

**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**

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

Monday, August 22, 2011

The Board of Public Utilities (Board) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011 (CAFR FY 2011) is hereby submitted. The Board's Administration Division prepared this report, and is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

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

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

McGee, Hearne & Paiz, LLP, a firm of licensed certified public accountants, has audited the Board's financial statements. The goal of the independent audit is to provide reasonable assurance that the Board's financial statements for the fiscal year ended June 30, 2011 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, 2011 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 auditor in the financial section.

## **THE REPORTING ENTITY AND SERVICES PROVIDED**

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

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

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

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

The Board provides water and sewer services for the City of Cheyenne, Warren Air Force Base, and South Cheyenne Water and Sewer District, as well as several residential 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**

Starting as an early Union Pacific railroad tent town in 1867 and named for a local Indian tribe, Cheyenne is a progressive city that celebrates both its pioneer heritage and tomorrow's technology. As a railroad and cattle center, Wyoming's capital and largest city has always been an important Western crossroads and a unique blend of Western Cowboy, Military, and Contemporary cultures. From the newly reconstructed state-of-the art water reclamation plants at Crow Creek and Dry Creek east of Cheyenne to the City's R.L. Sherard Water Treatment Plant on the west, Cheyenne is a place 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 and calmer pace than in larger urban areas, yet it is a city that remembers its roots and retains a unique Western flavor. It is known worldwide for its annual celebration of the West, Cheyenne Frontier Days, the "Daddy of 'em All" which draws crowds from across the nation.

According to the U.S. Bureau of Census report, Cheyenne has an estimated 2011 population of 59,466 and a county population of 91,738. 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 easy access to 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, during 2010 there were continued declines in the labor market. The average monthly number of unemployed workers raised to 3,206 during 2010 an increase of 400 workers over 2009's average and 1,481 over 2008's average. While employment data remained largely negative, there were a number of positive signs that seem to indicate Cheyenne's progress from recession. Retail sales were up 2.0% in 2010 as compared to 2009 and residential utility hookups increased .9%. During 2010, Laramie County's personal income rose .5% compared to 2009. As a whole, even with the disappointing employment numbers, early assessment has suggested the local economy fared well relative to other areas in Colorado and the rest of the country.

Looking forward, there is expectation that job growth will be robust in the coming year. More than a dozen new businesses are expected to create approximately 350 new jobs that will help fuel increased economic growth in greater Cheyenne. Over all, there's cautious optimism that economic indicators will continue to improve during the coming year.

The Swan Ranch Industrial Park development perhaps remains one of the most significant economic factors in the expected future job growth in Cheyenne. The Swan Ranch Industrial Park is situated near I-25 on the south side of Cheyenne and includes 7,200 acres along Interstates 25 and 80. Granite Peak Development is developing a 500-acre industrial park within the Swan Ranch. A Union Pacific Railroad line borders the park to the west and a BNSF Railway line borders the facility to the south and east. Situated close by the intersection of two interstates and railroad, the Park is a highly desirable location for a variety of businesses.

Currently 4 companies have announced plans to locate within the Swan Ranch Development:

- Midwestern Wyoming is a pipe-coating service for the oil and gas industries. Initially, the company plans to employ about 35 to 50 employees when its facility is completed in early fall of 2011.
- Bell Supply Company, an oilfield supply house that provides equipment to the oil industry, is expected to begin operation in July and employ about 10 people.
- Getamp-Worthington will begin construction of a \$25 million dollar wind tower manufacturing facility that will be completed in December. The company plans to employ approximately 150 at the start up with more employees anticipated in 2012.
- Jebro will employ about six people and will provide liquefied asphalt for highway paving projects.



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

### **NCAR Super Computer**

Currently under construction, the National Center for Atmospheric Research or NCAR will be completing a \$70 million dollar facility that will house a multi-million dollar supercomputer that will be installed this year and operational in the first quarter of 2012. Upon installation, it will be one of the world's most powerful computers.

The supercomputer will do weather modeling and forecasting and be used by climatologists. Researchers at NCAR Boulder, the University of Wyoming and other locations will use the facility's massive computing power. The facility will employ about 23 employees and is located in the LEADS-owned North Range Business Park west of Cheyenne in the North Range Business Park.



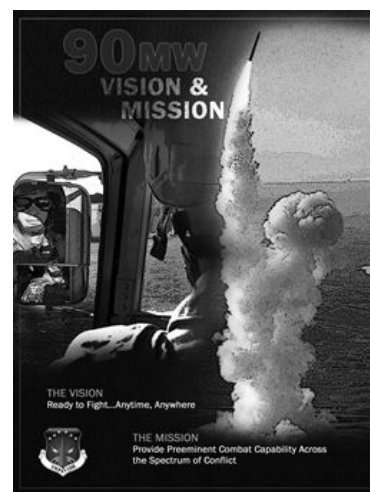
### **Thought Equity Motion Data Center**

This \$5 million dollar data center is expected to provide 25 jobs when it opens in the Jonah Financial Center on Pershing Boulevard this summer or fall. Thought Equity Motion Data Center will convert content, such as sports and news footage and movie clips, into a digital format and license it to different companies.

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 brings stability to Cheyenne's economy. That base helped the City weather downturns in the state's energy and agricultural sectors in the 1980's, 1990's, 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 3,820 civilian and military employees. State government accounts for about 3,379 employees, followed by the Laramie County School District No. 1 with around 2,157 employees, Federal Government with around 1,804 employees, and Cheyenne Regional Medical Center with approximately 1,618 employees. The Sierra Trading Post ranks as the community's largest private employer, with about 595 employees. The Union Pacific Railroad ranks as the community's second largest private employer with about 594 employees.





The 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.

According to Keith Richardson, President of Sierra Trading Post, “Cheyenne’s financial community was more supportive and responsive than any other we found in the Western states. We custom-built our facility for less than it cost to rent a facility in Nevada. In addition, our business survives on quality transportation. Our Cheyenne location allows Sierra Trading Post to enjoy a 20% savings in overall shipping charges with first-rate transportation resources.”

Even with the current recession, the mood throughout the business community is one of cautious optimism. Though concerns about the pace of growth and the current recession have surfaced, Cheyenne has fared better than other cities of similar size. 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.

### **30- Inch Warren Air Force Base (WAFB) Transmission Main Project Phase I & II**

The purpose of the Project was to replace or clean and line about 21,000 feet (4 miles) of 30-inch water transmission main that crosses Warren Air Force Base (WAFB). This main was a cast iron pipeline with lead joints and was originally constructed around 1915. This main extends from the Round Top Water Storage Reservoir to the intersection of Randall Avenue at Hynds Boulevard. The Project has been divided into two phases:

**Phase I:** Phase I neared completion during FY 2011. The project was to clean and line 9,140 feet of 30-inch cast iron water main. Lining was chosen to improve the capacity of the pipe to its original design capacity over conventional dig and replace. Phase I goes through an area known as Atlas housing, the WAFB golf course, several athletic fields, near a childcare and an athletic club.

**Phase II:** Phase II also has neared completion during FY 2011 and involved replacement of about 12,000 feet of 30-inch cast iron water main. The route goes through an old firing range on WAFB and work involved WAFB completing an unexploded ordinance-clearing project. Funding for the project was made available through a DWSRF Loan from the State Loan and Investment Board.





## **Southern Water Main Project Phase II**

Phase II consists of about 11.5 miles of pipeline (diameter of 42 inches to 12 inches) at an estimated cost of about \$23.5 million.

The Phase II project starts at the intersection of Round Top Road and Happy Jack Road heading in a southerly direction for approximately 3 miles, then goes in an easterly direction for approximately 4 miles, crossing Interstate 25 south of College Drive, crossing Parsley Blvd. to Walterscheid Blvd.

The pipeline will be extended north along Parsley Blvd. for about 2.5 miles and extend north for about 2 miles along Walterscheid Blvd to Fox Farm Road. These extensions will allow the transmission main to be connected to existing water distribution systems within the City and provide for a looped system. This new transmission main will serve several important purposes including:

- Provide redundancy for and supplement the flows to the southern Cheyenne areas which are now provided water almost solely from an existing water transmission main that is over 30 years old, known as the “Hynds Line” on Happy Jack Road.
- Provide relief to Cheyenne’s three water transmission mains that feed water from the Round Top Treated Water Storage Reservoir to the northern part of the City.
- Meet current demands for treated water in the southern part of Cheyenne’s service area and the new North Range Industrial Park. (The new southern transmission main will parallel the existing main that runs along Happy Jack Road adjacent to the North Range Business Park.)
- Provide treated water for future growth.

This phase of the project cost is estimated at \$23,429,800 and is included in the Fiscal Year 2011 Water Enterprise Fund Budget that was approved by the Board and City Governing Body.

During the 2011 General session of the Wyoming Legislature through its Omnibus Water Bill, a \$14,029,800 grant was approved. An additional \$9,400,000 will be financed by a loan from the Drinking Water State Revolving Fund.

## **Other Initiatives**

In FY 2011, 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, 2011, the SDF for a ¾-inch single family residential tap increased from \$5,310 to \$5,490 for water and from \$1,330 to \$1,375 for sewer. Effective January 1, 2011, the SDF for a ¾-inch commercial tap increased from \$5,980 to \$6,183 for water and from \$1,960 to \$2,026 for sewer.



Although the Board approved increases in the SDF effective January 1, 2012, the City Governing Body did not concur and SDF will not be raised effective January 1, 2012.

Effective January 1, 2011, the multi-tiered water rate for single family residential increased approximately 3.0%. No rate increase is anticipated for FY 2012.

#### Volume Rate Charge Per 1,000 Gallons

<u>Residential (in-city)</u>		<u>Jan 01, 2010</u>	<u>Jan 01, 2011</u>	<u>Jan 01, 2012</u>
First Block	First 6,000	\$3.35	\$3.46	\$3.46
Second Block	Next 18,000	4.15	4.29	4.29
Third Block	Next 18,000	5.15	5.32	5.32
All Over	42,000	6.40	6.61	6.61

The volume rate charge per 1,000 gallons of drinking water for commercial users during these same time periods of January 1, 2010, January 1, 2011 and January 1, 2012 are as follows: \$3.85, \$3.98 and \$3.98, respectively.

Effective January 1, 2011, the sewer rate charge per 1,000 gallons increased from \$3.35 to \$3.46. No additional increase is expected for January 1, 2012.

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 2011 marked the release of the Board's 12th 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 2011 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 2012 projects include:

### **FY 2011 Administration Building Project**

During FY 2011, the Board began construction on the new Administration and Engineering facility to be located near 24th & 25th Streets and Snyder & Dillon Avenues.

Short Elliott Hendrickson Inc. was retained as the building design engineer in early 2008. The total budget for the building project is \$8,232,068 and will be financed through a combination of Drinking Water State Revolving Loans and Clean Water State Revolving Loans. Delta Construction was the successful bidder on the project with a base bid of \$4,590,000. Total contracts let through the end of the fiscal year totaled \$5,406,023. The estimated completion date is spring of 2012.



### **Pressure Management Study Phase I**

This study will include engineering design, bidding and construction management as well as actual construction of 4 new pressure reducing valve stations and short segment of 8-inch pipeline to provide an alternate feed to the area. Budget cost of this project is \$2,400,000 and will be funded out of the water fund reserves.

### **Other Items for 2012**

On June 20, 2011, the City Governing Body adopted the water and sewer enterprise fund budgets as recommended by the Board, with a minor change for the water fund, for fiscal year 2012 (July 1, 2011 to June 30, 2012). The Board's combined water and sewer budget for fiscal year 2012 of \$34.8 million is \$35.2 million less than fiscal year 2011's adjusted budget.

The Board also continued its intensive planning efforts. On December 3, 2010, the Board held its annual day-long Goals and Planning Workshop to look at near and long-term projects to carry the City of Cheyenne well into the 21st Century. Another workshop is planned for December 2011.

### **Relevant Financial Policies**

During the course of fiscal year 2011, there were no significant financial policy changes.

### **Administrative Controls**

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

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

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

### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the Board for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the 33rd consecutive year that the Board has received this prestigious Award.

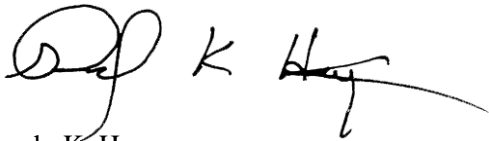
### **In Conclusion**

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

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

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

Respectfully submitted,

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, 2010

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 –JUNE 30, 2011**



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



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



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



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



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

## LIST OF PRINCIPAL OFFICIALS

**As of June 30, 2011 the following is a list of principal officials of the Board of Public Utilities, City of Cheyenne:**

<u>Elected and Appointed Officials</u>	<u>Current Term Expires</u>	<u>Position</u>
Richard Kaysen	January – 2013	Mayor
David Evans	June – 2015	Board President
Joe Bonds	June – 2013	Board Secretary
Gary Carver	June – 2013	Board Member
Barbara Rogers	June – 2015	Board Member
Brad Oberg	June – 2017	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  
Kathy Kellner, Human Resource Manager



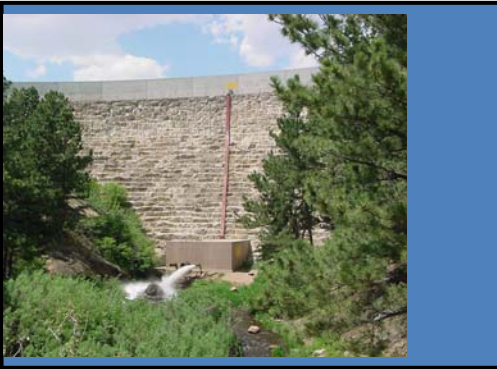
## WATER DEVELOPMENT

### 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. Following a series of issues with water borne diseases, Cheyenne elected to construct a series of dams to the west of Cheyenne from a more pristine source. Between 1902 and 1930, 5 dams were constructed on 3 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 5 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 3 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 35 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 travels by gravity about 50 miles via a 26-inch 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 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 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 MGD. Later in the 1980's, the Dry Creek WRP was upgraded and expanded to treat 7 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.
- 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 2 significant projects.

First, was the completion in 1998 of the Northwest Area Raw Water Irrigation Project, which allows 3 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, and chlorine dioxidation 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 1 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 2 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 2 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 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)



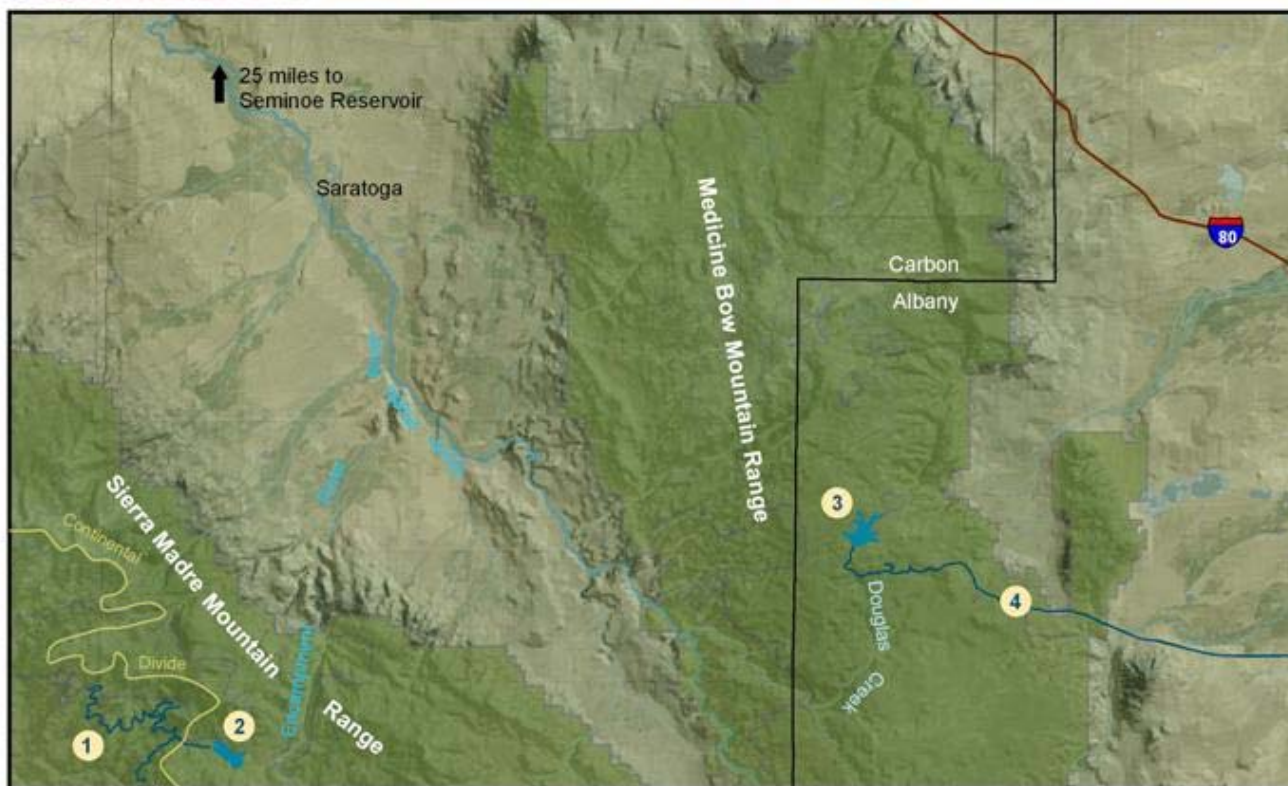
### Granite Springs Dam & Reservoir

(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 hereon is for informational purposes only.

