

TWIN PEAKS METROPOLITAN DISTRICT
Boulder County, Colorado

FINANCIAL STATEMENTS
December 31, 2016



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Certified Public Accountants (a professional corporation)
1221 West Mineral Ave, Ste. 202 Littleton, Colorado 80120-4544 (303) 734-4800 Fax (303) 795-3356

Independent Auditor's Report

To the Board of Directors
Twin Peaks Metropolitan District

We have audited the accompanying financial statements of the governmental activities and the major funds of Twin Peaks Metropolitan District as of and for the year ended December 31, 2016 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 Twin Peaks Metropolitan District, as of December 31, 2016 and the respective changes in financial position, and the 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 Twin Peaks 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.

A handwritten signature in cursive script that reads "Haynie & Co".

Littleton, Colorado
June 13, 2017

BASIC FINANCIAL STATEMENTS

**TWIN PEAKS METROPOLITAN DISTRICT
STATEMENT OF NET POSITION
December 31, 2016**

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 142,397
Cash and investments - Restricted	7,471
Property taxes receivable	416,202
Receivable from County Treasurer	1,936
Prepays	5,275
Construction in progress	6,886,559
Total assets	<u>7,459,840</u>
 LIABILITIES	
Accounts payable	6,111
Due to LURA	1,839
Noncurrent liabilities	
Due in more than one year	7,485,914
Total liabilities	<u>7,493,864</u>
 DEFERRED INFLOWS OF RESOURCES	
Property tax revenue	416,202
Total deferred inflows of resources	<u>416,202</u>
 NET POSITION	
Restricted for:	
Emergency reserves	6,600
Unrestricted	(456,826)
Total net position	<u>\$ (450,226)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**TWIN PEAKS METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Government activities:					
General government	\$ 62,098	\$ -	\$ -	\$ -	\$ (62,098)
Interest and related costs on long-term debt	818,804	-	-	-	(818,804)
	<u>\$ 880,902</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(880,902)</u>
General revenues:					
Property taxes					415,830
Specific ownership taxes					21,192
Net investment income					4
Total general revenues					<u>437,026</u>
Change in net position					<u>(443,876)</u>
Net position - Beginning					(6,350)
Net position - Ending					<u>\$ (450,226)</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**TWIN PEAKS METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016**

	General	Debt Service	Capital Projects	Total Governmental Funds
ASSETS				
Cash and investments	\$ 142,397	\$ -	\$ -	142,397
Cash and investments - Restricted	6,600	871	-	7,471
Property taxes receivable	208,101	208,101	-	416,202
Prepaid expense	5,275	-	-	5,275
Receivable from County Treasurer	968	968	-	1,936
TOTAL ASSETS	\$ 363,341	\$ 209,940	\$ -	573,281
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 6,111	\$ -	\$ -	6,111
Due to LURA	-	1,839	-	1,839
Total liabilities	6,111	1,839	-	7,950
DEFERRED INFLOWS OF RESOURCES				
Property tax revenue	208,101	208,101	-	416,202
Total deferred inflows or resources	208,101	208,101	-	416,202
FUND BALANCES				
Nonspendable for:				
Prepaid expense	5,275	-	-	5,275
Restricted for:				
Emergency reserves	6,600	-	-	6,600
Unassigned	137,254	-	-	137,254
Total fund balances	149,129	-	-	149,129
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 363,341	\$ 209,940	\$ -	

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 in the funds.	6,886,559
Other long-term assets and deferred outflows of resources are not available to pay for current expenditures and, therefore, are deferred in the funds.	
Developer advance payable - capital	(7,485,914)

Net position of governmental activities	\$ (450,226)
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

TWIN PEAKS METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended December 31, 2016

