REGENCY METROPOLITAN DISTRICT

Financial Statements

December 31, 2018

with
Independent Auditors' Report

CONTENTS

SIMMONS & WHEELER, P.C. Certified Public Accountants
304 Inverness Way South, Suite 490, Englewood, CO 80112 (303) 689-0833

Board of Directors
Regency Metropolitan District
Douglas County, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Regency 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles 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 each major fund of the Regency 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 opinions on the financial statements that collectively comprise Regency Metropolitan District's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Simmons & Wheeler P.C.

Englewood, CO
May 24, 2019

REGENCY METROPOLITAN DISTRICT

BALANCE SHEET/STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
December 31, 2018

	General	Debt Service	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and investments	$ 13,660	$ -	$ 13,660	$ -	$ 13,660
Cash and investments - restricted	1,389	69,782	71,171	-	71,171
Receivable - County Treasurer	411	2,675	3,086	-	3,086
Property taxes receivable	41,212	263,618	304,830	-	304,830
Prepaid expenses	3,431	-	3,431	-	3,431
Capital assets, net of accumulated depreciation	-	-	-	16,000	16,000
Total Assets	60,103	336,075	396,178	16,000	412,178
DEFERRED OUTFLOWS OF RESOURCES					
Deferred loss on refunding	-	-	-	114,263	114,263
Total Deferred Outflows of Resources	-	-	-	114,263	114,263
Total Assets and Deferred Outflows of Resources	$ 60,103	$ 336,075	$ 396,178		
LIABILITIES					
Accounts payable	$ 8,623	$ -	$ 8,623	-	8,623
Accrued interest on bonds	-	-	-	9,131	9,131
Long-term liabilities:					
Due within one year	-	-	-	95,000	95,000
Due in more than one year	-	-	-	4,117,225	4,117,225
Total Liabilities	8,623	-	8,623	4,221,356	4,229,979
DEFERRED INFLOWS OF RESOURCES					
Deferred property taxes	41,212	263,618	304,830	-	304,830
Total Deferred Inflows of Resources	41,212	263,618	304,830	-	304,830
FUND BALANCES/NET POSITION					
Fund Balances:					
Nonspendable:					
Prepaids	3,431	-	3,431	(3,431)	-
Restricted:					
Emergencies	1,389	-	1,389	(1,389)	-
Debt service	-	72,457	72,457	(72,457)	-
Unassigned	5,448	-	5,448	(5,448)	-
Total Fund Balances	10,268	72,457	82,725	(82,725)	-
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 60,103	$ 336,075	$ 396,178		
Net Position:					
Net investment in capital assets				(4,081,962)	(4,081,962)
Restricted for:					
Emergencies				1,389	1,389
Debt service				63,326	63,326
Unrestricted				8,879	8,879
Total Net Position				$ (4,008,368)	$ (4,008,368)

The notes to the financial statements are an integral part of these statements.