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



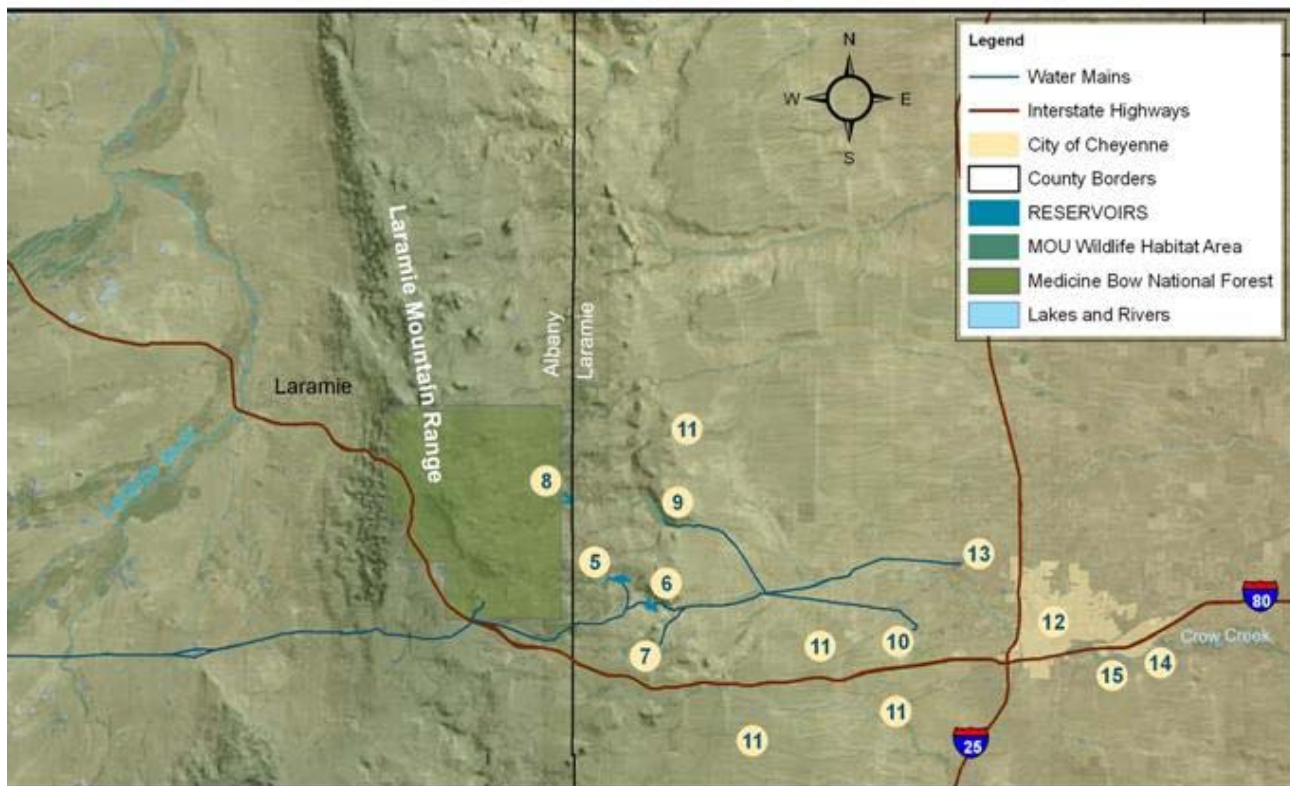
**Wells High Plains Aquifer**



**Roundtop Water Treatment Plant**  
(Constructed 1915 - Closed 2002)



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



**Sherard Water Treatment Plant**  
(Operation 2002 - Present)

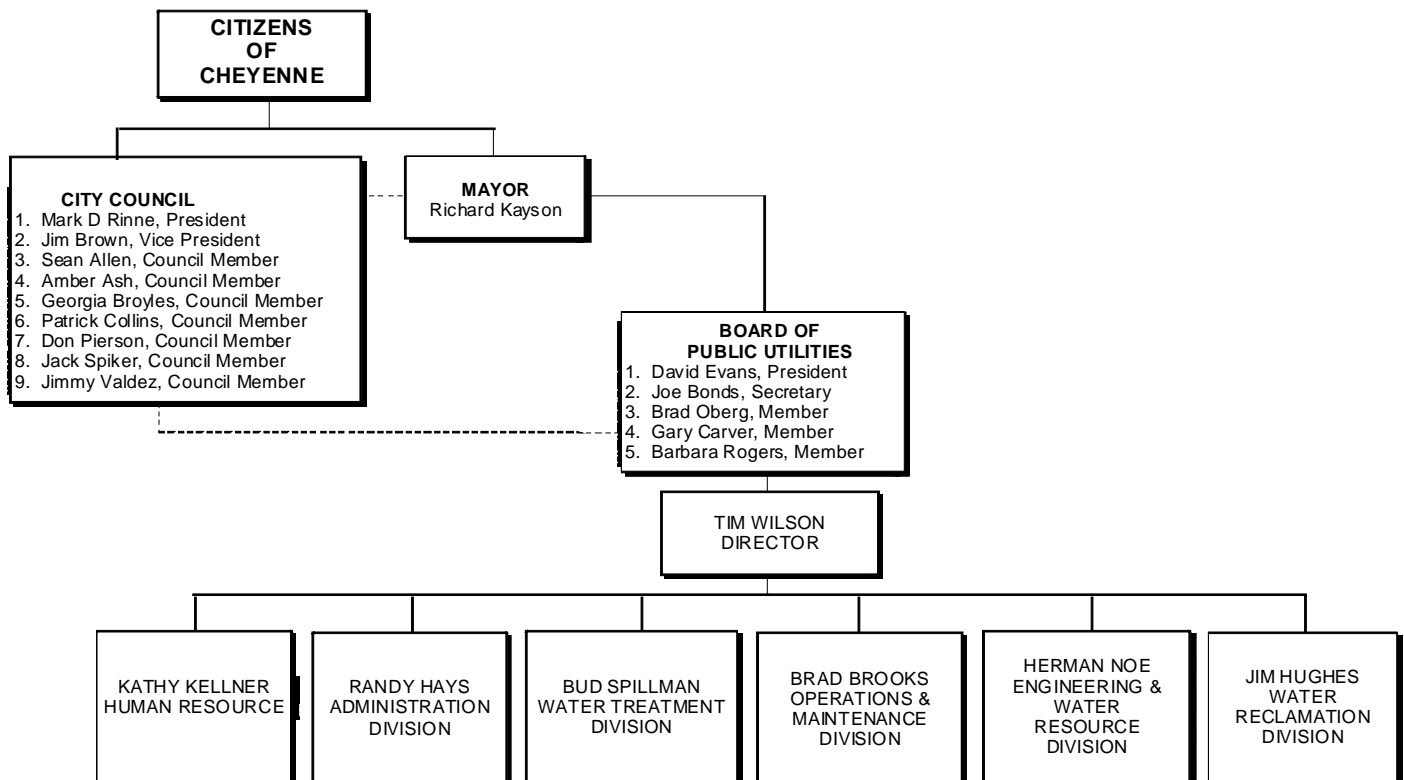


**Cheyenne, Wyoming**  
(Population 55,314 - Board of Public Utilities Customers 21,667)



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

**Board of Public Utilities  
City of Cheyenne, Wyoming  
Water and Sewer Departments  
Organizational Chart  
June 30, 2011**





**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, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2011, 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, 2011, 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 September 27, 2011 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

*McGee, Hearne & Paiz, LLP*

Cheyenne, Wyoming  
September 27, 2011

## **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, 2011.

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 \$232,695,332 (net assets). Of this amount, \$24,280,698 (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 \$6,696,668 during fiscal year 2011. This increase can be attributed to capital contributions, grant revenues, and an increase in water and sewer consumption charges.

The Board applied for and expects to receive, in the coming fiscal year, a grant award from the Wyoming Water Development Commission for funding for the Southern Transmission Main – Phase II Project in the amount of \$14,029,800.

The Board applied for and expects to receive, in the coming fiscal year, a loan from the Wyoming Drinking Water State Revolving Fund in the amount of \$9,400,000 for the Southern Water Transmission Main – Phase II Project. The loan proceeds will fund the remaining portion of the project that was not funded by the Wyoming Water Development Commission Grant.

In February, the Board approved a resolution and was awarded a Mineral Royalty Capital Construction Account Grant (Chapter 3), in the amount of \$250,000, to the State Loan and Investment Board on behalf of the Governing Body of the City of Cheyenne to accomplish the Dry Creek Sewer Line Project – Yellowstone Road to Mylar Park.

The City of Cheyenne, for the Board, applied for and expects to receive a \$1,000,000 Countywide Consensus Block Grant to fund Phase I of the Board's Pressure Management Construction Project. The grant award would be in lieu of the annual payment of \$1,000,000 by the City to the Board for debt reduction of the 1998 General Obligation Water Bond.

Interest revenue received for the current year was \$178,720 and decreased \$55,494 from the previous fiscal year. The yield on bank certificates of deposit (c.d.'s) decreased during the fiscal year to 0.15 percent on 90 day c.d.'s and 0.50% on Wyo-Star Fund Investments. Current forecasts are uncertain for the first half of fiscal year 2012.

Operating revenue for the waterworks fund increased \$2,112,935 and the sewer fund increased \$180,221 during the fiscal year. Revenue increases in the waterworks operating revenue was largely due to 11% increase in billed volume and a 3.4% rate increase in usage charges. Revenue increases in the sewer operating revenue was also largely attributed to a rate increase in usage charges from \$3.35 to \$3.46 per thousand which became effective on January 1, 2011.

The total indebtedness of the Board decreased \$7,971,036 (9.0 percent) from \$88,132,860 to \$80,161,824 during the current fiscal year. The decrease was due, principally, to principle reduction related to the retirement of a \$4,331,216 ARRA principal forgiveness loan on the construction of an Anoxic Basin at the Crow Creek water reclamation plant and from scheduled 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 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.

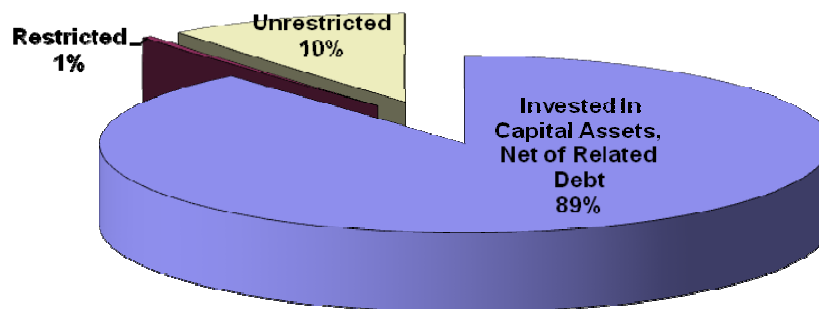
## Business-Type Activities Net Assets

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 \$6,696,668 during fiscal year 2011.

The largest portion of the Board's net assets, \$207,125,040 (89.0 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, 2011



**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)	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 23,764	\$ 21,740	\$ 8,406	\$ 10,575	\$ 32,170	\$ 32,315
Capital assets	209,910	211,815	77,643	78,449	287,553	290,264
Total assets	233,674	233,555	86,049	89,024	319,723	322,579
Long-term liabilities						
outstanding	40,828	42,678	33,788	39,733	74,616	82,411
Other liabilities	9,357	9,788	3,055	4,381	12,412	14,169
Total liabilities	50,185	52,466	36,843	44,114	87,028	96,580
Invested in capital assets, net of related debt	164,913	164,829	42,212	37,121	207,125	201,950
Restricted	1,290	1,290	-	-	1,290	1,290
Unrestricted	17,286	14,970	6,994	7,789	24,280	22,759
<b>Total net assets</b>	<b>\$ 183,489</b>	<b>\$ 181,089</b>	<b>\$ 49,206</b>	<b>\$ 44,910</b>	<b>\$ 232,695</b>	<b>\$ 225,999</b>

The remaining balance of unrestricted net assets (\$24,280,698) 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**

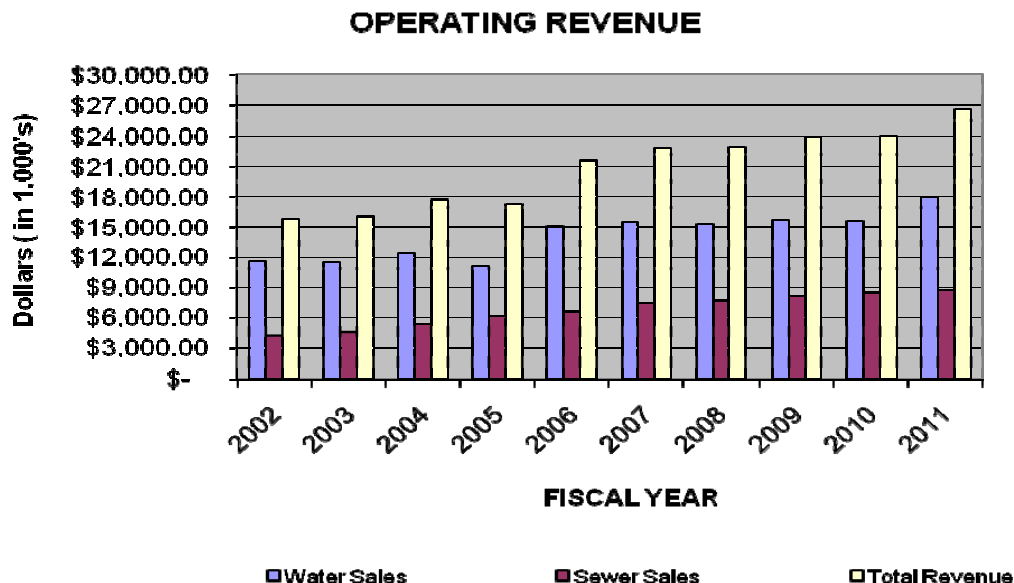
Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenue/ (Expenses)	Income (Loss) before Capital Contribution	Capital Contribution	Change in Net Assets
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
2010	24,281,960	24,220,188	61,772	(149,067)	(87,295)	1,498,273	1,410,978
2011	26,575,116	25,151,232	1,423,884	(685,814)	738,070	5,958,598	6,696,668

Net assets increased by \$6,696,668 during fiscal year 2011. This is attributed to capital contributions, ARRA Loan Forgiveness Funds, other grant revenues, and an increase in water and sewer consumption charges.

## Business-Type Activities – Revenues and Expenses

The following schedules present a summary of the water and sewer enterprise fund operating revenues for the fiscal year ended June 30, 2011, and the amount and percentage of increases and decreases in relation to prior year revenues.

