
CATHEDRAL PINES METROPOLITAN DISTRICT

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 Cathedral Pines Metropolitan District ("District"), which comprise the respective financial position of the governmental activities and each as of December 31, 2016 and the respective changes in financial position and the respective budgetary comparison schedule for the general fund 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.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 26, 2017, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in all material respects in conformity with US GAAP and include all properly classified funds and other financial information of the primary government and all component units required by US GAAP be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with US GAAP.
7. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with US GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
9. Guarantees, whether written or oral, under which the entity is contingently liable, have been properly recorded or disclosed.
10. We have evaluated the entity's ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.
11. Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the balance sheet date and have been reduced to their estimated net realizable value.
12. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, lines of credit, or similar arrangements have been properly disclosed.
13. There are no agreements to repurchase assets previously sold.
14. We are in agreement with the adjusting entry you have proposed, and the adjusting journal entry has been posted to the internal accounts as follows:

Adjusting Journal Entries JE #
4

Reverse client entry related to new bonds.

12140	A/D - Bond Issue Costs	70,000.00	
24000	Bonds Payable - 2008	70,000.00	
12130	Bond Issue Costs: Original Cost		70,000.00
92500	Amortization Expense		70,000.00
Total		140,000.00	140,000.00

Adjusting Journal Entries JE #
5

Record 2016 bonds.

24000	Bonds Payable - 2008	4,590,000.00	
50405	Interest Expense - DS	380,461.92	
92510	Cost of Issuance	104,419.78	
24010	Bonds Payable - 2016		4,660,000.00
24015	Bond Premium - 2016		414,881.70
Total		5,074,881.70	5,074,881.70

Adjusting Journal Entries JE #

6

To record 2016 bond premium amortization

	24020	Accumulated Amortization Bond Premium - 2016	6,784.07	
	92500	Amortization Expense		6,784.07
Total			<u>6,784.07</u>	<u>6,784.07</u>

Information Provided

15. We have provided you with:
- a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of meetings of the Cathedral Pines Metropolitan District directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
16. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
17. 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.
18. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
- a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
19. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, analysts, regulators, or others.
20. 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.
21. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

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

Government—specific

23. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
24. We have made available to you all financial records and related data minutes of meetings of the District's directors, and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.
25. 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.
26. The entity has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
27. 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.
28. 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.
29. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
30. 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.
31. As part of your audit, you assisted with the preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
32. The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
33. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
34. We have followed all applicable laws and regulations in adopting, approving, and amending

budgets.

35. 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.
36. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34.
37. 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.
38. 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.
39. 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.
40. 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.
41. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
42. Special and extraordinary items are appropriately classified and reported.
43. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
44. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
45. We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
46. 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.
47. We omitted the Management's Discussion and Analysis ("MD&A"). We do not believe inclusion of the MD&A would provide substantial value as the District's financial statements have a very small distribution.
48. With respect to the supplementary budget comparison information.
 - a. We acknowledge our responsibility for presenting the supplementary budget comparison information in accordance with accounting principles generally accepted in the United

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Wednesday, September 06, 2017, 10:43am

Receipt #1120656

Authorization #N/A - No Charge

Bill To

Office Information

Bart Atkinson

6265 Lehman Dr Ste 100
Colorado Springs, CO 80918

bart@hpdev.biz

Member# 15691

Office# 24301

Action Team Realty

6265 Lehman Dr Ste 100

Colorado Springs, CO 80918

Code

Description

Qty

Unit Price

Extended

Invoice #5480330 (09/06/17) Reg # EDU915015 Class ID 092217P

MLSC

Realtor Property Resource

1

0.000

0.00

Date: 09/22/17 Time: 2:00pm - 4:00pm

Location: No Location Set

Colorado Springs, CO 80903

Invoice Total:

0.00

Amount Applied:

0.00

Balance Due:

0.00

Payment Information

No Charge

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States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary budget comparison 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 budget comparison 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.

Cathedral Pines Metropolitan District



Signature

PRESIDENT

Title

Signature

Title

Cathedral Pines Metropolitan District

Communication to the Board of Directors

and

Memorandum on Business Matters and Internal Control

December 31, 2016



BiggsKofford

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS SPECIALISTS

August 3, 2017

To the Board of Directors
Cathedral Pines Metropolitan District
Colorado Springs, Colorado

This letter is intended to inform the board of directors of the Cathedral Pines Metropolitan District (the "District") about significant matters related to the conduct of the audit so that it can appropriately discharge its oversight responsibility, and so that we comply with our professional responsibilities to those charged with governance.

The following summarizes various matters that must be communicated to you under our professional standards.

THE AUDITOR'S RESPONSIBILITY UNDER PROFESSIONAL STANDARDS

Our audit of the financial statements of the District as of and for the year ended December 31, 2016, was conducted 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, rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, obtaining an understanding of internal control, and performing such other procedures as we considered necessary in the circumstances. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses its knowledge and experience about past and current events and certain assumptions about future events. Estimates significant to the financial statements are as follows:

- Estimated useful lives of property, equipment and improvements
- Property taxes receivable (and the related deferred amount)

The board of directors may wish to monitor throughout the year the process used to compute and record these accounting estimates.

