TrailMark Metropolitan District

Financial Statements
December 31, 2006

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Table of Contents

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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, 2006, 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, 2006 and the respective changes in financial position, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The District has not presented a Management's Discussion and Analysis that U.S. generally accepted accounting principles has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

The budgetary fund information for the General Fund in Section D is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

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 Fund, the Schedule of Assessed Valuation, Mill Levy, and Property Taxes Collected, and the Schedule of Debt Service Requirements to Maturity in Section E 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, LLC
March 21, 2007

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.
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GOVERNMENT-WIDE FINANCIAL STATEMENTS

TrailMark Metropolitan District
Governmental Funds Balance Sheet/Statement of Net Assets
December 31, 2006

	Balance Sheet				
	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Assets
Assets:					
Cash and investments	218,157	55,235	273,392	-	273,392
Receivables, net of allowance for uncollectible accounts:					
Property taxes	522,775	1,010,031	1,532,806	-	1,532,806
Bond issue costs, net of accumulated amortization	-	-	-	247,302	247,302
Capital assets, net of accumulated depreciation	-	-	-	149,554	149,554
Total Assets	740,932	1,065,266	1,806,198	396,856	2,203,054
Liabilities:					
Accounts payable	14,030	-	14,030	-	14,030
Deferred property tax revenues	522,775	1,010,031	1,532,806	-	1,532,806
Premium on bonds payable, net of accumulated amortization	-	-	-	166,095	166,095
Accrued interest payable	-	-	-	36,961	36,961
Bonds payable:					
Due within one year	-	-	-	560,000	560,000
Due in more than one year	-	-	-	5,968,885	5,968,885
Notes payable - Due in more than one year	-	-	-	1,096,209	1,096,209
Total Liabilities	536,805	1,010,031	1,546,836	7,828,150	9,374,986
Fund Balances/Net Assets:					
Fund Balances:					
Reserved for emergencies	25,319	-	25,319	(25,319)	-
Unreserved	178,808	55,235	234,043	(234,043)	-
Total Fund Balances	204,127	55,235	259,362	(259,362)	-
Total Liabilities and Fund Balances	740,932	1,065,266	1,806,198		
Net Assets:					
Restricted for emergencies				25,319	25,319
Unrestricted				(7,197,251)	(7,197,251)
Total Net Assets				(7,171,932)	(7,171,932)

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, 2006

	Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances				
	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues:					
Property taxes	522,743	1,010,033	1,532,776	-	1,532,776
Specific ownership taxes	137,464	-	137,464	-	137,464
Park and recreation fees	133,288	-	133,288	-	133,288
HOA reimbursement	3,880	-	3,880	-	3,880
Net investment income	23,386	23,203	46,589	-	46,589
Total Revenues	820,761	1,033,236	1,853,997	-	1,853,997
Expenditures/Expenses:					
Accounting and audit	13,938	500	14,438	-	14,438
District management	53,440	-	53,440	-	53,440
Legal	13,668	-	13,668	-	13,668
Insurance	7,383	-	7,383	-	7,383
Office supplies	1,813	-	1,813	-	1,813
Maintenance and repairs	46,579	-	46,579	-	46,579
County Treasurer's fees	7,846	15,160	23,006	-	23,006
Utilities	2,858	-	2,858	-	2,858
Other	142	-	142	-	142
Developer advance reimbursement	776,385	303,057	1,079,442	(1,079,442)	-
Wetlands compliance fees	3,539	-	3,539	-	3,539
Depreciation	-	-	-	-	-
Amortization	-	-	-	49,990	49,990
Debt service:					
Principal payments	-	545,000	545,000	(545,000)	-
Interest	-	204,186	204,186	109,260	313,446
Total Expenditures/Expenses	927,591	1,067,903	1,995,494	(1,465,192)	530,302
Excess (Deficiency) of Revenues Over Expenditures/Expenses	(106,830)	(34,667)	(141,497)	1,465,192	1,323,695
Special Item:					
Conveyance of capital assets to other government				(3,381,332)	(3,381,332)
Change in Net Assets				(1,916,140)	(2,057,637)
Fund Balances/Net Assets:					
Beginning of the year (as previously stated)	310,957	89,902	400,859		(3,107,088)
Adjustment for transferred captial assets	-	-	-		(2,007,207)
Beginning of the year (as restated)	310,957	89,902	400,859		(5,114,295)
End of the year	204,127	55,235	259,362		(7,171,932)

NOTES TO THE FINANCIAL STATEMENTS

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 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.

