

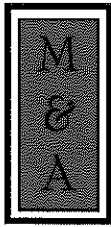
**TrailMark Metropolitan District
Financial Statements**

December 31, 2004

**TrailMark Metropolitan District
Financial Statements
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Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	A1 - A2
Management's Discussion and Analysis	B1 – B3
Basic Financial Statements:	
Government-wide Financial Statements:	
Governmental Funds Balance Sheet/Statement of Net Assets	C1
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Statement of Activities	C2
Notes to the Financial Statements	D1 - D17
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual - General Fund	E1
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (GAAP Basis) and Actual:	
Debt Service Fund	F1
Capital Projects Fund	F2
Schedule of Assessed Valuation, Mill Levy and Property Taxes Collected	F3
Schedule of Debt Service Requirements to Maturity	F4



McMAHAN AND ASSOCIATES, L.L.C.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors TrailMark Metropolitan District Littleton, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the TrailMark Metropolitan District (the "District") as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the TrailMark Metropolitan District as of December 31, 2004 and the respective changes in financial position, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis in Section B is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board ("GASB"). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary fund information for the General Fund in Section E is not a required part of the basic financial statements but is supplementary information required by GASB. This budgetary fund information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Performing services for local governments throughout Colorado

*D. Jerry McMahan, C.P.A.
Paul J. Backes, C.P.A.*

*Daniel R. Cudahy, C.P.A.
Michael N. Jenkins, C.A., C.P.A.*

Members: American Institute of Certified Public Accountants/Colorado Society of Certified Public Accountants
National and Colorado Government Finance Officers Association/Colorado Municipal League

*To the Board of Directors
TrailMark Metropolitan District*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the TrailMark Metropolitan District's basic financial statements. The budgetary comparisons for the Debt Service and Capital Project Funds, the Schedule of Assessed Valuation, Mill Levy, and Property Taxes Collected, and the Schedule of Debt Service Requirements to Maturity in Section F are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McMahan and Associates, LLC.

McMahan and Associates, L.L.C.
February 16, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRAILMARK METROPOLITAN DISTRICT

Management's Discussion and Analysis
December 31, 2004

As management of the TrailMark Metropolitan District (the "District"), we offer readers of the District's financial statements this narrative summary of the financial activities of the District for the fiscal year ended December 31, 2004.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of two components: 1) financial statements; and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Financial statements: The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Balance Sheet/Statement of Net Assets presents information on all the District's assets and liabilities (both short-term and long-term), with the difference between the two reported as fund balance or net assets. The Balance Sheet column presents the financial position focusing on short-term available resources and is reported on a modified accrual basis of accounting. The Statement of Net Assets column presents the financial position focusing on long-term economic resources and is reported on a full accrual basis. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenditures and Changes in Fund Balance / Statement of Activities shows how the government's fund balance and net assets changed during the most recent fiscal year. Again, the Statement of Revenues, Expenditures and Changes in Fund Balance column focuses on short-term available resources and is reported on a modified accrual basis. The Statement of Activities column focuses on long-term economic resources and is reported on a full accrual basis.

The District's financial statements can be found on pages C1 and C2 of this report.

Notes to the Financial Statements: The notes provide a background of the entity, certain required statutes, and accounting policies utilized by the District. They also provide additional information that will aid in the interpretation of the financial statements. The Notes to the Financial Statements can be found on pages D1 through D17 of this report.

TrailMark Metropolitan District's Net Assets

	2004	2003
Current and other assets	\$ 2,016,489	\$ 1,942,603
Capital Assets	5,657,207	5,352,684
Total Assets	7,673,696	7,295,287
Long-term liabilities outstanding	9,721,244	1,849,510
Other liabilities	2,043,945	10,365,921
Total liabilities	11,765,189	12,215,431
Net Assets:		
Restricted for emergency	26,100	13,500
Restricted for Denver Botanical Gardens	25,000	25,000
Unrestricted	(4,142,593)	(4,958,644)
Total Net Assets	\$ (4,091,493)	\$ (4,920,144)

Financial Analysis of the District (continued)

Approximately 74% of the District's total assets reflect its investment in capital assets, which are primarily landscape and infrastructure costs.

At the end of the 2004 fiscal year, the District reported a negative balance in Total Net Assets in the amount of \$(4,091,493). Of this amount, \$(3,235,958) represented the amount by which the District's debt exceeded the related capital assets. The District transfers assets to another local government upon completion but retains the related debt. Scheduled debt service payments contributed to the \$828,651 improvement in the District's deficit in net assets during 2004.

Condensed Statements of Activities And Changes in Net Assets

	2004	2003
Revenues:		
Taxes	\$ 1,518,062	\$ 1,041,876
Intergovernmental contracts	72,037	50,358
Parks and recreation fees	143,185	138,966
HOA reimbursement	77,186	56,590
Investment and other income	21,899	6,854
Total Revenues	1,832,369	1,294,644
Expenses:		
Administration	159,635	134,488
Operations	276,333	290,218
Depreciation and amortization	147,710	139,558
Capital outlay	25,371	17,429
Debt service/ interest expense	368,948	514,147
Total Expenses	1,003,272	1,095,840
Change in Net Assets	829,097	198,804
Net Assets – Beginning of Year	(4,920,144)	(5,118,948)
Net Assets – End of Year	\$ (4,091,493)	\$ (4,920,144)

Property tax was the most significant source of revenues, accounting for \$1,370,260 or 75% of total revenues. Specific ownership tax accounted for \$147,802 or 8% of total revenue. Parks and recreation fees accounted for \$143,185 or 8% of revenues.

