

BOARD OF PUBLIC UTILITIES
WATERWORKS AND SEWER ENTERPRISE FUNDS
OF THE
CITY OF CHEYENNE, WYOMING
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Prepared By: Administration Division
Board of Public Utilities
City of Cheyenne, Wyoming

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**Board of Public Utilities
Cheyenne Water and Sewer Department**

P.O. Box 1469 • Cheyenne, Wyoming 82003 • Phone (307) 637-6460
2416 Snyder Avenue Fax (307) 637-7672

Honorable Mayor Kaysen,
City Council Members and
Members of the Board of Public Utilities
City of Cheyenne, Wyoming

Tuesday, June 18, 2014

The Board of Public Utilities (Board) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014 (CAFR FY 2014) is hereby submitted. The Board's Administration Division prepared this report, and is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner intended to present fairly the financial position and results of operations of the City of Cheyenne's Water and Sewer Enterprise Funds. All disclosures necessary to enable the reader to gain an understanding of the Board's financial activities have been included.

WYO. STAT. § 16-4-121 (1977) requires that an annual audit be conducted by an independent auditor, and be in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants in their guidelines for audits of state and local governments. The audits shall be financial and legal compliance audits. The independent audit shall be completed and a copy sent to the Wyoming Department of Audit within six months of the end of the fiscal year.

RubinBrown LLP, a firm of licensed certified public accountants, has audited the Board's financial statements. The goal of the independent audit is to provide reasonable assurance that the Board's financial statements for the fiscal year ended June 30, 2014 are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Board's financial statements for the fiscal year ended June 30, 2014 are fairly presented in conformity with general accepted accounting principles (GAAP). The independent auditors' opinion is presented as the first component of the financial section.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Board's MD&A can be found immediately following the report of the independent auditor in the financial section.

THE REPORTING ENTITY AND SERVICES PROVIDED

Any city or town in the State of Wyoming which owns and operates a municipal waterworks, a sanitary sewer system, a sewage disposal plant or an electric utility distribution system may establish a board of commissioners, to be known as the Board of Public Utilities. On April 27, 1943, the City of Cheyenne established such a board. The board manages, operates, maintains and controls the waterworks, sanitary sewer systems and water reclamation plants, and makes all procedures and regulations necessary for their safe, economical and efficient operation and management.

The Board has exclusive control of all water and sewer utility systems owned by the City of Cheyenne, Wyoming. The Board is charged with developing and supplying the City and its residents with water for domestic and industrial purposes and for public use. Sanitary sewer facilities are provided for this same group of users.

The City of Cheyenne Governing Body, operating under the Mayor/Council form of government, review and approve changes to the water and sewer rates and the water and sewer enterprise fund budgets as recommended by the Board. The Board consists of five members appointed to six-year terms by the Mayor with the advice and consent of the City Council.

The Board is considered a proprietary fund of the City of Cheyenne, Wyoming, which publishes a separate financial report and is subject to separate accountability.

The Board provides water and sewer services for the City of Cheyenne, Warren Air Force Base, and South Cheyenne Water and Sewer District, as well as several residential and commercial customers and ranchers located outside of the City. These services include operation and maintenance of water supplies (ground water, well fields, surface water, dams, recycled water and reservoirs), water purification facilities, water distribution mains and meters, wastewater collection mains and water reclamation facilities.

GENERAL INFORMATION

Cheyenne started as an early Union Pacific railroad tent town in 1867 and is named for a local Native American tribe. Cheyenne is a progressive city, proud of its pioneer heritage and its technology advancements. As a railroad and cattle center, Wyoming's capital and largest city has always been an important Western crossroads and a unique blend of western cowboy, military, and contemporary cultures. From the newly reconstructed state-of-the art water reclamation plants at Crow Creek and Dry Creek east of Cheyenne to the City's R.L. Sherard Water Treatment Plant on the west, Cheyenne is a place pioneering new ideas and new technology with the same tenacity, spirit and sensibility of its original settlers.

As an innovative, progressive community, Cheyenne utilizes the world's newest technologies at a friendlier and calmer pace than in larger urban areas; yet it is a city that remembers its roots and retains a unique Western flavor. It is known worldwide for its annual celebration of the west, Cheyenne Frontier Days, The Daddy of 'em All which draws crowds from across the nation and around the world.

According to the State of Wyoming Economic Analysis Division report, Cheyenne has an estimated population, as of July 2014, of 61,055 and a county population of 95,809. The City of Cheyenne has been designated a Standard Metropolitan Statistical Area (50,000 population or greater) since 1985.

Cheyenne retains a unique combination of business advantages:

- Being near the geographic and time center of the North American Continent.
- Serves as a transportation hub with easy access to Interstates 80 and 25.
- Has two major railroads in the Union Pacific and the Burlington Northern rail roads.
- Serves as the northern anchor city of the rapidly expanding Front Range Region of the Rocky Mountains.
- Low tax burden for businesses.

ECONOMIC CONDITION AND OUTLOOK

According to the Wyoming Center for Business & Economic Analysis (WCBEA) the onset of the Great Recession was December, 2007 and its end was established as June 2009. For the Greater Cheyenne economic system, the Great Recession, as 2013 closed out, was no more than a distant small speck in the rear-view mirror of a car heading 80 MPH into the future. That cannot be said for many other parts of the state where the effects of the recession still linger. In many respects, the future for Cheyenne and Laramie County arrived in 2013 with outstanding growth seen in key economic components of the economy. The most impressive and the most important were the gains reported in new jobs. The number of unemployed persons fell 21.85 percent from third quarter 2012 or by 567 persons. The unemployment rate also responded by decreasing from 5.7 percent third quarter 2012 to an average of 4.3 percent over the third quarter of 2013.

LABOR MARKET

	A	B	C	D	Percentage Change A to D	Percentage Change B to D	Percentage Change C to D
	3Q11	3Q12	2Q13	3Q13			
Total Civilian Labor Force (LAUS)	44,950	45,420	46,148	46,585	3.64%	2.57%	0.95%
Total Employment (LAUS)	41,995	42,828	43,925	44,560	6.11%	4.04%	1.44%
Total Employment (CES)	44.9	45.2	46.3	46.9	4.53%	3.68%	1.22%
Total Unemployment (LAUS)	2,955	2,592	2,223	2,025	-31.48%	-21.85%	-8.89%
Unemployment Rate (LAUS)	6.6%	5.7%	4.8%	4.3%	-34.01%	-23.98%	-9.72%
Initial Unemployment Claims	73	76	83	70	-4.57%	-7.83%	-15.73%
Help Wanted Ads (a)	235	633	714	732	210.91%	15.65%	2.52%
(LAUS) - Local Area Unemployment Statistics							
(CES) - Current Employment Statistics							
(a) Wyoming Dept of Workforce Service							

The WCBEA also reported estimated retail sales which were in negative territory during the first quarter of 2013 (-5.0%) and then barely positive by the end of the second quarter (+2.4%) finished the third quarter with a double digit rate of increase of 13.9 percent .

GENERAL BUSINESS ACTIVITY

	A	B	C	D	Percentage Change A to D	Percentage Change B to D	Percentage Change C to D
	3Q11	3Q12	2Q13	3Q13			
Auto Registrations New & Used	2,283	1,182	3,246	3,344	48.45	182.91	3.02
Enplanements - Cheyenne Airport	2,212	1,153	965	999	-54.84	-13.33	3.49
Total Retail Sales (\$000)	277,072	302,684	275,469	344,743	24.42	13.9	25.15
Bankruptcies	22	23	27	17	-21.21	-25.71	-35.00

To summarize the economic picture of Cheyenne as stated by the WCBEA Report, “In many respects, the future for Cheyenne and Laramie County arrived in 2013 with outstanding growth seen in key economic components of the economy. The most impressive and the most important were the gains reported in new jobs. The Local Area

Unemployment Statistics (LAUS) registered a strong rate of increase. LAUS numbers increased at a rate of 3.62 percent year-over-year. LAUS measures jobs by place of residence and thus counts employed individuals and is the fairly conservative measure of job growth. The series reported an average gain of 1,540 employed persons in 2013.”

Other significant economic news and events during the recent fiscal years included:

Microsoft Data Center

In April of 2014 Microsoft announced that it will expand its data center operations in Wyoming. Microsoft’s first Wyoming data center west of Cheyenne, opened in late 2013. Microsoft will invest \$274 million in the new data center, bringing the total investment in the area to nearly \$500 million.

Microsoft will purchase additional land in Cheyenne and plans to begin construction of the expansion in late spring 2014. The first stage of the new data center is estimated to be operational in summer 2015.



2014 State Business Tax Climate Index Ranks

Wyoming # 1

In October of 2013, the Tax Foundation ranked Wyoming as the state with the best business tax climate in the nation. The absence of a major tax is a dominant factor in vaulting Wyoming to the top of the rankings. The 2014 *Index* represents the tax climate of each state as of July 1, 2013, the first day of the standard 2014 state fiscal year. Evidence shows that states with the best tax systems will be the most competitive in attracting new businesses and most effective at generating economic and employment growth.

Cheyenne has the Lowest National Tax Burden – 24/7 Wall Street

In a comparison of the largest cities in each state, Cheyenne beat out all of the largest cities in other states to be ranked the city with the lowest combined national tax burden. The data for the finding came from the District of Columbia’s Office of Revenue Analysis, which reviewed various taxes paid by residents in 2011 in the largest city in each state.

The report pointed out that Wyoming tax rates can vary widely from counterparts in other states’ largest cities. “At the \$150,000 income level, the Bridgeport, Conn. burden of \$23,501 is almost five times the Cheyenne, Wyo. burden of \$4,702,” the report stated.

A recent compilation and aggregation of the statistics by news service 24/7 Wall Street showed Cheyenne had the lowest combined tax burden in the nation among the cities. The article showed a family earning \$25,000 pays an average of about \$2,400 in taxes, the fifth-lowest rate in the nation. It was the second-lowest for a family earning \$150,000, and had an unemployment rate of 5.2 percent, which ranked it the 10th lowest in the nation.

Another important sector of Cheyenne’s economic base is tourism. Cheyenne’s location at the crossroads of I-80 and I-25 make it a natural stopping place for travelers and its combination of shopping, museums and Western charm make it a destination in itself.

Historically, while the economic growth is welcome and encouraged, the large base of federal, state and local government brings stability to Cheyenne’s economy. That base helped the City weather downturns in the state’s energy and agricultural sectors in the 1980s, 1990s, and during the recent great recession.

During FY 2014, the State of Wyoming with 3,377 workers surpassed F.E. Warren Air Force Base, with 3,361 employees, as the community’s largest employer. Laramie County School District No. 1 follows F. E. Warren Air Force Base with around 2,190 employees. The Federal Government has around 1,773 employees, and Cheyenne Regional Medical Center employs 1,750 employees. Sierra Trading Post (outdoor goods outlet and catalogue sales) ranks as the community’s second largest private employer with 735 employees.



Current statistics are quite positive and the word mini-boom could apply to the current business climate. The prevailing mood throughout the business community is one of optimism. Business leaders remain confident the community will handle growth as long as it continues to invest in infrastructure and remains committed to managing growth.

MAJOR INITIATIVES

For the year, the Board continued to take steps forward to ensure continuing quality and quantity of water and wastewater services.

Southern Water Main Project Phase II

The Southern Water Main Project Phase II reached substantial completion in May of 2014. The Phase II project consisted of about 11.8 miles of pipeline (diameter of 42 inches to 12 inches) at an estimated cost of about \$22.5 million.

The project connects to Phase I west of the intersection of Round Top Road and Happy Jack Road. A 42-inch main will loop south, cross under Interstate 80, Otto Road, railroad tracks and then turn east and cross under Interstate 25 before connecting to the distribution system near Parsley Boulevard and Walterscheid Boulevard.



Crow Creek Water Reclamation Plant Upgrades

Construction began during FY14 on the Crow Creek Water Reclamation Plant Upgrades. The project consists of two major components with an estimated cost of \$5,000,000 for the entire upgrade. The project will be financed by a Clean Water State Revolving Loan (CWSRF) 20-year loan at 2.5%.

Components include:

- Adding a second screening unit at Crow Creek and enclosing the grit basin. This project was recommended in the 2003 Master Plan as a 2010 project. Redundant screens are needed because when higher than normal flows occur (storm event, extended wet weather, etc.), the single screen clogs, causing the plant to shut down and flow to be transferred to the Dry Creek Plant. Clogging of the single screen often damages the screen, requiring additional down time and cost of repair. The dual screens allow the Crow Creek plant to stay in continuous operation, allowing its peak capacity of 12 mgd to be fully utilized and relieving the excess load on the Dry Creek plant.



- The outdoor grit basin, although designed to operate in cold climates, has been problematic since its installation due to freezing issues. Enclosing it in the same structure as the new screens will resolve this issue.
- Construction of a new Operations Building at Crow Creek. The existing Operations Building was constructed in the late 1940s and has been in continuous service since, with little improvement. The new building will have ADA compliant male and female restrooms, incorporating locker space and shower for staff. It will also have an operations area to operate and monitor the plant, a small kitchen area, and a separate lab sized to accommodate the required testing. A two-bay garage is included for inside storage of front-end loader, tractors and other mowing equipment, truck and other mobile plant equipment.

Other Initiatives

Effective January 1, 2015, the multi-tiered water rate for single family residential will increase approximately 3.5%.

Water Volume Rate Charge Per 1,000 Gallons

<u>Residential (in-city)</u>		<u>Jan 01, 2013</u>	<u>Jan 01, 2014</u>	<u>Jan 01, 2015</u>
First Block	First 6,000	\$3.60	\$3.72	\$3.85
Second Block	Next 18,000	4.46	4.61	4.77
Third Block	Next 18,000	5.53	5.72	5.91
All Over	42,000	6.88	7.11	7.36

The volume rate charge per 1,000 gallons of drinking water for commercial users during these same time periods of January 1, 2013, January 1, 2014 and January 1, 2015 are as follows: \$4.14, \$4.28, and \$4.43, respectively.

The volume rate charge per 1,000 gallons for sewerage for residential users during these same time periods of January 1, 2013, January 1, 2014 and January 1, 2015 are as follows: \$3.74, \$3.91, and \$4.21, respectively.

It should be noted that the above rates are for in-city users. Users of the system not within the city limits pay 1.5 times those rates.

Fiscal Year 2014 marked the release of the Board’s 15th Consumer Confidence Report, an annual report on the quality of the City’s drinking water. Once again, the Board was pleased to report that Cheyenne’s drinking water is safe and meets or exceeds all state and federal standards and requirements. Tests for 76 chemicals and potential contaminants during the calendar year revealed no violations.

The report concluded: “Our goal is to provide the community of Cheyenne with safe, quality drinking water that meets federal and local requirements at the lowest cost. We encourage all of our water customers to learn about Cheyenne’s water system and the Safe Drinking Water Act requirements and to help us protect our valuable water sources, which are the heart of our community, our way of life and vital to our future.”

Other noteworthy initiatives during FY 2014 included another ambitious round of water and sewer main rehabilitations. Water and sewer main rehabilitation is an annual priority to keep the City’s water distribution and wastewater collection systems in top shape.

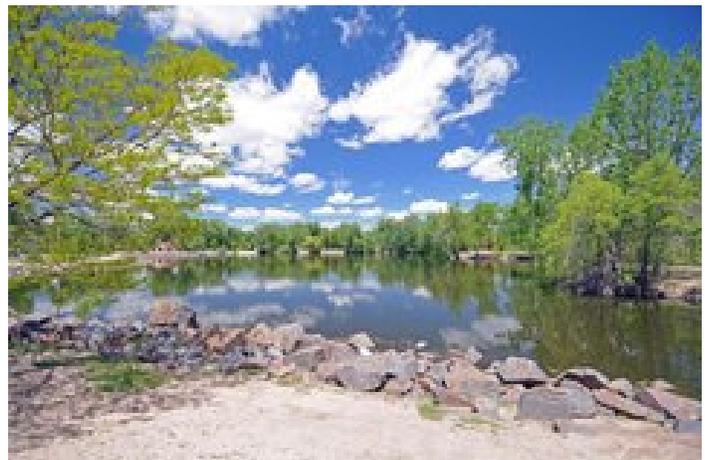
FOR THE FUTURE

Looking ahead, the Board is committed to maintaining a high-quality water and wastewater system that will meet the needs of a growing community in the 21st century. The Board continues to monitor the financial impact from implementing the Federal Safe Drinking Water Act (governing lead, copper, corrosion control and water quality), the Federal Clean Water Act (covering NPDES, effluent quality and industrial pretreatment), and the stream reclassification of Crow Creek.

FY 2015 projects include:

Recycled Water to Holiday Park

Construction will begin on routing recycled water to Holiday Park. This project will supply recycle water for the irrigation of Holiday Park, thus relieving a demand of about 75-acre feet (about 25 million gallons) on the potable water system. Finance from Green Funding available through the State Loan and Investment Board (SLIB) Drinking Water State Revolving fund. Project would be eligible for 25% grant funding and 0% interest. Cost of the project is estimated at \$1,000,000



Southern Water Main Phase III

Phase III of the Southern Water Transmission Main Project is estimated at \$13.2 million and consists of about 6.1 miles of water main (36-inch – 16-inch). The Project would begin where the Phase II 42-inch pipeline ends, continue east along the Wallick Road alignment as a 36-inch pipeline. The pipeline would cross Hwy 85 run past the LCCC campus and then turn north as a 16-inch main, connecting back into the existing water system near Interstate 80.

Financing of the project will be through a Wyoming Water Development grant in the amount of 67% of the project cost and a loan application may be submitted to the SLIB for consideration of funding from the Drinking Water State Revolving fund in the amount of 33% of the project cost.



South Cheyenne Sewer Collection Main Phase I

Phase I Southern Sewer Interceptor Main will collect sewage from the southern portion of Cheyenne and deliver the sewage to the Crow Creek Water Reclamation Facility (CCWRF). Project cost is estimated at \$10,500,000

The Project will:

- Provide enhanced sewer services to the southern portion of Cheyenne.
- Increase sewage flows into the CCWRF, which has existing capacity.
- Provide needed expansion of water supply to the recycled water treatment works located at the CCWRF. The expansion of the water supply to the recycled water treatment works will support expansions of the recycled water irrigation systems and increased usage of recycled water, thus allowing valuable potable water resources currently used for irrigation to be redirected as needed.



Other Items for 2014

On June 09, 2014, the City Governing Body adopted the water and sewer enterprise fund budgets as recommended by the Board for fiscal year 2015 (July 1, 2014 to June 30, 2015). The Board's combined water and sewer budget for fiscal year 2015 of \$60,070,300 is \$22,982,745 less than fiscal year 2014's adjusted budget.

The Board also continued its intensive planning efforts. On December 3, 2013, the Board held its annual day-long Goals and Planning Workshop to look at near and long-term projects to carry the City of Cheyenne well into the 21st Century. Another workshop is planned for December 2014.

Relevant Financial Policies

During the course of fiscal year 2014, there were no significant financial policy changes.

Administrative Controls

Internal controls are procedures designed to protect assets from loss, theft or misuse, to check the accuracy of accounting data, to promote operation efficiency, to facilitate the preparation of financial statements, to satisfy other reporting requirements, and to encourage compliance with managerial policies.

The Board is responsible for establishing a system of internal controls that provide reasonable assurance that these objectives are met. The concept of reasonable assurance stipulates that: (1) the cost of control should not exceed the benefits likely to be derived, and (2) the valuation of cost and benefits requires estimates and judgments by management.

As with other internal controls, this system is subject to periodic review and evaluation by management or by the Board's independent auditor.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the Board for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the 36th consecutive year that the Board has received this prestigious award.

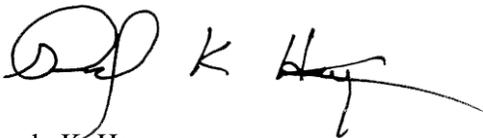
In Conclusion

The preparation of the annual financial report on a timely basis was made possible by the dedication of the Administration Division staff. Each member of the Division has our sincere appreciation for the contributions made in the preparation of this report.

In closing, the Board Members and Management continue to provide valuable leadership, planning and direction for Cheyenne's water and wastewater systems. Serving nearly 71,000 residents, these systems will continue to play a vital role in the development and growth of our City for many years to come.

The Board, its management and employees are all dedicated to the goal of providing the Cheyenne area with the highest quality of water and wastewater services at the most economical cost.

Respectfully submitted,



Randy K. Hays
Administration Manager/Assistant City Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Board of Public Utilities,
City of Cheyenne, Wyoming**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

BOARD OF PUBLIC UTILITIES – BOARD MEMBERS –JUNE 30, 2014



Joe Bonds
Board President
Board Member since June 1, 2007
Term expires: June 1, 2019



Barbara Rogers
Board Secretary
Board Member since June 1, 2009
Term expires: June 1, 2015



Brad Oberg
Board Member
Board Member since June 1, 2011
Term expires: June 1, 2017



James Murphy
Board Member
Board Member since June 1, 2013
Term expires: June 1, 2019



Matt Pope
Board Member
Board Member since September 9, 2013
Term expires: June 1, 2019

LIST OF PRINCIPAL OFFICIALS

As of June 30, 2014 the following is a list of principal officials of the Board of Public Utilities, City of Cheyenne:

<u>Elected and Appointed Officials</u>	<u>Current Term Expires</u>	<u>Position</u>
Richard Kaysen	January – 2017	Mayor
Joe Bonds	June – 2019	Board President
Barbara Rogers	June – 2015	Board Secretary
Brad Oberg	June – 2017	Board Member
James Murphy	June – 2019	Board Member
Matt Pope	June - 2019	Board Member

Management:

Timothy E. Wilson, Director
Randy Hays, Administration Manager
Brad Brooks, Engineering and Water Resource Manager
Craig Kisse, Water Treatment Manager
Frank Strong, Operations and Maintenance Manager
Jim Hughes, Water Reclamation Manager
Kathy Kellner, Human Resource Manager

Water and Water Reclamation, and Wastewater Systems – Past, Present and Future

When Union Pacific Railroad construction crews wintered along the banks of Crow Creek in 1867, the little stream flowing onto the plains from the Rocky Mountains provided plenty of fresh water for the railroad camp and the town that grew up around it.

Before any tents or buildings were constructed, Crow Creek Crossing was selected as a strategic railroad and military outpost on the transcontinental railway. The crossing was approximately midway on the Union Pacific's length of track, which made it a great location for a depot, maintenance yards, military cavalry and supply posts.

Within a week of selecting the site, the City of Cheyenne was surveyed and lots sold. Tent City Cheyenne sprang into existence.

Almost immediately after, the U.S. Cavalry established Fort D. A. Russell a few miles to the west. The fort began as a cavalry unit living in tents arranged into a diamond shape for protection from the wind. The cavalry provided protection to the railroad, protected the City of Cheyenne and participated in the Great Sioux Indian Wars. By 1885, the fort had grown to eight infantry companies housed in brick buildings.

Throughout this growth, Crow Creek supplied water. The first water delivery system consisted of buckets of water pulled from Crow Creek or public wells. A barrel of Crow Creek water delivered by wagon to a home or business cost \$0.25.