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.

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, 2006 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.

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 $25,319 for emergencies as required under the Taxpayer's Bill of Rights ("TABOR"), which is subsequently explained.

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.

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	$	247,302

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.

Capital assets, net	$	149,554

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	$	166,095
Accrued interest payable		36,961
Bonds payable:		
Due within one year		560,000
Due in more than one year		5,968,885
Notes payable		1,096,209

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:

The Statement of Activities reports the conveyance of capital assets as a reduction in net assets, but the conveyance has no effect on the funds, and therefore is not reported in the Governmental Funds. The District conveyed $3,381,332 of capital assets to South Suburban Park and Recreation District.

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 and refunding costs as expenditures when paid. Governmental funds also report issuance premium as proceeds when received. However, in the Statement of Activities, the cost of those assets is allocated over the term of the underlying bonds as amortization expense and the premium is allocated over the term of the bonds as amortized premium. The following are the details of the net $49,990 of amortization expense:

Amortization of:		
Bond issuance costs	$	20,607
Deferred refunding costs		57,269
Original issue premium		(27,886)
Net amortization expense	$	49,990

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:

Bond principal	$	(545,000)
Developer advance principal		(1,079,442)

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	$	109,260

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 2006 budget year, prior to August 25, 2005, 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.

III. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

(2) On or before October 15, 2005, 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 2006 budget, prior to December 15, 2005, 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 2005 were collected in 2006 and taxes certified in 2006 will be collected in 2007. 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 2006, the District amended the General Fund appropriation from $1,086,071 to $1,200,000 and the Debt Service Fund appropriation from $1,066,075 to $1,100,000.

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly know 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.

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 $25,319 of its December 31, 2006, 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 (41^{st}) 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.

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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.

Interest Rate Risk. The District limits its investments to savings accounts and investment pools (explained below) where each share is equal to one dollar and the District avoids interest rate risk.

Credit Risk. State law and District policy limit investments to those authorized by State statutes including U.S. Agencies and 2a7-like pools. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Concentration of Credit Risk. The District invests most funds in 2a7-like pools and thus avoids a concentration of credit risk.

As of December 31, 2006, the District had $221,891 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.

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Type	Rating	Carrying Amount	Maturities Less Than One Year	Maturities Less Than Five Years
Deposits:				
Checking		$ 51,501		
Investments:				
Colotrust	AAAm	221,891	221,891	
		$ 273,392		

B. Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	Restated Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, not being depreciated:				
Water rights	$ 23,984	-	-	23,984
Land	125,570	-	-	125,570
Total capital assets not being depreciated	149,554	-	-	149,554
Capital assets, being depreciated:				
Infrastructure and landscaping	4,230,440	-	(4,230,440)	-
Total capital assets being depreciated	4,230,440	-	(4,230,440)	-
Less accumulated depreciation for:				
Infrastructure and landscaping	(849,108)	-	849,108	-
Total accumulated depreciation	(849,108)	-	849,108	-
Total capital assets, being depreciated, net	3,381,332	-	(3,381,332)	-
Total Capital Assets, Net	$ 3,530,886	-	(3,381,332)	149,554

The depreciated capital assets beginning balance has been restated from $6,363,217 to $4,230,440 to reflect assets of $2,007,207 transferred to other governmental entities in previous years, but not recorded as transferred, and to reflect a reclassification of land from depreciated capital assets of $125,570. The $2,007,207 of assets transferred also appears on the Statement of Activities as an adjustment to beginning net assets on page B2.

Effective January 1, 2006, the District conveyed its open space, parks, trails, and athletic fields, except for land valued at $125,570, to South Suburban Park and Recreation District.

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 were 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 were transferred to the City for perpetual maintenance and ownership. Certain park and recreation improvements were 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.

