

BOARD OF WATER WORKS OF PUEBLO, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2007 AND 2006

BOARD OF WATER WORKS OF PUEBLO, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion And Analysis	3-11
Financial Statements	
Statements Of Net Assets	12
Statements Of Revenues, Expenses And Changes In Net Assets	13
Statements Of Cash Flows	14-15
Notes To Financial Statements	16-33
Supplementary Information	
Budgetary Comparison Schedule - Revenues By Source	34
Budgetary Comparison Schedule - Expenditures By Object	35
Budgetary Comparison Schedule By Department	
Administration	36-38
Administrative Services	39-41
Treating, Pumping And Laboratory	42-44
Transmission, Distribution And Engineering	45-47
Water Resources	48-50
Plant At Large	51-53
Budgetary Comparison Schedule - Revenues By Source And Expenditures By Object - Water Development Fund	54
Budgetary Comparison Schedule - Revenues By Source And Expenditures By Object - Debt Service Fund	55
Schedule Of Bonds And Loans Outstanding	56
Schedule Of Future Debt Service Requirements	57
Schedule Of Revenue And Expenditures - Water Development Fund	58
Results Of Operations	59-60
Statement Of Net Assets Account Explanation	61-68

SCHMIDT, VALENTINE, WHITTEMORE & COMPANY, P.C.

119 Colorado Avenue / Pueblo, Colorado 81004-4213 / (719) 543-2066

Bernard O. Schmidt, CPA
Daniel H. Valentine, CPA
Virginia D. Whittemore, CPA

Members:
AICPA
CSCPA

INDEPENDENT AUDITORS' REPORT

The Board of Water Works
Pueblo, Colorado

We have audited the accompanying financial statements of the Board of Water Works of Pueblo, Colorado as of and for the years ended December 31, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Water Works of Pueblo, Colorado, as of December 31, 2007 and 2006, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2008, on our consideration of the Board of Water Works of Pueblo, Colorado's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages three through eleven is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplementary information in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the Board of Water Works of Pueblo, Colorado. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Schmidt, Valentine, Whittemore & Company, P.C.

SCHMIDT, VALENTINE, WHITTEMORE & COMPANY, P.C.
Certified Public Accountants

March 4, 2008

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

To the Board of Water Works of Pueblo, Colorado and To Those We Serve:

We are pleased to transmit the Annual Financial Report of the Board of Water Works for the year ended December 31, 2007. Statement No. 34 of the Governmental Accounting Standards Board requires that management provide a discussion and analysis to accompany the financial statements. This discussion and analysis of the Board's financial performance provides an overview of financial activities for the year ended December 31, 2007, and should be read in conjunction with the Board's financial statements which start on page twelve.

Responsibility for the accuracy of the data as well as the thoroughness of the presentation rests with the Board of Water Works. To the best of our knowledge, the enclosed data are accurate in all material respects and adequately present the financial position of the Board of Water Works of Pueblo, Colorado.

Using This Annual Report

This annual report consists of a management discussion and analysis (MD&A) and a series of financial statements. The MD&A will present an objective and easily readable analysis of the financial performance of the Board of Water Works of Pueblo, Colorado. The MD&A is made up of several categories: The Entity; provides a summary of the background of the Board of Water Works of Pueblo, Colorado. 2007 Review; provides a brief look at significant 2007 activity. Financial Highlights; provides a summary of the Board's significant 2007 financial activity. Condensed Financial Statements; provides an analysis of significant activity in the basic financial statements. Budgetary Highlights; provides an analysis of the Board's budget procedures as well as the 2007 budget -vs- actual results and the 2008 budget. Finally, Currently Known Facts, Decisions or Conditions; this section outlines currently known facts, decisions or conditions as of the date of the auditor's report that may have an effect on the Board's financial position. The MD&A is followed by the basic financial statements, notes to the financial statements and supplementary information.

The Entity

The forerunner of the Board of Water Works of Pueblo was the Holly Water Company, formed on the north side of the Arkansas River in Pueblo in 1874 to provide a system of water distribution for fighting fires in the downtown business district. This system later evolved into a municipal supply for domestic and commercial use. A separate private water company was formed to provide water distribution on the south side of the river, and this system later became a municipal system. The two systems continued in operation as separate entities until 1957. Following the city's 1954 Charter Convention, the two water works systems and properties managed by the Trustees of the Pueblo Water Works and the Board of Commissioners of Pueblo Water Works District No. 2 were consolidated (effective June 11, 1957) as the Board of Water Works of Pueblo, Colorado (the Board).

Since that time, the control, management and operation of the water system has been vested in a five member board whose members are elected at large for six year staggered terms. The Board, under authority of the Charter, has and may exercise all powers which are granted to cities of the first class by the Constitution and Laws of Colorado, except the power to levy and collect taxes.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

2007 Review

In order to offset rising operating costs, the Board implemented a 4% general rate increase effective January 1, 2007. While greater than the average rate increase of 3.32% over the past five years, the Board's 4% general rate increase was below the typical increase experienced by most Front Range water utilities.

Due to a greater than normal amount of precipitation in the spring of 2007, early indications were that consumption would fall short of anticipated levels by 10% to 12%. These indications were highlighted by average consumption levels per account for residential customers within the city, of 9,400 and 12,500 gallons for May and June respectively, representing declines of 22.9% and 29.1% from averages since 2004. Returns to more typical consumption levels in July and August and above average usage for September, October, and November helped the Board to reach total consumption of just over 8 billion gallons for the year.

For 2007, revenue derived from plant water investment fees exceeded expectations by 7%. Although total connections to the system were down roughly 25% compared with 2006, the increase in larger than 1" taps helped to cause a 1% increase to total plant water investment fee revenue for 2007 over the prior year.

2007 marked the much anticipated start of the Automated Meter Reading Project. The project started in the third quarter of 2007 and the installation of meter transmitting units concluded in November, due to the start of the Board's sewer adjustment period. Installation is set to resume in March of 2008. During the first phase of the project roughly 1,700 meter transmitting units were installed. A total of \$1.42 million was spent on the project in 2007 with an additional \$220,000 encumbered at year end.

During 2007, the Board decided to pursue a new Supervisory Controls and Data Acquisition (SCADA) system to ensure future reliability at the Whitlock Treating Plant, remote pumping stations, and tank sites. A new control system server, two SCADA computers, and GE-Fanuc iFix SCADA software were purchased during 2007 at a total cost of just under \$50,000. The new software is Windows based, and will get us closer to a standard development platform for system control. An additional two computers for the Filter Plant and Water Treatment Plant will be purchased in April 2008 to allow control from these locations. The systems are being programmed, and the pumping stations are scheduled to be on line in 2008 with additional work on the Water Plant controls continuing into 2009.

In January of 2007, the Board issued a RFP to perform a Capital Asset Inventory and Insurance Valuation. A project of this scope, utilizing an outside consultant, had not been performed for some time. With the conclusion of the treatment plant expansion as well as the advent of the Board's new software package, HTE, it was an appropriate time to revisit a project of this nature. The scope of the project was to perform a physical inventory, verification, and reconciliation of the Board's Capital Assets. The consultants inventoried and "tagged" as appropriate all Land, Buildings, and Machinery & Equipment with a value of \$1,000 or more. The consultant also inventoried and "tagged" all computer equipment regardless of value. As part of the project an appraisal report with recommended insurable values was also generated. At the completion of the project the consultant provided recommendations for future update processes and revised capitalization processes and thresholds (based upon industry best practices). From those recommendations the Board raised its capitalization threshold from \$1,000 to \$5,000 as well as reclassifying the category and useful life of a portion of its assets.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

During the late summer and early fall of 2007, the Board drained Clear Creek Reservoir in order to make repairs to the outlet structure of the dam. New gates and hydraulic lines for the main outlet were installed, and the air vent pipe was replaced with a larger one. In addition, several bolts on the steel liner at the upstream end of the outlet were repaired, and depressions near the north emergency spillway were filled. The old gates allowed significant leakage, but the new gates seal much tighter and include a gate position sensor which allows for more precise operation of the gates. It is anticipated the larger vent pipe will reduce cavitations in the outlet and the filling of the depressions near the north emergency spillway may reduce seepage under the dam's foundation. All of the work was successfully completed at a total cost of just under \$430,000. The reservoir is expected to be completely refilled in the spring of 2008.

2007 Financial Highlights

While temperature and precipitation are major driving forces behind water consumption, more important is when and the frequency by which the precipitation comes. During the months of April, May, and June 2007 the Board's service area experienced precipitation totaling 6.82 inches or 53% of total precipitation for the year, compared with 1.38 inches or 10% of total precipitation for the same period in 2006. The frequency and increase in spring precipitation combined to cause a 13% decline in consumption through the first six months of 2007, compared with the five year average. The second half of 2007 experienced below average precipitation and above average temperatures causing consumption levels to rebound settling at 97% of the five year average or just over 8 billion gallons. The following table illustrates certain factors related to water sales for the past five years:

Year	Customers ¹	Billed Consumption (000s gal.)	Water Pumped (000s gal.)	Percent Unaccounted Water ²	Pumped Per Day (000s gal.)	Peak Day Pumpage (000s gal.)	Average Rainfall Inches ³
2003	37,830	8,582,959	9,191,021	6.6%	25,181	57,562	10.91
2004	38,481	7,984,385	8,602,032	7.2%	23,567	48,021	14.06
2005	38,735	8,542,178	9,106,831	6.2%	24,950	57,565	11.15
2006	39,016	8,317,804	9,099,161	8.6%	24,929	53,919	13.86
2007	39,312	8,003,025	8,586,392	6.8%	23,524	49,031	12.93

¹Based on customers at July 31.

²The unaccounted for water includes water used or lost in seepage, system storage, fire protection, street cleaning a distribution system flushing.

³Reported by the United States Weather Bureau as measured at Pueblo Municipal Airport.

During 2007, \$4.8 million was generated from 38,949 acre feet of raw water sales. This number is down 4% or nearly \$200,000 from the \$5 million generated from 38,969 acre feet of raw water sales in 2006. The main cause of the decline is the decrease in the price per acre foot commanded by short term raw water sales due to improved reservoir levels and decreased demand throughout the state.

Breaking the trend experienced in 2004, 2005, and 2006, consumption within the Board's ten largest commercial treated water users increased 5% over that of the prior year. The following tables illustrate consumption and revenue generated from the Board's ten largest treated water customers for 2007 and 2006.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

LARGEST CUSTOMERS - TREATED WATER
FOR THE YEAR ENDED DECEMBER 31, 2007

Name	Consumption (000s gal.)	Percent of Total Consumption	Amount Billed	Percent of Total Revenue
Rocky Mountain Steel	268,202	3.35%	\$ 573,778	3.39%
City of Pueblo	194,269	2.43%	327,490	1.93%
Colorado Mental Health Institute	172,528	2.16%	325,577	1.92%
Colorado State University - Pueblo	118,117	1.48%	219,605	1.30%
Pueblo School District #60	82,249	1.03%	166,240	0.98%
B.F. Goodrich	81,204	1.01%	153,446	0.91%
Pueblo Country Club	73,049	0.91%	136,196	0.80%
Pueblo Housing Authority	58,936	0.74%	127,081	0.75%
Trane Co	55,440	0.69%	102,896	0.61%
St. Mary Corwin Hospital	44,969	0.56%	84,260	0.50%
Total	<u>1,148,963</u>	<u>14.36%</u>	<u>\$2,216,569</u>	<u>13.09%</u>

Based on total consumption of 8,003,025,000 gallons
Based on total billing in 2007 of \$ 16,927,106

LARGEST CUSTOMERS - TREATED WATER
FOR THE YEAR ENDED DECEMBER 31, 2006

Name	Consumption (000s gal.)	Percent of Total Consumption	Amount Billed	Percent of Total Revenue
Rocky Mountain Steel	248,947	2.99%	\$ 510,373	3.09%
City of Pueblo	213,338	2.56%	333,724	2.02%
Colorado Mental Health Institute	120,551	1.45%	221,064	1.34%
Colorado State University - Pueblo	114,426	1.38%	204,708	1.24%
Pueblo School District #60	96,547	1.16%	184,921	1.12%
Pueblo Country Club	74,702	0.90%	133,895	0.81%
B.F. Goodrich	74,044	0.89%	133,172	0.81%
Pueblo Housing Authority	61,188	0.74%	128,009	0.77%
Imperial Memorial Gardens	48,312	0.58%	86,457	0.52%
Trane Co.	47,348	0.57%	84,718	0.51%
Total	<u>1,099,403</u>	<u>13.22%</u>	<u>\$2,021,041</u>	<u>12.23%</u>

Based on total consumption of 8,317,804,000 gallons
Based on total billing in 2006 of \$ 16,520,059

Although residential connections (3/4" and 1") to the system were down in 2007 as compared with 2006, increases in 1 1/2" and 2" connections, coupled with the 4% general rate increase, combined to cause total revenue derived from connection fees to increase 4% over 2006 levels. The following table illustrates revenue collected from connection fees for the past five years:

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

HISTORY OF CONNECTION FEES

Year	Revenue Collected
2003	\$ 1,275,808
2004	1,630,830
2005	1,081,976
2006	1,283,567
2007	1,335,163

Condensed Financial Statements

Statement of Net Assets

The statement of net assets is a financial snapshot of the Board of Water Works of Pueblo, Colorado at December 31, 2007 and 2006. It presents the fiscal resources of the Board (assets), the claims against those resources (liabilities) and the residual available for future operations (net assets). Assets and liabilities are classified by liquidity as either current or non-current. Net assets are classified by the ways in which they may be used for future operations. The following table is a condensed statement of the Board's net assets as of December 31, 2007 and 2006.

