

BOARD OF WATER WORKS OF PUEBLO, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2009 AND 2008

BOARD OF WATER WORKS OF PUEBLO, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

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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, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Board of Water Works of Pueblo, Colorado's management. Our responsibility is to express opinions 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Board of Water Works of Pueblo, Colorado, as of December 31, 2009 and 2008, 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 8, 2010, on our consideration of the Board of Water Works of Pueblo, Colorado's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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
Page Two

The management's discussion and analysis on pages 3 through 11, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management 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 conducted for the purpose of forming opinions on the financial statements of the Board of Water Works of Pueblo, Colorado 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. In addition, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements of the Board of Water Works of Pueblo, Colorado. The schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

March 8, 2010

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

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, 2009. 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, 2009. 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 management of 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. 2009 Review; provides a brief look at significant 2009 activity. Financial Highlights; provides a summary of the Board's significant 2009 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 2009 budget -vs- actual results and the 2010 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, supplementary information and schedule of expenditures of federal awards.

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.

2009 Review

Projects having an extensive impact on the Board's future defined 2009. While not all of the projects are summarized below, the projects having a more material impact on the Board either operationally or financially are listed:

BOARD OF WATER WORKS OF PUEBLO, COLORADO
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Water Rights Acquisition

The first phase of the Board's Long-Range Water Resource Plan, which resulted in the acquisition of approximately 27% of the outstanding shares of the Bessemer Mutual Irrigation Ditch Company at a cost of \$56.13 million, was successfully completed. The acquisition was financed through two main sources: the sale of the Columbine Ditch for \$30.48 million, and the issuance of Taxable Water Revenue Bonds (Build America Bond – Direct Payment to Issuer) in the amount of \$25.87 million. It was the Board's intent through this purchase and sale to rebalance and strengthen its water rights portfolio, accomplishing this by selling a transmountain water diversion, and acquiring Arkansas Valley Basin rights. The Board estimates it will gain 7,000 acre feet of yield through the sale and subsequent acquisition. During the process of the Taxable Water Revenue Bonds issuance, the Board received a rating upgrade by S&P from A+ to AA-.

St. Charles Industrial Park

In August of 2008 it was announced that Vestas, a manufacturer of large electricity-generating windmills, would build a manufacturing plant in the new St. Charles Industrial Park south of Pueblo. In order to meet the operational and fire protection needs of the plant, the Board completed the first Phase of the project which included; a 1.5 million gallon water tank and over 20,000 ft of pipeline. It was estimated that the cost of the project would be just over \$5 million. However, the Board was able to substantially complete Phase I at a cost of \$4.94 million. The Board received an Economic Development Agency matching grant which will provide reimbursement for approximately 48% of the cost of the project. During 2009, the Board received just over \$2 million as reimbursement from the Economic Development Agency and expects to receive an additional \$390,000 in 2010.

Comanche Pump Station

As part of the agreement with Public Service Company made in 2005 to serve the newly constructed Unit 3 at its Comanche station, Public Service Company was required to design and construct an expansion of the Board's Comanche Pump Station, including its screening system, to a capacity of 15,000 gpm with an additional back-up pump with a capacity of 7,500 gpm. The construction of and improvements to the Board's Comanche Pump Station were completed in 2009 at a cost of \$5.45 million. Upon the commencement of operation of Public Service Company's Unit 3, which took place in 2009, the minimum take-or-pay provision increased to 12,783 acre feet of non-potable water per year. This resulted in additional revenue under the agreement of \$1.82 million over the amount received in 2008.

Automated Meter Reading

The third phase of the Board's automatic meter reading ("AMR") project was completed in 2009. The Board now has more than 14,000 meters converted to AMR. During the third phase of the project \$ 913,577 was spent on the project, with \$ 3.9 million having been spent project to date. For the remainder of the estimated ten year total implementation period, the Board will be using its internal staff to convert meters to AMR. This is being done in order to both cut costs and enhance the quality of the installation.

Supervisory Control and Data Acquisition Conversion

In 2007, the Board embarked on a project to implement a new Supervisory Control and Data Acquisition ("SCADA") system. In 2009, the Board completed the first phase of this project and successfully brought all of its pump stations on-line in the new system. To date the Board has spent just over \$ 141,000 on the project.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

2009 Financial Highlights

As was the case for most areas along Colorado's Front-Range, Pueblo experienced above average rainfall in 2009. During the major irrigation months of April through September, the Pueblo area received 12.29 inches of precipitation, compared to 7.89 inches during the same period in 2008. The increased precipitation along with the frequency by which it came translated into a decrease in potable consumption of 9% when compared to 2008 and 5% when compared to the five year average of 2005 through 2009. Overall Pueblo received 15.08 inches in 2009 which is 26% above the historical average.

During 2009, \$6.89 million was generated from approximately 27,000 acre feet of raw water sales. This number is up 39% or nearly \$1.95 million from the \$4.94 million generated from approximately 32,000 acre feet of raw water sales in 2008. The reason for the large increase was due to the provision within the Board's contract with Public Service Company, which increased the take-or-pay amount from 7,565 acre feet to 12,783 acre feet in 2009.

The following table illustrates certain factors related to water sales for the past five years:

Year	Customers ¹	Consumption (000s gal.)	Water Pumped (000s gal.)	Percent Unaccounted Water ²	Average Pumped Per Day (000s gal.)	Peak Day Pumpage (000s gal.)	Annual Rainfall Inches ³
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
2009	39,566	7,871,704	8,425,310	6.6%	23,083	48,484	15.08

¹Based on customers at July 31.

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

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

As with all potable water customers, consumption from the Board's ten largest customers decreased in 2009 when compared with 2008. However the decline of 4% was not as severe as the 8% decline experienced with residential customers. The following tables illustrate consumption and revenue generated from the Board's ten largest potable water customers for 2009 and 2008.

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BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

Largest Customers - Treated Water
For the Year Ended December 31, 2009

Customer	Total Consumption (000s gal.)	Percent of Total Consumption	Amount Billed	Percent of Total Revenue
Evrax Steel	239,750	3.05%	\$ 560,607	3.13%
City of Pueblo	224,301	2.85%	415,153	2.32%
¹ Department of Human Services	173,811	2.21%	359,618	2.01%
Colorado State University - Pueblo	108,669	1.38%	222,482	1.24%
Pueblo Housing Authority	99,805	1.27%	243,335	1.36%
Pueblo City Schools	96,639	1.23%	218,118	1.22%
Pueblo Country Club	72,741	0.92%	148,476	0.83%
Goodrich	71,790	0.91%	148,455	0.83%
Imperial Memorial Gardens	45,213	0.57%	92,051	0.51%
Parkview Medical Center	43,095	0.55%	97,133	0.54%
Total	1,175,814	14.94%	\$ 2,505,428	14.00%

Based on total consumption of 7,871,704,000 gallons

Based on total billing in 2009 of \$17,900,029

¹Formerly Colorado Mental Health Institute

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
Evrax Steel	252,202	2.90%	\$ 560,704	3.05%
¹ 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 City Schools	94,503	1.09%	201,012	1.09%
Pueblo Country Club	90,646	1.04%	175,996	0.96%
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%
Total	1,229,684	14.15%	\$ 2,599,688	14.13%

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

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

¹Formerly Colorado Mental Health Institute

**BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

Continuing the decline in new housing experienced by most urban areas in the state, the Board experienced an 8% decline in revenue from new connections to its system when compared to 2008. The Board received 59% of its connection fee revenue from residential connections, with 55% or \$238,776 coming from multi-unit housing. The following table illustrates revenue collected from connection fees for the past five years:

HISTORY OF CONNECTION FEES

Year	Revenue Collected
2009	\$ 731,632
2008	795,246
2007	1,335,163
2006	1,283,567
2005	1,081,976

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, 2009 and 2008. 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, 2009 and 2008.

**CONDENSED STATEMENT OF NET ASSETS
DECEMBER 31, 2009 AND 2008**

	2009	2008
ASSETS		
Current assets	\$ 15,426,402	\$ 24,247,341
Restricted assets	3,856,427	1,375,081
Capital assets	230,975,386	164,836,695
Other noncurrent assets	11,294,456	7,843,958
Total assets	261,552,671	198,303,075
LIABILITIES		
Current liabilities	7,386,949	6,559,714
Long-term liabilities	66,618,576	42,803,094
Total liabilities	74,005,525	49,362,808
NET ASSETS		
Invested in capital assets, net of related debt	166,467,175	123,781,656
Restricted	3,288,579	941,946
Unrestricted	17,791,392	24,216,665
Total net assets	\$ 187,547,146	\$ 148,940,267

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

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

Operating Revenues

The following table presents a comparison of the operating revenues for 2009 and 2008.

