

**Todd Creek Farms Metropolitan District No. 1
(Adams County, Colorado)**

FINANCIAL STATEMENTS

with Independent Auditors' Report

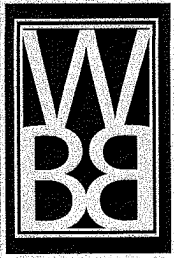
December 31, 2007

Todd Creek Farms Metropolitan District No. 1

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Mark E. Wagner, CPA
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Eric S. Barnes, CPA

Independent Auditors' Report

Board of Directors
Todd Creek Farms Metropolitan District No. 1
Adams County, Colorado

We have audited the accompanying basic financial statements of Todd Creek Farms Metropolitan District No. 1, as of December 31, 2007 and 2006, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

The District has not presented management's discussion and analysis that the Governmental Accounting Standards Board had determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of Todd Creek Farms Metropolitan District No. 1, as of December 31, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming opinions on the basic financial statements. 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 of the District. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wagner, Burke & Barnes, LLP

August 21, 2008
Golden, Colorado

Todd Creek Farms Metropolitan District No. 1

STATEMENTS OF NET ASSETS

December 31, 2007 and 2006

	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 22,515	\$ 180,139
Cash and cash equivalents - restricted	5,420,136	9,188,911
Accounts receivable	163,750	63,814
Prepaid expenses	140,594	-
Developer accounts receivable	-	149,168
Developer notes receivable - current	845,341	921,304
Total current assets	6,592,336	10,503,336
Capital assets		
Water rights	5,680,261	5,378,718
Operating system and storage	49,498,009	45,214,437
	55,178,270	50,593,155
Accumulated depreciation	(3,647,031)	(2,404,810)
Total capital assets	51,531,239	48,188,345
Other assets		
Escrow funds	200,006	210,000
Bond issuance costs (net of accumulated amortization of \$1,145,002 and \$763,334, respectively)	1,624,772	2,006,439
Certificates of Participation issuance costs (net of accumulated amortization of \$31,129 and \$10,605, respectively)	213,744	234,268
Certificates of Participation discount (net of accumulated amortization of \$19,266 and \$6,564, respectively)	132,284	144,986
Total other assets	2,170,806	2,595,693
TOTAL ASSETS	60,294,381	61,287,374
LIABILITIES		
Current liabilities		
Accounts payable	\$ 81,110	\$ 106,502
Retainage payable	-	3,486
Accrued interest payable	88,260	97,404
Line of credit payable	1,255,050	624,050
Miscellaneous payable	-	15,775
Total current liabilities	1,424,420	847,217
Long-term liabilities		
Bonds and certificates of participation payable	27,785,000	30,095,000
TOTAL LIABILITIES	29,209,420	30,942,217
NET ASSETS		
Invested in capital assets, net of related debt	23,746,239	18,093,345
Restricted	5,420,136	9,188,911
Unrestricted	1,918,586	3,062,901
TOTAL NET ASSETS	\$ 31,084,961	\$ 30,345,157

The accompanying Notes to Financial Statements are an integral part of these statements.

