

EBERT METROPOLITAN DISTRICT
Denver County, Colorado

FINANCIAL STATEMENTS
December 31, 2004

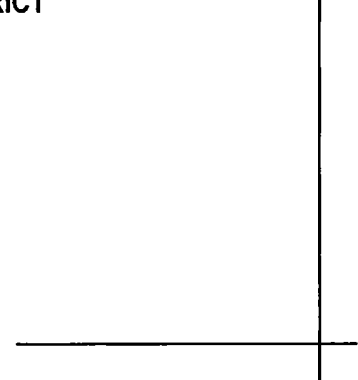


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Board of Directors
Ebert Metropolitan District
Denver, Colorado

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ebert Metropolitan District, Denver, Colorado, as of and for the year ended December 31, 2004, which collectively comprise the District's basic financial statements 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 audit.

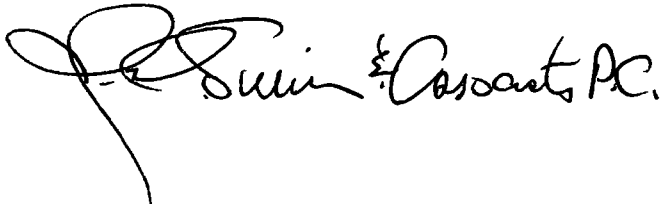
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Ebert Metropolitan District as of December 31, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the District has implemented a new financial reporting model, as required by the provisions of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of June 30, 2004.

The accompanying Management's Discussion and Analysis on pages III - VII is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Ebert Metropolitan District's basic financial statements. The accompanying supplementary information on pages 19 through 21 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The information on pages 19 through 21 has been subjected to the auditing procedures applied in the audit 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.

A handwritten signature in black ink, reading "J. R. Quinn & Associates, P.C.". The signature is written in a cursive style with a large, looping initial "J".

July 12, 2005

Management's Discussion and Analysis

The management of Ebert Metropolitan District (District) offers the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended December 31, 2004.

Financial Highlights

- Liabilities exceeded assets by \$34,314,229 at the close of the fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported an ending fund balance of \$1,808,480.
- During the fiscal year, the District issued refunding bonds in the amount of \$36,330,000.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements identify functions of the District that are principally to be supported by ad valorem taxes (*governmental activities*).

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The two funds of the District, general fund and debt service fund, are governmental funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund and debt service fund. A budgetary comparison statement has been provided for these funds in the *basic financial statements* to demonstrate compliance with these budgets.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

2004 was the first year of implementation of Governmental Accounting Standards Board (GASB) Statement 34; accordingly, a comparative analysis of current and prior year balances is not included. However, such an analysis will exist in subsequent years.

Statement of Net Assets

Current assets	\$ 3,359,052
Other assets	207,291
Total assets	<u>3,566,343</u>
Current liabilities	1,550,572
Long-term liabilities	36,330,000
Total liabilities	<u>37,880,572</u>
Restricted for emergency reserves	100
Restrict for debt service	1,463,852
Unrestricted net assets	(35,778,181)
Total net assets	<u><u>\$ (34,314,229)</u></u>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The District's liabilities exceed assets by \$34,314,229 at the close of the most recent fiscal year. The services and improvements that were funded with long-term debt have been constructed and recorded by Town Center Metropolitan District (Town), while the long-term debt remains an obligation of the District (see Note 5).

Review of Change in Net Assets

Revenue	
General revenue	
Property taxes	\$ 638,184
Specific ownership taxes	55,755
System development fees	3,064,517
Investment income	28,649
Other revenue	11
Total revenue	<u>3,787,116</u>
Expenses	
General government	13,155,166
Interest and fees on long-term debt	2,648,073
Total expenses	<u>15,803,239</u>
Excess	<u>(12,016,123)</u>
Change in net assets	(12,016,123)
Net assets - Beginning	<u>(22,298,106)</u>
Net assets - Ending	<u><u>\$ (34,314,229)</u></u>

Total net assets decreased \$12,016,123 during the current fiscal year. The majority of this decrease is due to the transfer of \$12,948,500 to Town in accordance with the Regional Facilities Construction Agreement (see Note 5).

