

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

CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	xiii
Board Members	xiv
List of Principal Officials	xv
Water Development	xvi
Organizational Chart of the Board of Public Utilities	xxiii

FINANCIAL SECTION

Independent Auditors' Report on the Basic Financial Statements and Supplementary Information	1 - 3
Management's Discussion and Analysis (<i>Required Supplementary Information</i>)	4 - 19
Basic Financial Statements	
Statement of net position	20 and 21
Statement of revenues, expenses and changes in fund net position	22
Statement of cash flows	23 and 24
Notes to financial statements	25 - 42
Supplementary Information	
Budgetary comparison schedule	43 and 44
Notes to budgetary comparison schedule	45

STATISTICAL SECTION

Statistical Section (Unaudited)	46
Financial Trends	
Net position by component	47 and 48
Combined changes in net position	49 and 50
Combined operating revenues by source	51
Combined operating expenses	52 and 53
Combined nonoperating revenues and expenses	54
Revenue Capacity	
Water and sewer rates	55 and 56
Ten largest water customers	57
Ten largest sewer customers	58
Debt Capacity	
Ratios of outstanding debt by type	59
Sewer Fund legal debt margin information	60
Sewer Fund computation of legal debt margin	61
Pledged revenue coverage – Waterworks Fund	62
Pledged revenue coverage – Sewer Fund	63
Demographic and Economic Information	
Demographic and economic statistics	64
Principal employers	65
Number of employees by identifiable activity	66 and 67

CONTENTS (Continued)

STATISTICAL SECTION (Continued)

Operating Information	
Operating and capital indicators	68 and 69
Water delivered and sold and wastewater treated	70 and 71
Annual tap sales	72
Number of water and sewer users by type	73 and 74
Gallons per capita per day	75
Metered water sales by customer class and operating and debt service cost per 1,000 gallons sold	76 and 77

COMPLIANCE SECTION

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78 and 79
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**Board of Public Utilities
Cheyenne Water and Sewer Department**

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

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

Tuesday, August 27, 2013

The Board of Public Utilities (Board) Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2013 (CAFR FY 2013) is hereby submitted. The Board's Administration Division prepared this report, and is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

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

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

RubinBrown, 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, 2013 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, 2013 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. As such, the Board 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, South Cheyenne Water and Sewer District, as well as several residential and commercial customers and ranchers located outside of the City. These services include operation and maintenance of water supplies (ground water, well fields, surface water, dams, recycled water and reservoirs), water purification facilities, water distribution mains and meters, wastewater collection mains and water reclamation facilities.

GENERAL INFORMATION

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

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

According to the U.S. Bureau of Census report, Cheyenne has an estimated population, as of July 2012, of 61,537 and a county population of 94,483. 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 geographic 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 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 (WCBEA), strong job growth continues to drive unemployment down. The number of unemployed persons fell 15.4 percent from first quarter 2012 or by 505

	A	B	C	D	Percentage	Percentage	Percentage
	1st Qt 2011	1st Qt 2012	4th Qt 2012	1st Qt 2013	Change A to D	Change B to D	Change C to D
Total Civilian Labor Force (LAUS)	44,855	45,143	45,525	46,478	3.62%	2.96%	2.09%
Total Employment (LAUS)	41,422	41,861	43,076	43,701	5.50%	4.40%	1.45%
Total Employment (CES)	42.9	43.8	45.8	45.3	5.59%	3.42%	-1.09%
Total Unemployment (LAUS)	3,462	3,282	2,450	2,777	-19.79%	-15.39%	13.35%
Unemployment Rate (LAUS)	7.7%	7.3%	5.4%	6.0%	-22.08%	-17.81%	11.11%
Initial Unemployment Claims	127	103	120	112	-11.81%	8.74%	-6.67%
Help Wanted Ads (a)	251	209	439	375	49.40%	79.43%	-14.58%
(LAUS) - Local Area Unemployment Statistics							
(CES) - Current Employment Statistics							
(a) Wyoming Dept of Workforce Service							

persons. The unemployment rate also responded by decreasing from 7.3 percent first quarter 2012 to an average of 6.0 percent over the first quarter of 2013.

The WCBEA also reported that sales for the first quarter 2013 could not keep pace with the fourth quarter 2012. Retail sales fell 7.3 percent from fourth quarter 2012 and were down 5.1 percent from first quarter 2012. This decline can be traced directly to automobile sales. They fell 13.7 percent from this time last year.

According to the (WCBEA) Wyoming Business Report, Cheyenne's tax base continues to encourage growth in the business sector. A recent compilation and aggregation of the statistics by news service 24/7 Wall Street showed Cheyenne had the lowest combined tax burden in the nation among the cities surveyed. The article showed a family earning \$25,000 pays an average of about \$2,400 in taxes, the fifth-lowest rate in the nation. It was the second-lowest for a family earning \$150,000.

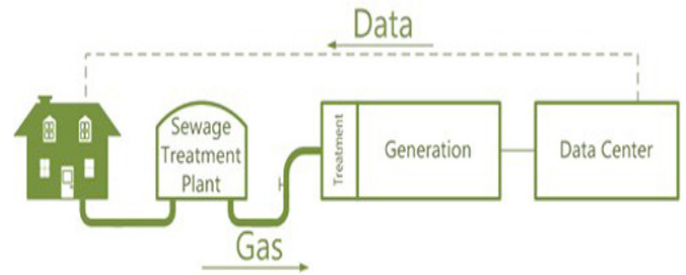
The slowdown in retail sales aside, the near-term economic outlook for the Cheyenne area remains favorable.

OTHER SIGNIFICANT ECONOMIC NEWS AND EVENTS INCLUDE:

Microsoft Data Center and Data Center Test Plant

Construction is currently underway on the \$92 million dollar Microsoft Data Center. Even before completion of the first phase of the construction project, Microsoft announced a \$66 million dollar expansion. The Microsoft Data Center, in conjunction with the NCAR supercomputer center, have raised Wyoming's and specifically Cheyenne's profile as a ideal location for data centers. The inexpensive energy costs, cool climate, friendly business environment and fiber connectivity serve as powerful inducements to prospective technology businesses.

In another partnership with Microsoft, Cheyenne was chosen as the site for a biogas powered datacenter test site. The new 200W Data Plant will be located at the existing Dry Creek Water Reclamation Facility and is the first of its kind. The Data Plant will capture the biogas produced while stabilizing waste at the sewage treatment plant and use it to power the data center. As Microsoft continues to research and develop this new technology at the Cheyenne Data Plant, they will send any of the unused power back to the treatment facility to offset its energy costs.



Microsoft stated that the small scale modular data center pilot in Cheyenne is just a fraction of the size of their other data centers and does not contain any production computing applications. However, if successful, it could lead to larger data centers in the future. Microsoft said that it chose Wyoming because of the state's investment in advanced energy technologies including renewable and clean carbon conversions along with Wyoming's proactive approach to partner with Microsoft to add sustainable resources to the states energy portfolio – thus benefiting the state's growing demand for clean CO2.

Swan Ranch Industrial Park

The Swan Ranch Industrial Park development continues to expand along I-25 just south of Cheyenne. Swan Ranch is a project that has been in the works for several years. It consists of 7,200 acres located along Interstate 25 and

Interstate 80 and is owned by the McMurry family. Swan Ranch will include an industrial, commercial and highway business component.



The Cheyenne Logistics Hub at Swan Ranch is the first phase of development at Swan Ranch and will total 1,300 acres. The Union Pacific Railroad borders the hub to the west and BNSF Railway borders the hub to the south and east. To date, nine companies have or will shortly be locating in this facility. Access to two Class I railroads, two major interstate highways, and the proximity to the Front Range is a strong inducement for manufacturing and distribution companies to locate within the Cheyenne Logistics Hub.

Green House Data Center Expansion

Green House Data announced plans for a \$35 million major expansion to its data center, which will be wind-powered, at its corporate headquarters in the Cheyenne Business Parkway.

The Business Report's Sept. 23 eDaily publicized Green House Data's expansion in its current 3,000-square-foot location, saying that new co-location space was presold by 30 percent prior to opening due to the number of amenities offered.

To meet growing customer demand for energy-efficient IT infrastructure, Green House's new high density, 25,000-square-foot center will more than double the company's current size and increase the power capacity to 4.5 megawatts.

Green House Data partnered with Cheyenne LEADS and the Wyoming Business Council, "which have been instrumental to the success of the initial facility, as well as the development of the new data center," the company's website says.

The Cheyenne area offers high bandwidth availability, lower propensity to natural disaster, attractive real estate and labor rates, and plentiful renewable energy the company notes. Additionally, Wyoming has cool annual temperatures and lower than average humidity which are optimal for the cooling to be utilized in the facility.

The new center is expected to create 20-25 permanent jobs when complete in 2013.



Other news and events from around the community

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

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

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 3,660 civilian and military employees. State government accounts for about 3,409 employees, followed by the Laramie County School District No. 1 with around 2,178 employees, Federal Government with around 1,814 employees, and Cheyenne Regional Medical Center with approximately 1,763 employees. Sierra Trading Post (outdoor goods outlet and catalogue sales) ranks as the community's second largest private employer with 684 employees.



Cheyenne has a number of unique advantages for businesses including 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.

The mood throughout the business community is one of cautious optimism. Even though concerns about the pace of growth, nationally, and looming national debt load remain worrisome, 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.

Southern Water Main Project Phase II

Construction of the Phase II Pipeline began in June 2013.

The Phase II project consists of about 11.8 miles of pipeline (diameter of 42 inches to 12 inches) at an estimated cost of about \$22.5 million.

