

**INSPIRATION METROPOLITAN
DISTRICT
Douglas, Colorado**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2018**

**INSPIRATION METROPOLITAN DISTRICT
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YEAR ENDED DECEMBER 31, 2018**

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**Haynie &
Company**

Certified Public Accountants (a professional corporation)

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Report of Independent Certified Public Accountants

To the Board of Directors
Inspiration Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the major funds of Inspiration Metropolitan District as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the District's basic 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; 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 opinions 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 of 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Inspiration Metropolitan District, as of December 31, 2018 and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the 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, who 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 Inspiration Metropolitan District's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements.

The supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Littleton, Colorado
June 28, 2019

BASIC FINANCIAL STATEMENTS

**INSPIRATION METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 477,847
Cash and Investments - Restricted	699,940
Property Taxes Receivable	2,102,944
Receivable from County Treasurer	18,046
Accounts Receivable	50,215
Prepaid Expenses	33,394
Capital Assets, Net	2,392,248
Total Assets	5,774,634
LIABILITIES	
Accounts Payable	49,504
Prepaid Assessments	146,524
Accrued Interest Payable	118,725
Noncurrent Liabilities:	
Due in More Than One Year	64,875,692
Total Liabilities	65,190,445
DEFERRED INFLOWS OF RESOURCES	
Deferred Property Tax Revenue	2,102,944
Total Deferred Inflows of Resources	2,102,944
NET POSITION	
Net Investment in Capital Assets	37,138
Restricted For:	
Emergency Reserves	37,800
Unrestricted	(61,593,693)
Total Net Position	\$ (61,518,755)

See accompanying Notes to Basic Financial Statements.

**INSPIRATION METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

		Program Revenues			Net Revenue (Expense) and Change in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Primary Government:					
Government Activities:					
General Government	\$ 1,098,544	\$ 693,860	\$ 221,500	\$ -	\$ (183,184)
Interest and Related Costs on Long-Term Debt	4,271,300	-	423,500	-	(3,847,800)
Public Works - Transfer of Public Improvements to Other Governments	38,773,812	-	-	-	(38,773,812)
Total Governmental Activities	\$ 44,143,656	\$ 693,860	\$ 645,000	\$ -	(42,804,796)
GENERAL REVENUES					
Property Taxes					1,748,141
Property Taxes - Regional ARI					29,148
Specific Ownership Taxes					185,518
Specific Ownership Taxes - Regional ARI					3,093
Net Investment Income					25,343
Other Revenue					55,835
Total General Revenues					2,047,078
CHANGE IN NET POSITION					(40,757,718)
Net Position - Beginning of Year					(20,761,037)
NET POSITION - END OF YEAR					\$ (61,518,755)

See accompanying Notes to Basic Financial Statements.

**INSPIRATION METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
ASSETS					
Cash and Investments	\$ 136,861	\$ 340,986	\$ -	\$ -	\$ 477,847
Cash and Investments - Restricted	10,000	27,800	622,205	39,935	699,940
Property Taxes Receivable	344,737	-	1,723,749	34,458	2,102,944
Receivable from County Treasurer	2,958	-	15,088	-	18,046
Due from Other Funds	-	149,944	-	-	149,944
Accounts Receivable	-	46,387	3,828	-	50,215
Prepaid Expenses	32,186	1,208	-	-	33,394
	<u>\$ 526,742</u>	<u>\$ 566,325</u>	<u>\$ 2,364,870</u>	<u>\$ 74,393</u>	<u>\$ 3,532,330</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 19,061	\$ 30,443	\$ -	\$ -	\$ 49,504
Due to Other Funds	149,944	-	-	-	149,944
Prepaid Assessments	-	146,524	-	-	146,524
Total Liabilities	<u>169,005</u>	<u>176,967</u>	<u>-</u>	<u>-</u>	<u>345,972</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Property Tax Revenue	344,737	-	1,723,749	34,458	2,102,944
Total Deferred Inflows of Resources	<u>344,737</u>	<u>-</u>	<u>1,723,749</u>	<u>34,458</u>	<u>2,102,944</u>
FUND BALANCES					
Nonspendable	32,186	1,208	-	-	33,394
Restricted For:					
Emergency Reserves	10,000	27,800	-	-	37,800
Debt Service	-	-	641,121	-	641,121
Committed For:					
Regional Improvements	-	-	-	39,935	39,935
Assigned for Subsequent Year	11,789	-	-	-	11,789
Unassigned	(40,975)	360,350	-	-	319,375
Total Fund Balances	<u>13,000</u>	<u>389,358</u>	<u>641,121</u>	<u>39,935</u>	<u>1,083,414</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 526,742</u>	<u>\$ 566,325</u>	<u>\$ 2,364,870</u>	<u>\$ 74,393</u>	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the funds.

Capital Assets Net of Accumulated Depreciation	2,392,248
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not recorded as liabilities in the funds.

Bonds Payable	(63,283,174)
Accrued Interest on Bonds Payable	(788,064)
Developer Advance Payable	(745,949)
Accrued Interest on Developer Advance Payable	(58,505)
Accrued Interest Payable	(118,725)

Net Position of Governmental Activities	<u>\$ (61,518,755)</u>
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See accompanying Notes to Basic Financial Statements.

