

**TRAILMARK
METROPOLITAN DISTRICT**

**FINANCIAL STATEMENTS
and
SUPPLEMENTAL INFORMATION**

DECEMBER 31, 2000

**Van
Schooneveld and Co., Inc.**
Certified Public Accountants

TRAILMARK METROPOLITAN DISTRICT

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Trailmark Metropolitan District
Jefferson County, Colorado**

We have audited the accompanying general purpose financial statements of Trailmark Metropolitan District as of and for the year ended December 31, 2000, as listed in the foregoing Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Trailmark Metropolitan District at December 31, 2000 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The District has not yet established a revenue base sufficient to pay operations and capital expenditures. The District is dependent upon the Developer of the District's service area to provide funds for such expenditures.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Trailmark Metropolitan District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Van Schooneveld and Co., Inc.

April 9, 2001

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GENERAL PURPOSE FINANCIAL STATEMENTS

TRAILMARK METROPOLITAN DISTRICT

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

DECEMBER 31, 2000

	Governmental Fund Types		
	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS AND OTHER DEBITS			
Cash and investments	\$ 29,900	\$	\$ 10,968
Investments held by Trustee			1,061,282
Due to/from other funds	565		
Property taxes receivable	41,329	242,807	
Other receivables		565	5,893
Property			
Amount available in debt service			
Amount to be provided for retirement of long-term obligations			
Total assets	<u>\$ 71,794</u>	<u>\$ 243,372</u>	<u>\$ 1,078,143</u>
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts and retainage payable	\$ 5,257	\$	\$ 211,143
Due to Developer	24,108		
Due to/from other funds		565	
Deferred property tax revenue	41,329	242,807	
Long-term obligations payable			
Total liabilities	<u>70,694</u>	<u>243,372</u>	<u>211,143</u>
EQUITY			
Fund balance			
Investment in general fixed assets			
Reserved	1,000		867,000
Designated for subsequent year's expenditure	100		
Total equity	<u>1,100</u>		<u>867,000</u>
Total liabilities and equity	<u>\$ 71,794</u>	<u>\$ 243,372</u>	<u>\$ 1,078,143</u>

Account Groups		Totals (Memorandum Only)	
General Fixed Assets	General Long-Term Obligations	2000	1999
\$	\$	\$ 40,868	\$ 70,891
		1,061,282	3,911,743
		565	
		284,136	86,595
		6,458	19,966
7,719,989		7,719,989	4,801,217
			691
	9,287,916	9,287,916	8,831,567
<u>\$ 7,719,989</u>	<u>\$ 9,287,916</u>	<u>\$ 18,401,214</u>	<u>\$ 17,722,670</u>
\$	\$	\$ 216,400	\$ 323,075
		24,108	34,308
		565	
		284,136	86,595
	9,287,916	9,287,916	8,832,258
	<u>9,287,916</u>	<u>9,813,125</u>	<u>9,276,236</u>
7,719,989		7,719,989	4,801,217
		868,000	3,636,069
		100	9,148
<u>7,719,989</u>		<u>8,588,089</u>	<u>8,446,434</u>
<u>\$ 7,719,989</u>	<u>\$ 9,287,916</u>	<u>\$ 18,401,214</u>	<u>\$ 17,722,670</u>

The accompanying notes are an integral part of the financial statements.

TRAILMARK METROPOLITAN DISTRICT

COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

ALL GOVERNMENTAL FUND TYPES

YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types		
	General Fund	Debt Service Fund	Capital Projects Fund
REVENUE			
Property taxes	\$ 12,610	\$ 73,976	\$
Specific ownership taxes		6,660	
Developer advance	10,200	667,477	
Net investment income	3,704	2,490	150,794
Intergovernmental	4,750		
Park and recreation fees	10,863		
Other			
Total revenue	<u>42,127</u>	<u>750,603</u>	<u>150,794</u>
EXPENDITURES			
Accounting and audit	4,150		
District management	19,973		
Insurance	2,103		
Legal	19,708		
Office supplies	3,279		
Maintenance and repairs	694		
Treasurer's fees	189	545	
Other	479		
Paying agent fees		2,749	
Bond principal		255,000	
Bond interest		493,000	
Capital outlay			2,918,772
Total expenditures	<u>50,575</u>	<u>751,294</u>	<u>2,918,772</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(8,448)</u>	<u>(691)</u>	<u>(2,767,978)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers out			
Bond proceeds			
Bond issuance costs			
Total other financing sources (uses)			
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>(8,448)</u>	<u>(691)</u>	<u>(2,767,978)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>9,548</u>	<u>691</u>	<u>3,634,978</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,100</u>	<u>\$ -0-</u>	<u>\$ 867,000</u>

