

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, 2009

**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
2100 Pioneer Avenue Fax (307) 637-7672

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

October 9, 2009

The Board of Public Utilities (Board) Comprehensive Annual Financial Report for the fiscal year ending June 30, 2009 (CAFR FY 2009) 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 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.

McGee, Hearne & Paiz, LLP, a firm of licensed certified public accountants, have audited the Board 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, 2009 are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Board's financial statements for the fiscal year ended June 30, 2009 are fairly presented in conformity with general accepted accounting principles (GAAP). The independent auditor's 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 auditors 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 rules 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 numerous residential 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

With a unique combination of the Old West and the New West, Cheyenne is a progressive city that celebrates both its pioneer heritage and tomorrow's technology. Founded as a railroad and cattle center in 1867, Wyoming's capital and largest city has always been an important Western crossroads and a unique blend of Western, 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 to pioneer 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 technology at a friendlier, less frantic 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.

Cheyenne has an estimated 2009 population of 56,296, and a county population of 87,370. The City of Cheyenne has been designated a Standard Metropolitan Statistical Area (50,000 population or greater) since 1985.

Cheyenne is what it is partly because of where it is -- near the geographical and time center of the North American continent. Cheyenne serves as a transportation hub with the intersection of Interstates 80 and 25, two major railroads and the air corridor of the ultra-modern Denver International Airport. Cheyenne serves as the northern anchor city of the rapidly expanding Front Range region of the Rocky Mountains.

ECONOMIC CONDITION AND OUTLOOK

According to the Wyoming Center for Business & Economic Analysis while 2006 and 2007 could be considered two of the best years for economic growth and vitality for Cheyenne over the past 25 years, 2008 clearly marked a turning point away from those two very robust years. Growth, with exception of two industrial sectors, remained in positive territory in 2008, but slowed markedly.

Looking forward there is expectation that the slowdown in national economic activity will have a continued impact on the local economy through early 2010. Local job growth, while still positive, is expected to slow to around 2%. The greater Cheyenne economy also managed to end the year without any large announced layoffs. Some construction statistics for the greater Cheyenne area hinted that the worst might be over for this sector, but the data suggested it will most likely be a bumpy ride over the first two quarters of 2010.

Retail sales provided the only real positive movement in 2008. Sales increased 2.8% over the same period in 2007. While retail sales have not risen at forecasted rates by local government officials and has caused local governments to reassess upcoming budget expenditures, this critical indicator has stood in sharp contrast to the national retail spending trends.

Perhaps the most significant economic announcement in FY 2009 came from The University of Wyoming and General Electric concerning their partnership in locating a coal gasification resource center in Cheyenne. A coal gasification resource center has the potential to open up new markets, provide a cleaner burning process, and make Wyoming coal viable for decades.

Cheyenne was selected as the best location in Wyoming for this research facility that will provide up to 300 jobs during construction and 15 full time plant operators along with a base of researchers and potential customers. "We are very excited for this project, not only because of the University of Wyoming partnership, but also because of the research base it will bring to the community," stated Scott Sutherland, Vice President of Cheyenne LEADS. "We know this project will bring a whole new industry to the community and economy."



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

In March, of this fiscal year, the National Center for Atmospheric Research (NCAR) and its managing organization, the University Corporation for Atmospheric Research (UCAR), announced the selection of an architectural design team for the Cheyenne supercomputing center dedicated to advancing scientists' understanding of climate, weather, and other Earth and atmospheric processes.

In January of 2009 Vulkan Technic, GmbH, a German company, signed agreements with Cheyenne LEADS officially initiating the company's presence in Cheyenne, Wyoming. Vulkan's Cheyenne facility will be the company's first in North America. Vulkan Technic's key aspects of activity are development and manufacturing of customized robotic machinery for a quality-assured mass production of high-quality goods in various industrial fields including, automotive, glass, electronics and metal, consumer goods, food and beverage, and biotechnology and life science.

In January, Kiplinger's Personal Finance Magazine named Cheyenne the 3rd best Tax-Friendly City in the US. All of the top ten cities had an overall state and local tax burden substantially below the national median of 8.5.

The economic growth is testimony to a strong spirit within the community to make its economy even more vibrant. With modest growth in the 1980s and early 1990s, Cheyenne community leaders launched a campaign to actively promote new jobs and a growing, diversified economy. In 1987, the City of Cheyenne designated 3 percent of its 1 percent optional sales tax revenues for economic development. Led by Cheyenne LEADS, the city-county economic development organization, Cheyenne's favorable business environment continues to bring national chain stores and restaurants to Cheyenne and has established the community as a regional shopping center with an estimated trade area population of 180,000.

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.

While the economic growth is welcome and encouraged, the large base of federal, state and local government stabilizes Cheyenne's economy. That base helped the city weather downturns in the state's energy and agricultural sectors in the 1980s and 1990s and during the current recession.

F.E. Warren Air Force Base, the nation's command post for land-based intercontinental ballistic missiles, is the community's largest employer, with nearly 4,325 civilian and military employees. State government accounts for about 3,553 employees, followed by the Laramie County School District No. 1 with around 1,955 employees, Federal Government with around 1,747 employees, and Cheyenne Regional Medical Center with approximately 1,415 employees. The Union Pacific Railroad ranks as the community's largest private employer, with about 602 employees. Sierra Trading Post ranks as the community's second largest private employer with about 572 employees.

One advantage to Cheyenne includes a relatively low cost of doing business. Land is available and inexpensive in comparison to other areas on the Front Range; taxes are among the lowest in the country; and the cost of utilities and materials is relatively low. There is no state or local personal or corporate income tax and no state or local inventory tax. Property taxes on a \$150,000 home averages \$1,067 a year, according to the Laramie County Assessor's Office.

With the current growth and anticipated future growth, the mood throughout the business community is one of cautious optimism, though concerns about the pace of growth and the current recession have surfaced. However, business leaders remain confident the community can 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.



Recycled Water System Phase II

During fiscal year 2009, the Board expanded its recycle water distribution system. About 2.65 miles of "pvc" purple pipe (ranging from 4-inch to 14-inch in diameter) was installed extending the recycle water to the North Cheyenne Park, Miller Elementary School and Bain Elementary School and United Nations Park.

The construction cost for Phase II is \$1.7 million dollars and is financed through a loan from the State Clean Water Revolving Fund and from Board funds.

Currently these locations use potable water to irrigate about 70 acres of green area. Extending the recycled water system will annually replace potable water with about 80 million gallons of recycled water from the Crow Creek Water Reclamation Plant.

The conversion from potable water to recycled water for irrigation will substantially reduce the peaked flow rate that must be delivered by the Water Treatment Plant (WTP). This lengthens the life of the WTP and frees up plant capacity for growth and demand placed on drinking water.

Southern Water Transmission Main - Phase I



Cheyenne's new Southern Water Transmission Main is Cheyenne's largest treated water main at 42 inches in diameter. The 2003 Water and Wastewater Master Plan recommended constructing the transmission main to relieve demand on the City's existing transmission system; and to meet current and future water needs due to the construction of additional homes, schools and businesses in the southern parts of Cheyenne. Currently, these areas receive water almost exclusively from a 30-inch, 40+ year-old Hynds Line that runs along Happy Jack Road. The additional transmission main will also provide redundancy, allowing one main to be taken out of service for repairs or maintenance.

The City of Cheyenne Board of Public Utilities (Board) finished phase I of the Southern Water Transmission Main during FY 2009. Phase 1 consists of 2.5 miles of pipe from the King Reservoirs at the Sherard Water Treatment Plant to Round Top Road. Phase II, currently scheduled for 2012, will extend the water main south and connect with Cheyenne's distribution system at Parsley Boulevard.

The Board funded phase 1 with a \$5.6 million loan from the State of Wyoming Drinking Water Revolving Fund. The fund provides low interest loans, in this case 2.5 percent, for drinking water projects.

Norris Viaduct Project



One dominating feature of Cheyenne is the Union Pacific Railroad's busy mainline and depot. Approximately 80 trains pass through Cheyenne per day. While Cheyenne owes its very existence to the railroad, the tracks and depot result in a barrier for traffic and utilities trying to reach and provide services on each side of the tracks.

The Norris Viaduct is one of just a few routes that cross the tracks. The viaduct is over 50 years old and the City of Cheyenne is updating and aligning the route to meet current and future traffic needs. The Board of Public Utilities cooperatively participated in the project by simultaneously improving water and sewer mains in the construction area.

The project replaced 2,953 feet of 4-inch to 16-inch water mains, installed 6,326 feet of 8-inch to 20-inch water mains, and replaced 200 feet of 8-inch sewer mains at a cost of \$2.8 million. The project was funded through Board funds and a \$1.265 million grant.

FY 2008 Administration Building Project



During FY 2009, the Board continued work on design plans for a new Administration and Engineering facility to be located near 24th & 25th Streets and Snyder & Dillon Avenues.

The necessary properties have been purchased. Existing structures are in the process or have been demolished. A zone change application will be processed through the City to change the zoning to light industrial from medium density residential. A proposal requesting engineering design services was issued in early 2008 with building construction estimated to begin in 2010. Project completion is planned for the end of year 2011.

Other Initiatives

In FY 2009, water and sewer system development fees (SDF) were increased as part of a program of incremental increases to cover construction expenses for future expansions to the City's water and sewer systems.

Effective January 1, 2009, the SDF for a ¾" single family residential tap increased from \$4,900 to \$5,100 for water and from \$1,225 to \$1,275 for sewer. Effective January 1, 2009, the SDF for a ¾" commercial tap increased from \$5,520 to \$5,750 for water and from \$1,810 to \$1,880 for sewer.

The Board, with concurrence from the City Governing Body, approved increases in the SDF to be effective January 1, 2010 as follows:

Single Family Residential ¾" tap: water - \$5,310 and sewer - \$1,330

Commercial ¾" tap: water \$5,750 and sewer - \$1,880

Effective January 1, 2009, the multi-tiered water rate for single family residential increased approximately 7.4% and effective January 1, 2010 will increase about 4.50% as follows:

<u>Volume Rate Charge</u>		<u>Per 1,000 Gallons</u>		
<u>Residential (in-city)</u>		<u>Jan 01, 2008</u>	<u>Jan 01, 2009</u>	<u>Jan 01, 2010</u>
First Block	First 6,000	\$ 2.96	\$3.20	\$3.35
Second Block	Next 18,000	3.71	3.98	4.15
Third Block	Next 18,000	4.62	4.92	5.15
All Over	42,000	5.79	6.15	6.40

The volume rate charge per 1,000 gallons of drinking water for commercial users during these same time periods of January 1, 2008, January 1, 2009 and January 1, 2010 are as follows: \$3.42, \$3.68 and \$3.85.

Effective January 1, 2009 the sewer rate charge per 1,000 gallons increased from \$3.00 to \$3.20. An additional increase will occur on January 1, 2010 increasing the rate to \$3.35.

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.

FY 2009 marked the release of the Board’s tenth 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 2009 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

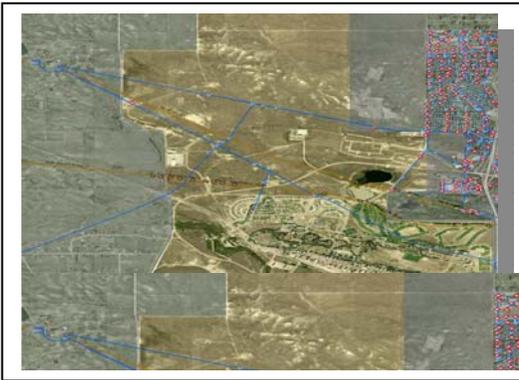
Looking ahead, the Board is committed to maintaining a high-quality water and wastewater system that will meet the needs of a growing community in the 21st Century. The Board continues to monitor the financial impact from implementing the Federal Safe Drinking Water Act (governing lead, copper, corrosion control and water quality), the Federal Clean Water Act (covering NPDES, effluent quality, and industrial pretreatment), and the stream reclassification of Crow Creek. FY 2010 projects include:

Casper Belvoir (Paleozoic) Exploration / Study



This study will continue exploration and testing of the Casper Aquifer located along the western end of the Belvoir Ranch. The Wyoming Water Development Commission has recommended that the BOPU work out a scope of work to continue exploration on the Belvoir Paleozoic (such as geologic assessments, seismic, test drilling, etc.)

Replace or clean and line the 30" main (Round Top to Interstate 25)



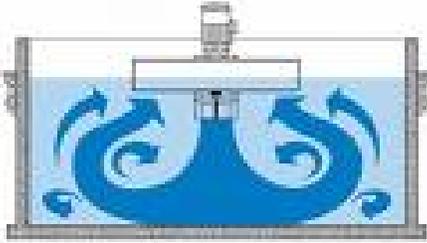
The 2003 Master Plan recommends that the existing 30" water main crossing Warren Air Force Base be replaced or cleaned and lined. This main is a cast iron pipeline with lead joints and was originally constructed in about 1906. The segment to be rehabilitated extends from the Round Top Water Storage Reservoir to the intersection of Randall Avenue at Hynds Blvd, a distance of about 23,000 feet (or 4.4 miles).

Rehabilitation of the Spillway at the Granite Reservoir Dam



Granite Dam and Spillway were constructed in about 1904. The Dam was rehabilitated in about 1985 but the spillway was not included in the rehabilitation work. The spillway is now 103 years old. In 2004, the engineering firm States West Water Resources inspected all BOPU dams and spillways. They provided a Safety of Dams Report which included recommendations for rehabilitation and/or replacing the spillway at Granite Dam. In July of 2005, States West followed up with a conceptual design and cost estimate for the replacement of the spillway at Granite Dam.

Crow Creek Anoxic Basin



The City of Cheyenne Board of Public Utilities (BOPU) will receive \$3.2 million to add a treatment process at the Crow Creek Water Reclamation Plant that will improve recycled water quality, water quality in Crow Creek, and reduce energy use at the plant.

The Office of State Lands and Investments will distribute \$3.2 million from Wyoming's share of the American Recovery and Reinvestment Act (ARRA) of 2009 to the BOPU in the form of a no interest loan with principal forgiveness. In other words, the funding is a loan that does not need to be paid back.

The money will be used to add a treatment method at Crow Creek Water Reclamation Plant that removes nitrates from wastewater. The new treatment method, called an Anoxic Basin, uses beneficial bacteria that get oxygen by breaking nitrates into nitrogen and oxygen. The beneficial bacteria then use the oxygen to consume other contaminants in the water.

The Anoxic Basin will also help the BOPU reduce the amount of electricity needed to treat wastewater. Since water leaving the Anoxic Basin has fewer contaminants, there are fewer contaminants for the treatment plant's more energy intensive methods to remove. It's estimated that the reduced electricity needed to treat Cheyenne's wastewater could save Cheyenne around \$50,000 a year.

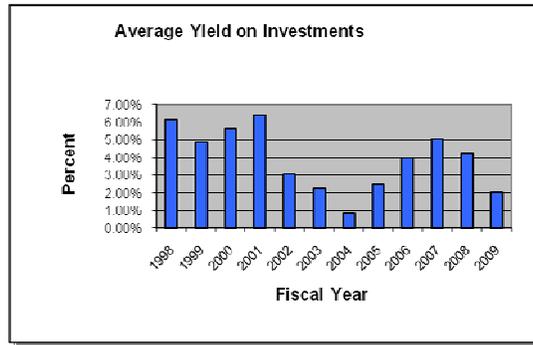
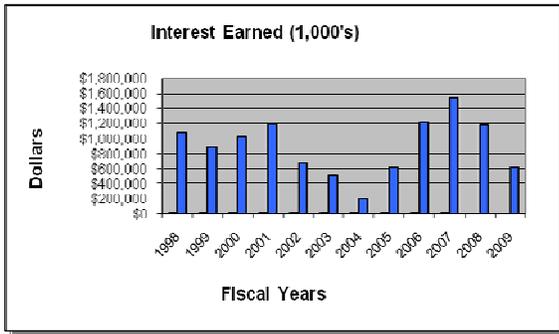
On June 16, 2009, the City Governing Body adopted the water and sewer enterprise fund budgets as recommended by the Board for fiscal year 2010 (July 1, 2009 to June 30, 2010). The Board's combined water and sewer budget for fiscal year 2010 of \$36.3 million is \$28.4 million less than fiscal year 2009's adjusted budget.

The Board also continued its intensive planning efforts. On Dec 4, 2008, 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 will be planned for December 2009.

Cash Management

During FY 2009, average yield on maturing investments was 2.035 percent and the amount of interest received value was \$612,521. A decrease of \$684,773 in revenue from the prior fiscal year was due primarily to the dramatic downward adjustments in the federal lending rate throughout the year. The average rate of interest received on investments in FY 2008 was 4.251 percent.