<u>Operating Revenues</u>	<u>2009</u>	<u>2008</u>	<u>Difference</u>	<u>Percentage</u>
Water sales to general customers	\$ 17.90	\$ 18.40	\$ (0.50)	-2.72%
Water sales to Comanche plant	4.45	2.63	1.82	69.20%
Plant water investment fee	0.66	0.71	(0.05)	-7.04%
Other	<u>3.59</u>	<u>3.37</u>	<u>0.22</u>	6.53%
Total	<u>\$ 26.60</u>	<u>\$ 25.11</u>	<u>\$ 1.49</u>	5.93%

Operating Expenses

Over the past five years the Board has experienced a 27% increase in total operating costs. This represents a dollar increase of \$5.33 million when comparing operating expenses for 2009 with those in 2005. Due to the Board's succession planning and health care increases, personnel costs have increased by 31% over the past five years. Increases in chemicals, maintenance, fuel, and electricity have combined to cause an increase in operation and maintenance expense of 23%.

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

<u>OPERATING EXPENSES</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Personnel services	51%	50%	51%	50%	50%
Operation and maintenance	30%	30%	31%	31%	30%
Other operating expense	<u>19%</u>	<u>20%</u>	<u>18%</u>	<u>19%</u>	<u>20%</u>

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, 2009 through 2005. 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
DECEMBER 31, 2009

HISTORY OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008, 2007, 2006, AND 2005

	<u>²2009</u>	<u>2008</u>	<u>2007</u>	<u>¹2006</u>	<u>2005</u>
Operating Revenues	\$ 26,598,344	\$ 25,107,001	\$ 24,243,413	\$ 32,529,228	\$ 24,225,251
Operating Expenses					
Administration	947,310	984,726	931,740	872,648	770,804
Administrative services	3,349,847	3,031,212	2,942,738	2,680,276	2,547,598
Treating, pumping and laboratory	7,502,745	6,820,623	6,471,729	6,308,774	5,552,418
Transmission, distribution and engineering	5,381,534	5,284,318	4,989,848	4,775,251	4,514,722
Water resources	1,518,262	1,455,695	1,402,702	1,350,896	1,254,980
Other company-wide operating expenses	<u>1,744,791</u>	<u>1,946,275</u>	<u>1,779,424</u>	<u>1,616,283</u>	<u>1,332,864</u>
Subtotal	20,444,489	19,522,849	18,518,181	17,604,128	15,973,386
Depreciation	4,576,091	4,362,926	3,956,985	4,080,537	3,888,223
Loss on abandonment of assets	<u>178,475</u>	<u>25,074</u>	<u>10,793</u>	<u>30,608</u>	<u>8,677</u>
Total operating expenses	<u>25,199,055</u>	<u>23,910,849</u>	<u>22,485,959</u>	<u>21,715,273</u>	<u>19,870,286</u>
Operating Income	1,399,289	1,196,152	1,757,454	10,813,955	4,354,965
Total Nonoperating Revenues (Expenses)	<u>31,092,163</u>	<u>(926,150)</u>	<u>(526,802)</u>	<u>(892,807)</u>	<u>(1,794,774)</u>
Income Before Capital Contributions	32,491,452	270,002	1,230,652	9,921,148	2,560,191
Capital Contributions	<u>6,115,427</u>	<u>595,632</u>	<u>1,388,853</u>	<u>814,221</u>	<u>1,161,508</u>
Increase in Net Assets	38,606,879	865,634	2,619,505	10,735,369	3,721,699
Net Assets, January 1	<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>
Net Assets, December 31	<u>\$ 187,547,146</u>	<u>\$ 148,940,267</u>	<u>\$ 148,074,633</u>	<u>\$ 145,455,128</u>	<u>\$ 134,719,759</u>

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

²Includes gain on sale from one item totaling \$30.41 million

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

Budgetary Highlights

The following table illustrates the Board's General Fund 2009 Budget compared to actual as well as the 2010 Budget. A narrative of the Board's annual budget process is provided following the table:

GENERAL FUND BUDGET SUMMARY AND COMPARISON

	<u>2009 BUDGET</u>	<u>2009 ACTUAL</u>	<u>2010 BUDGET</u>
OPERATING REVENUES			
Water sales - Metered	\$ 19,262,787	\$ 17,900,029	\$ 20,208,553
Water sales - Comanche	4,450,097	4,450,146	4,672,602
Water sales - Raw water	2,291,219	1,024,878	990,543
Water sales - Aurora	1,420,273	1,411,830	1,498,882
Taps and meters	111,987	64,912	105,098
Material sales	132,381	97,706	127,102
Main assessments	10,000	19,461	10,000
Fire protection - public	9,044	7,987	9,044
Discounts	1,469	776	1,319
Rental income	16,379	19,122	20,084
Late field reading fee	8,093	7,400	8,010
Turn-on fee	66,406	71,670	75,000
Check processing fee	7,906	10,500	10,500
Field collection fee	1,158	10	50
Missed appointment fee	2,000	1,620	2,000
Finance charges	2,500	1,728	1,500
Miscellaneous	39,204	44,427	40,000
Plant water investment fee	578,822	666,720	5,287,789
Insurance recovery	10,000	121,031	10,000
Comanche operations and maintenance reimbursement	45,000	165,547	45,000
Busk-Ivanhoe administration fee	25,000	25,000	25,000
Wastewater billing reimbursement	339,137	339,144	356,094
Stormwater billing reimbursement	<u>146,692</u>	<u>146,700</u>	<u>154,027</u>
 Total operating revenue	 28,977,554	 26,598,344	 33,658,197
 NONOPERATING REVENUES	 <u>3,414,928</u> ¹	 <u>3,496,260</u> ²	 <u>(1,173,973)</u>
 Total revenue	 <u>\$ 32,392,482</u>	 <u>\$ 30,094,604</u>	 <u>\$ 32,484,224</u>
 EXPENDITURES			
Personnel Services	\$ 13,344,214	\$ 12,899,031	\$ 13,269,683
Operation and Maintenance	8,677,305	7,489,988	8,612,398
Capital Outlay and Interfund Transfers	<u>10,370,963</u>	<u>9,705,585</u>	<u>10,602,143</u>
 Total expenditures	 <u>\$ 32,392,482</u>	 <u>\$ 30,094,604</u>	 <u>\$ 32,484,224</u>

¹Includes \$ 2,751,963 in contributions from reserve

²Includes \$ 3,161,214 in contributions from reserve

³Includes \$ 1,520,928 in contributions to reserve

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

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 Finance Division Manager. These requests are reviewed by senior management and subsequently used by the Finance Division Manager 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.

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).

Although the first phase of the Board's Long Range Water Resources Plan is now complete, the process to change the water rights to municipal use and re-vegetation of the land the water was historically used on will take several years. It is currently estimated that the change case will take five years to complete at an estimated cost of \$2.7 million which includes estimated legal, engineering and permitting expense. Currently the Board is leasing non-potable water to many of the sellers in the Bessemer Irrigating Ditch Company,

A multi-year project to provide 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. During 2009, the Board added the capability to communicate with three pump stations. The Board expects to complete this project in 2014 after having spent an estimated \$ 291,000.

The Board is currently on target to reach its goal to convert all meters to AMR by 2016. Beginning in 2010, the Board will utilize internal staff each year to complete the conversion and anticipates spending approximately \$850,000 each year for the remainder of the project.

In 2008, the Board contracted with Trofi System Solutions to provide professional consulting services for development of a Document Management System. During 2009, a team of internal staff members assisted by Trofi Systems Solutions selected Advanced Processing & Imaging to provide the software and support for the new system. It is anticipated the project will have a five year cost of approximately \$326,000.

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 Division 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, 2009 AND 2008

