

TRAILMARK METROPOLITAN DISTRICT
Jefferson County, Colorado

FINANCIAL STATEMENTS
DECEMBER 31, 2011

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
SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Debt Service Fund	19
STATISTICAL INFORMATION	
Summary of Assessed Valuation Mill Levy and Property Taxes Collected	20



SCHILLING & COMPANY, INC.

Certified Public Accountants

P.O. Box 631579
HIGHLANDS RANCH, CO 80163

PHONE: 720.348.1086
FAX: 720.348.2920

Independent Auditor's Report

Board of Directors
TrailMark Metropolitan District
Jefferson County, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of TrailMark Metropolitan District (the District) as of and for the year ended December 31, 2011, 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, 2011, 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.

Management has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 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 are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly

to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The statistical information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

SCHILLING & COMPANY, INC.

May 15, 2012

BASIC FINANCIAL STATEMENTS

TRAILMARK METROPOLITAN DISTRICT
STATEMENT OF NET ASSETS
December 31, 2011

	<u>Governmental Activities</u>
ASSETS	
Cash and investments - unrestricted	\$ 525,095
Cash and investments - restricted	679,463
Cash with County Treasurer	4,568
Prepaid expenses	614
Property taxes receivable	865,278
Bond issuance costs (net of accumulated amortization)	144,259
Capital assets (not being depreciated)	149,554
Capital assets being depreciated (net of accumulated depreciation)	33,459
Total assets	<u>2,402,290</u>
LIABILITIES	
Accounts payable	26,564
Deferred property tax revenue	865,278
Accrued bond interest payable	12,997
Non-current liabilities	
Due within one year	578,175
Due in more than one year	3,914,817
Total liabilities	<u>5,397,831</u>
NET ASSETS	
Invested in capital assets, net of related debt	68,437
Restricted for:	
Emergency reserves	10,000
Debt service	1,411
Unrestricted	(3,075,389)
Total net assets	<u><u>\$ (2,995,541)</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, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 142,410	\$ -	\$ 13,750	\$ -
Interest and expenses on long-term debt	260,141	-	-	(128,660)
	<u>\$ 402,551</u>	<u>\$ -</u>	<u>\$ 13,750</u>	<u>(260,141)</u>
				<u>(388,801)</u>
General revenues:				
Property taxes				904,135
Specific ownership taxes				58,099
Miscellaneous revenue				710
Net investment income				2,055
Total general revenues				<u>964,999</u>
Change in net assets				<u>576,198</u>
Net assets - Beginning				<u>(3,571,739)</u>
Net assets - Ending				<u><u>\$ (2,995,541)</u></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, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments - unrestricted	\$ 525,095	\$ -	\$ 525,095
Cash and investments - restricted	10,000	669,463	679,463
Due from County Treasurer	4,568	-	4,568
Prepaid expenses	614	-	614
Due from other funds	668,052	-	668,052
Property taxes receivable	247,222	618,056	865,278
Total assets	<u>\$ 1,455,551</u>	<u>\$ 1,287,519</u>	<u>\$ 2,743,070</u>
LIABILITIES			
Accounts payable	\$ 26,564	\$ -	\$ 26,564
Due to other funds	-	668,052	668,052
Deferred property tax revenue	247,222	618,056	865,278
Total liabilities	<u>273,786</u>	<u>1,286,108</u>	<u>1,559,894</u>
FUND BALANCES			
Nonspendable			
Prepaid expenses	614	-	614
Restricted			
Emergency reserve	10,000	-	10,000
Debt service	-	1,411	1,411
Assigned for subsequent years expenditures	212,301	-	212,301
Unassigned	958,850	-	958,850
Total fund balances	<u>1,181,765</u>	<u>1,411</u>	<u>1,183,176</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,455,551</u>	<u>\$ 1,287,519</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	183,013
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	144,259
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds	
Bonds payable - net of deferred refunding cost	(4,424,647)
Bond premium, net of accumulated amortization	(68,345)
Accrued interest on long-term obligations	(12,997)
Net assets of governmental activities	<u>\$ (2,995,541)</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, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 258,324	\$ 645,811	\$ 904,135
Specific ownership tax	58,099	-	58,099
HOA cost sharing	13,750	-	13,750
Miscellaneous income	710	-	710
Interest income	1,632	423	2,055
Total revenues	<u>332,515</u>	<u>646,234</u>	<u>978,749</u>
EXPENDITURES			
Management and accounting	25,813	-	25,813
County treasurer's fees	3,877	9,692	13,569
Audit	8,485	-	8,485
Director's fees	3,312	-	3,312
Insurance and bonds	2,694	-	2,694
Legal	10,375	-	10,375
Miscellaneous	2,402	-	2,402
Payroll taxes	588	-	588
Utilities	918	-	918
Maintenance, repairs and supervision	39,781	-	39,781
Fence painting and repairs	28,183	-	28,183
Engineering	5,265	-	5,265
Capital improvements	21,161	-	21,161
Bond principal	-	590,000	590,000
Bond interest	-	155,966	155,966
Paying agent fees	-	500	500
Total expenditures	<u>152,854</u>	<u>756,158</u>	<u>909,012</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>179,661</u>	<u>(109,924)</u>	<u>69,737</u>
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	(43,005)	43,005	-
Total other financing sources (uses)	<u>(43,005)</u>	<u>43,005</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	136,656	(66,919)	69,737
FUND BALANCES - BEGINNING OF YEAR	1,045,109	68,330	1,113,439
FUND BALANCES - END OF YEAR	<u>\$ 1,181,765</u>	<u>\$ 1,411</u>	<u>\$ 1,183,176</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, 2011**

