

**CASCADE METROPOLITAN DISTRICT NO. 1
NOTICE OF SPECIAL BOARD MEETING AND AGENDA**



Wednesday, September 20, 2023, at 11:00 AM (MST)

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

Please join meeting from your computer, tablet or smartphone.

<https://video.cloudoffice.avaya.com/join/591798670>

You can also dial in using your phone.

United States: [+1 \(213\) 463-4500](tel:+12134634500)

Access Code: 591-798-670

Public Invited to Attend

Board of Director	Title	Term Expiration
Susan Soloyanis	President	May 2027
Mike Herr	Secretary/ Treasurer	May 2027
Karole Campbell	Secretary	May 2027
James Borden	Assistant Secretary	May 2025
Erin Sullivan	Assistant Secretary	May 2025

AGENDA

- 1. Call to Order**
- 2. Declaration of Quorum/Director Qualifications/Reaffirmation of Disclosures**
- 3. Approval of Agenda**
- 4. 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 July 18, 2023 (enclosure)
 - b. Ratification and approval of payables through the period ending September 20, 2023 (enclosure) in the amount of:

General Fund:	\$	6,550.16
Debt Service Fund:	\$	25,731.96
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TOTAL:	\$	32,282.12
 - c. Acceptance of Unaudited Financial Statements as of August 31, 2023, the schedule of cash position updated as of August 31, 2023, and bank statements (enclosure)
 - d. Ratification and approval of KAV Engagement Letter (enclosure)
 - e. Ratification and approval of Amendment to Special Bond Fee Disclosure from White Bear Ankele Tanaka & Waldron (enclosure)
- 5. Consideration of items removed from the Consent Agenda**
- 6. Review and Consider acceptance of the 2022 Audit and Presentation (enclosure)**

- 7. Management Matters**
 - a. Discuss status of post-conversion requirements
 - b. Review of payment status and collection
 - i. Current billings & Collections
 - c. Update on Disposition of Assets
 - i. Remaining District-owned parcels
- 8. Water Enterprise Revenue Refunding Bonds, Series 2023 Matters**
 - a. Discuss Section 5.01 Billing and Collections
- 9. Legal Matters**
 - a. Review and consider adoption of Second Amended and Restated Resolution Establishing Guidelines for the Collection of Delinquent Fees (enclosure)
- 10. Public Comment (Items not on the Agenda Only. Comments are limited to 3 minutes per person and taken in the order in which they appear)**
- 11. Other Business**
- 12. Adjourn** – Next Scheduled Meeting is The Annual Town Hall Meeting on October 3, 2023, at 5:00 pm; With the Budget hearing meeting following after at 5:30 pm



**MINUTES OF A SPECIAL BOARD MEETING OF
THE BOARD OF DIRECTORS OF THE
CASCADE METROPOLITAN DISTRICT NO. 1
HELD JULY 18, 2023**

A special meeting of the Board of Directors (the “Board”) of the Cascade Metropolitan District No. 1 (the "District") was duly held on Tuesday, the 18th day of July 2023 at 5:30 p.m. The meeting was held at 614 N Tejon Street, Colorado Springs, CO and via teleconference. The meeting was open to the public.

Directors in Attendance Were:

Susan Soloyanis
Jim Borden
Mike Herr
Erin Sullivan
Karole Campbell

Also in Attendance Were:

Heather Hartung, Esq., White Bear Ankele Hartung & Waldron, Attorneys at Law
Kevin Walker, WSDM District Managers
Rebecca Harris, WSDM District Managers

1. **Call to Order:** The meeting was called to order at 5:30 PM.

2. **Declaration of Quorum/Director Qualifications/Reaffirmation of Disclosures:** Ms. Hartung confirmed a quorum of the Board was present 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 Campbell moved to approve written; seconded by Director Borden. Motion passed unanimously.

4. **Consent Agenda Items:**
 - a. Approval of Board Meeting Minutes from the regular meeting on May 23, 2023
 - b. Ratification and Approval of Payables through the period ending July 18, 2023 in the amount of:

General Fund:	\$33,119.53
Debt Service Fund:	<u>\$25,731.96</u>
Total:	\$58,851.49
 - c. Acceptance of Unaudited Financial Statements as of June 30, 2023, the schedule of cash position updated as of June 30, 2023, and bank statements.

The Board approved the Consent Agenda Items except for the payables for the bond refunding work relating to the White Bear Ankele invoice.

5. **Consideration of items removed from Consent Agenda:** Payables relating to the WBA bond refunding work is going to be removed and paid out of the Cost of Issuance of the bond and WBA will provide an update invoice to reflect that.
6. **Review and Consider approval of the 2022 Audit and Presentation**
 - a. Discuss Possible Audit Extension: Director Borden motioned to approve the 2022 Audit Extension Application; seconded by Director Campbell. BiggsKofford will file the extension and forward the approval. The due date, after the extension application is filed and approved, will be due September 30th. The draft audit should be received in the next couple of weeks. The motion passed unanimously.
7. **Management Matters**
 - a. Discuss Status of Post-conversion Requirements: President Soloyanis discussed post-conversion requirements and CSU's estimate for easements and stop-boxes. CSU granted \$100,000 rebate against what they claimed the District owes. The estimated amount for the District to pay CSU is \$50,000 for easements and \$50,000 for stop-boxes. The Board anticipates receiving a final bill after the end of August. Board gave Mr. Walker direction to reach out to his CSU contact as well as negotiations continue.
 - b. Review of Payment Status and Collections
 - i. Current Billings & Collections: Ms. Harris provided an update on collections.
 - c. Update on Disposition of Assets: Mr. Walker provided an update on disposing of the District-owned parcels. Mr. Walker is still looking at having the neighbors take the two smaller parcels. Director Borden commented he will reach out to one of the property owners and the District will continue to work on the disposition.
 - i. Remaining District owned parcels: 2 small parcels and the larger tank site parcel.
8. **Legal Matters**
 - a. Review Proposals from Special Counsel for Collection Matters and Consider Engagement of Special Counsel for Collection Matters: The Board reviewed the proposals for collection matters. After review, the Board decided not to hire special counsel. It was decided to have WSDM's office certify the delinquent debt service fees – the fees connected to paying off the water infrastructure.
 - b. Discuss the 2023 Legislative Memorandum: Ms. Hartung presented the 2023 Legislative Memorandum and discussed the requirement for the District to hold an annual meeting beginning in 2023 where no Board action may be taken, but specific presentations must be provided. She also discussed the requirement for notifying residents about the Metropolitan District Homeowners' Task Force.
 - c. Discuss Townhall Meeting Date: The board discussed where the meeting can be held in person, if needed, and suggested the Red Cloud Inn Piza place that has been used in the past. The Town Hall/Annual Meeting date was scheduled for Tuesday, October 3rd at 5:00 PM, and the regular board meeting for the Budget hearing will follow at 5:30 PM.
9. **Water Enterprise Revenue Refunding Bonds, Series 2023 Matters**
 - a. Discuss Bond Refunding: The Board discussed the revenue refunding bonds. Mr. Walker presented a comparison chart relating to refunding options. The Board agreed to proceed with the bond refinance. Mr. Walker will contact Stifel and KC to restart

the process and request a new schedule of events and new documents. The goal is to close by October 3rd. Ms. Hartung discussed the pros and cons of submitting a new 45-day notice to the County and publication of said notice. After discussion, the Board directed Ms. Hartung's office to proceed with a new 45-day notice of intent to undertaken certain actions relating to the refunding.

10. Public Comment: There was no public comment.

11. Other Business: There was no other business.

12. Adjournment: Next Regular Scheduled Meeting is October 3, 2023. The Board adjourned the meeting at 6:30 PM.

Respectfully submitted,

By: _____
Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL JULY 18, 2023 MINUTES OF THE CASCADE METROPOLITAN DISTRICT NO. 1 BY THE BOARD OF DIRECTORS SIGNING BELOW:

Mike Herr

James Borden

Susan Soloyanis

Erin Sullivan

Karole Campbell



Cascade Metropolitan District No. 1

Balance Sheet

09/13/23

As of August 31, 2023

Accrual Basis

	<u>Aug 31, 23</u>
ASSETS	
Current Assets	
Checking/Savings	
1995 Checking	59,288.08
2002 Savings	176,303.13
2-1050 · UMB Interest 143222.1	127,027.56
2-1055 · UMB Reserve 143222.3	372,508.81
2-1060 · UMB Principal 143222.2	44,179.10
Total Checking/Savings	<u>779,306.68</u>
Accounts Receivable	
1-1200 · Accounts Receivable	20,139.56
1-1210 · Allowance for Doubtful Accounts	-5,000.00
Total Accounts Receivable	<u>15,139.56</u>
Total Current Assets	<u>794,446.24</u>
TOTAL ASSETS	<u>794,446.24</u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
20000 · Accounts Payable	6,813.02
Total Accounts Payable	<u>6,813.02</u>
Other Current Liabilities	
Accrued Project Closing Closts	100,000.00
Current Portion Bond Payable	75,000.00
1-320 · Prepaid Charges	6,358.16
Total Other Current Liabilities	<u>181,358.16</u>
Total Current Liabilities	<u>188,171.18</u>
Long Term Liabilities	
Bonds Payable 2015A	3,200,000.00
Bonds Payable 2015B	1,400,000.00
Total Long Term Liabilities	<u>4,600,000.00</u>
Total Liabilities	<u>4,788,171.18</u>
Equity	
3-3200 · Invested in Capital Assets	-4,192,805.87
30000 · Opening Balance Equity	-180,464.08
32000 · Retained Earnings	261,576.16
Net Income	117,968.85
Total Equity	<u>-3,993,724.94</u>
TOTAL LIABILITIES & EQUITY	<u>794,446.24</u>