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

The new transmission main is needed to:

- Provide redundancy and supplement flows to the southern areas of Cheyenne. These areas receive water largely from the Hynds line.
- Provide relief to the transmission mains that supply Water from the Round Top Treated Water Storage Reservoir to the northern parts of the City.
- Meet current water demand in the southern parts of Cheyenne.



Construction crews prepare to install a 12-inch water main in Walterscheid Boulevard.

R.L. Sherard Hydro-Generator Project

The purpose of the Hydroelectric Generation Facility Project is to generate power from the raw water inflow at the R.L. Sherard Water Treatment Plant. This project will consist of the technical/economic/financial feasibility analysis, design (Phase I), and construction management of a hydroelectric generation facility at the R.L. Sherard Water Treatment Plant. Upon completion of the project, it is hoped that the Hydro-Generator will sustainably reduce and possibly eliminate electric utility expenses at the plant. States West Water Resources was awarded the contract for engineering services.

Current estimates for the cost of the project is \$3,000,000 and could be financed through a Drinking Water State Revolving Fund Loan at 0% interest. Additionally, upon completion of the project, 25% of the loan up to \$750,000 will be forgiven.



Pressure Management Phase I

Phase I of the Pressure Management Project reached conclusion during FY 13. The project included the construction of four new pressure regulating valves and vaults including all piping, valving, SCADA and electrical design for each location. The project also included the construction of a new 0.8 mile 8-inch pipeline to provide a secondary feed to the Panorama Drive area in northeast Cheyenne. In addition, the project provides the installation of SCADA and electrical design necessary to connect all of Cheyenne's pre-existing pressure reducing vaults to the Board's SCADA system to provide real time monitoring of all sites. Mechanical Systems, Inc. was awarded the bid for construction at an estimated cost of \$1,290,260.



Little Snake Stage II Collection Mains / Siphons

In FY 13, work began on Cheyenne's Little Snake Water Diversion Pipeline located in the Medicine Bow National Forest, along the west side of the Continental Divide. The pipeline is located at an elevation of 8,800 feet.

The pipeline system has been in service for about 25 years. A pipeline break on one of the key legs of the siphons would lead to heavy erosion and environmental damage and would also result in decreased ability to collect water from spring runoff; significantly reducing the water supply available to the City of Cheyenne. In 2011, HDR engineers inspected and evaluated the



conditions of the above segments of the PCCP Stage II Little Snake Pipeline and made recommendations for repairs.

The project will include design and construction of repairs to segments of the Little Snake Stage II Water Collection Pipeline in siphons 1, 2, 3, 4, and 5 and along the Hog Park Drop. Engineering services were rewarded to HDR and Construction to Garney Construction. The project expense is estimated at \$1,200,900.

Crow Creek Water Reclamation Plant Upgrades

Plant design neared conclusion during FY 13 on the Crow Creek Water Reclamation Plant Upgrades. The project consists of two major components with an estimated cost of \$5,000,000 for the entire upgrade. The project will be financed by a Clean Water State Revolving Fund (CWSRF) 20 Year Loan at 2.5%.

Components include:

- Adding a second screening unit at Crow Creek and enclosing of the grit basin. This project was recommended in the 2003 Master Plan as a 2010 project. Redundant screens are needed because when higher than normal flows occur (storm event, extended wet weather, etc), the single screen clogs, causing the plant to shut down and flow to be transferred to the Dry Creek Plant. Clogging of the single screen often damages the screen, requiring additional down time and cost of repair. The dual screens would allow the Crow Creek plant to stay in continuous operation, allowing its peak capacity of 12 mgd to be fully utilized and relieving the excess load on the Dry Creek plant.
- The outdoor grit basin, although designed to operate in cold climates, has been problematic since its installation due to freezing issues. Enclosing it in the same structure as the new screens will resolve this issue.
- Construction of a new Operations Building at Crow Creek. The existing Operations Building was constructed in the late 1940s and has been in continuous service since, with little improvement. The new building will have ADA compliant male and female restrooms, incorporating locker space and shower for staff. It will also have an operations area to operate and monitor the plant, a small kitchen area, and a separate lab sized to accommodate the required testing. A two bay garage is included for inside storage of front-end loader, tractors and other mowing equipment, truck and other mobile plant equipment



OTHER INITIATIVES

Effective January 1, 2014, the multi-tiered water rate for single family residential will increase approximately 3.4%.

Water Volume Rate Charge Per 1,000 Gallons

<u>Residential (in-city)</u>		<u>Jan 01, 2012</u>	<u>Jan 01, 2013</u>	<u>Jan 01, 2014</u>
First Block	First 6,000	\$3.46	\$3.60	\$3.72
Second Block	Next 18,000	4.29	4.46	4.61
Third Block	Next 18,000	5.32	5.53	5.72
All Over	42,000	6.61	6.88	7.11

The volume rate charge per 1,000 gallons of drinking water for commercial users during these same time periods of January 1, 2012, January 1, 2013 and January 1, 2014 are as follows: \$3.98, \$4.14 and \$4.28, respectively.

The volume rate charge per 1,000 gallons for sewerage for residential users during these same time periods of January 1, 2011, January 1, 2012 and January 1, 2013 are as follows: \$3.46, \$3.74 and \$3.91, respectively.

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

The Board expects to complete the 2013 Water and Wastewater Master Plan. The plan is a comprehensive evaluation of the anticipated issues, concerns and needs facing Cheyenne's water and sewer systems during the next 10, 20 and 50 years. The Board uses these plans to identify the projects, such as capital water and sewer projects and operational goals, that will help the BOPU continue to provide water and wastewater services into the future. The plans also help the BOPU prioritize projects and financially plan for these projects. The master plan is being developed by HDR Engineering.

Fiscal Year 2013 marked the release of the Board's 14th 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 2013 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 2014 PROJECTS INCLUDE:

Recycled Water to Holiday Park

This project will supply recycled water for the irrigation of Holliday Park, thus relieving a demand of about 75 acre feet (about 25 million gallons) on the potable water system. Anticipated finance comes from Green Funding available through the SLIB Drinking Water State Revolving fund. Project would be eligible for 25% grant funding and 0% interest. Cost of the project is estimated at \$1,000,000



Southern Water Main Phase III

The Southern Water Main Phase III project will begin in FY 14 with engineering services, including design and construction management, easements and other miscellaneous costs. The estimated total project cost for engineering and construction is \$18,000,000. Phase III consists of about 7.5 miles of water transmission main (36" to 12"). An application will be submitted to the WWDC for consideration of grant funding in the amount of 67% of the project cost and a loan application may be submitted to the SLIB for consideration of funding from the Drinking Water State Revolving fund in the amount of 33% of the project cost.



South Cheyenne Sewer Collection Main Phase I

Engineering portion of Phase I will begin with a 24-inch sewer main connecting to an existing 30-inch sewer main located near South Industrial Drive and east of Road 128A (near the Knife River Construction Co.). The sewer main would extend about 3.8 miles (24-inch main about 7,000 feet and 21-inch main about 12,500 feet) in a southwesterly direction to a location near Avenue C and Artesian Road. A loan request will be submitted to the SLIB for funding through the Clean Water State Revolving fund. Total estimated project cost \$7,683,000



Other Items for 2014

On June 10, 2013, the City Governing Body adopted the water and sewer enterprise fund budgets as recommended by the Board for Fiscal Year 2014 (July 1, 2013 to June 30, 2014). The Board's combined water and sewer budget of \$41,076,200 for the fiscal year is \$31,931,877 less than fiscal year 2013's adjusted budget.

The Board also continued its intensive planning efforts. On December 6, 2012, 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 2013.

RELEVANT FINANCIAL POLICIES

During the course of Fiscal Year 2013, 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, 2012. This was the 35th consecutive year that the Board has received this prestigious award.

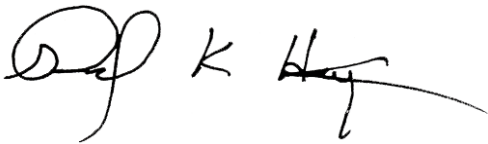
CONCLUSION

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



Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

BOARD OF PUBLIC UTILITIES – BOARD MEMBERS –JUNE 30, 2013



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, 2019



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



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



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

LIST OF PRINCIPAL OFFICIALS

As of June 30, 2013 the following is a list of principal officials of the Board of Public Utilities, City of Cheyenne:

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

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

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.

Fire protection was a major priority for early Cheyenne. When fires did break out, the lack of water meant fires could destroy entire sections of the City before being brought under control. One such fire occurred on January 11, 1870. A defective flue at a liquor store started a fire that destroyed 80 buildings and two of the main blocks in Cheyenne. Without the water necessary to fight the fire, volunteer fire crews ran from building to building evacuating people, furniture, goods and supplies. After a series of devastating fires, Cheyenne's first water supply system was built in 1877. The system consisted of a series of infiltration galleries in the Crow Creek drainage.



Original City Water Mains

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, five dams were constructed on three branches of Crow Creek, 20 miles west of Cheyenne. These dams provide for collection of 4,000 acre-feet of water annually under average rainfall and snow pack conditions. Nearly 10,700 acre-feet of water can be stored in the five local reservoirs.

Until 2002, surface water was treated at the Roundtop Water Treatment Plant, built on a hill west of Cheyenne in 1915. One of Wyoming's first conventional water treatment plants, Roundtop had the capacity to treat 12 million gallons of water a day (MGD).

This system satisfied Cheyenne's water needs until an extended drought period of almost three years in the mid 1930s. 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.

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 nine to eleven MGD.