Financial Analysis of the Government Fund

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. As of the end of the current fiscal year, the District's general fund reported an ending fund balance of \$344,628. The debt service fund has a total fund balance of \$1,463,852, which is reserved for payment of long-term debt and bond requirements.

General Fund Budgetary Highlights

The District's general fund budget for expenditures and other financing uses was amended from \$13,926,000 to \$16,825,000. An additional \$3,573,500 was budgeted for construction and service payments under the Regional Facilities Construction Agreement, and \$1,800,000 was budgeted as a transfer of pledged system development fees to the newly created debt service fund. The budgeted amount for interest on the Series 2001 bonds was reduced by \$2,074,500, as the December 1 payment was made from the debt service fund. The positive variance of \$340,309 in the general fund was due to a favorable variance for actual amounts paid under the Regional Facilities Construction Agreement and an unfavorable variance for system development fees.

Next Year's Budget

The District has appropriated \$23,468,000 for spending in the 2005 fiscal year budget. \$19,688,000 has been appropriated in the general fund, mainly for payments under the Regional Facilities Construction Agreement, which is anticipated to be funded by draws on the Series 2005 bonds. \$3,780,000 has been appropriated in the debt service fund, which is anticipated to be funded with system development fees.

Economic and Other Factors

The District's service area contains approximately 1,120 acres of real property, located entirely within the City and County of Denver, Colorado. The District, together with Town, will provide the infrastructure to service approximately 5,000 single-family and multi-family units, in addition to commercial property. The District and Town have agreements with several entities, including the City and County of Denver, to participate in the cost sharing of some of the infrastructure.

Requests for Information

This financial report is designed to provide a general overview of the Ebert Metropolitan District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ebert Metropolitan District
6399 South Fiddler's Green Circle, Suite 100
Greenwood Village, CO 80111

BASIC FINANCIAL STATEMENTS

EBERT METROPOLITAN DISTRICT
STATEMENT OF NET ASSETS
December 31, 2004

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,785,802
Accounts receivable	123,850
Property taxes receivable	1,449,400
Bond issuance costs (net of accumulated amortization)	207,291
Total assets	<u>3,566,343</u>
 LIABILITIES	
Accounts payable	101,172
Deferred property tax revenue	1,449,400
Noncurrent liabilities:	
Due in more than one year	<u>36,330,000</u>
Total liabilities	<u>37,880,572</u>
 NET ASSETS	
Restricted for:	
Emergency reserves	100
Pledged debt service revenues	1,463,852
Unrestricted	<u>(35,778,181)</u>
Total net assets	<u><u>\$ (34,314,229)</u></u>

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

**EBERT METROPOLITAN DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2004**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</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	\$ 13,155,166	\$ -	\$ -	\$ -	\$ (13,155,166)
Interest and fees on long-term debt	2,648,073	-	3,064,517	-	416,444
	<u>\$ 15,803,239</u>	<u>\$ -</u>	<u>\$ 3,064,517</u>	<u>\$ -</u>	<u>(12,738,722)</u>
General revenues:					
Property taxes					638,184
Specific ownership taxes					55,755
Net investment income					28,649
Other revenue					11
Total general revenues					<u>722,599</u>
Change in net assets					(12,016,123)
Net assets - Beginning					<u>(22,298,106)</u>
Net assets - Ending					<u>\$ (34,314,229)</u>