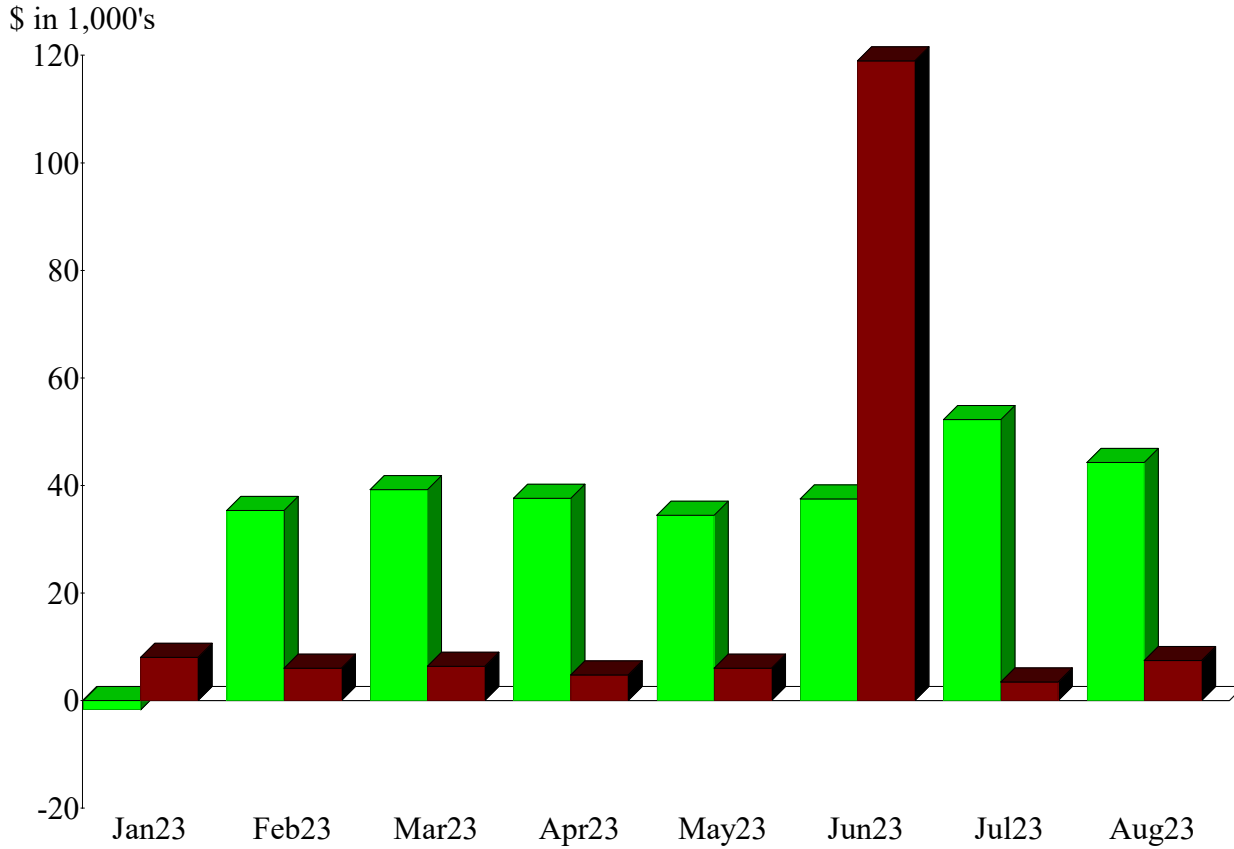
Cascade Metropolitan District No. 1

Profit & Loss Budget vs. Actual

January through August 2023

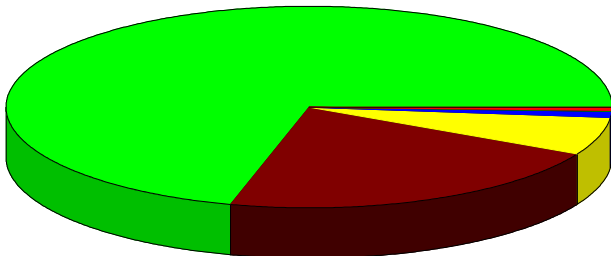
	TOTAL				
	Aug 23	Jan - Aug 23	Budget	\$ Over Budget	% of Budget
Ordinary Income/Expense					
Income					
1-506 · Operations Administrative Fee	11,778.87	60,047.61	42,000.00	18,047.61	142.97%
1-509 · Revenue-Collection Charges	0.00	0.00	5,000.00	-5,000.00	0.0%
1-510 · Late Fees	360.00	3,050.46	2,500.00	550.46	122.02%
1-560 · Interest Income	72.98	501.96	100.00	401.96	501.96%
2-510 · Debt Service Fee	29,686.94	197,846.51	382,000.00	-184,153.49	51.79%
2-530 · Malcom Restitution	80.43	646.81			
2-560 · Interest Income-Debt	2,329.71	16,983.21	3,000.00	13,983.21	566.11%
Total Income	44,308.93	279,076.56	434,600.00	-155,523.44	64.22%
Expense					
1-614 · Billing and Customer Service	1,800.00	14,400.00	24,000.00	-9,600.00	60.0%
1-615 · Audit	0.00	0.00	9,000.00	-9,000.00	0.0%
1-618 · Bank Fees	150.32	1,411.04	1,800.00	-388.96	78.39%
1-635 · Election	0.00	3,337.97	10,000.00	-6,662.03	33.38%
1-670 · Insurance/SDA Dues	445.00	851.79	2,500.00	-1,648.21	34.07%
1-672 · Dues, Fees & Subscriptions	0.00	0.00	450.00	-450.00	0.0%
1-675 · Legal	4,151.59	13,410.95	10,000.00	3,410.95	134.11%
1-680 · Management	550.00	4,400.00	4,000.00	400.00	110.0%
1-683 · Accounting/ Bookkeeping	150.00	1,200.00	2,000.00	-800.00	60.0%
1-684 · Expense-Collection Charges	0.00	2,414.00	5,000.00	-2,586.00	48.28%
1-685 · Miscellaneous	0.00	1,704.00	10,000.00	-8,296.00	17.04%
1-729 · CSU Settlement	0.00	0.00	100,000.00	-100,000.00	0.0%
1-760 · Office Supplies/Postage	104.64	3,280.02	3,600.00	-319.98	91.11%
2-617 · Bank Fees - Debt Service	99.64	3,812.53	3,500.00	312.53	108.93%
2-900 · Interest Expense CMD A 2015	0.00	78,458.33	188,300.00	-109,841.67	41.67%
2-905 · Interest Expense CMD B 2015	0.00	32,427.08	77,824.00	-45,396.92	41.67%
Total Expense	7,451.19	161,107.71	451,974.00	-290,866.29	35.65%
Net Ordinary Income	36,857.74	117,968.85	-17,374.00	135,342.85	-679.0%
Other Income/Expense					
Other Expense					
3-771 · Other Expense	0.00	0.00	10,000.00	-10,000.00	0.0%
Total Other Expense	0.00	0.00	10,000.00	-10,000.00	0.0%
Net Other Income	0.00	0.00	-10,000.00	10,000.00	0.0%
Net Income	36,857.74	117,968.85	-27,374.00	145,342.85	-430.95%

Income and Expense by Month
January through August 2023



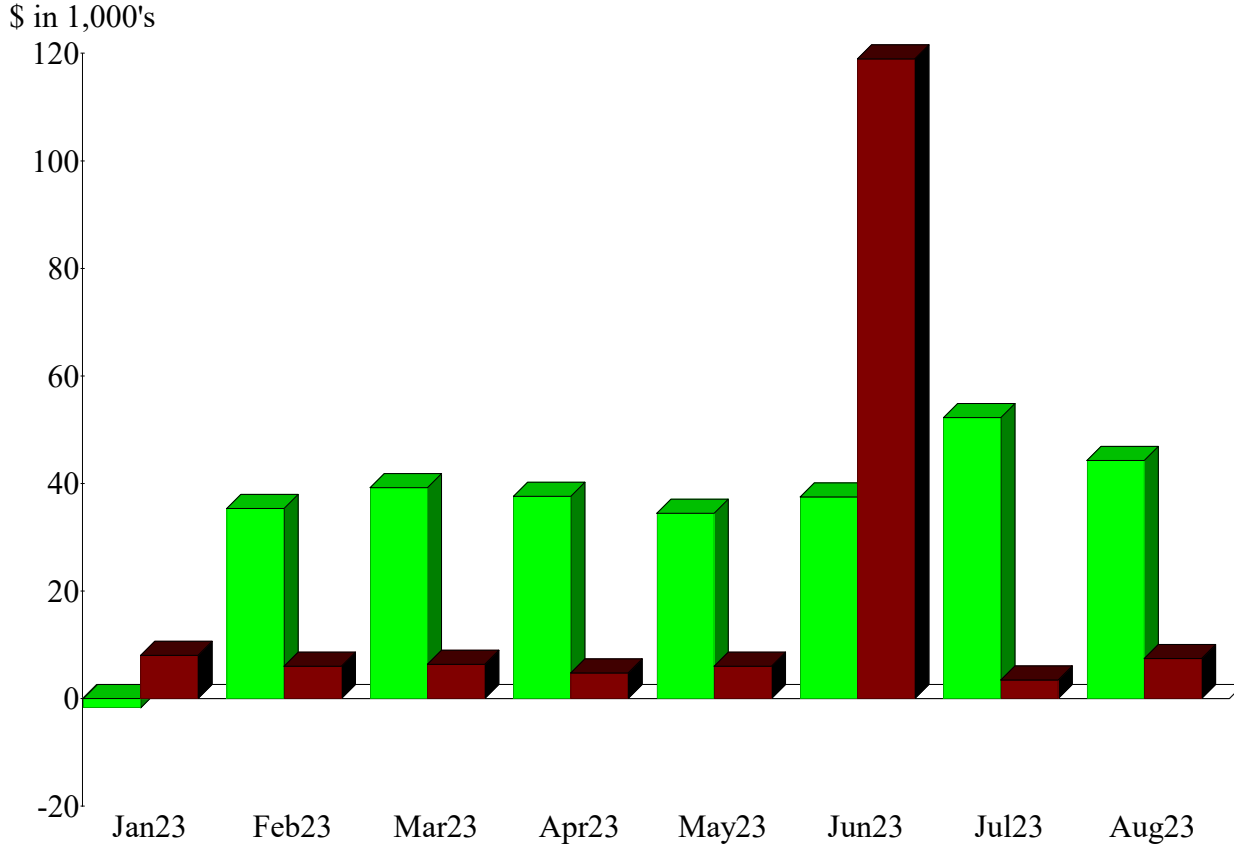
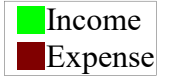
Income Summary
January through August 2023

2-510 · Debt Service Fee	70.89%
1-506 · Operations Administrative Fee	21.52
2-560 · Interest Income-Debt	6.09
1-510 · Late Fees	1.09
2-530 · Malcom Restitution	0.23
1-560 · Interest Income	0.18
Total	\$279,076.56



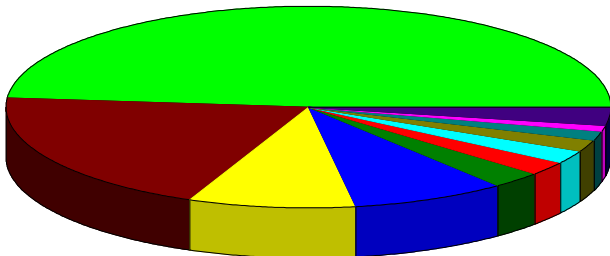
By Account

Income and Expense by Month
January through August 2023



Expense Summary
January through August 2023

2-900 · Interest Expense CMD A 2015	48.70%
2-905 · Interest Expense CMD B 2015	20.13
1-614 · Billing and Customer Service	8.94
1-675 · Legal	8.32
1-680 · Management	2.73
2-617 · Bank Fees - Debt Service	2.37
1-635 · Election	2.07
1-760 · Office Supplies/Postage	2.04
1-684 · Expense-Collection Charges	1.50
1-685 · Miscellaneous	1.06
Other	2.15
Total	\$161,107.71



By Account



Cascade Metropolitan District
PAYMENT REQUEST
9/13/2023
GENERAL FUND ACCOUNT

Company	Invoice	Date	Amount	Comments
Colorado Special Districts Prop & Liab Pool	24PL-61409-1709	9/5/2023	\$ 2,041.00	
Diannia Wagner	83023	8/30/2023	\$ 102.52	
White Bear Ankele Tanaka & Waldron	30107	8/31/2023	\$ 1,802.00	
WSDM District Managers	7641	8/31/2023	\$ 2,604.64	
TOTAL			6,550.16	