C. 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.

IV. Detailed Notes on All Funds (continued)

C. 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 2006, the District repaid $97,585 on Election Advance Note, of which $92,474 was applied to principal and $5,111 was applied to interest. The District also paid $205,472 during 2006 on the Refunding Advance Note, of which $50,000 was principal and $155,472 was interest.

IV. Detailed Notes on All Funds (continued)

C. Long-term Debt (continued)

3. 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 2006, the District paid $776,385 on the Project Funding Note, of which $616,432 was applied against principal and $159,953 was interest under the Project Funding Advance Agreement.

4. Annual Debt Service Requirements

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

	Principal	Interest	Total
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
2012-2016	3,155,000	588,200	3,743,200
2017-2018	1,410,000	79,340	1,489,340
Total	$ 6,869,977	2,094,633	8,964,610

IV. Detailed Notes on All Funds (continued)

C. Long-term Debt (continued)

5. Changes in Long-term Obligations

The following table presents changes in the District's long-term obligations for the year ended December 31, 2006.

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
2003 G.O. Bonds	$ 7,414,977	-	(545,000)	6,869,977	560,000
Election Advance note	92,474	-	(92,474)	-	-
Accrued interest	2,603	2,508	(5,111)	-	-
Refunding Advance note	525,000	-	(50,000)	475,000	-
Accrued interest	134,449	28,602	(155,472)	7,579	-
Project Funding Advance	1,237,641	-	(616,432)	621,209	-
Accrued interest	94,168	79,060	(159,953)	13,275	-
	$ 9,501,312	110,170	(1,624,442)	7,987,040	560,000
Less: Deferred refunding costs, net of accumulated amortization				(341,092)	
				7,645,948	

6. 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, 2006, 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. 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 agreed to construct or acquire approximately $1,400,000 of regional recreational improvements. The District, through 2005, was responsible for maintenance of the improvements. South Suburban 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. Local recreational improvements were to be funded, owned and maintained by the District. It was anticipated that the TrailMark Master Homeowners Association would maintain any of the local recreation landscape improvements along right of ways.

The agreement was amended on December 14, 2005, effective January 1, 2006, to convey ownership and maintenance of all of the recreation improvements to South Suburban and to end the sharing of the lottery-lotto revenue and property tax revenue generated from the operations and maintenance mill levy imposed by South Suburban. The District is not permitted to create a conservation trust fund or take any action that would jeopardize South Suburban's eligibility for lottery-lotto revenue.

Additionally under the 2005 amendment, the District agrees to pay a not-to-exceed amount of $30,000 for the trail connection/bridge across the Fairview No. 2 inlet channel, and a not-to-exceed amount of $25,000 for trail modifications and drainage improvements on the trail in the vicinity of Pond G. All work shall be completed by South Suburban by December 31, 2006.

Effective January 1, 2006, the District transferred all of its open space, parks, trails, and athletic fields, except for land valued at $125,570, to South Suburban Park and Recreation District.

V. Other Information (continued)

A. Intergovernmental and Other Agreements (continued)

2. TrailMark Homeowners' Association, Inc. - Maintenance Agreement

On September 17, 2001, the District entered into a maintenance agreement with the TrailMark Homeowners' Association (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 had the authorization to complete those repairs and charged the Association an administrative fee which was three percent of the total monthly amount billed to the Association. This agreement was not renewed for 2006. The Association will provide most of the landscaping maintenance beginning in 2006 and the District will pay 10% of the cost of the landscaping maintenance.

On September 5, 2006, to be effective January 1, 2006, the District entered into an Amended and Restated Maintenance Agreement (the "Agreement") with the Association whereby the Association will take responsibility for the maintenance of the landscaping improvements of certain tracts and certain retaining walls. In consideration of the Association's maintenance of the retaining walls, the District has agreed to pay 50% of the costs associated with such maintenance, 10% of the water bill from Tap No. 1, and 11% of the "Base Contract Items" as set forth on Exhibit B of the Agreement. The Association shall bill the District semiannually on or before May 1 and November 1 and the District shall remit payment within 30 days of the invoice date.

B. 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.

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.

