
CASCADE METROPOLITAN DISTRICT NO. 1

BiggsKofford, P.C.
630 Southpointe Court, Suite 200
Colorado Springs, CO 80906

This representation letter is provided in connection with your audit of the financial statements of Cascade Metropolitan District No. 1, which comprise the respective financial position of the governmental activities and each major fund as of December 31, 2015 and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended, and the related notes to the financial statements for each district, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit. These representations are effective as of the date of your report.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 8, 2016 including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in all material respects in conformity with US GAAP and include all properly classified funds and other financial information of the primary government and all component units required by US GAAP be included in the financial reporting entity.
3. We acknowledge our responsibility 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.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with US

GAAP.

7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with US GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
9. Guarantees, whether written or oral, under which the entity is contingently liable, have been properly recorded or disclosed.
10. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
11. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed.
12. Agreements to repurchase assets previously sold have been properly disclosed.
13. We are in agreement with the adjusting, reclassifying and eliminating entries you have proposed, and the adjusting journal entries have been posted to the internal accounts. A list of adjusting and reclassifying entries is included below.

Adjusting Journal Entries JE # 1

To reverse client entry related to bond issuance.

1-597	Series 2015A-Reoffering Prem. Accumulated	46,657.00	
1-505	Water Sales		35,407.00
2-610	Series 2015B-Issue Discount - Accumulated		11,250.00
Total		46,657.00	46,657.00

Adjusting Journal Entries JE # 2

To book annual depreciation.

1-910	Depreciation	31,659.83	
1-189	Accumulated Depreciation		31,659.83
Total		31,659.83	31,659.83

Adjusting Journal Entries JE # 3

To adjust for entry booked to the wrong account in QB. The entry in QB adjusts for incorrect meter reads and should have been booked to the water sales account instead of the debt service water fee (which is not usage based).

1-596	Debt Service Water Fee	26,114.47	
1-505	Water Sales		26,114.47
Total		26,114.47	26,114.47

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Adjusting Journal Entries JE # 4

Reverse incorrect reclass entry booked by SDMS

1-508	Water Service Charge	7,800.16	
1-510	Late Fees	1,295.00	
1-512	Water Provision Fee	9,044.97	
1-515	Pipeline Surcharge	15,034.27	
1-505	Water Sales		33,174.40
Total		33,174.40	33,174.40

Adjusting Journal Entries JE # 5

To accrue payables improperly excluded at 12/31/15.

1-735	Water Purchase	18,627.60	
1-735	Water Purchase	36,274.80	
3-763	Design Costs	17,170.41	
3-763	Design Costs	90,224.59	
1-310	Accounts Payable		162,297.40
Total		162,297.40	162,297.40

Adjusting Journal Entries JE # 6

To book amortization on Series 2015A Bond Premium and 2015B discount.

1-597	Series 2015A-Reoffering Prem. Accumulated	1,194.90	
2-900	Interest Expense CMD A 2015	1,344.54	
2-905	Interest Expense CMD B 2015	588.44	
2-906	Interest Expense - CMD -2015B Bond Discount	294.72	
2-253	Series 2015A - Underwriters discount amortization		1,344.54
2-255	Series 2015B - underwriters discount amortization		588.44
2-610	Series 2015B-Issue Discount - Accumulated		294.72
2-901	Interest Income - CMD 2015A Bond Premium		1,194.90
Total		3,422.60	3,422.60

Adjusting Journal Entries JE # 7

To book accrued interest as of December 31.

2-900	Interest Expense CMD A 2015	16,641.67	
2-905	Interest Expense CMD B 2015	6,875.00	
1-346	Accrued Interest- Series 2015A		16,641.67
1-347	Accrued Interest- Series 2015B		6,875.00
Total		23,516.67	23,516.67

Adjusting Journal Entries JE # 8

To move bond issuance costs to liability accounts from expense accounts.

2-252	Series 2015A - Underwriters discount	52,500.00	
2-254	Series 2015B - Underwriters discount	22,500.00	
2-618	Bond Issuance Costs		22,500.00
2-618	Bond Issuance Costs		52,500.00
Total		75,000.00	75,000.00

Information Provided

14. We have provided you with:

- a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
- b. Additional information that you have requested from us for the purpose of the audit.
- c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- d. Minutes of meetings of the directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

15. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

16. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

17. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

- a. Management,
- b. Employees who have significant roles in internal control, or
- c. Others where the fraud could have a material effect on the financial statements.

18. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.

19. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

20. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

21. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

22. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

23. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

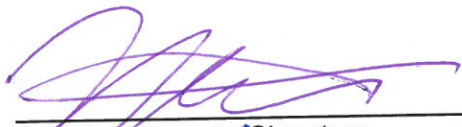
24. The entity has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
26. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
27. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
28. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
29. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
30. As part of your audit, you assisted with the preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
31. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
32. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
33. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
34. Components of net position (net investment in capital assets; restricted; and unrestricted) , and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
35. Provisions for uncollectible receivables have been properly identified and recorded.
36. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
37. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

KPW


38. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
39. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
40. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
41. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
42. With respect to the schedule of revenues and expenditures – budget compared to actual – cash basis
 - a. We acknowledge our responsible for presenting the schedule of revenues and expenditures – budget compared to actual – cash basis in accordance with accounting principles generally accepted in the United States of America, and we believe the [Identify supplementary information], including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the [Identify supplementary information] have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the schedule of revenues and expenditures – budget compared to actual – cash basis is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Cascade Metropolitan District No. 1



 Board of Directors Signature

PRESIDENT
 Title



 Management Company Signature

Vice President/District Manager
 Title
Schooler & Associates, Inc.