BOND FUND ACCOUNT

Description	Date	Amount	Comments
UMB Bank - Series 2015A & 2015B Interest	8/10/2023	\$ 25,731.96	October
TOTAL		\$ 25,731.96	

TOTAL FOR ALL FUNDS

\$ 32,282.12

_____, President

Checking Balance 9/13/23

\$ 60,593.95

9/13/23 Draw

\$ (32,282.12)

Checking Balance After Draw

\$ 28,311.83





August 9, 2023

Board of Directors
Cascade Metropolitan District No. 1
El Paso County, Colorado

Re: Engagement as Bond Counsel and Special Disclosure Counsel in connection with the issuance by Cascade Metropolitan District No. 1 of its Water Revenue Refunding Bonds, Series 2023

Members of the Board:

You have asked Kline Alvarado Veio, P.C., to serve as Bond Counsel and Special Disclosure Counsel to Cascade Metropolitan District No. 1, El Paso County, Colorado (the “District”), in connection with the proposed issuance by the District of the captioned bonds (the “Bonds”). The purpose of this engagement letter is to set forth certain matters concerning the services that we will perform as Bond Counsel and Special Disclosure Counsel and to agree in general terms upon our fees for such services. We understand that the Bonds will be issued for the purpose of refunding the outstanding Water Enterprise Revenue Refunding and Improvement Bonds, Series 2015A and Series 2015B (previously issued by the District, acting by and through its Water Activity Enterprise), and to pay related costs of issuing the Bonds.

The Bonds will be authorized and issued pursuant to a resolution (the “Authorizing Resolution”) to be adopted by the Board of Directors of the District (the “Board”), will be payable from and secured by a pledge of certain revenues of the District, and are expected to be rated by a nationally recognized municipal bond rating agency. We further understand that the Bonds will be publicly offered for and on behalf of the District by Stifel, Nicolaus & Company, Incorporated, Denver, Colorado (the “Underwriter”), in an approximate aggregate principal amount of \$5 million.

Scope of Engagement and Duties to be Performed

As Bond Counsel, our chief function is to render an objective legal opinion with respect to the authorization and issuance of the Bonds. Assuming that no legal impediments to the issuance of the Bonds become apparent, we contemplate furnishing to the District and the Underwriter our approving opinion (“Bond Opinion”) as to the validity and binding effect of the Bonds, the source of payment and security for the Bonds and the excludibility of the interest on the Bonds from gross income for federal and Colorado income tax purposes, which opinion will be executed and delivered by us in written form on the date the Bonds are exchanged for their purchase price (the “Closing”). Upon delivery of the Bond Opinion, our responsibilities as Bond Counsel will be concluded with respect to the Bonds.

The Bond Opinion will be based on facts and law existing as of its date. In rendering our Bond Opinion, we will rely upon the certified proceedings and other certifications of public officials and other persons furnished to us without undertaking to verify the same by independent investigation. We will also assume continuing compliance by the District with applicable laws

relating to the Bonds. During the course of this engagement, we will rely on the District to provide us with complete, accurate and timely information pertaining to the Bonds and their security. We understand that in this regard we will have full and timely cooperation of the members of the Board, District officers and staff, other appropriate public officials, the District's accountants and auditors and the District's general counsel. Our Bond Opinion will be based on the facts and law existing as of the date of Closing as well as information that the District provides. In rendering our Bond Opinion, we may also expressly rely upon the general counsel to the District and other parties to the transaction, such as the Underwriter and its counsel, if any, as to certain matters where appropriate.

In addition to rendering our Bond Opinion, we expect to perform the following duties:

- Prepare and review all legal documents required for authorization, securing, issuance and a public offering of the Bonds. These documents will include the Authorizing Resolution, a Refunding Escrow Agreement, a Paying Agency Agreement, and all related District proceedings, resolutions and documents that might be required, including all necessary filings with the Internal Revenue Service subject to the limitations contained in this engagement letter.
- Review enabling legislation and legal issues relating to the structure of the bond issue and the authorization and issuance of the Bonds.
- Prepare or furnish the closing documents and various certificates to be signed by the District and other participants in the transaction.
- Consult with the District and the District's general counsel, if necessary, concerning Colorado law matters pertaining to the District and the Bonds.
- Assist the District, upon request, in seeking from other governmental authorities such approvals, permissions and exemptions as we determine are necessary or appropriate in connection with the authorization, issuance and delivery of the Bonds.

As Special Disclosure Counsel to the District, we expect to perform the following duties:

- Assist the District in preparing an offering document relating to the Bonds and, subject to satisfactory completion of our review, provide to the District written advice that, in the course of our participation in the preparation of such document no information has come to our attention which leads us to believe that such document, as of its date (except for customary exceptions and limitations) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements in such offering document in the light of the circumstances under which they were made, not misleading.
- Prepare a continuing disclosure undertaking pursuant to Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

Our duties as Bond Counsel and Special Disclosure Counsel in this engagement are limited to those expressly set forth above. Among other things, our duties as Bond Counsel or Special Disclosure Counsel will not include the following:

- Preparing requests for tax rulings from the Internal Revenue Service, or no action letters from the Securities and Exchange Commission.
- Preparing Blue Sky or investment surveys with respect to the Bonds.
- Drafting state constitutional or legislative amendments.
- Pursuing test cases or other litigation, such as contested validation proceedings.
- Representing the District in Internal Revenue Service examinations or inquiries, or Securities and Exchange Commission investigations.
- After Closing, providing continuing advice to the District or any other party concerning any actions necessary to assure (1) that interest paid on the Bonds will continue to be excludible from gross income for federal income tax purposes (*e.g.*, our engagement does not include rebate calculations for the Bonds, although we will perform such calculations pursuant to a separate engagement) or (2) compliance with any continuing disclosure undertaking related to the Bonds; provided, however, that from time to time the District may require advice or other legal services in connection with municipal finance matters that do not result in the issuance of Bonds, and it is intended that this engagement shall cover any such additional representation to the extent reasonably requested by the District.
- Addressing any other matter not specifically set forth above that is not required to render our Bond Opinion.

Although we ordinarily draft suggested forms for authorizing and closing documents, we do not assume responsibility for verifying the truth or completeness of facts certified as true and complete by others, nor, except as necessary to our Bond Opinion, do we assume responsibility for examining legal questions on which other participating lawyers are asked to opine. We do not review the financial condition of the District or the adequacy of the security provided for the Bonds.

As noted above, our chief function as Bond Counsel is to render an objective legal opinion with respect to the authorization and issuance of the Bonds. We customarily do not negotiate the terms of the transaction on behalf of the District but will advise the District as to the impact of such terms on our ability to render our Bond Opinion. We assume that other parties to the financing will retain such counsel as they deem necessary and appropriate to represent their interests in this transaction.

We assume that we will have the full cooperation of appropriate officials of the District, the District's general counsel, the Underwriter and any others necessary to successfully complete this financing. We cannot, of course, guarantee the timing or outcome of legislative or judicial processes or other actions necessary to complete the financing.

Under present law and regulations and our current understanding of the structure of the financing, we anticipate that the Bonds will be exempt from registration pursuant to the Securities Act of 1933, as amended, and that the Authorizing Resolution will be exempt from qualification under the Trust Indenture Act of 1939, as amended. Thus, no filings with the Securities and Exchange Commission will be necessary. However, the Bonds may be subject to registration or qualification in certain states. Our Bond Opinion will not make reference to any state law registration or

qualification requirements for any jurisdiction in which the Bonds are to be sold, and we will undertake no Blue Sky survey or investment survey with respect to the Bonds in issuing our Bond Opinion and other opinions that may be required at Closing.

Compensation and Reimbursement

Based upon our current understanding of the proposed terms, structure, size and schedule of the financing, the duties and responsibilities that we propose to undertake with respect thereto as outlined herein and the time that we anticipate will be required to carry out such duties and responsibilities, our fee for our services as Bond Counsel as described in this letter will be \$50,000, and our fee for our services as Special Disclosure Counsel as described in this letter will be \$40,000 (for a combined fee of \$90,000 for our services as Bond Counsel and Special Disclosure Counsel). These fee estimates are based on preliminary information concerning the proposed terms of the issue and ultimately will be determined by the final size and structure of the financing and upon consultation and agreement with the District.

In addition to fees for providing legal services, we are customarily reimbursed for certain extraordinary out-of-pocket expenses associated with the financing, including, for example, courier services, express delivery services, cost of reports provided by governmental entities such as the County Assessor's office, regulatory filing fees, travel outside of the Denver metropolitan area and transcript preparation charges. We estimate that such out-of-pocket expenses will not exceed \$1,500.

We understand and agree that payment of the total fees set forth above is contingent upon and payable at Closing. If the Bonds are not issued, for whatever reason, we will invoice the District for our accrued time on this engagement, based on the following hourly rates: K.C. Veio (\$695), Catherine Fanello (\$495) and Jacqueline Morrison (\$325).

Conflicts

As you are aware, our firm represents many political subdivisions, companies and individuals. It is possible that during the time that we are representing the District, one or more of our present or future clients will have transactions with the District. It is also possible that we may be asked to represent, in an unrelated matter, one or more of the entities involved in the issuance of the Bonds. We do not believe such representation, if it occurs, will adversely affect our ability to represent you as provided in this engagement letter, either because such matters will not be sufficiently different from the issuance of the Bonds so as to make such representations not adverse to our representation of you, or because the potential for such adversity is remote or minor and outweighed by the consideration that it is unlikely that advice given to the other client will be relevant to any aspect of the issuance of the Bonds. Execution of this engagement letter will signify the District's consent to our representation of others consistent with the circumstances described in this paragraph.

Miscellaneous

Our willingness to undertake the functions described herein with respect to the Bonds will be based upon the facts available to us at that time. We will commence our function with respect to the Bonds after determining that nothing has come to our attention at that time which would lead us to conclude that there are any legal obstacles to delivery of the Bonds. We will proceed with the understanding that should anything come to our attention prior to the issuance of the Bonds that

would, in our opinion, cast doubt upon the legality of the transaction, we will not be obligated to render our Bond Opinion.

At your request, papers and property furnished by you will be returned promptly. Our own files, including lawyer work product, pertaining to the transaction will be retained by us. We will not dispose of any documents or materials without first notifying the District of our intent to so dispose and allowing the District to retrieve the records if desired.

As previously stated, representation during Internal Revenue Service random and directed audits or Securities and Exchange Commission investigations regarding the Bonds is beyond the scope of this engagement letter. However, in the event of a random or directed audit of the Bonds by the Internal Revenue Service or questions raised regarding the Bonds by the Securities and Exchange Commission, assuming the absence of any conflict of interest, we would represent you, if you request, during the audit or investigation, subject to a supplemental engagement letter and at our standard hourly rates. You would also have the option to retain separate counsel to represent you during such an audit or investigation; assistance we might be called upon to render to such separate counsel would also be charged at our standard hourly rates.