Totals (Memorandum Only)	
2000	1999
\$ 86,586	\$ 60,403
6,660	7,054
677,677	257,533
156,988	201,076
4,750	25,000
10,863	
	865
943,524	551,931
4,150	800
19,973	14,972
2,103	1,130
19,708	23,363
3,279	2,281
694	
734	909
479	225
2,749	
255,000	
493,000	287,583
2,918,772	4,801,217
3,720,641	5,132,480
(2,777,117)	(4,580,549)
	8,216,784
	(8,216,784)
	8,500,000
	(283,782)
	8,216,218
(2,777,117)	3,635,669
3,645,217	9,548
\$ 868,100	\$ 3,645,217

The accompanying notes are an integral part of the financial statements.

TRAILMARK METROPOLITAN DISTRICT
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2000

	<u>General Fund</u>		<u>Variance- Favorable (Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	
REVENUE			
Property taxes	\$ 12,596	\$ 12,610	\$ 14
Specific ownership taxes			
Developer advance		10,200	10,200
Net investment income	3,000	3,704	704
Intergovernmental	6,259	4,750	(1,509)
Park and recreation fees	<u>60,300</u>	<u>10,863</u>	<u>(49,437)</u>
Total revenue	<u>82,155</u>	<u>42,127</u>	<u>(40,028)</u>
EXPENDITURES			
Accounting and audit	3,500	4,150	(650)
District management	18,000	19,973	(1,973)
Insurance	3,000	2,103	897
Legal	20,200	19,708	492
Office supplies	1,500	3,279	(1,779)
Maintenance and repairs	48,000	694	47,306
Treasurer's fees	189	189	
Other	10,042	479	9,563
Paying agent fees			
Bond principal			
Bond interest			
Capital outlay			
Total expenditures	<u>104,431</u>	<u>50,575</u>	<u>53,856</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(22,276)	(8,448)	13,828
FUND BALANCE - BEGINNING OF YEAR	<u>41,837</u>	<u>9,548</u>	<u>(32,289)</u>
FUND BALANCE - END OF YEAR	<u>\$ 19,561</u>	<u>\$ 1,100</u>	<u>\$ (18,461)</u>

Debt Service Fund			Capital Projects Fund		
Budget	Actual	Variance-Favorable (Unfavorable)	Amended Budget	Actual	Variance-Favorable (Unfavorable)
\$ 73,999	\$ 73,976	\$ (23)	\$	\$	\$
8,000	6,660	(1,340)			
672,111	667,477	(4,634)	548,920		(548,920)
	2,490	2,490	110,000	150,794	40,794
			50,000		(50,000)
<u>754,110</u>	<u>750,603</u>	<u>(3,507)</u>	<u>708,920</u>	<u>150,794</u>	<u>(558,126)</u>
1,110	545	565			
5,000	2,749	2,251			
255,000	255,000				
493,000	493,000				
<u>754,110</u>	<u>751,294</u>	<u>2,816</u>	<u>3,784,978</u>	<u>2,918,772</u>	<u>866,206</u>
			<u>3,784,978</u>	<u>2,918,772</u>	<u>866,206</u>
	(691)	(691)	(3,076,058)	(2,767,978)	308,080
	<u>691</u>	<u>691</u>	<u>3,634,978</u>	<u>3,634,978</u>	
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 558,920</u>	<u>\$ 867,000</u>	<u>\$ 308,080</u>

The accompanying notes are an integral part of the financial statements.

TRAILMARK METROPOLITAN DISTRICT

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2000

NOTE 1) DEFINITION OF REPORTING ENTITY

Trailmark Metropolitan District (District) is a quasi-municipal corporation, governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Jefferson County, Colorado and entirely within the City of Littleton (City). The District was established to finance the construction of water, irrigation, sanitary sewer and drainage systems, street and safety protection improvements and streetscape, as well as operation and maintenance of streetscaping.

