

BOARD OF WATER WORKS OF PUEBLO, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2005 AND 2004

BOARD OF WATER WORKS OF PUEBLO, COLORADO
FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion And Analysis	3-11
Financial Statements	
Statements Of Net Assets	12
Statements Of Revenues, Expenses And Changes In Net Assets	13
Statements Of Cash Flows	14-15
Notes To Financial Statements	16-31
Supplementary Information	
Budgetary Comparison Schedule - Revenue By Source	32
Budgetary Comparison Schedule - Expenditures By Object	33
Budgetary Comparison Schedule By Department	
Administration	34-36
Administrative Services	37-39
Treating, Pumping And Laboratory	40-42
Transmission, Distribution And Engineering	43-45
Water Resources	46-48
Plant At Large	49-51
Budgetary Comparison Schedule - Revenues By Source And Expenditures By Object - Water Development Fund	52
Budgetary Comparison Schedule - Revenues By Source And Expenditures By Object - Debt Service Fund	53
Schedule Of Changes In Capital Assets	54
Schedule Of Bonds And Loans Outstanding	55
Schedule Of Future Debt Service Requirements	56
Schedule Of Revenue And Expenditures - Water Development Fund	57
Results Of Operations	58-59
Statement Of Net Assets Account Explanation	60-67

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

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

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

Members:
AICPA
CSCPA

INDEPENDENT AUDITORS' REPORT

The Board of Water Works
Pueblo, Colorado

We have audited the accompanying financial statements of the Board of Water Works of Pueblo, Colorado as of and for the years ended December 31, 2005 and 2004, 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, 2005 and 2004, 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.

As discussed in Note 13 to the financial statements, an error resulting in the understatement of infrastructure, depreciation and overstatement of net assets as of December 31, 2004 was discovered by management of the Board during the current year. Accordingly, the 2004 financial statements have been restated to correct the error.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2006, 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 8, 2006

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

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, 2005. 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, 2005, 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.

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.

2005 Review

Water sales in 2005 exceeded budget expectations, resulting in added revenue from potable water sales of \$789,000 and nearly \$590,000 for non-potable (raw) water. New construction within the Board's service area was lower than anticipated for the year, resulting in a budget shortfall for Plant Water Investment Fees of approximately \$359,000.

On May 3rd the Board consummated an advance refunding of its Series 2000A Water Revenue Bonds, achieving a reduction in long term debt service requirements of just under \$ 2.6 million.

Continuing with software enhancements that began in 2003, three additional modules were purchased and implemented in 2005, two for the Human Resources Department and one related to utility billing that will enable online bill pay and account information inquiry for web-enabled customers. The added modules cost \$66,695 and should result in greater operational efficiencies.

Beta-testing of automated meter reading systems commenced in 2005 with an eye toward implementing the successful vendor's system during 2007.

Negotiations with Public Service Company of Colorado were completed in 2005 for expanded raw water delivery to the Comanche Generation Station's present units 1 and 2, and soon to be completed unit 3. This agreement will extend through December 31, 2060.

The stored water inventory was maintained at or about 30,000 acre feet throughout 2005 and supply was sufficient to allow short term leases of nearly 10,700 acre feet during the year.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

Personnel and Customer Statistics

Authorized FTE positions totaled 132 at December 31, 2005. 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. The Board received proposals and contracted with Fox Lawson & Associates to conduct a market salary study as well as ongoing consulting services. The study found that upward adjustments were needed to maintain external competitiveness with Colorado front range communities. The adjustments called for will be implemented across a two year period.

Demand and Consumption

Total water pumped into the distribution system in 2005 totaled 9.1 billion gallons, for an increase over 2004 of 5.9%. Metered consumption was 8.5 billion gallons, for an increase of 7.0% over the prior year. The differential between pumpage and metered use is considered unaccounted for water, or system loss, however, in part it is system transit and storage. Also, there is a time differential between pumpage and the cycle read/bill process. Peak day pumpage in 2005 was 57.6 million gallons, on July 20. Natural precipitation amounted to 11.15 inches.

Diligence

Security of facilities and water quality monitoring continued to receive attention in 2005, 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 costs since 2001 have cost nearly \$2.2 million.

During 2005 the Water Works contracted with Coalfire Systems, Inc. to conduct an Information Technology (IT) Control Assessment. The comprehensive risk-based IT assessment addressed the following key elements: Information Systems Security Policy and Procedures; Network Vulnerability; IT Controls; Security Infrastructure, and Documentation.

Risk Management

The Board of Water Works utilizes a risk management program that includes 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.

2005 Financial Highlights

During 2005 Pueblo experienced warmer temperatures and decreased precipitation than those experienced in 2004. These conditions helped to cause an increase in consumption of 7.0% over 2004, which translates to an increase in metered water revenue of 9.15% over the previous year. The following table illustrates certain factors related to water sales for the past five years:

**BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005**

Year	Customers ¹	Billed Consumption (000s gal.)	Water Pumped (000s gal.)	Percent Unaccounted Water ²	Average Pumped Per Day (000s gal.)	Peak Day Pumpage (000s gal.)	Average Rainfall Inches ³
2001	36,916	9,253,848	9,931,422	6.8%	27,209	60,088	11.65
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

¹Based on customers at July 31.

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

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

Although the Board experienced an increase in residential treated water sales during 2005, it saw a 3% decline 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 2005 and 2004.

**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	2.4%	\$ 406,401	2.5%
City of Pueblo	193,296	2.3%	284,112	1.8%
Colorado Mental Health Institute	123,095	1.4%	216,570	1.3%
Colorado State University - Pueblo	117,344	1.4%	201,494	1.2%
Pueblo School District #60	112,204	1.3%	206,539	1.3%
Pueblo Country Club	89,330	1.0%	153,289	0.9%
B.F. Goodrich	84,022	1.0%	144,736	0.9%
Pueblo Housing Authority	68,341	0.8%	136,097	0.8%
Trane CO	67,525	0.8%	115,446	0.7%
Colorado Dept. of Transportation	48,683	0.6%	45,655	0.3%
St. Mary Corwin Hospital	47,324	0.6%	81,850	0.5%
Total	1,156,943	13.5%	\$ 1,992,189	12.3%

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, 2005**

**LARGEST CUSTOMERS - TREATED WATER
FOR THE YEAR ENDED DECEMBER 31, 2004**

Name	Consumption (000s gal.)	Percent of Total Consumption	Amount Billed	Percent of Total Revenue
Rocky Mountain Steel	233,523	2.9%	\$ 431,577	2.9%
City of Pueblo	217,906	2.7%	321,150	2.2%
Colorado Mental Health Institute	167,411	2.1%	282,864	1.9%
Colorado State University - Pueblo	121,743	1.5%	202,227	1.4%
Pueblo School District #60	99,854	1.3%	180,444	1.2%
Pueblo Country Club	75,860	1.0%	126,660	0.9%
Pueblo Housing Authority	56,486	0.7%	109,531	0.7%
Trane CO	64,738	0.8%	107,461	0.7%
B.F. Goodrich	63,113	0.8%	106,946	0.7%
St. Mary Corwin Hospital	48,809	0.6%	81,932	0.6%
Imperial Memorial Gardens	39,050	0.5%	65,376	0.4%
Total	1,188,493	14.9%	\$ 2,016,168	13.6%

Based on total consumption of 7,984,385,000 gallons

Based on total billing in 2005 of \$ 14,866,987

Raw water sales continued to be an important part of the revenue stream in 2005. Total raw water sales reached \$ 5.2 million, an increase of 13.43% over 2004. However, due to improved reservoir levels for most municipal lessees, raw water sales are projected to decrease in 2006.

Another modest rate increase of 3% was instituted in 2005, keeping Pueblo's rates the second lowest among cities in Colorado's front range.

During 2005 the Board experienced a sharp 34% decline in connection fees. While these fees represent a mere 5% of the Board's overall revenue, they are needed to offset costs of providing services to new areas. They are also one of the tools used to gage Pueblo's growth. The following table illustrates revenue collected from connection fees for the past five years:

HISTORY OF CONNECTION FEES

Year	Revenue Collected
2001	\$ 1,756,125
2002	1,615,009
2003	1,275,808
2004	1,630,830
2005	1,081,976

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets provides information about the Board's assets and liabilities and reflects the Board's financial position as of December 31, 2005 and 2004. The statement of revenues, expenses and changes in net assets reports the activity of providing water and the expenses related to such activity for the years ended December 31, 2005 and 2004. Finally, the statement of cash flows outlines the cash inflows and outflows related to the activity of providing water for the years ended December 31, 2005 and 2004.

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, 2005 and 2004. 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, 2005 and 2004.

CONDENSED STATEMENT OF NET ASSETS
DECEMBER 31, 2005 AND 2004

	2005	2004
ASSETS		
Current assets	\$ 22,589,490	\$ 19,604,289
Restricted assets	1,131,647	1,141,285
Capital assets	163,588,510	164,693,826
Other assets	572,251	201,479
Total assets	187,881,898	185,640,879
LIABILITIES		
Current liabilities	4,830,121	4,960,757
Long-term liabilities	48,332,018	49,682,062
Total liabilities	53,162,139	54,642,819
NET ASSETS		
Invested in capital assets, net of related debt	117,317,716	116,849,752
Restricted	646,067	566,762
Unrestricted	16,755,976	13,581,546
Total net assets	\$ 134,719,759	\$ 130,998,060

Due in large part to increased treated water sales and two substantial capital projects being pushed forward, the Board's unrestricted cash and investments grew 17% in 2005. This increase accounts for the majority of the \$ 2.2 million or 1.2% increase in total assets.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

On May 3, 2005, the Board took advantage of an opportunity to substantially lower its interest expense related to its outstanding revenue bonds. The Board issued \$ 28.6 million in new revenue bonds to refund outstanding bonds of \$ 27.2 million. The new bonds have interest rates ranging from 3.5% to 5.25%, replacing the rates on the old bonds of between 5.5% and 6%. By accomplishing the advance refund the Board will realize a net present value benefit of almost \$ 2 million over the life of the bonds.