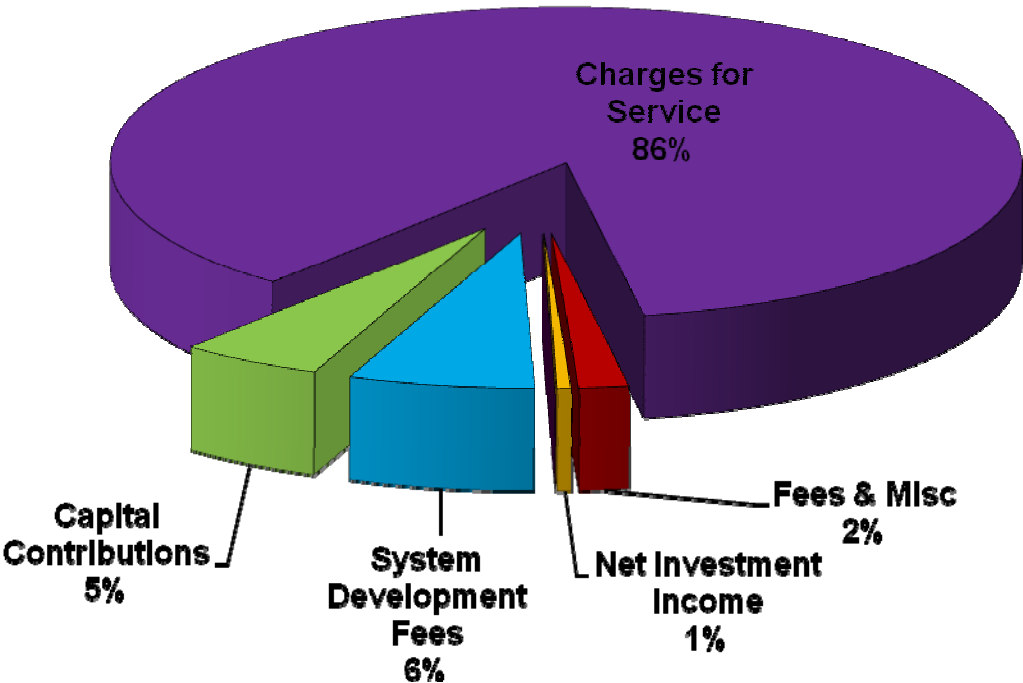


### BOARD OF PUBLIC UTILITIES Revenue (\$1,000's)

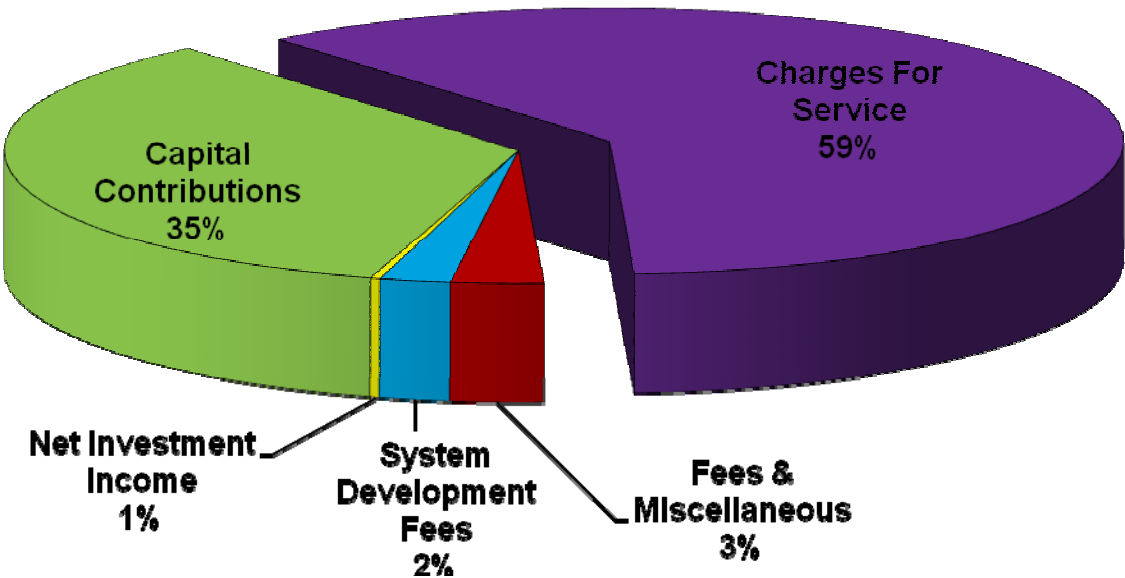
Revenue Source	Waterworks Fund		Sewer Fund		Total		Inc./ (Decr.) From FY 10	% of Inc./Decr.	Fiscal Year 2010
	FY 11 Amount	% of Total	FY 11 Amount	% of Total	FY 11 Amount	% of Total			
<b>Operating Revenue</b>									
Sales and charges for service	\$17,518	86%	\$8,279	59%	\$25,797	75%	\$2,094	9%	\$23,703
Fees and miscellaneous	358	2%	420	3%	778	2%	199	34%	579
<b>Total operating revenue</b>	<b>17,876</b>	<b>88%</b>	<b>8,699</b>	<b>62%</b>	<b>26,575</b>	<b>77%</b>	<b>2,293</b>	<b>9%</b>	<b>24,282</b>
<b>Nonoperating Revenue</b>									
Net investment income	103	1%	44	1%	147	1%	(160)	-52%	307
Gain on disposal of assets	0	0%	0	0%	0	0%	(5)	100%	5
Intergovernmental revenues	0	0%	0	0%	0	0%	(1,000)	-100%	1,000
Taxes	0	0%	0	0%	0	0%	(10)	-100%	10
System development fees	1,336	6%	320	2%	1,656	4%	503	44%	1,153
<b>Total nonoperating revenue</b>	<b>1,439</b>	<b>7%</b>	<b>364</b>	<b>3%</b>	<b>1,803</b>	<b>5%</b>	<b>(672)</b>	<b>-27%</b>	<b>2,475</b>
<b>Capital Contributions</b>	<b>1,021</b>	<b>5%</b>	<b>4,938</b>	<b>35%</b>	<b>5,959</b>	<b>18%</b>	<b>4,461</b>	<b>298%</b>	<b>1,498</b>
<b>Gross Revenue</b>	<b>\$20,336</b>	<b>99%</b>	<b>\$14,001</b>	<b>101%</b>	<b>\$34,337</b>	<b>100%</b>	<b>\$6,082</b>	<b>22%</b>	<b>\$28,255</b>



# Water Revenue By Source



# Sewer Revenue By Source



Gross operating revenue, including interest and transfers, totaled \$34,336,502 for FY 2011, a 21.52 percent increase from FY 2010. The increase was largely due to a \$4,331,216 ARRA project loan for the construction of an Anoxic Basin at the Crow Creek Waste Water Treatment Plant that was forgave, by the State Loan and Investment Board, upon substantial completion during FY 2011 and due to increased revenues from system development fees. FY 2011 operating gross revenue was \$6,080,119 above FY 2010.

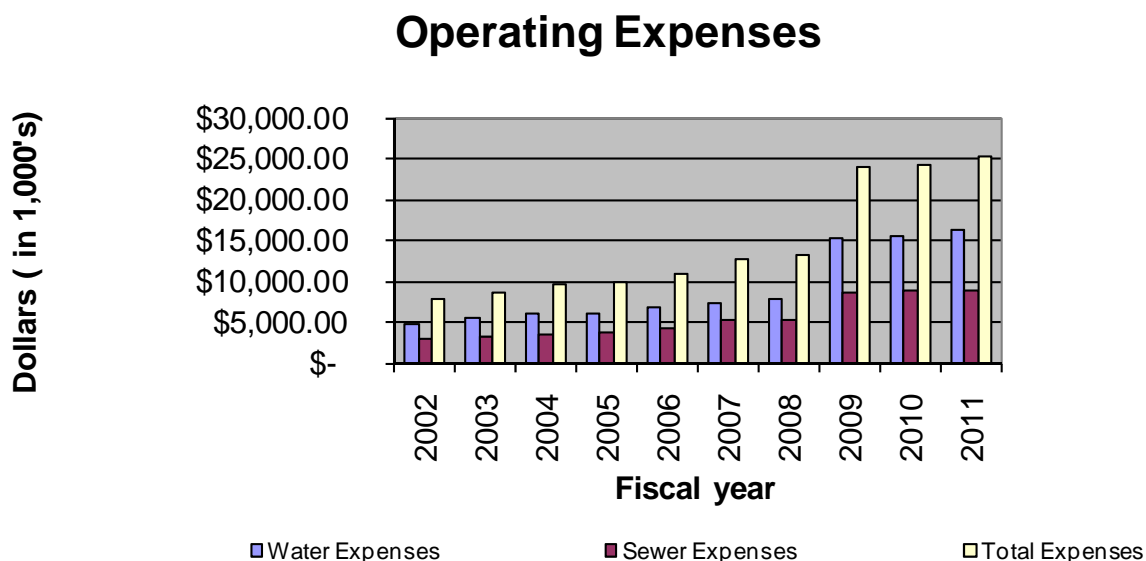
System Development fees increased \$502,238 compared to FY 2010. FY 2011 fees totaled \$1,655,563 compared to \$ 1,153,325 in FY 2010. Sold water and sewer tap permits decreased 270 permits in FY 2011 compared to the previous fiscal year. In FY 2011, there were 97 water and sewer permits sold compared to 367 permits in FY 2010. While the number of sold permits did decrease, there was a larger number of tap permits issued for diameters above the standard residential ¾-inch tap that generated an increase in the annual revenue in FY 2011 as compared to FY 2010.

In January of 2011, system development fees for water and sewer increased by approximately 3.4%. The system development fee for ¾-inch residential water tap increased from \$5,310 to \$5,490. The system development fee for a ¾-inch sewer tap increased from \$1,330 to \$1,375.

On January 1, 2011, sewer rates increased \$0.11 per thousand gallons of usage from \$3.35 to \$3.46 per 1,000 gallons. This rate increase resulted in additional revenue of approximately \$252,000 during the last half of fiscal year 2011. 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 were increased by approximately 3.4% on January 1, 2011.

The following schedules present a summary of the Water and Sewer Enterprise Fund operating expenses for FY 2011, and the percentage of increases and decreases in relation to prior year amounts.



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

	Waterworks Fund		Sewer Fund		Total		Inc./(Decr.) From FY 10	% of Inc./Decr.	Fiscal Year 2010
	FY 11 Amount	% of Total	FY 11 Amount	% of Total	FY 11 Amount	% of Total			
Operating Expenses									
Source of supply	\$1,129	6%	\$ -	0%	\$1,129	4%	\$53	5%	\$1,076
Water treatment	2,033	11%	-	0%	2,033	7%	74	4%	1,959
Transmission and distribution	1,893	11%	-	0%	1,893	7%	(10)	-1%	1,903
Water reclamation	-	0%	2,304	24%	2,304	9%	37	2%	2,267
Sewer collection lines	-	0%	1,073	11%	1,073	4%	(62)	-5%	1,135
Engineering and water resources	601	3%	446	5%	1,047	4%	7	1%	1,040
Administrative and general	2,614	15%	1,508	16%	4,122	15%	567	16%	3,555
Information technology and customer service	710	4%	238	2%	948	3%	52	6%	896
Depreciation	7,379	41%	3,223	33%	10,602	38%	213	2%	10,389
Total operating expenses	16,359	91%	8,792	91%	25,151	91%	931	4%	24,220
Nonoperating Expenses									
Interest expense	1,577	9%	912	9%	2,489	9%	(136)	-5%	2,625
<b>Total Expenses</b>	<b>\$17,936</b>	<b>100%</b>	<b>\$9,704</b>	<b>100%</b>	<b>\$27,640</b>	<b>100%</b>	<b>\$795</b>	<b>3%</b>	<b>\$26,845</b>

Total Operating Expenses, excluding depreciation, increased over FY 2010 with a \$717,331 increase from FY 2011. The majority of the increase was in Administration and General Expenses and related to employee paid benefits.

Employee Benefits increased \$575,892 over the prior year. The increase was largely due to a \$165,090 increase in paid Health, Dental, and Life Insurance expenses, a \$63,032 increase in contributions to Wyoming Retirement System, \$133,239 increase in worker's compensation insurance, \$55,200 in payouts for the early retirement offer, and a \$100,951 expense for early retirement health and dental insurance.

Salaries and Wages decreased \$97,675 or 1.6% during FY 2011. FY 2011 Salaries and Wages totaled \$6,219,176 compared to \$6,316,851 in FY 2010. The decrease, in part, was due to an early retirement offer that was extended during FY 2011.

Supportive service expenses (electricity, gas, telephone, postage, etc.) increased \$52,497 or 3.1 percent, in part, due to a \$40,051 increase in utility expenses related to the water reuse system at the Crow Creek Reclamation Plant and the Prairie View Pump Station.

Material and Supplies expenses (chemicals, plant equipment, office supplies, gasoline etc.) increased \$124,881 or 6.3 percent. The most significant increase was \$68,645 in chemical expenses for raw water treatment and a \$57,091 increase in plant materials expense at the Sherard Water Treatment Plant.

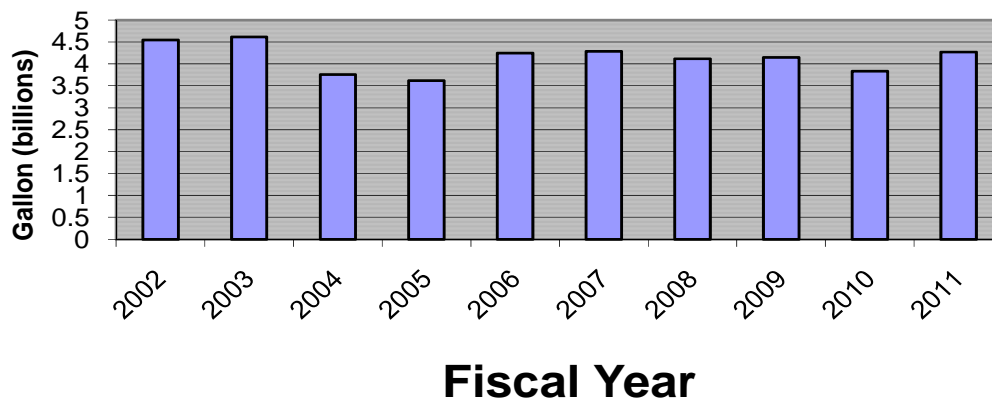
Contractual Services expenses (contracts, software maintenance, studies, property and liability insurances,) increased \$61,734 or 4.9 percent during FY 2011. Significant increases included: \$34,204 for an arch flash contract at Crow and Dry Creek Water Reclamation Plants and a \$13,641 increase in contractual services related to sewer distribution projects.

Interest expense on bonds and loans totaled \$2,488,602 for FY 2011, and was included in the above schedule of operating expenses. This 5.2 percent decrease from FY 2010 was the result of principal reduction in the water fund from the annual debt service payment. FY 2010 interest expense totaled \$2,625,217.

### Metered Water Consumption History

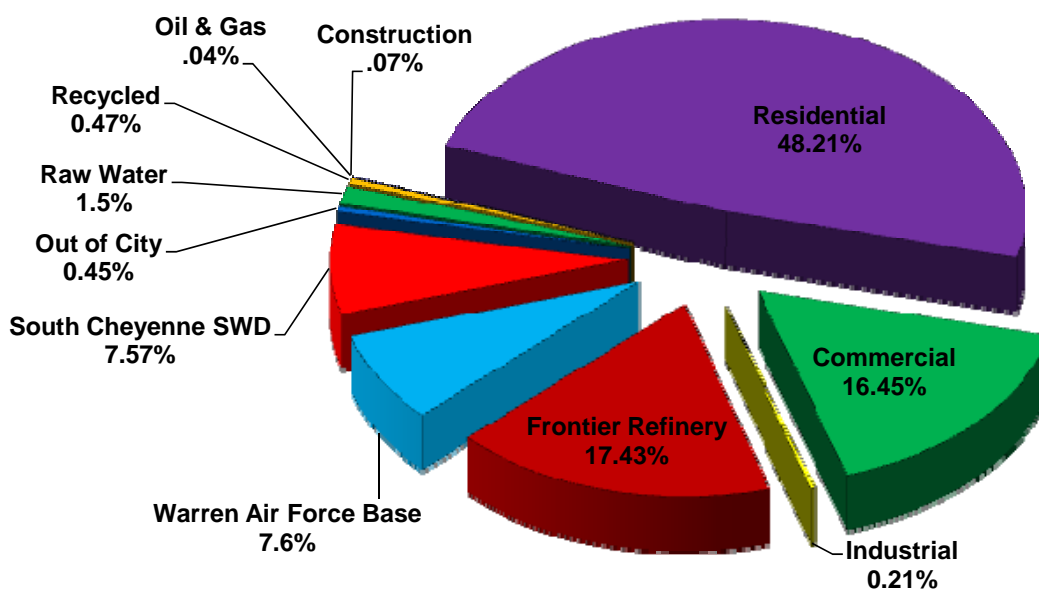
During FY 2011, the Board sold 4.218 billion gallons of water as compared to 3.832 billion gallons in FY 2010. The increase can be partially attributed to a dry fall resulting in increased outdoor irrigation. Billed water consumption has averaged 4.139 billion gallons over the past ten years.

## METERED WATER SALES



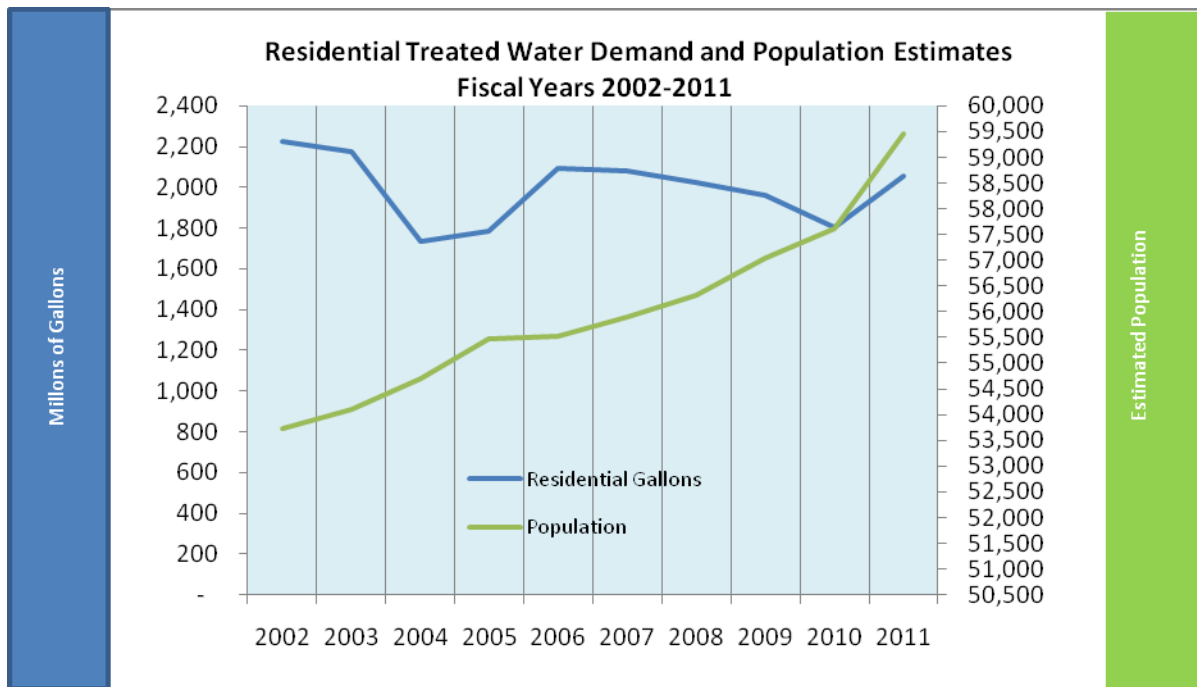
Total water supplied to the City in FY 2011 was 4.828 billion gallons of water compared to 4.290 billion gallons of water in FY 2010.

