

**TRAILMARK METROPOLITAN DISTRICT**  
**Jefferson County, Colorado**

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

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### **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 (District) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## 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, 2012, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has not presented the management's discussion and analysis that governmental 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information 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.*

Highlands Ranch, Colorado  
May 21, 2013

## **BASIC FINANCIAL STATEMENTS**

**TRAILMARK METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2012**

	<b><u>Governmental Activities</u></b>
<b>ASSETS</b>	
Cash and investments - unrestricted	\$ 1,214,480
Cash and investments - restricted	3,635
Cash with County Treasurer	4,759
Accounts receivable	448
Prepaid expenses	994
Property taxes receivable	867,993
Capital assets (not being depreciated)	149,554
Capital assets being depreciated (net of accumulated depreciation)	31,023
Total assets	<u>2,272,886</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on bond refunding	107,560
Total deferred outflow of resources	<u>107,560</u>
<b>LIABILITIES</b>	
Accounts payable	11,609
Accrued bond interest payable	11,510
Non-current liabilities	
Due within one year	624,141
Due in more than one year	3,398,236
Total liabilities	<u>4,045,496</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	867,993
Total deferred inflows of resources	<u>867,993</u>
<b>NET POSITION</b>	
Net investment in capital assets	80,559
Restricted for:	
Emergency reserves	9,500
Unrestricted	(2,623,102)
Total net position	<u><u>\$ (2,533,043)</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, 2012**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense)</b>
		<b>Charges for</b>	<b>Operating</b>	<b>Capital Grants</b>	<b>Revenue and</b>
		<b>Services</b>	<b>Grants and</b>	<b>and</b>	<b>Changes in Net</b>
			<b>Contributions</b>	<b>Contributions</b>	<b>Position</b>
					<b>Governmental</b>
					<b>Activities</b>
Primary government:					
Governmental activities:					
General government	\$ 154,368	\$ -	\$ 1,437	\$ -	\$ (152,931)
Interest and expenses on long-term debt	171,804	-	-	-	(171,804)
	<u>\$ 326,172</u>	<u>\$ -</u>	<u>\$ 1,437</u>	<u>\$ -</u>	<u>(324,735)</u>
General revenues:					
Property taxes					865,004
Specific ownership taxes					61,106
Miscellaneous revenue					1,217
Net investment income					4,165
Total general revenues					<u>931,492</u>
Change in net position					606,757
Net position - Beginning (Restated)					(3,139,800)
Net position - Ending					<u>\$ (2,533,043)</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, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and investments - unrestricted	\$ 1,214,480	\$ -	\$ 1,214,480
Cash and investments - restricted	-	3,635	3,635
Due from County Treasurer	4,818	-	4,818
Accounts receivable	448	-	448
Prepaid expenses	994	-	994
Due from other funds	638	-	638
Property taxes receivable	247,998	619,995	867,993
Total assets	<u>\$ 1,469,376</u>	<u>\$ 623,630</u>	<u>\$ 2,093,006</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 11,609	\$ -	\$ 11,609
Due to other governments	-	59	59
Due to other funds	-	638	638
Total liabilities	<u>11,609</u>	<u>697</u>	<u>12,306</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	247,998	619,995	867,993
Total deferred inflows of resources	<u>247,998</u>	<u>619,995</u>	<u>867,993</u>
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid expenses	994	-	994
Spendable			
Restricted			
Emergency reserve	9,500	-	9,500
Debt service	-	2,938	2,938
Committed			
Asset replacement	175,000	-	175,000
Assigned for subsequent years expenditures	32,926	-	32,926
Unassigned	991,349	-	991,349
Total fund balances	<u>1,209,769</u>	<u>2,938</u>	<u>1,212,707</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 1,469,376</u>	<u>\$ 623,630</u>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	180,577
Deferred loss on bond refunding	107,560
Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds	
Bonds payable	(3,970,000)
Bond premium, net of accumulated amortization	(52,377)
Accrued interest on long-term obligations	(11,510)
Net position of governmental activities	<u>\$ (2,533,043)</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, 2012**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 247,144	\$ 617,860	\$ 865,004
Specific ownership tax	61,106	-	61,106
HOA cost sharing	1,437	-	1,437
Miscellaneous income	1,217	-	1,217
Interest income	3,223	942	4,165
Total revenues	<u>314,127</u>	<u>618,802</u>	<u>932,929</u>
<b>EXPENDITURES</b>			
Management and accounting	29,631	-	29,631
County treasurer's fees	3,710	9,274	12,984
Audit	7,521	-	7,521
Director's fees	3,500	-	3,500
Election expense	1,780	-	1,780
Insurance and bonds	3,622	-	3,622
Legal	12,279	-	12,279
Miscellaneous	3,471	-	3,471
Payroll taxes	271	-	271
Utilities	1,430	-	1,430
Maintenance, repairs and supervision	57,088	-	57,088
Fence painting and repairs	11,800	-	11,800
Engineering	6,555	-	6,555
Bond principal	-	595,000	595,000
Bond interest	-	155,966	155,966
Paying agent fees	-	500	500
Total expenditures	<u>142,658</u>	<u>760,740</u>	<u>903,398</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>171,469</u>	<u>(141,938)</u>	<u>29,531</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from (to) other funds	<u>(143,465)</u>	<u>143,465</u>	<u>-</u>
Total other financing sources (uses)	<u>(143,465)</u>	<u>143,465</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	28,004	1,527	29,531
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,181,765</u>	<u>1,411</u>	<u>1,183,176</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ 1,209,769</u></u>	<u><u>\$ 2,938</u></u>	<u><u>\$ 1,212,707</u></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, 2012**