CONDENSED STATEMENT OF NET ASSETS
DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
Current assets	\$ 32,396,545	\$ 31,920,052
Restricted assets	1,293,035	1,207,522
Capital assets	164,789,064	163,594,123
Other assets	494,696	533,474
Total assets	198,973,340	197,255,171
LIABILITIES		
Current liabilities	5,962,896	5,160,719
Long-term liabilities	44,935,811	46,639,324
Total liabilities	50,898,707	51,800,043
NET ASSETS		
Invested in capital assets, net of related debt	121,913,782	118,981,953
Restricted	841,353	738,406
Unrestricted	25,319,498	25,734,769
Total net assets	\$ 148,074,633	\$ 145,455,128

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

The Board's net assets are separated into three categories. The first category, invested in capital assets, net of related debt, consists of capital assets (net of depreciation) less related outstanding debt incurred to purchase or produce those assets. The second category, restricted, consists of restricted assets less accrued interest on construction related long-term debt. Finally, the third category, unrestricted consists of current assets plus other assets less all liabilities unrelated to acquisitions of capital assets.

Statement of Revenues, Expenses and Changes in Net Assets

The statement of revenues, expenses and changes in net assets presents the financial activity of the Board of Water Works of Pueblo, Colorado for the years ended December 31, 2007 through 2003. Operating expenses include personnel services and operation and maintenance costs for each division of the Board. See table below:

HISTORY OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007, 2006, 2005, 2004 AND 2003

	2007	2006	2005	2004	2003
Operating Revenues	\$ <u>24,243,413</u>	\$ <u>32,529,228</u> ¹	\$ <u>24,225,251</u>	\$ <u>21,886,820</u>	\$ <u>21,158,629</u>
Operating Expenses					
Administration	931,740	872,648	770,804	784,998	569,779
Administrative services	2,942,738	2,680,276	2,547,598	2,139,660	1,426,458
Treating, pumping and laboratory	6,471,729	6,308,774	5,552,418	5,044,583	4,124,544
Transmission, distribution and engineering	4,989,848	4,775,251	4,514,722	4,167,071	3,499,318
Water resources	1,402,702	1,350,896	1,254,980	1,068,126	983,593
Other company-wide operating expenses	<u>1,779,424</u>	<u>1,616,283</u>	<u>1,332,864</u>	<u>1,469,032</u>	<u>3,576,171</u>
Subtotal	18,518,181	17,604,128	15,973,386	14,673,470	14,179,863
Depreciation	3,956,985	4,080,537	3,888,223	3,830,425	3,414,376
Loss on abandonment of assets	<u>10,793</u>	<u>30,608</u>	<u>8,677</u>	<u>18,172</u>	<u>3,202</u>
Total operating expenses	<u>22,485,959</u>	<u>21,715,273</u>	<u>19,870,286</u>	<u>18,522,067</u>	<u>17,597,441</u>
Operating Income	1,757,454	10,813,955	4,354,965	3,364,753	3,561,188
Total Nonoperating Revenues (Expenses)	<u>(526,802)</u>	<u>(892,807)</u>	<u>(1,794,774)</u>	<u>(2,383,524)</u>	<u>(491,143)</u>
Income Before Capital Contributions	1,230,652	9,921,148	2,560,191	981,229	3,070,045
Capital Contributions	<u>1,388,853</u>	<u>814,221</u>	<u>1,161,508</u>	<u>678,994</u>	<u>235,769</u>
Increase in Net Assets	2,619,505	10,735,369	3,721,699	1,660,223	3,305,814
Net Assets, January 1	<u>145,455,128</u>	<u>134,719,759</u>	<u>130,998,060</u>	<u>129,337,837</u>	<u>126,032,023</u>
Net Assets, December 31	\$ <u>148,074,633</u>	\$ <u>145,455,128</u>	\$ <u>134,719,759</u>	\$ <u>130,998,060</u>	\$ <u>129,337,837</u>

¹Includes a "one time" readiness to serve charge of \$8.86 million

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

Operating Revenues

The following table presents a comparison of the operating revenues for 2007 and 2006. It is important to note that, without the Public Service Company of Colorado's one time readiness to serve charge received in 2006; operating revenues for 2007 are 2% higher than those of 2006.

<u>Operating Revenues</u>	<u>2007</u>	<u>2006</u>	<u>Difference</u>	<u>Percentage</u>
Water sales to general customers \$	16.93	\$ 16.52	\$ 0.41	2.48%
Water sales to Comanche plant	2.66	2.63	0.03	1.14%
Plant water investment fee	1.19	1.18	0.01	0.85%
Other	<u>3.46</u>	<u>12.20</u>	<u>(8.74)</u>	-71.64%
Total	<u>\$ 24.24</u>	<u>\$ 32.53</u>	<u>\$ (8.29)</u>	-25.48%

Operating Expenses

There are three main categories of operating expenses. First, personnel services, which consists of salaries and benefits paid or accrued to or for Board employees. Second, operation and maintenance, and third other operating expense which consists primarily of depreciation. The percentage of these categories as a relation to total operating expense has changed very little over the past five years. The following table illustrates the relationship of each category to total operating expense as a percentage for the past five years:

<u>OPERATING EXPENSES</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Personnel services	51%	50%	50%	51%	53%
Operation and maintenance	31%	31%	30%	28%	28%
Other operating expense	18%	19%	20%	21%	19%

Budgetary Highlights

The Board's budget is determined by a variety of methods. The process begins in early August when divisional budget requests are submitted to the Director of Administrative Services. These requests are reviewed by senior management and subsequently used by the Director of Administrative Services to prepare a preliminary budget. The preliminary budget is then submitted to the Executive Director for his review and input. In early October the preliminary budget is submitted to the Board of Directors for their input at which time it is made available for public inspection. The final budget, including all appropriate resolutions, is usually adopted at the Board's November meeting, and subsequently submitted to the State of Colorado Department of Local Affairs.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

The following table illustrates the Board's General Fund 2007 Budget compared to actual as well as the 2008 Budget:

GENERAL FUND BUDGET SUMMARY AND COMPARISON

	<u>2007 BUDGET</u>	<u>2007 ACTUAL</u>	<u>2008 BUDGET</u>
OPERATING REVENUES			
Water sales - Metered	\$18,343,662	\$16,927,106	\$18,141,252
Water sales - Comanche	2,405,897	2,656,043	2,514,585
Water sales - Raw water	803,294	914,441	849,594
Water sales - Aurora	1,232,970	1,232,660	1,321,164
Taps and meters	110,000	141,136	120,000
Material sales	130,000	156,939	135,000
Main assessments	20,000	45,423	10,000
Fire protection - public	4,500	5,512	4,500
Discounts	1,200	954	1,148
Rental income	17,000	17,485	17,000
Late field reading fee	8,000	6,600	7,500
Turn-on fee	65,000	86,100	65,000
Check processing fee	7,500	9,592	7,500
Field collection fee	2,000	40	1,500
Missed appointment fee	2,400	1,880	1,500
Interest earned on service accounts	2,300	2,863	2,300
Miscellaneous	10,000	128,834	25,000
Plant water investment fee	1,111,000	1,194,027	1,716,872
Insurance recovery	3,000	204,154	3,000
Comanche operations and maintenance reimbursement	-	42,792	70,000
Busk-Ivanhoe administration fee	25,000	25,000	25,000
Wastewater billing reimbursement	309,816	309,816	323,758
Stormwater billing reimbursement	<u>134,010</u>	<u>134,016</u>	<u>140,040</u>
 Total operating revenue	 24,748,549	 24,243,413	 25,503,213
 NONOPERATING REVENUES	 <u>3,781,450</u> ¹	 <u>2,343,198</u> ²	 <u>4,073,891</u> ³
 Total revenue	 <u>\$28,529,999</u>	 <u>\$26,586,611</u>	 <u>\$29,577,104</u>
 EXPENDITURES			
Personnel Services	\$11,983,038	\$11,472,058	\$12,493,585
Operation and Maintenance	7,951,931	6,826,866	8,213,191
Capital Outlay and Interfund Transfers	<u>8,595,030</u>	<u>8,287,687</u>	<u>8,870,328</u>
 Total expenditures	 <u>\$28,529,999</u>	 <u>\$26,586,611</u>	 <u>\$29,577,104</u>

¹Includes \$ 3,178,367 in contributions from reserve

²Includes \$ 1,412,201 in contributions from reserve

³Includes \$ 3,405,781 in contributions from reserve

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007

Currently Known Facts, Decisions or Conditions

This section outlines currently known facts, decisions, or conditions as of the date of the auditor's report that may have an effect on the Board's financial position (net assets) or results of operations (revenue, expenses, and other changes in net assets).

A new Long-Range Water Resources Plan was unveiled in August of 2007. The plan focuses on anticipated water demand for the Board's service area through the year 2100 and outlines a plan for meeting that anticipated demand. Although still in its infancy, implementation of the first phase of the plan, which is acquiring additional senior water rights, has begun. The plan also indentifies additional or alternative strategies to meet future water demands including: other possible water rights acquisitions, new or enlarged water storage facilities, and water conservation.

Effective May 1, 2008, the Board has imposed a 30% rate increase on all plant water investment fees. During the budget and planning process for 2008, the Board considered implementing a plan that would involve a series of substantial rate increases involving plant water investment fees. After further consideration, it was determined that a more in depth look into the effect these increases would have on commercial development was warranted. This study will be completed in 2008, with the Board's decision on the future of any series of increases to be made during the 2009 budget and planning process. Currently the Board has the lowest plant water investment fees of any of its peers along the front range of Colorado. With additional costs on the horizon connected with the Long-Range Water Resources Plan, the Board feels that it is important that growth pay a larger percentage of its associated costs.

Implementation of the Board's automated meter reading program (AMR) will continue in 2008, with the anticipation of \$1 million being spent on the project during the year. The original plan called for an implementation period of twelve years. However, when the Board considered the need for an accelerated meter replacement program, additional funds were allocated to the project in order to move to a ten year implementation period. The initial project has an estimated present value cost of nearly \$11million, but annual maintenance and meter transmitting unit rotation will become an ongoing cost for the Board.

Requests for Information

This report is provided as a general overview of the Board of Water Works finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to:

Director of Administrative Services
Board of Water Works of Pueblo, Colorado
P. O. Box 400
Pueblo, CO 81002-0400

BOARD OF WATER WORKS OF PUEBLO, COLORADO
STATEMENTS OF NET ASSETS
DECEMBER 31, 2007 AND 2006

ASSETS	2007	2006	LIABILITIES AND NET ASSETS	2007	2006
CURRENT ASSETS			CURRENT LIABILITIES		
Cash on hand and in banks (Note 4)	\$ 4,600	\$ 5,708	Current maturities of long-term debt (Notes 7 & 13)	\$ 1,918,493	\$ 1,835,139
Cash investments (Note 4)			Accounts payable (Note 10)	2,048,035	1,556,111
Money market funds	16,175,621	14,580,396	Retainage withheld on construction contracts	84,816	40,378
Certificates of deposit	5,018,375	7,600,000	Current portion of accrued vacation payroll (Note 9)	352,130	321,579
Treasury securities	7,313,255	6,275,709	Customer meter deposits	692,145	633,765
Accounts receivable			Deferred revenue (Note 8)	546,568	466,743
Customers--net of provision for uncollectible accounts of \$ 16,707 and \$ 13,639	2,393,520	2,085,602	Accrued liabilities		
Inventories	917,960	867,992	Development deposits	42,720	56,240
Prepaid items	324,007	308,231	Payroll	224,145	211,247
Accrued interest receivable	248,415	193,301	Interest	53,457	38,671
Advances for employees	792	3,113	Sales taxes	387	847
Total current assets	<u>32,396,545</u>	<u>31,920,052</u>	Total current liabilities	<u>5,962,896</u>	<u>5,160,720</u>
RESTRICTED ASSETS			LONG-TERM LIABILITIES		
Cash investments (Note 4)			Revenue bonds (Notes 7 & 13)		
Money market funds	<u>1,293,035</u>	<u>1,207,522</u>	(net of current maturities--\$1,560,000 and \$1,485,000 and deferred amount on refunding of \$2,158,074 and \$2,314,079)	29,791,926	31,195,921
CAPITAL ASSETS (NOTES 6 & 14)			Loan and repayment contract (Note 7)		
Land	2,264,136	2,278,626	(net of current maturities--\$358,493 and \$350,139)	10,324,192	10,682,685
Infrastructure	100,060,739	109,380,813	Accrued sick leave and vacation payroll (Note 9)		
Buildings	57,468,667	44,891,352	(net of current portion--\$352,130 and \$321,579)	2,297,730	2,117,076
Machinery and equipment	30,836,090	32,747,108	Accrued payroll taxes on accrued sick leave and vacation payroll	202,714	186,557
Water rights	40,396,367	40,392,986	Deferred revenue (Note 8)	532,200	556,069
Construction in progress	316,623	192,484	Total long-term debt and other liabilities	<u>43,148,762</u>	<u>44,738,308</u>
	231,342,622	229,883,369	OTHER LIABILITIES		
Less accumulated depreciation	66,553,558	66,289,246	Unamortized bond premium	<u>1,335,367</u>	<u>1,431,899</u>
Total capital assets	<u>164,789,064</u>	<u>163,594,123</u>	LIABILITIES PAYABLE FROM RESTRICTED ASSETS (NOTE 5)	<u>451,682</u>	<u>469,116</u>
OTHER ASSETS					
Unamortized debt expense (Note 7)	478,218	515,863	Total liabilities	<u>50,898,707</u>	<u>51,800,043</u>
Unamortized discount	16,478	17,611	NET ASSETS		
Total other assets	<u>494,696</u>	<u>533,474</u>	Invested in capital assets, net of related debt	121,913,782	118,981,953
			Restricted	841,353	738,406
			Unrestricted	25,319,498	25,734,769
Total assets	<u>\$ 198,973,340</u>	<u>\$ 197,255,171</u>	Total net assets	<u>\$ 148,074,633</u>	<u>\$ 145,455,128</u>

