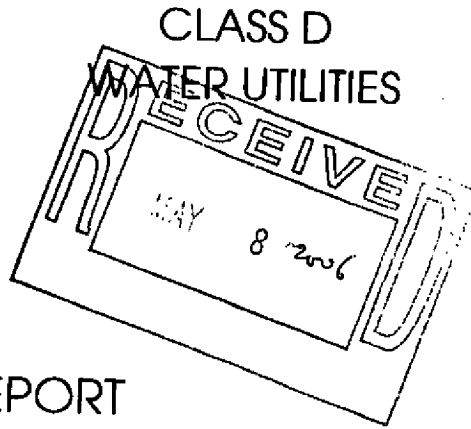


A
✓

Received _____
Examined _____



U# _____

2003
ANNUAL REPORT
OF

YERMO WATER COMPANY
(NAME UNDER WHICH CORPORATION, PARTNERSHIP, OR INDIVIDUAL IS DOING BUSINESS)

485 N. REPLER RD

DELAND, FL 32724
(OFFICIAL MAILING ADDRESS) ZIP

TO THE
PUBLIC UTILITIES COMMISSION
STATE OF CALIFORNIA
FOR THE
YEAR ENDED DECEMBER 31, 2003

REPORT MUST BE FILED NOT LATER THAN MARCH 31, 2004
(FILE TWO COPIES IF THREE RECEIVED)

INSTRUCTIONS

1. One completed copy of this report (two copies if three received) must be filed NOT LATER THAN MARCH 31, following the year covered by the report, with:

**CALIFORNIA PUBLIC UTILITIES COMMISSION
WATER DIVISION
505 VAN NESS AVENUE, ROOM 3105
SAN FRANCISCO, CALIFORNIA 94102-3298**

2. Failure to file the report on time may subject a utility to the penalties and sanctions provided by the Public Utilities Code.
3. The Oath, on the last page, must be signed by an officer, partner or owner.
4. The report must be prepared in ink or by the use of a typewriter. Computer generated report forms may be substituted.
5. The report must be filled in, and every question answered. LEAVE NO SCHEDULE BLANK. Insert the words "none" or "not applicable" or "n/a" when appropriate.
6. Certain balance sheet and income statement accounts refer to supplemental schedules. The totals of the details in the latter must agree with the balances of the accounts to which they refer.
7. Some schedules provide for a "balance at beginning of year." The amount shown should agree with the "balance at end of year" as shown in the report for the previous year. If there is a difference it should be explained by footnote.
8. When there is insufficient space in a schedule to permit a complete statement of the requested information, insert sheets should be prepared and identified by the number of the schedule to which it refers. Be certain that the inserts are securely attached to the report.
9. This report must cover a calander year, from Janauary 1 through December 31. Fiscal year reports will not be accepted.

Account Number	Operating Revenue	
470	Metered	94435
460	Unmetered	
465	Irrigation	
462-480	Private Fire Protection	
	Total Revenue	94435
	Operating Expenses	
610	Purchased Water	
615	Purchased Power	28152
	Pump Taxes	
	Purchased Chemicals	
618	Other Vol. Related exp.	
630	Employee Labor	40079
640	Materials	20396
650	Contract Work	26174
	Water Testing	
660	Transportation Expense	2909
664	Other Plant Maintenance	12646
670	Office Salaries	
671	Management Salaries	
674	Employee Pensions and Benefits	
676	Uncollectables	
678	Office Service and Rentals	22320
681	Office Supplies and Expense	8444
682	Professional Services	5233
684	Insurance	3507
688	Regulatory Expense	
689	General Expense	12723
	Subtotal	182583
403	Depreciation Expense	345
	Ad Valorem Taxes	
	Payroll taxes	4749
408	Taxes other than income	2127
409	State Income Tax	
410	Federal Income Tax	
	Total Deductions	189804
	Net Revenue	(95,369)
	Rate Base	

	Average Plant	
	Average Depreciation Reserve	
	Net Plant	
	Less: Advances	
	Less: Contributions	
	Plus: Construction Work in Progress	
	Plus: Working Cash	
	Plus: Material & Supplies	
	Rate Base	
	ROR=Net Rev/Rate Base	

CLASS D WATER UTILITIES
(HAVING LESS THAN 500 SERVICE CONNECTIONS)

YERMO WATER COMPANY

(Name under which corporation, partnership or individual is doing business)

485 N. KEPLER DELAND, FL 32724

(Official mailing address)

YERMO CITY SAN BERNARDINO COUNTY

(Service area-town and county)

GENERAL INFORMATION

**RETURN ORIGINAL
TO COMMISSION
NO PHOTOCOPIES**

- 1 If a corporation show:
 - (A) Date of organization _____ incorporated in the State of _____
 - (B) Names, titles and addresses of principal officers: _____

- 2 If unincorporated give the name and address of owner or of each partner:

- 3 Name and telephone number of:
 - (A) One person listed above to receive correspondence:
 - (B) Person responsible for operations and services:

- 4 Were any contracts or agreements in effect with any organization or person covering service, supervision and/or management of your business affairs during the year? (Yes or No)
If so, what was the nature and the amount of each payment made under the agreement, to whom were payments made, and to what account was each payment charged?

- 5 State the names of associated companies or persons which, directly or indirectly, or through one or more intermediaries, control, or are controlled by, or are under common control with respondent:

PUBLIC HEALTH STATUS

- 6 Has state or local health department inspection been made during the year?
- 7 Are routine laboratory tests of water being made?
- 8 Has state health department water supply permit been obtained? (Indicate date)
- 9 If no permit has been obtained, state whether application has been made and when.
- 10 Show expiration date if state permit is temporary.

Yes	No	Latest Date
X		
X		
X		

SPECIAL INSTRUCTIONS (over)

SPECIAL INSTRUCTIONS

- 1 Beginning of year balances must agree with end of year balances shown in report for previous year. Attach a supplementary statement to explain any differences.
- 2 Attach a supplementary statement to explain adjustments in Schedule B - Water Plant in Service.
- 3 Complete all schedules, using the words "None" or "Not applicable" if appropriate.
- 4 Report must be prepared legibly in ink or by typewriter.

SELECTED FINANCIAL DATA - CLASS A, B, C AND D WATER COMPANIES
2003

NAME OF UTILITY YERMO WATER COMPANY PHONE 386-985-0475

PERSON RESPONSIBLE FOR THIS REPORT DONNA C. ALSOP

(Prepared from Information in the 20__ Annual Report)

	1/1/03	12/31/03	Average
BALANCE SHEET DATA			
1 Intangible Plant	<u>3,461</u>	<u>3461</u>	
2 Land and Land Rights	<u>19730</u>	<u>19730</u>	
3 Depreciable Plant	<u>133419</u>	<u>133419</u>	
4 Gross Plant in Service	<u>160071</u>	<u>160071</u>	
5 Less: Accumulated Depreciation	<u>97428</u>	<u>97723</u>	<u>345</u>
6 Net Water Plant in Service	<u>59212</u>	<u>58867</u>	<u>(345)</u>
7 Water Plant Held for Future Use			
8 Construction Work in Progress			
9 Materials and Supplies	<u>125</u>	<u>20394</u>	<u>20271</u>
10 Less: Advances for Construction	<u>()</u>	<u>()</u>	<u>()</u>
11 Less: Contribution in Aid of Construction	<u>()</u>	<u>()</u>	<u>()</u>
12 Less: Accumulated Deferred Income and Investment Tax Credits	<u>()</u>	<u>()</u>	<u>()</u>
13 Net Plant Investment	<u>59337</u>	<u>79263</u>	<u>(19926)</u>
CAPITALIZATION			
14 Common Stock			
15 Proprietary Capital (Individual or Partnership)	<u>(98336)</u>	<u>(194015)</u>	<u>(95679)</u>
16 Paid-in Capital			
17 Retained Earnings			
18 Common Stock and Equity (Lines 14 through 17)			
19 Preferred Stock			
20 Long-Term Debt	<u>98000</u>	<u>356,356</u>	<u>258,356</u>
21 Notes Payable			
22 Total Capitalization (Lines 18 through 21)	<u>(336)</u>	<u>(162,341)</u>	<u>(162,677)</u>

