

STATEMENT OF NET ASSETS ACCOUNT EXPLANATION

ASSETS

CASH ON HAND AND IN BANKS \$ 17,476

This amount consists of cash as follows:

Working funds	\$ 4,400
Cash in banks--checking accounts	
Vectra Bank--water development fund account	251
Vectra Bank--capital project account	12,220
Pueblo Bank & Trust	<u>605</u>
Total	<u>\$ 17,476</u>

TEMPORARY CASH INVESTMENTS \$ 14,635,405

ColoTrust money market funds	\$ 13,078,966
Certificates of deposit	
Canon National Bank	256,439
First National Bank Colorado	600,000
Pueblo Bank & Trust	500,000
Vectra Bank	<u>200,000</u>
	<u>\$ 14,635,405</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 \$ 1,640,652

This account consists of the following:

Accounts receivable--water customers	
Water	\$ 516,009
Sewer	377,126
Accounts receivable--service accounts	<u>760,583</u>
	1,653,718
Less provision for uncollectible accounts	<u>13,066</u>
Total	<u>\$ 1,640,652</u>

Accounts receivable do not include estimates of unbilled receivables for water sales from the December, 2003 meter reading dates to December 31, 2003. Water customers are billed on a cycle

basis. At the respective billing dates in December, 2003, the accounts which were considered delinquent amounted to \$ 161,723 of which \$ 109,927 is for sewer delinquencies. This does not include amounts due on service accounts of \$ 58,246. The Board acts as a collection agent for the City of Pueblo, Colorado; therefore sewer delinquencies do not affect the Board's provision for uncollectible accounts.

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

	<u>0-30 Days</u>	<u>30-60 Days</u>	<u>Over 60 Days</u>	<u>Total</u>
Water Service accounts	\$ 384,075	\$ 80,138	\$ 51,796	\$ 516,009
	<u>699,703</u>	<u>2,634</u>	<u>58,246</u>	<u>760,583</u>
	<u>1,083,778</u>	<u>82,772</u>	<u>110,042</u>	<u>1,276,592</u>
Sewer	<u>267,199</u>	<u>-</u>	<u>109,927</u>	<u>377,126</u>
Total	<u>\$ 1,350,977</u>	<u>\$ 82,772</u>	<u>\$ 219,969</u>	<u>\$ 1,653,718</u>

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

Balance, January 1, 2003	\$ 11,276
Add	
Current year's provision	\$ (1,275)
Recoveries of amounts written off previously	<u>9,574</u>
	<u>19,575</u>
Less	
Uncollectible accounts written off	<u>6,509</u>
Balance, December, 31, 2003	<u>\$ 13,066</u>

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

INVENTORIES \$ 689,584

Inventories are classified as follows:

Filtration and purification materials	\$ 86,484
General warehouse materials	<u>603,100</u>
Total	<u>\$ 689,584</u>

Inventories were taken as of December 31, 2003, under the supervision of management.

PREPAID ITEMS \$ 198,631

This account consists of the following prepaid amounts:

Unexpired portion of workers' compensation	\$ 116,269
Prepaid water storage	52,050
Prepaid software license	<u>30,312</u>
 Total	 \$ <u><u>198,631</u></u>

ACCRUED INTEREST RECEIVABLE \$ 14,866

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

ADVANCES FOR EMPLOYEES \$ 4,832

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.

Cash in Bank	\$ <u>135</u>
This amount consists of cash in Vectra Bank--Debt Service Account.	

Money Market Fund	\$ <u>1,127,182</u>
This amount consists of funds invested in ColoTrust.	

CAPITAL ASSETS \$ 165,614,893

A summary of the changes in capital assets for the year ended December 31, 2003 follows:

Capital Assets	
Balance, January 1, 2003	\$ 217,013,436
Additions by purchases, construction and contributions	<u>3,944,627</u>
	220,958,063
Less retirements and deletions	<u>36,984</u>
Balance December 31, 2003	220,921,079
Less accumulated depreciation	<u>55,306,186</u>
Undepreciated balance, December 31, 2003	<u><u>\$ 165,614,893</u></u>

Page forty-three shows the changes in capital assets by classifications.

Principal additions during the period were in construction in progress, \$2,744,740, transmission and distribution mains, \$819,871, laboratory equipment \$206,182, and computer equipment, \$328,990.

Other capital asset additions represent principally the on-going program of system renewal, plus service to new areas.

UNAMORTIZED DEBT EXPENSE \$ 192,176

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

UNAMORTIZED DISCOUNT \$ 21,010

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 \$ 1,578,469

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	\$	89,976
2000A Water System Revenue Bonds		1,285,000
Colorado Water Resources and Power Development Authority		<u>203,493</u>
Total	\$	<u><u>1,578,469</u></u>

ACCOUNTS PAYABLE \$ 500,321

Accounts payable include outstanding bills for expenses, materials and capital assets related to the budget for the year ended December 31, 2003. Included in outstanding bills is \$ 377,126 owed to the City of Pueblo, Colorado for collection of the City's sewer fee.

There are no known direct liabilities which are not recorded.

CURRENT PORTION OF ACCRUED VACATION PAYROLL \$ 284,827

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 \$ 421,383

Customers' 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 \$ 335,873

Deferred revenue--current includes:

Expense reimbursements billed prior to December 31, 2003	\$	4,800
Advance payments received on raw water sales for 2004		35,793
Advance payments received on 2004 water sales--Aurora new		<u>295,280</u>
Total	\$	<u><u>335,873</u></u>

DEVELOPER DEPOSITS \$ 27,508

This amount represents security deposits paid to the Board by Walking Stick Estates that will be used to complete a project.

ACCRUED PAYROLL \$ 175,951

This account represents the amount of payroll costs incurred in December, 2003 to be paid in January, 2004.

ACCRUED INTEREST \$ 23,164

This amount includes the interest on bonds and loans outstanding that has accrued since the last payments.

ACCRUED SALES TAXES \$ 560

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 \$ 36,380,000

This amount represents the long-term portion of general obligation bonds. The total obligation is \$37,665,000 of which \$1,285,000 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 bonds is insured by a policy of insurance issued by Financial Security Assurance.

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

LOAN AND REPAYMENT CONTRACT \$ 11,665,553

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 \$203,493 shown as a current liability \$ 9,162,520

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 \$89,976 which is shown as a current liability 2,503,033

Total \$ 11,665,553

ACCRUED SICK LEAVE AND VACATION PAYROLL \$ 1,994,450

This account represents the long-term portion of sick and vacation leave. The total obligation is \$ 2,279,277 of which \$ 284,827 is a current liability. The Board's sick and vacation pay is detailed in Note 8 to the financial statements.

ACCRUED PAYROLL TAXES ON ACCRUED SICK LEAVE AND
VACATION PAYROLL \$ 174,365

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 \$ 611,925

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. \$ 602,550

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. 9,375

Total \$ 611,925

LIABILITIES PAYABLE FROM RESTRICTED ASSETS \$ 644,656

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

NET ASSETS \$ 129,337,837

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

Invested in capital assets, net of related debt \$ 115,990,869
Restricted 482,661
Unrestricted 12,864,307

Total \$ 129,337,837

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

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