The accompanying notes are an integral part of the financial statements

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
OPERATING REVENUES	\$ <u>24,243,413</u>	\$ <u>32,529,228</u>
OPERATING EXPENSES		
Personnel services and operation and maintenance		
Administration	931,740	872,648
Administrative services	2,942,738	2,680,276
Treating, pumping and laboratory	6,471,729	6,308,774
Transmission, distribution and engineering	4,989,848	4,775,251
Water resources	1,402,702	1,350,896
Plant at large	1,605,992	1,492,799
Water Development Fund	126,608	75,753
Depreciation	3,956,985	4,080,537
Amortization of bond issue expense	37,644	37,644
Bad debts	9,180	10,087
Loss on abandonment of assets	<u>10,793</u>	<u>30,608</u>
Total operating expenses	<u>22,485,959</u>	<u>21,715,273</u>
OPERATING INCOME	<u>1,757,454</u>	<u>10,813,955</u>
NONOPERATING REVENUES AND (EXPENSES)		
Interest income	1,596,262	1,314,836
Sale of assets	33,818	31,590
Interest expense on bonded indebtedness	(2,087,872)	(2,167,269)
Interest expense on note payable-municipal outlet	<u>(69,010)</u>	<u>(71,964)</u>
Total nonoperating revenues and (expenses)	<u>(526,802)</u>	<u>(892,807)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	1,230,652	9,921,148
CAPITAL CONTRIBUTIONS		
Contributions to capital assets from developers	<u>1,388,853</u>	<u>814,221</u>
INCREASE IN NET ASSETS	2,619,505	10,735,369
NET ASSETS, JANUARY 1	<u>145,455,128</u>	<u>134,719,759</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 148,074,633</u></u>	<u><u>\$ 145,455,128</u></u>

The accompanying notes are an integral part of the financial statements

BOARD OF WATER WORKS OF PUEBLO, COLORADO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 23,275,213	\$ 31,312,946
Payments to employees	(8,338,540)	(7,759,411)
Payments to suppliers	(7,843,369)	(7,910,283)
Other receipts (payments)	<u>(849,570)</u>	<u>(891,014)</u>
Net cash provided by operating activities	<u>6,243,734</u>	<u>14,752,238</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest paid on meter deposits	<u>(11,085)</u>	<u>(7,204)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(3,723,214)	(3,297,525)
Principal payments on general obligation bonds and notes	(1,679,134)	(1,697,401)
Interest payments on general obligation bonds and notes	<u>(2,269,715)</u>	<u>(2,254,564)</u>
Net cash provided by (used for) capital and related financing activities	<u>(7,672,063)</u>	<u>(7,249,490)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(11,971,201)	(6,152,849)
Maturities of investments	11,057,000	6,000,617
Sale of assets	33,818	31,590
Interest received on investments	<u>1,417,802</u>	<u>1,105,368</u>
Net cash provided by (used for) investing activities	<u>537,419</u>	<u>984,726</u>
NET INCREASE (DECREASE) IN CASH	(901,995)	8,480,270
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>23,393,626</u>	<u>14,913,356</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 22,491,631</u>	<u>\$ 23,393,626</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR REPRESENTED BY		
Cash on hand and in banks	\$ 4,600	\$ 5,708
Money market funds	16,175,621	14,580,396
Certificates of deposit	5,018,375	7,600,000
Restricted assets		
Money market funds	<u>1,293,035</u>	<u>1,207,522</u>
Total	<u>\$ 22,491,631</u>	<u>\$ 23,393,626</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 1,757,454	\$ 10,813,956
Adjustments to reconcile net operating revenue to net cash provided by operating activities		
Depreciation	3,956,985	4,080,537
Loss on abandonment of assets	10,793	30,608
Amortization of bond issue expense	37,644	37,644
Amortization of deferred revenue	79,825	(36,848)
Interest on meter deposits	25,871	20,849
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(307,918)	(623,720)
(Increase) decrease in inventories	(49,968)	59,835
(Increase) decrease in prepaid items	(15,776)	(115)
(Increase) decrease in advances for employees	2,321	(467)
Increase (decrease) in accrued sick leave and vacation payroll	211,206	133,652
Increase (decrease) in accrued payroll taxes on accrued sick leave and vacation payroll	16,157	10,224
Increase (decrease) in deferred revenue	(23,869)	(23,869)
Increase (decrease) in accounts payable	485,711	80,025
Increase (decrease) in customer meter deposits	58,380	124,800
Increase (decrease) in developer deposits	(13,520)	24,784
Increase (decrease) in accrued liabilities	12,438	20,343
Net cash provided by operating activities	\$ 6,243,734	\$ 14,752,238

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Contributions to utility plant from various developer installed facilities and other governments for 2007 and 2006 were \$ 1,388,853 and \$ 814,221, respectively.

The accompanying notes are an integral part of the financial statements

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 1 – Following is a summary of significant accounting policies:

The Board of Water Works of Pueblo, Colorado is elected by the citizens of Pueblo and it operates a municipal water works system that provides water service to the City of Pueblo, Colorado and adjacent areas. The City's charter provides that title to the properties of the system is in the name of the City of Pueblo, Colorado, but that the entire control, management and operation of the system shall be exercised by the Board of Water Works of Pueblo, Colorado, over which the City Council shall have no jurisdiction or control. In addition, the charter provides that the City of Pueblo, Colorado shall adopt all ordinances requested by the Board of Water Works which shall be reasonably necessary in the management of the system.

The Board of Water Works of Pueblo, Colorado's mission statement commits the utility to providing the highest quality of water at the lowest possible cost, with an equal commitment to the work force that helps achieve that goal. The utility strives to create and maintain an environment that encourages and recognizes teamwork, individual contribution, and the integrity of each employee.

In November 1995, voters approved an amendment to the Charter of the City of Pueblo, Colorado that makes explicit the fact that the Board of Water Works of Pueblo, Colorado does not have directly, or indirectly, the right to levy taxes. Throughout its history, the Board has never levied taxes, always operating from revenues raised from the sale of water to the citizens of Pueblo and to industries and farmers.

By removing the authority to levy taxes, the voters affirmed the enterprise status of the Board of Water Works of Pueblo, Colorado in relation to Amendment One, also known as the Taxpayer's Bill of Rights (TABOR). Amendment One was never intended to apply to enterprise activities such as the Board of Water Works of Pueblo, Colorado but some confusion existed as to whether a governmental entity having the ability to levy a tax could also be considered an exempt entity under TABOR provisions. The Board's status is now very clear following the citizens' affirmative vote.

In evaluating how to define the Board of Water Works of Pueblo, Colorado, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no “component unit entities” as defined in the Governmental Accounting Standards Board Statement 14 where the Board had to consider whether to include or exclude specific entities from the financial reporting entity. However, the Board is a member of a joint venture with the City of Aurora, Colorado in the Busk-Ivanhoe Water System.

The Busk-Ivanhoe Water System was created in 1971 when the Board of Water Works of Pueblo, Colorado and the City of Aurora, Colorado each bought approximately fifty percent of the water rights of the High Line Canal Company. The System was created as a joint venture between the two purchasers for the purpose of maintaining the water collection system and collecting and distributing the water pertaining to the water rights acquired by the two joint venturers.

Although no formal organization was established, the Board of Water Works of Pueblo, Colorado and the City of Aurora, Colorado have operated the System as a joint venture governed jointly by both parties with the day-to-day operating of the system handled by the Board of Water Works of Pueblo, Colorado. This joint venture is considered a separate entity and has not been included in the financial statements of either joint venturer. Complete financial statements for the Busk-Ivanhoe Water System can be obtained from the Board of Water Works of Pueblo, Colorado.

In 2008, the Board of Water Works and the City of Aurora, Colorado expect to formalize an Intergovernmental Agreement, Service Agreement and Purchase and Management Agreement for the Busk Ivanhoe Water System, for the purpose of establishing the Busk Ivanhoe Water System Authority as a political subdivision and public corporation of the State of Colorado separate from the Board of Water Works and the City of Aurora, Colorado. This Authority shall effectuate the development, operation, maintenance and capital improvement of the System for the benefit of the Board of Water Works of Pueblo, Colorado and the City of Aurora, Colorado.

The accompanying summary of the Board of Water Works of Pueblo, Colorado’s more significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. These policies, as presented, should be viewed as an integral part of the accompanying financial statements.

The Board of Water Works of Pueblo, Colorado is operated as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered, primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net revenue, financial position and cash flows is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods or services are financed from existing cash resources, the issuance of bonds, Federal or State grants, etc. The generally accepted accounting principles here are those applicable to similar businesses in the

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

private sector and, therefore, assets and liabilities, and revenues and expenses are recognized on the accrual basis of accounting; thus, revenues are recognized when earned and expenses are recorded when incurred.

The Board of Water Works of Pueblo, Colorado applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Subsequent to this date, the Board follows GASB pronouncements.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Board of Water Works of Pueblo, Colorado annually adopts a budget for the following year. This process begins in early August when divisional budget requests are submitted to the Director of Administrative Services. These requests are reviewed by senior management, following which the Director of Administrative Services prepares a preliminary budget for the entire entity and submits it to the Executive Director for his review and input in relation to the anticipated revenues and the Board's ten year plan. In early October, the preliminary budget is submitted to the Board for its input, and it is also made available for public inspection at that time. The final budget, including all of the appropriate resolutions, is usually adopted at the Board's November meeting, and it is then submitted to the State of Colorado Department of Local Affairs. The actual results of operations are presented in accordance with generally accepted accounting principles which differ in certain respects from those practices used in the preparation of the budget. For purposes of preparing budget comparisons in this report, actual results of operations have been adjusted to a basis consistent with the budgeted revenues and expenditures.

Investments are recorded at cost. Adjustments, if applicable, are made to cost, for any premium or discount, which is amortized over the maturity of the investment. For purposes of the statement of cash flows, the Board of Water Works of Pueblo, Colorado considers all certificates of deposit, money market funds and repurchase agreements, if any, to be cash equivalents.

Inventories are valued on the weighted average method.

The Board's services are provided to customers in the City of Pueblo, Colorado, including the Airport Industrial Park and adjacent areas of Pueblo, County. The majority of its customers are residential users; commercial customers make up the balance. The risk of loss on the accounts receivable is the balance due at the time of default.

The Board received approximately 11% of its operating revenues from one contract for non-potable water in 2007. In 2006 the Board received approximately 8% of its operating

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2007 AND 2006

revenue from one contract for non-potable water and 27% of its operating revenues from a one-time readiness to serve charge from a commercial customer.

The allowance for doubtful accounts is computed at one percent of customer receivables at year end.

Capital assets:

Capital assets with a value of \$ 5,000 or more are recorded at cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs that do not add to the value of an asset or materially extend its useful life are not included in its capitalized value. Net interest costs incurred during periods of construction are capitalized as part of the cost of the asset.

Depreciation of capital assets is computed on the straight-line method based on estimated service lives of properties by classes. Estimated useful lives used in computing depreciation are as follows:

	Years
Structures and improvements, reservoirs, intakes and mains	40-50
Pumping equipment	40
Meters, valves, hydrants, taps water treating equipment and wells	25
Heavy equipment, office furniture and equipment, computer equipment, pump plant controller, cathodic protection for lines and tanks, miscellaneous department equipment	5-10
Transportation equipment	4

The difference between the cost of assets removed from service and the amount of accumulated depreciation at the time of removal is written off as loss on abandonment of assets.

The Board has established a retirement program for its employees that encompasses Social Security, a defined benefit plan for all eligible employees, and deferred compensation plans. The contribution to the defined benefit plan is approximately the amount of the normal cost as determined by actuarial calculation and is recorded as an expense in the year paid.

Unamortized debt expense, bond discount and premium are being amortized over the periods of the related bond issues.

The sewer use and storm water fees charged by the City of Pueblo, Colorado are billed and collected by the Board of Water Works of Pueblo, Colorado and remitted to the City on a monthly

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

basis. The uncollected sewer and storm water fees charged to customers are carried as a receivable, and unremitted and uncollected sewer and storm water fees are carried as a liability on the statement of net assets.

Unbilled revenue, which results from cycle billing practices, is recorded in the following year.

Deferred revenue, related to acquisition of water rights in 1990, 1995 and 2004, is being amortized over forty-year periods.

The Board of Water Works of Pueblo, Colorado and Local 1045 of the American Federation of State, County and Municipal Employees (AFL-CIO) adopted a working policy for the period of January 1, 2007 through December 31, 2007. Approximately 60% of the Board's employees are members of Local 1045.