Above: Tent City Cheyenne, used with permission from Wyoming State Archives.

The first water system was installed in 1877. Pipes distributed water from small reservoirs located near the modern day Botanic Gardens and Ames Underpass to strategic commercial locations within Cheyenne. This water was mostly reserved for the rail road and fire protection, which was a major priority for early Cheyenne. When fires broke out, the lack of water meant fires could destroy entire sections of the City before being brought under control.

One such fire broke out on January 11, 1870. A defective flue at a liquor store started a fire that destroyed 80 buildings on two of the main blocks in Cheyenne. Without the water necessary to fight the fire, volunteer fire crews ran from building to building evacuating people, furniture, goods and supplies.

The early residents and businesses within Cheyenne recognized the economic and lifestyle enhancements that access to water provided. In 1882, these citizens petitioned City Council to allow homes and businesses to tap into the water system. Water use was not metered. Instead, customers were charged based on the number of bathrooms and types of water uses at the location. For example, an eight room home with one bathroom and a stable paid \$17 per year in 1883.ⁱ

While an improvement over scooping water from Crow Creek, this early water system wasn't without challenges. The water was described as tasting terrible and many of the residents of Cheyenne considered the reservoirs in Cheyenne to be a source of disease.ⁱⁱ

A second challenge was water pressure. Water pressure was produced using steam engines. The engines required constant attention by City employees. By 1897, the City operated and maintained three pump stations.ⁱⁱⁱ

A third challenge was the limited supply of water. As with all natural streams, Crow Creek flooded in the spring and produced trickles of water in the fall and winter.

To address these challenges, Cheyenne constructed a series of dams, pipelines, a water treatment plant and designed a water distribution system that used gravity to deliver water. Cheyenne constructed four dams on the three branches of Crow Creek between 1902 and 1911, Granite Springs Reservoir, Crystal Reservoir, South Crow Reservoir and North Crow Reservoir. Cheyenne also constructed the pipelines to carry the water approximately 25 miles to Cheyenne.

Surface water was treated at the Roundtop Water Treatment Plant, built on a hill west of Cheyenne in 1915. One of Wyoming’s first conventional water treatment plants, Roundtop had the capacity to treat 12 million gallons of water a day (MGD).

This distribution system satisfied Cheyenne’s water needs until an extended drought period in the mid-1930s. During this period, Cheyenne’s water needs increased and a water shortage was imminent. For the first time, Crow Creek was not able to supply enough water to meet Cheyenne’s needs. City officials recognized the crisis and worked quickly to overcome it using groundwater from wells west of Cheyenne.



Above: People enjoying Granite Reservoir circa 1910.



Above: Construction of a settling basin at CCWRF.

On April 27, 1943, the City of Cheyenne established the Board of Public Utilities (Board) to manage and control the city’s water and sewer systems. The Board began studying and addressing the long-range water and sewer needs of Cheyenne. One of their first tasks was to treat sewer. In 1949, the Board began construction on Cheyenne’s first wastewater treatment plant (WWTP), Crow Creek WWTP. It was one of the first WWTPs in Wyoming and the Rocky Mountain Region.

With the steady growth of the city during the 1940’s and 50’s, it was evident that Cheyenne needed to develop an additional source of water. Because water rights in the North Platte River drainage were already appropriated, meaning already assigned to other uses, the Board had to look farther west. The Board found unappropriated water over 115 miles and three mountain ranges to the west in the headwaters of the Little Snake River in the Sierra Madre Mountains on the western slope of the Continental Divide.

The presence of the mountains between the Sierra Madres and Cheyenne made the actual delivery of this water to Cheyenne cost prohibitive. In order to use the water, city leaders developed an intricate trans-basin system whereby water

collected from the Little Snake River drainage could be traded for water from the closer and more deliverable Douglas Creek drainage located in the Snowy Range about 75 miles west of Cheyenne.

Water from the North Fork of the Little Snake River and its tributaries on the west side of the Divide, is collected and diverted through a 3,500-foot-long tunnel to the eastern side of the Divide and stored in Hog Park Reservoir. This water is used as trade water. Hog Park Reservoir is on the west side of the North Platte River and Rob Roy Reservoir is on the east. When the Board release water from Hog Park Reservoir into the North Platte River the Board can collect water from the North Platte River at Rob Roy Reservoir.



Above: Construction of the Hog Park Tunnel.

Water released from the Rob Roy Reservoir travels by gravity about 50 miles where it can be released into the Middle Crow Creek drainage near Vedauwoo, in the Laramie Mountains. The water flowed down creeks in the Crow Creek drainage to Granite and Crystal Reservoirs. Stage I of the system was completed in 1965.

Building on the successes of Cheyenne’s previous 100 years, the “Magic City of the Plains” continued to grow and expand. In the 1970s, the Board added to both its water and wastewater treatment capacities. Water treatment capacity increased with the construction of the first R.L. Sherard Water Treatment Plant. Wastewater treatment expanded with the construction of Dry Creek Wastewater Treatment Plant. Dry Creek was expanded again a decade later.



Above: Round Top WTP.

A drought in the late 1970s indicated the need for additional water and the BOPU began looking to expand water resources. In 1982, the BOPU began construction of Stage II of the Little Snake River—Douglas Creek System. The project enlarged Rob Roy Reservoir and Hog Park Reservoir, installed 21 miles of diversion pipeline on the western slope of the Continental Divide and installed a second delivery pipeline from Rob Roy Reservoir to Granite and Crystal Reservoirs. On November 7, 1988, water flowed for the first time through the Stage II Water Delivery Pipeline. By 1991, the BOPU was operating both Stage I and Stage II at the same time.

The Cheyenne Water Supply Master Plan, completed in July 1994, concluded that due to considerable concrete deterioration, the Roundtop Water Treatment Plant was no longer reliable and recommended it be retired as soon as possible. In addition, the 1990s saw an increase in the number of regulated contaminants and more stringent drinking water regulations under the Safe Drinking Water Act. In order to meet the more stringent drinking water requirements, plant productivity at the Sherard Water Treatment plant had to be reduced.

At the same time, the average peak daily demand for treated water grew from approximately 23.5 MGD in 1978 to about 33.5 MGD in 1998. In the 1990s, peak day demand reached 40 MGD and the highest peak week (seven-consecutive-day period) averaged 37.4 MGD. In an effort to meet growing demands for treated drinking water in the community, the Board launched two projects.

The first was the Northwest Area Raw Water Irrigation Project. This project switched irrigation of three golf courses and a City park to raw, untreated water instead of treated City drinking water. The project freed up as much as three MGD of treated water during peak summer day demands.

The second was the design and construction of a new 32 MGD R.L. Sherard Water Treatment Plant. The new Sherard plant replaced the 1915 Roundtop Water Treatment Plant and the original Sherard Water Plant. The new plant was designed to meet or exceed current and future drinking water requirements. It was also designed to be expanded, at some future date, to 50 MGD. The water treatment plant began serving the community in the spring of 2002, just as a multiple-year drought peaked and another water shortage loomed.



Above: Sherard WTP.

At about the same time, the Wyoming Department of Environmental Quality reclassified Crow Creek below the discharges of Cheyenne’s wastewater treatment plants. Historically, the creek was classified for uses such as agriculture, industry, recreation, wildlife and scenic value. Under the new classification, designated uses were expanded to also include nongame fisheries, fish consumption, aquatic life other than fish, and primary contact recreation.



Above: Biologic treatment at Crow Creek WRF.

As a result, ammonia and chlorine could no longer be discharged to Crow Creek. This created the need to upgrade both of Cheyenne’s wastewater treatment plants.

Upgrades included biological treatment and disinfection. Biologic treatment was enhanced by improving contact with the water. At Crow Creek WWTP, the previous biological treatment consisted of clarified wastewater sprayed across a rock media upon which beneficial bacteria grew. The beneficial bacteria consumed contaminants in the water. Contact with the water was limited by how long it took the water to flow down the rock and freezing temperatures could prevent water from contacting the rock. With the upgrades, beneficial bacteria float freely and attach to pasta-shaped plastic media while being mixed through the water in a series of basins. This increases contact with the water and increases contaminant removal. Both plants implemented the more efficient biological treatment. Disinfection was upgraded from

chlorine to ultra-violet light. The treated wastewater flows through a series of intense ultra-violet lights that sterilizes bacteria.

These upgraded treatment methods meant that Cheyenne had the ability to restore usefulness and value to wastewater. As a result, the Board changed the names of the wastewater treatment plants to water reclamation facilities (WRF). The construction also presented the Board with an opportunity to expand treatment capacity and provide an additional source of water, recycled water.

Like the droughts in the 1880s, 1930s and 1970s, the drought in the early 2000s resulted in increased water use when less water was available. Treated water use peaked at 39.5 MGD. With the combination of water demand, wastewater projects and drought, the Board seized upon an opportunity to realize an observation made by a Board President fifty years earlier.

“The story of the long struggle for water in Cheyenne is typical of the general situation of the arid West, and leads to the conclusion that in order to meet the demands of the future, the existing sources of water must be conserved, and that the residents of this area must learn to use water so that one gallon of the supply provided by nature will perform the duty of two gallons as it is now used.” He continued saying, “Probably the most promising source of additional water at Cheyenne is the reclamation of sewage effluent for industrial use.” – W. J. Dineen, circa 1951.

In the spirit of this observation, the BOPU added additional water treatment capabilities to the Crow Creek WRF. These additional treatment methods produced Class A reuse water, affectionately termed recycled water. Class A reuse water is the most stringent classification of reuse water in Wyoming and has the least restrictions on its use. Recycled water is a drought resistant source of water which will be available even during severe droughts.

The BOPU installed the first large-scale recycled water system in Wyoming and used the water to irrigate parks, athletic fields and green spaces. This reduced peak summer treated water demand by as much as 3 MGD.

During the last decade, the Board continued to prepare for future water demands. In 2003 the Board adopted a water conservation program. The water conservation program has successfully reduced water demand. Since implementing the program, peak water use dropped. The highest demand prior to the water conservation program was 39.5 MGD. Since implementing a water conservation program, the highest use occurred in 2009 at 32 MGD.

In 2005, the Board participated in the purchase of the Belvoir Ranch to expand ground water resources. Since the purchase, the Board and Wyoming Water Development Commission have studied the water resources on the ranch and ways to deliver the water to Cheyenne. Building a pipeline to the ranch is part of the Board’s plans.

In 2007, the Board completed construction of a second delivery pipeline from Crystal Reservoir to the new Sherard Water Treatment Plant. The second pipeline increased supply capabilities in preparation for a future expansion of the plant.



Above: Purple pipe. The recycled water system includes a separate distribution system for recycled water. To differentiate this system from the potable system, purple pipe was used.

In 2013, the Board completed phase II of the Southern Water Transmission Main. This main was needed to supply water to Cheyenne, provide redundancy and provide relief to the transmission mains that supply water to the northern parts of the City.

Also in 2013, the Board conducted a water and wastewater master plan. This plan identifies and prioritizes the projects the Board needs to accomplish to be able to supply water into the future.

Looking ahead, Cheyenne moves into the 21st century with an excellent water supply, adequate treatment capacities and the ability to expand both treatment and delivery of water resources. This was accomplished due to the vision of current and past City leaders, Board Members and Board staff. Under current growth rates, per capita water use, conservation efforts and recycled water capabilities, the Board expects Cheyenne's water resources to meet supply demand into the 2040s. But, as history has taught us, someday, Cheyenne will once again need more water and/or face another drought.



Above: Construction of the Southern Water Transmission Main Phase II.

Nearly 150 years have passed and rail cars still rumble through town. Missiliers inhabit the military barracks once used by cavalry. Cattle still graze the grasslands surrounding town. And water is still the precious and limited resource that makes it all possible.

ⁱ 1883 City Ordinance Concerning the Water Supply for the City of Cheyenne

ⁱⁱ Cheyenne Daily Leader, December 7, 1895

ⁱⁱⁱ History of Utilities, believed to come from preparation work for Cheyenne, the Magic City of the Plains, Centennial Committee, 1967.



The City of Cheyenne Board of Public Utilities Source of Supply Water System



Little Snake River Diversion Pipeline

(Constructed 1960's - Stage I
& Enlarged 1980's - Stage II)



Rob Roy Dam & Reservoir

(Constructed 1966 & Enlarged 1985)



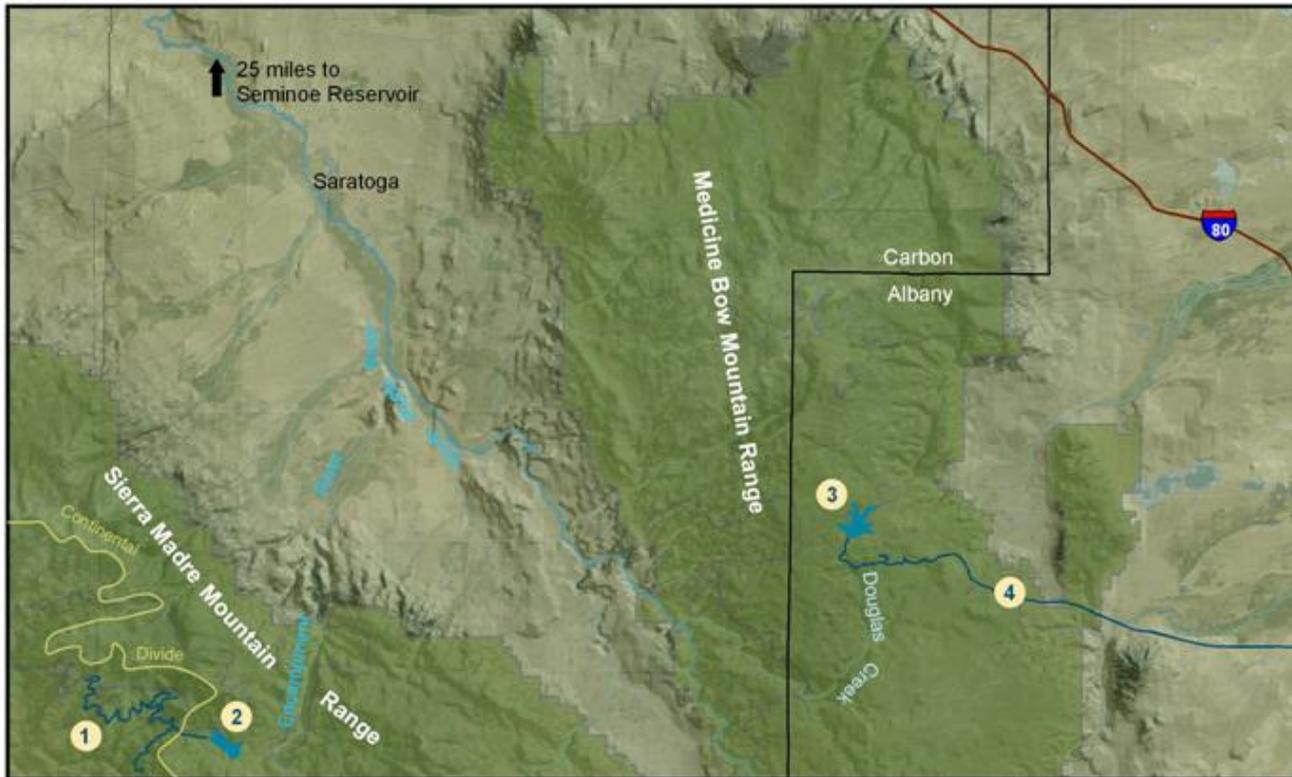
Granite Springs Dam & Reservoir

(Constructed 1902-1904
Rehab in 1986)



South Crow Dam & Reservoir

(Constructed 1911 - Rehab in 2003)



Hog Park Dam & Reservoir
(Constructed 1966 & Enlarged 1985)



**Lake Owen
Dam & Reservoir**
(Constructed 1962)



**Crystal Lake
Dam & Reservoir**
(Constructed 1909-1910
Rehab in 1986)



**North Crow
Dam & Reservoir**
(Constructed 1911
Rehab in 1994)



This map has been prepared by and for the use of The Board of Public Utilities and may contain inaccuracies. Any reliance thereon by third parties is done so at their sole risk.



This map has been made possible through the Cheyenne/Laramie County Cooperative GIS Program. Data contained hereon is for informational purposes only.

Upper North Crow Dam & Reservoir
(Constructed 1930 - Rehab in 1994)



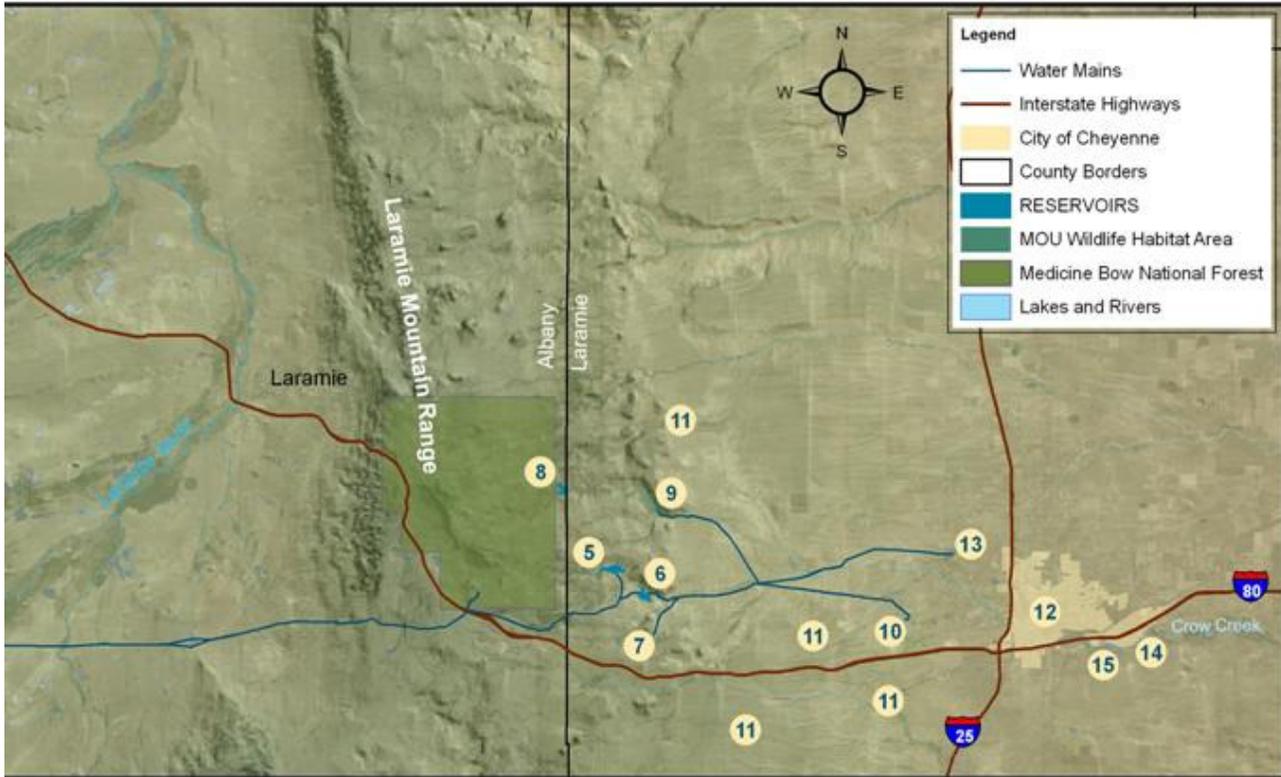
Wells High Plains Aquifer



Roundtop Water Treatment Plant
(Constructed 1915 - Closed 2002)



Crow Creek Water Reclamation Facility
(Constructed late 1940's - Recycle abilities added in 2007)



Sherard Water Treatment Plant
(Operation 2002 - Present)

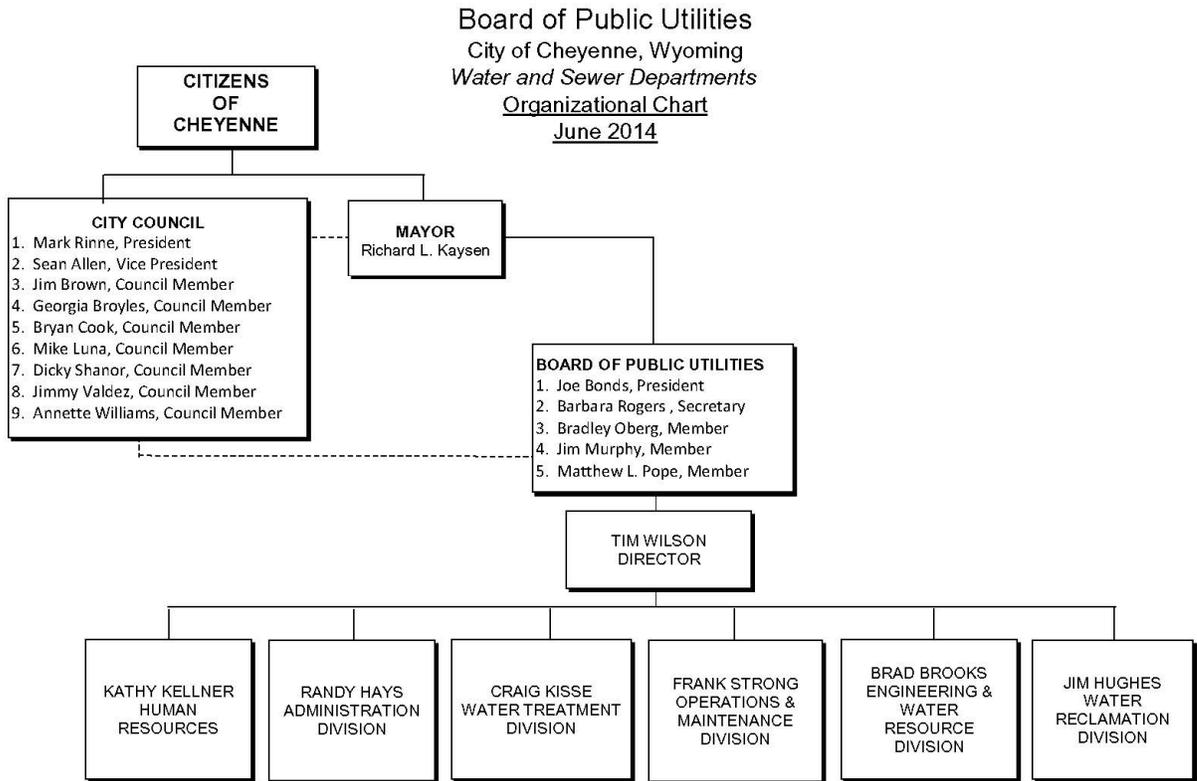


Cheyenne, Wyoming
(Population 55,314 - Board of Public Utilities Customers 21,667)



Dry Creek Water Reclamation Facility
(Constructed early 1970's Expanded late 1980's and 2007)

**Board of Public Utilities
City of Cheyenne, Wyoming
Water and Sewer Departments
Organizational Chart
June 30, 2014**



7/23/2014
BOPU14June.xls



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Independent Auditors' Report

Honorable Mayor, Members of the City Council and
Members of the Board of Public Utilities
City of Cheyenne, Wyoming

Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Board of Public Utilities City of Cheyenne, Wyoming (the Board), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Board as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matters

As discussed in Note 1, the Board adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2013. Our opinion is not modified with respect to this matter.