(Revised 2/01)

SELECTED FINANCIAL DATA - CLASS A, B, C AND D WATER COMPANIES

2003
(continued)

NAME OF UTILITY YERMO WATER CO PHONE 386-985-0475

INCOME STATEMENT

	Annual Amount
23 Unmetered Water Revenue	_____
24 Fire Protection Revenue	_____
25 Irrigation Revenue	_____
26 Metered Water Revenue	_____
27 Total Operating Revenue	<u>94435</u>
28 <u>Operating Expenses</u>	<u>94435</u>
29 Depreciation Expense (Composite Rate _____)	<u>122583</u>
30 Amortization and Property Losses	<u>345</u>
31 Property Taxes	_____
32 Taxes Other Than Income Taxes	_____
33 Total Operating Revenue Deduction Before Taxes	<u>6876</u>
34 California Corp. Franchise Tax	<u>(95,369)</u>
35 Federal Corporate Income Tax	_____
36 Total Operating Revenue Deduction After Taxes	<u>_____</u>
37 Net Operating Income (Loss) - California Water Operations	<u>(95,369)</u>
38 Other Operating and Nonoper. Income and Exp. - Net (Exclude Interest Expense)	_____
39 Income Available for Fixed Charges	_____
40 Interest Expense	_____
41 Net Income (Loss) Before Dividends	_____
42 Preferred Stock Dividends	_____
43 Net Income (Loss) Available for Common Stock	<u>(95,369)</u>

OTHER DATA

44 Refunds of Advances for Construction	_____
45 Total Payroll Charged to Operating Expenses	_____
46 Purchased Water	_____
47 Power	_____

	(Exc. Fire Protect.) _____	Jan. 1	Dec. 31	Annual Average
48 Metered Service Connections		<u>350</u>	<u>350</u>	_____
49 Flat Rate Service Connections		_____	_____	_____
50 Total Active Service Connections		_____	_____	_____

**CLASS B, C AND D WATER COMPANIES
SAFE DRINKING WATER BOND ACT DATA**

Please provide the following information relating to each Safe Drinking Water Bond Act (SDWBA) loan outstanding during the 12 month reporting period. (Use one sheet for each loan.)

1. Current Fiscal Agent:

Name: _____ *N/A* _____
Address: _____
Phone Number: _____
Date Hired: _____

2. Former Fiscal Agent:

Name: _____
Address: _____
Phone Number: _____
Date Hired: _____

3. Total surcharge collected from customers during the 12 month reporting period:

\$ _____

4. Summary of the trust bank account activities showing:

Balance at beginning of year	\$ _____
Deposits during the year	_____
Withdrawals made for loan payments	_____
Other withdrawals from this account	_____
Balance at end of year	_____

5. Account Information:

Bank Name: _____
Account Number: _____
Date Opened: _____

6. Plant amounts included in Schedule A, Account No. 101--Water Plant in Service which were funded using SDWBA funds:

Line No.	Acct. No.	Title of Account (a)	Balance Beginning of Year (b)	Plant Additions During Year (c)	Plant Retirements During Year (d)	Other Debits or (Credits) (e)	Balance End of Year (f)
1		NON-DEPRECIABLE PLANT					
2	301	Intangible plant	2300				2300
3	303	Land	19730				19730
4		Total non-depreciable plant	22030				22030
5		DEPRECIABLE PLANT					
6	304	Structures	2900				2900
7	307	Wells	26200				26200
8	317	Other water source plant					
9	311	Pumping equipment	8400				8400
10	320	Water treatment plant					
11	330	Reservoirs, tanks and sandpipes	1000				1000
12	331	Water mains	10000				10000
13	333	Services and meter installations	19800				19800
14	334	Meters	1680				1680
15	335	Hydrants	7600				7600
16	339	Other equipment	14355				14355
17	340	Office furniture and equipment	3178				3178
18	341	Transportation equipment	16276				16276
19		Total depreciable plant	111389				111389
20		Total water plant in service	133419				133419

SCHEDULE A - BALANCE SHEET (DECEMBER 31, 20__)

Line	Acct.	Assets	Balance	Acct.	Equity and Liabilities	Balance
1	101	Water plant in service	133419	201	Common Stock (Corporations only)	
2	103	Water plant held for future use		211	Other paid-in capital (Corporations only)	
3	104	Water plant purchased or sold		215	Retained earnings	
4	105	Water plant construction work in progress		218	Proprietary capital	
5	108	Accumulated depreciation of water plant	(97773)	224	Long term debt	(194360)
6	114	Water plant acquisition adjustments			Current Liabilities	350740
7	124	Other investments		252	Advances for construction	
8	131	Cash	120709	253	Other deferred credits	
9	141	Accounts receivable - customers		255	Accumulated deferred investment tax credits	
10	142	Receivables from associated companies		282	Accumulated deferred income taxes - Acrs	
11	151	Materials and supplies			depreciation	
12	174	Other current assets		283	Accumulated deferred income taxes - other	
13	180	Deferred charges		271	Contributions in aid of construction	
14				272	Accumulated amortization of contributions	
15		Total Assets	156385		Total Equity and Liabilities	156385

SCHEDULE B - WATER PLANT IN SERVICE

Line	Acct	Title of Account	Balance Beg of Year	Pit Additions During year	Pit Retirements During year	Other Debits or (Credits)	Balance End of year
16	301	Intangible plant	2300				2300
17	303	Land	19730				19730
18	304	Structures	2900				2900
19	307	Wells	26200				26200
20	317	Other water source plant					
21	311	Pumping equipment	8400				8400
22	320	Water treatment plant					
23	330	Reservoirs tanks and sandpipes	1000				1000
24	331	Water mains	10000				10000
25	333	Services and meter installations	19800				19800
26	334	Meters	1680				1680
27	335	Hydrants	7600				7600
28	339	Other equipment	14855				14355
29	340	Office furniture and equipment	3178				3178
30	341	Transportation equipment	16276				16276
31		Total water plant in service	133419				133419

* Debit or credit entries should be explained by footnotes or supplementary schedules

SCHEDULE C - RESERVE FOR DEPRECIATION OF UTILITY PLANT

Line	Item	Account 106 Water Plant	Account 106.1 SDWBA Loans	
32	Balance in reserves at beginning of year	97420		A. Method used to compute depreciation
33	Add: Credits to reserves during year			expense (Acct. 403) and rate.
34	(a) Charged to Account No. 403			
35	(b) Charged to Account No. 272	343		
36	(c) Charged to clearing accounts			B. Amount of depreciation expense claimed
37	(d) Salvage recovered			or to be claimed on utility property in
38	(e) All other credits			your federal income tax return for the year
39	Total credits	(97773)		covered by this report \$
40	Deduct: Debits to reserves during year			
41	(a) Book cost of property retired			
42	(b) Cost of removal			C. State method used to compute tax
43	(c) All other debits			depreciation.
44	Total debits			
45	Balance in reserve at end of year	(97773)		
46	(1) Explanation of all other credits			
47	(2) Explanation of all other debits			

SCHEDULE J - ADVANCES FOR CONSTRUCTION

Balance beginning of year	
Additions during year	
Subtotal - Beginning balance plus additions during year	
Refunds	
Transfers to Acct. 271 - Contributions in Aid of Construction	
Balance end of year	

SCHEDULE K - TOTAL METERS AND SERVICES (active and inactive)

Size	Meters	Services
5/8 x 3/4-in		
3/4-in		
1-in		
-in		
-in		
Total		

SCHEDULE L - METER-TESTING DATA

Number of meters tested during year	
1	Used, before repair... _____
2	Used, after repair _____
3	Fast, requiring refund .. _____
Numbers of meters in service requiring test per General Order No. 103	

SCHEDULE M - SERVICE CONNECTIONS AT END OF YEAR

Classification	Active			Inactive			Total connections	
	Metered	Flat	Total	Metered	Flat	Total	Metered	Flat
Residences	284		284	66		66		350
Industrial								
Other (specify)								
Subtotal								
Fire protection (Hydrants)								
Total	284		284	66		66		350

NOTE: Total connections (metered plus flat) should agree with total services in Schedule K.