The Board has obtained several Right-of-Way Agreements with the U.S. Forest Service to allow it to operate on Federal lands in connection with the operation and maintenance of its water collection system.

The Board is exposed to various risks of loss related to property and casualty losses. It is the policy of the Board of Water Works of Pueblo, Colorado to purchase commercial insurance, including worker's compensation, for the risks of loss to which it is exposed. Under this arrangement, the Board assumes the risk for the amount of loss where sound risk management principles and prior loss experience indicate a premium savings greater than exposures assumed.

Note 2 – Defined Benefit Pension Plan

Plan Description

The Board sponsors and contributes to the Retirement Plan for Employees of the Board of Water Works of Pueblo, Colorado, a single-employer defined benefit retirement plan. The Board contracts with Charles W. Ready Financial Services to provide financial investment consulting services and with LPL Financial Services as investment manager of Plan assets pursuant to the Plan's Investment Policy Statement. Retiree benefit payments are administered by AXA Equitable. The Plan provides retirement benefits to plan members and their beneficiaries. The Plan does not issue a separate financial report. Employee contributions are not required subsequent to January 1, 1975. Covered compensation is the amount of compensation paid to participating employees excluding overtime, bonuses and other extra compensation. The total amount of covered compensation for the year ended March 31, 2007, the latest year for which plan information is available, was \$ 7,046,332, and total compensation for the same period was \$ 7,870,627.

Effective April 1, 1993, each regular full-time employee is eligible to participate on the later of April 1, 1993 or the April 1st coincident with or following the completion of six months of regular full-time employment. A participant is eligible for a vested benefit, payable at age 65, after five years of credited service. The vested benefit is equal to the accrued benefit, considering service and compensation, at the time of termination. If the participant has at least fifteen years of

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2007 AND 2006

credited service, payments may commence the first of any month following the participant's fifty-fifth birthday but are reduced for early retirement. If payments commence prior to age 65, the benefit is reduced by 5% for each year by which payments commence prior to normal retirement date. However, employees are able to retire without penalty, at or after age 55, when certain conditions are met. The number of years from date of hire combined with the employee's age must equal or exceed ninety years and advance notice in writing must be submitted six months prior to the projected retirement date. Board employees who retire at or after age 65 are entitled to the normal retirement benefit for life which is equal to the sum of the accrued benefit as of April 1, 1999, plus 2.3% of the employee's monthly earnings effective as of the beginning of each plan year (April 1). The minimum benefit is \$ 100 per month after fifteen years of service. Retirees of record as of December 31st may receive a one-time supplemental payment on April 1st if certain plan conditions are met.

A participant is eligible for a disability retirement benefit payable at age 65, after five years of credited service. The disability benefit is equal to the projected benefit at the normal retirement date, considering increases in future earnings based upon job classification and service to the normal retirement date.

The spouse of a participant who has completed five years of credited service, and dies while in active employment, or after having completed such service requirement but before the normal retirement date, is eligible to receive a benefit, payable for life, equal to fifty percent of the accrued benefit at date of death. If the spouse is more than five years younger than the participant, the benefit is reduced by 1½ % for each year in excess of five years to reflect the difference in age. Such benefit commences on the first day of the month coincident with or following the date the member would have attained age 55 or date of death if later. In lieu of the above monthly benefit, the spouse is entitled to a single sum amount, equal to the actuarial equivalent of the above monthly benefit, payable as soon as practicable following the member's death.

Participant Data

The number of plan participants is as follows:

Active members	
Vested	97
Non-vested	35
Inactive members	
With deferred benefits	18
Retired members	44
Disabled members	2
Beneficiaries	<u>6</u>
Total	<u>202</u>

Funding Policy

The contribution requirements of the plan are made by the Board to an asset manager in amounts necessary to fund the plan as actuarially determined on a bi-annual basis.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Annual Pension Cost

The annual pension cost under Governmental Accounting Standards Board (GASB) Statement No. 27 for the plan year ending March 31, 2008 is as follows:

Annual required contribution	\$ 881,794
Adjustment to annual required contribution	<u>(110,573)</u>
	771,221
Interest on net pension obligation	<u>66,511</u>
Annual pension cost	<u><u>\$ 837,732</u></u>

The GASB Statement No. 25 required and actual contributions are as follows:

<u>Year Ended</u> <u>March 31</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Actual</u> <u>Employer</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
1996	\$ 226,292	\$ 226,292	100.0%
1997	Not Calculated	\$ 226,292	N/A
1998	\$ 250,018	\$ 250,018	100.0%
1999	Not Calculated	\$ 326,957	N/A
2000	\$ 334,167	\$ 275,018	82.3%
2001	Not Calculated	\$ 277,249	N/A
2002	\$ 358,113	\$ 283,941	79.3%
2003	Not Calculated	\$ 283,941	N/A
2004	\$ 536,691	\$ 321,956	60.0%
2005	\$ 648,036	\$ 447,750	69.1%
2006	\$ 744,141	\$ 528,306	71.0%
2007	Not Calculated	\$ 664,223	N/A

An annual required contribution for the current plan year of \$ 771,221 was determined as part of the April 1, 2007 actuarial valuation using the aggregate actuarial cost method. Under this method, the normal cost is computed as a level percentage of pay which, if paid from the valuation date until each member's retirement or termination date, will, together with the assets of the plan, accumulate with interest at the rate assumed in the valuation to a fund sufficient to pay all benefits under the plan. No benefits are projected to be greater than the limitations currently imposed by Section 415 of the Internal Revenue Code for governmental plans.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Trend Information under GASB No. 27 is as follows:

Year End March 31,	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation*
2002	\$ 352,126	80.6%	\$ 188,688
2003	357,240	79.5%	261,987
2004	523,674	61.5%	463,706
2005	624,996	71.6%	640,951
2006	712,294	74.2%	824,939
2007	726,093	91.5%	886,809

*The Net Pension Obligation exists due to the offering of an early retirement option and use of the alternative costing formula. Since the early retirement option has had minimal acceptance, the benefit has not been fully funded. The actuarial report for April 1, 2007 determined the contribution requirement for the plan year ending March 31, 2008.

Schedule of Funding Progress under Governmental Accounting Standards No. 50:

Actuarial Valuation April 1,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
2007	\$ 14,313,609	\$ 17,383,530	\$ 3,069,921	82.3%	\$ 7,300,649	42.0%

Actuarial Assumptions, Method and Additional Information

Valuation Date	April 1, 2007
Actuarial Cost Method	Aggregate
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions	
Investment rate of return*	7.5%
Projected salary increases	4.0% - 7.4%
Cost of living adjustments	None
*Includes inflation at	3.5%

In addition to this plan, various individuals are included in a supplemental benefit funded through a separate trustee at the cost of \$ 32,173 and \$ 32,275 for 2007 and 2006, respectively.

Note 3 – In addition to providing pension and deferred compensation benefits, the Board began providing certain health and life insurance benefits for retired employees effective September 18,

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

1990. Substantially all of the Board's employees, who retire after this date and meet certain requirements, are eligible for the benefit. The individual must be retired, not terminated, be at least 60 years of age and have a minimum of fifteen years of service. The maximum monthly health benefit is \$ 584, and is recorded as an expense in the year paid. The maximum benefit period is five years or attainment of Medicare eligibility, whichever occurs first. During 2007, ten individuals took advantage of the combination of health and life benefits. The total cost of these benefits to the Board is \$ 65,196 for 2007.

Note 4 – Cash received by the Board of Water Works of Pueblo, Colorado is deposited in various banks or used to purchase investments.

Investments

Colorado statutes specify in which instruments the units of local government may invest. These allowable investments include:

Certificates of deposit

Obligations of the United States or obligations unconditionally guaranteed by the United States

Repurchase agreements

Pooled investments funds such as ColoTrust

The Board of Water Works' investments are categorized below to give an indication of the level of security assumed at year-end:

Category 1 – Investments that are insured or registered or for which the securities are held by the Board or its agent in the Board's name.

Category 2 – Uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Board's name.

Category 3 – Uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Board's name.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

	Category			Carrying Amount	Market Value
	1	2	3		
Pooled investment funds--					
ColoTrust	\$ 17,468,656	\$ -	\$ -	\$ 17,468,656	\$ 17,468,656
U.S. Treasury securities	7,313,255	-	-	7,313,255	7,313,255
Certificates of deposit	5,018,375	-	-	5,018,375	5,018,375
	<u>\$ 29,800,286</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,800,286</u>	<u>\$ 29,800,286</u>

Deposits

The Colorado Public Deposit Protection Act requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by the State of Colorado. Amounts in excess of Federal insurance must be collateralized. The eligible collateral is determined by the Public Deposit Protection Act. This act allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At December 31, 2007 and 2006, the Board's cash deposits and investments had a bank and corresponding carrying balance of \$ 29,977,785 and \$ 30,186,792, respectively, as summarized below. All the deposits are stated at cost with accrued interest shown under a separate caption on the balance sheet. Amounts included in insured FDIC include bank balances before any outstanding items.

	<u>2007</u>	<u>2006</u>
Working funds	\$ 4,600	\$ 4,600
Insured FDIC	705,742	722,915
Uninsured		
Collateral securities held by financial institution's trust department or agent	29,267,443	29,459,277
Total deposits	<u>\$ 29,977,785</u>	<u>\$ 30,186,792</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

	2007	2006
Total deposits and investments represented by		
Cash on hand and in banks	\$ 177,499	\$ 523,165
U.S. Treasury securities	7,313,255	6,275,709
Certificates of deposit	5,018,375	7,600,000
Money market funds	16,175,621	14,580,396
Restricted money market funds	1,293,035	1,207,522
Total deposits	\$ 29,977,785	\$ 30,186,792

The Board only invests idle funds in institutions and instruments that are permitted by the State of Colorado and thus places no limit on the amount the Board may invest in any one issuer. More than 5 percent of the Board's investments are in certificates of deposit issued by ABC Bank, and Frontier Bank and money market funds with ColoTrust. These investments are 5.0%, 6.2% and 58.3%, respectively, of the Board's total investments.

The Board of Water Works of Pueblo, Colorado has investments in certificates of deposit in a bank whose president is a member of the Board. The investment in these certificates of deposit goes through the normal competitive bid process to obtain the highest available rate

Note 5 – Certain assets are classified as restricted assets for construction funded through the terms of the long-term debt. Liabilities that are to be paid out of assets restricted for construction funded through long-term debt include the following:

	2007	2006
Accrued interest on construction related long-term debt	\$ 451,682	\$ 469,116

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 6 – Changes in capital assets during 2007 are summarized as follows:

	Balance January 1, 2007	Capital Asset Inventory Project	Additions	Deletions	Balance December 31, 2007
Land	\$ 2,278,626	\$ (14,490)	\$ -	\$ -	\$ 2,264,136
Infrastructure	109,380,813	(13,160,258)	3,852,258	(12,074)	100,060,739
Buildings	44,891,352	12,258,879	318,436	-	57,468,667
Machinery and Equipment	32,747,108	(2,716,612)	856,705	(51,111)	30,836,090
Water Rights	40,392,986	(3,169)	6,550	-	40,396,367
Construction in Progress	192,484	(4,631)	274,125	(145,355)	316,623
Total capital assets at historical cost	<u>229,883,369</u>	<u>(3,640,281)</u>	<u>5,308,074</u>	<u>(208,540)</u>	<u>231,342,622</u>
Less accumulated depreciation	<u>(66,289,246)</u>	<u>3,895,255</u>	<u>(4,216,589)</u>	<u>57,022</u>	<u>(66,553,558)</u>
Total capital assets	<u>\$ 163,594,123</u>	<u>\$ 254,974</u>	<u>\$ 1,091,485</u>	<u>\$ (151,518)</u>	<u>\$ 164,789,064</u>

Note 7 – Long-term debt consists of the following:

On May 3, 2005, the Board of Water Works of Pueblo, Colorado issued \$ 28,575,000 in Water Revenue Refunding Bonds, Series 2005 with interest rates between 3.5% and 5.25% to advance refund a portion of the Board's outstanding Water System Improvement Revenue Bonds, Series 2000A, originally issued in the principal amount of \$ 38,885,000. The Series 2000A Bonds which mature on or after November 1, 2011 in the aggregate amount of \$ 27,195,000 with interest rates between 5.75% and 6.0%, were refunded. The Series 2000A Bonds maturing in the years 2005 through 2010 were not refunded. The net proceeds of \$ 29,699,885 were used to purchase U.S. government securities. Those securities were deposited with American National Bank, the escrow agent, to provide all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt. The bond agreement contains various restrictive covenants and requirements, including a rate covenant, maintenance of a three month operating reserve, debt service requirements and compliance with an additional bond and /or indebtedness test. At December 31, 2007, the Board was in compliance with these covenants and requirements of the bond agreement.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2007 AND 2006

The sources and uses of the funds required for the transactions are shown below.

SOURCES

Principal amount of the bonds	\$ 28,575,000
Reoffering premium	1,592,787
Total	<u>\$ 30,167,787</u>

USES

Deposit to escrow account	\$ 29,699,885
Costs of issuance, including bond insurance and surety bond premiums, professional fees, underwriting discount and printing costs	467,902
Total	<u>\$ 30,167,787</u>

Interest payments are due semi-annually on May 1 and November 1 through 2021 with principal payments due annually November 1.

