

BOARD OF WATER WORKS OF PUEBLO, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

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## 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, 2008 and 2007, 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, 2008 and 2007, 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 10, 2009, 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 Board of Water Works  
Pueblo, Colorado  
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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 10, 2009

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2008

**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, 2008. Following is management's discussion and analysis ("MD&A") of the Board's financial performance which provides an overview of financial activities for the year ended December 31, 2008. This information 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. 2008 Review; provides a brief look at significant 2008 activity. Financial Highlights; provides a summary of the Board's significant 2008 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 2008 budget -vs- actual results and the 2009 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.

**2008 Review**

In an effort to keep pace with the 5% increase in operating costs experienced in 2007, the Board increased general water rates effective January 1, 2008, by 4.5%. The Board's water rates continue to be among the lowest of utilities along Colorado's Front Range, and currently ranks as the second lowest among the major utilities surveyed. Over the years the Board has been able to subsidize its rate payers through the use of its raw water leasing program. For 2008 and 2007 raw water revenue accounted for 20% of operating revenue.

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2008

Precipitation for 2008 was approximately 18% below average resulting in potable water consumption of 8.69 billion gallons, a 9% increase from 2007. Of the 8.69 billion gallons of consumption, 7.82 billion gallons generated \$18.4 million in revenue for the Board. This represents a 3% increase over the five year average of 7.62 billion gallons. Although revenue generating consumption experienced a 3% increase over its five year average, "inside-city" residential consumption, which accounts for over 50% of the Board's annual revenue, was down 0.36% over the five year period.

During 2008 the Board conducted a study to determine whether the changes in residential consumption habits, stemming from the drought of 2002, should become permanent factors when developing long-term consumption projections. The study revealed that on average residential water users have decreased consumption by approximately 16%. All indications of the study point to a permanent change in residential consumption habits. This permanent change is further substantiated when looking at the average consumption per residential account for 2008. For 2008, the average residential account used 128,700 gallons of water compared with the five year average of 129,200 gallons per year. For the period 1996 through 2003, the average residential account used approximately 149,000 gallons per year.

Effective May 1, 2008, the Board implemented a 30% rate increase for "plant water investment fees". However, due to the decline in construction experienced in Pueblo and across the state, revenue generated from these fees fell short of projections by just over \$1 million.

The second phase of the automatic meter reading ("AMR") project was completed in 2008. The Board now has more than 10,000 meters converted to AMR. During the second phase \$1.46 million was spent on the project. The third phase of the project will begin late in the first quarter of 2009, with the anticipation of 4,000 meters being converted at a projected cost of \$850,000. The project is currently on pace for meeting the initial implementation period of ten years.

In August of 2008 it was announced that Vestas, a manufacturer of large electricity-generating windmills, would build a manufacturing plant in a new Industrial Park to be developed on the southern fringe of Pueblo. In order to serve the operational and fire protection needs of the plant, the Board was charged with installing a pipeline to the site as well as a 1.5 million gallon water tank. Phase I of the project, which encompasses over 20,000ft of pipeline and a new water tank is to be completed by August of 2009. The estimated cost of Phase I is just over \$5 million. In connection with the project, the Board received an Economic Development Agency grant that will provide approximately \$2.5 million.

### **2008 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 major irrigation months of April through September, the Pueblo area received 7.89 inches of precipitation, or 83% of average precipitation. The below average precipitation levels helped to cause the 9% increase in consumption over 2007. However, 868 million gallons or 10% of consumption for 2008 was attributed to non-revenue generating consumption. This accounts for an increase of non-revenue consumption of 344 million gallons or 66% from 2007. A major cause of the increase in consumption was due to the use of water at the Board's treatment plant that was previously not metered. While experiencing a small decline from the five year average in residential consumption; commercial, multi-family, and hydrant meter consumption increased in 2008. During 2008, \$4.94 million was generated from approximately 40,000 acre feet of raw water sales. This number is up 3% or nearly \$150,000 from the \$4.8 million generated from approximately 39,000 acre feet of raw water sales in 2007. The following table illustrates certain factors related to water sales for the past five years:

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
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Year	Customers <sup>1</sup>	Consumption (000s gal.)	Water Pumped (000s gal.)	Percent Unaccounted Water <sup>2</sup>	Average Pumped Per Day (000s gal.)	Peak Day Pumpage (000s gal.)	Annual Rainfall Inches <sup>3</sup>
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
2008	39,451	8,690,516	9,123,627	4.7%	24,996	51,422	10.38

<sup>1</sup>Based on customers at July 31.

<sup>2</sup>The unaccounted for water includes water used or lost in seepage, system storage, fire protection, street cleaning and water distribution flushing.

<sup>3</sup>Reported by the United States weather Bureau as measured at Pueblo Municipal Airport.

Continuing the trend from 2007, consumption from the Board's ten largest customers increased 7% from the prior year. The following tables illustrate consumption and revenue generated from the Board's ten largest treated water customers for 2008 and 2007.

Largest Customers - Treated Water  
For the Year Ended December 31, 2008

Customer	Total Consumption (000s gal.)	Percent of Total Consumption	Amount Billed	Percent of Total Revenue
Rocky Mountain Steel	252,202	2.90%	\$ 560,704	3.05%
<sup>1</sup> Department of Human Services	197,830	2.28%	386,165	2.10%
City of Pueblo	181,736	2.09%	433,175	2.35%
Colorado State University - Pueblo	126,323	1.45%	244,879	1.33%
Pueblo Housing Authority	109,327	1.26%	250,439	1.36%
Pueblo School District #60	94,503	1.09%	201,012	1.09%
Pueblo Country Club	90,646	1.04%	175,996	0.96%
B.F. Goodrich	83,342	0.96%	164,366	0.89%
Trane CO	48,319	0.56%	94,580	0.51%
Imperial Memorial Gardens	45,456	0.52%	88,372	0.48%
<b>Total</b>	<b>1,229,684</b>	<b>14.15%</b>	<b>\$ 2,599,688</b>	<b>14.13%</b>

Based on total consumption of 8,690,516,000 gallons

Based on total billing in 2008 of \$18,395,225

<sup>1</sup>Formerly Colorado Mental Health Institute

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DECEMBER 31, 2008

Largest Customers - Treated Water  
For the Year Ended December 31, 2007

Customer	Total 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%
<sup>1</sup> Department of Human Services	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

<sup>1</sup>Formerly Colorado Mental Health Institute

Following the trend experienced by most urban areas in the state, the Board experienced a 47% decline in new connections to its system. Although the Board increased plant water investment fees by 30% May 1, 2008, the 66% decline in connections larger than 1" caused an overall decline in connection fee revenue of \$540,000 or 40%. The following table illustrates revenue collected from connection fees for the past five years:

HISTORY OF CONNECTION FEES

Year	Revenue Collected
2008	\$ 795,246
2007	1,335,163
2006	1,283,567
2005	1,081,976
2004	1,630,830



BOARD OF WATER WORKS OF PUEBLO, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2008

**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, 2008 and 2007. 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, 2008 and 2007.

CONDENSED STATEMENT OF NET ASSETS  
DECEMBER 31, 2008 AND 2007

	2008	2007
<b>ASSETS</b>		
Current assets	\$ 24,247,341	\$ 25,083,290
Restricted assets	1,375,081	1,293,035
Capital assets	164,836,695	164,789,064
Other noncurrent assets	7,843,958	7,807,951
 Total assets	 198,303,075	 198,973,340
 <b>LIABILITIES</b>		
Current liabilities	6,559,714	5,962,896
Long-term liabilities	42,803,094	44,935,811
 Total liabilities	 49,362,808	 50,898,707
 <b>NET ASSETS</b>		
Invested in capital assets, net of related debt	123,781,656	121,913,782
Restricted	941,946	841,353
Unrestricted	24,216,665	25,319,498
 Total net assets	 \$ 148,940,267	 \$ 148,074,633

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, 2008 through 2004. Operating expenses include personnel services and operation and maintenance costs for each division of the Board. See table below:

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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HISTORY OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2008, 2007, 2006, 2005 AND 2004

	<u>2008</u>	<u>2007</u>	<sup>1</sup> <u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Revenues	\$ 25,107,001	\$ 24,243,413	\$ 32,529,228	\$ 24,225,251	\$ 21,886,820
Operating Expenses					
Administration	984,726	931,740	872,648	770,804	784,998
Administrative services	3,031,212	2,942,738	2,680,276	2,547,598	2,139,660
Treating, pumping and laboratory	6,820,623	6,471,729	6,308,774	5,552,418	5,044,583
Transmission, distribution and engineering	5,284,318	4,989,848	4,775,251	4,514,722	4,167,071
Water resources	1,455,695	1,402,702	1,350,896	1,254,980	1,068,126
Other company-wide operating expenses	<u>1,946,275</u>	<u>1,779,424</u>	<u>1,616,283</u>	<u>1,332,864</u>	<u>1,469,032</u>
Subtotal	19,522,849	18,518,181	17,604,128	15,973,386	14,673,470
Depreciation	4,362,926	3,956,985	4,080,537	3,888,223	3,830,425
Loss on abandonment of assets	<u>25,074</u>	<u>10,793</u>	<u>30,608</u>	<u>8,677</u>	<u>18,172</u>
Total operating expenses	<u>23,910,849</u>	<u>22,485,959</u>	<u>21,715,273</u>	<u>19,870,286</u>	<u>18,522,067</u>
Operating Income	1,196,152	1,757,454	10,813,955	4,354,965	3,364,753
Total Nonoperating Revenues (Expenses)	<u>(926,150)</u>	<u>(526,802)</u>	<u>(892,807)</u>	<u>(1,794,774)</u>	<u>(2,383,524)</u>
Income Before Capital Contributions	270,002	1,230,652	9,921,148	2,560,191	981,229
Capital Contributions	<u>595,632</u>	<u>1,388,853</u>	<u>814,221</u>	<u>1,161,508</u>	<u>678,994</u>
Increase in Net Assets	865,634	2,619,505	10,735,369	3,721,699	1,660,223
Net Assets, January 1	<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>
Net Assets, December 31	<u>\$ 148,940,267</u>	<u>\$ 148,074,633</u>	<u>\$ 145,455,128</u>	<u>\$ 134,719,759</u>	<u>\$ 130,998,060</u>

<sup>1</sup>Includes 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, 2008

**Operating Revenues**

The following table presents a comparison of the operating revenues for 2008 and 2007.