REGENCY METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2018

	General	Debt Service	Total	Adjustments	Statement of Activities
EXPENDITURES					
Accounting	$ 13,074	$ -	$ 13,074	$ -	$ 13,074
Audit	4,100	-	4,100	-	4,100
Election expense	1,154	-	1,154	-	1,154
Insurance	4,236	-	4,236	-	4,236
Legal	6,074	-	6,074	-	6,074
Management fees	5,964	-	5,964	-	5,964
Miscellaneous expenses	335	-	335	-	335
Treasurer's fees	612	3,968	4,580	-	4,580
Loan principal	-	90,000	90,000	(90,000)	-
Interest expense	-	113,348	113,348	45,458	158,806
Non-Use fee	-	21	21	-	21
Paying agent fees	-	2,000	2,000	-	2,000
Payment to Developer - Operations	10,500	-	10,500	(10,500)	-
Payment to Developer - Capital		177,801	177,801	(177,801)	-
Depreciation	-	-	-	8,000	8,000
Total Expenditures	46,049	387,138	433,187	(224,843)	208,344
GENERAL REVENUES					
Property taxes	40,806	264,445	305,251	-	305,251
Specific ownership taxes	4,315	27,965	32,280	-	32,280
Interest income	1,005	5,063	6,068	-	6,068
Total General Revenues	46,126	297,473	343,599	-	343,599
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	77	(89,665)	(89,588)	224,843	135,255
OTHER FINANCING SOURCES (USES)					
Loan Proceeds	-	29,000	29,000	(29,000)	-
Total Other Financing Sources (Uses)	-	29,000	29,000	(29,000)	-
NET CHANGES IN FUND BALANCES	77	(60,665)	(60,588)	60,588	
CHANGE IN NET POSITION				135,255	135,255
FUND BALANCES/NET POSITION:					
BEGINNING OF YEAR	10,191	133,122	143,313	(4,286,936)	(4,143,623)
END OF YEAR	$ 10,268	$ 72,457	$ 82,725	$ (4,091,093)	$ (4,008,368)

The notes to the financial statements are an integral part of these statements.

REGENCY METROPOLITAN DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	$ 157,855	$ 40,804	$ 40,806	$ 2
Specific ownership taxes	9,800	4,100	4,315	215
Interest income	141	1,000	1,005	5
Total Revenues	167,796	45,904	46,126	222
EXPENDITURES				
Accounting	7,200	7,200	13,074	(5,874)
Audit	4,500	4,500	4,100	400
Insurance	4,100	4,100	4,236	(136)
Legal	9,500	9,500	6,074	3,426
Management fees	6,600	6,600	5,964	636
Miscellaneous expenses	1,525	1,525	335	1,190
Treasurer's fees	2,368	612	612	-
Election	1,000	1,000	1,154	(154)
Payment to Developer	124,000	10,000	10,500	(500)
Emergency reserve	5,034	5,034	-	5,034
Total Expenditures	165,827	50,071	46,049	4,022
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,969	(4,167)	77	4,244
FUND BALANCE:				
BEGINNING OF YEAR	6,225	10,191	10,191	-
END OF YEAR	$ 8,194	$ 6,024	$ 10,268	$ 4,244

The notes to the financial statements are an integral part of these statements.

Note 1: Summary of Significant Accounting Policies

The accounting policies of the Regency Metropolitan District, ("the District"), located in the Town of Parker, Douglas County, Colorado, ("the County"); conform to the accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies consistently applied in the preparation of financial statements.

Definition of Reporting Entity

The District was organized on May 25, 2006, as a quasi-municipal organization established under the State of Colorado Special District Act. The District was established to finance and construct certain public infrastructure improvements that benefit the citizens of the District. The District's primary revenues are property taxes. The District is governed by an elected Board of Directors.

As required by GAAP, these financial statements present the activities of the District, which is legally separate and financially independent of other state and local governments. The District follows the GASB, Statement No. 61, *The Financial Reporting Entity: Omnibus, which amended* GASB Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* which provides guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB sets 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 pronouncements also require including a possible component unit if it would be misleading to exclude it.

The District is not financially accountable for any other organization. The District has no component units as defined by the GASB.

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

Basis of Presentation

The accompanying financial statements are presented per GASB Statement No. 34 - Special Purpose Governments.

The government-wide financial statements (i.e. the governmental funds balance sheet/statement of net position and the governmental funds statement of revenues, expenditures, and changes in fund balances/statement of activities) report information on all of the governmental activities of the District. The statement of net position reports all financial and capital resources of the District. The difference between the (a) assets and deferred outflows of resources and the (b) liabilities and deferred inflows of resources of the District is reported as net position. The statement of activities demonstrates the degree to which expenditures/expenses of the governmental funds are supported by general revenues. For the most part, the effect of interfund activity has been removed from these statements.