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES				
Property taxes	\$ 207,915	\$ 207,915	\$ -	\$ 415,830
Specific ownership taxes	10,596	10,596	-	21,192
Other income	4	-	-	4
Total revenues	<u>218,515</u>	<u>218,511</u>	<u>-</u>	<u>437,026</u>
EXPENDITURES				
Current				
Accounting	21,449	-	-	21,449
County Treasurer's fees	3,119	3,119	-	6,238
Dues and subscriptions	415	-	-	415
Insurance	2,488	-	-	2,488
Election	1,293	-	-	1,293
Engineering	6,110	-	-	6,110
Legal	13,507	-	-	13,507
Debt service				
Transfer to LURA	-	215,392	-	215,392
Capital outlay				
Engineering	-	-	13,717	13,717
Public improvements	-	-	6,886,559	6,886,559
Total expenditures	<u>48,381</u>	<u>218,511</u>	<u>6,900,276</u>	<u>7,167,168</u>
OTHER FINANCING SOURCES (USES)				
Developer advance	-	-	6,886,559	6,886,559
Repayment of Developer advance	(15,615)	-	-	(15,615)
Repayment of accrued interest on Developer advance	(2,832)	-	-	(2,832)
Transfers	(13,717)	-	13,717	-
Total other financing sources (uses)	<u>(32,164)</u>	<u>-</u>	<u>6,900,276</u>	<u>6,868,112</u>
NET CHANGE IN FUND BALANCES	137,970	-	-	137,970
FUND BALANCES - BEGINNING OF YEAR	11,159	-	-	11,159
FUND BALANCES - END OF YEAR	<u>\$ 149,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,129</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**TWIN PEAKS METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2016**

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

Net change in fund balances - Total governmental funds	\$ 137,970
<p>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.</p>	
Capital outlay	6,886,559
<p>Long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Developer advance	(6,886,559)
<p>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.</p>	
Developer advance - accrued interest	(600,293)
Developer advance - payment of advance and interest	<u>18,447</u>
Changes in net position of governmental activities	<u>\$ (443,876)</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**TWIN PEAKS METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Budgets</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$ 208,026	\$ 208,026	\$ 207,915	\$ (111)
Specific ownership taxes	12,480	10,290	10,596	306
Other income	-	3	4	1
Total revenues	<u>220,506</u>	<u>218,319</u>	<u>218,515</u>	<u>196</u>
EXPENDITURES				
Current				
Accounting	21,000	21,449	21,449	-
County Treasurer's fees	3,120	3,120	3,119	1
Dues and subscriptions	500	415	415	-
Insurance	2,600	2,488	2,488	-
Election	1,000	1,293	1,293	-
Engineering	-	6,110	6,110	-
Legal	25,000	13,507	13,507	-
Contingency	1,780	19,453	-	19,453
Total expenditures	<u>55,000</u>	<u>67,835</u>	<u>48,381</u>	<u>19,454</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>165,506</u>	<u>150,484</u>	<u>170,134</u>	<u>19,650</u>
OTHER FINANCING SOURCES (USES)				
Repayment of Developer advance	-	(15,616)	(15,615)	(1)
Repayment of accrued interest on Developer advance	-	(2,832)	(2,832)	-
Transfer to Capital Projects Fund	-	(13,717)	(13,717)	-
Total other financing sources (uses)	<u>-</u>	<u>(32,165)</u>	<u>(32,164)</u>	<u>(1)</u>
NET CHANGE IN FUND BALANCE	165,506	118,319	137,970	19,651
FUND BALANCES - BEGINNING OF YEAR	6,643	11,159	11,159	-
FUND BALANCES - END OF YEAR	<u>\$ 172,149</u>	<u>\$ 129,478</u>	<u>\$ 149,129</u>	<u>\$ 19,651</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

**TWIN PEAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 1 - DEFINITION OF REPORTING ENTITY

Twin Peaks Metropolitan District (District), a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court for Boulder County on January 11, 2013, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District's service area is located in Longmont, Colorado. The District was established to assist the City of Longmont and the Urban Renewal Authority (URA) in the financing, acquisition, construction, installation, operations, and maintenance of public improvements, including water, sewer, street, transportation, safety protection, and parks and recreation.

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 intergovernmental 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.

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.

**TWIN PEAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds, notes and developer advances are recorded as a reduction in liabilities.

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 Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation 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.

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 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 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, 2016.

TWIN PEAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Investments are carried at fair value.

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 sales 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 inflow 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.

Capital Assets

Capital assets, which include property and infrastructure assets (e.g. detention ponds and similar items), are reported in the applicable governmental 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 estimated fair 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 component of the District's net position.

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.