## METERED WATER SALES BY CUSTOMER CLASS FY 2011



### BOARD OF PUBLIC UTILITIES Per Capita Consumption

Fiscal Year	Population Estimate	Residential Meter Water Use-Only	Gallons per Capita per Day Residential Use	Total City Metered Water Use-Only	Gallons per Capita per Day Total City Use
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	56,036	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
2010	56,483	1,800,494,000	87.33	3,237,866,000	157.05
2011	59,466	2,057,439,000	94.79	3,512,364,000	161.82



### 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.

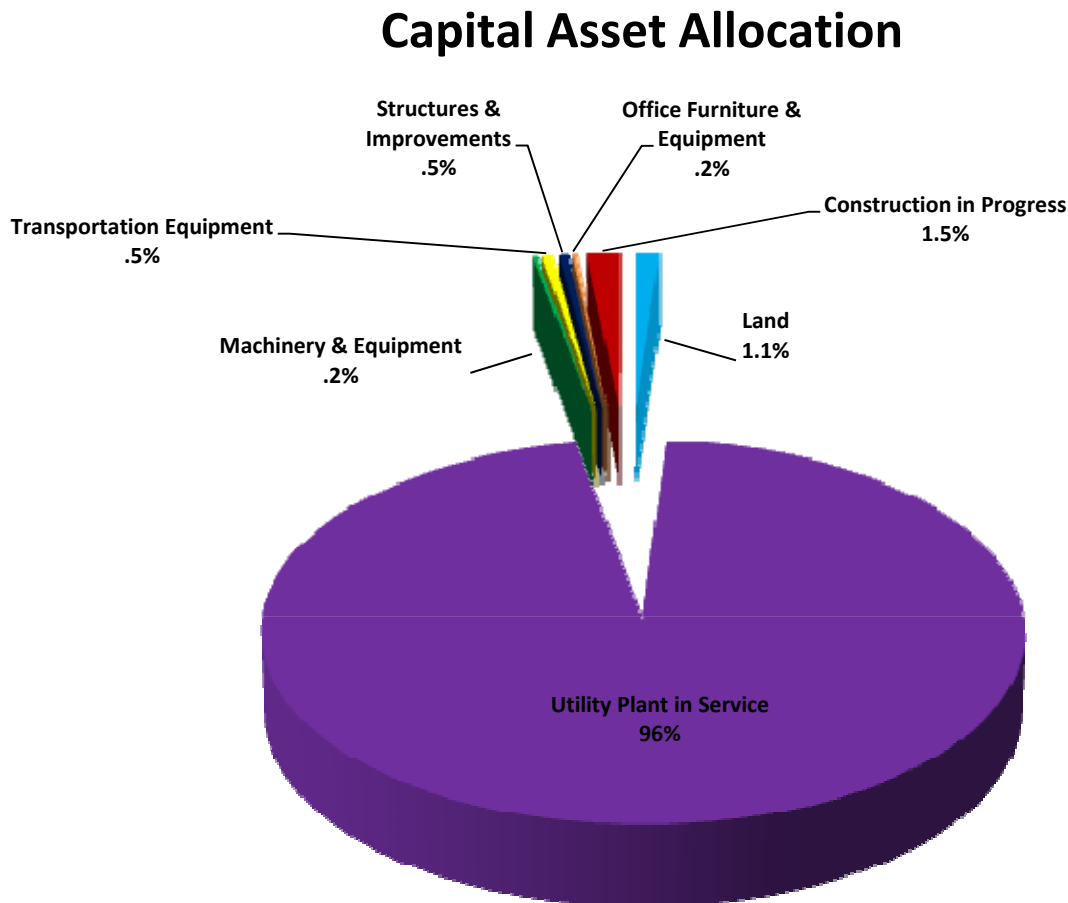
## Proprietary Funds

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 \$17,286,050 at the end of the current fiscal year. Unrestricted net assets of the Sewer enterprise fund totaled \$6,994,648 at the end of the current fiscal year. The total change in net assets for both funds, from the previous fiscal year was \$2,400,033 and \$4,296,635, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Board's business-type activities.

## Capital assets (property, plant and equipment)

As of June 30, 2011, the capital assets of the Board, net of accumulated depreciation, totaled \$287,553,077. 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.



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

	Waterworks Fund		Sewer Fund		Total Business-Type Activities	
	2011	2010	2011	2010	2011	2010
Land	\$ 4,539	\$ 4,539	\$ 529	\$ 529	\$ 5,068	\$ 5,068
Utility plant in service	326,663	323,810	116,093	113,786	442,756	437,596
Machinery and equipment	788	786	261	261	1,049	1,047
Transportation equipment	1,719	1,729	573	576	2,292	2,305
Structures and improvements	1,547	1,518	543	535	2,090	2,053
Office furniture and equipment	678	678	228	228	906	906
Construction in progress	6,441	4,558	693	702	7,134	5,260
Less accumulated depreciation	(132,464)	(125,803)	(41,278)	(38,168)	(173,742)	(163,971)
Total	\$ 209,911	\$ 211,815	\$ 77,642	\$ 78,449	\$ 287,553	\$ 290,264

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

- Neared completion of Phase II of the 30-inch Warren Air Force distribution main.
- Contributed capital (water distribution mains, hydrants, sewer collection mains and manholes) from development projects.
- Improvements and upgrades to water distribution and sewer collection mains.
- Started construction phase of a new Administration/Engineering building.

At the close of FY 2011, 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:	
Rehab Spillway Granite	\$ 731
FY 2010 Well Projects	3,288
ASR Project	459,742
Saddle Ridge Main Oversize	18,860
Carey Ave. City Project - 09	628,976
Pioneer Ave. City Project - 09	234,693
W. Lincolnway-WYDOT - 09	39,204
19th St. City Project - 09	75,102
Railroad Hazard Area - 10	252,350
Westland Road - 10	270,620
Henderson (Grier/Leach) - 10	145,628
Henderson (E. Pershing, Olive) - 10	271,356
Norris Viaduct and 9th St. - 08	25,110
Total Water Projects	<u>\$ 2,425,660</u>



Sewer Collection Main Projects:

E. Lincolnway N-Capitol/House - 10	\$ 100,194
E. Lincolnway S-Capitol/House - 10	85,491
W. Lincolnway-Pioneer/Capitol - 10	66,327
Central - Lincolnway/MH 226-10	30,729
7th St./Pioneer Ave. - 10	179,165
4th St./Capitol - 10	156,335
4th St./Evans - 10	190,078
2600 E. 8th St. - 10	37,261
2900 E. 9th St. - 10	1,505
Capitol Ave.-4th Ave. S/MH 028-10	60,352
1000 Block of E. 24th St. - 10	3,195
Sewer Manholes - 10	105,580
Saddle Ridge Main Oversize	10,121
Norris Viaduct and 9th St.	512
W. Pershing Blvd. - 09	(6,951)
Henderson Drive - 09	(2,800)
5117 Seminoe Rd. - 09	(200)
Dry Creek Line - 09	(12,988)
Talbot Ct. - Richardson - 09	(3,224)
Dodge Ct. - Talbot Alley - 09	(860)
Carey Ave. City Project - 09	304,710
Pioneer Ave. City Project - 09	198,887
19th St. City Project - 09	20,938
Crow Creek Anoxic Basins	274,359
Total Sewer Projects	<u>\$ 1,798,716</u>

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

### Long-Term Debt

At the end of the current fiscal year, the Board had total bonded debt outstanding of \$80,161,824. Of this amount, \$2,615,000 are 1998 General Obligation Water Refunding Bonds, \$10,995,000 are 2007 Water Revenue Refunding Bonds, and the remainder of \$66,551,824 are loans from the State of Wyoming for various water and sewer projects.

The total indebtedness of the Board decreased by \$7,971,036 (9.04 percent) from \$88,132,860 to \$80,161,824 during the current fiscal year. The decrease was primarily due to the retirement of a \$4,331,216 ARRA principal forgiveness loan on the Crow Creek Anoxic Basin project and due to normal principal reduction.

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

	Waterworks Enterprise Fund		Sewer Enterprise Fund		Business-Type Activities Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$2,615,000	\$5,465,000	\$ -	\$ -	\$2,615,000	\$5,465,000
Revenue refunding bonds	10,995,000	11,460,000	-	-	10,995,000	11,460,000
Loans from the State of Wyoming	31,120,917	29,880,122	35,430,907	41,327,738	66,551,824	71,207,860
Total	<u>\$44,730,917</u>	<u>\$46,805,122</u>	<u>\$35,430,907</u>	<u>\$41,327,738</u>	<u>\$80,161,824</u>	<u>\$88,132,860</u>

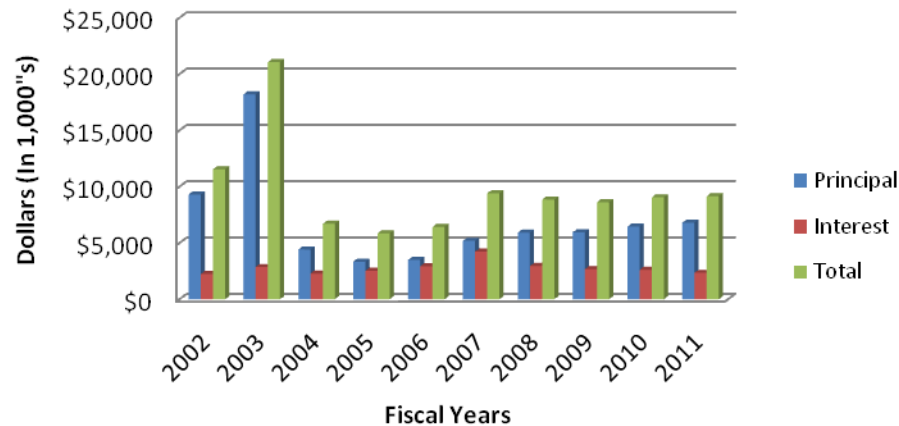
During FY 2011, proceeds from the issuance of debt totaled \$3,364,417 as follows:

### BOARD OF PUBLIC UTILITIES - Proceeds from Debt Issuance

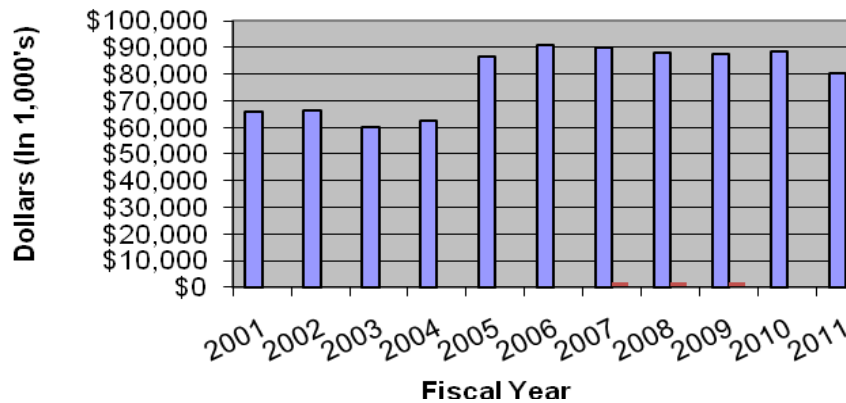
Project	Advance	Funding Source
DWSRF#074 Administration Building	\$ 30,734	Wyoming State Lands and Investments
CWSRF#084 Administration Building	58,115	Wyoming State Lands and Investments
DWSRF#079 30" Water Main/WAFB	2,299,132	Wyoming State Lands and Investments
DWSRF#106 Administration Building	414,917	Wyoming State Lands and Investments
CWSRF#115 Administration Building	414,917	Wyoming State Lands and Investments
CWSRF#092 Crow Creek Anoxic Basin	146,602	Wyoming State Lands and Investments
	<u>\$ 3,364,417</u>	

The Board retired \$2,850,000 of the 1998 General Obligation Water Refunding Bonds, \$465,000 of the 2008 Refunding Revenue Bonds, \$4,331,216 State of Wyoming ARRA sewer loan, and \$3,689,237 of additional State of Wyoming water and sewer loans.

### Annual Debt Payment



## Total Principal Debt Outstanding



The general obligation bonds are paid from the revenue of the water system. 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 2009, Standard and Poor's upgraded the Board's investment rating from AA- to AA. Standard's and Poor upgraded the rating based on Cheyenne's status as a regional trade center, state capital, and service based economy; and because of the Board's strong financial management, strong debt service, low water rates, adequate water supply and the water treatment plant's available capacity. Standard and Poor's also described the Board's financial outlook as "stable."

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

### Economic Factors and Next Year's Budget and Rates

These factors were considered in preparing the Board's budget for the 2012 fiscal year (July 1, 2011 to June 30, 2012).

Wyoming's economic recession did not start until the end of 2008 – lagging the U.S. recession by about one year. However, the recovery of the State's economy occurred rapidly, thanks to the improvement of energy prices. For the two quarters of 2011, the Wyoming state revenue has exceeded projections. The local Cheyenne economy fared well relative to other areas of the country during the recession. Personal income, in Cheyenne, rose by .5 percent during 2009 running contrary to the national 1.7 percent reduction.

The Cheyenne area's unemployment rate decreased from 8.8% in the first quarter of 2010 to 7.8% in the first quarter of 2011. According to the Wyoming Center for Business and Economic Analysis job growth on a year over year basis increased by 500 jobs, but the rate of increase in job growth was a meager 1.17% and, at that pace, it will take over 4.5 years to get back to the peak number prior to the recession.

During the course of calendar year 2010, 238 housing permits were issued compared with 175 in 2009. The total added housing valuation to the City for the calendar year was \$37,359,022. During the calendar year 2010, 98 commercial permits were issued on new and remodeling construction with a total added valuation to the City of \$40,008,455.

The Board's approved budget for the upcoming fiscal year 2012 totaled \$34,893,700. This is a 49.76 percent decrease from fiscal year 2011's adjusted budget, or (\$35,227,549). The decrease is primarily due to a reduction of construction projects by \$37,038,013 or 82.7 percent.

All recommended water and sewer rates for January 1, 2012 were not approved by City Council.

Sewer rates increased to \$3.46 per 1,000 gallons, effective with billings rendered after January 1, 2011.

On January 1, 2011, the combined rate for water and sewer SDFs increased approximately 3.4 percent on single-family residential ¾-inch taps from \$6,640 to \$6,865. 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 increased effective January 1, 2011. The average rate increase, per tier, was approximately 3.4%.

**Residential Single Family Rate Structure (In-City)**  
**Volume Rate Charge per 1,000 Gallons**  
**Effective January 1, 2011**

First Block	First 6,000	\$3.46
Second Block	Next 18,000	\$4.29
Third Block	Next 18,000	\$5.32
All Over	Over 42,000	\$6.61

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, 2011**

ASSETS	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Current Assets			
Cash and cash equivalents	\$ 13,343,033	\$ 4,723,907	\$ 18,066,940
Investments	3,759,312	2,336,313	6,095,625
Restricted assets:			
Cash and cash equivalents	388,105	-	388,105
Investments	989,594	-	989,594
Due from other governments	956,408	136,696	1,093,104
City of Cheyenne sanitation account	1,382,310	-	1,382,310
Receivables:			
Accounts, consumers, net	1,183,993	645,844	1,829,837
Estimated unbilled usage	1,392,158	544,612	1,936,770
Accrued interest	12,888	4,373	17,261
Inventories	248,364	14,507	262,871
Prepaid expenses	10,709	-	10,709
<b>Total current assets</b>	<b>23,666,874</b>	<b>8,406,252</b>	<b>32,073,126</b>
Noncurrent Assets			
Capital assets:			
Land	4,538,963	528,760	5,067,723
Utility plant in service	326,662,723	116,093,340	442,756,063
Machinery and equipment	788,023	261,378	1,049,401
Transportation equipment	1,718,873	572,958	2,291,831
Structures and improvements	1,547,349	543,175	2,090,524
Office furniture and equipment	677,623	228,402	906,025
Construction in progress	6,440,965	692,706	7,133,671
	342,374,519	118,920,719	461,295,238
Less accumulated depreciation	(132,464,000)	(41,278,161)	(173,742,161)
	209,910,519	77,642,558	287,553,077
Other Assets			
Deferred debt expense	96,712	-	96,712
<b>Total noncurrent assets</b>	<b>210,007,231</b>	<b>77,642,558</b>	<b>287,649,789</b>
<b>Total assets</b>	<b>233,674,105</b>	<b>86,048,810</b>	<b>319,722,915</b>

See Notes to Financial Statements.