The average amount of funds available for investment during FY 2009 was \$30,322,696 compared to \$27,827,089 for FY 2008. This includes all Board cash, restricted and unrestricted (debt service, operating, capital additions and replacements, system development fees, Specific Purpose Tax, etc.)



Cash was invested in certificates of deposit at local banking institutions, and in pooled investment accounts, WYOSTAR, managed by the Wyoming State Treasurer's Office and WGIF (Wyoming Government Investment Fund). Quotes are received from institutions to ensure competitive rates on investments.

In accordance with Wyoming state statutes, investments are secured with the proper pledges of collateral and/or FDIC insurance. The Board maintains a money market account for deposits of funds received daily and a check plus interest account for check writing activities.

Relevant Financial Policies

During Fiscal Year 2009, the Board approved the use of FDIC Insurance as collateral on investments.

The Board approved the following changes in the purchasing policy to be effective July 1, 2008:

- Increase bid threshold on Municipal Contracts for a Public Improvement from \$20,000 to \$35,000, in accordance with Wyoming State Statute 15-1-113.
- Raised the budget transfer threshold for the Director to approve Capital and Construction Project budget transfers from \$15,000 to \$25,000.
- Raised the budget transfer threshold for the Director or Engineering Manager to approve professional service contracts from \$15,000 to \$25,000 or 10 percent of the contract price, whichever is less.
- Raised the budget transfer threshold for the Director or Engineering Manager to approve change orders to construction projects from \$15,000 to \$25,000 or 5 percent of the contract price, whichever is less.

Information on the Board's risk management activity can be found in Note 11 of the notes to the financial statements.

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 auditors.

Awards

Government Finance Officers Association Award

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, 2008. This was the 31st consecutive year that the Board has received this prestigious Award.

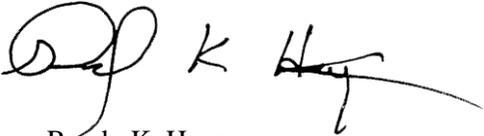
In Conclusion

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 66,000 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,

A handwritten signature in black ink, appearing to read 'Randy K. Hays', with a long horizontal flourish extending to the right.

Randy K. Hays
Administration Manager

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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

Board of Public Utilities – Board Members



Gary Carver
Board President
Board Member since June 1, 2001
Term expires: June 1, 2013



David Evans
Board Secretary
Board Member since June 1, 2002
Term expires: June 1, 2015



Phil Van Horn
Board Member
Board Member since June 28, 1999
Term expires: June 1, 2011



Joe Bonds
Board Member
Board Member since June 1, 2007
Term expires: June 1, 2013



Barbara Rogers
Board Member
Board Member since June 15, 2009
Term expires: June 1, 2015

List of Principal Officials

As of June 30, 2009, the following is a list of principal officials of the Board of Public Utilities, City of Cheyenne:

Elected and Appointed Officials	Current Term Expires	Position
Richard Kaysen	January – 2013	Mayor
Gary Carver	June – 2013	Board President
David Evans	June – 2015	Board Secretary
Barbara Rogers	June – 2015	Board Member
Phil Van Horn	June – 2011	Board Member
Joe Bonds	June – 2013	Board Member

Management:

Timothy E. Wilson, Director

Randy Hays, Administration Manager

Herman Noe, Engineering and Water Resource Manager

Bud Spillman, Water Treatment Manager

Brad Brooks, Operations and Maintenance Manager

Jim Hughes, Water Reclamation Manager

City of Cheyenne, Wyoming

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. For over 60 years, the headwaters of Crow Creek in the Pole Mountain area, about 35 miles west of Cheyenne, continued to be Cheyenne's sole source of water.

As Cheyenne grew, more water was needed. Unlike many cities in the arid West, Cheyenne was far from a major stream or river, forcing its citizens to go to great lengths to ensure an adequate water supply.



After a series of devastating fires, Cheyenne's first water supply system was built in 1892, consisting of a series of infiltration galleries in the Crow Creek drainage. Between 1902 and 1930, five dams were constructed on three branches of Crow Creek, 20 miles west of Cheyenne. These dams provide for collection of 4,000 acre-feet of water annually, under average rainfall and snow pack conditions. Nearly 10,700 acre-feet of water can be stored in the five local reservoirs.

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 system satisfied Cheyenne's water needs until an extended drought period of almost three years in the mid 1930's. During this period, Cheyenne's water needs increased so much that a water shortage was imminent. City officials recognized the crisis and worked quickly to overcome it from an underground supply of water west of Cheyenne.



In the 1930's, the City supplemented its surface water supply by developing an underground water supply. Today, the City maintains nearly 40 ground water wells that range from 170 to 500 feet deep. The wells can provide Cheyenne with 3,000 to 5,500 acre-feet of water annually and are used primarily to supplement water supply during peak demand periods. Cheyenne has replaced or refurbished 26 wells in the past 15 years. During peak day demands for drinking water, the City's water wells are capable of producing 9 to 11 MGD.

With the steady growth of the City during the 1940's and 1950'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 during normal flows, Cheyenne looked farther west, over 115 miles to the headwaters of the Little Snake River in the Sierra Madre Mountains on the western slope of the Continental Divide.

Cheyenne acquired sufficient unappropriated water rights to the Little Snake River, a tributary of the Yampa River, in the Colorado River drainage in the late 1950's. The presence of several large mountain ranges between the Sierra Madres and Cheyenne made the actual delivery of this water to Cheyenne cost prohibitive. As a result, an intricate trans-basin diversion plan was developed 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. Little Snake River water is diverted in the North Platte River in exchange for water from Douglas Creek, a tributary to the North Platte River.

Water from the North Fork of 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 into Hog Park Reservoir. There the water is released into Hog Park Creek, which flows into the Encampment River, which then flows into the North Platte River.

As water is released from Hog Park Reservoir and eventually flows into the North Platte River, Cheyenne is authorized to divert water from the Douglas Creek drainage into Rob Roy Reservoir. Water released from Rob Roy Reservoir traveled by gravity about 50 miles via a 26" diameter pipeline where it is released into the Middle Crow Creek drainage near Vedauwoo and at Granite and Crystal Reservoirs.

As originally constructed and based on average snow pack conditions, Stage I provided Cheyenne with 7,500 acre-feet of water annually, 3,000 acre-feet of water storage in Hog Park Reservoir and 9,000 acre-feet of water storage in Rob Roy Reservoir.

In 1949, Cheyenne completed construction of the Crow Creek Water Reclamation Plant (WRP). The Crow Creek WRP was Cheyenne's first, the first modern WRP in Wyoming and one of the first in the Rocky Mountain region. Prior to the Crow Creek WRP startup, sewage received minimal treatment and was discharged directly to Crow Creek. The Crow Creek plant uses a trickling filter process and the original design capacity of 8.0 MGD was later reduced to 4.5 MGD to meet Clean Water Act requirements.

Meanwhile, in the mid 1970's, the City added to both its water and wastewater treatment capacities. Water treatment capacity was increased with construction of the R.L. Sherard Water Treatment Plant. Constructed with a direct filtration process, the Sherard Plant could treat about 16 MGD of water.

The City expanded its wastewater treatment with the construction of the Dry Creek Water Reclamation plant. Located 3 miles east of Cheyenne, the Dry Creek plant uses an activated sludge process and was constructed to treat 5.0 MGD. Later in the 1980's, the Dry Creek WRP was upgraded and expanded to treat 7.0 MGD. By the late 1970's, Cheyenne's water demand began to exceed annual supply. Water stored in reservoirs was used to assist supply and meet demand.

In 1982, Cheyenne began construction of Stage II of the Little Snake River Water Project. Components of the Stage II water system included:

- Enlarging Rob Roy from 9,000 acre-feet to 35,600 acre-feet;
- Laying a second delivery pipeline, 63 miles from Rob Roy to Granite Springs and Crystal Reservoirs;
- Enlarging Hog Park Reservoir from 3,000 acre-feet to 22,600 acre-feet; and
- Installing 21 miles of diversion pipeline on the western slope of the Continental Divide.

The anticipated average annual water yield from the Stage I and Stage II systems (after meeting required minimum stream flow releases) is 21,000 acre-feet of water based on average rainfall and snow pack conditions. Stage I and Stage II were operated together for the first time in 1991. Together, Stage I and Stage II give the City of Cheyenne an adequate source of supply for the foreseeable future.

In 1995, Cheyenne added 15 million gallons to its treated water storage with the completion of the King Two water storage tank. In 1996, the Board completed a \$12 million rehabilitation project repairing three major segments of the original Stage I Water System.



The Cheyenne Water Supply Master Plan, completed in July 1994, concluded, among other things, that due to considerable concrete deterioration, the Roundtop Water Treatment Plant was no longer reliable and recommended it be retired as soon as possible. Plant productivity had been reduced from 12 MGD to about 8 MGD. Further, Safe Drinking Water Act regulations reduced the treatment capacity from the Sherard Plant from 16 MGD to 14 MGD.

The average peak daily demand for treated water demand grew from approximately 23.5 MGD in 1978 to about 33.5 MGD in 1998. In the 1990's, peak day demand reached 40 MGD and the highest peak week (7 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 significant projects

First, was the completion in 1998 of the Northwest Area Raw Water Irrigation Project, which allows three Cheyenne golf courses and a City park to use raw, untreated water for irrigation instead of treated city drinking water. The project frees up about 3 MGD of treated water during peak summer day demands.

Second, in 1998, the Board moved forward with design of the new 32 MGD R.L. Sherard Water Treatment Plant Expansion Project. The new Sherard Plant replaces the 1915 Roundtop Water Treatment Plant and the original Sherard Water Plant.

Construction of the Sherard Water Treatment Plant expansion project began in September 1999. The \$36.7 million water treatment plant project began serving the community in the spring of 2002.

The new plant has a state-of-the-art, conventional treatment process, including ozonation, chloramination, & chlorine dioxide designed to meet or exceed current and future requirements of the federal Safe Drinking Water Act.



In the fall of 2007, the Board completed construction of a second raw water delivery pipeline from Crystal Reservoir to the new Sherard Water Treatment Plant. This pipeline is approximately 14.7 miles in length (13.7 miles of 36-inch steel pipe and one mile of 50-inch steel pipeline) and cost \$14.2 million. The combined capacity of this new pipeline and the existing 30-inch pipeline is about 56 MGD.

In 2001, an expansion and upgrade was completed to the Crow Creek Wastewater Treatment Plant. The \$2.5 million project replaced 50-year-old original plant equipment and expanded the plant capacity from 4.5 MGD to 6.5 MGD. This brought the combined capacity of Cheyenne's two wastewater plants to 13.5 MGD.

Secondary wastewater effluent is discharged from both plants to the receiving stream, Crow Creek. Historically, Crow Creek below the effluent discharge points of the two plants was designated as a Class 4 stream by the State of Wyoming Department of Environmental Quality (WDEQ). Designated uses on Class 4 waters included agriculture, industry, recreation and wildlife and scenic value. In July 2001, the WDEQ adopted revisions to the Wyoming Water Quality Rules and Regulations, Chapter 1, Wyoming Surface Water Quality Standards.



With the adoption of the new standards, Crow Creek below the effluent discharge points of both water reclamation plants was reclassified from a Class 4 stream to a Class 2C stream. Designated uses on Class 2C waters include nongame fisheries, fish consumption, and aquatic life other than fish, primary contact recreation, wildlife, industry, agriculture, and scenic value.

To comply with the Class 2C designated use, the Dry Creek and Crow Creek Water Reclamation Plants were upgraded. The primary purpose for the improvements to the water reclamation plants (WRPs) were to comply with the mandate to provide ammonia removal (called nitrification) and chlorine residual removal from the effluent from the two WRPs before it is discharged to Crow Creek downstream of Avenue C. Ammonia and chlorine are toxic to aquatic life at low concentrations.

Upgrades included single-stage biological ammonia removal (i.e., nitrification) facilities at both WRPs and ultra-violet light for disinfection instead of chlorine at Dry Creek. The Dry Creek Plant was also expanded from 7 MGD to 10.5 MGD bringing the combined capacity of both plants to 17.0 MGD.

These improvements to the WRPs were completed in September 2006 at a cost of \$39.5 million.

As part of the improvements to the water reclamation plants, recycle water treatment facilities (chemical feed, filtration, pumping, supplemental disinfection and storage) were constructed at the Crow Creek WRP. The recycle water meets WDEQ Class 'A' water reuse standards, the most stringent.

Recycled water is delivered to cemeteries, parks, athletic fields and green spaces for irrigation use. As constructed the Recycle water treatment facilities can treat about 4 MGD. In addition, about 12.2 miles of purple pipe was installed for the recycled water distribution system. The recycle water system went on-line in July 2007 at cost of about \$12.3 million for the treatment, pumping and purple pipe.

With average annual estimates of more than 3,500 acre-feet of wastewater effluent available for recycle water, Cheyenne continues to strengthen its water supply system. Valuable drinking water, previously used to irrigate these areas, is now available to meet current and future demands for drinking water.

Looking ahead, the growing community of Cheyenne moves into the 21st century with an adequate supply of raw water thanks to the vision of past city leaders and the ambitious trans-basin diversion water project, that augments the Crow Creek drainage and well fields. With a new expanded water treatment plant, a second raw water pipeline to the treatment plant, additional wells, increased wastewater treatment capacity, and water reuse capacity, Cheyenne will have room for continued growth as the new century progresses.



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)



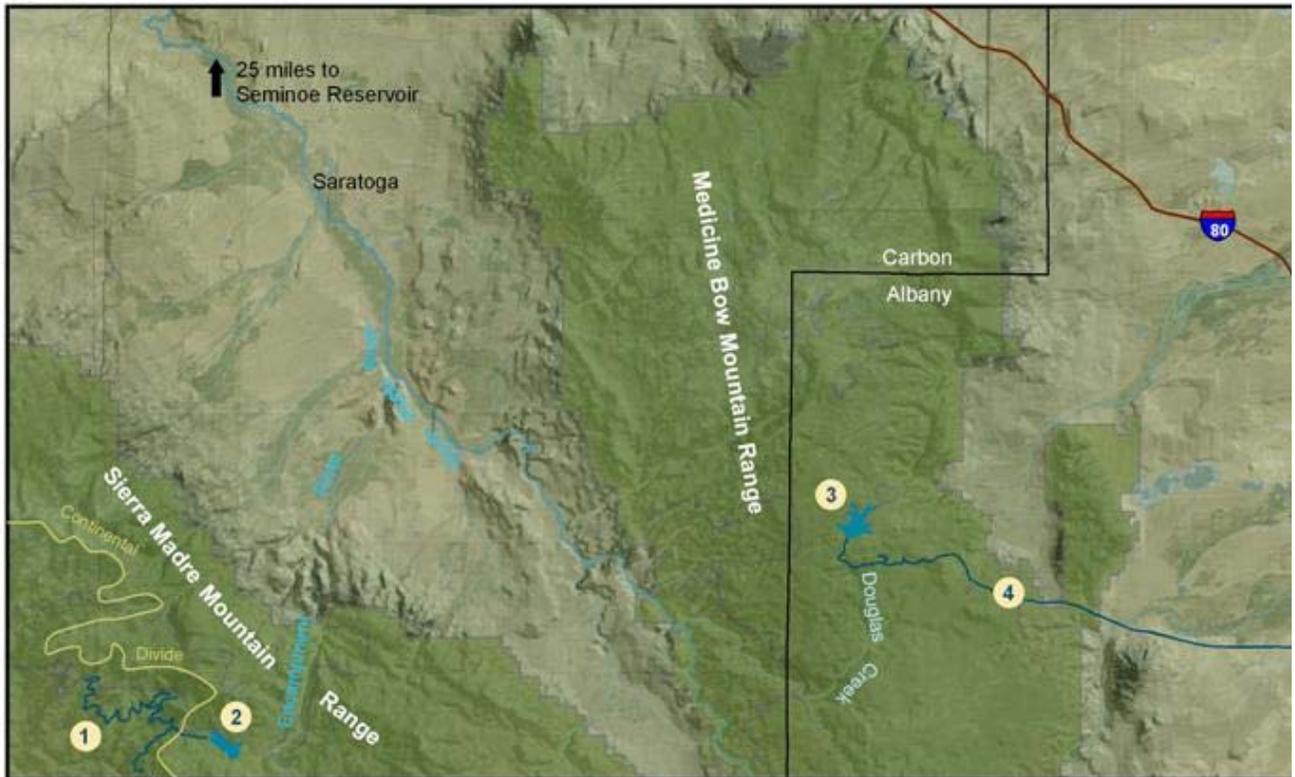
Granite Springs Dam & Reservoir

(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 herein is for informational purposes only.

