



CASCADE METROPOLITAN DISTRICT NO. 1 NOTICE OF REGULAR MEETING AND AGENDA

WALKER SCHOOLER
DISTRICT MANAGERS

Tuesday, July 26, 2022
5:30 P.M.

This meeting will be held via teleconferencing and can be joined through the directions below:

Please join my meeting from your computer, tablet or smartphone.

<https://meet.goto.com/808805133>

You can also dial in using your phone.

United States: [+1 \(408\) 650-3123](tel:+14086503123)

Access Code: 808-805-133

Public invited to attend

Board of Directors

Board Of Directors	Title	Term
Susan Soloyanis	President	May 2023
Mike Herr	Secretary/ Treasurer	May 2023
Karole Campbell	TBD	May 2025
James Borden	Assistant Secretary	May 2025
Erin Sullivan	Assistant Secretary	May 2023

AGENDA

1. **Call to Order**
2. **Declaration of Quorum/Director Qualifications/Reaffirmation of Disclosures**
3. **Election of Officers**
4. **Approval of Agenda**
5. **Consent Agenda Items** (These items are considered to be routine and will be approved by one motion. There will be no separate discussion of these items unless requested, in which event, the item will be removed from the Consent Agenda and considered in the Regular Agenda)
 - a. Approval of Board Meeting Minutes from the regular meeting on April 26, 2022 (**enclosure**)
 - b. Ratification and Approval of Payables for the period ending July 26, 2022 (**enclosure**) in the amount of:

General Fund:	\$ 5,721.94
<u>Debt Service Fund:</u>	<u>\$ 33,254.73</u>
Total	\$ 38,976.67
 - c. Acceptance of Unaudited Financial Statements as of June 30, 2022, the schedule of cash position updated as of June 30, and bank statements (**enclosure**)
 - d. Ratification of Resolution Approving the Sale of Real Property (**enclosure**)
6. **Consideration of items removed from the Consent Agenda**
7. **Review and Consider Acceptance of the 2021 Audit (enclosure)**
8. **Management Matters**

- a. Discuss status of post-conversion requirements
- b. Review of payment status and collections
 - i. Current billings
 - ii. Collections
- c. Update on disposition of assets
 - i. Pump Station removed
 - ii. Properties counties may be interested in taking over
 - iii. Water Tank Shed
 - iv. Storage Tank on Pyramid Mountain
 - v. Status of Closing on Triangle Building
- d. Discuss Meeting options for 2023
- e. Discuss Legal Counsel attendance for Meetings

9. Review CMD Board Action Plan (separate enclosure)

10. Legal Matters

- a. Discuss notice of Intent to increase fees for 2023 (**enclosure**)
- b. Review Status Report for June 2022 (**distributed under separate cover**)
- c. Discuss 2022 Legislative Memorandum (**enclosure**)
- d. Discuss Funds to be Received from Sale of Triangle Building Being Earmarked for District's Debt

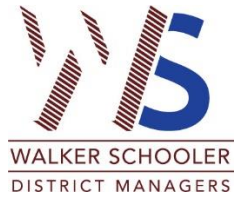
11. Financial Matters

12. Public Comment (Items not on the Agenda Only. Comments limited to 3 minutes per person and taken in order in which they appear)

13. Other Business

- a. Next Meeting – Scheduled for October 25, 2022, at 5:30 PM

14. Adjourn



**MINUTES OF A BOARD MEETING OF
THE BOARD OF DIRECTORS OF THE
CASCADE METROPOLITAN DISTRICT NO. 1
HELD APRIL 26, 2022**

A regular meeting of the Board of Directors (the "Board") of the Cascade Metropolitan District No. 1 (the "District") was duly held on Tuesday, the 26th day of April 2022 at 5:30 p.m. The meeting was held via teleconference. The meeting was open to the public.

Directors in Attendance Were:

Jim Borden
Mike Herr
Erin Sullivan
Troy Eason

Also in Attendance Were:

Heather Hartung, Esq., White Bear Ankele Hartung & Waldron, Attorneys at Law
Rebecca Hardekopf, Walker Schooler District Managers
Karole Campbell
Members of the Public

1. **Call to Order:** Ms. Hartung called the meeting to order at 5:34 PM. Director Borden moved to excuse Director Soloyanis; seconded by Director Herr. Motion passed unanimously.
2. **Declaration of Quorum/Director Qualifications/Reaffirmation of Disclosures:** Ms. Hartung confirmed a quorum of the Board was present with the excused absence of Director Soloyanis and that each Director had confirmed their qualifications to serve. Ms. Hartung confirmed the Directors' conflicts of interest were properly filed.
3. **Approval of Agenda:** Director Eason moved to approve the Agenda as written; seconded by Director Borden. Motion passed unanimously.
4. **Consent Agenda Items:**
 - a. Approval of Board Meeting Minutes from the regular meeting on January 25, 2022
 - b. Ratification and Approval of Payables for the period ending April 25, 2022 in the amount of:

General Fund:	\$ 4,146.43
Debt Service Fund:	\$ 22,336.71
Total	\$ 26,483.14
 - c. Acceptance of Unaudited Financial Statements as of March 31, 2022, the schedule of cash position updated as of March 31, 2022,

Director Herr noted he has not been able to reconcile everything since January 25, 2022 since he did not have all of the bank statements. Item 4.c. was removed from the Consent Agenda Items. After review, Director Borden moved to approve Consent Agenda Items 4.a and 4.b; seconded by Director Eason. Motion passed unanimously.

5. Consideration of items removed from Consent Agenda: Acceptance of . The Board agreed to consider the approval of the bank statements at the next meeting once Director Herr has time to review and reconcile.

6. Management Matters

- a. Review of payment status and collections: Ms. Hardekopf presented a review of the payment status and collections.
 - i. Current billings
 - ii. Collections: There are currently 9 delinquent accounts. Once they reach 6 months delinquent in June they can be certified to the Treasurer for collection.
- b. Discuss status of post-conversion requirements: Ms. Hardekopf noted this item is ongoing. There are no current updates from Colorado Springs Utilities on the status of the easements but should receive an update next month.
- c. Update on disposition of assets
 - i. Pump Station Bid to remove: Mr. Walker is getting bids for demolition of the pump house. Director Borden requested they move forward with demolition of the pump house as quickly as possible to prevent liability.
 - ii. Properties counties may be interested in taking over: The County expressed interest in taking over the parcels in February but there are no current updates.
 - iii. Water Tank Shed: Ms. Hardekopf noted that two people have expressed interest in the water tank, but there are no recent updates.

7. Preliminary Review of Triangle Building Bids

- a. Review Triangle Building Bids and consider acceptance of a Bid: Ms. Hardekopf presented three bids. First bid was for \$7,777.77, second bid was \$32,777.77, and the last bid was \$66,552.00 which is what Walker Schooler District Managers recommends the Board accepts. Ms. Hartung noted they have drafted a real estate contract and they will prepare a Resolution authorizing the sale for Board signatures. Director Borden noted that in the past, the purchaser requested that the money goes towards the debt. Ms. Hartung explained they will have to direct the money and it can go towards the debt if the Board agrees. Director Borden moved to accept the \$66,552.00 bid for the Triangle Building; seconded by Director Eason. Motion passed unanimously.

Commented [HLH1]: The Board approved proceeding with the resolution and authorized Susan and Mike to sign all necessary paperwork to effectuate the closing

8. Legal Matters

- a. Update on May 3, 2022 Election: Ms. Hartung reported that the Election was cancelled because there were not more applicants than open positions. Karole Campbell will be the new Board member. The Oath of Office and Conflicts of Interest form will be sent on May 4, 2022 and once signed will be filed with the State. Ms. Hartung and the Board acknowledged that this is Director Eason's last meeting and thanked him for his service to the Board.

9. Consider for Adoption Resolution No. 2022-04-01 Letter of Recognition for Service: Ms. Hardekopf noted Mr. Whittemore was invited to the meeting but unable to attend. The plaque was received and will also be delivered to Mr. Whittemore along with the Letter of

Recognition for Service. Director Eason moved to adopt Resolution No. 2022-04-01 Letter of Recognition of Service; seconded by Director Borden. Motion passed unanimously.