As discussed in Note 1, the financial statements of the Board are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities and each major fund of the City of Cheyenne, Wyoming, that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the City of Cheyenne, Wyoming, as of June 30, 2014, the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 4 through 18, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The introductory section, individual fund budgetary comparison schedule and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund budgetary comparison schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2014 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

RubinBrown LLP

August 28, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Board of Public Utilities (Board) offers readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board of Public Utilities for the fiscal year ended June 30, 2014.

Readers are encouraged to consider the information presented here along with additional information presented in our letter of transmittal.

Financial Highlights

The Board's assets and deferred outflows of resources exceeded its liabilities at the close of the fiscal year by \$267,135,406 (net position). Of this amount, \$31,498,933 (unrestricted net position) is available to meet the Board's ongoing obligations to citizens and creditors.

The Board's total net position increased by \$22,485,175 during fiscal year 2014. This increase can be attributed to capital contributions, grant revenues, and an increase in water and sewer consumption.

The loan and grant requests that the Board applied for during the fiscal year include:

- In November, the Board approved a resolution authorizing the submittal of an application to the Wyoming State Loan and Investment Board, Wyoming Clean Water State Revolving Fund for a loan in the amount not to exceed \$875,000 for the Holliday Park Recycle Water System Extension project. The loan terms are interest at 0% for 20 years.
- In January, the Board approved a resolution authorizing the submittal of an application to the Wyoming State Loan and Investment Board, Wyoming Clean Water State Revolving Fund for a loan in the amount not to exceed \$1,300,000 for the Southern Sewer Interceptor Main- Phase I project. The loan terms are 2.5% for 20 years.
- In April, the Board approved a resolution authorizing the submittal of an application to the Wyoming Water Development Commission for a grant in the amount not to exceed \$1,206,000 for the Southern Water Main- Phase III project.

In December, the City of Cheyenne authorized the issuance of the 2013 Refunding Revenue Water Note from Colorado State Bank and Trust, in a maximum principal amount of \$8,740,000 and interest rate of 2.41% and a maturity date of December 1, 2025, for the purpose of advance refunding a portion of the 2007 Refunding Revenue Water Bonds. The proceeds from the Note were deposited in a special fund and trust account herein created and authorized, to be used to refund, pay, discharge, and redeem that portion of the Refunded Bonds outstanding and maturing on or after December 1, 2016. The refinancing of the callable portion of the 2007 Refunding Revenue Water Bonds resulted in future savings of approximately \$1,065,000.

Interest revenue received for the current year was \$65,348 and increased \$5,459 from the previous fiscal year. The yield on bank certificates of deposit (c.d.'s) remained constant during the fiscal year at 0.10% on 90 day c.d.'s and 0.25% on Wyo-Star Fund Investments. Rate forecasts are uncertain for the first half of fiscal year 2015.

Operating revenue for the waterworks fund decreased \$1,355,828 and the sewer fund increased \$968,859 during the fiscal year. Revenue decreases in the waterworks operating revenue was largely due to 9.7% decrease in billed volume which can be derived from the wet fall of 2013 and spring of 2014. Revenue increases in the sewer operating revenue was largely attributed to a 2.3% increase in billed volume combined with rate increases effective January 1, 2014.

The total indebtedness of the Board increased \$4,332,499 (6.1 percent) from \$71,545,772 to \$75,878,271 during the current fiscal year. The increase was due, principally to advances on loans for Crow Creek Improvement and Southern Water Transmission Main projects. For additional information please refer to Note 4 of the financial statements.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements comprise three components.

This report also contains other supplementary information in addition to the basic financial statements themselves. Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, established a financial reporting model for state and local governments. This financial report complies with GASB Statement No. 34.

Financial Statements

The business-type activities financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the Board's assets, deferred outflows of resources, and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the government is improving or deteriorating.

The statement of revenue, expenses and changes in fund net position presents information showing how the Board's net position changed during the most recent fiscal year.

Both of the financial statements distinguish functions of the Board that are principally intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The business-type activities of the Board include Waterworks and Sewer Enterprise Fund activities.

The basic financial statements of the Board, presented as business-type activities of the enterprise funds are found on pages 19-23 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board of Public Utilities, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Board are categorized as proprietary funds.

Proprietary Funds

The Board maintains a single-type of proprietary fund called enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds are used to account for the waterworks and sewer activities.

Proprietary funds provide the same type of information, as do government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Waterworks and Sewer Departments, which are the only funds of the Board.

The basic proprietary fund financial statements are represented by individual fund columns and also can be found on pages 19-23 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-41 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Board's budget comparison – Budget versus Actual. This supplementary information can be found on pages 42-43 of this report.

Financial Analysis

Since the Board has only business-type activities, accounted for as two enterprise funds (Waterworks and Sewer), the following discussion will be related to the combining of those two funds as expressed by the business-type activities total of the financial statements.

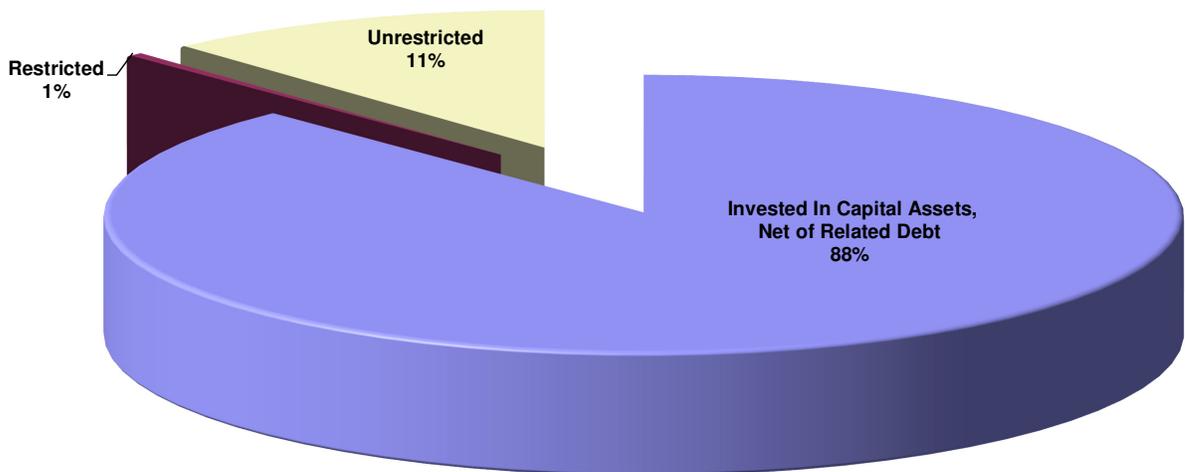
Business-Type Activities Net Position

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Board, total net position increased by \$22,185,175 during fiscal year 2014.

The largest portion of the Board's net position, \$234,533,472 (88%) reflects its investment in capital assets (e.g., dams, reservoirs, water and sewer treatment plants, miles and miles of water and sewer mains, land, buildings, machinery and equipment), less any related outstanding debt used to acquire those assets.

The Board uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Board's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Position Categories as of June 30, 2014



BOARD OF PUBLIC UTILITIES Net Position (\$1,000's)

	Waterworks Fund (\$1,000's)		Sewer Fund (\$1,000's)		Total Business-Type Activities (\$1,000's)	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 30,570	\$ 28,567	\$ 10,920	\$ 9,247	\$ 41,490	\$ 37,814
Capital assets	233,424	210,699	76,987	76,639	310,411	287,338
Deferred outflows of resources	506	82	-	-	506	82
Total assets & deferred outflows of resources	264,500	239,348	87,907	85,886	352,407	325,234
Long-term liabilities outstanding	42,127	37,654	30,134	30,864	72,261	68,518
Other liabilities	9,243	8,550	3,768	3,516	13,011	12,066
Total liabilities	51,370	46,204	33,902	34,380	85,272	80,584
Invested in capital assets, net of related debt	189,497	171,491	45,036	44,012	234,533	215,503
Restricted	1,103	1,390	-	-	1,103	1,390
Unrestricted	22,530	20,263	8,969	7,494	31,499	27,757
Total net position	\$ 213,130	\$ 193,144	\$ 54,005	\$ 51,506	\$ 267,135	\$ 244,650

The remaining balance of unrestricted net position \$31,498,933 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Board reports positive balances in all categories of net position, both for the government as a whole, as well as for its business-type activities. The same situation held true for the prior fiscal year.

CHANGES IN NET POSITION

Last Ten Fiscal Years

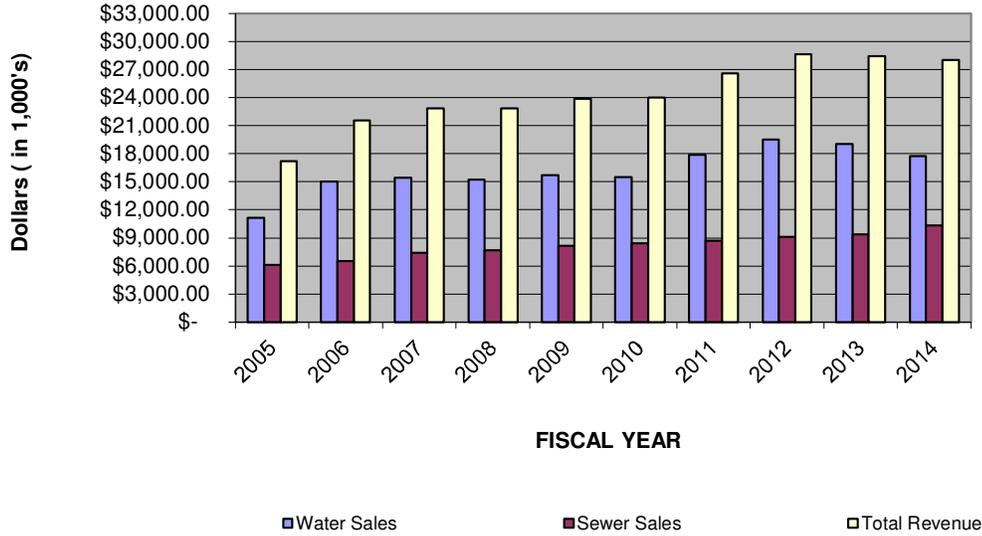
Fiscal Year	Operating Revenue	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenue/ (Expenses)	Income (Loss) before Capital Contribution	Capital Contribution	Change in Net Position
2005	17,210,446	18,146,174	(935,728)	7,111,526	6,175,798	2,050,320	8,226,118
2006	21,520,678	19,430,355	2,090,323	3,124,447	5,214,770	9,891,820	15,106,590
2007	22,831,536	20,401,356	2,430,180	3,456,732	5,886,912	5,852,303	11,739,215
2008	22,876,903	22,712,301	164,602	1,519,564	1,684,166	2,160,041	3,844,207
2009	23,856,054	23,911,025	(54,971)	324,167	269,196	3,279,312	3,548,508
2010	24,281,960	24,220,188	61,772	(149,067)	(87,295)	1,498,273	1,410,978
2012	28,594,129	26,005,418	2,588,711	(179,719)	2,408,992	4,381,020	6,790,012
2011	26,575,116	25,151,232	1,423,884	(685,814)	738,070	5,958,598	6,696,668
2012	28,594,129	26,005,418	2,588,711	(179,719)	2,408,992	4,381,020	6,790,012
2013	28,417,091	26,474,263	1,942,828	(543,390)	1,399,438	3,765,449	5,164,887
2014	28,030,122	27,483,943	546,179	2,855,489	3,401,668	19,083,507	22,485,175

Net position increased by \$22,485,175 during fiscal year 2014. This is attributed to capital contributions, system development fees from new users, grant revenues, and an increase in sewer consumption.

Business-Type Activities – Revenues and Expenses

The following schedules present a summary of the water and sewer enterprise fund operating revenues for the fiscal year ended June 30, 2014, and the amount and percentage of increases and decreases in relation to prior year revenues.

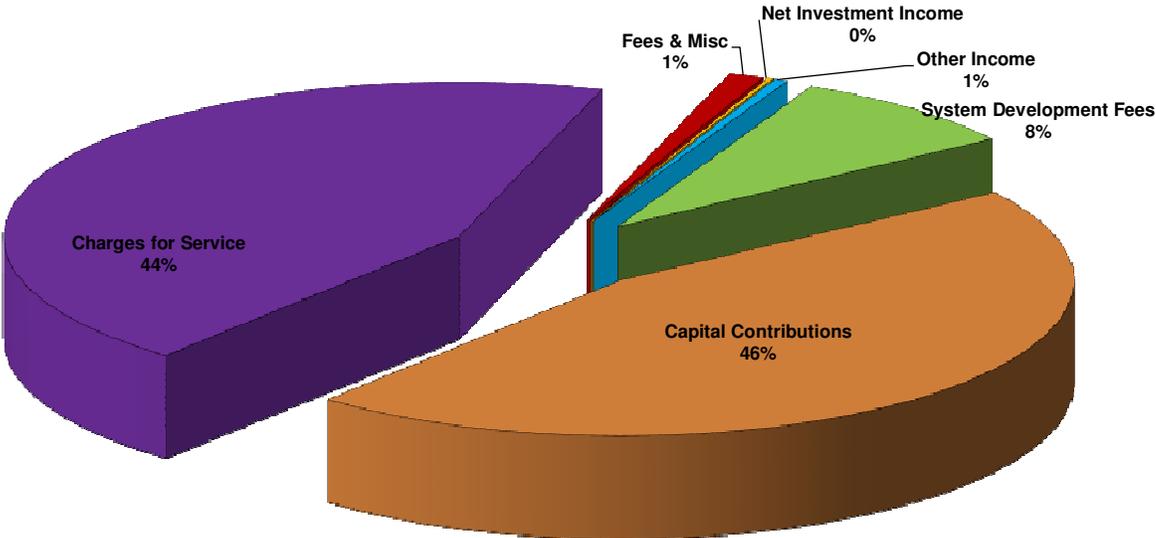
OPERATING REVENUE



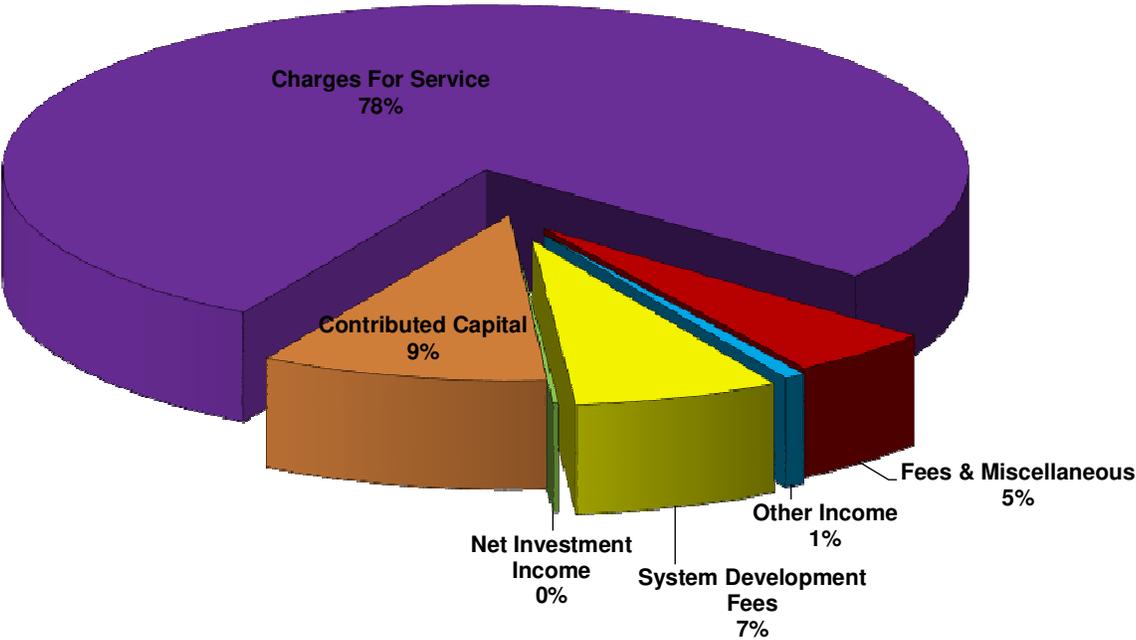
BOARD OF PUBLIC UTILITIES Revenue (\$1,000's)

Revenue Source	Waterworks Fund		Sewer Fund		Total		Inc./Decr. From FY 13	% of Inc./Decr.	Fiscal Year 2013
	FY 14 Amount	% of Total	FY 14 Amount	% of Total	FY 14 Amount	% of Total			
Operating Revenue									
Sales and charges for service	\$17,211	43%	\$9,737	77%	\$26,948	52%	(\$693)	-3%	\$27,641
Fees and miscellaneous	482	2%	600	5%	1,082	2%	306	39%	776
Total operating revenue	17,693	45%	10,337	82%	28,030	54%	(387)	8%	28,417
Nonoperating Revenue									
Net investment income	76	0%	25	0%	101	0%	82	432%	19
Other income	187	0%	89	1%	276	1%	276	0%	0
System development fees	3,292	9%	859	7%	4,151	8%	2,619	171%	1,532
Total nonoperating revenue	3,555	9%	973	8%	4,528	9%	2,977	192%	1,551
Capital Contributions	17,886	46%	1,198	10%	19,084	37%	15,319	407%	3,765
Gross Revenue	\$39,134	100%	\$12,508	100%	\$51,642	100%	\$17,909	53%	\$33,733

Water Revenue By Source



Sewer Revenue By Source



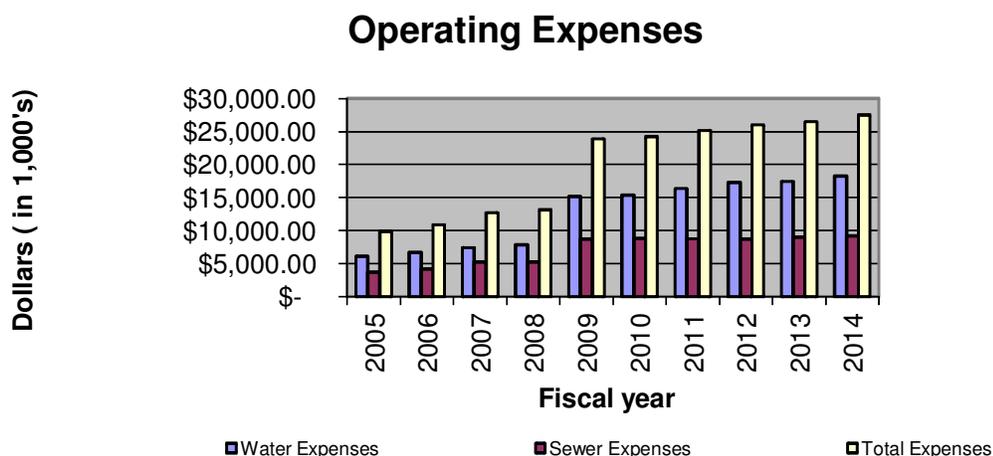
Gross operating revenue, including interest and transfers, totaled \$51,642,631 for FY 2014, a 53% increase from FY 2013. The increase was primarily due to a \$15,318,058 increase in capital contributions which included the Southern Water Transmission grant, and increased System Development fees.

System Development fees increased \$2,619,588 compared to FY 2013. FY 2014 fees totaled \$4,151,596 compared to \$1,532,008 in FY 2013. In FY 2014, there were 514 water and sewer permits sold compared to 642 permits in FY 2013. There was a significantly larger number of tap permits issued for diameters above the standard residential ¾-inch tap that generated higher annual revenue in FY 2014 as compared to FY 2013.

Sewer usage for residential and some commercial users is calculated each year to establish each customer’s winter-quarter average – the basis for their monthly sewer charges.

Since July 1, 2004, residential customers (single family and multi-family) are charged on a tiered rate schedule, which increases in relation to increases in water used.

The following schedules present a summary of the Water and Sewer Enterprise Fund operating expenses for FY 2014, and the percentage of increases and decreases in relation to prior year amounts.



BOARD OF PUBLIC UTILITIES Operating Expenses (\$1,000's)

	Waterworks Fund		Sewer Fund		Total		Inc./(Decr.) From FY 13	% of Inc./Decr.	Fiscal Year 2013
	FY 14 Amount	% of Total	FY 14 Amount	% of Total	FY 14 Amount	% of Total			
Operating Expenses									
Source of supply	\$1,426	7%	\$ -	0%	\$1,426	5%	\$208	17%	\$1,218
Water treatment	1,847	10%	-	0%	1,847	6%	68	4%	1,779
Transmission and distribution	2,052	11%	-	0%	2,052	7%	37	2%	2,015
Sewer collection lines	-	0%	1,145	10%	1,145	4%	36	3%	1,109
Water reclamation	-	0%	2,349	23%	2,349	8%	(12)	-1%	2,361
Engineering and water resources	911	5%	288	3%	1,199	4%	63	6%	1,136
Administrative and general	3,741	20%	1,862	19%	5,603	19%	484	9%	5,119
Information technology and customer service	788	4%	261	3%	1,049	4%	44	4%	1,005
Depreciation	7,493	38%	3,320	34%	10,813	37%	81	1%	10,732
Total operating expenses	18,258	95%	9,225	92%	27,483	94%	1,009	4%	26,474
Nonoperating Expenses									
Interest expense	890	5%	783	8%	1,673	6%	(421)	-20%	2,094
Total Expenses	\$19,148	100%	\$10,008	100%	\$29,156	100%	\$588	2%	\$28,568

Total Operating Expenses, excluding depreciation, increased over FY 2013 by \$927,725.

Salaries and Wages increased \$221,791 or 3.4% during FY 2014. FY 2014 Salaries and Wages totaled \$6,633,779 compared to \$6,411,988 in FY 2013. The increase was from market adjustments and a 2.25% pay increases for FY 2014.

Employee Benefits increased \$375,703 or 11.1% during FY 2014. The increase was from Early Retirement buyouts, increased health and dental insurance, and increased Wyoming Retirement contributions.

Contractual Services increased \$297,510 or 25.9% during FY 2014. The increase was from the permit renewal with the US National Forest Service and the completion of the 2013 Master Plan.

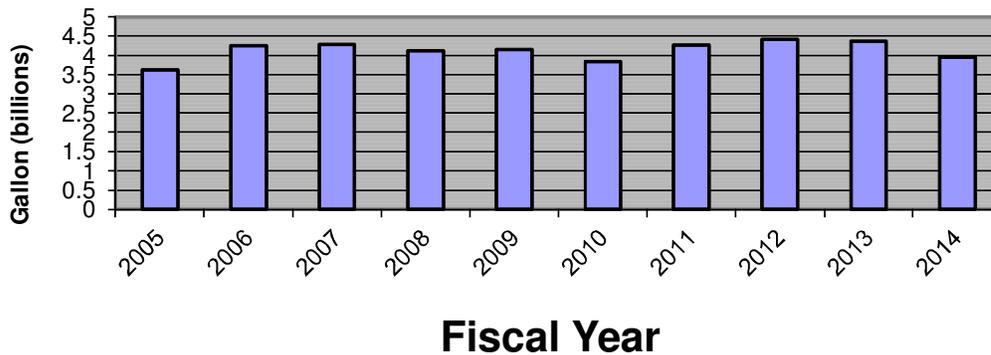
Supportive service expenses (electricity, gas, telephone, postage, etc.) increased \$109,401 or 5.4% during FY 2014. The increase was mainly due to a \$87,013 increase in gas and electricity expenses.

