

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

**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

## Table of Contents

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	I
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide financial statements	
Statement of Net Position	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 Financial Statements	7
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Debt Service Fund	20
<b>OTHER INFORMATION</b>	
Summary of Assessed Valuation Mill Levy and Property Taxes Collected	21



## SCHILLING & COMPANY, INC.

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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, 2015, 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 from 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, 2015, 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 is 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  
July 21, 2016

## **BASIC FINANCIAL STATEMENTS**

**TRAILMARK METROPOLITAN DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2015**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments - unrestricted	\$ 1,157,214
Cash and investments - restricted	2,381
Cash with County Treasurer	5,226
Prepaid expenses	3,909
Property taxes receivable	823,395
Capital assets (not being depreciated)	149,554
Capital assets being depreciated (net of accumulated depreciation)	23,717
Total assets	<u>2,165,396</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred loss on bond refunding	32,797
Total deferred outflow of resources	<u>32,797</u>
<b>LIABILITIES</b>	
Accounts payable	37,786
Accrued bond interest payable	6,387
Non-current liabilities	
Due within one year	677,847
Due in more than one year	1,418,124
Total liabilities	<u>2,140,144</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred property tax revenue	823,395
Total deferred inflows of resources	<u>823,395</u>
<b>NET POSITION</b>	
Net investment in capital assets	120,869
Restricted for:	
Emergency reserves	9,620
Unrestricted	(895,835)
Total net position	<u>\$ (765,346)</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, 2015**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Primary government:					
Governmental activities:					
General government	\$ 136,415	\$ -	\$ 18,240	\$ -	\$ (118,175)
Interest and expenses on long-term debt	88,230	-	-	-	(88,230)
	<u>\$ 224,645</u>	<u>\$ -</u>	<u>\$ 18,240</u>	<u>\$ -</u>	<u>(206,405)</u>
General revenues:					
Property tax					723,037
Specific ownership tax					60,208
Net investment income					2,007
Total general revenues					<u>785,252</u>
Change in net position					578,847
Net position - Beginning					(1,344,193)
Net position - Ending					<u>\$ (765,346)</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, 2015**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and investments - unrestricted	\$ 1,157,214	\$ -	\$ 1,157,214
Cash and investments - restricted	-	2,381	2,381
Due from County Treasurer	5,226	-	5,226
Prepaid expenditures	3,909	-	3,909
Property taxes receivable	274,465	548,930	823,395
Total assets	\$ 1,440,814	\$ 551,311	\$ 1,992,125
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 37,786	\$ -	\$ 37,786
Total liabilities	37,786	-	37,786
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred property tax revenue	274,465	548,930	823,395
Total deferred inflows of resources	274,465	548,930	823,395
<b>FUND BALANCES</b>			
Nonspendable			
Prepaid expenditures	3,909	-	3,909
Spendable			
Restricted			
Emergency Reserves	9,620	-	9,620
Debt Service	-	2,381	2,381
Committed			
Asset replacement	250,000	-	250,000
Assigned for subsequent year's expenditures	106,055	-	106,055
Unassigned	758,979	-	758,979
Total fund balances	1,128,563	2,381	1,130,944
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
	\$ 1,440,814	\$ 551,311	

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, not reported in the funds	173,271
Deferred loss on bond refunding	32,797
Bonds payable	(2,080,000)
Bond premium, net of accumulated amortization	(15,971)
Accrued interest on long-term obligations	(6,387)
Net position of governmental activities	\$ (765,346)

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, 2015**

	<b>General</b>	<b>Debt Service</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property taxes	\$ 241,012	\$ 482,025	\$ 723,037
Specific ownership tax	60,208	-	60,208
HOA cost sharing	18,240	-	18,240
Interest income	1,282	725	2,007
Total revenues	320,742	482,750	803,492
<b>EXPENDITURES</b>			
Management and accounting	27,078	-	27,078
County treasurer's fees	3,616	7,232	10,848
Audit	7,467	-	7,467
Director's fees	2,700	-	2,700
Insurance and bonds	3,871	-	3,871
Legal	2,338	-	2,338
Legal publications	19	-	19
Miscellaneous	165	-	165
Payroll taxes	207	-	207
Utilities	795	-	795
Maintenance, repairs and supervision	12,138	-	12,138
Fence painting and repairs	36,481	-	36,481
Stormwater system maintenance	29,872	-	29,872
Bond principal	-	645,000	645,000
Bond interest	-	78,703	78,703
Paying agent fees	-	550	550
Total expenditures	126,747	731,485	858,232
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	193,995	(248,735)	(54,740)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from (to) other funds	(249,000)	249,000	-
Total other financing sources (uses)	(249,000)	249,000	-
<b>NET CHANGE IN FUND BALANCES</b>	(55,005)	265	(54,740)
<b>FUND BALANCES - BEGINNING OF YEAR</b>	1,183,568	2,116	1,185,684
<b>FUND BALANCES - END OF YEAR</b>	\$ 1,128,563	\$ 2,381	\$ 1,130,944

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, 2015**

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

Net changes in fund balances - Total governmental funds		\$ (54,740)
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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)
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in amortization of deferred loss on refunding	(20,693)	
Amortization of bond premium	10,076	
Change in accrued bond interest payable	1,640	(8,977)

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		645,000
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Change in net position of governmental activities		\$ 578,847
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These financial statements should be read only in connection with  
the accompanying notes to financial statements.