With the steady growth of the City during the 1940s and 1950s, 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 unappropriated water rights to the Little Snake River, a tributary of the Yampa River, in the Colorado River drainage, in the late 1950s. 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 system 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 to 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 original Crow Creek Plant treatment process used a trickling filter and had an original design capacity of 8 MGD. This was later reduced to 4.5 MGD to meet Clean Water Act requirements.

Later, in the mid 1970s, 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 three miles east of



Cheyenne, the Dry Creek plant uses an activated sludge process and was constructed to treat five MGD. Later in the 1980s , the Dry Creek WRP was upgraded and expanded to treat 7 MGD.

By the late 1970s, 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 1990s, peak day demand reached 40 MGD and the highest peak week (7 consecutive day period) averaged 37.4 MGD. In an effort to meet growing demands for treated drinking water in the community, the Board launched two significant projects.

First, was the completion in 1998 of the Northwest Area Raw Water Irrigation Project, which allows three Cheyenne golf courses and a City park to use raw, untreated water for irrigation instead of treated City drinking water. The project frees up about three 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 one mile of 50-inch steel pipe) 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 Reclamation Plant. The \$2.5 million project replaced 50-year-old original plant equipment and expanded the plant capacity from 4.5 MGD to 6.5 MGD. This brought the combined capacity of Cheyenne's two wastewater plants to 13.5 MGD.

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



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

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

Upgrades included single-stage biological ammonia removal (i.e., nitrification) facilities at both WRPs and ultra-violet light for disinfection instead of chlorine at Dry Creek. The Dry Creek plant was also expanded from 7 MGD to 10.5 MGD bringing the combined capacity of both plants to 17 MGD.

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

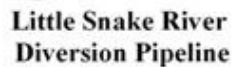
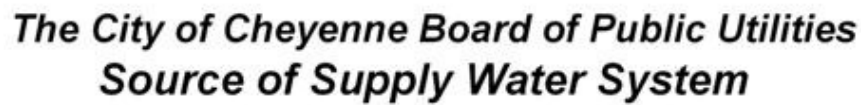
As part of the improvements to the water reclamation plants, recycle water treatment facilities (chemical feed, filtration, pumping, supplemental disinfection and storage) were constructed at the Crow Creek WRP. The recycle water meets WDEQ Class 'A' water reuse standards, the most stringent.



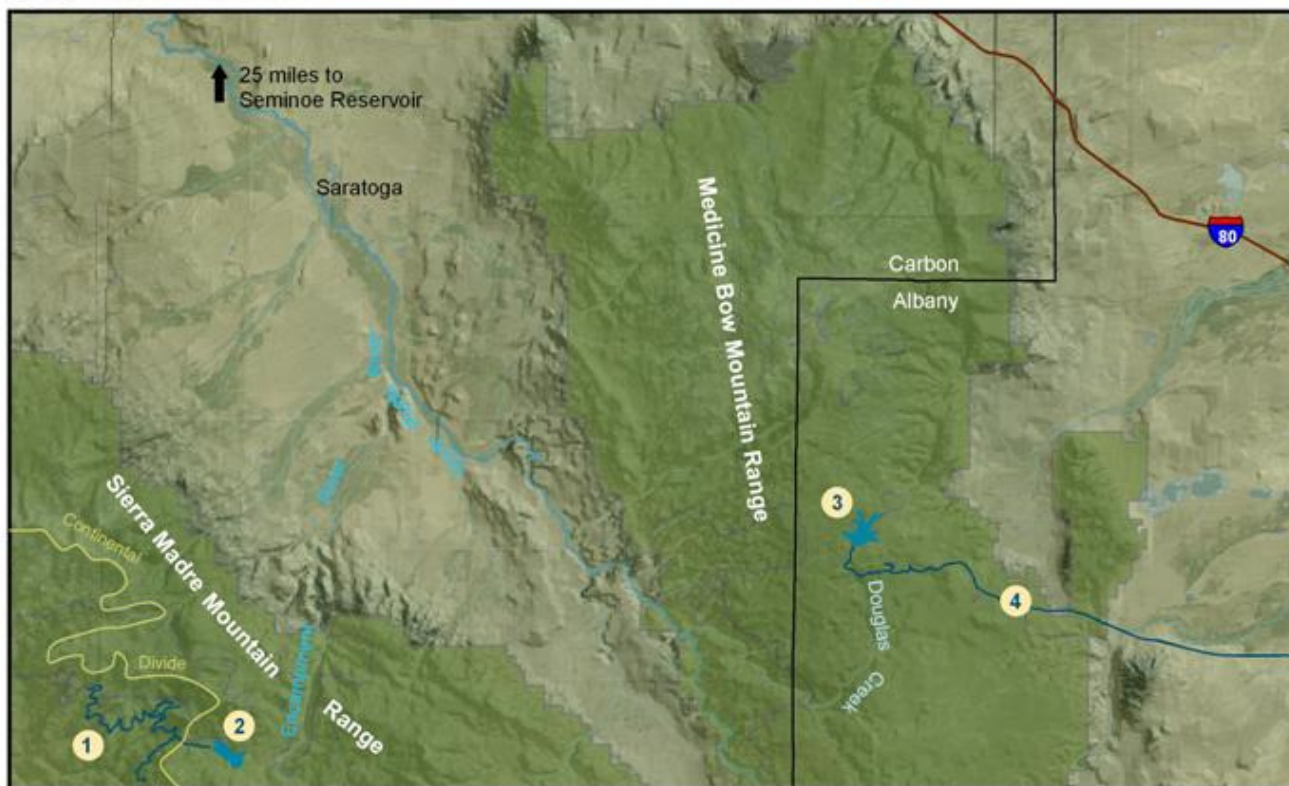
Recycled water is delivered to cemeteries, parks, athletic fields and green spaces for irrigation use. As constructed, the recycle water treatment facilities can treat about 4 MGD. In addition, about 12.2 miles of purple pipe was installed for the recycled water distribution system. The recycle water 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.



Rob Roy Dam & Reservoir
(Constructed 1966 & Enlarged 1985)



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)



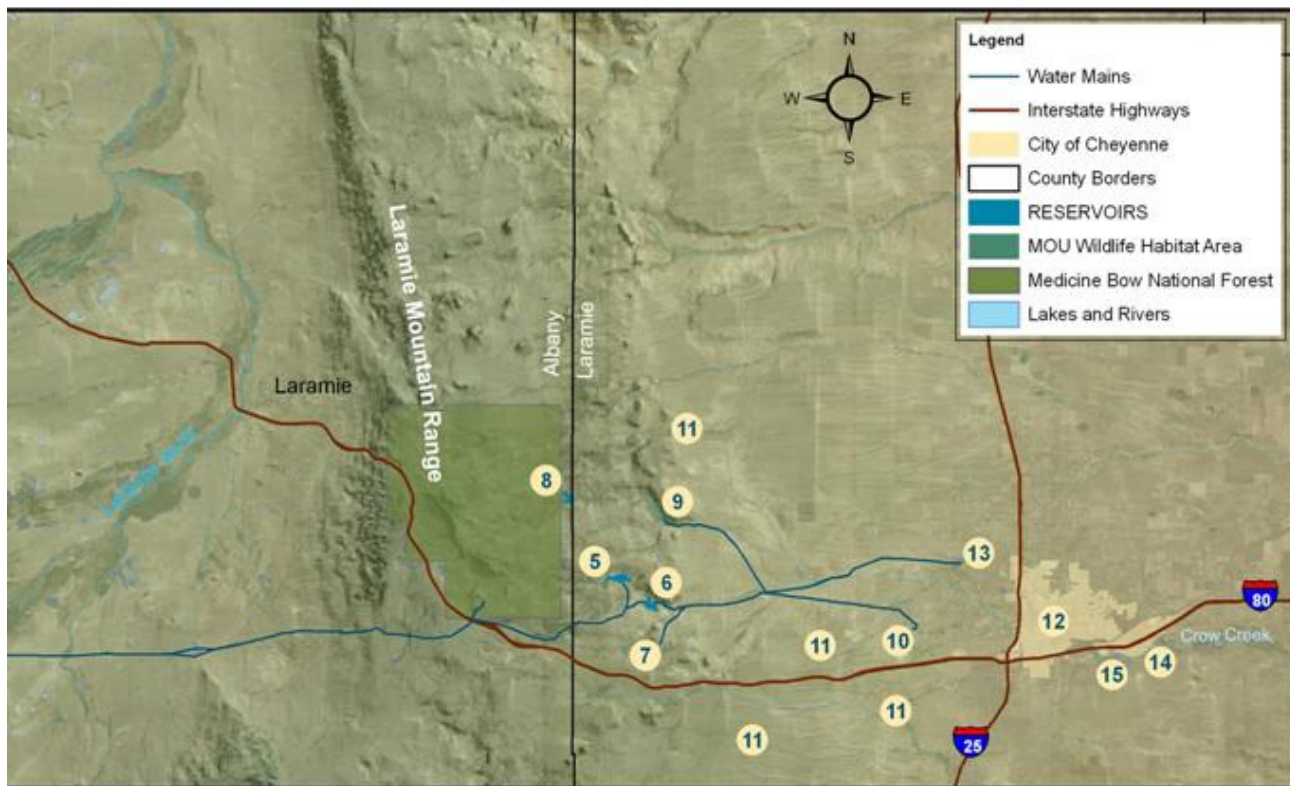
Wells High Plains Aquifer



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)