ASSETS	2009	2008	LIABILITIES AND NET ASSETS	2009	2008
CURRENT ASSETS			CURRENT LIABILITIES		
Cash on hand and in banks (Note 2)	\$ 281,981	\$ 417,282	Current maturities of long-term debt (Notes 6 & 7)	\$ 2,321,186	\$ 2,217,648
Cash investments (Note 2)			Accounts payable (Note 14)	2,841,793	2,302,626
Money market funds	4,706,560	13,252,187	Retainage withheld on construction contracts	185,981	60,376
Certificates of deposit	4,650,000	6,450,000	Current portion of accrued vacation payroll (Note 13)	375,174	369,464
Accounts receivable (Note 3)			Customer meter deposits	743,120	713,690
Customers--net of provision for uncollectible accounts of \$ 29,727 and \$ 16,686	3,886,843	2,536,700	Unearned revenue	635,422	611,395
Inventories	1,017,913	1,106,552	Accrued liabilities		
Prepaid items	360,047	392,408	Payroll	237,562	233,225
Accrued interest receivable	132,910	92,212	Interest	46,608	51,123
Grant receivable	390,148	-	Sales taxes	103	167
Total current assets	<u>15,426,402</u>	<u>24,247,341</u>	Total current liabilities	<u>7,386,949</u>	<u>6,559,714</u>
RESTRICTED ASSETS			LONG-TERM LIABILITIES		
Cash investments (Note 2)			Revenue bonds (Notes 6 & 7)		
Money market funds	1,382,820	1,375,081	(net of current maturities-- \$1,935,000 and \$1,840,000 and deferred amount on refunding of \$1,846,063 and \$2,002,069)	52,198,937	28,107,931
Accrued interest receivable	35,263	-	Loan and repayment contract (Note 6 & 7)		
Long-term investments	<u>2,438,344</u>	<u>-</u>	(net of current maturities--\$386,186 and \$377,648)	9,560,355	9,946,544
Total restricted assets	<u>3,856,427</u>	<u>1,375,081</u>	Accrued sick leave and vacation payroll (Note 13)		
CAPITAL ASSETS (NOTE 4)			(net of current portion--\$375,174 and \$369,464)	2,361,672	2,328,922
Land	2,284,590	2,264,136	Accrued payroll taxes on accrued sick leave and vacation payroll	209,369	206,427
Infrastructure	106,807,299	102,855,663	Other postemployment benefits (Note 12)	93,630	32,970
Buildings	61,431,590	57,866,376	Deferred revenue (Note 8)	<u>484,463</u>	<u>508,331</u>
Machinery and equipment	35,477,412	31,560,289	Total long-term liabilities	<u>64,908,426</u>	<u>41,131,125</u>
Water rights	96,565,061	40,445,875	OTHER LIABILITIES		
Construction in progress	<u>3,273,587</u>	<u>505,822</u>	Unamortized bond premium	<u>1,142,302</u>	<u>1,238,834</u>
	305,839,539	235,498,161	LIABILITIES PAYABLE FROM RESTRICTED ASSETS (NOTE 15)	<u>567,848</u>	<u>433,135</u>
Less accumulated depreciation	<u>74,864,153</u>	<u>70,661,466</u>			
Total capital assets	<u>230,975,386</u>	<u>164,836,695</u>	Total liabilities	<u>74,005,525</u>	<u>49,362,808</u>
OTHER NONCURRENT ASSETS			NET ASSETS		
Long-term investments (Note 2)	10,579,887	7,388,040	Invested in capital assets, net of related debt	166,467,175	123,781,656
Unamortized debt expense (Note 6)	700,358	440,574	Restricted	3,288,579	941,946
Unamortized discount	<u>14,211</u>	<u>15,344</u>	Unrestricted	<u>17,791,392</u>	<u>24,216,665</u>
Total other noncurrent assets	<u>11,294,456</u>	<u>7,843,958</u>	Total net assets	<u>\$ 187,547,146</u>	<u>\$ 148,940,267</u>
Total assets	<u>\$ 261,552,671</u>	<u>\$ 198,303,075</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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES	<u>\$ 26,598,344</u>	<u>\$ 25,107,001</u>
OPERATING EXPENSES		
Personnel services and operation and maintenance		
Administration	947,310	984,726
Administrative services	3,349,847	3,031,212
Treating, pumping and laboratory	7,502,745	6,820,623
Transmission, distribution and engineering	5,381,534	5,284,318
Water resources	1,518,262	1,455,695
Plant-at-large	1,624,624	1,747,466
Water Development Fund	-	126,817
Depreciation	4,576,091	4,362,926
Amortization of bond issue expense	40,144	37,644
Bad debts	19,363	1,378
Loss on abandonment of assets	178,475	25,074
Other expense	<u>60,660</u>	<u>32,970</u>
Total operating expenses	<u>25,199,055</u>	<u>23,910,849</u>
OPERATING INCOME	<u>1,399,289</u>	<u>1,196,152</u>
NONOPERATING REVENUES AND (EXPENSES)		
Investment income	388,851	1,109,377
Construction grant (Note 21)	2,391,931	-
Sale of assets (Note 22)	30,441,159	33,558
Interest expense on bonded indebtedness	(2,066,950)	(2,003,120)
Interest expense on note payable-municipal outlet	<u>(62,828)</u>	<u>(65,965)</u>
Total nonoperating revenues and (expenses)	<u>31,092,163</u>	<u>(926,150)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	32,491,452	270,002
CAPITAL CONTRIBUTIONS		
Contributions to capital assets (Note 19)	<u>6,115,427</u>	<u>595,632</u>
INCREASE IN NET ASSETS	38,606,879	865,634
NET ASSETS, JANUARY 1	<u>148,940,267</u>	<u>148,074,633</u>
NET ASSETS, DECEMBER 31	<u>\$ 187,547,146</u>	<u>\$ 148,940,267</u>

The accompanying notes are an integral part of the financial statements

BOARD OF WATER WORKS OF PUEBLO, COLORADO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 24,571,994	\$ 24,385,289
Payments to employees	(9,415,341)	(8,835,242)
Payments to suppliers	(8,653,139)	(8,761,066)
Other receipts (payments)	(1,119,402)	(1,149,440)
Net cash provided by operating activities	5,384,112	5,639,541
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest paid on meter deposits	(7,651)	(18,530)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(64,408,253)	(3,896,926)
Proceeds from sales of capital assets	30,456,158	33,558
Proceeds from long-term revenue bonds, net	25,570,072	-
Proceeds from construction grant	2,001,783	-
Principal payments on revenue bonds and notes	(2,061,645)	(1,762,488)
Interest payments on revenue bonds and notes	(2,090,464)	(2,183,031)
Net cash provided by (used for) capital and related financing activities	(10,532,349)	(7,808,887)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(18,193,490)	(19,610,254)
Maturities of investments	12,330,000	19,570,000
Interest received on investments	546,189	1,231,049
Net cash provided by (used for) investing activities	(5,317,301)	1,190,795
 NET INCREASE (DECREASE) IN CASH	 (10,473,189)	 (997,081)
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>21,494,550</u>	 <u>22,491,631</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 11,021,361</u>	 <u>\$ 21,494,550</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR REPRESENTED BY		
Cash on hand and in banks	\$ 281,981	\$ 417,282
Money market funds	4,706,560	13,252,187
Certificates of deposit	4,650,000	6,450,000
Restricted assets		
Money market funds	1,382,820	1,375,081
 Total	 \$ 11,021,361	 \$ 21,494,550

BOARD OF WATER WORKS OF PUEBLO, COLORADO
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net operating revenue	\$ 1,399,289	\$ 1,196,152
Adjustments to reconcile net operating revenue to net cash provided by operating activities		
Depreciation	4,576,091	4,362,926
Loss on abandonment of assets	178,475	25,074
Amount paid to dispose of electronic equipment	-	(804)
Amortization of bond issue expense	40,144	37,644
Amortization of deferred revenue	(23,868)	(23,869)
Interest on meter deposits	3,136	16,196
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	(1,350,143)	(143,180)
(Increase) decrease in inventories	88,639	(188,592)
(Increase) decrease in prepaid items	32,361	(68,401)
(Increase) decrease in advances for employees	-	792
Increase (decrease) in accrued sick leave and vacation payroll	38,460	48,526
Increase (decrease) in accrued payroll taxes on accrued sick leave and vacation payroll	2,942	3,713
Increase (decrease) in unearned revenue	24,027	64,827
Increase (decrease) in accounts payable	280,196	287,882
Increase (decrease) in customer meter deposits	29,430	21,545
Increase (decrease) in developer deposits	-	(42,720)
Increase (decrease) in accrued liabilities	4,273	8,860
Increase (decrease) in other postemployment benefits	60,660	32,970
Net cash provided by operating activities	\$ 5,384,112	\$ 5,639,541

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Contributions to utility plant from various developer installed facilities and other governments for 2009 and 2008 were \$ 6,115,427 and \$ 595,632, 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, 2009 AND 2008

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, 2009 AND 2008

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 Finance Division Manager. These requests are reviewed by senior management, following which the Finance Division Manager 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, 2009 AND 2008

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 September 22, and November 17, 2009, the Board approved rate increases, effective January 1, 2010, totaling 5.00%.

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

Plant Water Investment Fees:

On December 15, 2009, the Board approved a rate increase, effective May 1, 2010, of 5.00%.

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

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, 2009 through December 31, 2009. 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, 2009 AND 2008

Recently Issued Accounting Standards

The Board implemented the following standards in 2008:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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.