Interest expense on bonds and loans totaled \$1,673,513 for FY 2014, and was included in the above schedule of operating expenses. This 19.2% decrease from FY 2013 was the result of early payoffs and normal principal reduction in the water fund from the annual debt service payment.

Metered Water Consumption History

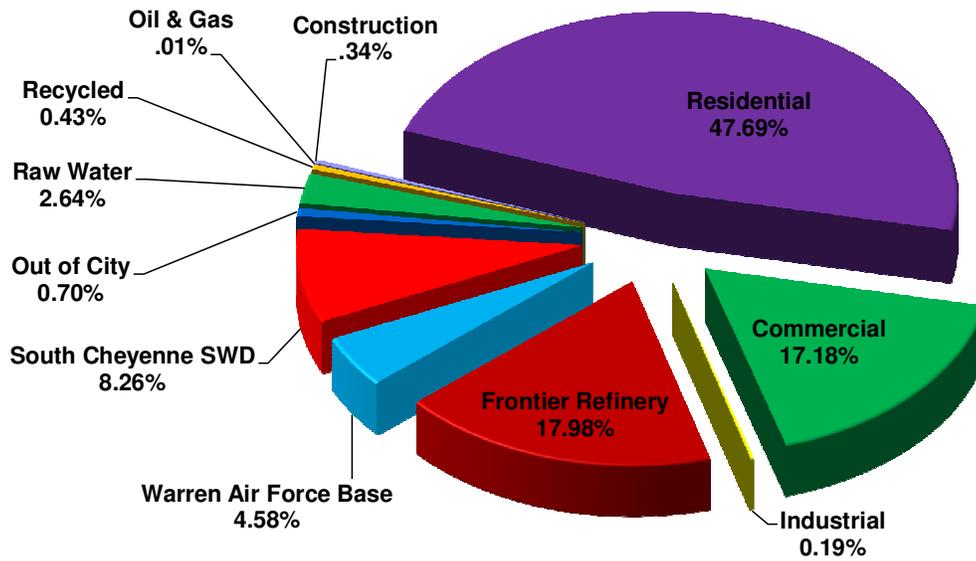
During FY 2014, the Board sold 3.949 billion gallons of water as compared to 4.373 billion gallons in FY 2013. The decrease can be attributed to a wet Fall and Spring resulting in decreased outdoor irrigation. Billed water consumption has averaged 4.093 billion gallons over the past ten years.

METERED WATER SALES



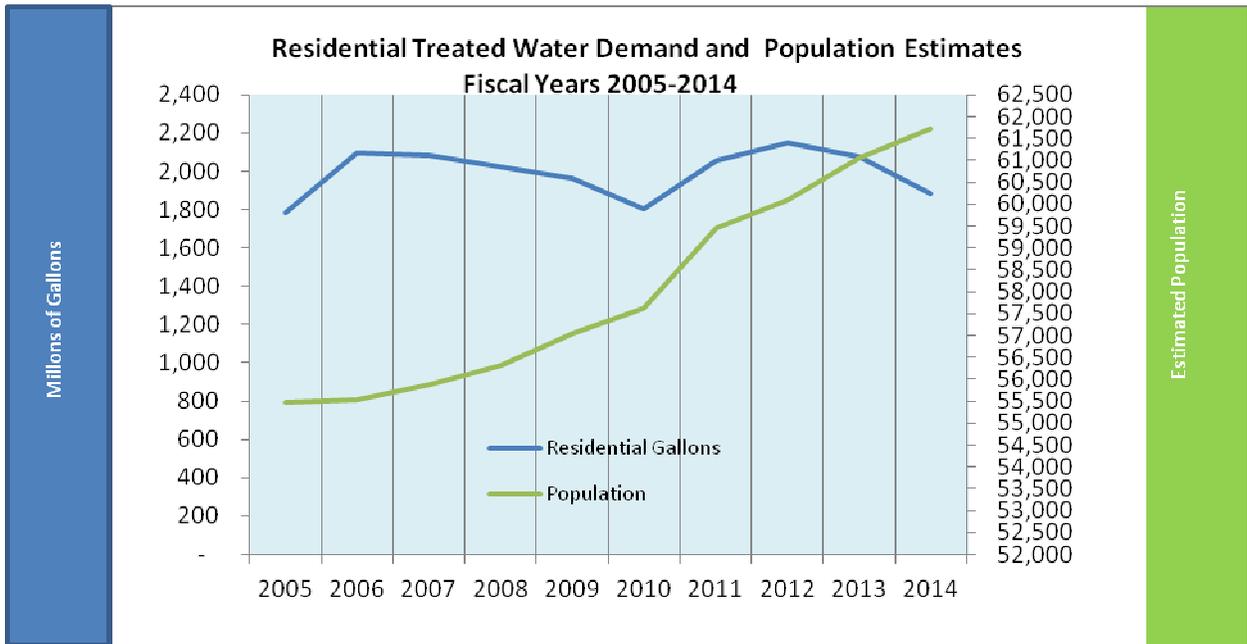
Total water supplied to the City in FY 2014 was 4.359 billion gallons of water compared to 5.022 billion gallons of water in FY 2013.

METERED WATER SALES BY CUSTOMER CLASS FY 2014



BOARD OF PUBLIC UTILITIES Per Capita Consumption

Fiscal Year	Population Estimate	Residential Meter Water Use-Only	Gallons per Capita per Day Residential Use	Total City Metered Water Use-Only	Gallons per Capita per Day Total City Use
2005	56,036	1,784,824,000	87.26	3,089,056,000	151.03
2006	55,662	2,093,589,000	103.05	3,624,482,000	178.40
2007	55,641	2,081,685,000	102.50	3,564,189,000	175.50
2008	56,051	2,026,111,000	99.03	3,435,725,000	167.94
2009	56,296	1,962,219,000	95.49	3,482,228,000	169.47
2010	56,483	1,800,494,000	87.33	3,237,866,000	157.05
2011	59,466	2,057,439,000	94.79	3,512,364,000	161.82
2012	60,096	2,152,263,000	98.12	3,657,056,000	166.72
2013	61,055	2,079,444,000	93.31	4,372,611,000	196.21
2014	61,717	1,883,289,000	83.60	3,948,827,000	175.30



Financial Analysis of the Board’s Enterprise Funds

As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary Funds

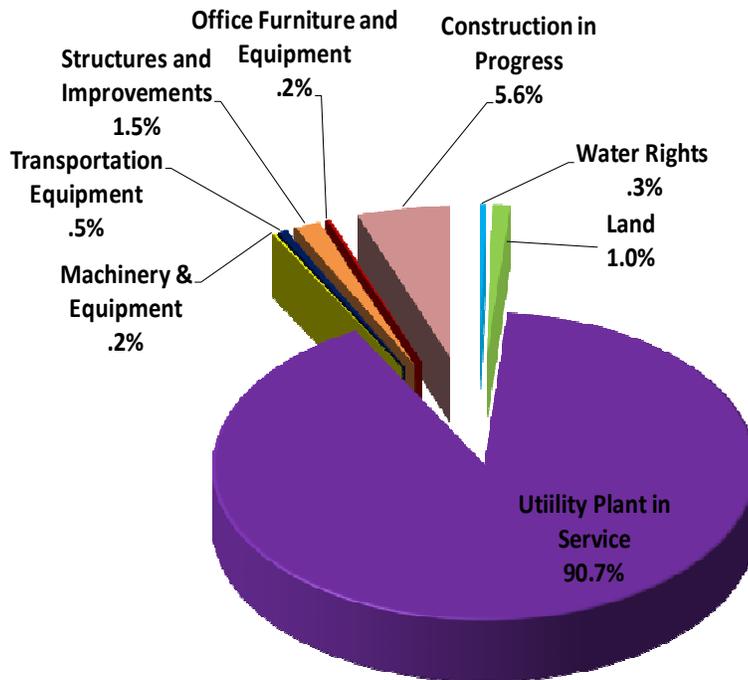
The Board’s proprietary funds provide the same type of information found in the business-type activities financial statements, but in more detail.

Unrestricted net position of the Waterworks Enterprise Fund totaled \$22,529,938 at the end of the current fiscal year. Unrestricted net position of the Sewer Enterprise Fund totaled \$8,968,995 at the end of the current fiscal year. The total change in net position for both funds, from the previous fiscal year was \$19,985,711 and \$2,499,464, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Board’s business-type activities.

Capital assets (property, plant and equipment)

As of June 30, 2014, the capital assets of the Board, net of accumulated depreciation, totaled \$310,411,744. This investment in capital assets includes land, water rights, dams, reservoirs, well fields, water collection and transmission pipelines, water and wastewater treatment plants, water distribution and sewer collection mains and systems, buildings, machinery, vehicles and equipment.

Capital Asset Allocation



BOARD OF PUBLIC UTILITIES Capital Assets (\$1,000's) Net of Depreciation

	Waterworks Fund		Sewer Fund		Total Business-Type Activities	
	2014	2013	2014	2013	2014	2013
Land	\$ 4,588	\$ 4,539	\$ 545	\$ 529	\$ 5,133	\$ 5,068
Water rights	1,798	1,798	-	-	1,798	1,798
Utility plant in service	345,927	338,927	121,495	119,834	467,422	458,761
Machinery and equipment	540	545	179	180	719	725
Transportation equipment	1,990	1,829	656	602	2,646	2,431
Structures and improvements	5,822	6,015	1,957	2,021	7,779	8,036
Office furniture and equipment	774	694	273	240	1,047	934
Construction in progress	26,159	3,278	2,547	651	28,706	3,929
Less accumulated depreciation	(154,174)	(146,926)	(50,664)	(47,418)	(204,838)	(194,344)
Total	\$ 233,424	\$ 210,699	\$ 76,988	\$ 76,639	\$ 310,412	\$ 287,338

Major capital asset events during the current fiscal year included the following:

- Near completion of Phase II of the Southern Water Transmission main.
- Improvements to the Crow Creek Reclamation Facility.
- Contributed capital (water distribution mains, hydrants, sewer collection mains and manholes) from development projects.
- Improvements and upgrades to water distribution and sewer collection mains.

At the close of FY 2014, the Board had transferred the following projects from construction work in progress to Capital Assets:

**BOARD OF PUBLIC UTILITIES - CWIP
Transferred to Capital Assets**

Water Projects:	
LS Stage II Collection Mains	\$ 1,284,294
FY13 Well Projects	564,103
Water Dispensing Improvements	15,378
Windmill Road - 13	169,129
West 9th Street - 13	286,464
East 7th Street - 13	418,003
Syracuse Avenue- 13	231,555
Weaver Road- 13	158,878
Water Main Rehabs- 13	20,734
Hypochlorite Generation	470,462
Total Water Projects	<u><u>\$ 3,619,000</u></u>

Sewer Collection Main Projects:	
Sewer Rehabs - 13	\$ 13,889
2200 Block East 19th Street- 13	52,337
3306 Kelley Drive- 13	9,270
700 Block East 17th Street- 13	22,640
1600 Block Maxwell Avenue- 13	42,475
1600 Block Warren Avenue- 13	37,995
3200 Block Acacia- 13	50,086
3032 Homestead- 13	36,409
2600 O'Neil- 13	36,607
Manhole Replacement- 13	120,548
Cole Safeway Sewer Rehab	60,750
Total Sewer Projects	<u><u>\$ 483,006</u></u>

Additional information on the Board's capital assets can be found in Note 3 on page 30 of this report.

Long-Term Debt

At the end of the current fiscal year, the Board had total bonded debt outstanding of \$75,878,271. Of this amount, \$1,140,000 are 2007 Water Revenue Refunding Bonds, \$8,740,000 is the 2013 Water Revenue Note and the remainder of \$65,998,271 are loans from the State of Wyoming for various water and sewer projects.

The total indebtedness of the Board increased by \$4,332,499 (6.1%) from \$71,545,772 to \$75,878,271 during the current fiscal year. The increase was due to the advances on the Southern Water Transmission Main and Crow Creek Improvements projects.

**BOARD OF PUBLIC UTILITIES Outstanding Debt
General Obligation Bonds and State Loans**

	Waterworks Enterprise Fund		Sewer Enterprise Fund		Business-Type Activities Total	
	2014	2013	2014	2013	2014	2013
Revenue refunding bonds	\$ 1,140,000	\$ 10,005,000	\$ -	\$ -	\$ 1,140,000	\$ 10,005,000
Revenue refunding note	8,740,000	-	-	-	8,740,000	-
Loans from the State of Wyoming	34,047,120	28,913,287	31,951,151	32,627,485	65,998,271	61,540,772
Total	\$43,927,120	\$38,918,287	\$31,951,151	\$32,627,485	\$75,878,271	\$71,545,772

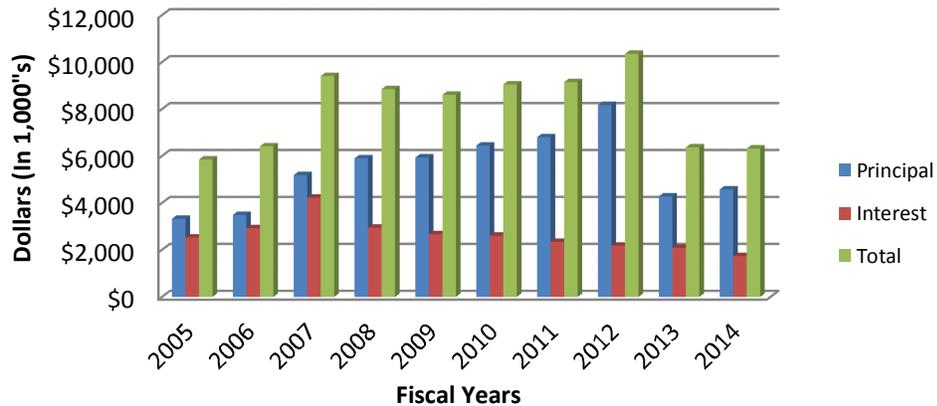
During FY 2014, proceeds from the issuance of debt totaled \$16,214,427 as follows:

BOARD OF PUBLIC UTILITIES - Proceeds from Debt Issuance

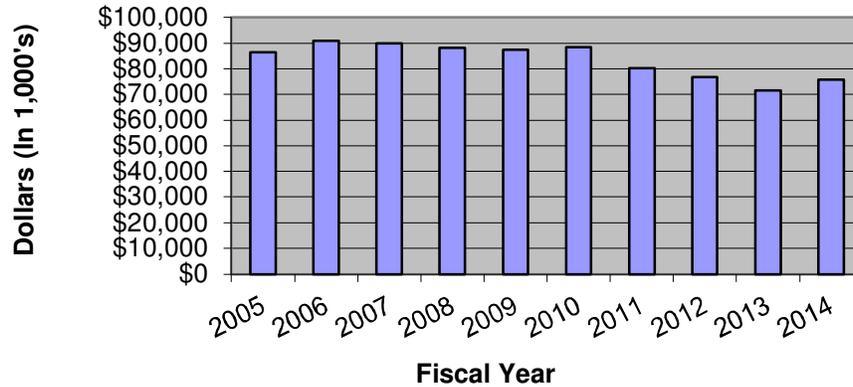
Project	Advance	Funding Source
Water Revenue Note- Refi 2007 Bonds	8,740,000	Colorado State Bank and Trust
DWSRF#120 S. Water Transmission	6,360,613	Wyoming State Lands and Investments
DWSRF#133 RLS Hydroelectric Project	48,140	Wyoming State Lands and Investments
CWSRF#133 Crow Creek Improvements	1,065,674	Wyoming State Lands and Investments
	<u>\$ 16,214,427</u>	

The Board retired \$525,000 of the 2007 Refunding Revenue Bonds, refinanced \$8,340,000 of the 2007 Refunding Revenue Bonds, and \$4,097,913 of additional State of Wyoming water and sewer loans.

Annual Debt Payment



Total Principal Debt Outstanding



The general obligation bonds are paid from the revenue of the water system.

At the end of the Fiscal Year 2009, Standard and Poor’s upgraded the Board’s investment rating from AA- to AA. Standard’s and Poor upgraded the rating based on Cheyenne’s status as a regional trade center, state capital, and service based economy; and because of the Board’s strong financial management, strong debt service, low water rates, adequate water supply and the water treatment plant’s available capacity. Standard and Poor’s also described the Board’s financial outlook as “stable.”

For additional information on long-term debt, please refer to Note 4 to the financial statements.

Economic Factors and Next Year’s Budget and Rates

These factors were considered in preparing the Board’s budget for the 2015 fiscal year (July 1, 2014 to June 30, 2015).

Wyoming’s economic recession did not start until the end of 2008 – lagging the U.S. recession by about one year. However, the recovery of the State’s economy occurred rapidly, thanks to the improvement of energy prices. For the 2013, the Wyoming State revenue exceeded projections and set a record but projections see funding to stay nearly flat or even decline slightly over the next few years. For 2014, the State economy will depend largely upon the energy industry with natural gas and oil prices remaining solid but facing challenges with the coal industry.

According to the Wyoming Center for Business and Economic Analysis the first quarter 2014, new job creation was comfortably ahead of first quarter 2013. Employment growth was 1.0% higher , a gain of 400 jobs. The Cheyenne area’s unemployment rate averaged 5.4% over the first quarter of 2014, a decline from first quarter 2013’s average of 6.0%.

The number of homes sold which included condos/townhomes averaged 111 per month, city wide, during the first quarter of 2014. That equates to a 11.0% decrease over first quarter 2013. The rate of sales decreased from fourth quarter 2013 by 18.4%. Total sales for 2013 were 1,711 as compared to 1,510 in 2012 which was equal to a gain of 13.3%. There were no signals to suggest homes sales will reverse their positive growth trend as 2014 proceeds.

During the first quarter of 2014, 106 housing permits were issued compared with 129 in the first quarter of 2013. Total building permits issued for the City of Cheyenne decreased 10.4% year-over-year and was down 26.4% from two years ago, first quarter to first quarter. City permits averaged 106 per month this quarter as compared to 146 per month for all of 2013 and thus were down 20.5%. It is anticipated that commercial building permits will increase as the building season progresses.

These factors were considered in preparing the Board's budget for the 2015 fiscal year (July 1, 2014 to June 30, 2015).

The financial report is designed to provide a general overview of the Board of Public Utilities' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Public Utilities, Administration Manager, 2416 Snyder Avenue, Cheyenne, Wyoming 82001.

BASIC FINANCIAL STATEMENTS

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014**

ASSETS	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Current Assets			
Cash and cash equivalents	\$ 21,633,642	\$ 7,832,900	\$ 29,466,542
Investments	1,050,000	986,806	2,036,806
Restricted assets:			
Cash and cash equivalents	627,767	-	627,767
Investments	603,001	-	603,001
Due from other governments	2,366,225	639,497	3,005,722
City of Cheyenne sanitation account	1,560,651	-	1,560,651
Receivables:			
Accounts, consumers, net	899,070	744,763	1,643,833
Estimated unbilled usage	1,500,255	699,171	2,199,426
Accrued interest	6,410	2,081	8,491
Inventories	312,279	14,712	326,991
Prepaid expenses	10,204	-	10,204
Total current assets	30,569,504	10,919,930	41,489,434
Noncurrent Assets			
Capital assets:			
Land	4,587,691	545,003	5,132,694
Water rights	1,797,968	-	1,797,968
Utility plant in service	345,927,302	121,495,479	467,422,781
Machinery and equipment	539,876	178,662	718,538
Transportation equipment	1,989,682	655,855	2,645,537
Structures and improvements	5,822,039	1,956,963	7,779,002
Office furniture and equipment	773,816	273,109	1,046,925
Construction in progress	26,159,492	2,546,531	28,706,023
	387,597,866	127,651,602	515,249,468
Less accumulated depreciation	(154,173,417)	(50,664,307)	(204,837,724)
Total noncurrent assets	233,424,449	76,987,295	310,411,744
Total assets	263,993,953	87,907,225	351,901,178
Deferred outflows of resources	506,313	-	506,313

See Notes to Financial Statements.

LIABILITIES	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Current Liabilities			
Vouchers payable	\$ 3,176,237	\$ 934,932	\$ 4,111,169
Accrued compensated absences and early retirement	251,258	167,766	419,024
Accrued interest on general obligation bonds and loans	543,435	124,953	668,388
Current portion of general obligation bonds and loans	2,377,464	2,203,034	4,580,498
Unearned fees and deposits	932,520	254,959	1,187,479
Other accruals	-	36,838	36,838
Due to other City of Cheyenne funds	1,961,769	45,340	2,007,109
Total current liabilities	9,242,683	3,767,822	13,010,505
Noncurrent Liabilities			
Accrued compensated absences	577,659	386,148	963,807
General obligation bonds and loans, net of current portion, deferred amount on refunding, and unamortized bond premium	41,549,656	29,748,117	71,297,773
Total noncurrent liabilities	42,127,315	30,134,265	72,261,580
Total liabilities	51,369,998	33,902,087	85,272,085
NET POSITION			
Net Investment in Capital Assets Restricted for Debt Service and Capital Improvements	189,497,329	45,036,143	234,533,472
Unrestricted	1,103,001	-	1,103,001
	22,529,938	8,968,995	31,498,933
Total net position	\$ 213,130,268	\$ 54,005,138	\$ 267,135,406

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

Year Ended June 30, 2014

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Operating Revenues			
Sales and charges for services	\$ 17,210,780	\$ 9,737,163	\$ 26,947,943
Fees and miscellaneous	482,497	599,682	1,082,179
Total operating revenues	17,693,277	10,336,845	28,030,122
Operating Expenses			
Source of supply	1,426,207	-	1,426,207
Water treatment	1,846,817	-	1,846,817
Transmission and distribution	2,052,179	-	2,052,179
Sewer collection lines	-	1,144,516	1,144,516
Water reclamation	-	2,348,946	2,348,946
Engineering and water resources	911,238	288,155	1,199,393
Administrative and general	3,741,264	1,862,024	5,603,288
Information technology and customer service	788,193	261,060	1,049,253
Depreciation	7,492,864	3,320,480	10,813,344
Total operating expenses	18,258,762	9,225,181	27,483,943
Operating income (loss)	(565,485)	1,111,664	546,179
Nonoperating Revenues (Expenses)			
Gain on sale of assets	186,647	62,082	248,729
Oil and gas lease revenue	-	26,939	26,939
System development fees	3,292,384	859,212	4,151,596
Investment income:			
Net increase in fair value of investments	28,418	7,972	36,390
Interest income	47,945	17,403	65,348
Interest expense	(890,194)	(783,319)	(1,673,513)
Total nonoperating (expenses)	2,665,200	190,289	2,855,489
Income (loss) before contributions	2,099,715	1,301,953	3,401,668
Capital Contributions			
Capital grants	15,173,443	60,643	15,234,086
Donated utilities	2,712,553	1,136,868	3,849,421
Total capital contributions	17,885,996	1,197,511	19,083,507
Change in net position	19,985,711	2,499,464	22,485,175
Net Position, beginning of year	193,144,557	51,505,674	244,650,231
Net Position, end of year	\$ 213,130,268	\$ 54,005,138	\$ 267,135,406

See Notes to Financial Statements.