Todd Creek Farms Metropolitan District No. 1

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenues		
Water revenue	\$ 1,424,101	\$ 1,163,496
Meter fees	25,150	210,350
Inspection fees	5,600	56,600
Penalties and other income	162,413	96,006
Total operating revenues	<u>1,617,264</u>	<u>1,526,452</u>
Operating expenses		
Accounting and audit	-	8,395
Depreciation	1,242,221	593,547
Directors fees	4,225	3,375
District management	576,000	565,000
Engineering	84,907	64,463
Insurance	-	330
Legal	31,450	422,024
Miscellaneous	86,651	65,535
MXU system	105,490	108,903
Office expense	62,607	64,717
Repairs and maintenance	201,040	264,025
Utilities	191,756	130,995
Water treatment	57,688	29,167
Total operating expenses	<u>2,644,035</u>	<u>2,320,476</u>
Operating (loss)	<u>(1,026,771)</u>	<u>(794,024)</u>
Nonoperating revenue and (expense)		
Investment earnings	449,854	523,208
Amortization expense	(414,893)	(398,836)
Credit enhancement fee	(171,262)	(188,025)
Interest	(1,238,319)	(1,361,279)
Interest expense - certificates of participation	(521,688)	(269,539)
Issuance costs	(418)	(1,428)
Paying agent fees	-	(1,650)
Gain on sale of assets	-	307,935
Total nonoperating revenue and (expense)	<u>(1,896,726)</u>	<u>(1,389,614)</u>
(Loss) before capital contributions	<u>(2,923,497)</u>	<u>(2,183,638)</u>
Capital contributions		
Tap fees	3,663,301	4,027,413
Contributed assets	-	7,249,947
Total capital contributions	<u>3,663,301</u>	<u>11,277,360</u>
Change in net assets	739,804	9,093,722
Net assets - beginning	<u>30,345,157</u>	<u>21,251,435</u>
Net assets - ending	<u>\$ 31,084,961</u>	<u>\$ 30,345,157</u>

The accompanying Notes to Financial Statements are an integral part of these statements.

Todd Creek Farms Metropolitan District No. 1
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 5,180,629	\$ 5,540,771
Payments to suppliers	<u>(1,587,061)</u>	<u>(1,891,104)</u>
Net cash provided by operating activities	<u>3,593,568</u>	<u>3,649,667</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(4,585,115)	(4,324,605)
Proceeds from sale of assets	-	500,000
Net proceeds (payments) on line of credit	631,000	25,000
Escrow (payments) receipts for capital acquisitions	9,994	(200,000)
Advances to developer	-	(1,070,472)
Payments received on developer borrowings	225,131	826,350
Proceeds from issuance of certificates of participation	-	8,660,000
Interest paid certificates of participation	(521,688)	(269,539)
Issuance costs on certificates of participation	-	(396,423)
Principal paid on revenue bonds	(2,310,000)	(2,235,000)
Interest paid on revenue bonds	(1,170,850)	(1,283,859)
Interest paid on line of credit	(76,613)	(86,267)
Other debt-related expenditures	<u>(171,680)</u>	<u>(191,103)</u>
Net cash (used) by capital and related financing activities	<u>(7,969,821)</u>	<u>(45,918)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	<u>449,854</u>	<u>523,208</u>
Net cash provided by investing activities	<u>449,854</u>	<u>523,208</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,926,399)	4,126,957
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>9,369,050</u>	<u>5,242,093</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,442,651</u>	<u>\$ 9,369,050</u>

(continued)

The accompanying Notes to Financial Statements are an integral part of these statements.

Todd Creek Farms Metropolitan District No. 1
STATEMENTS OF CASH FLOWS
(continued)
For the Years Ended December 31, 2007 and 2006

	2007	2006
Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating loss	\$ (1,026,771)	\$ (1,063,563)
Adjustments to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation expense	1,242,221	593,547
Tap fees received from customers	3,663,301	4,027,413
(Increase) decrease in accounts receivable	(99,936)	(13,094)
(Increase) decrease in prepaids	(140,594)	-
Increase (decrease) in accounts payable	(25,392)	(27,692)
Increase (decrease) in retainage payable	(3,486)	(152,258)
Increase (decrease) in other payables	(15,775)	15,775
Total adjustments	4,620,339	4,713,230
Net cash provided by operating activities	\$ 3,593,568	\$ 3,649,667

The accompanying Notes to Financial Statements are an integral part of these statements.

Todd Creek Farms Metropolitan District No. 1

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

Note 1 – Definition of reporting entity

The Todd Creek Farms Metropolitan District No. 1 (the District) is a quasi-municipal corporation organized on November 19, 1996 and is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Adams County, Colorado. The District was established to provide water and wastewater services to an area encompassing approximately 6,725 acres in Adams County.

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.

As of December 31, 2007, no component unit has been identified as reportable to the District, nor is the District a component unit of any other primary governmental entity.

Note 2 – Summary of significant accounting policies

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units accounted for as a proprietary enterprise fund. The enterprise fund is used since the District's powers are related to those operated in a manner similar to a private utility system where net income and capital maintenance are appropriate determinations of accountability.