The amended service plan approved by the City of Littleton for the District restricts the District as follows:

- The District shall not levy a property tax mill rate greater than 55 mills of which a maximum of 47 mills can be used for debt service. The mill levy may be adjusted to take into account legislative or constitutionally imposed adjustments in assessed value for the method of their calculation from a base year of 1998, at any time.
- Bond proceeds may not be used for operations and maintenance.
- Bonds to be issued are \$8.5 million with a repayment period not to exceed 30 years from issuance. The bonds shall include a repayment provision that all amounts of principal and interest which have not been repaid within a thirty year period, from the date of issuance, including those amounts which have accrued, shall be discharged and forgiven.
- No fees, rates, tolls, penalties or charges for debt service may be imposed until 40 single family residences have been certified for occupancy by the City. The District may charge a development fee not to exceed \$3,000 to be adjusted from 1993 dollars for debt service.
- Limited sewer service to 854 single family equivalent taps.
- Initiate dissolution of the District at such time as debt is repaid.

The District is dependent on major property owners and developers to provide cash for operations, capital projects and debt service.

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

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 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:

a) Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. Fund types and account groups used by the District are described below.

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in other funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of long-term obligation principal, interest and related costs.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

General Fixed Assets Account Group - This group of accounts is established to account for recorded fixed assets of the District.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations, including claim liabilities, of the District.

b) Basis of Accounting

The modified accrual basis of accounting is followed in the governmental fund types. Revenue is recorded when susceptible to accrual, i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The major source of revenue which is susceptible to accrual are property taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid.

c) Pooled Cash

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. Net investment income is allocated periodically to the participating funds based upon each fund's average equity balance in the total cash and investments.

d) 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 amended upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting.

Subsequent to December 31, 2000, the District approved a supplemental appropriation which modified the Capital Projects Fund appropriation from \$3,132,000 to \$3,784,978.

Encumbrance accounting (open purchase orders, contracts in process and other commitments for the expenditures of funds in future periods) is not used by the District for budget or financial reporting purposes.

e) Property

Property is stated at cost except for those assets contributed which are stated at estimated fair value at the date of contribution or at the developer's cost. No depreciation is provided on general fixed assets. Interest incurred during construction is not capitalized on general fixed assets.

f) 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 taxpayers 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 revenue in the year they are levied and measurable. The deferred property tax revenue are recorded as revenue in the year they are available or collected.

g) Fund Balance

The fund balances have been reserved for that portion of the fund balance that is legally segregated or is not subject to future appropriation. Designations of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management.

Article X, Section 20 of the Constitution of the State of Colorado requires the District to establish Emergency Reserves (see Note 9). \$1,000 of the General Fund fund balance has been reserved in compliance with this requirement.

The Capital Projects Fund balance consists primarily of unspent bond proceeds and is reserved for payment of capital projects as defined in the service plan.

The amount classified as "designated for subsequent year's expenditures" at December 31, 2000, represents the amount appropriated for use in the budget for the year ending December 31, 2001.

h) Totals (Memorandum Only)

Total columns on the combined statements are captioned "(Memorandum Only)" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3) CASH AND INVESTMENTS

Cash Deposits

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 equal to the aggregate uninsured deposits.

The State Regulatory Commissions 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, 2000, the District's cash deposits had a bank balance and a carrying balance as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Insured deposits	\$ 49,553	\$ 3,872

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market mutual funds
- Guaranteed investment contracts
- Local government investment pools

Investments in local government investment pools or in money market funds are recorded at fair value and are not categorized because they are not evidenced by securities that exist in physical or book entry form.

As of December 31, 2000, the District had invested in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. As of December 31, 2000, the \$36,996 invested in COLOTRUST PLUS+.

Cash and investments amounted to \$40,868 as of December 31, 2000.

Investment Held by Trustee

At December 31, 2000, the District had \$1,061,282 in a construction reserve account held by the paying agent invested in the First American Treasury Obligations Fund. The Treasury Fund invests in U.S. Treasury obligations with maturities of 397 days or less, repurchase agreements and reverse repurchase agreements collateralized such U.S. Treasury obligations and STRIPs.

NOTE 4) PROPERTY

An analysis of the changes in property for the year ended December 31, 2000 follows:

	<u>Balance at January 1, 2000</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2000</u>
Construction in progress	<u>\$4,801,217</u>	<u>\$2,918,772</u>	<u>\$ -0-</u>	<u>\$ 7,719,989</u>

The District's Service Plan requires the transfer of water lines and assets, when completed, to be the Denver Water Board under the City's total service contract. Sanitation lines and assets are to be transferred when completed to Ken-Caryl Ranch Water and Sanitation District. Acquired easements are for the benefit and ownership of these two utilities. Streets are to be transferred to the City of Littleton for perpetual maintenance and ownership. Upon final acceptance of the improvements by the accepting governmental entity, the District will remove the costs from its General Fixed Asset Account Group.