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

Net changes in fund balances - Total governmental funds		\$ 29,531
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation		(2,436)
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 deferred loss on refunding	(32,793)	
Amortization of bond premium	15,968	
Change in accrued bond interest payable	<u>1,487</u>	(15,338)
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 Position.		
Principal payments- bonds payable		<u>595,000</u>
Change in net position of governmental activities		<u><u>\$ 606,757</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, 2012**

	<u>Budget Amounts</u> <u>Original - Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE</b>			
Property taxes	\$ 247,222	\$ 247,144	\$ (78)
Specific ownership tax	45,000	61,106	16,106
HOA cost sharing	15,000	1,437	(13,563)
Miscellaneous income	500	1,217	717
Interest income	2,000	3,223	1,223
Total revenue	<u>309,722</u>	<u>314,127</u>	<u>4,405</u>
<b>EXPENDITURES</b>			
Management and accounting	30,200	29,631	569
County treasurer's fees	3,708	3,710	(2)
Audit	9,000	7,521	1,479
Director's fees	5,000	3,500	1,500
Election expense	12,000	1,780	10,220
Insurance and bonds	2,500	3,622	(1,122)
Legal	15,000	3,095	11,905
Legal - water rights	10,000	9,162	838
Legal publications	250	22	228
Miscellaneous	3,500	3,471	29
Payroll taxes	1,500	271	1,229
Utilities	1,700	1,430	270
Maintenance	48,500	46,930	1,570
Project management - stormwater system	4,000	-	4,000
Fence painting and repairs	30,000	11,800	18,200
Water quality monitoring	1,000	1,195	(195)
Engineering	10,000	6,555	3,445
Improvements - reservoirs and ponds	10,000	8,963	1,037
Emergency reserves	6,200	-	6,200
Asset replacement reserve	175,000	-	175,000
Total expenditures	<u>379,058</u>	<u>142,658</u>	<u>236,400</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<u>(69,336)</u>	<u>171,469</u>	<u>240,805</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	(142,965)	(143,465)	(500)
Total other financing sources (uses)	<u>(142,965)</u>	<u>(143,465)</u>	<u>(500)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(212,301)	28,004	240,305
<b>FUND BALANCE - BEGINNING OF YEAR</b>	1,267,836	1,181,765	(86,071)
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 1,055,535</u>	<u>\$ 1,209,769</u>	<u>\$ 154,234</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, 2012**

**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 position 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 position reports all financial and capital resources of the District. The difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources of the District is reported as net position.