LIABILITIES	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Current Liabilities			
Vouchers payable	\$ 1,285,177	\$ 471,516	\$ 1,756,693
Accrued compensated absences and early retirement	227,307	151,538	378,845
Accrued interest on general obligation bonds and loans	654,997	147,011	802,008
Current portion of general obligation bonds and loans	4,688,843	1,990,398	6,679,241
Unearned fees and deposits	1,030,217	258,577	1,288,794
Other accruals	-	36,409	36,409
Due to other City funds	1,470,415	-	1,470,415
<b>Total current liabilities</b>	<b>9,356,956</b>	<b>3,055,449</b>	<b>12,412,405</b>
Noncurrent Liabilities			
Accrued compensated absences	519,829	346,553	866,382
General obligation bonds and loans, net of current portion, deferred amount on refunding, and unamortized bond premium	40,308,287	33,440,509	73,748,796
<b>Total noncurrent liabilities</b>	<b>40,828,116</b>	<b>33,787,062</b>	<b>74,615,178</b>
<b>Total liabilities</b>	<b>50,185,072</b>	<b>36,842,511</b>	<b>87,027,583</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, net of related debt	164,913,389	42,211,651	207,125,040
Restricted for Debt Service and Capital Improvements	1,289,594	-	1,289,594
Unrestricted	17,286,050	6,994,648	24,280,698
<b>Total net assets</b>	<b>\$ 183,489,033</b>	<b>\$ 49,206,299</b>	<b>\$ 232,695,332</b>

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**

**PROPRIETARY FUNDS**

**Year Ended June 30, 2011**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Operating Revenues			
Sales and charges for services	\$ 17,517,713	\$ 8,279,468	\$ 25,797,181
Fees and miscellaneous	358,436	419,499	777,935
<b>Total operating revenues</b>	<b>17,876,149</b>	<b>8,698,967</b>	<b>26,575,116</b>
Operating Expenses			
Source of supply	1,129,193	-	1,129,193
Water treatment	2,032,733	-	2,032,733
Transmission and distribution	1,893,363	-	1,893,363
Sewer collection lines	-	1,073,547	1,073,547
Water reclamation	-	2,303,619	2,303,619
Engineering and water resources	600,738	445,615	1,046,353
Administrative and general	2,614,076	1,508,118	4,122,194
Information technology and customer service	709,835	237,864	947,699
Depreciation	7,378,944	3,223,587	10,602,531
<b>Total operating expenses</b>	<b>16,358,882</b>	<b>8,792,350</b>	<b>25,151,232</b>
<b>Operating income (loss)</b>	<b>1,517,267</b>	<b>(93,383)</b>	<b>1,423,884</b>
Nonoperating Revenues (Expenses)			
System development fees	1,335,754	319,809	1,655,563
Investment income:			
Net decrease in fair value of investments	(19,849)	(11,646)	(31,495)
Interest income	122,891	55,829	178,720
Interest expense	(1,576,919)	(911,683)	(2,488,602)
<b>Total nonoperating (expenses)</b>	<b>(138,123)</b>	<b>(547,691)</b>	<b>(685,814)</b>
<b>Income (loss) before contributions</b>	<b>1,379,144</b>	<b>(641,074)</b>	<b>738,070</b>
Capital Contributions			
Capital grants	264,247	4,331,216	4,595,463
Donated utilities	756,642	606,493	1,363,135
<b>Total capital contributions</b>	<b>1,020,889</b>	<b>4,937,709</b>	<b>5,958,598</b>
<b>Change in net assets</b>	<b>2,400,033</b>	<b>4,296,635</b>	<b>6,696,668</b>
Net Assets, beginning of year	181,089,000	44,909,664	225,998,664
Net Assets, end of year	\$ 183,489,033	\$ 49,206,299	\$ 232,695,332

See Notes to Financial Statements.



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

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2011**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 17,317,245	\$ 8,742,322	\$ 26,059,567
Cash payments to suppliers	(3,757,138)	(2,047,727)	(5,804,865)
Cash payments to employees	(5,712,986)	(3,612,136)	(9,325,122)
Change in City sanitation account	10,284	-	10,284
<b>Net cash provided by operating activities</b>	<b>7,857,405</b>	<b>3,082,459</b>	<b>10,939,864</b>
Cash Flows from Capital and Related Financing Activities			
System development fees	1,335,754	319,809	1,655,563
Capital grants	64,247	-	64,247
Proceeds from issuance of debt	2,988,143	376,274	3,364,417
Principal paid on general obligation/revenue bonds and loan debt maturities	(4,862,348)	(1,941,889)	(6,804,237)
Interest paid on debt	(1,429,762)	(916,115)	(2,345,877)
Acquisition and construction of capital assets	(4,718,245)	(1,809,791)	(6,528,036)
<b>Net cash (used in) capital and related financing activities</b>	<b>(6,622,211)</b>	<b>(3,971,712)</b>	<b>(10,593,923)</b>
Cash Flows from Investing Activities			
Interest on cash and investments	102,166	43,913	146,079
Purchase of investments	(997,981)	(1,442)	(999,423)
Redemption of investments	2,575,000	1,250,000	3,825,000
<b>Net cash provided by investing activities</b>	<b>1,679,185</b>	<b>1,292,471</b>	<b>2,971,656</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,914,379</b>	<b>403,218</b>	<b>3,317,597</b>
Cash and Cash Equivalents			
Beginning	10,816,759	4,320,689	15,137,448
Ending	<u>\$ 13,731,138</u>	<u>\$ 4,723,907</u>	<u>\$ 18,455,045</u>

Continued

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

**STATEMENT OF CASH FLOWS (Continued)  
PROPRIETARY FUNDS  
Year Ended June 30, 2011**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 1,517,267	\$ (93,383)	\$ 1,423,884
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	7,378,944	3,223,587	10,602,531
Increase (decrease) in cash and cash equivalents resulting from changes in operating assets and liabilities:			
Receivables	(305,838)	40,151	(265,687)
Inventories	(19,010)	1,801	(17,209)
Prepaid expenses	(10,709)	-	(10,709)
Vouchers payable	(491,184)	(113,814)	(604,998)
Accrued compensated absences	30,717	20,479	51,196
Other accruals	-	434	434
Unearned fees and deposits	(253,066)	3,204	(249,862)
City sanitation account	10,284	-	10,284
<b>Net cash provided by operating activities</b>	<b>\$ 7,857,405</b>	<b>\$ 3,082,459</b>	<b>\$ 10,939,864</b>
Noncash Investing, Capital and Financing Activities			
Amortization of deferred refunding loss and debt premiums	\$ 85,275	\$ -	\$ 85,275
Donated asset acquisitions	756,642	606,493	1,363,135
Capitalized interest	124,350	8,280	132,630
Principal forgiveness granted on loans	200,000	4,331,216	4,531,216

See Notes to Financial Statements.

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

**NOTES TO FINANCIAL STATEMENTS**

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**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.

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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 \$56,965.

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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.

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

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

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

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

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

**Note 2. Cash and Investments**

Cash and investments and restricted cash and investments as of June 30, 2011, as classified in the accompanying financial statements, consist of the following:

Statement of Net Assets:

Deposits with financial institutions:	
Cash	\$ 276,446
Certificates of deposit	9,085,219
Investments:	
WYOSTAR	16,168,735
WGIF	9,864
	<u>\$ 25,540,264</u>

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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, 2011, the primary government had bank balances on deposit and certificates of deposit of \$10,905,788. 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. At June 30, 2011, 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.

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Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Board's investments are held in external pooled investment accounts and in bank certificates of deposit, and as a means of limiting its exposure to fair value losses arising from rising interest rates, the Board attempts to match its investment maturities to expected cash flow needs. The Board's investment policy requires that the investment portfolio shall be timed to provide that at least 20% is under 31 days (but this amount need not be more than \$3,000,000) and not more than 25% may be over 181 days and less than three years. With this investment focus, investments are expected to reach maturity with limited gains or losses. At June 30, 2011, the Board's investments met this policy. The maturities and applicable interest rates of the Board's investments are displayed in the following Interest Rate Risk Table.

Investment Type	Fair Value	Interest Rate	Investment Maturities
			Less Than One Year
Certificates of deposit	\$ 9,085,219	0.15% - 0.75%	\$ 9,085,219
State Treasurer's Investment Pool (WYOSTAR)	16,168,735	0.50%	16,168,735
Wyoming Government Investment Fund (WGIF)	9,864	0.03%	9,864
	<u>\$ 25,263,818</u>		<u>\$ 25,263,818</u>



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**Note 3. Changes in Capital Assets**

A summary of changes in capital assets follows:

	Balance June 30, 2010	Additions	Retirement and Transfers	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 5,067,723	\$ -	\$ -	\$ 5,067,723
Construction in progress	5,260,250	6,097,797	(4,224,376)	7,133,671
<b>Total capital assets not being depreciated</b>	<b>10,327,973</b>	<b>6,097,797</b>	<b>(4,224,376)</b>	<b>12,201,394</b>
Capital assets being depreciated:				
Utility plant in service	437,595,748	1,726,683	3,433,632	442,756,063
Machinery and equipment	1,046,624	29,597	(26,820)	1,049,401
Transportation equipment	2,305,833	-	(14,002)	2,291,831
Structures and improvements	2,053,431	37,093	-	2,090,524
Office furniture and equipment	906,025	-	-	906,025
<b>Total capital assets being depreciated</b>	<b>443,907,661</b>	<b>1,793,373</b>	<b>3,392,810</b>	<b>449,093,844</b>
Less accumulated depreciation for:				
Utility plant in service	159,738,657	10,224,350	(790,744)	169,172,263
Machinery and equipment	849,315	43,521	(26,820)	866,016
Transportation equipment	1,842,368	181,882	(14,002)	2,010,248
Structures and improvements	891,395	48,747	-	940,142
Office furniture and equipment	649,461	104,031	-	753,492
<b>Total accumulated depreciation</b>	<b>163,971,196</b>	<b>10,602,531</b>	<b>(831,566)</b>	<b>173,742,161</b>
<b>Total capital assets being depreciated, net</b>	<b>279,936,465</b>	<b>(8,809,158)</b>	<b>4,224,376</b>	<b>275,351,683</b>
<b>Total capital assets, net</b>	<b>\$ 290,264,438</b>	<b>\$ (2,711,361)</b>	<b>\$ -</b>	<b>\$ 287,553,077</b>

**Note 4. Long-Term Liabilities**

The following is a summary of debt transactions of the Board for the year ended June 30, 2011:

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	Balance as of June 30, 2010	Debt	
		Issued	Retired
<b>Waterworks Fund:</b>			
DWSRF #034 Water Main Rehabilitation 2003	\$ 590,947	\$ -	\$ 32,955
DWSRF #056 Western Hills 2005	888,264	-	39,678
Granite Crystal Rehabilitation Water Loan 1985	1,493,316	-	33,700
Embankment Rehabilitation Water Loan 1989	1,156,402	-	268,299
North Crow Rehabilitation Water Loan 1992	987,114	-	49,297
Stage I Rehabilitation Loan 1993	5,003,735	-	106,198
10 Well Rehabilitation Loan 1994	106,025	-	51,974
King Two Water Storage Tank Loan 1994	291,235	-	51,794
Sherard Plant State WDWRP Loan 2000	2,834,482	-	187,212
DWSRF #023 RLS Refinance 2002	7,045,397	-	465,336
DWSRF #065 Southern Water Main 2007	5,027,217	-	210,623
DWSRF #074 Administrative Building 2007	197,100	23,049	-
CWSRF #084 Administrative Building 2007	197,100	43,586	-
CWSRF #081 Phase II Reuse 2008	1,280,000	-	50,282
DWSRF #079 30" Water Main/WAFB	2,581,788	2,299,132	-
DWSRF #106 Administrative Building 2009	-	311,188	-
CWSRF #115 Administrative Building 2009	-	311,188	-
DWSRF #082 FY2010 Water Wells	200,000	-	200,000
General Obligation Water Bonds 1998 Series	5,465,000	-	2,850,000
Refunding Revenue Water Bonds 2007 Series	11,460,000	-	465,000
	<u>46,805,122</u>	<u>2,988,143</u>	<u>5,062,348</u>
<b>Sewer Fund:</b>			
CWSRF #007 Crow Creek Rollins Sewer Lines 1997	1,179,295	-	118,469
CWSRF #032 Crow Creek Dry Creek WWTP 2002	2,679,811	-	138,276
CWSRF #046 Clean Water State Revolving Loan 2004	30,524,722	-	1,575,045
CWSRF #060 WAFB/Parsley 2006	2,627,896	-	110,099
DWSRF #074 Administrative Building 2007	65,700	7,685	-
CWSRF #084 Administrative Building 2007	65,700	14,529	-
DWSRF #106 Administrative Building 2009	-	103,729	-
CWSRF #115 Administrative Building 2009	-	103,729	-
CWSRF #092 Crow Creek Anoxic Basin	4,184,614	146,602	4,331,216
	<u>41,327,738</u>	<u>376,274</u>	<u>6,273,105</u>
	<u>\$ 88,132,860</u>	<u>\$ 3,364,417</u>	<u>\$ 11,335,453</u>

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Balance as of June 30, 2011	Current Portion	Unamortized Bond Premium	Deferred Amount on Refunding	Long-Term Portion
\$ 557,992	\$ 33,779	\$ -	\$ -	\$ 524,213
848,586	40,671	-	-	807,915
1,459,616	35,048	-	-	1,424,568
888,103	281,714	-	-	606,389
937,817	51,270	-	-	886,547
4,897,537	110,446	-	-	4,787,091
54,051	54,051	-	-	-
239,441	45,663	-	-	193,778
2,647,270	191,893	-	-	2,455,377
6,580,061	476,970	-	-	6,103,091
4,816,594	215,817	-	-	4,600,777
220,149	-	-	-	220,149
240,686	-	-	-	240,686
1,229,718	51,521	-	-	1,178,197
4,880,920	-	-	-	4,880,920
311,188	-	-	-	311,188
311,188	-	-	-	311,188
-	-	-	-	-
2,615,000	2,615,000	19,467	(71,093)	(51,626)
10,995,000	485,000	317,839	-	10,827,839
44,730,917	4,688,843	337,306	(71,093)	40,308,287
1,060,826	121,430	-	-	939,396
2,541,535	141,732	-	-	2,399,803
28,949,677	1,614,421	-	-	27,335,256
2,517,797	112,815	-	-	2,404,982
73,385	-	-	-	73,385
80,229	-	-	-	80,229
103,729	-	-	-	103,729
103,729	-	-	-	103,729
-	-	-	-	-
35,430,907	1,990,398	-	-	33,440,509
\$ 80,161,824	\$ 6,679,241	\$ 337,306	\$ (71,093)	\$ 73,748,796

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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.

Long-term debt payable as of June 30, 2011 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.	\$ 557,992
General Obligation Water Refunding Bonds, Series 1998, original amount of \$23,380,000, due in annual principal installments of \$2,615,000 through December 2011; interest at 5.25%. Secured by all taxable property within the City and all revenue, net of premiums and deferred loss.	2,615,000

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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.	\$ 1,459,616
Due to 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.	888,103
Due to the State of Wyoming, Water Development Commission, original amount of \$6,250,000, with interest at 4%, due annually on December 1. Annual principal and interest payments are \$306,348 through 2037. Secured by a mortgage on the Stage I pipeline and revenues from the Cheyenne Water System.	4,897,537
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.	54,051
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.	239,441
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.	937,817
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.	2,647,270

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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. \$ 6,580,061

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. 848,586

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #065, original amount of \$5,600,000 for the Southern Water Transmission Main - Phase I Project, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$334,721 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. 4,816,594

Refunding Revenue Water Bonds, Series 2007, original amount of \$12,330,000 due in annual principal installments ranging from \$465,000 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. 10,995,000

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #074, advances on a \$375,000 loan for the planning phase of 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 \$18,453 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. 293,534

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #084, advances on a \$375,000 loan for the planning phase of 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 \$20,175 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. 320,915

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Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #081, original amount of \$1,280,000 for the extension of Cheyenne's Recycled Water System Project, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$81,843 through 2030. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment.	\$ 1,229,718
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 \$306,845 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.	4,880,920
Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #060, original amount of \$2,900,000 loan, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$174,898 through 2029. Secured by the pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payments.	2,517,797
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.	1,060,826
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.	2,541,535
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.	28,949,677
	Continued



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

**NOTES TO FINANCIAL STATEMENTS**

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #106, advances on a \$3,500,000 loan for the construction phase of 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 \$26,084 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.

\$ 414,917

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #115, advances on a \$3,500,000 loan for the construction phase of 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 \$26,084 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.

414,917

**Total long-term liabilities**

\$ 80,161,824

The annual debt service requirements of the long-term debt and current principal maturities as of June 30, 2011 are as follows:

	Waterworks Fund		Sewer Fund	
	Principal	Interest	Principal	Interest
2012	\$ 4,688,843	\$ 1,331,376	\$ 1,990,398	\$ 875,884
2013	2,452,616	1,421,665	2,093,027	859,950
2014	2,532,390	1,338,766	2,145,313	807,664
2015	2,348,591	1,252,556	2,198,906	754,072
2016	2,317,206	1,174,275	2,253,837	699,140
2017-2021	11,956,673	4,416,784	11,588,539	2,515,656
2022-2026	11,092,511	2,391,786	12,615,220	1,029,897
2027-2031	5,311,168	835,469	543,563	29,599
2032-2036	1,733,012	272,358	2,104	52
2037	297,907	11,916	-	-
	<u>\$ 44,730,917</u>	<u>\$ 14,446,951</u>	<u>\$ 35,430,907</u>	<u>\$ 7,571,914</u>

The balances above do not include the unamortized bond premiums or the deferred loss on refunding in the net amount of \$266,213 that are reported as components of bonds payable.

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

**NOTES TO FINANCIAL STATEMENTS**

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In July 2011, the Board entered into a loan agreement with the State of Wyoming, Office of State Lands and Investments, DWSRF #120 for the financing of the construction of the Southern Water Main Transmission project. The authorized amount of the loan is \$9,400,000 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. Additionally, the Board received approval of a \$14,029,800 grant from the Wyoming Water Development Commission for the project. The grant provisions require the Board to increase the capital additions and replacement restricted cash balance from \$300,000 to \$400,000.