Upon execution of this engagement letter, the District will be our client and an attorney-client relationship will exist between us. We assume that all other parties will retain such counsel as they deem necessary and appropriate to represent their interests in this transaction. We further assume that all other parties understand that in this transaction we represent only the District, we are not counsel to any other party and we are not acting as an intermediary among the parties. Our services as Bond Counsel and Special Disclosure Counsel are limited to those contracted for in this letter, and the execution of this engagement letter by the District will constitute an acknowledgment of those limitations. However, our representation of the District will not affect our responsibility to render an objective Bond Opinion.

Our representation of the District, and the attorney-client relationship created by this engagement letter, will be concluded upon issuance of the Bonds. Nevertheless, subsequent to Closing, we will mail the appropriate Internal Revenue Service Form 8038-G and prepare and distribute to the participants in the transaction a transcript of the proceedings pertaining to the Bonds.

Cascade Metropolitan District No. 1

August 9, 2023

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If the foregoing terms are acceptable to you, please so indicate by returning the enclosed copy of this engagement letter dated and signed by an authorized officer, retaining the original for your files. We look forward to working with you on this matter.

KLINE ALVARADO VEIO, P.C.



By: _____
Kent C. Veio

This Engagement Letter is accepted and approved as of _____, 2023.

**CASCADE METROPOLITAN DISTRICT NO. 1,
EL PASO COUNTY, COLORADO**

By: _____

Name: _____

Title: _____





August 10, 2023

Via Email Only

Board of Directors
Cascade Metropolitan District No. 1
c/o Schooler & Associates, Inc.
614 N Tejon Street
Colorado Springs CO 80903

Re: Special Disclosure of Costs for Legal Services in Connection with Bonds

Dear Board of Directors,

White Bear Ankele Tanaka & Waldron (“**WBA**”) provided a letter to Cascade Metropolitan District (the “**District**”) on April 20, 2023, confirming the terms of a special fee arrangement regarding WBA’s work in connection with expected issuance by the District of its Water Enterprise Revenue Refunding Bonds, Series 2023, in the estimated principal aggregate amount of up to \$4,665,000 (the “Special Bond Fee Disclosure Letter”). This letter serves to amend the Special Bond Fee Disclosure Letter between WBA and the District.

The structure of the Transaction has changed and a defined term in the April 20, 2023, letter requires amendment. References to the Water Enterprise Revenue Refunding Bonds, Series 2023, are changed to Water Revenue Refunding Bonds, Series 2023, in the estimated principal aggregate amount of up to \$4,665,000 (the “**Series 2023 Bonds**” and/or the “**Transaction**”). All other terms and conditions remain the same as in the Special Bond Fee Disclosure Letter.

Please acknowledge receipt and acceptance by signing the second page of this letter.

Sincerely,

WHITE BEAR ANKELE TANAKA & WALDRON

White Bear Ankele Tanaka & Waldron

Enclosure

August 10, 2023

Page 2

Acceptance and Acknowledgment of Amendment to Special Bond Fee Disclosure Letter

ACCEPTED:

CASCADE METROPOLITAN DISTRICT NO. 1

By: _____

Printed Name: Susan Soloyanis

Title: President

Date: _____



April 20, 2023

Via Email Only

Cascade Metropolitan District No. 1
C/o Schooler & Associates, Inc.
614 N Tejon Street
Colorado Springs CO 80903

Re: Special Disclosure of Costs for Legal Services in Connection with Bonds

Dear Board of Directors,

White Bear Ankele Tanaka & Waldron (“**WBA**”) currently serves as general counsel to Cascade Metropolitan District No. 1 (the “**District**”) pursuant to an engagement letter dated November 27, 2018 that defines the scope of WBA’s engagement for general counsel legal services (the “**Engagement**”). The Engagement states that fees for our services are paid monthly based on hours of service provided and other factors set forth in the Engagement. The purpose of this letter is to confirm the terms of a special fee arrangement regarding WBA’s work in connection with the expected issuance by the District of its Water Enterprise Revenue Refunding Bonds, Series 2023, in the estimated principal aggregate amount of up to \$4,665,000 (the “**Series 2023 Bonds**” and/or the “**Transaction**”). This letter is also intended to describe the roles of WBA and various other professionals expected to be involved in the Transaction. Due to the nature of this type of Transaction, fees for all professionals are usually paid at closing; however, our Engagement provides for monthly billing and payment, followed, typically, by reimbursement to the District for our fees from closing proceeds. This letter discloses a special billing arrangement for our fees to provide a measure of certainty to the District regarding the costs of the Transaction. Other than as specifically noted herein, this letter is not intended to alter any of the provisions of the Engagement.

The effort to close the Transaction may involve the work of several professionals outside the Firm including: (i) an investment banker (the “**Underwriter/Placement Agent**”) who will be engaged by the District to structure and then market the Transaction and (ii) a bond lawyer who will be engaged by the District to assist with structuring the Transaction and issue various opinions necessary to close the Transaction, including a tax exempt opinion (“**Bond Counsel**”). Please note that it is also our recommendation that the District engage an independent municipal advisor to provide advice with respect to the Transaction, specifically including advice regarding structure, timing, financial terms, and other similar matters. These professional firms are generally referred to herein as the “**Professionals**”. Our role as general counsel will be to participate with the

Professionals in documenting the Transaction as to which we will render a general counsel opinion to various parties regarding the status of the District and other matters surrounding the Transaction.

All of the Professionals will be paid out of proceeds of the Transaction on terms set forth in their individual engagements, which means they are paid by the District. Their duties to the District will be set forth in their individual engagement agreements and will run directly to the District and not to WBA. The Underwriter/Placement Agent may choose to engage its own counsel whose duties will run to the Underwriter/Placement Agent only, but whose fees are generally paid by the District as a cost of the Transaction at closing.

In connection with these Professional engagements, it is important to understand that WBA's role in the Transaction is limited to matters specifically set forth in our legal opinion, the anticipated form of which is attached hereto (the "**Opinion**"). If the risk or structure of the Transaction changes materially from what we anticipate at this time, resulting in changes to our Opinion which may increase the scope of our services or risk, we will advise the District and it may be necessary for us to increase our fees (as set forth below) for these services.

It is also important for the District to understand, and agree, that WBA is not engaged to oversee the efforts, work product, advice or opinions of the other Professionals. We will perform the work necessary to render our Opinion and will be sufficiently involved in the Transaction to keep the Board of Directors apprised of the status of the efforts of the other Professionals. We read their work to assure our familiarity with their documents but we do not review their work for completeness or accuracy. They are engaged because their services fall outside the scope of our expertise. Accordingly, by proceeding with the Transaction, the District acknowledges that it will rely solely on such Professionals as to the advice they render to the District and the content of their written materials, and the District further acknowledges that WBA is not the guarantor of their work. Should the District have any questions or concerns regarding the work of other Professionals, those questions should be directed to us so we can make sure they are addressed by the correct party.

As compensation for WBA's services as general counsel in connection with the approval, issuance and closing of the Transaction, the District shall pay the Firm a fee of \$75,000.00 for the Transaction from closing proceeds to compensate us for our time and expertise in connection with attempting to achieve a closing of the Transaction and for risks we incur in connection with the issuance of our Opinion. Accordingly, we will NOT include time and materials billings to the District as part of our routine monthly general counsel invoices; rather, a "**Bond Transaction Legal Services Invoice**" will be provided to the District at or near the closing of the Transaction and shall be due at the time of closing. In addition to these fees, there shall be due and payable upon closing of the Transaction the out of pocket expenses, including travel, telephone and telefax, staff overtime and copying expenses, and all other items and expenses incurred or paid by the Firm on behalf of the District in connection with the Transaction. Please note that if the District directs that work on the Transaction cease prior to closing, or in the event the Transaction does not close for any reason within 90 days of the date of this letter, we may opt to provide a standard invoice to you for actual time and expenses incurred, which will be due in accordance with our standard Engagement, in lieu of the Bond Transaction Legal Services Invoice referenced above.

Cascade Metropolitan District No. 1

April 20, 2023

Page 3

We appreciate the opportunity to continue to provide legal services to the District. Should you have any questions regarding this matter, please do not hesitate to call us.

Sincerely,

WHITE BEAR ANKELE TANAKA & WALDRON

White Bear Ankele Tanaka & Waldron

ACCEPTED:

CASCADE METROPOLITAN DISTRICT NO. 1

BY: *Susan Soloyanis*
Printed Name: Susan Soloyanis
Title: President
Date: May 24, 2023



Form of General Counsel Opinion

_____, 2023

District
Address
Address
Address

Addressee (1)
Address
Address
Address

Addressee (3)
Address
Address
Address

Addressee (4)
Address
Address
Address

\$ _____
_____ DISTRICT [in the City of _____]
(_____ COUNTY, COLORADO)
NAME OF ISSUANCE, SERIES ____ (the “Loan”) OR (the “Bonds”)

Ladies and Gentlemen:

We have acted as general counsel to the _____ District, [City/Town of _____,] _____ County, Colorado (the “**District**”) in connection with the issuance by the District of the Loan/Bonds. We are not counsel for individual directors of the District [see FN1 below for language to insert for pledge agreement opinions]¹. The opinions stated herein are given in our limited capacity as legal counsel to the District for general matters. Further, neither our firm nor any of its attorneys or employees have been employed, contracted, or otherwise retained as a “municipal advisor” to the District as such term is defined in 15 U.S.C. 78o-4(e)(4), as amended by the Dodd/Frank Act (the “**Act**”), or any rules promulgated by the

¹ For pledge agreement opinions in multi-district structures, add [, and we have not represented the Districts in negotiating the terms or substance of the Agreement]. Make sure to delete this FN from the opinion.

Securities and Exchange Commission under the Act. Any comments or advice provided by our firm regarding the issuance of securities by the District have been solely of a “traditional legal nature”, as recognized under the Act.

As to questions of fact material to our opinion, we have relied specifically upon the certified proceedings of the District relating to the authorization, issuance and delivery of the Loan/Bonds and certifications or other representations of public officials and other persons furnished to us without undertaking to verify the same by independent investigation. Whenever our opinion with respect to the existence or absence of facts is indicated to be based on our knowledge, it shall mean that, during the course of our representation as described above, no information has come to our attention which has given us actual knowledge contrary to the existence or absence of such facts. We have not undertaken any independent investigation to determine the existence or absence of such facts, nor have we undertaken any such investigation with respect to facts certified by anyone, and no inference as to our knowledge of the existence or absence of such facts may be drawn from our representation of the District.

In connection herewith, we have assumed, without independent verification or investigation as to the same: (a) the genuineness and authenticity of all documents submitted to us as originals; (b) the conformity of the originals to all photocopies provided to us in connection with rendering this opinion; (c) that the signatures of persons signing all documents in connection with which this opinion is rendered are genuine and are authorized by the entity on whose behalf such persons have signed; provided, however, that no such assumptions as to genuineness and authorization are made as to signatures on behalf of the District; (d) that all parties to the documents reviewed by us have full power and authority and have obtained all consents and/or approvals necessary to execute, deliver and perform thereunder, provided however that no such assumptions are made as to the District regarding necessary consents and/or approvals in connection with execution, delivery, and performance of the Financing Documents, as defined below; and (e) that all such documents have been duly authorized by all necessary corporate officers, have been duly executed by such parties, and have been duly delivered by such parties; provided, however, that no such assumptions are made as to the District’s execution and delivery of any Financing Documents.