When compared to 2003, revenues increased by \$537,725 in 2004. This was a 41% increase driven by the increase in property taxes. Property tax increased by \$434,545 or 46%, specific ownership tax by \$41,641 or 39%. Though the mill levy rate did not change between 2003 and 2004, the assessed valuation in the District grew \$4,795,500 to \$20,765,890 in 2003. This created the growth in property tax receipts. During the same period, administration and operation expenses remained relatively flat while debt service expense declined \$145,199 due to the refunding of bonds in 2003 and the resulting savings.

Budget Variances in the General, Debt Service and Capital Projects Funds

The General Fund was amended once during the year to recognize a \$1,842 decrease in miscellaneous expenditures and resulting increase in fund balance. The budget as originally adopted had no change in fund balance. Actual change in year end fund balance was \$68,779 as a result of a positive variance of \$52,802 in specific ownership taxes and \$18,185 in parks and recreation fees offset by a negative variance in contracted service expenditures.

The Capital Project Fund was amended once during the year for expenditures incurred to complete and transfer a parkway project to the City of Littleton. The fund ended the year with a \$25,000 fund balance due to a positive variance in revenue resulting from a larger than budgeted developer advance.

There were no amendments to the Debt Service Fund during the year. The ending fund balance was \$98,470. Though it declined during the year, the decrease in fund balance was \$8,116 less than originally budgeted.

Financial Analysis of the District (continued)

Capital Asset and Debt Administration

Capital assets: The District's investment in capital assets increased \$304,523 in 2004 due to the purchase of water rights (\$23,984) and construction of infrastructure and landscaping (\$407,640) offset by \$127,101 of depreciation expense. Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on page D10.

Long-term debts: As of December 31, 2004, the District has one long-term debt obligation; the General Obligation Limited Tax Refunding Bonds, Series 2003 with an outstanding principal balance of \$7,939,977. Additionally, the District has received advances from a developer to fund administrative and project costs. Additional information on the District's long-term debt can be found in the Notes to the Financial Statements on pages D11 through D14.

Next Year's Budget: The assessed valuation of the District increased \$1,422,340 to \$22,188,230 in 2004. With no change in mill levy, property taxes were budgeted to increase 7% in the 2005 adopted budgets in line with the increase in assessed valuation. There was a reapportionment of the mill levy; though the total did not change. More is now dedicated to general fund operations and less to the debt fund in the 2005 budget. This is due to greater repayments of developer advances being made from the General Fund than in the past when the advances were repaid from the Debt Service Fund. The General Fund mill levy for 2005 is 22.519 mills. The Debt Service Fund mill levy for 2005 is 43.508. In 2004, the General Fund mill levy was 8.516 mills, and the Debt Service mill levy was 57.511.

No budget was adopted for the Capital Projects Fund for 2005; capital projects are now complete for the District.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: TrailMark Metropolitan District, c/o Special District Management Services, Inc., 141 Union Boulevard, Suite 150, Lakewood, CO 80228-1898.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TrailMark Metropolitan District
Governmental Funds Balance Sheet/Statement of Net Assets
December 31, 2004

	Balance Sheet			Total	Adjustments	Statement of Net Assets
	General Fund	Debt Service Fund	Capital Projects Fund			
Assets:						
Cash and investments	81,650	98,470	42,071	222,191	-	222,191
Receivables, net of allowance for uncollectible accounts:						
Other governments	11,086	-	-	11,086	-	11,086
Property taxes	499,645	965,366	-	1,465,011	-	1,465,011
Other	29,683	-	-	29,683	-	29,683
Bond issue costs, net of accumulated amortization	-	-	-	-	288,518	288,518
Capital assets, net of accumulated depreciation	-	-	-	-	5,657,207	5,657,207
Total Assets	<u>622,064</u>	<u>1,063,836</u>	<u>42,071</u>	<u>1,727,971</u>	<u>5,945,725</u>	<u>7,673,696</u>
Liabilities:						
Accounts payable	15,077	-	8,662	23,739	-	23,739
Deferred property tax revenues	499,645	965,366	-	1,465,011	-	1,465,011
Retainage payable	4,438	-	7,495	11,933	-	11,933
Premium on bonds payable, net of accumulated amortization	-	-	-	-	224,081	224,081
Interest payable:						
Due within one year	-	-	-	-	18,262	18,262
Due in more than one year	-	-	-	-	337,979	337,979
Bonds payable:						
Due within one year	-	-	-	-	525,000	525,000
Due in more than one year	-	-	-	-	6,954,804	6,954,804
Notes payable - Due in more than one year	-	-	-	-	2,204,380	2,204,380
Total Liabilities	<u>519,160</u>	<u>965,366</u>	<u>16,157</u>	<u>1,500,683</u>	<u>10,264,506</u>	<u>11,765,189</u>
Fund Balances/Net Assets:						
Fund Balances:						
Reserved for emergencies	28,673	-	-	28,673	(28,673)	-
Reserved for Denver Botanic Gardens	-	-	25,914	25,914	(25,914)	-
Unreserved	74,231	98,470	-	172,701	(172,701)	-
Total Fund Balances	<u>102,904</u>	<u>98,470</u>	<u>25,914</u>	<u>227,288</u>	<u>(227,288)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>622,064</u>	<u>1,063,836</u>	<u>42,071</u>	<u>1,727,971</u>		
Net Assets:						
Restricted for emergencies					28,673	28,673
Restricted for Denver Botanic Gardens					25,000	25,000
Unrestricted					(4,145,166)	(4,145,166)
Total Net Assets					<u>(4,091,493)</u>	<u>(4,091,493)</u>

