

TRAILMARK METROPOLITAN DISTRICT
Jefferson County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2008

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	I
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes In Fund Balances – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	6
Notes to the Financial Statements	7-17
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Debt Service Fund	18
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Capital Projects Fund	19
Five Year Summary of Assessed Valuation, Mill Levy and Property Taxes Collected	20



Schilling & Company, Inc.

Certified Public Accountants

Independent Auditor's Report

Board of Directors
TrailMark Metropolitan District
Jefferson County, Colorado

We 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, 2008, 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. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 TrailMark Metropolitan District, as of December 31, 2008, 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.

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 Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the Debt Service Fund and Capital Projects Fund as listed in the table of contents are presented for purposes of additional analysis and legal compliance 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. The Five Year Summary of Assessed Valuation, Mill Levy and Property Taxes Collected has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

SCHILLING & COMPANY, INC.

June 25, 2009

TRAILMARK METROPOLITAN DISTRICT
STATEMENT OF NET ASSETS
December 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and investments - unrestricted	\$ 538,877
Cash and investments - restricted	100,040
Accounts receivable	322
Cash with County Treasurer	11,044
Property taxes receivable	1,196,145
Bond issuance costs (net of accumulated amortization)	206,085
Capital assets (not being depreciated)	149,554
Capital assets being depreciated (net of accumulated depreciation)	15,373
Total assets	<u>2,217,440</u>
LIABILITIES	
Accounts payable	16,457
Deferred property tax revenue	1,196,145
Tabor refund payable	21,913
Accrued bond interest payable	14,147
Non-current liabilities	
Due within one year	556,687
Due in more than one year	5,394,745
Total liabilities	<u>7,200,094</u>
NET ASSETS	
Invested in capital assets, net of related debt	15,373
Restricted for:	
Emergency reserves	19,000
Debt service	81,686
Unrestricted	(5,098,713)
Total net assets	<u><u>\$ (4,982,654)</u></u>

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

TRAILMARK METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating	
			Grants and Contributions	Governmental Activities
Primary government:				
Governmental activities:				
General government	\$ 173,921	\$ -	\$ -	\$ (173,921)
Interest and expenses on long-term debt	303,789	-	-	(303,789)
	<u>\$ 477,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(477,710)</u>
General revenues:				
Property taxes				1,527,101
Specific ownership taxes				118,206
Net investment income				21,703
Total general revenues				<u>1,667,010</u>
Change in net assets				1,189,300
Net assets - Beginning				(6,171,954)
Net assets - Ending				<u>\$ (4,982,654)</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, 2008**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments - unrestricted	\$ 538,877	\$ -	\$ -	\$ 538,877
Cash and investments - restricted	19,000	80,300	740	100,040
Due from County Treasurer	9,658	1,386	-	11,044
Property taxes receivable	478,068	718,077	-	1,196,145
Accounts receivable	322	-	-	322
Total assets	<u>1,045,925</u>	<u>799,763</u>	<u>740</u>	<u>1,846,428</u>
LIABILITIES				
Accounts payable	15,717	-	740	16,457
Tabor refund payable	21,913	-	-	21,913
Deferred property tax revenue	478,068	718,077	-	1,196,145
Total liabilities	<u>515,698</u>	<u>718,077</u>	<u>740</u>	<u>1,234,515</u>
FUND BALANCES				
Reserved for:				
Emergencies	19,000	-	-	19,000
Debt service	-	81,686	-	81,686
Designated for subsequent year's expenditures	214,927	-	-	214,927
Unreserved	296,300	-	-	296,300
Total fund balances	<u>530,227</u>	<u>81,686</u>	<u>-</u>	<u>611,913</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,045,925</u>	<u>\$ 799,763</u>	<u>\$ 740</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	164,927
Other long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	
Bond issuance costs, net of accumulated amortization	206,085
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds	
Bonds and advances payable - net of deferred refunding cost	(5,775,408)
Bond premium, net of accumulated amortization	(176,024)
Accrued interest on long-term obligations	(14,147)
Net assets of governmental activities	<u>\$ (4,982,654)</u>