The Loan/Bonds is/are being issued pursuant to a Resolution INSERT FULL NAME OF RESOLUTION UNLESS INFEASIBLE DUE TO LENGTH adopted by the Board of Directors of the District (the “**Board**”) at a regular/special meeting held on _____, 20__ (the “**Authorizing Resolution**”). Capitalized words and phrases not otherwise defined herein shall have the meanings assigned in the Authorizing Resolution.

As general counsel to the District, we have reviewed the following documents:

A. The [Consolidated/Amended and Restated] Service Plan of the District, approved by the Town/City/County on _____, [as amended by a First Amendment to Service Plan, dated _____] ([collectively,] the “**Service Plan**”);

B. USE THIS PARAGRAPH IF THERE IS AN OFFERING DOCUMENT: [Those portions of the [Preliminary Disclosure Document Name] dated _____, 202__ and the [Final

Disclosure Document Name] dated _____, 202_ (collectively, the “**Disclosure Document**”) titled: [“THE DISTRICT—INTRODUCTION”, “THE DISTRICT” and “LEGAL MATTERS”];

C. The Authorizing Resolution;

USE THIS LANGUAGE FOR LOAN DOCUMENTS, ADDING AND DELETING REFERENCES TO DOCUMENTS, AS NECESSARY:

D. The Loan Agreement between the District and _____, dated as of _____, 20__;

E. The [insert year] Promissory Note issued pursuant to the Loan Agreement, dated as of the date of issuance;

F. The Custodial Agreement between the District, _____, as custodian, and _____, as lender, dated _____, 20__;

G. The Placement Agent Agreement between the District and _____, as placement agent, dated _____, 20__.

USE THIS LANGUAGE FOR BOND DOCUMENTS, ADDING AND DELETING REFERENCES TO DOCUMENTS, AS NECESSARY:

D. [The Indenture of Trust between the District and _____, as trustee, dated as of _____, 20__];

E. The Bond Purchase Agreement between the District and _____, dated as of _____, 20__;

F. The [insert year] Bonds, dated as of the closing date; and

G. The Continuing Disclosure Agreement, dated as of _____, 20__.

The documents described in paragraphs [C if there is an offering document; or B if there is not an offering document] through [], above, are hereafter referred to as the “**Financing Documents**.”

Based on the foregoing, and except as otherwise qualified and limited herein and expressly qualified by paragraphs 10 [11] through 13 [14], inclusive, we are of the opinion that:

1. The District is a duly organized and existing quasi-municipal corporation and political subdivision of the State of Colorado.

2. We have not received any notice from the State Division of Local Government (the “**Division**”) concerning the intent by the Division to certify the District dissolved pursuant to § 32-1-710, C.R.S., and the officers or directors of the District have not advised us of receipt of same. Nothing has come to our attention which would lead us to believe that there are any grounds for dissolution of the District under such statute.

3. The District is not required by law to amend the Service Plan to effectuate the execution and performance of its obligations under the Financing Documents.

4. To the best of our knowledge, based upon the oral representations and affirmations provided to us by individuals serving on the Board, and without any other independent investigation or inquiry by us, for the period from the date of adoption and approval of the Authorizing Resolution to and including the date hereof, such individuals are qualified to serve as directors and officers of the District and have been duly elected or appointed.

5. The District has taken the procedural steps necessary to adopt the Authorizing Resolution in material compliance with the procedural rules of the District and the requirements of Colorado law, and the Authorizing Resolution remains in full force and effect as the date hereof.

6. The Financing Documents have been duly authorized, executed, and delivered on behalf of the District.

7. To the best of our knowledge, [and except as otherwise set forth in the Disclosure Document,] there is no action, suit, or proceeding pending in which the District is a party, nor is there any inquiry or investigation pending against the District by any governmental agency, public agency, or authority which, if determined adversely to the District, would have a material adverse effect upon the District's ability to comply with its obligations under the Financing Documents.

8. To the best of our knowledge, the issuance, execution, and delivery of the Loan/Bonds by the District, and the execution and delivery of the Financing Documents and the performance by the District of its obligations with respect thereto, will not result in a violation of any applicable judgment, order or decree of any authority of the State of Colorado, and will not result in a breach of, or constitute a default under, any agreement or instrument to which the District is a party or by which the District is bound.

9. To the best of our knowledge, no additional or further approval, consent, or authorization of any governmental, public agency, or authority not already obtained is required by the District in connection with the issuance of the Loan/Bonds, or entering into and performing its obligations under the Financing Documents.

10. [USE THIS PARAGRAPH AS APPLICABLE: We assisted the District in the review of portions of the Disclosure Document. We have not been engaged as disclosure counsel by the District in connection with preparation of the Disclosure Document nor by any other participant involved with the issuance of the Loan/Bonds, and have not undertaken to provide counsel in regard to the contents of the Disclosure Document and/or the disclosure or nondisclosure of matters addressed therein except as set forth in the sections of the Disclosure Document entitled: "THE DISTRICT--INTRODUCTION", "THE DISTRICT", and "LEGAL MATTERS-Litigation"² (together, the "Covered Sections"). We have generally reviewed the

² It is critical that the firm maintain a consistent position on which sections are covered in its 10(b)(5) opinion. Specifically, the firm does not cover all Legal Matters (e.g., sovereign immunity or other general recitations of state

Covered Sections and participated in meetings and discussions with representatives of the District, Bond Counsel and the Underwriter but have not reviewed sections of the Disclosure Document other than the Covered Sections. In the course of these activities, and without further independent investigation, we are not aware that the Covered Sections of the Disclosure Document (except for the financial statements, projections and other financial and statistical information included in the Covered Sections, as to which we express no opinion) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.]]

This letter contains opinions of our firm which are, in their entirety, subject to and qualified generally as set forth therein, and are expressly qualified by the following paragraphs 10 [11] through 13 [14]:

10. [11]. The obligations of the District with respect to the Loan/Bonds, Financing Documents, and other documents and agreements referred to or contained therein or herein may all be affected in the future by:

(a) Provisions of bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally;

(b) Compliance or non-compliance by the directors of the District with laws contained in § 18-8-308, C.R.S., and under §§24-18-101, *et seq.*, C.R.S., regarding disclosure of potential conflicts of interest; provided, however, that we have advised the directors of the requirements of such laws and we are aware that each of the directors of the District have filed potential conflict of interest disclosure forms, if applicable, in connection with the transactions and agreements contemplated herein;

(c) Rights to indemnification and contribution which may be limited by applicable law and equitable principles;

(d) The unenforceability under certain circumstances of provisions imposing penalties, forfeiture, late payment charges or an increase in interest rate upon delinquency in payment or the occurrence of an event of default;

(e) General principles of equity now or hereafter in effect, including, without limitation, concepts of mutuality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief, regardless of whether such enforceability is considered in a proceeding in equity or at law;

(f) The exercise by the United States of America of the powers delegated to it by the federal constitution;

law), but rather the smaller subset of litigation. When the BPA is received, review as early as possible to confirm consistency with the firm's form, and, to the extent necessary, make BPA revision comments to bring the BPA's definitions of Covered Sections into conformance with the firm's form. Make sure to delete this FN from the opinion.

(g) The reasonable and necessary exercise in certain exceptional situations of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving an important public purpose; and

(h) The exercise of judicial discretion and interpretation.

11. [12]. We do not practice law in the areas of federal or state income taxation. Accordingly, we express no opinion as to the federal or state tax consequences associated with the issuance of the Loan/Bonds or with regard to execution and delivery of any of the Financing Documents.

12. [13]. The opinions expressed herein are based solely upon Colorado and applicable federal law as of the date hereof. In providing this opinion, we expressly rely on §1-1-105.5, C.R.S. and §32-1-808, C.R.S.

13. [14]. We express no opinion as to: (a) the financial ability of the District to perform its obligations under the Financing Documents; (b) the validity or enforceability of the Loan/Bonds or the Financing Documents; (c) the accuracy of any TABOR allocation made in connection with the issuance; or (d) the financial condition of the District or the sufficiency of the security provided for payment of the debt service on the Loan/Bonds.

Our only client in the transaction to which this opinion relates is the District. None of the other addressees to this letter have been or are currently clients of our firm. The inclusion of the additional addressees to this opinion shall not establish an attorney-client relationship between such addressee and our firm.

This letter and the opinions expressed herein are limited to the use of the addressees as set forth above, and may not be relied upon by other parties, and may be relied upon only as stated herein. The opinions set forth herein supersede any and all previous understandings, representations, statements, opinions, etc., provided by our firm, whether oral or written, and whether such previous understandings, representations, statements, or opinions were made to the addressees herein, or otherwise, in relation to the Loan/Bonds. We express no opinion as to matters not specifically set forth herein and no opinion may be inferred or implied beyond the matters expressly stated in this letter, subject to all assumptions, limitations, exceptions and qualifications contained herein. Further, the opinions expressed herein are based only on the laws in effect and the facts in existence as of the date hereof and in all respects are subject to and may be limited by future legislation, developing case law, and any change in facts occurring after the date of this letter. We expressly undertake no responsibility or duty to inform any party, whether addressees hereof or not, as to any change in fact, circumstance or law occurring after the date hereof which may affect or alter any of the opinions, statements or information set forth above. This letter and the opinions expressed herein may not be quoted, reproduced, circulated or referred to in whole or in part without our express written consent except in the transcript of proceedings prepared in connection with issuance of the Loan/Bonds.