Final acceptance can range from one to five years after completion of construction.

The District is obligated to maintain certain storm drainage and reservoir safety improvements transferred to the above entities.

Offsite water improvements constructed for the benefit of the City of Littleton as required by the Service Plan approved by the City of Littleton, have not been capitalized.

In addition to the above assets, the District was assigned ownership interests in certain water rights by Shea Homes Limited Partnership (see Note 7) which have an insignificant value.

NOTE 5) LONG-TERM OBLIGATIONS

The following is an analysis of changes in long-term obligations for the year ended December 31, 2000:

	<u>Balance at December 1, 1999</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2000</u>
1999 G.O. Bonds	\$ 8,500,000	\$	\$ 255,000	\$ 8,245,000
Developer operations and maintenance funding	99,932	10,200		110,132
Accrued interest	3,760	2,404		6,164
Election Advance Note	226,841	412,477		639,318
Accrued interest	1,725	29,268		30,993
Refunding advance note		255,000		255,000
Accrued interest		1,309		1,309
	<u>\$ 8,832,258</u>	<u>\$ 710,658</u>	<u>\$ 255,000</u>	<u>\$ 9,287,916</u>

The detail of the District's long-term debt is as follows:

\$8,500,000 Limited Tax General Obligation Bonds Series 1999, dated May 1, 1999. The bonds are term bonds in the amount of \$8,500,000 due December 1, 2018, bearing interest at 5.8% per annum payable semiannually on June 1 and December 1. The bonds are subject to mandatory redemption as described in the annual debt service requirements to maturity schedule below.

The Series 1999 bonds are subject to optional redemption annually on December 1, 2006 through December 1, 2018 beginning December 1, 2006 through May 31, 2007 with a 1.5% redemption premium, June 1, 2007 through November 30, 2007 with a 1% redemption premium, December 1, 2007 through May 31, 2008 with a .5% redemption premium and June 1, 2008 and thereafter with no redemption premium.

The bonds are limited tax general obligations of the District, payable from ad valorem taxes to be imposed, at a total rate not to exceed 47 mills and specific ownership tax revenue.

The bonds are additionally secured by a Reserve Fund in an amount equal to one-half of the maximum amount of debt service coming due on the bonds in any year. As of December 31, 2000, the Reserve Fund was provided by an irrevocable letter of credit issued by J.F. Shea Co., Inc. in the amount of \$377,380. The letter of credit expires June 1, 2001 and can be extended at that time. A Reserve Fund is required until a coverage ratio of certain Debt Service Fund revenue exceed 1.20% of the maximum annual debt service requirement. The 2000 coverage ratio was approximately 33%.

The District's ability to pay principal of and interest on the bonds when due will be dependent in part upon the levying of taxes and in part upon certain other sources of security, including certain funds advanced by J.F. Shea Co., Inc.

Reimbursement Agreement

The District's revenue are not currently sufficient to pay the costs of operating and maintaining the District and the debt service requirements of the bonds for several years.

J.F. Shea Co., Inc. and the District entered into a Reimbursement Agreement (Reimbursement Agreement) under which J.F. Shea Co., Inc. agreed to advance sufficient funds and/or provide a qualifying letter of credit so that the requirements of the Reserve Fund will be met. The obligation of the District to repay the amounts advanced by J.F. Shea Co., Inc. under the Reimbursement Agreement constitutes a limited tax general obligation of the District but is subordinate to the Bonds. The District has allocated its remaining general obligation borrowing authority in the amount of \$1,700,000 to this Reimbursement Agreement for election advances.

An advance which is used to pay interest or premium on the bonds and all amounts advanced by Shea for the Reserve Fund shall be referred to as an Election Advance. An advance which is used to pay principal of the bonds shall be referred to as a Refunding Advance.