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.*

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 the related cash flows. Property taxes are recognized as revenues in the year for which they are collected.

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 District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

The District reports the following major governmental funds:

> General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources not accounted for and reported in another fund.

> Debt Service Fund – The Debt Service Fund is used to account for all financial resources that are restricted, committed or assigned to expenditures for principal, interest and other debt related costs.

Budgetary Accounting

Budgets are adopted on a non-GAAP basis for the governmental funds. In accordance with the State Budget Law of Colorado, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated. The appropriation is at the total fund expenditures level and lapses at year end.

In December 2018, the District amended its total appropriations in the General Fund from $165,827 to $50,071 due to fund allocations of payments to the developer, and the Debt Service Fund from $235,263 to $387,419 due to fund allocations of payments to the developer.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Fair Value of Financial Instruments

The District’s financial instruments include cash and cash equivalents, accounts receivable and accounts payable. The District estimates that the fair value of all financial instruments at December 31, 2018, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The carrying amount of these financial instruments approximates fair value because of the short maturity of these instruments.

Deposits and Investments

The District’s cash and cash equivalents are considered to be cash on hand and short-term investments with maturities of three months or less from the date of acquisition. Investments for the government are reported at fair value.

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 minimum number of bank accounts. 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.

Estimates

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one type of item that qualifies for reporting in this category. It is the deferred loss on refunding reported in the government-wide Statement of Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category. Deferred property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 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 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets 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 using the straight-line method. Depreciation on property that will remain assets of the District is reported on the Statement of Activities as a current change. Improvements that will be conveyed to other governmental entities are classified as construction in progress and are not depreciated. Land and certain landscaping improvements are not depreciated. Depreciation expense of $8,000 was recognized during 2018.

It is the policy of the Town of Parker to accept the maintenance responsibility for streets and drainage facilities within the Town of Parker only after a probationary period following completion of construction. Upon final acceptance of the improvements by the Town of Parker, the District removed the cost of construction from its Statement of Net Assets. The District will retain the landscaping of the common areas containing park equipment.

The playground equipment will be depreciated using a straight-line method over the following estimated useful lives:

Parks, equipment:	10 years

<u>Property Taxes</u>

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 taxpayers' election, in February and June. Delinquent taxpayers are notified in July or August and the sales of the resultant tax liens on delinquent properties are generally 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 in the year they are levied and measurable since they are not normally available nor are they budgeted as a resource until the subsequent year. The deferred property taxes are recorded as revenue in the subsequent year when they are available or collected.

<u>Long-Term Obligations</u>

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Deferred Loss on Refunding

The Deferred Loss on Refunding on the 2015 Loan is being amortized over the term of the 2015 Loan using the straight-line method. Accumulated amortization on the loss on refunding amounted to $23,168 at December 31, 2018.

Fund Equity

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Because circumstances differ among governments, not every government or every governmental fund will present all of these components. The following classifications make the nature and extent of the constraints placed on a government's fund balance more transparent:

Nonspendable Fund Balance

Nonspendable fund balance includes amounts that cannot be spent because they are either not spendable in form (such as inventory or prepaids) or are legally or contractually required to be maintained intact.

The nonspendable fund balance in the General Fund in the amount of $3,431 represents prepaid expenditures.

Restricted Fund Balance

The restricted fund balance includes amounts restricted for a specific purpose by external parties such as grantors, bondholders, constitutional provisions or enabling legislation.

The restricted fund balance in the General Fund represents Emergency Reserves that have been provided as required by Article X, Section 20 of the Constitution of the State of Colorado. A total of $1,389 of the General Fund balance has been restricted in compliance with this requirement.

The restricted fund balance in the Debt Service Fund in the amount of $72,457 is restricted for the payment of the debt service costs associated with the Series 2015 Loan (see Note 4).

Committed Fund Balance

The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by a 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.