The District has elected to follow Governmental Accounting Standards Board pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989 are not applied.

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

A. Basis of accounting

The District's records are maintained on the accrual basis of accounting. Revenue is recognized when earned, and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and certificates of participation is recorded as a reduction in liabilities. Tap fees are recorded as capital contributions when received.

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

Todd Creek Farms Metropolitan District No. 1

**NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2007**

B. Operating revenue and expenses

The District distinguishes between operating revenues and expenses and nonoperating items in the Statement of Revenues, Expenses and Changes in Net Assets. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's purpose of providing water and wastewater services to its customers. Operating revenues consist of charges to customers for service provided. Operating expenses include the cost of service, administrative expenses and depreciation of assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions.

C. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires District management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

D. Deposits and investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the District are reported at fair value.

E. Restricted cash

Certain proceeds of the District's revenue bonds and certificates of participation, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. Restricted cash totaled \$5,420,136 at December 31, 2007 and \$9,188,911 at December 31, 2006.

F. Capital assets

Capital assets, which include water rights, water wells, storage and treatment facilities and delivery systems, are reported 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 or at the developer's cost. Capital assets are defined by the District as those assets with a cost or value of \$1,000 or greater. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements for which the District retains title are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is not included as part of the capitalized value of the assets constructed.

Todd Creek Farms Metropolitan District No. 1

**NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2007**

Property, plant, and equipment of the District is depreciated using the straight line method over the estimated useful lives (40 years for water system infrastructure). The cost of water rights includes acquisition cost, legal, and engineering costs related to the development and augmentation of those rights. Since the rights have a perpetual life, they are not amortized. Depreciation expense for the years ended December 31, 2007 and 2006 totaled \$1,242,221 and \$593,547, respectively.

G. Amortization of bond and loan costs

Bond and loan issue costs and discounts are being amortized over the respective terms of the bonds or loan using the straight-line method. Amortization expense for bond, loan, and discounts amounted to \$414,893 and \$398,836 for the years ended December 31, 2007 and 2006, respectively.

H. Budgetary information

In accordance with State Budget Law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate 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 total appropriation can only be modified by upon completion of notification and publication requirements. In August, 2008, the District amended the total expenditure appropriation from \$8,536,256 to \$10,956,256.

I. Contributed capital

Tap fees and water resource fees are generally recorded as capital contributions when received. Lines contributed to the District by developers are recorded as capital contributions and additions to the systems at the developer's cost or at the estimated fair value at the date of contribution.

Note 3 – Deposits and investments

Cash and investments as of December 31, 2007 and 2006 are classified in the accompanying financial statements as follows:

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 22,515	\$ 180,139
Cash and cash equivalents – restricted	<u>5,420,136</u>	<u>9,188,911</u>
Total cash and investments	<u>\$ 5,442,651</u>	<u>\$ 9,369,050</u>

Cash in the amount of \$3,078,021 and \$4,981,646 was restricted at December 31, 2007 and 2006, respectively, for use in the construction, installation, and completion of improvements in the water system and completion of a wastewater transmission system. Cash in the amount of \$2,342,115 and \$4,207,265 was restricted at December 31, 2007 and 2006, respectively, for the payment of bond and certificate of participation interest and principal.

Todd Creek Farms Metropolitan District No. 1

**NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2007**

A. Cash deposits

Colorado statutes require that the District use eligible public depositories as defined by the Colorado Public Deposit Protection Act (the Act). Under the Act, amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the Act and allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits. The State Regulatory Commissions 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.

Custodial credit risk – deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's cash deposit and investment policy adopts State statutes regarding custodial credit risk for deposit. As of December 31, 2007 and 2006, none of the District's bank balance was exposed to custodial risk.