**INSPIRATION METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

	General Fund	Special Revenue	Debt Service	Capital Projects	Total Governmental Funds
REVENUES					
Property Taxes	\$ 291,298	\$ -	\$ 1,456,843	\$ -	\$ 1,748,141
Property Taxes - Regional ARI	-	-	29,148	-	29,148
Specific Ownership Taxes	30,913	-	154,605	-	185,518
Specific Ownership Taxes - Regional ARI	-	-	3,093	-	3,093
Operation Fees - Builders	-	127,263	-	-	127,263
Operation Fees	-	566,597	-	-	566,597
Transfer Fees	-	134,000	-	-	134,000
Development Fees	-	-	423,500	-	423,500
Developer Contributions	-	87,500	-	-	87,500
Other Revenue	4,380	5,137	-	39,935	49,452
Reimbursed Expenditures	1,183	5,200	-	-	6,383
Net Investment Income	3,951	905	20,440	47	25,343
Total Revenues	<u>331,725</u>	<u>926,602</u>	<u>2,087,629</u>	<u>39,982</u>	<u>3,385,938</u>
EXPENDITURES					
General and Administration	181,872	164,940	87	-	346,899
Operations and Maintenance	-	635,354	-	-	635,354
Debt Service:					
Bond Interest - Series 2014	-	-	1,424,700	-	1,424,700
Bond Interest - Series 2017D	-	-	85,345	-	85,345
County Treasurer's Fees	-	-	21,864	-	21,864
County Treasurer's Fees - Regional ARI	-	-	437	-	437
Regional ARI Expense	-	-	43,835	-	43,835
Bond Issuance Costs	-	-	-	34,976	34,976
Total Expenditures	<u>181,872</u>	<u>800,294</u>	<u>1,576,268</u>	<u>34,976</u>	<u>2,593,410</u>
EXCESS OF REVENUES OVER (UNDER)					
EXPENDITURES	149,853	126,308	511,361	5,006	792,528
OTHER FINANCING SOURCES (USES)					
Transfers In	791	130,000	2,105	-	132,896
Transfers Out	(130,000)	-	-	(2,896)	(132,896)
Total Other Financing Sources (Uses)	<u>(129,209)</u>	<u>130,000</u>	<u>2,105</u>	<u>(2,896)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES					
	20,644	256,308	513,466	2,110	792,528
Fund Balances - Beginning of Year	<u>(7,644)</u>	<u>133,050</u>	<u>127,655</u>	<u>37,825</u>	<u>290,886</u>
FUND BALANCES - END OF YEAR	<u>\$ 13,000</u>	<u>\$ 389,358</u>	<u>\$ 641,121</u>	<u>\$ 39,935</u>	<u>\$ 1,083,414</u>

See accompanying Notes to Basic Financial Statements.

**INSPIRATION METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

Net Change in Fund Balances - Governmental Funds \$ 792,528

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, capital outlay is not reported as an expenditure. However, the statement of activities will report as depreciation expense the allocation of the cost of any depreciable asset over the estimated useful life of the asset.

Public Works - Transfer of Public Improvement to Other Governments	(38,773,812)
Depreciation	(116,291)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued Interest on Bonds - Change in Liability	(2,645,237)
Accrued Interest on Developer Advance - Change in Liability	(52,215)
Accrued Interest Payable - Change in Liability	<u>37,309</u>

Changes in Net Position of Governmental Activities \$ (40,757,718)

**INSPIRATION METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Property Taxes	\$ 292,378	\$ 291,298	\$ (1,080)
Specific Ownership Taxes	29,240	30,913	1,673
Other Revenue	1,000	4,380	3,380
Reimbursed Expenditures	-	1,183	1,183
Net Investment Income	1,200	3,951	2,751
Total Revenues	<u>323,818</u>	<u>331,725</u>	<u>7,907</u>
EXPENDITURES			
General and Administration:			
Accounting	25,000	46,747	(21,747)
Audit	4,500	4,800	(300)
Banking Fees	200	-	200
Contingency	2,914	-	2,914
County Treasurer's Fees	4,386	4,372	14
Dues and License	1,000	1,109	(109)
Election Expense	25,000	2,370	22,630
Insurance	25,000	13,808	11,192
Legal	75,000	104,018	(29,018)
Miscellaneous	1,000	4,648	(3,648)
Total Expenditures	<u>164,000</u>	<u>181,872</u>	<u>(17,872)</u>
NET CHANGE IN FUND BALANCES	159,818	149,853	(9,965)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	791	791
Transfers Out	(159,000)	(130,000)	29,000
Total Other Financing Sources (Uses)	<u>(159,000)</u>	<u>(129,209)</u>	<u>29,791</u>
NET CHANGE IN FUND BALANCES	818	20,644	19,826
Fund Balances - Beginning of Year	<u>9,105</u>	<u>(7,644)</u>	<u>(16,749)</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,923</u>	<u>\$ 13,000</u>	<u>\$ 3,077</u>

See accompanying Notes to Basic Financial Statements.