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.

Operating Revenues

Since the drought of 2002 consumption has declined from 9.2 billion gallons in 2002 to a low of 7.98 billion in 2004. In 2005, the Board experienced a return to more familiar consumption numbers, reaching 8.5 billion gallons. This is a mark that the Board had consistently reached or exceeded from 1996 through 2003. The increase in consumption led general water sales to an increase of 6% over budgeted figures. As the following table shows, operating revenues for 2005 exceeded those of 2004 by just over 6%. (All sales are presented in millions of dollars):

Operating Revenues	2005	2004	Difference	Percentage
Water sales to general customers	\$ 16.23	\$ 14.87	\$ 1.36	9.15%
Water sales to Comanche plant	2.32	2.26	0.06	2.65%
Plant water investment fee	0.99	1.52	(0.53)	-34.87%
Other	3.69	3.24	0.45	13.89%
Total	\$ 23.23	\$ 21.89	\$ 1.34	6.12%

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	2005	2004	2003	2002	2001
Personnel services	50%	51%	53%	53%	53%
Operation and maintenance	30%	28%	28%	30%	30%
Other operating expense	20%	21%	19%	17%	17%

**BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005**

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, 2005 through 2001. 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, 2005, 2004, 2003, 2002 AND 2001

	2005	2004	2003	2002	2001
Operating revenues	\$ <u>24,225,251</u>	\$ <u>21,886,820</u>	\$ <u>21,158,629</u>	\$ <u>20,933,711</u>	\$ <u>20,872,119</u>
Operating expenses					
Administration	770,804	784,998	569,779	570,777	542,419
Administrative services	2,547,598	2,139,660	1,426,458	1,413,683	1,379,594
Treating, pumping and laboratory	5,552,418	5,044,583	4,124,544	3,783,872	3,798,581
Transmission, distribution and engineering	4,514,722	4,167,071	3,499,318	3,146,984	3,333,505
Water resources	1,254,980	1,068,126	983,593	1,052,094	952,660
Other company-wide operating expenses	<u>1,332,864</u>	<u>1,469,032</u>	<u>3,576,171</u>	<u>3,782,874</u>	<u>3,073,479</u>
Subtotal	15,973,386	14,673,470	14,179,863	13,750,284	13,080,238
Depreciation	3,888,223	3,830,425	3,414,376	2,815,188	2,591,091
Loss on abandonment of assets	<u>8,677</u>	<u>18,172</u>	<u>3,202</u>	<u>14,636</u>	<u>31,712</u>
Total operating expenses	<u>19,870,286</u>	<u>18,522,067</u>	<u>17,597,441</u>	<u>16,580,108</u>	<u>15,703,041</u>
Operating Income	4,354,965	3,364,753	3,561,188	4,353,603	5,169,078
Total Nonoperating Revenues (Expenses)	<u>(1,794,774)</u>	<u>(2,383,524)</u>	<u>(491,143)</u>	<u>43,583</u>	<u>157,172</u>
Income Before Capital Contributions	2,560,191	981,229	3,070,045	4,397,186	5,326,250
Capital Contributions	<u>1,161,508</u>	<u>678,994</u>	<u>235,769</u>	<u>1,080,782</u>	<u>2,420,151</u>
Increase in Net Assets	3,721,699	1,660,223	3,305,814	5,477,968	7,746,401
Net Assets, January 1	<u>130,998,060</u>	<u>129,337,837</u>	<u>126,032,023</u>	<u>120,554,055</u>	<u>112,807,654</u>
Net Assets, December 31	<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>	<u>\$ <u>120,554,055</u></u>

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

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

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.

The following table illustrates the Board's General Fund 2005 Budget compared to actual as well as the 2006 Budget:

GENERAL FUND BUDGET SUMMARY AND COMPARISON

	2005 <u>BUDGET</u>	2005 <u>ACTUAL</u>	2006 <u>BUDGET</u>
OPERATING REVENUES			
Water sales - Metered	\$ 15,438,250	\$ 16,227,250	\$ 16,922,247
Water sales - Comanche	1,936,000	2,315,738	2,313,360
Water sales - Raw water	1,619,500	1,786,221	631,422
Water sales - Aurora	1,052,050	1,095,170	1,170,238
Taps and meters	117,150	90,703	112,106
Material sales	131,000	130,205	126,000
Main assessments	30,000	26,610	30,000
Fire protection - public	900	4,367	1,360
Discounts	1,550	1,824	1,000
Rental income	12,200	15,920	15,500
Late field reading fee	7,550	5,300	7,550
Turn-on fee	50,350	64,555	49,000
Check processing fee	6,400	7,590	6,400
Field collection fee	1,700	1,770	1,700
Missed appointment fee	-	440	50
Interest earned on service accounts	4,000	2,106	5,000
Miscellaneous	11,900	6,272	10,500
Plant water investment fee	1,350,000	991,273	1,042,500
Insurance recovery	8,650	6,210	8,650
Comanche operations and maintenance reimbursement	15,100	16,371	4,800
Busk-Ivanhoe administration fee	20,000	20,000	25,000
Wastewater billing reimbursement	285,750	285,756	297,900
Stormwater billing reimbursement	<u>123,600</u>	<u>123,600</u>	<u>128,856</u>
 Total operating revenue	 22,223,600	 23,225,251	 22,911,139
 NONOPERATING REVENUES	 <u>2,376,655</u> ¹	 <u>534,814</u>	 <u>2,566,909</u> ²
 Total revenue	 <u>\$ 24,600,255</u>	 <u>\$ 23,760,065</u>	 <u>\$ 25,478,048</u>
 EXPENDITURES			
Personnel Services	\$ 10,387,156	\$ 9,856,017	\$ 11,134,570
Operation and Maintenance	6,525,081	6,071,417	6,642,607
Capital Outlay and Interfund Transfers	<u>7,688,018</u>	<u>6,367,615</u>	<u>7,700,871</u>
 Total expenditures	 <u>\$ 24,600,255</u>	 <u>\$ 22,295,049</u>	 <u>\$ 25,478,048</u>

¹Includes \$ 2,194,055 in contributions from reserve

²Includes \$ 2,031,550 in contributions from reserve

BOARD OF WATER WORKS OF PUEBLO, COLORADO
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005

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).

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 has dedicated 2% of the rate increase (or 47% of the revenue generated from the 4.25% increase) to its water development fund. It is anticipated that the 2% dedication will generate just under \$ 400,000 for the water development fund in its first year of implementation.

In 2005, the Pueblo Board of Water Works and the Public Service Company reached an agreement to extend and expand raw water delivery to the Comanche generation plant. This agreement extends the contract through December 31, 2060. Included in this agreement were the provisions of two one-time payments from the Public Service Company to the Board of Water Works, of \$1,000,000 and \$8,863,620 respectively. Both charges are readiness to serve charges, with the latter based upon anticipated volumes. Both readiness to serve payments are designated to the water development fund and will be used to invest in Pueblo's future as its water needs evolve.

