

**TWIN PEAKS METROPOLITAN DISTRICT  
Boulder County, Colorado**

**FINANCIAL STATEMENTS  
December 31, 2017**

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**Office of the State Auditor**

July 11, 2018

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**Haynie &  
Company**

**Certified Public Accountants** (a professional corporation)

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## **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, 2017 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, 2017 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.



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## **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.



Littleton, Colorado  
July 2, 2018

## **BASIC FINANCIAL STATEMENTS**

**TWIN PEAKS METROPOLITAN DISTRICT  
STATEMENT OF NET POSITION  
December 31, 2017**

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and investments	\$ 64,773
Cash and investments - Restricted	13,200
Property taxes receivable	443,822
Receivable from County Treasurer	4,150
Prepays	7,192
Capital assets	
Capital assets, net	<u>6,823,168</u>
Total assets	<u><u>7,356,305</u></u>
 <b>LIABILITIES</b>	
Accounts payable	3,274
Due to LURA	2,075
Noncurrent liabilities	
Due in more than one year	<u>7,586,838</u>
Total liabilities	<u><u>7,592,187</u></u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Property tax revenue	<u>443,822</u>
Total deferred inflows of resources	<u><u>443,822</u></u>
 <b>NET POSITION</b>	
Net investment in capital assets	(763,670)
Restricted for:	
Emergency reserves	13,200
Unrestricted	<u>70,766</u>
Total net position	<u><u>\$ (679,704)</u></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, 2017**

<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	\$ 115,423	\$ -	\$ 204,994	\$ -	\$ 89,571
Interest and related costs on long-term debt	987,793	-	-	204,994	(782,799)
	<u>\$ 1,103,216</u>	<u>\$ -</u>	<u>\$ 204,994</u>	<u>\$ 204,994</u>	<u>(693,228)</u>
General revenues:					
Property taxes					416,270
Specific ownership taxes					47,480
Total general revenues					<u>463,750</u>
Change in net position					(229,478)
Net position - Beginning					(450,226)
Net position - Ending					<u>\$ (679,704)</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, 2017**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments	\$ 64,773	\$ -	\$ 64,773
Cash and investments - Restricted	13,200	-	13,200
Property taxes receivable	221,911	221,911	443,822
Prepaid expense	7,192	-	7,192
Receivable from County Treasurer	2,075	2,075	4,150
<b>TOTAL ASSETS</b>	<b>\$ 309,151</b>	<b>\$ 223,986</b>	<b>\$ 533,137</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 3,274	\$ -	\$ 3,274
Due to LURA	-	2,075	2,075
Total liabilities	3,274	2,075	5,349
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property tax revenue	221,911	221,911	443,822
Total deferred inflows or resources	221,911	221,911	443,822
<b>FUND BALANCES</b>			
Nonspendable for:			
Prepaid expense	7,192	-	7,192
Restricted for:			
Emergency reserves	13,200	-	13,200
Unassigned	63,574	-	63,574
Total fund balances	83,966	-	83,966
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 309,151</b>	<b>\$ 223,986</b>	

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.	6,823,168
Long-term liabilities, including bonds payable and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Developer advance payable - capital	(7,586,838)

Net position of governmental activities	<b>\$ (679,704)</b>
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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, 2017**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 208,135	\$ 208,135	\$ 416,270
Specific ownership taxes	23,740	23,740	47,480
Property taxes received through TIF	204,994	204,994	409,988
Total revenues	<u>436,869</u>	<u>436,869</u>	<u>873,738</u>
<b>EXPENDITURES</b>			
Current			
Accounting	22,075	-	22,075
Audit	5,000	-	5,000
County Treasurer's fees	3,121	3,122	6,243
Dues and subscriptions	680	-	680
Insurance	5,525	-	5,525
Legal	15,526	-	15,526
Miscellaneous	105	-	105
Debt service			
Transfer to LURA	-	433,747	433,747
Total expenditures	<u>52,032</u>	<u>436,869</u>	<u>488,901</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>384,837</u>	<u>-</u>	<u>384,837</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Repayment of accrued interest on Developer advance	(450,000)	-	(450,000)
Total other financing sources (uses)	<u>(450,000)</u>	<u>-</u>	<u>(450,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(65,163)	-	(65,163)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	149,129	-	149,129
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 83,966</u>	<u>\$ -</u>	<u>\$ 83,966</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, 2017**

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

Net change in fund balances - Total governmental funds	\$ (65,163)
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.	
Depreciation	(63,391)
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.	
Developer advance - accrued interest	(550,924)
Developer advance - interest payment	<u>450,000</u>
 Changes in net position of governmental activities	 <u><u>\$ (229,478)</u></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, 2017**

