

**CASCADE METROPOLITAN
DISTRICT NO. 1**

FINANCIAL STATEMENTS

DECEMBER 31, 2014

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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, 2014, 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.

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally

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

June 29, 2015

CASCADE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS

Current assets:	
Cash and equivalents	\$ 65,411
Accounts receivable, less allowance for doubtful accounts	52,611
Prepaid expenses	6,174
<u>Total current assets</u>	<u>124,196</u>
Non-current assets:	
Capital assets, net	1,171,413
<u>Total non-current assets</u>	<u>1,171,413</u>
<u>Total assets</u>	<u>\$ 1,295,609</u>

LIABILITIES

Current liabilities:	
Accounts payable and accrued liabilities	\$ 231,125
Payable to Colorado Springs Utilities	437,483
Accrued interest and loan penalty payable	13,732
Current maturities of notes and bonds payable	42,625
<u>Total current liabilities</u>	<u>724,965</u>
Non-current liabilities:	
Bonds and notes payable, net of current portion	570,736
<u>Total liabilities</u>	<u>1,295,701</u>

NET POSITION

Invested in capital assets, net of related debt	558,052
Restricted for emergency reserves	18,578
Unrestricted	(576,722)
<u>Total net position</u>	<u>(92)</u>
<u>Total liabilities and net position</u>	<u>\$ 1,295,609</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, 2014

OPERATING REVENUES

Water sales	\$ 619,273
<hr/>	
Total operating revenues	619,273

OPERATING EXPENSES

Purchased water	198,022
Insurance	8,031
Utilities and telephone	2,301
Bank charges	417
Repairs and maintenance	8,600
Labor	57,540
Chemicals and supplies	740
Water quality testing	1,798
Office supplies and other expenses	11,243
Vehicle expense	345
Administration	46,762
Professional fees	170,816
Depreciation	31,660
<hr/>	
Total operating expenses	538,275
<hr/>	
Net operating income	80,998

NON-OPERATING REVENUES (EXPENSES)

Other revenues	1,905
Interest income	30
Interest expense	(87,482)
Loan penalty	(18,687)
<hr/>	
Net non-operating expenses	(104,234)
<hr/>	
Change in net position	(23,236)
<hr/>	
Total net position, beginning of year	23,144
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Total net position, end of year	\$ (92)

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, 2014

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 603,995
Cash payments to vendors	(362,424)
Cash payments to employees for services	(57,540)
	184,031
Net cash provided by operating activities	184,031

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Other revenues	1,905
	1,905
Net cash provided by non-capital financing activities	1,905

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments on long-term debt	(45,760)
Interest expense and penalties	(106,169)
	(151,929)
Net cash used in capital and related financing activities	(151,929)
Net increase in cash and investments	34,037
Cash and equivalents, beginning of year	31,374
Cash and equivalents, end of year	\$ 65,411

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, 2014

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

Net operating income	\$	80,998
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation		31,660
Decrease (increase) in operating assets:		
Accounts receivable		(15,278)
Prepaid expenses		(636)
Increase (decrease) in operating liabilities:		
Accounts payable		134,021
Payable to Colorado Springs Utilities		(40,250)
Payroll liabilities		(6,484)
Net cash provided by operating activities	\$	184,031

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, 2014

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 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'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.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District distinguishes between operating revenues and expenses and non-operating items in the Statement 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.

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.

In March of 2014, the District's board of directors approved a fee increase of \$25 per month per ¾" residential tap with the fee being pro-rated for larger taps. All collected fees relating to this increase will be remitted to Colorado Springs Utilities ("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. See note 10 for subsequent developments regarding the CSU balance.

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.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014 have been recorded net of an allowance for doubtful accounts of \$19,000.

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 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, 2014

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2014 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash	<u>\$ 65,411</u>
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Cash as of December 31, 2014 consist of the following:

Deposits with financial institutions	<u>\$ 65,411</u>
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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, 2014, the District had no investments.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

4. CAPITAL ASSETS

District capital asset activity for the year ended December 31, 2014 is as follows:

	<u>Balance 01/01/14</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 12/31/14</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>(300,771)</u>	<u>(31,660)</u>	<u>-</u>	<u>(332,431)</u>
Capital assets, net	<u>\$ 1,203,073</u>	<u>\$ (31,660)</u>	<u>\$ -</u>	<u>\$ 1,171,413</u>

Depreciation expense for the year ended December 31, 2014 totaled \$31,660.

5. LONG-TERM DEBT

Long-term debt consisted of the following as of December 31, 2014:

Note payable to State of Colorado, due in monthly installments of \$3,180 including interest at 5%, due November 2036.	\$ 505,441
Note payable to State of Colorado, due in monthly installments of \$2,358 including interest at 5%, due November 2016.	36,600
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>71,320</u>
Total	\$ 613,361
Less current portion	<u>(42,625)</u>
	<u>\$ 570,736</u>

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

5. LONG-TERM DEBT (CONTINUED)

The following is a analysis of the changes in the District's long-term debt for the year ended December 31, 2014:

	<u>Balance</u> 01/01/14	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> 12/31/14
Revenue bonds payable	\$ 79,814	\$ -	\$ (8,494)	\$ 71,320
Note payable	520,023	-	(14,582)	505,441
Note payable	<u>59,284</u>	<u>-</u>	<u>(22,684)</u>	<u>36,600</u>
	<u>\$ 659,121</u>	<u>\$ -</u>	<u>\$ (45,760)</u>	<u>\$ 613,361</u>

Future commitments on long-term debt as of December 31 , 2014 are as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Amount</u>
2015	\$ 42,625
2016	39,888
2017	25,334
2018	26,961
2019	28,699
2020 - 2024	110,971
2025 - 2029	120,341
2030 - 2034	154,441
2035 - 2036	<u>64,101</u>
	<u>\$ 613,361</u>

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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, 2014, the District had an investment in capital assets, net of related debt calculated as follows:

Capital assets, net of accumulated depreciation	\$ 1,171,413
Revenue bonds payable	<u>(613,361)</u>
	<u><u>\$ 558,052</u></u>

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, 2014 as follows:

Restricted for emergency reserves (see Note 8)	<u><u>\$ 18,578</u></u>
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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 2014.