GASB Statement No. 50, *Pension Disclosures*. 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, 2009 and 2008, and their maturities were as follows:

Current and Long-Term Investments				
As of December 31, 2009				
Investment Type	Fair Value	Investment Maturities (in years)		
		Less Than 1	1 - 5	6 - 10
U.S. agencies	\$ 13,018,231	\$ -	\$ 10,579,887	\$ 2,438,344
Money market funds (not considered securities)	6,089,380	6,089,380	-	-
Certificates of deposit	4,650,000	4,650,000	-	-
Total	\$ 23,757,611	\$ 10,739,380	\$ 10,579,887	\$ 2,438,344

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, 2009 AND 2008

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	<u>6,450,000</u>	<u>6,450,000</u>	<u>-</u>
Total	<u>\$ 28,465,308</u>	<u>\$ 21,077,268</u>	<u>\$ 7,388,040</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, 2009 and 2008, the Board had no direct investments in commercial paper or corporate bonds. As of December 31, 2009 and 2008, the Board had the following money market fund investments:

Money Market Fund	2009	2008	Ratings		
			Moody's	Fitch	S&P
Colostrust Plus+	\$ 6,015,149	\$ 9,619,402	Aaa	AAA/VI+	AAAm
WF Prime Invest MM Fund	<u>74,231</u>	<u>5,007,866</u>	Aaa	n/a	AAAm
Total	<u>\$ 6,089,380</u>	<u>\$ 14,627,268</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 8% 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, 2009 and 2008 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

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

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 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,	
	2009	2008
Receivables for treated water sales	\$ 557,192	\$ 634,029
Receivables for City charges	1,003,820	950,072
Receivables for nonpotable water sales	2,024,147	624,403
Other receivables	331,411	344,882
Allowance for uncollectible accounts	(29,727)	(16,686)
Total	\$3,886,843	\$2,536,700

Note 4 – CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2009 and 2008 were as follows:

Capital Assets				
For the Year Ended December 31, 2009				
	December 31, 2008	Additions & Transfers	Sales & Retirements	December 31, 2009
<u>Capital assets not being depreciated:</u>				
Land	\$ 2,264,136	\$ 20,454	\$ -	\$ 2,284,590
Water Rights	40,445,875	56,134,186	(15,000)	96,565,061
Construction in progress	505,822	3,477,301	(709,536)	3,273,587
Total capital assets not being depreciated	43,215,833	59,631,941	(724,536)	102,123,238
<u>Capital assets being depreciated:</u>				
Buildings and improvements	57,866,376	3,565,214	-	61,431,590
Infrastructure	102,855,663	3,972,998	(21,362)	106,807,299
Machinery and equipment	31,560,289	4,447,640	(530,517)	35,477,412
Total capital assets being depreciated	192,282,328	11,985,852	(551,879)	203,716,301
<u>Less accumulated depreciation:</u>				
Buildings and improvements	(20,958,921)	(1,174,875)	-	(22,133,796)
Infrastructure	(38,736,608)	(2,127,282)	14,257	(40,849,633)
Machinery and equipment	(10,965,937)	(1,273,933)	359,146	(11,880,724)
Total accumulated depreciation	(70,661,466)	(4,576,090)	373,403	(74,864,153)
Total capital assets being depreciated, net	121,620,862	7,409,762	(178,476)	128,852,148
Total capital assets, net	\$ 164,836,695	\$ 67,041,703	\$ (903,012)	\$ 230,975,386

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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	<u>42,977,126</u>	<u>577,646</u>	<u>(338,939)</u>	<u>43,215,833</u>
<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	<u>188,365,496</u>	<u>4,196,120</u>	<u>(279,288)</u>	<u>192,282,328</u>
<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	<u>(66,553,558)</u>	<u>(4,362,926)</u>	<u>255,018</u>	<u>(70,661,466)</u>
Total capital assets being depreciated, net	<u>121,811,938</u>	<u>(166,806)</u>	<u>(24,270)</u>	<u>121,620,862</u>
Total capital assets, net	<u>\$ 164,789,064</u>	<u>\$ 410,840</u>	<u>\$ (363,209)</u>	<u>\$ 164,836,695</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 2009

On October 22, 2009, the Board of Water Works of Pueblo, Colorado issued \$ 25,870,000 in Taxable Water Revenue Bonds (Build America Bond – Direct Payment to Issuer); Series 2009 were issued in three term bonds with rates between 4.3% and 5.7%. The Bonds were issued, together with proceeds from the sale of the Columbine Ditch, to purchase water rights from various shareholders of the Bessemer Irrigating Ditch Company. Interest payments are due semi-annually on May 1 and November 1 through 2029 with principal payments due annually on November 1.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
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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. Effective December 15, 2009, the Board removed American National Bank as paying agent for the 2005 series and hired Wells Fargo Bank, National Association as paying agent.

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, 2009 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 \$973,408. 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, 2009 and 2008 is \$700,358 and \$440,574, respectively.

A summary of debt maturity for the revenue bonds as of December 31, 2009, is as follows:

Revenue Bonds				
As of December 31, 2009				
	Principal	Interest	35% BAB Tax Subsidy	Total
<u>Year of Maturity:</u>				
Current	\$ 1,935,000	\$ 2,855,567	\$ (502,503)	\$ 4,288,064
Long-term:				
2011	2,035,000	2,717,711	(490,247)	4,262,464
2012	2,115,000	2,636,311	(490,247)	4,261,064
2013	2,200,000	2,551,711	(490,247)	4,261,464
2014	2,315,000	2,441,711	(490,247)	4,266,464
2015 - 2019	15,335,000	10,317,824	(2,391,184)	23,261,640
2020 - 2024	13,165,000	6,694,533	(2,178,061)	17,681,472
2025 - 2029	<u>16,880,000</u>	<u>2,956,875</u>	<u>(1,034,906)</u>	<u>18,801,969</u>
	54,045,000	30,316,676	(7,565,139)	76,796,537
Plus premium	1,142,302	-	-	1,142,302
Less deferred amount on refunding	<u>(1,846,063)</u>	<u>-</u>	<u>-</u>	<u>(1,846,063)</u>
Total long-term	<u>53,341,239</u>	<u>30,316,676</u>	<u>(7,565,139)</u>	<u>76,092,776</u>
	<u>\$ 55,276,239</u>	<u>\$ 33,172,243</u>	<u>\$ (8,067,642)</u>	<u>\$ 80,380,840</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
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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.

A summary of debt maturity for the loan and repayment contract as of December 31, 2009, is as follows:

Loan and Repayment Contract As of December 31, 2009			
	Principal	Interest	Total
<u>Year of Maturity:</u>			
Current	\$ 386,186	\$ 421,428	\$ 807,614
Long-term:			
2011	400,180	392,027	792,207
2012	408,916	382,104	791,020
2013	423,111	365,654	788,765
2014	442,766	352,464	795,230
2015 - 2019	2,432,286	1,529,604	3,961,890
2020 - 2024	5,453,098	715,842	6,168,940
Total long-term	9,560,357	3,737,695	13,298,052
	\$ 9,946,543	\$ 4,159,123	\$ 14,105,666

Note 7 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2009 was as follows:

Long-Term Liabilities For the Year Ended December 31, 2009					
	December 31, 2008			December 31, 2009	Due Within
	(Current and Long-Term)	Additions	Reductions	(Current and Long-Term)	One Year
Revenue bonds, net	\$ 31,186,765	\$ 25,870,000	\$ (1,780,529)	\$ 55,276,236	\$ 1,935,000
Loan and repayment contract, net	10,324,192	-	(377,648)	9,946,544	386,186
Accrued sick and vacation leave	2,698,386	976,153	(937,693)	2,736,846	375,174
Accrued payroll taxes on accrued leave	206,427	74,676	(71,734)	209,369	-
Other postemployment benefits	32,970	60,660	-	93,630	-
Deferred revenue	508,331	-	(23,868)	484,463	-
	44,957,071	\$ 26,981,489	\$ (3,191,472)	68,747,088	\$ 2,696,360
Less current portion	(2,587,112)			(2,696,360)	
Less unamortized bond premium	(1,238,834)			(1,142,302)	
Total long-term liabilities	\$ 41,131,125			\$ 64,908,426	

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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 2009 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>
2009	\$ 771,221	100.00%	-
2008	\$ 771,221	100.00%	-
2007	\$ 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, 2009, the most recent actuarial valuation date, the plan was 70.7 percent funded. The actuarial accrued liability for benefits was \$20,176,185, and the actuarial value of assets was \$14,265,380, resulting in an unfunded actuarial accrued liability (UAAL) of \$5,910,805. The covered payroll (annual payroll of active employees covered by the plan) was \$8,133,712, and the ratio of the UAAL to the covered payroll was 72.7 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, 2009. 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, 2008	\$	10,432,259
2009 employee contributions		757,935
2009 employer contributions		242,156
Earnings, withdrawals and market value adjustment		1,280,269
Balance, December 31, 2009	\$	<u>12,712,619</u>

In addition, various individuals are included in a supplemental benefit funded through a separate trustee at the cost of \$45,460 and \$ 31,987 for 2009 and 2008, 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, 2009. 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. Employees who retire under early retirement (rule of 90) 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. 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 2009. 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 years ended December 31, 2009 and 2008, the Board contributed \$71,724 and \$99,414, respectively 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, 2009	
Annual required contribution ("ARC")	\$ 132,384
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	132,384
Contributions made	(71,724)
Increase in net OPEB obligation	60,660
Net OPEB obligation - beginning of year	32,970
Net OPEB obligation - end of year	\$ 93,630

The Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB plan, and the net OPEB obligation for 2009 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
2009	\$ 132,384	\$ 71,724	54.18%	\$ 60,660
2008	132,384	99,414	75.10%	\$ 32,970
2007	-	-	-	-

Funded Status and Funding Progress

GASB 45 requires an actuarial valuation at least triennially for OPEB plans with a total membership (including employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits) of less than 200. Since the Board's OPEB plan consist of less than 200

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members, the Board will not cause another actuarial study until 2011. Consequently, the information provided below is from the latest actuarial information available.