Assigned Fund Balance

Assigned fund balance includes amounts the District intends to use for a specific purpose. Intent can be expressed by the District's Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned Fund Balance
Unassigned fund balance includes amounts that are available for any purpose. Positive amounts are reported only in the General Fund, all other funds can report negative amounts.

For the classification of Governmental Fund balances, the District considers an expenditure to be made from the most restrictive first when more than one classification is available.

Net Position
Net Position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The District reports three categories of net position, as follows:

Net investment in capital assets – consists of net capital assets, reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position – net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position – consists of all other net position that does not meet the definition of the above two components and is available for general use by the District.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District will use the most restrictive net position first.

Note 2: Cash and Investments

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

Statement of Net Position:	
Cash and investments	$ 13,660
Cash and investments - Restricted	71,171
Total	$ 84,831

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

Deposits with financial institutions	$ 68,943
Investments - COLOTRUST	15,888
	$ 84,831

Deposits
Custodial Credit Risk
The Colorado Public Deposit Protection Act, ("PDPA") requires that all units of local government deposit cash in eligible public depositories. State regulators determine eligibility. 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 is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% 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.

The District follows state statutes for deposits. None of the District's deposits were exposed to custodial credit risk.

Investments

Investments
Investment Valuation
Certain investments are measured at fair value within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's investment is not required to be categorized within the fair value hierarchy. This investment's value is calculated using the net asset value method (NAV) per share.

Credit risk
The District has adopted a formal investment policy and follows the state statutes regarding investments. Colorado statutes specify types of investments meeting defined rating and risk criteria in which local governments may invest. These investments include obligations of the United States and certain U.S. government agency entities, certain money market funds, guaranteed investment contracts, and local government investment pools.

Custodial and Concentration of Credit Risk
None of the District's investments are subject to custodial or concentration of credit risk.

Interest Rate Risk
Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors.

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

COLOTRUST
The local government investment pool, Colorado Local Government Liquid Asset Trust ("COLOTRUST") is rated AAAm by Standard & Poor's with a weighted average maturity of under 60 days, a Level 2 investment under the fair value hierarchy. COLOTRUST is an investment trust/joint ventures 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 trusts operate similarly to a money market fund with each share maintaining a value of $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both investments consist of U.S. Treasury bills and notes 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 repurchase agreements collateralized by certain obligations of U.S. government agencies. Designated custodian banks provide safekeeping and depository services to the trusts. Substantially all securities owned by the trusts are held by the Federal Reserve Bank in the accounts maintained for the custodian banks. The custodians' internal records identify the investments owned by COLOTRUST. At December 31, 2018, the District had $15,888 invested in COLOTRUST.

Note 3: Capital Assets

An analysis of the changes in fixed assets for the period ended December 31, 2018 follows:

Governmental Type Activities:	Balance 01-01-18	Additions	Deletions	Balance 12-31-18
Capital assets being depreciated:				
Parks, equipment	$ 80,000	$ -	$ -	$ 80,000
Total capital assets being depreciated	80,000	-	-	80,000
Accumulated Depreciation:				
Parks, equipment	(56,000)	(8,000)	-	(64,000)
Total accumulated depreciation	(56,000)	(8,000)	-	(64,000)
Net capital assets being depreciated	24,000	(8,000)	-	16,000
Government type assets, net	$ 24,000	$ (8,000)	$ -	$ 16,000

The Town of Parker has accepted conveyance of the street improvements. The HOA will maintain the park and landscaping improvements in the common areas.

Note 4: Long-Term Debt

A description of the long-term obligations as of December 31, 2018, is as follows:

$3,569,000 Refunding and Improvement Loan, Series 2015
On December 10, 2015 the District authorized the issuance of its Refunding and Improvement Loan, Series 2015, dated December 15, 2015 in the amount of $3,569,000 primarily for refunding of the outstanding Limited Tax General Obligation Bonds Series 2006. The Loan is a tax exempt Loan due on December 1, 2020. The Loan bears interest at a fixed rate of 3.28% per annum calculated on the basis of a 360-day year and the actual number of days elapsed in the applicable accrual period. The Loan is payable semiannually on each June 1 and December 1, commencing on June 1, 2016. Net loan proceeds were used to refund the outstanding Series 2006 Bonds, fund the reserve account in the amount of $65,000 and to pay capital project costs.