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

TrailMark Metropolitan District
Statement of Governmental Fund Revenues, Expenditures
and Changes in Fund Balances/Statement of Activities
For the Year Ended December 31, 2004

Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances						
	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues:						
Property taxes	176,683	1,193,577	-	1,370,260	-	1,370,260
Specific ownership taxes	147,802	-	-	147,802	-	147,802
Intergovernmental	72,037	-	-	72,037	-	72,037
Park and recreation fees	143,185	-	-	143,185	-	143,185
HOA reimbursement	77,186	-	-	77,186	-	77,186
Developer advance	-	-	317,308	317,308	(317,308)	-
Net investment income	3,757	6,770	329	10,856	-	10,856
Other	11,043	-	-	11,043	-	11,043
Total Revenues	631,693	1,200,347	317,637	2,149,677	(317,308)	1,832,369
Expenditures/Expenses:						
Accounting and audit	8,600	960	-	9,560	-	9,560
District management	50,010	-	-	50,010	-	50,010
Legal	30,667	-	-	30,667	-	30,667
Insurance	6,991	-	-	6,991	-	6,991
Office supplies	4,918	-	-	4,918	-	4,918
Maintenance and repairs	251,608	-	-	251,608	-	251,608
Billing fees	8,496	-	-	8,496	-	8,496
County Treasurer's fees	2,653	17,917	-	20,570	-	20,570
Utilities	24,725	-	-	24,725	-	24,725
Other	3,699	-	-	3,699	-	3,699
Developer advance reimbursement	50,000	-	-	50,000	-	50,000
Depreciation	-	-	-	-	127,101	127,101
Amortization	-	-	-	-	20,609	20,609
Capital outlay	-	-	456,995	456,995	(431,624)	25,371
Debt service:						
Principal payments	-	920,041	-	920,041	(920,041)	-
Interest	-	281,996	-	281,996	86,952	368,948
Total Expenditures/Expenses	442,367	1,220,914	456,995	2,120,276	(1,117,003)	1,003,273
Excess (Deficiency) of Revenues Over Expenditures	189,326	(20,567)	(139,358)	29,401	799,695	-
Other Financing Sources (Uses):						
Transfers - Internal activity	(120,877)	-	120,877	-	-	-
Total Other Financing Sources (Uses)	(120,877)	-	120,877	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	68,449	(20,567)	(18,481)	29,401	(29,401)	-
Change in Net Assets					829,096	829,096
Fund Balances/Net Assets:						
Beginning of the year	34,455	119,037	44,394	197,886		(4,920,589)
End of the year	102,904	98,470	25,913	227,287		(4,091,493)

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

NOTES TO THE FINANCIAL STATEMENTS

**TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004**

I. Summary of Significant Accounting Policies

A. Organization

The TrailMark Metropolitan District (the "District"), a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District is located in Jefferson County, Colorado, and entirely within the City of Littleton (the "City"). The District was established to finance the construction of water, irrigation, sanitary sewer and drainage systems, park and recreation, street, and safety protection improvements, and streetscapes, as well as to operate and maintain the streetscape.

The amended service plan approved by the City 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 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 amount 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.
- Initiates 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 capital projects.

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

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established by GAAP used by the District are subsequently discussed.

TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

The District has no component units, and it is not a component unit of any other entity.

C. Government-wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type.

1. Government-wide Financial Statements

In the Governmental Funds Balance Sheet/Statement of Net Assets, the Statement of Net Assets column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities. The effect of interfund activity has been eliminated from the government-wide financial statements.

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources not required to be accounted for in another fund.

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

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

TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the government-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows.

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are 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 (i.e., 60 days). Expenditures are generally recognized when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

E. Financial Statement Accounts

1. Cash and Investments

Cash is defined as deposits that can be withdrawn at any time without notice or penalty. Investments for the District are comprised of those with original maturities of three months or less.

The District follows the practice of pooling cash and investments of excess funds to maximize interest 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 to the participating funds based on each fund's average equity balance in pooled cash.

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts. However, no allowance has been established at December 31, 2004 as all accounts are considered to be collectible.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental entities until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

I. Summary of Significant Accounting Policies (continued)

E. Financial Statement Accounts (continued)

4. Bond Issue Costs

Issue costs for bonds are deferred and amortized over the terms of the bonds using the straight-line method.

5. Capital Assets

Capital assets, which include infrastructure and landscaping improvements, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation or at the developer's cost.

Capital expenditures for projects are capitalized as projects are constructed. Interest incurred during the construction phase is not capitalized as part of the value of the assets.

Infrastructure and landscaping improvements are depreciated using the straight line method over an estimated useful life of 50 years.

6. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets column. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the bonds outstanding method and are reported separately from bonds payable.

7. Restricted Fund Balance

Governments report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. The District had a restricted fund balance of \$26,100 for emergencies as required under the Taxpayer's Bill of Rights ("TABOR"), which is subsequently explained.