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, 2005 AND 2004

ASSETS	2005	2004	LIABILITIES AND NET ASSETS	2005	2004
CURRENT ASSETS			CURRENT LIABILITIES		
Cash on hand and in banks (Note 4)	\$ 529,366	\$ 873,566	Current maturities of long-term debt (Notes 6 & 12)	\$ 1,756,874	\$ 1,640,854
Cash investments (Note 4)			Accounts payable (Note 9)	1,487,667	1,937,329
Money market funds	7,173,252	11,513,746	Retainage withheld on construction contracts	23,784	8,852
Certificates of deposit	6,079,091	4,500,000	Current portion of accrued vacation payroll (Note 8)	301,007	294,403
Treasury securities	6,000,617	-	Customer meter deposits	508,965	436,530
Accounts receivable			Deferred revenue (Note 7)	503,591	408,521
Customers--net of provision for uncollectible accounts of \$ 9,256 and \$ 13,036	1,461,882	1,874,089	Accrued liabilities		
Inventories	927,827	684,135	Developer deposits	31,456	30,112
Prepaid items	308,116	114,118	Payroll	191,176	183,200
Accrued interest receivable	106,693	41,123	Interest	25,026	20,581
Advances for employees	2,646	3,512	Sales taxes	575	375
Total current assets	<u>22,589,490</u>	<u>19,604,289</u>	Total current liabilities	<u>4,830,121</u>	<u>4,960,757</u>
RESTRICTED ASSETS			LONG-TERM LIABILITIES		
Cash in banks (Note 4)	-	210	Revenue bonds (Notes 6 & 12)		
Cash investments (Note 4)			(net of current maturities--\$1,415,000 and \$1,350,000 and deferred amount on refunding of \$2,470,085 and \$ 0)	32,524,915	35,030,000
Money market funds	1,131,647	1,141,075	Loan and repayment contract (Note 6)		
Total restricted assets	<u>1,131,647</u>	<u>1,141,285</u>	(net of current maturities--\$341,874 and \$290,854)	11,032,824	11,374,699
CAPITAL ASSETS (NOTE 13)			Accrued sick leave and vacation payroll (Note 8)		
Land	2,307,119	2,307,119	(net of current portion--\$301,007 and \$294,403)	2,003,996	1,928,948
Infrastructure	101,228,407	99,561,603	Accrued payroll taxes on accrued sick leave and vacation payroll	176,333	170,086
Buildings	70,325,553	70,149,748	Deferred revenue (Note 7)	579,938	603,806
Machinery and equipment	11,790,914	10,552,691	Total long-term debt and other liabilities	<u>46,318,006</u>	<u>49,107,539</u>
Water rights	40,392,986	40,392,986	OTHER LIABILITIES		
Construction in progress	30,477	516,527	Unamortized bond premium	1,528,432	-
	226,075,456	223,480,674	LIABILITIES PAYABLE FROM RESTRICTED ASSETS (NOTE 5)	485,580	574,523
Less accumulated depreciation	62,486,946	58,786,848			
Total capital assets	<u>163,588,510</u>	<u>164,693,826</u>	Total liabilities	<u>53,162,139</u>	<u>54,642,819</u>
OTHER ASSETS			NET ASSETS (NOTE 13)		
Unamortized debt expense (Note 6)	553,507	181,602	Invested in capital assets, net of related debt	117,317,716	116,849,752
Unamortized discount	18,744	19,877	Restricted	646,067	566,762
Total other assets	<u>572,251</u>	<u>201,479</u>	Unrestricted	16,755,976	13,581,546
			Total net assets	<u>\$ 134,719,759</u>	<u>\$ 130,998,060</u>
Total assets	<u>\$ 187,881,898</u>	<u>\$ 185,640,879</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, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
OPERATING REVENUES	\$ <u>24,225,251</u>	\$ <u>21,886,820</u>
OPERATING EXPENSES		
Personnel services and operation and maintenance		
Administration	770,804	784,998
Administrative services	2,547,598	2,139,660
Treating, pumping and laboratory	5,552,418	5,044,583
Transmission, distribution and engineering	4,514,722	4,167,071
Water resources	1,254,980	1,068,126
Plant at large	1,286,912	1,441,090
Water Development Fund	19,653	-
Depreciation	3,888,223	3,830,425
Amortization of bond issue expense	26,794	10,574
Bad debts	(495)	17,368
Loss on abandonment of assets	8,677	18,172
Total operating expenses	<u>19,870,286</u>	<u>18,522,067</u>
OPERATING INCOME	<u>4,354,965</u>	<u>3,364,753</u>
NONOPERATING REVENUES AND (EXPENSES)		
Interest income	593,097	242,001
Sale of assets	22,463	-
Interest expense on bonded indebtedness	(2,335,503)	(2,547,913)
Interest expense on note payable-municipal outlet	(74,831)	(77,612)
Total nonoperating revenues and (expenses)	<u>(1,794,774)</u>	<u>(2,383,524)</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS	2,560,191	981,229
CAPITAL CONTRIBUTIONS		
Contributions to capital assets from developers	<u>1,161,508</u>	<u>678,994</u>
INCREASE IN NET ASSETS	3,721,699	1,660,223
NET ASSETS, JANUARY 1	<u>130,998,060</u>	<u>129,337,837</u>
NET ASSETS, DECEMBER 31	<u><u>\$ 134,719,759</u></u>	<u><u>\$ 130,998,060</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, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 24,256,923	\$ 21,114,355
Payments to employees	(7,416,992)	(7,028,240)
Payments to suppliers	(7,454,693)	(5,460,404)
Other receipts (payments)	<u>(781,335)</u>	<u>(685,574)</u>
Net cash provided by operating activities	<u>8,603,903</u>	<u>7,940,137</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest paid on meter deposits	<u>(4,047)</u>	<u>(5,255)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(2,165,119)	(1,629,233)
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	(28,835,855)	(1,578,469)
Interest payments on general obligation bonds and notes	<u>(2,498,144)</u>	<u>(2,694,525)</u>
Net cash provided by (used for) capital and related financing activities	<u>(6,264,470)</u>	<u>(5,902,227)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(10,440,860)	-
Maturities of investments	4,550,000	-
Sale of assets	22,463	-
Interest received on investments	<u>417,770</u>	<u>215,744</u>
Net cash provided by (used for) investing activities	<u>(5,450,627)</u>	<u>215,744</u>
NET INCREASE (DECREASE) IN CASH	(3,115,241)	2,248,399
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>18,028,597</u>	<u>15,780,198</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 14,913,356</u>	<u>\$ 18,028,597</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR REPRESENTED BY		
Cash on hand and in banks	\$ 529,366	\$ 873,566
Money market funds	7,173,252	11,513,746
Certificates of deposit	6,079,091	4,500,000
Restricted assets		
Cash in banks	-	210
Money market funds	<u>1,131,647</u>	<u>1,141,075</u>
Total	<u>\$ 14,913,356</u>	<u>\$ 18,028,597</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 4,354,965	\$ 3,364,753
Adjustments to reconcile net operating revenue to net cash provided by operating activities		
Depreciation	3,888,223	3,830,425
Loss on abandonment of assets	8,677	18,172
Amortization of bond issue expense	26,794	10,574
Amortization of deferred revenue	95,070	(23,869)
Interest on meter deposits	8,492	2,672
Changes in assets and liabilities		
(Increase) decrease in accounts receivable	412,207	(233,437)
(Increase) decrease in inventories	(243,692)	5,449
(Increase) decrease in prepaid items	(193,998)	84,513
(Increase) decrease in advances for employees	866	1,320
Increase (decrease) in accrued sick leave and vacation payroll	81,652	(55,926)
Increase (decrease) in accrued payroll taxes on accrued sick leave and vacation payroll	6,247	(4,279)
Increase (decrease) in deferred revenue	(23,868)	72,648
Increase (decrease) in accounts payable	100,313	842,307
Increase (decrease) in customer meter deposits	72,435	15,147
Increase (decrease) in developer deposits	1,344	2,604
Increase (decrease) in accrued liabilities	8,176	7,064
Net cash provided by operating activities	\$ 8,603,903	\$ 7,940,137

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Contributions to utility plant from various developer installed facilities and other governments for 2005 and 2004 were \$ 1,161,508 and \$ 678,994, respectively. In addition, water rights valued at \$15,750 were acquired in 2004 in exchange for providing water in the future.

The accompanying notes are an integral part of the financial statements

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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 10% of its operating revenues from one contract for non-potable water in 2005 and 2004, respectively.

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

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2005 AND 2004

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.

A schedule of changes in capital assets for the year ended December 31, 2005 is presented on page fifty-four.

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

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

the statement of net assets.

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

Deferred revenue, related to acquisition of water rights in 1990, 1995 and 2004, is being amortized over forty-year periods. See Note 7.

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, 2005 through December 31, 2005. Approximately 69% 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 1st coincident with or following the completion of six months of regular full-time employment. A participant is eligible for a vested benefit, payable at age 65, after five years of credited service. The vested benefit is equal to the accrued benefit, considering service and compensation, at the time of termination. If the participant has at least fifteen years of 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

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2005 AND 2004

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

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

Annual Pension Cost

Annual contribution requirement due beginning of plan year	\$ 572,099
Adjustment to annual required contribution	(89,099)
Annual pension cost	<u>483,000</u>
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>

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 will determine the contribution requirement for the plan year ending March 31, 2006.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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 2005 and 2004.

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 2005, twelve individuals took advantage of these benefits at a cost of \$ 60,460 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

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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.

	Category			Carrying Amount	Market Value
	1	2	3		
Pooled investment funds--					
Colo Trust	\$ 8,304,899	\$ -	\$ -	\$ 8,304,899	\$ 8,304,899
U.S. Treasury Securities	6,000,617	-	-	6,000,617	6,019,207
Certificates of deposit	6,079,091	-	-	6,079,091	6,079,091
	<u>\$ 20,384,607</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,384,607</u>	<u>\$ 20,403,197</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, 2005 and 2004, the Board's cash deposits had a bank and corresponding carrying balance of \$ 20,913,973 and \$ 18,028,597, respectively, as summarized below. All the deposits are stated at cost with accrued interest shown under a separate caption on the balance sheet.

	2005	2004
Working funds	\$ 4,400	\$ 4,400
Insured FDIC	600,000	601,910
Uninsured		
Collateral securities held by financial institution's trust department or agent	20,309,573	17,422,287
Total deposits	<u>\$ 20,913,973</u>	<u>\$ 18,028,597</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

	2005	2004
Total deposits represented by		
Cash on hand and in banks	\$ 529,366	\$ 873,566
Restricted cash in bank	-	210
U.S. Treasury securities	6,000,617	-
Certificates of deposit	6,079,091	4,500,000
Money market funds	7,173,252	11,513,746
Restricted money market funds	1,131,647	1,141,075
Total deposits	\$ 20,913,973	\$ 18,028,597

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 US Bank, NA and money market funds with ColoTrust. These investments are 16.43% and 40.74%, 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:

	2005	2004
Accrued interest on construction related long-term debt	\$ 485,580	\$ 574,523

Note 6 – 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, 2005 AND 2004

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, 2005 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, 2005, 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, 2005 and 2004 is \$ 553,507 and \$ 181,602,

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

respectively.