The District's cash deposits at December 31, 2007 are as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Cash deposits	<u>\$ 22,515</u>	<u>\$ 22,515</u>

The District's cash deposits at December 31, 2006 are as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Cash deposits	<u>\$ 2,426,271</u>	<u>\$ 2,443,706</u>

B. Investments

Credit risk

The District's cash deposit and investment policy adopts State statutes regarding credit risk for investments.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

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

Todd Creek Farms Metropolitan District No. 1

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2007

The District's money market account with Valley Bank & Trust is not rated.

Interest rate risk

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements.

As of December 31, 2007, the District had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasury money market fund (ANB)	Less than 1 year	\$ 2,342,115
Aim Trust Treasury Portfolio (Zion)	Less than 1 year	<u>3,078,021</u>
		<u>\$ 5,420,136</u>

As of December 31, 2006, the District had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>
U.S. Treasury money market fund (ANB)	Less than 1 year	\$ 927,875
Aim Trust Treasury Portfolio (Zion)	Less than 1 year	5,876,975
Money market	Less than 1 year	<u>137,929</u>
		<u>\$ 6,942,779</u>

Concentration of credit risk

The District's cash deposit and investment policy adopts state statutes regarding concentration of credit risk for investments. The District invests primarily in money markets and/or U.S. securities, U.S. agency securities, or U.S. sponsored corporate securities, which are not subject to concentration of credit risk.

Custodial credit risk – investments

For investments, custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's cash deposit and investment policy adopts state statutes regarding custodial credit risk for investments. As of December 31, 2007 and 2006, the District had \$6,481,209 and \$6,804,850, respectively, of investments held by outside parties.

Note 4 – Notes receivable

The District holds two promissory notes from the main Developer (Note 9) totaling \$845,341 at December 31, 2007. These agreements bear interest at 6% per annum with principal and interest payable in full on December 31, 2008. It is anticipated that these amounts will be repaid by the Developer through the contribution of water rights.

Todd Creek Farms Metropolitan District No. 1

NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2007

Note 5 – Capital assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Water rights	\$ 5,378,718	\$ 301,543	\$ -	\$ 5,680,261
Capital assets, being depreciated:				
Water distribution and storage	40,512,192	4,282,345	-	44,794,537
Sewer system	4,702,245	1,227	-	4,703,472
Accumulated depreciation	(2,404,810)	(1,242,221)	-	(3,647,032)
Total capital assets, being depreciated, net	42,809,627	3,041,351	-	45,850,978
Capital assets, net	\$ 48,188,345	\$ 3,342,894	\$ -	\$ 51,531,239

Note 6 – Bonds payable

A. Changes in long-term debt

The following is an analysis of changes in bonds and loans payable for the year ended December 31, 2007:

	Balance 12/31/06	New Issues	Principal Payments	Balance 12/31/07	Due within one year
Series 2004 Bonds	\$ 21,435,000	\$ -	\$ 2,310,000	\$ 19,125,000	\$ -
Series 2006 Certificates of Participation	8,660,000	-	-	8,660,000	-
Total	\$ 30,095,000	\$ -	\$ 2,310,000	\$ 27,785,000	\$ -

B. Bonds payable

\$25,575,000 Water Revenue Refunding and Improvement Bonds, Series 2004, dated December 27, 2004

The bonds are term bonds in the amount of \$25,575,000 maturing through December 2019. The bonds were issued to finance the construction, installation and completion of improvements to the water supply, purification, transmission and distributions system, wastewater lift station, force main end interceptor trunk line, and to refund and discharge the outstanding District revenue bonds as well as other District obligations. The bonds bear interest from 4.75% to 6.125% per annum payable semi-annually on June 1 and December 1.

Todd Creek Farms Metropolitan District No. 1

NOTES TO THE FINANCIAL STATEMENTS (continued) December 31, 2007

The bonds are subject to redemption prior to maturity, at the option of the District, as allowed under a "Special Mandatory Redemption" provision whereby the District, from sources other than borrowed funds or funds derived from refunding or refinancing of the Series 2004 Bonds, may redeem certain bonds at a price equal to the principal amount plus accrued interest. Accordingly, bonds maturing on December 1, 2009 may be redeemed no earlier than December 1, 2005, bonds maturing on December 1, 2014 may be redeemed no earlier than June 1, 2008, and bonds maturing on December 1, 2019 may be redeemed no earlier than June 1, 2010.