Water System Improvement Revenue Bonds, Series 2000A for \$ 38,885,000 dated January 1, 2000, were issued to improve and expand the water treatment plant for the system. Interest payments are due semi-annually on May 1 and November 1 through 2011 with principal payments due annually November 1. Interest rates range from 5.0% to 6.0%. As stated above \$ 27,195,000 of these bonds were advance refunded on May 3, 2005. The amount of defeased debt remaining outstanding at December 31, 2007 was \$ 27,195,000.

Loan agreement with Colorado Water Resources and Power Development Authority for \$ 9,558,795 dated April 15, 2000. Interest at 4.60% and principal payments are due semi-annually on February 1 and August 1, through 2022.

Repayment contract with the United States Department of the Interior, Bureau of Reclamation for \$ 2,927,094 for delivery of municipal and industrial water through and repayment for the South Outlet Works of the Pueblo Dam. Interest at 3.046% and principal payments are due annually July 1 through 2024.

In connection with the issuance for various debt obligations the Board incurred debt issuance costs in the amount of \$ 673,481. The costs are being amortized over the life of the debt obligations. The remaining unamortized expense at December 31, 2007 and 2006 is \$ 478,218 and \$ 515,863, respectively.

The total amount of water revenue bonds, loans and other long-term debt at December 31, 2007 is \$ 42,034,611. See pages fifty-six and fifty-seven.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Changes in long-term debt during 2007 are summarized as follows:

	<u>Balance January 1, 2007</u>	<u>Additions (Retired)</u>	<u>Deferred Amount</u>	<u>Balance December 31, 2007</u>
2000A Water System				
Improvement Revenue Bonds	\$ 6,420,000	\$ (1,485,000)	\$ -	\$ 4,935,000
2005 Water Refunding Revenue Bonds	26,260,921	-	156,005	26,416,926
Colorado Water Resources and Power Development Authority	8,718,049	(251,688)	-	8,466,361
United States Department of the Interior	<u>2,314,775</u>	<u>(98,451)</u>	<u>-</u>	<u>2,216,324</u>
Total	<u>\$ 43,713,745</u>	<u>\$ (1,835,139)</u>	<u>\$ 156,005</u>	<u>\$ 42,034,611</u>

Aggregate long-term debt maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,918,493	\$ 2,027,027	\$ 3,945,520
2009	2,217,648	1,934,458	4,152,106
2010	2,321,188	1,829,206	4,150,394
2011	2,435,180	1,709,033	4,144,213
2012	2,523,916	1,617,712	4,141,628
2013 - 2017	14,405,733	6,325,432	20,731,165
2018 - 2022	18,047,444	2,772,679	20,820,123
2023 - 2024	<u>323,083</u>	<u>14,837</u>	<u>337,920</u>
	44,192,685	18,230,384	62,423,069
Unamortized deferred amount on refunding	<u>(2,158,074)</u>	<u>-</u>	<u>(2,158,074)</u>
Total	<u>\$ 42,034,611</u>	<u>\$ 18,230,384</u>	<u>\$ 60,264,995</u>

Note 8 – In 1990 and 1995, the Board acquired water rights from the State of Colorado and the City of Pueblo, Colorado, respectively, in exchange for supplying a certain amount of water each future year. In 1992 and 2004, the Board acquired water rights from individuals in exchange for supplying a certain amount of water each future year. The value of these water rights was determined based upon the fair market value of the rights acquired. The deferred income from these acquisitions is being amortized over forty-year periods.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2007 AND 2006

Note 9 – All full-time employees hired prior to January 1, 1996, accumulate paid sick leave at the rate of twelve hours per month. All full-time employees hired subsequent to that date accumulate paid sick leave at the rate of eight hours per month. Each employee may carry over a maximum of 720 hours. Any hours in excess of 720 are paid to the employee annually in July. The liability for accumulated sick pay at December 31, 2007 and 2006 is \$ 2,009,623 and \$ 1,854,174, respectively

Employees are entitled to vacation with pay for the twelve-month period following their date of hire (anniversary date) according to the following scale:

<u>Years of Service</u>	<u>Hours</u>
1 to 5	96
6 to 10	120
11 to 15	144
15 and over	168

Each employee may carry over a maximum of 80 hours of vacation time from any previous anniversary year to the following anniversary year. At the employee’s request, a payoff for a maximum of 56 hours of accumulated vacation leave can be made during the anniversary year. The vacation hours are valued at the employee’s regular straight rate of pay in effect at the time. In addition, each employee receives eight hours of personal holiday each calendar year which is not available for carryover. The liability for accumulated vacation pay at December 31, 2007 and 2006 is \$ 640,237 and \$ 584,481.

Note 10 – Accounts payable are comprised of outstanding bills for expenses, materials and capital assets related to the budget for the years ended December 31, 2007 and 2006. Included in outstanding bills are amounts owed to the City of Pueblo, Colorado for the collection of the City’s sewer and storm water fees. These amounts total \$ 1,756,578 and \$ 1,422,367 at December 31, 2007 and 2006, respectively.

Note 11 – The Board of Water Works of Pueblo, Colorado offers its employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans permit employees to defer a portion of their salary to future years. Participation in the plan is optional. The Board matches employee contributions up to 3% of compensation. The deferred compensation is not available to the employees until termination, retirement, death or qualifying emergency.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Data concerning the Board's deferred compensation plans follows:

Balance, December 31, 2006	\$ 10,840,011
2007 employer and employee contributions	1,116,853
Earnings, withdrawals and market value adjustment	<u>799,610</u>
Balance, December 31, 2007	<u><u>\$ 12,756,474</u></u>

The Board has no liability for losses under the plans but does have the duty of due care that would be required of an ordinary prudent investor. Investments are managed by the plan's trustees under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

Note 12 – An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles (GAAP) follows:

Sources

Actual amounts (budgetary basis) "total funding resources" from budgetary comparison schedule	
General Fund	\$ 26,586,611
Debt Service Fund	4,034,361
Water Development Fund	<u>1,089,553</u>
Total funding sources	31,710,525
Adjustments	
Contributions to capital assets are recorded as revenue for GAAP but are not considered a budgetary resource	1,388,853
Contributions from reserves are considered a budgetary resource but not considered revenue for GAAP reporting	(1,412,201)
Transfers from other funds are inflows for budgetary purposes but are not considered revenue for GAAP reporting	<u>(4,424,831)</u>
Total revenues as reported on the statement of revenues expenses and changes in net assets	<u><u>\$ 27,262,346</u></u>
Total revenues as reported on the Statement of Revenues, Expenses and Changes in Net Assets is comprised of:	
Operating revenues	\$ 24,243,413
Interest income	1,596,262
Sale of assets	33,818
Contributions to capital assets from developers	<u>1,388,853</u>
	<u><u>\$ 27,262,346</u></u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Uses

Actual amounts (budgetary basis) "total uses" from the budgetary comparison schedule	
General Fund	\$ 26,586,611
Water Development Fund	1,089,553
Debt Service Fund	<u>4,034,361</u>
Total uses	<u>31,710,525</u>

Adjustments

Capital items are treated as expenditures for budgetary purposes but are capitalized for financial reporting	(3,885,858)
Computer equipment with an original cost less than \$ 5,000 is expensed and shown as an operating expense for GAAP and shown as capital items for budgetary purposes	45,824
Transfers are outflows for budgetary purposes but are not recognized for financial reporting	(4,424,831)
Contributions to reserve accounts are outflows for budgetary purposes but are not expenses for financial reporting	(1,026,657)
Principal payments on outstanding long-term debt are uses of budgetary resources but are not expenses for financial reporting	(1,849,870)
Depreciation is recorded as an expense for financial reporting but is not treated as an outflow for budgetary purposes	3,956,985
Amortization is recorded as an expense for financial reporting but is not treated as an outflow for budgetary purposes	37,644
Bad debts are recorded as an expense for financial reporting but are not treated as an outflow for budgetary purposes	9,180
Loss on abandonment of equipment is recorded as an expense for financial reporting purposes but is not treated as an outflow for budgetary purposes	10,793
Interest expense for budgetary reporting is based upon monthly transfers to the Debt Service Fund while interest expense for the financial statements reflect GAAP	<u>59,106</u>

Total expenses as reported on the Statement of Revenues, Expenses and Changes in Net Assets	\$ <u><u>24,642,841</u></u>
---	-----------------------------

Total expenses as reported on the Statement of Revenues, Expenses and Changes in Net Assets is comprised of:	
Operating expenses	\$ 22,485,959
Interest expense on bonded indebtedness	2,087,872
Interest expense on note payable-municipal outlet	<u>69,010</u>
	<u>\$ 24,642,841</u>

Note 13 – It is not practicable to estimate the fair value of the Board’s outstanding bonded indebtedness. Information pertinent to these bond issues is shown on pages fifty-six and fifty-seven.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

Note 14 – During the year ended December 31, 2007, the Board hired an outside consultant, Hirons & Associates, Inc. (HAI), to perform an inventory of their land, buildings, and machinery and equipment. As part of the project, the Board asked HAI to provide recommendations for improving their processes and procedures for recording and tracking capital assets. Based upon the recommendation of HAI, recommended best practices by the Government Finance Officers Association, and in keeping with current State statutes, the Board increased their capitalization threshold from \$1,000 to \$5,000. By increasing the capitalization threshold, the Board was able to decrease the number of assets required to be tracked administratively by 41% while only reducing the total original costs captured by 1.6%.

In order to facilitate the change in capitalization thresholds, the Board removed all capital items with an original cost of less than \$5,000 from their books, net of respective accumulated depreciation. The net amount is not material to the financial statements. The following tables reflect the reclassifications required to cause prior period figures to be comparable with the current year:

	Cost			Accumulated Depreciation		
	2006	HAI	2006	2006	HAI	2006
	Reported	Restatement	Restated	Reported	Restatement	Restated
Land	\$ 2,307,119	\$ (28,493)	\$ 2,278,626	\$ -	\$ -	\$ -
Infrastructure	104,248,908	5,131,905	109,380,813	41,488,391	(857,134)	40,631,257
Buildings	70,527,446	(25,636,094)	44,891,352	17,718,740	(3,067,964)	14,650,776
Machinaery and Equipment	12,214,426	20,532,682	32,747,108	7,082,115	3,925,098	11,007,213
Water Rights	40,392,986	-	40,392,986	-	-	-
Total	<u>\$ 229,690,885</u>	<u>\$ -</u>	<u>\$ 229,690,885</u>	<u>\$ 66,289,246</u>	<u>\$ -</u>	<u>\$ 66,289,246</u>

SUPPLEMENTARY INFORMATION

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 REVENUES BY SOURCE
 FOR THE YEAR ENDED DECEMBER 31, 2007

GENERAL FUND

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
OPERATING REVENUES				
Water sales - Metered	\$ 18,343,662	\$ 18,343,662	\$ 16,927,106	\$ (1,416,556)
Water sales - Comanche	2,405,897	2,405,897	2,656,043	250,146
Water sales - Raw water	803,294	803,294	914,441	111,147
Water sales - Aurora	1,232,970	1,232,970	1,232,660	(310)
Taps and meters	110,000	110,000	141,136	31,136
Material sales	130,000	130,000	156,939	26,939
Main assessments	20,000	20,000	45,423	25,423
Fire protection - public	4,500	4,500	5,512	1,012
Discounts	1,200	1,200	954	(246)
Rental income	17,000	17,000	17,485	485
Late field reading fee	8,000	8,000	6,600	(1,400)
Turn-on fee	65,000	65,000	86,100	21,100
Check processing fee	7,500	7,500	9,592	2,092
Field collection fee	2,000	2,000	40	(1,960)
Missed appointment fee	2,400	2,400	1,880	(520)
Interest earned on service accounts	2,300	2,300	2,863	563
Miscellaneous	10,000	10,000	128,834	118,834
Plant water investment fee	1,111,000	1,111,000	1,194,027	83,027
Insurance recovery	3,000	3,000	204,154	201,154
Comanche operations and maintenance reimbursement	-	-	42,792	42,792
Busk-Ivanhoe administration fee	25,000	25,000	25,000	-
Wastewater billing reimbursement	309,816	309,816	309,816	-
Stormwater billing reimbursement	134,010	134,010	134,016	6
Total operating revenues	<u>24,748,549</u>	<u>24,748,549</u>	<u>24,243,413</u>	<u>(505,136)</u>
NONOPERATING REVENUES				
Interest income	601,083	601,083	897,179	296,096
Sale of assets	2,000	2,000	33,818	31,818
Contribution from reserve	3,178,367	3,178,367	1,412,201	(1,766,166)
Total nonoperating revenues	<u>3,781,450</u>	<u>3,781,450</u>	<u>2,343,198</u>	<u>(1,438,252)</u>
Total revenues	<u>\$ 28,529,999</u>	<u>\$ 28,529,999</u>	<u>\$ 26,586,611</u>	<u>\$ (1,943,388)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 EXPENDITURES BY OBJECT
 FOR THE YEAR ENDED DECEMBER 31, 2007

