and the changes in financial position thereof for the year then ended in conformity with US GAAP.

### ***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  
August 18, 2014

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

**ASSETS**

Current assets:	
Cash	\$ 31,374
Accounts receivable, less allowance for doubtful accounts	37,333
Prepaid expenses	5,538
<u>Total current assets</u>	<u>74,245</u>
Non-current assets:	
Capital assets, net	1,203,073
<u>Total non-current assets</u>	<u>1,203,073</u>
<u>Total assets</u>	<u>\$ 1,277,318</u>

**LIABILITIES**

Current liabilities:	
Accounts payable and accrued liabilities	\$ 108,142
Payroll liabilities	6,484
Estimated liability to Colorado Springs Utilities	477,733
Accrued interest	2,694
Current maturities of notes and bonds payable	40,302
<u>Total current liabilities</u>	<u>635,355</u>
Non-current liabilities:	
Bonds and notes payable, net of current portion	618,819
<u>Total liabilities</u>	<u>1,254,174</u>

**NET POSITION**

Invested in capital assets, net of related debt	543,952
Restricted for emergency reserves	15,100
Unrestricted	(535,908)
<u>Total net position</u>	<u>23,144</u>
<u>Total liabilities and net position</u>	<u>\$ 1,277,318</u>

The accompanying notes and independent auditor's report  
should be read with this financial statement.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**  
**YEAR ENDED DECEMBER 31, 2013**

**OPERATING REVENUES**

Water sales	\$ 503,329
<hr/>	
Total operating revenues	503,329
<hr/>	

**OPERATING EXPENSES**

Purchased water	171,980
Insurance	5,974
Utilities and telephone	3,828
Bad debt	19,000
Bank charges	510
Repairs and maintenance	6,558
Labor	58,748
Chemicals and supplies	882
Water quality testing	612
Office supplies and other expenses	7,224
Vehicle expense	1,748
Administration	45,029
Professional fees	48,186
Depreciation	31,660
<hr/>	
Total operating expenses	401,939
<hr/>	
Net operating income	101,390
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**NON-OPERATING REVENUES (EXPENSES)**

Other revenues	193
Interest expense	(62,653)
Misappropriation of funds (see Note 11)	(44,831)
<hr/>	
Net non-operating expenses	(107,291)
<hr/>	
Change in net position	(5,901)
<hr/>	
Total net position, beginning of year	29,045
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Total net position, end of year	\$ 23,144
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The accompanying notes and independent auditor's report  
should be read with this financial statement.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2013**

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers	\$ 509,874
Cash payments to vendors	(269,237)
Cash payments to employees for services	(58,748)
Misappropriation of funds (see Note 11)	(44,831)
	137,058

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

Grant and other revenues	193
	193

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Payments on long-term debt	(38,112)
Interest expense	(62,653)
	(100,765)
Net cash used in capital and related financing activities	(100,765)
Net increase in cash and investments	36,486
Disbursements in excess of available cash balances, beginning of year	(5,112)
Cash, end of year	\$ 31,374

The accompanying notes and independent auditor's report  
should be read with this financial statement.



**CASCADE METROPOLITAN DISTRICT NO. 1**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2013**

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**RECONCILIATION OF OPERATING LOSS TO NET  
CASH PROVIDED BY OPERATING ACTIVITIES**

Net operating income	\$ 101,390
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Depreciation	31,660
Bad debt	19,000
Misappropriation of funds (see Note 11)	(44,831)
Decrease (increase) in operating assets:	
Accounts receivable	(12,455)
Prepaid expenses	(5,538)
Estimated liability to Colorado Springs Utilities	(22,267)
Increase in operating liabilities:	
Accounts payable	63,615
Payroll liabilities	6,484
Net cash provided by operating activities	<u>\$ 137,058</u>

The accompanying notes and independent auditor's report  
should be read with this financial statement.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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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 and began operations on June 1, 2005 to provide residential and commercial water services in Cascade, Colorado. The District is governed pursuant to provisions of the Colorado Special District Act. It is governed by a 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's powers are related to those operated in a manner 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.

The District distinguishes between operating revenues and expenses and non-operating items in the Statement of Revenues, Expenses and Changes in Fund 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.

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

Due to the insufficiency of records for the period from January 1, 2013 through June 30, 2013 (see Note 11), the classification of revenues and expenses was unable to be substantiated. The amounts by which this departure from US GAAP, if any, would affect the financial position, change in net position and cash flows has not been determined.