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**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, 2012**

**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 inflows of resources in the year they are levied and measurable. The deferred inflows of resources related to property tax are recorded as revenue in the year they are available or collected.

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**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
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**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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

**Deferred Loss on Bond Refunding**

In the government-wide financial statements, the deferred loss on bond refunding is reported as a deferred outflow of resources and is being amortized using the interest method over the life of the new bonds. The amortization amount is a component of interest expense.

**Fund Balances – Governmental Funds**

The District's governmental fund balances may consist of five classifications based on the relative strength of the spending constraints:

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2012 are classified in the accompanying financial statements as follows:

Cash and investments – Unrestricted	\$1,214,480
Cash and investments – Restricted	<u>3,635</u>
	<u>\$1,218,115</u>



**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**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, 2012, the District's cash deposits had a bank balance of \$5,207 and a carrying balance of \$4,709.

**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, 2012, the District had the following investments:

<b><u>Investment</u></b>	<b><u>Maturity</u></b>	<b><u>Fair Value</u></b>
Colorado Local Government Liquid Asset Trust (COLOTRUST)	Weighted average under 60 days	<u>\$ 1,213,406</u>

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 3 - CASH AND INVESTMENTS (CONTINUED)**

**COLOTRUST**

During 2012, the District invested in the Colorado Local Government Liquid Asset Trust (Colotrust) 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 Colotrust. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. Colotrust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U. S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of the U.S. government agencies, highest rated commercial paper, and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for Colotrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for Colotrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by Colotrust. As of December 31, 2012, the District had \$1,213,406 invested in COLOTRUST PLUS+ in the name of the District. Colotrust is rated AAAM by Standard and Poor's.

Cash and investments of \$3,635 are restricted in the Debt Service Fund for servicing the District bond obligations.

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2012 follows:

	<b>Balance at December 31, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2012</b>
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	36,534	-	-	36,534
Less accumulated depreciation	<u>(3,075)</u>	<u>(2,436)</u>	<u>-</u>	<u>(5,511)</u>
Total capital assests, being depreciated, net	<u>33,459</u>	<u>(2,436)</u>	<u>-</u>	<u>31,023</u>
Total capital assets, net	<u><u>\$ 183,013</u></u>	<u><u>\$ (2,436)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 180,577</u></u>

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**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, 2012:

	Balance at December 31, 2011	Additions	Retirements/ Adjustments	Balance at December 31, 2012	Due Within One Year
G.O. Refunding Bonds Series 2003	\$ 4,565,000	\$ -	\$ 595,000	\$ 3,970,000	\$ 610,000
Plus bond premium, net of amortization	68,345	-	15,968	52,377	14,141
	4,633,345	<u>\$ -</u>	<u>\$ 610,968</u>	4,022,377	624,141
Less current portion	(578,175)			(624,141)	
	<u>\$ 4,055,170</u>			<u>\$ 3,398,236</u>	<u>\$ 624,141</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 were due and paid 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.

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

	Principal	Interest	Total
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>\$ 3,970,000</u>	<u>\$ 511,574</u>	<u>\$ 4,481,574</u>

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**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, 2012, 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, 2012, the District reported the following classifications of fund equity.

**Nonspendable Fund Balance**

The nonspendable fund balance in the General Fund in the amount of \$994 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 \$9,500 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 \$2,938 is to be used exclusively for debt service requirements.

**Committed Fund Balance**

The committed fund balance in the General Fund in the amount of \$175,000 has been committed for asset replacement.

**Assigned Fund Balance**

The assigned fund balance in the General Fund in the amount of \$32,926 is comprised of amounts assigned by the Board of Directors by a resolution to eliminate the projected budgetary deficit in the subsequent years budget.