Pursuant to an agreement between First City Realty Investment Corporation, TrailMark Master Homeowners Association, Denver Botanic Gardens, Inc. (the "Gardens"), and the District, entered into in December 1997, the District has reserved \$25,000 for the sole benefit of the Gardens to be withdrawn by the Gardens to pay the costs of maintenance work on Ponds A, B, and G and the Stormwater Diversion Structures not performed by, but required of the District under the terms of the agreement.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

II. Reconciliation of Government-wide and Fund Financial Statements

A. Explanation of certain differences between the Governmental Funds Balance Sheet and the government-wide Statement of Net Assets

The Governmental Funds Balance Sheet/Statement of Net Assets includes an adjustment column. Explanations of adjustments included in this column are as follows:

Bond issue costs related to governmental activities are not financial resources and are therefore not reported in the funds.

Bond issue costs, net	\$ 288,518
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Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.

Capital assets, net	\$ 5,657,207
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Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.

Premium on bonds payable, net	\$ 224,081
Interest payable:	
Due within one year	18,262
Due in more than one year	337,979
Bonds payable:	
Due within one year	525,000
Due in more than one year	6,954,804
Notes payable	2,204,380

B. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities

The Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities include an adjustment column. Explanations of the adjustments included in this column are as follows:

Developer advances are revenues in the governmental funds, but results in an increase in long-term liabilities in the Statement of Net Assets. The following represents the amount of developer advances:

Developer advances	\$ 317,308
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Governmental funds report capital outlay as expenditures when paid. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

The positive number below represents depreciation expense and the negative number is related to capital outlay expenditures.

Depreciation	\$ 127,101
Capital outlay	(431,624)

**TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

II. Reconciliation of Government-wide and Fund Financial Statements (continued)

B. Explanation of certain differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the government-wide Statement of Activities (continued)

Governmental funds report bond issue costs as expenditures when paid. However, in the Statement of Activities, the cost of those assets is allocated over the term of the underlying bonds as amortization expense.

Amortization expense	\$ 20,609
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The repayment of note payable principal is expenditure in the governmental funds but reduces long-term liabilities in the Statement of Net Assets. The following is the amount of the repayments:

Debt service principal	\$ (920,041)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and are therefore not recorded as expenditures in governmental funds.

Debt service interest	\$ 86,952
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums and similar items (e.g., refunding costs), whereas these amounts are deferred and amortized in the Statement of Activities.

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

In the fall of each year, the District's Board of Directors formally adopts a budget with appropriations by fund for the ensuing year pursuant to the Colorado Local Budget Law. The budgets for the governmental funds are adopted on a basis consistent with GAAP.

As required by Colorado statutes, the District followed the following time table in approving and enacting a budget for the ensuing year:

- (1) For the 2004 budget year, prior to August 25, 2003, the County Assessor sent to the District the assessed valuation of all taxable property within the District's boundaries. The County Assessor may change the assessed valuation on or before December 10, only once by a single notification to the District.

**TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

III. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

- (2) On or before October 15, 2003, the District's manager submitted to the District's Board of Directors a recommended budget which detailed the necessary property taxes needed along with other available revenues to meet the District's operating requirements.
- (3) For the 2004 budget, prior to December 15, 2003, the District computed and certified to the County Commissioners a rate of levy that derived the necessary property taxes as computed in the proposed budget.
- (4) After a required publication of "Notice of Proposed Budget" and a public hearing, the District adopted the proposed budget and an appropriating resolution which legally appropriated expenditures for the upcoming year.
- (5) After adoption of the budget resolution, the District may make the following changes: (a) it may transfer appropriated monies between funds or between spending agencies within a fund, as determined by the original appropriation level; (b) it may approve supplemental appropriations to the extent of revenues in excess of the estimated in the budget; (c) it may approve emergency appropriations; and (d) it may reduce appropriations for which originally estimated revenues are insufficient.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2003 were collected in 2004 and taxes certified in 2004 will be collected in 2005. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 15th.

The level of control in the budget at which expenditures exceed appropriations is at the fund level. All appropriations lapse at year end.

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 revenues are recorded as revenue in the year they are available or collected.

For fiscal year 2004, the District amended the Capital Projects Fund appropriation from \$112,000 to \$460,000 and the General Fund appropriation from \$591,842 to \$590,000.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as TABOR. TABOR contains revenue, spending, tax and debt limitations which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

**TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has reserved \$26,100 of its December 31, 2004, year-end fund balance as required under TABOR.

On November 2, 1993, the District's 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.

On November 3, 1998, the District's 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 TABOR or Section 29-1-301, Colorado Revised Statutes ("C.R.S.").

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

IV. Detailed Notes on All Funds

A. Deposits and Investments

1. 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. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

1. Cash Deposits (continued)

The three categories of deposit credit risk are as follows:

- (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name;
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name;
- (3) Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name).

At December 31, 2004, the District's cash deposits were entirely insured or collateralized with securities held by the entity's agent as described above and had a bank balance of \$27,039, all of which was categorized as Category 1. The difference between book and bank balances represented outstanding checks and deposits at December 31, 2004.

2. Investment Pool

Colorado statutes specify instruments that local governments may invest, and include:

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

Investments in local government investment pools are recorded at fair value and are not categorized as to level of credit risk because they are not evidenced by securities that exist in physical or book entry form.

TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

2. Investment Pool (continued)

As of December 31, 2004, the District had \$195,152 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 the 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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2004 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Water rights	\$ -	23,984	-	23,984
Total capital assets not being depreciated	-	23,984	-	23,984
Capital assets, being depreciated:				
Infrastructure and landscaping	5,947,427	407,640	-	6,355,067
Total capital assets being depreciated	5,947,427	407,640	-	6,355,067
Less accumulated depreciation for:				
Infrastructure and landscaping	(594,743)	(127,101)	-	(721,844)
Total accumulated depreciation	(594,743)	(127,101)	-	(721,844)
Total capital assets, being depreciated, net	5,352,684	280,539	-	5,633,223
Total Capital Assets, Net	<u>\$ 5,352,684</u>	<u>304,523</u>	<u>-</u>	<u>5,657,207</u>

TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

IV. Detailed Notes on All Funds (continued)

B. Capital Assets (continued)

The District's Service Plan requires the transfer of water lines and assets, when completed, to 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 ("Ken-Caryl"). Acquired easements are for the benefit and ownership of these two utilities. Streets are to be transferred to the City for perpetual maintenance and ownership. Certain park and recreation improvements are to be transferred to South Suburban Park and Recreation District ("South Suburban") pursuant to agreement (see note V.A.3.). Upon final acceptance of the improvements by the accepting governmental entity, the District will remove the costs from its accounting records. 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 as required by the Service Plan approved by the City have not been capitalized. In addition to the above assets, the District was assigned ownership interests in a portion of certain water rights by Shea Homes Limited Partnership (the "Developer") which rights the District accepted based on their value to the aesthetic integrity of the associated storage reservoirs within the District. Other entities own portions of the applicable water rights and may exercise their rights in a manner contrary to the interests of the District.

C. Interfund Transfers

During 2004, the General Fund transferred \$120,877 to the Capital Projects Fund to subsidize a portion of capital outlay expenditures.

D. Long-term Debt

1. Limited Tax General Obligation Refunding Bonds, Series 2003 (the "2003 Bonds")

The District issued \$8,334,977 of Limited Tax General Obligation Refunding bonds dated July 10, 2003 to refund Limited Tax General Obligation Bonds, Series 1999 (the "1999 Bonds"). This bond issue includes \$7,725,000 of current interest bonds ("CIBs") with interest rates ranging from 2.00% to 3.75%. Commencing December 1, 2003, interest on CIBs is payable on June 1 and December 1 through 2018. The principal on the bonds is payable on December 1 and matures in various increments from 2004 through 2009 and from 2012 through 2018. The bonds also include \$609,977 of capital appreciation bonds ("CABs"), which mature at \$590,000 (including interest) on December 1 in 2010 and 2011.

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 50.031 mills, adjusted for any changes in law and changes in the assessment ratio.

The CIBs are subject to redemption prior to maturity at the option of the District. The CABs are not subject to prior redemption.

\$595,844 of deferred refunding costs were recognized as a result of this refunding. These costs, an asset, are being amortized over the life of the refunding bonds and are netted with bonds payable on the government-wide financial statements.

**TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

IV. Detailed Notes on All Funds (continued)

D. Long-term Debt (continued)

2. Advance and Reimbursement Agreement

In previous years, the District's revenue was not sufficient to pay the debt service requirements of the 1999 Bonds. The Developer and the District entered into an Advance and Reimbursement Agreement dated May 1, 1999, (the "Reimbursement Agreement"), amended on July 1, 2003 and on November 16, 2004, under which the Developer agreed to advance sufficient funds and to provide a qualifying letter of credit so that the requirements of the reserve fund was met for the 1999 Bonds. The obligation of the District to repay the amounts advanced by the Developer under the Reimbursement Agreement constitutes a limited tax general obligation of the District but is subordinate to the 2003 Bonds.

An advance which is used to pay interest or premium on the 1999 Bonds and all amounts advanced by the Developer 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 considered a refinancing and 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 the Developer from the District's maximum debt service mill levy, the amount of each advance and accrued interest thereon, provided that the District's obligations to the Developer are subordinate to its obligations in connection with the 2003 bonds. The District shall not impose development fees, including without limitation, availability of service or facilities charges, system development or similar fees, on the Developer 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. Payments on advances shall 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. 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. During 2004, the District repaid \$580,000 on Election Advance Note, of which \$525,041 and \$54,959 was applied to principal and interest, respectively.

TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Long-term Debt (continued)

3. Operations and Maintenance Funding (continued)

All funds advanced by the Developer will be repaid as follows: first from the proceeds of any publicly traded bonds; and second, from a debt service mill levy of 47 mills, amended to 66.027 mills ("Maximum Mill Levy") on January 18, 2005. The repayments will be made after payment of the District's outstanding 2003 general obligation bonds and associated Developer advances (election and refunding advances). The payments made to the Developer shall apply first to unpaid interest due on Election Advances, second to the principal on Election Advances, third to interest due on Refunding Advances, and fourth to principal due on Refunding Advances. The Maximum Mill Levy shall be allocated as follows: first, a mill levy in the Debt Service Fund in an amount sufficient to pay debt service on the 2003 Bonds; second, a mill levy in the Debt Service Fund to be applied toward amounts owing for Election Advances; third, a mill levy in the General Fund sufficient to generate up to \$500,000 in the General Fund; and fourth, the remaining mills shall be levied in the Debt Service Fund to pay amounts due for Refunding Advances. Developer advances shall accrue simple 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.

In 1998 and 1999 the District received operation and maintenance funding advances from the Developer. The advances accrue 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. If the 1998 Advances are not paid by December 31, 2028 and the 1999 Advances are not paid by December 31, 2029, such unpaid amounts shall be discharged and from and after such respective dates, the Developer shall have no right to receive such amounts and the District shall have no obligation to pay such amounts. The District's obligation to reimburse the Developer is subject to annual budget and appropriation.

**TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

IV. Detailed Notes on All Funds (continued)

D. Long-term Debt (continued)

4. Project Funding Agreement

On December 20, 2000, the District and the Developer entered into a project funding agreement, amended on January 18, 2005. 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. All funds advanced by the Developer will be repaid as follows: first from the proceeds of any publicly traded bonds; and second, from a debt service mill levy of 47 mills, amended to 66.027 mills ("Maximum Mill Levy") on January 18, 2005. The repayments will be made after payment of the District's outstanding 2003 general obligation bonds and associated Developer advances (election and refunding advances). The payments made to the Developer shall apply first to unpaid interest due on Election Advances, second to the principal on Election Advances, third to interest due on Refunding Advances, and fourth to principal due on Refunding Advances. The Maximum Mill Levy shall be allocated as follows: first, a mill levy in the Debt Service Fund in an amount sufficient to pay debt service on the 2003 Bonds; second, a mill levy in the Debt Service Fund to be applied toward amounts owing for Election Advances; third, a mill levy in the General Fund sufficient to generate up to \$500,000 in the General Fund; and fourth, the remaining mills shall be levied in the Debt Service Fund to pay amounts due for Refunding Advances. Developer advances shall accrue simple 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 District's obligation to reimburse the Developer is subject to annual budget and appropriation. During 2004, the District received \$317,308 under the Project Funding Advance Agreement.

5. Annual Debt Service Requirements

Annual debt service requirements to maturity for the general obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 525,000	219,136	744,136
2006	545,000	204,186	749,186
2007	560,000	193,286	753,286
2008	560,000	182,086	742,086
2009	575,000	169,766	744,766
2010-2014	2,449,977	1,295,091	3,745,068
2015-2018	2,725,000	254,404	2,979,404
Total	<u>\$ 7,939,977</u>	<u>2,517,955</u>	<u>10,457,932</u>

TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

IV. Detailed Notes on All Funds (continued)

D. Long-term Debt (continued)

6. Changes in Long-term Obligations

The following table presents changes in the District's long-term obligations for the year ended December 31, 2004.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
2003 G.O. Bonds	\$ 8,334,977	-	(395,000)	7,939,977	525,000
Accrued interest	18,920	226,378	(227,036)	18,262	18,262
Developer operations and maintenance funding	134,240	-	-	134,240	-
Accrued interest	50,398	10,068	(50,000)	10,466	-
Election Advance note	832,540	-	(525,041)	307,499	-
Accrued interest	4,152	51,376	(54,959)	569	-
Refunding Advance note	525,000	-	-	525,000	-
Accrued interest	75,649	29,400	-	105,049	-
Project Funding Advance	920,333	317,308	-	1,237,641	-
Accrued interest	154,128	67,767	-	221,895	-
	<u>\$ 11,050,337</u>	<u>702,297</u>	<u>(1,252,036)</u>	<u>10,500,598</u>	<u>543,262</u>
Less: Deferred refunding costs, net of accumulated amortization				<u>(460,173)</u>	
				<u>10,040,425</u>	

7. Debt Authorization

At an election held November 2, 1993, the District's voters approved an increase of the District's debt by \$4,500,000 in order to fund the construction of certain improvements in the District by the issuance of general obligation bonds or other evidence of indebtedness. In accordance with a 1998 Service Plan Amendment, the District was authorized to issue additional debt. At an election held November 3, 1998, the District's voters approved a re-authorization and increase of the District's 1993 debt to \$10,200,000 for the financing and refinancing of the construction of the District improvements by the issuance of general obligation bonds, notes, contracts, loan agreements, or other forms of indebtedness. As of December 31, 2004, the District had issued \$8,334,977 of general obligation bonds. The remaining authorization is reserved for reimbursement of developer election advances.

V. Other Information

A. Intergovernmental and Other Agreements

1. Intergovernmental Subdivision Improvement Agreements

The District has entered into Intergovernmental Subdivision Improvement Agreements with the City in order to provide infrastructure improvements within the District's boundaries.

TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

V. Other Information (continued)

A. Intergovernmental and Other Agreements (continued)

2. 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.

3. South Suburban Park and Recreation District 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. It is contemplated that the improvements will have been constructed, conveyed to, and accepted by South Suburban by December 31, 2003. The District will be responsible for maintenance of the 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 TrailMark Master Homeowners Association will maintain any of the local recreation landscape improvements along right of ways.

4. TrailMark Homeowner's Association, Inc. - Irrigation Agreement

On June 1, 2001, the District entered into an Irrigation Agreement with the TrailMark Homeowner's Association, Inc. (the "Association"), in which the District agreed to provide irrigation water to the property within the District, including certain property owned by the Association, and maintain the irrigation equipment, fixtures and lines, including repair and replacement of same in exchange for the Association's payment of its share of the water, associated utility costs, and maintenance of the irrigation equipment, fixtures and lines located within the property owned by the Association, including repair and replacement of same. The District shall maintain its equipment in a manner so as to efficiently and economically meet its obligations under this agreement.

TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)

V. Other Information (continued)

A. Intergovernmental and Other Agreements (continued)

5. TrailMark Homeowner's Association, Inc. - Maintenance Agreement

On September 17, 2001, the District entered into a maintenance agreement with the Association in which the District agreed to perform or contract to have performed the maintenance, repair and replacement of the landscape improvements within the boundaries of the District, which includes property owned by the Association, and in which the Association agreed to pay for a portion of that landscape maintenance costs attributable to it. The parties agreed to enter into an annual contract for basic monthly maintenance, repair, and replacement services. In the event of emergency repairs, the District shall have the authorization to complete those repairs and shall charge the Association an administrative fee which shall be three percent of the total monthly amount billed to the Association.

