

TRAILMARK METROPOLITAN DISTRICT
Jefferson County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2007

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Independent Auditor's Report

Board of Directors
TrailMark Metropolitan District
Jefferson County, Colorado

I have audited the accompanying basic financial statements of the governmental activities and each major fund of TrailMark Metropolitan District (District) as of and for the year ended December 31, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of TrailMark Metropolitan District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinions.

In my 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 TrailMark Metropolitan District, as of December 31, 2007, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

My 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 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the Debt Service Fund as listed in the table of contents is presented for purposes of additional analysis and legal compliance and is 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 my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The supplemental information on pages 24-25 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

DANN A. SCHILLING, LLC

September 9, 2008

BASIC FINANCIAL STATEMENTS

TRAILMARK METROPOLITAN DISTRICT
STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
December 31, 2007

ASSETS

Cash and investments - unrestricted	\$ 85,050
Cash and investments - restricted	111,116
Cash with County Treasurer	8,354
Accounts receivable - customers	6,288
Property taxes receivable	1,502,502
Bond issue costs, net of accumulated amortization	226,694
Capital assets, not being depreciated	149,554
Total assets	<u>2,089,558</u>

LIABILITIES

Accounts payable	8,366
TABOR refund payable	44,700
Deferred property taxes	1,502,502
Accrued interest payable	15,174
Bond premium, net of accumulated amortization	194,667
Bonds and advances payable	
Due within one year	521,716
Due within more than one year	5,974,387
Total liabilities	<u>8,261,512</u>

NET ASSETS

Restricted	111,033
Unrestricted	(6,282,987)
Total net assets	<u>\$ (6,171,954)</u>

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

TRAILMARK METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	
General government	\$ 152,424	\$ -	\$ -	\$ (152,424)
Park and recreation	122,710	147,142	-	24,432
Interest and fiscal charges	368,641	-	-	(368,641)
	<u>\$ 643,775</u>	<u>\$ 147,142</u>	<u>\$ -</u>	<u>(496,633)</u>

General revenues:	
Taxes:	
Property taxes	1,530,755
Specific ownership taxes	136,921
Interest income	46,513
Total general revenues	<u>1,714,189</u>
Change in net assets	<u>1,217,556</u>
Net assets - Beginning, as restated	<u>(7,389,510)</u>
Net assets - Ending	<u>\$ (6,171,954)</u>

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

**TRAILMARK METROPOLITAN DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007**

	General	Debt Service	Total Governmental Funds
ASSETS			
Cash and investments - unrestricted	\$ 85,050	\$ -	\$ 85,050
Cash and investments - restricted	25,000	86,116	111,116
Cash with County Treasurer	8,354	-	8,354
Accounts receivable - customers	6,288	-	6,288
Property taxes receivable	477,218	1,025,284	1,502,502
TOTAL ASSETS	<u>\$ 601,910</u>	<u>\$ 1,111,400</u>	<u>\$ 1,713,310</u>
LIABILITIES			
Accounts payable	\$ 8,283	\$ 83	\$ 8,366
TABOR refund payable	44,700	-	44,700
Deferred tax revenues	477,218	1,025,284	1,502,502
TOTAL LIABILITIES	<u>530,201</u>	<u>1,025,367</u>	<u>1,555,568</u>
FUND BALANCES/NET ASSETS			
Fund Balances:			
Reserved for emergencies	25,000	-	25,000
Reserved for debt service	-	86,033	86,033
Unreserved	46,709	-	46,709
TOTAL FUND BALANCES	<u>71,709</u>	<u>86,033</u>	<u>157,742</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 601,910</u>	<u>\$ 1,111,400</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Some assets used in governmental activities are not financial resources and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Capital assets, not being depreciated	149,554
Bond issue costs, net of accumulated amortization	226,694
	<u>376,248</u>

Some liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and, therefore, are not reported in the Balance Sheet - Governmental Funds.

Bonds and advances payable	(6,496,103)
Accrued interest payable	(15,174)
Bond premium, net of accumulated amortization	(194,667)
	<u>(6,705,944)</u>

Net assets of governmental activities	<u>\$ (6,171,954)</u>
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

TRAILMARK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended December 31, 2007