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

**EBERT METROPOLITAN DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2004**

	General	Debt Service	Total Governmental Funds
ASSETS AND OTHER DEBITS			
Cash deposits and investments	\$ 321,545	\$ 1,464,257	\$ 1,785,802
Receivable - Oakwood Homes	119,604	-	119,604
Receivable - County Treasurer	4,246	-	4,246
Property taxes receivable	492,800	956,600	1,449,400
TOTAL ASSETS AND OTHER DEBITS	\$ 938,195	\$ 2,420,857	\$ 3,359,052
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ -	\$ 405	\$ 405
Property tax rebate due	100,767	-	100,767
Deferred property tax revenue	492,800	956,600	1,449,400
Total liabilities	593,567	957,005	1,550,572
FUND BALANCE			
Emergency reserve	100	-	100
Reserved for debt service	-	1,463,852	1,463,852
Unreserved	344,528	-	344,528
Total fund balance	344,628	1,463,852	1,808,480
TOTAL LIABILITIES AND FUND BALANCE	\$ 938,195	\$ 2,420,857	

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

Other long-term assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Bond issuance costs (net of accumulated amortization) 207,291

Long-term liabilities are not due and payable in the current period and, therefore, are not in the funds

Bonds payable (36,330,000)

Net assets of governmental activities **\$ (34,314,229)**

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
GOVERNMENTAL FUNDS
Year Ended December 31, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
REVENUE			
Property taxes	\$ 638,184	\$ -	\$ 638,184
Specific ownership taxes	55,755	-	55,755
System development fees	3,064,517	-	3,064,517
Investment income	28,613	36	28,649
Other revenue	11	-	11
Total revenue	<u>3,787,080</u>	<u>36</u>	<u>3,787,116</u>
EXPENDITURES			
Current operations			
County Treasurer's fees	6,396	-	6,396
Miscellaneous	-	6	6
Capacity purchase	200,000	-	200,000
Bond issue costs	-	207,555	207,555
Regional Facilities Construction Agreement			
Service cost	592,500	-	592,500
Construction cost	12,356,000	-	12,356,000
Debt service			
Principal - Series 2001 bonds	-	34,750,000	34,750,000
Interest - Series 2001 bonds	1,107,000	1,337,000	2,444,000
Interest - Series 2004 bonds	-	371,373	371,373
Paying agent fees	75	250	325
Total expenditures	<u>14,261,971</u>	<u>36,666,184</u>	<u>50,928,155</u>
EXCESS OF REVENUE			
(UNDER) EXPENDITURES	<u>(10,474,891)</u>	<u>(36,666,148)</u>	<u>(47,141,039)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	12,400,000	36,330,000	48,730,000
Transfers from (to) other funds	(1,800,000)	1,800,000	-
Total other financing sources (uses)	<u>10,600,000</u>	<u>38,130,000</u>	<u>48,730,000</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)			
	125,109	1,463,852	1,588,961
FUND BALANCE - BEGINNING OF YEAR	<u>219,519</u>	<u>-</u>	<u>219,519</u>
FUND BALANCE - END OF YEAR	<u>\$ 344,628</u>	<u>\$ 1,463,852</u>	<u>\$ 1,808,480</u>

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

**EBERT METROPOLITAN DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended December 31, 2004**

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

Net changes in fund balances - Total governmental funds	\$ 1,588,961
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The net effect of these differences in the treatment of long-term debt is as follows:</p>	
Bond proceeds	(48,730,000)
Repayment of bond principal	34,750,000
<p>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.</p>	
Payment of bond issuance costs	207,555
Amortization of bond issuance costs	(264)
Accrued interest payable	167,625
	167,625
Change in net assets of governmental activities	\$ <u>(12,016,123)</u>

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

**EBERT METROPOLITAN DISTRICT
GENERAL FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL
Year Ended December 31, 2004**