**INSPIRATION METROPOLITAN DISTRICT
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Original and Final Budget	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Operation Fees - Builders	\$ 151,914	\$ 127,263	\$ (24,651)
Operation Fees	498,708	566,597	67,889
Transfer Fees	81,085	134,000	52,915
Developer Contribution	-	87,500	87,500
Other Revenue	-	5,137	5,137
Reimbursed Expenditures	-	5,200	5,200
Net Investment Income	-	905	905
Total Revenues	<u>731,707</u>	<u>926,602</u>	<u>194,895</u>
EXPENDITURES			
General and Administration:			
District Management	28,662	26,025	2,637
General Administration	-	2,367	(2,367)
Insurance and Bonds	-	77	(77)
Meeting Expense	800	1,045	(245)
Miscellaneous	600	4,851	(4,251)
Office Rental	3,600	3,600	-
Office Supplies	900	1,024	(124)
Postage, Printing, Copies	3,827	2,613	1,214
Professional Services	99,920	88,520	11,400
Social Events	25,350	32,403	(7,053)
Uniforms	400	-	400
Web Hosting	4,080	2,415	1,665
Operations and Maintenance:			
Dog Waste Bags	1,200	-	1,200
Electricity	12,400	5,191	7,209
Equipment Rental	-	1,836	(1,836)
Fence/Walls	10,000	2,224	7,776
Gas	4,700	5,154	(454)
Holiday Lights	6,000	7,096	(1,096)
Irrigation Supplies/Repairs	16,000	18,342	(2,342)
Landscape Maintenance	250,000	292,763	(42,763)
Landscape Supplies/Repairs	4,904	7,414	(2,510)
Licenses, Fees, Permits	-	817	(817)
Pest Control	480	-	480
Playground Inspection	1,800	530	1,270
Pool Operations	56,900	56,579	321
Refuse	66,333	73,014	(6,681)
Seasonal Color	7,000	6,911	89
Snow Removal	15,000	6,070	8,930
Storage	1,010	1,518	(508)
Storm Drainage	55,000	-	55,000
Telephone	3,840	5,140	(1,300)
Water	210,000	144,755	65,245
Total Expenditures	<u>890,706</u>	<u>800,294</u>	<u>90,412</u>
NET CHANGE IN FUND BALANCES	(158,999)	126,308	285,307
OTHER FINANCING SOURCES (USES)			
Transfers In	<u>159,000</u>	<u>130,000</u>	<u>(29,000)</u>
Total Other Financing Sources (Uses)	<u>159,000</u>	<u>130,000</u>	<u>(29,000)</u>
NET CHANGE IN FUND BALANCES	1	256,308	256,307
Fund Balances - Beginning of Year	<u>125,120</u>	<u>133,050</u>	<u>7,930</u>
FUND BALANCES - END OF YEAR	<u>\$ 125,121</u>	<u>\$ 389,358</u>	<u>\$ 264,237</u>

See accompanying Notes to Basic Financial Statements.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 DEFINITION OF REPORTING ENTITY

Inspiration Metropolitan District (the District), a quasi-municipal corporation and a political subdivision of the State of Colorado, was organized by Order and Decree of the District Court for Douglas County entered on May 30, 2002 and recorded on June 7, 2002 and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). On February 10, 2017, the District formally changed its name from RockingHorse Metropolitan District No. 2 to Inspiration Metropolitan District. The District's service area is located in the City of Aurora, Douglas County. The District was established to provide financing for the design, acquisition, installation, construction and completion of public improvements and services, including water, sanitation, street, traffic and safety controls, park and recreation, limited fire protection, transportation, limited television relay and translation, and mosquito control improvements and services.

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 has no employees and all operations and administrative functions are contracted.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and inter-governmental revenues.

The statement of net position reports all financial and capital resources of the District. The difference between the sum of assets and deferred outflows and the sum of liabilities and deferred inflows is reported as net position.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes and specific ownership taxes. All other revenue items are considered to be measurable and available only when cash is received by the District. The District determined that Developer advances are not considered as revenue susceptible to accrual. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Fund is used to account for revenues earned and expenditures incurred in connection with the operation and maintenance of District owned public facilities.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition and construction of capital equipment and facilities.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

In accordance with the State Budget Law, 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 appropriation is at the total fund expenditures and other financing uses level and lapses at year-end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The total appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

The District has amended its annual budget for the year ended December 31, 2018.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each fund's average equity balance in the total cash.

Interfund Balances

The District reports interfund balances that are representative of lending/borrowing arrangements between funds in the fund financial statements as due to/from other funds. The interfund balances have been eliminated in the government-wide statements.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August, and generally, sale of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred inflows of resources in the year they are levied and measurable. The unearned property tax revenues are recorded as revenue in the year they are available or collected.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Depreciation expense has been computed using the straight-line method over the estimated economic useful life of 30 years for the pool and clubhouse.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, deferred property tax revenue, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Operations Fees

Effective May 1, 2016, the District adopted a Resolution Concerning the Imposition of an Operations Fee (Fee Resolution), which imposes: 1) an Operations Fee on each Residential Unit at a rate of \$84 per month; 2) an Operations Fee on each Vacant Lot at a rate of \$42 per month; 3) a Transfer fee on each Residential Unit transfer of \$500; and 4) a Transfer fee on each Vacant Lot transfer of \$500.

On November 5, 2018, the District adopted an amendment to the Fee Resolution, effective January 1, 2019, imposing: 1) an Operations Fee on each Residential Unit at a rate of \$288 per quarter; 2) an Operations Fee on each Vacant Lot at a rate of \$144 per quarter; 3) a Transfer fee on each Residential Unit transfer of \$500; and 4) a Transfer fee on each Vacant Lot transfer of \$500.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operations Fees (Continued)

On July 16, 2010 and Amended and Restated by 2016 Resolution on July 26, 2016, the Board of Directors of the Districts adopted a Joint Resolution Concerning District Fees for the Use of District Recreational Facilities by Nonresidents and Nonproperty Owners. Persons not residing or owning property within the legal boundaries of the District, as may be amended from time to time (the Outside Users), shall be entitled to utilize the RockingHorse tennis courts (the Recreation Amenities) in accordance with, and to the extent set forth within the resolution and the rules and regulations of the Districts. The annual Outside User fee is \$1,400 per year.

Development Fees

On October 20, 2015, the District established a one-time Development Fee of \$3,500 per residential unit for the overall cost of providing amenities and facilities benefitting property and inhabitants within the District. The Development Fee is calculated to defray the cost of funding Development Costs and reasonably distributes the burden in a manner based on the benefits received by persons paying the fees and using the Facilities. The fees are payable by homebuilders at the time of issuance of a building permit.