**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, Suite 500, Cheyenne, Wyoming 82002 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 14.12% of the employee's salary. The Board is required by State statute to contribute 7.12% of the amount. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The Board currently pays 4.50% of the required employee's contribution of 7.00%.

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

**NOTES TO FINANCIAL STATEMENTS**

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The Board's contribution to the Wyoming Retirement System for the years ended June 30, 2011, 2010 and 2009 were \$703,034, \$637,808 and \$538,988, respectively, equal to the required contributions for each year, plus the Board's share of the required employee contribution.

The Board employees have the option to participate in one of two defined contribution plans. These defined contribution plans include the Wyoming Deferred Compensation Program (457 Plan) administered by the Wyoming Retirement System and a defined contribution plan administered by VALIC Financial Advisors. Employees are allowed to contribute the maximum amount per Internal Revenue Service guidelines. The total employee contributions for the years ended June 30, 2011, 2010 and 2009 were \$166,595, \$180,316 and \$193,705, respectively. Beginning July 1, 2008, the Board elected to match an employee's contribution up to \$25 per month. The total matching contributions for the years ended June 30, 2011, 2010 and 2009 were \$29,575, \$30,425 and \$30,850, respectively.

**Note 6. Due from Other Governments**

Amounts due from other governments of \$1,093,104 as of June 30, 2011 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 2011. 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, 2011:

	Waterworks Fund	Sewer Fund	Total
Vacation leave	\$ 285,205	\$ 190,136	\$ 475,341
Compensatory/administrative time	74,774	49,850	124,624
Sick leave	289,807	193,205	483,012
	<u>\$ 649,786</u>	<u>\$ 433,191</u>	<u>\$ 1,082,977</u>

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

**NOTES TO FINANCIAL STATEMENTS**

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Changes in the liability for compensated absences are as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Compensated Absences					
Waterworks Fund	\$ 659,097	\$ 122,695	\$ (132,006)	\$ 649,786	\$ 129,957
Sewer Fund	439,396	78,369	(84,574)	433,191	86,638
	<u>\$ 1,098,493</u>	<u>\$ 201,064</u>	<u>\$ (216,580)</u>	<u>\$ 1,082,977</u>	<u>\$ 216,595</u>

**Note 8. Related-Party Transactions**

The Board collects sanitation charges on behalf of the City. At June 30, 2011, the Board had cash and receivables relating to the City's sanitation charges of \$1,470,415.

**Note 9. Major Customer**

For the year ended June 30, 2011, the Board had two customers who each individually accounted for a significant portion of the Board's consumed water and sewer revenues as follows:

	Water	Sewer	Total
Frontier Oil and Refinery	\$ 2,780,535	\$ 100,948	\$ 2,881,483
South Cheyenne Water & Sewer District	1,262,462	860,792	2,123,254

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

**NOTES TO FINANCIAL STATEMENTS**

**Note 10. Commitments**

As of June 30, 2011, 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 2011, the amounts below represent the activity pertaining to the contract as a whole.

	Expended to June 30, 2011	Total Contract	Total Commitment at June 30, 2011
<b>Waterworks Fund:</b>			
North Crow Repair	\$ -	\$ 19,140	\$ 19,140
Carey Avenue City Project	628,976	713,654	84,678
Pioneer Avenue City Project	234,692	266,289	31,597
19th Street City Project	75,101	85,212	10,111
W. Lincolnway - WYDOT Project	265,472	395,732	130,260
W. Pershing Blvd. Reconstruction	24,851	46,500	21,649
30" Water Transmission Main/WAFB	4,901,297	5,240,341	339,044
Weber Well Construction	196,195	228,614	32,419
FY11 Water Rehabs	157,111	828,644	671,533
FY12 Water Rehabs	-	11,846	11,846
Pond 3 - Water Dispenser	1,995	15,823	13,828
Administration Building - Engineering	425,214	503,872	78,658
Administration Building - Construction	655,245	3,567,643	2,912,398
	<u>7,566,149</u>	<u>11,923,310</u>	<u>4,357,161</u>
<b>Sewer Fund:</b>			
FY11 Sewer Main Rehabs	267,735	434,685	166,950
FY12 Sewer Main Rehabs	-	12,502	12,502
Carey Avenue City Project	304,710	335,451	30,741
Pioneer Avenue City Project	198,887	219,778	20,891
19th Street City Project	20,936	23,134	2,198
W. Pershing Blvd. Reconstruction	21,869	27,423	5,554
Administration Building - Engineering	141,738	167,957	26,219
Administration Building - Construction	218,415	1,189,214	970,799
	<u>1,174,290</u>	<u>2,410,144</u>	<u>1,235,854</u>
	<u>\$ 8,740,439</u>	<u>\$ 14,333,454</u>	<u>\$ 5,593,015</u>

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

**NOTES TO FINANCIAL STATEMENTS**

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**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, 2011, the Board is a member of the Wyoming Association of Risk Management (WARM), which is a separate legal agency created under Wyoming State Statutes for the purpose of establishing a shared risk pool and/or jointly purchasing insurance coverage. The participating entities are responsible for paying premiums into the pool which are calculated annually and are based upon actuarially sound and recognized pooling practices. The pool is responsible for determining the amounts of the premiums charged to the entities and is also responsible for managing the pool's assets. The entities have the right to submit claims for losses incurred. The pool has the right to collect premiums and admit or terminate members for nonpayment of premiums. The Board management considers the assets of WARM to be sufficient to cover any claims that may be incurred by its members.

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

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

## **SUPPLEMENTARY INFORMATION**

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

**BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2011**

	Waterworks Fund			
	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
	Original	Final		
Operating Revenues				
Sales and charges for services	\$ 17,707,800	\$ 17,529,000	\$ 17,517,713	\$ (11,287)
Fees and miscellaneous	367,100	360,900	358,436	(2,464)
<b>Total operating revenues</b>	<b>18,074,900</b>	<b>17,889,900</b>	<b>17,876,149</b>	<b>(13,751)</b>
Nonoperating Revenues				
Interest income	218,800	218,800	103,042	(115,758)
System development fees	754,000	739,600	1,335,754	596,154
Capital grants	11,700,000	11,818,950	264,247	(11,554,703)
Donated utilities	-	-	756,642	756,642
<b>Total nonoperating revenues</b>	<b>12,672,800</b>	<b>12,777,350</b>	<b>2,459,685</b>	<b>(10,317,665)</b>
<b>Total revenues</b>	<b>30,747,700</b>	<b>30,667,250</b>	<b>20,335,834</b>	<b>(10,331,416)</b>
Operating Expenses				
Source of supply	1,340,700	1,381,100	1,129,193	(251,907)
Water treatment	2,223,100	2,223,000	2,032,733	(190,267)
Transmission and distribution	1,940,500	1,942,300	1,893,363	(48,937)
Sewer collection lines	-	-	-	-
Water reclamation	-	-	-	-
Engineering and water resources	670,100	672,200	600,738	(71,462)
Administrative and general	2,628,800	2,665,600	2,614,076	(51,524)
Information technology and customer service	737,900	738,200	709,835	(28,365)
<b>Total operations</b>	<b>9,541,100</b>	<b>9,622,400</b>	<b>8,979,938</b>	<b>(642,462)</b>
Other Expenditures				
Capital purchases	417,500	471,802	409,632	(62,170)
Construction work in progress	26,621,800	39,090,943	4,308,613	(34,782,330)
Debt service, interest	1,778,600	1,770,800	1,576,919	(193,881)
Debt service, principal	4,804,700	4,862,800	4,862,348	(452)
<b>Total other expenditures</b>	<b>33,622,600</b>	<b>46,196,345</b>	<b>11,157,512</b>	<b>(35,038,833)</b>
<b>Total expenditures</b>	<b>43,163,700</b>	<b>55,818,745</b>	<b>20,137,450</b>	<b>(35,681,295)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (12,416,000)</b>	<b>\$ (25,151,495)</b>	<b>\$ 198,384</b>	<b>\$ 25,349,879</b>



Sewer Fund

Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
Original	Final		
\$ 8,802,300	\$ 8,691,300	\$ 8,279,468	\$ (411,832)
255,800	250,000	419,499	169,499
9,058,100	8,941,300	8,698,967	(242,333)
112,600	112,600	44,183	(68,417)
230,000	225,200	319,809	94,609
-	-	4,331,216	4,331,216
-	-	606,493	606,493
342,600	337,800	5,301,701	4,963,901
9,400,700	9,279,100	14,000,668	4,721,568
-	-	-	-
-	-	-	-
-	-	-	-
1,130,050	1,129,250	1,073,547	(55,703)
2,254,150	2,344,906	2,303,619	(41,287)
499,000	499,000	445,615	(53,385)
1,455,900	1,547,500	1,508,118	(39,382)
245,700	245,400	237,864	(7,536)
5,584,800	5,766,056	5,568,763	(197,293)
28,500	21,034	20,607	(427)
1,214,000	5,626,714	1,789,184	(3,837,530)
946,600	946,600	911,683	(34,917)
1,942,100	1,942,100	1,941,889	(211)
4,131,200	8,536,448	4,663,363	(3,873,085)
9,716,000	14,302,504	10,232,126	(4,070,378)
\$ (315,300)	\$ (5,023,404)	\$ 3,768,542	\$ 8,791,946

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

**NOTES TO BUDGETARY COMPARISON SCHEDULE**

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

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

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

## **STATISTICAL SECTION**

### **(UNAUDITED)**

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

#### **Financial Trends**

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

#### **Revenue Capacity**

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

#### **Debt Capacity**

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

#### **Demographic and Economic Information**

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

#### **Operating Information**

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

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

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

	2004	2005	2006	2007
Primary government:				
Invested in capital assets, net of related debt	\$162,003,448	\$163,057,489	\$177,727,960	\$190,664,158
Restricted	213,598	2,902,828	800,236	2,071,169
Unrestricted	19,936,388	24,388,848	26,927,560	24,459,644
<b>Total primary govern- ment net assets</b>	<b>\$182,153,434</b>	<b>\$190,349,165</b>	<b>\$205,455,756</b>	<b>\$217,194,971</b>

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

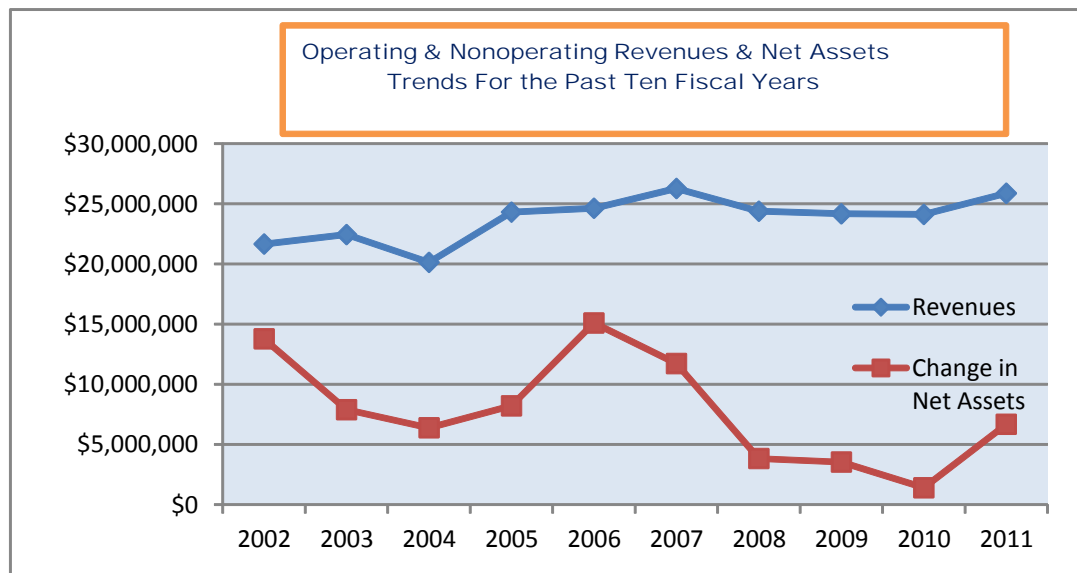
2008	2009	2010	2011
<hr/>			
\$193,238,637	\$197,637,971	\$201,950,640	\$207,125,040
3,250,423	1,289,594	1,289,594	1,289,594
24,550,118	25,660,121	22,758,430	24,280,698
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\$221,039,178	\$224,587,686	\$225,998,664	\$232,695,332
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**BOARD 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)
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)
2010	24,281,960	24,220,188	61,772
2011	26,575,116	25,151,232	1,423,884

Total Nonoperating Revenues/ (Expenses)	Income (Loss) before Capital Contribution	Capital Contributions	Change in Net Assets
\$ 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
(149,067)	(87,295)	1,498,273	1,410,978
(685,814)	738,070	5,958,598	6,696,668



**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
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
2010	15,460,342	8,242,981	578,637	24,281,960
2011	17,517,713	8,279,468	777,935	26,575,116



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

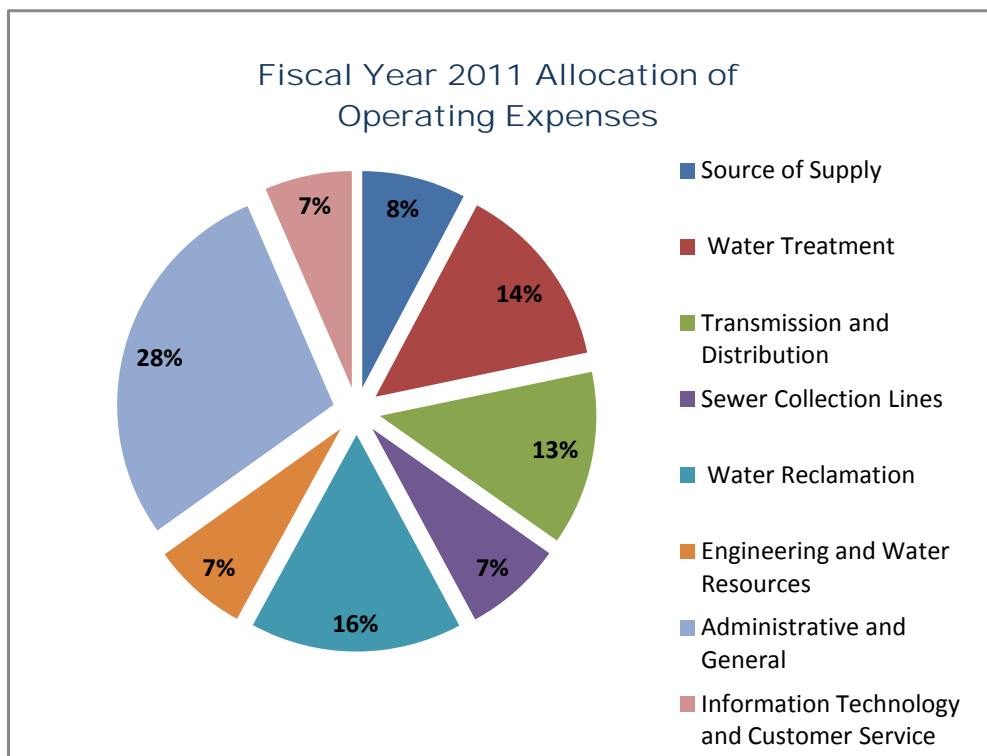
**COMBINED OPERATING EXPENSES**

**(Unaudited)**

**Last Ten Fiscal Years**

Fiscal Year	Source of Supply	Water Treatment	Transmission and Distribution	Sewer Collection Lines	Water Reclamation
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
2010	1,076,321	1,959,147	1,902,540	1,134,465	2,266,565
2011	1,129,193	2,032,733	1,893,363	1,073,547	2,303,619

Engineering and Water Resources	Administrative and General	Information Technology and Customer Service	Subtotal, Expenses before Depreciation	Depreciation	Total Operating Expenses
\$ 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
1,040,738	3,555,360	896,234	13,831,370	10,388,818	24,220,188
1,046,353	4,122,194	947,699	14,548,701	10,602,531	25,151,232



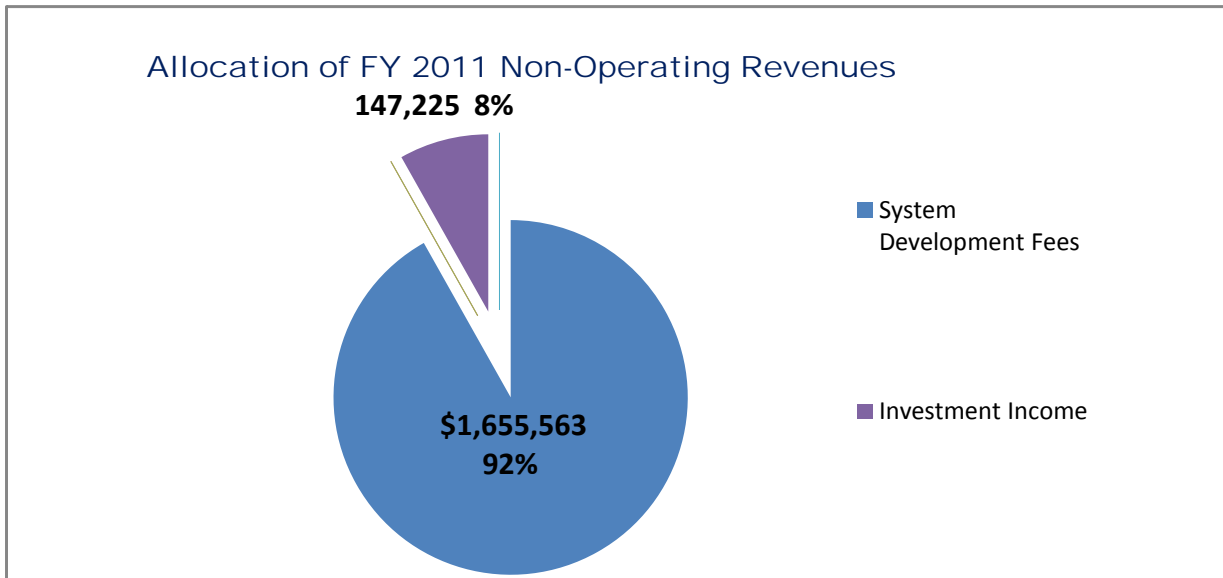
**BOARD OF PUBLIC UTILITIES  
CITY OF CHEYENNE, WYOMING**

**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
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
2010	1,153,325	1,000,000	10,257	307,393	5,175	(2,625,217)	(149,067)
2011	1,655,563	-	-	147,225	-	(2,488,602)	(685,814)



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

**WATER AND SEWER RATES**

**(Unaudited)**

**Last Ten Fiscal Years**

	Fiscal Year			
	2002	2003	2004	2005
<b>Water Rates</b>				
Rate charge (per 1,000 gallons):				
Treated	\$ 2.34	\$ 2.34	\$ 2.34	**
Large volume industrial treated	2.17	2.17	2.17	**
Residential single family:				
First block - First 6,000	**	**	**	\$ 2.40
Second block - Next 18,000	**	**	**	3.00
Third block - Next 18,000	**	**	**	3.75
All over - 42,000	**	**	**	4.69
Residential multi family:				
First block - First 3,000 per unit	**	**	**	2.40
Second block - Next 9,000 per unit	**	**	**	3.00
Third block - Next 9,000 per unit	**	**	**	3.75
All over - 21,000 per unit	**	**	**	4.69
All other treated (range)	**	**	**	2.58-3.00
Raw water (range)	**	**	**	1.49-1.51
Reclaimed water	**	**	**	1.20
Recycled water				
Monthly service fee range (based on meter size)	3.40-145.00	3.40-145.00	3.40-145.00	3.75-145.00
<b>Sewer Rates</b>				
Rate charge (per 1,000 gallons)	\$ 1.55	\$ 1.75	\$ 2.00	\$ 2.25
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.

