

BOARD OF WATER WORKS OF PUEBLO, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2006 AND 2005

BOARD OF WATER WORKS OF PUEBLO, COLORADO

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DECEMBER 31, 2006 AND 2005

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

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AICPA  
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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, 2006 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Board of Water Works of Pueblo, Colorado, as of December 31, 2006 and 2005, 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.

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

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

The Board of Water Works  
Pueblo, Colorado  
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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 accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2007, on our consideration of the Board of Water Works of Pueblo, Colorado's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

March 7, 2007

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006

**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, 2006. Statement No. 34 of the Governmental Accounting Standards Board requires that management provide a discussion and analysis to accompany the financial statements. This discussion and analysis of the Board's financial performance provides an overview of financial activities for the year ended December 31, 2006, and should be read in conjunction with the Board's financial statements which start on page twelve.

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

**Using This Annual Report**

This annual report consists of a management discussion and analysis (MD&A) and a series of financial statements. The MD&A will present an objective and easily readable analysis of the financial performance of the Board of Water Works of Pueblo, Colorado. The MD&A is made up of several categories: The Entity; provides a summary of the background of the Board of Water Works of Pueblo, Colorado. 2006 Review; provides a brief look at significant 2006 activity. Financial Highlights; provides a summary of the Board's significant 2006 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 2006 budget -vs- actual results and the 2007 budget. Finally, Currently Known Facts, Decisions or Conditions; this section outlines currently known facts, decisions or conditions as of the date of the auditor's report that may have an effect on the Board's financial position. The MD&A is followed by the basic financial statements, notes to the financial statements and required supplementary information.

**The Entity**

Pursuant to the Charter of the City of Pueblo, Colorado, effective June 11, 1957, consolidation of 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, established the Board of Water Works of Pueblo, Colorado (the Board). The control, management and operation was vested in a five member board 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.

**2006 Review**

Effective January 1, 2006, the Board implemented a rate increase of 4.25%, its largest increase since 1996. The rate increase was needed to offset rising costs of doing business as well as to help fund future water acquisitions that will ensure a vibrant future for the citizens of Pueblo. To help fund future water acquisitions, the Board dedicated 2% of the rate increase (or 47% of the revenue generated from the 4.25% increase) to its water development fund. The 2% dedication generated \$ 322,000 for the water development fund in its first year of implementation.

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006

Early indications in 2006 pointed to a banner year for water sales. Precipitation through June was down significantly from historical averages and metered water sales were very robust. Then came the summer rains and precipitation for the months of July, August, and September recorded the highest amounts in a decade. Overall, 2006 recorded nearly 14 inches of precipitation, well above the average for the area of just over 11 inches. Withstanding increased precipitation levels, and due in large part to an extremely dry June, Metered Water Sales missed their anticipated mark by only 2% (\$ 402,000).

Through August of 2006, Pueblo experienced strong growth in single-family residences. This led to an increase in plant water investment fee revenue of 13.3% (\$139,000) over expectations. However, this trend began to decline in September of 2006 and continued downward through the remainder of 2006.

On the heels of the completed negotiations with Public Service Company of Colorado in 2005, the Board received a one time readiness to serve charge in the amount of \$ 8.86 million. This readiness to serve charge was due once all permits were accepted for the construction of unit 3 at the Comanche Generation Station and construction was set to begin. This payment has been designated to the Water Development Fund by the Board, for investment in Pueblo's future as its water needs evolve.

In 2005 the rate case with Aquila, Pueblo's supplier of electricity, was settled and the new rates were imposed, plus two additional fuel cost adjustments became effective in March and October. The culmination of the increases caused a 13.1% (\$228,000) increase in electrical costs for 2006.

In an effort to provide our customers more flexible avenues for payment of their water bills, the Board instituted an online bill presentment/payment option. H2Online provides our customers with the ability to view their account and pay their bill via credit card 24 hours a day.

As the world experiences technological advances and standards evolve in our industry, the Board of Water Works recognized the potential to improve efficiency within the organization through these advances. In order to evaluate and research these opportunities a "Technology Committee" was formed in 2006. The Committee consists of a cross-section of employees from all areas of the Company and serves to explore opportunities for the Board in the realm of technology.

Beta-testing of automated meter reading systems continued in 2006. A recommendation will be taken to the Board early in 2007 with phase I of implementation planned for 2007.

Authorized FTE positions totaled 133 at December 31, 2006. The modest increases of recent years may continue over the next few years as the company reacts to changing operational needs, retirements of tenured employees and evolving workforce requirements. In 2005, the Board contracted with an outside consultant to conduct a market salary study. The study revealed a need for an upward adjustment in salaries in order to maintain external competitiveness with Colorado Front Range communities. The adjustment was implemented over a two year period with the final adjustment effective in January of 2007.

Security of facilities and water quality monitoring continued to receive attention in 2006, and will likely remain a focus in upcoming years. In addition to staffed security at principal facilities, technological and physical enhancements were implemented. Security-related expenses since 2001 have cost nearly \$2.5 million.

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
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DECEMBER 31, 2006

The Board of Water Works utilizes a risk management program that employs an outside consultant for loss prevention and control, employee benefits and worker's compensation. In addition, the consultant represents the utility to acquire and administer a package of business insurance. The combination of governmental immunity and insurance products minimizes risk of loss and the Water Works continues to move toward more assumption of risk where sound risk management principles and prior loss data indicate a premium savings greater than the exposures assumed.

**2006 Financial Highlights**

In the spring of 2006, Pueblo experienced a 64% decrease in precipitation as well as rising temperatures from those in the spring of 2005. In the following summer months however, the rising temperatures continued but Pueblo experienced a 270% increase in precipitation. These conditions formed to cause a 3% drop in 2006 consumption compared to 2005. The following table illustrates certain factors related to water sales for the past five years:

Year	Customers <sup>1</sup>	Billed Consumption (000s gal.)	Water Pumped (000s gal.)	Percent Unaccounted Water <sup>2</sup>	Average Pumped Per Day (000s gal.)	Peak Day Pumpage (000s gal.)	Average Rainfall Inches <sup>3</sup>
2002	37,387	9,165,275	9,721,050	5.7%	26,633	57,363	3.94
2003	37,830	8,582,959	9,191,021	6.6%	25,181	57,562	10.91
2004	38,481	7,984,385	8,602,032	7.2%	23,567	48,021	14.06
2005	38,735	8,542,178	9,106,831	6.2%	24,950	57,565	11.15
2006	39,016	8,317,804	9,099,161	8.6%	24,929	53,919	13.86

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

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

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

Due to improved reservoir levels for most municipal lessees, raw water sales were down 4% in 2006. Total raw water sales however, still reached \$ 5 million and accounts for 20% of total revenue.

Due to strong residential growth in the first eight months of 2006, connection fees rebounded from their lull in 2005 for an increase of 19% over the previous year. The following table illustrates revenue collected from connection fees for the past five years:

HISTORY OF CONNECTION FEES

Year	Revenue Collected
2002	\$ 1,615,009
2003	1,275,808
2004	1,630,830
2005	1,081,976
2006	1,283,567

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
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Following the overall trend and for the second straight year, the Board saw a 3% decline in consumption within its ten largest commercial treated water users. The following tables illustrate consumption and revenue generated from the Boards ten largest treated water customers for 2006 and 2005.

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

Name	Consumption (000s gal.)	Percent of Total Consumption	Amount Billed	Percent of Total Revenue
Rocky Mountain Steel	248,947	2.99%	\$ 510,373	3.09%
City of Pueblo	188,940	2.27%	288,903	1.75%
Colorado Mental Health Institute	120,551	1.45%	221,064	1.34%
Colorado State University - Pueblo	114,426	1.38%	204,708	1.24%
Pueblo School District #60	97,176	1.17%	186,196	1.13%
Pueblo Country Club	74,702	0.90%	133,895	0.81%
B.F. Goodrich	74,044	0.89%	133,172	0.81%
Pueblo Housing Authority	61,188	0.74%	128,009	0.77%
Imperial Memorial Gardens	48,312	0.58%	86,457	0.52%
Trane CO	47,348	0.57%	84,718	0.51%
Total	<u>1,075,634</u>	<u>12.94%</u>	<u>\$ 1,977,495</u>	<u>11.97%</u>

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

LARGEST CUSTOMERS - TREATED WATER  
FOR THE YEAR ENDED DECEMBER 31, 2005

Name	Consumption (000s gal.)	Percent of Total Consumption	Amount Billed	Percent of Total Revenue
Rocky Mountain Steel	205,779	2.41%	\$ 406,401	2.50%
City of Pueblo	193,296	2.26%	284,112	1.75%
Colorado Mental Health Institute	123,095	1.44%	216,570	1.33%
Colorado State University - Pueblo	117,344	1.37%	201,494	1.24%
Pueblo School District #60	112,204	1.31%	206,539	1.27%
Pueblo Country Club	89,330	1.05%	153,289	0.94%
B.F. Goodrich	84,022	0.98%	144,736	0.89%
Pueblo Housing Authority	68,341	0.80%	136,097	0.84%
Trane CO	67,525	0.79%	115,446	0.71%
Colorado Dept. of Transportation	48,683	0.57%	45,655	0.28%
Total	<u>1,109,619</u>	<u>12.98%</u>	<u>\$ 1,910,339</u>	<u>11.75%</u>

Based on total consumption of 8,542,178,000 gallons  
Based on total billing in 2005 of \$ 16,227,250

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006

**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, 2006 and 2005. 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, 2006 and 2005.

CONDENSED STATEMENT OF NET ASSETS  
DECEMBER 31, 2006 AND 2005

	2006	2005
<b>ASSETS</b>		
Current assets	\$ 31,920,052	\$ 22,589,490
Restricted assets	1,207,522	1,131,647
Capital assets	163,594,123	163,588,510
Other assets	533,474	572,251
Total assets	197,255,171	187,881,898
<b>LIABILITIES</b>		
Current liabilities	5,160,719	4,830,121
Long-term liabilities	46,639,324	48,332,018
Total liabilities	51,800,043	53,162,139
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	118,981,953	117,317,716
Restricted	738,406	646,067
Unrestricted	25,734,769	16,755,976
Total net assets	\$ 145,455,128	\$ 134,719,759

The Board's unrestricted cash and investments grew by \$ 8.7 million in 2006. This is due to the receipt of the \$ 8.86 million readiness to serve charge from Public Service Company of Colorado. While the \$ 8.86 million readiness to serve charge and the remainder of the funds held in the Water Development Fund are unrestricted, the Board has dedicated these funds to the furthering of water resources for the future of the citizens of Pueblo.

