CASCADE METROPOLITAN DISTRICT NO. 1

CASCADE, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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 for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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.

BiggsKofford, P.C.

Colorado Springs, Colorado
July 23, 2024

CASCADE METROPOLITAN DISTRICT NO. 1
STATEMENTS OF NET POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and investments	$ 273,963	$ 164,329
Cash and investments - restricted	-	479,272
Debt service, administrative, and other fees receivable	63,131	49,943
Total assets	$ 337,094	$ 693,544
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	$ 5,104	$ 106,589
Accrued interest payable	20,533	22,177
Prepaid fees	1,737	1,471
Current maturities of bonds payable	235,000	75,000
Total current liabilities	262,374	205,237
Non-current liabilities:		
Bonds payable, net of current portion and premium	4,359,794	4,600,000
Total liabilities	4,622,168	4,805,237
NET POSITION		
Restricted for:		
Debt service	-	476,672
Unrestricted	(4,285,074)	(4,588,365)
Total net position	(4,285,074)	(4,111,693)
Total liabilities and net position	$ 337,094	$ 693,544

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, 2023 AND 2022

	2023	2022
OPERATING EXPENSES		
Administration	$ 30,006	$ 33,500
Bank charges	8,247	5,304
Dues and subscriptions	-	558
Election	3,338	3,573
Insurance	2,698	2,666
Office supplies and other expenses	9,201	12,093
Professional fees	29,251	24,054
Repairs and maintenance	-	2,950
Total operating expenses	82,741	84,698
Net operating income	(82,741)	(84,698)
NON-OPERATING REVENUES (EXPENSES)		
Debt service, administrative, and other fees	436,569	454,197
Interest expense	(264,481)	(268,990)
Interest income	49,246	9,337
Other revenues	1,349	67,907
Recovery of previously estimated obligations to reimburse CSU	41,108	-
Bond issuance costs	(354,431)	-
Net non-operating revenues (expenses)	(90,640)	262,451
Change in net position	(173,381)	177,753
Net position, beginning of year	(4,111,693)	(4,289,446)
Net position, end of year	$ (4,285,074)	$ (4,111,693)

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, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from residents	$ -	$ 15,140
Payments to vendors	(183,960)	(143,214)
Cash flows from operating activities	(183,960)	(128,074)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Other revenues	1,349	67,907
Cash flows from non-capital financing activities	1,349	67,907
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from issuance of bonds	4,480,000	-
Premium on bond issuance	114,794	-
Principal payments on bonds payable	(4,675,000)	(65,000)
Interest expense	(266,125)	(269,325)
Debt service administrative and other fees	423,381	404,254
Payment of bond issuance costs	(354,431)	-
Recovery on previously estimated obligations to reimburse CSU	41,108	-
Cash flows from capital and related financing activities	(236,273)	69,929
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	49,246	9,337
Net cash flows from investing activities	49,246	9,337
Net cash flows	(369,638)	19,099
Cash and investments, beginning of year	643,601	624,502
Cash and investments, end of year	$ 273,963	$ 643,601

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, 2023 AND 2022

	2023	2022
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Net operating income	$ (82,741)	$ (84,698)
Adjustments to reconcile net operating income to net cash flows from operating activities:		
Decrease (increase) in operating assets:		
Accounts receivable, net	-	15,140
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(101,485)	(53,629)
Prepaid fees	266	(4,887)
Net cash flows from operating activities	$ (183,960)	$ (128,074)

The accompanying notes and independent auditor's report should be read with these financial statements.

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. Prior to December 31, 2020, the District operated similar to a private utility system where customers were charged for water service. During the year ended December 31, 2020, the District conveyed all of its capital assets to Colorado Springs Utilities ("CSU") (Note 3). Management has determined the District will continue to operate as an enterprise fund until the District has paid off its long-term obligations and is dissolved.

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

<u>Basis of accounting</u>

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

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

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 resident, 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, 2023 and 2022 have been recorded net of an allowance for doubtful accounts of $5,000 each year.

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.

Use of estimates

The preparation of the basic financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain prior year balances and amounts have been reclassified to conform to the current year presentation.

Subsequent events

The District has evaluated subsequent events through the date of the attached independent auditor’s report, the date these financial statements were available to be issued.