Operating Revenues	2008	2007	Difference	Percentage
Water sales to general customers	\$ 18.40	\$ 16.93	\$ 1.47	8.68%
Water sales to Comanche plant	2.63	2.66	(0.03)	-1.13%
Plant water investment fee	0.71	1.19	(0.48)	-40.34%
Other	3.37	3.46	(0.09)	-2.60%
<b>Total</b>	<b>\$ 25.11</b>	<b>\$ 24.24</b>	<b>\$ 0.87</b>	<b>3.59%</b>

**Operating Expenses**

Over the past five years the Board has experienced a 33% increase in total operating costs. This represents a dollar increase of \$4.85 million when comparing operating expenses for 2008 with those in 2004. Due to the Board's succession planning and health care increases, personnel costs have increased by 28% over the past five years. Increases in chemicals, maintenance, fuel, and electricity have combined to cause an increase in operation and maintenance expense of 39%.

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:

OPERATING EXPENSES	2008	2007	2006	2005	2004
Personnel services	50%	51%	50%	50%	51%
Operation and maintenance	30%	31%	31%	30%	28%
Other operating expense	20%	18%	19%	20%	21%

**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  
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The following table illustrates the Board's General Fund 2008 Budget compared to actual as well as the 2009 Budget:

GENERAL FUND BUDGET SUMMARY AND COMPARISON

	<u>2008 BUDGET</u>	<u>2008 ACTUAL</u>	<u>2009 BUDGET</u>
<b>OPERATING REVENUES</b>			
Water sales - Metered	\$ 18,141,252	\$ 18,395,225	\$ 19,262,787
Water sales - Comanche	2,514,585	2,630,920	4,450,097
Water sales - Raw water	849,594	988,918	2,291,219
Water sales - Aurora	1,321,164	1,321,440	1,420,273
Taps and meters	120,000	82,382	111,987
Material sales	135,000	141,130	132,381
Main assessments	10,000	28,524	10,000
Fire protection - public	4,500	7,625	9,044
Discounts	1,148	2,748	1,469
Rental income	17,000	18,261	16,379
Late field reading fee	7,500	9,900	8,093
Turn-on fee	65,000	76,710	66,406
Check processing fee	7,500	10,515	7,906
Field collection fee	1,500	-	1,158
Missed appointment fee	1,500	2,280	2,000
Finance charges	2,300	1,879	2,500
Miscellaneous	25,000	110,860	39,204
Plant water investment fee	1,716,872	712,864	578,822
Insurance recovery	3,000	19,598	10,000
Comanche operations and maintenance reimbursement	70,000	56,410	45,000
Busk-Ivanhoe administration fee	25,000	25,000	25,000
Wastewater billing reimbursement	323,758	323,760	339,137
Stormwater billing reimbursement	<u>140,040</u>	<u>140,052</u>	<u>146,692</u>
 Total operating revenue	 25,503,213	 25,107,001	 28,977,554
<b>NONOPERATING REVENUES</b>			
	<u>4,073,891</u> <sup>1</sup>	<u>3,410,184</u> <sup>2</sup>	<u>3,414,928</u> <sup>3</sup>
 Total revenue	 <u>\$29,577,104</u>	 <u>\$28,517,185</u>	 <u>\$32,392,482</u>
<b>EXPENDITURES</b>			
Personnel Services	\$ 12,493,585	\$ 12,044,645	\$ 13,344,214
Operation and Maintenance	8,013,191	7,254,547	8,677,305
Capital Outlay and Interfund Transfers	<u>9,070,328</u>	<u>9,217,993</u>	<u>10,370,963</u>
 Total expenditures	 <u>\$29,577,104</u>	 <u>\$28,517,185</u>	 <u>\$32,392,482</u>

<sup>1</sup>Includes \$ 3,405,781 in contributions from reserve

<sup>2</sup>Includes \$ 2,840,871 in contributions from reserve

<sup>3</sup>Includes \$ 3,031,328 in contributions from reserve

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2008

**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).

The Long Range Water Resources Plan unveiled in August 2007 anticipated the acquisition of additional water rights for the Board's water rights portfolio. Efforts to acquire additional water rights continued in 2008. In addition to, and as a part of the overall plan of adding new rights into inventory, the Board has considered rebalancing the portfolio that consists of eastern and western slope water rights by a sale of current rights if the net result produces more water for the portfolio. Other facets of the plan include new or enlarged water storage facilities, and water conservation. The acquisition of additional water rights continues to remain a priority for the Board and consequently potential costs ranging from \$50 million to \$60 million could be incurred in 2009 in connection with a possible acquisition.

Wireless communication and connectivity of water system facilities began in 2008. Phase one entailed installation of wireless communications between the Board's Administration Building and the Whitlock Water Treatment facility at a total cost of \$36,000. Later phases will incorporate other water storage and distribution sites throughout the water system. Planned costs for 2009 in connection with this project total \$60,000.

Phase two of the ten year automated meter reading (AMR) implementation plan was completed in 2008, with approximately 10,000 AMR converted to date. The Board expects to add 4,000 AMR sets during 2009, bringing the investment to date to \$2,310,000. The AMR program will greatly enhance operational efficiencies for the utility.

A contract was awarded to Trofi System Solutions in 2008, to provide professional consulting services to the Board for development of a Document Management System. The contract is considered to be phase one of a multi-phase implementation plan, to analyze and design a digital imaging system for document management and retention. Trofi was selected from multiple vendors that provide enterprise solutions and recommended to the Board by a technology committee comprised of employee representatives from all departments of the Water Works. For 2009, the Board anticipates spending \$150,000 on the first phase of implementing a Document Management System.

**Requests for Information**

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

Finance Manager  
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, 2008 AND 2007

ASSETS	2008	2007	LIABILITIES AND NET ASSETS	2008	2007
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash on hand and in banks (Note 2)	\$ 417,282	\$ 4,600	Current maturities of long-term debt (Notes 6 & 7)	\$ 2,217,648	\$ 1,918,493
Cash investments (Note 2)			Accounts payable (Note 14)	2,302,626	2,048,035
Money market funds	13,252,187	16,175,621	Retainage withheld on construction contracts	60,376	84,816
Certificates of deposit	6,450,000	5,018,375	Current portion of accrued vacation payroll (Note 13)	369,464	352,130
Accounts receivable (Note 3)			Customer meter deposits	713,690	692,145
Customers--net of provision for uncollectible accounts of \$ 16,686 and \$ 16,707	2,536,700	2,393,520	Unearned revenue	611,395	546,568
Inventories	1,106,552	917,960	Accrued liabilities		
Prepaid items	392,408	324,007	Developer deposits	-	42,720
Accrued interest receivable	92,212	248,415	Payroll	233,225	224,145
Advances for employees	-	792	Interest	51,123	53,457
Total current assets	<u>24,247,341</u>	<u>25,083,290</u>	Sales taxes	167	387
			Total current liabilities	<u>6,559,714</u>	<u>5,962,896</u>
<b>RESTRICTED ASSETS</b>			<b>LONG-TERM LIABILITIES</b>		
Cash investments (Note 2)			Revenue bonds (Notes 6 & 7)		
Money market funds	<u>1,375,081</u>	<u>1,293,035</u>	(net of current maturities-- \$1,840,000 and \$1,560,000 and deferred amount on refunding of \$ 2,002,069 and \$2,158,074)	28,107,931	29,791,926
			Loan and repayment contract (Note 6 & 7)		
<b>CAPITAL ASSETS (NOTE 4)</b>			(net of current maturities--\$377,648 and \$358,493)	9,946,544	10,324,192
Land	2,264,136	2,264,136	Accrued sick leave and vacation payroll (Note 13)		
Infrastructure	102,855,663	100,060,739	(net of current portion--\$369,464 and \$352,130)	2,328,922	2,297,730
Buildings	57,866,376	57,468,667	Accrued payroll taxes on accrued sick leave and vacation payroll	206,427	202,714
Machinery and equipment	31,560,289	30,836,090	Other postemployment benefits (Note 12)	32,970	-
Water rights	40,445,875	40,396,367	Deferred revenue (Note 8)	508,331	532,200
Construction in progress	<u>505,822</u>	<u>316,623</u>	Total long-term liabilities	<u>41,131,125</u>	<u>43,148,762</u>
	235,498,161	231,342,622			
Less accumulated depreciation	<u>70,661,466</u>	<u>66,553,558</u>	<b>OTHER LIABILITIES</b>		
Total capital assets	<u>164,836,695</u>	<u>164,789,064</u>	Unamortized bond premium	<u>1,238,834</u>	<u>1,335,367</u>
<b>OTHER NONCURRENT ASSETS</b>			<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS (NOTE 15)</b>	<u>433,135</u>	<u>451,682</u>
Long-term investments (Note 2)	7,388,040	7,313,255			
Unamortized debt expense (Note 6)	440,574	478,218	Total liabilities	<u>49,362,808</u>	<u>50,898,707</u>
Unamortized discount	<u>15,344</u>	<u>16,478</u>			
Total other noncurrent assets	<u>7,843,958</u>	<u>7,807,951</u>	<b>NET ASSETS</b>		
			Invested in capital assets, net of related debt	123,781,656	121,913,782
Total assets	<u>\$ 198,303,075</u>	<u>\$ 198,973,340</u>	Restricted	941,946	841,353
			Unrestricted	<u>24,216,665</u>	<u>25,319,498</u>
			Total net assets	<u>\$ 148,940,267</u>	<u>\$ 148,074,633</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, 2008 AND 2007