Equity

Net Position

For government-wide presentation purposes, when both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first, then unrestricted resources as they are needed.

Fund Balance

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which spending can occur. Governmental funds report up to five classifications of fund balance: nonspendable, restricted, committed, assigned, and unassigned. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications describe the relative strength of the spending constraints:

Nonspendable Fund Balance – The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid amounts or inventory) or legally or contractually required to be maintained intact.

Restricted Fund Balance – The portion of fund balance that is constrained to being used for a specific purpose by external parties (such as bondholders), constitutional provisions, or enabling legislation.

Committed Fund Balance – The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity (Continued)

Fund Balance (Continued)

Assigned Fund Balance – The portion of fund balance that is constrained by the government’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or modified than those imposed on amounts that are classified as committed.

Unassigned Fund Balance – The residual portion of fund balance that does not meet any of the criteria described above.

If more than one classification of fund balance is available for use when an expenditure is incurred, it is the District’s practice to use the most restrictive classification first.

NOTE 3 CASH AND INVESTMENTS

Cash and investments as of December 31, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and Investments	\$ 477,847
Cash and Investments - Restricted	699,940
Total Cash and Investments	<u>\$ 1,177,787</u>

Cash and investments as of December 31, 2018 consist of the following:

Deposits with Financial Institutions	\$ 368,786
Investments	809,001
Total Cash and Investments	<u>\$ 1,177,787</u>

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 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.

At December 31, 2018, the District’s cash deposits had a bank balance of \$377,937 and a carrying balance of \$368,786.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

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 noted with an asterisk (*) 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 or investment custodial risk disclosure requirements for investments that are in the possession of another party.

Colorado revised statutes limit investment maturities to five years or less unless 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 United States, certain U.S. government agency securities and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- * Local government investment pools

As of December 31, 2018, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Amount</u>
Colorado Surplus Asset Fund Trust (CSAFE)	Weighted Average Under 60 Days	\$ 600
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted Average Under 60 Days	808,401
		<u>\$ 809,001</u>

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 CASH AND INVESTMENTS (CONTINUED)

CSAFE

The District invested in the Colorado Surplus Asset Fund Trust (CSAFE) (the Trust), which is an investment vehicle established by state statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust is similar to a money market fund, with each share valued at \$1.00. CSAFE may invest in U.S. Treasury securities, repurchase agreements collateralized by U.S. Treasury securities, certain money market funds and highest rated commercial paper. A designated custodial bank serves as custodian for CSAFE's portfolio pursuant to a custodian agreement. The custodian acts as safekeeping agent for CSAFE's investment portfolio and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by CSAFE. CSAFE is rated AAAM by Standard & Poor's. CSAFE records its investments at amortized cost and the District records its investments in CSAFE at net asset value as determined by amortized cost. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

COLOTRUST

The District invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the District records its investment in COLOTRUST at net asset value as determined by fair value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2018 follows:

	Balance - December 31, 2017	Increases	Decreases	Balance - December 31, 2018
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 41,282,351	\$ -	\$ 41,282,351	\$ -
Landscape improvements	-	764,181	-	764,181
Total Capital Assets, Not Being Depreciated	41,282,351	764,181	41,282,351	764,181
Capital Assets, Being Depreciated:				
Pool and clubhouse	-	1,744,358	-	1,744,358
Less Accumulated Depreciation For:				
Pool and clubhouse	-	116,291	-	116,291
Total Capital Assets, Being Depreciated, Net	-	1,628,067	-	1,628,067
Capital Assets, Net	<u>\$ 41,282,351</u>	<u>\$ 2,392,248</u>	<u>\$ 41,282,351</u>	<u>\$ 2,392,248</u>

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2018.

	Balance - December 31, 2017	Additions	Reductions	Compounding of Unpaid Interest	Balance - December 31, 2018	Due Within One Year
Governmental Activities:						
General Obligation						
Bonds Payable:						
Series 2014A	\$ 23,745,000	\$ -	\$ -	\$ -	\$ 23,745,000	\$ -
Series 2014B	22,811,667	1,506,761	-	-	24,318,428	-
Series 2014C	4,920,334	350,412	-	-	5,270,746	-
Series 2017D	9,949,000	-	-	-	9,949,000	-
Accrued Interest on 2017D	-	785,556	-	2,508	788,064	-
Developer Advance - Operations	53,970	-	-	-	53,970	-
Interest on Developer Advance - Operations	3,768	3,777	-	-	7,545	-
Developer Advance - Capital	691,979	-	-	-	691,979	-
Interest on Developer Advance - Capital	2,522	48,438	-	-	50,960	-
Total Long-Term Liabilities	<u>\$ 62,178,240</u>	<u>\$ 2,694,944</u>	<u>\$ -</u>	<u>\$ 2,508</u>	<u>\$ 64,875,692</u>	<u>\$ -</u>

The details of the District's long-term obligations are as follows:

Senior Limited Tax (Convertible to Unlimited Tax) General Obligation Convertible Capital Appreciation Refunding Bonds, Series 2014A (Series 2014A) in the original principal amount of \$20,000,650 with an accreted value of \$23,745,000 at current interest conversion date. Prior to December 1, 2016, the Bonds shall pay no current interest and accrete in value in accordance with the Accretion Table, compounding semi-annually on each June 1 and December 1, beginning June 1, 2014. On December 1, 2016 and until the maturity date of December 1, 2051 or prior redemption, the Bonds shall bear interest at the rate of 6.00% per annum, calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Pledged Revenue available semi-annually, on each June 1 and December 1, commencing June 1, 2017. The Series 2014A bonds are payable from pledged revenue including property taxes, specific ownership taxes, and development fees and are subject to redemption prior to maturity, at the option of the District, on and after January 1, 2024, upon payment of par plus accrued interest, without redemption premium. The mandatory redemption begins December 1, 2026.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