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



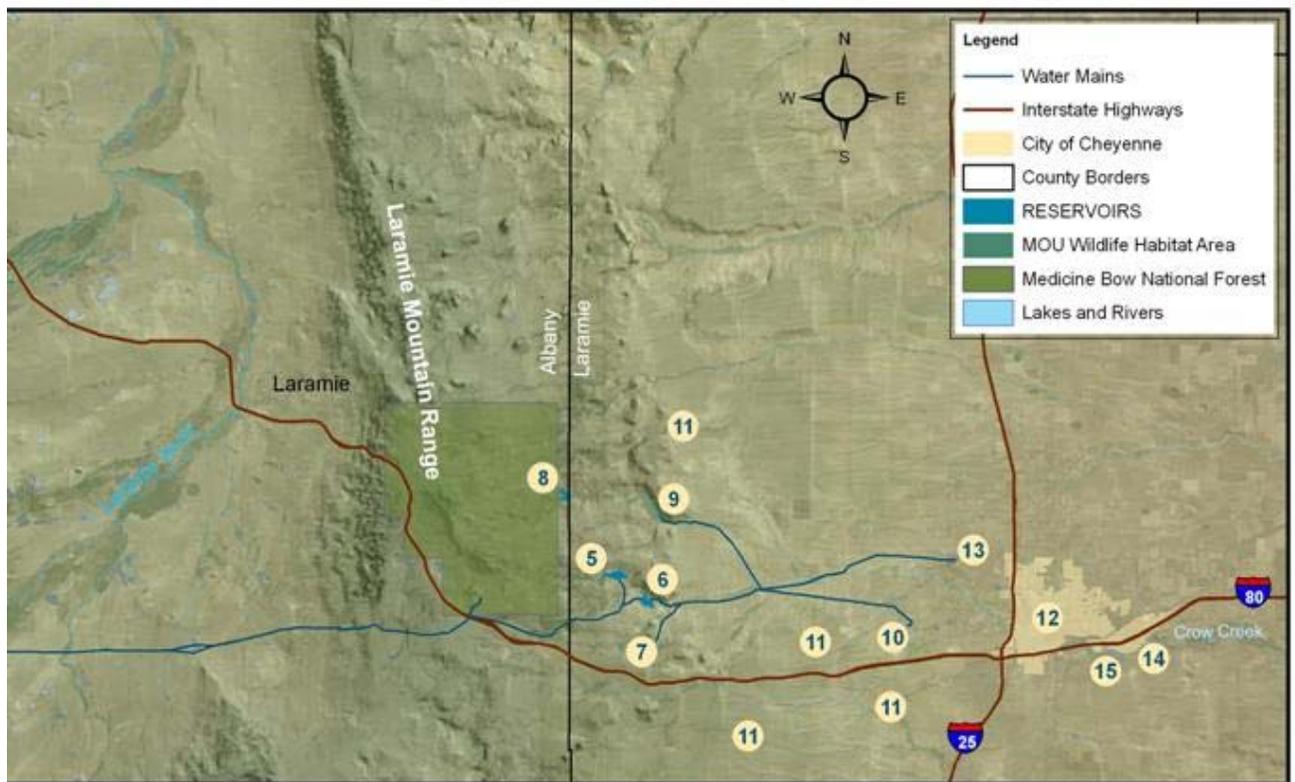
Wells High Plains Aquifer



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)

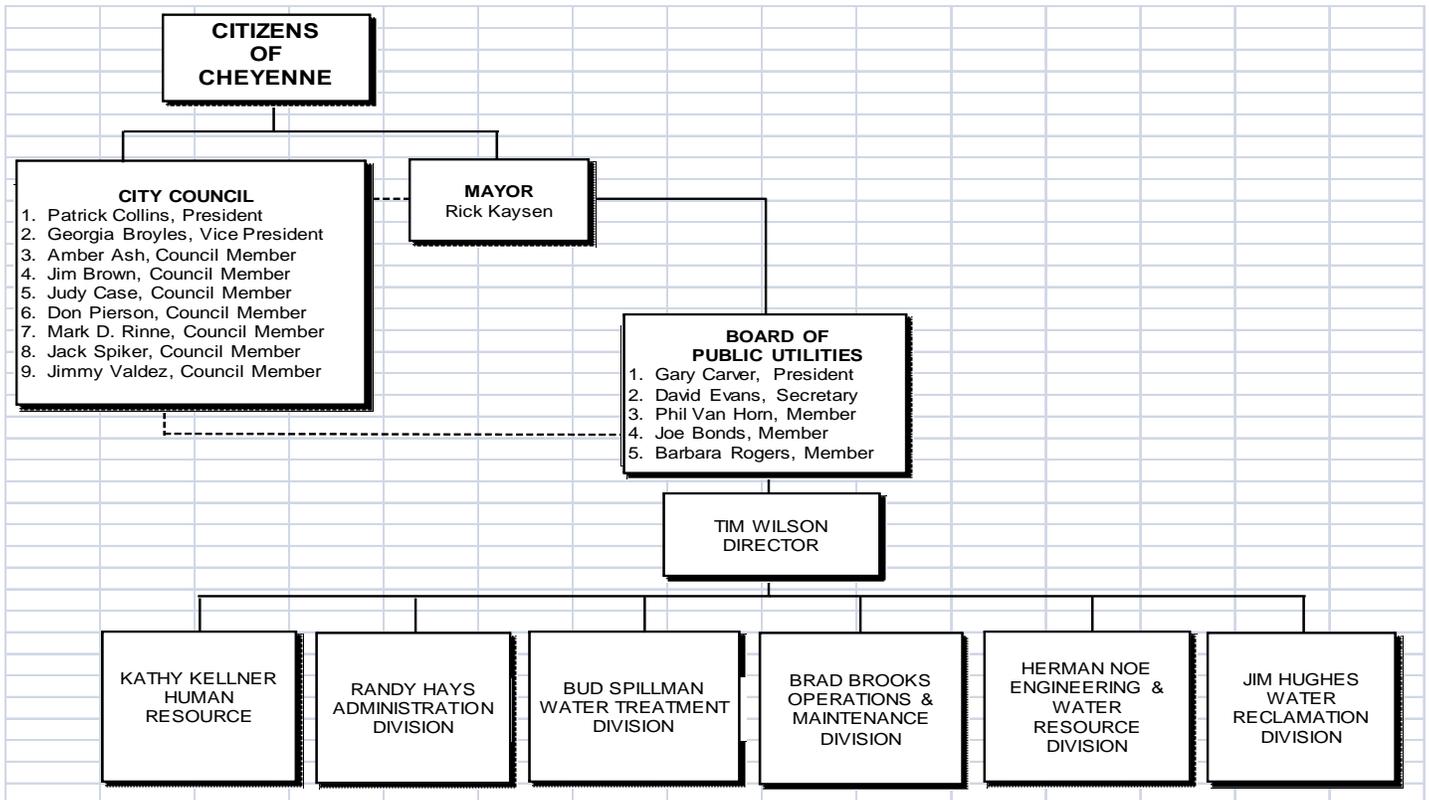


Dry Creek Water Reclamation Facility
(Constructed early 1970's - Expanded late 1980's and 2007)

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

**Water and Sewer Departments
Organizational Chart**

June 30, 2009



**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION**

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

We have audited the accompanying financial statements of the business-type activities and each major fund of the City of Cheyenne, Wyoming Board of Public Utilities (the "Board"), Waterworks and Sewer Enterprise Funds of the City of Cheyenne, Wyoming as of and for the year ended June 30, 2009, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2009, 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.

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, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2009 on our consideration of the Board's internal control over financial reporting and our testing of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 18 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the Board's basic financial statements. The Budgetary Comparison Schedule listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mc Gee, Hearne & Paiz, LLP

Cheyenne, Wyoming
October 9, 2009

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, 2009.

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 exceeded its liabilities at the close of the fiscal year by \$224,587,686 (net assets). Of this amount, \$25,660,121 (unrestricted net assets) is available to meet the Board's ongoing obligations to citizens and creditors.

The Board's total net assets increased by about \$3,548,508 during fiscal year 2009. This increase can be attributed to capital contributions, grant revenues, and an increase in water and sewer consumption charges.

The Board applied for and received a \$1,280,000 loan earmarked for the purpose of extending its recycled water distribution system by adding 2.6 miles of mains to parks and schools in the northern area of Cheyenne. The loan is from the State of Wyoming Clean Water State Revolving Fund for a term of 20 years at 2.5% interest.

The Board applied for and received a \$6,680,000 loan earmarked for the purpose of funding a 4.4 mile transmission line from the City's Round Top Storage Tank, across Warren Air Force Base to Interstate 25. The loan is from the State of Wyoming Drinking Water Revolving Fund for a term of 20 years at 2.5% interest.

Interest revenue for the current year was \$612,521 and decreased \$684,773 from the previous fiscal year. The yield on investments decreased during the fiscal year to 2.03 percent. Current forecasts indicate that rates will continue to remain constantly lower during the first half of fiscal year 2010.

Operating revenue for the waterworks fund increased \$510,805 and the sewerage fund increased \$468,346, during the fiscal year. Revenue increases in the waterworks operating revenue was largely due to a rate increase of approximately 7.4% which became effective on January 1, 2009. Revenue increases in the sewer operating revenue was also largely attributed to a rate increase in usage charges from \$3.00 to \$3.20 per thousand which became effective on January 1, 2009.

The total indebtedness of the Board decreased by \$645,073 (.7 percent) from \$88,145,151 to \$87,500,078 during the current fiscal year. The decrease was due to principal reduction related to annual debt service payments. 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 new 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 assets presents information on the Board's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets presents information showing how the Board's net assets 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, 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 24-42 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 43-45 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.

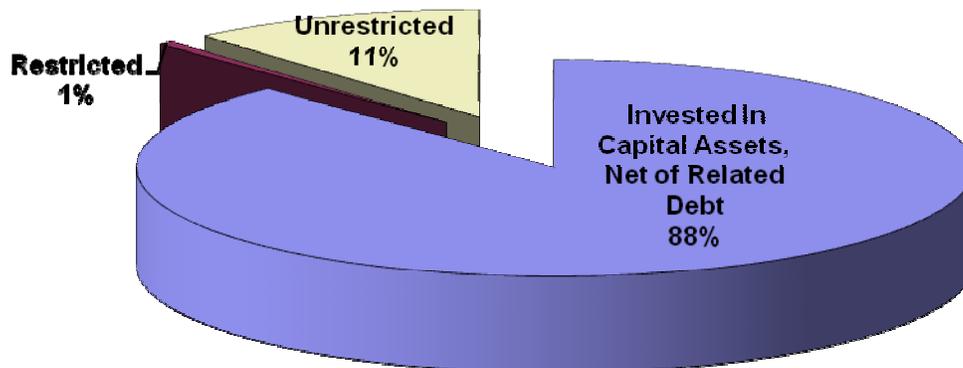
Business-Type Activities - Net Assets

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 assets increased by \$3,548,508 during fiscal year 2009.

The largest portion of the Board's net assets, \$197,637,971 (88.0 percent) 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 debt used to acquire those assets that is still outstanding.

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 Asset Categories as of June 30, 2009



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

	Waterworks Fund (\$1,000's)		Sewer Fund (\$1,000's)		Total Business-Type Activities (\$1,000's)	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 23,471	\$ 23,808	\$ 10,334	\$ 10,959	\$ 33,805	\$ 34,767
Capital assets	209,977	204,599	75,262	76,812	285,239	281,411
Total assets	233,448	228,407	85,596	87,771	319,044	316,178
Long-term liabilities						
outstanding	44,484	43,752	37,362	39,146	81,846	82,898
Other liabilities	9,827	9,278	2,783	2,963	12,610	12,241
Total liabilities	54,311	53,030	40,145	42,109	94,456	95,139
Invested in capital assets						
net of related debt	161,361	157,073	36,277	36,165	197,638	193,238
Restricted	1,289	1,290	-	1,961	1,289	3,251
Unrestricted	16,487	17,014	9,174	7,536	25,661	24,550
Total net assets	\$ 179,137	\$ 175,377	\$ 45,451	\$ 45,662	\$ 224,588	\$ 221,039

The remaining balance of unrestricted net assets (\$25,660,121) 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 assets, 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 ASSETS

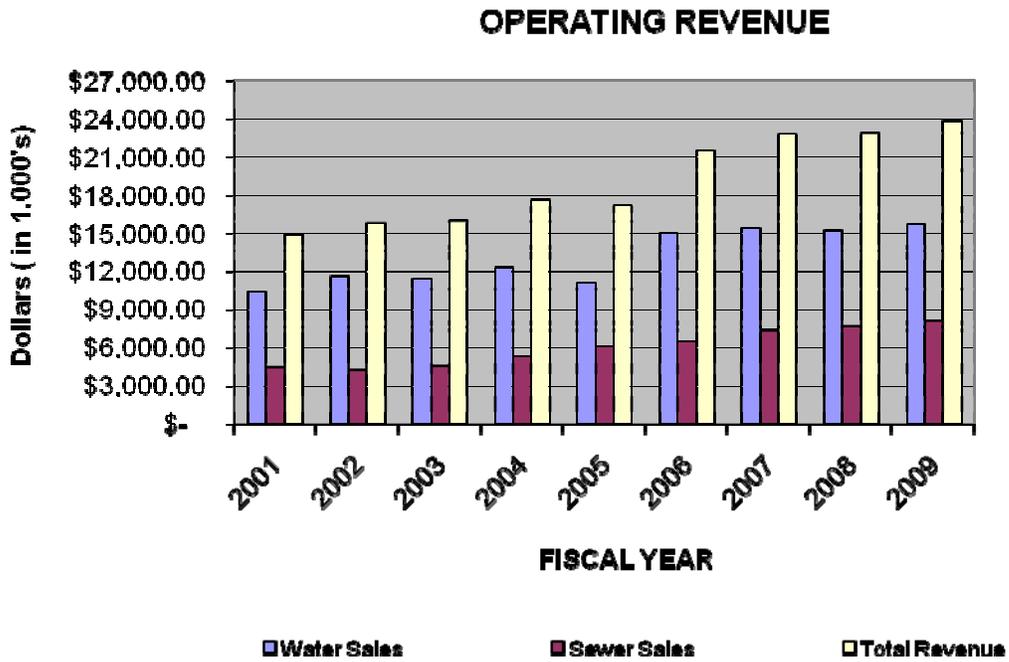
Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Operating Income	Total Nonoperating Revenue/(Expenses)	Income (Loss) before Capital Contribution	Capital Contribution	Change in Net Assets
2000	\$15,102,418	\$13,586,356	\$ 1,516,062	\$ 330,034	\$1,846,096	\$1,549,594	\$3,395,690
2001	14,924,994	13,462,063	1,462,931	2,737,717	4,200,648	1,157,400	5,358,048
2002	15,838,162	14,470,308	1,367,854	5,831,918	7,199,772	6,592,056	13,791,828
2003	16,001,865	16,465,051	(463,186)	6,454,018	5,990,832	1,911,023	7,901,855
2004	17,640,068	17,023,616	616,452	2,505,826	3,122,278	3,276,543	6,398,821
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

Net assets increased by \$3,548,508 during fiscal year 2009. This is attributed to capital contributions, grant revenues, and an increase in water and sewer consumption charges.

Business-Type Activities – Revenues and Expenses

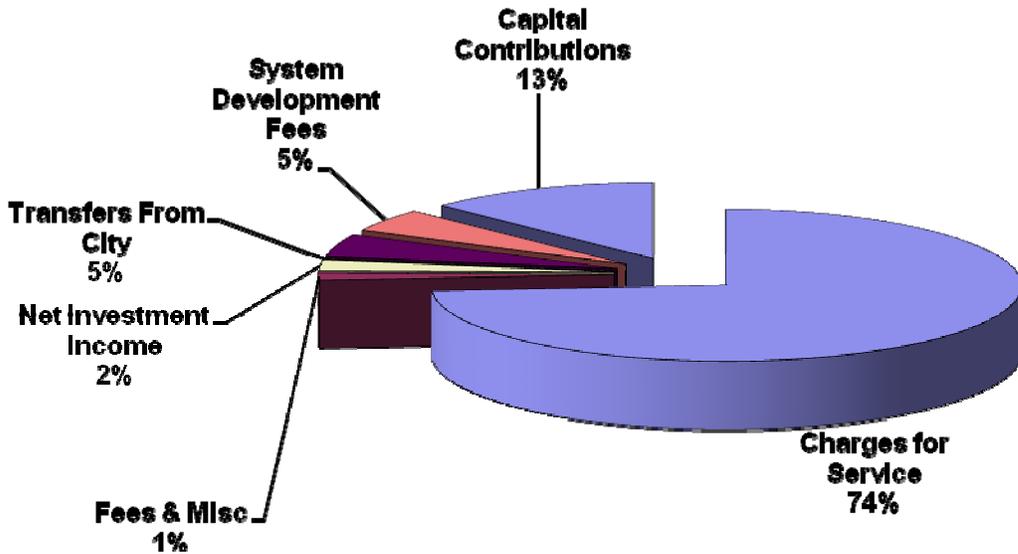
The following schedule presents a summary of the water and sewer enterprise fund operating revenues for the fiscal year ended June 30, 2009, and the amount and percentage of increases and decreases in relation to prior year revenues.