	2008	2007
OPERATING REVENUES	\$ 25,107,001	\$ 24,243,413
OPERATING EXPENSES		
Personnel services and operation and maintenance		
Administration	984,726	931,740
Administrative services	3,031,212	2,942,738
Treating, pumping and laboratory	6,820,623	6,471,729
Transmission, distribution and engineering	5,284,318	4,989,848
Water resources	1,455,695	1,402,702
Plant-at-large	1,747,466	1,605,992
Water Development Fund	126,817	126,608
Depreciation	4,362,926	3,956,985
Amortization of bond issue expense	37,644	37,644
Bad debts	1,378	9,180
Loss on abandonment of assets	25,074	10,793
Other expense	32,970	-
Total operating expenses	23,910,849	22,485,959
OPERATING INCOME	1,196,152	1,757,454
NONOPERATING REVENUES AND (EXPENSES)		
Interest income	1,109,377	1,596,262
Sale of assets	33,558	33,818
Interest expense on bonded indebtedness	(2,003,120)	(2,087,872)
Interest expense on note payable-municipal outlet	(65,965)	(69,010)
Total nonoperating revenues and (expenses)	(926,150)	(526,802)
INCOME BEFORE CAPITAL CONTRIBUTIONS	270,002	1,230,652
CAPITAL CONTRIBUTIONS		
Contributions to capital assets from developers	595,632	1,388,853
INCREASE IN NET ASSETS	865,634	2,619,505
NET ASSETS, JANUARY 1	148,074,633	145,455,128
NET ASSETS, DECEMBER 31	\$ 148,940,267	\$ 148,074,633

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, 2008 AND 2007

	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 24,385,289	\$ 23,275,213
Payments to employees	(8,835,242)	(8,338,540)
Payments to suppliers	(8,761,066)	(7,843,369)
Other receipts (payments)	(1,149,440)	(849,570)
Net cash provided by operating activities	5,639,541	6,243,734
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Interest paid on meter deposits	(18,530)	(11,085)
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(3,896,926)	(3,723,214)
Principal payments on revenue bonds and notes	(1,762,488)	(1,679,134)
Interest payments on revenue bonds and notes	(2,183,031)	(2,269,715)
Net cash provided by (used for) capital and related financing activities	(7,842,445)	(7,672,063)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(19,610,254)	(11,971,201)
Maturities of investments	19,570,000	11,057,000
Sale of assets	33,558	33,818
Interest received on investments	1,231,049	1,417,802
Net cash provided by (used for) investing activities	1,224,353	537,419
 <b>NET INCREASE (DECREASE) IN CASH</b>	 (997,081)	 (901,995)
 <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	 22,491,631	 23,393,626
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	 \$ 21,494,550	 \$ 22,491,631
 <b>CASH AND CASH EQUIVALENTS AT END OF YEAR REPRESENTED BY</b>		
Cash on hand and in banks	\$ 417,282	\$ 4,600
Money market funds	13,252,187	16,175,621
Certificates of deposit	6,450,000	5,018,375
Restricted assets	1,375,081	1,293,035
Money market funds	1,375,081	1,293,035
 Total	 \$ 21,494,550	 \$ 22,491,631



**BOARD OF WATER WORKS OF PUEBLO, COLORADO**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net operating revenue	\$ 1,196,152	\$ 1,757,454
Adjustments to reconcile net operating revenue to net cash provided by operating activities		
Depreciation	4,362,926	3,956,985
Loss on abandonment of assets	25,074	10,793
Amount paid to dispose of electronic equipment	(804)	-
Amortization of bond issue expense	37,644	37,644
Amortization of deferred revenue	(23,869)	(23,869)
Interest on meter deposits	16,196	25,871
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(143,180)	(307,918)
(Increase) decrease in inventories	(188,592)	(49,968)
(Increase) decrease in prepaid items	(68,401)	(15,776)
(Increase) decrease in advances for employees	792	2,321
Increase (decrease) in accrued sick leave and vacation payroll	48,526	211,206
Increase (decrease) in accrued payroll taxes on accrued sick leave and vacation payroll	3,713	16,157
Increase (decrease) in unearned revenue	64,827	79,825
Increase (decrease) in accounts payable	287,882	485,711
Increase (decrease) in customer meter deposits	21,545	58,380
Increase (decrease) in developer deposits	(42,720)	(13,520)
Increase (decrease) in accrued liabilities	8,860	12,438
Increase (decrease) in other postemployment benefits	32,970	-
Net cash provided by operating activities	\$ 5,639,541	\$ 6,243,734

**SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES**

Contributions to utility plant from various developer installed facilities and other governments for 2008 and 2007 were \$ 595,632 and \$ 1,388,853, 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, 2008 AND 2007

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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, other municipalities, 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.

The Board has a five-member governing body, which is elected by the citizens of Pueblo for overlapping six-year terms. In evaluating how to define the Board of Water Works of Pueblo, Colorado, for financial reporting purposes, management has considered all potential component units. In accordance with Governmental Accounting Standards Board ("GASB") Statements No. 14, *The Financial Reporting Entity*, and 39, *Determining Whether Certain Organizations Are Component Units*, an amendment of GASB Statement No. 14, the Board is classified as an "other stand-alone government" since the Board is a legally separate and distinct entity from the City of Pueblo under the Charter of the City, and the City is not financially accountable for the Board.

The Board has no component units as defined in GASB Statements No. 14 and 39. However, the Board is party to an Intergovernmental Agreement with the City of Aurora, Colorado forming the Busk-Ivanhoe Water System Authority (originally referred to as the Busk-Ivanhoe Water System). The Busk-Ivanhoe Water System was originally created in 1971 as a joint venture, 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. Although originally no formal organization was established, 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 parties. Effective January 1, 2008, an Intergovernmental Agreement was established to create the Busk-Ivanhoe Water System Authority as a governmental entity separate from the Board and Aurora, pursuant to Section 18(2)(a) and (b) of Article XIV, Constitution of the State of Colorado, and to Part 2 of Article 1 of Title 29, Colorado Revised Statutes, to effect the development, operation, maintenance, and capital improvement of the Busk-Ivanhoe Water System. Complete financial statements for the Busk-Ivanhoe Water System Authority can be obtained from the Board of Water Works of Pueblo, Colorado.

Measurement Focus and Basis of Accounting

The Board's financial statements are accounted for on the flow of economic resources measurement focus, using the accrual basis of accounting. Under this method, all assets and liabilities associated with operations are included on the statement of net assets, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

Accounting Standards

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. In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Board has elected not to apply FASB pronouncements issued after November 30, 1989.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America 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.

Annual Budget

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.

Cash

For purposes of the statements of cash flows, certificates of deposit and money market funds are considered to be cash equivalents.

Investments

The Board's investments consist of U.S. Treasury and agency notes and bonds. The method of valuation for all investments is fair market value.

Materials and Supplies Inventory

Inventories are valued on the weighted average method, which approximates lower of cost or market.

Restricted Net Assets

Restricted net assets consists of the revenue bonds debt service fund included in cash investments. The revenue bonds debt service fund is used to pay principal and interest on the revenue bonds as they come due.

Capital Assets

Purchased and constructed capital assets are recorded at cost. Donated capital assets are recorded at their estimated fair market value on the date received. Net interest costs incurred during periods of construction are capitalized as part of the cost of the asset. Assets are capitalized if they have a cost of \$5,000 or more and have a useful life of more than one year.

Reclassifications

Certain reclassifications have been made to conform prior year's information to the current year presentation.

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2008 AND 2007

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:

	<u>Years</u>
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

Maintenance and repairs are charged to expense as incurred, whereas major betterments are capitalized and depreciated or amortized. At the time of retirement or disposition of depreciable property, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is reflected in either operating expense (loss) or nonoperating revenues (gain).

Capital Contributions

Capital contributions consist of capital infrastructure received from property owners, governmental agencies, and customers who receive benefit from such assets. Contributions are recognized in the statement of revenues, expenses, and changes in net assets as capital contributions, when earned. Contributions are recognized at fair market value at the time of contribution.

Employee Compensated Absences

The Board's policy is to accrue as an expense and liability employee vacation, sick leave and other compensated absences when the employee vests in such benefits.

Operating Revenues and Expenses

Operating revenues consist primarily of charges to customers for the sale of potable and non-potable water. Operating expenses consist of the cost of providing water, including administrative expenses and depreciation on capital assets and amortization. All other revenues and expenses are classified as nonoperating. Unbilled revenue, which results from cycle billing practices, is recorded in the following year.

Rates and Fees

Consumption and service charges:

On November 18, 2008, the Board approved a rate increase, effective January 1, 2009, of 4.75%.

On November 20, 2007, the Board approved a rate increase, effective January 1, 2008, of 4.5%.

Plant Water Investment Fees:

On December 9, 2008, the Board approved a rate increase, effective May 1, 2009, of 4.75%.

On December 18, 2007, the Board approved a rate increase, effective May 1, 2008, of 30%.

Employee Relations

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, 2008 through December 31, 2008. Approximately 69% of the Board's employees are members of Local 1045.

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

Recently Issued Accounting Standards

The Board implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2008. This affects the Board's accounting for its postemployment healthcare program, described in Note 12, *Other Postemployment Benefits*, by associating the cost of postemployment healthcare benefits in the year when the employee services are received instead of when the costs are paid, and reporting the liability for unfunded obligations under the program.

The Board implemented GASB Statement No. 50, *Pension Disclosures*, in 2008. It aligns the financial reporting requirements for pensions with those for OPEB. This affects the disclosures in Note 9.

Note 2 – DEPOSITS AND INVESTMENTS

All deposits are either insured or covered by the Public Deposit Protection Act and are therefore not exposed to custodial credit risk. 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. Cash investments shown as restricted assets on the statement of net assets consist of funds restricted for the service of long-term debt.

Colorado Statutes and the Board's investment policy authorize the Board to purchase the following type of investments:

- U.S. Government direct obligations and unconditionally guaranteed federal agency securities
- Other Federal agency securities that have a liquid market with a readily determinable market value
- Certificates of deposit at financial institutions
- Commercial paper, rated in the highest tier
- Investment-grade obligations of state, provincial and local governments and public authorities
- Money market mutual funds and local government investment pools

The Board's investments (current and long-term) at December 31, 2008 and 2007, and their maturities were as follows:

Current and Long-Term Investments			
As of December 31, 2008			
Investment Type	Fair Value	Investment Maturities (in years)	
		Less Than 1	1 - 5
U.S. agencies	\$ 7,388,040	\$ -	\$ 7,388,040
Money market funds (not considered securities)	14,627,268	14,627,268	-
Certificates of deposit	6,450,000	6,450,000	-
Total	\$ 28,465,308	\$ 21,077,268	\$ 7,388,040

*For purposes of the statement of cash flows, certificates of deposit and money market funds are considered to be cash equivalents*

**BOARD OF WATER WORKS OF PUEBLO, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

Current and Long-Term Investments  
As of December 31, 2007

Investment Type	Fair Value	Investment Maturities (in years)	
		Less Than 1	1 - 5
U.S. agencies	\$ 7,313,255	\$ -	\$ 7,313,255
Money market funds (not considered securities)	17,468,656	17,468,656	-
Certificates of deposit	<u>5,018,375</u>	<u>5,018,375</u>	<u>-</u>
Total	<u>\$ 29,800,286</u>	<u>\$ 22,487,031</u>	<u>\$ 7,313,255</u>

*For purposes of the statement of cash flows, certificates of deposit and money market funds are considered to be cash equivalents*

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Board's investment policy provides for structuring the portfolio so that securities mature concurrent with cash flow requirements. Unless matched to a specific cash flow, the Board will not directly invest in securities maturing more than five years from the date of purchase.