B. Contingencies

On or about, February 20, 2002, in accordance with Section 24-10-109, C.R.S., the District filed a notice of claim against the Denver Water Board regarding water damage to TrailMark Parkway (the "Notice"). The damage to TrailMark Parkway was caused by water leakage from public water improvements owned, operated and maintained by the Denver Water Board. The Notice indicated that the damages are estimated to be in excess of \$20,000. The District filed an Amended Notice of Claim (the "Amended Notice") with the Denver Water Board on January 9, 2003, providing updated information concerning the cost of the repairs. The Amended Notice indicates that the District received a bid to repair the damage to the roadway of approximately \$35,000. In addition, the District put the Denver Water Board on notice that it has incurred additional costs and expenses associated with the damage to the road. Total estimated repair costs are \$70,000. The District's claim was settled pursuant to a Release and Settlement of Claim with the Denver Water Board, dated June 15, 2004.

C. Related Party Transactions

Two members of the Board of Directors are officers or employees of owners (or affiliated entities) of property within the District. These members may have conflicts of interest with respect to certain transactions which come before the Board.

D. Risk Management

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and errors and omissions.

The District is a member of the Colorado Special District Property and Liability Pool (the "Pool") for property and liability insurance.

**TrailMark Metropolitan District
Notes to the Financial Statements
December 31, 2004
(Continued)**

V. Other Information (continued)

D. Risk Management (continued)

The Pool was formed by an intergovernmental agreement to provide public officials liability, property, general and automobile liability coverage for claims up to \$1,000,000, except if the claim falls within the governmental immunity statute, then the coverage is \$150,000 per person and a \$600,000 aggregate claim. The Pool is self insured for the first \$50,000 of all property claims and 100% for claims in excess of \$50,000. For general liability claims, the Pool is self insured for the first \$150,000 of all property claims and 100% for claims in excess of \$150,000. The District may be required to make additional contributions in the event aggregate losses incurred by the Pool exceed amounts recoverable from reinsurance contracts. Any excess funds the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. Any settled claims are not expected to exceed coverage.

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2003 (the latest audited information available) is as follows:

Assets	<u><u>\$ 8,505,173</u></u>
Liabilities and Fund Equity:	
Liabilities	\$ 4,270,246
Capital and surplus	<u>4,234,927</u>
Total	<u><u>\$ 8,505,173</u></u>
Revenue	\$ 5,005,714
Underwriting expenses	<u>4,251,606</u>
Underwriting gain	754,108
Other income	<u>88,476</u>
Net Income	<u><u>\$ 842,584</u></u>

E. Restatement of Prior Year

The beginning principal and interest balances of the Election Advance and the Project Funding Advance have been restated to reflect the reclassification of a 2003 advance of \$10,972 from Election Advance to Project Funding Advance.

The beginning fund balances for the General Fund and Capital Projects Fund have been restated to reflect the reclassification of the funds reserved for the Denver Botanic Gardens of \$25,584.

REQUIRED SUPPLEMENTARY INFORMATION

TrailMark Metropolitan District
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2004
(With Comparative Actual Amounts for 2003)

	2004			2003
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative) Actual
Revenues:				
Property taxes	176,842	176,842	176,683	(159)
Specific ownership taxes	95,000	95,000	147,802	52,802
Intergovernmental	72,000	72,000	72,037	37
Park and recreation fees	125,000	125,000	143,185	18,185
HOA reimbursement	70,000	70,000	77,186	7,186
Net investment income	3,000	3,000	3,757	757
Other	-	-	11,043	11,043
Total Revenues	541,842	541,842	631,693	89,851
Expenditures:				
Accounting and audit	8,600	8,600	8,600	-
District management	40,000	40,000	50,010	(10,010)
Legal	25,000	25,000	30,667	(5,667)
Insurance	5,400	5,400	6,991	(1,591)
Office supplies	4,600	4,600	4,918	(318)
Maintenance and repairs	244,000	244,000	251,608	(7,608)
Billing fees	13,000	13,000	8,496	4,504
County Treasurer's fees	2,652	2,652	2,653	(1)
Utilities	55,000	55,000	24,725	30,275
Other	14,406	12,564	3,699	8,865
Developer advance reimbursement	50,000	50,000	50,000	-
Contingency	50,000	50,000	-	50,000
Emergency reserves	15,782	15,782	-	15,782
Total Expenditures	528,440	526,598	442,367	84,231
Excess of Revenues Over Expenditures	13,402	15,244	189,326	174,082
Other Financing (Uses):				
Transfer to Capital Projects Fund	(63,402)	(63,402)	(120,877)	(57,475)
Net Change in Fund Balances	(50,000)	(48,158)	68,449	116,607
Fund Balances - Beginning of Year (Restated - see Note V.E.)	54,571	54,571	34,455	(20,116)
Fund Balances - End of Year	4,571	6,413	102,904	96,491

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

SUPPLEMENTARY INFORMATION

TrailMark Metropolitan District
Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2004
(With Comparative Actual Amounts for 2003)