	<b>Original and Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
<b>REVENUES</b>			
Property taxes	\$ 208,101	\$ 208,135	\$ 34
Specific ownership taxes	20,871	23,740	2,869
Property taxes received through TIF	206,188	204,994	(1,194)
Total revenues	<u>435,160</u>	<u>436,869</u>	<u>1,709</u>
<b>EXPENDITURES</b>			
Current			
Accounting	21,000	22,075	(1,075)
Audit	5,000	5,000	-
County Treasurer's fees	3,122	3,121	1
Dues and subscriptions	500	680	(180)
Insurance	2,612	5,525	(2,913)
Legal	25,000	15,526	9,474
Miscellaneous	-	105	(105)
Contingency	2,766	-	2,766
Total expenditures	<u>60,000</u>	<u>52,032</u>	<u>7,968</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>375,160</u>	<u>384,837</u>	<u>9,677</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Repayment of accrued interest on Developer advance	(500,000)	(450,000)	(50,000)
Total other financing sources (uses)	<u>(500,000)</u>	<u>(450,000)</u>	<u>(50,000)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(124,840)	(65,163)	59,677
<b>FUND BALANCES - BEGINNING OF YEAR</b>	170,787	149,129	(21,658)
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 45,947</u>	<u>\$ 83,966</u>	<u>\$ 38,019</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, 2017**

**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, 2017**

**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.

**TWIN PEAKS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**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.

**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 acquisition value at the date of donation.

Capital assets which are anticipated to be conveyed to other governmental entities are recorded as construction in progress, and are not included in the calculation of net investment in capital assets 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, 2017**

**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 and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. Accordingly, the item, *deferred property tax revenue*, is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**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, 2017**

**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, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and investments	\$ 64,773
Cash and investments - Restricted	<u>13,200</u>
Total cash and investments	<u><u>\$ 77,973</u></u>

Cash and investments as of December 31, 2017, consist of the following:

Deposits with financial institutions	<u>\$ 77,973</u>
Total cash and investments	<u><u>\$ 77,973</u></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, 2017, the District's cash deposits had a bank balance of \$77,973 and a carrying balance of \$77,973.

**TWIN PEAKS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**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, 2017, the District had no investments.

**TWIN PEAKS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2017, follows:

	<u>Balance at December 31, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance at December 31, 2017</u>
<b>Governmental activities</b>				
Construction in progress	\$ 6,886,559	\$ -	\$ 6,886,559	\$ -
Capital assets, being depreciated:				
Sanitation	-	5,320	-	5,320
Storm sewer	-	87,143	-	87,143
Streets	-	2,753,512	-	2,753,512
Safety protection	-	158,963	-	158,963
Parks and recreation	-	2,932,634	-	2,932,634
Signage	-	948,987	-	948,987
Total capital assets, being depreciated	<u>-</u>	<u>6,886,559</u>	<u>-</u>	<u>6,886,559</u>
Less accumulated depreciation for:				
Sanitation	-	71	-	71
Storm sewer	-	1,162	-	1,162
Streets	-	22,946	-	22,946
Safety protection	-	2,120	-	2,120
Parks and recreation	-	24,439	-	24,439
Signage	-	12,653	-	12,653
Total accumulated depreciation	<u>-</u>	<u>63,391</u>	<u>-</u>	<u>63,391</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>6,823,168</u>	<u>-</u>	<u>6,823,168</u>
Total capital assets	<u>\$ 6,886,559</u>	<u>\$ 6,823,168</u>	<u>\$ 6,886,559</u>	<u>\$ 6,823,168</u>

**TWIN PEAKS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**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, 2017:

	<u>Balance at December 31, 2016</u>	<u>New Issues</u>	<u>Refundings/ Retirements</u>	<u>Balance at December 31, 2017</u>	<u>Due Within One Year</u>
Developer advance payable - Capital	\$ 6,886,559	\$ -	\$ -	\$ 6,886,559	\$ -
Developer advance payable - Interest Capital	599,355	550,924	450,000	700,279	-
	<u>\$ 7,485,914</u>	<u>\$ 550,924</u>	<u>\$ 450,000</u>	<u>\$ 7,586,838</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, 2017, 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, 2017</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, 2017**

**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 three components – net investment in capital assets, restricted and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, mortgage, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. As of December 31, 2017, the District had net investment in capital assets calculated as follows:

	<b>Governmental Activites</b>
Net investment in capital assets	
Capital assets, net	\$ 6,823,168
Noncurrent portion of outstanding long term obligation	(7,586,838)
	\$ (763,670)

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, 2017, as follows:

	<b>Governmental Activites</b>
Restricted net position:	
Emergency reserves	\$ 13,200
	\$ 13,200

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.