Cash and equivalents

For purposes of the statement 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 credit-worthiness, 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, 2013 have been recorded net of an allowance for doubtful accounts of \$19,000.

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital assets

Capital assets purchased or acquired with an original cost 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).

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 approve 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, 2013 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash	<u><u>\$ 31,374</u></u>
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Cash as of December 31, 2013 consist of the following:

Deposits with financial institutions	<u><u>\$ 31,374</u></u>
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See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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**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. 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, 2013, the District had no investments.

**4. CAPITAL ASSETS**

District capital asset activity for the year ended December 31, 2013 is as follows:

	<u>Balance 01/01/13</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 12/31/13</u>
Capital assets, being depreciated:				
Water distribution system and equipment	\$ 1,503,844	\$ -	\$ -	\$ 1,503,844
Total being depreciated	<u>1,503,844</u>	<u>-</u>	<u>-</u>	<u>1,503,844</u>
Less accumulated depreciation:				
Water distribution system and equipment	<u>(269,111)</u>	<u>(31,660)</u>	<u>-</u>	<u>(300,771)</u>
Capital assets, net	<u>\$ 1,234,733</u>	<u>\$ (31,660)</u>	<u>\$ -</u>	<u>\$ 1,203,073</u>

Depreciation expense for the year ended December 31, 2013 totaled \$31,660.

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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**5. LONG-TERM DEBT**

Long-term debt consisted of the following as of December 31, 2013:

Note payable to State of Colorado, due in monthly installments of \$3,180 including interest at 5%, due November 2036.	\$ 520,023
Note payable to State of Colorado, due in monthly installments of \$2,358 including interest at 5%, due November 2016.	59,284
In 2011 the District issued \$100,000 in bonds to pay operating expenses, mainly purchased water. Revenue bonds payable in monthly installments of \$1,208 including interest at 7.9%, due February 2021.	<u>79,814</u>
Total	\$ 659,121
Less current portion	<u>(40,302)</u>
	<u>\$ 618,819</u>

The following is a analysis of the changes in the District's long-term debt for the year ended December 31, 2013:

	Balance 01/01/13	Additions	Repayments	Balance 12/31/13
Revenue bonds payable	\$ 87,664	\$ -	\$ (7,850)	\$ 79,814
Note payable	531,864	-	(11,841)	520,023
Note payable	<u>77,705</u>	<u>-</u>	<u>(18,421)</u>	<u>59,284</u>
	<u>\$ 697,233</u>	<u>\$ -</u>	<u>\$ (38,112)</u>	<u>\$ 659,121</u>

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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**5. LONG-TERM DEBT (CONTINUED)**

Future commitments on long-term debt as of December 31 , 2013 are as follows:

Year ending December 31,	Amount
2014	\$ 40,302
2015	42,625
2016	43,265
2017	25,213
2018	26,834
2019 - 2023	118,260
2024 - 2028	113,536
2029 - 2033	145,707
2034 - 2036	103,379
	\$ 659,121

**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, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2013, the District had an investment in capital assets, net of related debt calculated as follows:

Capital assets, net of accumulated depreciation	\$ 1,203,073
Revenue bonds payable	(659,121)
	\$ 543,952

Restricted assets include net assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net assets as of December 31, 2013 as follows:

Restricted for emergency reserves (see Note 8)	\$ 15,100
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See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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**6. NET POSITION (CONTINUED)**

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital, net of related debt or restricted net assets.

**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; 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 in 2013.

**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. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. For the year ended December 31, 2013, management used 3% of revenues to calculate the reserve amount (see Note 11).

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.

See independent auditor's report.



**CASCADE METROPOLITAN DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

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**10. COMMITMENTS AND CONTINGENCIES**

The District is currently negotiating with Colorado Springs Utilities ("CSU") over prior purchased water billings. CSU estimates that the District owes approximately \$478,000 for the water purchased. This amount bears interest at 1% per month. To be conservative in its financial reporting, the District has recorded the liability on the financial statements using the CSU estimate, but such recording admits no liability.

In 2010, the District joined in a lawsuit over water delivery rights and rates. The District is currently in water court over these issues.