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.

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006

**Statement of Revenues, Expenses and Changes in Net Assets**

The statement of revenues, expenses and changes in net assets presents the financial activity of the Board of Water Works of Pueblo, Colorado for the years ended December 31, 2006 through 2002. Operating expenses include personnel services and operation and maintenance costs for each division of the Board. See table below:

HISTORY OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2006, 2005, 2004, 2003 AND 2002

	2006	2005	2004	2003	2002
Operating revenues	\$ <u>32,529,228</u>	\$ <u>24,225,251</u>	\$ <u>21,886,820</u>	\$ <u>21,158,629</u>	\$ <u>20,933,711</u>
Operating expenses					
Administration	872,648	770,804	784,998	569,779	570,777
Administrative services	2,680,276	2,547,598	2,139,660	1,426,458	1,413,683
Treating, pumping and laboratory	6,308,774	5,552,418	5,044,583	4,124,544	3,783,872
Transmission, distribution and engineering	4,775,251	4,514,722	4,167,071	3,499,318	3,146,984
Water resources	1,350,896	1,254,980	1,068,126	983,593	1,052,094
Other company-wide operating expenses	<u>1,616,283</u>	<u>1,332,864</u>	<u>1,469,032</u>	<u>3,576,171</u>	<u>3,782,874</u>
Subtotal	<u>17,604,128</u>	<u>15,973,386</u>	<u>14,673,470</u>	<u>14,179,863</u>	<u>13,750,284</u>
Depreciation	4,080,537	3,888,223	3,830,425	3,414,376	2,815,188
Loss on abandonment of assets	<u>30,608</u>	<u>8,677</u>	<u>18,172</u>	<u>3,202</u>	<u>14,636</u>
Total operating expenses	<u>21,715,273</u>	<u>19,870,286</u>	<u>18,522,067</u>	<u>17,597,441</u>	<u>16,580,108</u>
Operating Income	10,813,955	4,354,965	3,364,753	3,561,188	4,353,603
Total Nonoperating Revenues (Expenses)	<u>(892,807)</u>	<u>(1,794,774)</u>	<u>(2,383,524)</u>	<u>(491,143)</u>	<u>43,583</u>
Income Before Capital Contributions	9,921,148	2,560,191	981,229	3,070,045	4,397,186
Capital Contributions	<u>814,221</u>	<u>1,161,508</u>	<u>678,994</u>	<u>235,769</u>	<u>1,080,782</u>
Increase in Net Assets	10,735,369	3,721,699	1,660,223	3,305,814	5,477,968
Net Assets, January 1	<u>134,719,759</u>	<u>130,998,060</u>	<u>129,337,837</u>	<u>126,032,023</u>	<u>120,554,055</u>
Net Assets, December 31	<u>\$ <u>145,455,128</u></u>	<u>\$ <u>134,719,759</u></u>	<u>\$ <u>130,998,060</u></u>	<u>\$ <u>129,337,837</u></u>	<u>\$ <u>126,032,023</u></u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Operating Revenues**

The following table presents a comparison of the operating revenues for 2006 and 2005. It is important to note that without the Public Service Company of Colorado's one time readiness to serve charge, 2006 operating revenues are 2% lower than those in 2005. (All sales are presented in millions of dollars):

Operating Revenues	2006	2005	Difference	Percentage
Water sales to general customers	\$ 16.52	\$ 16.23	\$ 0.29	1.79%
Water sales to Comanche plant	2.63	2.32	0.31	13.36%
Plant water investment fee	1.18	0.99	0.19	19.19%
Other	<u>12.20</u>	<u>4.69</u>	<u>7.51</u>	160.13%
Total	<u>\$ 32.53</u>	<u>\$ 24.23</u>	<u>\$ 8.30</u>	34.26%

**Operating Expenses**

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

OPERATING EXPENSES	2006	2005	2004	2003	2002
Personnel services	50%	50%	51%	53%	53%
Operation and maintenance	31%	30%	28%	28%	30%
Other operating expense	19%	20%	21%	19%	17%

**Budgetary Highlights**

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

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The following table illustrates the Board's General Fund 2006 Budget compared to actual as well as the 2007 Budget:

GENERAL FUND BUDGET SUMMARY AND COMPARISON

	<u>2006</u> <u>BUDGET</u>	<u>2006</u> <u>ACTUAL</u>	<u>2007</u> <u>BUDGET</u>
<b>OPERATING REVENUES</b>			
Water sales - Metered	\$ 16,922,247	\$ 16,520,059	\$ 18,343,662
Water sales - Comanche	2,313,360	2,634,185	2,405,897
Water sales - Raw water	631,422	1,208,695	803,294
Water sales - Aurora	1,170,238	1,153,250	1,232,970
Taps and meters	112,106	102,327	110,000
Material sales	126,000	117,997	130,000
Main assessments	30,000	11,758	20,000
Fire protection - public	1,360	4,553	4,500
Discounts	1,000	1,062	1,200
Rental income	15,500	20,069	17,000
Late field reading fee	7,550	8,900	8,000
Turn-on fee	49,000	108,152	65,000
Check processing fee	6,400	8,420	7,500
Field collection fee	1,700	1,360	2,000
Missed appointment fee	50	2,060	2,400
Interest earned on service accounts	5,000	2,170	2,300
Miscellaneous	10,500	47,293	10,000
Plant water investment fee	1,042,500	1,181,240	1,111,000
Insurance recovery	8,650	5,460	3,000
Comanche operations and maintenance reimbursement	4,800	74,842	-
Busk-Ivanhoe administration fee	25,000	25,000	25,000
Wastewater billing reimbursement	297,900	297,900	309,816
Stormwater billing reimbursement	<u>128,856</u>	<u>128,856</u>	<u>134,010</u>
 Total operating revenue	 22,911,139	 23,665,608	 24,748,549
 <b>NONOPERATING REVENUES</b>	 <u>2,566,909</u> <sup>1</sup>	 <u>1,197,307</u>	 <u>3,781,450</u> <sup>2</sup>
 Total revenue	 <u>\$ 25,478,048</u>	 <u>\$ 24,862,915</u>	 <u>\$ 28,529,999</u>
 <b>EXPENDITURES</b>			
Personnel Services	\$ 11,134,570	\$ 10,744,015	\$ 11,983,038
Operation and Maintenance	6,642,607	6,736,629	7,951,931
Capital Outlay and Interfund Transfers	<u>7,700,871</u>	<u>7,382,271</u>	<u>8,595,030</u>
 Total expenditures	 <u>\$ 25,478,048</u>	 <u>\$ 24,862,915</u>	 <u>\$ 28,529,999</u>

<sup>1</sup>Includes \$ 2,031,550 in contributions from reserve

<sup>2</sup>Includes \$ 3,178,367 in contributions from reserve

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006

**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).

In 2007, the Board will begin implementation of its automated meter reading program (AMR). Beta testing for the AMR program has been ongoing since 2005. The implementation will begin in outlying areas of Pueblo and work inward. The projected cost of Phase 1, to be completed in 2007, is \$ 1.5 million.

In 2007, the Board will contract with an outside consultant to do a physical inventory of the Board's capital assets. As part of the project the consultant will perform an insurance appraisal and recommend insurable values for all appropriate assets. Following the completion of this project the Board will consider the appropriateness of its current capitalization process and thresholds as well as the estimates used for service lives of property classes.

**Requests for Information**

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

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

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
STATEMENTS OF NET ASSETS  
DECEMBER 31, 2006 AND 2005

ASSETS	2006	2005	LIABILITIES AND NET ASSETS	2006	2005
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash on hand and in banks (Note 4)	\$ 5,708	\$ 529,366	Current maturities of long-term debt (Notes 7 & 13)	\$ 1,835,139	\$ 1,756,874
Cash investments (Note 4)			Accounts payable (Note 10)	1,556,111	1,487,667
Money market funds	14,580,396	7,173,252	Retainage withheld on construction contracts	40,378	23,784
Certificates of deposit	7,600,000	6,079,091	Current portion of accrued vacation payroll (Note 9)	321,579	301,007
Treasury securities	6,275,709	6,000,617	Customer meter deposits	633,765	508,965
Accounts receivable			Deferred revenue (Note 8)	466,743	503,591
Customers--net of provision for uncollectible accounts of \$ 13,639 and \$ 9,256	2,085,602	1,461,882	Accrued liabilities		
Inventories	867,992	927,827	Development deposits	56,240	31,456
Prepaid items	308,231	308,116	Payroll	211,247	191,176
Accrued interest receivable	193,301	106,693	Interest	38,671	25,026
Advances for employees	3,113	2,646	Sales taxes	847	575
Total current assets	<u>31,920,052</u>	<u>22,589,490</u>	Total current liabilities	<u>5,160,720</u>	<u>4,830,121</u>
<b>RESTRICTED ASSETS</b>			<b>LONG-TERM LIABILITIES</b>		
Cash investments (Note 4)			Revenue bonds (Notes 7 & 13)		
Money market funds	<u>1,207,522</u>	<u>1,131,647</u>	(net of current maturities--\$1,485,000 and \$1,415,000 and deferred amount on refunding of \$2,314,079 and \$2,470,085)	31,195,921	32,524,915
<b>CAPITAL ASSETS (NOTE 6)</b>			Loan and repayment contract (Note 7)		
Land	2,307,119	2,307,119	(net of current maturities--\$350,139 and \$341,874)	10,682,685	11,032,824
Infrastructure	104,248,908	101,228,407	Accrued sick leave and vacation payroll (Note 9)		
Buildings	70,527,446	70,325,553	(net of current portion--\$321,579 and \$301,007)	2,117,076	2,003,996
Machinery and equipment	12,214,426	11,790,914	Accrued payroll taxes on accrued sick leave and vacation payroll	186,557	176,333
Water rights	40,392,986	40,392,986	Deferred revenue (Note 8)	556,069	579,938
Construction in progress	192,484	30,477	Total long-term debt and other liabilities	<u>44,738,308</u>	<u>46,318,006</u>
	229,883,369	226,075,456	<b>OTHER LIABILITIES</b>		
Less accumulated depreciation	66,289,246	62,486,946	Unamortized bond premium	1,431,899	1,528,432
Total capital assets	<u>163,594,123</u>	<u>163,588,510</u>	<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS (NOTE 5)</b>	469,116	485,580
<b>OTHER ASSETS</b>				<u>51,800,043</u>	<u>53,162,139</u>
Unamortized debt expense (Note 7)	515,863	553,507	<b>NET ASSETS</b>		
Unamortized discount	17,611	18,744	Invested in capital assets, net of related debt	118,981,953	117,317,716
Total other assets	<u>533,474</u>	<u>572,251</u>	Restricted	738,406	646,067
			Unrestricted	25,734,769	16,755,976
<b>Total assets</b>	<u>\$ 197,255,171</u>	<u>\$ 187,881,898</u>	Total net assets	<u>\$ 145,455,128</u>	<u>\$ 134,719,759</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, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
OPERATING REVENUES	\$ <u>32,529,228</u>	\$ <u>24,225,251</u>
OPERATING EXPENSES		
Personnel services and operation and maintenance		
Administration	872,648	770,804
Administrative services	2,680,276	2,547,598
Treating, pumping and laboratory	6,308,774	5,552,418
Transmission, distribution and engineering	4,775,251	4,514,722
Water resources	1,350,896	1,254,980
Plant at large	1,492,799	1,286,912
Water Development Fund	75,753	19,653
Depreciation	4,080,537	3,888,223
Amortization of bond issue expense	37,644	26,794
Bad debts	10,087	( 495)
Loss on abandonment of assets	30,608	8,677
Total operating expenses	<u>21,715,273</u>	<u>19,870,286</u>
OPERATING INCOME	<u>10,813,955</u>	<u>4,354,965</u>
NONOPERATING REVENUES AND (EXPENSES)		
Interest income	1,314,836	593,097
Sale of assets	31,590	22,463
Interest expense on bonded indebtedness	( 2,167,269)	( 2,335,503)
Interest expense on note payable-municipal outlet	( 71,964)	( 74,831)
Total nonoperating revenues and (expenses)	<u>( 892,807)</u>	<u>( 1,794,774)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	9,921,148	2,560,191
CAPITAL CONTRIBUTIONS		
Contributions to capital assets from developers	<u>814,221</u>	<u>1,161,508</u>
INCREASE IN NET ASSETS	10,735,369	3,721,699
NET ASSETS, JANUARY 1	<u>134,719,759</u>	<u>130,998,060</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 145,455,128</u></u>	<u><u>\$ 134,719,759</u></u>

