

EBERT METROPOLITAN DISTRICT
Denver County, Colorado

FINANCIAL STATEMENTS
December 31, 2003

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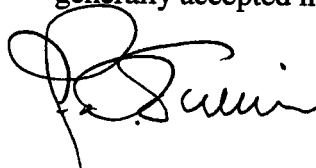
Board of Directors
Ebert Metropolitan District
Denver, Colorado

Independent Auditors' Report

We have audited the accompanying general purpose financial statements of Ebert Metropolitan District as of and for the year ended December 31, 2003. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Ebert Metropolitan District at December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

 J.W. Simmons & Associates P.C.

June 28, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

**EBERT METROPOLITAN DISTRICT
COMBINED BALANCE SHEET - GOVERNMENTAL FUND TYPE
AND ACCOUNT GROUP**

December 31, 2003

(With comparative totals for December 31, 2002)

	Governmental Fund Type	Account Group
	General	Long-Term Obligations
ASSETS AND OTHER DEBITS		
Cash deposits and investments	\$ 319,286	\$ -
Receivable - County Treasurer	1,000	-
Receivable - Other	-	-
Due from developer	-	-
Property taxes receivable	632,100	-
Amount to be provided for retirement of general long-term debt	-	22,350,000
TOTAL ASSETS AND OTHER DEBITS	\$ 952,386	\$ 22,350,000
LIABILITIES AND EQUITY		
LIABILITIES		
Deferred property tax revenue	\$ 632,100	\$ -
Property tax rebate payable	100,767	-
General obligation bonds payable	-	22,350,000
Total liabilities	732,867	22,350,000
EQUITY		
Fund balance		
Reserved for emergencies	100	-
Reserved for contractual obligations	219,419	-
Total equity	219,519	-
TOTAL LIABILITIES AND EQUITY	\$ 952,386	\$ 22,350,000

Totals
(Memorandum Only)

<u>2003</u>	<u>2002</u>
\$ 319,286	\$ 977,054
1,000	313
-	3,993
-	578,829
632,100	66,900
<u>22,350,000</u>	<u>17,350,000</u>
<u>\$ 23,302,386</u>	<u>\$ 18,977,089</u>

\$ 632,100	\$ 66,900
100,767	26,000
<u>22,350,000</u>	<u>17,350,000</u>
<u>23,082,867</u>	<u>17,442,900</u>

100	100
<u>219,419</u>	<u>1,534,089</u>
<u>219,519</u>	<u>1,534,189</u>
<u>\$ 23,302,386</u>	<u>\$ 18,977,089</u>

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

**EBERT METROPOLITAN DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

Year Ended December 31, 2003

(With comparative totals for year ended December 31, 2002)

	<u>2003</u>		Variance- Favorable (Unfavorable)	<u>2002</u>
	Annual Budget	Actual		Actual
REVENUE				
Property taxes	\$ 66,900	\$ 76,002	\$ 9,102	\$ 36,483
Specific ownership taxes	6,690	6,732	42	3,898
Investment income	14,000	8,046	(5,954)	22,188
System development fees	2,517,375	2,616,674	99,299	2,185,914
Total revenue	<u>2,604,965</u>	<u>2,707,454</u>	<u>102,489</u>	<u>2,248,483</u>
EXPENDITURES				
Capacity purchase	100,000	100,000	-	100,000
County Treasurer's fees	1,000	1,509	(509)	639
Capital outlay - Town Center	16,650,000	6,848,445	9,801,555	2,275,981
Services outlay - Town Center	199,500	309,271	(109,771)	93,045
Insurance and bonds	-	-	-	1,268
Bond interest	2,111,500	1,762,500	349,000	1,464,300
Paying agent and trustee fees	500	150	350	150
Miscellaneous	-	250	(250)	578
Contingency	298,500	-	298,500	-
Total expenditures	<u>19,361,000</u>	<u>9,022,125</u>	<u>10,338,875</u>	<u>3,935,961</u>
EXCESS OF REVENUE (UNDER) EXPENDITURES	<u>(16,756,035)</u>	<u>(6,314,671)</u>	<u>10,441,364</u>	<u>(1,687,478)</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	18,115,000	5,000,000	(13,115,000)	1,200,000
Bond issuance costs	(15,000)	-	15,000	-
Total other financing sources (uses)	<u>18,100,000</u>	<u>5,000,000</u>	<u>(13,100,000)</u>	<u>1,200,000</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	<u>1,343,965</u>	<u>(1,314,671)</u>	<u>(2,658,636)</u>	<u>(487,478)</u>
FUND BALANCE - BEGINNING OF YEAR	<u>49,061</u>	<u>1,534,190</u>	<u>1,485,129</u>	<u>2,021,667</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,393,026</u>	<u>\$ 219,519</u>	<u>\$ (1,173,507)</u>	<u>\$ 1,534,189</u>