Sincerely,

WHITE BEAR ANKELE TANAKA & WALDRON



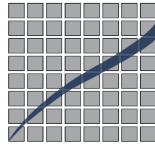
CASCADE METROPOLITAN DISTRICT NO. 1
EL PASO COUNTY, COLORADO

FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

DRAFT

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BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the business-type activities of Cascade Metropolitan District No. 1 ("District"), as of and for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, 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 audits 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 audits. 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 audits were 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 audits 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 ONLY, NOT FOR DISTRIBUTION

Colorado Springs, Colorado

[REPORT DATE PENDING]

DRAFT

CASCADE METROPOLITAN DISTRICT NO. 1
STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Cash and investments	\$ 164,329	\$ 199,314
Cash and investments - restricted	479,272	425,188
Accounts receivable, net	-	15,140
Debt service, administrative, and other fees receivable	49,943	-
Total assets	<u>\$ 693,544</u>	<u>\$ 639,642</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 106,589	\$ 160,218
Accrued interest payable	22,177	22,512
Prepaid fees	1,471	6,358
Current maturities of bonds payable	75,000	65,000
Total current liabilities	<u>205,237</u>	<u>254,088</u>
Non-current liabilities:		
Bonds payable, net of current portion	4,600,000	4,675,000
Total liabilities	<u>4,805,237</u>	<u>4,929,088</u>
<u>NET POSITION</u>		
Restricted for:		
Debt service	476,672	422,488
Emergency reserve	2,600	2,700
Unrestricted	(4,590,965)	(4,714,634)
Total net position	<u>(4,111,693)</u>	<u>(4,289,446)</u>
Total liabilities and net position	<u>\$ 693,544</u>	<u>\$ 639,642</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>OPERATING EXPENSES</u>		
Administration	\$ 33,500	\$ 33,500
Bank charges	5,304	4,890
Dues and subscriptions	558	250
Election	3,573	-
Insurance	2,666	6,197
Labor	-	786
Office supplies and other expenses	12,093	7,313
Professional fees	24,054	36,309
Repairs and maintenance	2,950	106
Utilities and telephone	-	587
<u>Total operating expenses</u>	<u>84,698</u>	<u>89,938</u>
<u>Net operating income</u>	<u>(84,698)</u>	<u>(89,938)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>		
Debt service, administrative, and other fees	454,197	381,319
Interest expense	(268,990)	(272,327)
Interest income	9,337	241
Other revenues	67,907	9,664
<u>Net non-operating revenues (expenses)</u>	<u>262,451</u>	<u>118,897</u>
<u>Change in net position</u>	<u>177,753</u>	<u>28,959</u>
<u>Net position, beginning of year</u>	<u>(4,289,446)</u>	<u>(4,318,405)</u>
<u>Net position, end of year</u>	<u>\$ (4,111,693)</u>	<u>\$ (4,289,446)</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Receipts from customers	\$ 15,140	\$ 395,862
Payments to vendors	(143,214)	(449,197)
Payments to employees for services	-	(786)
Cash flows from operating activities	<u>(128,074)</u>	<u>(54,121)</u>
<u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u>		
Other revenues	<u>67,907</u>	<u>9,664</u>
Cash flows from non-capital financing activities	<u>67,907</u>	<u>9,664</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Principal payments on bonds payable	(65,000)	(65,000)
Interest expense	(269,325)	(272,327)
Debt service administrative and other fees	<u>404,254</u>	<u>381,319</u>
Cash flows from capital and related financing activities	<u>69,929</u>	<u>43,992</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	<u>9,337</u>	<u>241</u>
Net cash flows from investing activities	<u>9,337</u>	<u>241</u>
Net cash flows	19,099	(224)
Cash and investments, beginning of year	<u>624,502</u>	<u>624,726</u>
Cash and investments, end of year	<u><u>\$ 643,601</u></u>	<u><u>\$ 624,502</u></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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating income	\$ (84,698)	\$ (89,938)
Adjustments to reconcile net operating income to net cash flows from operating activities:		
Decrease (increase) in operating assets:		
Accounts receivable, net	15,140	32,256
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(53,629)	2,909
Prepaid fees	(4,887)	652
Net cash flows from operating activities	<u>\$ (128,074)</u>	<u>\$ (54,121)</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, 2022 AND 2021

1. DEFINITION OF REPORTING ENTITY

Cascade Metropolitan District No. 1 ("District"), a quasi-municipal corporation and political subdivision of the state of Colorado, was organized on November 8, 2004 to provide residential and commercial water services in the unincorporated town of Cascade, Colorado. The District is governed pursuant to provisions of the Colorado Special District Act. It is governed by an elected five-member board of directors, which is the policy-making body of the District.

The District follows Governmental Accounting Standards Board ("GASB") accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization and a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization nor is the District a component unit of any other primary governmental entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the District conform to accounting principles generally accepted in the United States of America ("US GAAP") as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District is similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The more significant accounting policies of the District are described as follows:

Basis of accounting

The District's records are maintained on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when liabilities are incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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.

Reclassifications

Certain prior period balances and amounts have been reclassified to conform with current period presentation. These reclassifications had no effect on the reported change in net position.

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 consist of debt service, administrative, and other 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 residents to make required payments. Management considers the following factors when determining the collectability of specific resident accounts: resident 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 residents were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Accounts receivable as of December 31, 2022 and 2021 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, 2022 AND 2021

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

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. CONVEYANCE OF CAPITAL ASSETS TO COLORADO SPRINGS UTILITIES

During the year ended December 31, 2020, the District conveyed all its capital assets to Colorado Springs Utilities ("CSU"). The District was obligated to reimburse CSU for the cost of improvements and easements that had not been made prior to the conveyance. The District estimates the cost for the improvements and easements 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, 2022. Any differences between the estimated and actual amounts will be reflected in the period in which such differences are determinable.

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

4. CASH AND INVESTMENTS

Cash and investments as of December 31, 2022 and 2021, are classified in the accompanying financial statements as follows:

	2022	2021
Cash and investments	\$ 164,329	\$ 199,314
Cash and investments - restricted	479,272	425,188
	\$ 643,601	\$ 624,502

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2022 and 2021, are as follows:

	2022	2021
Deposits with financial institutions	\$ 164,329	\$ 199,314
Investments	479,272	425,188
	\$ 643,601	\$ 624,502

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, 2022, the District's cash deposits had a bank balance of \$160,946 and a book balance of \$164,329. As of December 31, 2021, the District's cash deposits had a bank balance of \$210,145 and a book balance of \$199,314.

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, 2022 AND 2021

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, 2022, 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>\$ 479,272</u>

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>

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 offers three portfolios: COLOTRUST PRIME, COLOTRUST PLUS+, and COLOTRUST EDGE.

COLOTRUST PRIME and COLOTRUST PLUS+, which operate similarly to a money market fund in which each share is equal in value to \$1, offer daily liquidity. 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 US government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

COLOTRUST EDGE, a variable net asset value ("NAV") local government investment pool, offers weekly liquidity and is managed to approximate a \$10 transactional share price. COLOTRUST EDGE may invest in US Treasury securities, repurchase agreement collateralized by US Treasury securities, certain obligations of US government agencies, and highest rated commercial paper.

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 PRIME and COLOTRUST PLUS+ are rated AAAM by Standard & Poor's. COLOTRUST EDGE is rated AAaf/S1 by FitchRatings. COLOTRUST records its investment at fair value and the District records its investment in COLOTRUST at NAV as determined by fair value. There are no unfunded commitments, the redemption frequency is daily or weekly, and there is no redemption notice period.

5. LONG-TERM OBLIGATIONS

The following is a summary of long-term debt of the District during the year ended December 31, 2022:

	<u>Balance 01-01-22</u>	<u>Additions</u>	<u>Repayments/ Defeasance</u>	<u>Balance 12-31-22</u>	<u>Due Within One Year</u>
Series 2015A Bonds	\$3,310,000	\$ -	\$ (50,000)	\$ 3,260,000	\$ 60,000
Series 2015B Bonds	<u>1,430,000</u>	<u>-</u>	<u>(15,000)</u>	<u>1,415,000</u>	<u>15,000</u>
	<u>\$4,740,000</u>	<u>\$ -</u>	<u>\$ (65,000)</u>	<u>\$ 4,675,000</u>	<u>\$ 75,000</u>

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The following is a summary of long-term debt of the District acting by and through the Water Acitivity Enterprise during the year ended December 31, 2021:

	<u>Balance 01-01-21</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>

Bonds payable consist of the following as of December 31,:

	<u>2022</u>	<u>2021</u>
Water Enterprise Revenue Refunding and Improvement Bonds, Series 2015A ("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.	\$ 3,260,000	\$ 3,310,000
Water Enterprise Revenue Refunding and Improvement Bonds, Series 2015B ("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>1,415,000</u>	<u>1,430,000</u>
Total bonds payable	4,675,000	4,740,000
Less current portion	<u>(75,000)</u>	<u>(65,000)</u>
Bonds payable, net of current portion	<u><u>\$ 4,600,000</u></u>	<u><u>\$ 4,675,000</u></u>

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Series 2015 Water Enterprise Revenue Refunding and Improvement Bonds

Net pledged revenue

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

The Bonds require the maintenance of a debt service reserve account. The purpose of the debt service reserve account is to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The debt service reserve account is required to be maintained as long as the bonds are outstanding. The District was in compliance with these requirements as of December 31, 2022 and 2021.

Optional redemption

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

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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.
- 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 or the Issuer 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 or the Issuer 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 or the Issuer 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 or the Issuer generally to pay its debts as such debts become due, or the taking of corporate action by the District or the issuer in furtherance of any of the foregoing.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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.

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

Year ending December 31,	Principal	Interest	Total
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	110,000	249,650	359,650
2028-2032	675,000	1,148,150	1,823,150
2033-2036	3,555,000	717,200	4,272,200
	<u>\$4,675,000</u>	<u>\$ 3,156,150</u>	<u>\$ 7,831,150</u>

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, as follows:

	2022	2021
Restricted net position:		
Debt service (Note 5)	\$ 476,672	\$ 422,488
Emergency reserve (Note 8)	2,600	2,700
Total restricted net position	\$ 479,272	\$ 425,188

Unrestricted net assets consist of net assets that do not meet the definition of restricted net assets.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool ("Pool"). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery, and workers' compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

8. TAX, SPENDING, AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights ("TABOR"), contains tax, spending, revenue and debt limitations which apply to the state of Colorado and all local governments within the state of Colorado.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Spending and revenue limits are determined based on the prior fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenues in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenues. In 2004, the District's voters authorized the District to collect, spend and retain all revenues without regard to the limitations contained within TABOR.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

District management believes the District is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate fiscal year spending limits, will likely require judicial interpretation.

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See independent auditor's report.

SUPPLEMENTARY INFORMATION

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CASCADE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET COMPARED TO ACTUAL – BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2022

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance</u>
<u>OPERATING EXPENDITURES</u>			
Administration	\$ 33,500	\$ 33,500	\$ -
Bank charges	5,300	5,304	(4)
Contingency	10,000	-	10,000
Dues and subscriptions	250	558	(308)
Election	2,500	3,573	(1,073)
Insurance	2,500	2,666	(166)
Office supplies and other expenses	6,100	12,093	(5,993)
Professional fees	24,000	24,054	(54)
Repairs and maintenance	2,500	2,950	(450)
Settlement	35,000	-	35,000
Total operating expenditures	<u>121,650</u>	<u>84,698</u>	<u>36,952</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Debt service, administrative, and other fees	379,500	454,197	74,697
Interest income	400	9,337	8,937
Other revenues	10,000	67,907	57,907
Interest and principal payments	<u>(334,325)</u>	<u>(333,990)</u>	<u>335</u>
Total non-operating revenues and expenditures	<u>55,575</u>	<u>197,451</u>	<u>141,876</u>
Excess (deficit) of revenue over expenditures - budgetary basis	<u>\$ (66,075)</u>	<u>\$ 112,753</u>	<u>\$ 178,828</u>

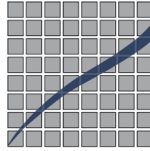
See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF AMOUNTS FROM
US GAAP BASIS TO BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2022

The accompanying supplementary Schedule of Revenues and Expenditures – Budget Compared to Actual on page 18 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 for the year ended December 31, 2022 is presented below.