SCHEDULE N - STORAGE FACILITIES

SCHEDULE O - FOOTAGES OF PIPE (EXCLUDING SERVICE PIPES)

Description	No.	Combined capacity in gallons	Description	Footage				Totals
				2" and under	2 1/4 to 3 1/4	4"	Other sizes (specify)	
Concrete			Cast Iron					
Earth			Welded steel					
Wood			Standard screw					
Steel			Cement-asbestos					
Other			Plastic					
			Other (specify)					
Total			Total					

DECLARATION

(BEFORE SIGNING PLEASE CHECK TO SEE THAT ALL SCHEDULES HAVE BEEN COMPLETED)

I, the undersigned (officer, partner or owner) of YERMOUWATEK CO. (Name of utility), under penalty of perjury do declare that this report has been prepared by me, or under my direction, from the books, papers and records of the respondent; that I have carefully examined the same, and declare the same to be a complete and correct statement of the business and affairs of the above-named respondent and the operations of its property for the period

From and including JANUARY 1, 2002, to and including DECEMBER 31, 2003

Signed

Title

Date

U.S. Return of Partnership Income
For calendar year 2003, or tax year beginning _____, 2003, and
ending _____, 20 ____.
▶ See separate instructions.

2003

A Principal business activity WATER COMPANY	Use the IRS label. Otherwise, print or type.	Name of partnership YERMO WATER COMPANY	D Employer identification number 33-0570801
B Principal product or service WATER SERVICE		Number, street, and room or suite number. If a P.O. box, see instructions. 920 NORTH SLOAN # D-201	E Date business started 01/01/92
C Business code number 221300		City or town LAS VEGAS	State ZIP code NV 89110

G Check applicable boxes: (1) Initial return (2) Final return (3) Name change (4) Address change (5) Amended return

H Check accounting method: (1) Cash (2) Accrual (3) Other (specify) _____ ▶

I Number of Schedules K-1. Attach one for each person who was a partner at any time during the tax year ▶ **2**

Caution: Include only trade or business income and expenses on lines 1a through 22 below. See the instructions for more information.

I N C O M E	1a Gross receipts or sales	1a	94,435.			
	b Less returns and allowances	1b		1c	94,435.	
	2 Cost of goods sold (Schedule A, line 8)	2		46,570.		
	3 Gross profit. Subtract line 2 from line 1c	3		47,865.		
	4 Ordinary income (loss) from other partnerships, estates, and trusts (attach schedule)	4				
	5 Net farm profit (loss) (attach Schedule F (Form 1040))	5				
	6 Net gain (loss) from Form 4797, Part II, line 18	6		0.		
	7 Other income (loss) (attach schedule)	7				
8 Total income (loss). Combine lines 3 through 7	8		47,865.			
S E E D E D U C T I O N S F O R L I M I T A T I O N S	9 Salaries and wages (other than to partners) (less employment credits)	9		40,079.		
	10 Guaranteed payments to partners	10				
	11 Repairs and maintenance	11				
	12 Bad debts	12				
	13 Rent	13		22,320.		
	14 Taxes and licenses	14		6,876.		
	15 Interest	15				
	16a Depreciation (if required, attach Form 4562)	16a	345.			
	b Less depreciation reported on Schedule A and elsewhere on return	16b			16c	345.
	17 Depletion (Do not deduct oil and gas depletion.)	17				
	18 Retirement plans, etc	18				
	19 Employee benefit programs	19				
	20 Other deductions (attach schedule)	20		73,614.		
	21 Total deductions. Add the amounts shown in the far right column for lines 9 through 20	21		143,234.		
22 Ordinary income (loss) from trade or business activities. Subtract line 21 from line 8	22		-95,369.			

Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.

Signature of general partner or limited liability company member _____ Date _____

May the IRS discuss this return with the preparer shown below (see instructions)? Yes No

Preparer's Use Only

Preparer's signature _____ Date _____ Preparer's SSN or PTIN **P00185812**

Firm's name (or yours if self-employed), address, and ZIP code **AFG INC**
632 N WOODLAND BLVD
DELAND FL 32720

EIN ▶ **59-3666019**
Phone no. **(386) 738-7353**

Schedule A Cost of Goods Sold (see instructions)

1	Inventory at beginning of year	1	
2	Purchases less cost of items withdrawn for personal use	2	
3	Cost of labor	3	
4	Additional section 263A costs (attach schedule) See Additional section 263A costs	4	46,570.
5	Other costs (attach schedule)	5	
6	Total. Add lines 1 through 5	6	46,570.
7	Inventory at end of year	7	
8	Cost of goods sold. Subtract line 7 from line 6. Enter here and on page 1, line 2	8	46,570.

9a Check all methods used for valuing closing inventory:

- (i) Cost as described in Regulations section 1.471-3
- (ii) Lower of cost or market as described in Regulations section 1.471-4
- (iii) Other (specify method used and attach explanation)

b Check this box if there was a writedown of 'subnormal' goods as described in Regulations section 1.471-2(c)

c Check this box if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970)

d Do the rules of section 263A (for property produced or acquired for resale) apply to the partnership? Yes No

e Was there any change in determining quantities, cost, or valuations between opening and closing inventory? Yes No
If 'Yes', attach explanation

Schedule B Other Information

1 What type of entity is filing this return? Check the applicable box:

- a Domestic general partnership
- b Domestic limited partnership
- c Domestic limited liability company
- d Domestic limited liability partnership
- e Foreign partnership
- f Other

2 Are any partners in this partnership also partnerships?

3 During the partnership's tax year, did the partnership own any interest in another partnership or in any foreign entity that was disregarded as an entity separate from its owner under Regulations sections 301.7701-2 and 301.7701-3? If yes, see instructions for required attachment

4 Is this partnership subject to the consolidated audit procedures of sections 6221 through 6233? If 'Yes,' see Designation of Tax Matters Partner below

5 Does this partnership meet all three of the following requirements?

- a The partnership's total receipts for the tax year were less than \$250,000;
 - b The partnership's total assets at the end of the tax year were less than \$600,000; and
 - c Schedules K-1 are filed with the return and furnished to the partners on or before the due date (including extensions) for the partnership return.
- If 'Yes,' the partnership is not required to complete Schedules L, M-1, and M-2; Item F on page 1 of Form 1065; or Item J on Schedule K-1

6 Does this partnership have any foreign partners? If 'Yes,' the partnership may have to file Forms 8804, 8805 and 8813. See instructions

7 Is this partnership a publicly traded partnership as defined in section 469(k)(2)?

8 Has this partnership filed, or is it required to file, Form 8264, Application for Registration of a Tax Shelter?

9 At any time during calendar year 2003, did the partnership have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? See the instructions for exceptions and filing requirements for Form TD F 90-22.1. If 'Yes,' enter the name of the foreign country

10 During the tax year, did the partnership receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If 'Yes,' the partnership may have to file Form 3520. See instructions

11 Was there a distribution of property or a transfer (e.g., by sale or death) of a partnership interest during the tax year? If 'Yes,' you may elect to adjust the basis of the partnership's assets under section 754 by attaching the statement described in the instructions under Elections Made By the Partnership

12 Enter the number of Forms 8865, Return of U.S. Persons With Respect to Certain Foreign Partnerships, attached to this return

Designation of Tax Matters Partner (see instructions)

Enter below the general partner designated as the tax matters partner (TMP) for the tax year of this return:

Name of Designated TMP **▶ DONALD WALKER**

Identifying number of TMP **▶ 476-40-9251**

Address of Designated TMP **▶ 920 NORTH SLOAN
LAS VEGAS, NV 89110**

Schedule K-1 Partners' Shares of Income, Credits, Deductions, etc

(a) Distributive share items		(b) Total amount	
Income (Loss)	1 Ordinary income (loss) from trade or business activities (page 1, line 22)	1	-95,369.
	2 Net income (loss) from rental real estate activities (attach Form 8825)	2	
	3a Gross income from other rental activities	3a	
	b Expenses from other rental activities (attach sch)	3b	
	c Net income (loss) from other rental activities. Subtract line 3b from line 3a	3c	
	4 Portfolio income (loss) (attach Schedule D (Form 1065) for lines 4d and 4e):		
	a Interest income	4a	
	b Dividends: (1) Qualified dividends (2) Total ordinary dividends	4b (2)	
	c Royalty income	4c	
	d Net short-term capital gain (loss): (1) post-May 5, 2003 (2) Entire year	4d (2)	
	e Net long-term capital gain (loss): (1) post-May 5, 2003 (2) Entire year	4e (2)	
f Other portfolio income (loss) (attach schedule)	4f		
5 Guaranteed payments to partners	5		
6a Net section 1231 gain (loss) (post-May 5, 2003) (attach Form 4797)	6a		
b Net section 1231 gain (loss) (entire year) (attach Form 4797)	6b		
7 Other income (loss)	7		
Deductions	8 Charitable contributions (attach schedule)	8	
	9 Section 179 expense deduction (attach Form 4562)	9	
	10 Deductions related to portfolio income (itemize)	10	
	11 Other deductions	11	
Credits	12a Low-income housing credit: (1) From partnerships to which section 42(j)(5) applies (2) Other than on line 12a(1)	12a (1) 12a (2)	
	b Qualified rehabilitation expenditures related to rental real estate activities (attach Form 3468)	12b	
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
	d Credits related to other rental activities	12d	
	13 Other credits	13	
Investment Interest	14a Interest expense on investment debts	14a	
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f above (2) Investment expenses included on line 10 above	14b (1) 14b (2)	
	15a Net earnings (loss) from self-employment	15a	-95,369.
Self-Employment	b Gross farming or fishing income	15b	
	c Gross nonfarm income	15c	47,865.
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	-622.
	b Adjusted gain or loss	16b	-29,571.
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties (2) Deductions allocable to oil, gas, and geothermal properties	16d (1) 16d (2)	
	e Other adjmnts & tax pref items PRE87. ACCEL. DEPR. REAL/LEASED. PROP	16e	0.
	17a Name of foreign country or U.S. possession	17a	
Foreign Taxes	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level: (1) Passive (2) Listed categories (attach sch) (3) General limitation	17d (3)	
	e Deductions allocated and apportioned at partner level: (1) Interest expense (2) Other	17e (2)	
	f Deductions allocated and apportioned at partnership level to foreign source income: (1) Passive (2) Listed categories (attach sch) (3) General limitation	17f (3)	
	g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	
	h Reduction in taxes available for credit (attach schedule)	17h	
	18 Section 59(e)(2) expenditures: a Type b Amount	18b	
	19 Tax-exempt interest income	19	
20 Other tax-exempt income	20		
Other	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22	
	23 Distributions of property other than money	23	0.
	24 Other items and amounts required to be reported separately to partners (attach schedule)		

Analysis of Net Income (Loss)

1 Net income (loss). Combine Schedule K, lines 1 through 7 in column (b). From the result, subtract the sum of Schedule K, lines 8 through 11, 14a, 17g, and 18b						1	-95,369.
2 Analysis by partner type:	(i) Corporate	(ii) Individual (active)	(iii) Individual (passive)	(iv) Partnership	(v) Exempt organization	(vi) Nominee/Other	
a General partners		-95,369.					
b Limited partners							

Note: Schedules L, M-1 and M-2 are not required if Question 5 of Schedule B is answered 'Yes.'

Schedule L	Balance Sheets per Books	Beginning of tax year		End of tax year	
		(a)	(b)	(c)	(d)
Assets					
1	Cash		501.		0.
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (attach schedule)				
7	Mortgage and real estate loans				
8	Other investments (attach schedule)				
9a	Buildings and other depreciable assets	133,449.		0.	
b	Less accumulated depreciation	97,428.	36,021.	0.	0.
10a	Depletable assets				
b	Less accumulated depletion				
11	Land (net of any amortization)				
12a	Intangible assets (amortizable only)				
b	Less accumulated amortization				
13	Other assets (attach schedule) Ln. 13. Stmt		4,112.		0.
14	Total assets		40,634.		0.
Liabilities and Capital					
5	Accounts payable		9,020.		
6	Mortgages, notes, bonds payable in less than 1 year				
17	Other current liabilities (attach sch) Ln. 17. Stmt		31,950.		0.
18	All nonrecourse loans				
19	Mortgages, notes, bonds payable in 1 year or more				
20	Other liabilities (attach schedule)		98,000.		
21	Partners' capital accounts		-98,336.		0.
22	Total liabilities and capital		40,634.		0.

Schedule M-1: Reconciliation of Income (Loss) per Books With Income (Loss) per Return

1	Net income (loss) per books	-95,369.	6	Income recorded on books this year not included on Schedule K, lines 1 through 7 (itemize):	
2	Income included on Schedule K, lines 1 through 4, 6b, and 7, not recorded on books this year (itemize):		a	Tax-exempt interest	\$
3	Guaranteed prmts (other than health insurance)		7	Deductions included on Schedule K, lines 1 through 11, 14a, 17g, and 18b, not charged against book income this year (itemize):	
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 11, 14a, 17g, and 18b (itemize):		a	Depreciation	\$
a	Depreciation	\$	8	Add lines 6 and 7	
b	Travel and entertainment	\$	9	Income (loss) (Analysis of Net Income (Loss), line 1). Subtract line 8 from line 5	-95,369.
5	Add lines 1 through 4	-95,369.			

Schedule M-2: Analysis of Partners' Capital Accounts

1	Balance at beginning of year	-98,336.	6	Distributions:	
2	Capital contributed:		a	Cash	
a	Cash		b	Property	0.
b	Property		7	Other decreases (itemize):	
3	Net income (loss) per books	-95,369.	8	Add lines 6 and 7	0.
4	Other increases (itemize):		9	Balance at end of year. Subtract line 8 from line 5	0.
a	See Other increases	193,705.			
5	Add lines 1 through 4	0.			

Sales of Business Property
(Also Involuntary Conversions and Recapture Amounts
Under Sections 179 and 280F(b)(2))

Department of the Treasury
Internal Revenue Service (99)

▶ Attach to your tax return. ▶ See separate instructions.

Name(s) shown on return

YERMO WATER COMPANY

Identifying number

33-0570801

1 Enter the gross proceeds from sales or exchanges reported to you for 2003 on Form(s) 1099-B or 1099-S (or substitute statement) that you are including on line 2, 10, or 20 (see instructions) **1**

Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty or Theft – Most Property Held More Than 1 Year (See instructions.)

2	(a) Description of property	(b) Date acquired (month, day, year)	(c) Date sold (month, day, year)	(d) Gross sales price	(e) Depreciation allowed or allowable since acquisition	(f) Cost or other basis, plus improvements and expense of sale	(g) Gain or (loss) for entire year. Subtract (f) from the sum of (d) and (e)	(h) Post-May 5, 2003, gain or (loss)* (see below)

3	Gain, if any, from Form 4684, line 39	3	
4	Section 1231 gain from installment sales from Form 6252, line 26 or 37	4	
5	Section 1231 gain or (loss) from like-kind exchanges from Form 8824	5	
6	Gain, if any, from line 32, from other than casualty or theft	6	0.
7	Combine lines 2 through 6 in columns (g) and (h). Enter the gain or (loss) here and on the appropriate line as follows	7	0.

Partnerships (except electing large partnerships) and S corporations. Report the gain or (loss) following the instructions for Form 1065, Schedule K, line 6, or Form 1120S, Schedule K, line 5. Skip lines 8, 9, 11, and 12 below.

All others. If line 7, column (g) is zero or a loss, enter that amount on line 11 below and skip lines 8, 9, and 12. If line 7, column (g) is a gain and you did not have any prior year section 1231 losses, or they were recaptured in an earlier year, enter the gain or (loss) in each column as a long-term capital gain or (loss) on Schedule D and skip lines 8, 9, 11, and 12 below.

