

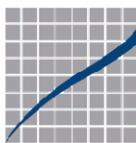
**CASCADE METROPOLITAN
DISTRICT NO. 1**

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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BiggsKofford
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors

Cascade Metropolitan District No. 1

Cascade, Colorado

Report on the Financial Statements

We have audited the accompanying basic financial statements of Cascade Metropolitan District No. 1 ("District") as of and for the year ended December 31, 2012, and notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("US GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

As more fully described in Note 11, due to the insufficiency of records for the period under audit, management was not able to substantiate the balance of accounts receivable, the balance of accounts payable, the classification of revenues and expenses and the presentation of cash flows. The amount by which these departures from US GAAP, if any, would affect the financial position, change in net position and cash flows has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to previously present fairly, in all material respects, the financial position of the District as of December 31, 2012, and the changes in financial position thereof for the year then ended in conformity with US GAAP.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information as identified in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

BiggsKofford, P.C.

Colorado Springs, Colorado
June 3, 2014

CASCADE METROPOLITAN DISTRICT NO. 1
STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS

Current assets:

Accounts receivable, less allowance for doubtful accounts (see Note 11)	\$ 43,878
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Total current assets	43,878
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Non-current assets:

Capital assets, net	1,234,733
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Total non-current assets	1,234,733
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Total assets	\$ 1,278,611
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LIABILITIES

Current liabilities:

Disbursements in excess of available cash balances	\$ 5,112
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Accounts payable and accrued liabilities (see Note 11)	44,531
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Estimated liability to Colorado Springs Utilities (See Note 10)	500,000
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Accrued interest	2,690
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Current maturities of notes and bonds payable	38,111
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Total current liabilities	590,444
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Non-current liabilities:

Bonds and notes payable, net of current portion	659,122
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Total liabilities	1,249,566
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NET POSITION

Invested in capital assets, net of related debt	537,500
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Restricted for emergency reserves	7,564
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Unrestricted	(516,019)
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Total net position	29,045
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Total liabilities and net position	\$ 1,278,611
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The accompanying notes and independent auditor's report
should be read with this financial statement.

CASCADE METROPOLITAN DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
YEAR ENDED DECEMBER 31, 2012

<u>OPERATING REVENUES</u>	
Water sales	\$ 499,179
<hr/>	
Total operating revenues	499,179
<hr/>	
<u>OPERATING EXPENSES</u>	
Purchased water	85
Insurance	7,215
Utilities and telephone	4,237
Bad debts and bank charges	2,415
Repairs and maintenance	24,863
Labor	66,919
Chemicals and supplies	2,426
Water quality testing	1,906
Office supplies and expense	29,445
Administration	73,500
Professional fees	7,463
Depreciation	31,660
<hr/>	
Total operating expenses	252,134
<hr/>	
Net operating loss	247,045
<hr/>	
<u>NON-OPERATING REVENUES (EXPENSES)</u>	
Grant revenues	4,705
Other revenues	2,760
Interest expense	(43,840)
Misappropriation of funds (see Note 11)	(255,000)
<hr/>	
Net non-operating revenues	(291,375)
<hr/>	
Change in net position	(44,330)
<hr/>	
Total net position, beginning of year	73,375
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Total net position, end of year	\$ 29,045
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The accompanying notes and independent auditor's report
should be read with this financial statement.

CASCADE METROPOLITAN DISTRICT NO. 1
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$	494,048
Cash payments to vendors		(137,557)
Cash payments to employees for services		(66,919)
Misappropriation of funds (see Note 11)		(255,000)
Net cash provided by operating activities		34,572

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Grant and other revenues		7,465
Net cash provided by non-capital financing activities		7,465

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Payments on long-term debt		(33,116)
Interest expense		(43,840)
Net cash used in capital and related financing activities		(76,956)
Net decrease in cash and investments		(34,919)
Cash and investments, beginning of year		29,807
Disbursements in excess of available cash balances, end of year	\$	(5,112)

The accompanying notes and independent auditor's report
should be read with this financial statement.