The total amount of water revenue bonds, loans and other long-term debt at December 31, 2005 is \$ 45,314,614. See pages fifty-five and fifty-six.

Changes in long-term debt during 2005 are summarized as follows:

	<u>Balance January 1, 2005</u>	<u>Additions (Retired)</u>	<u>Deferred Amount</u>	<u>Balance December 31, 2005</u>
2000A Water System				
Improvement Revenue Bonds	\$ 36,380,000	\$ (28,545,000)	\$ -	\$ 7,835,000
2005 Water Refunding Revenue Bonds	-	28,575,000	(2,470,085)	26,104,915
Colorado Water Resources and Power Development Authority				
	9,162,519	(198,137)	-	8,964,382
United States Department of the Interior				
	<u>2,503,034</u>	<u>(92,717)</u>	<u>-</u>	<u>2,410,317</u>
Total	<u>\$ 48,045,553</u>	<u>\$ (260,854)</u>	<u>\$ (2,470,085)</u>	<u>\$ 45,314,614</u>

Aggregate long-term debt maturities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,756,874	\$ 2,195,092	\$ 3,951,966
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	2,321,189	1,829,206	4,150,395
2011 - 2015	13,232,149	7,494,950	20,727,099
2016 - 2020	16,396,804	4,321,851	20,718,655
2021 - 2025	<u>8,106,403</u>	<u>622,892</u>	<u>8,729,295</u>
	47,784,699	22,539,184	70,323,883
Unamortized deferred amount on refunding	<u>(2,470,085)</u>	<u>-</u>	<u>(2,470,085)</u>
Total	<u>\$ 45,314,614</u>	<u>\$ 22,539,184</u>	<u>\$ 67,853,798</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

Note 7 – 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.

Note 8 – 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, 2005 and 2004 is \$ 1,756,439 and \$ 1,694,219.

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, 2005 and 2004 is \$ 548,564 and \$ 529,132.

Note 9 – Accounts payable are comprised of outstanding bills for expenses, materials and capital assets related to the budget for the years ended December 31, 2005 and 2004. 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. Included in outstanding bills at December 31, 2004 is \$ 1,291,576 owed to the City of Pueblo, Colorado for collection of the City’s sewer and storm water fees.

Note 10 – 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

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

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

Data concerning the Board's deferred compensation plans follows:

Balance, December 31, 2004	\$ 8,896,000
2005 employer and employee contributions	697,062
Earnings, withdrawals and market value adjustment	<u>61,920</u>
Balance, December 31, 2005	<u><u>\$ 9,654,982</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 11 – 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	\$ 23,760,065
Water Development Fund	4,089,711
Debt Service Fund	<u>1,142,768</u>
Total funding sources	28,992,544
 Adjustments	
Contributions to capital assets are recorded as revenue for GAAP but are not considered a budgetary resource	1,161,508
Transfers from other funds are inflows for budgetary resources but are not a current year revenue for GAAP reporting	<u>(4,151,733)</u>
 Total revenues as reported on the statement of revenues expenses and changes in net assets	 <u><u>\$ 26,002,319</u></u>
 Total revenues as reported on the statement of revenues expenses and changes in net assets is comprised of:	
Operating revenues	\$ 24,225,251
Interest income	593,097
Sale of assets	22,463
Contributions to capital assets from developers	<u>1,161,508</u>
	<u><u>\$ 26,002,319</u></u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

Uses

Actual amounts (budgetary basis) "total uses" from the budgetary comparison schedule	
General Fund	\$ 22,295,049
Water Development Fund	4,089,711
Debt Service Fund	1,142,768
	<u>27,527,528</u>
Adjustments	
Encumbrances for construction projects recorded in the year bid and contract awarded for budgetary purposes but follow GAAP for financial reporting purposes	(585,804)
Capital items are treated as expenditures for budgetary purposes but are capitalized for financial reporting	(1,630,078)
Transfers are outflows for budgetary purposes but are not recognized for financial reporting	(4,151,733)
Contributions to reserve accounts are outflows for budgetary purposes but are not expenses for financial reporting	(1,170,093)
Principal payments on outstanding long-term debt are uses of budgetary resources but are not expenses for GAAP	(1,671,769)
Depreciation is recorded as an expense for GAAP but is not treated as an outflow for budgetary purposes	3,888,223
Loss on abandonment of assets is recorded as an expense for GAAP but is not treated as an outflow for budgetary purposes	8,677
Amortization is recorded as an expense for GAAP but is not treated as an outflow for budgetary purposes	26,794
Bad debts are recorded as an expense for GAAP but are not treated as an outflow of budgetary resources	(495)
Interest expense for budgetary reporting is based upon monthly transfers to the Debt Service Fund while interest expense for the financial statements reflects GAAP	<u>39,370</u>
 Total expenses as reported on the Statement of Revenues Expenses and Changes in Net Assets	 \$ <u><u>22,280,620</u></u>
Total expenses as reported on the statement of revenues expenses and changes in net assets is comprised of:	
Operating expenses	\$ 19,870,286
Interest expense on bonded indebtedness	2,335,503
Interest expense on note payable-municipal outlet	74,831
	<u>\$ 22,280,620</u>

Note 12 – 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.

BOARD OF WATER WORKS OF PUEBLO, COLORADO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

Note 13 – During the year ended December 31, 2005, the Board discovered an error in the previously reported amount of contributions to capital assets from developers in 2004. The amount of contributions to capital assets from developers was understated by \$ 415,314. As a result, the correction of these errors had the following effects on the December 31, 2004 financial statements: net income was increased by \$ 411,171 (income from contributions to capital assets by developers \$ 415,314 net of increased depreciation on those contributed assets of \$ 4,143). Also, infrastructure was increased by \$ 415,314 and net assets invested in capital assets, net of related debt increased by \$ 411,171.

SUPPLEMENTARY INFORMATION

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 REVENUES BY SOURCE
 FOR THE YEAR ENDED DECEMBER 31, 2005

GENERAL FUND

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
OPERATING REVENUES				
Water sales - Metered	\$ 15,438,250	\$ 15,438,250	\$ 16,227,250	\$ 789,000
Water sales - Comanche	1,936,000	1,936,000	2,315,738	379,738
Water sales - Raw water	1,619,500	1,619,500	1,786,221	166,721
Water sales - Aurora	1,052,050	1,052,050	1,095,170	43,120
Taps and meters	117,150	117,150	90,703	(26,447)
Material sales	131,000	131,000	130,205	(795)
Main assessments	30,000	30,000	26,610	(3,390)
Fire protection - public	900	900	4,367	3,467
Discounts	1,550	1,550	1,824	274
Rental income	12,200	12,200	15,920	3,720
Late field reading fee	7,550	7,550	5,300	(2,250)
Turn-on fee	50,350	50,350	64,555	14,205
Check processing fee	6,400	6,400	7,590	1,190
Field collection fee	1,700	1,700	1,770	70
Missed appointment fee	-	-	440	440
Interest earned on service accounts	4,000	4,000	2,106	(1,894)
Miscellaneous	11,900	11,900	6,272	(5,628)
Plant water investment fee	1,350,000	1,350,000	991,273	(358,727)
Insurance recovery	8,650	8,650	6,210	(2,440)
Comanche operations and maintenance reimbursement	15,100	15,100	16,371	1,271
Busk-Ivanhoe administration fee	20,000	20,000	20,000	-
Wastewater billing reimbursement	285,750	285,750	285,756	6
Stormwater billing reimbursement	123,600	123,600	123,600	-
Total operating revenue	<u>22,223,600</u>	<u>22,223,600</u>	<u>23,225,251</u>	<u>1,001,651</u>
NONOPERATING REVENUES				
Interest income	182,500	182,500	512,351	329,851
Sale of assets	100	100	22,463	22,363
Contribution from reserve	2,194,055	2,194,055	-	(2,194,055)
Total nonoperating revenue	<u>2,376,655</u>	<u>2,376,655</u>	<u>534,814</u>	<u>(1,841,841)</u>
Total revenue	<u>\$ 24,600,255</u>	<u>\$ 24,600,255</u>	<u>\$ 23,760,065</u>	<u>\$ (840,190)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 EXPENDITURES BY OBJECT
 FOR THE YEAR ENDED DECEMBER 31, 2005

GENERAL FUND

EXPENDITURES	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
PERSONNEL SERVICES				
Administration	\$ 647,473	\$ 647,473	\$ 623,661	\$ (23,812)
Administrative Services	1,878,211	1,878,211	1,757,009	(121,202)
Treating, Pumping and Laboratory	2,734,676	2,734,676	2,535,457	(199,219)
Transmission, Distribution and Engineering	4,066,100	4,066,100	3,901,923	(164,177)
Water Resources	361,296	361,296	346,783	(14,513)
Plant at Large	699,400	699,400	691,184	(8,216)
Total personnel services	<u>10,387,156</u>	<u>10,387,156</u>	<u>9,856,017</u>	<u>(531,139)</u>
OPERATION AND MAINTENANCE				
Administration	152,550	152,550	147,143	(5,407)
Administrative Services	807,320	807,320	790,589	(16,731)
Treating, Pumping and Laboratory	3,030,250	3,030,250	3,016,961	(13,289)
Transmission, Distribution and Engineering	574,400	574,400	612,799	38,399
Water Resources	1,011,850	1,011,850	908,197	(103,653)
Plant at Large	948,711	948,711	595,728	(352,983)
Total operation and maintenance	<u>6,525,081</u>	<u>6,525,081</u>	<u>6,071,417</u>	<u>(453,664)</u>
CAPITAL OUTLAY				
Administration	15,000	15,000	9,019	(5,981)
Administrative Services	207,500	207,500	169,939	(37,561)
Treating, Pumping and Laboratory	756,350	756,350	491,487	(264,863)
Transmission, Distribution and Engineering	2,259,100	2,259,100	1,449,776	(809,324)
Water Resources	75,700	75,700	95,661	19,961
Plant at Large (Interfund Transfers)	4,374,368	4,374,368	4,151,733	(222,635)
Total capital outlay	<u>7,688,018</u>	<u>7,688,018</u>	<u>6,367,615</u>	<u>(1,320,403)</u>
Total expenditures	<u>\$ 24,600,255</u>	<u>\$ 24,600,255</u>	<u>\$ 22,295,049</u>	<u>\$ (2,305,206)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