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, 2009 and 2008 is \$2,054,712 and \$2,026,634.

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, 2009 and 2008 is \$682,134 and \$671,752. 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, 2009 and 2008. Included in outstanding bills at December 31, 2009 is \$1,276,477 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, 2008 is \$2,139,735 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, 2009 and 2008 the amounts payable were \$567,848 and \$433,135, 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	\$ 30,094,604
Debt Service Fund	6,729,010
Water Development Fund	58,729,676
Total funding sources	95,553,290

Adjustments:

Contributions to capital assets are recorded	
as revenue for GAAP but are not considered a budgetary resource	6,115,427
Bond proceeds are considered a budgetary resource but are not	
considered revenue for GAAP reporting.	(25,870,000)
Changes in market value of investments are not considered a	
budgetary resource but are considered revenue for GAAP reporting.	(170,558)
Contributions from reserves are considered a budgetary resource	
but are not considered revenue for GAAP reporting.	(611,103)
Transfers from other funds are inflows of budgetary resources	
but are not a current year revenue for GAAP reporting.	(9,081,344)

Total of all revenues as reported on the Statement of Revenues, Expenses, and Changes in Net Assets	\$ 65,935,712
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Total revenues as reported on the Statement of Revenues, Expenses, and Changes in Net Assets is comprised of:	
Operating revenues	\$ 26,598,344
Interest income	388,851
Construction grant	2,391,931
Sale of assets	30,441,159
Contributions to capital assets from developers	6,115,427
	\$ 65,935,712

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Uses

Actual amounts (budgetary basis) "total uses"	
from the budgetary comparison schedule	
General Fund	\$ 30,094,604
Debt Service Fund	6,729,010
Water Development Fund	<u>58,729,676</u>
Total uses	95,553,290
 Adjustments:	
Capital items are treated as expenditures for budgetary purposes but are capitalized for financial reporting	(61,113,510)
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	30,446
Storm repair costs recorded as operation and maintenance expense in the year the storm occurred will be recorded in 2010 for GAAP.	(95,143)
Outflows for budgetary purposes not recognized for financial reporting purposes:	
Transfers	(6,531,234)
Contributions to reserves	(3,129,299)
Principal payments on long-term debt	(2,235,714)
Expense items shown for financial reporting not treated as budgetary outflows:	
Other postemployment benefits	60,660
Depreciation	4,576,091
Amortization	40,144
Bad debts	19,363
Loss on abandonment of assets	178,475
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	<u>(24,736)</u>
 Total of all expenses as reported on the Statement of Revenues, Expenses, and Changes in Net Assets	 <u><u>\$ 27,328,833</u></u>
 Total expenses as reported on the Statement of Revenues Expenses and Changes in Net Assets is comprised of:	
Operating expenses	\$ 25,199,055
Interest expense on bonded indebtedness	2,066,950
Interest expense on note payable-municipal outlet	<u>62,828</u>
	<u><u>\$ 27,328,833</u></u>

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, 2009 and 2008, the contract accounted for 17% and 10% of operating revenues, respectively.

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Note 18 – CONTRACT COMMITMENTS

As of December 31, 2009 the Board had no significant contract commitments.

Note 19 – CAPITAL CONTRIBUTIONS

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

Capital Contributions	
Inception through December 31, 2007	\$ 11,503,386
2008 Additions	595,632
Inception through December 31, 2008	12,099,018
2009 Additions	6,115,427
Inception through December 31, 2009	\$ 18,214,445

Note 20 – RELATED PARTY TRANSACTIONS

During 2009, the Board purchased shares of the Bessemer Irrigating Ditch a Colorado Mutual Irrigating Ditch Company from a person with whom a member of the Board has a relationship. The shares sold by this person represented 0.2% of the total shares purchased by the Board, and were subject to the same terms and conditions as all other shares purchased.

Note 21 – CONSTRUCTION GRANT

In August of 2008 it was announced that Vestas, a manufacturer of large electricity-generating windmills, would build a manufacturing plant in the new St. Charles Industrial Park south of Pueblo. In order to meet the operational and fire protection needs of the plant, the Board completed the first Phase of the project which included; a 1.5 million gallon water tank and over 20,000ft of pipeline. The project was financed through a matching construction grant from the U.S. Department of Commerce, Economic Development Agency. During 2009, the Board received \$2,001,283 in reimbursements and expects to receive an additional \$390,148 in 2010.

Note 22 – GAIN ON SALE OF ASSETS

Gain on sale of assets for the year ended December 31, 2009 was as follows:

Gain on Sale of Assets	Sales Price	Selling Exp	Orig Cost	A/D	Gain
Sale of Columbine Ditch	\$ 30,480,000	\$ (51,600)	\$ 15,000	\$ -	\$ 30,413,400
Vehicle Trade-ins	10,575	-	118,965	(118,965)	10,575
Sale of Backhoe	18,001	(817)	58,590	(58,590)	17,184
Total Gain on Sale	\$ 30,508,576	\$ (52,417)	\$ 192,555	\$ (177,555)	\$ 30,441,159

SUPPLEMENTARY INFORMATION

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 REVENUES BY SOURCE
 FOR THE YEAR ENDED DECEMBER 31, 2009

GENERAL FUND

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
OPERATING REVENUES				
Water sales - Metered	\$ 19,262,787	\$ 19,262,787	\$ 17,900,029	\$ (1,362,758)
Water sales - Comanche	4,450,097	4,450,097	4,450,146	49
Water sales - Raw water	2,291,219	2,291,219	1,024,878	(1,266,341)
Water sales - Aurora	1,420,273	1,420,273	1,411,830	(8,443)
Taps and meters	111,987	111,987	64,912	(47,075)
Material sales	132,381	132,381	97,706	(34,675)
Main assessments	10,000	10,000	19,461	9,461
Fire protection - public	9,044	9,044	7,987	(1,057)
Discounts	1,469	1,469	776	(693)
Rental income	16,379	16,379	19,122	2,743
Late field reading fee	8,093	8,093	7,400	(693)
Turn-on fee	66,406	66,406	71,670	5,264
Check processing fee	7,906	7,906	10,500	2,594
Field collection fee	1,158	1,158	10	(1,148)
Missed appointment fee	2,000	2,000	1,620	(380)
Finance charges	2,500	2,500	1,728	(772)
Miscellaneous	39,204	39,204	44,427	5,223
Plant water investment fee	578,822	578,822	666,720	87,898
Insurance recovery	10,000	10,000	121,031	111,031
Comanche operations and maintenance reimbursement	45,000	45,000	165,547	120,547
Busk-Ivanhoe administration fee	25,000	25,000	25,000	-
Wastewater billing reimbursement	339,137	339,137	339,144	7
Stormwater billing reimbursement	146,692	146,692	146,700	8
Total operating revenues	28,977,554	28,977,554	26,598,344	(2,379,210)
NONOPERATING REVENUES				
Interest income	642,965	642,965	307,287	(335,678)
Sale of assets	20,000	20,000	27,760	7,760
Contribution from reserve	2,751,963	2,751,963	3,161,213	409,250
Total nonoperating revenues	3,414,928	3,414,928	3,496,260	81,332
Total revenue	\$ 32,392,482	\$ 32,392,482	\$ 30,094,604	\$ (2,297,878)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 EXPENDITURES BY OBJECT
 FOR THE YEAR ENDED DECEMBER 31, 2009