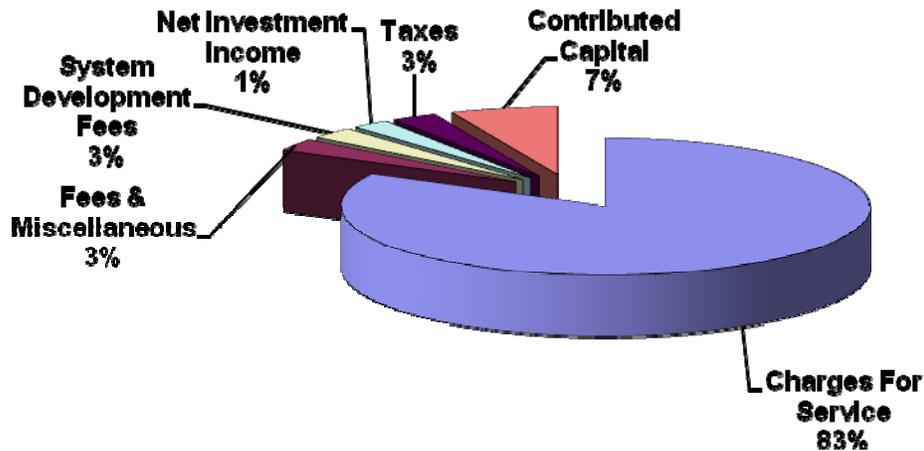
BOARD OF PUBLIC UTILITIES Revenue (\$1,000's)

Revenue Source	Waterworks Fund		Sewer Fund		Total		Inc./(Decr.) From FY 08	% of Inc./Decr.	Fiscal Year 2008
	FY 09 Amount	% of Total	FY 09 Amount	% of Total	FY 09 Amount	% of Total			
Operating Revenue									
Sales and charges for service	\$15,381	74%	\$7,871	83%	\$23,252	77%	\$1,109	5%	\$22,143
Fees and miscellaneous	324	1%	280	3%	604	2%	(130)	-18%	734
Total operating revenue	15,705	75%	8,151	86%	23,856	79%	979	4%	22,877
Nonoperating Revenue									
System development fees	1,012	5%	256	3%	1,268	4%	0	0%	1,268
Intergovernmental revenues	1,000	5%	0	0%	1,000	3%	0	0%	1,000
Taxes	0	0%	260	3%	260	1%	(619)	-70%	879
Loss on disposal of assets	0	0%	0	0%	0	0%	2	100%	(2)
Net investment income	478	2%	218	1%	696	2%	(610)	-47%	1,306
Insurance proceeds	0	0%	0	0%	0	0%	0	0%	0
Total nonoperating revenue	2,490	12%	734	7%	3,224	10%	(1,227)	-28%	4,451
Capital Contributions	2,656	13%	624	7%	3,280	11%	1,120	52%	2,160
Gross Revenue	\$20,851	100%	\$9,509	99%	\$30,360	100%	\$872	3%	\$29,488

Water Revenue By Source



Sewer Revenue By Source



Gross revenue, including interest and transfers, totaled \$30,358,147 for FY 2009, a 2.95 percent increase from FY 2008. FY 2009 gross revenue was \$869,977 above FY 2008. The largest portions of this increase were related to an increase in volume rates.

System Development fees remained at the same level as in FY 2008 at \$1,267,358 in FY 2009 compared to \$1,268,735 in FY 2008. Issued water and sewer tap permits decreased by 947 permits in FY 2009 compared to the previous fiscal year. There were 127 water and sewer permits issued in FY 2009 compared to 1,074 permits in FY 2008.

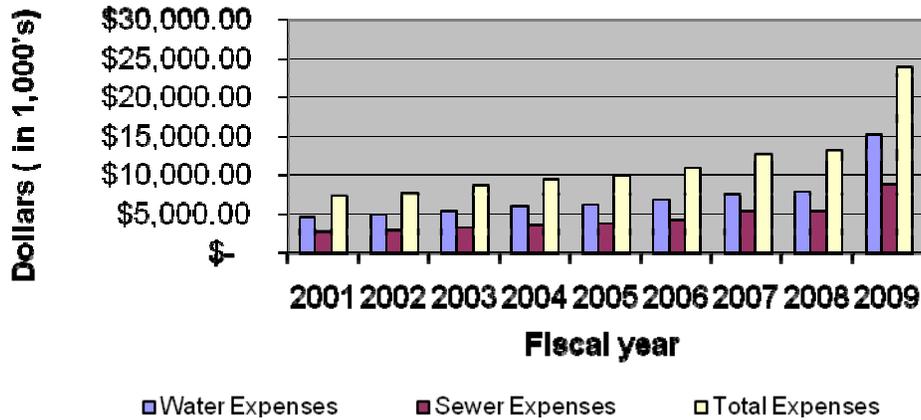
In January 2009, system development fees for water and sewer increased by approximately 4%. The system development fee for $\frac{3}{4}$ inch residential water tap increased from \$4,900 to \$5,100. The system development fee for a $\frac{3}{4}$ inch sewer tap increased from \$1,225 to \$1,275.

On January 1, 2009, sewer rates increased \$0.20 per thousand gallons of usage from \$3.00 to \$3.20 per 1,000 gallons. This rate increase resulted in additional revenue of approximately \$163,000 during the last half of fiscal year 2009. 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.

Effective July 1, 2004, residential customers were charged on a tiered rate schedule, which increases in relation to the increase in water used. Tiered rates will increased by approximately 4% on January 1, 2010.

The following schedules presents a summary of the Water and Sewer Enterprise Fund operating expenses for FY 2009, and the percentage of increases and decreases in relation to prior year amounts.

Operating Expenses (less depreciation)



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

	Waterworks Fund		Sewer Fund		Total		Inc./(Decr.) From FY 08	% of Inc./Decr.	Fiscal Year 2008
	FY 09 Amount	% of Total	FY 09 Amount	% of Total	FY 09 Amount	% of Total			
Operating Expenses									
Source of supply	\$1,023	6%	\$0	0%	\$1,023	4%	\$18	2%	\$1,005
Water treatment	2,097	12%	0	0%	2,097	8%	322	18%	1,775
Transmission and distribution	1,885	11%	0	0%	1,885	7%	91	5%	1,794
Water reclamation	0	0%	2,233	23%	2,233	8%	135	6%	2,098
Sewer collection lines	0	0%	1,094	11%	1,094	4%	164	18%	930
Engineering and water resources	546	3%	538	6%	1,084	4%	44	4%	1,040
Administrative and general	2,126	12%	1,331	14%	3,457	13%	29	1%	3,428
Information technology and customer service	493	3%	484	5%	977	3%	48	5%	929
Depreciation	7,025	41%	3,036	31%	10,061	38%	348	4%	9,713
Total operating expenses	15,195	89%	8,716	90%	23,911	89%	1,199	5%	22,712
Nonoperating Expenses									
Interest expense	1,895	11%	1,003	10%	2,898	11%	(34)	-1%	2,932
Total Expenses	\$17,090	100%	\$9,719	100%	\$26,809	99%	\$1,165	5%	\$25,644

Total Operating Expenses, excluding depreciation, increased \$850,618 compared to FY 2008. Significant increases included \$321,403 in water treatment expenses and \$163,988 in sewer collection expenses.

Supportive service expenses (electricity, gas, telephone, postage, etc.) increased \$36,953 or 2.3 percent largely due to \$56,705 in increased electrical expenses from well production.

Material and Supplies expenses (chemicals, plant equipment, office supplies, gasoline etc.) increased \$269,058 or 24.5 percent. The most significant increase was a \$246,128 increase in chemical expenses for raw water treatment at the Sherard Water Treatment Plant. The increase in chemical treatment cost was partially due to mitigation efforts related to a taste and order problem, during late summer and early fall.

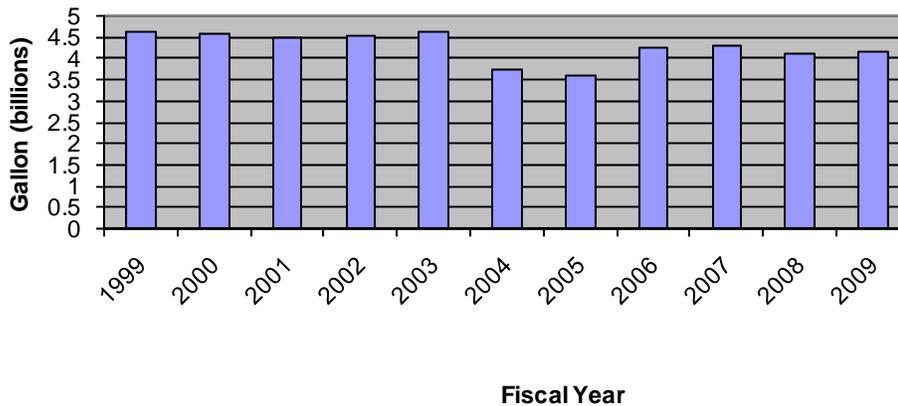
Contractual Services expenses (contracts, software maintenance, studies, property and liability insurances) increased \$154,981 or 11.8 percent during FY 2009. The most significant increase was \$150,333 in contractual services largely related to a root treatment program.

Interest expense on bonds and loans totaled \$2,898,614 for FY 2009, and was included in the above schedule of operating expenses. This 1.1 percent decrease from FY 2008 was the result of principal reduction in the water fund from the annual debt service payment. FY 2008 interest expense totaled \$2,931,662.

Metered Water Consumption History

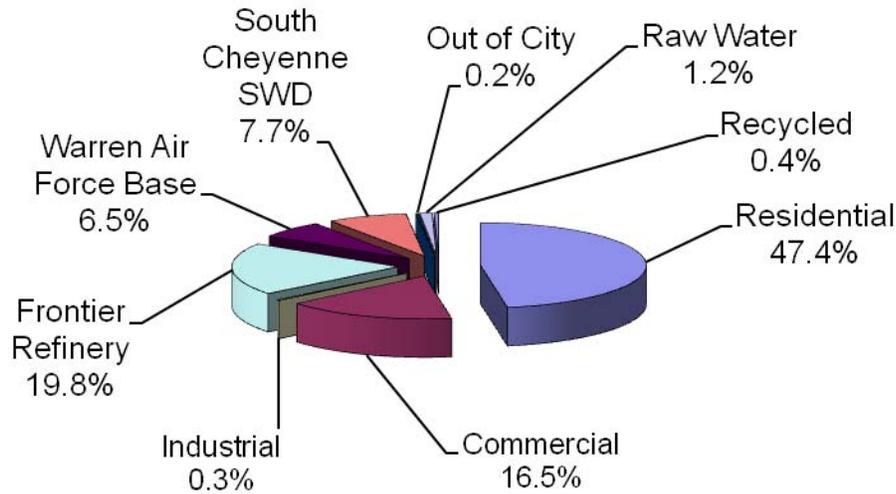
During FY 2009, the Board sold 4.072 billion gallons of water as compared to 4.118 billion gallons in FY 2008. Billed water consumption has averaged 4.241 billion gallons over the past ten years.

METERED WATER SALES



Total water supplied to the City in FY 2009 was 4.155 billion gallons of water compared to 4.629 billion gallons of water in FY 2008.

METERED WATER SALES BY CUSTOMER CLASS FY2009



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 Capital per Day Total City Use
2000	53,011	2,241,088,000	115.82	3,788,543,000	195.80
2001	53,691	2,165,147,000	110.48	3,641,974,000	185.84
2002	54,093	2,226,099,000	112.75	3,793,348,000	192.13
2003	54,716	2,174,054,000	108.86	3,797,967,000	190.17
2004	55,473	1,736,696,000	85.77	3,177,271,000	156.92
2005	56,035	1,784,824,000	87.27	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

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.

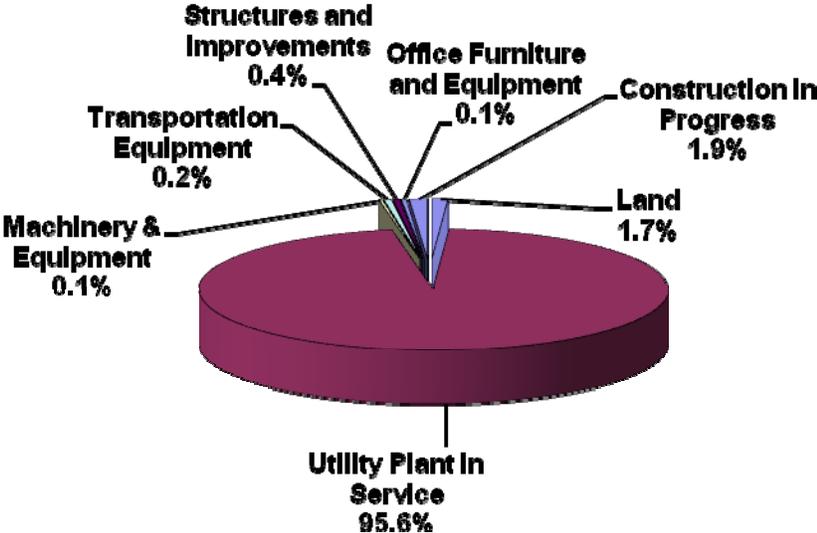
Unrestricted net assets of the Waterworks enterprise fund totaled \$16,486,890 at the end of the current fiscal year. Unrestricted net assets of the Sewer enterprise fund totaled \$9,173,231 at the end of the current fiscal year. The total change in net assets for both funds, from the previous fiscal year was a \$3,759,705 and \$(211,197) 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 Asset and Debt Administration

Capital assets (property, plant and equipment)

As of June 30, 2009, the capital assets of the Board, net of accumulated depreciation, totaled \$285,239,340. This investment in capital assets includes land, 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	
	2009	2008	2009	2008	2009	2008
Land	\$ 4,405	\$ 4,386	\$ 484	\$ 478	\$ 4,889	\$ 4,864
Utility plant in service	314,452	305,224	108,405	104,706	422,857	409,930
Machinery and equipment	778	773	258	256	1,036	1,029
Transportation equipment	1,667	1,605	556	534	2,223	2,139
Structures and improvements	1,511	1,460	509	487	2,020	1,947
Office furniture and equipment	1,173	1,055	394	352	1,567	1,407
Construction in progress	5,222	2,458	264	2,880	5,486	5,338
Less accumulated depreciation	(119,231)	(112,362)	(35,608)	(32,881)	(154,839)	(145,243)
Total	\$ 209,977	\$ 204,599	\$ 75,262	\$ 76,812	\$ 285,239	\$ 281,411

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

- Completed construction of the Southern Water Main from Sherard Water Treatment Plant to Roundtop Road.
- Improvements and upgrades to several of the City ground water wells.
- Contributed capital (water distribution mains, hydrants, sewer collection mains and manholes) from development projects.
- Improvements and upgrades to water distribution and sewer collection mains.
- Construct Phase II of the re-use water pipeline to northern parts of Cheyenne.
- Norris Viaduct main replacement.

At the close of FY 2009, the Board transferred the following projects from construction work in progress to Capital Assets:

BOARD OF PUBLIC UTILITIES - CWIP
Transferred to Capital Assets

Water Projects:

RLS Pipeline-Engineering	\$ 3,304
Southern Water Trans Line	5,262,028
Stage I Pipeline Rectifiers	217,735
Replace Generators HP & RR	212,760
FY 2008 Well Projects	218,901
Belvoir HIPL/White River Exp	36,995
4000-6000 Block Greybull-08	369,025
700-800 Block Shoshoni-08	222,147
Maple Wy/Sheridan/Jackson-08	208,994
3500 Block Frontier-08	122,974
Nimmo Rd/Prairie/Hoy-08	91,722
W. Lincolnway/LaQuinta-08	10,293
Western Hills 30" Main	16,308
Manganese Treatment	126,195
Crystal Lake Aeration	502,847
Total Water Projects	\$ 7,622,228

Sewer Collection Main Projects:

Cleveland Ave/Rio Verde-08	\$ 160,146
South High School Main Oversize-09	15,271
Dunn Ave 700-1000 Block-08	149,609
Reline 1600 Capitol-08	26,469
Reline 2909 Capitol-08	27,984
Replace 3722 Carey-08	59,554
3800-4000 Snyder-08	167,165
Country Club Phase I & II - 06&07&08	239,322
Dry Creek Plant Upgrade	71,954
Dry Creek Heat Exchanger	792
WAFB/Snyder Relief Sewer	1,678,139
Parsley Relief Sewer	1,056,208
Total Sewer Projects	\$ 3,652,613

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 \$87,500,078. Of this amount, \$8,170,000 are 1998 General Obligation Water Refunding Bonds, \$11,905,000 are 2007 Water Revenue Refunding Bonds, and the remainder of \$67,425,078 are loans from the State of Wyoming for various water and sewer projects.