As a result of the refunding, the Series 2006 Refunded Bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by $137,431. This amount is recorded as a deferred inflow and is being amortized over the remaining life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the remaining life of the old debt at the time of the refunding by $3,121,852 and resulted in an economic gain of $14,485.

The pledged revenue for the repayment of the 2015 Loan consists of: (a) a required mill levy (RML); (b) that portion of ownership taxes allocable to the amount of the RML; and (c) any other legally available monies, which the Board in its discretion determines to apply as pledged revenue. The amount of the RML depends upon the debt-to-assessed value (D:AV) ratio. When the D:AV ratio is 50% or less, the RML is an amount sufficient, when combined with the Loan Payment Fund (as defined in the Loan Agreement and Custodial Agreement), to pay estimated debt requirements, less the operations mill levy (OML), and less the number of mills necessary to pay unlimited mill levy debt, but not in excess of 35 mills; provided that the limitation of 35 mills shall be adjusted such that the tax revenues generated are neither enhanced nor diminished. The OML is the number of mills necessary to produce the Operations Deduction, which was $40,000 for 2016, and subject to a 1% increase annually thereafter. For 2018, the D:AV was 50% or less, and the total adjusted mill levy was 47.344 mills (with 6.329 mills levied for operations expenses and 41.015 mills levied for debt service). When the D:AV ratio is 50% or less but greater than 40%, the RML is an amount sufficient, when combined with the Loan Payment Fund, to pay estimated debt requirements, less the OML, and less the number of mills necessary to pay unlimited mill levy debt, but not in excess of 55 mills; provided that the limitation of 55 mills shall be adjusted such that the tax revenues generated are neither enhanced nor diminished. When the D:AV ratio is 40% or less, the RML is an amount sufficient, when combined with the Loan Payment Fund, to pay estimated debt requirements, without limitation of rate and in amounts sufficient to pay the estimated debt requirements; provided that: (a) the debt service mill levy imposed for the purpose of paying the Loan in the calendar year prior to the Maturity Date, and any debt service mill levy imposed in any year for the purpose of paying the Loan after the Maturity Date, shall not be required to exceed 55 mills; and (b) the foregoing mill levy limitation of 55 mills shall be adjusted such that the tax revenues generated are neither enhanced nor diminished.

There is also a Reserve Requirement established by the provisions of the Custodial Agreement in the amount of $65,000. The 2015 Loan requires that a Loan Payment Fund be credited an amount of Pledged Revenue each loan year which is equal to the loan requirements for the then current year. The 2015 Loan is secured by collateral made up of (a) the Pledged Revenue, (b) all amounts on deposit in the Loan Payment Fund; and (c) all moneys of the District legally available.

Operation Funding Agreement

On June 20, 2006, the District entered into a 2006 – 2007 Operation Funding Agreement with BCX Development Partners #1, LLC (the Developer). The District anticipated that it would not have sufficient funds to make the payment of its operations and maintenance expenses in fiscal years 2006 and 2007; therefore pursuant to this agreement the Developer would advance funds to meet any shortfalls. The advances earn interest from the date the moneys are deposited into the District's account at the rate of the Prime Interest Rate plus 1%. On October 17, 2006, this agreement was amended and restated to extend the shortfall dates for the years 2006 through December 31, 2009 ("Amended and Restated OFA"). The Developer agreed to advance up to $175,000 to the District for operation and maintenance shortfalls through December 31, 2009.

As of December 31, 2018 the outstanding principal amount the District owed the Developer was $148,801, and the total accrued interest was $99,535.