PERSONNEL SERVICES

ADMINISTRATION

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		Budget
SALARIES & WAGES				
Director	\$ 325,127	\$ 325,127	\$ 306,715	\$ (18,412)
Specialist	145,410	145,410	132,369	(13,041)
Part-time	10,806	10,806	10,765	(41)
Total salaries and wages	481,343	481,343	449,849	(31,494)
BENEFITS				
Longevity	3,360	3,360	-	(3,360)
Employee assistance	-	-	134	134
Social security	33,547	33,547	34,594	1,047
Pension	14,028	14,028	13,958	(70)
Health insurance	37,851	37,851	41,477	3,626
Dental insurance	3,685	3,685	3,995	310
Disability insurance	3,423	3,423	3,432	9
Life insurance	6,136	6,136	6,152	16
Sick leave	30,200	30,200	34,555	4,355
Vacation leave	33,900	33,900	35,515	1,615
Total benefits	166,130	166,130	173,812	7,682
Total personnel services	\$ 647,473	\$ 647,473	\$ 623,661	\$ (23,812)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

OPERATION AND MAINTENANCE

ADMINISTRATION

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
 OPERATION AND MAINTENANCE				
Outside services	\$ 56,000	\$ 56,000	\$ 47,807	\$ (8,193)
Consulting services	8,000	8,000	1,020	(6,980)
Utilities - other	2,450	2,450	4,685	2,235
Maintenance	2,800	2,800	2,833	33
Advertising	10,500	10,500	6,656	(3,844)
In-service training	31,700	31,700	39,348	7,648
Office supplies	5,900	5,900	7,436	1,536
Subscriptions and memberships	35,200	35,200	37,358	2,158
 Total operation and maintenance	 \$ 152,550	 \$ 152,550	 \$ 147,143	 \$ (5,407)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

CAPITAL OUTLAY

ADMINISTRATION

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
CAPITAL OUTLAY				
Office equipment	\$ <u>15,000</u>	\$ <u>15,000</u>	\$ <u>9,019</u>	\$ <u>(5,981)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

PERSONNEL SERVICES

ADMINISTRATIVE SERVICES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
SALARIES & WAGES				
Division manager	\$ 89,995	\$ 89,995	\$ 86,716	\$ (3,279)
Manager	76,745	76,745	71,701	(5,044)
Supervision	134,649	134,649	127,517	(7,132)
Specialist	458,409	458,409	421,257	(37,152)
Skills and trades	545,868	545,868	503,385	(42,483)
Part-time	27,569	27,569	11,020	(16,549)
Overtime	7,000	7,000	16,245	9,245
	<u>1,340,235</u>	<u>1,340,235</u>	<u>1,237,841</u>	<u>(102,394)</u>
BENEFITS				
Longevity	11,040	11,040	-	(11,040)
Employee assistance	-	-	540	540
Social security	101,249	101,249	106,396	5,147
Pension	39,100	39,100	38,532	(568)
Health insurance	182,893	182,893	158,785	(24,108)
Dental insurance	18,720	18,720	19,113	393
Disability insurance	9,160	9,160	9,464	304
Life insurance	17,214	17,214	17,099	(115)
Sick leave	75,200	75,200	83,492	8,292
Vacation leave	83,400	83,400	85,747	2,347
	<u>537,976</u>	<u>537,976</u>	<u>519,168</u>	<u>(18,808)</u>
Total personnel services	<u>\$ 1,878,211</u>	<u>\$ 1,878,211</u>	<u>\$ 1,757,009</u>	<u>\$ (121,202)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

OPERATION AND MAINTENANCE

ADMINISTRATIVE SERVICES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
OPERATION AND MAINTENANCE				
Outside services	\$ 219,100	\$ 219,100	\$ 232,983	\$ 13,883
Employment costs	13,600	13,600	32,159	18,559
Utilities	76,450	76,450	75,931	(519)
Maintenance - building	116,700	116,700	115,995	(705)
Maintenance - office equipment	69,300	69,300	55,570	(13,730)
Equipment lease and rental	1,100	1,100	1,014	(86)
Interest expense - meter deposits	3,000	3,000	8,492	5,492
Collection expense	500	500	976	476
Cash (over) short	100	100	(40)	(140)
Advertising	1,000	1,000	1,910	910
In-service training	32,750	32,750	29,131	(3,619)
Office supplies	91,320	91,320	60,781	(30,539)
Janitor supplies	2,400	2,400	1,024	(1,376)
Safety	4,000	4,000	3,593	(407)
Postage	166,800	166,800	163,066	(3,734)
Subscriptions and memberships	9,200	9,200	8,004	(1,196)
Total operation and maintenance	\$ 807,320	\$ 807,320	\$ 790,589	\$ (16,731)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

CAPITAL OUTLAY

ADMINISTRATIVE SERVICES

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Budget</u>
 CAPITAL OUTLAY				
Improvements and replacements	\$ 76,200	\$ 76,200	\$ 43,550	\$ (32,650)
Computer equipment	122,300	122,300	119,613	(2,687)
Office equipment	<u>9,000</u>	<u>9,000</u>	<u>6,776</u>	<u>(2,224)</u>
 Total capital outlay	 <u>\$ 207,500</u>	 <u>\$ 207,500</u>	 <u>\$ 169,939</u>	 <u>\$ (37,561)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

PERSONNEL SERVICES

TREATING, PUMPING AND LABORATORY

	Budgetary Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
SALARIES & WAGES				
Division manager	\$ 84,611	\$ 84,611	\$ 78,266	\$ (6,345)
Manager	161,170	161,170	153,527	(7,643)
Supervision	132,892	132,892	122,884	(10,008)
Specialist	212,190	212,190	195,071	(17,119)
Skills and trades	1,247,895	1,247,895	1,099,988	(147,907)
Part-time	-	-	6,759	6,759
Temporary	48,800	48,800	26,597	(22,203)
Overtime	105,000	105,000	122,393	17,393
	<u>1,992,558</u>	<u>1,992,558</u>	<u>1,805,485</u>	<u>(187,073)</u>
Total salaries and wages	<u>1,992,558</u>	<u>1,992,558</u>	<u>1,805,485</u>	<u>(187,073)</u>
BENEFITS				
Longevity	18,480	18,480	-	(18,480)
Employee assistance	-	-	647	647
Social security	145,950	145,950	156,215	10,265
Pension	55,163	55,163	51,595	(3,568)
Health insurance	224,295	224,295	217,666	(6,629)
Dental insurance	22,814	22,814	22,897	83
Disability insurance	12,652	12,652	12,513	(139)
Life insurance	24,264	24,264	22,592	(1,672)
Sick leave	111,900	111,900	121,213	9,313
Vacation leave	126,600	126,600	124,634	(1,966)
	<u>742,118</u>	<u>742,118</u>	<u>729,972</u>	<u>(12,146)</u>
Total benefits	<u>742,118</u>	<u>742,118</u>	<u>729,972</u>	<u>(12,146)</u>
Total personnel services	<u>\$ 2,734,676</u>	<u>\$ 2,734,676</u>	<u>\$ 2,535,457</u>	<u>\$ (199,219)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

OPERATION AND MAINTENANCE

TREATING, PUMPING AND LABORATORY

	<u>Budgeted Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>
OPERATION AND MAINTENANCE				
Outside services	\$ 304,400	\$ 304,400	\$ 313,588	\$ 9,188
Engineering consulting	20,000	20,000	5,567	(14,433)
Utilities	1,660,950	1,660,950	1,702,787	41,837
Repair and maintenance - equipment	164,300	164,300	130,498	(33,802)
Maintenance - building	370,850	370,850	344,255	(26,595)
Maintenance - office equipment	1,300	1,300	2,975	1,675
Tool replacement	9,800	9,800	9,583	(217)
Chemical (over) short	2,000	2,000	(998)	(2,998)
In-service training	16,800	16,800	15,052	(1,748)
Office supplies	11,700	11,700	13,132	1,432
Shop supplies	2,000	2,000	-	(2,000)
Janitor supplies	5,000	5,000	3,619	(1,381)
Safety	8,050	8,050	7,318	(732)
Chemicals	399,800	399,800	423,805	24,005
Laboratory	52,150	52,150	45,036	(7,114)
Subscriptions and memberships	1,150	1,150	744	(406)
	<u>1,150</u>	<u>1,150</u>	<u>744</u>	<u>(406)</u>
Total operation and maintenance	\$ <u>3,030,250</u>	\$ <u>3,030,250</u>	\$ <u>3,016,961</u>	\$ <u>(13,289)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