10. Financial Matters: Director Borden requested discussion on the cost increase analysis for next year to cover the balloon payment. Ms. Hardekopf noted that Mr. Walker’s analysis showed 4% increase annually to cover the bond payment, but that might change with the \$66,552.00 payment towards the debt. Director Borden requested an updated analysis so they can inform the residents as soon as possible.

Director Herr discussed the process of reviewing the payables the months when there is not a Board meeting. He suggested all Board members review and approve the Payables. Ms. Hardekopf noted that payables are emailed to all Board members for review each month, but there may have been an error and the reason why Director Herr did not receive them. She can also set up Bill.com to require all Board members’ approval if the Board would like. The Board discussed and agreed to send email read receipts for payable review. If a Board member will be out of town on the third Tuesday of the month and will miss payable review, let Ms. Hardekopf know ahead of time.

11. Public Comment: There was no public comment.

12. Other Business

- a. Re-schedule Triangle bid Special Meeting: The Special Meeting is no longer needed since the Board approved the Triangle Building bid.
- b. Next Meeting – Scheduled for July 26, 2022, at 5:30 PM. The Board will review the Audit at the July meeting.
- c. Director Herr thanked Ms. Campbell for joining the Board and thanked Director Eason for his service to the Board. Director Eason wished the Board well and thanked Walker Schooler District Managers.

13. Adjournment: The Board adjourned the meeting at 6:19 PM.

Respectfully submitted,

By: _____
Secretary for the Meeting

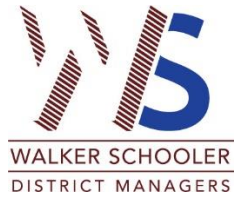
THESE MINUTES ARE APPROVED AS THE OFFICIAL APRIL 26, 2022 MINUTES OF THE CASCADE METROPOLITAN DISTRICT NO. 1 BY THE BOARD OF DIRECTORS SIGNING BELOW:

Troy Eason

James Borden

Susan Soloyanis

Erin Sullivan



Cascade Metropolitan District
PAYMENT REQUEST
7/18/2022
GENERAL FUND ACCOUNT

Company	Invoice	Date	Amount	Comments
Mailing Services Inc	16751	6/20/2022	231.35	
Mailing Services Inc	16833	7/8/2002	233.47	
Walker Schooler District Managers	7109	6/30/2022	2,971.37	
White Bear Ankele Tanaka & Waldron	22628	6/30/2022	2,060.75	
White Bear Ankele Tanaka & Waldron	22676	6/30/2022	225.00	
TOTAL			5,721.94	

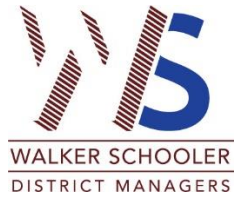
BOND FUND ACCOUNT

Description	Date	Amount	Comments
UMB Bank - Series 2015A & 2015B Interest	8/1/2022	\$ 33,254.73	July
TOTAL		\$ 33,254.73	

TOTAL FOR ALL FUNDS

\$ 38,976.67

_____, President



Balance Sheet

As of June 30, 2022

	<u>Jun 30, 22</u>
ASSETS	
Current Assets	
Checking/Savings	
1995 Checking	40,075.60
2002 Savings	137,459.79
2-1050 · UMB Interest 143222.1	45,573.85
2-1055 · UMB Reserve 143222.3	368,048.03
2-1060 · UMB Principal 143222.2	21,681.01
Total Checking/Savings	<u>612,838.28</u>
Accounts Receivable	
1-1200 · Accounts Receivable	43,978.56
1-1210 · Allowance for Doubtful Accounts	-5,000.00
Total Accounts Receivable	<u>38,978.56</u>
Total Current Assets	<u>651,816.84</u>
TOTAL ASSETS	<u>651,816.84</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 · Accounts Payable	7,855.25
Total Accounts Payable	<u>7,855.25</u>
Other Current Liabilities	
Deposit Held	5,000.00
1-320 · Prepaid Charges	5,706.16
Total Other Current Liabilities	<u>10,706.16</u>
Total Current Liabilities	18,561.41
Long Term Liabilities	
Bonds Payable 2015A	3,310,000.00
Bonds Payable 2015B	1,430,000.00
Total Long Term Liabilities	<u>4,740,000.00</u>
Total Liabilities	4,758,561.41
Equity	
3-3200 · Invested in Capital Assets	-4,192,805.87
30000 · Opening Balance Equity	-180,464.08
32000 · Retained Earnings	230,225.08
Net Income	36,300.30
Total Equity	<u>-4,106,744.57</u>
TOTAL LIABILITIES & EQUITY	<u>651,816.84</u>