The total indebtedness of the Board decreased by \$645,073 (0.7 percent) from \$88,145,151 to \$87,500,078 during the current fiscal year. The decrease was due to principal reduction related to annual debt service payments.

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

	Waterworks Enterprise Fund		Sewer Enterprise Fund		Business-Type Activities Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$8,170,000	\$10,745,000	\$ -	\$ -	\$8,170,000	\$10,745,000
Revenue refunding bonds	11,905,000	12,330,000	-	-	11,905,000	12,330,000
Loans from the State of Wyoming	28,439,993	24,423,880	38,985,085	40,646,271	67,425,078	65,070,151
Total	<u>\$48,514,993</u>	<u>\$47,498,880</u>	<u>\$38,985,085</u>	<u>\$40,646,271</u>	<u>\$87,500,078</u>	<u>\$88,145,151</u>

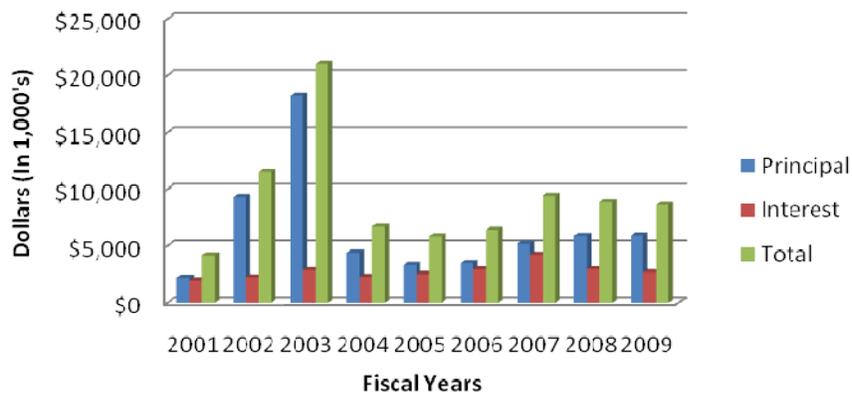
During FY 2009, proceeds from the issuance of debt totaled \$5,295,611 as follow:

BOARD OF PUBLIC UTILITIES - Proceeds from Debt Issuance

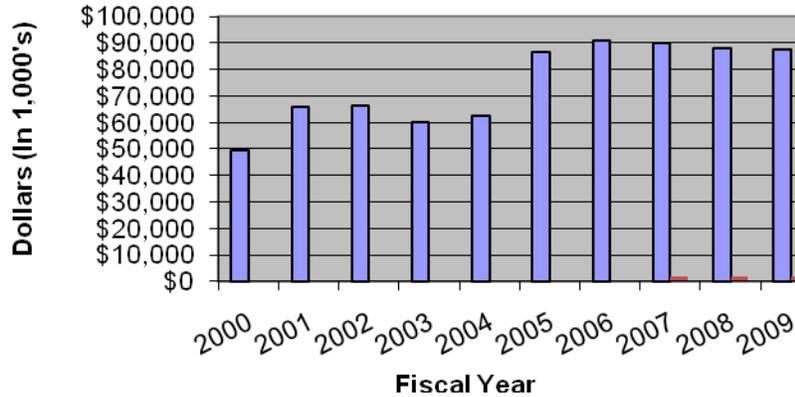
Project	Advance	Funding Source
Western Hills/Roundtop 30" Extension	\$ 16,308	Wyoming State Lands and Investments
Administration Building Design	292,524	Wyoming State Lands and Investments
30" Water Main/WAFB	56,782	Wyoming State Lands and Investments
Phase II Water Reuse Pipeline	1,261,196	Wyoming State Lands and Investments
Southern Water Main	3,659,596	Wyoming State Lands and Investments
WAFB/Parsley Relief Sewer	9,205	Wyoming State Lands and Investments
	<u>\$ 5,295,611</u>	

The Board retired \$3,000,000 of general obligation water refunding bonds and refunding revenue water bonds, and \$2,940,684 of State of Wyoming water and sewer loans.

Annual Debt Payment



Total Principal Debt Outstanding



The amount of general obligation bonded debt per capita is a useful indicator of the Board's financial position and provides management, citizens and investors with helpful information. Net direct bonded debt per capita at June 30, 2009 is as follows:

Total Estimated Population	G.O. Water Debt	Debt Payable from Revenue Fiscal Year 2009	Bonded Net G.O. Bonded Debt	Debt Per Capita
56,296	\$ 8,170,000	\$ 2,575,000	\$ 5,595,000	\$ 99.39

The general obligation bonds are paid from the revenue of the water system. It is the Board's intent that operating revenue continues to be used to service the general obligation debt in the future, thus avoiding the assessment of taxes.

At the end of the fiscal year, Standard and Poor's upgraded the BOPU'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 BOPU'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 BOPU's financial outlook as "stable."

Additional information on the Board's long term debt can be found in Note 4 on page 31 of this report.

Economic Factors and Next Year's Budget and Rates

These factors were considered in preparing the Board's budget for the 2010 fiscal year (July 1, 2009 to June 30, 2010).

The unemployment rate for Cheyenne was 4.9 percent as of May 31, 2009, compared to the rate of 3.6 percent a year ago. This compares to the state's average unemployment rate of 5.0 percent and the national average rate of 9.4 percent.

During the course of calendar year 2008, 139 housing permits were issued with a total added valuation to the City of \$23,947,298. During the calendar year 2008, 142 commercial permits were issued on new and remodeling construction with a total added valuation to the City of \$50,245,678.

The Board's approved budget for the upcoming fiscal year 2010 totaled \$36,276,000. This is a 43.9 percent decrease from fiscal year 2009's adjusted budget, or (\$28,386,911). The decrease is primarily due to the reduction of construction projects and capital equipment expenditures.

Sewer rates will increase from \$3.20 per 1,000 gallons to \$3.35, effective with billings rendered after January 1, 2010.

On January 1, 2010, the combined rate for water and sewer SDFs will increase approximately 4 percent on single-family residential ¾ inch taps from \$6,375 to \$6,640. These rate increases are necessary to finance debt service on the Wastewater Treatment Plants Improvements and continued pursuit to develop additional supplies of water for Cheyenne.

Water multi-tiered rates will increase effective January 1, 2010. The average rate increase, per tier, will be approximately 4.69%.

Residential Single Family Rate Structure (In-City) Volume Rate Charge per 1,000 Gallons Effective January 1, 2010

First Block	First 6,000	\$3.35
Second Block	Next 18,000	\$4.15
Third Block	Next 18,000	\$5.15
All Over	Over 42,000	\$6.40

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, 2100 Pioneer Avenue, Cheyenne, Wyoming 82003-1469.

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009**

ASSETS	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Current Assets			
Cash and cash equivalents	\$ 11,582,253	\$ 5,598,228	\$ 17,180,481
Investments	6,069,000	3,465,921	9,534,921
Restricted assets:			
Cash and cash equivalents	411,155	-	411,155
Investments	989,594	-	989,594
Due from other governments	458,427	128,577	587,004
City of Cheyenne sanitation account	1,170,554	-	1,170,554
Receivables:			
Accounts, consumers, net	1,098,850	570,309	1,669,159
Estimated unbilled usage	1,279,290	547,485	1,826,775
Accrued interest	26,978	9,039	36,017
Inventories	253,785	14,334	268,119
Total current assets	23,339,886	10,333,893	33,673,779
Noncurrent Assets			
Capital assets:			
Land	4,404,799	484,039	4,888,838
Utility plant in service	314,452,643	108,405,640	422,858,283
Machinery and equipment	777,761	257,944	1,035,705
Transportation equipment	1,667,136	555,712	2,222,848
Structures and improvements	1,510,729	509,120	2,019,849
Office furniture and equipment	1,173,430	393,671	1,567,101
Construction in progress	5,221,901	263,982	5,485,883
	329,208,399	110,870,108	440,078,507
Less accumulated depreciation	(119,231,436)	(35,607,731)	(154,839,167)
	209,976,963	75,262,377	285,239,340
Other Assets			
Deferred debt expense	130,943	-	130,943
Total noncurrent assets	210,107,906	75,262,377	285,370,283
Total assets	233,447,792	85,596,270	319,044,062

See Notes to Financial Statements.

LIABILITIES	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Current Liabilities			
Vouchers payable	\$ 1,500,629	\$ 65,847	\$ 1,566,476
Accrued compensated absences and early retirement	255,108	205,564	460,672
Accrued interest on general obligation bonds and loans	616,125	224,568	840,693
Current portion of general obligation bonds and loans	4,592,684	1,894,562	6,487,246
Unearned fees and deposits	1,020,467	218,095	1,238,562
Other accruals	-	35,225	35,225
Due to other City funds	1,841,746	140,009	1,981,755
Total current liabilities	9,826,759	2,783,870	12,610,629
Noncurrent Liabilities			
Accrued compensated absences	460,270	271,354	731,624
General obligation bonds and loans, net of current portion, deferred amount on refunding, and unamortized bond premium	44,023,600	37,090,523	81,114,123
Total noncurrent liabilities	44,483,870	37,361,877	81,845,747
Total liabilities	54,310,629	40,145,747	94,456,376
NET ASSETS			
Invested in Capital Assets, net of related debt	161,360,679	36,277,292	197,637,971
Restricted for Debt Service and Capital Improvements	1,289,594	-	1,289,594
Unrestricted	16,486,890	9,173,231	25,660,121
Total net assets	\$ 179,137,163	\$ 45,450,523	\$ 224,587,686

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2009**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Operating Revenues			
Sales and charges for services	\$ 15,380,781	\$ 7,870,804	\$ 23,251,585
Fees and miscellaneous	323,990	280,479	604,469
Total operating revenues	15,704,771	8,151,283	23,856,054
Operating Expenses			
Source of supply	1,023,116	-	1,023,116
Water treatment	2,096,691	-	2,096,691
Transmission and distribution	1,885,130	-	1,885,130
Sewer collection lines	-	1,093,916	1,093,916
Water reclamation	-	2,232,907	2,232,907
Engineering and water resources	546,083	537,956	1,084,039
Administrative and general	2,125,524	1,331,620	3,457,144
Information technology and customer service	493,396	483,674	977,070
Depreciation	7,025,022	3,035,990	10,061,012
Total operating expenses	15,194,962	8,716,063	23,911,025
Operating income (loss)	509,809	(564,780)	(54,971)
Nonoperating Revenues (Expenses)			
System development fees	1,011,625	255,733	1,267,358
Intergovernmental revenues	1,000,000	-	1,000,000
Special purpose taxes	-	259,653	259,653
Investment income:			
Net increase in fair value of investments	56,609	26,640	83,249
Interest income	421,489	191,032	612,521
Interest expense	(1,895,467)	(1,003,147)	(2,898,614)
Total nonoperating revenues (expenses)	594,256	(270,089)	324,167
Income (loss) before contributions	1,104,065	(834,869)	269,196
Capital Contributions			
Capital grants	1,861,885	348,976	2,210,861
Donated utilities	793,755	274,696	1,068,451
Total capital contributions	2,655,640	623,672	3,279,312
Change in net assets	3,759,705	(211,197)	3,548,508
Net Assets, beginning of year	175,377,458	45,661,720	221,039,178
Net Assets, end of year	\$ 179,137,163	\$ 45,450,523	\$ 224,587,686

See Notes to Financial Statements.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2009**

	Business-Type Activities		
	Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 15,539,895	\$ 8,101,800	\$ 23,641,695
Cash payments to suppliers	(1,989,082)	(2,095,869)	(4,084,951)
Cash payments to employees	(5,009,000)	(3,704,263)	(8,713,263)
Change in City sanitation account	(162,444)	-	(162,444)
Net cash provided by operating activities	8,379,369	2,301,668	10,681,037
Cash Flows from Noncapital Financing Activities			
Intergovernmental revenue	1,000,000	-	1,000,000
Cash Flows from Capital and Related Financing Activities			
System development fees	1,012,868	255,733	1,268,601
Special purpose taxes	-	259,653	259,653
Capital grants	1,861,885	348,976	2,210,861
Proceeds from issuance of debt	5,213,274	82,337	5,295,611
Principal paid on general obligation/revenue bonds and loan debt maturities	(4,197,161)	(1,743,523)	(5,940,684)
Interest paid on debt	(1,729,781)	(939,868)	(2,669,649)
Acquisition and construction of capital assets	(11,609,050)	(1,212,144)	(12,821,194)
Net cash (used in) capital and related financing activities	(9,447,965)	(2,948,836)	(12,396,801)
Cash Flows from Investing Activities			
Interest on cash and investments	550,518	241,770	792,288
Net increase (decrease) in cash and cash equivalents	481,922	(405,398)	76,524
Cash and Cash Equivalents			
Beginning	18,570,080	9,469,547	28,039,627
Ending	\$ 19,052,002	\$ 9,064,149	\$ 28,116,151

Continued

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

**STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
Year Ended June 30, 2009**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Combined Components of Cash and Cash Equivalents			
Cash and cash equivalents	\$ 11,993,408	\$ 5,598,228	\$ 17,591,636
Investments	7,058,594	3,465,921	10,524,515
	<u>\$ 19,052,002</u>	<u>\$ 9,064,149</u>	<u>\$ 28,116,151</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 509,809	\$ (564,780)	\$ (54,971)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	7,025,022	3,035,990	10,061,012
Increase (decrease) in cash and cash equivalents resulting from changes in operating assets and liabilities:			
Receivables	(174,873)	(50,550)	(225,423)
Inventories	4,949	(3,646)	1,303
Vouchers payable	1,135,242	(138,558)	996,684
Accrued compensated absences	31,667	21,111	52,778
Other accruals	-	1,034	1,034
Unearned fees and deposits	9,997	1,067	11,064
City sanitation account	(162,444)	-	(162,444)
Net cash provided by operating activities	<u>\$ 8,379,369</u>	<u>\$ 2,301,668</u>	<u>\$ 10,681,037</u>
Noncash Investing, Capital and Financing Activities			
Amortization of deferred refunding loss and debt premiums	\$ 74,372	\$ -	\$ 74,372
Donated asset acquisitions	793,755	274,696	1,068,451
Capitalized interest	74,151	7,994	82,145

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 government-wide 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.

GASB Statement #20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Funds*, provides proprietary activities with a choice of authoritative guidance issued after November 30, 1989. The Board has elected to follow GASB pronouncements exclusively after that date.

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

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 assets 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 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 assets net of allowances for doubtful accounts of \$69,473.

**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 assets. 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. Such assets, land, buildings and improvements, equipment and utility plant in service have been valued at an estimated historical cost, as determined by an independent study as of June 30, 1973, plus additions since that time at historical cost. Property and equipment donated by developers is valued 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

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

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

NOTES TO FINANCIAL STATEMENTS

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

Vacation and sick leave shall be granted to permanent employees only. Probationary employees can accrue leave from the employment date but are not eligible to use leave until a permanent status is achieved. 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.

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

Subsequent events: Events occurring subsequent to the balance sheet date have been evaluated for financial statement impact or disclosure through October 9, 2009, the date the financial statements were available to be issued.

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.

Note 2. Cash and Investments

Cash and investments and restricted cash and investments as of June 30, 2009, as classified in the accompanying financial statements, consist of the following:

Statement of Net Assets:

Deposits with financial institutions:	
Cash	\$ 465,890
Certificates of deposit	12,374,513
Investments:	
WYOSTAR	15,180,563
WGIF	95,185
	\$ 28,116,151

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

NOTES TO FINANCIAL STATEMENTS

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 AAAM 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, 2009, the primary government had bank balances on deposit and certificates of deposit of \$12,840,403. These deposits and certificates of deposit were fully collateralized or insured as required by state statutes.

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 unless the financial institution is participating in the Transaction Account Guarantee Program, which is in effect until December 31, 2009. At June 30, 2009, 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.