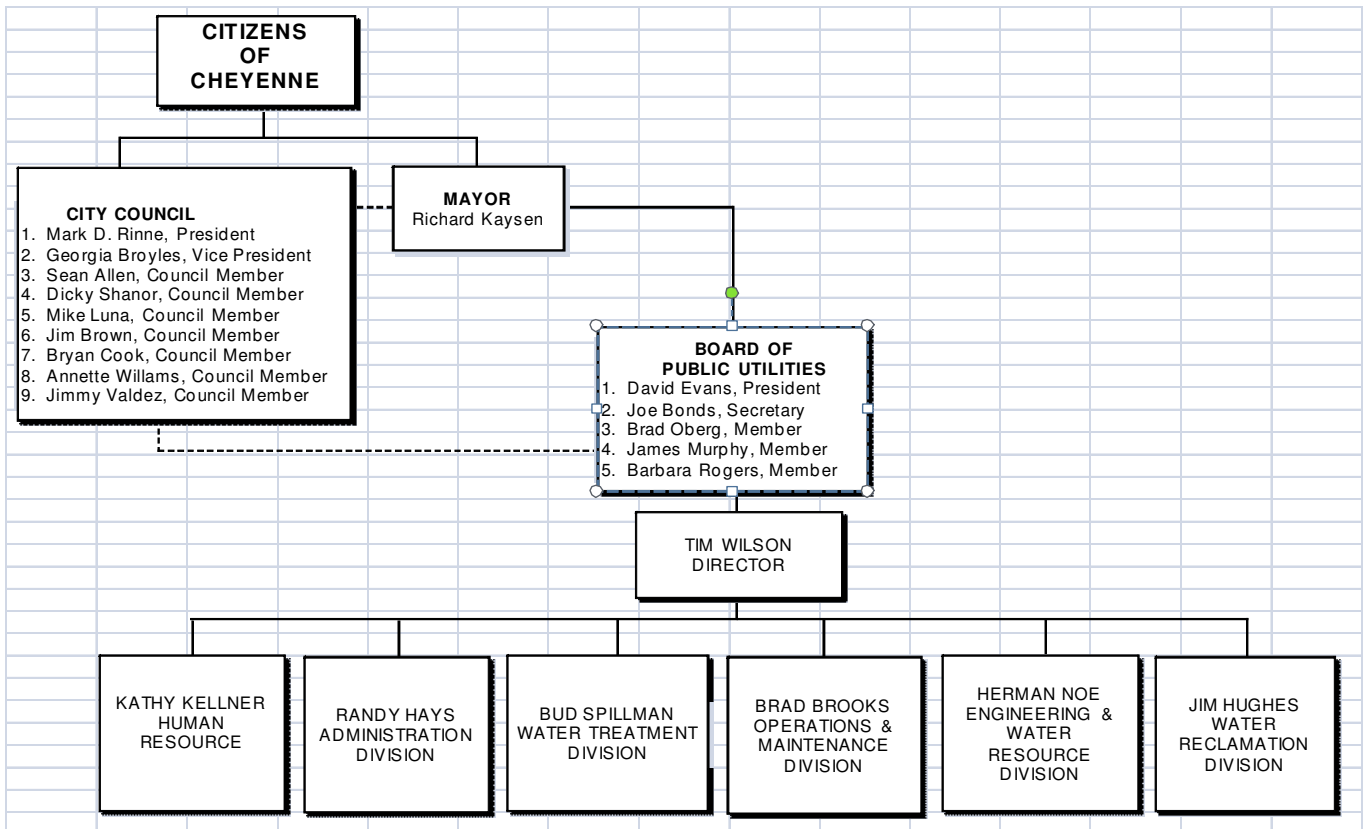


Cheyenne, Wyoming
(Population 55,314 - Board of Public Utilities Customers 21,667)



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, 2013



Independent Auditors' Report

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

Report On The Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Board of Public Utilities City of Cheyenne, Wyoming (the Board), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Board as of June 30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis Of Matter

As discussed in Note 1, the financial statements of the Board are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities and each major fund of the City of Cheyenne, Wyoming, that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the City of Cheyenne, Wyoming, as of June 30, 2013, the changes in its financial position or its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 18, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required By *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2013 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

RubinBrown LLP

August 27, 2013

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, 2013.

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 \$244,650,231 (net assets). Of this amount, \$27,757,842 (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 \$5,164,887 during fiscal year 2013. This increase can be attributed to capital contributions, grant revenues, and an increase in water and sewer consumption.

The only loan request that the Board applied for during the fiscal year:

- In December, the Board approved a resolution authorizing the submittal of an application to the Wyoming State Loan and Investment Board, Wyoming Drinking Water State Revolving Fund for a grant in the amount not to exceed of \$3,000,000 for the Hydro-electric Generation Facility Project. The loan features 25% Principal Forgiveness (\$750,000) with balance financed at 0% for 20 years.

Interest revenue received for the current year was \$59,889 and decreased \$44,820 from the previous fiscal year. The yield on bank certificates of deposit (c.d.'s) decreased during the fiscal year to 0.05 percent on 90 day c.d.'s and 0.25% on Wyo-Star Fund Investments. Rate forecasts are uncertain for the first half of fiscal year 2014.

Operating revenue for the waterworks fund decreased \$442,095 and the sewer fund increased \$265,057 during the fiscal year. Revenue decreases in the waterworks operating revenue was largely due to 2.1% decrease in billed volume which can be derived from the wet spring of 2013. Revenue increases in the sewer operating revenue was largely attributed to a 2.4% increase in billed volume.

The total indebtedness of the Board decreased \$5,117,101 (6.7 percent) from \$76,662,873 to \$71,545,772 during the current fiscal year. The decrease was due, principally to an early payoff on one loan in addition to the normal annual payments due, along with minimal advances on new loans. The payments exceeded the borrowing for the Hydro Electric, Crow Creek Improvement and Southern Water Transmission Main projects. For additional information please refer to Note 4 of the financial statements.

Overview of the Financial Statements

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

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

Financial Statements

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

The statement of net position presents information on the Board's assets 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 position changed during the most recent fiscal year.

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

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

Fund Financial Statements

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

Proprietary Funds

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

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis

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

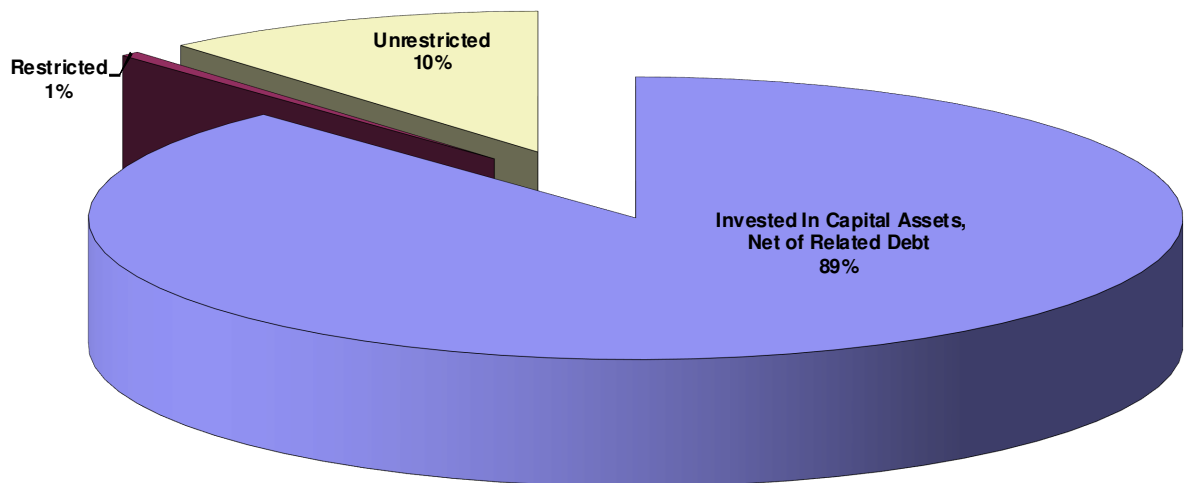
Business-Type Activities Net Assets

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 \$6,790,012 during fiscal year 2012.

The largest portion of the Board's net position, \$215,502,795 (89 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 outstanding debt used to acquire those assets.

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

Net Asset Categories as of June 30, 2013



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)	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 28,649	\$ 24,845	\$ 9,247	\$ 8,568	\$ 37,896	\$ 33,413
Capital assets	210,699	211,746	76,639	77,809	287,338	289,555
Total assets	239,348	236,591	85,886	86,377	325,234	322,968
Long-term liabilities						
outstanding	37,654	41,097	30,864	32,831	68,518	73,928
Other liabilities	8,550	6,728	3,516	2,827	12,066	9,555
Total liabilities	46,204	47,825	34,380	35,658	80,584	83,483
Invested in capital assets, net of related debt	171,491	169,273	44,012	43,315	215,503	212,588
Restricted	1,390	1,390	-	-	1,390	1,390
Unrestricted	20,263	18,103	7,494	7,404	27,757	25,507
Total net assets	\$ 193,144	\$ 188,766	\$ 51,506	\$ 50,719	\$ 244,650	\$ 239,485

The remaining balance of unrestricted net assets \$27,757,842 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