CAPITAL OUTLAY

TREATING, PUMPING AND LABORATORY

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
 CAPITAL OUTLAY				
Improvements and replacements	\$ 120,300	\$ 120,300	\$ 38,146	\$ (82,154)
Office equipment	4,000	4,000	2,990	(1,010)
Computer equipment	8,000	8,000	6,971	(1,029)
Treating equipment	136,150	136,150	77,014	(59,136)
Pumping equipment	443,000	443,000	318,701	(124,299)
Heavy equipment	44,900	44,900	47,665	2,765
 Total capital outlay	 \$ 756,350	 \$ 756,350	 \$ 491,487	 \$ (264,863)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

PERSONNEL SERVICES

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
SALARIES & WAGES				
Division manager	\$ 84,611	\$ 84,611	\$ 79,568	\$ (5,043)
Manager	161,170	161,170	149,372	(11,798)
Supervision	257,645	257,645	247,055	(10,590)
Specialist	41,351	41,351	37,704	(3,647)
Skills and trades	2,153,861	2,153,861	2,039,735	(114,126)
Part-time	23,892	23,892	18,733	(5,159)
Temporary	79,680	79,680	40,634	(39,046)
Overtime	127,750	127,750	116,259	(11,491)
	<u>2,929,960</u>	<u>2,929,960</u>	<u>2,729,060</u>	<u>(200,900)</u>
Total salaries and wages				
BENEFITS				
Longevity	34,930	34,930	-	(34,930)
Employee assistance	-	-	1,120	1,120
Social security	216,616	216,616	237,785	21,169
Pension	80,958	80,958	80,585	(373)
Health insurance	351,548	351,548	367,712	16,164
Dental insurance	34,596	34,596	35,873	1,277
Disability insurance	19,144	19,144	19,743	599
Life insurance	35,748	35,748	35,727	(21)
Sick leave	169,100	169,100	190,929	21,829
Vacation leave	193,500	193,500	203,389	9,889
	<u>1,136,140</u>	<u>1,136,140</u>	<u>1,172,863</u>	<u>36,723</u>
Total benefits				
Total personnel services	<u>\$ 4,066,100</u>	<u>\$ 4,066,100</u>	<u>\$ 3,901,923</u>	<u>\$ (164,177)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

OPERATION AND MAINTENANCE

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
OPERATION AND MAINTENANCE				
Outside services	\$ 16,100	\$ 16,100	\$ 12,375	\$ (3,725)
Engineering consulting	6,000	6,000	1,405	(4,595)
Utilities	67,050	67,050	68,921	1,871
Auto and truck	121,800	121,800	133,078	11,278
Repair and maintenance - equipment	6,500	6,500	4,888	(1,612)
Maintenance - building	43,550	43,550	52,125	8,575
Maintenance - office equipment	15,700	15,700	10,935	(4,765)
Maintenance - mains	90,000	90,000	76,015	(13,985)
Maintenance - meters	9,500	9,500	14,051	4,551
Maintenance - hydrants	7,000	7,000	12,043	5,043
Maintenance - valves	9,000	9,000	9,852	852
Maintenance - cathodic protection	500	500	186	(314)
Service lines	5,000	5,000	4,772	(228)
Tool replacement	20,100	20,100	19,487	(613)
Barricades	3,300	3,300	400	(2,900)
Warehouse (over) short	1,000	1,000	10,235	9,235
Uninsured small claims	3,000	3,000	4,060	1,060
Freight expense	600	600	157	(443)
Communication	8,800	8,800	6,548	(2,252)
In-service training	16,350	16,350	15,512	(838)
Gasoline and oil	80,000	80,000	111,721	31,721
Office supplies	19,150	19,150	21,187	2,037
Shop supplies	2,500	2,500	4,069	1,569
Janitor supplies	6,000	6,000	2,451	(3,549)
Safety	1,000	1,000	3,101	2,101
Meter shop supplies	10,000	10,000	8,054	(1,946)
Subscriptions and memberships	4,900	4,900	5,171	271
Total operation and maintenance	\$ 574,400	\$ 574,400	\$ 612,799	\$ 38,399

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

CAPITAL OUTLAY

TRANSMISSION, DISTRIBUTION AND ENGINEERING

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
CAPITAL OUTLAY				
Improvements and replacements	\$ 28,200	\$ 28,200	\$ 6,942	\$ (21,258)
Mains	1,061,000	1,061,000	802,255	(258,745)
Valves	9,000	9,000	7,269	(1,731)
Meters	300,000	300,000	221,015	(78,985)
Fire hydrants	18,000	18,000	33,958	15,958
Taps	20,000	20,000	8,809	(11,191)
Cathodic protection	10,000	10,000	424	(9,576)
Automated meter reading equipment	500,000	500,000	45,342	(454,658)
Computer equipment	15,600	15,600	16,731	1,131
Heavy equipment	20,800	20,800	17,166	(3,634)
Transportation	276,500	276,500	289,865	13,365
	<u>276,500</u>	<u>276,500</u>	<u>289,865</u>	<u>13,365</u>
 Total capital outlay	 <u>\$ 2,259,100</u>	 <u>\$ 2,259,100</u>	 <u>\$ 1,449,776</u>	 <u>\$ (809,324)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

PERSONNEL SERVICES

WATER RESOURCES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
SALARIES & WAGES				
Division manager	\$ 84,611	\$ 84,611	\$ 79,079	\$ (5,532)
Supervision	66,446	66,446	61,004	(5,442)
Specialist	<u>106,563</u>	<u>106,563</u>	<u>100,754</u>	<u>(5,809)</u>
 Total salaries and wages	 <u>257,620</u>	 <u>257,620</u>	 <u>240,837</u>	 <u>(16,783)</u>
BENEFITS				
Longevity	2,879	2,879	-	(2,879)
Employee assistance	-	-	75	75
Social security	20,015	20,015	21,388	1,373
Pension	7,712	7,712	7,724	12
Health insurance	29,239	29,239	29,352	113
Dental insurance	2,769	2,769	2,782	13
Disability insurance	1,882	1,882	1,885	3
Life insurance	3,380	3,380	3,385	5
Sick leave	16,400	16,400	18,899	2,499
Vacation leave	<u>19,400</u>	<u>19,400</u>	<u>20,456</u>	<u>1,056</u>
 Total benefits	 <u>103,676</u>	 <u>103,676</u>	 <u>105,946</u>	 <u>2,270</u>
 Total personnel services	 <u>\$ 361,296</u>	 <u>\$ 361,296</u>	 <u>\$ 346,783</u>	 <u>\$ (14,513)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

OPERATION AND MAINTENANCE

WATER RESOURCES

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
OPERATION AND MAINTENANCE				
Outside services	\$ 68,200	\$ 68,200	\$ 67,865	\$ (335)
Consulting services	135,000	135,000	89,550	(45,450)
Comanche return flow	100	100	105	5
Homestake Aurora	7,500	7,500	7,500	-
Twin Lakes water rights	206,600	206,600	206,591	(9)
Busk Ivanhoe water rights	200,000	200,000	200,000	-
Water storage and transportation	160,900	160,900	156,752	(4,148)
Short-term water purchases	63,000	63,000	41,193	(21,807)
Utilities	13,000	13,000	10,395	(2,605)
Maintenance - equipment	-	-	1,266	1,266
Maintenance - office equipment	1,750	1,750	2,275	525
Tool replacement	1,200	1,200	1,204	4
Clear Creek reservoir	7,500	7,500	7,949	449
Wurtz ditch	1,500	1,500	922	(578)
Wurtz expansion	1,500	1,500	908	(592)
Ewing ditch	1,500	1,500	932	(568)
Columbine ditch	2,500	2,500	1,391	(1,109)
Ranch property maintenance	3,500	3,500	2,616	(884)
Dwelling - Leadville	1,400	1,400	1,017	(383)
Dwelling - Clear Creek	1,400	1,400	1,511	111
Snowplowing operations	30,000	30,000	27,289	(2,711)
Transmountain maintenance	50,000	50,000	35,008	(14,992)
In-service training	32,000	32,000	30,330	(1,670)
Gasoline and oil	6,000	6,000	4,410	(1,590)
Office supplies	4,750	4,750	4,525	(225)
Subscriptions and memberships	11,050	11,050	4,693	(6,357)
Total operation and maintenance	\$ <u>1,011,850</u>	\$ <u>1,011,850</u>	\$ <u>908,197</u>	\$ <u>(103,653)</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

CAPITAL OUTLAY

WATER RESOURCES

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
 CAPITAL OUTLAY				
Improvements and replacements	\$ 10,400	\$ 10,400	\$ 7,595	\$ (2,805)
Trans Mountain ditch	3,000	3,000	-	(3,000)
Computer equipment	1,300	1,300	4,444	3,144
Communication equipment	3,000	3,000	2,372	(628)
Expansion	58,000	58,000	81,250	23,250
 Total capital outlay	\$ 75,700	\$ 75,700	\$ 95,661	\$ 19,961

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

PERSONNEL SERVICES

PLANT AT LARGE

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
SALARIES & WAGES				
Pending retirees	\$ 10,000	\$ 10,000	\$ 553	\$ (9,447)
Total salaries and wages	10,000	10,000	553	(9,447)
BENEFITS				
Social security	-	-	321	321
Employee assistance	-	-	24	24
Pension	565,900	565,900	565,564	(336)
Health insurance	-	-	385	385
Dental insurance	-	-	44	44
Disability insurance	-	-	48	48
Life insurance	-	-	87	87
Worker's compensation insurance	120,000	120,000	123,600	3,600
Unemployment insurance	1,000	1,000	-	(1,000)
Sick leave	1,000	1,000	(177)	(1,177)
Vacation leave	1,500	1,500	735	(765)
Total benefits	689,400	689,400	690,631	1,231
Total personnel services	\$ 699,400	\$ 699,400	\$ 691,184	\$ (8,216)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