Credit Risk

The Board limits the purchase of commercial paper and corporate bonds to those rated in the highest tier by a nationally recognized rating agency. As of December 31, 2008 and 2007, the Board had no direct investments in commercial paper or corporate bonds. As of December 31, 2008 and 2007, the Board had the following money market fund investments:

Money Market Fund	2008	2007	Ratings		
			Moody's	Fitch	S&P
Colotrust Plus+	\$ 9,619,402	\$ 17,468,656	Aaa	AAA/V1+	AAAm
WF Prime Invest MM Fund	<u>5,007,866</u>	<u>-</u>	Aaa	n/a	AAAm
Total	<u>\$ 14,627,268</u>	<u>\$ 17,468,656</u>			

Concentration of Credit Risk

The Board places no limit on the amount invested in any one issuer. More than 5 percent of the Board's investments are in certificates of deposit issued by ABC Bank. These investments are 13% of the Board's total investments.

The Board has investments in certificates of deposit in a bank whose president is a member of the Board. Investment in these certificates of deposit follows the normal competitive bid process to obtain the highest available rate.

Note 3 – ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2008 and 2007 were as described below. Receivables for City charges include wastewater and stormwater fees for which the Board bills, collects and remits to the City on a monthly 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. Other receivables include, raw water sales

**BOARD OF WATER WORKS OF PUEBLO, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

and construction related receivables. The allowance for uncollectible accounts is computed at one percent of customer receivables without considering receivables for City charges and customer overpayments at year end.

Accounts Receivable		
	December 31,	
	2008	2007
Receivables for treated water sales	\$ 634,029	\$ 515,345
Receivables for City charges	950,072	795,544
Other receivables	969,285	1,099,338
Allowance for uncollectible accounts	(16,686)	(16,707)
Total	\$2,536,700	\$2,393,520

**Note 4 – CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2008 and 2007 were as follows:

Capital Assets				
For the Year Ended December 31, 2008				
	December 31, 2007	Additions & Transfers	Sales & Retirements	December 31, 2008
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,264,136	\$ -	\$ -	\$ 2,264,136
Water Rights	40,396,367	49,508	-	40,445,875
Construction in progress	316,623	528,138	(338,939)	505,822
Total capital assets not being depreciated	42,977,126	577,646	(338,939)	43,215,833
<u>Capital assets being depreciated:</u>				
Buildings and improvements	57,468,667	397,709	-	57,866,376
Infrastructure	100,060,739	2,834,070	(39,146)	102,855,663
Machinery and equipment	30,836,090	964,341	(240,142)	31,560,289
Total capital assets being depreciated	188,365,496	4,196,120	(279,288)	192,282,328
<u>Less accumulated depreciation:</u>				
Buildings and improvements	(19,824,383)	(1,134,538)	-	(20,958,921)
Infrastructure	(36,714,623)	(2,039,559)	17,574	(38,736,608)
Machinery and equipment	(10,014,552)	(1,188,829)	237,444	(10,965,937)
Total accumulated depreciation	(66,553,558)	(4,362,926)	255,018	(70,661,466)
Total capital assets being depreciated, net	121,811,938	(166,806)	(24,270)	121,620,862
Total capital assets, net	\$ 164,789,064	\$ 410,840	\$ (363,209)	\$ 164,836,695

**BOARD OF WATER WORKS OF PUEBLO, COLORADO**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2008 AND 2007**

Capital Assets  
For the Year Ended December 31, 2007

	December 31, 2006	Additions & Transfers	Sales & Retirements	December 31, 2007
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,264,136	\$ -	\$ -	\$ 2,264,136
Water Rights	40,389,817	6,550	-	40,396,367
Construction in progress	<u>187,853</u>	<u>274,125</u>	<u>(145,355)</u>	<u>316,623</u>
Total capital assets not being depreciated	<u>42,841,806</u>	<u>280,675</u>	<u>(145,355)</u>	<u>42,977,126</u>
<u>Capital assets being depreciated:</u>				
Buildings and improvements	57,150,231	318,436	-	57,468,667
Infrastructure	96,220,555	3,852,258	(12,074)	100,060,739
Machinery and equipment	<u>30,030,496</u>	<u>856,705</u>	<u>(51,111)</u>	<u>30,836,090</u>
Total capital assets being depreciated	<u>183,401,282</u>	<u>5,027,399</u>	<u>(63,185)</u>	<u>188,365,496</u>
Less accumulated depreciation:				
Buildings and improvements	(18,697,305)	(1,127,078)	-	(19,824,383)
Infrastructure	(34,770,327)	(1,950,207)	5,911	(36,714,623)
Machinery and equipment	<u>(8,926,358)</u>	<u>(1,139,305)</u>	<u>51,111</u>	<u>(10,014,552)</u>
Total accumulated depreciation	<u>(62,393,990)</u>	<u>(4,216,590)</u>	<u>57,022</u>	<u>(66,553,558)</u>
Total capital assets being depreciated, net	<u>121,007,292</u>	<u>810,809</u>	<u>(6,163)</u>	<u>121,811,938</u>
Total capital assets, net	<u>\$ 163,849,098</u>	<u>\$ 1,091,484</u>	<u>\$ (151,518)</u>	<u>\$ 164,789,064</u>

**Note 5 – RISK MANAGEMENT**

The Board is exposed to various risks of losses including torts, general liability (limited under the Colorado Governmental Immunity Act to \$150,000 per person and \$600,000 per occurrence), and property damage. It is the policy of the Board 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 6 – BONDS PAYABLE**

**Revenue Bonds**

The bond agreements contain 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.

**Series 2005**

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.



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Series 2000A

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 2021 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, 2008 was \$27,195,000.

Debt Issuance Costs

In connection with the issuance for various debt obligations the Board incurred debt issuance costs in the amount of \$673,481. With the May 3, 2005 advance refunding of a portion of the Water System Improvement Revenue Bonds, Series 2000A, the issuance costs associated with the refunded bonds have been removed from the deferred bond issue accounts. The total amount of issuance costs written off was \$69,203. The costs are being amortized over the life of the debt obligations. The remaining unamortized expense at December 31, 2008 and 2007 is \$440,574 and \$478,218, respectively.

A summary of debt maturity for the revenue bonds as of December 31, 2008, is as follows:

Revenue Bonds As of December 31, 2008			
	Principal	Interest	Total
<u>Year of Maturity:</u>			
Current	\$ 1,840,000	\$ 1,513,032	\$ 3,353,032
Long-term:			
2010	1,935,000	1,419,844	3,354,844
2011	2,035,000	1,317,006	3,352,006
2012	2,115,000	1,235,606	3,350,606
2013	2,200,000	1,151,006	3,351,006
2014 - 2018	12,695,000	4,070,375	16,765,375
2019 - 2021	9,130,000	928,000	10,058,000
	30,110,000	10,121,837	40,231,837
Plus premium	1,238,834	-	1,238,834
Less deferred amount on refunding	(2,002,069)	-	(2,002,069)
Total long-term	29,346,765	10,121,837	39,468,602
	\$ 31,186,765	\$ 11,634,869	\$ 42,821,634

Loan and Repayment Contract

On April 15, 2000, the Board entered into a loan agreement with Colorado Water Resources and Power Development Authority for \$ 9,558,795. Interest at 4.60% and principal payments are due semi-annually on February 1 and August 1, through 2022. On July 11, 2000, the Board entered into a 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.

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A summary of debt maturity for the loan and repayment contract as of December 31, 2008, is as follows:

Loan and Repayment Contract As of December 31, 2008			
	Principal	Interest	Total
<u>Year of Maturity:</u>			
Current	\$ 377,648	\$ 421,428	\$ 799,076
Long-term:			
2010	386,189	409,363	795,552
2011	400,180	392,028	792,208
2012	408,916	382,105	791,021
2013	423,111	365,654	788,765
2014 - 2018	2,353,719	1,611,680	3,965,399
2019 - 2023	5,810,464	981,240	6,791,704
2024	163,965	4,995	168,960
Total long-term	9,946,544	4,147,065	14,093,609
	\$ 10,324,192	\$ 4,568,493	\$ 14,892,685

**Note 7 – CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the years ended December 31, 2008 and 2007 were as follows:

Long-Term Liabilities For the Year Ended December 31, 2008					
	December 31, 2007 (Current and Long-Term)	Additions	Reductions	December 31, 2008 (Current and Long-Term)	Due Within One Year
Revenue bonds, net	\$ 32,687,293	\$ -	\$ (1,500,528)	\$ 31,186,765	\$1,840,000
Loan and repayment contract, net	10,682,685	-	(358,493)	10,324,192	377,648
Accrued sick and vacation leave	2,649,860	994,506	(945,980)	2,698,386	369,464
Accrued payroll taxes on accrued leave	202,714	76,080	(72,367)	206,427	-
Other postemployment benefits	-	32,970	-	32,970	-
Deferred revenue	532,200	-	(23,869)	508,331	-
	46,754,752	\$ 1,103,556	\$ (2,901,237)	44,957,071	\$2,587,112
Less current portion	(2,270,623)			(2,587,112)	
Less unamortized bond premium	(1,335,367)			(1,238,834)	
Total long-term liabilities	\$ 43,148,762			\$ 41,131,125	

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**Note 8 – DEFERRED REVENUE**

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 years.