The District has agreed to repay the Developer advances and accrued interest subject to the availability of funds and subject to annual appropriation. Pursuant to the October 18, 2016 First Amendment to the Amended and Restated OFA, payments shall credit first against the principal amount due and then against the accrued and unpaid interest. The obligation of the District to reimburse the Developer is not a multiple fiscal year obligation of the District. The agreement terminates on December 31, 2031, or when all amounts due to the Developer under the agreement have been repaid, whichever is earlier.

Project Funding and Reimbursement Agreement

On June 20, 2006, the District entered into a Project Funding and Reimbursement Agreement ("PFRA") with the Developer. The Developer has agreed to advance funds to the District for the design, construction and completion of the infrastructure improvements within the District outlined in the Service Plan.

The District has agreed to repay the Developer advances and accrued interest, at the rate of prime plus 1%, subject to the availability of funds and subject to annual appropriation. Pursuant to the October 18, 2016 First Amendment to the PFRA, payments shall credit first against the principal amount due and then against the accrued and unpaid interest. The obligation of the District to reimburse the Developer is not a multiple fiscal year obligation of the District. The agreement terminates on December 31, 2046, or when all amounts due to the Developer under the agreement have been repaid, whichever is earlier.

As of December 31, 2018 the outstanding principal amount the District owed the Developer was $351,140, and the total accrued interest was $308,749.

The following is an analysis of changes in long-term debt for the period ended December 31, 2018:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018	Current Portion
Series 2015 Loan	$ 3,365,000	$ 29,000	$ 90,000	$ 3,304,000	$ 95,000
Devel Adv - Operating	159,301	-	10,500	148,801	-
Accrued Int.	90,261	9,274	-	99,535	-
Devel Adv - Capital	528,942	-	177,801	351,140	-
Accrued Int.	279,932	28,816	-	308,749	-
Total	$ 4,423,436	$ 67,090	$ 278,301	$ 4,212,225	$ 95,000

The following is a summary of the annual long-term debt principal and interest payment requirements for the 2015 Series loan as of December 31, 2018:

	Principal	Interest	Total
2019	$ 95,000	$ 109,876	$ 204,876
2020	3,209,000	107,009	3,316,009
	$ 3,304,000	$ 216,885	$ 3,520,885

Debt Authorization

At elections held in 2006, a majority of the qualified electors of the District who voted in the elections authorized the issuance of general obligation indebtedness, for public improvements and operations and maintenance, in an amount not to exceed $3,400,000. The District currently has $200,119 in authorized but unissued debt. The District did not budget for any issuance of debt in 2019.

In the future, the District may issue a portion or all of the remaining authorized but unissued general obligation debt for purposes of providing public improvements to support development as it occurs within the District's service area, however, as of the date of this audit, the amount and timing of any debt issuances is not determinable.

Note 5: Related Parties

The majority of the Board members of the District are employees, officers or consultants to the Developer. The Developer has advanced cash to the District for operating and capital purposes (see Note 4).

Note 6: Tax Spending and Debt Limitations

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer Bill of Rights ("TABOR"), contains tax, spending, revenue and debt limitations which 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.

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 will require judicial interpretation.

On May 2, 2006, 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 Article X, Section 20, of the Colorado Constitution.

Note 7: Risk Management

Except as provided in the Colorado Governmental Immunity Act, 24-10-101, et seq., CRS, the District may be exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to agents; and natural disasters. The District has elected to participate in the Colorado Special Districts Property and Liability Pool ("Pool") which is an organization created by intergovernmental agreement to provide common liability and casualty insurance coverage to its members at a cost that is considered economically appropriate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for auto, public officials' liability, and property and general liability coverage. In the event aggregated losses incurred by the Pool exceed its amounts recoverable from reinsurance contracts and its accumulated reserves, the District may be called upon to make additional contributions to the Pool on the basis proportionate to other 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 8: Reconciliation of government-wide financial statements and fund financial statements

The Governmental Funds Balance Sheet/Statement of Net Position includes an adjustments column. The adjustments have the following elements:

1) Capital improvements used in government activities are not financial resources and, therefore are not reported in the funds; and

2) Long-term liabilities such as bonds payable and accrued bond interest payable are not due and payable in the current period and, therefore, are not in the funds.

The Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities includes an adjustments column. The adjustments have the following elements:

1) Governmental funds report interest expense on the modified accrual basis; however, interest expense is reported on the full accrual method on the Statement of Activities;

2) Governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

3) Governmental funds report developer advances and/or bond proceeds as revenue; and,

4) Governmental funds report long-term debt payments as expenditures, however, in the statement of activities, the payment of long-term debt is recorded as a decrease of long-term liabilities.

SUPPLEMENTAL INFORMATION

REGENCY METROPOLITAN DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
DEBT SERVICE FUND
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	$ 147,397	$ 264,447	$ 264,445	$ (2)
Specific ownership taxes	8,400	27,000	27,965	965
Interest income	2,200	4,201	5,063	862
Total Revenues	157,997	295,648	297,473	1,825
EXPENDITURES				
Loan principal	90,000	90,000	90,000	-
Interest expense	111,905	112,151	113,348	(1,197)
Non-Use Fee	147	-	21	(21)
Paying agent fees	2,000	2,000	2,000	-
Transfer to Capital Fund	29,000	-	-	-
Payment to Developer	-	178,301	177,801	500
Contingency	-	1,000	-	1,000
Treasurer's fees	2,211	3,967	3,968	(1)
Total Expenditures	235,263	387,419	387,138	281
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(77,266)	(91,771)	(89,665)	2,106
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	29,000	29,000	29,000	-
Total Other Financing Sources (Uses)	29,000	29,000	29,000	-
NET CHANGE IN FUND BALANCE	(48,266)	(62,771)	(60,665)	2,106
FUND BALANCE:				
BEGINNING OF YEAR	129,860	133,122	133,122	-
END OF YEAR	$ 81,594	$ 70,351	$ 72,457	$ 2,106

The notes to the financial statements are an integral part of these statements.

REGENCY METROPOLITAN DISTRICT

SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2018

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied General Fund	Mills Levied Debt Service	Total Property Tax Levied	Total Property Tax Collected	Percent Collected to Levied
2007	$ 224,870	8.000	34.826	$ 9,630	$ 9,630	100.00%
2008	$ 594,130	8.000	34.826	$ 25,444	$ 25,444	100.00%
2009	$ 1,802,560	8.000	34.826	$ 77,196	$ 77,198	100.00%
2010	$ 2,502,690	8.000	34.826	$ 107,180	$ 104,746	97.73%
2011	$ 2,641,070	8.000	34.826	$ 113,106	$ 112,964	99.87%
2012	$ 2,286,920	10.470	32.356	$ 97,940	$ 97,940	100.00%
2013	$ 3,192,700	8.000	34.826	$ 136,731	$ 136,733	100.00%
2014	$ 4,432,403	8.000	34.826	$ 189,822	$ 178,858	94.22%
2015	$ 4,859,640	6.750	36.076	$ 208,119	$ 205,564	98.77%
2016	$ 5,970,460	6.699	36.127	$ 255,691	$ 255,894	100.08%
2017	$ 5,968,290	6.769	36.057	$ 255,598	$ 255,603	100.00%
2018	$ 6,447,520	6.329	41.015	$ 305,252	$ 305,251	100.00%
Estimated for year ending December 31, 2019	$ 6,446,390	6.393	40.894	$ 304,830		

NOTE

Property taxes collected in any one year include collection of delinquent property taxes levied and/or abatements or valuations in prior years. Information received from the County Treasurer does not permit identification of specific year assessment.