OPERATION AND MAINTENANCE

PLANT AT LARGE

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
 OPERATION AND MAINTENANCE				
Outside services	\$ 210,750	\$ 210,750	\$ 269,097	\$ 58,347
Communications	-	-	129	129
Contingency	400,000	400,000	-	(400,000)
Insurance - property	225,000	225,000	210,411	(14,589)
Health reimbursement - In-patient copay	4,000	4,000	6,545	2,545
Health insurance - retiree's	62,611	62,611	62,882	271
Life insurance - retiree's	8,750	8,750	9,808	1,058
Pension supplement	37,600	37,600	36,856	(744)
 Total operation and maintenance	 \$ 948,711	 \$ 948,711	 \$ 595,728	 \$ (352,983)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2005

FUND TRANSFERS

PLANT AT LARGE

	Budgeted Amounts		Actual	Actual Over (Under) Budget.
	Original	Final		
FUND TRANSFERS				
Transfer to Debt Service Fund	\$ 4,265,368	\$ 4,265,368	\$ 4,042,733	\$ (222,635)
Transfer to Water Development Fund	109,000	109,000	109,000	-
 Total fund transfers	 \$ 4,374,368	 \$ 4,374,368	 \$ 4,151,733	 \$ (222,635)

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 REVENUES BY SOURCE AND EXPENDITURES BY OBJECT
 FOR THE YEAR ENDED DECEMBER 31, 2005

WATER DEVELOPMENT FUND

	Budgeted Amounts		Actual	Actual Over (Under) Budget
	Original	Final		
OPERATING REVENUE				
Readiness to serve - Comanche Unit # 3	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000
NONOPERATING REVENUES				
Interest income	6,000	6,000	33,768	27,768
Contribution from general fund	109,000	109,000	109,000	-
Total nonoperating revenues	115,000	115,000	142,768	27,768
Total revenues	115,000	115,000	1,142,768	1,027,768
EXPENDITURES				
Contribution to reserve	115,000	115,000	1,123,115	1,008,115
Consulting services	-	-	19,653	19,653
Total expenditures	115,000	115,000	1,142,768	1,027,768
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AND EXPENDITURES				
	\$ -	\$ -	\$ -	\$ -

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 BUDGETARY COMPARISON SCHEDULE
 REVENUE BY SOURCE AND EXPENDITURES BY OBJECT
 FOR THE YEAR ENDED DECEMBER 31, 2005

DEBT SERVICE FUND

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Budget
NONOPERATING REVENUES				
Interest income	\$ 16,000	\$ 16,000	\$ 46,978	\$ 30,978
Contribution from general fund	4,265,368	4,265,368	4,042,733	(222,635)
 Total revenue	4,281,368	4,281,368	4,089,711	(191,657)
 DEBT RETIREMENT				
Contribution to reserve	16,000	16,000	46,978	30,978
Principal - Series 2005	-	-	-	-
Principal - Series A	1,360,834	1,360,834	1,360,833	(1)
Principal - Series B	218,220	218,220	218,219	(1)
Principal - Municipal outlet	92,717	92,717	92,717	-
Interest - Series 2005	-	-	880,282	880,282
Interest - Series A	2,084,268	2,084,268	1,005,001	(1,079,267)
Interest - Series B	433,087	433,087	409,438	(23,649)
Interest - Municipal outlet	76,242	76,242	76,243	1
 Total debt retirement	4,281,368	4,281,368	4,089,711	(191,657)
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AND EXPENDITURES				
	\$ -	\$ -	\$ -	\$ -

BOARD OF WATER WORKS OF PUEBLO, COLORADO
SCHEDULE OF CHANGES IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

Schedule One

	Capital Assets				Accumulated Depreciation			
	Balance	Retirements			Balance	Retirements		
	January 1, 2005	And Deletions	Additions	Balance December 31, 2005	January 1, 2005	And Deletions	Additions	Balance December 31, 2005
LAND								
Land and land rights--mountain reservoir	\$ 42,149	\$ -	\$ -	\$ 42,149	\$ -	\$ -	\$ -	\$ -
Leadville property	1,092,740	-	-	1,092,740	-	-	-	-
Land	1,172,230	-	-	1,172,230	-	-	-	-
Total land	<u>2,307,119</u>	<u>-</u>	<u>-</u>	<u>2,307,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
INFRASTRUCTURE								
Collection and impounding reservoir	5,198,467	-	-	5,198,467	2,947,963	-	103,970	3,051,933
River intakes	908,070	-	-	908,070	492,507	-	17,963	510,470
Wells	19,996	-	-	19,996	19,996	-	-	19,996
Distribution reservoirs and tanks	7,988,025	-	-	7,988,025	3,553,756	-	157,924	3,711,680
Transmission and distribution mains	73,644,034	17,221	1,369,394	74,996,207	22,442,982	15,105	1,425,551	23,853,428
Valves	397,458	1,761	7,269	402,966	239,690	1,594	9,738	247,834
Meters	8,338,564	-	266,356	8,604,920	5,711,896	-	197,358	5,909,254
Fire hydrants	2,379,501	-	33,958	2,413,459	1,851,215	-	50,466	1,901,681
Taps	687,488	-	8,809	696,297	492,040	-	13,002	505,042
Total infrastructure	<u>99,561,603</u>	<u>18,982</u>	<u>1,685,786</u>	<u>101,228,407</u>	<u>37,752,045</u>	<u>16,699</u>	<u>1,975,972</u>	<u>39,711,318</u>
BUILDINGS								
Buildings and improvements	<u>70,149,748</u>	<u>650</u>	<u>176,455</u>	<u>70,325,553</u>	<u>14,659,104</u>	<u>293</u>	<u>1,404,753</u>	<u>16,063,564</u>
MACHINERY AND EQUIPMENT								
Artwork	36,281	-	-	36,281	-	-	-	-
Office furniture	512,642	329	-	512,313	443,363	329	13,692	456,726
Office equipment	310,205	4,961	18,785	324,029	232,038	4,226	21,933	249,745
Computer equipment	1,466,028	24,961	139,072	1,580,139	785,161	19,757	117,527	882,931
Transportation equipment	1,422,635	129,813	263,249	1,556,071	1,211,403	129,813	117,166	1,198,756
Meter repair equipment	18,655	-	-	18,655	18,655	-	-	18,655
Communications equipment	134,513	-	7,777	142,290	110,060	-	4,715	114,775
Heavy equipment	1,234,509	16,125	91,447	1,309,831	919,637	16,125	61,466	964,978
Pumping equipment	3,694,018	-	568,577	4,262,595	1,535,162	-	99,458	1,634,620
Treating equipment	766,069	-	325,475	1,091,544	447,160	-	33,424	480,584
Laboratory equipment	575,155	981	-	574,174	343,114	883	31,925	374,156
Photographic equipment	62,236	-	-	62,236	10,539	-	6,068	16,607
Water resources maintenance equipment	49,281	-	-	49,281	49,281	-	-	49,281
Base maps	29,668	-	-	29,668	29,330	-	73	29,403
Pumping computer	240,796	-	-	240,796	240,796	-	-	240,796
Miscellaneous equipment	-	-	1,011	1,011	-	-	51	51
Total machinery and equipment	<u>10,552,691</u>	<u>177,170</u>	<u>1,415,393</u>	<u>11,790,914</u>	<u>6,375,699</u>	<u>171,133</u>	<u>507,498</u>	<u>6,712,064</u>
WATER RIGHTS								
	<u>40,392,986</u>	<u>-</u>	<u>-</u>	<u>40,392,986</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CONSTRUCTION IN PROGRESS								
	<u>516,527</u>	<u>516,527</u>	<u>30,477</u>	<u>30,477</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>\$ 223,480,674</u>	<u>\$ 713,329</u>	<u>\$ 3,308,111</u>	<u>\$ 226,075,456</u>	<u>\$ 58,786,848</u>	<u>\$ 188,125</u>	<u>\$ 3,888,223</u>	<u>\$ 62,486,946</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
SCHEDULE OF BONDS AND LOANS OUTSTANDING
DECEMBER 31, 2005

Schedule Two

<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, 2005</u>	<u>Final Maturity Year Ending December 31</u>
BONDS							
Water System Improvement Revenue Bonds Series 2000A	January 1, 2000	5.00% - 6.00%	\$ 38,885,000	\$ 31,050,000	\$ -	\$ 7,835,000	2021
Water Refunding Revenue Bonds Series 2005	May 3, 2005	3.50% - 5.25%	28,575,000	-	(2,470,085)	26,104,915	2021
LOANS							
Colorado Water Resources and Power Development Authority	April 15, 2000	4.6%	9,558,795	594,413	-	8,964,382	2022
United States Department of the Interior, Bureau of Reclamation	July 11, 2000	3.046%	<u>2,927,094</u>	<u>516,777</u>	<u>-</u>	<u>2,410,317</u>	2024
			<u>\$ 79,945,889</u>	<u>\$ 32,161,190</u>	<u>\$ (2,470,085)</u>	<u>\$ 45,314,614</u>	