The accompanying notes are an integral part of the financial statements

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	\$ 31,312,946	\$ 24,256,923
Payments to employees	( 7,759,411)	( 7,416,992)
Payments to suppliers	( 7,910,283)	( 7,454,693)
Other receipts (payments)	( 891,014)	( 781,335)
Net cash provided by operating activities	14,752,238	8,603,903
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Interest paid on meter deposits	( 7,204)	( 4,047)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	( 3,297,525)	( 2,165,119)
Proceeds from issuance of bonds	-	30,103,432
Deferred amount on refunding	-	( 2,400,882)
Payment of bond issue costs	-	( 467,902)
Principal payments on general obligation bonds and notes	( 1,697,401)	( 28,835,855)
Interest payments on general obligation bonds and notes	( 2,254,564)	( 2,498,144)
Net cash provided by (used for) capital and related financing activities	( 7,249,490)	( 6,264,470)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	( 6,152,849)	( 10,440,860)
Maturities of investments	6,000,617	4,550,000
Sale of assets	31,590	22,463
Interest received on investments	1,105,368	417,770
Net cash provided by (used for) investing activities	984,726	( 5,450,627)
<b>NET INCREASE (DECREASE) IN CASH</b>	8,480,270	( 3,115,241)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	14,913,356	18,028,597
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	\$ 23,393,626	\$ 14,913,356
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR REPRESENTED BY</b>		
Cash on hand and in banks	\$ 5,708	\$ 529,366
Money market funds	14,580,396	7,173,252
Certificates of deposit	7,600,000	6,079,091
Restricted assets		
Money market funds	1,207,522	1,131,647
Total	\$ 23,393,626	\$ 14,913,356

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 10,813,956	\$ 4,354,965
Adjustments to reconcile net operating revenue to net cash provided by operating activities		
Depreciation	4,080,537	3,888,223
Loss on abandonment of assets	30,608	8,677
Amortization of bond issue expense	37,644	26,794
Amortization of deferred revenue	( 36,848)	95,070
Interest on meter deposits	20,849	8,492
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	( 623,720)	412,207
(Increase) decrease in inventories	59,835	( 243,692)
(Increase) decrease in prepaid items	( 115)	( 193,998)
(Increase) decrease in advances for employees	( 467)	866
Increase (decrease) in accrued sick leave and vacation payroll	133,652	81,652
Increase (decrease) in accrued payroll taxes on accrued sick leave and vacation payroll	10,224	6,247
Increase (decrease) in deferred revenue	( 23,869)	( 23,868)
Increase (decrease) in accounts payable	80,025	100,313
Increase (decrease) in customer meter deposits	124,800	72,435
Increase (decrease) in developer deposits	24,784	1,344
Increase (decrease) in accrued liabilities	20,343	8,176
Net cash provided by operating activities	\$ 14,752,238	\$ 8,603,903

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Contributions to utility plant from various developer installed facilities and other governments for 2006 and 2005 were \$ 814,221 and \$ 1,161,508, respectively.

The accompanying notes are an integral part of the financial statements

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
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Note 1 – Following is a summary of significant accounting policies:

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

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

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

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

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

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

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

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

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

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

The Board of Water Works of Pueblo, Colorado applies all Governmental Accounting Standards Board (GASB) pronouncements as well as the Financial Accounting Standards

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Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Subsequent to this date, the Board follows GASB pronouncements.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

Inventories are valued on the weighted average method.

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

The Board received approximately 8% of its operating revenues from one contract for non-potable water in 2006. In addition, in 2006, the Board received approximately 27% of its operating revenue from a readiness to serve charge from a commercial customer. In 2005 the Board received and approximately 10% of its operating revenue from one contract for non-potable water.

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

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Capital assets are stated at:

- (a) Appraisal value for assets in service prior to June 30, 1962.
- (b) Cost for assets placed in service since June 30, 1962.
- (c) Assets are capitalized within the dollar limit stated in the statutes of the State of Colorado.
- (d) Net interest costs incurred during periods of construction are capitalized as part of the cost of the asset.

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

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

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

The Board has established a retirement plan for the benefit of all eligible employees. The contribution to the plan is approximately the amount of the normal cost as determined by actuarial calculation and is recorded as an expense in the year paid. In addition, the Board has established two deferred compensation plans. See Note 2.

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

The sewer use and storm water fees charged by the City of Pueblo, Colorado are billed and collected by the Board of Water Works of Pueblo, Colorado and remitted to the City on a monthly basis. The uncollected sewer and storm water fees charged to customers are carried as a receivable, and unremitted and uncollected sewer and storm water fees are carried as a liability on the statement of net assets.

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

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Deferred revenue, related to acquisition of water rights in 1990, 1995 and 2004, is being amortized over forty-year periods. See Note 8.

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, 2006 through December 31, 2006. Approximately 70% of the Board's employees are members of Local 1045.

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

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

#### Note 2 – Defined Benefit Pension Plan

##### Plan Description

The Board 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 Alliance Capital Management, L.P. Benefit payments are administered by AXA Equitable. The Plan provides retirement benefits to plan members and their beneficiaries. The Plan does not issue a separate financial report. Employee contributions are not required subsequent to January 1, 1975. Covered compensation is the amount of compensation paid to participating employees excluding overtime, bonuses and other extra compensation. The total amount of covered compensation for the year ended March 31, 2005, the latest year for which plan information is available, was \$ 6,289,398, and total compensation for the same period was \$ 7,107,455.

Effective April 1, 1993, each regular full-time employee is eligible to participate on the later of April 1, 1993 or the April 1<sup>st</sup> coincident with or following the completion of six months of regular full-time employment. A participant is eligible for a vested benefit, payable at age 65, after five years of credited service. The vested benefit is equal to the accrued benefit, considering service and compensation, at the time of termination. If the participant has at least fifteen years of credited service, payments may commence the first of any month following the participant's fifty-fifth birthday but are reduced for early retirement. If payments commence prior to age 65, the benefit is reduced by 5% for each year by which payments commence prior to normal retirement date. However, employees are able to retire without penalty, at or after age 55, when certain conditions are met. The number of years from date of hire combined with the employee's age must equal or exceed ninety years and advance notice in writing must be submitted six months prior to the projected retirement date. Board employees who retire at or after age 65 are entitled to the normal retirement benefit for life which is equal to the sum of the accrued benefit as of April 1, 1999, plus 2.3% of the employee's monthly earnings effective as of the beginning of each plan year (April 1). The minimum benefit is \$ 100 per month after fifteen years of service. Retirees of record as of December 31<sup>st</sup> may receive a cost of living adjustment annually on April 1<sup>st</sup> if certain

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conditions are met.

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

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

#### Participant Data

The number of plan participants is as follows:

Active members	124
Inactive members	
With deferred benefits	17
Retired members	41
Disabled members	1
Beneficiaries	<u>6</u>
Total	<u>189</u>

#### Funding Policy

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

#### Annual Pension Cost

Annual contribution requirement due	
beginning of plan year	\$ 572,099
Adjustment to annual required contribution	<u>( 89,099)</u>
Annual pension cost	483,000
Contribution made	<u>483,000</u>
Increase (decrease) in net pension obligation	-
Net pension obligation, beginning of year	<u>-</u>
Net pension obligation, end of year	<u><u>\$ -</u></u>

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An annual required contribution for the current year of \$ 664,223 was determined as part of the April 1, 2005 actuarial valuation using the aggregate actuarial cost method. Under this method, the normal cost is computed as a level percentage of pay which, if paid from the valuation date until each member's retirement or termination date, will, together with the assets of the plan, accumulate with interest at the rate assumed in the valuation to a fund sufficient to pay all benefits under the plan. No benefits are projected to be greater than the limitations currently imposed by Section 415 (b) (1) (A) of the Internal Revenue Code, in accordance with the requirements of Section 404 (j) of the Code.

The total contribution requirement for the year beginning April 1, 2004 of \$ 483,000 was made in accordance with actuarially determined requirements computed by using a less conservative alternative costing formula known as the entry age actuarial cost method. The actuarial assumptions included a 7.5% assumed rate of return. The contribution is approximately 6.8% of total compensation.