The District agreed that each Refunding Advance will bear interest at the rate of 5.6% per annum and that each Election Advance will bear interest at the rate of 7.5% per annum. The District is to pay to J.F. Shea Co., Inc. from the District's maximum Debt Service Mill Levy and specific ownership taxes, the amount of each advance and accrued interest thereon, provided that the District's obligations to J.F. Shea Co., Inc. are subordinate to its obligations in connection with the bonds. The District shall not impose development fees, including without limitation, availability of service or facilities charges, system development or similar fees, on Shea or any other developer or builder for the purpose of reimbursing Election Advances and Refunding Advances. Each advance, together with any accrued but unpaid interest thereon, and interest on the unpaid amount shall be due in full within twenty years from the date of such advance. To the extent permitted by law, interest on unpaid advances and unpaid interest shall bear interest at the rate on the election advance and refunding advance, respectively. Payments on advances are to be applied first to interest due on election advances, second to principal due on election advances, third to interest due on refunding advances and fourth to principal due on refunding advances.

Operations and Maintenance Funding

The District received operation and maintenance funding advances from J.F. Shea Co., Inc. in the amount of \$10,200 for the year ended December 31, 2000. The advance accrues interest at a rate of 7.5% annually. It is the Board's intention to repay these advances to the Developer when and if the funds become available after meeting debt service obligations related to the 1999 bond issue. Advances not paid by December 31, 2029 will be discharged at which time the District will have no obligation to repay the remaining unpaid balance. The District's obligation to reimburse J.F. Shea Co., Inc. is subject to annual budget and appropriation.

Future Improvement Funding

On December 20, 2000, the District and Shea Homes Limited Partnership (Developer) entered into a project funding agreement. The Developer has agreed to fund actual costs of construction and installation of certain improvements in an amount not to exceed \$2,298,736 plus negotiation and administration costs. Such improvements are anticipated to be completed on or before September 30, 2001. All funds advanced by the Developer are considered to be a contractual obligation subject to annual appropriation and will be repaid as follows:

- First from the proceeds of any publicly traded bonds;
- Second, from a debt service mill levy of 47 mills and associated specific ownership tax after payment of the District's outstanding general obligation bonds and associated Developer advances (election and refunding advances). Payments made to the Developer shall apply first to unpaid interest, then to the principal.

Developer advances shall accrue interest at the rate of 7.5% from the date of the advance. Until all amounts have been repaid to the Developer, the District shall not issue any additional bonds without the Developer's prior written consent. The agreement terminates on December 31, 2020.

The annual debt service requirements to maturity of the bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 270,000	\$ 478,210	\$ 748,210
2002	290,000	462,550	752,550
2003	305,000	445,730	750,730
2004	325,000	428,040	753,040
2005	340,000	409,190	749,190
Thereafter	<u>6,715,000</u>	<u>3,030,500</u>	<u>9,745,500</u>
	<u>\$8,245,000</u>	<u>\$ 5,254,220</u>	<u>\$ 13,499,220</u>

Due to the subordinate nature of the reimbursement agreements and computational provisions before repayment can begin, the annual debt service requirements of the reimbursement agreements are not currently determinable.

Debt Authorization

Electors within the District have authorized \$10,200,000 of general obligation bonds. As of December 31, 2000, the District had issued \$8,500,000 of General Obligation bonds. The remaining authorization is reserved for reimbursement of developer election advances.

NOTE 6) COMMITMENTS

Ken-Caryl Ranch Water and Sanitation District - Intergovernmental Agreement

The land comprising the District has also been included in the Ken-Caryl Ranch Water and Sanitation District (Ken-Caryl) by agreement. The agreement requires the District to construct and acquire various facilities and improvements for sanitary sewer service which shall be conveyed to Ken-Caryl at such time as Ken-Caryl shall require. Upon acceptance, Ken-Caryl will maintain and operate all sewer facilities and improvements.

Intergovernmental Agreement

On November 11, 1998, the District entered into an agreement with South Suburban Park and Recreation District (South Suburban) in which the District has agreed to construct or acquire approximately \$1,400,000 of regional recreational improvements no later than December 31, 2003. These regional improvements will be conveyed to South Suburban. The District will be responsible for maintenance of these regional improvements. South Suburban has agreed to pay the District on March 1 of each year 90% of all real property tax generated from its operation and maintenance mill levy collected from real property located in the District's boundaries during the previous calendar year for maintenance of the regional improvements. The financial obligations of the parties are subject to annual review and appropriation. The agreement is effective for a 15 year period. Local recreational improvements will be funded owned and maintained by the District. It is anticipated that the Chatfield Green Master Homeowners Association will maintain any of the local recreation landscape improvements along right of ways.

Construction Commitments

As of December 31, 2000, the District had an expended construction related contract commitments of approximately \$600,000.