Cascade Metropolitan District No. 1

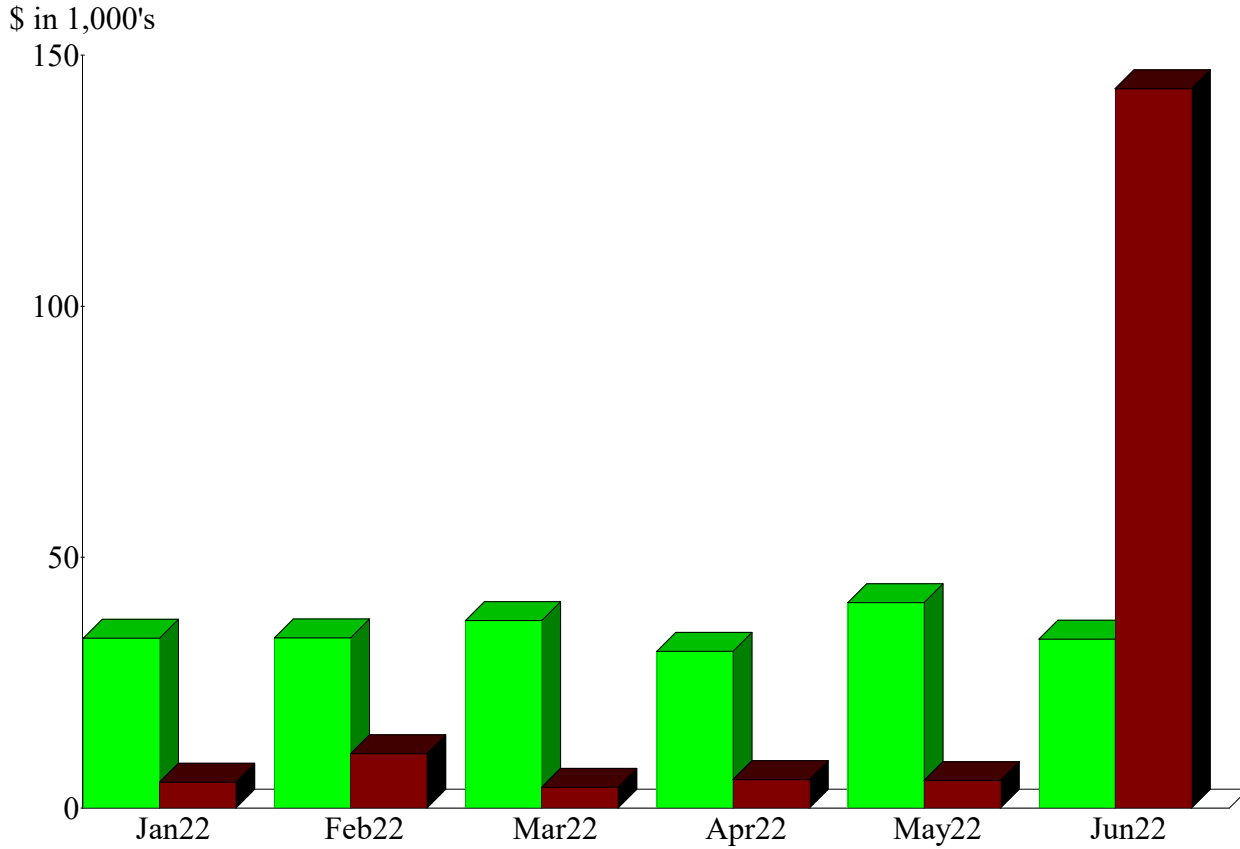
Profit & Loss Budget vs. Actual

January through June 2022

	TOTAL				
	Jun 22	Jan - Jun 22	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense					
Income					
1-505 · Water Sales	0.00	0.00			
1-506 · Operations Administrative Fee	4,589.29	32,105.12	42,000.00	-9,894.88	76.44%
1-509 · Revenue-Collection Charges	0.00	0.00	5,000.00	-5,000.00	0.0%
1-510 · Late Fees	435.00	2,570.00	2,500.00	70.00	102.8%
1-560 · Interest Income	5.47	10.93	100.00	-89.07	10.93%
2-510 · Debt Service Fee	28,181.57	174,860.70	330,000.00	-155,139.30	52.99%
2-515 · AOS Fee	0.00	0.00			
2-530 · Malcom Restitution	80.43	482.58			
2-560 · Interest Income-Debt	387.55	1,049.82	300.00	749.82	349.94%
Total Income	33,679.31	211,079.15	379,900.00	-168,820.85	55.56%
Expense					
1-614 · Billing and Customer Service	2,000.00	12,000.00	24,000.00	-12,000.00	50.0%
1-615 · Audit	0.00	0.00	9,000.00	-9,000.00	0.0%
1-618 · Bank Fees	163.06	942.24	1,800.00	-857.76	52.35%
1-635 · Election	0.00	3,572.66	2,500.00	1,072.66	142.91%
1-670 · Insurance/SDA Dues	0.00	0.00	2,500.00	-2,500.00	0.0%
1-672 · Dues, Fees & Subscriptions	0.00	557.61	250.00	307.61	223.04%
1-675 · Legal	2,060.75	7,836.70	10,000.00	-2,163.30	78.37%
1-680 · Management	625.00	3,750.00	7,500.00	-3,750.00	50.0%
1-683 · Accounting/ Bookkeeping	166.67	1,000.02	2,000.00	-999.98	50.0%
1-684 · Expense-Collection Charges	225.00	5,378.00	5,000.00	378.00	107.56%
1-685 · Miscellaneous	0.00	0.00	10,000.00	-10,000.00	0.0%
1-729 · CSU Settlement	0.00	0.00	35,000.00	-35,000.00	0.0%
1-760 · Office Supplies/Postage	411.05	2,050.33	3,600.00	-1,549.67	56.95%
1-920 · Bad Debt Expense	0.00	0.00	2,500.00	-2,500.00	0.0%
2-617 · Bank Fees - Debt Service	3,020.89	3,028.79	3,500.00	-471.21	86.54%
2-900 · Interest Expense CMD A 2015	95,337.50	95,337.50	190,675.00	-95,337.50	50.0%
2-905 · Interest Expense CMD B 2015	39,325.00	39,325.00	78,650.00	-39,325.00	50.0%
Total Expense	143,334.92	174,778.85	388,475.00	-213,696.15	44.99%
Net Ordinary Income	-109,655.61	36,300.30	-8,575.00	44,875.30	-423.33%
Other Income/Expense					
Other Income					
Other Income					
Gain on Sale of Assets	0.00	0.00	7,500.00	-7,500.00	0.0%
Total Other Income	0.00	0.00	7,500.00	-7,500.00	0.0%
Total Other Income	0.00	0.00	7,500.00	-7,500.00	0.0%
Other Expense					
Suspense Account - Bond Payment	0.00	0.00			
Total Other Expense	0.00	0.00			
Net Other Income	0.00	0.00	7,500.00	-7,500.00	0.0%
Net Income	-109,655.61	36,300.30	-1,075.00	37,375.30	-3,376.77%

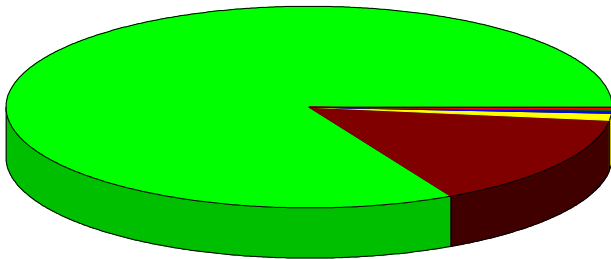
Income and Expense by Month
January through June 2022

Income
Expense



Income Summary
January through June 2022

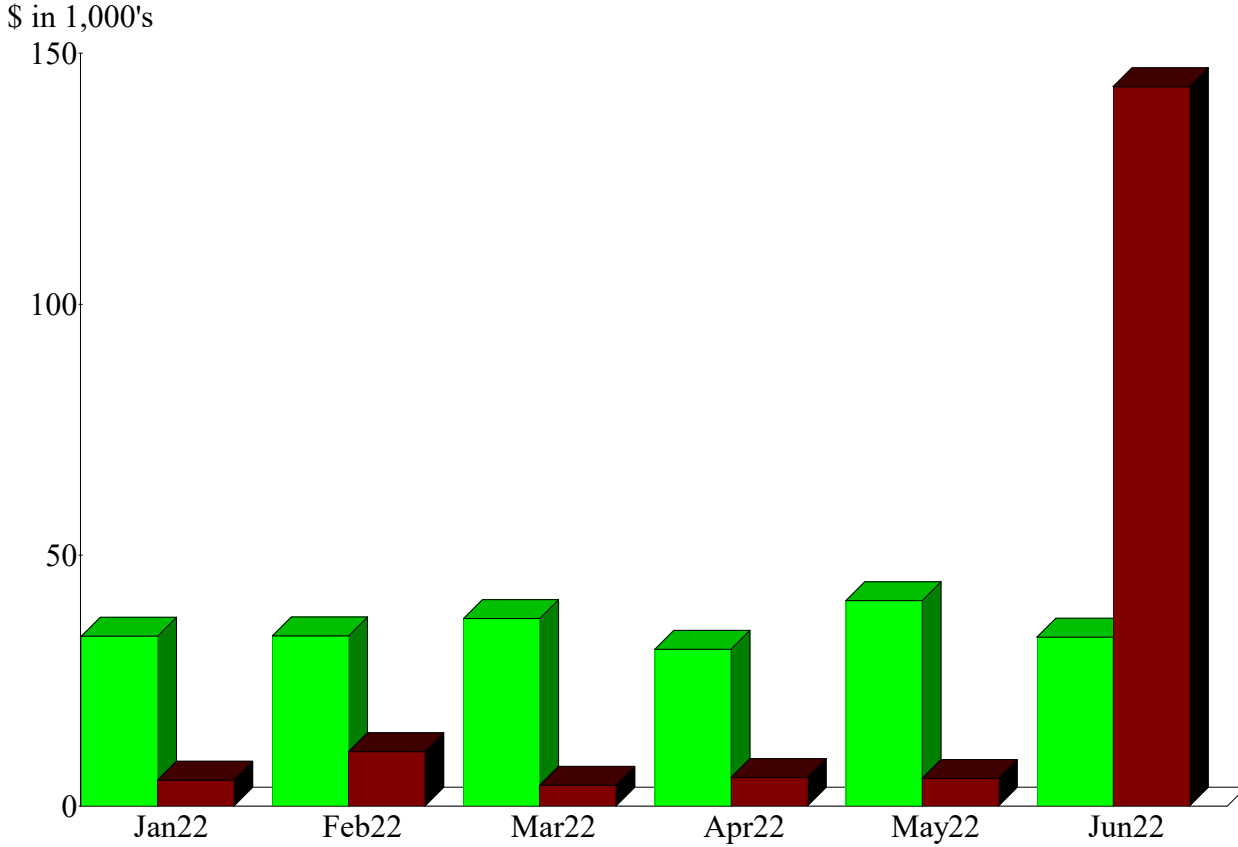
2-510 · Debt Service Fee	82.84%
1-506 · Operations Administrative Fee	15.21
1-510 · Late Fees	1.22
2-560 · Interest Income-Debt	0.50
2-530 · Malcom Restitution	0.23
1-560 · Interest Income	0.01
Total	\$211,079.15