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

NOTES TO FINANCIAL STATEMENTS

Interest rate risk: Interest rate risk is the risk that changes in market interest rates that 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, 2009, 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 (in Years)	
			Less Than One Year	One to Five Years
Certificates of deposit	\$ 10,524,515	1.35% - 4.25%	\$ 9,534,921	\$ 989,594
State Treasurer's Investment Pool (WYOSTAR)	15,180,563	1.21%	15,180,563	-
Wyoming Government Investment Fund (WGIF)	95,185	0.43%	95,185	-
	<u>\$ 25,800,263</u>		<u>\$ 24,810,669</u>	<u>\$ 989,594</u>

**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, 2008	Additions	Retirement and Transfers	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 4,863,699	\$ 25,139	\$ -	\$ 4,888,838
Construction in progress	5,338,131	11,422,593	(11,274,841)	5,485,883
Total capital assets not being depreciated	10,201,830	11,447,732	(11,274,841)	10,374,721
Capital assets being depreciated:				
Utility plant in service	409,930,227	2,025,203	10,902,853	422,858,283
Machinery and equipment	1,029,706	5,999	-	1,035,705
Transportation equipment	2,139,737	176,074	(92,963)	2,222,848
Structures and improvements	1,946,055	73,794	-	2,019,849
Office furniture and equipment	1,406,258	160,843	-	1,567,101
Total capital assets being depreciated	416,451,983	2,441,913	10,809,890	429,703,786
Less accumulated depreciation for:				
Utility plant in service	140,895,387	9,675,971	(371,988)	150,199,370
Machinery and equipment	799,516	41,610	-	841,126
Transportation equipment	1,620,675	200,863	(92,963)	1,728,575
Structures and improvements	795,855	47,627	-	843,482
Office furniture and equipment	1,131,673	94,941	-	1,226,614
Total accumulated depreciation	145,243,106	10,061,012	(464,951)	154,839,167
Total capital assets being depreciated, net	271,208,877	(7,619,099)	11,274,841	274,864,619
Total capital assets, net	\$ 281,410,707	\$ 3,828,633	\$ -	\$ 285,239,340

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Liabilities

The following is a summary of debt transactions of the Board for the year ended June 30, 2009:

	Balance as of June 30, 2008	Debt	
		Issued	Retired
Waterworks Fund:			
DWSRF #034 Water Main Rehabilitation 2003	\$ 654,465	\$ -	\$ 31,367
General Obligation Water Bonds 1998 Series	10,745,000	-	2,575,000
Granite Crystal Rehabilitation Water Loan 1985	1,556,878	-	31,158
Embankment Rehabilitation Water Loan 1989	1,655,280	-	243,355
Stage I Rehabilitation Loan 1993	5,204,035	-	98,186
10 Well Rehabilitation Loan 1994	204,049	-	48,051
King Two Water Storage Tank Loan 1994	374,047	-	40,594
North Crow Rehabilitation Water Loan 1992	1,080,094	-	45,578
Sherard Plant State WDWRP Loan 2000	3,195,320	-	178,192
DWSRF #023 RLS Refinance 2002	7,942,298	-	442,914
DWSRF #056 Western Hills 2005	948,433	16,308	37,766
DWSRF #065 Southern Water Main 2007	1,573,177	3,659,596	-
Refunding Revenue Water Bonds 2007 Series	12,330,000	-	425,000
DWSRF #074 Administrative Building 2007	8,500	109,696	-
CWSRF #084 Administrative Building 2007	8,500	109,696	-
CWSRF #081 Phase II Reuse 2008	18,804	1,261,196	-
DWSRF #079 30" Water Main/WAFB	-	56,782	-
	<u>47,498,880</u>	<u>5,213,274</u>	<u>4,197,161</u>
Sewer Fund:			
CWSRF #060 WAFB/Parsley 2006	2,726,143	9,205	-
CWSRF #007 Crow Creek Rollins Sewer Lines 1997	1,407,634	-	112,760
CWSRF #032 Crow Creek Dry Creek WWTP 2002	2,946,327	-	131,613
CWSRF #046 Clean Water State Revolving Loan 2004	33,560,501	-	1,499,150
DWSRF #074 Administrative Building 2007	2,833	36,566	-
CWSRF #084 Administrative Building 2007	2,833	36,566	-
	<u>40,646,271</u>	<u>82,337</u>	<u>1,743,523</u>
	<u>\$ 88,145,151</u>	<u>\$ 5,295,611</u>	<u>\$ 5,940,684</u>

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

NOTES TO FINANCIAL STATEMENTS

Balance as of June 30, 2009	Current Portion	Unamortized Bond Premium	Deferred Amount on Refunding	Long-Term Portion
\$ 623,098	\$ 32,151	\$ -	\$ -	\$ 590,947
8,170,000	2,705,000	92,805	(334,858)	5,222,947
1,525,720	32,404	-	-	1,493,316
1,411,925	255,523	-	-	1,156,402
5,105,849	102,114	-	-	5,003,735
155,998	49,973	-	-	106,025
333,453	42,218	-	-	291,235
1,034,516	47,402	-	-	987,114
3,017,128	182,646	-	-	2,834,482
7,499,384	453,987	-	-	7,045,397
926,975	38,711	-	-	888,264
5,232,773	205,555	-	-	5,027,218
11,905,000	445,000	343,344	-	11,803,344
118,196	-	-	-	118,196
118,196	-	-	-	118,196
1,280,000	-	-	-	1,280,000
56,782	-	-	-	56,782
48,514,993	4,592,684	436,149	(334,858)	44,023,600
2,735,348	107,451	-	-	2,627,897
1,294,874	115,579	-	-	1,179,295
2,814,714	134,903	-	-	2,679,811
32,061,351	1,536,629	-	-	30,524,722
39,399	-	-	-	39,399
39,399	-	-	-	39,399
38,985,085	1,894,562	-	-	37,090,523
\$ 87,500,078	\$ 6,487,246	\$ 436,149	\$ (334,858)	\$ 81,114,123

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

NOTES TO FINANCIAL STATEMENTS

On April 13, 1998, the Board issued \$23,380,000 in General Obligation Bonds with an average interest rate of 4.8298% to advance refund \$22,295,000 of outstanding 1992 Series Bonds with an average interest rate of 6.079%. The net proceeds of \$23,772,903 (after payment of \$144,529 in underwriting fees, insurance and other issuance costs) plus an additional \$534,368 in existing sinking fund monies were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Series Bonds which were defeased. As a result, the 1992 Series Bonds are considered defeased to the extent of the refunding and the liability for those bonds has been removed from the long-term debt balance. As of December 1, 2002, the defeased debt was repaid in full using all remaining funds in the escrow account. The net proceeds also included a premium on the bond issue of \$391,903, which is being charged to operations through the year 2012 using the effective interest method.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,332,374. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2012 using the effective-interest method.

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. The proceeds from the Series 2007 Bonds included a premium on the bond issue of \$361,903, which is being charged to operations through the year 2027 using the effective interest method.

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

NOTES TO FINANCIAL STATEMENTS

Long-term debt payable as of June 30, 2009 consists of the following:

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.	\$ 623,098
General Obligation Water Refunding Bonds, Series 1998, original amount of \$23,380,000, due in annual principal installments ranging from \$2,575,000 to \$2,850,000 through December 2011; interest at 4.60% to 5.25%. Secured by all taxable property within the City and all revenue, net of premiums and deferred loss.	8,170,000
Due to the State of Wyoming, Water Development Commission, original amount of \$1,951,313, with interest at 4%, due annually on December 1. Annual principal and interest payments are \$93,433 through 2036. Secured by a mortgage on Granite Springs dam and reservoir and Crystal Lake dam and reservoir and revenues from the Cheyenne Water System.	1,525,720
Due the State of Wyoming, Office of State Lands and Investments, #IRR-802, original amount of \$4,500,000, with interest at 5%, due annually on December 1. Annual principal and interest payments are \$326,119 through 2014 for rehabilitation of Stage II embankments. Secured by the assignment and pledge of all revenues generated by the Cheyenne Water System sufficient to meet the required debt service.	1,411,925
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.	5,105,849
Due to the State of Wyoming, Water Development Commission, original amount of \$625,000, with interest at 4%, due annually on December 1. Annual principal and interest payments are \$56,213 through 2012. Secured by a mortgage on the wells and revenues from the Cheyenne Water System.	155,998
Due to the State of Wyoming, Water Development Commission, original amount of \$767,000, with interest at 4%, due annually on December 1. Annual principal and interest payments are \$55,556 through 2015 for the construction of a water storage tank. Secured by a mortgage on the tank and revenues from the Cheyenne Water System.	333,453

Continued

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

NOTES TO FINANCIAL STATEMENTS

Due to the State of Wyoming, Water Development Commission, original amount of \$1,535,224, with interest at 4%, due annually on December 1. Annual principal and interest payments are \$88,782 through 2024 for rehabilitation of the North Crow dams and reservoirs. Secured by a mortgage on North Crow dams and reservoirs and revenues from the Cheyenne Water System.	\$ 1,034,516
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 an assignment and pledge of all revenues generated by the Cheyenne Water System sufficient to meet the required debt service.	3,017,128
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #023, original amount of \$10,000,000, with interest at 2.5%, due annually on December 1. Annual principal and interest payments are \$641,471 through 2023. Secured with the pledge and assignment of revenues from the water system user fees.	7,499,384
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.	926,975
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #065, original amount of \$5,600,000 loan 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 \$334,721 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.	5,232,773
Refunding Revenue Water Bonds, Series 2007, original amount of \$12,330,000 due in annual principal installments ranging from \$425,000 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.	11,905,000

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**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 #074, advances on a \$375,000 loan for the Administration Building Project. 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 \$10,109 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.	\$ 157,595
Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #084, advances on a \$375,000 loan for the Administration Building Project. 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 \$10,109 per year. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment.	157,595
Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #081, advances on a \$1,280,000 loan for the extension of Cheyenne's Recycled Water System Project. 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 \$82,108 per year. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment.	1,280,000
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #079, advances on a \$6,680,000 loan for the 30" Water Transmission Main Project. 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 \$3,642 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.	56,782
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 \$242,444 through 2029. Secured by the pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payments.	2,735,348

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 #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 wastewater user fees necessary to meet the annual loan payments. \$ 1,294,874

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 wastewater user fees necessary to meet the annual loan payments. 2,814,714

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 wastewater user fees necessary to meet the annual loan payments. 32,061,351

Total long-term liabilities \$ 87,500,078

The annual debt service requirements of the long-term debt and current principal maturities as of June 30, 2009 are as follows:

	Waterworks Fund		Sewer Fund	
	Principal	Interest	Principal	Interest
2010	\$ 4,592,684	\$ 1,762,753	\$ 1,894,562	\$ 1,041,237
2011	4,868,227	1,549,447	1,945,097	926,286
2012	4,700,446	1,338,265	1,993,560	877,697
2013	2,100,661	1,194,836	2,043,360	827,895
2014	2,171,653	1,120,678	2,094,405	776,849
2015-2019	10,132,995	4,556,592	11,283,452	3,072,783
2020-2024	10,871,205	2,799,971	11,987,309	1,623,114
2025-2029	6,355,239	1,060,948	5,743,340	247,524
2030-2034	1,692,425	402,469	-	-
2035-2037	1,029,458	79,929	-	-
	<u>\$ 48,514,993</u>	<u>\$ 15,865,888</u>	<u>\$ 38,985,085</u>	<u>\$ 9,393,385</u>

The balances above do not include the unamortized bond premiums or the deferred loss on refunding in the net amount of \$101,291 that are reported as components of bonds payable.

**BOARD OF PUBLIC UTILITIES
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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.

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. This report may be obtained by writing to Wyoming Retirement System, 6101 Yellowstone Road, 5th Floor West, Cheyenne, Wyoming 82009 or by calling (307) 777-7691.

Generally, for individuals with creditable service prior to July 1, 1981, the individuals receive benefits based on the larger of a money purchase benefit structure or a formula basis. The formula consists of multiplying the number of years of service by 2.215% for the members first 15 years of service and 2.25% for all years after 15 by the final average salary. The final average salary consists of the three highest continuous years of service.

Benefits for individuals hired after July 1, 1981, are calculated only by the formula method.

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 11.25% of the employee's salary. The Board is required by State statute to contribute 5.68% 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 3% of the required employee's contribution of 5.57%.

The Board's contribution to the Wyoming Retirement System for the years ended June 30, 2009, 2008 and 2007 were \$538,988, \$514,491 and \$480,770, respectively, equal to the required contributions for each year, plus the Board's 3% 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 IRS guidelines. The total employee contributions for the year ended June 30, 2009 were \$193,705. Beginning July 1, 2008, the Board elected to match an employee's contribution up to \$25 per month. The total matching contributions for the year ended June 30, 2009 were \$30,850.

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Due from Other Governments

Amounts due from other governments of \$587,004 as of June 30, 2009 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 2009. Upon receipt of these pay requests, the Board applies to other governmental entities for grant and/or loan monies to pay contractors.

Note 7. Compensated Absences

Compensated absences have been accrued in the financial statements of the Board and consist of the following at June 30, 2009:

	Waterworks Fund	Sewer Fund	Total
Vacation leave	\$ 290,265	\$ 193,510	\$ 483,775
Compensatory/administrative time	73,072	48,715	121,787
Sick leave	271,431	180,953	452,384
	<u>\$ 634,768</u>	<u>\$ 423,178</u>	<u>\$ 1,057,946</u>

Changes in the liability for compensated absences are as follows:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009
Compensated Absences				
Waterworks Fund	\$ 585,061	\$ 224,205	\$ (174,498)	\$ 634,768
Sewer Fund	390,040	184,962	(151,824)	423,178
	<u>\$ 975,101</u>	<u>\$ 409,167</u>	<u>\$ (326,322)</u>	<u>\$ 1,057,946</u>

Note 8. Related-Party Transactions

During the year ended June 30, 2009, the Board received \$1,000,000 from the City for payment of bond indebtedness. The Board collects sanitation charges on behalf of the City. At June 30, 2009, the Board had cash and receivables relating to the City's sanitation charges of \$1,281,709. In addition, at June 30, 2009, the Board owed the City \$700,046 for construction charges paid for by the City on behalf of the Board.

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

NOTES TO FINANCIAL STATEMENTS

Note 9. Major Customer

For the year ended June 30, 2009, the Board had one customer which individually accounted for a significant portion of the Board's consumed water and sewer revenues as follows:

	Water	Sewer	Total
Frontier Oil and Refinery	\$ 2,953,919	\$ 390,420	\$ 3,344,339

Note 10. Commitments

As of June 30, 2009, 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 2009, the amounts below represent the activity pertaining to the contract as a whole.

	Expended to Date at June 30, 2009	Total Contract	Total Commitment at June 30, 2009
Waterworks Fund			
Stage I Pipeline Rectifiers	\$ 217,770	\$ 273,077	\$ 55,307
Water Recycle Pipelines - Phase II	1,413,741	1,714,158	300,417
Rehab Granite Spillway	80,087	682,113	602,026
FY08 Well Projects - Phase II	1,500	478,579	477,079
ASR Project	105,001	453,615	348,614
FY09 Water Rehabs	179,675	1,066,386	886,711
Carey Avenue City Project	15,386	20,059	4,673
Pioneer Avenue City Project	6,044	7,880	1,836
W. Lincolnway - WYDOT Project	3,028	408,888	405,860
Deming Drive and Walterscheid City Project	476,315	798,371	322,056
Norris Viaduct City Project	2,153,202	2,810,861	657,659
30" Water Transmission Main/WAFB	90,181	406,005	315,824
Crystal Lake Aereation	594,611	711,947	117,336
Administration Building - Engineering	236,392	435,038	198,646
	<u>5,572,933</u>	<u>10,266,977</u>	<u>4,694,044</u>
Sewer Fund			
Deming Drive and Walterscheid City Project	23,864	58,975	35,111
Norris Viaduct City Project	19,773	57,656	37,883
FY09 Sewer Rehabs	12,578	644,421	631,843
Carey Avenue City Project	21,980	28,655	6,675
Pioneer Avenue City Project	11,539	15,044	3,505
Administration Building - Engineering	78,798	145,013	66,215
	<u>168,532</u>	<u>949,764</u>	<u>781,232</u>
	<u>\$ 5,741,465</u>	<u>\$ 11,216,741</u>	<u>\$ 5,475,276</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, 2009, 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.

Note 12. Subsequent Events

Subsequent to year-end, the Board entered into a loan agreement with the State of Wyoming, Office of State Lands and Investments, CWSRF #115, for the financing of the construction of the Board's Administration/Engineering and Water Resource Facility. The authorized amount of the loan is \$3,500,000 at 2.5% interest. The Board will be required to make annual principal and interest payments over the 20-year term of the loan. The loan is secured by the assignment and pledge of all Water System user fees and system development fees.

Subsequent to year-end, the Board entered into a loan agreement with the State of Wyoming, Office of State Lands and Investments, DWSRF #106, for the financing of the construction of the Board's Administration/Engineering and Water Resource Facility. The authorized amount of the loan is \$3,500,000 at 2.5% interest. The Board will be required to make annual principal and interest payments over the 20-year term of the loan. The loan is secured by the pledge and assignment of the City's Water System user fees and system development fees.

Subsequent to year-end, the Board entered into a loan agreement with the State of Wyoming, Office of State Lands and Investments CWSRF #092, for the purpose of funding the Crow Creek Anoxic Basin project. The authorized amount of this loan is \$3,200,000 at 0% interest for 20 years. In addition, subsequent to year-end, the Board also entered into another loan agreement with the State of Wyoming, Office of State Lands and Investments, DWSRF #082, for the purpose of funding the 2010 Water Wells Project. The authorized amount of this loan is \$200,000 at 0% interest for 20 years.