CASCADE METROPOLITAN DISTRICT NO. 1
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012

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

Net operating loss	\$	247,045
Adjustments to reconcile net operating loss to net cash provided by operating activities:		
Depreciation		31,660
Misappropriation of funds (see Note 11)		(255,000)
Decrease in operating assets:		
Accounts receivable		6,322
Increase in operating liabilities:		
Accounts payable		1,855
Accrued interest		2,690
		<hr/>
Net cash provided by operating activities	\$	<u>34,572</u>

The accompanying notes and independent auditor's report
should be read with this financial statement.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

1. DEFINITION OF REPORTING ENTITY

Cascade Metropolitan District No. 1 ("District"), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized on November 16, 2004 and began operations on June 1, 2005 to provide residential and commercial water services in Cascade, Colorado. The District is governed pursuant to provisions of the Colorado Special District Act. It is governed by a five-member board of directors, which is the policy-making body of the District.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of accounting

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

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of accounting (continued)

The District distinguishes between operating revenues and expenses and non-operating items in the Statement of Revenues, Expenses and Changes in Fund 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 and sanitation services to its customers. Operating revenues consist of charges to customers for services provided.

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.

Due to the insufficiency of records for the period under audit (see Note 11), the classification of revenues and expenses for the year ended December 31, 2012 was unable to be substantiated. The amounts by which this departure from US GAAP, if any, would affect the financial position, change in net position and cash flows has not been determined.

Use of estimates

The preparation of financial statements in accordance with US GAAP requires the District to use estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from the estimates.

Cash and equivalents

For purposes of the statement of cash flows, the District considers cash and all highly liquid debt instruments with initial maturities of three months or less to be cash equivalents.

Due to the insufficiency of records (see Note 11), prior period balances were unable to be substantiated. The amount by which this departure from US GAAP, if any, would affect the presentation of cash flows has not been determined.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

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

Due to the insufficiency of records for the period under audit (see Note 11), the balance of accounts receivable as of December 31, 2012 was unable to be substantiated. The amount by which this departure from US GAAP, if any, would affect the financial position, change in net position and cash flows has not been determined.

Capital assets

Capital assets purchased or acquired with an original cost of \$5,000 or greater are recorded at historical cost. Contributed capital assets are recorded at their estimated fair value on the date received. Additions, improvements, and other capital outlays that significantly extend the life of an asset are capitalized. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Water distribution system and equipment	40 years
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Maintenance and repairs are charged to expense as incurred. At the time of retirement or disposition of depreciable property, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in non-operating revenues (expenses).

Accounts payable

Due to the insufficiency of records for the period under audit (see Note 11), the balance of accounts payable as of December 31, 2012 was unable to be substantiated. The amount by which this departure from US GAAP, if any, would affect the financial position, change in net position and cash flows has not been determined.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and budgetary accounting

In accordance with the Local Government Budget Law of Colorado, the District's board of directors holds public hearings in the fall each year to approve 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.

Implementation of new standards

Effective January 1, 2012, the District implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board ("FASB") and American Institute of Certified Public Accountants ("AICPA") pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The District has already been following these standards.

Effective January 1, 2012, the District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. As a result, net assets is now net position, the statement of net assets is now the statement of net position and the statement of net revenues, expenses and changes in fund net assets is now the statement of revenues, expenses and changes in net position.

3. CASH AND INVESTMENTS

Cash and investments as of December 31, 2012 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments (disbursements in excess of available cash)	<u><u>\$ (5,112)</u></u>
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See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

3. CASH AND INVESTMENTS (CONTINUED)

Deposits with financial institutions

The Colorado Public Deposit Protection Act ("PDPA") requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The state commissioners for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

As of December 31, 2012, the District had no investments.

4. CAPITAL ASSETS

District capital asset activity for the year ended December 31, 2012 is as follows:

	<u>Balance 01/01/12</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance 12/31/12</u>
Capital assets, being depreciated:				
Water distribution system and equipment	\$ 1,503,844	\$ -	\$ -	\$ 1,503,844
Total being depreciated	<u>1,503,844</u>	<u>-</u>	<u>-</u>	<u>1,503,844</u>
Less accumulated depreciation:				
Water distribution system and equipment	<u>(237,451)</u>	<u>(31,660)</u>	<u>-</u>	<u>(269,111)</u>
Capital assets, net	<u>\$ 1,266,393</u>	<u>\$ (31,660)</u>	<u>\$ -</u>	<u>\$ 1,234,733</u>