**TWIN PEAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category, *deferred property tax revenue*. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Equity

Net Position

For government-wide presentation purposes when both restricted and unrestricted resources are available for use, it is the government'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.
- *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.

**TWIN PEAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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, 2016, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 142,397
Cash and investments - Restricted	<u>7,471</u>
Total cash and investments	<u>\$ 149,868</u>

Cash and investments as of December 31, 2016, consist of the following:

Deposits with financial institutions	<u>\$ 149,868</u>
Total cash and investments	<u>\$ 149,868</u>

Deposits with Financial Institutions

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least 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, 2016, the District's cash deposits had a bank balance of \$163,119 and a carrying balance of \$149,868.

**TWIN PEAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

Investments

The District has adopted a formal investment policy that 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 disclosure requirements or investment custodial credit 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, 2016, the District had no investments.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2016, follows:

	Balance at December 31, 2015	Increases	Decreases	Balance at December 31, 2016
Construction in progress	\$ -	\$ 6,886,559	\$ -	\$ 6,886,559
Total capital assets	\$ -	\$ 6,886,559	\$ -	\$ 6,886,559

**TWIN PEAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

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, 2016:

	<u>Balance at December 31, 2015</u>	<u>New Issues</u>	<u>Refundings/ Retirements</u>	<u>Balance at December 31, 2016</u>	<u>Due Within One Year</u>
Developer advance payable - Capital	\$ -	\$ 6,886,559	\$ -	\$ 6,886,559	\$ -
Developer advance payable - O&M	15,615	-	15,615	-	-
Developer advance payable - Interest Capital	-	599,355	-	599,355	-
Developer advance payable - Interest O&M	1,894	938	2,832	-	-
	<u>\$ 17,509</u>	<u>\$ 7,486,852</u>	<u>\$ 18,447</u>	<u>\$ 7,485,914</u>	<u>\$ -</u>

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

Authorized Debt

On November 6, 2012, a majority of the qualified electors of the District authorized the issuance of indebtedness in an amount not to exceed \$353,000,000 at an interest rate not to exceed 18% per annum. At December 31, 2016, the District had authorized but unissued indebtedness in the following amounts allocated for the following purposes:

	<u>Authorized November 6, 2012 Election</u>	<u>Authorization Used</u>	<u>Remaining at December 31, 2016</u>
Streets	\$ 35,000,000	\$ -	\$ 35,000,000
Water	35,000,000	-	35,000,000
Sanitation System	35,000,000	-	35,000,000
Parks and Recreation	35,000,000	-	35,000,000
Traffic & Safety	35,000,000	-	35,000,000
Mosquito Control	1,000,000	-	1,000,000
Public Transportation	35,000,000	-	35,000,000
Fire Protection	35,000,000	-	35,000,000
Television Relay and Translation	35,000,000	-	35,000,000
Operations and Maintenance	2,000,000	-	2,000,000
Debt Refunding	35,000,000	-	35,000,000
Intergovernmental Agreements	35,000,000	-	35,000,000
	<u>\$ 353,000,000</u>	<u>\$ -</u>	<u>\$353,000,000</u>

**TWIN PEAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 5 - LONG-TERM OBLIGATIONS (CONTINUED)

Pursuant to the Service Plan and the Amendment, the District is permitted to issue bond indebtedness of up to \$37,000,000 at a maximum interest rate of 18%.

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.

NOTE 6 - NET POSITION

The District has net position consisting of two components - restricted and unrestricted.

Restricted assets include net position 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, 2016, as follows:

	Governmental Activites
Restricted net position:	
Emergency reserves	\$ 6,600
	\$ 6,600

The District has a deficit in unrestricted net position. The deficit is a result of the District being responsible for repayment of developer advances incurred for public improvements.

NOTE 7 - DISTRICT AGREEMENTS

Redevelopment and Reimbursement Agreement

The District, the Longmont Urban Renewal Authority (Authority) and NMMS Twin Peaks, LLC (Developer) (as its interest has been subsequently collaterally assigned) entered into that certain Redevelopment and Reimbursement Agreement dated January 8, 2013 (RRA). Pursuant to the terms of the RRA, the Developer agrees to acquire property and to finance certain public improvements within the boundaries of the Authority (Eligible Public Improvements). The Authority agrees to reimburse the Developer for those costs associated with the acquisition of the property and the design and construction of the Eligible Public Improvements (Eligible Costs) in an amount not to exceed \$27,500,000 ("Reimbursement Obligation") plus interest. The Reimbursement Obligation is anticipated to be reimbursed from either: (i) the proceeds of the bonds issued by the Authority (Authority Bonds); (ii) the proceeds of bonds issued by the District (District Bonds); or (iii) pledged revenues.