GENERAL FUND

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
EXPENDITURES				
PERSONNEL SERVICES				
Administration	\$ 804,935	\$ 804,935	\$ 733,276	\$ (71,659)
Administrative Services	2,512,143	2,512,143	2,381,264	(130,879)
Treating, Pumping and Laboratory	3,527,753	3,527,753	3,434,402	(93,351)
Transmission, Distribution and Engineering	4,818,522	4,818,522	4,691,234	(127,288)
Water Resources	532,368	532,368	524,377	(7,991)
Plant at Large	1,148,493	1,148,493	1,134,478	(14,015)
Total personnel services	<u>13,344,214</u>	<u>13,344,214</u>	<u>12,899,031</u>	<u>(445,183)</u>
OPERATIONS AND MAINTENANCE				
Administration	305,850	305,850	210,345	(95,505)
Administrative Services	1,033,395	1,033,395	944,441	(88,954)
Treating, Pumping and Laboratory	4,314,030	4,314,030	4,066,465	(247,565)
Transmission, Distribution and Engineering	928,950	928,950	785,442	(143,508)
Water Resources	1,285,944	1,285,944	993,149	(292,795)
Plant at Large	809,136	809,136	490,146	(318,990)
Total operations and maintenance	<u>8,677,305</u>	<u>8,677,305</u>	<u>7,489,988</u>	<u>(1,187,317)</u>
CAPITAL OUTLAY				
Administration	3,100	3,100	3,690	590
Administrative Services	258,150	258,150	263,378	5,228
Treating, Pumping and Laboratory	916,600	916,600	658,373	(258,227)
Transmission, Distribution and Engineering	2,410,500	2,410,500	2,229,121	(181,379)
Water Resources	35,150	35,150	19,789	(15,361)
Plant at Large (Interfund Transfers)	6,747,463	6,747,463	6,531,234	(216,229)
Total capital outlay	<u>10,370,963</u>	<u>10,370,963</u>	<u>9,705,585</u>	<u>(665,378)</u>
Total expenditures	<u>\$ 32,392,482</u>	<u>\$ 32,392,482</u>	<u>\$ 30,094,604</u>	<u>\$ (2,297,878)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

PERSONNEL SERVICES

ADMINISTRATION

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
SALARIES & WAGES				
Director	\$ 402,185	\$ 402,185	\$ 400,539	\$ (1,646)
Specialist	184,496	184,496	173,598	(10,898)
Part-time	-	-	8,503	8,503
Total salaries and wages	586,681	586,681	582,640	(4,041)
BENEFITS				
Longevity	4,091	4,091	4,012	(79)
Employee assistance	121	121	140	19
Social security	46,600	46,600	38,605	(7,995)
Pension	16,053	16,053	17,450	1,397
Health insurance	53,745	53,745	49,131	(4,614)
Dental insurance	3,808	3,808	3,395	(413)
Disability insurance	4,294	4,294	4,184	(110)
Life insurance	7,669	7,669	7,489	(180)
Sick leave	37,561	37,561	(6,372)	(43,933)
Vacation leave	44,312	44,312	32,602	(11,710)
Total benefits	218,254	218,254	150,636	(67,618)
Total personnel services	\$ 804,935	\$ 804,935	\$ 733,276	\$ (71,659)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATION AND MAINTENANCE

ADMINISTRATION

	<u>Budgeted Amounts</u>			Actual Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Budget</u>
OPERATION AND MAINTENANCE				
Outside services	\$ 156,450	\$ 156,450	\$ 91,032	\$ (65,418)
Consulting services	5,000	5,000	-	(5,000)
Utilities - other	4,200	4,200	5,561	1,361
Maintenance	4,750	4,750	4,606	(144)
Advertising	14,000	14,000	10,313	(3,687)
Travel and training	66,200	66,200	55,010	(11,190)
Office supplies	12,500	12,500	3,553	(8,947)
Subscriptions and memberships	<u>42,750</u>	<u>42,750</u>	<u>40,270</u>	<u>(2,480)</u>
 Total operation and maintenance	 <u>\$ 305,850</u>	 <u>\$ 305,850</u>	 <u>\$ 210,345</u>	 <u>\$ (95,505)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

CAPITAL OUTLAY

ADMINISTRATION

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final	Actual	Budget
 CAPITAL OUTLAY				
Computer and office equipment	\$ 3,100	\$ 3,100	\$ 3,690	\$ 590

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

PERSONNEL SERVICES

ADMINISTRATIVE SERVICES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
SALARIES & WAGES				
Division manager	\$ 110,093	\$ 110,093	\$ 142,957	\$ 32,864
Manager	268,984	268,984	135,828	(133,156)
Supervision	70,284	70,284	192,260	121,976
Specialist	546,314	546,314	506,106	(40,208)
Skills and trades	781,619	781,619	662,208	(119,411)
Part-time	24,454	24,454	5,150	(19,304)
Overtime	16,500	16,500	11,268	(5,232)
	<u>1,818,248</u>	<u>1,818,248</u>	<u>1,655,777</u>	<u>(162,471)</u>
Total salaries and wages				
BENEFITS				
Longevity	13,960	13,960	13,260	(700)
Employee assistance	624	624	633	9
Social security	136,863	136,863	145,001	8,138
Pension	53,318	53,318	52,979	(339)
Health insurance	227,151	227,151	216,250	(10,901)
Dental insurance	18,412	18,412	17,364	(1,048)
Disability insurance	12,307	12,307	13,001	694
Life insurance	23,388	23,388	23,386	(2)
Sick leave	94,542	94,542	116,728	22,186
Vacation leave	113,330	113,330	126,885	13,555
	<u>693,895</u>	<u>693,895</u>	<u>725,487</u>	<u>31,592</u>
Total benefits				
Total personnel services	<u>\$ 2,512,143</u>	<u>\$ 2,512,143</u>	<u>\$ 2,381,264</u>	<u>\$ (130,879)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGET COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATION AND MAINTENANCE

ADMINISTRATIVE SERVICES

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual Over (Under)
	<u>Original</u>	<u>Final</u>		<u>Budget</u>
OPERATION AND MAINTENANCE				
Outside services	\$ 306,825	\$ 306,825	\$ 284,286	\$ (22,539)
Employment costs	30,300	30,300	22,545	(7,755)
Utilities	95,100	95,100	83,304	(11,796)
Maintenance - building	133,300	133,300	121,670	(11,630)
Maintenance - office equipment	95,000	95,000	80,900	(14,100)
Equipment lease and rental	600	600	624	24
Interest expense - meter deposits	12,000	12,000	3,136	(8,864)
Collection expense	2,000	2,000	867	(1,133)
Cash (over) short	200	200	124	(76)
Advertising	3,000	3,000	841	(2,159)
Travel and training	63,120	63,120	44,309	(18,811)
Office supplies	92,070	92,070	86,445	(5,625)
Janitor supplies	1,500	1,500	1,946	446
Safety	3,900	3,900	3,835	(65)
Postage	183,500	183,500	198,848	15,348
Subscriptions and memberships	10,980	10,980	10,761	(219)
Total operation and maintenance	<u>\$ 1,033,395</u>	<u>\$ 1,033,395</u>	<u>\$ 944,441</u>	<u>\$ (88,954)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGET COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

CAPITAL OUTLAY

ADMINISTRATIVE SERVICES

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget</u>
 CAPITAL OUTLAY				
Improvements and replacements	\$ 23,000	\$ 23,000	\$ 21,117	\$ (1,883)
Computer and office equipment	<u>235,150</u>	<u>235,150</u>	<u>242,261</u>	<u>7,111</u>
 Total capital outlay	 <u>\$ 258,150</u>	 <u>\$ 258,150</u>	 <u>\$ 263,378</u>	 <u>\$ 5,228</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

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>
SALARIES & WAGES				
Division manager	\$ 110,093	\$ 110,093	\$ 60,674	\$ (49,419)
Manager	189,406	189,406	175,527	(13,879)
Supervision	236,789	236,789	226,996	(9,793)
Specialist	252,570	252,570	236,566	(16,004)
Skills and trades	1,559,893	1,559,893	1,482,328	(77,565)
Temporary	91,883	91,883	38,527	(53,356)
Overtime	125,000	125,000	190,764	65,764
	<u>2,565,634</u>	<u>2,565,634</u>	<u>2,411,382</u>	<u>(154,252)</u>
BENEFITS				
Longevity	17,087	17,087	16,645	(442)
Employee assistance	746	746	762	16
Social security	184,703	184,703	208,341	23,638
Pension	68,545	68,545	69,982	1,437
Health insurance	339,915	339,915	329,994	(9,921)
Dental insurance	24,850	24,850	24,497	(353)
Disability insurance	16,673	16,673	17,077	404
Life insurance	30,888	30,888	30,689	(199)
Sick leave	128,372	128,372	154,160	25,788
Vacation leave	150,340	150,340	170,873	20,533
	<u>962,119</u>	<u>962,119</u>	<u>1,023,020</u>	<u>60,901</u>
Total personnel services	<u>\$ 3,527,753</u>	<u>\$ 3,527,753</u>	<u>\$ 3,434,402</u>	<u>\$ (93,351)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATION AND MAINTENANCE

TREATING, PUMPING AND LABORATORY

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget</u>
OPERATION AND MAINTENANCE				
Outside services	\$ 348,590	\$ 348,590	\$ 352,817	\$ 4,227
Engineering consulting	45,500	45,500	29,830	(15,670)
Utilities	2,270,300	2,270,300	2,243,567	(26,733)
Repair and maintenance - equipment	161,300	161,300	147,007	(14,293)
Maintenance - building	525,590	525,590	439,237	(86,353)
Maintenance - office equipment	2,300	2,300	1,332	(968)
Tool replacement	19,350	19,350	17,186	(2,164)
Chemical (over) short	2,000	2,000	78,406	76,406
Travel and training	27,150	27,150	30,268	3,118
Office supplies	27,300	27,300	13,960	(13,340)
Janitor supplies	2,500	2,500	3,753	1,253
Safety	6,900	6,900	5,175	(1,725)
Chemicals	788,650	788,650	641,375	(147,275)
Laboratory	82,700	82,700	54,165	(28,535)
Subscriptions and memberships	3,900	3,900	8,387	4,487
	<u>3,900</u>	<u>3,900</u>	<u>8,387</u>	<u>4,487</u>
 Total operation and maintenance	 <u>\$ 4,314,030</u>	 <u>\$ 4,314,030</u>	 <u>\$ 4,066,465</u>	 <u>\$ (247,565)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGET COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