Subordinate (Convertible to Senior) Limited Tax (Convertible to Unlimited Tax) General Obligation Convertible Capital Appreciation Refunding and Improvement Bonds, Series 2014B (Series 2014B) in the original principal amount of \$17,771,846.75 with an accreted value of \$25,925,000 at current interest conversion date. Prior to December 1, 2019, the Series 2014B bonds shall pay no current interest and accrete in value in accordance with the Accretion Table, compounding semi-annually on each June 1 and December 1, commencing June 1, 2014. On December 1, 2019 and until the maturity date of December 1, 2051, or prior redemption, the Series 2014B bonds shall bear interest at the rate of 6.50% per annum, calculated on the basis of a 360- day year of twelve 30-day months, payable to the extent of Pledged Revenue available semi- annually, on each June 1 and December 1, commencing June 1, 2020. The Series 2014B bonds are payable from pledged revenue including property taxes, specific ownership taxes, and development fees and are subject to redemption prior to maturity, at the option of the District, on and after January 1, 2024, upon payment of par plus accrued interest, without redemption premium. The mandatory redemption begins December 1, 2026.

\$9,785,000 Junior Lien (Convertible to Senior) Limited Tax (Convertible to Unlimited Tax) General Obligation Convertible Capital Appreciation Bonds, Series 2014C (Drawdown) (Series 2014C) The Series 2014C bonds were issued with no balance, and will “fill-up” as infrastructure costs are accepted by the District under the Facility Acquisition Agreement. On November 12, 2015 bonds in the amount of \$4,272,225 with an accreted value of \$7,435,000 at current interest conversion date, were issued (Series 2014C-1 and Series 2014C-2). Permitted Draws shall be issued solely for the purpose of paying amounts then due and payable by the District under the 2014 Reimbursement Agreement and for no other purpose. No additional Permitted Draws and additional Bonds shall be delivered after January 1, 2017. Prior to December 1, 2023, the Series 2014C bonds shall pay no current interest and accrete in value in accordance with the Accretion Table, compounding semi-annually on each June 1 and December 1, commencing June 1, 2014. On December 1, 2023 and until the maturity date of December 1, 2051, or prior redemption, the Series 2014C bonds shall bear interest at the rate of 7.00% per annum, calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Pledged Revenue available semi-annually, on each June 1 and December 1, commencing June 1, 2024. The Series 2014C bonds are payable from pledged revenue including property taxes, specific ownership taxes, and development fees and are subject to redemption prior to maturity, at the option of the District, on and after January 1, 2024, upon payment of par plus accrued interest, without redemption premium. The mandatory redemption begins December 1, 2026.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

\$9,949,000 Fourth Tier Limited Tax General Obligation Bonds, Series 2017D, dated December 12, 2017 to finance certain public improvements. The Bonds bear interest at the rate of 7.50% per annum, until paid in full or discharged, such interest to be calculated on the basis of a 360-day year of twelve 30-day months, payable to the extent of Pledged Revenue available therefor annually on each December 15, commencing on December 15, 2018. The Bonds mature December 15, 2051. The Bonds are structured as cash flow bonds and payments will be made when funds are available after payment of the 2014 Bonds, with the exception of \$82,500 which is to be repaid in 2018 from the first \$82,500 in Pledged revenue received by the District. As such, a debt to maturity schedule is not presented as the timing of payments is unknown. The Series 2017D bonds are payable from pledged revenue including property taxes, specific ownership taxes, and development fees.

Developer Advances see Note 8.

The District's long-term obligations will mature as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ -	\$ 1,424,700	\$ 1,424,700
2020	-	3,109,825	3,109,825
2021	-	3,109,825	3,109,825
2022	-	3,109,825	3,109,825
2023	-	3,109,825	3,109,825
2024 - 2028	690,000	18,118,875	18,808,875
2029 - 2033	3,075,000	17,620,275	20,695,275
2034 - 2038	6,720,000	16,218,000	22,938,000
2039 - 2043	11,705,000	13,496,050	25,201,050
2044 - 2048	18,995,000	8,910,600	27,905,600
2049 - 2052	15,920,000	2,084,150	18,004,150
Total	<u>\$ 57,105,000</u>	<u>\$ 90,311,950</u>	<u>\$ 147,416,950</u>

Authorized Debt

As of December 31, 2018, the District has \$1,110,856,310 in remaining authorization for capital improvements and \$232,220,503 in remaining voter authorization for refundings. The District's service plan, as approved by the City, allows for a total debt amount of \$119,700,000 when combined with RockingHorse Metropolitan District No. 1 (District No. 1).

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 NET POSITION

The District has net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2018, the District had net investment in capital assets calculated as follows:

Net Investment in Capital Assets:	
Capital Assets, Net	\$ 2,392,248
Noncurrent Portion of Long-Term Obligations	<u>(2,355,110)</u>
Net Investment in Capital Assets	<u><u>\$ 37,138</u></u>

Restricted net position includes assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net position as of December 31, 2018 as follows:

Emergency Reserves	<u>\$ 37,800</u>
Total	<u><u>\$ 37,800</u></u>

The District has a deficit in unrestricted net position. The deficit was a 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.