**TWIN PEAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 7 - DISTRICT AGREEMENTS (CONTINUED)

Pursuant to the RRA, the District agrees to impose a debt service mill levy of twenty-five (25) mills on the taxable property within its boundaries (Debt Service Mill Levy) and collect the revenues from the specific ownership tax associated with the Debt Service Mill Levy (Specific Ownership Tax Revenues) and agrees to pledge the same to the Authority Bonds or the District Bonds.

Further, the Authority agrees to pledge the incremental operating revenue received by the Authority as a result of the District's imposition of its operating and maintenance mill levy back to the District to pay for the District's operating and maintenance expenses.

The Developer is responsible for acquisition of the property and financing and construction the Eligible Public Improvements. The Authority agrees to reimburse the Developer for Eligible costs, up to \$27,500,000 from one of the following sources: (a) proceeds of Bonds issued by the City or the Authority (b) proceeds of Bonds issued by the District (c) or if no bonds are issued, through pledged revenues. If Eligible Costs are financed by a combination of Authority Bonds and District Bonds, the developer advances shall be subordinate to the payment of bonds issued.

The Authority agrees to establish the special fund to deposit the Pledged Property Tax Increment Revenues and Pledges Sales Tax Increment Revenues upon receipt. Pledged Property Tax Increment Revenue means the annual ad valorem property tax revenue received by the Authority from the Boulder Country Treasurer in excess of the amount produced by the levy of those taxing bodies that levy property taxes in the TIF Area. These funds are to be remitted to the Bond Trustee for Authority issued bonds, The District Bond Trustee for District issued bonds, or to the Developer for unreimbursed developer advances. The District pledges the incremental District Operating Revenue it receives to the Authority. The Authority's obligation to remit the Pledged Revenue is a multiple fiscal-year obligation not subject to annual appropriation.

The City and the Authority agree that so long as the agreement is in effect Sales taxes in excess of the Sales Tax Base Amount shall be allocated to the Special Fund in an amount equal to Pledged Sales Tax Incremental Revenues.

The Developer shall be eligible to receive a maximum of \$27,500,000 for Eligible Costs, including land acquisition costs.

Pledge Agreement

The District and the City entered into that certain Pledge Agreement dated August 1, 2014 (Pledge Agreement). The City has previously entered into a Lease Purchase Agreement (Lease) and certain Certificates of Participation (Certificates) were executed and delivered in connection with the Lease. The proceeds of the Certificates were applied to pay or reimburse the cost of issuance, financing costs and Eligible Costs associated with the Reimbursement Obligation discussed above. Pursuant to the Pledge Agreement, the District agrees to pledge the revenue from the Debt Service Mill Levy (as defined above) and Specific Ownership Tax Revenues to the payment of the debt service requirement of the Authority Bonds (as defined above) issued. The District shall remit revenues from the Debt Service Mill Levy and the Specific Ownership Tax Revenues for as long as the Authority Bonds are outstanding.

**TWIN PEAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 7 - DISTRICT AGREEMENTS (CONTINUED)

City IGA

The District entered into an intergovernmental agreement with the City, dated June 11, 2013. The agreement specifies which public improvements shall be dedicated to the City and which improvements are to be owned and maintained by the District. Public improvements to be dedicated to the City or other appropriate jurisdictions include exterior streets, water, and sanitary sewer facilities.

The agreement also states that the District shall have a public hearing, prior to any determination if the District should be dissolved, and that no dissolution shall occur until the District has provided payment for all outstanding indebtedness, nor shall the City request dissolution within the first 25 years following the approval of the Amended and Restated Service Plan.

The agreement states the maximum mill levy the District is allowed to impose is 50 mills, for both debt service and operations and maintenance. The Service plan and this agreement allow the District to impose reasonable fees pursuant to Colorado statutes.