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2014**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 17,125,772	\$ 10,201,333	\$ 27,327,105
Cash payments to suppliers	(2,042,495)	(1,676,867)	(3,719,362)
Cash payments to employees	(6,577,292)	(3,781,490)	(10,358,782)
Change in City sanitation account	53,355	-	53,355
Net cash provided by operating activities	8,559,340	4,742,976	13,302,316
Cash Flows from Capital and Related Financing Activities			
System development fees	1,937,295	635,763	2,573,058
Capital grants	13,917,062	106,641	14,023,703
Proceeds from issuance of debt	15,148,753	1,065,674	16,214,427
Principal paid on general obligation/revenue bonds and loan debt maturities	(10,751,739)	(2,211,174)	(12,962,913)
Interest and refinance costs paid on debt	(1,127,753)	(807,121)	(1,934,874)
Proceeds from sale of capital assets	191,485	63,696	255,181
Acquisition and construction of capital assets	(27,169,278)	(2,510,131)	(29,679,409)
Net cash (used in) capital and related financing activities	(7,854,175)	(3,656,652)	(11,510,827)
Cash Flows from Investing Activities			
Interest on cash and investments	78,168	25,775	103,943
Purchase of investments	-	(36,806)	(36,806)
Redemption of investments	386,593	36,713	423,306
Net cash provided by investing activities	464,761	25,682	490,443
Net increase in cash and cash equivalents	1,169,926	1,112,006	2,281,932
Cash and Cash Equivalents			
Beginning	21,091,483	6,720,894	27,812,377
Ending	\$ 22,261,409	\$ 7,832,900	\$ 30,094,309

Continued

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
Year Ended June 30, 2014**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities			
Operating income	\$ (565,485)	\$ 1,111,664	\$ 546,179
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	7,492,864	3,320,480	10,813,344
Increase (decrease) in cash and cash equivalents resulting from changes in operating assets and liabilities:			
Receivables	(530,252)	(138,302)	(668,554)
Inventories	(44,266)	89	(44,177)
Prepaid expenses	1,307	-	1,307
Vouchers payable	2,122,583	459,185	2,581,768
Accrued compensated absences	29,234	(10,140)	19,094
City sanitation account	53,355	-	53,355
Net cash provided by operating activities	\$ 8,559,340	\$ 4,742,976	\$ 13,302,316
Noncash Investing, Capital and Financing Activities			
Amortization of deferred refunding loss and debt premiums	\$ (13,658)	\$ -	\$ (13,658)
Donated asset acquisitions	2,712,553	1,136,868	3,849,421
Capitalized interest	340,975	23,349	364,324

See Notes to Financial Statements.

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies

Nature of operations: The City of Cheyenne, Wyoming Board of Public Utilities (the “Board”) provides all water and sewer services for the City of Cheyenne, Wyoming (the “City”), Warren Air Force Base and the South Cheyenne Water and Sewer District. These services include obtaining an adequate source of water supply, water treatment, wastewater collection, and water reclamation. These activities are accounted for in the Waterworks and Sewer Funds.

A summary of the Board’s significant accounting policies follows:

Reporting entity: The Board is comprised of the Waterworks and Sewer Enterprise Funds of the City, the primary government, who is financially accountable for the Board. These financial statements present only the Waterworks and Sewer Enterprise Funds and are not intended to present fairly the financial position and results of operations of the City in conformity with accounting principles generally accepted in the United States of America.

The Board is not financially accountable for any other organizations and, thus, includes only the financial activity of the various funds of the Board. The following Wyoming State Statutes were considered in defining the reporting entity:

§15-7-401. Establishment; powers and duties generally.

Any city or town in Wyoming which owns and operates a municipal waterworks, a sanitary sewer system, a sewage disposal plant or an electric utility distribution system may establish a board of commissioners to be known as the board of public utilities. The board of public utilities shall manage, operate, maintain and control such plants and make all rules and regulations necessary for their safe, economical and efficient operation and management. The board may also improve, extend or enlarge the plants as provided in this article.

§15-7-404. Specific powers and duties; vouchers, etc.; civil service or pension system.

The board of public utilities has exclusive control of all municipally owned waterworks, sanitary sewer systems and sewage disposal plants, as specified by ordinance. The board is charged with producing and supplying the city or town and its inhabitants with water for domestic and industrial purposes, and for public use, and may sell and dispose of any surplus outside of the city or town. The board may also furnish surplus sanitary sewer facilities to persons outside of the city or town.

Measurement focus, basis of accounting, and financial statement presentation: The financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Major proprietary funds: The waterworks and sewer funds account for the activities of the Board. The Board operates the water reclamation plant, sewage pumping stations and collection systems, and the water distribution system.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Board's enterprise funds (the waterworks fund and sewer fund) are charges to customers for sales and services. The Board also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Net Position: Net position represents the difference between assets, deferred outflow of resources, liabilities, and deferred inflow of resources. Net investment in capital assets consists of capital assets and deferred outflow of resources, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. The remaining net position is reported as unrestricted.

The Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Deposits and investments: The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, investments in the State Treasurer's Investment Pool (WYOSTAR) and the Wyoming Government Investment Fund (WGIF) are considered to be cash equivalents due to the Board's ability to withdraw the investments at any time.

Investments for the Board are reported at fair value. Fair value is determined using the latest bid price or by the closing exchange price at the statement of net position date. A significant portion of the Board's investment activity is conducted in a pooled investment account called WYOSTAR with the State of Wyoming, State Treasurer's office. WYOSTAR operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Restricted assets: Restricted assets include assets held for the City sanitation, as well as amounts due from the State of Wyoming on requested loan advances. In addition, cash required to be set aside for the repair and maintenance of capital assets that were funded by State of Wyoming loans, as well as the Bond Reserve Fund required by the issuance of the Series 2007 Refunding Revenue Water Bonds, are deemed restricted.

Due to other City of Cheyenne funds: The City of Cheyenne sanitation account – The Board bills and collects the City's fees for sanitation services. The funds collected are remitted to the treasury of the City twice per month.

Accounts receivable: Accounts receivable are shown on the statement of net position net of allowances for doubtful accounts of \$75,331.

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Estimated unbilled usage: Unbilled utility usage represents the unbilled utility services that have been provided but not billed.

Inventories: All inventories are accounted for at the lower of cost, on a weighted-average method, or market.

Capital assets: Capital assets, which include property, plant equipment and infrastructure assets (e.g. water and sewer lines), are reported in the applicable business-type activities columns in the statement of net position. Capital assets are defined by the Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Assets such as land, buildings and improvements, equipment and utility plant in service are reported at an estimated historical cost, as determined by an independent study as of June 30, 1973, plus additions since that time have been recorded at historical cost. Property and equipment donated by developers is recorded at its fair value at the date of donation.

Depreciation has been provided over the following estimated useful lives computed by the straight-line method:

	<u>Years</u>
Utility plant in service:	
Waterworks system	10-50
Sewer system	10-40
Machinery and equipment	5-10
Transportation equipment	5
Structures and improvements	40
Office furniture and equipment	3-5

Accrued compensated absences: Nonexempt full-time and part-time employees are eligible to earn and use compensatory time upon employment. Compensatory time may be earned in lieu of overtime wages and call back wages. Compensatory time is earned at 1½ hours for time worked in excess of 40 in a workweek and for call back hours. The maximum accumulation of compensatory time is 120 hours. A full-time or part-time exempt employee may earn administrative time at a rate of one for one for hours worked above 40 in a workweek, up to a maximum of 120 hours. Upon termination, an employee is paid for his or her accrued unused compensatory or administrative time, not to exceed 120 hours. Payment is calculated using the rate of pay at the time of termination.

The liability for compensated absences is accrued as these benefits are accumulated. Vacation leave accumulates as follows:

<u>Months of Service</u>	<u>Vacation Hours Accrued per Month</u>
0 to 48	8
49 to 96	10
97 to 144	12
145 to 192	14
Over 192	16

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Accumulated vacation leave in excess of 30 days shall be deemed forfeited at the end of the December pay period.

Employees accrue sick leave up to a maximum of 480 hours for a full-time employee and 240 hours for a part-time employee on the basis of the number of hours worked in the month at the following rates:

<u>Hours Worked per Month</u>	<u>Sick Leave Hours Accrued per Month</u>
160 or more	10
120 to 159	7.5
80 to 119	5
40 to 79	2.5
39 or less	No accrual

Upon termination of employment, an employee is paid for his or her other accrued unused vacation leave and one half of his or her accrued unused sick leave.

Unearned fees and deposits: The Board charges new customers a tap fee for water and sewer services. In addition, the Board assesses a system development fee for each service. These fees are paid in advance and recorded as unearned before the service is active. Once the new connections are inspected and service begins, the tap and system development fees become earned and recognized.

Water and sewer services used by the City: The City is not billed for water or sewer services used.

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

GASB 65 – Classification:

The Board implemented Governmental Accounting Standards Board Statement No. 65 *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2014. The objective of GASB 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenue).

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments and restricted cash and investments as of June 30, 2014, as classified in the accompanying financial statements, consist of the following:

Statement of Net Position:

Deposits with financial institutions:	
Cash	\$ 429,209
Certificates of deposit	5,189,806
Investments:	
WYOSTAR	27,105,222
WGIF	9,879
	<u>\$ 32,734,116</u>
Cash and cash equivalents	\$ 29,466,542
Investments	2,036,806
Restricted cash and cash equivalents	627,767
Restricted investments	603,001
	<u>\$ 32,734,116</u>

Investments authorized by the Board's investment policy: The Board follows the guidelines set forth in Wyoming State Statute 9-4-831 as it relates to the investment of public funds. The Board's investment policy requires investments to comply with State statutes, which generally allows the Board to invest in U.S., state and local government securities and accounts of any bank and savings associations which are federally insured or secured by a pledge of assets including bonds, debentures and other securities in which the State Treasurer may by law invest. All investments made during the year were made within these statutory limits.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Board's investment policy does not contain any specific provisions intended to limit the Board's exposure to credit risk. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Under investment agreements with WYOSTAR and WGIF, the Board has invested monies at a variable and fixed contract rate of interest, respectively. There is no rating available for the WYOSTAR investment; however, under Wyoming statutes underlying providers are required to have the highest rating from at least one of the nationally recognized rating organizations. The WGIF investment received an AAA rating by Standard & Poor's.

Custodial credit risk: Custodial credit risk for deposits and certificates of deposit is the risk that, in the event of the failure of a depository financial institution, the Board will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Certain deposits held in Board bank accounts are insured by Federal depository insurance or are collateralized with securities held by the custodian bank under safekeeping or Federal Reserve receipts in the name of the Board and the financial institution. As of June 30, 2014, the Board had bank balances on deposit and certificates of deposit of \$7,220,832. These deposits and certificates of deposit were fully collateralized or insured as required by state statutes.

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

In addition to the applicable statutes, the Board's policy requires all deposits to be collateralized at 105% of the amount invested including accrued interest to further reduce its exposure to custodial credit risk. At June 30, 2014, the Board's deposits were fully collateralized as required by Board policy.

For an investment, this is the risk that in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes limit the type of investments the Board can use. Statutes limit investments primarily to securities issued or guaranteed by the U.S. Treasury or agencies of the United States Government; therefore, reducing the Board's exposure to custodial credit risk for its investments.

Concentration of credit risk: The Board's policy does not allow more than 25% of the total investment portfolio to be invested in any one issuer, with the exception of WYOSTAR, WGIF, bank certificates of deposit and U.S. Treasury securities, which include all of the Board's investments. Therefore, no further disclosure regarding concentrations of credit risk is required.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Board's investments are held in external pooled investment accounts and in bank certificates of deposit, and as a means of limiting its exposure to fair value losses arising from rising interest rates, the Board attempts to match its investment maturities to expected cash flow needs. The Board's investment policy requires that the investment portfolio shall be timed to provide that at least 20% is under 31 days (but this amount need not be more than \$3,000,000) and not more than 25% may be over 181 days and less than three years. With this investment focus, investments are expected to reach maturity with limited gains or losses. At June 30, 2014, the Board's investments met this policy. The maturities and applicable interest rates of the Board's investments are displayed in the following Interest Rate Risk Table.

Investment Type	Fair Value	Interest Rate	Investment Maturities Less Than One Year
Certificates of deposit	\$ 5,189,806	0.05% - 0.25%	\$ 5,189,806
State Treasurer's Investment Pool (WYOSTAR)	27,105,222	0.30%	27,105,222
Wyoming Government Investment Fund (WGIF)	9,879	0.05%	9,879
	\$ 32,304,907		\$ 32,304,907

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Note 3. Changes in Capital Assets

A summary of changes in capital assets follows:

	Balance June 30, 2013	Additions	Retirement and Transfers	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 5,067,723	\$ -	\$ 64,971	\$ 5,132,694
Water rights	1,797,968	-	-	1,797,968
Construction in progress	3,928,772	28,879,257	(4,102,006)	28,706,023
Total capital assets not being depreciated	10,794,463	28,879,257	(4,037,035)	35,636,685
Capital assets being depreciated:				
Utility plant in service	458,760,225	8,685,356	(22,800)	467,422,781
Machinery and equipment	725,256		(6,718)	718,538
Transportation equipment	2,431,424	314,035	(99,922)	2,645,537
Structures and improvements	8,036,424	1,490	(258,912)	7,779,002
Office furniture and equipment	934,581	115,020	(2,676)	1,046,925
Total capital assets being depreciated	470,887,910	9,115,901	(391,028)	479,612,783
Less accumulated depreciation for:				
Utility plant in service	189,522,484	10,413,764	(17,361)	199,918,887
Machinery and equipment	603,602	28,064	(6,447)	625,219
Transportation equipment	2,164,321	135,435	(99,922)	2,199,834
Structures and improvements	1,182,122	193,557	(193,201)	1,182,478
Office furniture and equipment	871,458	42,524	(2,676)	911,306
Total accumulated depreciation	194,343,987	10,813,344	(319,607)	204,837,724
Total capital assets being depreciated, net	276,543,923	(1,697,443)	(71,421)	274,775,059
Total capital assets, net	\$ 287,338,386	\$ 27,181,814	\$ (4,108,456)	\$ 310,411,744

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Note 4. Bonds and Loans

The following is a summary of debt transactions of the Board for the year ended June 30, 2014:

	Balance as of June 30, 2013	Debt	
		Issued	Retired
Waterworks Fund:			
DWSRF #034 Water Main Rehabilitation 2003	\$ 489,638	\$ -	\$ 35,589
DWSRF #056 Western Hills 2005	766,452	-	42,934
Stage I Rehabilitation Loan 1993	4,672,227	-	119,458
King Two Water Storage Tank Loan 1994	142,502	-	142,502
Sherard Plant State WDWRP Loan 2000	2,258,922	-	202,066
DWSRF #023 RLS Refinance 2002	5,614,783	-	502,255
DWSRF #065 Southern Water Main 2007	4,379,328	-	226,895
DWSRF #074 Administrative Building 2007	233,665	-	193,596
CWSRF #084 Administrative Building 2007	270,241	-	11,324
CWSRF #081 Phase II Reuse 2008	1,125,326	-	54,171
DWSRF #079 30" Water Main/WAFB	4,929,313	-	206,213
DWSRF #106 Administrative Building 2009	1,786,931	-	74,868
CWSRF #115 Administrative Building 2009	1,786,931	-	74,868
DWSRF #120 Southern Water Main Ph II 2012	443,162	6,980,950	-
DWSRF #133 RLS Hydroelectric Project 2013	13,866	39,622	-
2013 Water Revenue Note	-	8,740,000	-
Refunding Revenue Water Bonds 2007 Series	10,005,000	-	8,865,000
	<u>38,918,287</u>	<u>15,760,572</u>	<u>10,751,739</u>
Sewer Fund:			
CWSRF #007 Crow Creek Rollins Sewer Lines 1997	814,867	-	127,467
CWSRF #032 Crow Creek Dry Creek WWTP 2002	2,254,527	-	149,042
CWSRF #046 Clean Water State Revolving Loan 2004	25,680,475	-	1,697,686
CWSRF #060 WAFB/Parsley 2006	2,289,223	-	118,761
DWSRF #074 Administrative Building 2007	77,888	-	64,532
CWSRF #084 Administrative Building 2007	90,080	-	3,774
DWSRF #106 Administrative Building 2009	595,644	-	24,956
CWSRF #115 Administrative Building 2009	595,644	-	24,956
CWSRF #133 Crow Creek Plant Improvements 2013	229,137	1,534,840	-
	<u>32,627,485</u>	<u>1,534,840</u>	<u>2,211,174</u>
	<u>\$ 71,545,772</u>	<u>\$ 17,295,412</u>	<u>\$ 12,962,913</u>

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Balance as of June 30, 2014	Current Portion	Long-Term Portion
\$ 454,049	\$ 36,376	\$ 417,673
723,518	43,798	679,720
4,552,769	124,237	4,428,532
-	-	-
2,056,856	206,648	1,850,208
5,112,528	513,644	4,598,884
4,152,433	232,179	3,920,254
40,069	14,598	25,471
258,917	11,567	247,350
1,071,155	55,427	1,015,728
4,723,100	211,012	4,512,088
1,712,063	76,489	1,635,574
1,712,063	76,489	1,635,574
7,424,112	-	7,424,112
53,488	-	53,488
8,740,000	215,000	8,525,000
1,140,000	560,000	580,000
<u>43,927,120</u>	<u>2,377,464</u>	<u>41,549,656</u>
687,400	130,767	556,633
2,105,485	152,630	1,952,855
23,982,789	1,738,555	22,244,234
2,170,462	121,368	2,049,094
13,356	4,866	8,490
86,306	3,856	82,450
570,688	25,496	545,192
570,688	25,496	545,192
1,763,977	-	1,763,977
<u>31,951,151</u>	<u>2,203,034</u>	<u>29,748,117</u>
<u>\$ 75,878,271</u>	<u>\$ 4,580,498</u>	<u>\$ 71,297,773</u>

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

On December 21, 2007, the Board issued \$12,330,000 in Refunding Revenue Water Bonds with an average interest rate of 4.368% in order to refinance two Wyoming Water Development Commission loans totaling \$8,043,330 and one Permanent Mineral Trust Fund loan for \$3,567,231 bearing substantially higher interest rates between 5.5% and 7.25%. The proceeds of the Series 2007 Bonds, together with other available monies of the City, were used to: (i) refinance the above-referenced loans in the amount of \$11,610,561, (ii) pay expenses incurred in connection with the issuance of the Bonds in the amount of \$102,636, and (iii) establish a debt service reserve fund for the Bonds in the amount of \$989,594.

On December 27, 2013, the Board entered into an agreement with Colorado State Bank and Trust to authorize an advanced refunding of a portion of the 2007 Refunding Revenue Water Bonds. The Board received an \$8,740,000 Refunding Revenue Water Note with an interest annual rate of 2.41% with the proceeds to be deposited in a special fund and trust account to be used to refund, pay, discharge and redeem the portion of the refunded bonds outstanding and maturing on or after December 1, 2016. The costs from the advance refunding include a deferred outflow of \$525,305, which is being charged to operations through the year 2025 using the effective interest method. As of June 30, 2014, the Board had deferred loss on refunding of \$506,313 classified as a deferred outflow of resources.

Long-term debt payable as of June 30, 2014 consists of the following:

2013 Refunding Revenue Water Note, original amount of \$8,740,000 due in annual principal installments ranging from \$215,000 to \$955,000 through December 2025; interest at 2.41%. Note originated to refinance the callable portion 2007 Water Revenue Bonds Secured by pledge of revenues from the City's water system tap and user fees and system development fees, net of premiums.	\$ 8,740,000
Refunding Revenue Water Bonds, Series 2007, original amount of \$12,330,000 due in annual principal installments ranging from \$485,000 to \$910,000 through December 2026; interest at 4% to 5%. Secured by pledge of revenues from the City's water system tap and user fees and system development fees, net of premiums.	\$ 1,140,000
Due to the State of Wyoming, Water Development Commission, original amount of \$6,250,000, with interest at 4%, due annually on December 1. Annual principal and interest payments are \$306,348 through 2037. Secured by a mortgage on the Stage I pipeline and revenues from the Cheyenne Water System.	4,552,769
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #002, original amount of \$4,000,000, with interest at 2.5%, due annually on December 1. Annual principal and interest payments are \$258,075 through 2023. Secured by pledge and assignment revenues from by the City's water system user fees necessary to meet the annual loan payment.	2,056,856

Continued

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Due to the State of Wyoming, Office of State Land and Investments, #DWSRF-034, original amount of \$825,000, with interest at 2.5% due annually on December 1. Annual principal and interest payments are \$47,729 through 2025 for funding of the City's Water Main Rehabilitation Project for Fiscal Year 2004. Secured by pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. \$ 454,049

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #056, original amount of \$1,300,000, with interest at 2.5%, due annually on March 1. Annual principal and interest payments are \$61,885 through 2028. Secured by the pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payments. 723,518

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #065, original amount of \$5,600,000 for the Southern Water Transmission Main - Phase I Project, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$334,582 through 2029. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. 4,152,433

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #074, original amount of \$324,246 loan for the planning phase of the Administration Building Project, with interest at 2.5% due annually on June 1. Annual principal and interest payments are \$20,799 through 2032. Secured by pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. 53,425

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #079, original amount of \$5,130,509 for the 30" Transmission Line Replacement Project, with interest at 2.5% due annually on September 1. Annual principal and interest payments are \$329,107 through 2031. Secured by pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. 4,723,100

Continued

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #120, advances on a \$9,400,000 loan for the design and construction of Phase II of the Southern Water Transmission Main. Interest will accrue at 2.5% from the date of loan disbursements. Twenty annual payments of principal and interest will begin not later than one year after substantial completion of the project. The payments are currently estimated at \$602,983 per year. Secured by the pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payments.	\$ 7,424,112
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #133, advances on a \$3,000,000 loan for the construction of the Hydro-Electric Generation Project. Interest thereon is at 0.0% for a term of twenty years. Upon completion of project, loan shall be granted principal forgiveness up to 25% of the loan, not to exceed \$750,000. The payments are currently estimated at \$112,500 per year. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual payment.	53,488
Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #007, original amount of \$2,334,500, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$147,951 through 2019 for the rehabilitation of the Crow Creek and Rollins sewer lines. Secured by the pledge and assignment of revenues generated from the City's wastewater user fees necessary to meet the annual loan payment.	687,400
Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #032, original amount of \$3,200,000, with interest at 2.5%, due annually on June 1. Annual principal and interest payments are \$205,271 through 2026 for the Dry and Crow Creek Rehab - Engineering project. Secured by the pledge and assignment of revenues generated from the City's wastewater user fees necessary to meet the annual loan payment.	2,105,485
Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #046, original amount of \$36,450,000, with interest at 2.5%, due annually on June 1. Annual principal and interest payments are \$2,338,163 through 2026 for the Dry and Crow Creek Rehab - Construction project. Secured by the pledge and assignment of revenues generated from the City's wastewater user fees necessary to meet the annual loan payment.	23,982,789

Continued

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #060, original amount of \$2,900,000 loan, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$174,898 through 2029. Secured by the pledge and assignment of revenues from the City's wastewater user fees necessary to meet the annual loan payment. \$ 2,170,462

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #081, original amount of \$1,280,000 for the extension of Cheyenne's Recycled Water System Project, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$81,843 through 2030. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. 1,071,155

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #084, original amount of \$375,000 loan for the planning phase of the Administration Building Project, with interest at 2.5% due annually on June 1. Annual principal and interest payments are \$24,055 through 2032. Secured by pledge and assignment of revenues from the City's wastewater user fees necessary to meet the annual loan payment. 345,223

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #115, original amount of \$3,500,000 for the construction phase of the Administration Building Project, with interest at 2.5% due annually on June 1. Annual principal and interest payments are \$159,062 through 2032. Secured by pledge and assignment of revenues from the City's wastewater user fees necessary to meet the annual loan payment. 2,282,751

Due to the State of Wyoming, Office of State Land and Investments, #CWSRF-133, advances on \$5,000,000 loan for Crow Creek Plant Improvements Project. Interest will accrue at 2.5% from the date of the loan disbursements. Twenty annual payments of principal and interest will begin one year after substantial completion of the project. The payments are currently estimated at \$320,736 per year. Secured by pledge and assignment of revenues from the City's wastewater user fees necessary to meet the annual loan payment. 1,763,977

Total long-term liabilities \$ 75,878,271

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

The annual debt service requirements of the long-term debt and current principal maturities as of June 30, 2014 are as follows:

	Waterworks Fund		Sewer Fund	
	Principal	Interest	Principal	Interest
2015	\$ 2,377,464	\$ 981,854	\$ 2,203,034	\$ 753,993
2016	2,717,018	1,093,466	2,327,123	743,058
2017	2,782,451	1,016,654	2,383,649	684,922
2018	2,838,154	945,720	2,439,606	625,375
2019	2,905,723	873,328	2,500,596	564,383
2020-2024	14,777,031	3,215,138	12,693,902	1,891,249
2025-2029	9,070,730	1,613,767	6,535,831	419,019
2030-2034	5,137,349	631,792	757,015	65,390
2035-2039	1,321,200	80,985	110,395	2,760
	<u>\$ 43,927,120</u>	<u>\$ 10,452,704</u>	<u>\$ 31,951,151</u>	<u>\$ 5,750,149</u>

In July 2011, the Board received approval of a \$14,029,800 grant from the Wyoming Water Development Commission for the design and construction of the Southern Water Transmission Main project. The grant provisions required the Board to increase the capital additions and replacement restricted cash balance from \$300,000 to \$400,000.