GENERAL FUND

EXPENDITURES	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
PERSONNEL SERVICES				
Administration	\$ 760,198	\$ 760,198	\$ 752,637	\$ (7,561)
Administrative Services	2,204,508	2,204,508	2,023,999	(180,509)
Treating, Pumping and Laboratory	3,117,750	3,117,750	2,992,131	(125,619)
Transmission, Distribution and Engineering	4,470,773	4,470,773	4,185,851	(284,922)
Water Resources	486,140	486,140	428,639	(57,501)
Plant at Large	943,669	943,669	1,088,801	145,132
Total personnel services	<u>11,983,038</u>	<u>11,983,038</u>	<u>11,472,058</u>	<u>(510,980)</u>
OPERATION AND MAINTENANCE				
Administration	239,300	239,300	176,358	(62,942)
Administrative Services	973,250	973,250	908,019	(65,231)
Treating, Pumping and Laboratory	3,713,100	3,713,100	3,465,221	(247,879)
Transmission, Distribution and Engineering	736,690	736,690	787,553	50,863
Water Resources	1,316,100	1,316,100	972,524	(343,576)
Plant at Large	973,491	973,491	517,191	(456,300)
Total operation and maintenance	<u>7,951,931</u>	<u>7,951,931</u>	<u>6,826,866</u>	<u>(1,125,065)</u>
CAPITAL OUTLAY				
Administration	4,500	4,500	2,744	(1,756)
Administrative Services	140,050	140,050	104,397	(35,653)
Treating, Pumping and Laboratory	848,200	848,200	612,470	(235,730)
Transmission, Distribution and Engineering	2,980,550	2,980,550	2,714,713	(265,837)
Water Resources	153,100	153,100	428,532	275,432
Plant at Large (Interfund Transfers)	4,468,630	4,468,630	4,424,831	(43,799)
Total capital outlay	<u>8,595,030</u>	<u>8,595,030</u>	<u>8,287,687</u>	<u>(307,343)</u>
Total expenditures	<u>\$ 28,529,999</u>	<u>\$ 28,529,999</u>	<u>\$ 26,586,611</u>	<u>\$ (1,943,388)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

PERSONNEL SERVICES

ADMINISTRATION

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
SALARIES AND WAGES				
Director	\$ 378,912	\$ 378,912	\$ 356,498	\$ (22,414)
Specialist	173,818	173,818	165,277	(8,541)
Part-time	11,519	11,519	7,304	(4,215)
 Total salaries and wages	 564,249	 564,249	 529,079	 (35,170)
BENEFITS				
Longevity	3,610	3,610	3,600	(10)
Employee assistance	135	135	134	(1)
Social security	38,290	38,290	40,735	2,445
Pension	16,582	16,582	16,548	(34)
Health insurance	45,661	45,661	48,417	2,756
Dental insurance	4,491	4,491	4,630	139
Disability insurance	3,996	3,996	4,035	39
Life insurance	7,228	7,228	7,212	(16)
Sick leave	35,507	35,507	50,688	15,181
Vacation leave	40,449	40,449	47,559	7,110
 Total benefits	 195,949	 195,949	 223,558	 27,609
 Total personnel services	 \$ 760,198	 \$ 760,198	 \$ 752,637	 \$ (7,561)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

OPERATION AND MAINTENANCE

ADMINISTRATION

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
 OPERATION AND MAINTENANCE				
Outside services	\$ 100,600	\$ 100,600	\$ 59,999	\$ (40,601)
Consulting services	5,000	5,000	1,500	(3,500)
Utilities - other	4,500	4,500	3,525	(975)
Maintenance	3,050	3,050	3,164	114
Advertising	11,100	11,100	9,612	(1,488)
In-service training	70,400	70,400	52,081	(18,319)
Office supplies	6,400	6,400	7,933	1,533
Subscriptions and memberships	38,250	38,250	38,544	294
 Total operation and maintenance	 \$ 239,300	 \$ 239,300	 \$ 176,358	 \$ (62,942)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

CAPITAL OUTLAY

ADMINISTRATION

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
 CAPITAL OUTLAY				
Computer equipment	\$ 4,500	\$ 4,500	\$ 2,744	\$ (1,756)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

PERSONNEL SERVICES

ADMINISTRATIVE SERVICES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
SALARIES AND WAGES				
Division manager	\$ 103,722	\$ 103,722	\$ 96,970	\$ (6,752)
Manager	173,871	173,871	160,803	(13,068)
Supervision	66,215	66,215	56,654	(9,561)
Specialist	526,522	526,522	487,827	(38,695)
Skills and trades	692,407	692,407	588,887	(103,520)
Part-time	22,809	22,809	9,424	(13,385)
Overtime	16,000	16,000	7,555	(8,445)
	<u>1,601,546</u>	<u>1,601,546</u>	<u>1,408,120</u>	<u>(193,426)</u>
Total salaries and wages				
BENEFITS				
Longevity	12,274	12,274	11,571	(703)
Employee assistance	560	560	580	20
Social security	120,824	120,824	123,312	2,488
Pension	46,882	46,882	45,208	(1,674)
Health insurance	180,256	180,256	168,871	(11,385)
Dental insurance	21,449	21,449	19,371	(2,078)
Disability insurance	11,117	11,117	11,085	(32)
Life insurance	20,572	20,572	19,956	(616)
Sick leave	87,879	87,879	109,478	21,599
Vacation leave	101,149	101,149	106,447	5,298
	<u>602,962</u>	<u>602,962</u>	<u>615,879</u>	<u>12,917</u>
Total benefits				
Total personnel services	<u>\$ 2,204,508</u>	<u>\$ 2,204,508</u>	<u>\$ 2,023,999</u>	<u>\$ (180,509)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

OPERATION AND MAINTENANCE

ADMINISTRATIVE SERVICES

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
 OPERATION AND MAINTENANCE				
Outside services	\$ 290,250	\$ 290,250	\$ 250,516	\$ (39,734)
Employment costs	24,200	24,200	32,034	7,834
Utilities	87,350	87,350	77,775	(9,575)
Maintenance - building	116,200	116,200	118,228	2,028
Maintenance - office equipment	80,350	80,350	85,825	5,475
Equipment lease and rental	600	600	540	(60)
Interest expense - meter deposits	20,000	20,000	25,871	5,871
Collection expense	750	750	2,917	2,167
Cash (over) short	100	100	177	77
Advertising	1,800	1,800	1,498	(302)
In-service training	47,100	47,100	35,141	(11,959)
Office supplies	117,800	117,800	94,769	(23,031)
Janitor supplies	3,000	3,000	1,792	(1,208)
Safety	4,050	4,050	3,145	(905)
Postage	170,300	170,300	169,506	(794)
Subscriptions and memberships	9,400	9,400	8,285	(1,115)
 Total operation and maintenance	 \$ 973,250	 \$ 973,250	 \$ 908,019	 \$ (65,231)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

CAPITAL OUTLAY

ADMINISTRATIVE SERVICES

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		Budget
 CAPITAL OUTLAY				
Furniture and fixtures	\$ 4,600	\$ 4,600	\$ -	\$ (4,600)
Improvements and replacements	72,150	72,150	43,861	(28,289)
Computer equipment	63,300	63,300	60,536	(2,764)
 Total capital outlay	\$ 140,050	\$ 140,050	\$ 104,397	\$ (35,653)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

PERSONNEL SERVICES

TREATING, PUMPING AND LABORATORY

	Budgetary Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
SALARIES AND WAGES				
Division manager	\$ 103,722	\$ 103,722	\$ 94,722	\$ (9,000)
Manager	178,444	178,444	164,421	(14,023)
Supervision	152,397	152,397	143,465	(8,932)
Specialist	289,533	289,533	230,988	(58,545)
Skills and trades	1,362,620	1,362,620	1,319,506	(43,114)
Temporary	63,996	63,996	37,977	(26,019)
Overtime	125,000	125,000	142,769	17,769
	<u>2,275,712</u>	<u>2,275,712</u>	<u>2,133,848</u>	<u>(141,864)</u>
Total salaries and wages	<u>2,275,712</u>	<u>2,275,712</u>	<u>2,133,848</u>	<u>(141,864)</u>
BENEFITS				
Longevity	17,879	17,879	16,731	(1,148)
Employee assistance	677	677	713	36
Social security	164,247	164,247	181,988	17,741
Pension	62,602	62,602	61,746	(856)
Health insurance	261,921	261,921	264,689	2,768
Dental insurance	27,405	27,405	26,961	(444)
Disability insurance	14,502	14,502	15,122	620
Life insurance	27,464	27,464	27,207	(257)
Sick leave	122,680	122,680	116,168	(6,512)
Vacation leave	142,661	142,661	146,958	4,297
	<u>842,038</u>	<u>842,038</u>	<u>858,283</u>	<u>16,245</u>
Total benefits	<u>842,038</u>	<u>842,038</u>	<u>858,283</u>	<u>16,245</u>
Total personnel services	<u>\$ 3,117,750</u>	<u>\$ 3,117,750</u>	<u>\$ 2,992,131</u>	<u>\$ (125,619)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

OPERATION AND MAINTENANCE

TREATING, PUMPING AND LABORATORY

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
OPERATION AND MAINTENANCE				
Outside services	\$ 355,850	\$ 355,850	\$ 340,681	\$ (15,169)
Engineering consulting	41,000	41,000	4,255	(36,745)
Utilities	2,080,550	2,080,550	1,878,643	(201,907)
Repair and maintenance - equipment	226,800	226,800	150,913	(75,887)
Maintenance - building	386,000	386,000	441,379	55,379
Maintenance - office equipment	1,700	1,700	862	(838)
Tool replacement	9,100	9,100	31,170	22,070
Chemical (over) short	2,000	2,000	(4,657)	(6,657)
In-service training	24,250	24,250	21,284	(2,966)
Office supplies	13,700	13,700	23,687	9,987
Shop supplies	3,500	3,500	-	(3,500)
Janitor supplies	4,000	4,000	2,339	(1,661)
Safety	16,900	16,900	20,878	3,978
Chemicals	480,000	480,000	497,597	17,597
Laboratory	65,900	65,900	54,890	(11,010)
Subscriptions and memberships	1,850	1,850	1,300	(550)
Total operation and maintenance	<u>\$ 3,713,100</u>	<u>\$ 3,713,100</u>	<u>\$ 3,465,221</u>	<u>\$ (247,879)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

CAPITAL OUTLAY

TREATING, PUMPING AND LABORATORY

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
 CAPITAL OUTLAY				
Improvements and replacements	\$ 308,400	\$ 308,400	\$ 257,625	\$ (50,775)
Furniture and fixtures	1,200	1,200	-	(1,200)
Computer equipment	69,700	69,700	76,370	6,670
Treating equipment	229,600	229,600	31,617	(197,983)
Pumping equipment	211,700	211,700	221,352	9,652
Laboratory equipment	10,800	10,800	25,506	14,706
Heavy equipment	16,800	16,800	-	(16,800)
	<u>848,200</u>	<u>848,200</u>	<u>612,470</u>	<u>(235,730)</u>
Total capital outlay	<u>\$ 848,200</u>	<u>\$ 848,200</u>	<u>\$ 612,470</u>	<u>\$ (235,730)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

PERSONNEL SERVICES

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
SALARIES AND WAGES				
Division manager	\$ 103,722	\$ 103,722	\$ 93,963	\$ (9,759)
Manager	178,444	178,444	165,197	(13,247)
Supervision	308,910	308,910	250,629	(58,281)
Specialist	44,078	44,078	78,990	34,912
Skills and trades	2,329,611	2,329,611	2,190,555	(139,056)
Part-time	25,612	25,612	18,413	(7,199)
Temporary	112,488	112,488	49,591	(62,897)
Overtime	132,000	132,000	132,787	787
	<u>3,234,865</u>	<u>3,234,865</u>	<u>2,980,125</u>	<u>(254,740)</u>
Total salaries and wages				
BENEFITS				
Longevity	36,339	36,339	35,083	(1,256)
Employee assistance	1,159	1,159	1,186	27
Social security	238,180	238,180	255,980	17,800
Pension	89,169	89,169	87,935	(1,234)
Health insurance	376,061	376,061	366,326	(9,735)
Dental insurance	37,390	37,390	36,887	(503)
Disability insurance	21,478	21,478	21,493	15
Life insurance	39,129	39,129	38,666	(463)
Sick leave	183,066	183,066	153,138	(29,928)
Vacation leave	213,937	213,937	209,032	(4,905)
	<u>1,235,908</u>	<u>1,235,908</u>	<u>1,205,726</u>	<u>(30,182)</u>
Total benefits				
Total personnel services	<u>\$ 4,470,773</u>	<u>\$ 4,470,773</u>	<u>\$ 4,185,851</u>	<u>\$ (284,922)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

OPERATION AND MAINTENANCE

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
OPERATION AND MAINTENANCE				
Outside services	\$ 25,250	\$ 25,250	\$ 28,502	\$ 3,252
Engineering consulting	6,000	6,000	1,520	(4,480)
Utilities	80,450	80,450	74,290	(6,160)
Auto and truck	120,900	120,900	128,087	7,187
Repair and maintenance - equipment	10,200	10,200	11,926	1,726
Maintenance - building	69,800	69,800	69,928	128
Maintenance - office equipment	13,700	13,700	9,330	(4,370)
Maintenance - mains	120,000	120,000	94,393	(25,607)
Maintenance - meters	20,200	20,200	19,561	(639)
Maintenance - hydrants	7,000	7,000	6,266	(734)
Maintenance - valves	6,000	6,000	8,094	2,094
Maintenance - cathodic protection	500	500	3,486	2,986
Service lines	7,000	7,000	9,163	2,163
Tool replacement	16,600	16,600	47,972	31,372
Barricades	3,500	3,500	469	(3,031)
Warehouse (over) short	1,000	1,000	26,172	25,172
Uninsured small claims	5,000	5,000	10,611	5,611
Freight expense	600	600	-	(600)
Communication	15,750	15,750	7,455	(8,295)
In-service training	18,750	18,750	17,542	(1,208)
Gasoline and oil	140,000	140,000	158,757	18,757
Office supplies	25,990	25,990	28,294	2,304
Shop supplies	4,000	4,000	8,614	4,614
Janitor supplies	2,500	2,500	1,557	(943)
Safety	4,000	4,000	2,910	(1,090)
Meter shop supplies	5,000	5,000	5,729	729
Subscriptions and memberships	7,000	7,000	6,925	(75)
Total operation and maintenance	\$ 736,690	\$ 736,690	\$ 787,553	\$ 50,863