\*\* 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					
2006	2007	2008	2009	2010	2011
**	**	**	**	**	**
**	**	**	**	**	**
\$ 2.76	\$ 2.87	\$ 2.96	\$ 3.20	\$ 3.35	\$ 3.46
3.45	3.59	3.71	3.98	4.15	4.29
4.31	4.48	4.62	4.92	5.15	5.32
5.39	5.61	5.79	6.15	6.40	6.61
2.76	2.87	2.96	3.20	3.35	3.46
3.45	3.59	3.71	3.98	4.15	4.29
4.31	4.48	4.62	4.92	5.15	5.32
5.39	5.61	5.79	6.15	6.40	6.61
3.01-3.45	3.13-3.59	3.23-3.71	3.68-3.98	3.65-4.15	3.78-4.29
1.73-1.75	1.82	1.88	2.08	2.17	2.24
1.40	1.46	1.51	1.69	1.76	1.82
	2.70	2.79	3.02	3.14	3.24
4.00-145.00	4.10-145.00	4.25-145.00	4.45-150.95	4.65-158.00	4.80-163.37
\$ 2.50	\$ 2.75	\$ 3.00	\$ 3.20	\$ 3.35	\$ 3.46
3.50-60.00	3.50-60.00	3.50-60.00	3.65-62.50	3.80-65.00	3.93-67.21

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

**TEN LARGEST WATER CUSTOMERS**

**(Unaudited)**

**Current Year and Nine Years Ago**

Customer	Fiscal Year 2011		Fiscal Year 2011	
	Water Revenues		Gallons (1,000's)	
	Amount	%	Amount	%
Frontier Refining and Marketing	\$ 2,780,535	15.87%	\$ 746,791	17.50%
Warren Air Force Base	1,282,722	7.32%	325,916	7.64%
South Cheyenne Water and Sewer District	1,262,462	7.21%	323,243	7.57%
Laramie County School Dist #1	365,416	2.09%	89,599	2.10%
State of Wyoming	216,042	1.23%	51,214	1.20%
Cheyenne Regional Medical Center	95,496	0.55%	23,627	0.55%
Cheyenne Housing Authority	86,362	0.49%	21,035	0.49%
Pinewood Village	71,564	0.41%	18,136	0.42%
Department of Veterans Affairs	70,803	0.40%	17,699	0.41%
Frontier Mall	63,399	0.36%	15,634	0.37%
<b>Subtotal (10 largest)</b>	<b>6,294,801</b>	<b>35.93%</b>	<b>1,632,894</b>	<b>38.26%</b>
Balance from other customers	11,222,912	64.07%	2,635,141	61.74%
<b>Grand total</b>	<b>\$ 17,517,713</b>	<b>100.00%</b>	<b>\$ 4,268,035</b>	<b>100.00%</b>

Customer	Fiscal Year 2002		Fiscal Year 2002	
	Water Revenues		Gallons (1,000's)	
	Amount	%	Amount	%
Frontier Refining and Marketing	\$ 1,496,744	13.02%	\$ 703,262	15.48%
Warren Air Force Base	942,528	8.20%	434,835	9.57%
South Cheyenne Water and Sewer District	802,139	6.98%	348,829	7.68%
Laramie County School Dist #1	206,837	1.80%	83,731	1.84%
State of Wyoming	146,798	1.28%	59,377	1.31%
Cheyenne Country Club	90,917	0.79%	54,733	1.20%
Cheyenne Regional Medical Center	89,102	0.77%	37,903	0.83%
Holdings Little America	88,282	0.77%	33,550	0.74%
Department of Veterans Affairs	73,424	0.64%	30,795	0.68%
Cheyenne Housing Authority	63,414	0.55%	24,866	0.55%
<b>Subtotal (10 largest)</b>	<b>4,000,184</b>	<b>34.79%</b>	<b>1,811,881</b>	<b>39.88%</b>
Balance from other customers	7,499,306	65.21%	2,731,003	60.12%
<b>Grand total</b>	<b>\$ 11,499,490</b>	<b>100.00%</b>	<b>\$ 4,542,884</b>	<b>100.00%</b>

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

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

Customer	Fiscal Year 2011		Fiscal Year 2011	
	Sewer Revenues		Sewer Gallons (1,000's)	
	Amount	%	Amount	%
South Cheyenne Sewer and Water District	\$ 860,792	10.40%	\$ 253,035	11.90%
Warren Air Force Base	479,454	5.79%	140,615	6.61%
Frontier Oil & Refinery	100,948	1.22%	25,801	1.21%
Cheyenne Regional Medical Center	78,877	0.95%	22,759	1.07%
Laramie County School Dist #1	71,322	0.86%	19,707	0.93%
State of Wyoming	62,439	0.75%	16,798	0.79%
Cheyenne Housing Authority	55,714	0.67%	14,623	0.69%
Pinewood Village	47,052	0.57%	13,632	0.64%
Frontier Mall	40,215	0.49%	11,585	0.54%
Wal-Mart Distribution Center	52,374	0.63%	10,271	0.48%
<b>Subtotal (10 largest)</b>	<b>1,849,187</b>	<b>22.33%</b>	<b>528,826</b>	<b>24.87%</b>
Balance from other customers	6,430,281	77.67%	1,597,563	75.13%
<b>Grand total</b>	<b>\$ 8,279,468</b>	<b>100.00%</b>	<b>\$ 2,126,389</b>	<b>100.00%</b>

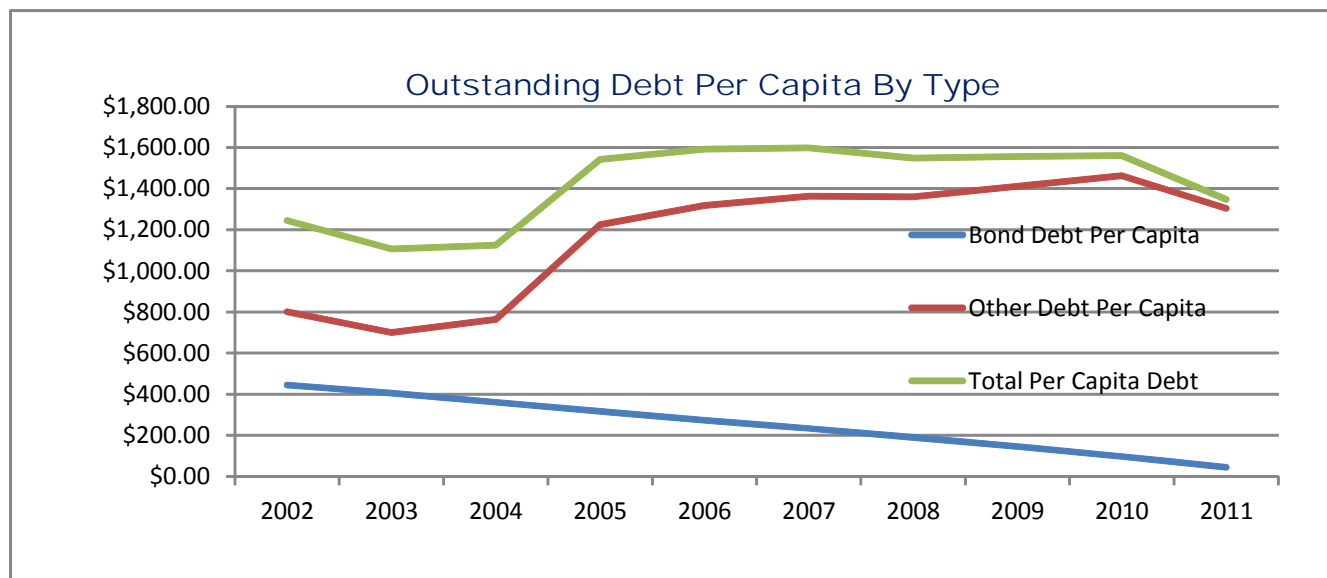
Customer	Fiscal Year 2002		Fiscal Year 2002	
	Sewer Revenues		Sewer Gallons (1,000's)	
	Amount	%	Amount	%
South Cheyenne Sewer and Water District	\$ 404,575	9.52%	\$ 261,016	12.37%
Warren Air Force Base	287,933	6.77%	185,299	8.77%
Cheyenne Regional Medical Center	50,868	1.21%	32,371	1.54%
Laramie County School District #1	34,442	0.81%	19,664	0.93%
Hitching Post	30,043	0.71%	18,984	0.90%
State of Wyoming	30,508	0.72%	17,189	0.81%
Cheyenne Housing Authority	27,316	0.64%	14,369	0.68%
Flying J Travel Plaza	27,234	0.64%	11,588	0.55%
Frontier Mall	17,839	0.42%	11,025	0.52%
Pinewood Village	17,304	0.41%	10,978	0.52%
<b>Subtotal (10 largest)</b>	<b>928,061</b>	<b>21.82%</b>	<b>582,483</b>	<b>27.57%</b>
Balance from other customers	3,325,844	78.18%	1,530,082	72.43%
<b>Grand total</b>	<b>\$ 4,253,905</b>	<b>100.00%</b>	<b>\$ 2,112,565</b>	<b>100.00%</b>

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

**RATIOS OF OUTSTANDING DEBT BY TYPE  
(Unaudited)  
Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt			Other Debt			Total Debt
	General Obligation Bonds	Per Capita	As a Share of Personal Income	Notes and Refunding Revenue Bonds	Per Capita	As a Share of Personal Income	All Notes/Bonds
2002	\$ 23,980,000	\$ 444.12	0.9%	\$ 43,276,272	801.50	1.66%	\$ 67,256,272
2003	22,015,000	405.90	0.8%	38,254,634	700.10	1.39%	60,269,634
2004	19,955,000	360.45	0.7%	42,305,907	764.17	1.40%	62,260,907
2005	17,805,000	317.64	0.6%	68,637,859	1,224.50	2.20%	86,442,859
2006	15,555,000	274.07	0.6%	75,271,287	1,317.72	3.30%	90,826,287
2007	13,205,000	234.75	0.5%	76,715,356	1,363.80	3.10%	89,920,356
2008	10,745,000	188.79	0.40%	77,400,151	1,359.92	3.05%	88,145,151
2009	8,170,000	145.13	0.30%	79,330,078	1,409.16	3.19%	87,500,078
2010	5,465,000	96.75	**	82,667,860	1,463.59	**	88,132,860
2011	2,615,000	43.97	**	77,546,824	1,304.05	**	80,161,824

\*\* 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
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%
2010	20,413,427	-	20,413,427	0.00%
2011	21,057,989	-	21,057,989	0.00%

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

**SEWER FUND  
COMPUTATION OF LEGAL DEBT MARGIN  
(Unaudited)  
June 30, 2011**

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Total assessed value, City of Cheyenne	<u>\$ 526,449,716</u>
Debt limit (4% of total assessed value)	<u>21,057,989</u>
Debt applicable to limit	
Bonded debt	-
Less: Amount set aside for repayment of bond debt	<u>-</u>
<b>Total net debt applicable to limit</b>	<u>-</u>
 <b>Legal debt margin</b>	 <u><u>\$ 21,057,989</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	Water*		Net Revenues		Debt Service***		Cover-
Year	Gross	Expenses**	Available				age
	Revenues		for Debt	Principal	Interest	Total	Ratio
			Service				****
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	4,197,162	1,729,781	5,926,943	2.0
2010	18,513,871	8,096,391	10,417,480	4,592,685	1,593,984	6,186,669	1.7
2011	19,379,192	8,979,938	10,399,254	4,862,348	1,429,762	6,292,110	1.7

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

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

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

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

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

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fiscal	Sewer*		Net Revenues		Debt Service		Cover-
Year	Gross	Expenses**	Available		Principal	Interest	age
	Revenues		for Debt			Total	Ratio
			Service				***
2002	\$ 4,644,887	\$ 3,253,134	\$ 1,391,753	\$ 81,824	\$ 81,209	\$ 163,033	8.54
2003	5,093,555	3,472,461	1,621,094	85,097	77,827	162,924	9.95
2004	6,082,899	3,728,724	2,354,175	99,663	134,364	234,027	10.06
2005	9,539,724	4,186,229	5,353,495	102,155	513,124	615,279	8.70
2006	10,040,555	4,886,230	5,154,325	104,709	1,037,575	1,142,284	4.51
2007	10,390,429	5,270,211	5,120,218	1,659,510	2,518,141	4,177,651	1.23
2008	9,299,608	5,288,528	4,011,080	1,700,997	938,854	2,639,851	1.52
2009	9,233,317	5,680,073	3,553,244	1,743,523	939,868	2,683,391	1.32
2010	8,866,790	5,734,979	3,131,811	1,894,563	1,013,491	2,908,054	1.08
2011	9,062,959	5,568,763	3,494,196	1,941,889	916,115	2,858,004	1.22

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

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

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

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

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

Fiscal Year	Population		Personal Income (Thousands of Dollars)*	Per Capita Income*	Unemploy- ment Rate*	School Enrollment*
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	(a)	3,123,965	36,922	4.4%	14,498
2006	55,662	(a)	3,401,073	39,647	4.1%	14,351
2007	55,641	(a)	3,748,995	43,351	4.0%	14,320
2008	56,051	(b)	3,915,224	44,613	4.1%	14,257
2009	56,296	(b)	3,933,828	44,273	6.5%	14,301
2010	56,483	(b)	**	**	7.4%	14,825
2011	59,466	(b)	**	**	**	**

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

(a) U.S. Census Bureau Estimate.

(b) Wyoming Division of Economic Analysis.

\* For Laramie County.

\*\* Information not yet available.