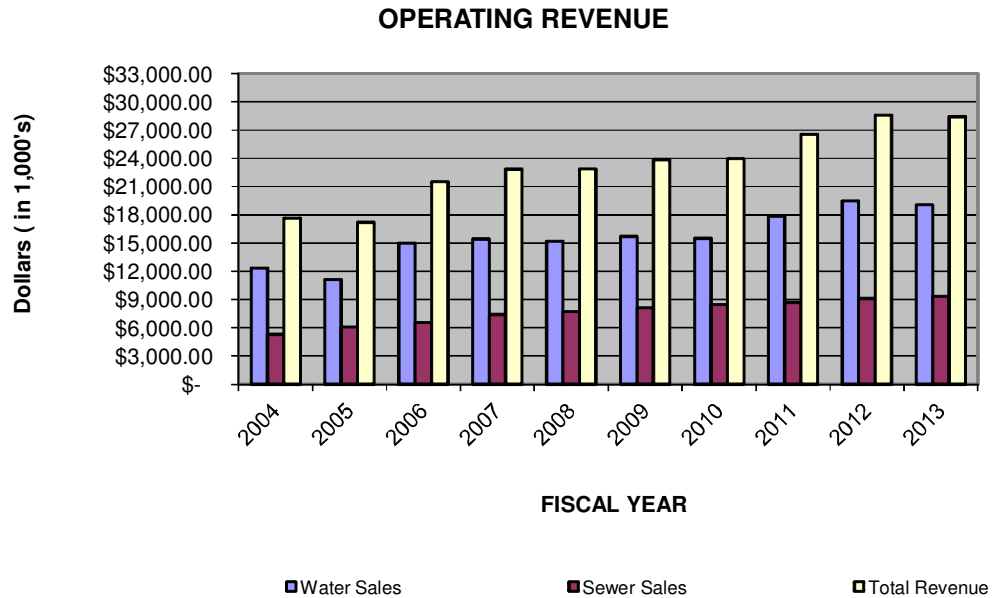
Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenue/ (Expenses)	Income (Loss) before Capital Contribution	Capital Contribution	Change in Net Assets
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
2012	28,594,129	26,005,418	2,588,711	(179,719)	2,408,992	4,381,020	6,790,012
2011	26,575,116	25,151,232	1,423,884	(685,814)	738,070	5,958,598	6,696,668
2012	28,594,129	26,005,418	2,588,711	(179,719)	2,408,992	4,381,020	6,790,012
2013	28,417,091	26,474,263	1,942,828	(543,390)	1,399,438	3,765,449	5,164,887

Net assets increased by \$5,164,887 during fiscal year 2013. This is attributed to capital contributions, system development fees from new users, grant revenues, and an increase in water and sewer consumption.

Business-Type Activities – Revenues and Expenses

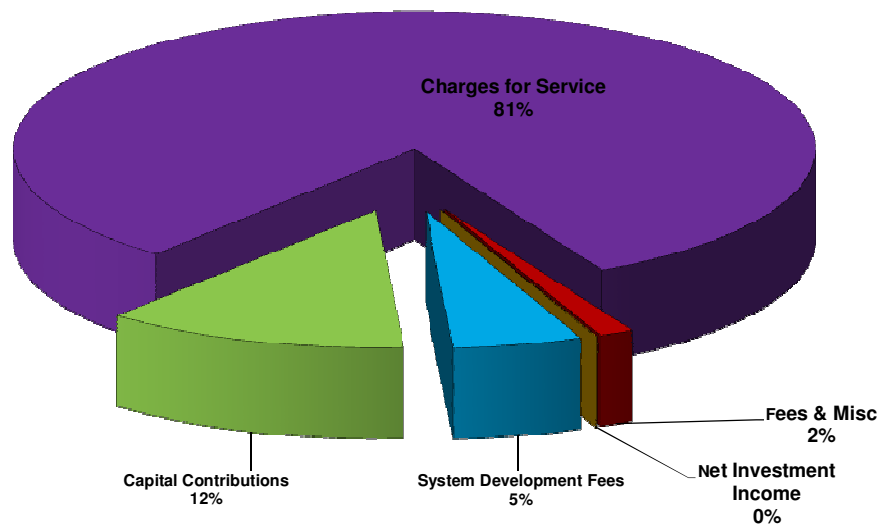
The following schedules present a summary of the water and sewer enterprise fund operating revenues for the fiscal year ended June 30, 2013, and the amount and percentage of increases and decreases in relation to prior year revenues.



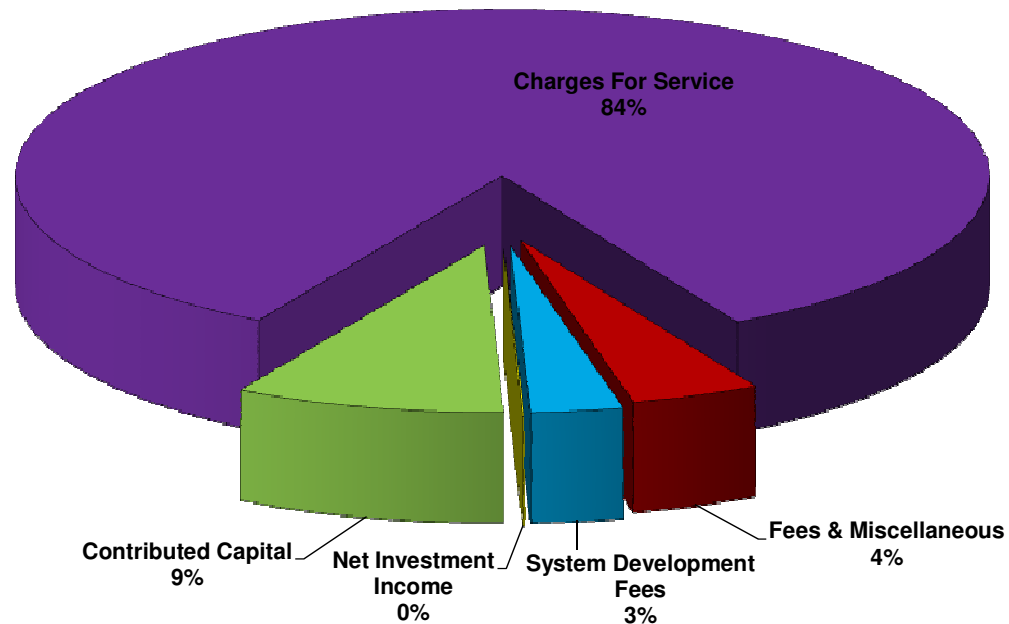
BOARD OF PUBLIC UTILITIES Revenue (\$1,000's)

Revenue Source	Waterworks Fund		Sewer Fund		Total		Inc./.(Decr.) From FY 12	% of Inc./Decr.	Fiscal Year 2012
	FY 13	% of	FY 13	% of	FY 13	% of			
	Amount	Total	Amount	Total	Amount	Total			
Operating Revenue									
Sales and charges for service	\$18,728	81%	\$8,913	84%	\$27,641	82%	(\$195)	-1%	\$27,836
Fees and miscellaneous	321	2%	455	4%	776	2%	18	2%	758
Total operating revenue	19,049	83%	9,368	88%	28,417	84%	(177)	8%	28,594
Nonoperating Revenue									
Net investment income	12	0%	7	0%	19	0%	(58)	-75%	77
System development fees	1,206	5%	326	3%	1,532	5%	(396)	-21%	1,928
Total nonoperating revenue	1,218	5%	333	3%	1,551	5%	(454)	-23%	2,005
Capital Contributions	2,812	12%	953	9%	3,765	11%	(616)	-14%	4,381
Gross Revenue	\$23,079	100%	\$10,654	100%	\$33,733	100%	(\$1,247)	-4%	\$34,980

Water Revenue By Source



Sewer Revenue By Source



Gross operating revenue, including interest and transfers, totaled \$33,733,538 for FY 2013, a 3.6 percent decrease from FY 2012. The increase was largely due to decreased billed consumption. FY 2013 operating gross revenue was \$1,246,841 below FY 2012.

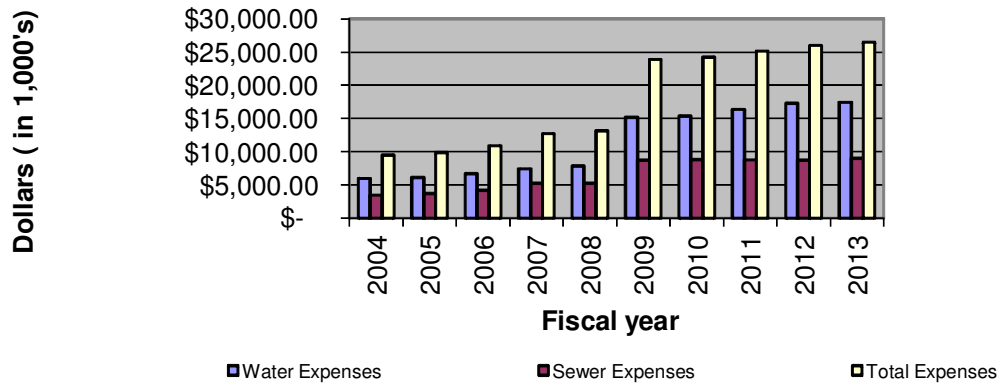
System Development fees decreased \$396,145 compared to FY 2012. FY 2013 fees totaled \$1,532,008 compared to \$1,928,153 in FY 2012. Sold water and sewer tap permits increased by 145 permits in FY 2013 compared to the previous fiscal year. In FY 2013, there were 642 water and sewer permits sold compared to 497 permits in FY 2012. There was a larger number of tap permits issued for diameters above the standard residential ¾-inch tap that generated higher annual revenue in FY 2012 as compared to FY 2013.

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

Effective July 1, 2004, residential customers were charged on a tiered rate schedule, which increases in relation to increases in water used.

The following schedules present a summary of the Water and Sewer Enterprise Fund operating expenses for FY 2013, and the percentage of increases and decreases in relation to prior year amounts.

