

**TODD CREEK FARMS  
METROPOLITAN DISTRICT #1**

Financial Statements  
and  
Independent Auditors' Report

December 31, 2004 and 2003



Independent Auditors' Report

**Board of Directors  
Todd Creek Farms Metropolitan District #1  
Adams County, Colorado**

We have audited the accompanying balance sheets of Todd Creek Farms Metropolitan District #1 as of December 31, 2004 and 2003, and the related statements of operations and retained earnings and cash flows for the years then ended. 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 audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Todd Creek Farms Metropolitan District #1, as of December 31, 2004 and 2003, and the results of its operations and changes in its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules are presented for purposes of additional analysis and are not part of the basic financial statements. Such information 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.

*Bailey Saetveit & Co PC*

June 15, 2005

**TODD CREEK FARMS METROPOLITAN DISTRICT #1**

**Balance Sheets  
December 31, 2004 and 2003**

**ASSETS**

	<b>2004</b>	<b>2003</b>
Current assets:		
Cash	\$ 739,413	\$ 98,185
Cash - restricted	11,287,469	-
Receivables - customers	41,032	41,325
Escrow funds	641,763	-
Receivables - developer	1,350	1,350
	12,711,027	140,860
Water distribution system	15,813,708	15,409,277
Less accumulated depreciation	(1,415,920)	(1,030,688)
	14,397,788	14,378,589
Other assets:		
Purchased water rights	2,555,079	609,029
Restricted investment - 2001 bond redemption	6,751,058	-
Bond issue and discount costs	2,222,891	897,415
	11,529,028	1,506,444
	\$ 38,637,843	\$ 16,025,893

**LIABILITIES AND EQUITY**

Current liabilities:		
Notes payable - line of credit	\$ 1,125,000	\$ 547,279
Accounts payable	243,344	101,528
Accrued interest	68,336	104,167
Retainage Payable	25,331	86,481
	1,462,011	839,455
Long-term debt	31,875,000	12,500,000
Equity - retained earnings	5,300,832	2,686,438
	\$ 38,637,843	\$ 16,025,893

See notes to financial statements.

**TODD CREEK FARMS METROPOLITAN DISTRICT #1**

**Statements of Operations and Retained Earnings  
For the Years Ended December 31, 2004 and 2003**

	<b>2004</b>	<b>2003</b>
<b>Revenues:</b>		
Tap fees - operations portion	\$ 1,121,236	\$ 332,611
Service charges	549,563	426,226
Water/irrigation meters	115,688	163,507
Inspection fees	35,155	49,442
Other income	34,976	17,588
	<b>1,856,618</b>	<b>989,374</b>
<b>Operating expenses:</b>		
Depreciation	385,232	371,557
Repairs and maintenance	259,763	228,213
Water rights	245,059	72,499
Administration	216,000	214,154
Legal	94,049	90,518
Utilities	86,176	85,508
MXU system	80,159	12,113
Office expenses	61,945	52,380
Engineering	44,086	25,532
Accounting and audit	16,140	28,440
Water treatment	8,042	1,660
Insurance	6,880	9,611
Directors fees	2,250	3,225
	<b>1,505,781</b>	<b>1,195,410</b>
<b>Operating income</b>	<b>350,837</b>	<b>(206,036)</b>
<b>Other income (expense):</b>		
Interest Income	23,921	4,523
Tap fees - debt service portion	4,457,085	968,500
Loan costs	(3,750)	-
Amortization	(897,415)	(49,197)
Interest expense and agent fees	(1,316,284)	(1,264,907)
	<b>2,263,557</b>	<b>(341,081)</b>
<b>Net profit (loss)</b>	<b>2,614,394</b>	<b>(547,117)</b>
<b>Retained earnings - beginning of year</b>	<b>2,686,438</b>	<b>3,233,555</b>
<b>Retained earnings - end of year</b>	<b>\$ 5,300,832</b>	<b>\$ 2,686,438</b>

See notes to financial statements.