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, 2008

	General	Debt Service	Capital Projects	Total Governmental Funds
REVENUES				
Property taxes	\$ 501,848	\$ 1,025,253	\$ -	\$ 1,527,101
Specific ownership tax	118,206	-	-	118,206
Net investment income	12,348	9,355	-	21,703
Total revenues	<u>632,402</u>	<u>1,034,608</u>	<u>-</u>	<u>1,667,010</u>
EXPENDITURES				
Management and accounting	46,937	-	6,901	53,838
County treasurer's fees	7,173	15,410	-	22,583
Audit	5,000	-	-	5,000
Director's fees	2,650	-	-	2,650
Election expense	895	-	-	895
Insurance and bonds	3,584	-	-	3,584
Legal	12,539	-	-	12,539
Miscellaneous	1,891	-	-	1,891
Utilities	3,008	-	-	3,008
Maintenance, repairs and supervision	55,057	-	-	55,057
Water quality monitoring	2,115	-	-	2,115
Fairview Reservoir #2	9,161	-	-	9,161
Capital improvement	15,373	-	-	15,373
Engineering	1,600	-	-	1,600
Bond principal	-	560,000	-	560,000
Bond interest	-	182,086	-	182,086
Paying agent fees	-	500	-	500
Total expenditures	<u>166,983</u>	<u>757,996</u>	<u>6,901</u>	<u>931,880</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>465,419</u>	<u>276,612</u>	<u>(6,901)</u>	<u>735,130</u>
OTHER FINANCING SOURCES (USES)				
Repay developer advances - principal	-	(271,922)	-	(271,922)
Repay developer advances - interest	-	(9,037)	-	(9,037)
Transfers from (to) other funds	(6,901)	-	6,901	-
Total other financing sources (uses)	<u>(6,901)</u>	<u>(280,959)</u>	<u>6,901</u>	<u>(280,959)</u>
NET CHANGE IN FUND BALANCES	458,518	(4,347)	-	454,171
FUND BALANCES - BEGINNING OF YEAR	71,709	86,033	-	157,742
FUND BALANCES - END OF YEAR	<u>\$ 530,227</u>	<u>\$ 81,686</u>	<u>\$ -</u>	<u>\$ 611,913</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 BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2008**

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

Net changes in fund balances - Total governmental funds		\$ 454,171
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	4,197	
Amortization of bond issue costs	(20,609)	
Amortization of deferred charge on refunding	(38,283)	
Amortization of bond premium	<u>18,643</u>	
		(36,052)
Governmental funds report capital outlays as expenditures. In the Statement of Activities capital outlay is not reported as an expenditure. This amount represents net capital outlay for the current period.		
Capital outlay		15,373
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	271,922	
Interest accretion on Capital Appreciation Bonds	<u>(76,114)</u>	
		<u>755,808</u>
Change in net assets of governmental activities		<u>\$ 1,189,300</u>

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
Year Ended December 31, 2008