3. CONVEYANCE OF CAPITAL ASSETS TO COLORADO SPRINGS UTILITIES

During the year ended December 31, 2020, the District conveyed all of its capital assets to 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 estimated the cost for the improvements and easements to be $100,000 and, accordingly, included this balance in accounts payable and accrued liabilities on the statement of net position as of December 31, 2022. During the year ended December 31, 2023, the District paid $58,893 to satisfy the obligation to CSU. CSU released and discharged the District from any further payment obligations related to the conveyance of capital assets. The difference of $41,108 between the estimated cost previously recorded and the amount paid to satisfy the obligation was recorded as recovery of previously estimated obligations to reimburse CSU during the year ended December 31, 2023 in the financial statements.

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 improvementsto 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. During the years ended December 31, 2023 and December 31, 2022 the District collected $436,569 and $454,197 in debt service, administrative, and other fees, respectively.

4. CASH AND INVESTMENTS

Cash and investments as of December 31, 2023 and 2022, are classified in the accompanying financial statements as follows:

	2023	2022
Cash and investments	$ 273,963	$ 164,329
Cash and investments - restricted	-	479,272
	$ 273,963	$ 643,601

The carrying amounts of cash and investments, which equal estimated fair value, as of December 31, 2023 and 2022, are as follows:

	2023	2022
Deposits with financial institutions	$ 273,963	$ 164,329
Investments	-	479,272
	$ 273,963	$ 643,601

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, 2023, the District's cash deposits had a bank balance of $271,093 and a carrying balance of $273,963. As of December 31, 2022, the District's cash deposits had a bank balance of $160,946 and a carrying balance of $164,329.

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.

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, 2023, the District had no investments.

As of December 31, 2022, the District had the following investments:

Investments	Maturity	Amount
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	$ 479,272

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.

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, highest rated commercial paper, and any security allowed under CRS 24-75-601.

A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST 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, 2023:

	Balance 01-01-23	Additions	Repayments/ Defeasance	Balance 12-31-23	Due Within One Year
Series 2015A Bonds	$ 3,260,000	$ -	$ (3,260,000)	$ -	$ -
Series 2015B Bonds	1,415,000	-	(1,415,000)	-	-
Series 2023 Bonds	-	4,480,000	-	4,480,000	235,000
Premium on Series 2023 Bonds	-	114,794	-	114,794	-
	$ 4,675,000	$ 4,594,794	$ (4,675,000)	$ 4,594,794	$ 235,000

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

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

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

	2023	2022
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
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.	-	1,415,000
Water Revenue Refunding Bonds, Series 2023 ("Series 2023 Bonds") bearing interest at a rate of 5.00% per annum maturing on dates from December 1, 2024 to December 1, 2036. Interest and principal are payable semi-annually on each June 1 and December 1. Reported net of premium of $114,794.	4,594,794	-
Total bonds payable	4,594,794	4,675,000
Less current portion	(235,000)	(75,000)
Bonds payable, net of current portion and premium	$ 4,359,794	$ 4,600,000

Series 2015 Water Enterprise Revenue Refunding and Improvement Bonds

Net pledged revenue

The Series 2015A Series 2015B Bonds (collectively, the "Bonds") were secured by and payable from 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 were 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 required the maintenance of a debt service reserve account. The purpose of the debt service reserve account was to provide adequate reserves to meet principal and interest requirements if the bond account does not have enough funding. The debt service reserve account was required to be maintained as long as the bonds are outstanding. The Bonds were refinanced during the year ended December 31, 2023 by the issuance of the Water Revenue Refunding Bonds, Series 2023.

Water Revenue Refunding Bonds, Series 2023 ("Series 2023 Bonds")

Pledged revenue

The Series 2023 Bonds are secured by and payable from the revenues collected by the District from the imposition of the debt service fee and any other legally available monies which the District determines, in its absolute discretion, to be treated as pledged revenue.

Bond reserve

The Series 2023 Bonds are secured by a reserve fund which is to be used (subject to any required rebate of investment earnings thereon to the United States of America) solely for the payment of the principal of and interest on the Series 2023 Bonds in the event that monies for debt service are insufficient to make such payments when due.

The reserve fund is required to be maintained in an amount equal to the lesser of: (a) 125% of average annual debt service on the Series 2023 Bonds; (b) 100% maximum annual debt service on the Series 2023 Bonds; or (c) 10% of bond proceeds. The reserve fund will be fully funded upon the issuance of the Series 2023 Bonds in the amount of the bond reserve requirement for the Series 2023 Bonds (which is $448,000) with a debt service reserve insurance policy issued by Assured Guaranty Municipal Corp. ("AGM").