**Note 9 – PENSION PLAN**

Plan Description

The Board contributes to the Retirement Plan for Employees of the Board of Water Works of Pueblo, Colorado, a single-employer defined benefit retirement plan that is administered by Linsco/Private Ledger, with benefit payments administered by AXA Equitable. The Plan provides retirement and disability benefits to plan members and or their beneficiaries. Members of the Plan include substantially all regular full-time employees of the Board. The Plan does not issue a separate financial report.

Funding Policy

The Board’s funding policy is established and may be amended by the Board, which acts as trustee of the Plan. The Plan’s funding policy provides for periodic Board contributions of actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due. The Board solicits an actuary to determine the contribution amounts on a bi-annual basis. These required contributions may vary over time and are not expressed in terms of fixed dollar amounts or as a percentage of annual covered payroll. Plan members are not required to make contributions. It is the intention of the Board to continue the Plan and make contributions that are necessary to maintain the Plan on a sound actuarial basis. However, subject to the provisions of Article 10 of the Plan, the Board may discontinue contributions for any reason at any time.

Annual Pension Cost

The Board’s annual pension cost (“APC”) for 2008 was \$771, 221, equal to the Board’s required actuarial contribution. The required contribution was determined as part of the April 1, 2007 actuarial valuation using the aggregate actuarial cost method. The actuarial assumptions included: a) 7.5% investment rate of return (net of administrative expenses), b) projected salary increases ranging from 4.0% to 7.4% per year, and no cost of living adjustments. Salary increases include an inflation adjustment of 3.5%. The actuarial value of Plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period.

Three-year trend information for the Board’s pension cost and contribution is as follows (using the aggregate actuarial cost method):

<u>Annual Pension Cost and % of Required Contribution</u>			
<u>Year</u>	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
2008	\$ 771,221	100.00%	-
2007	\$ 664,223	100.00%	-
2006	\$ 664,223	100.00%	-

Funded Status and Funding Progress

For purposes of determining the annual required contribution, the Board utilizes the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose. The information presented below is intended to serve as a surrogate for the funded status and funding progress of the Plan.

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As of April 1, 2007, the most recent actuarial valuation date, the plan was 82.3 percent funded. The actuarial accrued liability for benefits was \$17,383,530, and the actuarial value of assets was \$14,313,609, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,069,921. The covered payroll (annual payroll of active employees covered by the plan) was \$7,300,649, and the ratio of the UAAL to the covered payroll was 42 percent.

GASB requires the schedule of funding progress present multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits using the entry age actuarial cost method. However, the Board uses the aggregate actuarial cost method to calculate its contribution amounts. Consequently, information following the entry age actuarial method is only available as of April 1, 2007. The amounts are listed in the prior paragraph.

**Note 10 – OTHER RETIREMENT PLANS**

The Board 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 annual compensation. The deferred compensation is not available to the employees until termination, retirement, death or qualifying emergency. 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.

Data concerning the Board’s deferred compensation plans follows:

Balance, December 31, 2007	\$	12,756,474
2008 employee contributions		761,480
2008 employer contributions		235,374
Earnings, withdrawals and market value adjustment		<u>(3,321,069)</u>
Balance, December 31, 2008	\$	<u>10,432,259</u>

In addition, various individuals are included in a supplemental benefit funded through a separate trustee at the cost of \$31,987 and \$ 32,173 for 2008 and 2007, respectively.

**Note 11 – TERMINATION BENEFITS**

In compliance with federal law, the Board provides healthcare continuation under the Consolidated Omnibus Budget Reconciliation Act (“COBRA”). There was no COBRA liability at December 31, 2008. The Board does not offer early retirement incentives or involuntary termination benefits.

**Note 12 – OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description**

The Board provides two types of other postemployment benefits (“OPEB”) as follows:

**a. *Postemployment Healthcare Benefits***

The Board provides a postemployment healthcare benefit through a single-employer, defined benefit plan. The benefit is in the form of subsidized health care costs for retired members and eligible dependents, up to member age 65 or retiree age 65, whichever comes first. Employees who retire under normal retirement can enroll in the plan, with the Board paying 77% of the insurer required premium, and the member paying the remaining 23%. The Board has both an explicit (due to premium subsidy) and implicit (due to the retirees being included with the active members in the setting of the premium rates) subsidy. Employees who retire under early retirement (rule of 90) can also enroll in the plan, without an explicit subsidy. The implicit subsidy is still present, but the retiree is required to pay the full insurer premium for themselves and any covered dependents. Currently, 15 retirees (including covered dependents) are receiving this benefit. The Board retains the right to amend or discontinue this benefit at any time.

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b. *Life Insurance*

All retirees of the Board and their spouses participate in a life insurance plan. The Plan provides a death benefit of \$25,000 for the retiree and \$2,000 for the spouse.

Neither OPEB plan issues a separate report.

Funding Policy

The Board's funding policy is established and may be amended by the Board. The Board is not required to establish an irrevocable trust fund to accumulate assets for payment of future OPEB benefits, and has elected not to do so for 2008. The Board may review its funding policy in the future. Currently, payments of OPEB benefits are made on a pay-as-you-go basis in amounts necessary to provide current benefits to recipients. For the year ended December 31, 2008 the Board contributed \$99,414 to the postemployment benefit plans.

Annual OPEB Cost and Net OPEB Obligation

The Board's annual OPEB cost (expense) is calculated based on the annual required contribution ("ARC"). The ARC is calculated, in accordance with GASB 45, based on the entry age actuarial cost method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Board's annual OPEB cost for the year, the amount actually contributed to the OPEB plan, and changes in the Board's net OPEB obligation:

Annual OPEB Cost and Net OPEB Obligation For the Year Ended December 31, 2008	
Annual required contribution ("ARC")	\$ 132,384
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	132,384
Contributions made	(99,414)
Increase in net OPEB obligation	32,970
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	\$ 32,970

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB plan, and the net OPEB obligation for 2008 and the two preceding years were as follows:

Annual OPEB Cost and % of Required Contribution				
Year Ended December 31,	Annual OPEB Cost	Contributions Made	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$ 132,384	\$ 99,414	75.10%	\$ 32,970
2007	-	-	-	-
2006	-	-	-	-

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Funded Status and Funding Progress

As of January 1, 2008, the initial actuarial valuation date, the plan was 0% funded. The actuarial accrued liability (“AAL”) for benefits was \$1,638,192, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (“UAAL”) of \$1,638,192. The covered payroll (annual payroll of active employees covered by the OPEB plan) was \$7,680,812, and the ratio of the UAAL to the covered payroll was 21.33%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information below, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Valuation Date <u>December 31</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) -Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a) /c)</u>
2008	\$ -	\$ 1,638,192	\$ 1,638,192	0.00%	\$ 7,680,812	21.33%
2007	-	-	-	-	-	-
2006	-	-	-	-	-	-

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions include a 5.5 percent investment rate of return (net of administrative expenses), which is the expected long-term investment return on the Board’s investments, and an annual healthcare cost trend rate of: 0% for 2008; 9.1% for 2009; with this pattern of increases continuing every other year until an ultimate annual trend of 4.5% is reached in 2012. The actuarial valuation of assets was not determined as the Board has not advance funded the obligation. The UAAL is being amortized as a level dollar amount over the 30 years on an open basis.

Note 13 – SICK AND VACATION LEAVE

Effective July 1, 1984, all full-time employees accumulate paid sick leave at the rate of twelve hours per month. All employees who, at that date, had accumulated in excess of 720 hours were, at their option, paid for the excess hours. Any employee who did not select the optional payoff at July 1, 1984 can do so at a later date. As of January 1, 1996, new employees accumulate paid sick leave at the rate of eight hours per month. At termination, employees are paid for any accumulated sick pay. The liability for accumulated sick pay at December 31, 2008 and 2007 is \$2,026,634 and \$2,009,623.

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 rate of pay in effect at the time. In addition, each employee receives eight hours of personal holiday each anniversary year which is not available for carryover. The liability for accumulated vacation pay at December 31, 2008 and 2007 is \$671,752 and \$640,237. Employees are entitled to vacation with pay for the twelve-month period, following their date of hire (anniversary date) according to the following scale:

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

**Note 14 – ACCOUNTS PAYABLE**

Accounts payable are comprised of outstanding bills for expenses, materials and capital assets related to the budget for the years ended December 31, 2008 and 2007. Included in outstanding bills at December 31, 2008 is \$2,139,735 owed to the City of Pueblo, Colorado for collection of the City's sewer and storm water fees. Included in outstanding bills at December 31, 2007 is \$1,756,578 owed to the City of Pueblo, Colorado for collection of the City's sewer and storm water fees.

**Note 15 – LIABILITIES PAYABLE FROM RESTRICTED ASSETS**

Liabilities payable from restricted assets consist of accrued interest on long-term debt in connection with various water system improvement projects. As of December 31, 2008 and 2007 the amounts payable were \$433,135 and \$451,682, respectively.

**Note 16 – RECONCILIATION OF BUDGETARY DIFFERENCES**

An explanation of the differences between budgetary inflows and outflows and revenues and expenditures determined in accordance with generally accepted accounting principles follows:

**Funding Sources**

Actual amounts (budgetary basis) "total funding sources"	
from the budgetary comparison schedule	
General Fund	\$ 28,517,185
Debt Service Fund	4,027,566
Water Development Fund	3,339,245
Total funding sources	35,883,996
Adjustments:	
Contributions to capital assets are recorded	
as revenue for GAAP but are not considered a budgetary resource	595,632
Contributions from reserves are considered a budgetary resource	
but are not considered revenue for GAAP reporting.	(4,884,095)
Transfers from other funds are inflows of budgetary resources	
but are not a current year revenue for GAAP reporting.	(4,749,965)
Total of all revenues as reported on the Statement of Revenues,	
Expenses, and Changes in Net Assets	\$ 26,845,568
Total revenues as reported on the Statement of Revenues,	
Expenses, and Changes in Net Assets is comprised of:	
Operating revenues	\$ 25,107,001
Interest income	1,109,377
Sale of assets	33,558
Contributions to capital assets from developers	595,632
	\$ 26,845,568

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**Uses**

Actual amounts (budgetary basis) "total uses" from the budgetary comparison schedule	
General Fund	\$ 28,517,185
Debt Service Fund	4,027,566
Water Development Fund	<u>3,339,245</u>
Total uses	35,883,996

Adjustments:

Capital items are treated as expenditures for budgetary purposes but are capitalized for financial reporting (7,680,456)

Computer equipment with an original cost less than \$5,000 is treated as an operating expense for GAAP and shown as a capital item for budgetary purposes 24,848

Outflows for budgetary purposes not recognized for financial reporting purposes:

    Transfers (4,749,965)

    Contributions to reserves (45,688)

    Principal payments on long-term debt (1,971,854)

Expense items shown for financial reporting not treated as budgetary outflows:

    Other postemployment benefits 32,970

    Depreciation 4,362,926

    Amortization 37,644

    Bad debts 1,378

    Loss on abandonment of assets 25,074

Interest expense for budget reporting purposes is based upon monthly transfers to the Debt Service Fund while interest expense for the financial statements reflect GAAP 59,061

Total of all expenses as reported on the Statement of Revenues, Expenses, and Changes in Net Assets \$ 25,979,934

Total expenses as reported on the Statement of Revenues Expenses and Changes in Net Assets is comprised of:

    Operating expenses \$ 23,910,849

    Interest expense on bonded indebtedness 2,003,120

    Interest expense on note payable-municipal outlet 65,965

\$ 25,979,934

**Note 17 – CONCENTRATIONS**

The Board has a contract with Public Service Company to provide the Comanche Power Station with nonpotable water for power generation. For the years ended December 31, 2008 and 2007, the contract accounted for 10% and 11% of operating revenues, respectively.