Alternatively, the bonds are subject to redemption prior to maturity, at the option of the District, redeemed with borrowed funds beginning on December 1, 2012, and on any date thereafter, upon payment of par and accrued interest, with a redemption premium through November 30, 2014, and without a redemption premium thereafter.

The bonds are payable solely from and secured by an irrevocable pledge of and first lien upon the "pledged revenue" as defined in the bond resolution. Additional security for the bonds is provided by a "debt service reserve fund" and by guaranty agreements dated as of December 27, 2004; one between the District and The Equinox Group LLC (the Developer), a Colorado limited liability company, whose affiliates own or control approximately 58% of the property to be served with water services and facilities by the District, and the other between the District and an individual principal of the Developer.

With respect to "pledged revenue" that may be derived by the District's water system, the Developer and its principal have entered into a Tap Purchase Agreement whereby the Developer and its principal have guaranteed the payment of principal and interest on the bonds in the event that "pledged revenues" are insufficient in any year. The Developer and its principal will agree, jointly and severally, to purchase water and wastewater taps from time to time in the amount necessary to pay when due the scheduled amounts of principal and interest with respect to the Series 2004 bonds.

C. Certificates of participation (COPS)

The District entered into a lease purchase agreement for a principal amount of \$8,660,000, dated May 18, 2006, with Todd Creek Farms Metropolitan District No.1 Water Activity Enterprise Leasing Trust 2006 (the Trust). The Trust acts as lessor, and the District acts as lessee. The Trust was created by the trustee (Zions First National Bank, Denver, Colorado) pursuant to a trust indenture and laws of the State of Colorado. The proceeds of the issuance of the COPS are used to fund the acquisition of water rights and the acquisition, construction and installation of various water and non-potable water facilities. The Trust leases such water rights and facilities to the District pursuant to a 16.5-year lease agreement. Base rentals under the lease agreement are sufficient to cover the payments of principal and interest on the certificates, and all trustee costs. The District may elect at any time to purchase the property from the Trust in an amount sufficient to redeem, pay, and defease all outstanding COPS. At the termination of the lease, ownership of all assets reverts to the District. The obligations of the District under the lease are not secured by a pledge or lien on any revenues, funds, or property of the District, and are payable on a parity basis with other general unsecured capital obligations of the District.

Todd Creek Farms Metropolitan District No. 1

**NOTES TO THE FINANCIAL STATEMENTS
(continued)
December 31, 2007**

The COPS bear interest at rates ranging from 5.75% to 6.125%. They are subject to optional redemption on December 1, 2012 and thereafter at prices ranging from par to par plus a 2% premium. Certain certificates are subject to a mandatory sinking fund beginning on December 1, 2010.

The District accounts for proceeds of the issuance of the COPS as debt proceeds, and reports all assets of the trust and all outstanding COPS on its financial statements. Rental payments to the Trust are reported as interest expense and principal reductions by the District.

D. Debt maturities

Debt maturities for the next five years and to maturity are as follows:

<u>Year ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ -	\$ 1,796,701	\$ 1,796,701
2009	5,350,000	1,796,701	7,146,701
2010	415,000	1,326,688	1,741,688
2011	440,000	1,302,825	1,742,825
2012	465,000	1,277,525	1,742,525
2013-2017	10,140,000	4,709,333	13,519,139
2018-2022	<u>10,975,000</u>	<u>1,758,177</u>	<u>12,259,250</u>
Total	<u>\$ 27,785,000</u>	<u>\$ 13,967,950</u>	<u>\$ 41,752,950</u>

E. Refunding

On December 27, 2004, the District advance refunded and defeased (debt legally satisfied) \$12,500,000 of its Water Revenue Refunding and Improvement Bonds dated November 1, 2001 by portions of the proceeds from the issuance of \$25,575,000 Water Revenue Refunding and Improvement Bonds, dated December 27, 2004 with an interest rate ranging from 4.75% to 6.125%. \$6,200,000 of the bonds were redeemed outright and \$6,300,000 were defeased. The defeased bonds are not considered a liability of the District since sufficient funds (\$6,751,058) were deposited with a trustee and invested in U.S. government securities for the purpose of paying the principal and interest of the defeased bonds when due.