CAPITAL OUTLAY

TREATING, PUMPING AND LABORATORY

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
CAPITAL OUTLAY				
Furniture	\$ -	\$ -	\$ 18,707	\$ 18,707
Improvements and replacements	291,500	291,500	217,821	(73,679)
Computer and office equipment	83,600	83,600	113,636	30,036
Treating equipment	256,000	256,000	185,353	(70,647)
Pumping equipment	278,000	278,000	122,681	(155,319)
Communication equipment	-	-	175	175
Heavy equipment	7,500	7,500	-	(7,500)
	<u>7,500</u>	<u>7,500</u>	<u>-</u>	<u>(7,500)</u>
 Total capital outlay	 <u>\$ 916,600</u>	 <u>\$ 916,600</u>	 <u>\$ 658,373</u>	 <u>\$ (258,227)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

PERSONNEL SERVICES

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Budget
SALARIES & WAGES				
Division manager	\$ 110,093	\$ 110,093	\$ 105,723	\$ (4,370)
Manager	281,755	281,755	264,112	(17,643)
Supervision	161,758	161,758	147,267	(14,491)
Specialist	154,894	154,894	153,211	(1,683)
Skills and trades	2,539,554	2,539,554	2,410,222	(129,332)
Part-time	13,499	13,499	17,242	3,743
Temporary	62,416	62,416	41,495	(20,921)
Overtime	132,000	132,000	137,931	5,931
	<u>3,455,969</u>	<u>3,455,969</u>	<u>3,277,203</u>	<u>(178,766)</u>
TOTAL salaries and wages				
BENEFITS				
Longevity	36,018	36,018	36,081	63
Employee assistance	1,189	1,189	1,248	59
Social security	253,361	253,361	283,761	30,400
Pension	97,442	97,442	96,895	(547)
Health insurance	456,249	456,249	463,780	7,531
Dental insurance	35,946	35,946	36,220	274
Disability insurance	22,583	22,583	23,638	1,055
Life insurance	42,726	42,726	42,537	(189)
Sick leave	190,221	190,221	200,217	9,996
Vacation leave	226,818	226,818	229,654	2,836
	<u>1,362,553</u>	<u>1,362,553</u>	<u>1,414,031</u>	<u>51,478</u>
TOTAL benefits				
Total personnel services	<u>\$ 4,818,522</u>	<u>\$ 4,818,522</u>	<u>\$ 4,691,234</u>	<u>\$ (127,288)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATION AND MAINTENANCE

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
OPERATION AND MAINTENANCE				
Outside services	\$ 27,550	\$ 27,550	\$ 57,384	\$ 29,834
Engineering consulting	5,000	5,000	-	(5,000)
Utilities	95,600	95,600	87,991	(7,609)
Auto and truck	131,600	131,600	112,522	(19,078)
Repair and maintenance - equipment	11,200	11,200	9,375	(1,825)
Maintenance - building	81,050	81,050	70,064	(10,986)
Maintenance - office equipment	13,800	13,800	6,705	(7,095)
Maintenance - mains	120,000	120,000	109,401	(10,599)
Maintenance - meters	37,000	37,000	31,510	(5,490)
Maintenance - hydrants	7,000	7,000	13,457	6,457
Maintenance - valves	10,000	10,000	5,403	(4,597)
Maintenance - cathodic protection	500	500	20	(480)
Service lines	7,000	7,000	5,872	(1,128)
Tool replacement	40,600	40,600	44,388	3,788
Barricades	3,500	3,500	3,255	(245)
Warehouse (over) short	1,000	1,000	12,149	11,149
Uninsured small claims	5,000	5,000	3,905	(1,095)
Freight expense	100	100	-	(100)
Communication	21,150	21,150	12,732	(8,418)
Travel and training	21,250	21,250	17,701	(3,549)
Gasoline and oil	240,000	240,000	131,370	(108,630)
Office supplies	23,050	23,050	17,577	(5,473)
Shop supplies	6,000	6,000	8,915	2,915
Janitor supplies	1,500	1,500	2,013	513
Safety	5,600	5,600	3,835	(1,765)
Meter shop supplies	10,000	10,000	9,578	(422)
Subscriptions and memberships	2,900	2,900	8,320	5,420
	<u>928,950</u>	<u>928,950</u>	<u>785,442</u>	<u>(143,508)</u>
Total operation and maintenance	\$ 928,950	\$ 928,950	\$ 785,442	\$ (143,508)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

CAPITAL OUTLAY

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget</u>
CAPITAL OUTLAY				
Improvements and replacements	\$ 33,000	\$ 33,000	\$ 33,000	\$ -
Mains	929,800	929,800	647,373	(282,427)
Valves	9,000	9,000	9,128	128
Meters	266,000	266,000	240,418	(25,582)
Automated meter reading equipment	725,000	725,000	913,577	188,577
Fire hydrants	45,000	45,000	45,652	652
Taps	11,000	11,000	13,518	2,518
Cathodic protection	50,700	50,700	825	(49,875)
Computer and office equipment	19,500	19,500	15,997	(3,503)
Transportation	<u>321,500</u>	<u>321,500</u>	<u>309,633</u>	<u>(11,867)</u>
 Total capital outlay	 <u>\$ 2,410,500</u>	 <u>\$ 2,410,500</u>	 <u>\$ 2,229,121</u>	 <u>\$ (181,379)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

PERSONNEL SERVICES

WATER RESOURCES

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget</u>
SALARIES & WAGES				
Division manager	\$ 110,093	\$ 110,093	\$ 102,556	\$ (7,537)
Supervision	159,964	159,964	154,711	(5,253)
Specialist	<u>106,519</u>	<u>106,519</u>	<u>100,355</u>	<u>(6,164)</u>
 Total salaries and wages	 <u>376,576</u>	 <u>376,576</u>	 <u>357,622</u>	 <u>(18,954)</u>
BENEFITS				
Longevity	3,369	3,369	3,361	(8)
Employee assistance	101	101	101	-
Social security	29,054	29,054	31,382	2,328
Pension	11,297	11,297	11,269	(28)
Health insurance	49,703	49,703	49,810	107
Dental insurance	3,523	3,523	3,537	14
Disability insurance	2,757	2,757	2,750	(7)
Life insurance	4,945	4,945	4,931	(14)
Sick leave	23,108	23,108	28,638	5,530
Vacation leave	<u>27,935</u>	<u>27,935</u>	<u>30,976</u>	<u>3,041</u>
 Total benefits	 <u>155,792</u>	 <u>155,792</u>	 <u>166,755</u>	 <u>10,963</u>
 Total personnel services	 <u>\$ 532,368</u>	 <u>\$ 532,368</u>	 <u>\$ 524,377</u>	 <u>\$ (7,991)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

OPERATION AND MAINTENANCE

WATER RESOURCES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
OPERATION AND MAINTENANCE				
Outside services	\$ 97,520	\$ 97,520	\$ 61,184	\$ (36,336)
Consulting services	138,500	138,500	105,338	(33,162)
Comanche return flow	1,300	1,300	-	(1,300)
Homestake Aurora	7,500	7,500	7,500	-
Twin Lakes water rights	207,000	207,000	206,591	(409)
Busk Ivanhoe water rights	250,000	250,000	250,005	5
Bessemer ditch	224	224	240	16
Water storage and transportation	172,350	172,350	160,173	(12,177)
Short-term water purchases	63,000	63,000	26,550	(36,450)
Utilities	18,900	18,900	14,231	(4,669)
Maintenance - equipment	1,500	1,500	1,787	287
Maintenance - office equipment	4,300	4,300	4,095	(205)
Tool replacement	6,400	6,400	4,538	(1,862)
Clear Creek reservoir	41,300	41,300	4,191	(37,109)
Wurtz ditch	2,000	2,000	2,281	281
Wurtz expansion	2,000	2,000	963	(1,037)
Ewing ditch	3,000	3,000	1,022	(1,978)
Columbine ditch	4,000	4,000	1,385	(2,615)
Ranch property maintenance	4,000	4,000	1,968	(2,032)
Dwelling - Leadville	3,500	3,500	207	(3,293)
Dwelling - Clear Creek	3,000	3,000	3,756	756
Snowplowing operations	49,000	49,000	41,575	(7,425)
Transmountain maintenance	65,000	65,000	44,067	(20,933)
Travel and training	44,000	44,000	39,345	(4,655)
Gasoline and oil	9,000	9,000	3,950	(5,050)
Office supplies	2,800	2,800	1,703	(1,097)
Subscriptions and memberships	84,850	84,850	4,504	(80,346)
	<u>84,850</u>	<u>84,850</u>	<u>4,504</u>	<u>(80,346)</u>
 Total operation and maintenance	 <u>\$ 1,285,944</u>	 <u>\$ 1,285,944</u>	 <u>\$ 993,149</u>	 <u>\$ (292,795)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGET COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