NOTE 7) RELATED PARTY TRANSACTIONS

Three of the current members of the Board of Directors of the District are employed by Shea Homes limited Partnership (Shea Homes). Two of the current members of the Board of Directors are associated with Simeon Residential Holdings II LLC which is providing certain development services to Shea Homes pursuant to a development management agreement. Shea Homes is the major property owner within the District.

The District and Shea Homes have entered into a Project Funding and Acquisition Agreement whereby Shea Homes will construct certain public improvements on behalf of the District. During 2000, the District acquired \$414,126 of infrastructure improvements from Shea Homes.

NOTE 8) 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 one of approximately 289 special districts which are members of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2000. The Pool is an organization created by intergovernmental agreement to provide property and general liability, automobile physical damage and liability, public officials liability and boiler and machinery coverage to its members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000. 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 and public officials 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.

A summary of the most current information available of audited financial information for the Pool as of and for the year ended December 31, 2000 is as follows:

Assets	<u>\$4,700,718</u>
Liabilities	\$2,111,675
Capital and surplus	<u>2,589,043</u>
	<u>\$4,700,718</u>
Revenue	\$1,997,286
Underwriting expenses	<u>1,445,848</u>
Underwriting gain	551,438
Other income	<u>256,976</u>
Net income	<u>\$ 808,414</u>

There is no current or long-term debt outstanding, the above liabilities represent incurred claims and an estimated liability for incurred but not reported claims at December 31, 2000.

There is no current or long-term debt outstanding, the above liabilities represent incurred claims and an estimated liability for incurred but not reported claims at December 31, 2000.

NOTE 9) 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 which apply to the State of Colorado and all local governments.

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

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

At an election on November 2, 1993, the District voters approved the collection and spending of up to \$540,000 annually of development fees, and \$180,000 annually of capital improvement fees after the forty-first (41st) certificate of occupancy is issued for single family residences, with both revenues in excess of any limits imposed by TABOR.

At an election on November 3, 1998, the District voters approved an increase in District taxes to \$500,000 annually for coverage of operations, maintenance and other expenses without regard to any spending, revenue-raising or other limitation contained within Article X, Section 20 of the Colorado Constitution or Section 29-1-301, Colorado Revised Statutes.

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.

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SUPPLEMENTAL INFORMATION

TRAILMARK METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
DECEMBER 31, 2000

\$8,500,000 Limited Tax General Obligation Bonds Series 1999 Dated May 1, 1999 Interest Rate 5.8%			
<u>Year Ended December 31, 2000</u>	<u>Principal Due December 1</u>	<u>Interest Due June 1 and December 1</u>	<u>Total</u>
2001	\$ 270,000	\$ 478,210	\$ 748,210
2002	290,000	462,550	752,550
2003	305,000	445,730	750,730
2004	325,000	428,040	753,040
2005	340,000	409,190	749,190
2006	360,000	389,470	749,470
2007	385,000	368,590	753,590
2008	400,000	346,260	746,260
2009	425,000	323,060	748,060
2010	450,000	298,410	748,410
2011	475,000	272,310	747,310
2012	510,000	244,760	754,760
2013	535,000	215,180	750,180
2014	570,000	184,150	754,150
2015	595,000	151,090	746,090
2016	635,000	116,580	751,580
2017	670,000	79,750	749,750
2018	705,000	40,890	745,890
	<u>\$ 8,245,000</u>	<u>\$ 5,254,220</u>	<u>\$ 13,499,220</u>

TRAILMARK METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED

DECEMBER 31, 2000

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>	<u>Total Property Taxes</u>		<u>Percent Collected to Levied</u>
			<u>Levied</u>	<u>Collected</u>	
1996	\$ 268,030	30.00	\$ 8,041	\$ 8,041	100%
1997	\$ 268,030	30.00	\$ 8,041	\$ 8,041	100%
1998	\$ 311,200	31.91	\$ 9,930	\$ 9,930	100%
1999	\$ 1,098,630	55.00	\$ 60,425	\$ 60,403	99.96%
2000	\$ 1,574,450	55.00	\$ 86,595	\$ 86,586	99.99%
Estimated for the year ending December 31, 2001	\$ 5,166,120	55.00	\$ 284,136		

NOTE:

Property taxes collected in any one year include collection of delinquent property taxes levied in prior years. Information received from the County Treasurer does not permit identification of specific year of levy.

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