**TODD CREEK FARMS METROPOLITAN DISTRICT #1**

**Statements of Cash Flows  
For the Years Ended December 31, 2004 and 2003**

	2004	2003
Operating activities:		
Net profit (loss)	\$ 2,614,394	\$ (547,117)
Adjustments to reconcile net loss to cash used by operating activities:		
Depreciation	385,232	371,557
Amortization - bond issuance	897,415	49,197
Net change in assets and liabilities:		
Receivables - customers	293	(10,843)
Escrow funds	(641,763)	-
Accounts receivable - developers	-	277,013
Prepaid expenses	-	6,038
Accounts payable	141,816	(201,455)
Accrued interest	(35,831)	(52,083)
Retainage payable	(61,150)	(39,942)
Net cash provided (used) by operating activities	3,300,406	(147,635)
Investing activities:		
Purchase of water rights	(1,946,050)	-
Purchases of property and equipment	(404,431)	(547,001)
Bond issuance costs - Series 2004	(2,222,891)	-
Sale of investments	-	433,308
Net cash used by investing activities	(4,573,372)	(113,693)
Financing activities:		
Proceeds from line of credit, net of costs	577,721	535,400
Proceeds from issuance of Series 2004 bonds	25,575,000	-
Redemption of Series 2001 bonds	(6,200,000)	-
Purchase of restricted investments	(6,751,058)	-
Reduction in developer advance payable	-	(278,364)
Net cash provided by investing activities	13,201,663	257,036
Net increase (decrease) in cash	11,928,697	(4,292)
Cash, beginning of year	98,185	102,477
Cash, end of year	12,026,882	98,185
Cash - restricted	11,287,469	-
Cash - unrestricted	\$ 739,413	\$ 98,185
Supplemental disclosure of cash flow information - cash paid during the year for interest	\$ 1,352,115	\$ 1,263,751

See notes to financial statements.

# TODD CREEK FARMS METROPOLITAN DISTRICT #1

## Notes to Financial Statements December 31, 2004 and 2003

### 1. Significant Accounting Policies and Nature of Operations

#### *Nature of Operations*

Todd Creek Farms Metropolitan District #1 (the "District"), a quasi-municipal corporation, was organized on November 19, 1996 and is governed pursuant to provisions of the Colorado Special District Act. The District 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 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. 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.

#### *Basis of Accounting*

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

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 and expenditures for property and equipment are shown as increases in assets.

In accordance with the State Budget law, the District's Board of Directors holds public hearings in the fall of each year to approve the budget and appropriate the funds for the ensuing year. The District's Board of Directors can modify the budget by line item without notification. The appropriation can only be modified upon completion of notification and publication requirements. The appropriation is at the total fund expenditures level and lapses at year end. Encumbrance accounting (open purchase orders, contract in process and other commitments for the expenditures of funds in future periods) is not used by the District for budget or financial reporting purposes.

#### *Cash*

For the purposes of the statement of cash flows, the District considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

# TODD CREEK FARMS METROPOLITAN DISTRICT #1

## Notes to Financial Statements, Continued December 31, 2004 and 2003

### 1. Summary of Significant Accounting Policies (continued)

#### *Property and Equipment*

Property and equipment are recorded at cost. Depreciation expense is computed using the straight-line method over the estimated economic useful lives when the assets are operational. Property consists of water wells, storage and treatment facilities as well as delivery systems, all of which are being depreciated over forty (40) years.

#### *Purchased Water Rights*

Water rights primarily consist of surface water rights acquired through the acquisition of shares of various ditch companies. The Company also has a well producing water from the Larimer/Fox Hill aquifer.

The rights have an undeterminable useful life and, accordingly, no current depletion reserve is provided. A depletion reserve may be provided in the future if it is determined that the value of these rights has been permanently impaired either due to the depletion of the water sources or other causes.

#### *Concentration of Credit Risk*

The District grants credit to its customers who are homeowners within the Metro district.

#### *Concentration of Supply Risk*

The District produces water from wells located in Adams County, Colorado. Due to drought conditions and the population growth in the area, the volume of water which can be produced by the District may be limited.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires 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 expenses during the reporting period. Actual results could differ from those estimates.

### 2. Restricted Cash

Restricted cash consists of funds from the Water Revenue Refunding and Improvement Bonds Series 2004. At December 31, 2004 the restricted funds were \$8,987,469 restricted for use in the construction, installation, and completion of improvements in the water system and completion of a wastewater transmission system, and \$2,300,000 restricted for the payment of bond interest and principal.

### 3. Cash and Investments

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.

# TODD CREEK FARMS METROPOLITAN DISTRICT #1

## Notes to Financial Statements, Continued December 31, 2004 and 2003

### 3. Cash and Investments, continued

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.