Note 7 – Line of credit

The District has a \$1,400,000 line of credit agreement with Valley Bank & Trust which matured November 3, 2007 and was thus extended to November 3, 2008. The credit agreement provides for monthly interest payments at prime (as published by the Wall Street Journal) plus 1.75%. Borrowings under this note agreement are secured by a deed of trust on the District's water rights and storage facilities. Additional security for this agreement is provided by a guarantee from the Developer and an individual principal of the Developer. At December 31, 2007 and 2006, respectively, the outstanding balance was \$1,255,050 and \$624,050.

Note 8 – Net assets

The District has net assets consisting of three components – invested in capital assets, net of related debt; restricted; and unrestricted.

Todd Creek Farms Metropolitan District No. 1

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2007

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, loans, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those net assets.

As of December 31, 2007 and 2006, the District has invested in capital assets, net of related debt of \$23,746,239 and \$18,093,345.

The District had \$5,420,136 restricted by contractual obligation for payment of debt service and capital projects.

Note 9 – Related parties

The majority of the District's Board of Directors are either members or employees of the primary developer of land (the Developer) within and around the District.

The District entered into an agreement with a management company (the Company) affiliated with the Developer to perform administrative duties, maintain and administer operations, and handle the financial affairs of the District. The contract is renewable annually. Under the terms of the agreement, the Company received a monthly fee for these services in an amount not to exceed \$25,000 for January through July 2005, \$32,000 from August, 2005 through January, 2006, and \$48,000 thereafter. During the year ended December 31, 2007 and 2006, the District paid \$576,000 and \$565,000 to the Company under this agreement.

The District is assessed an additional 10% by a construction company, affiliated with the Developer, on all construction costs as a construction management fee. Total amounts paid to the construction company in construction management fees for the years ended December 31, 2007 and 2006 were \$282,684 and \$139,865.

Note 10 – Water agreements

Water Lease Agreements

On January 1, 2004, the District entered into two Water Lease Agreements with Coors Brewing Company (Coors), both renewable annually until December 31, 2006. Under the terms of the agreements, the District received the water rights for a minimum of 250 acre feet of water at a rate of \$175 per acre foot in 2005 and \$200 per acre foot in 2006, with minimum annual payments of \$45,500 and \$52,000, respectively, payable on January 1 each year.

Effective January 1, 2007, the District renewed its two Water Lease Agreements with Coors Brewing Company (Coors), both now terminating on December 31, 2011 (initial term). Both Agreements may be renewed for an additional five year term after the initial term.

Under the terms of the first Agreement, the District will receive the water rights for 100 acre feet of Leased Water at the following per acre foot rates: 2007, \$225; 2008, \$250; 2009, \$275; 2010, \$300; and 2011, \$325. The minimal annual payments are as follows: 2007, \$22,500; 2008, \$25,000; 2009, \$27,500; 2010, \$30,000; and 2011, \$32,500, payable on January 1 each year.

Todd Creek Farms Metropolitan District No. 1

NOTES TO THE FINANCIAL STATEMENTS

(continued)

December 31, 2007

Under the terms of the second Agreement, the District will receive the water rights for 250 acre feet of Leased Water at the following per acre foot rates: 2007, \$225; 2008, \$250; 2009, \$275; 2010, \$300; and 2011, \$325. The District agrees to pay a minimum amount each year equal to the cost of 160 acre feet of Leased Water. The minimal annual payments are as follow: 2007, \$36,000; 2008, \$40,000; 2009, \$44,000; 2010, \$48,000; and 2011, \$52,000, payable on January 1 each year.

Note 11 – Commitments and contingencies

Construction commitments

The District had active construction projects as of December 31, 2007 and 2006. Commitments under these projects totaled \$154,337 and \$2,038,383 at December 31, 2007 and 2006.