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

Net changes in fund balances - Total governmental funds		\$ 69,737
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.		
Amortization of bond issue costs	(20,609)	
Amortization of deferred charge on refunding	(95,401)	
Amortization of bond premium	46,455	
Depreciation	<u>(1,025)</u>	(70,580)
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		21,161
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	590,000	
Interest accretion on Capital Appreciation Bonds	<u>(34,120)</u>	
		<u>555,880</u>
Change in net assets of governmental activities		<u><u>\$ 576,198</u></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, 2011

	<u>Budget Amounts</u> <u>Original - Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Property taxes	\$ 258,320	\$ 258,324	\$ 4
Specific ownership tax	53,759	58,099	4,340
HOA cost sharing	12,500	13,750	1,250
Miscellaneous income	500	710	210
Interest income	2,500	1,632	(868)
Total revenue	<u>327,579</u>	<u>332,515</u>	<u>4,936</u>
EXPENDITURES			
Management and accounting	53,000	25,813	27,187
County treasurer's fees	3,875	3,877	(2)
Audit	8,000	8,485	(485)
Director's fees	5,000	3,312	1,688
Insurance and bonds	3,000	2,694	306
Legal	15,000	7,899	7,101
Legal - water rights	10,000	2,453	7,547
Legal publications	250	23	227
Miscellaneous	3,500	2,402	1,098
Payroll taxes	1,000	588	412
Utilities	1,000	918	82
Maintenance	54,000	32,964	21,036
Project management - stormwater system	10,000	5,365	4,635
Fence painting and repairs	25,000	28,183	(3,183)
Water quality monitoring	1,000	1,452	(452)
Engineering	-	5,265	(5,265)
Improvements - reservoirs and ponds	10,000	21,161	(11,161)
Emergency reserves	6,200	-	6,200
Total expenditures	<u>209,825</u>	<u>152,854</u>	<u>56,971</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	<u>117,754</u>	<u>179,661</u>	<u>61,907</u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(43,858)	(43,005)	853
Total other financing sources (uses)	<u>(43,858)</u>	<u>(43,005)</u>	<u>853</u>
NET CHANGE IN FUND BALANCE	73,896	136,656	62,760
FUND BALANCE - BEGINNING OF YEAR	1,019,923	1,045,109	25,186
FUND BALANCE - END OF YEAR	<u>\$ 1,093,819</u>	<u>\$ 1,181,765</u>	<u>\$ 87,946</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, 2011**

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, 2011**

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, 2011**

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, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 using the straight line method over the remaining useful lives of the related capital assets beginning in the year subsequent to the asset being placed into service, as applicable. The depreciable lives for the District's capital assets are as follows:

Equipment	15 years
-----------	----------

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.

Fund Balances – Governmental Funds

Beginning with fiscal year 2011, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable fund balance – the amount of fund balance that is not in spendable form (such as inventory or prepaids) or is legally or contractually required to be maintained intact.

Restricted fund balance – the amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District Board of Directors or by an official or body to which the District Board of Directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District Board of Directors has provided otherwise in its commitment or assignment actions.

NOTE 3 - CASH AND INVESTMENTS

Cash and investments as of December 31, 2011 are classified in the accompanying financial statements as follows:

Cash and investments – Unrestricted	\$ 525,095
Cash and investments – Restricted	<u>679,463</u>
	<u><u>\$1,204,558</u></u>

Cash and investments in the amount of \$10,000 and \$669,463 have been restricted for emergencies and debt service, respectively.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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.

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, 2011, the District's cash deposits had a bank balance of \$6,508 and a carrying balance of \$5,783.

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, 2011, 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>\$ 1,198,775</u>

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

COLOTRUST

At December 31, 2011, the District has invested \$1,198,775 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.