AUDIT ADJUSTMENTS

We proposed adjustments to the trial balance provided to us at the beginning of the audit as follows:

Adjusting Journal Entries JE # 4			
Reverse client entry related to new bonds.			
12140	A/D - Bond Issue Costs	70,000.00	
24000	Bonds Payable - 2008	70,000.00	
12130	Bond Issue Costs: Original Cost		70,000.00
92500	Amortization Expense		70,000.00
Total		140,000.00	140,000.00

Adjusting Journal Entries JE # 5			
Record 2016 bonds			
24000	Bonds Payable - 2008	4,590,000.00	
50405	Interest Expense - DS	380,461.92	
92510	Cost of Issuance	104,419.78	
24010	Bonds Payable - 2016		4,660,000.00
24015	Bond Premium - 2016		414,881.70
Total		5,074,881.70	5,074,881.70

Adjusting Journal Entries JE # 6			
To record 2016 bond premium amortization			
24020	Accumulated Amortization Bond Premium - 2016	6,784.07	
92500	Amortization Expense		6,784.07
Total		6,784.07	6,784.07

UNCORRECTED MISSTATEMENTS

During the course of our audit work, we did not note any uncorrected misstatements that were determined by management to be immaterial to the financial statements taken as a whole.

ACCOUNTING POLICIES AND ALTERNATIVE TREATMENTS

- **Adoption of Accounting Policies**

The board of directors has the ultimate responsibility for the appropriateness of the accounting policies used by the District. The District did not adopt any significant new accounting policies nor have there been any changes in existing significant accounting policies during the current period which should be brought to your attention for approval.

- **Significant or Unusual Transactions**

We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

- **Critical Accounting Policies and Practices**

The primary responsibility for establishing the District's critical accounting policies and practices applied in its financial statements rests with management. A summary of the significant accounting policies adopted by the District is included in Note 2 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2016. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is lack of authoritative guidance or consensus. We believe management's disclosures regarding such policies and practices are adequate.

- **Alternative Treatments Discussed With Management**

We did not discuss with management any alternative treatments under accounting principles generally accepted in the United States of America for accounting policies and practices related to material items during the current audit period.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

Our responsibility for other information in documents containing the District's financial statements and our auditor's report does not extend beyond the financial information referred to in our auditor's report. We are not aware of other documents that contain the District's audited financial statements.

DISAGREEMENTS WITH MANAGEMENT

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgment on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.

CONSULTATION WITH OTHER ACCOUNTANTS

We are not aware of any formal consultations management had with other accountants about accounting or auditing matters.

MAJOR ISSUES DISCUSSED WITH MANAGEMENT PRIOR TO RETENTION

No major issues were discussed with management prior to our retention to perform the aforementioned audit.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We did not encounter any difficulties in dealing with management relating to the performance of the audit.

MEMORANDUM ON BUSINESS MATTERS AND INTERNAL CONTROL

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the District for the year ended December 31, 2016 In accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified one deficiency in internal control that we consider to be a material weakness.

A control deficiency 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 financial statement misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in the internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the District's annual or interim financial statement will not be prevented or detected on a timely basis.

MATERIAL WEAKNESS

Lack of Segregation of Duties

As expected in a smaller organization, due to the limited number of people working in the office, many critical duties are combined and assigned to the available employees. To the extent possible, duties should be segregated to serve as a check and balance on employees' integrity and to maintain the best control system possible. We suggest that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal controls.

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies or other control deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not

bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving accounting controls and the financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements if you require.

Disbursements

We recommend that a listing of all disbursements including the date, payee and amount be reviewed and approved at each meeting of the board of directors and that this listing become part of the approved board minutes to constitute a record of approval of all disbursements throughout each year. Additionally, making bank statements with images of cancelled checks available to members of the board of directors would also strengthen internal controls and help to mitigate the vulnerabilities related to lack of segregation of duties. Finally, we also recommend that board members not sign checks payable to themselves (or entities they have ownership in). Having another board member sign these checks will strengthen internal controls.

Cash Reconciliation Review and Review of Reconciling Items

We noted that there is no documentation of the review of the bank account reconciliations. We recommend that the reviewer initial the reconciliation after the review is complete as record of this control. We also recommend that supporting documentation for reconciling items is presented to the reviewer.

Management's Discussion and Analysis

At our recommendation, this year the District is not presenting Management's Discussion and Analysis ("MD&A") with the financial statements. Because the District's financial statements have a very small distribution, primarily to the board of directors and the State of Colorado, there seems to be no added value from the additional time and effort to prepare the MD&A. Many other smaller districts are also electing to not include the MD&A with their financial statements. Our auditor's report was modified to reflect the omission of the MD&A.

CLOSING

We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to Cathedral Pines Metropolitan District.

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

Sincerely,

BiggsKofford, P.C.

BiggsKofford, P.C.
Colorado Springs, Colorado