**TWIN PEAKS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 7 - DISTRICT AGREEMENTS**

**Redevelopment and Reimbursement Agreement**

The District, the Longmont Urban Renewal Authority (Authority) and NMMS Twin Peaks, LLC (defined herein as "Original 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 Original 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 Original 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.

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 Original Developer is responsible for acquisition of the property and financing and construction the Eligible Public Improvements. The Authority agrees to reimburse the Original 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 County 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 Authority's obligation to remit the Pledged Revenue is a multiple fiscal-year obligation not subject to annual appropriation.

**TWIN PEAKS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 7 - DISTRICT AGREEMENTS (CONTINUED)**

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.

**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.

**TWIN PEAKS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 8 - RELATED PARTY**

The property which constitutes the District was originally developed by NMMS Twin Peaks, LLC ("Original Developer") and is now being developed by NMMS VATP, LLC ("New Developer"). The majority of the members of the Board of Directors are employees, owners or are otherwise associated with the New 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 Original 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 Original 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.

This agreement was terminated August 21, 2017.

As of December 31, 2017, there were no funds owing under the OFAs.

**Facilities Funding and Acquisition Agreements**

The District and Original Developer entered into that certain Facilities Funding and Acquisition Agreement on October 16, 2014, with an effective date of January 11, 2013 as amended January 1, 2015 (FFAA), pursuant to which the Original Developer agrees to make advances for fiscal years 2013 through 2024 in an amount not to exceed \$6,900,000. The District also agrees to reimburse the Original 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.

This agreement has been terminated and replaced by the Funding Reimbursement Agreement dated August 21, 2017. All amounts owing under this agreement are to be repaid under the Funding Reimbursement Agreement.

**TWIN PEAKS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 8 - RELATED PARTY (CONTINUED)**

**Funding Reimbursement Agreement**

The District and New Developer entered into the Funding Reimbursement Agreement dated August 21, 2017. All amounts previously owed to the Original Developer under the FFAA ("Prior Advances") are due and payable to the New Developer pursuant to the terms of this agreement. Interest shall accrue on the Prior Advances at eight percent (8.0%) per annum until paid. This agreement will terminate when all amounts owing are fully paid, unless terminated earlier pursuant to mutual written agreement of the parties. Notwithstanding, if the District has not paid the New Developer for any Prior Advances by December 31, 2057

As of December 31, 2017, there was \$7,586,838, outstanding under this agreement, including \$6,886,559 in principal and \$700,279 in accrued interest.

**Public Improvements Maintenance and License Agreement**

The District and the Original Developer entered into the Public Improvements Maintenance and License Agreement dated August 21, 2017. The District has easement rights within the commercial development known as The Village at Twin Peaks within the City of Longmont. The District has constructed and owns public improvements around and within the easements. The Original Developer owns properties within The Village at Twin Peaks. The District granted to the Original Developer a revocable, non-exclusive license to enter onto the real property that is subject to the easement to provide services to maintain such public improvements at the Original Developer's sole cost and expense without reimbursement from the District. This agreement will remain in effect until terminated or revoked, as provided in the agreement.

**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, 2017. 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.

**TWIN PEAKS METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017**

**NOTE 10 - 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, 2017**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES</b>			
Property taxes	\$ 208,101	\$ 208,135	\$ 34
Specific ownership taxes	20,871	23,740	2,869
Property taxes received through TIF	206,188	204,994	(1,194)
Other income	5,000	-	(5,000)
Total revenues	<u>440,160</u>	<u>436,869</u>	<u>(3,291)</u>
<b>EXPENDITURES</b>			
Debt service			
County Treasurer's fees	3,122	3,122	-
Transfer to LURA	432,038	433,747	(1,709)
Contingency	5,000	-	5,000
Total expenditures	<u>440,160</u>	<u>436,869</u>	<u>3,291</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**TWIN PEAKS METROPOLITAN DISTRICT  
SUMMARY OF ASSESSED VALUATION, MILL LEVY AND  
PROPERTY TAXES COLLECTED  
December 31, 2017**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
2015	\$ 3,826,477	35.000	\$ 133,927	\$ 133,751	99.87%
2016	8,321,045	50.000	416,052	415,830	99.95%
2017	8,324,037	50.000	416,202	416,270	100.02%
Estimated for year ending December 31, 2018	8,876,452	50.000	443,822		

**NOTE:**

No data exists prior to 2015