8	Nonrecaptured net section 1231 losses from prior years (see instructions)	8	
9	Subtract line 8 from line 7. If line 9, column (g) is zero or less, enter -0- in column (g). If line 9, column (g) is more than zero, enter the amount from line 8, column (g) on line 12 below and include the gain or (loss) in each column of line 9 as a long-term capital gain or (loss) on Schedule D (see instructions)	9	

*Corporations (other than S corporations) should not complete column (h). Partnerships and S corporations must complete column (h). All others must complete column (h) only if line 7, column (g), is a gain and the amount, if any, on line 8, column (g), does not equal or exceed the gain on line 7, column (g). Include in column (h) all gains and losses from column (g) from sales, exchanges, or conversions (including installment payments received) after May 5, 2003. However, do not include gain attributable to unrecaptured section 1250 gain.

Part II Ordinary Gains and Losses

10 Ordinary gains and losses not included on lines 11 through 17 (include property held 1 year or less):

11	Loss, if any, from line 7, column (g)	11	
12	Gain, if any, from line 7, column (g), or amount from line 8, column (g), if applicable	12	
13	Gain, if any, from line 31	13	0.
14	Net gain or (loss) from Form 4684, lines 31 and 38a	14	
15	Ordinary gain from installment sales from Form 6252, line 25 or 36	15	
16	Ordinary gain or (loss) from like-kind exchanges from Form 8824	16	
17	Recapture of section 179 expense deduction for partners and S corporation shareholders for property dispositions from 2002-2003 fiscal year partnerships and S corporations (see instructions)	17	
18	Combine lines 10 through 17. Enter the gain or (loss) here and on the appropriate line as follows	18	0.

a For all except individual returns. Enter the gain or (loss) from line 18 on the return being filed.

b For individual returns:

(1) If the loss on line 11 includes a loss from Form 4684, line 35, column (b)(ii), enter that part of the loss here. Enter the part of the loss from income-producing property on Schedule A (Form 1040), line 27, and the part of the loss from property used as an employee on Schedule A (Form 1040), line 22. Identify as from 'Form 4797, line 18b(1).' See instructions

(2) Redetermine the gain or (loss) on line 18 excluding the loss, if any, on line 18b(1). Enter here and on Form 1040, line 14

18b (1)	
18b (2)	

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

19(a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo, day, yr)	(c) Date sold (mo, day, yr)
A STRUCTURES	05/05/86	12/31/03
B INTANGIBLE PLANT	05/05/86	12/31/03
C FORD	05/05/86	12/31/03
D PUMP	02/18/93	12/31/03

These columns relate to the properties on lines 19A through 19D		Property A	Property B	Property C	Property D
20	Gross sales price (Note: See line 1 before completing.)	0.	0.	0.	0.
21	Cost or other basis plus expense of sale	2,900.	2,300.	5,876.	400.
22	Depreciation (or depletion) allowed or allowable	2,900.	2,300.	5,876.	400.
23	Adjusted basis. Subtract line 22 from line 21	0.	0.	0.	0.
24	Total gain. Subtract line 23 from line 20	0.	0.	0.	0.
25 If section 1245 property:					
25a	Depreciation allowed or allowable from line 22	2,900.	2,300.	5,876.	400.
25b	Enter the smaller of line 24 or 25a	0.	0.	0.	0.
26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.					
26a	Additional depreciation after 1975 (see instrs)				
26b	Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions)				
26c	Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e				
26d	Additional depreciation after 1969 & before 1976				
26e	Enter the smaller of line 26c or 26d				
26f	Section 291 amount (corporations only)				
26g	Add lines 26b, 26e, and 26f				
27 If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).					
27a	Soil, water, and land clearing expenses				
27b	Line 27a multiplied by applicable percentage (see instructions)				
27c	Enter the smaller of line 24 or 27b				
28 If section 1254 property:					
28a	Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see instructions)				
28b	Enter the smaller of line 24 or 28a				
29 If section 1255 property:					
29a	Applicable percentage of payments excluded from income under section 126 (see instructions)				
29b	Enter the smaller of line 24 or 29a (see instrs)				

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30	Total gains for all properties. Add property columns A through D, line 24	30	0.
31	Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31	0.
32	Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6, column (g), and if applicable, column (h)	32	0.

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less
(See instructions.)

	(a) Section 179	(b) Section 280F(b)(2)
33 Section 179 expense deduction or depreciation allowable in prior years	33	
34 Recomputed depreciation. See instructions	34	
35 Recapture amount. Subtract line 34 from line 33. See instructions for where to report	35	

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

19(a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo, day, yr)	(c) Date sold (mo, day, yr)
DUMP TRUCK	06/01/93	12/31/03
B Meters	04/05/96	12/31/03
C RESERVOIR TANKS	05/01/99	12/31/03
D Meters	05/31/00	12/31/03

These columns relate to the properties on lines 19A through 19D		Property A	Property B	Property C	Property D
20	Gross sales price (Note: See line 1 before completing.)	0.	0.	284.	315.
21	Cost or other basis plus expense of sale	6,800.	840.	1,000.	840.
22	Depreciation (or depletion) allowed or allowable	6,800.	840.	716.	525.
23	Adjusted basis. Subtract line 22 from line 21	0.	0.	284.	315.
24	Total gain. Subtract line 23 from line 20	0.	0.	0.	0.
25 If section 1245 property:					
a	Depreciation allowed or allowable from line 22	6,800.	840.	716.	525.
b	Enter the smaller of line 24 or 25a	0.	0.	0.	0.
26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.					
a	Additional depreciation after 1975 (see instrs)				
b	Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions)				
c	Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e				
d	Additional depreciation after 1969 & before 1976				
e	Enter the smaller of line 26c or 26d				
f	Section 291 amount (corporations only)				
g	Add lines 26b, 26e, and 26f				
27 If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).					
a	Soil, water, and land clearing expenses				
b	Line 27a multiplied by applicable percentage (see instructions)				
c	Enter the smaller of line 24 or 27b				
28 If section 1254 property:					
a	Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see instructions)				
b	Enter the smaller of line 24 or 28a				
29 If section 1255 property:					
a	Applicable percentage of payments excluded from income under section 126 (see instructions)				
b	Enter the smaller of line 24 or 29a (see instrs)				

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30	Total gains for all properties. Add property columns A through D, line 24	30
31	Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31
32	Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6, column (g), and if applicable, column (h)	32

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less (See instructions.)

	(a) Section 179	(b) Section 280F(b)(2)
33	Section 179 expense deduction or depreciation allowable in prior years	33
34	Recomputed depreciation. See instructions	34
35	Recapture amount. Subtract line 34 from line 33. See instructions for where to report	35

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

19(a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo, day, yr)	(c) Date sold (mo, day, yr)
TRAILER	02/28/93	12/31/03
BACKHOE	02/28/93	12/31/03
C OTHER EQUIPMENT	07/06/93	12/31/03
D OFFICE FURNITURE	05/05/86	12/31/03

These columns relate to the properties on lines 19A through 19D		Property A	Property B	Property C	Property D
20	Gross sales price (Note: See line 1 before completing.)	0.	0.	0.	0.
21	Cost or other basis plus expense of sale	3,600.	8,750.	5,605.	3,178.
22	Depreciation (or depletion) allowed or allowable	3,600.	8,750.	5,605.	3,178.
23	Adjusted basis. Subtract line 22 from line 21	0.	0.	0.	0.
24	Total gain. Subtract line 23 from line 20	0.	0.	0.	0.
25 If section 1245 property:					
a	Depreciation allowed or allowable from line 22	3,600.	8,750.	5,605.	3,178.
b	Enter the smaller of line 24 or 25a	0.	0.	0.	0.
26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.					
a	Additional depreciation after 1975 (see instrs)				
b	Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions)				
c	Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e				
d	Additional depreciation after 1969 & before 1976				
e	Enter the smaller of line 26c or 26d				
f	Section 291 amount (corporations only)				
g	Add lines 26b, 26e, and 26f				
27 If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).					
a	Soil, water, and land clearing expenses				
b	Line 27a multiplied by applicable percentage (see instructions)				
c	Enter the smaller of line 24 or 27b				
28 If section 1254 property:					
a	Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see instructions)				
b	Enter the smaller of line 24 or 28a				
29 If section 1255 property:					
a	Applicable percentage of payments excluded from income under section 126 (see instructions)				
b	Enter the smaller of line 24 or 29a (see instrs)				

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30	Total gains for all properties. Add property columns A through D, line 24	30	
31	Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31	
32	Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6, column (g), and if applicable, column (h)	32	

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less (See instructions.)