At December 31, 2004, the District's cash deposits had a bank balance of \$1,072,130 with a corresponding carrying balance of \$739,413. \$100,000 of the funds is covered by federal insurance and the remaining amount of \$972,130 is collateralized in a single institution pool.

At December 31, 2003, the District's cash deposits had a bank balance of \$102,260 with a corresponding carrying balance of \$98,185. \$100,000 of the funds is covered by federal insurance and the remaining amount of \$2,260 is collateralized in a single institution pool.

### 4. Bond Issue and Discount Costs

Bond issue and discount costs are being amortized over the life of the bond issue under a method which provides amortization calculated as a percentage of the annual scheduled bond principal payment to the total original bond issue. Amortization expense for 2004 and 2003 was \$897,415 and \$49,197, respectively, which represented the costs and discount on the Series 2001 Bonds (note 6) amortized over the life of that bond issue beginning in the year 2002. The balance of the Series 2001 bond issue and discount costs have been amortized in 2004 due to the refunding of the bonds through the issue of the Series 2004 bond.

### 5. Fixed Assets

An analysis of the changes in fixed assets for the period ended December 31, 2004 follows:

	<u>Balance</u> <u>12/31/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/04</u>
Water storage, treatment and distribution systems	\$ 15,409,277	\$ 404,431	\$ -	\$ 15,813,708
Accumulated depreciation	\$ 1,030,688	\$ 385,232	\$ -	\$ 1,415,920

### 6. Water Revenue Refunding and Improvement Bonds Series 2001

#### *General Description*

On November 16, 2001, the District issued \$12,500,000 of Water Revenue Refunding and Improvement Bonds, Series 2001, to finance the acquisition, construction, installation and completion of improvements to the water supply, purification, transmission and distribution system and to refund and discharge the one outstanding District revenue bond as well as other District obligations. These bonds are term bonds with interest payable semi-annually on June 1 and December 1, commencing June 1, 2002, bearing interest at 10% per annum. The bonds are subject to redemption prior to maturity, at the option of the District, on December 1, 2009, and on any date thereafter, upon payment of par and accrued interest, without a redemption premium.



**TODD CREEK FARMS METROPOLITAN DISTRICT #1**

**Notes to Financial Statements, Continued  
December 31, 2004 and 2003**

**6. Water Revenue Refunding and Improvement Bonds Series 2001 (continued)**

*Changes in Bonds Payable*

On December 27, 2004 the Water Revenue Refunding and Improvement Bonds, Series 2001, were refunded with a portions of the proceeds from the Water Revenue Refunding and Improvement Bonds, Series 2004. \$6,200,000 of the bonds was redeemed outright and \$6,300,000 has been collateralized with restricted investments of \$6,751,058 as of December 31, 2004.

There were no additions or deletions to the bonds payable during 2003.

The annual requirements to amortize the debt as of December 31, 2004 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ -	\$ 630,000	\$ 630,000
2006	-	630,000	630,000
2007	-	630,000	630,000
2008	-	630,000	630,000
2009	-	630,000	630,000
2010	-	630,000	630,000
2011	-	630,000	630,000
2012	-	630,000	630,000
2013	-	630,000	630,000
2014	-	630,000	630,000
2015	-	630,000	630,000
2016	-	630,000	630,000
2017	-	630,000	630,000
2018	-	630,000	630,000
2019	-	630,000	630,000
2020	-	630,000	630,000
2021	6,300,000	630,000	6,930,000
	<u>\$ 6,300,000</u>	<u>\$ 10,710,000</u>	<u>\$ 17,010,000</u>

**7. Water Revenue Refunding and Improvement Bonds Series 2004**

*General Description*

On December 27, 2004, the District issued \$25,575,000 of Water Revenue Refunding and Improvement Bonds, Series 2004, to finance the construction, installation and completion of improvements to the water supply, purification, transmission and distribution 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. These bonds are term bonds with interest payable semi-annually on June 1 and December 1, commencing June 1, 2005, bearing interest from 4.75% to 6.125% per annum based on the maturity of the underlying bonds with a current blended rate of 5.339%. The bonds are subject to redemption prior to maturity, at the option of the District, 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.