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 7 - NET POSITION**

The District has a net position consisting of three components – net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets:

Capital assets, net	\$ 180,577
Portion of long-term obligations related to District capital assets	<u>(100,018)</u>
Net investment in capital assets	<u>\$ 80,559</u>

The restricted portion of the net position includes amounts that are restricted for use either externally by creditors, grantors, contributors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. The District's restricted net position at December 31, 2012 is as follows:

Restricted:

Emergency reserves	<u>\$ 9,500</u>
	<u>\$ 9,500</u>

The District's unrestricted net position as of December 31, 2012 totaled \$(2,623,102). 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, 2012:

The General Fund transferred \$143,465 to the Debt Service Fund for debt service requirements.

**NOTE 9 – AGREEMENTS**

**TrailMark Homeowners' Association, Inc. – Maintenance Agreement**

On September 3, 2006, the District entered into an Amended and Restated Maintenance Agreement (Agreement) with the TrailMark Homeowners' Association (the Association) to be effective January 1, 2006. The Second Amendment and Restatement to the Agreement was executed on July 20, 2010. 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 \$8,494 to the Association in 2012.

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**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, 2012. 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.

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.

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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.

**NOTE 12 – NEW GASB STANDARDS**

For the year ended December 31, 2012, the District implemented the following GASB Statements:

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – GASBS No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes the following elements: assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* – GASBS No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously recorded as assets and liabilities. Although this Statement is effective for periods beginning after December 15, 2012, the District elected to early implement it in fiscal year 2012 in conjunction with the implementation of GASBS No. 63.

**NOTE 13 – NET POSITION RESTATEMENT**

The District has restated the prior year's net position due to early implementation of GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities." The net change is as follows:

Net assets - governmental activities - as originally reported December 31, 2011	\$ (2,995,541)
Adjustment for the implementation of GASB 65 related to the bond issue costs	(144,259)
Net position - restated December 31, 2011	<u><u>\$ (3,139,800)</u></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**  
**Year Ended December 31, 2012**

	<u>Budget Amounts</u> <u>Original - Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE</b>			
Property taxes	\$ 618,056	\$ 617,860	\$ (196)
Interest income	445	942	497
Total revenue	<u>618,501</u>	<u>618,802</u>	<u>301</u>
<b>EXPENDITURES</b>			
County treasurer's fees	9,500	9,274	226
Bond principal - Series 2003	595,000	595,000	-
Bond interest - Series 2003	155,966	155,966	-
Paying agent fees	1,000	500	500
Total expenditures	<u>761,466</u>	<u>760,740</u>	<u>726</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(142,965)</u>	<u>(141,938)</u>	<u>1,027</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from (to) other funds	142,965	143,465	500
Total other financing sources (uses)	<u>142,965</u>	<u>143,465</u>	<u>500</u>
<b>NET CHANGE IN FUND BALANCE</b>	-	1,527	1,527
<b>FUND BALANCE - BEGINNING OF YEAR</b>	-	1,411	1,411
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ 2,938</u></u>	<u><u>\$ 2,938</u></u>

## **OTHER INFORMATION**

**TRAILMARK METROPOLITAN DISTRICT  
SUMMARY OF ASSESSED VALUATION MILL LEVY  
AND PROPERTY TAXES COLLECTED  
December 31, 2012**

<b>Year Ended December 31,</b>	<b>Prior Year Assessed Valuation for Current Year Property</b>		<b>Mills Levied</b>	<b>Property Taxes</b>		<b>Percentage Collected to Levied</b>
	<b>Tax Levy</b>			<b>Levied</b>	<b>Collected</b>	
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%
2012	\$ 24,720,083		35.000 d	\$ 865,203	\$ 865,004	100.0%

Estimated for  
year ending  
December 31,  
2013

\$ 24,799,801      35.000 d      \$ 867,993

**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.