In May 2014, the Board received approval of a \$1,206,000 grant from the Wyoming Water Development Commission for the design and construction of the Southern Water Transmission Main Phase III project. The grant provisions required the Board to increase the capital additions and replacement restricted cash balance from \$400,000 to \$500,000.

The Board has pledged and assigned future water system and wastewater user fees to meet the annual debt requirements. Proceeds from the debt has been used to improve, expand and replace the distribution system, source of supply, and treatment facilities. The proportion of pledged revenues to total revenues is not estimable because annual total fees fluctuate annually. Principal and interest paid for the current year was \$6,802,736. Net customer revenues totaled \$28,030,122 for the year. At year end, pledged future revenues totaled \$92,084,555, which is the amount of the remaining principal and interest on outstanding debt.

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Note 5. Retirement Commitments

The Board participates in the State of Wyoming Retirement System (System), a statewide cost-sharing multiple-employer public employee retirement system administered by the State of Wyoming Retirement System Board. Substantially all Board full-time employees are eligible to participate in the System. Participants who retire at age 60 with four years of credited service are entitled to a retirement benefit according to predetermined formulas and are allowed to select one of seven optional methods for receiving benefits. Early retirement is allowed provided the employee has completed four years of service and attained the age of 50, but will result in a reduction of benefits based on the length of time remaining to normal retirement age. The System also provides death and disability benefits. Benefits are established by State statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002.

The System has two tiers of benefits. If an employee made a contribution prior to September 1, 2012, they are in Tier I. Under this tier, the benefit is calculated using a multiplier of 2.125% for the members first 15 years of service and 2.25% for years of service above 15 and the members three-year highest average salary. If the first contribution for an employee was made after September 1, 2012, the member is in Tier 2. Under this tier, the benefit is calculated using a multiplier of 2% for all years of service and the members five-year highest average salary.

The System also provides disability retirement to any employee who becomes permanently incapacitated, mentally or physically, and who cannot continue in the performance of his duties. Benefits are established by State statute.

Contributions to the System consist of an amount equal to 14.62% of the employee's salary. The Board is required by State statute to contribute 7.12% of the amount. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The Board currently pays 5.00% of the required employee's contribution of 7.50%.

The Board's contribution to the Wyoming Retirement System for the years ended June 30, 2014, 2013 and 2012 were \$787,720, \$736,660 and \$733,963, respectively, equal to the required contributions for each year, plus the Board's share of the required employee contribution.

The Board employees have the option to participate in one of two defined contribution plans. These defined contribution plans include the Wyoming Deferred Compensation Program (457 Plan) administered by the Wyoming Retirement System and a defined contribution plan administered by VALIC Financial Advisors. Employees are allowed to contribute the maximum amount per Internal Revenue Service guidelines. The total employee contributions for the years ended June 30, 2014, 2013 and 2012 were \$222,885, \$158,491 and \$162,053, respectively. Beginning July 1, 2008, the Board elected to match an employee's contribution up to \$25 per month. The total matching contributions for the years ended June 30, 2014, 2013 and 2012 were \$29,950, \$29,250 and \$28,750, respectively.

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Note 6. Due from Other Governments

Amounts due from other governments of \$3,005,722 as of June 30, 2014 are from other governmental entities in connection with the construction of various projects. The amount due represents pay requests received from contractors for work done through June 2014. Upon receipt of these pay requests, the Board applies to other governmental entities for grant and/or loan monies to pay contractors.

Note 7. Accrued Compensated Absences and Early Retirement

Compensated absences and early retirement obligations have been accrued in the financial statements of the Board and consist of the following at June 30, 2014:

	Waterworks Fund	Sewer Fund	Total
Vacation leave	\$ 329,102	\$ 220,704	\$ 549,806
Compensatory/administrative time	86,538	57,692	144,230
Sick leave	306,434	204,289	510,723
Early retirement obligation	106,843	71,229	178,072
	<u>\$ 828,917</u>	<u>\$ 553,914</u>	<u>\$ 1,382,831</u>

Changes in the liability for compensated absences and early retirement obligation are as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
Compensated Absences and Early Retirement					
Waterworks Fund	\$ 799,683	\$ 181,689	\$ (152,455)	\$ 828,917	\$ 251,258
Sewer Fund	564,054	119,533	(129,673)	553,914	167,766
	<u>\$ 1,363,737</u>	<u>\$ 301,222</u>	<u>\$ (282,128)</u>	<u>\$ 1,382,831</u>	<u>\$ 419,024</u>

Note 8. Related-Party Transactions

The Board collects sanitation charges on behalf of the City. At June 30, 2014, the Board had cash and receivables relating to the City's sanitation charges of \$1,688,418. The Board also owed the City \$318,691 for fuel charges, legal fees, and the Board's share of construction projects.

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Note 9. Major Customer

For the year ended June 30, 2014, the Board had three customers who each individually accounted for a significant portion of the Board's billed water and sewer revenues as follows:

	Water	Sewer	Total
Holly Refining & Marketing	\$ 2,886,923	\$ 564,285	\$ 3,451,208
South Cheyenne Water & Sewer District	1,368,779	1,134,088	2,502,867
F.E. Warren Air Force Base	773,017	386,383	1,159,400

Note 10. Commitments

As of June 30, 2014, the Board has entered into several construction/engineering contracts resulting in commitments for future capital expenditures. The major projects are listed below. Although portions of the projects may have been completed and capitalized during 2014, the amounts below represent the activity pertaining to the respective contract as a whole.

	Expended to June 30, 2014	Total Contract	Total Commitment at June 30, 2014
Waterworks Fund:			
19th Street Rehab	\$ -	\$ 122,370	\$ 122,370
Holliday Park Reuse	1,708	112,486	110,778
Logan Avenue Rehab	45,704	1,361,506	1,315,802
Buffalo Ridge Storage Tank	30,669	98,665	67,996
FY14 Water Rehabs	710,602	2,530,348	1,819,746
Snyder Avenue Rehab	456,033	834,265	378,232
Standard Creek Diversion	20,715	51,271	30,556
Swan Ranch Pump Station	65,312	218,274	152,962
Roundtop Valve House	16,000	56,290	40,290
Sherard Hydropower	68,489	364,895	296,406
	<u>1,415,232</u>	<u>5,750,370</u>	<u>4,335,138</u>
Sewer Fund:			
19th Street Rehab	3,000	74,286	71,286
Logan Avenu Rehab	16,033	492,670	476,637
FY14 Sewer Rehabs	16,535	958,066	941,531
Snyder Avenue Rehab	115,943	198,043	82,100
Crow Creek Improvements	1,763,977	5,733,904	3,969,927
Headworks & Local Limts	27,640	34,095	6,455
	<u>1,943,128</u>	<u>7,491,064</u>	<u>5,547,936</u>
	<u>\$ 3,358,360</u>	<u>\$ 13,241,434</u>	<u>\$ 9,883,074</u>

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

NOTES TO FINANCIAL STATEMENTS

Note 11. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters.

As of June 30, 2014, the Board is a member of the Wyoming Association of Risk Management (WARM), which is a separate legal agency created under Wyoming State Statutes for the purpose of establishing a shared risk pool and/or jointly purchasing insurance coverage. The participating entities are responsible for paying premiums into the pool which are calculated annually and are based upon actuarially sound and recognized pooling practices. The pool is responsible for determining the amounts of the premiums charged to the entities and is also responsible for managing the pool's assets. The entities have the right to submit claims for losses incurred. The pool has the right to collect premiums and admit or terminate members for nonpayment of premiums. The Board management considers the assets of WARM to be sufficient to cover any claims that may be incurred by its members.

The Board has not had significant settlements exceeding insurance coverage in any of the past three fiscal years. The Board has had no significant reductions in insurance coverage from coverage in the prior year.

The Board pays into the State Worker's Compensation System a premium based on a rate per covered payroll. This rate is calculated based on accident history and administrative costs.

SUPPLEMENTARY INFORMATION

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2014**

	Waterworks Fund			
	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
	Original	Final		
Operating Revenues				
Sales and charges for services	\$ 18,507,300	\$ 18,507,300	\$ 17,210,780	\$ (1,296,520)
Fees and miscellaneous	309,900	309,900	482,497	172,597
Total operating revenues	18,817,200	18,817,200	17,693,277	(1,123,923)
Nonoperating Revenues				
Investment income	51,900	51,900	76,363	24,463
Gain on sale of assets	-	183,806	186,647	2,841
Oil and gas lease revenue	-	-	-	-
System development fees	1,258,000	1,258,000	3,292,384	2,034,384
Capital grants	5,711,200	19,841,246	15,173,443	(4,667,803)
Donated utilities	-	-	2,712,553	2,712,553
Total nonoperating revenues	7,021,100	21,334,952	21,441,390	106,438
Total revenues	25,838,300	40,152,152	39,134,667	(1,017,485)
Operating Expenses				
Source of supply	1,568,900	1,783,900	1,426,207	(357,693)
Water treatment	2,254,900	2,160,799	1,846,817	(313,982)
Transmission and distribution	2,108,500	2,172,714	2,052,179	(120,535)
Sewer collection lines	-	-	-	-
Water reclamation	-	-	-	-
Engineering and water resources	914,400	941,561	911,238	(30,323)
Administrative and general	3,317,900	3,741,280	3,741,264	(16)
Information technology and customer service	815,300	826,922	788,193	(38,729)
Total operations	10,979,900	11,627,176	10,765,898	(861,278)
Other Expenditures				
Capital purchases	1,273,700	1,319,365	661,236	(658,129)
Construction work in progress	12,114,200	45,684,102	26,384,238	(19,299,864)
Debt service, interest	1,404,800	1,404,800	890,194	(514,606)
Debt service, principal	2,170,200	2,459,006	2,411,737	(47,269)
Total other expenditures	16,962,900	50,867,273	30,347,405	(20,519,868)
Total expenditures	27,942,800	62,494,449	41,113,303	(21,381,146)
Excess (deficiency) of revenues over expenditures	\$ (2,104,500)	\$ (22,342,297)	\$ (1,978,636)	\$ 20,363,661

See the accompanying independent auditors' report.

Sewer Fund

Budgeted Amounts		Actual Budget	Variance with
Original	Final	Basis	Final Budget
\$ 9,452,600	\$ 9,452,600	\$ 9,737,163	\$ 284,563
410,700	410,700	599,682	188,982
9,863,300	9,863,300	10,336,845	473,545
23,200	23,200	25,375	2,175
-	61,269	62,082	813
-	-	26,939	26,939
355,600	355,600	859,212	503,612
-	144,721	60,643	(84,078)
-	-	1,136,868	1,136,868
378,800	584,790	2,171,119	1,586,329
10,242,100	10,448,090	12,507,964	2,059,874
-	-	-	-
-	-	-	-
-	-	-	-
1,224,900	1,220,572	1,144,516	(76,056)
2,313,900	2,371,786	2,348,946	(22,840)
305,200	299,100	288,155	(10,945)
1,795,000	1,927,666	1,862,024	(65,642)
272,000	276,074	261,060	(15,014)
5,911,000	6,095,198	5,904,701	(190,497)
230,500	223,854	128,810	(95,044)
3,952,200	11,383,650	2,378,895	(9,004,755)
891,500	889,596	783,319	(106,277)
2,148,200	2,211,373	2,211,173	(200)
7,222,400	14,708,473	5,502,197	(9,206,276)
13,133,400	20,803,671	11,406,898	(9,396,773)
\$ (2,891,300)	\$ (10,355,581)	\$ 1,101,066	\$ 11,456,647

See the accompanying independent auditors' report.

Budget control: The Board procedures for establishing the budget each year are as follows:

1. Operational budgets are submitted by the Division Managers to the Director in February of each year.
2. During April of each year, these budgets are reviewed and refined as necessary by the Division Managers and the Director.
3. The Director submits the proposed budget to the Board the first of May of each year. The overall budget includes proposed expenses and the means of financing them.
4. In early May, the Board approves the tentative budget and submits it to the Cheyenne City Council.
5. During May, the tentative budget is reviewed by the City of Cheyenne Financial Committee and revisions are made, if necessary.
6. Public hearings are conducted at City Hall to obtain taxpayer comments during June of each year.
7. Prior to June 30, the budget is legally enacted through passage of an ordinance for the fiscal year beginning July 1 of each year.
8. The Division Managers are authorized to transfer budgeted amounts between expense classifications within their divisions. The Director is authorized to approve transfers of less than \$25,000 affecting capital accounts. All other transfers must be approved by the Board and any revisions that alter the total expenditures of any fund must be approved by the City Council.
9. Formal budgetary integration is employed as a management control device during the year for all funds of the Board. Budgets are legally adopted for all funds. Expenses cannot exceed budgeted amounts at the individual department level based upon original and/or supplemental appropriations as approved by the City Council. All appropriations lapse at year end.

Budgets are prepared for Board funds on the accrual basis of accounting. Budgets are prepared in accordance with accounting principles generally accepted in the United States of America except that depreciation is not budgeted and capital purchases and principal payments are budgeted as an expense.

STATISTICAL SECTION

(UNAUDITED)

This part of the City of Cheyenne, Wyoming Board of Public Utilities' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the water and sewer fees.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**NET POSITION BY COMPONENT
(Unaudited)
Since Implementation of GASB34**

	2005	2006	2007	2008
Primary government:				
Net investment in capital assets, net of related debt	\$163,057,489	\$177,727,960	\$190,664,158	\$193,238,637
Restricted	2,902,828	800,236	2,071,169	3,250,423
Unrestricted	24,388,848	26,927,560	24,459,644	24,550,118
Total primary govern- ment net position	\$190,349,165	\$205,455,756	\$217,194,971	\$221,039,178

** Net position information was not organized in this format prior to the 2004 implementation of GASB 34.

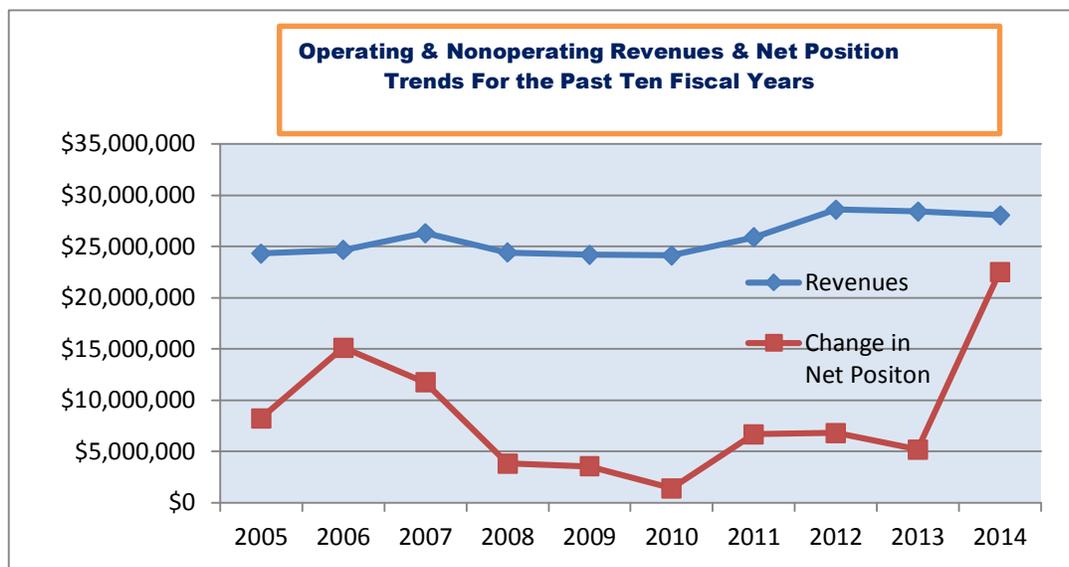
2009	2010	2011	2012	2013	2014
\$197,637,971	\$201,950,640	\$207,125,040	\$212,588,231	\$215,502,795	\$234,533,472
1,289,594	1,289,594	1,289,594	1,389,594	1,389,594	1,103,001
25,660,121	22,758,430	24,280,698	25,507,519	27,757,842	31,498,933
\$224,587,686	\$225,998,664	\$232,695,332	\$239,485,344	\$244,650,231	\$267,135,406

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**COMBINED CHANGES IN NET POSITION
(Unaudited)
Last Ten Fiscal Years**

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)
2005	17,210,446	18,146,174	(935,728)
2006	21,520,679	19,430,355	2,090,324
2007	22,831,536	20,401,356	2,430,180
2008	22,876,903	22,712,301	164,602
2009	23,856,054	23,911,025	(54,971)
2010	24,281,960	24,220,188	61,772
2011	26,575,116	25,151,232	1,423,884
2012	28,594,129	26,005,418	2,588,711
2013	28,417,091	26,474,263	1,942,828
2014	28,030,122	27,483,943	546,179

Total Nonoperating Revenues/ (Expenses)	Income (Loss) before Capital Contribution	Capital Contributions	Change in Net Position
7,111,526	6,175,798	2,050,320	8,226,118
3,124,447	5,214,771	9,891,820	15,106,591
3,456,732	5,886,912	5,852,303	11,739,215
1,519,564	1,684,166	2,160,041	3,844,207
324,167	269,196	3,279,312	3,548,508
(149,067)	(87,295)	1,498,273	1,410,978
(685,814)	738,070	5,958,598	6,696,668
(179,719)	2,408,992	4,381,020	6,790,012
(543,390)	1,399,438	3,765,449	5,164,887
2,855,489	3,401,668	19,083,507	22,485,175



**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**COMBINED OPERATING REVENUES BY SOURCE
(Unaudited)
Last Ten Fiscal Years**

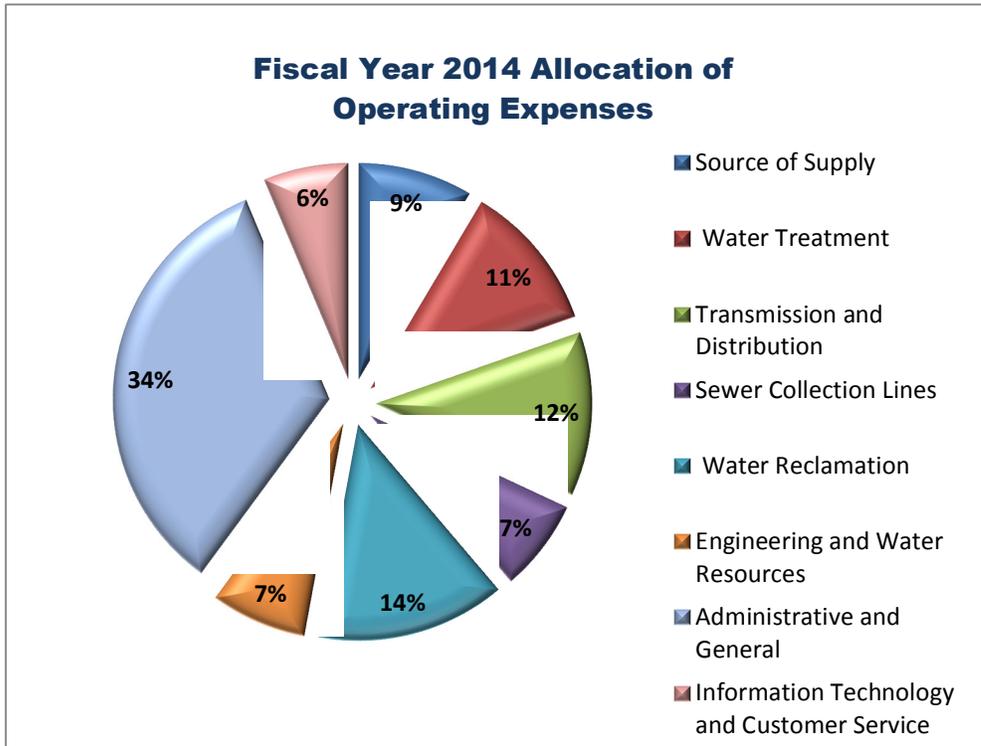
Fiscal Year	Water Sales	Sewer Charges	Fees and Miscellaneous	Total
2005	10,968,004	6,065,307	177,135	17,210,446
2006	14,657,466	6,252,915	610,298	21,520,679
2007	15,016,607	7,131,655	683,274	22,831,536
2008	14,736,982	7,406,306	733,615	22,876,903
2009	15,380,781	7,870,804	604,469	23,856,054
2010	15,460,342	8,242,981	578,637	24,281,960
2011	17,517,713	8,279,468	777,935	26,575,116
2012	19,136,331	8,699,568	758,230	28,594,129
2013	18,727,876	8,913,119	776,096	28,417,091
2014	17,210,780	9,737,163	1,082,179	28,030,122