Operating Expenses



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

	Waterworks Fund		Sewer Fund		Total		Inc./(Decr.) From FY 12	% of Inc./Decr.	Fiscal Year 2012
	FY 13 Amount	% of Total	FY 13 Amount	% of Total	FY 13 Amount	% of Total			
Operating Expenses									
Source of supply	\$1,218	7%	\$ -	0%	\$1,218	4%	(\$27)	-2%	\$1,245
Water treatment	1,779	10%	-	0%	1,779	6%	(443)	-20%	2,222
Transmission and distribution	2,015	11%	-	0%	2,015	7%	40	2%	1,975
Sewer collection lines	-	0%	1,109	10%	1,109	4%	(3)	0%	1,112
Water reclamation	-	0%	2,361	24%	2,361	8%	55	2%	2,306
Engineering and water resources	854	5%	282	3%	1,136	4%	57	5%	1,079
Administrative and general	3,397	18%	1,722	17%	5,119	18%	756	17%	4,363
Information technology									
and customer service	754	4%	251	3%	1,005	4%	(39)	-4%	1,044
Depreciation	7,435	40%	3,297	33%	10,732	38%	73	1%	10,659
Total operating expenses	17,452	93%	9,022	91%	26,474	93%	469	2%	26,005
Nonoperating Expenses									
Interest expense	1,248	7%	846	9%	2,094	7%	(91)	-4%	2,185
Total Expenses	\$18,700	100%	\$9,868	100%	\$28,568	100%	\$378	2%	\$28,190

Total Operating Expenses, excluding depreciation, increased over FY 2012 by \$396,734. The increase was in Contractual Services and related to the 2013 Master Plan under which \$404,744 was expensed during FY 2013.

Salaries and Wages increased \$25,399 or 0.4% during FY 2013. FY 2013 Salaries and Wages totaled \$6,411,988 compared to \$6,386,589 in FY 2012. The increase was from market adjustments only as there were no pay increases for FY 2013.

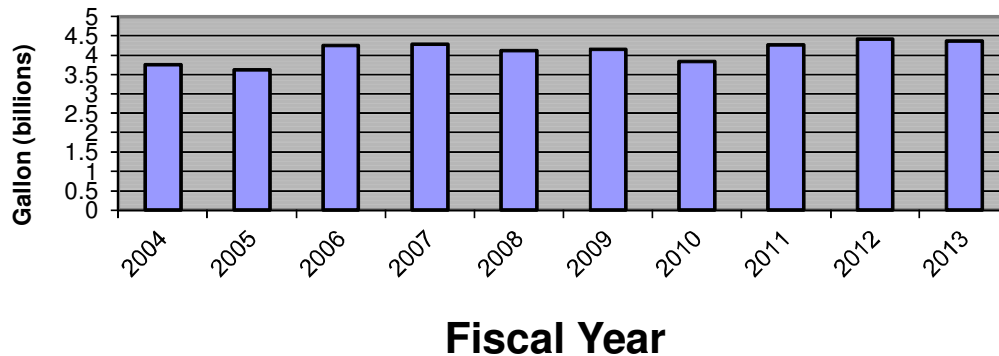
Supportive service expenses (electricity, gas, telephone, postage, etc.) increased \$62,028 or 3.3 percent, in part, due to a \$48,084 increase in gas and electricity expenses, and a \$12,043 increase in telephone and communication lines.

Interest expense on bonds and loans totaled \$2,094,388 for FY 2013, and was included in the above schedule of operating expenses. This 4.1 percent decrease from FY 2012 was the result of early payoffs on a 4.0% loan and normal principal reduction in the water fund from the annual debt service payment. FY 2012 interest expense totaled \$2,184,949.

Metered Water Consumption History

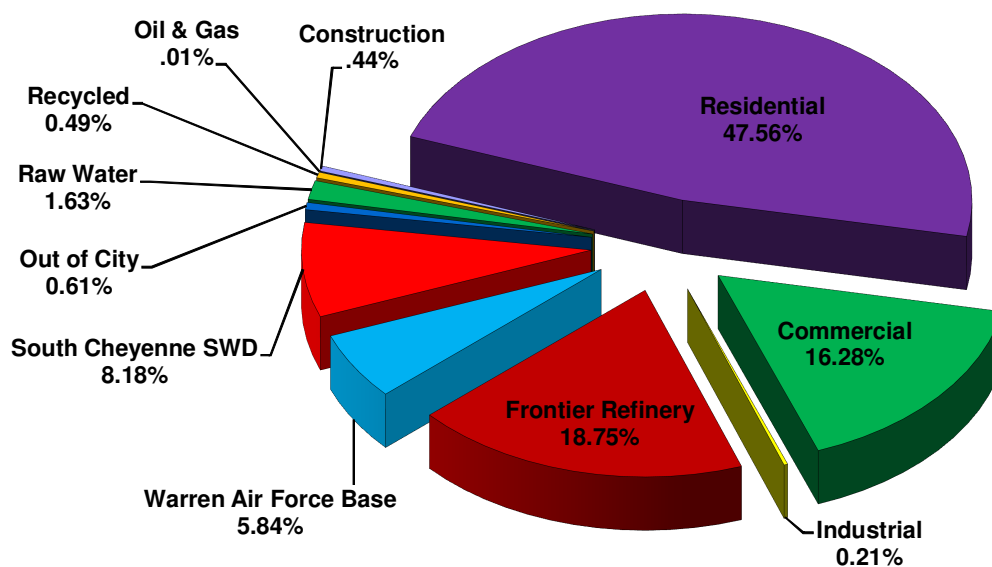
During FY 2013, the Board sold 4.373 billion gallons of water as compared to 4.419 billion gallons in FY 2012. The decrease can be partially attributed to a wet Spring resulting in decreased outdoor irrigation. Billed water consumption has averaged 4.122 billion gallons over the past ten years.

METERED WATER SALES



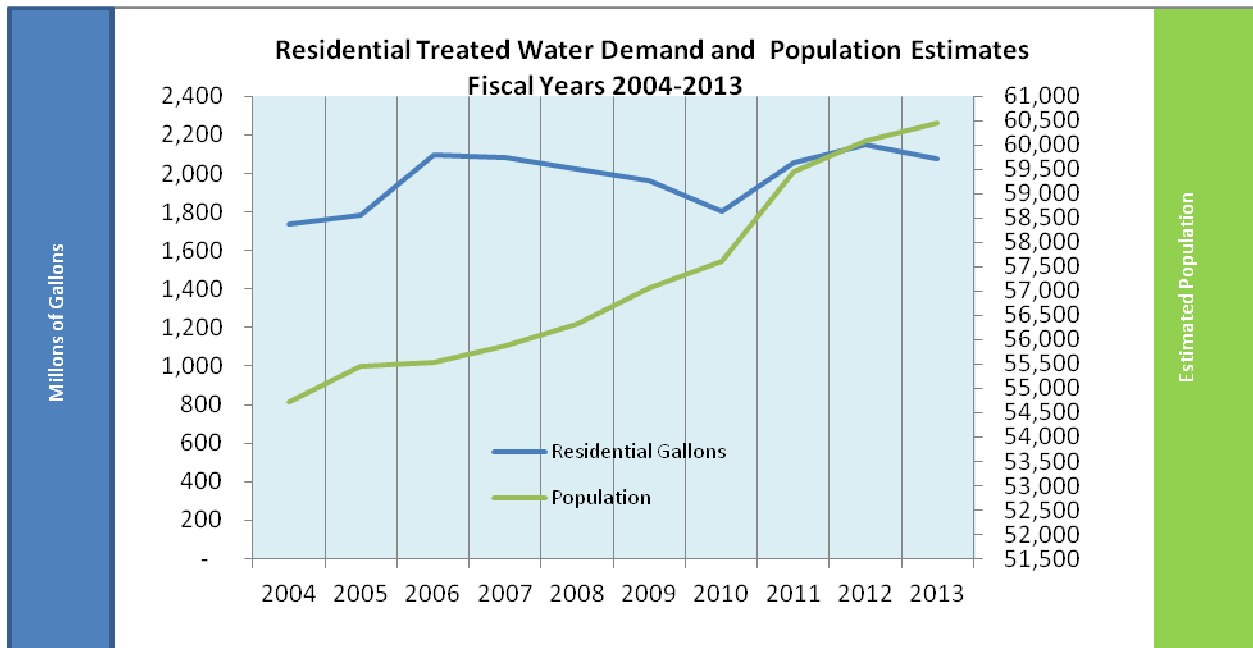
Total water supplied to the City in FY 2013 was 5.022 billion gallons of water compared to 5.271 billion gallons of water in FY 2012.