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

CAPITAL OUTLAY

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
CAPITAL OUTLAY				
Furniture and fixtures	\$ 2,500	\$ 2,500	\$ -	\$ (2,500)
Improvements and replacements	25,000	25,000	57,750	32,750
Mains	655,100	655,100	363,335	(291,765)
Valves	9,000	9,000	23,372	14,372
Meters	279,000	279,000	218,759	(60,241)
Automated meter reading equipment	1,500,000	1,500,000	1,638,627	138,627
Fire hydrants	37,000	37,000	67,741	30,741
Taps	16,200	16,200	25,059	8,859
Cathodic protection	45,000	45,000	-	(45,000)
Computer equipment	26,650	26,650	16,444	(10,206)
Heavy equipment	127,600	127,600	38,023	(89,577)
Transportation	257,500	257,500	265,603	8,103
Total capital outlay	<u>\$ 2,980,550</u>	<u>\$ 2,980,550</u>	<u>\$ 2,714,713</u>	<u>\$ (265,837)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

PERSONNEL SERVICES

WATER RESOURCES

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
SALARIES AND WAGES				
Division manager	\$ 103,722	\$ 103,722	\$ 93,791	\$ (9,931)
Supervision	76,199	76,199	93,686	17,487
Specialist	173,741	173,741	95,460	(78,281)
 Total salaries and wages	 353,662	 353,662	 282,937	 (70,725)
BENEFITS				
Longevity	3,369	3,369	2,971	(398)
Employee assistance	77	77	79	2
Social security	27,118	27,118	26,192	(926)
Pension	10,610	10,610	9,227	(1,383)
Health insurance	33,836	33,836	31,484	(2,352)
Dental insurance	3,236	3,236	2,950	(286)
Disability insurance	2,199	2,199	2,251	52
Life insurance	4,630	4,630	4,030	(600)
Sick leave	21,552	21,552	35,311	13,759
Vacation leave	25,851	25,851	31,207	5,356
 Total benefits	 132,478	 132,478	 145,702	 13,224
 Total personnel services	 \$ 486,140	 \$ 486,140	 \$ 428,639	 \$ (57,501)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

OPERATION AND MAINTENANCE

WATER RESOURCES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
OPERATION AND MAINTENANCE				
Outside services	\$ 121,000	\$ 121,000	\$ 82,262	\$ (38,738)
Consulting services	179,000	179,000	45,106	(133,894)
Comanche return flow	1,000	1,000	226	(774)
Homestake Aurora	7,500	7,500	7,500	-
Twin Lakes water rights	229,800	229,800	229,543	(257)
Busk Ivanhoe water rights	250,000	250,000	250,000	-
Water storage and transportation	222,200	222,200	150,936	(71,264)
Short-term water purchases	63,000	63,000	32,130	(30,870)
Utilities	16,000	16,000	13,377	(2,623)
Maintenance - equipment	1,500	1,500	6,095	4,595
Maintenance - office equipment	3,000	3,000	4,331	1,331
Tool replacement	2,200	2,200	1,710	(490)
Clear Creek reservoir	58,700	58,700	2,612	(56,088)
Wurtz ditch	1,500	1,500	1,526	26
Wurtz expansion	1,500	1,500	1,361	(139)
Ewing ditch	1,500	1,500	1,334	(166)
Columbine ditch	1,500	1,500	1,683	183
Ranch property maintenance	3,500	3,500	4,611	1,111
Dwelling - Leadville	2,000	2,000	1,094	(906)
Dwelling - Clear Creek	2,000	2,000	8,462	6,462
Snowplowing operations	33,000	33,000	30,391	(2,609)
Transmountain maintenance	50,000	50,000	40,796	(9,204)
In-service training	39,300	39,300	38,173	(1,127)
Gasoline and oil	9,000	9,000	7,929	(1,071)
Office supplies	6,200	6,200	3,132	(3,068)
Subscriptions and memberships	10,200	10,200	6,204	(3,996)
Total operation and maintenance	\$ <u>1,316,100</u>	\$ <u>1,316,100</u>	\$ <u>972,524</u>	\$ <u>(343,576)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

CAPITAL OUTLAY

WATER RESOURCES

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
 CAPITAL OUTLAY				
Improvements and replacements	\$ 6,600	\$ 6,600	\$ -	\$ (6,600)
Computer equipment	2,000	2,000	1,539	(461)
Heavy equipment	2,500	2,500	-	(2,500)
Expansion	142,000	142,000	426,993	284,993
 Total capital outlay	 \$ 153,100	 \$ 153,100	 \$ 428,532	 \$ 275,432

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

PERSONNEL SERVICES

PLANT AT LARGE

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
SALARIES AND WAGES				
Pending retirees	\$ 20,046	\$ 20,046	\$ 50,176	\$ 30,130
Total salaries and wages	<u>20,046</u>	<u>20,046</u>	<u>50,176</u>	<u>30,130</u>
BENEFITS				
Social security	1,604	1,604	11,980	10,376
Longevity	-	-	1,383	1,383
Employee assistance	19	19	45	26
Pension	761,000	761,000	758,656	(2,344)
Health insurance	-	-	10,036	10,036
Dental insurance	-	-	883	883
Disability insurance	-	-	566	566
Life insurance	-	-	1,044	1,044
Worker's compensation insurance	160,000	160,000	150,175	(9,825)
Unemployment insurance	1,000	1,000	2,824	1,824
Sick leave	-	-	77,741	77,741
Vacation leave	-	-	23,292	23,292
Total benefits	<u>923,623</u>	<u>923,623</u>	<u>1,038,625</u>	<u>115,002</u>
Total personnel services	<u>\$ 943,669</u>	<u>\$ 943,669</u>	<u>\$ 1,088,801</u>	<u>\$ 145,132</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

OPERATION AND MAINTENANCE

PLANT AT LARGE

	<u>Budgeted Amounts</u>			Actual Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Budget</u>
 OPERATION AND MAINTENANCE				
Outside services	\$ 241,600	\$ 241,600	\$ 188,361	\$ (53,239)
Contingency	400,000	400,000	-	(400,000)
Insurance - property	225,000	225,000	223,595	(1,405)
Health reimbursement - In-patient copay	4,000	4,000	3,285	(715)
Health insurance - retirees	55,826	55,826	54,670	(1,156)
Life insurance - retirees	9,965	9,965	10,526	561
Pension supplement	<u>37,100</u>	<u>37,100</u>	<u>36,754</u>	<u>(346)</u>
 Total operation and maintenance	 <u>\$ 973,491</u>	 <u>\$ 973,491</u>	 <u>\$ 517,191</u>	 <u>\$ (456,300)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2007

FUND TRANSFERS

PLANT AT LARGE

	Budgeted Amounts		Actual	Actual Over (Under) Budget.
	Original	Final		
FUND TRANSFERS				
Transfer to Debt Service Fund	\$ 3,947,645	\$ 3,947,645	\$ 3,947,645	\$ -
Transfer to Water Development Fund	520,985	520,985	477,186	(43,799)
 Total fund transfers	 \$ 4,468,630	 \$ 4,468,630	 \$ 4,424,831	 \$ (43,799)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 REVENUES BY SOURCE AND EXPENDITURES BY OBJECT
 FOR THE YEAR ENDED DECEMBER 31, 2007

WATER DEVELOPMENT FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget</u>
NONOPERATING REVENUES				
Interest income	\$ 354,420	\$ 354,420	\$ 612,367	\$ 257,947
Contribution from reserve	1,324,595	1,324,595	-	(1,324,595)
Contribution from general fund-rate increase	402,985	402,985	359,186	(43,799)
Contribution from general fund-Aurora contract	<u>118,000</u>	<u>118,000</u>	<u>118,000</u>	<u>-</u>
Total nonoperating revenues	<u>2,200,000</u>	<u>2,200,000</u>	<u>1,089,553</u>	<u>(1,110,447)</u>
EXPENDITURES				
Water rights acquisition/options	2,000,000	2,000,000	6,550	(1,993,450)
Outside services	100,000	100,000	126,608	26,608
Consulting services	100,000	100,000	-	(100,000)
Computer equipment	-	-	16,454	16,454
Contribution to reserve	<u>-</u>	<u>-</u>	<u>939,941</u>	<u>939,941</u>
Total expenditures	<u>2,200,000</u>	<u>2,200,000</u>	<u>1,089,553</u>	<u>(1,110,447)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AND EXPENDITURES				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 REVENUES BY SOURCE AND EXPENDITURES BY OBJECT
 FOR THE YEAR ENDED DECEMBER 31, 2007

DEBT SERVICE FUND

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
NONOPERATING REVENUES				
Interest income	\$ 50,000	\$ 50,000	\$ 86,716	\$ 36,716
Contribution from general fund	<u>3,947,645</u>	<u>3,947,645</u>	<u>3,947,645</u>	<u>-</u>
Total nonoperating revenues	<u>3,997,645</u>	<u>3,997,645</u>	<u>4,034,361</u>	<u>36,716</u>
DEBT RETIREMENT				
Contribution to reserve	50,000	50,000	86,716	36,716
Principal - Series A	1,497,500	1,497,500	1,497,500	-
Principal - Series B	253,919	253,919	253,919	-
Principal - Municipal outlet	98,451	98,451	98,451	-
Interest - Series 2005	1,331,519	1,331,519	1,331,519	-
Interest - Series A	325,745	325,745	325,745	-
Interest - Series B	370,002	370,002	370,002	-
Interest - Municipal outlet	<u>70,509</u>	<u>70,509</u>	<u>70,509</u>	<u>-</u>
Total debt retirement	<u>3,997,645</u>	<u>3,997,645</u>	<u>4,034,361</u>	<u>36,716</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AND EXPENDITURES				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
SCHEDULE OF BONDS AND LOANS OUTSTANDING
DECEMBER 31, 2007

Schedule One

<u>Designation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Original Amount Issued</u>	<u>Amount Retired To Date</u>	<u>Deferred Amount on Refunding</u>	<u>Amount Outstanding December 31, 2007</u>	<u>Final Maturity Year Ending December 31</u>
BONDS							
Water System Improvement Revenue Bonds Series 2000A	January 1, 2000	5.00% - 6.00%	\$ 38,885,000	\$ 33,950,000	\$ -	\$ 4,935,000	2011
Water Refunding Revenue Bonds Series 2005	May 3, 2005	3.50% - 5.25%	28,575,000	-	(2,158,074)	26,416,926	2021
LOANS							
Colorado Water Resources and Power Development Authority	April 15, 2000	4.6%	9,558,795	1,092,434	-	8,466,361	2022
United States Department of the Interior, Bureau of Reclamation	July 11, 2000	3.046%	<u>2,927,094</u>	<u>710,770</u>	<u>-</u>	<u>2,216,324</u>	2024
			<u>\$ 79,945,889</u>	<u>\$ 35,753,204</u>	<u>\$ (2,158,074)</u>	<u>\$ 42,034,611</u>	

BOARD OF WATER WORKS OF PUEBLO, COLORADO
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2007

Schedule Two

<u>Year Ending December 31,</u>	<u>Water Revenue Bonds</u>		<u>Notes Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2008	\$ 1,560,000	\$ 1,594,152	\$ 358,493	\$ 432,875	\$ 3,945,520
2009	1,840,000	1,513,030	377,648	421,428	4,152,106
2010	1,935,000	1,419,844	386,188	409,362	4,150,394
2011	2,035,000	1,317,006	400,180	392,027	4,144,213
2012	2,115,000	1,235,607	408,916	382,105	4,141,628
2013	2,200,000	1,151,006	423,111	365,653	4,139,770
2014	2,315,000	1,041,007	442,766	352,464	4,151,237
2015	2,435,000	919,469	457,176	338,606	4,150,251
2016	2,535,000	819,025	466,343	324,255	4,144,623
2017	2,645,000	704,950	486,337	308,997	4,145,284
2018	2,765,000	585,925	501,096	287,357	4,139,378
2019	2,895,000	456,500	521,332	270,389	4,143,221
2020	3,040,000	311,750	541,696	252,703	4,146,149
2021	3,195,000	159,750	562,191	234,288	4,151,229
2022	-	-	4,026,129	214,017	4,240,146
2023	-	-	159,118	9,842	168,960
2024	-	-	163,965	4,995	168,960
	<u>\$ 33,510,000</u>	<u>\$ 13,229,021</u>	<u>\$ 10,682,685</u>	<u>\$ 5,001,363</u>	<u>\$ 62,423,069</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 SCHEDULE OF REVENUE AND EXPENDITURES
 WATER DEVELOPMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2007

Schedule Three

REVENUE

Interest earned	\$ 612,367
Contribution from General Fund	<u>477,186</u>
Total revenue	<u>1,089,553</u>

EXPENDITURE

Outside services	<u>126,608</u>
------------------	----------------

EXCESS OF REVENUE OVER EXPENDITURES	962,945
-------------------------------------	---------

BALANCE, JANUARY 1	<u>11,224,324</u>
--------------------	-------------------

BALANCE, DECEMBER 31	<u><u>\$ 12,187,269</u></u>
----------------------	-----------------------------

REPRESENTED BY:

Amount due from General Fund	\$ 11,605
Interest receivable	79,817
Federal Home Loan Note	4,291,685
Money market fund	<u>7,804,162</u>

Total	<u><u>\$ 12,187,269</u></u>
-------	-----------------------------

RESULTS OF OPERATIONS

The budgetary comparison of revenues and expenditure for the year ended December 31, 2007 is presented on pages thirty-four and thirty-five and a schedule of future debt service requirements is presented on page fifty-seven.