**TODD CREEK FARMS METROPOLITAN DISTRICT #1**

**Notes to Financial Statements, Continued  
December 31, 2004 and 2003**

**7. Water Revenue Refunding and Improvement Bonds Series 2004 (continued)**

The annual requirements to amortize the debt as of December 31, 2004 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ -	\$ 1,259,294	\$ 1,259,294
2006	-	1,365,500	1,365,500
2007	-	1,365,500	1,365,500
2008	-	1,365,500	1,365,500
2009	11,800,000	1,365,500	13,165,500
2010	-	805,000	805,000
2011	-	805,000	805,000
2012	-	805,000	805,000
2013	-	805,000	805,000
2014	7,375,000	805,000	8,180,000
2015	-	392,000	392,000
2016	-	392,000	392,000
2017	-	392,000	392,000
2018	-	392,000	392,000
2019	6,400,000	392,000	6,792,000
	<u>\$ 25,575,000</u>	<u>\$ 12,706,294</u>	<u>\$ 38,281,294</u>

The bonds are payable solely from and secured by an irrevocable pledge of and first lien upon the Pledged Revenue. "Pledged Revenue" is defined in the Bond Resolution as (a) all of the Pledged Water Tap Fee Revenue and (b) only in the event that the Pledged Water Tap Fee Revenue is insufficient to pay principal of and interest on the Bonds in any given year, the Water Service Charge Revenue. "Water Tap Fee Revenue" is defined in the Bond Resolution as revenue generated for the District by its "Water Tap Fee," defined as a fee imposed by the District by resolution of the Board from time to time, not less than \$12,000 per tap. The "Pledged Water Tap Fee Revenue" is the Water Tap Fee Revenue other than and exclusive of the "Operation and Maintenance Water Tap Fee Revenue," which is \$2,000 per tap.

"Water Service Charge Revenue" is defined in the Bond Resolution as all of the revenue from the District's rates, fees, tolls, and charges for water services and facilities, other than and exclusive of the Water Tap Fee Revenue, net of Operation and Maintenance Expenses payable from such service charge revenue; however, it should be noted again that Water Service Charge Revenue is only contingently pledged to the payment of principal and interest on the Bonds and that there is only a limited rate maintenance covenant with respect to such revenues. Additional security for the Bonds is provided by a debt service reserve fund (the "Debt Service Reserve Fund") and by those certain Guaranty Agreements dated as of December 27, 2004, one between the District and The Equinox Group LLC, a Colorado limited liability company (the "Owner" or the "Developer"), 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 Gene A. Osborne, individually ("Osborne") who currently is a principal of the Owner.

# TODD CREEK FARMS METROPOLITAN DISTRICT #1

## Notes to Financial Statements, Concluded December 31, 2004 and 2003

### 7. Water Revenue Refunding and Improvement Bonds Series 2004 (continued)

#### *Guaranty Agreements*

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.

### 8. Tax, Spending and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights ("TABOR"), which adds a new Section 20 to Article X of the Colorado Constitution. 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 Enterprise definition of Tabor and therefore is not subject to the requirements of Tabor. However, TABOR is complex and subject to interpretation.

### 9. 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 personnel, or natural disasters.

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 fiscal years.

### 10. Related Party Transactions

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

In August 2002, the District entered into an agreement with the developer to perform administrative duties, maintain and administer operations and handle the financial affairs of the district. Under the terms of the contract the developer receives a monthly fee for these services in an amount not to exceed \$12,100. As February 1, 2003, the agreement was amended to extend the term to December 2003 and modify the management fee to \$18,000 per month. The agreement was again modified as of February 17, 2004 to extend the expiration to December 2004. Under the terms of the agreement the developer received \$216,000 during 2004 and 2003.