**Note 18 – CONTRACT COMMITMENTS**

Total contract commitments as of December 31, 2008 for construction and other purposes total approximately \$3.82 million. This includes \$2.97 million in connection with the construction of a pipeline and storage tank located in the St. Charles Industrial Park.



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Phase I of the project located at the St. Charles Industrial Park will include installation of approximately 610' of new 12" water main, approximately 12,700' of new 16" water main and approximately 8,840' of new 24" water main. In addition, a 1.5 million gallon (MG) storage tank including on-site 24" and 20" piping will be constructed. This project will allow the Board to provide potable water for consumption and reliable fire flows for new businesses/industries that will locate at the new industrial park annexed to the City of Pueblo. The industrial park, able to handle a unit train, is the only one of its kind in the State of Colorado and is one of few within the United States. The total cost for Phase I of the project is anticipated to be approximately \$4.4million.

Note 19 – CAPITAL CONTRIBUTIONS

Inception-to-date and current year proceeds from capital contributions were as follows:

Capital Contributions	
Inception through December 31, 2006	\$ 10,114,533
2007 Additions	1,388,853
Inception through December 31, 2007	11,503,386
2008 Additions	595,632
Inception through December 31, 2008	\$ 12,099,018

SUPPLEMENTARY INFORMATION

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 REVENUES BY SOURCE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

GENERAL FUND

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
<b>OPERATING REVENUES</b>				
Water sales - Metered	\$ 18,141,252	\$ 18,141,252	\$ 18,395,225	\$ 253,973
Water sales - Comanche	2,514,585	2,514,585	2,630,920	116,335
Water sales - Raw water	849,594	849,594	988,918	139,324
Water sales - Aurora	1,321,164	1,321,164	1,321,440	276
Taps and meters	120,000	120,000	82,382	(37,618)
Material sales	135,000	135,000	141,130	6,130
Main assessments	10,000	10,000	28,524	18,524
Fire protection - public	4,500	4,500	7,625	3,125
Discounts	1,148	1,148	2,748	1,600
Rental income	17,000	17,000	18,261	1,261
Late field reading fee	7,500	7,500	9,900	2,400
Turn-on fee	65,000	65,000	76,710	11,710
Check processing fee	7,500	7,500	10,515	3,015
Field collection fee	1,500	1,500	-	(1,500)
Missed appointment fee	1,500	1,500	2,280	780
Finance charges	2,300	2,300	1,879	(421)
Miscellaneous	25,000	25,000	110,860	85,860
Plant water investment fee	1,716,872	1,716,872	712,864	(1,004,008)
Insurance recovery	3,000	3,000	19,598	16,598
Comanche operations and maintenance reimbursement	70,000	70,000	56,410	(13,590)
Busk-Ivanhoe administration fee	25,000	25,000	25,000	-
Wastewater billing reimbursement	323,758	323,758	323,760	2
Stormwater billing reimbursement	140,040	140,040	140,052	12
<b>Total operating revenues</b>	<u>25,503,213</u>	<u>25,503,213</u>	<u>25,107,001</u>	<u>(396,212)</u>
<b>NONOPERATING REVENUES</b>				
Interest income	648,110	648,110	535,755	(112,355)
Sale of assets	20,000	20,000	33,558	13,558
Contribution from reserve	3,405,781	3,405,781	2,840,871	(564,910)
<b>Total nonoperating revenues</b>	<u>4,073,891</u>	<u>4,073,891</u>	<u>3,410,184</u>	<u>(663,707)</u>
<b>Total revenue</b>	<u>\$ 29,577,104</u>	<u>\$ 29,577,104</u>	<u>\$ 28,517,185</u>	<u>\$ (1,059,919)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 EXPENDITURES BY OBJECT  
 FOR THE YEAR ENDED DECEMBER 31, 2008

GENERAL FUND

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
<b>EXPENDITURES</b>				
<b>PERSONNEL SERVICES</b>				
Administration	\$ 794,466	\$ 794,466	\$ 742,332	\$ (52,134)
Administrative Services	2,280,129	2,280,129	2,144,896	(135,233)
Treating, Pumping and Laboratory	3,389,815	3,389,815	3,112,942	(276,873)
Transmission, Distribution and Engineering	4,562,004	4,562,004	4,397,146	(164,858)
Water Resources	429,278	429,278	498,280	69,002
Plant at Large	1,037,893	1,037,893	1,149,049	111,156
Total personnel services	<u>12,493,585</u>	<u>12,493,585</u>	<u>12,044,645</u>	<u>(448,940)</u>
<b>OPERATIONS AND MAINTENANCE</b>				
Administration	263,250	263,250	239,183	(24,067)
Administrative Services	1,024,025	1,024,025	871,515	(152,510)
Treating, Pumping and Laboratory	3,937,550	3,937,550	3,705,975	(231,575)
Transmission, Distribution and Engineering	801,270	801,270	883,961	82,691
Water Resources	1,172,160	1,172,160	955,496	(216,664)
Plant at Large	1,014,936	814,936	598,417	(216,519)
Total operations and maintenance	<u>8,213,191</u>	<u>8,013,191</u>	<u>7,254,547</u>	<u>(758,644)</u>
<b>CAPITAL OUTLAY</b>				
Administration	402,800	302,800	3,211	(299,589)
Administrative Services	227,750	227,750	331,571	103,821
Treating, Pumping and Laboratory	683,800	983,800	1,379,258	395,458
Transmission, Distribution and Engineering	2,802,850	2,802,850	2,726,373	(76,477)
Water Resources	30,750	30,750	27,615	(3,135)
Plant at Large (Interfund Transfers)	4,722,378	4,722,378	4,749,965	27,587
Total capital outlay	<u>8,870,328</u>	<u>9,070,328</u>	<u>9,217,993</u>	<u>147,665</u>
Total expenditures	<u>\$ 29,577,104</u>	<u>\$ 29,577,104</u>	<u>\$ 28,517,185</u>	<u>\$ (1,059,919)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

PERSONNEL SERVICES

ADMINISTRATION

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
<b>SALARIES &amp; WAGES</b>				
Director	\$ 391,349	\$ 391,349	\$ 364,772	\$ (26,577)
Specialist	179,525	179,525	158,452	(21,073)
Part-time	<u>11,897</u>	<u>11,897</u>	<u>6,095</u>	<u>(5,802)</u>
 Total salaries and wages	 <u>582,771</u>	 <u>582,771</u>	 <u>529,319</u>	 <u>(53,452)</u>
<b>BENEFITS</b>				
Longevity	4,102	4,102	3,971	(131)
Employee assistance	135	135	134	(1)
Social security	46,201	46,201	40,219	(5,982)
Pension	17,126	17,126	16,796	(330)
Health insurance	48,880	48,880	47,727	(1,153)
Dental insurance	4,159	4,159	3,728	(431)
Disability insurance	4,179	4,179	4,159	(20)
Life insurance	7,462	7,462	7,427	(35)
Sick leave	36,450	36,450	41,989	5,539
Vacation leave	<u>43,001</u>	<u>43,001</u>	<u>46,863</u>	<u>3,862</u>
 Total benefits	 <u>211,695</u>	 <u>211,695</u>	 <u>213,013</u>	 <u>1,318</u>
 Total personnel services	 <u>\$ 794,466</u>	 <u>\$ 794,466</u>	 <u>\$ 742,332</u>	 <u>\$ (52,134)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

OPERATION AND MAINTENANCE

ADMINISTRATION

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget</u>
 OPERATION AND MAINTENANCE				
Outside services	\$ 104,500	\$ 104,500	\$ 84,698	\$ (19,802)
Consulting services	5,000	5,000	20,000	15,000
Utilities - other	4,200	4,200	3,836	(364)
Maintenance	3,200	3,200	4,715	1,515
Advertising	22,600	22,600	21,327	(1,273)
In-service training	67,000	67,000	40,929	(26,071)
Office supplies	16,600	16,600	23,805	7,205
Subscriptions and memberships	40,150	40,150	39,873	(277)
	<u>40,150</u>	<u>40,150</u>	<u>39,873</u>	<u>(277)</u>
 Total operation and maintenance	 \$ 263,250	 \$ 263,250	 \$ 239,183	 \$ (24,067)

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

CAPITAL OUTLAY

ADMINISTRATION

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
 CAPITAL OUTLAY				
Computer	\$ 2,800	\$ 2,800	\$ 3,211	\$ 411
Facilities expansion	400,000	300,000	-	(300,000)
 Total capital outlay	 \$ 402,800	\$ 302,800	\$ 3,211	\$ (299,589)