NOTE 7 RELATED PARTY

The Developer of the property which constitutes the District is Nash Inspiration, LLC. Some members of the Board of Directors are employees, owners or are otherwise associated with the Developer, and may have conflicts of interest in dealing with the District.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 AGREEMENTS

Intergovernmental Agreement with the City of Aurora

On December 21, 2004, the District and District No. 1 (collectively, the Districts) entered into the Intergovernmental Agreement between the City of Aurora and the Districts (the IGA). The IGA defines and clarifies the services which the Districts may provide, as well as those services which the Districts are prohibited from providing. The IGA was amended and restated on May 21, 2018 to allow the District to own, operate, and maintain Public Improvements not otherwise required to be dedicated to the City or other public entity. Pursuant to the Consolidated Service Plan, the Districts are required to impose the Aurora Regional Improvement (ARI) Mill Levy upon the Districts' residents. This mill levy is 1.000 mill for 20 years, which for this purpose begins the first year that the Districts certify a debt service mill levy. The levy increases to 5.000 mills for years 21 through 40 or the date of repayment of the debt incurred for public improvements, other than regional improvements, whichever occurs first. For the 10 years subsequent to the period where the 5.000 mills is imposed, the ARI mill levy is the average of the debt service mill levy for the previous 10 years.

South Aurora Regional Improvement Authority

On February 7, 2018, the District entered into the South Aurora Regional Improvement Authority (SARIA) Establishment Agreement (SARIA Agreement) with the City. The Authority was formed to provide functions and services necessary to acquire, construct, finance, maintain, and manage certain regional improvements that are identified and agreed upon by the City and the member districts.

The SARIA Agreement provides that SARIA may adopt an ARI master plan, pursuant to the Code and Service Plans of the districts. SARIA will prioritize and support the completion of the regional improvements as identified in the ARI Master Plan. In order to fund these projects, SARIA may issue revenue bonds or other multi-fiscal year financial obligations, subject to its sole discretion, secured by the pledged revenues of the ARI Mill Levies by each of the districts and other funds legally available to SARIA.

SARIA adopted ARI Master Plan Number One on December 8, 2017, however no action has been taken to implement ARI Master Plan Number One. On June 15, 2018, the Authority adopted ARI Master Plan Number Two which replaces ARI Master Plan Number One and constitutes the Authority's current plan for Regional Improvements.

ARI Master Plan Number Two identifies \$62,200,000 of Regional Improvements Pursuant to ARI Master Plan Number Two, the Authority is responsible for providing financing for only a portion of these improvements. The remaining costs are planned to be paid by the City, the County, and/or certain Member Districts and developers, depending upon the particular improvement.

On October 2, 2018, the SARIA Agreement was amended by the First Amendment to the South Aurora Regional Improvement Authority Establishment Agreement (First Amendment) in conjunction with the issuance of SARIA's Special Revenue Bonds, Series 2018 (SARIA Bonds). SARIA issued its SARIA Bonds in the amount of \$11,265,000 on December 19, 2018. The District is obligated to pledge its ARI Mill Levy Revenues to the repayment of the SARIA Bonds pursuant to the terms of the SARIA Agreement and the First Amendment.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 AGREEMENTS (CONTINUED)

Developer Advances

The District has entered into Funding and Reimbursement Agreement(s) with the Developer as follows:

Funding and Reimbursement Agreement

On July 21, 2015, the District and Nash Inspiration, LLC (Developer) entered into a Funding and Reimbursement Agreement whereby the Developer agreed to loan up to \$100,000 per year for operations through December 31, 2015, and the District agreed to repay developer for funds advanced plus accrued interest at 7% per annum. This agreement was subsequently extended for 2016 and 2017. Effective January 1, 2017, the Maximum Loan Amount was increased to \$200,000. As of December 31, 2018, outstanding advances under the agreement totaled \$53,970 and accrued interest of \$7,545.

Infrastructure Acquisition and Reimbursement Agreement

The District and the Developer entered into an Infrastructure Acquisition and Reimbursement Agreement dated May 23, 2016 (the Acquisition and Reimbursement Agreement), whereby the Developer agreed to construct recreational amenities such as a pool and clubhouse (the Recreation Amenities) and the District agreed to Acquire the Recreation Amenities. The District agrees to reimburse the Developer for all District eligible costs approved under this Agreement with an interest rate of 7% per annum.

A balance of \$691,979 in principal and \$50,960 of accrued interest remains outstanding as of December 31, 2018.

The District and the Developer entered into an Infrastructure Acquisition and Reimbursement Agreement dated July 6, 2017 (the Acquisition and Reimbursement Agreement), whereby the Developer agreed to advance funds to the District for construction of Public Infrastructure (as defined therein) and/or construct Public Infrastructure for acquisition or payment by the District. The District agrees to: (i) reimburse the Developer for all District eligible costs for which the District receives advances; (ii) acquire any Public Infrastructure constructed for the benefit of the District from the Developer that is not being dedicated to other governmental entities and to pay all reasonable costs related thereto; and (iii) to reimburse the Developer for any costs incurred by the Developer for Public Infrastructure that is being dedicated to third parties, subject to the requirements of the agreement.

Under the Acquisition and Reimbursement Agreement, the District agrees to reimburse all District eligible costs of the Developer in financing, constructing or installing such Public Infrastructure together with interest thereon at the rate of 8% per annum, accruing from the date the Developer deposits immediately available funds, has paid or advanced funds not otherwise directly attributed to a particular Public Infrastructure improvement or component part of, or the District has received a Cost Certification.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 INTERFUND AND OPERATING TRANSFERS

The transfer from the General Fund to the Special Revenue Fund was related to the use of General Fund excess revenue over expenditures to help fund operations. The transfer from the Capital Projects Fund to the General Fund and the Debt Service Fund was the result of the use of remaining bond proceeds for future debt service.