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**COMBINED OPERATING EXPENSES
(Unaudited)
Last Ten Fiscal Years**

Fiscal Year	Source of Supply	Water Treatment	Transmission and Distribution	Sewer Collection Lines	Water Reclamation
2005	1,059,238	1,501,883	1,481,811	937,242	1,339,888
2006	1,097,287	1,691,610	1,454,535	897,716	1,883,473
2007	970,615	1,755,806	1,682,988	965,679	2,160,199
2008	1,004,965	1,775,288	1,794,325	929,928	2,097,786
2009	1,023,116	2,096,691	1,885,130	1,093,916	2,232,907
2010	1,076,321	1,959,147	1,902,540	1,134,465	2,266,565
2011	1,129,193	2,032,733	1,893,363	1,073,547	2,303,619
2012	1,245,052	2,222,510	1,975,019	1,112,374	2,305,548
2013	1,218,162	1,779,324	2,015,765	1,109,167	2,360,921
2014	1,426,207	1,846,817	2,052,179	1,144,516	2,348,946

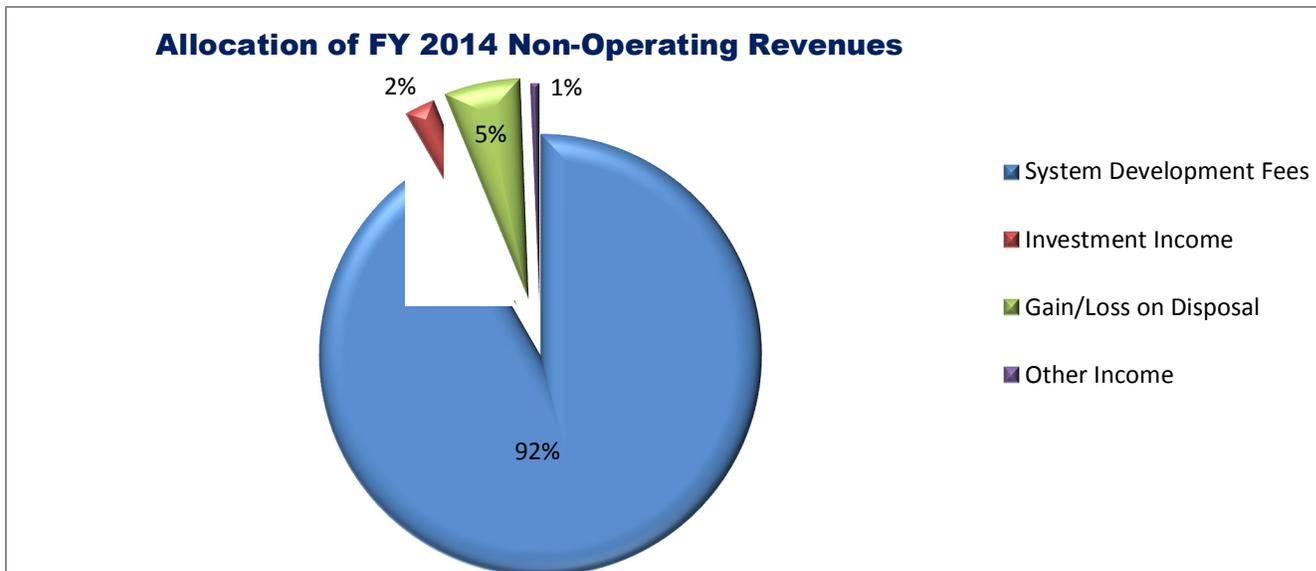
Engineering and Water Resources	Administrative and General	Information Technology and Customer Service	Subtotal, Expenses before Depreciation	Depreciation	Total Operating Expenses
884,610	2,891,086	820,520	10,916,278	7,229,896	18,146,174
989,325	2,956,438	928,224	11,898,608	7,531,747	19,430,355
1,029,856	3,088,162	974,886	12,628,191	7,773,165	20,401,356
1,039,740	3,428,008	929,355	12,999,395	9,712,906	22,712,301
1,084,039	3,457,144	977,070	13,850,013	10,061,012	23,911,025
1,040,738	3,555,360	896,234	13,831,370	10,388,818	24,220,188
1,046,353	4,122,194	947,699	14,548,701	10,602,531	25,151,232
1,078,469	4,362,575	1,044,593	15,346,140	10,659,278	26,005,418
1,136,793	5,118,473	1,004,269	15,742,874	10,731,389	26,474,263
1,199,393	5,603,288	1,049,253	16,670,599	10,813,344	27,483,943



**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**COMBINED NONOPERATING REVENUES AND EXPENSES
(Unaudited)
Last Ten Fiscal Years**

Fiscal Year	System Development Fees	Investment Income	Insurance Proceeds and Gain/Loss on Disposal of Assets	Other Income	Intergovernmental Revenues	Specific Purpose Tax	Interest Expense	Total Nonoperating Revenues/ Expenses
2005	3,423,782	623,391	-	-	1,137,389	4,455,524	(2,528,560)	7,111,526
2006	2,507,450	1,201,757	-	-	1,000,000	1,341,736	(2,926,496)	3,124,447
2007	1,052,745	1,585,596	603,900	-	1,000,000	1,365,071	(2,150,580)	3,456,732
2008	1,268,735	1,305,490	(2,267)	-	1,000,000	879,268	(2,931,662)	1,519,564
2009	1,267,358	695,770	-	-	1,000,000	259,653	(2,898,614)	324,167
2010	1,153,325	307,393	5,175	-	1,000,000	10,257	(2,625,217)	(149,067)
2011	1,655,563	147,225	-	-	-	-	(2,488,602)	(685,814)
2012	1,928,153	77,077	-	-	-	-	(2,184,949)	(179,719)
2013	1,532,008	18,990	-	-	-	-	(2,094,388)	(543,390)
2014	4,151,596	101,738	248,729	26,939	-	-	(1,673,513)	2,855,489



**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**WATER AND SEWER RATES
(Unaudited)
Last Ten Fiscal Years**

	2005	2006	2007
Water Rates			
Rate charge (per 1,000 gallons):			
Treated	**	**	**
Large volume industrial treated	**	**	**
Residential single family:			
First block - First 6,000	\$ 2.40	\$ 2.76	\$ 2.87
Second block - Next 18,000	3.00	3.45	3.59
Third block - Next 18,000	3.75	4.31	4.48
All over - 42,000	4.69	5.39	5.61
Residential multi family:			
First block - First 3,000 per unit	2.40	2.76	2.87
Second block - Next 9,000 per unit	3.00	3.45	3.59
Third block - Next 9,000 per unit	3.75	4.31	4.48
All over - 21,000 per unit	4.69	5.39	5.61
All other treated (range)	2.58-3.00	3.01-3.45	3.13-3.59
Raw water (range)	1.49-1.51	1.73-1.75	1.82
Reclaimed water	1.20	1.40	1.46
Recycled water			2.70
Monthly service fee range (based on meter size)	3.75-145.00	4.00-145.00	4.10-145.00
Sewer Rates			
Rate charge (per 1,000 gallons)	\$ 2.25	\$ 2.50	\$ 2.75
Monthly service fee range (based on meter size)	3.50-60.00	3.50-60.00	3.50-60.00

Notes:

Rates shown are inside City rates; outside City rates are 1.5 times the rates shown.

** Prior to FY05, a flat rate per 1,000 gallons was charged to water users; in FY05, a tiered rate was established based on gallons consumed.

Fiscal Year

2008	2009	2010	2011	2012	2013	2014
**	**	**	**	**	**	**
**	**	**	**	**	**	**
\$ 2.96	\$ 3.20	\$ 3.35	\$ 3.46	\$ 3.46	\$ 3.60	\$ 3.72
3.71	3.98	4.15	4.29	4.29	4.46	4.61
4.62	4.92	5.15	5.32	5.32	5.53	5.72
5.79	6.15	6.40	6.61	6.61	6.88	7.11
2.96	3.20	3.35	3.46	3.46	3.60	3.72
3.71	3.98	4.15	4.29	4.29	4.46	4.61
4.62	4.92	5.15	5.32	5.32	5.53	5.72
5.79	6.15	6.40	6.61	6.61	6.88	7.11
3.23-3.71	3.68-3.98	3.65-4.15	3.78-4.29	3.78-4.29	3.94-4.65	4.08-4.81
1.88	2.08	2.17	2.24	2.24	2.33	2.41
1.51	1.69	1.76	1.82	1.82	1.89	1.95
2.79	3.02	3.14	3.24	3.24	3.37	3.48
4.25-145.00	4.45-150.95	4.65-158.00	4.80-163.37	4.80-163.37	4.99-170.06	5.16-175.84
\$ 3.00	\$ 3.20	\$ 3.35	\$ 3.46	\$ 3.46	\$ 3.74	\$ 3.91
3.50-60.00	3.65-62.50	3.80-65.00	3.93-67.21	3.93-67.21	4.09-69.95	4.27-73.10

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**TEN LARGEST WATER CUSTOMERS
(Unaudited)
Current Year and Nine Years Ago**

Customer	Fiscal Year 2014		Fiscal Year 2014	
	Billed Water Revenues		Gallons (1,000's)	
	Amount	%	Amount	%
Holly Refining and Marketing	\$2,886,923	16.77%	709,881	17.98%
South Cheyenne Water and Sewer District	\$1,368,779	7.96%	326,350	8.26%
Warren Air Force Base	\$773,017	4.49%	180,714	4.58%
Laramie County School Dist #1	\$692,040	4.02%	74,418	1.88%
Pinewood Village	\$643,138	3.74%	95,994	2.43%
State of Wyoming	\$215,933	1.25%	45,426	1.15%
Cheyenne Country Club	\$134,768	0.78%	54,612	1.38%
Cheyenne Housing Authority	\$90,614	0.53%	20,672	0.52%
Cheyenne Regional Medical Center	\$86,678	0.50%	19,615	0.50%
Wal-Mart Distribution Center	\$71,410	0.41%	10,720	0.27%
Subtotal (10 largest)	\$6,963,300	40.46%	1,538,402	38.96%
Balance from other customers	\$10,247,480	59.54%	2,410,425	61.04%
Grand total	\$17,210,780	100.00%	3,948,827	100.00%

Customer	Fiscal Year 2005		Fiscal Year 2005	
	Billed Water Revenues		Gallons (1,000's)	
	Amount	%	Amount	%
Frontier Refining and Marketing	\$1,701,893	15.53%	658,137	18.20%
South Cheyenne Water and Sewer District	\$668,198	6.09%	242,981	6.72%
Warren Air Force Base	\$586,567	5.35%	207,699	5.74%
State of Wyoming	\$118,750	1.08%	34,946	0.97%
Laramie County School Dist #1	\$118,357	1.08%	37,117	1.03%
Cheyenne Regional Medical Center	\$105,781	0.96%	37,665	1.04%
Cheyenne Country Club	\$81,120	0.74%	48,907	1.35%
Holdings Little America	\$62,324	0.57%	19,885	0.55%
Hitching Post Inn	\$59,949	0.55%	21,214	0.59%
Department of Veterans Affairs	\$53,777	0.49%	18,988	0.52%
Subtotal (10 largest)	\$3,556,716	32.43%	1,327,539	36.69%
Balance from other customers	\$7,411,288	67.57%	2,290,252	63.31%
Grand total	\$10,968,004	100.00%	3,617,791	100.00%

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**TEN LARGEST SEWER CUSTOMERS
(Unaudited)
Current Year and Nine Years Ago**

Customer	Fiscal Year 2014		Fiscal Year 2014	
	Billed Sewer Revenues		Sewer Gallons (1,000's)	
	Amount	%	Amount	%
South Cheyenne Sewer and Water District	\$ 1,134,088	11.65%	296,045	13.40%
Holly Refining & Marketing	\$ 564,285	5.80%	135,997	6.16%
Warren Air Force Base	\$ 386,383	3.97%	100,743	4.56%
Laramie County School Dist #1	\$ 92,678	0.95%	23,057	1.04%
Cheyenne Housing Authority	\$ 66,523	0.68%	15,660	0.71%
Cheyenne Regional Medical Center	\$ 64,052	0.66%	16,439	0.74%
Wal-Mart Distribution Center	\$ 61,502	0.63%	10,700	0.48%
State of Wyoming	\$ 55,003	0.56%	13,264	0.60%
EchoStar	\$ 37,740	0.39%	9,792	0.44%
Pinewood Village	\$ 30,673	0.32%	7,830	0.35%
Subtotal (10 largest)	2,492,927	25.60%	629,527	28.50%
Balance from other customers	7,244,236	74.40%	1,579,495	71.50%
Grand total	\$ 9,737,163	100.00%	\$ 2,209,022	100.00%

Customer	Fiscal Year 2005		Fiscal Year 2005	
	Billed Sewer Revenues		Sewer Gallons (1,000's)	
	Amount	%	Amount	%
South Cheyenne Sewer and Water District	\$ 420,218	6.93%	196,130	8.51%
Frontier Refining and Marketing	\$ 373,752	6.16%	154,826	6.72%
Warren Air Force Base	\$ 300,239	4.95%	141,404	6.14%
Cheyenne Regional Medical Center	\$ 73,031	1.20%	33,933	1.47%
Laramie County School District #1	\$ 46,168	0.76%	19,614	0.85%
Hitching Post	\$ 46,130	0.76%	21,408	0.93%
Cheyenne Housing Authority	\$ 37,549	0.62%	15,215	0.66%
State of Wyoming	\$ 32,953	0.54%	13,830	0.60%
Pinewood Village	\$ 27,012	0.45%	12,576	0.55%
Flying J Travel Plaza	\$ 25,559	0.42%	7,980	0.35%
Subtotal (10 largest)	1,382,611	22.80%	616,916	26.77%
Balance from other customers	4,682,696	77.20%	1,687,370	73.23%
Grand total	\$ 6,065,307	100.00%	\$ 2,304,286	100.00%

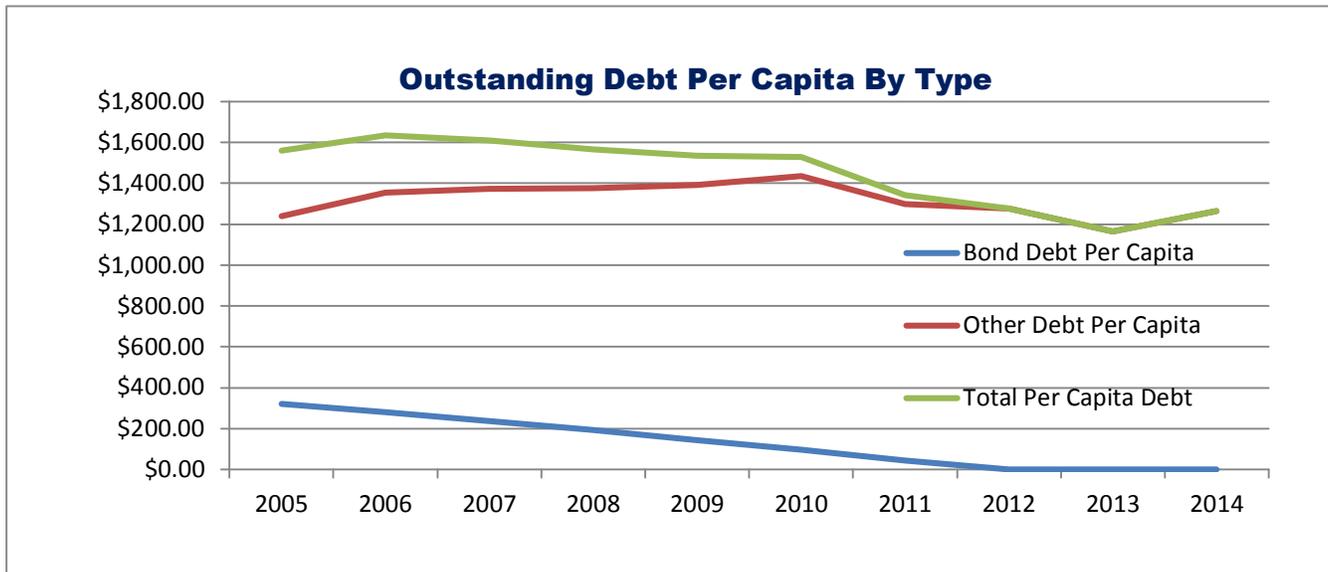
**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**RATIOS OF OUTSTANDING DEBT BY TYPE
(Unaudited)**

Last Ten Fiscal Years

Fiscal Year	General Bonded Debt			Other Debt			Total Debt
	General Obligation Bonds	Per Capita	As a Share of Personal Income	Notes and Refunding Revenue Bonds	Per Capita	As a Share of Personal Income	All Notes/Bonds
2005	17,805,000	321.04	0.60%	68,637,859	1,237.59	3.42%	86,442,859
2006	15,555,000	280.10	0.60%	75,271,287	1,355.43	3.53%	90,826,287
2007	13,205,000	236.29	0.50%	76,715,356	1,372.74	3.27%	89,920,356
2008	10,745,000	190.81	0.40%	77,400,151	1,374.46	3.15%	88,145,151
2009	8,170,000	143.21	0.30%	79,330,078	1,390.58	2.97%	87,500,078
2010	5,465,000	94.85	0.20%	82,667,860	1,434.76	3.22%	88,132,860
2011	2,615,000	43.77	0.10%	77,546,824	1,298.09	2.90%	80,161,824
2012	-	-	0.00%	76,662,873	1,275.67	2.58%	76,662,873
2013	-	-	0.00%	71,545,772	1,162.65	2.29%	71,545,772
2014	-	-	0.00%	75,878,271	1,262.62	2.49%	75,878,271

** Information not available



**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**SEWER FUND
LEGAL DEBT MARGIN INFORMATION
(Unaudited)
Last Ten Fiscal Years**

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2005	16,090,596	-	16,090,596	0.00%
2006	17,729,384	-	17,729,384	0.00%
2007	18,749,719	-	18,749,719	0.00%
2008	19,645,476	-	19,645,476	0.00%
2009	20,480,473	-	20,480,473	0.00%
2010	20,413,427	-	20,413,427	0.00%
2011	20,900,257	-	20,900,257	0.00%
2012	21,327,661	-	21,327,661	0.00%
2013	21,847,014	-	21,847,014	0.00%
2014	23,105,605	-	23,105,605	0.00%

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**SEWER FUND
COMPUTATION OF LEGAL DEBT MARGIN
(Unaudited)
June 30, 2014**

Total assessed value, City of Cheyenne	<u>\$ 577,640,126</u>
Debt limit (4% of total assessed value)	<u>23,105,605</u>
Debt applicable to limit	
Bonded debt	-
Less: Amount set aside for repayment of bond debt	<u>-</u>
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u><u>\$ 23,105,605</u></u>

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**WATERWORKS FUND
PLEDGED REVENUE COVERAGE**

(Unaudited)

Last Ten Fiscal Years

(1) Fiscal Year	(2) Water* Gross Revenues	(3) Expenses**	(4) Net Revenues Available for Debt Service	(6) Debt Service***		(7) Total	(8) Cover- age Ratio ****
				(5) Principal	Interest		
2005	17,448,197	6,730,049	10,718,148	3,220,697	2,015,436	5,236,133	2.0
2006	22,103,865	7,012,378	15,091,487	3,387,451	1,888,921	5,276,372	2.9
2007	20,264,510	7,357,980	12,906,530	3,527,270	1,706,834	5,234,104	2.5
2008	18,328,318	7,710,867	10,617,451	3,735,298	1,794,673	5,529,971	1.9
2009	20,056,379	8,169,940	11,886,439	4,197,162	1,729,781	5,926,943	2.0
2010	18,513,871	8,096,391	10,417,480	4,592,685	1,593,984	6,186,669	1.7
2011	19,379,192	8,979,938	10,399,254	4,862,348	1,429,762	6,292,110	1.7
2012	21,038,714	9,865,383	11,173,331	6,185,564	1,310,423	7,495,987	1.5
2013	20,266,843	10,017,855	10,248,988	3,494,377	1,559,833	5,054,210	2.0
2014	21,248,671	10,765,898	10,482,773	2,411,738	1,127,753	3,539,491	3.0

* Gross revenue does not include donated utilities and principal forgiveness loan.

** Total expenses exclusive of depreciation, amortization and interest.

*** Debt service includes general obligation debt which is secured by a pledge of specific revenue stream (water revenue).

**** Column (4) divided by column (7).

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**SEWER FUND
PLEDGED REVENUE COVERAGE
(Unaudited)
Last Ten Fiscal Years**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fiscal Year	Sewer* Gross Revenues	Expenses**	Net Revenues Available for Debt Service	Debt Service		Total	Cover- age Ratio ***
				Principal	Interest		
2005	9,539,724	4,186,229	5,353,495	102,155	513,124	615,279	8.70
2006	10,040,555	4,886,230	5,154,325	104,709	1,037,575	1,142,284	4.51
2007	10,390,429	5,270,211	5,120,218	1,659,510	2,518,141	4,177,651	1.23
2008	9,299,608	5,288,528	4,011,080	1,700,997	938,854	2,639,851	1.52
2009	9,233,317	5,680,073	3,553,244	1,743,523	939,868	2,683,391	1.32
2010	8,866,790	5,734,979	3,131,811	1,894,563	1,013,491	2,908,054	1.08
2011	9,062,959	5,568,763	3,494,196	1,941,889	916,115	2,858,004	1.22
2012	9,560,645	5,480,757	4,079,888	1,990,398	875,883	2,866,281	1.42
2013	9,701,246	5,725,019	3,976,227	2,095,725	887,892	2,983,617	1.33
2014	11,310,453	5,904,701	5,405,752	2,211,174	807,121	3,018,295	1.79

* Gross revenue does not include donated utilities and principal forgiveness loan.

** Total expenses exclusive of depreciation, amortization and interest.

*** Column (4) divided by column (7).

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**DEMOGRAPHIC AND ECONOMIC STATISTICS
(Unaudited)
Last Ten Fiscal Years**

Fiscal Year	Population		Personal Income (Thousands of Dollars)*	Per Capita Income*	Unemployment Rate*	School Enrollment*
2005	55,461	(a)	3,093,647	36,214	4.6%	14,547
2006	55,533	(a)	3,296,104	38,447	4.2%	14,410
2007	55,885	(a)	3,644,629	41,980	3.9%	14,472
2008	56,313	(b)	3,821,780	43,601	3.6%	14,454
2009	57,048	(b)	4,176,656	46,888	4.0%	14,560
2010	57,618	(b)	4,030,420	44,570	6.5%	14,897
2011	59,739	(b)	4,120,894	44,734	7.6%	14,865
2012	60,096	(b)	4,572,791	49,443	6.9%	14,982
2013	61,055	(b)	4,795,529	50,755	6.1%	15,022
2014	61,717	(b)	**	**	**	**

Source: Wyoming Center for Business and Economic Analysis - "Economic Indicators for Greater Cheyenne - Annual Trends Edition."