	(a) Section 179	(b) Section 280F(b)(2)
Section 179 expense deduction or depreciation allowable in prior years	33	
34 Recomputed depreciation. See instructions	34	
35 Recapture amount. Subtract line 34 from line 33. See instructions for where to report	35	

Part III Gain From Disposition of Property Under Sections 1245, 1250, 1252, 1254, and 1255

19(a) Description of section 1245, 1250, 1252, 1254, or 1255 property:	(b) Date acquired (mo, day, yr)	(c) Date sold (mo, day, yr)
Hydrants	05/05/86	12/31/03
c		
d		

These columns relate to the properties on lines 19A through 19D		Property A	Property B	Property C	Property D
20 Gross sales price (Note: See line 1 before completing)	20	0.			
21 Cost or other basis plus expense of sale	21	7,600.			
22 Depreciation (or depletion) allowed or allowable	22	7,600.			
23 Adjusted basis. Subtract line 22 from line 21	23	0.			
24 Total gain. Subtract line 23 from line 20	24	0.			
25 If section 1245 property:					
a Depreciation allowed or allowable from line 22	25 a	7,600.			
b Enter the smaller of line 24 or 25a	25 b	0.			
26 If section 1250 property: If straight line depreciation was used, enter -0- on line 26g, except for a corporation subject to section 291.					
a Additional depreciation after 1975 (see instrs)	26 a				
b Applicable percentage multiplied by the smaller of line 24 or line 26a (see instructions)	26 b				
c Subtract line 26a from line 24. If residential rental property or line 24 is not more than line 26a, skip lines 26d and 26e	26 c				
d Additional depreciation after 1969 & before 1976	26 d				
e Enter the smaller of line 26c or 26d	26 e				
f Section 291 amount (corporations only)	26 f				
g Add lines 26b, 26e, and 26f	26 g				
27 If section 1252 property: Skip this section if you did not dispose of farmland or if this form is being completed for a partnership (other than an electing large partnership).					
a Soil, water, and land clearing expenses	27 a				
b Line 27a multiplied by applicable percentage (see instructions)	27 b				
c Enter the smaller of line 24 or 27b	27 c				
28 If section 1254 property:					
a Intangible drilling and development costs, expenditures for development of mines and other natural deposits, and mining exploration costs (see instructions)	28 a				
b Enter the smaller of line 24 or 28a	28 b				
29 If section 1255 property:					
a Applicable percentage of payments excluded from income under section 126 (see instructions)	29 a				
b Enter the smaller of line 24 or 29a (see instrs)	29 b				

Summary of Part III Gains. Complete property columns A through D through line 29b before going to line 30.

30 Total gains for all properties. Add property columns A through D, line 24	30	
31 Add property columns A through D, lines 25b, 26g, 27c, 28b, and 29b. Enter here and on line 13	31	
32 Subtract line 31 from line 30. Enter the portion from casualty or theft on Form 4684, line 33. Enter the portion from other than casualty or theft on Form 4797, line 6, column (g), and if applicable, column (h)	32	

Part IV Recapture Amounts Under Sections 179 and 280F(b)(2) When Business Use Drops to 50% or Less (See instructions.)

	(a) Section 179	(b) Section 280F(b)(2)
33 Section 179 expense deduction or depreciation allowable in prior years	33	
34 Recomputed depreciation. See instructions	34	
35 Recapture amount. Subtract line 34 from line 33. See instructions for where to report	35	

Schedule K-1
(Form 1065)

Partner's Share of Income, Credits, Deductions, etc

OMB No. 1545-0099

2003

Department of the Treasury
Internal Revenue Service

For calendar year 2003 or tax year

beginning

, 2003, and ending

, 20

Partner's identifying number ▶ 476-40-9251

Partnership's identifying number ▶ 33-0570801

Partner's name, address, and ZIP code

Partnership's name, address, and ZIP code

DONALD WALKER
920 NORTH SLOAN
LAS VEGAS, NV 89110

YERMO WATER COMPANY
920 NORTH SLOAN # D-201
LAS VEGAS, NV 89110

- A This partner is a general partner limited partner
 limited liability company member
- B What type of entity is this partner? ... ▶ INDIVIDUAL
- C Is this partner a domestic or a foreign partner?
- D Enter partner's % of: (i) Before change or termination (ii) End of year
- | | | |
|----------------------|------------|------------|
| Profit sharing | 90.00000 % | 90.00000 % |
| Loss sharing | 90.00000 % | 90.00000 % |
| Ownership of capital | 90.00000 % | 90.00000 % |

- F Partner's share of liabilities (see instructions):
- | | |
|---------------------------------|-------|
| Nonrecourse | \$ |
| Qualified nonrecourse financing | \$ |
| Other | \$ 0. |

G Tax shelter registration number ▶

H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2)

I Check applicable boxes: (1) Final K-1 (2) Amended K-1

E IRS Center where partnership filed return: OGDEN, UT

J Analysis of partner's capital account:

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
-69,246.		88,502.	0.	19,256.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income Loss	1 Ordinary income (loss) from trade or business activities	1 -85,832.	See Partner's Instructions for Schedule K-1 (Form 1065). Form 1040, line 8a Form 1040, line 9b Form 1040, line 9a Schedule E, Part I, line 4 Schedule D, line 5, column (g) Schedule D, line 5, column (f) Schedule D, line 12, column (g) Schedule D, line 12, column (f)
	2 Net income (loss) from rental real estate activities	2	
	3 Net income (loss) from other rental activities	3	
	4 Portfolio income (loss):		
	a Interest income	4a	
	b (1) Qualified dividends	4b(1)	
	(2) Total ordinary dividends	4b(2)	
	c Royalty income	4c	
	d (1) Net short-term capital gain (loss) (post-May 5, 2003)	4d(1)	
	(2) Net short-term capital gain (loss) (entire year)	4d(2)	
	e (1) Net long-term capital gain (loss) (post-May 5, 2003)	4e(1)	
	(2) Net long-term capital gain (loss) (entire year)	4e(2)	
	f Other portfolio income (loss) (attach schedule)	4f	
5 Guaranteed payments to partner	5	See Partner's Instructions for Schedule K-1 (Form 1065).	
6a Net section 1231 gain (loss) (post-May 5, 2003)	6a		
b Net section 1231 gain (loss) (entire year)	6b		
7 Other income (loss) (attach schedule)	7		
Deductions	8 Charitable contributions (see instructions) (attach schedule)	8	See Partner's Instructions for Schedule K-1 (Form 1065). Schedule A, line 15 or 16
	9 Section 179 expense deduction	9	
	10 Deductions related to portfolio income (attach schedule)	10	
	11 Other deductions (attach schedule)	11	
Credits	12a Low-income housing credit:		See Partner's Instructions for Schedule K-1 (Form 1065). Form 8586, line 5
	(1) From section 42(j)(5) partnerships	12a(1)	
	(2) Other than on line 12a(1)	12a(2)	
	b Qualified rehabilitation expenditures related to rental real estate activities	12b	
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
	d Credits related to other rental activities	12d	
13 Other credits	13		