By Account

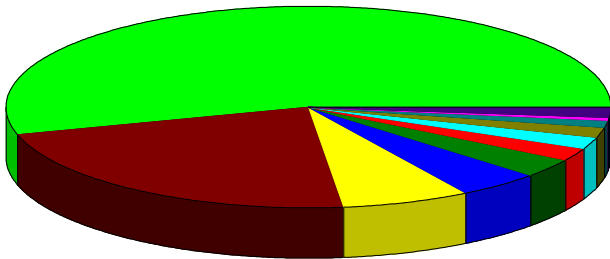
Income and Expense by Month
January through June 2022

Income
Expense

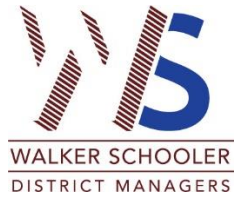


Expense Summary
January through June 2022

2-900 · Interest Expense CMD A 2015	54.55%
2-905 · Interest Expense CMD B 2015	22.50
1-614 · Billing and Customer Service	6.87
1-675 · Legal	4.48
1-684 · Expense-Collection Charges	3.08
1-680 · Management	2.15
1-635 · Election	2.04
2-617 · Bank Fees - Debt Service	1.73
1-760 · Office Supplies/Postage	1.17
1-683 · Accounting/ Bookkeeping	0.57
Other	0.86
Total	\$174,778.85



By Account



**RESOLUTION OF THE
BOARD OF DIRECTORS OF
CASCADE METROPOLITAN DISTRICT NO. 1**

**AUTHORIZING THE SALE OF REAL PROPERTY
(Triangle Building)**

WHEREAS, the Cascade Metropolitan District No. 1 (the “**District**”) is a quasi-municipal corporation and political subdivision of the State of Colorado, and is a duly organized and existing special district pursuant to §§ 32-1-101, *et seq.*, C.R.S.; and

WHEREAS, the District is the owner of certain real property located at the intersection of Emporia Avenue and Fountain Avenue and is identified by the El Paso County Assessor as Tax Schedule No. 83262-07-002 (the “**Property**”), as more particularly described in **Exhibit A** which is attached hereto and made a part hereof, and which is commonly known as the Triangle Building; and

WHEREAS, on March 15, 2022, the District placed the Property for auction; and

WHEREAS, Winthrop Smith (the “**Purchaser**”) desires to purchase the Property from the District; and

WHEREAS, the Purchaser submitted a bid in conformance with the bid terms (the “**Bid**”); and

WHEREAS, the Purchaser informed the District that it is his desire that the funds paid for the Property be dedicated to payment of the District’s debt; and

WHEREAS, pursuant to § 32-1-1001(1)(h), C.R.S., the Board of Directors of the District (the “**Board**”) shall have the management, control and supervision of all the business and affairs of the District; and

WHEREAS, pursuant to § 32-1-1001(1)(f), C.R.S., the District has the power to acquire, dispose of, and encumber real property; and

WHEREAS, pursuant to § 32-1-1001(1)(d), C.R.S., the Board is authorized to enter into contracts and agreements affecting the affairs of the District; and

WHEREAS, the District intends to place the funds from the sale of the Property in its Debt Service Fund until such time that the call protections roll off and they can be utilized to pay down the District debt; and

WHEREAS, the Board understands that once the funds from the sale of the Property are placed in the Debt Service Fund they cannot be removed from such fund; and

WHEREAS, the Board has reviewed its ownership of the Property, the benefits attached with selling the Property at auction, the condition of the Property, the assessed valuation of the Property by the El Paso County Treasurer and the Bid and finds it is in the best interests of the District, its residents, and property owners to sell the Property to the Purchaser.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD AS FOLLOWS:

1. Approval of Sale of Property. The Board finds and determines that it is in the best interests of the District, its residents and property owners to sell the Property to the Purchaser.
2. Reasonableness of Purchase Price. The Board hereby determines that the purchase price of \$66,552 (the “**Purchase Price**”) is reasonable based on its knowledge of the current real estate market within the community and the condition of the Property.
3. Closing Costs, Outstanding Taxes and Assessments. The sales contract is to provide that the Purchaser shall be responsible for paying all closing costs, the amount of any outstanding taxes on the Property, if any, and the amount of any outstanding fees, if any.
4. Authorized Directors. The Board authorizes Director Soloyanis and/or Director Herr to execute any and all documents necessary, associated with the sale of the Property, on behalf of the District, including, but not limited to, the real estate contract, bid forms and to sign all other ancillary documents as required, and to do and perform all things necessary to carry out the purposes of this resolution.
5. Closing Date. Closing on the Property and payment of the Purchase Price shall occur no later than July 31, 2022, unless such date is extended by the mutual agreement of the Parties.

[Remainder of page intentionally left blank]

ADOPTED THIS 26th DAY OF APRIL, 2022.

CASCADE METROPOLITAN DISTRICT NO. 1, a quasi-municipal corporation and political subdivision of the State of Colorado

DocuSigned by:
Susan Soloyanis
BE6991F9512F497

Officer of the District

ATTEST:

DocuSigned by:
Mr. Bob
ZF1800328F0A480...

APPROVED AS TO FORM:
WHITE BEAR ANKELE TANAKA & WALDRON
Attorneys at Law

DocuSigned by:
Heather Hartung
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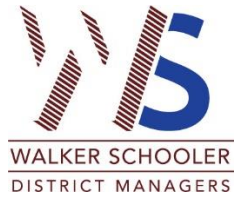
General Counsel to the District

EXHIBIT A

Legal Description of the Property

A PARCEL OF LAND LOCATED IN THE NE1/4 OF SECTION 26, T13S, R68W OF THE 6TH P.M., COUNTY OF EL PASO, STATE OF COLORADO, DESCRIBED AS FOLLOWS:

A TRIANGLE TRACT OF LAND DESIGNATED AS A PARK AT THE INTERSECTION OF EMPORIA TERRACE AND FOUNTAIN AVENUE, IN THE RESUBDIVISION OF BLOCKS 10, 11, 12, & 13 OF THE TOWN OF CASCADE AS RECORDED IN THE OFFICE OF THE EL PASO CLERK AND RECORDER, PLAT NUMBER 900 IN BOOK R AT PAGE 9, DATED JULY 30, 1928

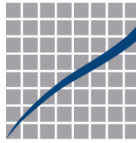


CASCADE METROPOLITAN DISTRICT NO. 1
FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

DRAFT

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REVIEW REPORT

Board of Directors
Cascade Metropolitan District
Cascade, Colorado

Opinion

We have audited the accompanying financial statements of the business-type activities Cascade Metropolitan District ("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.

DRAFT-NOT FOR DISTRIBUTION

Colorado Springs, Colorado

[REPORT DATE]

BASIC FINANCIAL STATEMENTS

DRAFT

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	\$ 115,066
Accrued interest payable	22,512	22,711
Prepaid water sales	6,358	5,706
Current maturities of bonds payable	65,000	65,000
Total current liabilities	<u>254,088</u>	<u>208,483</u>
Non-current liabilities:		
Bonds payable, net of current portion	4,675,000	4,740,000
Total liabilities	<u>4,929,088</u>	<u>4,948,483</u>
<u>NET POSITION</u>		
Restricted for:		
Debt service	412,988	417,878
Emergency reserve	12,200	22,500
Unrestricted	<u>(4,714,634)</u>	<u>(4,716,739)</u>
Total net position	<u>(4,289,446)</u>	<u>(4,276,361)</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>		
Water sales	\$ 363,606	\$ 748,036
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	42,044	195,094
Repairs and maintenance	106	43,804
Utilities and telephone	587	645
Vehicle expense	-	51
Water quality testing	-	1,923
Total operating expenses	<u>131,982</u>	<u>439,180</u>
Net operating income	<u>231,624</u>	<u>310,130</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	<u>(13,085)</u>	<u>(5,379,360)</u>
Capital contributions - tap fees	-	15,000
Change in net position	<u>(13,085)</u>	<u>(5,364,360)</u>
Net position, beginning of year	<u>(4,276,361)</u>	<u>1,087,999</u>
Net position, end of year	<u>\$ (4,289,446)</u>	<u>\$ (4,276,361)</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	(80,180)	(545,854)
Payments to employees for services	(6,197)	(3,766)
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	27,377	278
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	241	3,462
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	624,726	635,490
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	\$ 231,624	\$ 310,130
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	44,953	(170,614)
Prepaid water sales	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 16, 2004 to provide residential and commercial water services in the unincorporated town of Cascade, Colorado. The District is governed pursuant to provisions of the Colorado Special District Act. It is governed by an elected five-member board of directors, which is the policy-making body of the District.