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Property taxes	\$ 632,100	\$ 638,200	\$ 638,184	\$ (16)
Specific ownership taxes	63,210	51,600	55,755	4,155
System development fees	1,750,000	3,490,000	3,064,517	(425,483)
Investment income	3,000	30,000	28,613	(1,387)
Other revenue	-	-	11	11
Total revenue	<u>2,448,310</u>	<u>4,209,800</u>	<u>3,787,080</u>	<u>(422,720)</u>
EXPENDITURES				
Current				
County Treasurer's fee	9,480	6,400	6,396	4
Capacity purchase	100,000	200,000	200,000	-
Regional Facilities Construction Agreement				
Service cost	385,000	612,500	592,500	20,000
Construction cost	9,750,000	13,096,000	12,356,000	740,000
Interest - Series 2001 bonds	3,181,500	1,107,000	1,107,000	-
Paying agent fees	300	100	75	25
Miscellaneous	500	-	-	-
Contingency	499,220	3,000	-	3,000
Total expenditures	<u>13,926,000</u>	<u>15,025,000</u>	<u>14,261,971</u>	<u>763,029</u>
EXCESS OF REVENUE (UNDER)				
EXPENDITURES	<u>(11,477,690)</u>	<u>(10,815,200)</u>	<u>(10,474,891)</u>	<u>340,309</u>
OTHER FINANCING SOURCES (USES)				
Bond proceeds	19,500,000	12,400,000	12,400,000	-
Transfers (to) other funds	-	(1,800,000)	(1,800,000)	-
Total other financing sources	<u>19,500,000</u>	<u>10,600,000</u>	<u>10,600,000</u>	<u>-</u>
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER)				
EXPENDITURES AND OTHER FINANCING (USES)	8,022,310	(215,200)	125,109	340,309
FUND BALANCE (DEFICIT) - BEGINNING OF YEAR				
	<u>(7,320,561)</u>	<u>219,519</u>	<u>219,519</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 701,749</u>	<u>\$ 4,319</u>	<u>\$ 344,628</u>	<u>\$ 340,309</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, 2004**

NOTE 1 - DEFINITION OF REPORTING ENTITY

Ebert Metropolitan District (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 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, including the City of Denver.

The District has no employees and all operations and administrative functions are contracted.

An accounting policy change was adopted during the year ended December 31, 2004, to adopt the provisions of GASB Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The Statement establishes new financial reporting, which requires government-wide financial statements, additional long-term focus for governmental activities, a narrative overview and analysis, information on major funds, and expanded budgetary reporting. The beginning net asset amount for the District's activity reflects the change in fund balance for governmental funds at December 31, 2003, caused by the conversion to GASB Statement No. 34 requirements as follows:

Restatement of Net Assets - GASB Statement No. 34

All governmental funds, December 31, 2003	\$ 219,519
GASB Statement No. 34 adjustments:	
Accrued interest expense	(167,625)
Long-term liabilities - General obligation bonds	(22,350,000)
Governmental activities, Net Assets, December 31, 2003	\$ (22,298,106)

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District has elected to follow GASB pronouncements. Therefore, statements issued by the Financial Accounting Standards Board after November 30, 1989, are not applied. In 2004 the District implemented the requirements of GASB Statement No. 34. The more significant accounting policies of the District are described as follows:

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct 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*.

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. Property taxes are recognized as revenues in the year for which they are levied.

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 District considers revenues to be available if they are collected within 60 days of the end of the current period. The material sources of revenue subject to accrual are property taxes and interest. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is paid.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in other funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for and the payment of general long-term obligation principal, interest and related costs.

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.

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. The District does not use encumbrance accounting for budget or financial reporting purposes.

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 fund's average equity balance in the total cash. Investments are carried at fair value.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$74,767 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 the future 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 churches. Developer fees for school sites shall be assessed as the Board deems reasonable and appropriate.

Bond Issue Costs

In the government-wide financial statements, bond issuance costs are reported as other assets and amortized over the term of the related debt, using the effective interest method.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reserved Fund Balance/Restricted Net Assets

Article X, Section 20 of the Constitution of the State of Colorado requires the District to establish Emergency Reserves. \$100 of net assets has been reserved in compliance with this requirement.

\$1,463,852 in the debt service fund is reserved under the Series 2004 G.O. Bonds.