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

PERSONNEL SERVICES

ADMINISTRATIVE SERVICES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
<b>SALARIES &amp; WAGES</b>				
Division manager	\$ 107,126	\$ 107,126	\$ 101,054	\$ (6,072)
Manager	179,579	179,579	214,279	34,700
Supervision	68,389	68,389	55,231	(13,158)
Specialist	548,709	548,709	465,898	(82,811)
Skills and trades	707,175	707,175	629,391	(77,784)
Part-time	40,340	40,340	19,227	(21,113)
Overtime	16,000	16,000	6,091	(9,909)
	<u>1,667,318</u>	<u>1,667,318</u>	<u>1,491,171</u>	<u>(176,147)</u>
<b>BENEFITS</b>				
Longevity	12,549	12,549	12,117	(432)
Employee assistance	560	560	612	52
Social security	124,421	124,421	129,542	5,121
Pension	48,331	48,331	48,335	4
Health insurance	180,552	180,552	195,687	15,135
Dental insurance	18,716	18,716	17,669	(1,047)
Disability insurance	11,554	11,554	11,794	240
Life insurance	21,231	21,231	21,238	7
Sick leave	90,511	90,511	103,114	12,603
Vacation leave	104,386	104,386	113,617	9,231
	<u>612,811</u>	<u>612,811</u>	<u>653,725</u>	<u>40,914</u>
Total personnel services	<u>\$ 2,280,129</u>	<u>\$ 2,280,129</u>	<u>\$ 2,144,896</u>	<u>\$ (135,233)</u>



BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGET COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

OPERATION AND MAINTENANCE

ADMINISTRATIVE SERVICES

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget</u>
OPERATION AND MAINTENANCE				
Outside services	\$ 263,150	\$ 263,150	\$ 231,776	\$ (31,374)
Employment costs	30,100	30,100	22,445	(7,655)
Utilities	89,100	89,100	82,914	(6,186)
Maintenance - building	159,050	159,050	133,930	(25,120)
Maintenance - office equipment	88,875	88,875	54,466	(34,409)
Equipment lease and rental	600	600	540	(60)
Interest expense - meter deposits	27,500	27,500	16,196	(11,304)
Collection expense	4,000	4,000	1,176	(2,824)
Cash (over) short	100	100	(33)	(133)
Advertising	2,500	2,500	1,064	(1,436)
In-service training	62,160	62,160	42,266	(19,894)
Office supplies	101,850	101,850	90,740	(11,110)
Janitor supplies	3,000	3,000	1,550	(1,450)
Safety	3,800	3,800	3,641	(159)
Postage	178,500	178,500	179,235	735
Subscriptions and memberships	9,740	9,740	9,609	(131)
	<u>9,740</u>	<u>9,740</u>	<u>9,609</u>	<u>(131)</u>
 Total operation and maintenance	 <u>\$ 1,024,025</u>	 <u>\$ 1,024,025</u>	 <u>\$ 871,515</u>	 <u>\$ (152,510)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGET COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

CAPITAL OUTLAY

ADMINISTRATIVE SERVICES

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		Budget
<b>CAPITAL OUTLAY</b>				
Furniture and fixtures	\$ -	\$ -	\$ -	\$ -
Improvements and replacements	49,500	49,500	154,313	104,813
Computer equipment	178,250	178,250	177,258	(992)
 Total capital outlay	 \$ 227,750	 \$ 227,750	 \$ 331,571	 \$ 103,821

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

PERSONNEL SERVICES

TREATING, PUMPING AND LABORATORY

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget</u>
<b>SALARIES &amp; WAGES</b>				
Division manager	\$ 107,126	\$ 107,126	\$ 90,214	\$ (16,912)
Manager	184,302	184,302	170,571	(13,731)
Supervision	157,399	157,399	193,670	36,271
Specialist	361,288	361,288	216,767	(144,521)
Skills and trades	1,489,151	1,489,151	1,351,038	(138,113)
Temporary	65,023	65,023	45,044	(19,979)
Overtime	<u>125,000</u>	<u>125,000</u>	<u>174,809</u>	<u>49,809</u>
 Total salaries and wages	 <u>2,489,289</u>	 <u>2,489,289</u>	 <u>2,242,113</u>	 <u>(247,176)</u>
<b>BENEFITS</b>				
Longevity	17,134	17,134	16,557	(577)
Employee assistance	715	715	738	23
Social security	176,191	176,191	188,316	12,125
Pension	67,297	67,297	64,219	(3,078)
Health insurance	289,160	289,160	292,438	3,278
Dental insurance	26,033	26,033	23,871	(2,162)
Disability insurance	15,990	15,990	15,819	(171)
Life insurance	29,530	29,530	28,459	(1,071)
Sick leave	128,660	128,660	103,773	(24,887)
Vacation leave	<u>149,816</u>	<u>149,816</u>	<u>136,639</u>	<u>(13,177)</u>
 Total benefits	 <u>900,526</u>	 <u>900,526</u>	 <u>870,829</u>	 <u>(29,697)</u>
 Total personnel services	 <u>\$ 3,389,815</u>	 <u>\$ 3,389,815</u>	 <u>\$ 3,112,942</u>	 <u>\$ (276,873)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

OPERATION AND MAINTENANCE

TREATING, PUMPING AND LABORATORY

	Budgeted Amounts			Actual Over (Under)
	Original	Final	Actual	Budget
OPERATION AND MAINTENANCE				
Outside services	\$ 367,600	\$ 367,600	\$ 350,149	\$ (17,451)
Engineering consulting	83,200	83,200	6,309	(76,891)
Utilities	2,065,850	2,065,850	1,961,483	(104,367)
Repair and maintenance - equipment	171,600	171,600	164,046	(7,554)
Maintenance - building	464,250	464,250	485,728	21,478
Maintenance - office equipment	1,800	1,800	1,556	(244)
Tool replacement	17,950	17,950	16,171	(1,779)
Chemical (over) short	2,000	2,000	4,365	2,365
In-service training	26,050	26,050	21,005	(5,045)
Office supplies	13,720	13,720	13,743	23
Shop supplies	-	-	-	-
Janitor supplies	3,700	3,700	1,671	(2,029)
Safety	4,200	4,200	5,852	1,652
Chemicals	637,600	637,600	607,740	(29,860)
Laboratory	75,450	75,450	65,132	(10,318)
Subscriptions and memberships	2,580	2,580	1,025	(1,555)
 Total operation and maintenance	 \$ 3,937,550	 \$ 3,937,550	 \$ 3,705,975	 \$ (231,575)

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGET COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

CAPITAL OUTLAY

TREATING, PUMPING AND LABORATORY

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget</u>
<b>CAPITAL OUTLAY</b>				
Improvements and replacements	\$ 177,950	\$ 177,950	\$ 354,777	\$ 176,827
Computer equipment	38,750	38,750	34,087	(4,663)
Treating equipment	176,100	476,100	574,953	98,853
Pumping equipment	291,000	291,000	389,241	98,241
Laboratory equipment	-	-	26,200	26,200
Heavy equipment	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total capital outlay	 <u>\$ 683,800</u>	 <u>\$ 983,800</u>	 <u>\$ 1,379,258</u>	 <u>\$ 395,458</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

PERSONNEL SERVICES

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
<b>SALARIES &amp; WAGES</b>				
Division manager	\$ 107,126	\$ 107,126	\$ 99,242	\$ (7,884)
Manager	184,302	184,302	225,247	40,945
Supervision	240,350	240,350	171,982	(68,368)
Specialist	95,176	95,176	108,762	13,586
Skills and trades	2,406,404	2,406,404	2,278,619	(127,785)
Part-time	26,929	26,929	13,905	(13,024)
Temporary	111,706	111,706	54,165	(57,541)
Overtime	132,000	132,000	135,128	3,128
	<u>3,303,993</u>	<u>3,303,993</u>	<u>3,087,050</u>	<u>(216,943)</u>
<b>TOTAL salaries and wages</b>				
<b>BENEFITS</b>				
Longevity	36,771	36,771	34,534	(2,237)
Employee assistance	1,140	1,140	1,235	95
Social security	243,451	243,451	266,950	23,499
Pension	90,999	90,999	91,086	87
Health insurance	389,309	389,309	408,048	18,739
Dental insurance	36,096	36,096	35,591	(505)
Disability insurance	21,945	21,945	22,324	379
Life insurance	39,983	39,983	40,211	228
Sick leave	182,370	182,370	189,712	7,342
Vacation leave	215,947	215,947	220,405	4,458
	<u>1,258,011</u>	<u>1,258,011</u>	<u>1,310,096</u>	<u>52,085</u>
<b>TOTAL benefits</b>				
<b>TOTAL personnel services</b>	<u>\$ 4,562,004</u>	<u>\$ 4,562,004</u>	<u>\$ 4,397,146</u>	<u>\$ (164,858)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

OPERATION AND MAINTENANCE

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
OPERATION AND MAINTENANCE				
Outside services	\$ 32,800	\$ 32,800	\$ 35,007	\$ 2,207
Engineering consulting	4,000	4,000	5,617	1,617
Utilities	84,500	84,500	86,452	1,952
Auto and truck	147,050	147,050	172,505	25,455
Repair and maintenance - equipment	11,200	11,200	11,353	153
Maintenance - building	54,600	54,600	69,862	15,262
Maintenance - office equipment	13,760	13,760	8,236	(5,524)
Maintenance - mains	120,000	120,000	86,503	(33,497)
Maintenance - meters	20,200	20,200	51,225	31,025
Maintenance - hydrants	7,000	7,000	10,264	3,264
Maintenance - valves	6,000	6,000	11,538	5,538
Maintenance - cathodic protection	500	500	1,103	603
Service lines	7,000	7,000	9,419	2,419
Tool replacement	26,950	26,950	37,819	10,869
Barricades	3,500	3,500	2,853	(647)
Warehouse (over) short	1,000	1,000	(9,859)	(10,859)
Uninsured small claims	5,000	5,000	6,410	1,410
Freight expense	100	100	-	(100)
Communication	18,200	18,200	10,049	(8,151)
In-service training	20,800	20,800	19,364	(1,436)
Gasoline and oil	160,000	160,000	203,262	43,262
Office supplies	28,910	28,910	28,695	(215)
Shop supplies	2,000	2,000	7,000	5,000
Janitor supplies	2,500	2,500	2,103	(397)
Safety	3,500	3,500	6,987	3,487
Meter shop supplies	6,000	6,000	6,819	819
Subscriptions and memberships	14,200	14,200	3,375	(10,825)
Total operation and maintenance	<u>\$ 801,270</u>	<u>\$ 801,270</u>	<u>\$ 883,961</u>	<u>\$ 82,691</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