Note 12 – 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 maintains commercial insurance for all risks of loss. Settled claims have not exceeded the commercial insurance coverage limits in any of the past three years.

Note 13 – 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 which apply to the State of Colorado and all local governments.

The District's management believes it qualifies under the Water Activity Enterprise definition of TABOR and therefore is not subject to the requirements of TABOR. However, TABOR is complex and subject to interpretation.

Note 14 – Subsequent Event

Todd Creek Farms Metropolitan District No. 1 successfully petitioned the Adams County Court in February, 2008 to change its legal name to Todd Creek Village Metropolitan District.

SUPPLEMENTAL INFORMATION

Todd Creek Farms Metropolitan District No. 1

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS
AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)

For the Year Ended December 31, 2007

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget Favorable (Unfavorable)
ENTERPRISE:				
Revenues				
Water revenue	\$ 1,205,170	\$ 1,205,170	\$ 1,424,101	\$ 218,931
Meters	206,550	206,550	25,150	(181,400)
Inspection fees	61,250	61,250	5,600	(55,650)
Tap fees	843,200	843,200	686,400	(156,800)
Investment earnings	28,000	28,000	51,818	23,818
Penalties and other income	-	-	162,413	162,413
Transfer from Capital Projects Fund	930,508	930,508	-	(930,508)
Bond proceeds	-	7,391,400	-	(7,391,400)
Developer advance repayments	317,300	317,300	-	(317,300)
Total revenues	<u>3,591,978</u>	<u>10,983,378</u>	<u>2,355,482</u>	<u>(8,627,896)</u>
Expenditures				
Accounting and audit	8,500	8,500	-	8,500
Administration	65,000	65,000	62,607	2,393
Credit enhancement fee	171,263	171,263	171,262	1
Contingency and emergency reserve	535,824	535,824	-	535,824
Directors fees	4,500	4,500	4,225	275
District management	576,000	576,000	576,000	-
Engineering	25,000	25,000	84,907	(59,907)
Insurance	7,000	7,000	-	7,000
Interest	30,000	30,000	76,613	(46,613)
Issuance costs	-	-	418	(418)
Lease payment	521,688	521,688	521,688	-
Legal	42,000	42,000	31,450	10,550
Miscellaneous	-	-	86,651	(86,651)
MXU system	255,200	255,200	105,490	149,710
Raw water acquisition	128,500	128,500	-	128,500
Repairs and maintenance	260,000	260,000	201,040	58,960
Utilities	172,600	172,600	191,756	(19,156)
Water treatment	60,000	60,000	57,688	2,312
Total expenditures	<u>2,863,075</u>	<u>2,863,075</u>	<u>2,171,795</u>	<u>691,280</u>
Excess of enterprise revenues over (under) enterprise expenditures	728,903	8,120,303	183,687	(7,936,616)
Funds available (deficit) - beginning enterprise fund	<u>(728,903)</u>	<u>(728,903)</u>	<u>(937,533)</u>	<u>(208,630)</u>
Funds available (deficit) - ending enterprise fund	<u>\$ -</u>	<u>\$ 7,391,400</u>	<u>\$ (753,846)</u>	<u>\$ (8,145,246)</u>

(continued)

Todd Creek Farms Metropolitan District No. 1

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUNDS
AVAILABLE - BUDGET AND ACTUAL (BUDGETARY BASIS)
(continued)