A For Paperwork Reduction Act Notice, see Instructions for Form 1065.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment Interest	14a Interest expense on investment debts	14a	Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f	14b(1)	See Partner's Instructions for Schedule K-1 (Form 1065).
	(2) Investment expenses included on line 10	14b(2)	
Self-employment	15a Net earnings (loss) from self-employment	15a	Schedule SE, Section A or B
	b Gross farming or fishing income	15b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Gross nonfarm income	15c	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	See Partner's Instructions for Schedule K-1 (Form 1065) and Instructions for Form 6251.
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	16d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties	16d(2)	
e Other adjustments and tax preference items (attach sch)	16e	0.	SEE LINE 25
Foreign Taxes	17a Name of foreign country or U.S. possession	17a	Form 1116, Part I
	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level:		
	(1) Passive	17d(1)	
	(2) Listed categories (attach schedule)	17d(2)	
	(3) General limitation	17d(3)	
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense	17e(1)	
	(2) Other	17e(2)	
f Deductions allocated and apportioned at partnership level to foreign source income:			
(1) Passive	17f(1)		
(2) Listed categories (attach schedule)	17f(2)		
(3) General limitation	17f(3)		
g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	Form 1116, Part II	
h Reduction in taxes available for credit (attach schedule)	17h	Form 1116, line 12.	
Other	18a Section 59(e)(2) expenditures: a Type	18a	See Partner's Instructions for Schedule K-1 (Form 1065).
	b Amount	18b	
	19 Tax-exempt interest income	19	Form 1040, line 8b
	20 Other tax-exempt income	20	See Partner's Instructions for Schedule K-1 (Form 1065).
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22	
	23 Distributions of property other than money	23	0.
24 Recapture of low-income housing credit:		Form 8611, line 8	
a From section 42(j)(5) partnerships	24a		
b Other than on line 24a	24b		
Supplemental Information	25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):		
	LINE 16E - OTHER ADJ & TAX PREF ITEMS:		
	PRE87 ACCEL DEPR REAL/LEASED PROP		0.
TOTAL			0.
Schedule K, line 16b, adj gain or loss - Post 5/5/03 portion			-26,614.

Schedule K-1
(Form 1065)

Partner's Share of Income, Credits, Deductions, etc

OMB No. 1545-0099

2003

Department of the Treasury
Internal Revenue Service

For calendar year 2003 or tax year

beginning , 2003, and ending , 20

Partner's identifying number ▶ 526-31-5222
Partner's name, address, and ZIP code
CHARLENE WALKER
920 NORTH SLOAN
LAS VEGAS, NV 89110

Partnership's identifying number ▶ 33-0570801
Partnership's name, address, and ZIP code
YERMO WATER COMPANY
920 NORTH SLOAN # D-201
LAS VEGAS, NV 89110

A This partner is a general partner limited partner
 limited liability company member
B What type of entity is this partner? ▶ **INDIVIDUAL**
C Is this partner a domestic or a foreign partner?
D Enter partner's % of: (i) Before change or termination (ii) End of year
Profit sharing 10.00000% 10.00000%
Loss sharing 10.00000% 10.00000%
Ownership of capital 10.00000% 10.00000%
E IRS Center where partnership filed return: **OGDEN, UT**

F Partner's share of liabilities (see instructions):
Nonrecourse \$
Qualified nonrecourse financing \$
Other \$ 0.
G Tax shelter registration number ▶
H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2)
I Check applicable boxes: (1) Final K-1 (2) Amended K-1

J Analysis of partner's capital account:

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
-5,734.		9,834.	0.	4,100.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (loss)	1 Ordinary income (loss) from trade or business activities	1 -9,537.	See Partner's Instructions for Schedule K-1 (Form 1065). Form 1040, line 8a Form 1040, line 9b Form 1040, line 9a Schedule E, Part I, line 4 Schedule D, line 5, column (g) Schedule D, line 5, column (f) Schedule D, line 12, column (g) Schedule D, line 12, column (f)
	2 Net income (loss) from rental real estate activities	2	
	3 Net income (loss) from other rental activities	3	
	4 Portfolio income (loss):		
	a Interest income	4a	
	b (1) Qualified dividends	4b(1)	
	(2) Total ordinary dividends	4b(2)	
	c Royalty income	4c	
	d (1) Net short-term capital gain (loss) (post-May 5, 2003)	4d(1)	
	(2) Net short-term capital gain (loss) (entire year)	4d(2)	
	e (1) Net long-term capital gain (loss) (post-May 5, 2003)	4e(1)	
	(2) Net long-term capital gain (loss) (entire year)	4e(2)	
	f Other portfolio income (loss) (attach schedule)	4f	
5 Guaranteed payments to partner	5	See Partner's Instructions for Schedule K-1 (Form 1065).	
6a Net section 1231 gain (loss) (post-May 5, 2003)	6a		
b Net section 1231 gain (loss) (entire year)	6b		
7 Other income (loss) (attach schedule)	7		
Deductions	8 Charitable contributions (see instructions) (attach schedule)	8	Schedule A, line 15 or 16
	9 Section 179 expense deduction	9	See Partner's Instructions for Schedule K-1 (Form 1065).
10 Deductions related to portfolio income (attach schedule)	10		
	11 Other deductions (attach schedule)	11	
Credits	12a Low-income housing credit:		Form 8586, line 5 See Partner's Instructions for Schedule K-1 (Form 1065).
	(1) From section 42(j)(5) partnerships	12a(1)	
	(2) Other than on line 12a(1)	12a(2)	
	b Qualified rehabilitation expenditures related to rental real estate activities	12b	
	c Credits (other than credits shown on lines 12a and 12b) related to rental real estate activities	12c	
d Credits related to other rental activities	12d		
	13 Other credits	13	

A For Paperwork Reduction Act Notice, see Instructions for Form 1065.

(a) Distributive share item		(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Investment interest	14a Interest expense on investment debts	14a	Form 4952, line 1
	b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f	14b(1)	See Partner's Instructions for Schedule K-1 (Form 1065).
	(2) Investment expenses included on line 10	14b(2)	
Self-employment	15a Net earnings (loss) from self-employment	15a	Schedule SE, Section A or B
	b Gross farming or fishing income	15b	See Partner's Instructions for Schedule K-1 (Form 1065).
	c Gross nonfarm income	15c	
Adjustments and Tax Preference Items	16a Depreciation adjustment on property placed in service after 1986	16a	See Partner's Instructions for Schedule K-1 (Form 1065) and Instructions for Form 6251.
	b Adjusted gain or loss	16b	
	c Depletion (other than oil and gas)	16c	
	d (1) Gross income from oil, gas, and geothermal properties	16d(1)	
	(2) Deductions allocable to oil, gas, and geothermal properties	16d(2)	
e Other adjustments and tax preference items (attach sch)	16e	0.	SEE LINE 25
Foreign Taxes	17a Name of foreign country or U.S. possession	17a	Form 1116, Part I
	b Gross income from all sources	17b	
	c Gross income sourced at partner level	17c	
	d Foreign gross income sourced at partnership level:		
	(1) Passive	17d(1)	
	(2) Listed categories (attach schedule)	17d(2)	
	(3) General limitation	17d(3)	
	e Deductions allocated and apportioned at partner level:		
	(1) Interest expense	17e(1)	
	(2) Other	17e(2)	
	f Deductions allocated and apportioned at partnership level to foreign source income:		
(1) Passive	17f(1)		
(2) Listed categories (attach schedule)	17f(2)		
(3) General limitation	17f(3)		
g Total foreign taxes (check one): <input type="checkbox"/> Paid <input type="checkbox"/> Accrued	17g	Form 1116, Part II	
h Reduction in taxes available for credit (attach schedule)	17h	Form 1116, line 12.	
Other	18a Section 59(e)(2) expenditures: a Type	18a	See Partner's Instructions for Schedule K-1 (Form 1065).
	b Amount	18b	
	19 Tax-exempt interest income	19	Form 1040, line 8b
	20 Other tax-exempt income	20	See Partner's Instructions for Schedule K-1 (Form 1065).
	21 Nondeductible expenses	21	
	22 Distributions of money (cash and marketable securities)	22	
	23 Distributions of property other than money	23	0.
24 Recapture of low-income housing credit:		Form 8611, line 8	
a From section 42(j)(5) partnerships	24a		
b Other than on line 24a	24b		
Supplemental Information	25 Supplemental information required to be reported separately to each partner (attach additional schedules if more space is needed):		
	LINE 16E - OTHER ADJ & TAX PREF ITEMS:		
	PRE87 ACCEL DEPR REAL/LEASED PROP		0.
TOTAL		0.	
Schedule K, line 16b, adj gain or loss - Post 5/5/03 portion		-2,957.	