Trend Information

Year Ended March 31	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation*
2002	\$ 352,126	80.6%	\$ 188,688
2003	357,240	79.5%	261,987
2004	523,674	61.5%	463,706
2005	624,996	71.6%	640,951

\*The Net Pension Obligation exists due to the offering of an early retirement option and use of the alternative costing formula. Since the early retirement option has had minimal acceptance, the benefit has not been fully funded. The actuarial report for April 1, 2005 determined the contribution requirement for the plan year ending March 31, 2006.

Schedule of Funding Progress

Actuarial Valuation March 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
2001	\$ 10,366,907	\$ 8,040,688	\$ (2,326,219)	128.9%	\$ 5,460,288	(42.6)%
2003	11,204,108	10,332,036	( 872,072)	108.4%	5,926,783	(14.7)%
2004	11,806,011	11,367,370	( 438,641)	103.9%	6,110,768	( 7.2)%
2005	12,242,185	12,479,593	( 237,408)	98.1%	6,289,398	( 3.8)%

In addition, various individuals are included in a supplemental benefit funded through a separate trustee at the cost of \$ 32,275 for 2006 and 2005.

The plan changed investment managers late in 2006.

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Note 3 – In addition to providing pension and deferred compensation benefits, the Board began providing certain health and life insurance benefits for retired employees effective September 18, 1990. Substantially all of the Board's employees, who retire after this date and meet certain requirements, are eligible for the benefit. The individual must be retired, not terminated, be at least 60 years of age and have a minimum of fifteen years of service. The maximum monthly health benefit is \$ 521, and the maximum benefit period is five years. The Board recognizes these benefits by expensing the payments. During 2006, twelve individuals took advantage of these benefits at a cost of \$ 63,470 to the Board.

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

#### Investments

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

Certificates of deposit

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

Repurchase agreements

Pooled investments funds such as ColoTrust

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

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

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

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

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	Category			Carrying Amount	Market Value
	1	2	3		
Pooled investment funds--					
ColoTrust	\$ 15,766,245	\$ -	\$ -	\$ 15,766,245	\$ 15,766,245
Wells Fargo Bank	21,673			21,673	21,673
U.S. Treasury securities	6,275,709	-	-	6,275,709	6,281,371
Certificates of deposit	<u>7,600,000</u>	-	-	<u>7,600,000</u>	<u>7,600,000</u>
	<u>\$ 29,663,627</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,663,627</u>	<u>\$ 29,669,289</u>

### Deposits

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

At December 31, 2006 and 2005, the Board's cash deposits had a bank and corresponding carrying balance of \$ 29,669,335 and \$ 20,913,973, respectively, as summarized below. All the deposits are stated at cost with accrued interest shown under a separate caption on the balance sheet.

	<u>2006</u>	<u>2005</u>
Working funds	\$ 4,600	\$ 4,400
Insured FDIC	622,780	600,000
Uninsured		
Collateral securities held by financial institution's trust department or agent	<u>29,041,955</u>	<u>20,309,573</u>
Total deposits	<u>\$ 29,669,335</u>	<u>\$ 20,913,973</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

	2006	2005
Total deposits represented by		
Cash on hand and in banks	\$ 5,708	\$ 529,366
U.S. Treasury securities	6,275,709	6,000,617
Certificates of deposit	7,600,000	6,079,091
Money market funds	14,580,396	7,173,252
Restricted money market funds	1,207,522	1,131,647
Total deposits	\$ 29,669,335	\$ 20,913,973

The Board places no limit on the amount the Board may invest in any one issuer. More than 5 percent of the Board's investments are in certificates of deposit issued by ABC Bank, US Bank, NA, and money market funds with ColoTrust. These investments are 9.8%, 6.6% and 53.1%, respectively, of the Board's total investments.

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

	2006	2005
Accrued interest on construction related long-term debt	\$ 469,116	\$ 485,580

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

Note 6 – Changes in capital assets during 2006 are summarized as follows:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006
Land	\$ 2,307,119	\$ -	\$ -	\$ 2,307,119
Infrastructure	101,228,407	3,140,298	( 119,797)	104,248,908
Buildings	70,325,553	201,893	-	70,527,446
Machinery and Equipment	11,790,914	612,561	( 189,049)	12,214,426
Water Rights	40,392,986	-	-	40,392,986
Construction in Progress	30,477	189,202	( 27,195)	192,484
Total capital assets at historical cost	<u>226,075,456</u>	<u>4,143,954</u>	<u>( 336,041)</u>	<u>229,883,369</u>
Less accumulated depreciation	<u>( 62,486,946)</u>	<u>(4,080,537)</u>	<u>278,237</u>	<u>( 66,289,246)</u>
Total capital assets	<u>\$ 163,588,510</u>	<u>\$ 63,417</u>	<u>\$ ( 57,804)</u>	<u>\$ 163,594,123</u>

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

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

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

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

**SOURCES**

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

**USES**

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

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

Water System Improvement Revenue Bonds, Series 2000A for \$ 38,885,000 dated January 1, 2000, were issued to improve and expand the water treatment plant for the system. Interest payments are due semi-annually on May 1 and November 1 through 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, 2006 was \$ 27,195,000.

Loan agreement with Colorado Water Resources and Power Development Authority for \$ 9,558,795 dated April 15, 2000. Interest at 4.60% and principal payments are due semi-annually on February 1 and August 1, through 2022. The loan agreement contains various restrictive covenants and requirements, including a rate covenant, maintenance of a three month operating reserve, debt service requirements and compliance with an additional bond and /or indebtedness test. At December 31, 2006, the Board was in compliance with these covenants and requirements of the loan agreement.

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

In connection with the issuance for various debt obligations the Board incurred debt issuance costs in the amount of \$ 673,481. 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 amount of these costs written off total \$ 69,203. The costs are being amortized over the life of the debt obligations. The remaining unamortized expense at December 31, 2006 and 2005 is \$ 515,863 and \$ 553,507, respectively.

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

The total amount of water revenue bonds, loans and other long-term debt at December 31, 2006 is \$ 43,713,745. See pages fifty-five and fifty-six.

Changes in long-term debt during 2006 are summarized as follows:

	<u>Balance January 1, 2006</u>	<u>Additions (Retired)</u>	<u>Deferred Amount</u>	<u>Balance December 31, 2006</u>
2000A Water System				
Improvement Revenue Bonds	\$ 7,835,000	\$ ( 1,415,000)	\$ -	\$ 6,420,000
2005 Water Refunding Revenue Bonds	26,104,915	-	156,006	26,260,921
Colorado Water Resources and Power Development Authority	8,964,382	( 246,333)	-	8,718,049
United States Department of the Interior	<u>2,410,317</u>	<u>( 95,542)</u>	<u>-</u>	<u>2,314,775</u>
Total	<u>\$ 45,314,614</u>	<u>\$ ( 1,756,875)</u>	<u>\$ 156,006</u>	<u>\$ 43,713,745</u>

Aggregate long-term debt maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,835,139	\$ 2,113,708	\$ 3,948,847
2008	1,918,493	2,027,027	3,945,520
2009	2,217,648	1,934,458	4,152,106
2010	2,321,188	1,829,206	4,150,394
2011	2,435,180	1,709,033	4,144,213
2012 - 2016	13,798,312	6,929,197	20,727,509
2017 - 2021	17,152,652	3,572,609	20,725,261
2022 - 2025	<u>4,349,212</u>	<u>228,854</u>	<u>4,578,066</u>
	46,027,824	20,344,092	66,371,916
Unamortized deferred amount on refunding	<u>( 2,314,079)</u>	<u>-</u>	<u>( 2,314,079)</u>
Total	<u>\$ 43,713,745</u>	<u>\$ 20,344,092</u>	<u>\$ 64,057,837</u>

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

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2006 AND 2005

Note 9 – 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, 2006 and 2005 is \$ 1,854,174 and \$ 1,756,439.

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

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

Each employee may carry over a maximum of 80 hours of vacation time from any previous anniversary year to the following anniversary year. At the employee’s request, a payoff for a maximum of 56 hours of accumulated vacation leave can be made during the anniversary year. The vacation hours are valued at the employee’s regular straight rate of pay in effect at the time. In addition, each employee receives eight hours of personal holiday each anniversary year which is not available for carryover. The liability for accumulated vacation pay at December 31, 2006 and 2005 is \$ 584,481 and \$ 548,564.

Note 10 – Accounts payable are comprised of outstanding bills for expenses, materials and capital assets related to the budget for the years ended December 31, 2006 and 2005. Included in outstanding bills at December 31, 2006 is \$ 1,422,367 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, 2005 is \$ 1,401,740 owed to the City of Pueblo, Colorado for collection of the City’s sewer and storm water fees.

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

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

Data concerning the Board's deferred compensation plans follows:

Balance, December 31, 2005	\$ 9,654,982
2006 employer and employee contributions	1,017,713
Earnings, withdrawals and market value adjustment	<u>167,316</u>
Balance, December 31, 2006	<u><u>\$ 10,840,011</u></u>

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

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

**Sources**

Actual amounts (budgetary basis) "total funding resources" from budgetary comparison schedule	
General Fund	\$ 24,862,915
Debt Service Fund	4,027,841
Water Development Fund	<u>9,691,117</u>
Total funding sources	38,581,873
Adjustments	
Contributions to capital assets are recorded as revenue for GAAP but are not considered a budgetary resource	814,221
Contributions from reserves are considered a budgetary resource but not considered revenue for GAAP reporting	( 350,123)
Proceeds for the sale of assets and losses on abandonment of equipment are combined for budgetary purposes and segregated for financial reporting purposes	30,608
Transfers from other funds are inflows for budgetary resources but are not a current year revenue for GAAP reporting	<u>( 4,386,704)</u>
Total revenues as reported on the statement of revenues expenses and changes in net assets	<u><u>\$ 34,689,875</u></u>
Total revenues as reported on the statement of revenues expenses and changes in net assets is comprised of:	
Operating revenues	\$ 32,529,228
Interest income	1,314,836
Sale of assets	31,590
Contributions to capital assets from developers	<u>814,221</u>
	<u><u>\$ 34,689,875</u></u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