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

**PRINCIPAL EMPLOYERS**

**(Unaudited)**

**Current Year and Nine Years Ago**

Employer	Product	2011	
		Employees	Percentage of Total
F.E. Warren A.F.B.	Military	3,820	6.13%
State of Wyoming	Government Services	3,379	5.43%
Laramie County School District No.1	Education K-12	2,157	3.46%
Federal Government	Government Services	1,804	2.89%
Cheyenne Regional Medical Center	Health Care	1,618	2.59%
Wyoming National Guard	Military	744	1.19%
Sierra Trading Post	Outlet Catalog/Retail	595	0.95%
Union Pacific Railroad	Transportation, Rail	594	3.75%
Veterans Affairs Medical Center	Health Care	586	1.26%
City of Cheyenne	Government Services	550	0.88%
		15,847	25.42%
All other employers		46,505	74.58%
<b>Total employees</b>		<b>62,352</b>	<b>100.00%</b>

Employer		2002	
		Employees	Percentage of Total
F.E. Warren A.F.B.	Military	4,451	8.12%
State of Wyoming	Government Services	3,627	6.62%
Federal Government	Government Services	2,422	4.42%
Laramie County School District No.1	Education K-12	1,850	3.38%
United Medical Center	Health Care	1,360	2.48%
Wyoming National Guard	Military	859	1.57%
Union Pacific Railroad	Transportation, Rail	650	1.19%
City of Cheyenne	Government Services	528	0.96%
Sierra Trading Post	Outlet Catalog/Retail	503	0.92%
Veterans' Affairs Medical Center	Government Services	322	0.59%
		16,572	30.24%
All other employers		38,230	69.76%
<b>Total employees</b>		<b>54,802</b>	<b>100.00%</b>

**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,			
	2002	2003	2004	2005
Administration				
General and administrative	6	7	7	8
Customer service	6	6	6	6
Information technology	3	3	3	4
Meter information techs	5	5	5	5
Subtotal	20	21	21	23
Water Treatment				
Management/support staff	2	2	2	2
Plant supervisor/operators	13	13	13	13
Laboratory staff	2	2	2	2
Wellfield group	3	3	3	3
Subtotal	20	20	20	20
Operation and Maintenance				
Source of supply	6	6	6	-
Transmission and distribution	10	10	10	12
Sewer collection	10	10	10	12
Support services	12	12	12	13
Sup. dist. and col. fac. staff	4.5	4.5	5.5	3.5
Subtotal	42.5	42.5	43.5	40.5
Engineering and Water Resources				
Engineering staff	7	7	7	8
Inspections and locates	4	4	4	3
Instrumentation and telemetry	3	3	3	3
Source of supply	-	-	-	6
Subtotal	14	14	14	20
Water Reclamation				
Management/support staff	4	4	4	4
Laboratory staff	2	2	2	2
Plant supervisors/operators	15	15	15	15
Subtotal	21	21	21	21
<b>Total</b>	117.5	118.5	119.5	124.5

Full-Time Equivalent Budgeted Positions as of June 30,

2006	2007	2008	2009	2010	2011
8	8	8	8	8	8
6	6	6	6	6	6
4	4	4	4	4	4
5	5	5	5	5	5
23	23	23	23	23	23
2	2	2	2	2	2
13	13	13	13	13	13
2	2	2	2	2	2
3	3	3	3	3	3
20	20	20	20	20	20
-	-	-	-	-	-
12	12	12	13	13	13
12	12	12	12	12	12
13	11	11	11	11	11
3.5	5.5	5.5	5.5	5.5	5.5
40.5	40.5	40.5	41.5	41.5	41.5
8	8	8	8	7	7
4	4	4	4	4	4
3	4	4	4	4	4
6	6	6	6	6	6
21	22	22	22	21	21
4	4	5	5	5	5
2	2	2	2	2	2
16	16	16	16	16	16
22	22	23	23	23	23
126.5	127.5	128.5	129.5	128.5	128.5



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

**OPERATING AND CAPITAL INDICATORS**

**(Unaudited)**

**Last Ten Fiscal Years**

	Fiscal Years			
	2002	2003	2004	2005
<b>Water Treatment</b>				
Raw Water Collection Mains (miles)	24	24	24	24
Raw Water Transmission Mains (miles)	167	181	181	181
Treated Water Transmission Mains (miles)	240	243	243	243
Treated Water Distribution Mains (miles)	306	331	331	347
Gallons of treated water storage (millions)	35	35	35	35
Reservoir levels at June 30 (acre feet*)	27,717	33,996	35,306	39,364
Water treatment plant capacity	23 mgd	32 mgd	32 mgd	32 mgd
Peak day **	June 30, 2002	July 19, 2002	July 17, 2003	June 21, 2005
Peak day (mgd)	37.14	39.55	24.87	24.39
Peak month **	June 2002	July 2002	July 2003	August 2004
Peak month (million gallons)	882.01	1,058.48	619.45	551.47
Total water delivered (acre feet*)	16,469	15,472	13,466	13,631
Average daily demand (mgd)	14.703	13.813	11.989	12.169
<b>Recycled Water</b>				
Miles of delivery pipeline	-	-	-	-
Treatment capacity	-	-	-	-
Total recycled water delivered (acre feet*)	-	-	-	-
Peak day	-	-	-	-
Peak day (mgd)	-	-	-	-
<b>Water Reclamation</b>				
Miles of sewer collection mains	263	279	288	291
Water reclamation capacity	13.5 mgd	13.5 mgd	13.5 mgd	13.5 mgd
Peak month	July 2001	July 2002	July 2003	June 2004
Peak month (million gallons)	326.45	297.47	265.76	311.94
Peak month average per day	10.5 mgd	9.6 mgd	8.5 mgd	10.4 mgd
Total wastewater treated (000 gallons)	3,334,290	3,178,170	2,965,465	3,258,026
Average mgd	9.14	8.71	8.10	8.93

\* 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					
2006	2007	2008	2009	2010	2011
24	24	24	24	24	24
181	181	181	181	181	181
243	243	246	250	250	250
347	362	371	374	377	380
35	35	35	35	35	35
38,221	38,076	39,145	39,555	40,222	41,108
32 mgd	32 mgd	32 mgd	32 mgd	32 mgd	32 mgd
June 14, 2006	July 31, 2006	July 3, 2007	July 15, 2008	Aug. 12, 2009	Sept. 12, 2010
28.48	29.25	31.17	32.26	25.98	28.42
June 2006	August 2006	July 2007	July 2008	August 2009	August 2010
744.62	735.72	725.82	833.17	626.79	697.66
16,165	15,888	14,208	12,753	13,173	14,815
14.431	14.182	12.649	11.385	11.760	13.230
-	-	12.24	13.70	13.70	13.70
-	-	4.0 mgd	4.0 mgd	4.0 mgd	4.0 mgd
-	-	378.7	305.6	252.05	184.57
-	-	October 4, 2007	August 2, 2008	June 21, 2010	July 14, 2010
-	-	2.56	2.89	2.68	2.39
300	306	311	312	313	314
17.0 mgd	17.0 mgd	17.0 mgd	17.0 mgd	17.0 mgd	17.0 mgd
December 2005	March 2007	August 2007	August 2008	May 2010	July 2010
366.73	306.09	276.86	320.37	372.761	332.8
11.8 mgd	9.9 mgd	8.9 mgd	10.3 mgd	12.00 mgd	10.74 mgd
3,590,459	3,286,169	3,132,495	3,294,313	3,435,352	3,283,370
9.84	9.00	8.56	9.03	9.41	9.00

**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)
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)
2010	4,290	3,832	303	155
2011	4,828	4,218	366	244
10-year average	4,758	4,139	320	299

**Notes:**

Gallons are presented in millions

- (a) Water delivered to the community of Cheyenne for consumption, metered dates are from July 1 to June 30.
- (b) Gallons of water sold are based upon bills issued from July 1 or June 30, meter reading dates for these bills do not coincide with July 1 through June 30. Due to monthly billing cycles, this number may include some metered use from June of the prior fiscal year and not include some metered use from June of the current fiscal year.
- (c) Gallons used by the City is based upon meter read dates and vary beginning in mid-May and ending in June; the City is not billed for water use.
- (d) Unbilled water use is a calculated value. Billing cycles (see footnote (b)), weather conditions and peak demands near the beginning and end of the fiscal year can cause this value to be inaccurate on a fiscal year basis. Please use the 10-year average when evaluating unbilled water use. Examples of unbilled use includes fire fighting activities, hydrant use, hydrant and main flushing, and water main breaks.
- (e) Average is computed by taking the gallons of water unbilled (d) divided by gallons of water delivered (a).
- (f) Gallons of wastewater billed are based on billings for the period July 1 through June 30.
- (g) The water rate for fiscal year 2002 is the inside City treated water rate per 1,000 gallons; for fiscal years 2003 through 2011, 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.

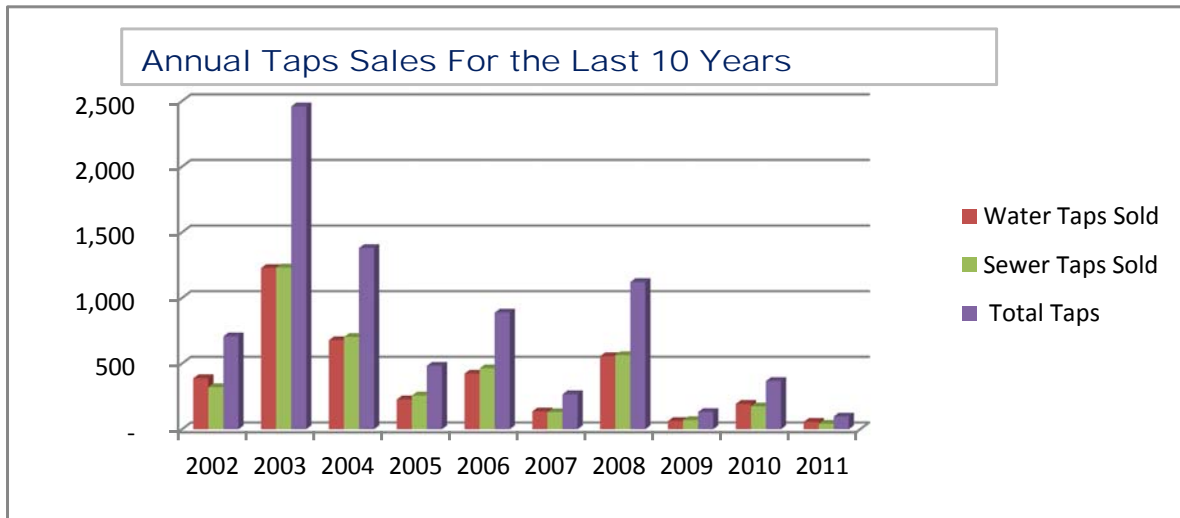
\*\* Information not available.

Average Percent Unbilled(e)	Gallons of Wastewater Billed(f)	Total Direct Rate	
		Water(g)	Sewer(h)
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
3.61%	2,179	3.97	3.35
5.05%	2,126	4.15	3.46
6.29%	2,227		

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

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

Fiscal Year	Water Meter Taps Sold	Sewer Taps Sold	Total Taps
2002	388	320	708
2003	1,228	1,231	2,459
2004	678	703	1,381
2005	227	256	483
2006	424	464	888
2007	136	130	266
2008	557	564	1,121
2009	62	69	131
2010	193	174	367
2011	55	42	97



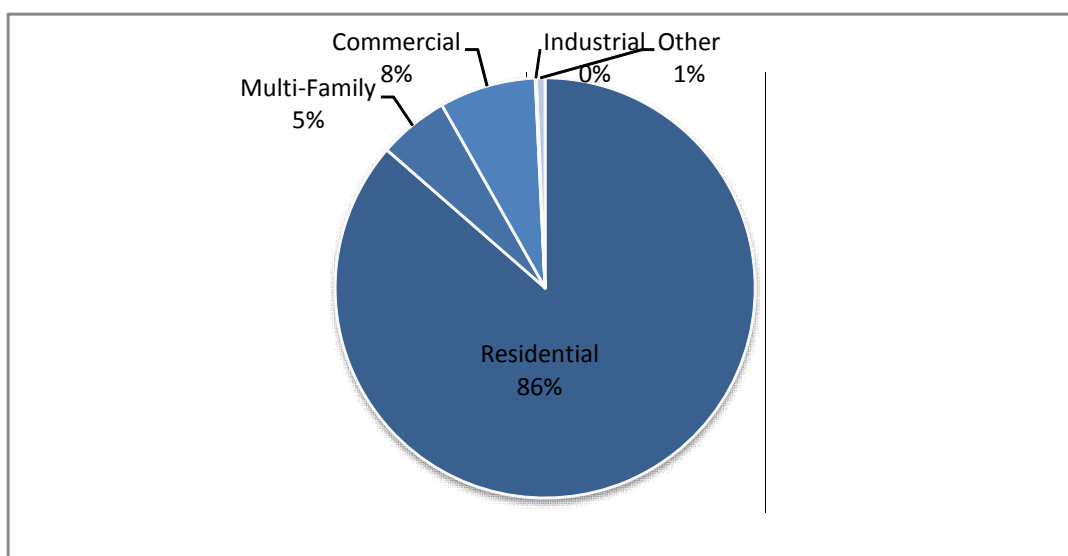
**BOARD OF PUBLIC UTILITIES  
CITY OF CHEYENNE, WYOMING**

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

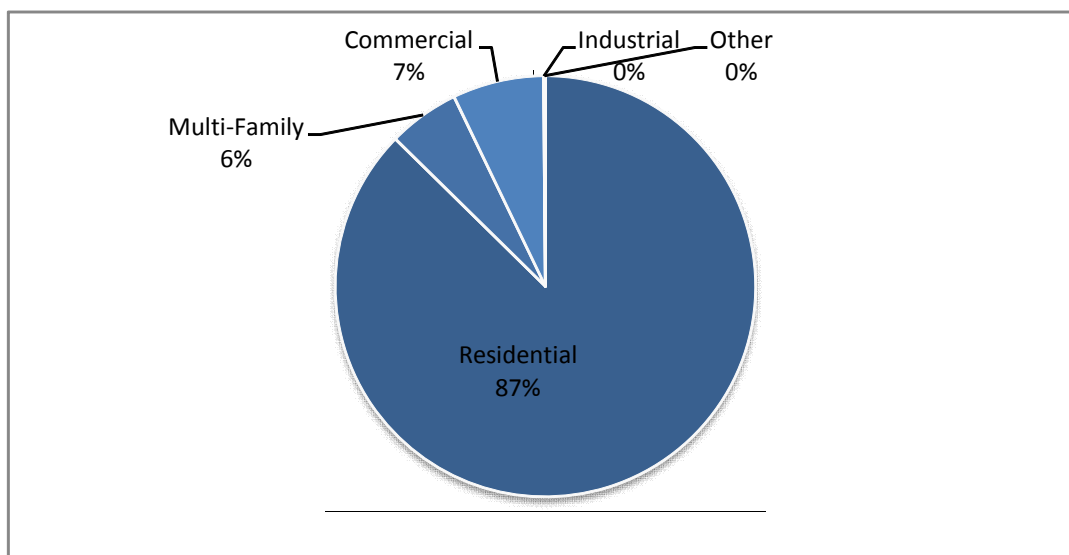
Fiscal Year	Water				
	Residential	Multi-Family	Commercial	Industrial	Other
2002	17,027	1,104	1,488	20	127
2003	17,271	1,105	1,508	19	112
2004	17,658	1,167	1,522	20	126
2005	18,102	1,161	1,538	21	139
2006	18,481	1,151	1,586	23	151
2007	18,635	1,165	1,594	19	166
2008	18,810	1,170	1,622	19	179
2009	18,947	1,182	1,629	24	156
2010	19,160	1,183	1,645	24	187
2011	19,311	1,210	1,660	21	149

**Notes:**

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



Sewer					Total	
Residential	Multi-Family	Commercial	Industrial	Other	Water	Sewer
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
19,046	1,186	1,525	21	13	22,199	21,791
19,241	1,210	1,545	20	12	22,351	22,028



**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
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	56,036	1,784,824	87.26	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
2010	56,483	1,800,494	87.33	3,237,866	157.05
2011	59,466	2,057,439	94.79	3,512,364	161.82

\* Wyoming Center for Business and Economic Analysis.

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



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

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

**(Unaudited)**

**Last Ten Fiscal Years in (000 Gallons)**

Calendar Year	Residential	Commercial and Industrial	Frontier Oil Refinery	Total In-City Metered Water Sales	F.E. Warren Air Force Base	South Cheyenne Sewer and Water District	Outside City
2002	2,226,099	875,322	691,927	3,793,348	356,259	321,295	19,896
2003	2,174,054	873,385	750,528	3,797,967	367,623	350,180	11,619
2004	1,736,696	657,687	782,888	3,177,271	197,327	277,248	9,124
2005	1,784,824	646,095	658,137	3,089,056	203,392	267,063	9,324
2006	2,093,589	843,675	687,218	3,624,482	231,782	316,983	9,709
2007	2,081,685	779,406	703,098	3,564,189	298,728	333,219	9,384
2008	2,026,111	709,655	699,959	3,435,725	260,250	335,972	8,516
2009	1,962,219	701,687	818,322	3,482,228	268,014	320,490	7,449
2010	1,800,494	652,161	785,211	3,237,866	239,710	291,546	15,226
2011	2,057,439	710,916	744,009	3,512,364	324,206	323,243	19,026

\* Excluding depreciation.

Raw Water	Recycled Water	Oil and Gas	Construc- tion	Total Water Sales	Total Water Operating Expenses*	Operating Cost per 1,000	Total Water Debt Service	Debt Cost per 1,000
52,086	-	-	-	4,542,884	\$ 5,405,555	\$ 1.19	\$ 11,387,611	\$ 2.51
87,268	-	-	-	4,614,657	6,018,963	1.30	20,902,078	4.53
94,891	-	-	-	3,755,861	6,143,342	1.64	6,465,398	1.72
48,956	-	-	-	3,617,791	6,730,049	1.86	5,236,133	1.45
66,992	-	-	-	4,249,948	7,012,378	1.65	5,276,372	1.24
78,427	-	-	-	4,283,947	7,357,980	1.72	5,234,104	1.22
62,659	16,084	-	-	4,119,206	7,710,867	1.87	5,529,971	1.34
49,393	17,669	-	-	4,145,243	8,169,940	1.97	5,926,942	1.43
47,930	3,250	-	-	3,835,528	8,096,391	2.11	6,186,669	1.61
63,989	20,205	1,909	3,093	4,268,035	8,979,938	2.10	6,292,110	1.47

# **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, 2011, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 27, 2011. 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, flowing style.

Cheyenne, Wyoming  
September 27, 2011