NOTE 3 - CASH DEPOSITS 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 form 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 Commissioners for banks and financial services is 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, 2004, the District did not have any cash deposits since the local government investment pool described below provides payment services.

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

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE 3 - CASH DEPOSITS AND INVESTMENTS (CONTINUED)

- . Certain money market mutual funds
- . Guaranteed investment contracts
- . Local government investment pools

CSAFE

At December 31, 2004, the District had funds invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share valued at \$1.00. As of December 31, 2004, the District had \$1,749,922 invested in CSAFE.

Money Market Mutual Fund

At December 31, 2004, the District had \$35,880 invested in SEI Daily Income Trust Treasury Portfolio Class A held by a Trustee in the name of the District. SEI Daily Income Trust Treasury Portfolio Class A invests in U.S. Treasury Obligations.

Investments in local government investment pools or in money market funds are not categorized because they are not evidenced by securities that exit in physical or book entry form. The above cash deposits and investments are displayed on the balance sheet as follows:

Cash and investments	<u>\$ 1,785,802</u>
----------------------	---------------------

Cash and investments are restricted for the following purposes:

Debt Service

Cash and investments in the amount of \$1,464,257 at December 31, 2004, are restricted for debt service applicable to the District's Limited Tax General Obligation Refunding Bonds Series 2004A.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE 4 - LONG-TERM OBLIGATIONS

The following is an analysis of the changes in long-term obligations for the year ended December 31, 2004:

	<u>Balance at December 31, 2003</u>	<u>Increases</u>	<u>Retirements</u>	<u>Balance at December 31, 2004</u>
2001 GO Limited Tax Bonds	\$ 22,350,000	\$ 12,400,000	\$ 34,750,000	\$ -
2004 GO Limited Tax Refunding Bonds	-	36,330,000	-	36,330,000
	<u>\$ 22,350,000</u>	<u>\$ 48,730,000</u>	<u>\$ 34,750,000</u>	<u>\$ 36,330,000</u>

General Obligation Bonds

On November 15, 2004, the District issued **\$36,330,000 Limited Tax General Obligation Refunding Bonds Series 2004A**. The bonds mature on December 1, 2034, and bear interest at a rate of 8.00% per annum, payable on the first day of each month. The bonds are subject to mandatory sinking fund redemption beginning December 1, 2006, and on each December 1 thereafter through and including December 1, 2034. The bonds are subject to prior redemption at the option of the District on December 1, 2014, or on any date thereafter, at a price equal to the principal amount redeemed, plus accrued interest thereon. The principal and interest on the bonds will be paid from pledged revenues, which consist of a Limited Mill Levy (not to exceed 65 mills, except as adjusted for a change by the State of Colorado in the computation of assessed values), specific ownership taxes related to the Limited Mill Levy, and Development Fees.

The bonds were exchanged for the District's Limited Tax General Obligation Bonds, Series 2001 outstanding in the principal amount of \$34,750,000 with an interest rate of 9.00% per annum. The exchange of the Series 2001 bonds resulted in a net present value savings of \$2,416,087 to the District.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE 4 - LONG-TERM OBLIGATIONS (CONTINUED)

The District's long-term obligations on its outstanding debt at December 31, 2004, will mature as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ -	\$ 2,664,200	\$ 2,664,200
2006	115,000	2,906,400	3,021,400
2007	125,000	2,897,200	3,022,200
2008	185,000	2,887,200	3,072,200
2009	200,000	2,872,400	3,072,400
2015-2019	1,800,000	14,036,000	15,836,000
2020-2024	3,425,000	13,078,000	16,503,000
2025-2029	5,915,000	11,341,600	17,256,600
2030-2034	24,565,000	12,250,800	36,815,800
	<u>\$ 36,330,000</u>	<u>\$ 64,933,800</u>	<u>\$ 101,263,800</u>

On November 3, 1998, the District's electors authorized the incurrence of general obligation indebtedness 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 indebtedness at an interest rate not to exceed 15%, with no limit on maximum term. At December 31, 2004, the District has authorized but unissued indebtedness for the following purposes:

Street improvements	\$ 54,328,044
Traffic controls	4,000,000
Water system	50,514,362
Sanitary sewer	22,468,578
Parks and recreation	12,359,016
Operations and maintenance	1,000,000
	<u>\$ 144,670,000</u>

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

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 benefiting 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.