For the Year Ended December 31, 2007

	Original Budgeted Amounts	Final Budgeted Amounts	Actual	Variance with Final Budget - Favorable (Unfavorable)
GENERAL GOVERNMENT:				
Revenues				
Tap fees	\$ 2,472,500	\$ 2,472,500	\$ 2,976,901	\$ 504,401
Investment earnings	100,000	100,000	398,036	298,036
Total revenues	<u>2,572,500</u>	<u>2,572,500</u>	<u>3,374,937</u>	<u>802,437</u>
Expenditures				
Debt service:				
Interest	1,275,012	1,275,012	1,161,706	113,306
Principal	1,275,000	1,275,000	2,310,000	(1,035,000)
Transfer out	930,508	930,508	-	930,508
Capital Outlay:				
Water rights	-	1,300,000	1,278,118	21,882
Delivery system and storage	2,192,661	3,312,661	3,306,997	5,664
Total expenditures	<u>5,673,181</u>	<u>8,093,181</u>	<u>8,056,821</u>	<u>36,360</u>
Excess of general government revenues over (under) general government expenditures	(3,100,681)	(5,520,681)	(4,681,884)	838,797
Funds available (deficit) - beginning general government	<u>5,177,257</u>	<u>5,177,257</u>	<u>2,481,729</u>	<u>(2,695,528)</u>
Funds available (deficit) - ending general government	<u>\$ 2,076,576</u>	<u>\$ (343,424)</u>	<u>\$ (2,200,155)</u>	<u>\$ (1,856,731)</u>
Total district revenues	\$ 6,164,478	\$ 13,555,878	\$ 5,730,419	(7,825,459)
Total district expenditures	<u>8,536,256</u>	<u>10,956,256</u>	<u>10,228,616</u>	<u>727,640</u>
Total excess of revenue over (under) expenditures	(2,371,778)	2,599,622	(4,498,197)	(7,097,819)
Funds available (deficit) - beginning	<u>1,437,229</u>	<u>1,437,229</u>	<u>1,544,196</u>	<u>106,967</u>
Funds available (deficit) - ending	<u>\$ (934,549)</u>	<u>\$ 4,036,851</u>	<u>\$ (2,954,001)</u>	<u>\$ (6,990,852)</u>

Todd Creek Farms Metropolitan District No. 1

RECONCILIATION OF ACTUAL (BUDGETARY BASIS) TO STATEMENT
OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2007

REVENUE (BUDGETARY BASIS)	<u>\$ 5,730,419</u>
Total revenue (GAAP basis)	<u>5,730,419</u>
EXPENDITURES (BUDGETARY BASIS)	10,228,616
Add:	
Depreciation	1,242,221
Amortization	414,893
Less:	
Principal paid	(2,310,000)
Capital outlay	<u>(4,585,115)</u>
Total expenses (GAAP basis)	<u>4,990,615</u>
CHANGE IN NET ASSETS PER STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	<u>\$ 739,804</u>

Todd Creek Farms Metropolitan District No. 1

DEBT SERVICE REQUIREMENTS TO MATURITY

December 31, 2007

Bonds and Certificates and Interest Maturing in the Year Ending December 31,	\$25,575,000 Revenue Refunding and Improvement Bonds Dated December 27, 2004 Interest Payable June 1 and December 1		\$8,660,000 Certificates of Participation Dated May 25, 2006 Base rentals are due May 15 and November 15 Principal Payable on June 1 and December 1		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	-	1,275,013	-	521,688	-	1,796,701
2009	5,350,000	1,275,013	-	521,688	5,350,000	1,796,701
2010	-	805,000	415,000	521,688	415,000	1,326,688
2011	-	805,000	440,000	497,825	440,000	1,741,688
2012	-	805,000	465,000	472,525	465,000	1,742,825
2013	-	805,000	490,000	445,788	490,000	1,742,525
2014	7,375,000	805,000	520,000	417,613	7,895,000	1,740,788
2015	-	392,000	550,000	387,713	550,000	9,117,613
2016	-	392,000	585,000	354,025	585,000	1,329,713
2017	-	392,000	620,000	318,194	620,000	1,331,025
2018	-	392,000	655,000	280,219	655,000	1,330,194
2019	6,400,000	392,000	695,000	240,100	7,095,000	1,327,219
2020	-	-	740,000	197,531	740,000	672,219
2021	-	-	785,000	152,206	785,000	632,100
2022	-	-	1,700,000	104,121	1,700,000	197,531
	<u>\$ 19,125,000</u>	<u>\$ 8,535,026</u>	<u>\$ 8,660,000</u>	<u>\$ 5,432,924</u>	<u>\$ 27,785,000</u>	<u>\$ 13,967,950</u>
						<u>\$ 41,752,950</u>