The requirement to fund the reserve fund in the amount of the bond reserve requirement for the Series 2023 Bonds will be satisfied initially by the debt service reserve nsurance policy in the amount of the bond reserve requirement for the Series 2023 Bonds to be issued concurrently with the delivery of the Series 2023 Bonds by AGM. The debt service reserve insurance policy provides that AGM unconditionally and irrevocably agrees to pay to the paying agent, subject only to the terms of the debt service reserve insurance policy, that portion of the principal of and interest on the Series 2023 Bonds that becomes due for payment (as defined in the debt service reserve insurance policy) but is unpaid by reason of nonpayment (as defined in the debt service reserve insurance policy) by the District.

Draws under the debt service reserve insurance policy are to be repaid to the bond insurer by the District pursuant to the terms of the debt service reserve insurance policy and the bond resolution. Such draws are to be repaid solely from and to the extent of the pledged revenue. The District is to pay AGM any draws under the debt service reserve insurance policy and all reasonable charges, fees, costs, losses, liabilities and expenses incurred by AGM, together with interest thereon from the date of payment by AGM at the rate provided in the debt service reserve insurance policy and the bond resolution. As and to the extent that payments are made to AGM on account of principal due, the coverage under the debt service reserve insurance policy will be increased by a like amount, subject to the terms thereof.

The Series 2023 Bonds are special revenue obligations of the District, but do not constitute a debt or indebtedness or multiple fiscal year debt or other financial obligation of the District within the meaning of any constitutional or statutory provision or limitation. The Series 2023 Bonds do not constitute a general obligation of the District. Owners of the Series 2023 Bonds may not look to any other funds or accounts other than those specifically pledged by the District to the payment of the Series 2023 Bonds. The Series 2023 Bonds do not constitute an obligation of El Paso County or the State of Colorado.

The District will continue to incur the costs to maintain this insurance policy until sufficient cash reserves exist.

Optional redemption

The Series 2023 Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in part, in denominations of $5,000 and integral multiples thereof, from such series and maturities as are selected by the District and by lot within a maturity (giving proportionate weight to bonds in denominations larger than $5,000), in such a manner as the District may determine, on December 1, 2033 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.

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:

(a) Default in the payment of the principal of or premium, if any, on any Series 2023 Bond when the same becomes due and payable, whetehr at the stated maturity thereof, on a sinking fund date, or upon proceedings for the redemption.

(b) Default in the payment of any installment of interest on any Series 2023 Bond when the same becomes due and payable

(c) The District defaults in the performance of any covenant, contract, or other provision in the bond resolution, and such default continues for a period of 30 days after written notice to the District from the beneficial owners of at least 25% in aggregate principal amount of the Series 2023 Bonds then outstanding or to the District specifying such default and requiring the same to be remedied, provided, with respect to any such failure covered by this subsection (c), 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 will thereafter be diligently prosecuted to completion and the failure will be remedied thereby.

(d) Default by the District in the payment of any indebtedness in a material amount and any period of grace with respect thereto has expired, or an event of default as defined in any indenture or instrument 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.

(e) The entry of a decree or order for relief by a court having jurisdiction in the premises in respect of the District in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency, or other similar law; or the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the District or for any substantial part of its property; the ordering of 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.

(f) The commencement by the District of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency, or other similar law; or the consent by the District 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 the District of any assignment for the benefit of creditors, or the failure of the District generally to pay its debts as such debts become due, or the taking of corporate action by the District in furtherance of any of the foregoing.

(g) The foregoing provisions of item (c) above of this section are subject to the following limitations: If by reason of force majeure the District is unable in whole or in part to carry out its agreements herein contained, other than the obligations on the part of the District for tax covenants, the District will not be deemed in default during the continuance of such inability. The term “force majeure” as used herein means, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State of Colorado or any of their departments, agencies, or officials, or any civil or military authority, including, without limitation, orders, rules, or regulations of any such entities having jurisdiction over the rates and fees charged by the District for its facilities and services; insurrections; riots; epidemics; landslides; lightning; earthquake; fire; hurricane; tornadoes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the District. The District agrees, however, if possible, to remedy with all reasonable dispatch the cause or causes preventing it from carrying out its agreements; provided, that the settlement of strikes, lockouts and other industrial disturbances are entirely within the discretion of the District, and the District is not required to make settlement of strikes, lockouts or other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the District unfavorable to the District.

Upon the occurrence and continuation of an event of default, any owner of the Series 2023 Bonds, or a trustee therefor, may proceed against the District to protect and enforce the rights of any owner of the Series 2023 Bonds by proper legal or equitable remedy deemed most effectual including mandamus, specific performance of any covenants, the appointment of a receiver (the consent to such appointment being hereby granted), injunctive relief, or requiring the District's board of directors to act as if it were the trustee of an express trust, or any combination of such remedies. All proceedings will be maintained for the equal benefit and protection of all owners of the Series 2023 Bonds. The failure of any owner to proceed does not relieve the District or any person of any liability for failure to perform any duty hereunder. The foregoing rights are in addition to any other right, and the exercise of any right by any owner will not be deemed a waiver of any other right.