- (a) U.S. Census Bureau Estimate.
- (b) Wyoming Division of Economic Analysis.

* For Laramie County.

** Information not yet available.

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

PRINCIPAL EMPLOYERS

(Unaudited)

Current Year and Nine Years Ago

Employer	Product	2014	
		Employees	Percentage of Total
State of Wyoming	Government Services	3,377	4.98%
F.E. Warren A.F.B.	Military	3,361	4.96%
Laramie County School District No.1	Education K-12	2,190	3.23%
Federal Government	Government Services	1,773	2.62%
Cheyenne Regional Medical Center	Health Care	1,750	2.58%
Wyoming National Guard	Military	1,031	1.52%
Laramie County Community College	Academic	830	1.22%
Sierra Trading Post	Outlet Catalog/Retail	735	1.08%
Veterans Affairs Medical Center	Health Care	650	0.96%
Union Pacific Railroad	Transportation, Rail	515	0.76%
		<hr/>	
		12,835	18.94%
All other employers		<hr/>	
		54,923	81.06%
Total employees		<hr/> <hr/>	
		67,758	100.00%

Employer	Product	2005	
		Employees	Percentage of Total
F.E. Warren A.F.B.	Military	4,263	7.20%
State of Wyoming	Government Services	3,386	5.72%
Laramie County School District No.1	Education K-12	1,933	3.27%
Federal Government	Government Services	1,804	3.05%
Cheyenne Regional Medical Center	Health Care	1,095	1.85%
Union Pacific Railroad	Transportation, Rail	790	1.34%
Wyoming National Guard	Military	669	1.13%
City of Cheyenne	Government Services	554	0.94%
Sierra Trading Post	Outlet Catalog/Retail	425	0.72%
Laramie County Community College	Academic	465	0.79%
		<hr/>	
		15,384	26.00%
All other employers		<hr/>	
		43,791	74.00%
Total employees		<hr/> <hr/>	
		59,175	100.00%

Source: Wyoming Center for Business and Economic Analysis - "Economic Indicators for Greater Cheyenne - Annual Trends Edition."

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY
(Unaudited)
Last Ten Fiscal Years**

	2005	2006	2007	2008
Administration				
General and administrative	8	8	8	8
Customer service	6	6	6	6
Information technology	4	4	4	4
Meter information techs	5	5	5	5
Subtotal	23	23	23	23
Water Treatment				
Management/support staff	2	2	2	2
Plant supervisor/operators	13	13	13	13
Laboratory staff	2	2	2	2
Wellfield group	3	3	3	3
Subtotal	20	20	20	20
Operation and Maintenance				
Source of supply	-	-	-	-
Transmission and distribution	12	12	12	12
Sewer collection	12	12	12	12
Support services	13	13	11	11
Sup. dist. and col. fac. staff	3.5	3.5	5.5	5.5
Subtotal	40.5	40.5	40.5	40.5
Engineering and Water Resources				
Engineering staff	8	8	8	8
Inspections and locates	3	4	4	4
Instrumentation and telemetry	3	3	4	4
Source of supply	6	6	6	6
Subtotal	20	21	22	22
Water Reclamation				
Management/support staff	4	4	4	5
Laboratory staff	2	2	2	2
Plant supervisors/operators	15	16	16	16
Subtotal	21	22	22	23
Total	124.5	126.5	127.5	128.5

Full-Time Equivalent Budgeted Positions as of June 30,

2009	2010	2011	2012	2013	2014
8	8	8	8	8	8
6	6	6	6	6	6
4	4	4	4	4	4
5	5	5	5	5	5
23	23	23	23	23	23
2	2	2	2	2	2
13	13	13	13	13	13
2	2	2	2	2	2
3	3	3	3	3	3
20	20	20	20	20	20
-	-	-	-	-	-
13	13	13	13	13	13
12	12	12	12	12	12
11	11	11	11	11	11
5.5	5.5	5.5	5.5	5.5	5.5
41.5	41.5	41.5	41.5	41.5	41.5
8	7	7	7	7	7
4	4	4	4	4	4
4	4	4	4	4	4
6	6	6	6	6	6
22	21	21	21	21	21
5	5	5	5	5	5
2	2	2	2	2	2
16	16	16	16	16	16
23	23	23	23	23	23
129.5	128.5	128.5	128.5	128.5	128.5

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**OPERATING AND CAPITAL INDICATORS
(Unaudited)
Last Ten Fiscal Years**

	2005	2006	2007
Water Treatment			
Raw Water Collection Mains (miles)	24	24	24
Raw Water Transmission Mains (miles)	181	181	181
Treated Water Transmission Mains (miles)	243	243	243
Treated Water Distribution Mains (miles)	347	347	362
Gallons of treated water storage (millions)	35	35	35
Reservoir levels at June 30 (acre feet*)	39,364	38,221	38,076
Water treatment plant capacity	32 mgd	32 mgd	32 mgd
Peak day **	June 21, 2005	June 14, 2006	July 31, 2006
Peak day (mgd)	24.39	28.48	29.25
Peak month **	August 2004	June 2006	August 2006
Peak month (million gallons)	551.47	744.62	735.72
Total water delivered (acre feet*)	13,631	16,165	15,888
Average daily demand (mgd)**	12.169	14.431	14.182
Recycled Water			
Miles of delivery pipeline	-	-	-
Treatment capacity	-	-	-
Total recycled water delivered (acre feet*)	-	-	-
Peak day	-	-	-
Peak day (mgd)	-	-	-
Water Reclamation			
Miles of sewer collection mains	291	300	306
Water reclamation capacity	13.5 mgd	17.0 mgd	17.0 mgd
Peak month	June 2004	December 2005	March 2007
Peak month (million gallons)	311.94	366.73	306.09
Peak month average per day	10.4 mgd	11.8 mgd	9.9 mgd
Total wastewater treated (000 gallons)	3,258,026	3,590,459	3,286,169
Average mgd	8.93	9.84	9.00

* Estimated water available in reservoirs for delivery to Cheyenne's water treatment plant; this amount does not include a dead pool estimate of 7,500 acre feet; one acre foot is approximately 325,861 gallons of water.

** Peak day/Peak month and Average Daily Demand: Includes treated water, raw water and recycled to the community of Cheyenne.

Fiscal Years

2008	2009	2010	2011	2012	2013	2014
24	24	24	24	24	24	24
181	181	181	181	181	181	181
246	250	250	250	250	250	250
371	374	377	380	390	395	405
35	35	35	35	35	35	35
39,145	39,555	40,222	41,108	37,756	36,990	39,832
32 mgd	32 mgd	32 mgd	32 mgd	32 mgd	32 mgd	32 mgd
July 3, 2007	July 15, 2008	Aug. 12, 2009	Sept.21, 2010	June 18, 2012	June 26, 2013	June 8, 2013
31.17	32.26	25.98	28.42	28.7	29.7	29.27
July 2007	July 2008	August 2009	August 2010	June 2012	August 2012	July 2013
725.82	833.17	626.79	697.66	695.760	767.650	699.86
14,208	12,753	13,173	14,815	16,176	15,272	13,377
12.649	11.385	11.760	13.230	14.40	13.63	11.90
12.24	13.70	13.70	13.70	13.70	13.70	13.70
4.0 mgd	4.0 mgd	4.0 mgd	4.0 mgd	4.0 mgd	4.0 mgd	4.0 mgd
378.7	305.6	252.05	566.42	585.05	546.05	330.24
October 4, 2007	August 2, 2008	June 21, 2010	July 14, 2010	June 6, 2012	July 20, 2012	July 3, 2013
2.56	2.89	2.68	2.39	2.14	2.23	2.05
311	312	313	314	323	327	331
17.0 mgd	17.0 mgd	17.0 mgd	17.0 mgd	17.0 mgd	17.0 mgd	17.0 mgd
August 2007	August 2008	May 2010	July 2010	July 2011	May 2012	May 2013
276.86	320.37	372.761	332.8	323.4	298.8	313.28
8.9 mgd	10.3 mgd	12.00 mgd	10.74 mgd	10.43 mgd	9.64 mgd	10.10 mgd
3,132,495	3,294,313	3,435,352	3,283,370	3,236,048	3,199,300	3,297,782
8.56	9.03	9.41	9.00	8.85	8.77	9.04

water delivered

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**WATER DELIVERED AND SOLD AND WASTEWATER TREATED
(Unaudited)
Last Ten Fiscal Years**

Fiscal Year	Gallons of Water Delivered(a)	Gallons of Water Sold(b)	Gallons of Water Used by City(c)	Gallons of Water Unbilled(d)
2005	4,442	3,595	217	630
2006	5,267	4,276	352	639
2007	5,176	4,308	396	472
2008	4,629	4,118	395	116
2009	4,155	4,072	138	(55)
2010	4,290	3,832	303	155
2011	4,828	4,218	366	244
2012	5,271	4,419	425	427
2013	5,022	4,373	394	255
2014	4,359	3,927	310	122
10-year average	4,744	4,114	330	301

Notes:

Gallons are presented in millions

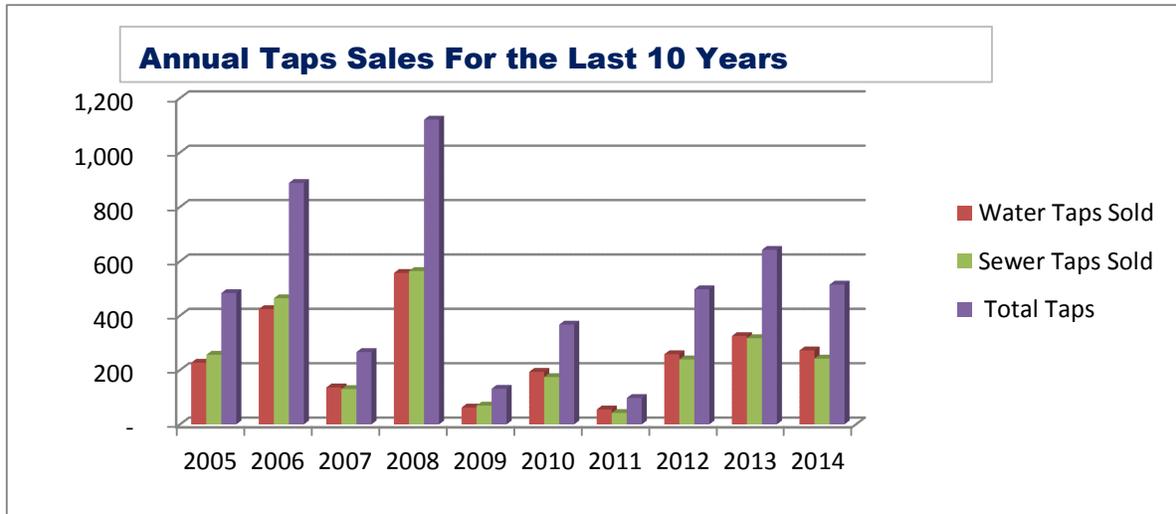
- (a) Water delivered to the community of Cheyenne for consumption, metered dates are from July 1 to June 30.
- (b) Gallons of water sold are based upon bills issued from July 1 or June 30, meter reading dates for these bills do not coincide with July 1 through June 30. Due to monthly billing cycles, this number may include some metered use from June of the prior fiscal year and not include some metered use from June of the current fiscal year.
- (c) Gallons used by the City is based upon meter read dates and vary beginning in mid-May and ending in June; the City is not billed for water use.
- (d) Unbilled water use is a calculated value. Billing cycles (see footnote (b)), weather conditions and peak demands near the beginning and end of the fiscal year can cause this value to be inaccurate on a fiscal year basis. Please use the 10-year average when evaluating unbilled water use. Examples of unbilled use includes fire fighting activities, hydrant use, hydrant and main flushing, and water main breaks.
- (e) Average is computed by taking the gallons of water unbilled (d) divided by gallons of water delivered (a).
- (f) Gallons of wastewater billed are based on billings for the period July 1 through June 30.
- (g) For fiscal years 2003 onwards, the rates were based on a tiered system; the direct rate was computed by taking the total water sales divided by the total gallons sold.
- (h) The sewer rate presented is the inside City rate per 1,000 gallons and does not include the monthly service fee.

Average Percent Unbilled(e)	Gallons of Wastewater Billed(f)	Total Direct Rate	
		Water(g)	Sewer(h)
14.18%	2,300	2.95	2.25
12.13%	2,269	3.37	2.50
9.12%	2,402	3.43	2.75
2.51%	2,240	3.56	3.00
-1.32%	2,219	3.74	3.20
3.61%	2,179	3.97	3.35
5.05%	2,126	4.15	3.46
8.10%	2,183	4.33	3.46
5.08%	2,160	4.28	3.46
2.80%	2,209	4.36	3.54
6.33%	2,229		

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**ANNUAL TAP SALES
(Unaudited)
Last Fiscal Years**

Fiscal Year	Water Meter Taps Sold	Sewer Taps Sold	Total Taps
2005	227	256	483
2006	424	464	888
2007	136	130	266
2008	557	564	1,121
2009	62	69	131
2010	193	174	367
2011	55	42	97
2012	258	239	497
2013	325	317	642
2014	272	242	514



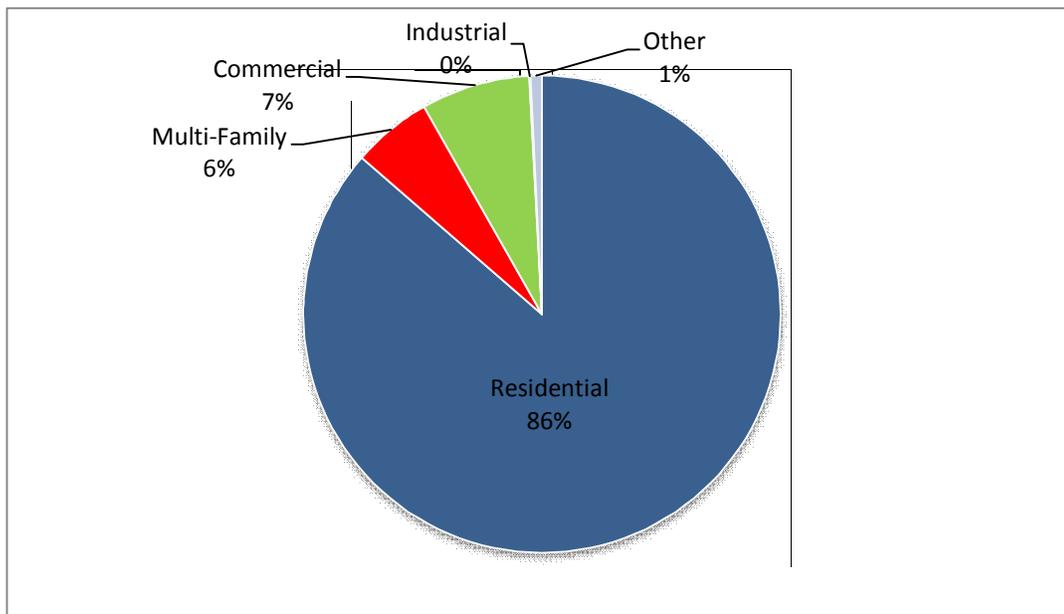
**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**NUMBER OF WATER AND SEWER USERS BY TYPE
(Unaudited)
Last Ten Fiscal Years**

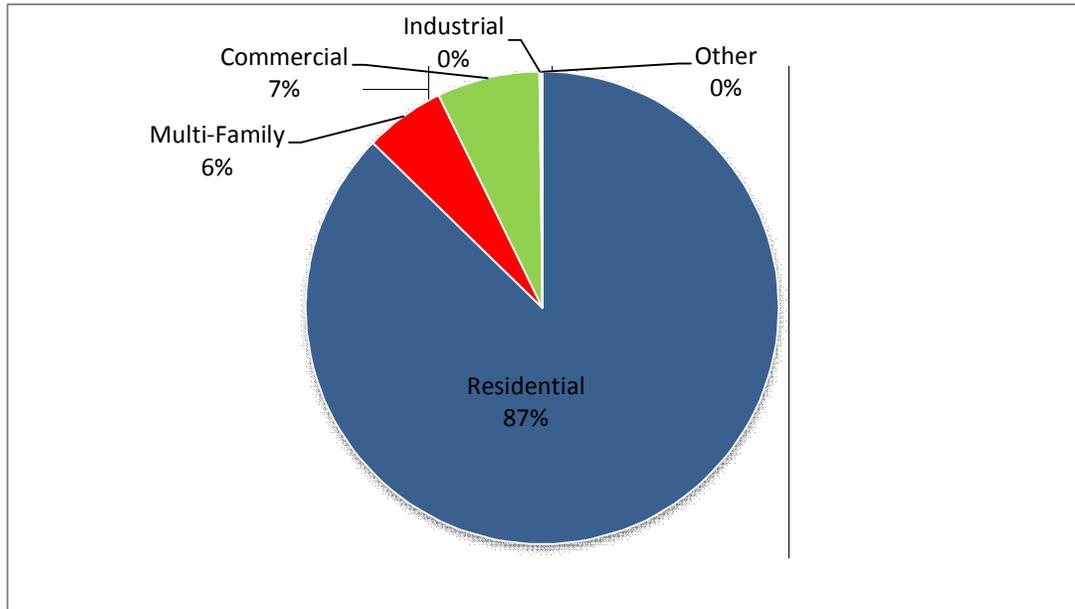
Fiscal Year	Water				
	Residential	Multi-Family	Commercial	Industrial	Other
2005	18,102	1,161	1,538	21	139
2006	18,481	1,151	1,586	23	151
2007	18,635	1,165	1,594	19	166
2008	18,810	1,170	1,622	19	179
2009	18,947	1,182	1,629	24	156
2010	19,160	1,183	1,645	24	187
2011	19,311	1,210	1,660	21	149
2012	19,460	1,249	1,680	21	198
2013	19,917	1,266	1,677	21	151
2014	19,914	1,249	1,701	21	174

Notes:

Information is from customer billing records from June 30 of every year.



Sewer					Total	
Residential	Multi-Family	Commercial	Industrial	Other	Water	Sewer
18,047	1,156	1,432	21	9	20,961	20,665
18,430	1,151	1,466	20	11	21,392	21,078
18,592	1,164	1,493	21	13	21,579	21,283
18,711	1,163	1,502	20	13	21,800	21,409
18,837	1,180	1,525	20	12	21,938	21,574
19,046	1,186	1,525	21	13	22,199	21,791
19,241	1,210	1,545	20	12	22,351	22,028
19,365	1,246	1,563	21	13	22,608	22,208
19,565	1,251	1,561	20	15	23,032	22,412
19,831	1,252	1,592	20	23	23,059	22,718



**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**GALLONS PER CAPITA PER DAY
(Unaudited)
Last Ten Fiscal Years**

Calendar Year	City Population Estimate*	Residential Meter Water Use - Only (000 Gallons)	Gallons per Capita per Day Residential Use	Total City** Metered Water Use - Only (000 Gallons)	Gallons per Capita per Day Total In-City Use
2005	55,461	1,784,824	88.17	3,089,056	152.60
2006	55,533	2,093,589	103.29	3,624,482	178.81
2007	55,885	2,081,685	102.05	3,564,189	174.73
2008	56,313	2,026,111	98.57	3,435,725	167.15
2009	57,048	1,962,219	94.24	3,482,228	167.23
2010	57,618	1,800,494	85.61	3,237,866	153.96
2011	59,739	2,057,439	94.36	3,512,364	161.08
2012	60,096	2,152,263	98.12	3,657,056	166.72
2013	61,055	2,079,444	93.31	3,620,334	162.46
2014	61,717	1,883,289	83.60	3,277,123	145.48

* Wyoming Center for Business and Economic Analysis.

** Does not include population or metered water use outside the City for F.E. Warren Air Force Base, South Cheyenne Sewer and Water District, or other outside City customers.

**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

**METERED WATER SALES BY CUSTOMER CLASS AND OPERATING
AND DEBT SERVICE PER 1,000 GALLONS SOLD**

(Unaudited)

Last Ten Fiscal Years in (000 Gallons)

Calendar Year	Residential	Commercial and Industrial	Frontier Oil Refinery	Total In-City Metered Water Sales	F.E. Warren Air Force Base	South Cheyenne Sewer and Water District	Outside City
2005	1,784,824	646,095	658,137	3,089,056	203,392	267,063	9,324
2006	2,093,589	843,675	687,218	3,624,482	231,782	316,983	9,709
2007	2,081,685	779,406	703,098	3,564,189	298,728	333,219	9,384
2008	2,026,111	709,655	699,959	3,435,725	260,250	335,972	8,516
2009	1,962,219	701,687	818,322	3,482,228	268,014	320,490	7,449
2010	1,800,494	652,161	785,211	3,237,866	239,710	291,546	15,226
2011	2,057,439	710,916	744,009	3,512,364	324,206	323,243	19,026
2012	2,152,263	770,326	734,467	3,657,056	297,063	350,224	19,996
2013	2,079,444	720,911	819,979	3,620,334	255,285	357,885	26,880
2014	1,883,289	686,023	709,881	3,279,193	180,714	326,086	27,746

* Excluding depreciation.

Raw Water	Recycled Water	Oil and Gas	Construction	Total Water Sales	Total Water Operating Expenses*	Operating Cost per 1,000	Total Water Debt Service	Debt Cost per 1,000
48,956	-	-	-	3,617,791	6,730,049	1.86	5,236,133	1.45
66,992	-	-	-	4,249,948	7,012,378	1.65	5,276,372	1.24
78,427	-	-	-	4,283,947	7,357,980	1.72	5,234,104	1.22
62,659	16,084	-	-	4,119,206	7,710,867	1.87	5,529,971	1.34
49,393	17,669	-	-	4,145,243	8,169,940	1.97	5,926,942	1.43
47,930	3,250	-	-	3,835,528	8,096,391	2.11	6,186,669	1.61
63,989	20,205	1,909	3,093	4,268,035	8,979,938	2.10	6,292,110	1.47
69,948	20,008	54	4,972	4,419,321	9,865,383	2.23	7,495,987	1.70
71,441	21,320	19	19,447	4,372,611	10,017,855	2.29	5,054,210	1.16
104,216	17,122	515	13,235	3,948,827	10,765,898	2.73	3,539,491	0.90

**Independent Auditors' Report On Internal Control
Over Financial Reporting And On Compliance
And Other Matters Based On An Audit Of
Financial Statements Performed In Accordance
With *Government Auditing Standards***

Honorable Mayor, Members of the City Council and
Members of the Board of Public Utilities
City of Cheyenne, Wyoming

We have audited, in accordance with the 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, the financial statements of the business-type activities and each major fund of the Board of Public Utilities City of Cheyenne, Wyoming (the Board), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 28, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other use or purpose.

RubinBrown LLP

August 28, 2014