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property tax	\$ 521,933	\$ 1,008,822	\$ 1,530,755
Specific ownership tax	136,921	-	136,921
Park and recreation maintenance fees	147,142	-	147,142
Net investment income	25,604	20,909	46,513
Total revenues	<u>831,600</u>	<u>1,029,731</u>	<u>1,861,331</u>
EXPENDITURES			
Current			
Management fees	45,377	-	45,377
Billing fees	10,712	-	10,712
Legal	11,775	-	11,775
Audit	6,100	-	6,100
Insurance	6,357	-	6,357
Election costs	135	-	135
County Treasurer's fees	7,839	15,147	22,986
Office and miscellaneous	2,432	-	2,432
Directors' fees	1,850	-	1,850
Utilities	2,463	-	2,463
Maintenance and repairs	65,247	-	65,247
Bridge/trail expenses	55,000	-	55,000
TABOR refund	44,700	-	44,700
Contingency	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	560,000	560,000
Interest and fiscal charges	-	193,786	193,786
Total expenditures	<u>259,987</u>	<u>768,933</u>	<u>1,028,920</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	571,613	260,798	832,411
OTHER FINANCING SOURCES (USES)			
Repay developer advances - principal	(621,209)	(203,078)	(824,287)
Repay developer advances - interest	(48,976)	(26,922)	(75,898)
Total other financing sources (uses)	<u>(670,185)</u>	<u>(230,000)</u>	<u>(900,185)</u>
NET CHANGE IN FUND BALANCES	(98,572)	30,798	(67,774)
FUND BALANCES - BEGINNING OF YEAR, AS RESTATED	170,281	55,235	225,516
FUND BALANCES - END OF YEAR	<u>\$ 71,709</u>	<u>\$ 86,033</u>	<u>\$ 157,742</u>

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

**TRAILMARK METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2007**

A reconciliation reflecting the differences between the governmental funds net change in fund balances and change in net assets reported for governmental activities in the Statement of Activities as follows:

Net change in fund balances - Total governmental funds	<u>\$ (67,774)</u>
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	18,616
Amortization of bond issue costs	(20,609)
Amortization of deferred charge on refunding	(40,639)
Amortization of bond premium	19,789
	<u>(22,843)</u>

Repayment of the principal of debt is an expenditure in the governmental funds, however, the repayment reduces long-term liabilities in the Statement of Net Assets.

Principal payments - bonds payable	560,000
Repayment of developer advances - principal	824,287
Interest accretion on Capital Appreciation Bonds	(76,114)
	<u>1,308,173</u>

Change in net assets - Governmental activities	<u><u>\$ 1,217,556</u></u>
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These financial statements should be read only in connection with
the accompanying notes to financial statements.

TRAILMARK METROPOLITAN DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2007

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Property tax	\$ 522,775	\$ 522,775	\$ 521,933	\$ (842)
Specific ownership taxes	100,000	100,000	136,921	36,921
Park and recreation maintenance fees	140,000	140,000	147,142	7,142
Net Investment income	10,000	10,000	25,604	15,604
Total revenues	<u>772,775</u>	<u>772,775</u>	<u>831,600</u>	<u>58,825</u>
EXPENDITURES				
Management fees	45,000	45,000	45,377	(377)
Billing fees	10,000	10,000	10,712	(712)
Legal	10,000	10,000	11,775	(1,775)
Audit	7,000	7,000	6,100	900
Insurance	8,000	8,000	6,357	1,643
Election costs	-	-	135	(135)
County Treasurer's fees	7,842	7,842	7,839	3
Office and miscellaneous	2,000	2,000	2,432	(432)
Directors' fees	4,300	4,300	1,850	2,450
Utilities	2,000	2,000	2,463	(463)
Maintenance and repairs	86,000	86,000	65,247	20,753
Bridge/trail expenses	-	-	55,000	(55,000)
TABOR refund	-	44,700	44,700	-
Contingency	23,464	103,330	-	103,330
Total expenditures	<u>205,606</u>	<u>330,172</u>	<u>259,987</u>	<u>70,185</u>
EXCESS OF REVENUES OVER EXPENDITURES	567,169	442,603	571,613	129,010
OTHER FINANCING USES				
Repay developer advances - principal	(600,000)	(600,000)	(621,209)	(21,209)
Repay developer advances - interest	-	-	(48,976)	(48,976)
Total other financing uses	<u>(600,000)</u>	<u>(600,000)</u>	<u>(670,185)</u>	<u>(70,185)</u>
NET CHANGE IN FUND BALANCE	(32,831)	(157,397)	(98,572)	58,825
FUND BALANCE - BEGINNING OF YEAR, AS RESTATED	109,537	109,537	170,281	60,744
FUND BALANCE - END OF YEAR	<u>\$ 76,706</u>	<u>\$ (47,860)</u>	<u>\$ 71,709</u>	<u>\$ 119,569</u>

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

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**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1 – DEFINITION OF REPORTING ENTITY

TrailMark Metropolitan District (District), a quasi-municipal corporation, is governed pursuant to the provisions of the Colorado Special District Act. The District's service area is located in the City of Littleton in Jefferson County, Colorado. The District was established to provide financing for the construction of water and sewer facilities, including storm drainage, streets and associated improvements, safety facilities, park and recreation and streetscape. All other facilities constructed by the District are conveyed to other governmental entities for perpetual maintenance.