	<u>Budget Amounts</u> <u>Original - Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Property taxes	\$ 477,218	\$ 501,848	\$ 24,630
Specific ownership tax	120,000	118,206	(1,794)
Net investment income	20,000	12,348	(7,652)
Total revenue	<u>617,218</u>	<u>632,402</u>	<u>15,184</u>
EXPENDITURES			
Management and accounting	46,000	46,937	(937)
Auditing	6,200	5,000	1,200
Director's fees	2,500	2,650	(150)
Election expense	5,000	895	4,105
Insurance and bonds	7,000	3,584	3,416
Legal	10,000	10,416	(416)
Legal - water rights	3,000	2,085	915
Legal publications	200	38	162
Miscellaneous	2,191	1,891	300
County treasurer's fees	7,158	7,173	(15)
Utilities	3,200	3,008	192
Maintenance	34,504	26,041	8,463
Field supervision	1,500	16,226	(14,726)
Fence painting and repairs	25,000	12,790	12,210
Water quality monitoring	18,500	2,115	16,385
Fairview reservoir #2 including capital improvement	27,000	24,534	2,466
Engineering	-	1,600	(1,600)
Emergency reserves	15,569	-	15,569
Contingency	300,000	-	300,000
Total expenditures	<u>514,522</u>	<u>166,983</u>	<u>347,539</u>
EXCESS OF REVENUES OVER EXPENDITURES	102,696	465,419	362,723
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(20,000)	(6,901)	13,099
Total other financing sources (uses)	<u>(20,000)</u>	<u>(6,901)</u>	<u>13,099</u>
NET CHANGE IN FUND BALANCE	82,696	458,518	375,822
FUND BALANCE - BEGINNING OF YEAR	97,420	71,709	(25,711)
FUND BALANCE - END OF YEAR	<u>\$ 180,116</u>	<u>\$ 530,227</u>	<u>\$ 350,111</u>

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

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008**

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.

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

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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.

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, 2008**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

No allowance for uncollectible accounts has been established at December 31, 2008 as all accounts are considered to be collectible.

Capital Assets

Capital assets, which include land, water rights, and equipment, 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 beginning in the year subsequent to the asset being placed into service, 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, 2008**

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 11).

Reserved Fund Balance

The reserved fund balance and restricted net assets of \$81,686 and restricted cash and investments of \$80,300 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 11). \$19,000 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, 2008 are classified in the accompanying financial statements as follows:

Cash and investments – Unrestricted	\$ 538,877
Cash and investments – Restricted	<u>100,040</u>
	<u>\$ 638,917</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 102% of the aggregate uninsured deposits.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008, the District's cash deposits had a bank balance of \$3,099 and a carrying balance of \$3,124.

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 and the World Bank
- . General obligation and revenue bonds of U.S. local government entities
- . Bankers' acceptances of certain banks
- . Commercial paper
- . Certain reverse repurchase agreements
- . Certain securities lending agreements
- . Certain corporate bonds
- . Written repurchase agreements collateralized by certain authorized securities
- . Certain money market funds
- . Guaranteed investment contracts
- . Local government investment pools

At December 31, 2008, 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>\$ 635,793</u>

COLOTRUST

At December 31, 2008, the District has invested \$635,793 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, 2008**

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2008 follows:

	Balance at December 31, 2007	Increases	Decreases	Balance at December 31, 2008
Capital assets, not being depreciated				
Land	\$ 125,570	\$ -	\$ -	\$ 125,570
Water rights	23,984	-	-	23,984
Total capital assets, not being depreciated	<u>149,554</u>	<u>-</u>	<u>-</u>	<u>149,554</u>
Capital assets, being depreciated				
Equipment	-	15,373	-	15,373
Less accumulated depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, being depreciated, net	-	15,373	-	15,373
Total capital assets, net	<u>\$ 149,554</u>	<u>\$ 15,373</u>	<u>\$ -</u>	<u>\$ 164,927</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 (South Suburban) pursuant to an intergovernmental agreement. Under the agreement, South Suburban is responsible for the maintenance of the assets conveyed.

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, 2008.

	Balance at December 31, 2007	Additions	Retirements/ Adjustments	Balance at December 31, 2008	Due Within One Year
G.O. Refunding Bonds Series 2003					
Current interest bonds	\$ 5,700,000	\$ -	\$ 560,000	\$ 5,140,000	\$ 575,000
Capital appreciation bonds	920,777	76,114	-	996,891	-
Developer advances					
Refunding Advance Note - principal	271,922	-	271,922	-	-
Refunding Advance Note - interest	3,170	5,867	9,037	-	-
	<u>6,895,869</u>	<u>81,981</u>	<u>840,959</u>	<u>6,136,891</u>	<u>575,000</u>
Less current portion	(521,716)			(539,306)	
Less deferred cost on refunding	(399,766)			(361,483)	(35,694)
Plus bond premium, net of amortization	194,667			158,643	17,381
	<u>\$ 6,169,054</u>			<u>\$ 5,394,745</u>	<u>\$ 556,687</u>

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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%. During 2008, the District repaid all principal and accrued interest under the agreement.