METERED WATER SALES BY CUSTOMER CLASS FY 2013



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
2004	55,473	1,736,696,000	85.77	3,177,271,000	156.92
2005	56,036	1,784,824,000	87.26	3,089,056,000	151.03
2006	55,662	2,093,589,000	103.05	3,624,482,000	178.40
2007	55,641	2,081,685,000	102.50	3,564,189,000	175.50
2008	56,051	2,026,111,000	99.03	3,435,725,000	167.94
2009	56,296	1,962,219,000	95.49	3,482,228,000	169.47
2010	56,483	1,800,494,000	87.33	3,237,866,000	157.05
2011	59,466	2,057,439,000	94.79	3,512,364,000	161.82
2012	60,096	2,152,263,000	98.12	3,657,056,000	166.72
2013	60,459	2,079,444,000	94.23	4,372,611,000	198.15



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

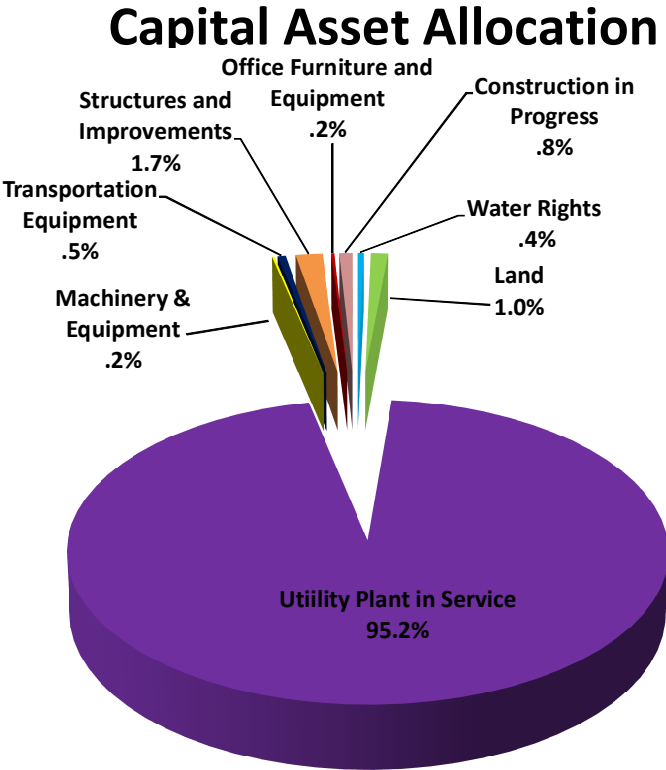
The Board's proprietary funds provide the same type of information found in the business-type activities financial statements, but in more detail.

Unrestricted net assets of the Waterworks Enterprise Fund totaled \$20,263,723 at the end of the current fiscal year. Unrestricted net assets of the Sewer Enterprise Fund totaled \$7,494,119 at the

end of the current fiscal year. The total change in net assets for both funds, from the previous fiscal year was \$4,378,327 and \$786,560, 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, 2013, the capital assets of the Board, net of accumulated depreciation, totaled \$287,338,386. This investment in capital assets includes land, water rights, dams, reservoirs, well fields, water collection and transmission pipelines, water and wastewater treatment plants, water distribution and sewer collection mains and systems, buildings, machinery, vehicles and equipment.



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

	Waterworks Fund		Sewer Fund		Total Business-Type Activities	
	2013	2012	2013	2012	2013	2012
Land	\$ 4,539	\$ 4,539	\$ 529	\$ 529	\$ 5,068	\$ 5,068
Water rights	1,798	1,798	-	-	1,798	1,798
Utility plant in service	338,927	333,994	119,834	118,290	458,761	452,284
Machinery and equipment	545	785	180	260	725	1,045
Transportation equipment	1,829	1,736	602	567	2,431	2,303
Structures and improvements	6,015	1,654	2,021	568	8,036	2,222
Office furniture and equipment	694	709	240	245	934	954
Construction in progress	3,278	6,384	651	1,809	3,929	8,193
Less accumulated depreciation	(146,926)	(139,853)	(47,418)	(44,459)	(194,344)	(184,312)
Total	<u>\$ 210,699</u>	<u>\$ 211,746</u>	<u>\$ 76,639</u>	<u>\$ 77,809</u>	<u>\$ 287,338</u>	<u>\$ 289,555</u>

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

- Completion of Phase II of the 30-inch Warren Air Force Base 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.
- Nearing completion of new Administration/Engineering building.

At the close of FY 2013, the Board had transferred the following projects from construction work in progress to Capital Assets:

BOARD OF PUBLIC UTILITIES - CWIP
Transferred to Capital Assets

Water Projects:	
HVAC Fan Replacement	\$ 41,252
Well VFD Phase II - 12	449,995
Saddle Ridge Main Oversize	12,517
Campstool 4th Filing Oversize	67,981
East 5th (Bradley-Amhurst) - 12	260,178
Ocean (Rio Verde-Del Range) - 12	192,159
Lions Park Drive - 12	135,493
Rio Verde (Cleveland-Pierce) - 12	257,203
Water Main Rehabs- 12	11,923
Cutler Road/W. Lincolnway - 12	100,704
Presssure Management Phase I - 12	1,407,325
Pond 3 Pump Facility Project	137,830
Administration Building	4,361,208
Total Water Projects	<u>\$ 7,435,768</u>

Sewer Collection Main Projects:

Campstool 4th Filing Oversize	\$ 29,118
Manhole Replacement - 12	175,777
204 Stanfield Avenue - 12	44,736
Duff-Bradley & East 19th - 12	90,552
2900 Block of East 9th Street - 12	45,049
2600 block of East 8th Street - 12	26,352
2600 Block of House - 12	37,630
2540 East 11th - 12	135,307
Sewer Rehabs - 12	13,781
Administration Building	1,453,736
Total Sewer Projects	<u>\$ 2,052,038</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 \$71,545,772. Of this amount, \$10,005,000 are 2007 Water Revenue Refunding Bonds, and the remainder of \$61,540,772 are loans from the State of Wyoming for various water and sewer projects.

The total indebtedness of the Board decreased by \$5,117,101 (6.7 percent) from \$76,662,873 to \$71,545,772 during the current fiscal year. The decrease was primarily due to the early payoff of one loan and normal principal reduction.

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

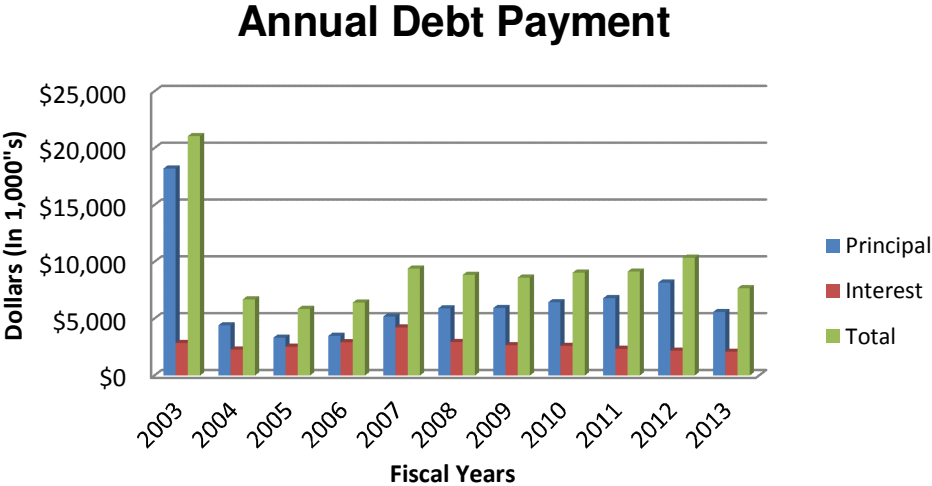
	Waterworks Enterprise Fund		Sewer Enterprise Fund		Business-Type Activities Total	
	2013	2012	2013	2012	2013	2012
Revenue refunding bonds	\$ 10,005,000	\$ 10,510,000	\$ -	\$ -	\$ 10,005,000	\$ 10,510,000
Loans from the State						
of Wyoming	28,913,287	31,658,800	32,627,485	34,494,073	61,540,772	66,152,873
Total	<u>\$ 38,918,287</u>	<u>\$ 42,168,800</u>	<u>\$ 32,627,485</u>	<u>\$ 34,494,073</u>	<u>\$ 71,545,772</u>	<u>\$ 76,662,873</u>

During FY 2013, proceeds from the issuance of debt totaled \$473,001 as follows:

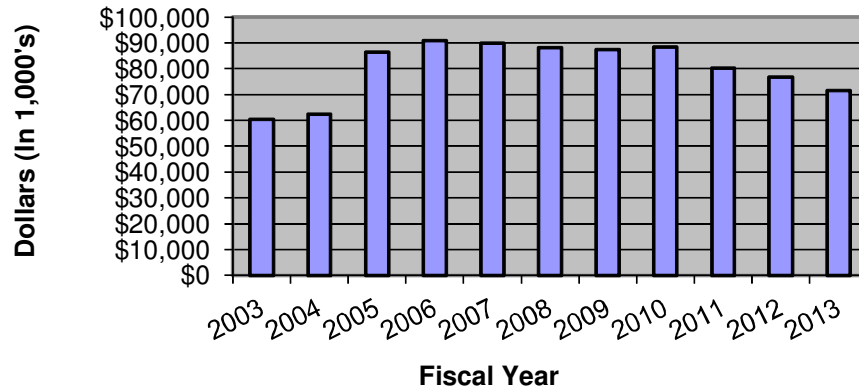
BOARD OF PUBLIC UTILITIES - Proceeds from Debt Issuance

Project	Advance	Funding Source
DWSRF#120 S. Water Transmission	\$ 229,998	Wyoming State Lands and Investments
DWSRF#133 RLS Hydroelectric Project	13,866	Wyoming State Lands and Investments
CWSRF#133 Crow Creek Improvements	229,137	Wyoming State Lands and Investments
	<u>\$ 473,001</u>	

The Board retired \$505,000 of the 2007 Refunding Revenue Bonds and \$5,085,102 of additional State of Wyoming water and sewer loans.



Total Principal Debt Outstanding



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

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

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

Economic Factors and Next Year's Budget and Rates

These factors were considered in preparing the Board's budget for the 2014 fiscal year (July 1, 2013 to June 30, 2014).

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 2013, the Wyoming state revenue exceeded projections. According to the Wyoming Center for Business and Economic Analysis the first quarter 2013, new job creation was comfortably ahead of first quarter 2012. Employment growth was 3.3 percent higher, a gain of 1,500 jobs. The Cheyenne area's unemployment rate averaged 6.0 percent over the first quarter of 2013, a decline from first quarter 2012's average of 7.3 percent.