A detailed budgetary comparison of operating expenses and expenditures is presented on pages thirty-six through fifty-five.

Depreciation is computed on a straight-line basis using various estimated useful lives as outlined in Note 1 to the financial statements.

The reconciliation of capital expenditures as reflected in the general budget with the expenditures reflected for total capital asset additions is as follows:

Total capital expenditures--page thirty-five	\$ 8,287,687
Plant at Large interfund transfers	(4,424,831)
Water development fund-capital expenditures	23,004
Contributions to capital assets construction from various improvement districts and developers	1,388,853
Commitments on construction contracts for budget purposes	(384,222)
Prior year commitments on construction contracts for budget purposes	318,052
Prior year construction in progress capitalized currently	145,355
Capital items expensed	<u>(45,824)</u>
Total capital asset additions--Note 6	<u>\$ 5,308,074</u>

The reconciliation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles is presented in Note 12 to the financial statements.

The reconciliation of scheduled interest expense on bonds and notes with the amount reported on the Statement of Revenues, Expenses and Changes in Net Assets is as follows:

Scheduled interest payments		
Series 2000A Water System Improvement bonds	\$ 338,367	
Series 2005 Water Refunding Revenue bonds	1,331,519	
Colorado Water Resources and Power Authority	373,315	
United States Department of the Interior	<u>70,509</u>	
		\$ 2,113,710
Accrued interest on bonds and notes,		
December 31, 2006		(469,116)
Accrued interest on bonds and notes,		
December 31, 2007		451,682
Discount amortization on Colorado Water Resources		
and Power Development Authority		1,133
Premium amortization		(96,532)
Amortization of deferred amount on refunding		<u>156,005</u>
Total		<u>\$ 2,156,882</u>

STATEMENT OF NET ASSETS ACCOUNT EXPLANATION

ASSETS

CASH ON HAND AND IN BANKS \$ 4,600

This amount consists of cash as follows:

Working funds \$ 4,600

CASH INVESTMENTS \$ 28,507,251

ColoTrust money market funds	\$ 16,175,621
Certificates of deposit	
ABC Bank	1,500,000
1st National Bank Colorado	300,000
Frontier Bank	1,868,375
Southern Colorado National Bank	300,000
Pueblo Bank & Trust	300,000
Vectra Bank	750,000
US Treasury securities	<u>7,313,255</u>
	<u>\$ 28,507,251</u>

These investments are considered to be reserve funds held for debt retirement, water rights payments, system improvements and general operations in succeeding years.

ACCOUNTS RECEIVABLE--CUSTOMERS \$ 2,393,520

This account consists of the following:

Accounts receivable--water customers	
Water	\$ 515,345
Sewer	574,971
Storm Water	220,574
Accounts receivable--service accounts	<u>1,099,337</u>
	2,410,227
Less provision for uncollectible accounts	<u>16,707</u>
Total	<u>\$ 2,393,520</u>

Accounts receivable do not include estimates of unbilled receivables for water sales from the December, 2007 meter reading dates to December 31, 2007. Water customers are billed on a cycle basis. At the respective billing dates in December, 2007, the accounts which were considered delinquent amounted to \$ 225,806 of which \$ 104,295 is for sewer delinquencies and \$ 83,891 is for storm water delinquencies. This does not include amounts due on service accounts of \$ 32,803. The Board acts as a collection agent for the City of Pueblo, Colorado; therefore sewer and storm water delinquencies do not affect the Board's provision for uncollectible accounts.

Accounts receivable have been classified as to age of billing as follows:

	<u>0-34 Days</u>	<u>35-60 Days</u>	<u>Over 60 Days</u>	<u>Total</u>
Water Service accounts	\$ 477,725	\$ 26,106	\$ 11,514	\$ 515,345
	<u>1,066,534</u>	<u>25,158</u>	<u>7,645</u>	<u>1,099,337</u>
	1,544,259	51,264	19,159	1,614,682
Sewer	470,675	83,103	21,192	574,970
Storm water	<u>136,683</u>	<u>27,830</u>	<u>56,061</u>	<u>220,574</u>
Total	<u>\$ 2,151,617</u>	<u>\$ 162,197</u>	<u>\$ 96,412</u>	<u>\$ 2,410,226</u>

The summary of changes in the provision for uncollectible accounts is as follows:

Balance, January 1, 2007	\$ 13,639
Add	
Current year's provision	\$ 9,180
Recoveries of amounts written off previously	<u>5,391</u>
	<u>14,571</u>
	28,210
Less	
Uncollectible accounts written off	<u>11,503</u>
Balance, December 31, 2007	<u>\$ 16,707</u>

Accounts written off during the year have been placed for collection and the prospects of recovery are slight.

INVENTORIES \$ 917,960

Inventories are classified as follows:

Filtration and purification materials	\$ 106,061
General warehouse materials	<u>811,899</u>
Total	<u>\$ 917,960</u>

Inventories were taken as of December 31, 2007, under the supervision of management.

PREPAID ITEMS \$ 324,007

This account consists of the following prepaid amounts:

Unexpired portion of workers' compensation	\$ 153,315
Prepaid water storage	104,100
Prepaid software license	40,311
Miscellaneous prepaid items	<u>26,281</u>
 Total	 \$ <u><u>324,007</u></u>

ACCRUED INTEREST RECEIVABLE \$ 248,415

This amount represents interest receivable that has accrued on certificates of deposit and U.S. Treasury Securities.

ADVANCES FOR EMPLOYEES \$ 792

This account consists of Employee Enrichment Program advances which will be recovered by payroll deductions.

RESTRICTED ASSETS

Certain assets are classified as restricted assets for construction funded through long-term debt.

Money Market Fund	\$ <u>1,293,035</u>
-------------------	---------------------

This amount consists of funds invested in ColoTrust.

CAPITAL ASSETS \$ 164,789,064

A summary of the changes in capital assets for the year ended December 31, 2007 follows:

Capital Assets	
Balance, January 1, 2007	\$ 229,883,369
Additions by purchases, construction and contributions	<u>5,308,074</u>
	235,191,443
Less:	
Retirements and deletions	(208,540)
Changes as a result of fixed asset inventory project	<u>(3,640,281)</u>
Balance, December 31, 2007	231,342,622
Less accumulated depreciation	<u>66,553,558</u>
Undepreciated balance, December 31, 2007	<u><u>\$ 164,789,064</u></u>

UNAMORTIZED DEBT EXPENSE \$ 478,218

This represents debt issue expenses which were incurred in connection with the issuance of the 2000A Water System Improvement Revenue bonds, the Colorado Water Resources and Power Authority Development loan and the 2005 Water Refunding Revenue Bonds. These amounts are being amortized over the terms of the debt obligations.

UNAMORTIZED DISCOUNT \$ 16,478

This represents the discount associated with the Colorado Water Resources and Power Authority loan and is being amortized over the term of the loan.

LIABILITIES

CURRENT MATURITIES OF LONG-TERM DEBT \$ 1,918,493

This amount represents the current portions of long-term debt which are payable within one year as follows:

Repayment contract with United States	
Department of the Interior	\$ 101,450
2000A Water System Revenue Bonds	1,560,000
Colorado Water Resources and Power	
Development Authority	<u>257,043</u>
Total	<u>\$ 1,918,493</u>

ACCOUNTS PAYABLE \$ 2,048,035

Accounts payable include outstanding bills for expenses, materials and capital assets related to the budget for the year ended December 31, 2007. Included in outstanding bills is \$ 1,321,161 and \$ 435,417 owed to the City of Pueblo, Colorado for collection of the City's sewer and storm water fees, respectively.

There are no known direct liabilities which are not recorded.

RETAINAGE WITHHELD ON CONSTRUCTION CONTRACTS \$ 84,816

The account represents the percentage withheld from payments to contractors until the contract work is completed and accepted.

CURRENT PORTION OF ACCRUED VACATION PAYROLL \$ 352,130

This amount represents the current portion of accrued vacation payroll which is estimated payable within one year. The current portion of accrued sick leave is not readily ascertainable.

CUSTOMER METER DEPOSITS \$ 692,145

Customer meter deposits represent amounts deposited by customers in connection with the furnishing of water service. Deposits are generally required from all new customers, except property owners, and from those customers with an unsatisfactory payment history.

DEFERRED REVENUE--CURRENT \$ 546,568

Deferred revenue--current includes:

Advance payments received on raw water sales for 2008	\$ 49,128
Advance payments received on 2008 water sales--Aurora old	<u>497,440</u>
Total	<u>\$ 546,568</u>

DEVELOPER DEPOSITS \$ 42,720

This amount represents security deposits paid to the Board by residents of Walking Stick Estates that will be used to complete projects in those areas.

ACCRUED PAYROLL \$ 224,145

This account represents the amount of payroll costs incurred in December, 2007 to be paid in January, 2008.

ACCRUED INTEREST \$ 53,457

This amount includes the interest due on meter deposits.

ACCRUED SALES TAXES \$ 387

This amount is due to the State of Colorado, Pueblo County and the City of Pueblo, Colorado for sales taxes collected on sales to outside entities.

REVENUE BONDS \$ 29,791,926

This amount represents the long-term portion of general obligation bonds. The total obligation is \$31,351,926 of which \$1,560,000 is a current liability. These bonds are revenue obligations of The Board of Water Works of Pueblo, Colorado, payable solely from the net revenues derived from operations. The net revenues include gross revenues less any amounts required to pay operation and maintenance expenses. Operation and maintenance expenses deducted from gross revenues include all current reasonable and necessary expenses of operations, maintenance and repairs, but do not include any allowance for depreciation of capital replacements and improvements.

Payment of the principal and interest on the Series 2000A and 2005 bonds is insured by a policy of insurance issued by Financial Security Assurance, Inc.

A schedule of bonds outstanding is presented on page fifty-six, and a schedule of future debt service requirements is presented on page fifty-seven.

LOAN AND REPAYMENT CONTRACT \$ 10,324,192

This amount consists of:

Loan agreement with Colorado Water Resources and Power Development Authority to finance the construction of the pipeline that connected to the Pueblo Dam, net of current maturities of \$257,043 shown as a current liability \$ 8,209,318

Repayment contract with the United States
 Department of the Interior, Bureau of Reclamation
 for the Board's portion of the cost of the
 municipal outlet at the Pueblo Dam less current
 maturities of \$ 101,450 which is shown as a
 current liability

2,114,874

Total

\$ 10,324,192

ACCRUED SICK LEAVE AND VACATION PAYROLL

\$ 2,297,730

This account represents the long-term portion of sick and vacation leave. The total obligation is \$ 2,649,860 of which \$ 352,130 is a current liability. The Board's sick and vacation pay is detailed in Note 9 to the financial statements.

ACCRUED PAYROLL TAXES ON ACCRUED SICK LEAVE AND
 VACATION PAYROLL

\$ 202,714

This amount represents the amount of employer's payroll tax expense for Social Security and Medicare on accrued sick leave and vacation payroll.

DEFERRED REVENUE

\$ 532,200

Deferred revenue includes:

The balance of the estimated value of the water
 to be supplied to the State of Colorado in
 exchange for shares of the West Pueblo Ditch.
 For accounting purposes, this amount is being
 amortized over a forty-year period at \$ 23,175
 per year.

\$ 509,850

The balance of the estimated value of the water
 to be supplied to the City of Pueblo, Colorado in
 exchange for shares of the West Pueblo Ditch. For
 accounting purposes, this amount is being amortized
 over a forty-year period at \$ 300 per year.

8,175

The balance of the estimated value of the water
 to be supplied to a private party in exchange for shares
 of the West Pueblo Ditch. For accounting purposes,
 this amount is being amortized over a forty-year period
 at \$ 394 per year.

14,175

Total

\$ 532,200

UNAMORTIZED BOND PREMIUM \$ 1,335,367

This is the amount of the reoffering premium received in connection with the issuance of the 2005 Water Refunding Revenue Bonds and is being amortized over the life of the bonds.

LIABILITIES PAYABLE FROM RESTRICTED ASSETS \$ 451,682

This amount is for accrued interest on construction related long-term debt.

NET ASSETS \$ 148,074,633

The equity of the Board of Water Works of Pueblo, Colorado is classified as follows:

Invested in capital assets, net of related debt	\$ 121,913,782
Restricted	841,353
Unrestricted	<u>25,319,498</u>
Total	\$ <u><u>148,074,633</u></u>

Net assets invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of debt attributable to the acquisition of those assets.

Restricted nets assets consists of those assets and liabilities where constraints have been placed on their use by creditors, grantors, contributors or laws and regulations.

Unrestricted nets assets consist of assets and liabilities not included above.