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

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 1 - DEFINITION OF REPORTING ENTITY

The District, a quasi-municipal corporation, is governed pursuant to provisions of the Colorado Special District Act. The District's service area is located in Denver County, Colorado. The District was established to provide water, sanitary sewer, storm sewer and drainage, streets, parks and recreation, safety protection and transportation.

The District has no employees and all operations, administrative and construction functions are performed by Town Center Metropolitan District.

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:

Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The fund type and account group used by the District are described below.

Governmental Fund Type

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources of the District.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Account Group

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations, including claim liabilities, of the District.

Basis of Accounting

The modified accrual basis of accounting is followed in the governmental fund (General Fund). Revenue is recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The major source of revenue which is susceptible to accrual is property taxes. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

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.

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 or if in equal installments, at the taxpayer's election, in February and June. Delinquent taxpayers are notified in August and generally sales of the tax liens on delinquent properties are held in November or December. The County Treasurer remits the taxes collected monthly to the District.

Property taxes, net of estimated uncollectible taxes, are recorded initially as deferred revenue in the year they are levied and measurable. The deferred property tax revenue are recorded as revenue in the year they are available or collected.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At December 31, 2002, the District had accrued a property tax refund payable because the City and County of Denver collected approximately \$26,000 more in taxes than the District levied in 2002. During 2003, the District accrued an additional \$75,000 property tax refund for overpayment by the City and County of Denver of levied taxes. It is assumed that the excess taxes will be refunded in 2004 when the taxpayer files for a refund.

Development Fees

The Board of Directors has established development fees to be collected at the time of a request for building permit from the builder based upon \$30,000 per acre for single family development, \$36,000 per acre for multi-family development, \$38,000 per acre for commercial development and \$10,000 per acre for development of school and church properties. Effective June 1, 2004, the fees were increased to \$32,000 per acre for single family development, \$38,000 per acre for multi-family development, \$40,000 per acre for commercial development, and \$12,000 per acre for schools and churches.

Fund Equity

Fund Balance

The fund balance has been reserved for that portion of the fund balance that is legally segregated or is not subject to future appropriation. Designations of unreserved fund balances indicate management's intention for future utilization of such funds and are subject to change by management.

Reserved Fund Balance

Emergency Reserves have been provided for as required by Article X, Section 20 of the Constitution of the State of Colorado. \$100 of the fund balance has been reserved in compliance with this requirement.

The District considers all remaining fund balance to be reserved for payment of the contractual obligation with Town Center Metropolitan District and debt service requirements.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Totals (Memorandum Only)

Total columns on the combined statements are captioned "(Memorandum Only)" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations.

NOTE 3 - CASH AND INVESTMENTS

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 the aggregate uninsured deposits.

The State Regulatory Commission 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, 2003, the District did not have any cash deposits since the local government investment pool described below provides payment services.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

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 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

Investments in local government investment pools or in money market funds are reported at fair value and are not categorized because they are not evidenced by securities that exist in physical or book entry form.