Form 1065, Line 20

Other deductions

AUTO & GAS EXPENSES	2,909.
BANK CHARGES	410.
DUES & SUBSCRIPTIONS	4,891.
EQUIPMENT RENTAL & LEASES	12,646.
GENERAL EXPENSES	7,021.
INSURANCE	3,507.
OFFICE SUPPLIES	1,703.
POSTAGE & FREIGHT	1,440.
PROFESSIONAL FEES	5,233.
TELEPHONE	5,602.
UTILITIES	28,252.
Total	<u>73,614.</u>

Form 1065, Schedule A, Line 4

Additional section 263A costs

MATERIALS	20,396.
CONTRACT LABOR	26,174.
Total	<u>46,570.</u>

Form 1065, Schedule M-2, Line 4

Other increases

Termination of Partnership - Transferred Debt to Donry Unlimited	193,705.
Total	<u>193,705.</u>

Form 1065, Schedule L, Line 13

Other Assets

Other Assets (itemize):	Beginning of tax year	End of tax year
INVENTORY OF MAT & SUPPLIES	4,112.	0.
Total	<u>4,112.</u>	<u>0.</u>

Form 1065, Schedule L, Line 17

Other Current Liabilities

Other Current Liabilities (itemize):	Beginning of tax year	End of tax year
DEPOSITS	31,950.	
LOAN PAYABLE TO D. R. WALKER		0.
DONRY, UNLIMITED		0.
Total	<u>31,950.</u>	<u>0.</u>

Federal 1065 Depreciation Report
Regular Tax

Activity Form 1065 Line 22 - 2003

Total cost of goods sold Total IRC Section 754

Description		In Service	Cost	Land	Bus %	Type	Class	Conv	Depr
Cost of Goods Sold	IRC 754	Disposed	Basis	Sec. 179	Listed	Mthd	Life	Year	Prior
WELLS		01/01/81	18,000.		100.00	ACRS	10		
		12/31/03				ALT		23	8,906.
Pumping Equipment		01/01/81	8,000.		100.00	ACRS	10		
		12/31/03					30.00		5,579.
Serv & Meters		05/05/86	19,800.		100.00	ACRS	10		
		12/31/03				ALT		18	19,657.
Water Mains		05/05/86	10,000.		100.00	ACRS	10		
		12/31/03				ALT		18	10,000.
New Well		07/16/92	8,200.		100.00	MACRS	15	HY	209.
		12/31/03	8,200.			150DB	15.00	12	6,321.
STRUCTURES		05/05/86	2,900.		100.00	ACRS	19	NA	0.
		12/31/03	2,900.			PRE	19.00	18	2,900.
INTANGIBLE PLANT		05/05/86	2,300.		100.00	ACRS	5	NA	0.
		12/31/03	2,300.			PRE	5.00	18	2,300.
FORD		05/05/86	5,876.		100.00	ACRS	5	NA	0.
		12/31/03	5,876.			PRE	5.00	18	5,876.
PUMP		02/18/93	400.		100.00	MACRS	7	HY	0.
		12/31/03	400.			200DB	7.00	11	400.
DUMP TRUCK		06/01/93	6,800.		100.00	MACRS	5	HY	0.
		12/31/03	6,800.			200DB	5.00	11	6,800.
Meters		04/05/96	840.		100.00	MACRS	7	HY	37.
		12/31/03	840.			200DB	7.00	8	803.
RESERVOIR TANKS		05/01/99	1,000.		100.00	MACRS	7	HY	47.
		12/31/03	1,000.			200DB	7.00	5	669.
Meters		05/31/00	840.		100.00	MACRS	7	HY	52.
		12/31/03	840.			200DB	7.00	4	473.
TRAILER		02/28/93	3,600.		100.00	MACRS	5	HY	0.
		12/31/03	3,600.			200DB	5.00	11	3,600.
BACKHOE		02/28/93	8,750.		100.00	MACRS	7	HY	0.
		12/31/03	8,750.			200DB	7.00	11	8,750.
OTHER EQUIPMENT		07/06/93	5,605.		100.00	MACRS	7	HY	0.
		12/31/03	5,605.			200DB	7.00	11	5,605.
OFFICE FURNITURE		05/05/86	3,178.		100.00	ACRS	5	NA	0.
		12/31/03	3,178.			PRE	5.00	18	3,178.
Hydrants		05/05/86	7,600.		100.00	AMORT		NA	0.
		12/31/03	7,600.				5.00	18	7,600.
PROPERTIES		01/01/81	19,730.		100.00	ACRS			
		12/31/03							

Total 133,419.
57,889.

345.
99,417.

Yermo Water Company -'03 & '04

Balance Sheet

As of December 31, 2003

	<u>Dec 31, 03</u>
ASSETS	
Current Assets	
Checking/Savings	
131 - Cash In Bank-DCB 6301	120,709.34
Total Checking/Savings	<u>120,709.34</u>
Total Current Assets	120,709.34
Fixed Assets	
101 - Buildings & Other Dep. As	
102 - Depreciation	-97,773.00
101 - Buildings & Other Dep. As - Other	133,449.00
Total 101 - Buildings & Other Dep. As	<u>35,676.00</u>
Total Fixed Assets	<u>35,676.00</u>
TOTAL ASSETS	<u><u>156,385.34</u></u>
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
224 - Loan Payable to D. R. Wal	327,982.00
225 - Loan Payable - Donry	18,014.00
2100 - Payroll Liabilities	4,749.25
Total Other Current Liabilities	<u>350,745.25</u>
Total Current Liabilities	<u>350,745.25</u>
Total Liabilities	350,745.25
Equity	
300 - Donald Walker, Capital	-98,991.17
Net Income	-95,368.74
Total Equity	<u>-194,359.91</u>
TOTAL LIABILITIES & EQUITY	<u><u>156,385.34</u></u>

2:39 PM

05/03/06

Accrual Basis

Yermo Water Company -'03 & '04
Profit & Loss
 January through December 2003

	Jan - Dec 03
Ordinary Income/Expense	
Income	
470 · Metered Revenue	94,435.27
Total Income	94,435.27
Cost of Goods Sold	
640 · Materials	20,395.84
Total COGS	20,395.84
Gross Profit	74,039.43
Expense	
615 · Purchased Power	
Electric Expense	28,152.00
Total 615 · Purchased Power	28,152.00
612 · Payroll Taxes	4,749.25
630 · Employee Salaries	40,079.25
650 · Sublet Labor	26,174.00
660 · Transportation Expense	
Auto Expense	2,908.91
Total 660 · Transportation Expense	2,908.91
665 - Other Plant Maintenance	
Equipment Rental	12,645.56
Other Maintenance	0.00
Total 665 - Other Plant Maintenance	12,645.56
678 · Office Service and Rentals	
Rent	22,320.00
Total 678 · Office Service and Rentals	22,320.00
681 · Office Supplies & Expense	
Bank Service Charges	410.09
Dues, Subscriptions & Wat	4,890.71
Office Supplies	1,703.31
Postage & Freight	1,439.85
Total 681 · Office Supplies & Expense	8,443.96
682 · Professional Expenses	5,233.36
684 - Insurance	3,506.72
689 · General Expenses	
Natural Gas	100.03
Other Expenses	7,021.35
Telephone Expense	5,601.53
Total 689 · General Expenses	12,722.91
403 · Depreciation	345.00
408 · Taxes Other Than Income	
Property Taxes	2,127.25
Total 408 · Taxes Other Than Income	2,127.25
Total Expense	169,408.17
Net Ordinary Income	-95,368.74
Net Income	-95,368.74