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

The District follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The District is not financially accountable for any other organization, nor is the District a component unit of any other primary governmental entity.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These financial statements include all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net assets reports all financial and capital resources of the District, the difference between the assets and liabilities of the District being reported as net assets.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities demonstrates the degree to which the direct and indirect expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible to accrual are property taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The General Fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Budgets

In accordance with the State Budget Law, the District's Board of Directors holds public hearings in the fall each year to approve the budget and appropriate the funds for the ensuing year. The appropriation is at the total fund expenditures level and lapses at year end. The District's Board of Directors can modify the budget by line item within the total appropriation without notification. The appropriation can only be modified upon completion of notification and publication requirements. The budget includes each fund on its basis of accounting unless otherwise indicated.

During the year, the District amended the appropriations of the General Fund from \$805,606 to \$882,777. Subsequent to year end, the District approved additional appropriations of \$47,395 up to \$930,172.

Pooled Cash and Investments

The District follows the practice of pooling cash and investments of all funds to maximize investment earnings. Except when required by trust or other agreements, all cash is deposited to and disbursed from a single bank account. Cash in excess of immediate operating requirements is pooled for deposit and investment flexibility. Investment earnings are allocated periodically to the participating funds based upon each funds' average equity balance in total cash. Investments are carried at fair value.

Property Taxes

Property taxes are levied by the District's Board of Directors. The levy is based on assessed valuations determined by the County Assessor generally as of January 1 of each year. The levy is normally set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of January 1 of the following year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 1 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred 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.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

No allowance for uncollectible accounts has been established at December 31, 2007 as all accounts are considered to be collectible.

Capital Assets

Capital assets, which include land and water rights are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Bond Issue Costs and Premiums on Bond Issuance

In the government-wide financial statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt on a straight-line basis.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Cost on Bond Refunding

In the government-wide financial statements, the deferred cost on bond refunding is being amortized using the interest method over the life of the new bonds. The amortization amount is a component of interest expense and the unamortized deferred cost is reflected as a reduction of bonds payable.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally segregated or are not subject to future appropriation. Designations of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management.

The District considers all unreserved fund balances to be "reserves" for future operations or capital replacement as defined within Article X, Section 20 of the Constitution of the State of Colorado (see Note 10).

Reserved Fund Balance

The reserved fund balance and restricted net assets of \$86,033 and restricted cash and investments of \$86,116 has been restricted for debt service and is to be used exclusively for debt service requirements.

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado (see Note 10). \$25,000 of the fund balance, net assets and cash and investments has been reserved/restricted in compliance with this requirement.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2007 are classified in the accompanying financial statements as follows:

Cash and investments - Unrestricted	\$ 85,050
Cash and investments - Restricted	<u>111,116</u>
	<u>\$ 196,166</u>

Cash Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

The State Commissioners for banks and financial services are required by Statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At December 31, 2007, the District's cash deposits had a bank balance of \$12,922 and a carrying balance of \$4,337.

Investments

The District follows Colorado State Statutes which specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

At December 31, 2007, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 191,829</u>

COLOTRUST

At December 31, 2007, the District has invested \$191,829 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. COLOTRUST is rated AAAM by Standard and Poor's.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2007 follows:

	Balance at January 1, 2007	Increases	Decreases	Balance at December 31, 2007
Capital assets, not being depreciated:				
Water rights	\$ 23,984	\$ -	\$ -	\$ 23,984
Land	125,570	-	-	125,570
Total capital assets,				
not being depreciated	<u>\$ 149,554</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,554</u>

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 (Note 7).

NOTE 5 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in the District's long-term obligations for the year ended December 31, 2007.