CSAFE

At December 31, 2003, the District had \$319,286 invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by state statute for local government entities to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. The Trust is similar to a money market fund with each share valued at \$1.00. CSAFE may invest in U.S. government treasury securities, U.S. government agency securities, commercial paper, and repurchase agreement amount. The maximum maturity allowed for any investment is 365 days. A designated custodial bank provides safekeeping depository services, and substantially all securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments as owned by CSAFE.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 4 - LONG-TERM OBLIGATIONS

The District's outstanding long-term obligations at December 31, 2003 and transactions during 2003 are as follows:

	<u>Balance at December 31, 2002</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at December 31, 2003</u>
2001 General Obligation				
Limited Tax Bonds	\$ 17,350,000	\$ 5,000,000	\$ -	\$ 22,350,000

On May 9, 2001, the District's Board of Directors adopted a resolution authorizing the issuance of up to \$34,750,000 of limited tax general obligation bonds. During the year ended December 31, 2003, advance requests totalling \$5,000,000 were made. Additional advance requests may be made on January 1, April 1, July 1 and October 1 of a calendar year. During 2004, the remaining \$12,400,000 was advanced to the District. The bonds mature on December 1, 2025, and bear interest on the outstanding principal at a rate of 9.00% per annum, payable on June 1 and December 1. The bonds are subject to prior redemption at the option of the District on December 1, 2006, or on any date thereafter, at a price equal to the principal amount redeemed. The bonds are subject to mandatory sinking fund redemption beginning December 1, 2004, and on each December 1 thereafter through and including December 1, 2025.

The District's long-term obligations on its outstanding debt at December 31, 2003, will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 330,000	\$ 2,011,500	\$ 2,341,500
2005	365,000	1,981,800	2,346,800
2006	405,000	1,948,950	2,353,950
2007-2011	2,720,000	9,120,150	11,840,150
2012-2016	4,300,000	7,632,000	11,932,000
2017-2021	6,565,000	5,318,550	11,883,550
2022-2025	7,665,000	1,796,400	9,461,400
	<u>\$ 22,350,000</u>	<u>\$ 29,809,350</u>	<u>\$ 52,159,350</u>

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

On November 3, 1998, the District's electors authorized the incurrence of general obligation bonds totaling \$90,500,000 at an interest rate not to exceed 15% for a maximum term of 20 years. On November 7, 2000, the District's electors authorized an additional \$90,500,000 of general obligation bonds at an interest rate not to exceed 15%, with no limit on maximum term. At December 31, 2003, the District has authorized but unissued indebtedness for the following purposes:

General, administrative, operation and maintenance expenditures	\$ 1,000,000
Water facilities	49,661,600
Sewer and storm drainage facilities	16,857,275
Street improvements	56,419,700
Safety improvements	4,000,000
Park and recreation facilities	18,311,425
	<u>\$ 146,250,000</u>

NOTE 5 - REGIONAL FACILITIES CONSTRUCTION AGREEMENT

The District entered into a Regional Facilities Construction Agreement (the Agreement) with Town Center Metropolitan District (Town). Town is to provide capital construction and administrative services to the District. This agreement shall remain in full force and effect unless terminated by either party with one full year's written notice.

Town is to own, operate, maintain, and construct the facilities benefitting both Districts. The District will, to the extent that the District is to benefit, pay the capital and service costs of construction, operation and maintenance of such facilities. At special elections held within the District on November 3, 1998 and on November 7, 2000, the District's qualified electors approved \$33,000,000 and \$66,000,000, respectively, for a total amount of \$99,000,000, for the Agreement. During 2004, it is anticipated that the Agreement will be amended to incorporate the total authorized amounts.

The total maximum capital costs and the total maximum service costs in future years shall be provided by the District, with payments due on March 1 of each year without interest as set forth below:

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 5 - REGIONAL FACILITIES CONSTRUCTION AGREEMENT (CONTINUED)

<u>Year</u>	<u>Capital Cost</u>	<u>Service Cost</u>
2004	\$ 3,322,020	\$ 394,446
2005	1,785,163	459,171
2006	3,322,020	523,896
2007	1,785,163	588,620
2008	3,322,020	653,345
Thereafter	<u>6,892,346</u>	<u>19,570,280</u>
	<u>\$ 20,428,732</u>	<u>\$ 22,189,758</u>

To the extent any annual payment is reduced or increased, the payment requirement for each of the years remaining under the Construction Agreement shall be increased or reduced, respectively, proportionate to the specific reduction or increase divided by the number of years remaining on the agreement.