Depreciation expense for the year ended December 31, 2012 totaled \$31,660.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

5. LONG-TERM DEBT

Long-term debt consisted of the following as of December 31, 2012:

Note payable to State of Colorado, due in monthly installments of \$3,180 including interest at 5%, due November 2036.	\$ 531,864
Note payable to State of Colorado, due in monthly installments of \$2,358 including interest at 5%, due November 2016.	77,705
In 2011 the District issued \$100,000 in bonds to pay operating expenses, mainly purchased water. Revenue bonds payable in monthly installments of \$1,208 including interest at 7.9%, due February 2021.	<u>87,664</u>
Total	\$ 697,233
Less current portion	<u>(38,111)</u>
	<u>\$ 659,122</u>

The following is a analysis of the changes in the District's long-term debt for the year ended December 31, 2012:

	Balance 01/01/12	Additions	Repayments	Balance 12/31/12
Revenue bonds payable	\$ 94,338	\$ -	\$ (6,674)	\$ 87,664
Note payable	542,211	-	(10,347)	531,864
Note payable	<u>93,800</u>	<u>-</u>	<u>(16,095)</u>	<u>77,705</u>
	<u>\$ 730,349</u>	<u>\$ -</u>	<u>\$ (33,116)</u>	<u>\$ 697,233</u>

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

5. LONG-TERM DEBT (CONTINUED)

Future commitments on long-term debt as of December 31 , 2012 are as follows:

Year ending December 31,	Amount
2013	\$ 38,111
2014	40,302
2015	42,625
2016	43,265
2017	25,213
2018 - 2022	125,592
2023 - 2027	108,010
2028 - 2032	138,615
2033 - 2036	135,500
	\$ 697,233

6. NET POSITION

The District has net position consisting of three components - invested in capital assets, net of related debt; restricted; and unrestricted.

Invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, plus unspent debt proceeds, and reduced by outstanding balances of bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2012, the District had an investment in capital assets, net of related debt calculated as follows:

Capital assets, net of accumulated depreciation	\$ 1,234,733
Revenue bonds payable	(697,233)
	\$ 537,500

Restricted assets include net assets that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net assets as of December 31, 2012 as follows:

Restricted for emergency reserves (see Note 8)	\$ 7,564
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See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

6. NET POSITION (CONTINUED)

Unrestricted net assets consist of net assets that do not meet the definition of invested in capital, net of related debt or restricted net assets.

7. RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, as amended, the District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to volunteers; and natural disasters. The District carries commercial insurance for some of these risks of loss. The remaining risks of loss are retained by the District. There were no significant changes in coverage in 2012.

8. TAX, SPENDING AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior fiscal year spending adjusted for allowable increases based upon inflation and local growth. Fiscal year spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the fiscal year spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish emergency reserves. These reserves must be at least 3% of fiscal year spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases. For the year ended December 31, 2012, management used 3% of revenues to calculate the reserve amount (see Note 11).

In 2004, the District's voters authorized the District to collect, spend and retain all revenues without regard to the limitations contained within TABOR.

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

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

9. RESTATEMENT OF BEGINNING NET POSITION

The beginning balance of net assets has been restated from previously issued compiled financial statements to correct for errors related to accounts payable, notes payable and cash balances. The effects of the correction on the financial statements as of and for the year ended December 31, 2012 are as follows:

Net position, beginning of year, as originally stated	\$ 561,922
Restatement	<u>(488,547)</u>
Net position, beginning of year, as restated	<u>\$ 73,375</u>

10. COMMITMENTS AND CONTINGENCIES

The District is currently negotiating with Colorado Springs Utilities ("CSU") over prior purchased water billings. CSU estimates that the District owes approximately \$500,000 for the water purchased. To be conservative in its financial reporting, the District has recorded the liability on the financial statements using the CSU estimate, but such recording admits no liability.

In 2010, the District joined in a lawsuit over water delivery rights and rates. The District is currently in water court over these issues.

11. MISAPPROPRIATION OF FUNDS

Subsequent to December 31, 2012, the board of directors of the District was made aware of a potential scheme by a contractor hired to perform duties as manager of the District to misappropriate District funds. Based on an investigation, the board of directors and new management of the District alleges approximately \$789,000 was misappropriated from the District (approximately \$475,000 prior to the period under audit, approximately \$255,000 during the period under audit, approximately \$59,000 subsequent to the period under audit). The board of directors and new management of the District are actively seeking and pursuing any remedies that might be available to the District.