The Board of Directors has approved an amendment to the Agreement (which is anticipated to be finalized in 2005) updating the total maximum capital costs and the total maximum service costs that shall be paid by the District each year without interest, as set forth below:

<u>Year</u>	<u>Capital Cost</u>	<u>Service Cost</u>
2005	\$ 19,100,000	\$ 510,000
2006	10,440,733	485,700
2007	-	582,900
2008	-	671,200
2009	-	759,500
2010-2014	-	4,547,900
2015-2019	-	5,161,150
2020-2024	-	5,698,350
2025-2029	-	6,291,400
2030-2034	-	6,946,300
2035	-	1,474,858
	<u>\$ 29,540,733</u>	<u>\$ 33,129,258</u>

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE 6 - NET ASSETS

The District has net assets consisting of two components - restricted and unrestricted.

Restricted assets include net assets 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. As of December 31, 2004, the District had restricted net assets of \$100 for Emergency Reserves and \$1,463,852 of pledged revenues that are restricted for debt service on the Series 2004A bonds.

NOTE 7 - 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.

NOTE 8 - RISK MANAGEMENT

Except as provided in the Colorado Governmental Immunity Act, the District may be exposed to various risks of loss related to 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. 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 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.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE 9 - 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, 2004, GVR has been reimbursed a total of \$900,000, which is the entire amount due in satisfaction on the Intergovernmental Settlement Agreement amount.

NOTE 10 - 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.

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 believes it has taken such steps as are appropriate in light of current interpretations of TABOR to comply with its terms. However, TABOR is complex and subject to multiple interpretations. Many of the provisions, including but not limited to the interpretation of how to calculate Fiscal Year Spending and other limits, will require judicial interpretation.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE 11 - 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.

As of December 31, 2004, there has been no financial activity in either of the Subdistricts.

NOTE 12 - INTERFUND TRANSFERS

During 2004, the general fund transferred \$1,800,00 of accumulated system development fees to the debt service fund in compliance with the issuance of the Series 2004A bonds.

**EBERT METROPOLITAN DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2004**

NOTE 13 - SUBSEQUENT EVENTS

Series 2005 Subordinate Bonds

On April 28, 2005, the District authorized the issuance of \$30,000,000 Series 2005 Subordinate Converting to Parity Limited Tax General Obligation Bonds. Principal advances on the bonds must be in integral multiples of \$500,000. The initial draw on April 28, 2005, was in the amount of \$2,500,000. The proceeds were used for issuance costs and for the payment of construction costs. The 2005 Bonds bear interest at the rate of 9.0% per annum. The bond interest is payable annually on December 15, with annual principal payments on December 15 of each year. To the extent interest is not paid when due, such interest shall compound annually on each interest payment date. The 2005 Bonds are payable from Pledged Revenue only after all amounts which have become due and payable on the 2004A Bonds have been paid in full.