**Uses**

Actual amounts (budgetary basis) "total uses" from the budgetary comparison schedule		
General Fund	\$	24,862,915
Water Development Fund		9,691,117
Debt Service Fund		4,027,841
		38,581,873
Adjustments		
Encumbrances for construction projects recorded in the year bid and contract awarded for budgetary purposes but follow GAAP for financial reporting purposes	(	318,052)
Capital items recorded in previous year budget for budgetary purposes and recorded in current year for financial reporting purposes		585,804
Capital items are treated as expenditures for budgetary purposes but are capitalized for financial reporting	(	3,302,536)
Transfers are outflows for budgetary purposes but are not recognized for financial reporting	(	4,386,704)
Contributions to reserve accounts are outflows for budgetary purposes but are not expenses for financial reporting	(	9,653,136)
Principal payments on outstanding long-term debt are uses of budgetary resources but are not expenses for GAAP	(	1,770,772)
Depreciation is recorded as an expense for GAAP but is not treated as an outflow for budgetary purposes		4,080,537
Amortization is recorded as an expense for financial reporting but is not treated as an outflow for budgetary purposes		37,644
Bad debts are recorded as an expense for GAAP but are not treated as an outflow of budgetary resources		10,087
Proceeds for the sale of assets and losses on abandonment of equipment are combined for budgetary purposes and segregated for financial reporting purposes		30,608
Interest expense for budgetary reporting is based upon monthly transfers to the Debt Service Fund while interest expense for the financial statements reflects GAAP		59,153
		59,153
Total expenses as reported on the Statement of Revenues Expenses and Changes in Net Assets	\$	23,954,506
Total expenses as reported on the statement of revenues expenses and changes in net assets is comprised of:		
Operating expenses	\$	21,715,273
Interest expense on bonded indebtedness		2,167,269
Interest expense on note payable-municipal outlet		71,964
	\$	23,954,506

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

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

SUPPLEMENTARY INFORMATION

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 REVENUES BY SOURCE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

GENERAL FUND

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
<b>OPERATING REVENUES</b>				
Water sales - Metered	\$ 16,922,247	\$ 16,922,247	\$ 16,520,059	\$ ( 402,188)
Water sales - Comanche	2,313,360	2,313,360	2,634,185	320,825
Water sales - Raw water	631,422	631,422	1,208,695	577,273
Water sales - Aurora	1,170,238	1,170,238	1,153,250	( 16,988)
Taps and meters	112,106	112,106	102,327	( 9,779)
Material sales	126,000	126,000	117,997	( 8,003)
Main assessments	30,000	30,000	11,758	( 18,242)
Fire protection - public	1,360	1,360	4,553	3,193
Discounts	1,000	1,000	1,062	62
Rental income	15,500	15,500	20,069	4,569
Late field reading fee	7,550	7,550	8,900	1,350
Turn-on fee	49,000	49,000	108,152	59,152
Check processing fee	6,400	6,400	8,420	2,020
Field collection fee	1,700	1,700	1,360	( 340)
Missed appointment fee	50	50	2,060	2,010
Interest earned on service accounts	5,000	5,000	2,170	( 2,830)
Miscellaneous	10,500	10,500	47,293	36,793
Plant water investment fee	1,042,500	1,042,500	1,181,240	138,740
Insurance recovery	8,650	8,650	5,460	( 3,190)
Comanche operations and maintenance reimbursement	4,800	4,800	74,842	70,042
Busk-Ivanhoe administration fee	25,000	25,000	25,000	-
Wastewater billing reimbursement	297,900	297,900	297,900	-
Stormwater billing reimbursement	128,856	128,856	128,856	-
<b>Total operating revenue</b>	<u>22,911,139</u>	<u>22,911,139</u>	<u>23,665,608</u>	<u>754,469</u>
<b>NONOPERATING REVENUES</b>				
Interest income	535,259	535,259	846,202	310,943
Sale of assets	100	100	982	882
Contribution from reserve	2,031,550	2,031,550	350,123	( 1,681,427)
<b>Total nonoperating revenue</b>	<u>2,566,909</u>	<u>2,566,909</u>	<u>1,197,307</u>	<u>( 1,369,602)</u>
<b>Total revenue</b>	<u>\$ 25,478,048</u>	<u>\$ 25,478,048</u>	<u>\$ 24,862,915</u>	<u>\$ ( 615,133)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 EXPENDITURES BY OBJECT  
 FOR THE YEAR ENDED DECEMBER 31, 2006

GENERAL FUND

EXPENDITURES	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
<b>PERSONNEL SERVICES</b>				
Administration	\$ 694,987	\$ 694,987	\$ 684,886	\$ ( 10,101)
Administrative Services	1,986,190	1,986,190	1,879,683	( 106,507)
Treating, Pumping and Laboratory	2,837,730	2,837,730	2,776,733	( 60,997)
Transmission, Distribution and Engineering	4,275,403	4,275,403	4,045,839	( 229,564)
Water Resources	447,260	447,260	375,462	( 71,798)
Plant at Large	893,000	893,000	981,412	88,412
Total personnel services	<u>11,134,570</u>	<u>11,134,570</u>	<u>10,744,015</u>	<u>( 390,555)</u>
<b>OPERATION AND MAINTENANCE</b>				
Administration	183,575	183,575	187,762	4,187
Administrative Services	789,450	789,450	800,593	11,143
Treating, Pumping and Laboratory	3,324,300	3,324,300	3,532,041	207,741
Transmission, Distribution and Engineering	625,900	625,900	729,412	103,512
Water Resources	1,140,100	1,140,100	975,434	( 164,666)
Plant at Large	579,282	579,282	511,387	( 67,895)
Total operation and maintenance	<u>6,642,607</u>	<u>6,642,607</u>	<u>6,736,629</u>	<u>94,022</u>
<b>CAPITAL OUTLAY</b>				
Administration	8,700	8,700	3,121	( 5,579)
Administrative Services	84,900	84,900	47,411	( 37,489)
Treating, Pumping and Laboratory	659,350	659,350	645,616	( 13,734)
Transmission, Distribution and Engineering	2,310,950	2,310,950	2,279,820	( 31,130)
Water Resources	181,200	181,200	19,599	( 161,601)
Plant at Large (Interfund Transfers)	4,455,771	4,455,771	4,386,704	( 69,067)
Total capital outlay	<u>7,700,871</u>	<u>7,700,871</u>	<u>7,382,271</u>	<u>( 318,600)</u>
Total expenditures	<u>\$ 25,478,048</u>	<u>\$ 25,478,048</u>	<u>\$ 24,862,915</u>	<u>\$ ( 615,133)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

PERSONNEL SERVICES

ADMINISTRATION

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
<b>SALARIES AND WAGES</b>				
Director	\$ 344,201	\$ 344,201	\$ 326,617	\$ ( 17,584)
Specialist	158,834	158,834	151,079	( 7,755)
Part-time	10,806	10,806	7,656	( 3,150)
Total salaries and wages	513,841	513,841	485,352	( 28,489)
<b>BENEFITS</b>				
Longevity	3,580	3,580	3,384	( 196)
Employee assistance	130	130	130	-
Social security	35,816	35,816	37,892	2,076
Pension	15,091	15,091	15,127	36
Health insurance	42,876	42,876	45,912	3,036
Dental insurance	4,159	4,159	4,512	353
Disability insurance	3,682	3,682	3,690	8
Life insurance	6,582	6,582	6,597	15
Sick leave	32,359	32,359	41,825	9,466
Vacation leave	36,871	36,871	40,465	3,594
Total benefits	181,146	181,146	199,534	18,388
Total personnel services	\$ 694,987	\$ 694,987	\$ 684,886	\$ ( 10,101)

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

OPERATION AND MAINTENANCE

ADMINISTRATION

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
 OPERATION AND MAINTENANCE				
Outside services	\$ 72,100	\$ 72,100	\$ 78,472	\$ 6,372
Consulting services	5,000	5,000	5,450	450
Utilities - other	3,500	3,500	4,057	557
Maintenance	2,750	2,750	3,253	503
Advertising	10,500	10,500	10,769	269
In-service training	48,850	48,850	45,549	( 3,301)
Office supplies	3,500	3,500	4,595	1,095
Subscriptions and memberships	37,375	37,375	35,617	( 1,758)
 Total operation and maintenance	 \$ 183,575	 \$ 183,575	 \$ 187,762	 \$ 4,187

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

CAPITAL OUTLAY

ADMINISTRATION

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
 CAPITAL OUTLAY				
Office equipment	\$ 4,000	\$ 4,000	\$ -	\$ ( 4,000)
Computer	4,700	4,700	3,121	( 1,579)
 Total capital outlay	 \$ 8,700	 \$ 8,700	 \$ 3,121	 \$ ( 5,579)

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

PERSONNEL SERVICES

ADMINISTRATIVE SERVICES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
<b>SALARIES AND WAGES</b>				
Division manager	\$ 94,075	\$ 94,075	\$ 90,643	\$ ( 3,432)
Manager	158,676	158,676	147,682	( 10,994)
Supervision	62,101	62,101	55,659	( 6,442)
Specialist	483,048	483,048	449,855	( 33,193)
Skills and trades	593,503	593,503	546,538	( 46,965)
Part-time	27,565	27,565	4,106	( 23,459)
Overtime	12,000	12,000	19,808	7,808
	<u>1,430,968</u>	<u>1,430,968</u>	<u>1,314,291</u>	<u>( 116,677)</u>
Total salaries and wages				
<b>BENEFITS</b>				
Longevity	11,520	11,520	9,945	( 1,575)
Employee assistance	540	540	540	-
Social security	108,366	108,366	113,674	5,308
Pension	41,440	41,440	41,751	311
Health insurance	174,000	174,000	167,913	( 6,087)
Dental insurance	20,260	20,260	20,393	133
Disability insurance	10,186	10,186	10,201	15
Life insurance	18,378	18,378	18,407	29
Sick leave	80,475	80,475	90,428	9,953
Vacation leave	90,057	90,057	92,140	2,083
	<u>555,222</u>	<u>555,222</u>	<u>565,392</u>	<u>10,170</u>
Total benefits				
Total personnel services	<u>\$ 1,986,190</u>	<u>\$ 1,986,190</u>	<u>\$ 1,879,683</u>	<u>\$ ( 106,507)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