	2004			2003
	Original and Final Budget	Actual	Variance Positive (Negative)	Actual
Revenues:				
Property taxes	1,194,267	1,193,577	(690)	799,344
Net investment income	2,000	6,770	4,770	2,777
Total Revenues	<u>1,196,267</u>	<u>1,200,347</u>	<u>4,080</u>	<u>802,121</u>
Expenditures:				
Current:				
County Treasurer's fees	17,914	17,917	(3)	12,005
Total current	<u>17,914</u>	<u>17,917</u>	<u>(3)</u>	<u>12,005</u>
Debt service:				
Principal	975,000	920,041	54,959	216,398
Interest	227,036	281,996	(54,960)	495,389
Bond issue costs	-	-	-	329,736
Paying agent fees	5,000	960	4,040	-
Total debt service	<u>1,207,036</u>	<u>1,202,997</u>	<u>4,039</u>	<u>1,041,523</u>
Total Expenditures	<u>1,224,950</u>	<u>1,220,914</u>	<u>4,036</u>	<u>1,053,528</u>
(Deficiency) of Revenues Over Expenditures	<u>(28,683)</u>	<u>(20,567)</u>	<u>8,116</u>	<u>(251,407)</u>
Other Financing Sources (Uses):				
Refunding bond proceeds	-	-	-	8,334,977
Premium on refunding debt	-	-	-	290,146
Refunding bond payment to escrow	-	-	-	(8,280,844)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>344,279</u>
Net Change in Fund Balances	<u>(28,683)</u>	<u>(20,567)</u>	<u>8,116</u>	<u>92,872</u>
Fund Balances - Beginning of Year	<u>99,086</u>	<u>119,037</u>	<u>19,951</u>	<u>26,165</u>
Fund Balances - End of Year	<u>70,403</u>	<u>98,470</u>	<u>28,067</u>	<u>119,037</u>

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

TrailMark Metropolitan District
Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget (GAAP Basis) and Actual
For the Year Ended December 31, 2004
(With Comparative Actual Amounts for 2003)

	2004			2003
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative) Actual
Revenues:				
Developer advance	48,598	396,598	317,308	(79,290)
Net investment income	-	-	329	329
Total Revenues	<u>48,598</u>	<u>396,598</u>	<u>317,637</u>	<u>(78,961)</u>
Expenditures:				
Capital outlay:				
Legal fees	15,000	19,545	19,545	-
Project management	-	3,840	3,840	-
Engineering	25,000	66,177	66,176	1
Offsite - Roads	12,000	-	-	-
Onsite - Fairview Reservoir operating agreement	-	-	-	-
Onsite - Storm drainage	-	-	-	-
Onsite - Parks and recreation	-	-	-	-
Parkway acceptance	-	240,520	237,515	3,005
Wetlands constructions	50,000	129,738	129,738	-
Wetlands remediation	10,000	180	180	-
Total Expenditures	<u>112,000</u>	<u>460,000</u>	<u>456,994</u>	<u>3,006</u>
(Deficiency) of Revenues Over Expenditures	<u>(63,402)</u>	<u>(63,402)</u>	<u>(139,357)</u>	<u>(75,955)</u>
Other Financing Sources:				
Transfer from General Fund	63,402	63,402	120,877	57,475
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>(18,480)</u>	<u>(18,480)</u>
Fund Balances - Beginning of Year (Restated - see Note V.E.)	<u>-</u>	<u>-</u>	<u>44,394</u>	<u>44,394</u>
Fund Balances (Deficit) - End of Year	<u>-</u>	<u>-</u>	<u>25,914</u>	<u>25,914</u>

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

**TrailMark Metropolitan District
Schedule of Assessed Valuation, Mill Levy
and Property Taxes Collected
December 31, 2004**

Calendar Year Ended December 31	Prior Year Assessed Valuation For Current Year Property Tax Levy	Mills Levied	Total Property Tax		Percent Collected to Levied
			Levied	Collected	
1997	268,030	30.000	8,041	8,041	100.00%
1998	311,200	31.910	9,930	9,930	100.00%
1999	1,098,630	55.000	60,425	60,403	99.96%
2000	1,574,450	55.000	86,595	86,586	99.99%
2001	5,166,120	55.000	284,137	277,122	97.53%
2002	10,924,580	62.662	684,556	660,729	96.52%
2003	15,970,390	58.547	935,018	935,715	100.07%
2004	20,765,890	66.027	1,371,109	1,370,260	99.94%
Estimated for 2005	22,188,230	66.027	1,465,010		

NOTES:

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 assessment.

A one time mill levy of 4.115 mills was included in 2002 to recover abatements and refunds. The 2002 mill levy was also adjusted for changes in the residential assessment rate.

TrailMark Metropolitan District
Schedule of Debt Service Requirements to Maturity
December 31, 2004

\$8,334,977 Limited Tax General Obligation Refunding Bonds Series 2003			
Year Ending December 31,	Principal	Interest	Total
2005	525,000	219,136	744,136
2006	545,000	204,186	749,186
2007	560,000	193,286	753,286
2008	560,000	182,086	742,086
2009	575,000	169,766	744,766
2010	317,750	428,216	745,966
2011	292,227	453,739	745,966
2012	595,000	155,966	750,966
2013	610,000	138,116	748,116
2014	635,000	119,054	754,054
2015	645,000	98,416	743,416
2016	670,000	76,648	746,648
2017	695,000	52,527	747,527
2018	715,000	26,813	741,813
Total	<u>7,939,977</u>	<u>2,517,955</u>	<u>10,457,932</u>