**11. MISAPPROPRIATION OF FUNDS**

During 2013, the board of directors of the District was made aware of a potential scheme by a contractor hired to perform duties as administrator of the District to misappropriate District funds. Based on an investigation, the board of directors and new management of the District alleges approximately \$775,000 was misappropriated from the District (approximately \$730,000 prior to the period under audit and approximately \$45,000 for the period under audit). The board of directors, new management of the District, and the El Paso County District Attorney are actively seeking and pursuing any remedies that might be available to the District.

The board of directors and management allege that the books and records of the District were falsified to conceal and perpetuate the misappropriation of funds. Additionally, due to the termination of the contractor, the new management has been unable to locate certain records. Due to the insufficiency of records for the period under audit, the classification of revenues and expenses and the presentation of cash flows were unable to be substantiated for the period from January 1, 2013 through June 30, 2013. The amount by which these departures from US GAAP, if any, would affect the, change in net position and cash flows has not been determined.

Some residents within the District have indicated their intentions to bring legal action against a member of the board of directors and the former contractor. In the event this action is undertaken, the District may be required to aid in the legal defense of the member of the board of directors. The District does not believe there is any obligation with respect to the former contractor.

**12. SUBSEQUENT EVENTS**

In March of 2014, the District's board of directors approved a fee increase of \$25 per month per ¾" tap with the fee being pro-rated for larger taps. All collected fees relating to this increase will be remitted to CSU and will be applied directly to the outstanding balance that the District has with CSU per the Basic Terms of Repayment Agreement. The District is responsible for paying the current monthly water usage bill and the interest expense relating to the outstanding balance with all other fees and revenues collected.

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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, 2013**

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<b><u>OPERATING REVENUES</u></b>			
Water sales	\$ 329,000	\$ 515,261	\$ 186,261
Pipeline surcharge	148,700	-	(148,700)
Late fees	6,800	-	(6,800)
<b>Total operating revenues</b>	<b>484,500</b>	<b>515,261</b>	<b>30,761</b>
<b><u>OPERATING EXPENDITURES</u></b>			
Purchased water	256,000	192,556	(63,444)
Insurance	7,700	5,974	(1,726)
Utilities and telephone	4,200	3,828	(372)
Bad debt	-	25,000	25,000
Bank charges	600	510	(90)
Repairs and maintenance	28,000	6,558	(21,442)
Labor	42,500	55,292	12,792
Chemicals and supplies	1,800	882	(918)
Water quality testing	1,800	612	(1,188)
Office supplies and other expenses	380	7,224	6,844
Vehicle expense	3,300	1,748	(1,552)
Administration	51,100	45,029	(6,071)
Professional fees	3,700	48,186	44,486
<b>Total operating expenditures</b>	<b>401,080</b>	<b>393,399</b>	<b>(7,681)</b>
<b><u>NON-OPERATING REVENUES AND EXPENDITURES</u></b>			
Construction expenses	(10,000)	-	10,000
Turse bond and DOLA loan payments	(52,661)	(38,112)	14,549
Interest payments	(28,293)	(62,653)	(34,360)
Reserve fund	(7,200)	-	7,200
Grant funds	10,000	-	(10,000)
Tap fees	15,000	-	(15,000)
Other revenues	-	193	193
Misappropriation of funds	-	(44,831)	(44,831)
<b>Total non-operating revenues and expenditures</b>	<b>(73,154)</b>	<b>(145,403)</b>	<b>(72,249)</b>
<b>Excess (deficit) of revenue over expenditures - budgetary basis</b>	<b>\$ 10,266</b>	<b>\$ (23,541)</b>	<b>\$ (33,807)</b>

See independent auditor's report.

**CASCADE METROPOLITAN DISTRICT NO. 1**  
**RECONCILIATION OF AMOUNTS FROM GAAP BASIS TO CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2013**

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The accompanying supplementary Schedule of Revenues and Expenditures - Budget Compared to Actual on page 17 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>	\$	503,522
Add:		
<u>Revenue accruals and non-cash adjustments</u>		<u>11,932</u>
<u>Total actual revenues and receipts per the budget</u>	\$	<u>515,454</u>
<u>Total expenses and capital expenditures per financial statements</u>	\$	509,423
Add:		
<u>Expense and capital expenditure accruals and non-cash adjustments</u>		61,232
Less:		
<u>Depreciation expense</u>		<u>(31,660)</u>
<u>Total actual expenses and capital expenditures per the budget</u>	\$	<u>538,995</u>

See independent auditor's report.