NOTE 4 - CAPITAL ASSETS

An analysis of the changes in capital assets for the year ended December 31, 2011 follows:

	Balance at December 31, 2010	Increases	Decreases	Balance at December 31, 2011
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	21,161	-	36,534
Less accumulated depreciation	<u>(2,050)</u>	<u>(1,025)</u>	<u>-</u>	<u>(3,075)</u>
Total capital assests, being depreciated, net	<u>13,323</u>	<u>20,136</u>	<u>-</u>	<u>33,459</u>
Total capital assets, net	<u><u>\$ 162,877</u></u>	<u><u>\$ 20,136</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 183,013</u></u>

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - CAPITAL ASSETS (CONTINUED)

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, 2011:

	Balance at December 31, 2010	Additions	Retirements/ Adjustments	Balance at December 31, 2011	Due Within One Year
G.O. Refunding Bonds Series 2003					
Current interest bonds	\$ 4,565,000	\$ -	\$ -	\$ 4,565,000	\$ 595,000
Capital appreciation bonds	555,880	34,120	590,000	-	-
	5,120,880	<u>\$ 34,120</u>	<u>\$ 590,000</u>	4,565,000	595,000
Less deferred cost on refunding	(235,754)			(140,353)	(32,793)
Plus bond premium, net of amortization	114,800			68,345	15,968
Less current portion	(506,934)			(578,175)	
	<u>\$ 4,492,992</u>			<u>\$ 3,914,817</u>	<u>\$ 578,175</u>

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 on December 1, 2013, or on any date thereafter, at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date. 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 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.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 – LONG-TERM OBLIGATIONS (CONTINUED)

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

	Principal	Interest	Total
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
2017-2018	1,410,000	79,340	1,489,340
	<u>\$ 4,565,000</u>	<u>\$ 667,540</u>	<u>\$ 5,232,540</u>

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, 2011, the District had issued \$8,334,977 of general obligation refunding bonds. The remaining \$1,865,023 of authorization is reserved for reimbursement of developer advances.

NOTE 6 – FUND EQUITY

At December 31, 2011, the District reported the following classifications of fund equity.

Nonspendable Fund Balance

The nonspendable fund balance in the General Fund in the amount of \$614 is comprised of prepaid amounts which are not in spendable form.

Restricted Fund Balance

The restricted fund balance in the General Fund in the amount of \$10,000 is comprised of the Emergency Reserves that have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado.

The restricted fund balance in the Debt Service Fund in the amount of \$1,411 is to be used exclusively for debt service requirements.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 6 – FUND EQUITY (CONTINUED)

Assigned Fund Balance

The assigned fund balance in the General Fund in the amount of \$212,301 is comprised of amounts assigned by the Board of Directors by a resolution to eliminate the projected budgetary deficit in the subsequent years budget.

NOTE 7 - 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	\$ 183,013
Portion of long-term obligations related to District capital assets	<u>(114,576)</u>
Invested in capital asset, net of related debt	<u>\$ 68,437</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, 2011 as follows:

Restricted:

Emergency reserves	\$ 10,000
Debt service	<u>1,411</u>
	<u>\$ 11,411</u>

The District's unrestricted net assets as of December 31, 2011 totaled \$(3,075,389). 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 8 – INTERFUND TRANSFERS

The District had the following interfund transfers during the year ended December 31, 2011:

The General Fund transferred \$43,005 to the Debt Service Fund for debt service requirements.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 9 – 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. The District paid \$2,283 to the Association in 2011.

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, 2011. 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.

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.

**TRAILMARK METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 11 - TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

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 in 2008 and 2009 through a temporary mill levy reduction.

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.

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
Year Ended December 31, 2011

	<u>Budget Amounts</u> <u>Original - Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE			
Property taxes	\$ 645,801	\$ 645,811	\$ 10
Interest income	1,000	423	(577)
Total revenue	<u>646,801</u>	<u>646,234</u>	<u>(567)</u>
EXPENDITURES			
County treasurer's fees	9,687	9,692	(5)
Bond principal - Series 2003	590,000	590,000	-
Bond interest - Series 2003	155,966	155,966	-
Paying agent fees	1,000	500	500
Total expenditures	<u>756,653</u>	<u>756,158</u>	<u>495</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(109,852)</u>	<u>(109,924)</u>	<u>(72)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from (to) other funds	43,858	43,005	(853)
Total other financing sources (uses)	<u>43,858</u>	<u>43,005</u>	<u>(853)</u>
NET CHANGE IN FUND BALANCE	(65,994)	(66,919)	(925)
FUND BALANCE - BEGINNING OF YEAR	65,994	68,330	2,336
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 1,411</u>	<u>\$ 1,411</u>

STATISTICAL INFORMATION

**TRAILMARK METROPOLITAN DISTRICT
SUMMARY OF ASSESSED VALUATION MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2011**

Year Ended December 31,	Prior Year Assessed Valuation for Current Year Property Tax Levy	Mills Levied	Property Taxes		Percentage Collected to Levied
			Levied	Collected	
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 a	\$ 1,502,502	\$ 1,527,101	101.6%
2009	\$ 25,639,200	46.653 b	\$ 1,196,145	\$ 1,217,760	101.8%
2010	\$ 25,599,550	42.500 c	\$ 1,087,981	\$ 1,087,979	100.0%
2011	\$ 25,832,040	35.000 d	\$ 904,121	\$ 904,135	100.0%
Estimated for year ending December 31, 2012	\$ 24,720,083	35.000 d	\$ 865,203		

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.

- a includes temporary mill levy reduction of .889 mills.
- b includes temporary mill levy reduction of .855 mills.
- c includes temporary mill levy reduction of 7.501 mills.
- d includes temporary mill levy reduction of 9.501 mills.