OPERATION AND MAINTENANCE

ADMINISTRATIVE SERVICES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
<b>OPERATION AND MAINTENANCE</b>				
Outside services	\$ 212,100	\$ 212,100	\$ 220,737	\$ 8,637
Employment costs	23,000	23,000	15,468	( 7,532)
Utilities	83,750	83,750	82,990	( 760)
Maintenance - building	60,200	60,200	100,757	40,557
Maintenance - office equipment	76,900	76,900	58,480	( 18,420)
Equipment lease and rental	1,400	1,400	540	( 860)
Interest expense - meter deposits	7,500	7,500	20,849	13,349
Collection expense	750	750	660	( 90)
Cash (over) short	100	100	144	44
Advertising	1,500	1,500	1,342	( 158)
In-service training	43,300	43,300	32,865	( 10,435)
Office supplies	101,450	101,450	100,009	( 1,441)
Janitor supplies	2,400	2,400	1,615	( 785)
Safety	3,900	3,900	1,953	( 1,947)
Postage	161,800	161,800	152,369	( 9,431)
Subscriptions and memberships	9,400	9,400	9,815	415
<b>Total operation and maintenance</b>	<b>\$ 789,450</b>	<b>\$ 789,450</b>	<b>\$ 800,593</b>	<b>\$ 11,143</b>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

CAPITAL OUTLAY

ADMINISTRATIVE SERVICES

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		Budget
 CAPITAL OUTLAY				
Improvements and replacements	\$ 40,500	\$ 40,500	\$ 30,981	\$ ( 9,519)
Computer equipment	44,400	44,400	16,430	( 27,970)
 Total capital outlay	 \$ 84,900	 \$ 84,900	 \$ 47,411	 \$ ( 37,489)

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

PERSONNEL SERVICES

TREATING, PUMPING AND LABORATORY

	Budgetary Amounts			Actual Over (Under) Budget
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>SALARIES AND WAGES</b>				
Division manager	\$ 91,815	\$ 91,815	\$ 85,970	\$ ( 5,845)
Manager	166,546	166,546	152,902	( 13,644)
Supervision	139,860	139,860	133,862	( 5,998)
Specialist	218,675	218,675	201,188	( 17,487)
Skills and trades	1,275,919	1,275,919	1,205,682	( 70,237)
Part-time	13,780	13,780	3,229	( 10,551)
Temporary	36,640	36,640	26,846	( 9,794)
Overtime	120,000	120,000	149,448	29,448
	<u>2,063,235</u>	<u>2,063,235</u>	<u>1,959,127</u>	<u>( 104,108)</u>
Total salaries and wages				
<b>BENEFITS</b>				
Longevity	17,520	17,520	15,388	( 2,132)
Employee assistance	669	669	667	( 2)
Social security	149,422	149,422	169,094	19,672
Pension	55,625	55,625	56,130	505
Health insurance	241,439	241,439	248,595	7,156
Dental insurance	25,617	25,617	26,201	584
Disability insurance	13,856	13,856	13,699	( 157)
Life insurance	24,934	24,934	24,658	( 276)
Sick leave	114,506	114,506	128,276	13,770
Vacation leave	130,907	130,907	134,898	3,991
	<u>774,495</u>	<u>774,495</u>	<u>817,606</u>	<u>43,111</u>
Total benefits				
Total personnel services	<u>\$ 2,837,730</u>	<u>\$ 2,837,730</u>	<u>\$ 2,776,733</u>	<u>\$ ( 60,997)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

OPERATION AND MAINTENANCE

TREATING, PUMPING AND LABORATORY

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
OPERATION AND MAINTENANCE				
Outside services	\$ 343,500	\$ 343,500	\$ 330,915	\$ ( 12,585)
Engineering consulting	27,000	27,000	4,034	( 22,966)
Utilities	1,788,800	1,788,800	1,995,204	206,404
Repair and maintenance - equipment	184,900	184,900	186,074	1,174
Maintenance - building	395,250	395,250	439,182	43,932
Maintenance - office equipment	3,200	3,200	659	( 2,541)
Tool replacement	12,500	12,500	10,167	( 2,333)
Chemical (over) short	2,000	2,000	2,489	489
In-service training	24,400	24,400	17,638	( 6,762)
Office supplies	12,850	12,850	10,291	( 2,559)
Shop supplies	3,500	3,500	116	( 3,384)
Janitor supplies	4,000	4,000	3,220	( 780)
Safety	17,350	17,350	16,270	( 1,080)
Chemicals	441,600	441,600	466,676	25,076
Laboratory	61,550	61,550	48,247	( 13,303)
Subscriptions and memberships	1,900	1,900	859	( 1,041)
	<u>1,900</u>	<u>1,900</u>	<u>859</u>	<u>( 1,041)</u>
 Total operation and maintenance	 \$ <u>3,324,300</u>	 \$ <u>3,324,300</u>	 \$ <u>3,532,041</u>	 \$ <u>207,741</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

CAPITAL OUTLAY

TREATING, PUMPING AND LABORATORY

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
<b>CAPITAL OUTLAY</b>				
Improvements and replacements	\$ 120,150	\$ 120,150	\$ 115,260	\$ ( 4,890)
Furniture and fixtures	1,100	1,100	1,230	130
Computer equipment	9,800	9,800	7,592	( 2,208)
Treating equipment	289,200	289,200	138,315	( 150,885)
Pumping equipment	224,700	224,700	332,383	107,683
Laboratory equipment	-	-	2,700	2,700
Heavy equipment	14,400	14,400	48,136	33,736
	<u>659,350</u>	<u>659,350</u>	<u>645,616</u>	<u>( 13,734)</u>
Total capital outlay	<u>\$ 659,350</u>	<u>\$ 659,350</u>	<u>\$ 645,616</u>	<u>\$ ( 13,734)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

PERSONNEL SERVICES

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
<b>SALARIES AND WAGES</b>				
Division manager	\$ 91,815	\$ 91,815	\$ 86,935	\$ ( 4,880)
Manager	166,546	166,546	155,196	( 11,350)
Supervision	278,019	278,019	260,289	( 17,730)
Specialist	42,467	42,467	39,782	( 2,685)
Skills and trades	2,269,440	2,269,440	2,108,685	( 160,755)
Part-time	17,992	17,992	18,707	715
Temporary	73,360	73,360	41,561	( 31,799)
Overtime	122,000	122,000	128,874	6,874
	<u>3,061,639</u>	<u>3,061,639</u>	<u>2,840,029</u>	<u>( 221,610)</u>
<b>BENEFITS</b>				
Longevity	37,200	37,200	33,431	( 3,769)
Employee assistance	1,115	1,115	1,121	6
Social security	226,969	226,969	246,710	19,741
Pension	85,446	85,446	83,766	( 1,680)
Health insurance	384,107	384,107	369,366	( 14,741)
Dental insurance	37,844	37,844	37,189	( 655)
Disability insurance	20,604	20,604	20,510	( 94)
Life insurance	37,560	37,560	36,957	( 603)
Sick leave	177,075	177,075	173,563	( 3,512)
Vacation leave	205,844	205,844	203,197	( 2,647)
	<u>1,213,764</u>	<u>1,213,764</u>	<u>1,205,810</u>	<u>( 7,954)</u>
Total personnel services	<u>\$ 4,275,403</u>	<u>\$ 4,275,403</u>	<u>\$ 4,045,839</u>	<u>\$ ( 229,564)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

OPERATION AND MAINTENANCE

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
OPERATION AND MAINTENANCE				
Outside services	\$ 16,150	\$ 16,150	\$ 26,292	\$ 10,142
Engineering consulting	6,000	6,000	7,752	1,752
Utilities	74,400	74,400	73,316	( 1,084)
Auto and truck	132,200	132,200	112,773	( 19,427)
Repair and maintenance - equipment	5,200	5,200	9,305	4,105
Maintenance - building	52,600	52,600	60,664	8,064
Maintenance - office equipment	14,500	14,500	7,762	( 6,738)
Maintenance - mains	90,000	90,000	156,755	66,755
Maintenance - meters	9,200	9,200	17,838	8,638
Maintenance - hydrants	7,000	7,000	6,649	( 351)
Maintenance - valves	9,000	9,000	10,080	1,080
Maintenance - cathodic protection	500	500	161	( 339)
Service lines	5,000	5,000	9,965	4,965
Tool replacement	16,750	16,750	23,555	6,805
Barricades	2,200	2,200	3,088	888
Warehouse (over) short	1,000	1,000	9,033	8,033
Uninsured small claims	5,000	5,000	2,130	( 2,870)
Freight expense	600	600	-	( 600)
Communication	8,350	8,350	6,629	( 1,721)
In-service training	18,750	18,750	15,739	( 3,011)
Gasoline and oil	110,000	110,000	133,205	23,205
Office supplies	16,500	16,500	15,304	( 1,196)
Shop supplies	2,500	2,500	7,002	4,502
Janitor supplies	4,000	4,000	2,036	( 1,964)
Safety	4,000	4,000	4,241	241
Meter shop supplies	10,000	10,000	2,949	( 7,051)
Subscriptions and memberships	4,500	4,500	5,189	689
<b>Total operation and maintenance</b>	<b>\$ 625,900</b>	<b>\$ 625,900</b>	<b>\$ 729,412</b>	<b>\$ 103,512</b>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

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>
<b>CAPITAL OUTLAY</b>				
Improvements and replacements	\$ 77,700	\$ 77,700	\$ 108,103	\$ 30,403
Mains	1,346,500	1,346,500	1,450,178	103,678
Valves	9,000	9,000	11,791	2,791
Meters	270,000	270,000	194,597	( 75,403)
Fire hydrants	25,000	25,000	53,787	28,787
Taps	9,000	9,000	20,331	11,331
Cathodic protection	87,900	87,900	599	( 87,301)
Computer equipment	31,750	31,750	51,506	19,756
Heavy equipment	109,600	109,600	48,273	( 61,327)
Transportation	344,500	344,500	340,655	( 3,845)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total capital outlay	<u>\$ 2,310,950</u>	<u>\$ 2,310,950</u>	<u>\$ 2,279,820</u>	<u>\$ ( 31,130)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

PERSONNEL SERVICES

WATER RESOURCES

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
<b>SALARIES AND WAGES</b>				
Division manager	\$ 91,815	\$ 91,815	\$ 86,260	\$ ( 5,555)
Supervision	69,930	69,930	63,588	( 6,342)
Specialist	155,879	155,879	107,706	( 48,173)
Total salaries and wages	317,624	317,624	257,554	( 60,070)
<b>BENEFITS</b>				
Longevity	2,880	2,880	2,708	( 172)
Employee assistance	74	74	75	1
Social security	24,763	24,763	22,968	( 1,795)
Pension	9,528	9,528	8,233	( 1,295)
Health insurance	39,632	39,632	30,591	( 9,041)
Dental insurance	3,833	3,833	2,927	( 906)
Disability insurance	2,001	2,001	2,009	8
Life insurance	4,164	4,164	3,601	( 563)
Sick leave	19,803	19,803	23,168	3,365
Vacation leave	22,958	22,958	21,628	( 1,330)
Total benefits	129,636	129,636	117,908	( 11,728)
Total personnel services	\$ 447,260	\$ 447,260	\$ 375,462	\$ ( 71,798)