NOTE 6 - RELATED PARTIES

The developer of the property which constitutes the District is HC Development & Management Services, Inc. (HC Development), a Colorado corporation. The shareholders of HC Development own and control entities that, in turn, own Oakwood Homes LLC (Oakwood), a Colorado limited liability company. A majority of members of the Board of Directors are employees of or consultants to Oakwood and two members of the Board of Directors are officers of HC Development. As such, these board members may have conflicts of interest in dealing with the District.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 7 - RISK MANAGEMENT - COLORADO SPECIAL DISTRICTS PROPERTY AND LIABILITY POOL

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 one of 600 special districts which are members of the Colorado Special Districts Property and Liability Pool (Pool) as of December 31, 2003. 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. The Pool provides coverage for property claims up to \$30,000,000 and liability coverage for claims up to \$1,000,000. Workers compensation claims are covered up to statutory limits, with claims related to employer's liability up to \$2,000,000. 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 and public officials liability coverage. 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.

A summary of the most current information available of audited financial information for the Pool as of and for the year ended December 31, 2003, is as follows:

Assets	<u>\$ 8,505,173</u>
Liabilities	\$ 4,270,246
Capital and surplus	<u>4,234,927</u>
	<u>\$ 8,505,173</u>
Revenue	\$ 5,005,714
Underwriting expenses	<u>4,251,606</u>
Underwriting gain	754,108
Other income	<u>88,476</u>
Net income	<u>\$ 842,584</u>

There is no current or long-term debt outstanding. The above liabilities represent incurred claims and an estimated liability for incurred but not reported claims at December 31, 2003.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 8 - INTERGOVERNMENTAL SETTLEMENT AGREEMENT

The District entered into a settlement agreement with GVR Metropolitan District (GVR) on February 10, 1999, whereby the District will reimburse GVR \$900,000 for a portion of costs incurred by GVR constructing Shared Improvements. Until such time as the Shared Improvements Allocation has been paid in full to GVR, the District shall assign to GVR system development fee revenue in the amount of \$500 per unit. The District has pledged minimum payments of \$100,000 per year to GVR. As of December 31, 2003, GVR has been reimbursed a total of \$700,000 toward satisfaction on the Intergovernmental Settlement Agreement amount. On February 1, 2004, the District made a \$100,000 payment to GVR in compliance with this settlement.

NOTE 9 - TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, referred to 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.

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 3, 1998, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and fees of the District without regard to any limitations under TABOR.

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.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2003**

NOTE 10 - SUBDISTRICTS

During 2003, the Board of Directors of the District by resolution allowed for the division of the District into one or more subareas. Ebert Metropolitan District Subdistrict No. 1 was established on September 10, 2003, and Ebert Metropolitan District Subdistrict No. 2 was established on December 10, 2003. Different rates of levy for property tax purposes may be fixed against all the taxable property within the Subdistricts for operations and/or repayment of indebtedness issued by the Subdistricts to finance services, programs, and facilities furnished or to be furnished within the Subdistricts.

The electors of Subdistrict No. 1 at an election held on November 4, 2003, approved authorization to increase property taxes up to \$400,000 annually, as necessary, to pay for the costs of constructing, operating, and maintaining the improvements within and/or benefiting the Subdistrict. Debt authorization was also approved in the amount of \$2,000,000 for street improvements, \$16,000,000 for executing intergovernmental agreements, and \$20,000,000 for debt refunding. The electors of Subdistrict No. 2 at an election held on May 4, 2004, authorized \$2,000,000 of indebtedness for street improvements, \$16,000,000 for executing intergovernmental agreements, \$20,000,000 for debt refunding, and an increase in property taxes of up to \$400,000 annually for capital, operations, maintenance, and other expenses.

This information is an integral part of the accompanying financial statements.

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