NOTE 10 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 [property liability and workers compensation 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.

NOTE 11 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 that apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's 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.

**INSPIRATION METROPOLITAN DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

On November 2, 2004, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

The District's 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 [and qualification as an Enterprise] will require judicial interpretation.

SUPPLEMENTARY INFORMATION

**INSPIRATION METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Budget		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	\$ 1,461,942	\$ 1,461,942	\$ 1,456,843	\$ (5,099)
Property Taxes - Regional ARI	29,225	29,225	29,148	(77)
Specific Ownership Taxes	146,190	146,190	154,605	8,415
Specific Ownership Taxes - Regional ARI	2,920	2,920	3,093	173
Development Fees	700,000	700,000	423,500	(276,500)
Other Revenue	1,000	1,000	-	(1,000)
Net Investment Income	11,058	11,058	20,440	9,382
Total Revenues	<u>2,352,335</u>	<u>2,352,335</u>	<u>2,087,629</u>	<u>(264,706)</u>
EXPENDITURES				
Bond Interest - Series 2014	1,424,700	1,424,700	1,424,700	-
Bond Interest - Series 2017D	-	82,500	85,345	(2,845)
Contingency	-	3,992	-	3,992
County Treasurer's Fees	19,836	19,836	21,864	(2,028)
County Treasurer's Fees - Regional ARI	397	397	437	(40)
Miscellaneous	-	-	87	(87)
Paying Agent Fees	15,000	-	-	-
Regional ARI Expense	-	48,575	43,835	4,740
Total Expenditures	<u>1,459,933</u>	<u>1,580,000</u>	<u>1,576,268</u>	<u>3,732</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	892,402	772,335	511,361	(260,974)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	2,105	2,105	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,105</u>	<u>2,105</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	892,402	774,440	513,466	(260,974)
Fund Balances - Beginning of Year	<u>73,790</u>	<u>73,790</u>	<u>127,655</u>	<u>53,865</u>
FUND BALANCES - END OF YEAR	<u>\$ 966,192</u>	<u>\$ 848,230</u>	<u>\$ 641,121</u>	<u>\$ (207,109)</u>

**INSPIRATION METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2018**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other Revenue	\$ -	\$ -	\$ 39,935	\$ 39,935
Net Investment Income	-	175	47	(128)
Total Revenues	<u>-</u>	<u>175</u>	<u>39,982</u>	<u>39,807</u>
EXPENDITURES				
Bond Issue Costs	-	34,976	34,976	-
Capital Outlay	791	-	-	-
Contingency	-	919	-	919
Total Expenditures	<u>791</u>	<u>35,895</u>	<u>34,976</u>	<u>919</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(791)	(35,720)	5,006	40,726
OTHER FINANCING SOURCES (USES)				
Transfer Out	-	(2,105)	(2,896)	(791)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,105)</u>	<u>(2,896)</u>	<u>(791)</u>
NET CHANGE IN FUND BALANCES	(791)	(37,825)	2,110	39,935
Fund Balances - Beginning of Year	<u>791</u>	<u>37,825</u>	<u>37,825</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,935</u>	<u>\$ 39,935</u>

OTHER INFORMATION

**INSPIRATION METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2018**

Year Ending December 31,	\$23,745,000 (at Full Accretion) Senior Limited Tax (Convertible to Unlimited Tax) General Obligation Convertible Capital Appreciation Refunding Bonds Series 2014A, Interest Rate of 6.00% Payable June 1 and December 1 Principal Due December 1			\$25,925,000 (at Full Accretion) Subordinate (Convertible to Senior) Limited Tax (Convertible to Unlimited Tax) General Obligation Convertible Capital Appreciation Refunding and Improvement Bonds Series 2014B, Interest Rate of 6.50% Payable June 1 and December 1 Principal Due December 1		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ -	\$ 1,424,700	\$ 1,424,700	\$ -	\$ -	\$ -
2020	-	1,424,700	1,424,700	-	1,685,125	1,685,125
2021	-	1,424,700	1,424,700	-	1,685,125	1,685,125
2022	-	1,424,700	1,424,700	-	1,685,125	1,685,125
2023	-	1,424,700	1,424,700	-	1,685,125	1,685,125
2024	-	1,424,700	1,424,700	-	1,685,125	1,685,125
2025	-	1,424,700	1,424,700	-	1,685,125	1,685,125
2026	95,000	1,424,700	1,519,700	65,000	1,685,125	1,750,125
2027	100,000	1,419,000	1,519,000	70,000	1,680,900	1,750,900
2028	170,000	1,413,000	1,583,000	140,000	1,676,350	1,816,350
2029	180,000	1,402,800	1,582,800	150,000	1,667,250	1,817,250
2030	250,000	1,392,000	1,642,000	235,000	1,657,500	1,892,500
2031	265,000	1,377,000	1,642,000	250,000	1,642,225	1,892,225
2032	350,000	1,361,100	1,711,100	340,000	1,625,975	1,965,975
2033	370,000	1,340,100	1,710,100	365,000	1,603,875	1,968,875
2034	460,000	1,317,900	1,777,900	465,000	1,580,150	2,045,150
2035	485,000	1,290,300	1,775,300	500,000	1,549,925	2,049,925
2036	590,000	1,261,200	1,851,200	610,000	1,517,425	2,127,425
2037	625,000	1,225,800	1,850,800	650,000	1,477,775	2,127,775
2038	735,000	1,188,300	1,923,300	780,000	1,435,525	2,215,525
2039	780,000	1,144,200	1,924,200	830,000	1,384,825	2,214,825
2040	905,000	1,097,400	2,002,400	970,000	1,330,875	2,300,875
2041	955,000	1,043,100	1,998,100	1,035,000	1,267,825	2,302,825
2042	1,095,000	985,800	2,080,800	1,195,000	1,200,550	2,395,550
2043	1,160,000	920,100	2,080,100	1,270,000	1,122,875	2,392,875
2044	1,310,000	850,500	2,160,500	1,455,000	1,040,325	2,495,325
2045	1,390,000	771,900	2,161,900	1,545,000	945,750	2,490,750
2046	1,560,000	688,500	2,248,500	1,745,000	845,325	2,590,325
2047	1,655,000	594,900	2,249,900	1,860,000	731,900	2,591,900
2048	1,845,000	495,600	2,340,600	2,080,000	611,000	2,691,000
2049	1,955,000	384,900	2,339,900	2,220,000	475,800	2,695,800
2050	2,165,000	267,600	2,432,600	2,470,000	331,500	2,801,500
2051	2,295,000	137,700	2,432,700	2,630,000	170,950	2,800,950
Total	<u>\$ 23,745,000</u>	<u>\$ 36,768,300</u>	<u>\$ 60,513,300</u>	<u>\$ 25,925,000</u>	<u>\$ 42,370,250</u>	<u>\$ 68,295,250</u>