**TODD CREEK FARMS METROPOLITAN DISTRICT #1**

**Supplemental Schedule  
Statement of Revenues and Expenditures – Budget and Actual  
(Budgetary Basis)  
For the Year Ended December 31, 2004**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Service charges	\$ 562,425	\$ 549,563	\$ (12,862)
Inspection fees	84,000	35,155	(48,845)
Water/irrigation meters	259,200	115,688	(143,512)
Bond proceeds	18,700,000	25,575,000	6,875,000
Other income	18,000	34,976	16,976
Interest income	14,827	23,921	9,094
Tap fees	4,948,500	5,578,321	629,821
	<u>24,586,952</u>	<u>31,912,624</u>	<u>7,325,672</u>
<b>Expenditures:</b>			
Administration	270,000	216,000	54,000
Accounting and audit	30,000	16,140	13,860
Debt repayment	13,124,000	6,200,000	6,924,000
Capital improvements	7,310,000	2,350,481	4,959,519
Directors' fees	4,000	2,250	1,750
Engineering	60,000	44,086	15,914
Insurance	5,000	6,880	(1,880)
Issuance costs	841,500	2,226,641	(1,385,141)
Interest expense and agent fees	2,125,625	1,316,284	809,341
Legal	100,000	94,049	5,951
MXU system	259,200	80,159	179,041
Office expenses	-	61,945	(61,945)
Repairs and maintenance	202,000	259,763	(57,763)
Reserve	44,024	18,038,527	(17,994,503)
Utilities	85,000	86,176	(1,176)
Water rights	451,076	245,059	206,017
Contingency	30,976	-	30,976
Water treatment	1,200	8,042	(6,842)
	<u>24,943,601</u>	<u>31,252,482</u>	<u>(6,308,881)</u>
	(356,649)	660,142	1,016,791
Net funds available - beginning	<u>(698,594)</u>	<u>(698,594)</u>	<u>-</u>
Net funds available - ending	<u>\$ (1,055,243)</u>	<u>\$ (38,452)</u>	<u>\$ 1,016,791</u>

**TODD CREEK FARMS METROPOLITAN DISTRICT #1**

**Supplemental Schedule  
Reconciliation of Deficiency of Revenues over Expenditures  
Compared to Net Loss (GAAP Basis)  
For the Year Ended December 31, 2004**

Excess of revenues over expenditures (budget basis)	\$ 660,142
Deduct bond proceeds	(25,575,000)
Add capital improvements which are not an expense	2,350,481
Add reserves	18,038,527
Add issuance costs which are not an expense	2,222,891
Add debt repayment	6,200,000
Deduct depreciation and amortization	<u>(1,282,647)</u>
	<u>\$ 2,614,394</u>

**TODD CREEK FARMS METROPOLITAN DISTRICT #1**

**Supplemental Schedule  
Statement of Revenues and Expenditures – Budget and Actual  
(Budgetary Basis)  
For the Year Ended December 31, 2003**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues:</b>			
Service charges	\$ 555,000	\$ 426,226	\$ (128,774)
Inspection fees	108,000	49,442	(58,558)
Water/irrigation meters	348,000	163,507	(184,493)
Bond proceeds	7,000,000	-	(7,000,000)
Other income	-	17,588	17,588
Interest income	13,000	4,523	(8,477)
Tap fees	6,376,000	1,301,111	(5,074,889)
	<u>14,400,000</u>	<u>1,962,397</u>	<u>(12,437,603)</u>
<b>Expenditures:</b>			
Administration	228,000	214,154	13,846
Accounting and audit	28,000	28,440	(440)
Billing expense	6,000	-	6,000
Capital improvements	8,381,354	547,001	7,834,353
Directors' fees	4,000	3,225	775
Engineering	-	25,532	(25,532)
Insurance	8,000	9,611	(1,611)
Issuance costs	280,000	11,879	268,121
Interest expense and agent fees	1,815,000	1,264,907	550,093
Legal	28,000	90,518	(62,518)
MXU system	-	12,113	(12,113)
Office expenses	-	52,380	(52,380)
Repairs and maintenance	180,000	228,213	(48,213)
Reserve	8,880	-	8,880
Utilities	102,000	85,508	16,492
Water rights	-	72,499	(72,499)
Water treatment	200,000	1,660	198,340
	<u>11,269,234</u>	<u>2,647,640</u>	<u>8,621,594</u>
	3,130,766	(685,243)	(3,816,009)
Net funds available - beginning	<u>695,151</u>	<u>(13,351)</u>	<u>(708,502)</u>
Net funds available - ending	<u>\$ 3,825,917</u>	<u>\$ (698,594)</u>	<u>\$ (4,524,511)</u>

**TODD CREEK FARMS METROPOLITAN DISTRICT #1**

**Supplemental Schedule  
Reconciliation of Deficiency of Revenues over Expenditures  
Compared to Net Loss (GAAP Basis)  
For the Year Ended December 31, 2003**

Deficiency of revenues over expenditures (budget basis)	\$ (685,243)
Add capital improvements which are not an expense	547,001
Add issuance costs which are not an expense	11,879
Deduct depreciation and amortization	<u>(420,754)</u>
	<u>\$ (547,117)</u>