**TRAILMARK METROPOLITAN DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCE - BUDGET and ACTUAL**  
**GENERAL FUND**  
**Year Ended December 31, 2015**

	<u>Budget</u> <u>Amounts</u> <u>Original - Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
<b>REVENUE</b>			
Property taxes	\$ 241,037	\$ 241,012	\$ (25)
Specific ownership tax	60,000	60,208	208
HOA cost sharing	17,000	18,240	1,240
Miscellaneous income	2,000	-	(2,000)
Interest income	500	1,282	782
Total revenue	<u>320,537</u>	<u>320,742</u>	<u>205</u>
<b>EXPENDITURES</b>			
Management and accounting	31,200	27,078	4,122
County treasurer's fees	3,615	3,616	(1)
Audit	8,000	7,467	533
Director's fees	5,000	2,700	2,300
Insurance and bonds	4,500	3,871	629
Legal	10,000	2,338	7,662
Legal publications	250	19	231
Miscellaneous	3,500	165	3,335
Payroll taxes	500	207	293
Utilities	1,500	795	705
Maintenance - general	1,500	1,648	(148)
Maintenance - HOA	10,000	10,490	(490)
Fence painting, repairs and incidentals	41,000	36,481	4,519
Stormwater system maintenance	63,000	29,872	33,128
Emergency reserves	10,000	-	10,000
Asset replacement reserve	25,000	-	25,000
Total expenditures	<u>218,565</u>	<u>126,747</u>	<u>91,818</u>
<b>EXCESS OF REVENUES OVER</b>			
<b>EXPENDITURES</b>	<u>101,972</u>	<u>193,995</u>	<u>92,023</u>
<b>OTHER FINANCING USES</b>			
Transfers out	<u>(249,000)</u>	<u>(249,000)</u>	<u>-</u>
Total other financing uses	<u>(249,000)</u>	<u>(249,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(147,028)	(55,005)	92,023
<b>FUND BALANCE - BEGINNING OF YEAR</b>	892,281	1,183,568	291,287
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 745,253</u>	<u>\$ 1,128,563</u>	<u>\$ 383,310</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, 2015**

**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, 2015**

**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 and specific ownership 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 District.

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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.

For District management purposes, the District adopts budgets for the General Fund, Capital Asset Replacement Reserve Fund and the Debt Service Fund. However, for financial reporting purposes, the Capital Asset Replacement Reserve Fund is combined into the General Fund.

For the year ended December 31, 2015, supplementary appropriations approved by the District's Board of Directors modified the appropriation from \$730,646 to \$731,730 in the Debt Service Fund.

**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 30 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.

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

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.

**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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**Deferred Inflows and Deferred Outflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period (or periods) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has only one item that qualifies for reporting in this category. It is the deferred loss on bond refunding reported in the government-wide statement of net position. A deferred loss on bond refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period (or periods) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Deferred inflows of resources reported in the governmental funds for unavailable revenues are property taxes levied for the ensuing year.

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

**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:

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.



**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

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, 2015 are classified in the accompanying financial statements as follows:

Cash and investments – Unrestricted	\$1,157,214
Cash and investments – Restricted	<u>2,381</u>
	<u>\$1,159,595</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.

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, 2015, the District's cash deposits had a bank balance of \$5,500 and a carrying balance of \$4,473.

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

**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, 2015, 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>\$ 1,155,122</u>

**COLOTRUST**

During 2015, 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

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

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, 2015, the District had \$1,155,122 invested in COLOTRUST PLUS+ in the name of the District. Colotrust is rated AAAM by Standard and Poor's.

Cash and investments of \$2,381 are restricted for servicing the District bond obligations.