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

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.

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><u>\$4,805,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (65,000)</u></u>	<u><u>\$ 4,740,000</u></u>	<u><u>\$ 65,000</u></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><u>\$4,830,039</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (25,039)</u></u>	<u><u>\$ 4,805,000</u></u>	<u><u>\$ 65,000</u></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
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
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.	<u>1,430,000</u>	<u>1,445,000</u>
Total	4,740,000 <u>(65,000)</u>	4,805,000 <u>(65,000)</u>
	<u><u>\$ 4,675,000</u></u>	<u><u>\$ 4,740,000</u></u>

Optional redemption

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 Series 2015 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 District is required to maintain a reserve cash account. The purpose of the reserve cash account is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The reserve account is required to be maintained as long as the bonds are outstanding.

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.

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)

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.

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)

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.

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 District's long-term obligations on the 2015 Series 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)	\$ 412,988	\$ 417,878
Emergency reserve (Note 8)	12,200	22,500
Total restricted net position	<u>\$ 425,188</u>	<u>\$ 440,378</u>

See independent auditor's report.

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.

* * * * *

See independent auditor's report.

SUPPLEMENTARY INFORMATION

DRAFT

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>				
Water sales	\$ 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	131,982	(4,002)
<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>\$ (78,085)</u>	<u>\$ (3,878)</u>

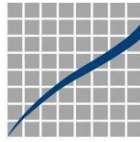
See independent auditor's report.

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 20 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>	404,309
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>\$ 469,309</u>

See independent auditor's report.



BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

June 17, 2022

Board of Directors

Cascade Metropolitan District No. 1

Via Email: erinsullivan405@gmail.com; jimdborden@gmail.com; herrma60@gmail.com;
soloyanis@comcast.net; troyeasonco@gmail.com

We have audited the financial statements of Cascade Metropolitan District No. 1 ("District"). Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America ("US GAAS"), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 18, 2022. Professional standards also require that we communicate to you the following related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 2 to the financial statements. The District adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was management's estimate of accounts payable and accrued liabilities.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures of debt balances.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes misstatements detected as a result of audit procedures. The adjusting journal entries include those corrected by management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

Supplementary Information

We were engaged to report on the supplementary information, as identified in the table of contents to the financial statements ("SI"), which accompany the financial statements but are not RSI. With respect to this SI, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Internal Controls

In planning and performing our audit of the financial statements of the District as of and for the year ended December 31, 2021, in accordance with US GAAS, we considered the District's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances and for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

- *Segregation of Duties:* As expected in smaller organizations, due to the limited number of people performing work for the District, many critical duties are combined and assigned to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on employee integrity and to maintain the best control system possible. We suggest that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal controls. At a minimum, we recommend that members of the board of directors be provided with monthly bank statements including check images directly from the bank (or via direct online access), to enable them to verify that all disbursements were made for approved expenditures. Ideally a record of the board members' regular review would be maintained (e.g., printed statements with their initials and the date of their review).
- *Management Override of Controls:* Our audit procedures revealed that management has the ability to override internal controls. Internal controls are designed and implemented in order to prevent and detect errors and fraud in financial reporting. The ability of management to override and circumvent certain controls increases the risks to the District for errors to exist in the financial statements, whether by mistake or fraud. Those charged with governance should be aware of this possibility in performing their role in overseeing the District.

This information is intended solely for the use of the board of directors and is not intended to be, and should not be, used by anyone other than the specified party.

Sincerely,

BiggsKofford, P.C.

BiggsKofford, P.C.

Adjusting Journal Entries

Adjusting Journal Entries

Adjusting Journal Entries JE # 1

ADJUSTING: To roll forward net position by record the project closing costs accrued for in the prior year and still outstanding as of December 31, 2021, and adjust revenue for amounts recognized in the prior period.

1-450	32000 -+ Retained Earnings	90,917.00	
1-505	Water Sales	8,417.00	
5062	Postage and Delivery	666.00	
2-352- BK	Accrued Project Closing Costs		<u>100,000.00</u>
Total		<u>100,000.00</u>	<u>100,000.00</u>

Adjusting Journal Entries JE # 3

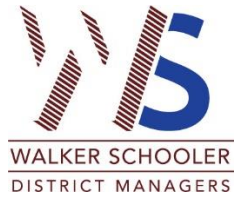
ADJUSTING: To record accrued interest as of December 31, 2021.

2-900	Interest Expense CMD A 2015	15,890.00	
2-905	Interest Expense CMD B 2015	6,622.00	
1-346	Accrued Int 2015A		15,890.00
1-347	Accrued Int 2015B		<u>6,622.00</u>
Total		<u>22,512.00</u>	<u>22,512.00</u>

Adjusting Journal Entries JE # 4

ADJUSTING: To adjust AR and prepaid water service fees based on the outstanding balance per the billing history report provided by the District.

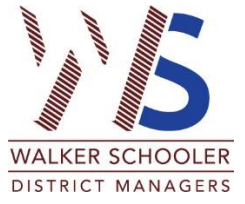
1-505	Water Sales	24,491.00	
1-142	1-1200 -+ Accounts Receivable		23,839.00
1-320	Prepaid Charges		<u>652.00</u>
Total		<u>24,491.00</u>	<u>24,491.00</u>



NOTICE OF INTENT TO FIX OR INCREASE FEES, RATES, TOLLS, PENALTIES OR
CHARGES FOR WATER AND/OR SANITARY SEWER SERVICE

NOTICE IS HEREBY GIVEN that, pursuant to § 32-1-1001(2)(a), C.R.S., the Board of Directors for the Cascade Metropolitan District No. 1 (the “**District**”) will consider fixing and/or increasing fees, rates, tolls, penalties or charges for water and/or sanitary sewer service at a public meeting to be held on **October 25, 2022, at 5:30 P.M.**, via teleconference at <https://meet.goto.com/808805133> or by calling +1 (408) 650-3123, passcode: 808-805-133. Any interested member of the public may attend the public meeting.

BY ORDER OF THE BOARD OF DIRECTORS:
CASCADE METOPOLITAN DISTRICT NO. 1



WILLIAM P. ANKELE, JR.
JENNIFER GRUBER TANAKA
CLINT C. WALDRON
KRISTIN BOWERS TOMPKINS
ROBERT G. ROGERS
BLAIR M. DICKHONER
GEORGE M. ROWLEY



OF COUNSEL:
KRISTEN D. BEAR
K. SEAN ALLEN
TRISHA K. HARRIS
ZACHARY P. WHITE
HEATHER L. HARTUNG
MEGAN J. MURPHY

EVE M. G. VELASCO
AUDREY G. JOHNSON
CAREY S. SMITH V
ERIN K. STUTZ
JON L. WAGNER
NELSON G. DUNFORD
RUTH O. BORNE

MEMORANDUM

FROM: WHITE BEAR ANKELE TANAKA & WALDRON
DATE: June 23, 2022
RE: Overview of 2022 Legislation Affecting Special Districts, Municipalities, and Community Associations

This year's Legislative Session officially wrapped up on May 11, 2022. As in past years we are providing a summary of the pertinent legislation impacting special districts, municipalities, and community associations. If you would like more detailed information on any of the information contained herein, please let us know.

Most bills approved by the legislature were signed by the Governor and became law at 12:01 a.m. on June 10, 2022, unless otherwise indicated below; provided, however, some laws include a 90-day referendum period before becoming effective, as noted below. One bill approved by the legislature was vetoed by the Governor, as noted below.

SPECIAL DISTRICT LEGISLATION

SB 22-001: Crime Prevention Through Safer Streets

This law creates the Crime Prevention Through Safer Streets Grant Program in the Department of Public Safety (DPS), through which local governments can apply for grants for improvements designed to create safer communities, such as improved lighting and trash collection, space management, and territorial reinforcement. Grant money may not be used for hiring law enforcement, facial recognition purposes, or surveillance programs to detect gunshots. Grant applications must solicit feedback and consulting with various stakeholders and experts, among other requirements established by the DPS. This law appropriates \$10.3 million to DPS for the grant program.