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.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

8. TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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, 2014, 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. COMMITMENTS AND CONTINGENCIES

In 2014, the District entered into negotiations with CSU over, among other things, prior purchased water billings and water rights. The District owed CSU \$437,483 as of December 31, 2014 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 2011, the District joined a lawsuit against CSU and the City of Colorado Springs, Colorado over water delivery rights and rates. As of December 31, 2014 the District was in water court over these issues. However, the case was subsequently dismissed with prejudice in April of 2015.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

10. SUBSEQUENT EVENTS

Settlement

Effective April 3, 2015, the District reached a settlement with CSU over the prior purchased water billings. The District agreed to repay CSU for the past due amounts owed to CSU in the amount of \$441,264 which balance was as of January 13, 2015. CSU will not charge interest on the past due amounts beginning on the effective date through June 15, 2015. The District is required to pay the past due sums to CSU by June 15, 2015. In the event the District is unable to secure financing for the past due sums through bonds or other financing, the District will obtain a loan from Realty Management Group, LLC ("RMG"). The District and CSU entered into a new Water Service Agreement effective as of April 1, 2015 for water service to the District.

New bond issuance

On June 1, 2015, the District issued Series 2015A and 2015B Water Enterprise Revenue Refunding and Improvement Bonds in the amount of \$5,000,000. The bond proceeds were used to repay notes payable to DOLA and CSU, the bond to Carl Turse, and other vendor payables. The 2015A Bonds bear interest at annual rates between 4.75% and 6.00% per annum until December 1, 2036. The 2015B Bonds bear interest at an annual rate of 5.50% per annum until December 1, 2035. The interest and principal payments are payable semi-annually on each June 1 and December 1, beginning December 1, 2015. The 2015A bonds mature on December 31, 2036 and the 2015B Bonds mature on December 1, 2035.

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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, 2014

	Original Budget	Final Budget	Actual	Favorable (Unfavorable) Variance
<u>OPERATING REVENUES</u>				
Water sales	\$ 330,000	\$ 424,112	\$ 333,456	\$ (90,656)
Meter fee	-	72,149	94,566	22,417
Pipeline surcharge	148,700	91,327	102,693	11,366
Late fees	2,500	2,500	3,855	1,355
Water provision fee	-	60,790	69,426	8,636
Total operating revenues	<u>481,200</u>	<u>650,878</u>	<u>603,996</u>	<u>(46,882)</u>
<u>OPERATING EXPENDITURES</u>				
Purchased water	250,200	215,096	198,022	17,074
Insurance	8,500	7,299	8,031	(732)
Utilities and telephone	7,980	2,343	2,301	42
Bank charges	100	500	417	83
Repairs and maintenance	27,200	13,000	8,600	4,400
Labor	44,484	48,290	57,540	(9,250)
Chemicals and supplies	1,800	1,800	740	1,060
Water quality testing	1,992	2,261	1,798	463
Office supplies and other expenses	5,480	12,532	11,242	1,290
Vehicle expense	3,600	1,000	345	655
Administration	25,000	33,035	46,762	(13,727)
Professional fees	34,500	140,850	170,816	(29,966)
Total operating expenditures	<u>410,836</u>	<u>478,006</u>	<u>506,614</u>	<u>28,608</u>
<u>NON-OPERATING REVENUES AND EXPENDITURES</u>				
Bond and loan payments	(52,668)	(52,668)	(45,760)	6,908
Interest payments	(28,296)	(77,499)	(87,482)	(9,983)
Loan penalty	-	-	(18,687)	(18,687)
CSU - Water provision fee	-	(45,292)	-	45,292
Tap fees	15,000	-	-	-
Interest income	-	22	30	8
Other revenues	-	500	1,905	1,405
Total non-operating revenues and expenditures	<u>(65,964)</u>	<u>(174,937)</u>	<u>(149,994)</u>	<u>24,943</u>
Excess (deficit) of revenue over expenditures - budgetary basis	<u>\$ 4,400</u>	<u>\$ (2,065)</u>	<u>\$ (52,612)</u>	<u>\$ (57,012)</u>

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF AMOUNTS FROM GAAP BASIS TO CASH BASIS
YEAR ENDED DECEMBER 31, 2014

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>	\$ 621,208
Less:	
<u>Revenue accruals and non-cash adjustments</u>	<u>(15,277)</u>
<u>Total actual revenues and receipts per the budget</u>	<u>\$ 605,931</u>
<u>Total expenses and capital expenditures per financial statements</u>	\$ 644,444
Add:	
<u>Expense and capital expenditure accruals and non-cash adjustments</u>	45,759
Less:	
<u>Depreciation expense</u>	<u>(31,660)</u>
<u>Total actual expenses and capital expenditures per the budget</u>	<u>\$ 658,543</u>

See independent auditor's report.