**NOTE 4 - CAPITAL ASSETS**

An analysis of the changes in capital assets for the year ended December 31, 2015 follows:

	<b>Balance at December 31, 2014</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance at December 31, 2015</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>(10,381)</u>	<u>(2,436)</u>	<u>-</u>	<u>(12,817)</u>
Total capital assests, being depreciated, net	<u>26,153</u>	<u>(2,436)</u>	<u>-</u>	<u>23,717</u>
Total capital assets, net	<u><u>\$ 175,707</u></u>	<u><u>\$ (2,436)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 173,271</u></u>

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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, 2015:

	Balance at December 31, 2014	Additions	Retirements/ Adjustments	Balance at December 31, 2015	Due Within One Year
G.O. Refunding Bonds Series 2003	\$ 2,725,000	\$ -	\$ 645,000	\$ 2,080,000	\$ 670,000
Plus bond premium, net of amortization	26,047	-	10,076	15,971	7,847
	<u>2,751,047</u>	<u>\$ -</u>	<u>\$ 655,076</u>	2,095,971	<u>\$ 677,847</u>
Less current portion	<u>(655,076)</u>			<u>(677,847)</u>	
	<u>\$ 2,095,971</u>			<u>\$ 1,418,124</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 2014 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, 2014, 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.

In January 2015, the District opted to pay the 2015 principal amount of \$645,000 ahead of schedule to reduce interest costs.

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

	Principal	Interest	Total
2016	\$ 670,000	\$ 76,648	\$ 746,648
2017	695,000	52,527	747,527
2018	715,000	26,813	741,813
	<u>\$ 2,080,000</u>	<u>\$ 155,988</u>	<u>\$ 2,235,988</u>

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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, 2015, 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, 2015, the District reported the following classifications of fund equity.

**Nonspendable Fund Balance**

The nonspendable fund balance in the General Fund in the amount of \$3,909 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 \$9,620 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 \$2,381 is to be used exclusively for debt service requirements.

**Committed Fund Balance**

The committed fund balance in the General Fund in the amount of \$250,000 has been committed for capital asset replacement.

**Assigned Fund Balance**

The assigned fund balance in the General Fund in the amount of \$106,055 is for subsequent year's expenditures.

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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	\$ 173,271
Portion of long-term obligations related to District capital assets	<u>(52,402)</u>
Net investment in capital assets	<u>\$ 120,869</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, 2015 is as follows:

Restricted:

Emergency reserves	<u>\$ 9,620</u>
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The District's unrestricted net position as of December 31, 2015 totaled \$(895,835). 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, 2015:

The General Fund transferred \$249,000 to the Debt Service Fund for debt service requirements.

**NOTE 9 – AGREEMENT**

**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 (Association) to be effective January 1, 2006. The Fourth Amended and Restated Maintenance Agreement was executed on November 15, 2015. 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 District has also agreed to pay 50% of expenses related to the maintenance, replacement and repair of fencing in the

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 9 – AGREEMENT (CONTINUED)**

District, as outlined in the Agreement, when undertaken as a complete project or replacement of the fence, other than incidental (less than \$1,000) painting or repairs. 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 incurred expenses in the amount of \$10,490 related to this Agreement in 2015.

**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, 2015. 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.

**TRAILMARK METROPOLITAN DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

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

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'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, 2015**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Property taxes	\$ 482,074	\$ 482,074	\$ 482,025	\$ (49)
Interest income	100	100	725	625
Total revenue	<u>482,174</u>	<u>482,174</u>	<u>482,750</u>	<u>576</u>
<b>EXPENDITURES</b>				
County treasurer's fees	7,230	7,230	7,232	(2)
Bond principal - Series 2003	645,000	645,000	645,000	-
Bond interest - Series 2003	77,416	78,500	78,703	(203)
Paying agent fees	1,000	1,000	550	450
Total expenditures	<u>730,646</u>	<u>731,730</u>	<u>731,485</u>	<u>245</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(248,472)</u>	<u>(249,556)</u>	<u>(248,735)</u>	<u>821</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	249,000	249,000	249,000	-
Total other financing sources	<u>249,000</u>	<u>249,000</u>	<u>249,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	528	(556)	265	821
<b>FUND BALANCE - BEGINNING OF YEAR</b>	1,655	1,655	2,116	461
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,183</u>	<u>\$ 1,099</u>	<u>\$ 2,381</u>	<u>\$ 1,282</u>

**OTHER INFORMATION**

**TRAILMARK METROPOLITAN DISTRICT  
SUMMARY OF ASSESSED VALUATION MILL LEVY  
AND PROPERTY TAXES COLLECTED  
Year Ended December 31, 2015**

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%
2012	\$ 24,720,083	35.000 d	\$ 865,203	\$ 865,004	100.0%
2013	\$ 24,799,801	35.000 d	\$ 867,993	\$ 867,909	100.0%
2014	\$ 24,076,400	30.000 e	\$ 722,292	\$ 722,274	100.0%
2015	\$ 24,103,701	30.000 e	\$ 723,111	\$ 723,037	100.0%
Estimated for year ending December 31, 2016	\$ 27,446,523	30.000 e	\$ 823,395		

**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.
- e includes an operating temporary mill levy reduction of 9.501 mills and a reduction of 5.000 mills for debt service.