<u>Total revenues per financial statements</u>		\$ 531,441
Less:		
Revenue accruals and non-cash adjustments for the year ended December 31, 2022		-
<u>Total actual revenues and receipts per the budget</u>		\$ 531,441
<u>Total expenses and capital expenditures per financial statements</u>		\$ 353,688
Add:		
Principal payment on bonds		65,000
<u>Total actual expenses and capital expenditures per the budget</u>		\$ 418,688

See independent auditor's report.



BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS

August 16, 2023

Cascade Metropolitan District No. 1
El Paso County, Colorado
Board of Directors

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 May 24, 2023. 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. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended December 31, 2022. 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 estimates affecting the financial statements related to:

- Collectability of accounts receivable

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

- The disclosure 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 required supplementary information. 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, 2022, 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.

We consider the following to be significant deficiencies:

- *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 equity from the prior year and recognize unpaid accrued project closing costs.

	1-450	Retained Earnings	99,398.00	
	5062	Postage and Delievery	602.00	
	2-352-BK	Accrued Project Closing Costs		100,000.00
Total			100,000.00	100,000.00

Adjusting Journal Entries JE # 3

ADJUSTING: To adjust accounts receivable and prepaid charges to actual as of December 31, 2022.

	1-142	Accounts Receivable	34,803.00	
	1-320	Prepaid Charges	4,887.00	
	2-510	Debt Service Fee		39,690.00
Total			39,690.00	39,690.00

Reclassifying Journal Entries

Reclassifying Journal Entries

Reclassifying Journal Entries JE # 2

RECLASSIFY: To reclassify current portion of Bonds payable.

	231-BK	Current Portion Contra	75,000.00	
	230-BK	Current Portion Bonds Payable		75,000.00
Total			75,000.00	75,000.00

Passed Journal Entries

Proposed Journal Entries

Proposed Journal Entries JE # 4

ADJUSTING: To record an allowance for doubtful accounts as of December 31, 2022.

	2-510	Debt Service Fee	8,579.00	
	1-399-BK	Allowance for doubtful accounts		8,579.00
Total			8,579.00	8,579.00

CASCADE METROPOLITAN DISTRICT NO. 1

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

This representation letter is provided in connection with your audit of the financial statements of Cascade Metropolitan District No. 1 ("District"), which comprise the respective financial position of the business-type activities as of December 31, 2022, and the respective changes in financial position, the respective budgetary comparison for the schedule of revenues and expenditures and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

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

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

General

1. Regarding the non-attest services performed by you; we have—
 - a. Assumed all management responsibilities.
 - b. Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
 - c. Evaluated the adequacy and results of the services performed.
 - d. Accepted responsibility for the results of these services.

Financial Statements

2. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 13, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with US GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
3. The financial statements referred to above are fairly presented, in all material respects, in conformity with US GAAP and include all properly classified funds and other financial information of the primary government and all component units required by US GAAP to be included in the financial reporting entity.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
6. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
7. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with US GAAP.
8. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
9. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with US GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
10. Guarantees, whether written or oral, under which the District is contingently liable, if any, have been properly recorded or disclosed.
11. We are in agreement with the adjusting and reclassifying entries you have proposed, and the adjusting journal entries have been posted to the internal accounts. A list of adjusting and reclassifying entries is as follows:

Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
ADJUSTING: To roll-forward equity from the prior year and recognize unpaid accrued project closing costs.			
1-450	Retained Earnings	99,398.00	
5062	Postage and Delievery	602.00	
2-352- BK	Accrued Project Closing Costs		100,000.00
Total		100,000.00	100,000.00
Adjusting Journal Entries JE # 3			
ADJUSTING: To adjust accounts receivable and prepaid charges to actual as of December 31, 2022.			
1-142	Accounts Receivable	34,803.00	
1-320	Prepaid Charges	4,887.00	
2-510	Debt Service Fee		39,690.00
Total		39,690.00	39,690.00
Reclassifying Journal Entries			
Reclassifying Journal Entries JE # 2			

RECLASSIFY: To reclassify current portion of Bonds payable.

231-BK	Current Portion Contra	75,000.00	
230-BK	Current Portion Bonds Payable		75,000.00
Total		75,000.00	75,000.00

12. The effects of the uncorrected financial statement misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of uncorrected misstatements is as follows:

Proposed Journal Entries			
Proposed Journal Entries JE # 4			
ADJUSTING: To record an allowance for doubtful accounts as of December 31, 2022.			
2-510	Debt Service Fee	8,579.00	
1-399-BK	Allowance for doubtful accounts		8,579.00
Total		8,579.00	8,579.00

Information Provided

13. We have provided you with:
- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence.
 - Minutes of meetings of the District's directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
14. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
15. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
16. We have no knowledge of any fraud or suspected fraud that affects the District and involves:
- Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.

17. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements communicated by employees, former employees, analysts, regulators, or others.
18. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
19. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
20. We have disclosed to you the names of the District's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

21. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
22. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
23. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
24. The District has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance or net position, as applicable.
25. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
26. We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
27. We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
28. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
29. As part of your audit, you assisted with the preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those non-audit services, including that we assume all management responsibilities; oversee the services by designating an individual,

preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.

30. The District has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
31. The District has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
32. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
33. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34, as amended, and GASB Statement No. 84.
34. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
35. Components of net position (net investment in capital assets; restricted; and unrestricted), and components of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
36. Provisions for uncollectible receivables have been properly identified and recorded.
37. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
38. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
39. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
40. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
41. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
42. We have appropriately disclosed the District's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that the net position is properly recognized under the policy.
43. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which

more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

- 44. The financial statement disclosures related to insurance coverage are accurate for all periods presented.
- 45. We have determined that the financial statement presentation of the district as an enterprise is most appropriate under US GAAP based on all facts and circumstances.
- 46. We acknowledge that Management's Discussion and Analysis is required supplementary information which has been omitted from the financial statements and that your report will be modified accordingly.
- 47. With respect to the supplementary information as identified in the table of contents:
 - a. We acknowledge our responsible for presenting the supplementary information in accordance with US GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with US GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

Cascade Metropolitan District No. 1

Board Member Signature

Printed Name

Title

Manager Signature

Printed Name

Title



**SECOND AMENDED AND RESTATED RESOLUTION
OF THE BOARD OF DIRECTORS OF THE
CASCADE METROPOLITAN DISTRICT NO. 1**

Establishing Guidelines for the Processing and Collection of Delinquent Fees and Charges

WHEREAS, Cascade Metropolitan District No. 1 (the “**District**”) is a quasi-municipal corporation and political subdivision of the State of Colorado; and

WHEREAS, pursuant to § 32-1-1001(1)(j)(I), C.R.S., the Board of Directors of the District (the “**Board**”) is authorized to fix and from time to time increase or decrease, fees, rates, tolls, penalties, or charges for services, programs, or facilities furnished by the District (collectively, the “**Fees**”) to properties within and without (each property individually referred to herein as the “**Property**”) the District’s boundaries; and

WHEREAS, pursuant to § 32-1-1001(1)(j)(I), C.R.S., until paid, the Fees shall constitute a perpetual lien on and against the property served, and any such lien may be foreclosed in the same manner as provided by the laws of the State of Colorado for the foreclosure of mechanics’ liens; and

WHEREAS, by this Resolution (the “**Resolution**”), the District desires to set forth guidelines for the processing and collection of unpaid and/or delinquent Fees imposed by the District, together with any and all Late Fees, Interest, Penalties and Costs of Collections (each defined separately in this Resolution), (collectively, the “**Delinquent Fees and Charges**”); and

WHEREAS, notwithstanding anything in this Resolution to the contrary, the guidelines set forth in this Resolution are intended to create orderly and fair procedures for the processing and collection of Delinquent Fees and Charges and any deviation from the guidelines shall not affect the status of the Lien (as defined below) in any way; and

WHEREAS, on December 3, 2019, the Board adopted the Resolution of the Board of Directors of the Cascade Metropolitan District No. 1 Establishing Guidelines for the Processing and Collection of Delinquent Fees and Charges, and on January 26, 2021, the Board adopted the Amended and Restated Resolution of the Board of Directors of the Cascade Metropolitan District No. 1 Establishing Guidelines for the Processing and Collection of Delinquent Fees and Charges (collectively the “**Prior Policy**”), and the Board desires to adopt this Resolution to amend and restate the Prior Policy in its entirety.

NOW, THEREFORE, the Board hereby RESOLVES:

1. **Statement of Lien Guidelines:**

a. ***Perpetual Lien.*** Pursuant to § 32-1-1001(1)(j)(I), C.R.S., all Delinquent Fees and Charges shall constitute a perpetual lien on and against the Property served by the District (the “**Lien**”). All such Liens shall, to the fullest extent permitted by law, have priority over all other liens of record affecting the Property and shall run with the Property and remain in effect

until paid in full. All Liens contemplated herein may be foreclosed as authorized by law at such time as the District, in its sole discretion, may determine.

i. Notwithstanding the foregoing, the guidelines set forth in this Resolution are intended to create orderly and fair procedures for the processing and collection of Delinquent Fees and Charges and to provide additional notice to interested parties, including, but not limited to, title companies and the Property owner. In the event any or all of the guidelines set forth in this Resolution are not followed, such deviation shall not affect the status of the Lien in any way. Further, the Board may waive any guidelines set forth in this Resolution and may amend them from time to time as it deems necessary.

b. ***District's Manager Procedures.*** The District's Manager, Accountant or Billing Agent (any of which are referred to herein as the "**Manager**") is responsible for collecting Fees imposed by the District against the Property. In the event payment of Fees is delinquent, the Manager may perform the procedures listed below. The Fees are considered delinquent when they have not been paid by their corresponding due date (the "**Delinquent Account**"):

i. *Fifteen (15) Calendar Days Past Due:* A delinquent payment "Reminder Letter" may be sent to the address of the last known owner or occupant of the Property according to the Manager's records. In the event the above mailing is returned as undeliverable, the Manager may send a second copy of the Reminder Letter to: (1) the Property; and (2) the address of the last known owner of the Property as found in the real property records of the County Assessor's Office (the "**Assessor**") for the County in which the District is located (collectively, the "**Property Address**"). Said Reminder Letter may: (1) request prompt payment; (2) notify the Property owner that a Reminder Letter Fee, and a Late Fee in the amounts set forth in this Resolution have been assessed; and (3) reference the url address of the District's webpage where this Resolution is displayed, if available and requested by the Board.

ii. *Fifteen (15) Calendar Days From the Postmark Date of the Reminder Letter:* A "Warning Letter" may be sent to the Property Address: (1) requesting prompt payment; (2) warning of further legal action should the Property owner fail to pay the total amount due and owing; and (3) referencing the url address of the District's webpage where this Resolution is displayed, if available. Along with the Warning Letter, a copy of the most recent account ledger reflecting the total amount due and owing to the District according to the records of the Manager may also be sent.

iii. *Ten (10) Calendar Days from the Postmark Date of the Warning Letter:* Once the total amount of Delinquent Fees and Charges owing on the Property has exceeded \$350.00, regardless of whether the Manager has performed the tasks outlined in Section 1(b) of this Resolution, the Manager may refer the Delinquent Account to the District's Special Counsel (the "**Special Counsel**"). At the time of such referral, the Manager may be requested to provide Special Counsel with copies of all notices and letters sent pursuant to Section 1(b), if any, as well as a copy of the most recent ledger for the Delinquent Account.