BOARD OF WATER WORKS OF PUEBLO, COLORADO
SCHEDULE OF FUTURE DEBT SERVICE REQUIREMENTS
DECEMBER 31, 2005

Schedule Three

<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>	
2006	\$ 1,415,000	\$ 1,740,637	\$ 341,874	\$ 454,455	\$ 3,951,966
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	386,189	409,362	4,150,395
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>\$ 36,410,000</u>	<u>\$ 16,639,543</u>	<u>\$ 11,374,699</u>	<u>\$ 5,899,641</u>	<u>\$ 70,323,883</u>

BOARD OF WATER WORKS OF PUEBLO, COLORADO
 SCHEDULE OF REVENUE AND EXPENDITURES
 WATER DEVELOPMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2005

Schedule Four

REVENUE

Readiness to serve - Comanche Unit #3	\$ 1,000,000
Interest earned	33,768
Contribution from General Fund	109,000
Total revenue	1,142,768

EXPENDITURE

Consulting services	19,652
---------------------	--------

EXCESS OF REVENUE OVER EXPENDITURES	1,123,116
-------------------------------------	-----------

BALANCE, JANUARY 1	485,844
--------------------	---------

BALANCE, DECEMBER 31	\$ 1,608,960
----------------------	--------------

REPRESENTED BY:

Amount due from General Fund	\$ 4,922
Treasury bill	247,175
Money market fund	1,356,863
	1,608,960

Total	\$ 1,608,960
-------	--------------

RESULTS OF OPERATIONS

The budgetary comparison of revenues and expenditure for the year ended December 31, 2005 is presented on pages thirty-two and thirty-three 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-four through fifty-three.

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

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-three	\$ 6,367,615
Plant at Large interfund transfers	(4,151,733)
Contributions to capital assets construction from various improvement districts and developers	1,161,508
Commitments on construction contracts for budget purposes	(585,806)
Prior year construction in progress	<u>516,527</u>
Total capital asset additions--page fifty-four	<u><u>\$ 3,308,111</u></u>

Capital expenditures, as reflected on page thirty-three, have been reclassified for purposes of capital asset additions as reflected on page fifty-four.

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 11 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	\$ 2,095,517
Series 2005 Water Refunding Revenue bonds	658,362
Colorado Water Resources and Power Authority	437,823
United States Department of the Interior	<u>76,242</u>
	\$ 3,267,944
Accrued interest on bonds and notes, December 31, 2004	(574,523)
Accrued interest on bonds and notes, December 31, 2005	485,580
Discount amortization on Colorado Water Resources and Power Development Authority	1,133
Funds received on bonds issued	(809,450)
Premium amortization	(64,354)
Amortization of deferred amount on refunding	<u>104,004</u>
Total	<u><u>\$ 2,410,334</u></u>

STATEMENT OF NET ASSETS ACCOUNT EXPLANATION

ASSETS

CASH ON HAND AND IN BANKS \$ 529,366

This amount consists of cash as follows:

Working funds	\$ 4,400
Cash in banks--checking accounts	
Vectra Bank--operating account	523,119
Pueblo Bank & Trust	<u>1,847</u>
Total	<u>\$ 529,366</u>

CASH INVESTMENTS \$ 19,252,960

ColoTrust money market funds	\$ 7,173,252
Certificates of deposit	
Canon National Bank	204,091
First National Bank Colorado	950,000
Southern Colorado National Bank	1,575,000
US Bank	3,350,000
US Treasury securities	<u>6,000,617</u>
	<u>\$ 19,252,960</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 \$ 1,461,882

This account consists of the following:

Accounts receivable--water customers	
Water	\$ 458,370
Sewer	424,258
Storm Water	176,331
Accounts receivable--service accounts	<u>412,179</u>
	1,471,138
Less provision for uncollectible accounts	<u>9,256</u>
Total	<u>\$ 1,461,882</u>

Accounts receivable do not include estimates of unbilled receivables for water sales from the December, 2005 meter reading dates to December 31, 2005. Water customers are billed on a cycle basis. At the respective billing dates in December, 2005, the accounts which were considered delinquent amounted to \$ 191,791 of which \$ 95,208 is for sewer delinquencies and \$ 58,887 is for storm water delinquencies. This does not include amounts due on service accounts of \$ 13,089. The Board acts as a collection agent for the City of Pueblo, Colorado; therefore sewer and storm water delinquencies do not affect the Board's provision for uncollectible accounts.

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

	<u>0-34 Days</u>	<u>35-60 Days</u>	<u>Over 60 Days</u>	<u>Total</u>
Water Service accounts	\$ 420,674	\$ 23,416	\$ 14,280	\$ 458,370
	<u>399,090</u>	<u>11,217</u>	<u>1,872</u>	<u>412,179</u>
	819,764	34,633	16,152	870,549
Sewer	329,050	42,957	52,251	424,258
Storm water	<u>117,444</u>	<u>14,949</u>	<u>43,938</u>	<u>176,331</u>
Total	<u>\$ 1,266,258</u>	<u>\$ 92,539</u>	<u>\$ 112,341</u>	<u>\$ 1,471,138</u>

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

Balance, January 1, 2005	\$ 13,036
Add	
Current year's provision	\$ (495)
Recoveries of amounts written off previously	<u>3,294</u>
	<u>2,799</u>
	15,835
Less	
Uncollectible accounts written off	<u>6,579</u>
Balance, December 31, 2005	<u>\$ 9,256</u>

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

INVENTORIES \$ 927,827

Inventories are classified as follows:

Filtration and purification materials	\$ 82,220
General warehouse materials	<u>845,607</u>
Total	<u>\$ 927,827</u>

Inventories were taken as of December 30, 2005, under the supervision of management.

PREPAID ITEMS \$ 308,116

This account consists of the following prepaid amounts:

Unexpired portion of workers' compensation	\$ 157,853
Prepaid water storage	104,100
Prepaid software license	32,448
Miscellaneous prepaid items	<u>13,715</u>
Total	\$ <u><u>308,116</u></u>

ACCRUED INTEREST RECEIVABLE \$ 106,693

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

ADVANCES FOR EMPLOYEES \$ 2,646

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>1,131,647</u>
-------------------	---------------------

This amount consists of funds invested in ColoTrust.

CAPITAL ASSETS \$ 163,588,510

A summary of the changes in capital assets for the year ended December 31, 2005 follows:

Capital Assets	
Balance, January 1, 2005	\$ 223,480,674
Additions by purchases, construction and contributions	<u>2,791,584</u>
	226,272,258
Less retirements and deletions	<u>196,802</u>
Balance December 31, 2005	226,075,456
Less accumulated depreciation	<u>62,486,946</u>
Undepreciated balance, December 31, 2005	\$ <u><u>163,588,510</u></u>

Page fifty-four shows the changes in capital assets by classifications.

Principal additions during the period were in transmission and distribution mains, \$ 1,369,394, meters, \$ 266,356 transportation equipment, \$ 263,249 computer equipment \$ 139,072, pumping equipment \$ 568,577, and treating equipment \$ 325,475. Other capital asset additions represent principally the on-going program of system renewal, plus service to the new areas.

UNAMORTIZED DEBT EXPENSE \$ 553,507

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 \$ 18,744

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 \$ 1,756,874

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	\$ 95,541
2000A Water System Revenue Bonds	1,415,000
Colorado Water Resources and Power	
Development Authority	<u>246,333</u>
Total	<u>\$ 1,756,874</u>

ACCOUNTS PAYABLE \$ 1,487,667

Accounts payable include outstanding bills for expenses, materials and capital assets related to the budget for the year ended December 31, 2005. Included in outstanding bills is \$ 989,707 and \$ 412,033 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 \$ 23,784

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

CURRENT PORTION OF ACCRUED VACATION PAYROLL \$ 301,007

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 \$ 508,965

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 \$ 503,591

Deferred revenue--current includes:

Expense reimbursements billed prior to December 31, 2005	\$ 15,993
Advance payments received on raw water sales for 2006	92,498
Advance payments received on 2006 water sales--Aurora old	<u>395,100</u>
Total	<u>\$ 503,591</u>

DEVELOPER DEPOSITS \$ 31,456

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

ACCRUED PAYROLL \$ 191,176

This account represents the amount of payroll costs incurred in December, 2005 to be paid in January, 2006.

ACCRUED INTEREST \$ 25,026

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

ACCRUED SALES TAXES \$ 575

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 \$ 32,524,915

This amount represents the long-term portion of general obligation bonds. The total obligation is \$33,939,915 of which \$1,415,000 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 \$ 11,032,824

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 \$ 246,333 shown as a current liability

\$ 8,718,049

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 \$ 95,541 which is shown as a
 current liability

2,314,775

Total

\$ 11,032,824

ACCRUED SICK LEAVE AND VACATION PAYROLL

\$ 2,003,996

This account represents the long-term portion of sick and vacation leave. The total obligation is \$ 2,305,003 of which \$ 301,007 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

\$ 176,333

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

\$ 579,938

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.

\$ 556,200

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.

8,775

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.

14,963

Total

\$ 579,938

UNAMORTIZED BOND PREMIUM \$ 1,528,432

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 \$ 485,580

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

NET ASSETS \$ 134,719,759

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

Invested in capital assets, net of related debt	\$ 117,317,716
Restricted	646,067
Unrestricted	<u>16,755,976</u>
Total	\$ <u><u>134,719,759</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.