This law was signed by the Governor on May 19, 2022, and takes effect immediately.

SB 22-002: Resources For Volunteer Firefighters

This law amends the existing local firefighter safety and disease prevention fund to give priority in awarding grants to governing bodies and volunteer fire departments that:

- Have lost tax revenues as a result of decreased assessment values due to a wildland fire within their jurisdiction in the previous 5 years;
- Rely solely or primarily on volunteer firefighters and serve communities affected by wildland fires; or
- Demonstrate the greatest need for additional funding to ensure the safety of volunteer and seasonal firefighters.

In addition, money in the fund may be used to reimburse a multiple employer behavioral health trust for the direct costs of providing a behavioral health care to firefighters. The division is also authorized to directly purchase distribute equipment and pay for training for governing bodies and volunteer fire departments without requiring a grant application.

This law was signed by the Governor on June 3, 2022, and takes effect immediately.

SB 22-006: Sales Tax Assistance for Small Businesses

This law permits a retailer with total taxable sales in the amount of \$100,000 or less to retain 5.3% of the sales tax reported as compensation for the retailer's expenses incurred in collecting and remitting the tax (vendor fee) for sales made in 2023, rather than retaining a 4% vendor fee, which is what current law allows. The law also clarifies that the calculation of the amount that is credited to the housing development grant fund is only based on the changes to the vendor fee from House Bill 19-1245, and not on any subsequent modifications, including those changes made in this law.

This law was signed by the Governor on May 16, 2022, and takes effect 90 days after the end of the legislative session, August 9, 2022, unless a referendum is filed. Further, this law applies to sales occurring in 2023.

SB 22-007: Increase Wildfire Risk Mitigation Outreach Efforts

This law is designed to enhance the wildland-urban interface requiring the Colorado state forest service to convene a working group with the division of fire prevention in the department of public safety (DFPC) and the United States forest service (USFS), and may include other local, state, or federal partners and entities engaged in wildfire risk mitigation. The working group is tasked with enhancing wildfire awareness and mitigation.

This law was signed by the Governor on June 3, 2022, and takes effect immediately.

SB 22-076: Complaint Occupational License Official Acts

This law directs the agency that regulates an occupation to dismiss an anonymous complaint that is lodged against the holder of an occupational license, certification, or registration if the complaint is based on words said or actions taken as:

- An elected official of Colorado or a political subdivision of Colorado; or
- A member of a board or commission of Colorado or a political subdivision of Colorado.

If the same type of complaint is submitted, but not anonymously, the department is authorized to dismiss the complaint. The subject of the complaint need not respond or provide evidence for the complaint to be dismissed. An exception is added for words said to or actions committed for a specific person when the license, certificate, or registration holder is speaking or acting as a member of the occupation.

This law was signed by the Governor on April 7, 2022, and takes effect immediately.

SB 22-086: Homestead Exemption and Consumer Debt Protection

This law increases the amount of the homestead exemption from \$75,000 to \$250,000 if such homestead is occupied by the owner or owner's family or from \$105,000 to \$350,000 if such homestead is occupied by an owner who is elderly or disabled, an owner's spouse who is elderly or disabled or an owner's dependent who is elderly or disabled. The law also expands the definition of "homestead" to include a greater range of real and personal property when such property is used as a dwelling or place of residence, adds an exemption category for depository account(s) of up to \$2,500 and creates new exemption categories.

This law was signed by the Governor on April 7, 2022, and takes effect immediately.

SB 22-097: Whistleblower Protection Health & Safety

Current law provides whistleblower protections for workers who raise a reasonable concern about health or safety related to a public health emergency. This law expands the protection to all health and safety concerns regardless of whether there is a declared public health emergency.

This law was signed by the Governor on May 31, 2022 and takes effect immediately.

SB 22-114: Fire Suppression Ponds Water Rights

This law allows a board of county commissioners in consultation with its fire protection district to apply to the state engineer for the designation of a pond as a fire suppression pond. If a pond that is under consideration for designation as a fire suppression pond is located in whole or in part upon private property, a board must acquire the voluntary written approval of each owner of private property that abuts the pond before the board applies to the state engineer for the designation of the pond as a fire suppression pond.

It is important to note that a fire suppression pond and the water associated that is designated;

- Are not considered a water right;
- Do not have a priority for the purpose of determining water rights; and
- May not be adjudicated as a water right.
- Cannot exceed 30 total surface acres in any county

The state engineer reviews the applications received from boards and, can only designate ponds, which satisfy specific requirements.

Within 70 days after the state engineer designates a pond as a fire suppression pond, a holder of a decreed water right may file with the water clerk of the water division in which the fire suppression pond is located a petition for review of the state engineer’s decision. Upon receiving a petition, a water judge must conduct a review of the state engineer’s decision. A water judge may nullify the state engineer’s designation of a pond as a fire suppression pond if, after considering the entire record, including any evidence of material injury, the judge finds that:

- In applying for such designation, the board did not describe a pond that complies with criteria established by rules promulgated by the director; or
- The state engineer’s decision did not accord with certain other requirements in the law concerning fire suppression ponds.

A proposed fire suppression pond is presumed to not cause material injury to vested water rights. A holder of a decreed water right may rebut the presumption by providing evidence to the state engineer sufficient to show that material injury has occurred or will occur to the decreed water right.

This law was signed by the Governor on June 8, 2022, and takes effect July 1, 2022.

SB 22-130: State Entity Authority For Public-Private Partnerships

This law authorizes a “state public entity” to enter into an agreement with a private partner to form a public-private partnership to develop or operate a “public project” subject to additional requirements and oversight by the Department of Personnel. Definition of “private partner” includes local governments which presumably includes special districts.

This law was signed by the Governor on May 26, 2022, and takes effect immediately.

SB 22-164: Correction Property Tax Disclosure Information Metropolitan District

This law is a clean-up law relating to SB 21-262. The disclosure requirement in SB 21-262 requires one to obtain the property tax statement from the County Assessor as opposed to the County Treasurer. This law clarifies that the property tax statement is obtained from the County Treasurer.

This law was signed by the Governor on May 6, 2022, and takes effect immediately.

SB 22-206: Disaster Preparedness and Recovery Resources

The law also creates the disaster resilience rebuilding program fund and the sustainable rebuilding program. The disaster resilience rebuilding program primary purpose is to provide loans and grants to homeowners, owners of residential rental property, businesses, governmental entities, and other organizations working to rebuild after a disaster emergency. The division may contract with a governmental entity, bank, community development financial institution, or other entity to administer the disaster resilience rebuilding program. The sustainable rebuilding program's purpose is to provide loans and grants to homeowners, owners of residential rental property, and businesses that are rebuilding after a wildfire or other natural disaster to cover costs associated with building high performing, energy efficient, and resilient homes and structures.

This law was signed by the Governor on May 17, 2022, and takes effect immediately.

SB 22-208: Condemned Conservation Easement Property Compensation

The law specifies that if property encumbered by a conservation easement in gross is condemned through an eminent domain proceeding, just compensation must be determined based on the value of the property as if unencumbered by the conservation easement in gross and must be allocated between the fee owner and the holder of the conservation easement based upon the value of their respective interests in the property.

This law was signed by the Governor on June 7, 2022, and takes effect immediately.

SB 22-225: Ambulance Service Sustainability and State Licensing

Under current law, ambulance services are regulated at the local level. On and after July 1, 2024, the law requires an ambulance service to obtain a state license from the department of public health and environment. On and after July 1, 2024, a county or city and county is authorized to grant an ambulance service authorization to operate within the county or city and county and to enter into service agreements, memoranda of understanding, and other contracts with ambulance services operating in the county or city and county.

This law was signed June 1, 2022, and takes effect immediately.