The District's long-term obligations will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 575,000	\$ 169,766	\$ 744,766
2010	515,454	269,404	784,858
2011	481,437	301,751	783,188
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>\$ 6,136,891</u>	<u>\$ 1,408,461</u>	<u>\$ 7,545,352</u>

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008, 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 three components – invested in capital assets, net of related debt, restricted, and unrestricted.

Invested in capital assets, net of related debt:

Capital assets, net	\$ 164,927
Portion of long-term obligations related to District capital assets	<u>(149,554)</u>
Invested in capital asset, net of related debt	<u>\$ 15,373</u>

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, 2008 as follows:

Restricted:

Emergencies	\$ 19,000
Debt service	<u>81,686</u>
	<u>\$ 100,686</u>

The District's unrestricted net assets as of December 31, 2008 totaled \$(5,098,713). 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 – INTERFUND TRANSFERS

The District had the following interfund transfers during the year ended December 31, 2008:

The General Fund transferred \$6,901 to the Capital Projects Fund to pay for initial fund expenditures.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 8 – AGREEMENTS

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 9 – RELATED PARTY TRANSACTIONS

During 2008, 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 10 - 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, 2008. 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, 2008**

NOTE 11 - 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 refunded the excess collections through a temporary mill levy reduction in the 2008 collection year. At December 31, 2008, \$21,913 has been recorded as a TABOR refund liability which is being refunded through a temporary mill levy reduction in the 2009 collection year.

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
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
Year Ended December 31, 2008

	<u>Budget Amounts</u> <u>Original - Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Property taxes	\$ 1,025,284	\$ 1,025,253	\$ (31)
Net investment income	10,000	9,355	(645)
Total revenue	<u>1,035,284</u>	<u>1,034,608</u>	<u>(676)</u>
EXPENDITURES			
County treasurer's fees	15,379	15,410	(31)
Bond principal - Series 2003	560,000	560,000	-
Bond interest - Series 2003	182,086	182,086	-
Paying agent fees	1,000	500	500
Developer reimbursement - principal	271,922	271,922	-
Developer reimbursement - interest	24,000	9,037	14,963
Total expenditures	<u>1,054,387</u>	<u>1,038,955</u>	<u>15,432</u>
NET CHANGE IN FUND BALANCE	(19,103)	(4,347)	14,756
FUND BALANCE - BEGINNING OF YEAR	72,868	86,033	13,165
FUND BALANCE - END OF YEAR	<u>\$ 53,765</u>	<u>\$ 81,686</u>	<u>\$ 27,921</u>

TRAILMARK METROPOLITAN DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
Year Ended December 31, 2008

	Budget Amounts <u>Original - Final</u>	Actual Amounts <u> </u>	Variance with Final Budget Positive (Negative) <u> </u>
EXPENDITURES			
School site negotiations	\$ 15,000	\$ 6,901	\$ 8,099
Legal	5,000	-	5,000
Total expenditures	<u>20,000</u>	<u>6,901</u>	<u>13,099</u>
EXCESS OF REVENUE OVER (UNDER)			
EXPENDITURES	(20,000)	(6,901)	(13,099)
OTHER FINANCING SOURCES (USES)			
Transfer from (to) other fund	20,000	6,901	(13,099)
Total other financing sources (uses)	<u>20,000</u>	<u>6,901</u>	<u>(13,099)</u>
NET CHANGE IN FUND BALANCE	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

**December 31, 2008
(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	
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%
2008	\$ 25,632,090	58.618 *	\$ 1,502,502	\$ 1,527,101	101.6%

Estimated for
year ending
December 31,
2009

\$ 25,639,200 46.653 ** \$ 1,196,145

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.

** includes temporary mill levy reduction of .855 mills.