The District's long-term obligations on the Series 2023 Bonds mature as follows:

Year ending December 31,	Principal	Interest	Total
2024	$ 235,000	$ 246,400	$ 481,400
2025	265,000	212,250	477,250
2026	280,000	199,000	479,000
2027	295,000	185,000	480,000
2028	310,000	170,250	480,250
2029-2033	1,790,000	603,500	2,393,500
2034-2036	1,305,000	132,500	1,437,500
	$ 4,480,000	$ 1,748,900	$ 6,228,900

Debt authorization

On November 2, 2004, the District's voters authorized total indebtedness of $5,000,000. The first amendment to the consolidated service plan (as it relates only to District No. 1) increased the maximum authorized indebtedness to $5,000,000. This debt may not be general obligation debt of the District and no tax revenue may be pledged to the retirement of the debt.

In 2004, the District's voters authorized the issuance of indebtedness. The service plan states that tax revenue cannot be utilized to service debt.

6. NET POSITION

As of December 31, 2023, the District's entire net position is unrestricted.

The District has a deficit in unrestricted net position as of December 31, 2023. This deficit is the result of the District being responsible for the repayment of bonds issued for public improvements, which were conveyed to other governmental entities and which costs were removed from the District's financial records.

7. CONVEYANCE OF PROPERTY

The District conveyed two properties to El Paso County during the year ended December 31, 2023. The properties conveyed were previously not capitalized because their value was not material to the financial statements of the District.

8. 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.

9. TAX, SPENDING, AND DEBT LIMITATIONS

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

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

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

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR. The District’s management believes a significant portion of its operations qualifies for this exclusion.

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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SUPPLEMENTARY INFORMATION

CASCADE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET COMPARED TO ACTUAL – BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget	Actual Amounts	Variance
OPERATING EXPENDITURES				
Administration	$ 30,000	$ 30,000	$ 30,006	$ (6)
Bank charges	5,300	5,800	8,247	(2,447)
Contingency	10,000	5,000	-	5,000
Dues and subscriptions	450	450	-	450
Election	10,000	10,000	3,338	6,662
Insurance	2,500	79,738	2,698	77,040
Office supplies and other expenses	3,600	3,600	9,201	(5,601)
Professional fees	24,000	24,000	29,251	(5,251)
Repairs and maintenance	10,000	10,000	-	10,000
Settlement	100,000	100,000	58,892	41,108
Total operating expenditures	195,850	268,588	141,633	126,955
NON-OPERATING REVENUES (EXPENSES)				
Bond premium	-	114,794	114,794	-
Cost of issuance	-	(261,513)	(354,431)	(92,918)
Debt service, administrative, and other fees	431,500	431,500	436,569	5,069
Interest income	3,100	100	49,246	49,146
Principal and interest pay-off of Series 2015 Bonds	(341,124)	(4,918,948)	(4,939,481)	(20,533)
Proceeds from bond issuance	-	4,480,000	4,840,000	360,000
Other revenues	-	-	1,349	1,349
Malcom restitution	-	750	-	(750)
Reserve fund surety	-	(32,680)	-	32,680
Total non-operating revenues and expenditures	93,476	(185,997)	148,046	334,043
Excess (deficit) of revenue over expenditures - budgetary basis	$ (102,374)	$ (454,585)	$ 6,413	$ 108,787

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF AMOUNTS FROM
US GAAP BASIS TO BUDGETARY BASIS
YEAR ENDED DECEMBER 31, 2023

The accompanying supplementary Schedule of Revenues and Expenditures − Budget Compared to Actual on page 19 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, 2023 is presented below.

Total revenues per financial statements	$	528,272
Add:		
Bond premium		114,794
Proceeds from bond issuance		4,840,000
Less:		
Revenue accruals and non-cash adjustments for the year ended December 31, 2023		-
Recovery of previously esttimated obligations to reimbure CSU		(41,108)
Total actual revenues and receipts per the budget	$	5,441,958
Total expenses and capital expenditures per financial statements	$	701,653
Add:		
Repayments on bonds		4,675,000
Payment of CSU settlement		58,892
Total actual expenses and capital expenditures per the budget	$	5,435,545

See independent auditor's report.