	Balance at January 1, 2007	Additions	Reductions	Balance at December 31, 2007	Due Within One Year
G.O. Refunding Bonds, Series 2003					
Current interest bonds	\$ 6,260,000	\$ -	\$ 560,000	\$ 5,700,000	\$ 560,000
Capital appreciation bonds	844,663	76,114	-	920,777	-
Developer advances					
Project Funding Note - principal	621,209	-	621,209	-	-
Project Funding Note - interest	13,275	35,701	48,976	-	-
Refunding Advance Note - principal	475,000	-	203,078	271,922	-
Refunding Advance Note - interest	7,579	22,513	26,922	3,170	-
	<u>8,221,726</u>	<u>\$ 134,328</u>	<u>\$ 1,460,185</u>	<u>6,895,869</u>	<u>560,000</u>
Less current portion	(560,000)			(521,716)	-
Less deferred cost on refunding	(440,406)			(399,766)	38,284
	<u>\$ 7,221,320</u>			<u>\$ 5,974,387</u>	<u>\$ 521,716</u>

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

General Obligation Bonds

\$8,334,977 Limited Tax General Obligation Refunding Bonds, Series 2003, dated July 10, 2003 with interest of 2.00% to 3.75%, consisting of serial bonds issued in the amount of \$7,725,000 (current interest bonds) due annually from 2004 through 2009 and from 2012 through 2018 and capital appreciation bonds issued in the original amount of \$609,977 with a par value of \$1,180,000 due December 1, 2010, and December 1, 2011. The current interest bonds are subject to redemption prior to maturity at the option of the District. The capital appreciation bonds are not subject to redemption prior to maturity. Interest is payable semi-annually on June 1 and December 1. The bonds are limited tax general obligations of the District, payable and from ad valorem taxes to be imposed, at a total rate not to exceed 66.027 mills as adjusted for changes in law and changes in the assessment ratio.

Advance and Reimbursement Agreement

The District entered into an Advance and Reimbursement Agreement with the developer on May 1, 1999 which was amended on July 1, 2003 and November 16, 2004. The Agreement was entered into in order to provide the District with sufficient funds to meet the reserve requirements of the 1999 bonds. The 1999 bonds have since been refunded and the reserve requirement of the District was terminated. The obligation of the District to repay the amounts advanced by the developer under the agreement constitutes a limited tax general obligation of the District but is subordinate to the 2003 bonds. Advances under the agreement are to be repaid at an interest rate of 5.6%. At December 31, 2007, the District owed the developer \$275,095 which consists of \$271,922 of principal and \$3,170 of accrued interest.

Project Funding Agreement

The District and the developer entered into a Project Funding Agreement with an effective date of December 20, 2000 providing for the developer to advance certain funds to the District which would allow the District to complete the construction of certain water, sewer, street and park and recreation improvements. Advances under the agreement are not to exceed \$2,298,376. Interest accrues at the rate of 7.5% on each advance from the date of each advance. During 2007, the District repaid all principal and accrued interest under the agreement.

The District's long-term obligations, excluding developer advances will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 560,000	\$ 182,086	\$ 742,086
2009	575,000	169,766	744,766
2010	476,562	269,404	745,966
2011	444,215	301,751	745,966
2012	595,000	155,966	750,966
2013-2017	3,255,000	484,761	3,739,761
2018	715,000	26,813	741,813
	<u>\$ 6,620,777</u>	<u>\$ 1,590,547</u>	<u>\$ 8,211,324</u>

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

Debt Authorization

On November 3, 1998, a majority of the District's voters approved a re-authorization and increase of the District's November 2, 1993 authorization of \$4,500,000 up to \$10,200,000 for the financing and refinancing of the construction of certain improvements. As of December 31, 2007, the District had issued \$8,334,977 of general obligation refunding bonds. The remaining authorization of \$1,865,023 is reserved for reimbursement of developer election advances.

NOTE 6 - NET ASSETS

The District has net assets consisting of two components – restricted, and unrestricted.

Restricted assets include net assets that are restricted for use either externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The District had restricted net assets as of December 31, 2007 as follows:

Restricted:

Emergencies	\$ 25,000
Debt service	86,033
	<u>\$ 111,033</u>

The District's unrestricted net assets as of December 31, 2007 totaled \$(6,282,987). This deficit amount is the result of the District being responsible for the repayment of bonds issued for public improvements that have been conveyed to other governmental entities.

NOTE 7 – AGREEMENTS

South Suburban Park and Recreation District

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 agreement provided for the District to pay for maintenance costs of the improvements. The District was to pay for maintenance costs by South Suburban transferring to the District 90% of its operation and maintenance mill levy for all real property located in the District's boundaries.

The agreement was amended on December 14, 2005. Under the terms of the amended agreement, effective January 1, 2006, the District conveyed its ownership and maintenance of the recreation improvements to South Suburban. The agreement also terminated South Suburban's obligation to remit 90% of certain property taxes to the District for maintenance of the improvements. Additionally, the District agreed to pay \$30,000 for the trail connection/bridge across Fairview No.2 inlet channel, and \$25,000 for trail modifications and drainage improvements. The work was completed by South Suburban during 2007 and the District paid \$55,000 in accordance with the agreement.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 7 – AGREEMENTS (CONTINUED)

TrailMark Homeowners' Association, Inc. – Maintenance Agreement

On September 3, 2006, the District entered into an Amended and Restated Maintenance Agreement with the TrailMark Homeowners' Association (the Association) to be effective January 1, 2006. The agreement allocates responsibility for the maintenance of landscaping improvements of certain tracts and 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 in the agreement. The Association is to bill the District semiannually on or before May 1 and November 1. The District is to remit payment within 30 days of the invoice date.