**INSPIRATION METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY (CONTINUED)
DECEMBER 31, 2018**

\$7,435,000 (at Full Accretion)
Junior Lien (Convertible to Senior)
Limited Tax (Convertible to Unlimited Tax)
General Obligation Convertible Capital Appreciation
Series 2014C, Interest Rate of 7.00%
Payable June 1 and December 1
Principal Due December 1

Principal	Interest	Total	Principal	Interest	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,424,700	\$ 1,424,700
-	-	-	-	3,109,825	3,109,825
-	-	-	-	3,109,825	3,109,825
-	-	-	-	3,109,825	3,109,825
-	-	-	-	3,109,825	3,109,825
-	520,450	520,450	-	3,630,275	3,630,275
-	520,450	520,450	-	3,630,275	3,630,275
10,000	520,450	530,450	170,000	3,630,275	3,800,275
10,000	519,750	529,750	180,000	3,619,650	3,799,650
30,000	519,050	549,050	340,000	3,608,400	3,948,400
30,000	516,950	546,950	360,000	3,587,000	3,947,000
55,000	514,850	569,850	540,000	3,564,350	4,104,350
60,000	511,000	571,000	575,000	3,530,225	4,105,225
85,000	506,800	591,800	775,000	3,493,875	4,268,875
90,000	500,850	590,850	825,000	3,444,825	4,269,825
125,000	494,550	619,550	1,050,000	3,392,600	4,442,600
135,000	485,800	620,800	1,120,000	3,326,025	4,446,025
165,000	476,350	641,350	1,365,000	3,254,975	4,619,975
180,000	464,800	644,800	1,455,000	3,168,375	4,623,375
215,000	452,200	667,200	1,730,000	3,076,025	4,806,025
230,000	437,150	667,150	1,840,000	2,966,175	4,806,175
275,000	421,050	696,050	2,150,000	2,849,325	4,999,325
295,000	401,800	696,800	2,285,000	2,712,725	4,997,725
340,000	381,150	721,150	2,630,000	2,567,500	5,197,500
370,000	357,350	727,350	2,800,000	2,400,325	5,200,325
420,000	331,450	751,450	3,185,000	2,222,275	5,407,275
450,000	302,050	752,050	3,385,000	2,019,700	5,404,700
515,000	270,550	785,550	3,820,000	1,804,375	5,624,375
545,000	234,500	779,500	4,060,000	1,561,300	5,621,300
620,000	196,350	816,350	4,545,000	1,302,950	5,847,950
655,000	152,950	807,950	4,830,000	1,013,650	5,843,650
735,000	107,100	842,100	5,370,000	706,200	6,076,200
795,000	55,650	850,650	5,720,000	364,300	6,084,300
<u>\$ 7,435,000</u>	<u>\$ 11,173,400</u>	<u>\$ 18,608,400</u>	<u>\$ 57,105,000</u>	<u>\$ 90,311,950</u>	<u>\$ 147,416,950</u>

**INSPIRATION METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY, AND PROPERTY TAXES COLLECTED
DECEMBER 31, 2018**

Year Ended December 31	Prior Year Assessed Valuation for Current Year Tax Levy	Mills Levied for			Total Property Taxes		Percent Collected to Levied
		General	Debt Service	ARI	Levied	Collected	
2013	\$ 4,988,780	10.000	50.000	1.000	\$ 304,316	\$ 222,615	73.15 %
2014	7,192,357	10.000	50.000	1.000	438,734	312,486	71.22
2015	8,732,230	10.000	50.000	1.000	532,666	532,725	100.01
2016	11,691,450	10.000	50.000	1.000	713,178	713,179	100.00
2017	15,921,760	10.000	50.000	1.000	971,227	936,308	96.40
2018	26,447,560	11.055	55.277	1.105	1,783,545	1,777,289	99.65
Estimated 2019	\$ 31,183,840	11.055	55.277	1.105	\$ 2,102,944		

NOTE: Property taxes collected in any one year include collection of delinquent property taxes assessed in prior years, as well as reductions for property tax refunds or abatements. Information received from the County Treasurer does not permit identification of specific year of assessment.