SB 22-238: 2023 and 2024 Property Taxes

This law concerns the reductions in real property taxation for only the 2023 and 2024 property tax years, and, in connection therewith, reduces the assessment rates for certain classes of nonresidential property and all residential property and the amount of actual value to which the rate is applied for all residential real property and commercial property for 2023; reduces the assessment rates for all multi-family residential real property to a set amount for 2024; reduces the assessment rates for all residential real property other than multi-family residential real property for 2024 by an amount determined by the property tax administrator to cumulatively with the other provisions of the law reduce statewide property tax revenue for 2023 and 2024 by a specified amount; reduces the assessment rates for real and personal property that is classified as agricultural

or renewable energy production property for 2024; and requires the state to reimburse local governments, excluding school districts, in 2024 for 2023 reductions in their property tax revenue resulting from the law. Metropolitan districts are not eligible for reimbursements under this law; however, certain special districts, including water, sanitation, fire protection and library districts, are eligible for reimbursements if they meet the demographic requirements set forth in the law.

This law was signed by the Governor on May 16, 2022, and takes effect immediately and applies to tax years 2023 and 2024.

HB 22-1006: Child Care Property Tax Exemption

Under the state constitution, property that is used solely and exclusively for charitable purposes is exempt from property tax, unless otherwise provided by general law. Under this constitutional authority, there is currently an exemption for property used as an integral part of a child care center. This law modifies this exemption by repealing the requirement that the property must be owned for strictly charitable purposes and not for private gain or corporate profit, and that the property must be irrevocably dedicated to a charitable purpose. These changes allow property that is used by a tenant or subtenant to operate a child care center to be eligible for the exemption, and the law specifies that in such case, only the operator's use is to be considered for purposes of determining whether the property is eligible for the exemption.

This law was signed by the Governor on June 1, 2022, and takes effect immediately.

HB 22-1007: Wildfire Matters Review Committee

This law establishes the wildfire mitigation resources and best practices grant program under the Colorado state forest service and applies to local government, counties, municipalities, special districts, tribal agency or program, or a nonprofit organization. Grants are awarded to applicants proposing to outreach to landowners in high wildfire hazard areas. This law will extend the existing income tax deduction created to offset the landowner's costs incurred in performing wildfire mitigation measures set to expire in the 2024 income tax year through to the 2025 income tax year. The law creates a state income tax credit to reimburse a landowner for the costs incurred in performing wildfire mitigation measures on the landowner's property. Specifically, a landowner with a federal taxable income at or below \$120,000 for the income tax year commencing on or after January 1, 2023, but prior to the 2026 income tax year, as adjusted for inflation and rounded to the nearest hundred dollar amount for each income tax year thereafter, is allowed a state income tax credit in an amount equal to 25% of up to \$2,500 in costs for wildfire mitigation measures. The maximum total credit in a taxable year is \$625.

This law was by the Governor on June 3, 2022 and takes effect immediately.

HB 22-1086: The Vote Without Fear Act

This law prohibits a person from openly carrying a firearm within any polling location or central count facility, or within 100 feet of a ballot drop box or any building in which a polling location or central count facility is located, while an election or any related ongoing election administration

activity is in progress. The designated election official responsible for any central count facility, polling location, or drop box involved in that election cycle shall visibly place a sign notifying persons of the one-hundred foot no open carry zone for firearms. Exceptions are made for persons who own private property within the 100-foot buffer zone to carry a firearm on the private property; peace officers acting within the scope and authority of their duties to carry a firearm; and uniformed security guards employed by a contract security agency acting within the scope of the authority granted by and in the performance of a contractual agreement for the provision of security services with a person or entity that owns or controls the facility, building, or location. Openly carrying a firearm inside or within 100 feet of a polling location, central count facility, or drop box is a misdemeanor, punishable by a maximum \$1,000 fine, up to 364 days imprisonment in the county jail, or both; except that, for a first offense, the fine shall not exceed two hundred fifty dollars and the sentence of imprisonment shall not exceed one hundred twenty days.

This law was signed by the Governor on March 30, 2022, and takes effect immediately.

HB 22-1087: Special District Retirement Benefits

This law addresses special district retirement benefits and specifically excludes directors from being eligible for PERA benefits.

This law was signed by the Governor on March 24, 2022, and takes effect immediately and is applicable to those who begin their service as of July 1, 2022.

HB 22-1097: Dissolution of Special Districts

This law extends the power to dissolve special districts to the county and permits the dissolution of a special district without requiring an election. This power is currently permitted for municipalities and merely extends the same powers to the county.

This law was signed by the Governor on March 17, 2022, and takes effect 90 days after the end of the legislative session, August 9, 2022, unless a referendum is filed. If a referendum is filed, then it be on the November, 2022 ballot.

HB 22-1104: Powerline Trails Act

This law enables electric utility transmission providers to enter into contracts with public entities, such as Special Districts, to construct and maintain recreational trails, known as powerline trails, within tracts of land that are utilized as electric utility transmission corridors. Furthermore, the law compels electric transmission providers to develop and maintain informational resources regarding powerline trails, and to distribute these informational resources to local governments located in the vicinity of construction of powerline transmission facilities. Public entities seeking to construct powerline trails are required by the legislation to consult and coordinate with the Division of Parks and Wildlife to minimize environmental impacts. While the intent of the legislation is to encourage and promote the consideration and construction of powerline trails when feasible, it does not obligate either electric transmission providers or local governments to enter into agreements, or to fund projects.

This law was signed by the Governor on April 13, 2022, and takes effect immediately.

HB 22-1119: Colorado False Claims Act

The law establishes the “Colorado False Claims Act” (the act). Pursuant to the act, a person is liable to the state or a political subdivision of the state for a civil penalty if the person commits, conspires to commit, or aids and abets the commission of any false claim set forth in the law.

The law requires the attorney general or a local prosecutor to investigate false claims. The attorney general, prosecuting authority of a political subdivision, or a private person may bring a civil action against a person who made a false claim. The law permits the attorney general or prosecuting authority of a political subdivision to intervene in an action brought by a private person. A private person who brings a false claims action may be awarded up to 30% of the proceeds from the action based on the extent the private person contributed to the investigation and prosecution of the false claim. If the private person is an employee of the state or political subdivision and learns information about the false claim in the course of the person’s work, the court will award that amount to the person’s employer. The law authorizes the state auditor to share information about potential false claims with the attorney general and a political subdivision. The law requires that a false claims action be filed in a state district court or federal court with jurisdiction over the action.

A court cannot hear a false claim action:

- Brought against a serving member of the general assembly, a member of the state judiciary, an executive director of a state agency, or an elected official in the executive branch of the state of Colorado acting in the member’s, executive director’s, or official’s official capacity; or
- Based on the same allegations or transactions that are the subject of a different civil or administrative proceeding.

The law prohibits retaliatory action against an individual because of the individual’s efforts in furtherance of investigating, prosecuting, or stopping false claims. A court hearing a false claims action may hear a claim for retaliation against the individual.

The law clarifies how information subject to a person’s attorney-client privilege is protected, unless the privilege is waived, an exception to the privilege applies, or disclosure of the information is permitted by an attorney pursuant to certain federal regulations applicable to attorneys appearing and practicing before the federal securities and exchange commission, the applicable Colorado rules of professional conduct, or otherwise.

The law sets forth the process for paying to a political subdivision any proceeds recovered in a false claims action retained by the state that are attributable to the political subdivision.

The law requires the attorney general to annually submit a report to specified committees of reference about false claims actions during the previous fiscal year.

This law was signed by the Governor on June 7, 2022, and takes effect 90 days after the end of the legislative session, August 9, 2022, unless a referendum is filed. If a referendum is filed, then it will be on the November, 2022 ballot.

HB 22-1132: Regulation and Services For Wildfire Mitigation

This law regulates controlled burns on private property. The law requires that a fire department (defined to include a fire protection district as well as a county or municipality) be notified prior to conducting a controlled burn on private property.

This law was signed by the Governor on June 3, 2022, and takes effect 90 days after the end of the legislative session, August 9, 2022, unless a referendum is filed. If a referendum is filed, then it will be on the November, 2022 ballot.

HB 22-1151: Turf Replacement Program

This law requires the Colorado Water Conservation Board to develop a state turf replacement program on or before July 1, 2023 to incentivize the voluntary replacement of irrigated turf on residential, commercial, institutional and industrial properties and to promote the utilization of water-wise landscaping. The program will provide funds to eligible entities (those that provide matching funds in a specified amount and includes local governments, districts, Native American tribes and nonprofit organizations) and then those eligible entities may use the awarded money to cover direct and indirect costs in developing and administering a turf replacement program.