NOTE 8 – RELATED PARTY TRANSACTIONS

During 2007, two members of the Board of Directors were officers or employees of the developers (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.

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District is a member of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2007. The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. Settled claims have not exceeded this coverage in any of the past three fiscal years.

The District pays annual premiums to the Pool for liability, property, public officials' liability and workers compensation. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 10 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

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

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

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 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. The District levied taxes in excess of the maximum level allowed by the election question for the collection years of 2006 and 2007. The District intends to refund the excess collections through a temporary mill levy reduction in the 2008 and 2009 collection years. At December 31, 2007, \$44,700 has been recorded as a TABOR refund liability.

The District's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 11 – RESTATEMENT

During the audit for the year ended December 31, 2007, the following errors resulting in the restatement of beginning fund balance/net assets were noted:

General Fund fund balance, as originally presented	\$ 204,127
Restatement for unrecorded deferred revenue	<u>(33,846)</u>
General Fund fund balance, as restated	<u>\$ 170,281</u>
Net assets, as originally presented	\$ (7,171,932)
Restatement for unrecorded accounts receivable	(33,846)
Restatement for amortization of deferred costs	99,315
Restatement for amortization of bond premium	(48,362)
Restatement for accretion of interest on capital appreciation bonds	<u>(234,685)</u>
Net assets, as restated	<u>\$ (7,389,510)</u>

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

SUPPLEMENTAL INFORMATION

TRAILMARK METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended December 31, 2007

	Original and Final Budgeted Amounts	Actual	Variance with Final Budget - Positive (Negative)
REVENUES			
Property tax	\$ 1,010,031	\$ 1,008,822	\$ (1,209)
Net investment income	10,000	20,909	10,909
Total revenues	<u>1,020,031</u>	<u>1,029,731</u>	<u>9,700</u>
EXPENDITURES			
Principal	560,000	560,000	-
Interest	193,286	193,286	-
Paying agent fees	1,000	500	500
County treasurer's fees	15,150	15,147	3
Total expenditures	<u>769,436</u>	<u>768,933</u>	<u>503</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	250,595	260,798	10,203
OTHER FINANCING SOURCES			
Repay developer advance - principal	(230,000)	(203,078)	26,922
Repay developer advance - interest	(7,961)	(26,922)	(18,961)
Total other financing sources	<u>(237,961)</u>	<u>(230,000)</u>	<u>7,961</u>
NET CHANGE IN FUND BALANCE	12,634	30,798	18,164
FUND BALANCE - BEGINNING OF YEAR	<u>47,505</u>	<u>55,235</u>	<u>7,730</u>
FUND BALANCE - END OF YEAR	<u>\$ 60,139</u>	<u>\$ 86,033</u>	<u>\$ 25,894</u>

**TRAILMARK METROPOLITAN DISTRICT
FIVE YEAR SUMMARY OF ASSESSED VALUATION , MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2007
(UNAUDITED)**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percentage Collected to Levied
			Levied	Collected	
2003	\$ 15,970,390	58.547	\$ 935,018	\$ 935,715	100.1%
2004	\$ 20,765,890	66.027	\$ 1,371,109	\$ 1,370,260	99.9%
2005	\$ 22,188,230	66.027	\$ 1,465,010	\$ 1,465,173	100.0%
2006	\$ 23,215,370	66.027	\$ 1,532,841	\$ 1,532,776	100.0%
2007	\$ 23,214,840	66.027	\$ 1,532,806	\$ 1,530,755	99.9%
Estimated for year ending December 31, 2008	\$ 25,632,090	58.618 *	\$ 1,502,502		

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

* includes temporary mill levy reduction of .889 mills.

TRAILMARK METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2007
(UNAUDITED)

\$8,334,977 Limited Tax General Obligation
Refunding Bonds, Series 2003
Interest Rate 2.0% to 3.75%
Principal Due December 1
Interest Due June 1 and December 1

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 560,000	\$ 182,086	\$ 742,086
2009	575,000	169,766	744,766
2010	476,562	269,404	745,966
2011	444,215	301,751	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
	<u>\$ 6,620,777</u>	<u>\$ 1,590,547</u>	<u>\$ 8,211,324</u>