c. ***Special Counsel Procedures.*** Upon referral of a Delinquent Account from the Manager, Special Counsel may perform the following:

i. *Upon Referral of the Delinquent Account From the Manager:* A “Demand Letter” may be sent to the Property Address, notifying the Property owner that the Property has been referred to Special Counsel for further collections enforcement, including the filing of a statement of lien against the Property. Along with the Demand Letter, a copy of the most recent account ledger reflecting the total amount due and owing the District according to the records of the Manager may also be sent.

ii. *No Sooner than Thirty (30) Calendar Days from the Postmark Date of the Demand Letter:* A Notice of Intent to File a Statement of Lien, along with a copy of the statement of lien to be filed, may be sent to the Property Address of the Delinquent Account notifying the Property owner that a statement of lien will be recorded with the clerk and recorder of the County where the Property is located (the “**Clerk and Recorder**”) within no sooner than ten (10) days from the postmark date of the Notice of Intent to File a Statement of Lien.

iii. *No Sooner than Ten (10) Calendar Days from the Postmark Date of the Notice of Intent to File a Statement of Lien:* A Statement of Lien for the total amount due and owing as of the date of the Statement of Lien may be recorded against the Property with the Clerk and Recorder no sooner than ten (10) days from the postmark date of the Notice of Intent to File a Statement of Lien is sent to the Property. Notwithstanding the amount due and owing reflected on the Statement of Lien, all Delinquent Fees and Charges will continue to accrue on the Delinquent Account and will run with the Property until the total amount due and owing the District is paid in full.

d. ***Foreclosure or Bankruptcy.*** In circumstances where the Property is being foreclosed upon or where the owner of the Property has declared or is declaring bankruptcy and notice of such bankruptcy action has been provided to the District, the Manager may be permitted, in his or her discretion, to refer the Delinquent Account directly to Special Counsel in order to avoid unnecessary, costly and time consuming procedures. Upon referral of the Delinquent Account to Special Counsel, Special Counsel may, in his or her discretion, immediately file a Statement of Lien on the Property. Further, when a Delinquent Account has a balance of One Thousand Five Hundred Dollars (\$1,500.00) or greater, Special Counsel may submit the account to the Board for consideration of a foreclosure action. The District shall not proceed with a foreclosure action unless such action is authorized by the Board.

2. **Late Fees:**

a. Late Fees are assessed on the Property for failure to make timely payments of Fees. Late Fees are applied, regardless of whether the Fees are assessed on a one-time, monthly, quarterly, semi-annual, annual, or any other basis.

b. Late Fees are assessed on the Property **Fifteen (15) calendar days from the payment due date.** Pursuant to § 29-1-1102, C.R.S., such Late Fee may be charged by either of the following two methods:

i. One Late Fee of Fifteen Dollars (\$15.00) may be assessed on the Property per each assessment or installment of Fees not fully paid prior to the Fifteenth (15) calendar day following the payment due date; or

ii. In lieu of Section 2(b)(i) above, a Late Fee of Five Percent (5%) per month, commencing on the Fifteenth (15) calendar day following the payment due date, and each month thereafter, may be charged on unpaid Fees until the Late Fee equals Twenty Five Percent (25%) of all outstanding Fees.

c. Partial payment of any outstanding Delinquent Fees and Charges will not prevent the imposition of Late Fees pursuant to this Section 2.

d. Payments received will be applied to the balance due in the following order of priority: (1) Late Fees; (2) Interest; (3) Costs of Collections; (4) Legal Fees and Costs; (5) the earliest imposed and unpaid Fees; (6) any successive unpaid Fees in chronological order from the earliest unpaid Fees to the most recently imposed Fees.

e. No penalty will be assessed on the Property for a credit balance resulting from the prepayment and/or overpayment of Fees. Such credit balances will be carried forward on the account with all subsequent Fees and Delinquent Fees and Charges being deducted until such time as the credit balance is depleted. A Property carrying a credit balance may be assessed Late Fees as provided herein at such time as the credit balance is insufficient to pay the entire amount of Fees due and owing the District.

3. **Interest:** Interest charges accrue on all delinquent Fees at the maximum statutory rate of One Percent (1%) per month. Interest shall not accrue and be charged on Late Fees, Interest or Costs of Collections. §29-1-1102, C.R.S.

4. **Penalties:** May be charged on Delinquent Accounts at a rate determined by the Board and may include, but are not limited to, pro-rated costs associated with collection efforts on behalf of the District for all Delinquent Accounts combined.

5. **Costs of Collections:**

a. Include, but are not limited to, attorneys' fees and all costs, fees and charges associated with the processing and/or collection of Delinquent Fees and Charges, including the following fixed rates and hourly fees and costs:

i. *Action Fees.* The following fixed rate fees are charged to a Delinquent Account once the corresponding action has been taken by either the Manager or Special Counsel:

- ◆ *Reminder Letter Fee:* Ten Dollars (\$10.00) per Reminder Letter. This action is typically performed by the Manager.
- ◆ *Warning Letter Fee:* Ten Dollars (\$10.00) per Warning Letter sent. This action is typically performed by the Manager.
- ◆ *Return Check Fee:* Twenty Dollars (\$20.00) per returned payment.

- ◆ *Attorney Transfer Fee:* Thirty Dollars (\$30.00) per Delinquent Account transferred from the Manager to Special Counsel. This action is performed by the Manager.

ii. *Attorney Action Fees.* Additional fixed rate fees charged by Special Counsel to a Delinquent Account once a corresponding action has been taken may be found in the engagement letter between the District and Special Counsel.

iii. *Attorney Hourly Fees and Costs.* Upon transfer of a Delinquent Account to Special Counsel, all hourly attorneys' fees and costs, including, but not limited to, litigation and expert witness fees and costs, litigation guarantees, service of process and/or publications incurred by the District to collect or defend the Delinquent Fees and Charges are assessed to the Delinquent Account and become part of the perpetual Lien on the Property. All such hourly attorneys' fees and costs shall be reasonable.

iv. *Recovery of Costs of Collections.* In accordance with § 29-1-1102(8), C.R.S., nothing in this Resolution shall be construed to prohibit the District from recovering all Costs of Collections whether or not outlined above.

6. Waiver of Late Fees, Interest and Costs of Collections:

a. The Manager and Special Counsel each have authority and discretion to waive or reduce portions of the Delinquent Account attributable to Late Fees and Interest. Such action is permitted if either the Manager or Special Counsel, in its discretion, determines that such waiver or reduction will facilitate the payment of Delinquent Fees and Charges. Notwithstanding the foregoing, neither the Manager nor Special Counsel shall have the authority to waive Late Fees and Interest which, in the aggregate, exceeds One Thousand Dollars (\$1,000.00). In such case, the person or entity owing in excess of One Thousand Dollars (\$1,000.00) in Late Fees and Interest combined and requesting such a waiver shall first submit a request, in writing, to the Board, and the Board may make the determination in its sole discretion.

b. Neither the Manager nor Special Counsel is authorized to waive any portion of the Fees or Costs of Collections. Should the Property owner desire a waiver of such Fees and/or Costs of Collections, s/he may submit a written request to the Board and the Board may make the determination in its sole discretion.

c. Any waiver or reduction of Late Fees or Interest granted pursuant to Sections 6(a) or (b) hereof shall not be construed as a waiver or reduction of future Late Fees and Interest, or as the promise to waive or reduce future Late Fees or Interest. Nor shall any such waiver or reduction be deemed to bind, limit, or direct the future decision making power of the Board, Manager, General Counsel or Special Counsel, whether related to the Property in question or other properties within the District.

7. Payment Plans: The Manager and Special Counsel each have the authority to enter into or establish payment plans for the repayment of a Delinquent Account. Should the Manager or Special Counsel elect not to enter into a payment plan with the Property owner, the Property owner may submit a written request to the Board and the Board may make the determination in its sole discretion.

8. **Certification of Account to County Treasurer:** Pursuant to § 31-1-101(1)(e). C.R.S., the Board may elect to certify any Delinquent Fees and Charges related to water and sanitation fees satisfying the criteria established therein to the County Treasurer for collection with the Districts *as valorem* property taxes. The certification process may be performed by the Manager, Special Counsel or General Counsel in addition to or in lieu of any procedures set forth in this Resolution in the Board's sole discretion. The fees for the certification process shall be in accordance with Colorado law and County Policy.

9. **Acceleration and Decelerations of Fees:** The District reserves the right to accelerate and call due an entire unpaid annual Fee on any delinquent account. Such acceleration shall result in the entire unpaid annual Fee being due to the District immediately. The District also reserves the right to decelerate any accelerated Fee.

10. **Ratification of Past Actions:** All acts, omissions, waivers and/or payment plans heretofore undertaken by the Manager or Special Counsel that would otherwise have been authorized by or not required by this Resolution are hereby affirmed, ratified and made effective as of the date said acts, omissions, waivers and/or payment plans occurred.

11. **Additional Actions:** The Board directs its officers, staff and consultants to take such additional actions and execute such additional documents as are necessary to give full effect to the intention of this Resolution.

12. **Deviations:** The District may deviate from the procedures set forth in this Resolution if in its sole discretion such deviation is reasonable under the circumstances.

13. **Prior Outstanding Fees:** Any fees, rates, tolls, penalties or charges due under the Prior Policy, to the extent outstanding and unpaid, shall remain in effect until fully paid and shall not be eliminated hereby

14. **Supersedes Prior Resolutions:** This Resolution shall supersede and replace in their entirety all prior resolutions addressing the processing and/or collection of Delinquent Fees and Charges, including the Prior Policy. To the extent that any term or provision in this Resolution conflicts with any term or provision in a previously enacted and valid resolution of the District, the term or provision in this Resolution shall prevail.

15. **Severability:** If any term, condition or provision of this Resolution shall, for any reason, be held to be invalid or unenforceable, the invalidity or unenforceability of such term, condition or provision shall not affect any other provision contained in this Resolution, the intention being that such provisions are severable. In addition, in lieu of such void or unenforceable provision, there shall automatically be added as part of this Resolution a provision similar in terms to such illegal, invalid or unenforceable provision so that the resulting reformed provision is legal, valid and enforceable.

16. **Savings Provision:** The failure to comply with the procedures set forth herein shall not affect the status of the Delinquent Fees and Charges as a perpetual Lien subject to foreclosure in accordance with law. Failure by the Manager, General Counsel or Special Counsel or other authorized representative to take any action in accordance with the guidelines provided herein shall not invalidate subsequent efforts to collect the Delinquent Fees and Charges.

[Remainder of page intentionally left blank, signature page follows.]

ADOPTED this 20th day of September, 2023.

CASCADE METROPOLITAN DISTRICT
NO. 1

By: _____
Officer of the District

Attest:

By: _____

APPROVED AS TO FORM:

WHITE BEAR ANKELE TANAKA & WALDRON
Attorneys at Law

General Counsel to the District