This law was signed by the Governor on June 8, 2022, and takes effect 90 days after the end of the legislative session, August 9, 2022, unless a referendum is filed. If a referendum is filed, then it will be on the November, 2022 ballot.

HB 22-1273: Concerning Protections for Election Officials

This law makes it unlawful for a person to threaten, coerce, or intimidate an election official with the intent to interfere with the performance of the official's duties or with the intent to retaliate against the official for the performance of the official's duties. The prohibition does not apply to an enforcement action taken by the secretary of state to enforce state election laws or to an enforcement action taken by a designated election official against an election judge who has violated a statute, a rule promulgated by the secretary of state, or the election judge's oath. The law also prohibits a person from making the personal information of an election official or an election official's immediate family publicly available on the internet if the person knows or reasonably should know that doing so will pose an imminent and serious threat to the election official or the election official's immediate family. An election worker may file a request with a state or local official to remove personal information from records that the official makes available on the internet. The request must include an affirmation under penalty of perjury that the election worker has reason to believe that the dissemination of the election worker's personal information on the internet poses an imminent and serious threat to the safety of the election worker. After receiving a request from an election worker, the state or local official is also required to deny access to the personal information in response to a request for records under the "Colorado Open

Records Act”; except that certain individuals may access records maintained by a county recorder, county assessor, or county treasurer if such access is related to a real estate matter. For purposes of this protection, “election worker” is defined to include a county clerk and recorder, county election staff, a municipal clerk, municipal election staff, the secretary of state, and the secretary of state’s election staff but does not include an election judge or a temporary employee.

This law was signed by the Governor on June 2, 2022, and takes effect immediately.

HB 22-1296: Residential Real Property Classification

Under current law, facilities that provide long-term nursing, rest, and assisted living services, where residents reside for more than 30 days, are classified as residential properties. However, facilities that provide short-term convalescent care and rehabilitation services, where patrons visit the facility periodically or temporarily reside there for less than 30 days, are valued and classified according to the procedures for nonresidential property. This law defines a nursing home as a licensed nursing care facility, including a nursing care facility that provides convalescent care and rehabilitation services. The law specifies that land on which a nursing home is situated and any improvements affixed to that land for the use of the nursing home are classified and assessed as residential real property, regardless of a resident’s length of stay.

This law was signed by the Governor on June 2, 2022, and takes effect 90 days after the end of the legislative session, August 9, 2022, unless a referendum is filed. Further, this law, if enacted, applies to property tax years commencing on January 1, 2023.

HB 22-1314: Towing Carrier Nonconsensual Tows

This law increases regulations on towing and prohibits the nonconsensual towing of a vehicle from a parking space or common parking area without the towing carrier or property owner providing the vehicle owner or operator with 24 hours written notice, except in certain limited instances.

This law was signed by the Governor on June 7, 2022, and takes effect 90 days after the end of the legislative session, August 9, 2022, unless a referendum is filed. If a referendum is filed, then it be on the November, 2022 ballot.

HB 22-1354: Protecting Injured Workers’ Mental Health Records

The law clarifies provisions in the “Workers’ Compensation Act of Colorado” (act) relating to the release and disclosure of mental health records pertaining to an injured employee making a claim under the act (claimant). The law defines “mental health records”; requires a mental health provider to provide an insurer with mental health records, as necessary for payment, adjustment, and adjudication of claims involving psychiatric issues; prohibits the disclosure of mental health records to any person who is not directly involved in adjusting or adjudicating claims involving psychiatric issues without the consent of the mental health provider or claimant; prohibits an insurer from releasing a claimant’s mental health records to the claimant’s employer; limits an insurer’s disclosure of a claimant’s mental health records to an employer, supervisor, or manager to only information from the mental health records pertaining to work restrictions placed on the

claimant; and for a self-insured employer requires the employer to keep a claimant's mental health records separate from personnel files; limits disclosure of the claimant's mental health records to a supervisor or manager to only information from the mental health records pertaining to work restrictions placed on the claimant; and prohibits disclosure of the claimant's mental health records to any third party and redisclosure by the third party to any person who is not directly involved in adjusting or adjudicating claims involving psychiatric issues without the consent of the treating mental health provider or claimant.

This law was signed by the Governor on June 8, 2022, and takes effect immediately.

COMMUNITY ASSOCIATIONS LEGISLATION

SB 22-059: Home Owners' Association Voting Proxy Limitations

This law amends Section 38-33.3-310, C.R.S. regarding proxies and provides that proxies terminate 11 months after the date signed unless the proxy itself indicates an earlier termination date. This is somewhat of a minimal change from the prior language of the statute that provided a proxy terminated 11 months after its date unless "it provides otherwise".

This law was signed by the Governor on March 21, 2022, and takes effect 90 days after the end of the legislative session, August 9, 2022, unless a referendum is filed. If a referendum is filed, then it will be voted on in the November, 2022 election.

HB 22-1040: Home Owners' Reasonable Access to Common Areas

This law prohibits associations from unreasonably restricting or prohibiting access to, or enjoyment of, common elements by owners, including during the maintenance, repair, replacement or modification of common elements. If associations must restrict or prohibit the use of common elements for more than seventy-two hours then the association must provide either electronic or written notice to each owner of why the restriction or prohibition is being put in place; the estimated time or date by which the restriction or prohibition will be lifted and the phone number or email address of who an owner can contact to ask questions about the restriction or prohibition. The association must also post a notice at the entrance to the common element about the restriction or prohibition.

This law was signed by the Governor on April 12, 2022, and takes effect 90 days after the end of the legislative session, August 9, 2022, unless a referendum is filed. If a referendum is filed, then it will be voted on in the November, 2022 election.

HB 22-1137: Homeowners' Association Board Accountability and Transparency

This law greatly limits the ability of associations to collect delinquent assessments, fees and fines and requires associations and their management companies to change long-standing practices and operations. The multitude of changes are vast and include, but are not limited to:

- Requiring additional notifications to owners of delinquencies (including the physical posting of notices on a unit owner’s unit);
- Allowing owners to request that correspondence and notices be in a language other than English;
- Requiring individual review of delinquent accounts by the association’s board of directors before they are turned over to a collection agency or attorney for collections – a majority of the board of directors must agree to turn a file over for collections and the recorded vote must occur at a meeting;
- Prohibiting the imposition of daily late fees and/or fines for covenant violations;
- Limiting the maximum amount of fines an association may impose for a covenant violation to \$500;
- Requiring that prior to sending an account to collections for unpaid assessments, fines, fees or charges that the association provide notice to the owner by certified mail, return receipt requested;
- Changing the requirements to the offered payment plan to now state that owners have 18 months for a payment plan;
- Limiting interest on unpaid assessments, fines or fees to no more than 8%; per year;
- Prohibiting foreclosure actions based solely on fines and/or collection costs or attorney fees associated with assessed fines; and;
- Changing the way in which payments are to be applied to a delinquent account.

This law was signed by the Governor on June 3, 2022, and takes effect 90 days after the end of the legislative session, August 9, 2022, unless a referendum is filed. If a referendum is filed, then it be voted on in the November, 2022 election.

HB 22-1139: Home Owners’ Associations Cannot Regulate Use of Public Rights-of-Way

This law prohibits associations from regulating public rights-of-way, regardless of any provisions in the governing documents, by stating such prohibitions are contrary to public policy.

This law was signed by the Governor on May 6, 2022, and takes effect 90 days after the end of the legislative session, August 9, 2022, unless a referendum is filed. If a referendum is filed, then it be voted on in the November, 2022 election.

VETOED BILLS

HB 22-1387: Common Interest Communities Reserve Funds

This bill would have required mandatory reserve studies for associations, changed the parameters for responsible governance policies as they relate to reserve studies for major shared components, placed new requirements on declarants relating to reserve studies and associated funding, required certain additional seller disclosures be provided by declarants to potential buyers and placed new requirements on what is required to be in an association’s budget relative to reserve studies and reserve funding.

This bill was vetoed on May 27, 2022.