V. Other Information (continued)

B. Risk Management (continued)

A summary of audited statutory basis financial information for the Pool as of and for the year ended December 31, 2005 (the latest audited information available) is as follows:

Assets	$ 14,979,891
Liabilities and Fund Equity:	
Liabilities	$ 5,985,999
Capital and surplus	8,993,892
Total	$ 14,979,891
Revenue	$ 8,378,526
Underwriting expenses	5,787,447
Underwriting gain	2,591,079
Other income	391,930
Net Income	$ 2,983,009

C. Related Party Transactions

Two members of the Board of Directors are officers or employees of the developer (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.

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, 2006
(With Comparative Actual Amounts for 2005)

	2006				2005
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:					
Property taxes	522,787	522,787	522,743	(44)	499,498
Specific ownership taxes	100,000	100,000	137,464	37,464	142,075
Park and recreation fees	240,000	240,000	133,288	(106,712)	244,830
HOA reimbursement	70,000	70,000	3,880	(66,120)	64,519
Net investment income	8,000	23,000	23,386	15,386	11,636
Total Revenues	940,787	955,787	820,761	(120,026)	962,558
Expenditures:					
Accounting and audit	19,800	19,800	13,938	5,862	14,810
District management	54,500	54,500	53,440	1,060	61,257
Legal	31,100	31,100	13,668	17,432	35,083
Insurance	8,000	8,000	7,383	617	7,507
Office supplies	4,000	4,000	1,813	2,187	3,179
Maintenance and repairs	270,000	270,000	46,579	223,421	226,364
County Treasurer's fees	7,842	7,842	7,846	(4)	7,499
Utilities	30,000	30,000	2,858	27,142	37,441
Other	50,344	50,344	142	50,202	245
Developer advance reimbursement	568,852	682,781	776,385	(207,533)	370,000
Wetlands permit compliance	10,000	10,000	3,539	6,461	17,371
Emergency reserves	31,633	31,633	-	31,633	-
Total Expenditures	1,086,071	1,200,000	927,591	158,480	780,756
Excess of Revenues Over Expenditures	(145,284)	(244,213)	(106,830)	38,454	181,802
Other Financing Sources (Uses):					
Transfer from (to) Capital Projects Fund	-	-	-	-	26,251
Net Change in Fund Balances	(145,284)	(244,213)	(106,830)	38,454	208,053
Fund Balances - Beginning	245,284	245,284	310,957	65,673	102,904
Fund Balances - End of Year	100,000	1,071	204,127	104,127	310,957

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, 2006
(With Comparative Actual Amounts for 2005)

	2006				2005
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:					
Property taxes	1,010,054	1,010,054	1,010,033	(21)	965,675
Net investment income	6,500	6,500	23,203	16,703	14,881
Total Revenues	1,016,554	1,016,554	1,033,236	16,682	980,556
Expenditures:					
Administration:					
County Treasurer's fees	15,150	15,150	15,160	(10)	14,488
Total administration	15,150	15,150	15,160	(10)	14,488
Debt service:					
Principal	545,000	545,000	545,000	-	525,000
Interest	204,186	204,186	204,186	-	219,136
Paying agent fees	1,000	1,000	500	500	500
Developer reimbursement - principal	92,473	166,398	142,473	(50,000)	215,025
Developer reimbursement - interest	148,266	168,266	160,584	(12,318)	14,975
Total debt service	990,925	1,084,850	1,052,743	(61,818)	974,636
Total Expenditures	1,006,075	1,100,000	1,067,903	(61,828)	989,124
(Deficiency) of Revenues Over Expenditures	10,479	(83,446)	(34,667)	(45,146)	(8,568)
Fund Balances - Beginning of Year	89,521	89,521	89,902	381	98,470
Fund Balances - End of Year	100,000	6,075	55,235	(44,765)	89,902

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, 2006

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%
2005	22,188,230	66.027	1,465,010	1,465,173	100.01%
2006	23,215,370	66.027	1,532,841	1,532,776	100.00%
Estimated for 2007	23,214,840	66.027	1,532,806		

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, 2006

Year Ending December 31,	$8,334,977 Limited Tax General Obligation Refunding Bonds Series 2003 Principal	Interest	Total
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	6,869,977	2,094,633	8,964,610