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

OPERATION AND MAINTENANCE

WATER RESOURCES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
OPERATION AND MAINTENANCE				
Outside services	\$ 82,900	\$ 82,900	\$ 64,901	\$ ( 17,999)
Consulting services	130,650	130,650	56,448	( 74,202)
Comanche return flow	200	200	-	( 200)
Homestake Aurora	7,500	7,500	7,500	-
Twin Lakes water rights	229,800	229,800	229,543	( 257)
Busk Ivanhoe water rights	250,000	250,000	250,000	-
Water storage and transportation	164,900	164,900	185,268	20,368
Short-term water purchases	63,000	63,000	42,264	( 20,736)
Utilities	13,250	13,250	13,200	( 50)
Maintenance - equipment	4,000	4,000	409	( 3,591)
Maintenance - building	2,000	2,000	-	( 2,000)
Maintenance - office equipment	1,750	1,750	3,069	1,319
Tool replacement	1,700	1,700	3,033	1,333
Clear Creek reservoir	33,500	33,500	5,224	( 28,276)
Wurtz ditch	1,500	1,500	1,113	( 387)
Wurtz expansion	1,500	1,500	990	( 510)
Ewing ditch	1,500	1,500	1,067	( 433)
Columbine ditch	2,500	2,500	2,958	458
Ranch property maintenance	3,500	3,500	872	( 2,628)
Dwelling - Leadville	2,000	2,000	1,761	( 239)
Dwelling - Clear Creek	2,000	2,000	2,163	163
Snowplowing operations	30,000	30,000	29,236	( 764)
Transmountain maintenance	50,000	50,000	27,173	( 22,827)
In-service training	39,650	39,650	33,590	( 6,060)
Gasoline and oil	5,000	5,000	7,269	2,269
Office supplies	4,900	4,900	2,805	( 2,095)
Subscriptions and memberships	10,900	10,900	3,578	( 7,322)
Total operation and maintenance	<u>\$ 1,140,100</u>	<u>\$ 1,140,100</u>	<u>\$ 975,434</u>	<u>\$ ( 164,666)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

CAPITAL OUTLAY

WATER RESOURCES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
 CAPITAL OUTLAY				
Improvements and replacements	\$ 16,600	\$ 16,600	\$ 16,197	\$ ( 403)
Trans Mountain ditch	3,000	3,000	-	( 3,000)
Computer equipment	152,600	152,600	2,081	(150,519)
Heavy equipment	2,000	2,000	1,321	( 679)
Expansion	7,000	7,000	-	( 7,000)
 Total capital outlay	 \$ 181,200	 \$ 181,200	 \$ 19,599	 \$ (161,601)

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

PERSONNEL SERVICES

PLANT AT LARGE

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
<b>SALARIES AND WAGES</b>				
Pending retirees	\$ -	\$ -	\$ 14,175	\$ 14,175
Total salaries and wages	-	-	14,175	14,175
<b>BENEFITS</b>				
Longevity	-	-	582	582
Employee assistance	-	-	29	29
Social security	-	-	3,533	3,533
Pension	742,000	742,000	772,131	30,131
Health insurance	-	-	5,099	5,099
Dental insurance	-	-	488	488
Disability insurance	-	-	180	180
Life insurance	-	-	339	339
Worker's compensation insurance	150,000	150,000	155,959	5,959
Unemployment insurance	1,000	1,000	1,317	317
Sick leave	-	-	18,575	18,575
Vacation leave	-	-	9,005	9,005
Total benefits	893,000	893,000	967,237	74,237
Total personnel services	\$ 893,000	\$ 893,000	\$ 981,412	\$ 88,412

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

OPERATION AND MAINTENANCE

PLANT AT LARGE

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
 OPERATION AND MAINTENANCE				
Outside services	\$ 239,150	\$ 239,150	\$ 191,594	\$ ( 47,556)
Insurance - property	225,000	225,000	214,906	( 10,094)
Health reimbursement - In-patient copay	4,000	4,000	4,562	562
Health insurance - retirees	64,016	64,016	53,506	( 10,510)
Life insurance - retirees	10,016	10,016	9,964	( 52)
Pension supplement	37,100	37,100	36,855	( 245)
 Total operation and maintenance	 \$ 579,282	 \$ 579,282	 \$ 511,387	 \$ ( 67,895)

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED DECEMBER 31, 2006

FUND TRANSFERS

PLANT AT LARGE

	Budgeted Amounts		Actual	Actual Over (Under) Budget.
	Original	Final		
<b>FUND TRANSFERS</b>				
Transfer to Debt Service Fund	\$ 3,950,854	\$ 3,950,854	\$ 3,950,854	\$ -
Transfer to Water Development Fund	504,917	504,917	435,850	(69,067)
 Total fund transfers	 \$ 4,455,771	 \$ 4,455,771	 \$ 4,386,704	 \$ (69,067)

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 REVENUES BY SOURCE AND EXPENDITURES BY OBJECT  
 FOR THE YEAR ENDED DECEMBER 31, 2006

WATER DEVELOPMENT FUND

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
<b>OPERATING REVENUE</b>				
Readiness to serve - Comanche Unit # 3	\$ 8,863,620	\$ 8,863,620	\$ 8,863,620	\$ -
<b>NONOPERATING REVENUES</b>				
Interest income	156,550	156,550	391,647	235,097
Contribution from general fund-rate increase	390,917	390,917	322,127	( 68,790)
Contribution from general fund-Aurora contract	114,000	114,000	113,723	( 277)
Total nonoperating revenues	<u>661,467</u>	<u>661,467</u>	<u>827,497</u>	<u>166,030</u>
Total revenues	<u>9,525,087</u>	<u>9,525,087</u>	<u>9,691,117</u>	<u>166,030</u>
<b>EXPENDITURES</b>				
Outside services	60,000	60,000	75,753	15,753
Consulting services	140,000	140,000	-	( 140,000)
Computer equipment	-	-	39,215	39,215
Contribution to reserve	<u>9,325,087</u>	<u>9,325,087</u>	<u>9,576,149</u>	<u>251,062</u>
Total expenditures	<u>9,525,087</u>	<u>9,525,087</u>	<u>9,691,117</u>	<u>166,030</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AND EXPENDITURES</b>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 BUDGETARY COMPARISON SCHEDULE  
 REVENUE BY SOURCE AND EXPENDITURES BY OBJECT  
 FOR THE YEAR ENDED DECEMBER 31, 2006

DEBT SERVICE FUND

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
<b>NONOPERATING REVENUES</b>				
Interest income	\$ 42,000	\$ 42,000	\$ 76,987	\$ 34,987
Contribution from general fund	3,950,854	3,950,854	3,950,854	-
<b>Total revenue</b>	<b>3,992,854</b>	<b>3,992,854</b>	<b>4,027,841</b>	<b>34,987</b>
<b>DEBT RETIREMENT</b>				
Contribution to reserve	42,000	42,000	76,987	34,987
Principal - Series A	1,426,667	1,426,667	1,426,667	-
Principal - Series B	248,564	248,564	248,564	-
Principal - Municipal outlet	95,541	95,541	95,541	-
Interest - Series 2005	1,331,519	1,331,519	1,331,519	-
Interest - Series A	397,326	397,326	397,326	-
Interest - Series B	377,818	377,818	377,818	-
Interest - Municipal outlet	73,419	73,419	73,419	-
<b>Total debt retirement</b>	<b>3,992,854</b>	<b>3,992,854</b>	<b>4,027,841</b>	<b>34,987</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AND EXPENDITURES</b>				
	\$ -	\$ -	\$ -	\$ -

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
SCHEDULE OF BONDS AND LOANS OUTSTANDING  
DECEMBER 31, 2006

Schedule One

<u>Designation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Original Amount Issued</u>	<u>Amount Retired To Date</u>	<u>Deferred Amount on Refunding</u>	<u>Amount Outstanding December 31, 2006</u>	<u>Final Maturity Year Ending December 31</u>
<b>BONDS</b>							
Water System Improvement Revenue Bonds Series 2000A	January 1, 2000	5.00% - 6.00%	\$ 38,885,000	\$ 32,465,000	\$ -	\$ 6,420,000	2021
Water Refunding Revenue Bonds Series 2005	May 3, 2005	3.50% - 5.25%	28,575,000	-	( 2,314,079)	26,260,921	2021
<b>LOANS</b>							
Colorado Water Resources and Power Development Authority	April 15, 2000	4.6%	9,558,795	840,746	-	8,718,049	2022
United States Department of the Interior, Bureau of Reclamation	July 11, 2000	3.046%	<u>2,927,094</u>	<u>612,319</u>	<u>-</u>	<u>2,314,775</u>	2024
			<u>\$ 79,945,889</u>	<u>\$ 33,918,065</u>	<u>\$ ( 2,314,079)</u>	<u>\$ 43,713,745</u>	

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS  
DECEMBER 31, 2006

Schedule Two

<u>Year Ending December 31,</u>	<u>Water Revenue Bonds</u>		<u>Notes Payable</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2007	\$ 1,485,000	\$ 1,669,885	\$ 350,139	\$ 443,823	\$ 3,948,847
2008	1,560,000	1,594,152	358,493	432,875	3,945,520
2009	1,840,000	1,513,030	377,648	421,428	4,152,106
2010	1,935,000	1,419,844	386,188	409,362	4,150,394
2011	2,035,000	1,317,006	400,180	392,027	4,144,213
2012	2,115,000	1,235,607	408,916	382,105	4,141,628
2013	2,200,000	1,151,006	423,111	365,653	4,139,770
2014	2,315,000	1,041,007	442,766	352,464	4,151,237
2015	2,435,000	919,469	457,176	338,606	4,150,251
2016	2,535,000	819,025	466,343	324,255	4,144,623
2017	2,645,000	704,950	486,337	308,997	4,145,284
2018	2,765,000	585,925	501,096	287,357	4,139,378
2019	2,895,000	456,500	521,332	270,389	4,143,221
2020	3,040,000	311,750	541,696	252,703	4,146,149
2021	3,195,000	159,750	562,191	234,288	4,151,229
2022	-	-	4,026,129	214,017	4,240,146
2023	-	-	159,118	9,842	168,960
2024	-	-	163,965	4,995	168,960
	<u>\$ 34,995,000</u>	<u>\$ 14,898,906</u>	<u>\$ 11,032,824</u>	<u>\$ 5,445,186</u>	<u>\$ 66,371,916</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO  
 SCHEDULE OF REVENUE AND EXPENDITURES  
 WATER DEVELOPMENT FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2006

Schedule Three

REVENUE

Readiness to serve - Comanche Unit #3	\$ 8,863,620
Interest earned	391,647
Contribution from General Fund	435,850
Total revenue	<u>9,691,117</u>

EXPENDITURE

Outside services	<u>75,753</u>
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EXCESS OF REVENUE OVER EXPENDITURES	9,615,364
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BALANCE, JANUARY 1	<u>1,608,960</u>
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BALANCE, DECEMBER 31	\$ <u><u>11,224,324</u></u>
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REPRESENTED BY:

Amount due from General Fund	\$ 21,004
Treasury bill	3,096,558
Money market fund	<u>8,106,762</u>

Total	\$ <u><u>11,224,324</u></u>
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## RESULTS OF OPERATIONS

The budgetary comparison of revenues and expenditure for the year ended December 31, 2006 is presented on pages thirty-three and thirty-four and a schedule of future debt service requirements is presented on page fifty-six.