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

NOTES TO FINANCIAL STATEMENTS

The source of the loan funds for both CWSRF #092 and DWSRF #082 is either in whole or part the American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (the Act). As such, the Board must comply with all applicable requirements of the Act when constructing and contracting for the construction of these projects. In addition, the Board must be under contract or commence construction on the projects no later than January 1, 2010. The Board is also required to draw all funds on the loans by September 13, 2013 as well as meet certain other conditions as set forth in the loan agreements. Upon completion of the projects in accordance with all required terms and conditions and prior commencement of repayment of the loans, these projects will be granted principal forgiveness on these loans of up to \$3,200,000 for CWSRF #092 and \$200,000 for DWSRF #082.

SUPPLEMENTARY INFORMATION

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

**BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2009**

	Waterworks Fund			
	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
	Original	Final		
Operating Revenues				
Sales and charges for services	\$ 15,868,200	\$ 15,868,200	\$ 15,380,781	\$ (487,419)
Fees and miscellaneous	353,900	353,900	323,990	(29,910)
Total operating revenues	16,222,100	16,222,100	15,704,771	(517,329)
Nonoperating Revenues				
Interest income	460,500	460,500	478,098	17,598
Intergovernmental revenues	1,000,000	1,000,000	1,000,000	-
Special purpose taxes	-	-	-	-
System development fees	1,302,400	1,302,400	1,011,625	(290,775)
Capital grants	2,575,000	4,872,563	1,861,885	(3,010,678)
Donated utilities	-	-	793,755	793,755
Total nonoperating revenues	5,337,900	7,635,463	5,145,363	(2,490,100)
Total revenues	21,560,000	23,857,563	20,850,134	(3,007,429)
Operating Expenses				
Source of supply	1,263,300	1,263,300	1,023,116	(240,184)
Water treatment	2,017,200	2,235,276	2,096,691	(138,585)
Transmission and distribution	2,003,700	2,034,024	1,885,130	(148,894)
Sewer collection lines	-	-	-	-
Water reclamation	-	-	-	-
Engineering and water resources	613,200	608,807	546,083	(62,724)
Administrative and general	2,303,300	2,302,800	2,125,524	(177,276)
Information technology and customer service	515,700	521,561	493,396	(28,165)
Total operations	8,716,400	8,965,768	8,169,940	(795,828)
Other Expenditures				
Capital purchases	1,019,600	1,273,577	1,223,125	(50,452)
Construction work in progress	18,324,000	31,699,200	10,385,925	(21,313,275)
Debt service, interest	2,262,600	2,183,300	1,895,467	(287,833)
Debt service, principal	4,350,600	4,429,900	4,197,161	(232,739)
Total other expenditures	25,956,800	39,585,977	17,701,678	(21,884,299)
Total expenditures	34,673,200	48,551,745	25,871,618	(22,680,127)
Excess (deficiency) of revenues over expenditures	\$ (13,113,200)	\$ (24,694,182)	\$ (5,021,484)	\$ 19,672,698

Sewer Fund

Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
Original	Final		
\$ 8,080,200	\$ 8,080,200	\$ 7,870,804	\$ (209,396)
287,900	287,900	280,479	(7,421)
8,368,100	8,368,100	8,151,283	(216,817)
237,600	237,600	217,672	(19,928)
-	-	-	-
-	-	259,653	259,653
368,100	368,100	255,733	(112,367)
250,000	350,000	348,976	(1,024)
-	-	274,696	274,696
855,700	955,700	1,356,730	401,030
9,223,800	9,323,800	9,508,013	184,213
-	-	-	-
-	-	-	-
-	-	-	-
1,116,000	1,199,707	1,093,916	(105,791)
2,300,700	2,394,550	2,232,907	(161,643)
613,200	608,807	537,956	(70,851)
1,363,800	1,363,300	1,331,620	(31,680)
515,700	518,365	483,674	(34,691)
5,909,400	6,084,729	5,680,073	(404,656)
460,600	640,794	175,476	(465,318)
4,529,100	6,530,543	1,036,668	(5,493,875)
1,045,300	1,045,300	1,003,147	(42,153)
1,809,800	1,809,800	1,743,523	(66,277)
7,844,800	10,026,437	3,958,814	(6,067,623)
13,754,200	16,111,166	9,638,887	(6,472,279)
\$ (4,530,400)	\$ (6,787,366)	\$ (130,874)	\$ 6,656,492

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

NOTES TO BUDGETARY COMPARISON SCHEDULE

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 April 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 ASSETS BY COMPONENT
(Unaudited)
Since Implementation of GASB34**

	2004	2005	2006	2007	2008	2009
Primary government:						
Invested in capital assets, net of related debt	\$162,003,448	\$163,057,489	\$177,727,960	\$190,664,158	\$193,238,637	\$197,637,971
Restricted	213,598	2,902,828	800,236	2,071,169	3,250,423	1,289,594
Unrestricted	19,936,388	24,388,848	26,927,560	24,459,644	24,550,118	25,660,121
Total primary govern- ment net assets	\$182,153,434	\$190,349,165	\$205,455,756	\$217,194,971	\$221,039,178	\$224,587,686

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

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

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

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)
2000	\$ 15,102,418	\$ 13,586,356	\$ 1,516,062
2001	14,924,994	13,462,063	1,462,931
2002	15,838,162	14,470,308	1,367,854
2003	16,001,865	16,465,051	(463,186)
2004	17,640,068	17,023,616	616,452
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)

Total Nonoperating Revenues/ (Expenses)	Income (Loss) before Capital Contribution	Capital Contributions	Change in Net Assets
\$ 330,034	\$ 1,846,096	\$ 1,549,594	\$ 3,395,690
2,737,717	4,200,648	1,157,400	5,358,048
5,831,918	7,199,772	6,592,056	13,791,828
6,454,018	5,990,832	1,911,023	7,901,855
2,505,826	3,122,278	3,276,543	6,398,821
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

**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
2000	\$ 10,421,150	\$ 4,549,291	\$ 131,977	\$ 15,102,418
2001	10,343,777	4,518,028	63,189	14,924,994
2002	11,499,490	4,253,905	84,767	15,838,162
2003	11,343,413	4,545,178	113,274	16,001,865
2004	11,950,097	5,258,103	431,868	17,640,068
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

**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
2000	\$ 696,749	\$ 921,137	\$ 1,138,310	\$ 623,053	\$ 942,457
2001	715,365	933,440	1,185,565	620,167	1,010,336
2002	839,987	1,128,917	1,318,388	637,966	1,193,597
2003	984,406	1,397,759	1,366,476	699,434	1,210,654
2004	852,976	1,398,599	1,468,816	764,410	1,244,098
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

Engineering and Water Resources	Administrative and General	Information Technology and Customer Service	Subtotal, Expenses before Depreciation	Depreciation	Total Operating Expenses
\$ 580,764	\$ 1,870,679	\$ 489,286	\$ 7,262,435	\$ 6,323,921	\$ 13,586,356
617,834	2,133,358	494,747	7,710,812	5,751,251	13,462,063
641,849	2,309,356	588,629	8,658,689	5,811,619	14,470,308
728,139	2,411,301	693,255	9,491,424	6,973,627	16,465,051
831,972	2,554,539	756,656	9,872,066	7,151,550	17,023,616
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

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

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

Fiscal Year	System Development Fees	Intergovernmental Revenues	Specific Purpose Tax	Investment Income	Insurance Proceeds and Gain/Loss on Disposal of Assets	Interest Expense	Total Nonoperating Revenues/ Expenses
2000	\$ 385,725	\$ 1,000,000	\$ -	\$ 1,028,153	\$ -	\$ (2,083,844)	\$ 330,034
2001	394,156	1,000,000	2,123,876	1,200,677	-	(1,980,992)	2,737,717
2002	683,333	1,000,000	5,716,808	676,359	-	(2,244,582)	5,831,918
2003	1,688,447	1,274,572	5,836,174	512,233	-	(2,857,408)	6,454,018
2004	2,481,680	1,573,730	532,526	199,947	-	(2,282,057)	2,505,826
2005	3,423,782	1,137,389	4,455,524	623,391	-	(2,528,560)	7,111,526
2006	2,507,450	1,000,000	1,341,736	1,201,757	-	(2,926,496)	3,124,447
2007	1,052,745	1,000,000	1,365,071	1,585,596	603,900	(2,150,580)	3,456,732
2008	1,268,735	1,000,000	879,268	1,305,490	(2,267)	(2,931,662)	1,519,564
2009	1,267,358	1,000,000	259,653	695,770	-	(2,898,614)	324,167

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

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

	Fiscal Year			
	2000	2001	2002	2003
Water Rates				
Rate charge (per 1,000 gallons):				
Treated	\$ 2.12	\$ 2.23	\$ 2.34	\$ 2.34
Large volume industrial treated	1.95	2.06	2.17	2.17
Residential single family:				
First block - First 6,000	**	**	**	**
Second block - Next 18,000	**	**	**	**
Third block - Next 18,000	**	**	**	**
All over - 42,000	**	**	**	**
Residential multi family:				
First block - First 3,000 per unit	**	**	**	**
Second block - Next 9,000 per unit	**	**	**	**
Third block - Next 9,000 per unit	**	**	**	**
All over - 21,000 per unit	**	**	**	**
All other treated (range)	**	**	**	**
Raw water (range)	**	**	**	**
Reclaimed water	**	**	**	**
Recycled water				
Monthly service fee range (based on meter size)	3.40-145.00	3.40-145.00	3.40-145.00	3.40-145.00
Sewer Rates				
Rate charge (per 1,000 gallons)	\$ 1.55	\$ 1.55	\$ 1.55	\$ 1.75
Monthly service fee range (based on meter size)	3.50-60.00	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
Increases in water and sewer rates must be approved by the Council of the City of Cheyenne

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

Fiscal Year						
	2004	2005	2006	2007	2008	2009
\$	2.34	**	**	**	**	**
	2.17	**	**	**	**	**
**	\$ 2.40	\$ 2.76	\$ 2.87	\$ 2.96	\$ 3.20	
**	3.00	3.45	3.59	3.71	3.98	
**	3.75	4.31	4.48	4.62	4.92	
**	4.69	5.39	5.61	5.79	6.15	
**	2.40	2.76	2.87	2.96	3.20	
**	3.00	3.45	3.59	3.71	3.98	
**	3.75	4.31	4.48	4.62	4.92	
**	4.69	5.39	5.61	5.79	6.15	
**	2.58-3.00	3.01-3.45	3.13-3.59	3.23-3.71	3.68-3.98	
**	1.49-1.51	1.73-1.75	1.82	1.88	2.08	
**	1.20	1.40	1.46	1.51	1.69	
			2.70	2.79	3.02	
3.40-145.00	3.75-145.00	4.00-145.00	4.10-145.00	4.25-145.00	4.45-150.95	
\$ 2.00	\$ 2.25	\$ 2.50	\$ 2.75	\$ 3.00	\$ 3.20	
3.50-60.00	3.50-60.00	3.50-60.00	3.50-60.00	3.50-60.00	3.65-62.50	

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

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

Customer	Fiscal Year 2009		Fiscal Year 2009	
	Water Revenues		Gallons (1,000's)	
	Amount	%	Amount	%
Frontier Oil & Refinery	\$ 2,953,919	19.21%	867,703	20.93%
South Cheyenne Water and Sewer District	1,462,904	9.51%	430,619	10.39%
Warren Air Force Base	1,149,028	7.47%	334,428	8.07%
Laramie County School District No.1	351,506	2.29%	72,391	1.75%
State of Wyoming	265,431	1.73%	55,600	1.34%
Cheyenne Regional Medical Center	228,026	1.48%	50,280	1.21%
Cheyenne Country Club	155,204	1.01%	61,538	1.48%
Cheyenne Housing Authority	143,918	0.93%	29,843	0.72%
Frontier Mall	120,786	0.78%	25,632	0.62%
Pinewood Village	107,928	0.70%	20,528	0.50%
Subtotal (10 largest)	6,938,650	45.11%	1,948,562	47.01%
Balance from other customers	8,442,131	54.89%	2,196,681	52.99%
Grand total	\$ 15,380,781	100.00%	4,145,243	100.00%

Customer	Fiscal Year 2000		Fiscal Year 2000	
	Water Revenues		Gallons (1,000's)	
	Amount	%	Amount	%
Frontier Oil & Refinery	\$ 1,520,433	15.68%	458,680	10.02%
Warren Air Force Base	872,764	9.00%	212,128	4.64%
South Cheyenne Water and Sewer District	710,397	7.32%	189,424	4.14%
Laramie County School District No.1	342,864	3.53%	105,167	2.30%
State of Wyoming	123,237	1.27%	21,304	0.47%
Holdings Little America	81,852	0.84%	15,280	0.33%
Cheyenne Regional Medical Center	70,975	0.73%	18,844	0.41%
Hitching Post	62,669	0.65%	14,791	0.32%
Vets Administration	61,877	0.64%	11,760	0.26%
Pinewood Village	37,883	0.39%	8,745	0.19%
Subtotal (10 largest)	3,884,951	40.05%	1,056,123	23.08%
Balance from other customers	5,814,604	59.95%	3,520,010	76.92%
Grand total	\$ 9,699,555	100.00%	4,576,133	100.00%

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

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

Customer	Fiscal Year 2009		Fiscal Year 2009	
	Sewer Revenues		Sewer Gallons (1,000's)	
	Amount	%	Amount	%
South Cheyenne Water and Sewer District	\$ 705,979	8.97%	227,455	10.25%
Warren Air Force Base	378,268	4.81%	122,040	5.50%
Frontier Oil & Refinery	390,420	4.96%	33,964	1.53%
Cheyenne Regional Medical Center	106,068	1.35%	21,398	0.96%
Laramie County School District #1	66,820	0.85%	20,268	0.91%
State of Wyoming	59,722	0.76%	17,717	0.80%
Cheyenne Housing Authority	52,031	0.66%	14,996	0.68%
Pinewood Village	43,366	0.55%	13,811	0.62%
Frontier Mall	38,022	0.48%	12,072	0.54%
Flying J Travel Plaza	31,060	0.39%	6,670	0.30%
Subtotal (10 largest)	1,871,756	23.78%	490,391	22.09%
Balance from other customers	5,999,048	76.22%	1,729,077	77.91%
Grand total	\$ 7,870,804	100.00%	2,219,468	100.00%

Customer	Fiscal Year 2000		Fiscal Year 2000	
	Sewer Revenues		Sewer Gallons (1,000's)	
	Amount	%	Amount	%
South Cheyenne Water and Sewer District	\$ 465,938	9.87%	169,735	11.16%
Warren Air Force Base	347,567	7.36%	113,359	7.45%
Cheyenne Regional Medical Center	48,000	1.02%	18,192	1.20%
Laramie County School District #1	40,819	0.86%	13,432	0.88%
Cheyenne Housing Authority	31,490	0.67%	10,430	0.69%
State of Wyoming	31,427	0.67%	10,065	0.66%
Hitching Post	30,884	0.65%	11,120	0.73%
Flying J Travel Plaza	26,593	0.56%	6,383	0.42%
Pinewood Village	20,618	0.44%	8,744	0.57%
Frontier Mall	18,197	0.38%	6,825	0.46%
Subtotal (10 largest)	1,061,533	22.48%	368,285	24.22%
Balance from other customers	3,661,394	77.52%	1,152,542	75.78%
Grand total	\$ 4,722,927	100.00%	1,520,827	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		
	General Obligation Bonds	Per Capita	As a Share of Personal Income	Notes and Refunding Revenue Bonds	Per Capita	As a Share of Personal Income
2000	\$ 27,615,000	520.93	1.2%	\$ 22,662,881	427.51	1.0%
2001	25,845,000	482.62	1.1%	40,675,096	759.56	1.7%
2002	23,980,000	444.12	0.9%	43,276,272	801.50	1.7%
2003	22,015,000	405.90	0.8%	38,254,634	700.10	1.4%
2004	19,955,000	360.45	0.7%	42,305,907	764.17	1.4%
2005	17,805,000	317.64	0.6%	68,637,859	1,224.50	2.2%
2006	15,555,000	274.07	0.6%	75,271,287	1,317.72	3.3%
2007	13,205,000	230.58	**	76,715,356	1,327.11	**
2008	10,745,000	184.68	**	77,400,151	1,330.31	**
2009	8,170,000	145.13	**	79,330,078	1,409.16	**

** 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
2000	\$ 10,800,298	\$ -	\$ 10,800,298	0.00%
2001	11,384,986	-	11,384,986	0.00%
2002	12,064,604	-	12,064,604	0.00%
2003	13,321,160	-	13,321,160	0.00%
2004	14,439,440	-	14,439,440	0.00%
2005	16,090,560	-	16,090,560	0.00%
2006	17,729,384	-	17,729,384	0.00%
2007	18,749,719	-	18,749,719	0.00%
2008	19,646,709	-	19,646,709	0.00%
2009	20,480,473	-	20,480,473	0.00%