CAPITAL OUTLAY

WATER RESOURCES

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		Budget
 CAPITAL OUTLAY				
Improvements and replacements	\$ 20,000	\$ 20,000	\$ -	\$ (20,000)
Computer equipment	3,150	3,150	736	(2,414)
Expansion	12,000	12,000	19,053	7,053
 Total capital outlay	\$ 35,150	\$ 35,150	\$ 19,789	\$ (15,361)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

PERSONNEL SERVICES

PLANT AT LARGE

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
SALARIES & WAGES				
Pending retirees	\$ 75,048	\$ 75,048	\$ 18,060	\$ (56,988)
Total salaries and wages	<u>75,048</u>	<u>75,048</u>	<u>18,060</u>	<u>(56,988)</u>
BENEFITS				
Social security	5,874	5,874	1,553	(4,321)
Longevity	-	-	257	257
Employee assistance	20	20	24	4
Pension	894,221	894,221	851,494	(42,727)
Health insurance	-	-	65,446	65,446
Dental insurance	830	830	85	(745)
Disability insurance	-	-	91	91
Life insurance	-	-	10,569	10,569
Worker's compensation insurance	169,500	169,500	189,421	19,921
Unemployment insurance	3,000	3,000	-	(3,000)
Sick leave	-	-	471	471
Vacation leave	-	-	(2,993)	(2,993)
Total benefits	<u>1,073,445</u>	<u>1,073,445</u>	<u>1,116,418</u>	<u>42,973</u>
Total personnel services	<u>\$ 1,148,493</u>	<u>\$ 1,148,493</u>	<u>\$ 1,134,478</u>	<u>\$ (14,015)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

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	\$ 261,400	\$ 261,400	\$ 215,259	\$ (46,141)
Contingency	200,000	200,000	-	(200,000)
Insurance - property	230,000	230,000	226,677	(3,323)
Health reimbursement - In-patient copay	4,000	4,000	2,750	(1,250)
Health insurance - retiree's	66,951	66,951	-	(66,951)
Life insurance - retiree's	9,685	9,685	-	(9,685)
Pension supplement	<u>37,100</u>	<u>37,100</u>	<u>45,460</u>	<u>8,360</u>
 Total operation and maintenance	 <u>\$ 809,136</u>	 <u>\$ 809,136</u>	 <u>\$ 490,146</u>	 <u>\$ (318,990)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2009

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	\$ 6,095,279	\$ 6,095,279	\$ 4,150,942	\$ (1,944,337)
Transfer to Water Development Fund	<u>652,184</u>	<u>652,184</u>	<u>2,380,292</u>	<u>1,728,108</u>
Total fund transfers	<u>\$ 6,747,463</u>	<u>\$ 6,747,463</u>	<u>\$ 6,531,234</u>	<u>\$ (216,229)</u>

BOARD OF WATER WORKS OR PUEBLO, COLORADO
 BUDGETRAY COMPARISON SCHEDULE
 REVENUES BY SOURCE AND EXPENDITURES BY OBJECT
 FOR THE YEAR ENDED DECEMBER 31, 2009

WATER DEVELOPMENT FUND

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget</u>
NONOPERATING REVENUES				
Interest income	\$ 368,920	\$ 368,920	\$ 224,163	\$ (144,757)
EDA Grant proceeds	2,500,000	2,500,000	2,391,931	(108,069)
Gain on sale of assets	30,480,000	30,480,000	30,413,399	(66,601)
Bond proceeds	40,000,000	40,000,000	23,319,890	(16,680,110)
Net transfers to/from general fund	<u>652,184</u>	<u>652,184</u>	<u>2,380,293</u>	<u>1,728,109</u>
 Total nonoperating revenue	 <u>74,001,104</u>	 <u>74,001,104</u>	 <u>58,729,676</u>	 <u>(15,271,428)</u>
EXPENDITURES				
Water rights acquisition/ Options	72,601,250	72,601,250	56,134,186	(16,467,064)
Outside services	200,000	200,000	-	(200,000)
South Industrial Park	-	-	1,804,973	1,804,973
Contribution to (from) reserve	<u>1,199,854</u>	<u>1,199,854</u>	<u>790,517</u>	<u>(409,337)</u>
 Total expenditures	 <u>74,001,104</u>	 <u>74,001,104</u>	 <u>58,729,676</u>	 <u>(15,271,428)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 REVENUES BY SOURCE AND EXPENDITURES BY OBJECT
 FOR THE YEAR ENDED DECEMBER 31, 2009

DEBT SERVICE FUND

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
				Budget
NONOPERATING REVENUES				
Interest income	\$ 55,000	\$ 55,000	\$ 27,959	\$ (27,041)
¹ Contribution from general fund	6,095,279	6,095,279	6,701,051	605,772
Total nonoperating revenue	<u>6,150,279</u>	<u>6,150,279</u>	<u>6,729,010</u>	<u>578,731</u>
DEBT RETIREMENT				
Contribution to reserve	55,000	55,000	2,338,782	2,283,782
Principal - Series 2005	196,667	196,667	196,667	-
Principal - Series A	1,659,167	1,659,167	1,659,167	-
Principal - Series B	275,340	275,340	275,340	-
Principal - Series 2009	-	-	-	-
Principal - Municipal outlet	104,540	104,540	104,540	-
Interest - Series 2005	1,330,381	1,330,381	1,330,381	-
Interest - Series A	167,119	167,119	167,119	-
Interest - Series B	353,308	353,308	353,308	-
Interest - Series 2009	1,944,338	1,944,338	239,287	(1,705,051)
Interest - Municipal outlet	64,419	64,419	64,419	-
Total debt retirement	<u>6,150,279</u>	<u>6,150,279</u>	<u>6,729,010</u>	<u>578,731</u>
EXCESS (DEFICIENCY) OF REVENUES OVER DEBT RETIREMENT				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

¹Includes \$2,550,110 from gross 2009 series proceeds, which was used to fund the 2009 Series Reserve Fund.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Commerce Economic Development Administration:		
Direct Award - Construction matching grant	11.3000	\$ <u>2,001,783</u>

See accompanying notes to schedule of expenditures of federal awards

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Board of Water Works of Pueblo, Colorado and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, the amount presented in this schedule may differ from the amount presented in, and used in the preparation of, the basic financial statements. Grant revenue is recorded when the Board has met the qualifications of the grant. For purposes of the financial statements of the Board, expenditures are recorded when the liability is incurred.



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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Water Works
Pueblo, Colorado

Compliance

We have audited the compliance of the Board of Water Works of Pueblo, Colorado with the types of compliance requirements described in the United States Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2009. The Board of Water Works of Pueblo, Colorado's major federal program is from the United States Department of Commerce-Economic Development Administration for Public Works and Development Facilities. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Board of Water Works of Pueblo, Colorado's management. Our responsibility is to express an opinion on the Board of Water Works of Pueblo, Colorado's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board of Water Works of Pueblo, Colorado's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Board of Water Works of Pueblo, Colorado's compliance with those requirements.

In our opinion, the Board of Water Works of Pueblo, Colorado complied, in all material respects, with the requirements referred to above that are applicable to its major federal program described above for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Board of Water Works of Pueblo, Colorado is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Board of Water Works of Pueblo, Colorado's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board of Water Works of Pueblo, Colorado's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board, others within the entity, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

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

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

March 8, 2010

BOARD OF WATER WORKS OF
PUEBLO, COLORADO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Board of Water Works of Pueblo, Colorado.
2. No significant deficiencies were disclosed during the audit of the financial statements as reported in the Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
3. No instances of noncompliance material to the financial statements of the Board of Water Works of Pueblo, Colorado, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. The auditors report on compliance for the major financial award program for the Board of Water Works of Pueblo, Colorado expresses an unqualified opinion on the major federal program.
5. The program tested as a major program is the United States Department of Commerce-Economic Development Administration for Public Works and Development Facilities (CFDA Number 11.300).
6. The threshold used for distinguishing between Type A and B programs was \$ 300,000.
7. The Board of Water Works of Pueblo, Colorado did not qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

No significant deficiencies were disclosed.

FINDINGS AND QUESTIONED COSTS – MAJOR AWARD PROGRAMS

DEPARTMENT OF COMMERCE – EDA
2009 - Public Works Development Facilities – CFDA No. 11.300

No findings or questioned costs were disclosed.