NOTE 8 - RELATED PARTY

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

Developer Advances

The District has entered into Funding and Reimbursement Agreements with the Developer as follows:

Operation Funding Agreements

The District and the Developer entered into that certain 2013 Operation Funding Agreement on November 20, 2013, with an effective date of January 11, 2013 (2013 OFA), that certain 2014 Operation Funding Agreement on November 20, 2013, with an effective date of January 1, 2014 (2014 OFA), and that certain 2015 Operation Funding Agreement on October 16, 2014, with an effective date of January 1, 2015 (2015 OFA, and together with the 2013 OFA and the 2014 OFA, the OFAs). Pursuant to the OFAs, the Developer agreed to advance funds to the District for certain operation and maintenance expenses on a period basis, as needed, for fiscal years 2013 through 2015. The District agrees to repay these advances, pursuant to the priority established in the OFAs, together with accrued interest at eight percent (8%) per annum.

As of December 31, 2016, there were no funds owing under the OFAs.

**TWIN PEAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 8 - RELATED PARTY (CONTINUED)

Facilities Funding and Acquisition Agreements

The District and Developer entered into that certain Facilities Funding and Acquisition Agreement on October 16, 2014, with an effective date of January 11, 2013 (FFAA), pursuant to which the Developer agrees to make advances for fiscal years 2013 through 2024 in an amount not to exceed \$6,900,000, which the District has advised will be amended to increase the shortfall amount, to the District for the purpose of funding the construction and/or acquisition of public improvements. The District also agrees to reimburse the Developer for those costs associated with organizing the District. Interest on funds advanced or to pay for public improvements (from the date of verification) accrue at eight percent (8%) per annum. The FFAA does not constitute debt, but is an annual appropriations agreement intended to be repaid through a future bond issuance. As of December 31, 2016, there was \$7,485,914 outstanding under the FFAA, including \$6,886,559 in principal and \$599,355 in interest.

NOTE 9 - 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) as of December 31, 2016. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' 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 10 - INTERFUND AND OPERATING TRANSFERS

The transfer from the General Fund to the Capital Projects Fund was for costs associated with Capital Projects.

**TWIN PEAKS METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

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.

On November 6, 2012, a majority of the District's electors authorized the District to collect and spend or retain in a reserve the full amount of all currently levied taxes and fees from the District annually, without regard to any limitations under TABOR.

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

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.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**TWIN PEAKS METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Property taxes	\$ 208,026	\$ 207,915	\$ (111)
Specific ownership taxes	12,480	10,596	(1,884)
Total revenues	<u>220,506</u>	<u>218,511</u>	<u>(1,995)</u>
EXPENDITURES			
Debt service			
County Treasurer's fees	3,120	3,119	1
Transfer to LURA	217,386	215,392	1,994
Total expenditures	<u>220,506</u>	<u>218,511</u>	<u>1,995</u>
OTHER FINANCING SOURCES (USES)			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TWIN PEAKS METROPOLITAN DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
Year Ended December 31, 2016**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Total revenues	\$ -	\$ -	\$ -
EXPENDITURES			
Capital outlay			
Engineering	-	13,717	(13,717)
Public improvements	12,000,000	6,886,559	5,113,441
Total expenditures	<u>12,000,000</u>	<u>6,900,276</u>	<u>5,099,724</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(12,000,000)</u>	<u>(6,900,276)</u>	<u>5,099,724</u>
OTHER FINANCING SOURCES (USES)			
Developer advance	12,000,000	6,886,559	(5,113,441)
Transfer from General Fund	-	13,717	13,717
Total other financing sources (uses)	<u>12,000,000</u>	<u>6,900,276</u>	<u>(5,099,724)</u>
NET CHANGE IN FUND BALANCES	-	-	-
FUND BALANCES - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**TWIN PEAKS METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND
PROPERTY TAXES COLLECTED
December 31, 2016**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percent Collected to Levied
			Levied	Collected	
2015	\$ 3,826,477	35.000	\$ 133,927	\$ 133,751	99.87%
2016	8,321,045	50.000	416,052	415,830	99.95%
Estimated for year ending December 31, 2017	8,324,037	50.000	416,202		

NOTE:

No data exists prior to 2015