CAPITAL OUTLAY

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Budget</u>
CAPITAL OUTLAY				
Furniture and fixtures	\$ -	\$ -	\$ -	\$ -
Improvements and replacements	94,900	94,900	114,585	19,685
Mains	945,000	945,000	532,918	(412,082)
Valves	9,000	9,000	8,801	(199)
Meters	294,000	294,000	194,484	(99,516)
Automated meter reading equipment	1,000,000	1,000,000	1,456,029	456,029
Fire hydrants	40,000	40,000	59,386	19,386
Taps	26,000	26,000	14,744	(11,256)
Cathodic protection	45,000	45,000	9,175	(35,825)
Computer equipment	17,950	17,950	29,939	11,989
Heavy equipment	6,000	6,000	19,736	13,736
Transportation	325,000	325,000	286,576	(38,424)
	<u>325,000</u>	<u>325,000</u>	<u>286,576</u>	<u>(38,424)</u>
 Total capital outlay	 <u>\$ 2,802,850</u>	 <u>\$ 2,802,850</u>	 <u>\$ 2,726,373</u>	 <u>\$ (76,477)</u>



BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

PERSONNEL SERVICES

WATER RESOURCES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
<b>SALARIES &amp; WAGES</b>				
Division manager	\$ 107,126	\$ 107,126	\$ 96,579	\$ (10,547)
Supervision	102,732	102,732	155,003	52,271
Specialist	<u>91,436</u>	<u>91,436</u>	<u>93,358</u>	<u>1,922</u>
 Total salaries and wages	 <u>301,294</u>	 <u>301,294</u>	 <u>344,940</u>	 <u>43,646</u>
<b>BENEFITS</b>				
Longevity	2,414	2,414	3,260	846
Employee assistance	63	63	102	39
Social security	24,268	24,268	29,839	5,571
Pension	12,502	12,502	10,927	(1,575)
Health insurance	31,231	31,231	45,192	13,961
Dental insurance	2,653	2,653	3,539	886
Disability insurance	1,959	1,959	2,666	707
Life insurance	3,948	3,948	4,777	829
Sick leave	22,124	22,124	22,734	610
Vacation leave	<u>26,822</u>	<u>26,822</u>	<u>30,304</u>	<u>3,482</u>
 Total benefits	 <u>127,984</u>	 <u>127,984</u>	 <u>153,340</u>	 <u>25,356</u>
 Total personnel services	 <u>\$ 429,278</u>	 <u>\$ 429,278</u>	 <u>\$ 498,280</u>	 <u>\$ 69,002</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

OPERATION AND MAINTENANCE

WATER RESOURCES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
OPERATION AND MAINTENANCE				
Outside services	\$ 125,760	\$ 125,760	\$ 72,384	\$ (53,376)
Consulting services	130,500	130,500	40,744	(89,756)
Comanche return flow	1,300	1,300	-	(1,300)
Homestake Aurora	7,500	7,500	7,500	-
Twin Lakes water rights	229,800	229,800	206,591	(23,209)
Busk Ivanhoe water rights	250,000	250,000	250,000	-
Water storage and transportation	176,550	176,550	182,052	5,502
Short-term water purchases	-	-	-	-
Utilities	17,500	17,500	15,469	(2,031)
Maintenance - equipment	1,500	1,500	910	(590)
Maintenance - office equipment	3,600	3,600	3,523	(77)
Tool replacement	1,600	1,600	1,635	35
Clear Creek reservoir	62,000	62,000	6,355	(55,645)
Wurtz ditch	1,500	1,500	2,561	1,061
Wurtz expansion	1,500	1,500	1,249	(251)
Ewing ditch	1,500	1,500	1,053	(447)
Columbine ditch	1,500	1,500	2,090	590
Ranch property maintenance	6,500	6,500	82	(6,418)
Dwelling - Leadville	2,000	2,000	1,718	(282)
Dwelling - Clear Creek	2,000	2,000	1,703	(297)
Snowplowing operations	35,000	35,000	47,767	12,767
Transmountain maintenance	55,000	55,000	53,172	(1,828)
In-service training	35,350	35,350	42,486	7,136
Gasoline and oil	9,000	9,000	7,357	(1,643)
Office supplies	2,800	2,800	2,001	(799)
Subscriptions and memberships	10,900	10,900	5,094	(5,806)
	<u>1,172,160</u>	<u>1,172,160</u>	<u>955,496</u>	<u>(216,664)</u>
Total operation and maintenance	\$ 1,172,160	\$ 1,172,160	\$ 955,496	\$ (216,664)

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGET COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

CAPITAL OUTLAY

WATER RESOURCES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
 CAPITAL OUTLAY				
Improvements and replacements	\$ -	\$ -	\$ 4,666	\$ 4,666
Computer equipment	1,750	1,750	1,918	168
Heavy equipment	20,000	20,000	21,031	1,031
Expansion	9,000	9,000	-	(9,000)
 Total capital outlay	 \$ 30,750	 \$ 30,750	 \$ 27,615	 \$ (3,135)

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

PERSONNEL SERVICES

PLANT AT LARGE

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
<b>SALARIES &amp; WAGES</b>				
Pending retirees	\$ 20,049	\$ 20,049	\$ 130,892	\$ 110,843
Total salaries and wages	<u>20,049</u>	<u>20,049</u>	<u>130,892</u>	<u>110,843</u>
<b>BENEFITS</b>				
Social security	1,604	1,604	9,463	7,859
Longevity	-	-	2,418	2,418
Employee assistance	19	19	67	48
Pension	853,221	853,221	854,970	1,749
Health insurance	-	-	15,497	15,497
Dental insurance	-	-	1,347	1,347
Disability insurance	-	-	903	903
Life insurance	-	-	1,696	1,696
Worker's compensation insurance	160,000	160,000	146,440	(13,560)
Unemployment insurance	3,000	3,000	-	(3,000)
Sick leave	-	-	(21,146)	(21,146)
Vacation leave	-	-	6,502	6,502
Total benefits	<u>1,017,844</u>	<u>1,017,844</u>	<u>1,018,157</u>	<u>313</u>
Total personnel services	<u>\$ 1,037,893</u>	<u>\$ 1,037,893</u>	<u>\$ 1,149,049</u>	<u>\$ 111,156</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

OPERATION AND MAINTENANCE

PLANT AT LARGE

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget</u>
 OPERATION AND MAINTENANCE				
Outside services	\$ 249,700	\$ 249,700	\$ 278,984	\$ 29,284
Contingency	400,000	200,000	-	(200,000)
Insurance - property	247,500	247,500	216,020	(31,480)
Health reimbursement - In-patient copay	4,000	4,000	3,485	(515)
Health insurance - retiree's	66,951	66,951	53,411	(13,540)
Life insurance - retiree's	9,685	9,685	9,948	263
Pension supplement	<u>37,100</u>	<u>37,100</u>	<u>36,569</u>	<u>(531)</u>
 Total operation and maintenance	 <u>\$ 1,014,936</u>	 <u>\$ 814,936</u>	 <u>\$ 598,417</u>	 <u>\$ (216,519)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

FUND TRANSFERS

PLANT AT LARGE

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget.</u>
FUND TRANSFERS				
Transfer to Debt Service Fund	\$ 3,949,378	\$ 3,949,378	\$ 3,981,878	\$ 32,500
Transfer to Water Development Fund	<u>773,000</u>	<u>773,000</u>	<u>768,087</u>	<u>(4,913)</u>
 Total fund transfers	 <u>\$ 4,722,378</u>	 <u>\$ 4,722,378</u>	 <u>\$ 4,749,965</u>	 <u>\$ 27,587</u>

BOARD OF WATER WORKS OR PUEBLO, COLORADO  
 BUDGETRAY COMPARISON SCHEDULE  
 REVENUE BY SOURCE AND EXPENDITURES BY OBJECT  
 FOR THE YEAR ENDED DECEMBER 31, 2008

WATER DEVELOPMENT FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget</u>
<b>NONOPERATING REVENUES</b>				
Interest income	\$ 359,110	\$ 359,110	\$ 527,934	\$ 168,824
Contribution from reserve	7,470,390	7,470,390	2,043,224	(5,427,166)
Contribution from general fund - rate increase	649,000	649,000	644,087	(4,913)
Contribution from general fund - Aurora contrac	<u>124,000</u>	<u>124,000</u>	<u>124,000</u>	<u>-</u>
 Total nonoperating revenue	 <u>8,602,500</u>	 <u>8,602,500</u>	 <u>3,339,245</u>	 <u>(5,263,255)</u>
<b>EXPENDITURES</b>				
Water rights acquisition/ Options	8,502,500	8,502,500	12,408	(8,490,092)
Outside services	100,000	100,000	126,817	26,817
St. Charles Industrial Park	<u>-</u>	<u>-</u>	<u>3,200,020</u>	<u>3,200,020</u>
 Total expenditures	 <u>8,602,500</u>	 <u>8,602,500</u>	 <u>3,339,245</u>	 <u>(5,263,255)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 REVENUE BY SOURCE AND EXPENDITURES BY OBJECT  
 FOR THE YEAR ENDED DECEMBER 31, 2008

DEBT SERVICE FUND

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
<b>NONOPERATING REVENUES</b>				
Interest income	\$ 60,000	\$ 60,000	\$ 45,688	\$ (14,312)
Contribution from general fund	3,949,378	3,949,378	3,981,878	32,500
Total revenue	<u>4,009,378</u>	<u>4,009,378</u>	<u>4,027,566</u>	<u>18,188</u>
<b>DEBT RETIREMENT</b>				
Contribution to reserve	60,000	60,000	45,688	(14,312)
Principal - Series 2005	-	-	32,500	32,500
Principal - Series A	1,574,167	1,574,167	1,574,167	-
Principal - Series B	263,737	263,737	263,737	-
Principal - Municipal outlet	101,450	101,450	101,450	-
Interest - Series 2005	1,331,519	1,331,519	1,331,519	-
Interest - Series A	249,112	249,112	249,112	-
Interest - Series B	361,883	361,883	361,883	-
Interest - Municipal outlet	67,510	67,510	67,510	-
Total debt retirement	<u>4,009,378</u>	<u>4,009,378</u>	<u>4,027,566</u>	<u>18,188</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER DEBT RETIREMENT</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>