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

**SEWER FUND
COMPUTATION OF LEGAL DEBT MARGIN
(Unaudited)
June 30, 2009**

Total assessed value, City of Cheyenne	<u>\$ 512,011,815</u>
Debt limit (4% of total assessed value)	<u>20,480,473</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>\$ 20,480,473</u></u>

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

**WATERWORKS FUND
PLEDGED REVENUE COVERAGE**

(Unaudited)

Last Ten Fiscal Years

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fiscal Year	Water* Gross Revenues	Expenses**	Net Revenues Available for Debt Service	Debt Service***		Total	Cover- age Ratio ****
				Principal	Interest		
2000	\$ 12,371,100	\$ 4,545,909	\$ 7,825,191	\$ 2,027,049	\$ 1,996,256	\$ 4,023,305	1.9
2001	14,552,326	4,800,924	9,751,402	2,127,298	1,896,531	4,023,829	2.4
2002	19,269,775	5,405,555	13,864,220	9,224,238	2,163,373	11,387,611	1.2
2003	20,494,307	6,018,963	14,475,344	18,122,497	2,779,581	20,902,078	0.7
2004	16,918,782	6,143,342	10,775,440	4,317,705	2,147,693	6,465,398	1.7
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	4,197,161	1,729,781	5,926,942	2.0

* Gross revenue does not include donated utilities

** 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	Coverage Ratio ***
				Principal	Interest		
2000	\$ 5,145,196	\$ 2,716,526	\$ 2,428,670	\$ 75,651	\$ 87,588	\$ 163,239	14.9
2001	5,091,377	2,909,888	2,181,489	78,678	84,461	163,139	13.4
2002	4,644,887	3,253,134	1,391,753	81,824	81,209	163,033	8.5
2003	5,093,555	3,472,461	1,621,094	85,097	77,827	162,924	10.0
2004	6,082,899	3,728,724	2,354,175	99,663	134,364	234,027	10.1
2005	9,539,724	4,186,229	5,353,495	102,155	513,124	615,279	8.7
2006	10,040,555	4,886,230	5,154,325	104,709	1,037,575	1,142,284	4.5
2007	10,390,429	5,270,211	5,120,218	1,659,510	2,518,141	4,177,651	1.2
2008	9,299,608	5,288,528	4,011,080	1,700,997	938,854	2,639,851	1.5
2009	9,233,317	5,680,073	3,553,244	1,743,523	939,868	2,683,391	1.3

* Gross revenue does not include donated utilities

** 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*
2000	53,011	(b)	\$ 2,292,534	\$ 28,043	4.0%	15,101
2001	53,691	(a)	2,443,472	29,655	4.4%	14,648
2002	54,093	(a)	2,623,184	31,540	4.5%	14,773
2003	54,716	(a)	2,787,595	33,053	4.8%	14,542
2004	55,473	(a)	2,973,379	35,140	4.8%	14,612
2005	56,036	(c)	3,123,965	36,922	4.4%	14,498
2006	55,662	(c)	3,401,073	39,647	4.1%	14,351
2007	55,641	(c)	**	**	4.0%	14,320
2008	56,051	(c)	**	**	**	14,257
2009	56,296	(a)	**	**	**	**

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

- (a) U.S. Census Bureau Estimate
- (b) U.S. Census Bureau Count
- (c) Wyoming Center for Business and 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	2009	
		Employees	Percentage of Total
F.E. Warren A.F.B.	Military	4,325	6.83%
State of Wyoming	Government Services	3,553	5.61%
Laramie County School District No.1	Education K-12	1,955	3.09%
Federal Government	Government Services	1,747	2.76%
Cheyenne Regional Medical Center	Health Care	1,415	2.24%
Wyoming National Guard	Military	756	1.19%
City of Cheyenne	Government Services	606	0.96%
Union Pacific Railroad	Transportation, Rail	602	0.95%
Sierra Trading Post	Outlet Catalog/Retail	572	0.90%
Lowe's Companies	Distribution Center	518	0.82%
		<u>16,049</u>	<u>25.35%</u>
All other employers		<u>47,255</u>	<u>74.65%</u>
Total employees		<u><u>63,304</u></u>	<u><u>100.00%</u></u>

Employer	Product	2000	
		Employees	Percentage of Total
F.E. Warren A.F.B.	Military	4,170	7.72%
State of Wyoming	Government Services	3,224	5.97%
Laramie County School District No.1	Education K-12	1,794	3.32%
Cheyenne Regional Medical Center	Health Care	1,225	2.27%
Union Pacific Railroad	Transportation, Rail	800	1.48%
Wyoming National Guard	Military	773	1.43%
Safecard Services	Credit Card Servicing	625	1.16%
City of Cheyenne	Government Services	512	0.95%
Sierra Trading Post	Outlet Catalog/Retail	430	0.80%
Laramie County	Government Services	350	0.65%
		<u>13,903</u>	<u>25.75%</u>
All other employers		<u>40,094</u>	<u>74.25%</u>
Total employees		<u><u>53,997</u></u>	<u><u>100.00%</u></u>

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

	Full-Time Equivalent Budgeted Positions as of June 30,			
	2000	2001	2002	2003
Administration				
General and administrative	5.0	6.0	6.0	7.0
Customer service	7.0	7.0	6.0	6.0
Information technology	3.0	3.0	3.0	3.0
Meter information techs	4.0	4.0	5.0	5.0
Subtotal	19.0	20.0	20.0	21.0
Water Treatment				
Management/support staff	2.0	2.0	2.0	2.0
Plant supervisor/operators	13.0	13.0	13.0	13.0
Laboratory staff	2.0	2.0	2.0	2.0
Wellfield group	3.0	3.0	3.0	3.0
Subtotal	20.0	20.0	20.0	20.0
Operation and Maintenance				
Source of supply	6.0	6.0	6.0	6.0
Transmission and distribution	10.0	10.0	10.0	10.0
Sewer collection	10.0	10.0	10.0	10.0
Support services	10.0	10.0	12.0	12.0
Sup. dist. and col. fac. staff	5.0	5.0	4.5	4.5
Subtotal	41.0	41.0	42.5	42.5
Engineering and Water Resources				
Engineering staff	7.0	7.0	7.0	7.0
Inspections and locates	4.0	4.0	4.0	4.0
Instrumentation and telemetry	3.0	3.0	3.0	3.0
Source of supply	-	-	-	-
Subtotal	14.0	14.0	14.0	14.0
Water Reclamation				
Management/support staff	4.0	4.0	4.0	4.0
Laboratory staff	2.0	2.0	2.0	2.0
Plant supervisors/operators	15.0	15.0	15.0	15.0
Subtotal	21.0	21.0	21.0	21.0
Total	115.0	116.0	117.5	118.5

Full-Time Equivalent Budgeted Positions as of June 30,

2004	2005	2006	2007	2008	2009
7.0	8.0	8.0	8.0	8.0	8.0
6.0	6.0	6.0	6.0	6.0	6.0
3.0	4.0	4.0	4.0	4.0	4.0
5.0	5.0	5.0	5.0	5.0	5.0
21.0	23.0	23.0	23.0	23.0	23.0
2.0	2.0	2.0	2.0	2.0	2.0
13.0	13.0	13.0	13.0	13.0	13.0
2.0	2.0	2.0	2.0	2.0	2.0
3.0	3.0	3.0	3.0	3.0	3.0
20.0	20.0	20.0	20.0	20.0	20.0
6.0	-	-	-	-	-
10.0	12.0	12.0	12.0	12.0	13.0
10.0	12.0	12.0	12.0	12.0	12.0
12.0	13.0	13.0	11.0	11.0	11.0
5.5	3.5	3.5	5.5	5.5	5.5
43.5	40.5	40.5	40.5	40.5	41.5
7.0	8.0	8.0	8.0	8.0	8.0
4.0	3.0	4.0	4.0	4.0	4.0
3.0	3.0	3.0	4.0	4.0	4.0
-	6.0	6.0	6.0	6.0	6.0
14.0	20.0	21.0	22.0	22.0	22.0
4.0	4.0	4.0	4.0	5.0	5.0
2.0	2.0	2.0	2.0	2.0	2.0
15.0	15.0	16.0	16.0	16.0	16.0
21.0	21.0	22.0	22.0	23.0	23.0
119.5	124.5	126.5	127.5	128.5	129.5

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

OPERATING AND CAPITAL INDICATORS

(Unaudited)

Last Ten Fiscal Years

	Fiscal Years			
	2000	2001	2002	2003
Water Treatment				
Raw Water Collection Mains (miles)	24	24	24	24
Raw Water Transmission Mains (miles)	167	167	167	181
Treated Water Transmission Mains (miles)	240	240	240	243
Treated Water Distribution Mains (miles)	306	306	306	331
Gallons of treated water storage (millions)	35	35	35	35
Reservoir levels at June 30 (acre feet*)	36,472	37,979	27,717	33,996
Water treatment plant capacity	23 mgd	23 mgd	23 mgd	32 mgd
Peak day **	June 22, 2000	July 6, 2000	June 30, 2002	July 19, 2002
Peak day (mgd)	31.82	30.72	37.14	39.55
Peak month **	June 2000	July 2000	June 2002	July 2002
Peak month (million gallons)	838.52	822.28	882.01	1058.48
Total water delivered (acre feet*)	16,272	15,381	16,469	15,472
Average daily demand (mgd)	14.487	13.731	14.703	13.813
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	263	263	263	279
Water reclamation capacity	11.5 mgd	13.5 mgd	13.5 mgd	13.5 mgd
Peak month	July 1999	August 2000	July 2001	July 2002
Peak month (million gallons)	354.80	329.65	326.45	297.47
Peak month average per day	11.4 mgd	10.6 mgd	10.5 mgd	9.6 mgd
Total wastewater treated (000 gallons)	3,341,210	3,533,320	3,334,290	3,178,170
Average mgd	9.15	9.68	9.14	8.71

* 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: Includes treated water, raw water and recycled water delivered to the community of Cheyenne.

Fiscal Years

2004	2005	2006	2007	2008	2009
24	24	24	24	24	24
181	181	181	181	181	181
243	243	243	243	246	250
331	347	347	362	371	374
35	35	35	35	35	35
35,306	39,364	38,221	38,076	39,145	39,555
32 mgd	32 mgd				
July 17, 2003	June 21, 2005	June 14, 2006	July 31, 2006	July 3, 2007	July 15, 2008
24.87	24.39	28.48	29.25	31.17	29.13
July 2003	August 2004	June 2006	August 2006	July 2007	July 2008
619.45	551.47	744.62	735.72	725.82	752.93
13,466	13,631	16,165	15,888	14,208	12,753
11.989	12.169	14.431	14.182	12.649	11.384
-	-	-	-	12.24	13.7
-	-	-	-	4.0 mgd	4.0 mgd
-	-	-	-	378.7	298.59
-	-	-	-	October 4, 2007	August 2, 2008
-	-	-	-	2.56	2.89
288	291	300	306	311	312
13.5 mgd	13.5 mgd	17.0 mgd	17.0 mgd	17.0 mgd	17.0 mgd
July 2003	June 2004	December 2005	March 2007	August 2007	August 2008
265.76	311.94	366.73	306.09	276.86	321.097
8.5 mgd	10.4 mgd	11.8 mgd	9.9 mgd	8.9 mgd	10.3 mgd
2,965,465	3,258,026	3,590,459	3,286,169	3,132,495	3,300,770
8.10	8.93	9.84	9.00	8.56	9.0432

**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)
2000	5,302	4,576	**	726
2001	5,012	4,492	251	269
2002	5,366	4,544	383	439
2003	5,042	4,650	354	38
2004	4,388	3,774	298	316
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)
10- year average	4,878	4,241	309	359

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 to 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 include 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) The water rate for fiscal years 2000 through 2002 are the inside City treated water rates per 1,000 gallons; for fiscal years 2003 through 2009, 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

** Information not available

Average Percent Unbilled(e)	Gallons of Wastewater Billed(f)	Total Direct Rate	
		Water(g)	Sewer(h)
13.69%	2,307	\$ 2.12	\$ 1.55
5.37%	2,244	2.31	1.55
8.18%	2,113	2.44	1.55
0.75%	2,252	2.50	1.75
7.20%	2,171	2.54	2.00
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
<u>7.36%</u>	<u>2,252</u>		

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

**ANNUAL TAP SALES
(Unaudited)
Last Ten Calendar Years**

Calendar Year	Water Meter Taps Sold	Sewer Taps Sold	Total Taps
2000	286	297	583
2001	150	153	303
2002	402	334	736
2003	1,260	1,228	2,488
2004	716	678	1,394
2005	261	227	488
2006	475	453	928
2007	164	115	279
2008	548	526	1,074
2009	81	46	127

**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
2000	16,728	1,098	1,416	20	108
2001	16,863	1,109	1,448	20	112
2002	17,027	1,104	1,488	20	127
2003	17,271	1,105	1,508	19	112
2004	17,658	1,167	1,522	20	126
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

NOTES

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

Sewer					Total	
Residential	Multi-Family	Commercial	Industrial	Other	Water	Sewer
16,749	1,099	1,342	20	8	19,370	19,218
16,860	1,110	1,363	20	9	19,552	19,362
17,009	1,104	1,394	21	7	19,766	19,535
17,237	1,104	1,412	24	8	20,015	19,785
17,584	1,159	1,425	22	9	20,493	20,199
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

**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
2000	53,011	2,241,088	115.82	3,788,543	195.80
2001	53,691	2,165,147	110.48	3,641,974	185.84
2002	54,093	2,226,099	112.75	3,793,348	192.13
2003	54,716	2,174,054	108.86	3,797,967	190.17
2004	55,473	1,736,696	85.77	3,177,271	156.92
2005	56,035	1,784,824	87.27	3,089,056	151.03
2006	55,662	2,093,589	103.05	3,624,482	178.40
2007	55,641	2,081,685	102.50	3,564,189	175.50
2008	56,051	2,026,111	99.03	3,435,725	167.94
2009	56,296	1,962,219	95.49	3,482,228	169.47

* 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
2000	\$ 2,241,088	\$ 814,936	\$ 732,519	\$ 3,788,543	\$ 363,174	\$ 318,595
2001	2,165,147	822,103	654,724	3,641,974	348,336	342,434
2002	2,226,099	875,322	691,927	3,793,348	356,259	321,295
2003	2,174,054	873,385	750,528	3,797,967	367,623	350,180
2004	1,736,696	657,687	782,888	3,177,271	197,327	277,248
2005	1,784,824	646,095	658,137	3,089,056	203,392	267,063
2006	2,093,589	843,675	687,218	3,624,482	231,782	316,983
2007	2,081,685	779,406	703,098	3,564,189	298,728	333,219
2008	2,026,111	709,655	699,959	3,435,725	260,250	335,972
2009	1,962,219	701,687	818,322	3,482,228	268,014	320,490

* Excluding depreciation

Outside City	Raw Water	Recycled Water	Total Water Sales	Total Water Operating Expenses*	Operating Cost per 1,000	Total Water Debt Service	Debt Cost per 1,000
\$ 12,044	\$ 93,777	\$ -	\$ 4,576,133	\$ 4,545,909	\$ 0.99	\$ 4,023,305	\$ 0.88
21,368	138,085	-	4,492,197	4,800,924	1.07	4,023,829	0.90
19,896	52,086	-	4,542,884	5,405,555	1.19	11,387,611	2.51
11,619	87,268	-	4,614,657	6,018,963	1.30	20,902,078	4.53
9,124	94,891	-	3,755,861	6,143,342	1.64	6,465,398	1.72
9,324	48,956	-	3,617,791	6,730,049	1.86	5,236,133	1.45
9,709	66,992	-	4,249,948	7,012,378	1.65	5,276,372	1.24
9,384	78,427	-	4,283,947	7,357,980	1.72	5,234,104	1.22
8,516	62,659	16,084	4,119,206	7,710,867	1.87	5,529,971	1.34
7,449	49,393	17,669	4,145,243	8,169,940	1.97	5,926,942	1.43

COMPLIANCE REPORT

**INDEPENDENT AUDITOR'S 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**

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

We have audited the financial statements of the business-type activities and each major fund of the City of Cheyenne, Wyoming Board of Public Utilities (the "Board"), Waterworks and Sewer Enterprise Funds of the City of Cheyenne, Wyoming as of and for the year ended June 30, 2009, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 9, 2009. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free of 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 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*.

This report is intended solely for the information and use of management, Board Members, the Honorable Mayor, Members of the City Council and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in blue ink that reads "McGee, Hearne & Paiz, LLP". The signature is written in a cursive style.

Cheyenne, Wyoming
October 9, 2009