The board of directors and management allege that the books and records of the District were falsified to conceal and perpetuate the misappropriation of funds. Additionally, due to the termination of the contractor, the new management has been unable to locate certain records. Due to the insufficiency of records for the period under audit, the balances of accounts receivable, the balances of accounts payable, the classification of revenues and expenses and the presentation of cash flows were unable to be substantiated. The amount by which these departures from US GAAP, if any, would affect the financial position, change in net position and cash flows has not been determined.

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

12. SUBSEQUENT EVENTS

In March of 2014, the District's board of directors approved a fee increase of \$25 per month per ¾" tap with the fee being pro-rated for larger taps. All collected fees relating to this increase will be remitted to CSU and will be applied directly to the outstanding balance that the District has with CSU per the Basic Terms of Repayment Agreement. The District is responsible for paying the current monthly water usage bill and the interest expense relating to the outstanding balance with all other fees and revenues collected.

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See independent auditor's report.

SUPPLEMENTARY INFORMATION

CASCADE METROPOLITAN DISTRICT NO. 1
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET COMPARED TO ACTUAL
CASH BASIS
YEAR ENDED DECEMBER 31, 2012

	Original and Final Budget	Actual	Favorable (Unfavorable) Variance
<u>OPERATING REVENUES</u>			
Water sales	\$ 303,557	\$ 499,505	\$ 195,948
Pipeline surcharge	148,776	-	(148,776)
Late fees	6,852	-	(6,852)
<u>Total operating revenues</u>	<u>459,185</u>	<u>499,505</u>	<u>40,320</u>
<u>OPERATING EXPENDITURES</u>			
Purchased water	223,710	85	(223,625)
Insurance	7,638	7,215	(423)
Utilities and telephone	4,310	4,859	549
Bad debts and bank charges	653	2,415	1,762
Repairs and maintenance	28,910	24,863	(4,047)
Labor	42,110	66,919	24,809
Chemicals and supplies	1,816	2,426	610
Water quality testing	1,832	1,906	74
Office supplies and expense	51,150	29,445	(21,705)
Vehicle expense	3,258	-	(3,258)
Dues and subscriptions	380	-	(380)
Administration	-	73,500	73,500
Professional fees	6,009	7,463	1,454
<u>Total operating expenditures</u>	<u>371,776</u>	<u>221,096</u>	<u>(150,680)</u>
<u>NON-OPERATING REVENUES AND EXPENDITURES</u>			
Construction expenses	(10,000)	-	10,000
Turse bond and DOLA loan payments	(52,661)	(33,116)	19,545
Interest payments	(28,293)	(43,840)	(15,547)
Reserve fund	(7,200)	-	7,200
Grant funds	10,000	4,705	(5,295)
Miscellaneous	2,554	32,298	29,744
Misappropriation of funds	-	(255,000)	(255,000)
<u>Total non-operating revenues and expenditures</u>	<u>(85,600)</u>	<u>(294,953)</u>	<u>(209,353)</u>
<u>Excess (deficit) of revenue over expenditures - budgetary basis</u>	<u>\$ 1,809</u>	<u>\$ (16,544)</u>	<u>\$ (18,353)</u>

See independent auditor's report.

CASCADE METROPOLITAN DISTRICT NO. 1
RECONCILIATION OF AMOUNTS FROM GAAP BASIS TO CASH BASIS
YEAR ENDED DECEMBER 31, 2012

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 is presented below.

<u>Total revenues per financial statements</u>	\$	506,644
Add:		
<u>Revenue accruals and non-cash adjustments</u>		<u>29,864</u>
<u>Total actual revenues and receipts per the budget</u>	\$	<u><u>536,508</u></u>
<u>Total expenses and capital expenditures per financial statements</u>	\$	550,974
Less:		
<u>Expense and capital expenditure accruals and non-cash adjustments</u>		33,738
Add:		
<u>Depreciation expense</u>		<u>(31,660)</u>
<u>Total actual expenses and capital expenditures per the budget</u>	\$	<u><u>553,052</u></u>

See independent auditor's report.