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

SUPPLEMENTAL INFORMATION

**EBERT METROPOLITAN DISTRICT
DEBT SERVICE FUND
SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
Year Ended December 31, 2004**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Net investment income	\$ -	\$ -	\$ 36	\$ 36
Total revenue	-	-	36	36
EXPENDITURES				
Bond issue costs	-	210,000	207,555	2,445
Miscellaneous	-	-	6	(6)
Principal - Series 2001 bonds	-	34,750,000	34,750,000	-
Interest - Series 2001 bonds	-	1,337,000	1,337,000	-
Interest - Series 2004 bonds	-	371,373	371,373	-
Paying agent fees	-	250	250	-
Contingency	-	3,377	-	3,377
Total expenditures	-	36,672,000	36,666,184	5,816
EXCESS OF REVENUE (UNDER)				
EXPENDITURES	-	(36,672,000)	(36,666,148)	5,852
OTHER FINANCING SOURCES				
Bond proceeds	-	36,330,000	36,330,000	-
Transfers from other funds	-	1,800,000	1,800,000	-
Total other financing sources	-	38,130,000	38,130,000	-
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER EXPENDITURES				
	-	1,458,000	1,463,852	5,852
FUND BALANCE - BEGINNING OF YEAR				
	-	-	-	-
FUND BALANCE - END OF YEAR				
	\$ -	\$ 1,458,000	\$ 1,463,852	\$ 5,852

**EBERT METROPOLITAN DISTRICT
SCHEDULE OF ASSESSED VALUATION, MILL LEVY
AND PROPERTY TAXES COLLECTED
December 31, 2004**

<u>Year Ended December 31,</u>	<u>Prior Year Assessed Valuation for Current Year Property Tax Levy</u>	<u>Mills Levied</u>		<u>Total Property Taxes</u>		<u>Percentage Collected to Levied</u>
		<u>General Service</u>	<u>Debt Service</u>	<u>Levied</u>	<u>Collected</u>	
2000	\$ 46,370	58.400	0.000	\$ 2,708	\$ 2,693	99.45%
2001	\$ 10,340	39.000	0.000	\$ 403	\$ 391	96.96%
2002	\$ 930,270	39.000	0.000	\$ 36,281	\$ 36,483	100.56%
2003	\$ 1,717,290	39.000	0.000	\$ 66,974	\$ 76,002	113.48%
2004	\$ 14,048,290	45.000	0.000	\$ 632,173	\$ 638,184	100.95%
Estimated for year ending December 31, 2005	\$ 28,989,830	17.000	33.000	\$ 1,449,492		

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.

**EBERT METROPOLITAN DISTRICT
SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
December 31, 2004**

\$36,330,000				
Limited Tax General Obligation				
Refunding Bonds				
Dated November 15, 2004				
Interest Rate at 8.0% Due Monthly				
Principal Due December 1				
	<u>Interest</u>	<u>Principal</u>		<u>Total</u>
				<u>General</u>
				<u>Obligation</u>
				<u>Bonds</u>
2005	\$ 2,664,200	\$ -		\$ 2,664,200
2006	2,906,400	115,000		3,021,400
2007	2,897,200	125,000		3,022,200
2008	2,887,200	185,000		3,072,200
2009	2,872,400	200,000		3,072,400
2010	2,856,400	270,000		3,126,400
2011	2,834,800	290,000		3,124,800
2012	2,811,600	365,000		3,176,600
2013	2,782,400	395,000		3,177,400
2014	2,750,800	480,000		3,230,800
2015	2,712,400	520,000		3,232,400
2016	2,670,800	620,000		3,290,800
2017	2,621,200	665,000		3,286,200
2018	2,568,000	780,000		3,348,000
2019	2,505,600	840,000		3,345,600
2020	2,438,400	965,000		3,403,400
2021	2,361,200	1,040,000		3,401,200
2022	2,278,000	1,185,000		3,463,000
2023	2,183,200	1,280,000		3,463,200
2024	2,080,800	1,445,000		3,525,800
2025	1,965,200	1,560,000		3,525,200
2026	1,840,400	1,745,000		3,585,400
2027	1,700,800	1,885,000		3,585,800
2028	1,550,000	2,100,000		3,650,000
2029	1,382,000	2,265,000		3,647,000
2030	1,200,800	2,510,000		3,710,800
2031	1,000,000	2,710,000		3,710,000
2032	783,200	2,995,000		3,778,200
2033	543,600	3,235,000		3,778,600
2034	284,800	3,560,000		3,844,800
	<u>\$ 64,933,800</u>	<u>\$ 36,330,000</u>		<u>\$ 101,263,800</u>