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

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

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

Total capital expenditures--page thirty-four	\$ 7,382,271
Plant at Large interfund transfers	( 4,386,704)
Contributions to capital assets construction from various improvement districts and developers	814,221
Commitments on construction contracts for budget purposes	( 318,052)
Prior year commitments on construction contracts for budget purposes	585,804
Water development equipment not included above	39,215
Prior year construction in progress capitalized currently	27,195
Rounding differences	<u>4</u>
Total capital asset additions--Note 6	<u><u>\$ 4,143,954</u></u>

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

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

Scheduled interest payments	
Series 2000A Water System Improvement bonds	\$ 409,118
Series 2005 Water Refunding Revenue bonds	1,331,519
Colorado Water Resources and Power Authority	381,036
United States Department of the Interior	<u>73,419</u>
	\$ 2,195,092
Accrued interest on bonds and notes, December 31, 2005	( 485,580)
Accrued interest on bonds and notes, December 31, 2006	469,116
Discount amortization on Colorado Water Resources and Power Development Authority	1,133
Premium amortization	( 96,533)
Amortization of deferred amount on refunding	<u>156,005</u>
Total	<u><u>\$ 2,239,233</u></u>

STATEMENT OF NET ASSETS ACCOUNT EXPLANATION

ASSETS

CASH ON HAND AND IN BANKS \$ 5,708

This amount consists of cash as follows:

Working funds	\$ 4,600
Cash in banks--checking accounts	
Pueblo Bank & Trust	<u>1,108</u>
Total	<u>\$ 5,708</u>

CASH INVESTMENTS \$ 28,456,105

ColoTrust money market funds	\$ 14,558,723
Wells Fargo Bank money market	21,673
Certificates of deposit	
ABC Bank	2,900,000
Canon National Bank	250,000
Frontier Bank	1,250,000
Pueblo Bank & Trust	1,000,000
Southern Colorado National Bank	250,000
US Bank	1,950,000
US Treasury securities	<u>6,275,709</u>
	<u>\$ 28,456,105</u>

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

ACCOUNTS RECEIVABLE--CUSTOMERS \$ 2,085,602

This account consists of the following:

Accounts receivable--water customers	
Water	\$ 534,794
Sewer	502,971
Storm Water	214,343
Accounts receivable--service accounts	<u>847,133</u>
	2,099,241
Less provision for uncollectible accounts	<u>13,639</u>
Total	<u>\$ 2,085,602</u>

Accounts receivable do not include estimates of unbilled receivables for water sales from the December, 2006 meter reading dates to December 31, 2006. Water customers are billed on a cycle basis. At the respective billing dates in December, 2006, the accounts which were considered delinquent amounted to \$ 199,363 of which \$ 85,542 is for sewer delinquencies and \$ 71,694 is for storm water delinquencies. This does not include amounts due on service accounts of \$ 458,405. The Board acts as a collection agent for the City of Pueblo, Colorado; therefore sewer and storm water delinquencies do not affect the Board's provision for uncollectible accounts.

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

	<u>0-34 Days</u>	<u>35-60 Days</u>	<u>Over 60 Days</u>	<u>Total</u>
Water	\$ 492,667	\$ 27,689	\$ 14,438	\$ 534,794
Service				
accounts	<u>388,728</u>	<u>457,802</u>	<u>603</u>	<u>847,133</u>
	881,395	485,491	15,041	1,381,927
Sewer	417,429	52,810	32,732	502,971
Storm water	<u>142,649</u>	<u>16,569</u>	<u>55,125</u>	<u>214,343</u>
 Total	 <u>\$ 1,441,473</u>	 <u>\$ 554,870</u>	 <u>\$ 102,898</u>	 <u>\$ 2,099,241</u>

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

Balance, January 1, 2006	\$ 9,256
Add	
Current year's provision	\$ 10,087
Recoveries of amounts written off previously	<u>3,181</u>
	<u>13,268</u>
	22,524
Less	
Uncollectible accounts written off	<u>8,885</u>
 Balance, December 31, 2006	 <u>\$ 13,639</u>

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

INVENTORIES \$ 867,992

Inventories are classified as follows:

Filtration and purification materials	\$ 106,367
General warehouse materials	<u>761,625</u>
 Total	 <u>\$ 867,992</u>

Inventories were taken as of December 29, 2006, under the supervision of management.

PREPAID ITEMS \$ 308,231

This account consists of the following prepaid amounts:

Unexpired portion of workers' compensation	\$ 152,031
Prepaid water storage	104,100
Prepaid software license	38,975
Miscellaneous prepaid items	<u>13,125</u>
 Total	 \$ <u><u>308,231</u></u>

ACCRUED INTEREST RECEIVABLE \$ 193,301

This amount represents interest receivable that has accrued on certificates of deposit.

ADVANCES FOR EMPLOYEES \$ 3,113

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

#### RESTRICTED ASSETS

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

Money Market Fund	\$ <u>1,207,522</u>
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This amount consists of funds invested in ColoTrust.

CAPITAL ASSETS \$ 163,594,123

A summary of the changes in capital assets for the year ended December 31, 2006 follows:

Capital Assets	
Balance, January 1, 2006	\$ 226,075,456
Additions by purchases, construction and contributions	<u>4,116,759</u>
	230,192,215
Less retirements and deletions	<u>308,846</u>
Balance, December 31, 2006	229,883,369
Less accumulated depreciation	<u>66,289,246</u>
Undepreciated balance, December 31, 2006	<u><u>\$ 163,594,123</u></u>

UNAMORTIZED DEBT EXPENSE \$ 515,863

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

UNAMORTIZED DISCOUNT \$ 17,611

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

## LIABILITIES

CURRENT MATURITIES OF LONG-TERM DEBT \$ 1,835,139

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

Repayment contract with United States	
Department of the Interior	\$ 98,451
2000A Water System Revenue Bonds	1,485,000
Colorado Water Resources and Power	
Development Authority	<u>251,688</u>
Total	<u>\$ 1,835,139</u>

ACCOUNTS PAYABLE \$ 1,556,111

Accounts payable include outstanding bills for expenses, materials and capital assets related to the budget for the year ended December 31, 2006. Included in outstanding bills is \$ 1,004,175 and \$ 418,192 owed to the City of Pueblo, Colorado for collection of the City's sewer and storm water fees, respectively.

There are no known direct liabilities which are not recorded.

RETAINAGE WITHHELD ON CONSTRUCTION CONTRACTS \$ 40,378

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

CURRENT PORTION OF ACCRUED VACATION PAYROLL \$ 321,579

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

CUSTOMER METER DEPOSITS \$ 633,765

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

DEFERRED REVENUE--CURRENT \$ 466,743

Deferred revenue--current includes:

Advance payments received on raw water sales for 2007	\$ 22,583
Advance payments received on 2007 water sales--Aurora old	<u>444,160</u>
Total	<u>\$ 466,743</u>

DEVELOPER DEPOSITS \$ 56,240

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

ACCRUED PAYROLL \$ 211,247

This account represents the amount of payroll costs incurred in December, 2006 to be paid in January, 2007.

ACCRUED INTEREST \$ 38,671

This amount includes the interest due on meter deposits.

ACCRUED SALES TAXES \$ 847

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

REVENUE BONDS \$ 31,195,921

This amount represents the long-term portion of general obligation bonds. The total obligation is \$32,680,821 of which \$1,485,000 is a current liability. These bonds are revenue obligations of The Board of Water Works of Pueblo, Colorado, payable solely from the net revenues derived from operations. The net revenues include gross revenues less any amounts required to pay operation and maintenance expenses. Operation and maintenance expenses deducted from gross revenues include all current reasonable and necessary expenses of operations, maintenance and repairs, but do not include any allowance for depreciation of capital replacements and improvements.

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

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

LOAN AND REPAYMENT CONTRACT \$ 10,682,685

This amount consists of:

Loan agreement with Colorado Water Resources and Power Development Authority to finance the construction of the pipeline that connected to the Pueblo Dam, net of current maturities of \$251,688 shown as a current liability

\$ 8,466,361

Repayment contract with the United States  
 Department of the Interior, Bureau of Reclamation  
 for the Board's portion of the cost of the  
 municipal outlet at the Pueblo Dam less current  
 maturities of \$ 98,451 which is shown as a  
 current liability

2,216,324

Total

\$ 10,682,685

ACCRUED SICK LEAVE AND VACATION PAYROLL

\$ 2,117,076

This account represents the long-term portion of sick and vacation leave. The total obligation is \$ 2,438,655 of which \$ 321,579 is a current liability. The Board's sick and vacation pay is detailed in Note 9 to the financial statements.

ACCRUED PAYROLL TAXES ON ACCRUED SICK LEAVE AND  
 VACATION PAYROLL

\$ 186,557

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

DEFERRED REVENUE

\$ 556,069

Deferred revenue includes:

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

\$ 533,025

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

8,475

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

14,569

Total

\$ 556,069

UNAMORTIZED BOND PREMIUM \$ 1,431,899

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

LIABILITIES PAYABLE FROM RESTRICTED ASSETS \$ 469,116

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

NET ASSETS \$ 145,455,128

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

Invested in capital assets, net of related debt	\$ 118,981,953
Restricted	738,406
Unrestricted	<u>25,734,769</u>
Total	\$ <u><u>145,455,128</u></u>

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

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

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