The number of homes sold which included condos/townhomes averaged 100 per month, county wide, during the first quarter of 2013. That equates to a 5.3 percent increase over first quarter 2012. The rate of sales decreased from fourth quarter 2012 by 25.4 percent. Total sales for 2012 were 1,510 as compared to 1,348 in 2011 which was equal to a percentage gain of 12.0 percent. There were no signals to suggest homes sales will reverse their positive growth trend as 2013 proceeds.

During the first quarter of 2013, 129 housing permits were issued compared with 144 in the first quarter of 2012. Total building permits issued for the City of Cheyenne decreased 10.4 percent year-over-year and was down 21 percent from two years ago, first quarter to first quarter. However, it did drop 12.2 percent from fourth quarter 2011. City permits averaged 129 per month this quarter as compared to 163 per month

for all of 2012 and thus were down 20.1 percent. It is anticipated that commercial building permits will increase as the building season progresses.

These factors were considered in preparing the Board's budget for the 2014 fiscal year (July 1, 2013 to June 30, 2014).

The financial report is designed to provide a general overview of the Board of Public Utilities' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Public Utilities, Administration Manager, 2416 Snyder Avenue, Cheyenne, Wyoming 82003-1469.

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013**

ASSETS	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Current Assets			
Cash and cash equivalents	\$ 20,617,071	\$ 6,720,894	\$ 27,337,965
Investments	1,050,000	986,713	2,036,713
Restricted assets:			
Cash and cash equivalents	474,412	-	474,412
Investments	989,594	-	989,594
Due from other governments	499,749	216,329	716,078
City of Cheyenne sanitation account	1,557,749	-	1,557,749
Receivables:			
Accounts, consumers, net	1,193,599	702,816	1,896,415
Estimated unbilled usage	1,897,387	602,816	2,500,203
Accrued interest	8,215	2,389	10,604
Inventories	268,013	14,801	282,814
Prepaid expenses	11,511	-	11,511
Total current assets	28,567,300	9,246,758	37,814,058
Noncurrent Assets			
Capital assets:			
Land	4,538,963	528,760	5,067,723
Water rights	1,797,968	-	1,797,968
Utility plant in service	338,926,736	119,833,489	458,760,225
Machinery and equipment	544,914	180,342	725,256
Transportation equipment	1,829,097	602,327	2,431,424
Structures and improvements	6,015,106	2,021,318	8,036,424
Office furniture and equipment	694,390	240,191	934,581
Construction in progress	3,278,130	650,642	3,928,772
	357,625,304	124,057,069	481,682,373
Less accumulated depreciation	(146,925,959)	(47,418,028)	(194,343,987)
	210,699,345	76,639,041	287,338,386
Other Assets			
Deferred debt expense	81,640	-	81,640
Total noncurrent assets	210,780,985	76,639,041	287,420,026
Total assets	239,348,285	85,885,799	325,234,084

See Notes to Financial Statements.

LIABILITIES	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Current Liabilities			
Vouchers payable	\$ 1,144,899	\$ 453,201	\$ 1,598,100
Accrued compensated absences and early retirement	222,617	180,134	402,751
Accrued interest on general obligation bonds and loans	512,120	125,406	637,526
Current portion of general obligation bonds and loans	2,131,631	2,147,846	4,279,477
Unearned fees and deposits	2,287,609	478,408	2,766,017
Other accruals	-	36,746	36,746
Due to other City of Cheyenne funds	2,251,311	94,825	2,346,136
Total current liabilities	8,550,187	3,516,566	12,066,753
Noncurrent Liabilities			
Accrued compensated absences	577,066	383,920	960,986
General obligation bonds and loans, net of current portion, deferred amount on refunding, and unamortized bond premium	37,076,475	30,479,639	67,556,114
Total noncurrent liabilities	37,653,541	30,863,559	68,517,100
Total liabilities	46,203,728	34,380,125	80,583,853
NET POSITION			
Net Investment in Capital Assets	171,491,240	44,011,555	215,502,795
Restricted for Debt Service and Capital Improvements	1,389,594	-	1,389,594
Unrestricted	20,263,723	7,494,119	27,757,842
Total net position	\$ 193,144,557	\$ 51,505,674	\$ 244,650,231

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Operating Revenues			
Sales and charges for services	\$ 18,727,876	\$ 8,913,119	\$ 27,640,995
Fees and miscellaneous	321,229	454,867	776,096
Total operating revenues	19,049,105	9,367,986	28,417,091
Operating Expenses			
Source of supply	1,218,162	-	1,218,162
Water treatment	1,779,324	-	1,779,324
Transmission and distribution	2,015,765	-	2,015,765
Sewer collection lines	-	1,109,167	1,109,167
Water reclamation	-	2,360,921	2,360,921
Engineering and water resources	854,312	282,481	1,136,793
Administrative and general	3,396,542	1,721,931	5,118,473
Information technology and customer service	753,750	250,519	1,004,269
Depreciation	7,434,716	3,296,673	10,731,389
Total operating expenses	17,452,571	9,021,692	26,474,263
Operating income	1,596,534	346,294	1,942,828
Nonoperating Revenues (Expenses)			
System development fees	1,206,117	325,891	1,532,008
Investment income:			
Net decrease in fair value of investments	(32,001)	(8,898)	(40,899)
Interest income	43,622	16,267	59,889
Interest expense	(1,247,985)	(846,403)	(2,094,388)
Total nonoperating (expenses)	(30,247)	(513,143)	(543,390)
Income (loss) before contributions	1,566,287	(166,849)	1,399,438
Capital Contributions			
Capital grants	1,404,495	170,115	1,574,610
Donated utilities	1,407,545	783,294	2,190,839
Total capital contributions	2,812,040	953,409	3,765,449
Change in net position	4,378,327	786,560	5,164,887
Net Position, beginning of year	188,766,230	50,719,114	239,485,344
Net Position, end of year	\$ 193,144,557	\$ 51,505,674	\$ 244,650,231

See Notes to Financial Statements.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2013**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 19,319,438	\$ 9,220,521	\$ 28,539,959
Cash payments to suppliers	(3,379,109)	(1,775,476)	(5,154,585)
Cash payments to employees	(6,147,686)	(3,568,807)	(9,716,493)
Change in City sanitation account	(107,266)	-	(107,266)
Net cash provided by operating activities	9,685,377	3,876,238	13,561,615
Cash Flows from Capital and Related Financing Activities			
System development fees	2,670,425	582,946	3,253,371
Capital grants	1,182,268	139,781	1,322,049
Proceeds from issuance of debt	131,786	66,131	197,917
Principal paid on general obligation/revenue bonds and loan debt maturities	(3,494,377)	(2,095,725)	(5,590,102)
Interest paid on debt	(1,559,833)	(887,892)	(2,447,725)
Acquisition and construction of capital assets	(4,917,092)	(1,337,236)	(6,254,328)
Net cash (used in) capital and related financing activities	(5,986,823)	(3,531,995)	(9,518,818)
Cash Flows from Investing Activities			
Interest on cash and investments	11,842	7,841	19,683
Purchase of investments	-	(36,713)	(36,713)
Redemption of investments	-	36,585	36,585
Net cash provided by investing activities	11,842	7,713	19,555
Net increase in cash and cash equivalents	3,710,396	351,956	4,062,352
Cash and Cash Equivalents			
Beginning	17,381,087	6,368,938	23,750,025
Ending	\$ 21,091,483	\$ 6,720,894	\$ 27,812,377

Continued

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

**STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
Year Ended June 30, 2013**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 1,596,534	\$ 346,294	\$ 1,942,828
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	7,434,716	3,296,673	10,731,389
Increase (decrease) in cash and cash equivalents resulting from changes in operating assets and liabilities:			
Receivables	282,748	(132,954)	149,794
Inventories	32,256	(211)	32,045
Prepaid expenses	5,929	-	5,929
Vouchers payable	421,725	323,041	744,766
Accrued compensated absences	18,735	43,395	62,130
City sanitation account	(107,266)	-	(107,266)
Net cash provided by operating activities	\$ 9,685,377	\$ 3,876,238	\$ 13,561,615
Noncash Investing, Capital and Financing Activities			
Amortization of deferred refunding loss and debt premiums	\$ (10,300)	\$ -	\$ (10,300)
Donated asset acquisitions	1,407,545	783,294	2,190,839
Capitalized interest	62,818	6,528	69,346

See Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Accounts receivable: Accounts receivable are shown on the statement of net position net of allowances for doubtful accounts of \$53,267.

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Cash Equivalents and Investments

Cash, cash equivalents and investments and restricted cash and investments as of June 30, 2013, as classified in the accompanying financial statements, consist of the following:

Statement of Net Position:

Deposits with financial institutions:	
Cash	\$ 242,310
Certificates of deposit	5,576,307
Investments:	
WYOSTAR	25,010,193
WGIF	9,874
	<u>\$ 30,838,684</u>
Cash and cash equivalents	\$ 27,337,965
Investments	2,036,713
Restricted cash and cash equivalents	474,412
Restricted investments	989,594
	<u>\$ 30,838,684</u>

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

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

Custodial credit risk: Custodial credit risk for deposits and certificates of deposit is the risk that, in the event of the failure of a depository financial institution, the Board will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Certain deposits held in Board bank accounts are insured by Federal depository insurance or are collateralized with securities held by the custodian bank under safekeeping or Federal Reserve receipts in the name of the Board and the financial institution. As of June 30, 2013, the Board had bank balances on deposit and certificates of deposit of \$6,931,620. These deposits and certificates of deposit were fully collateralized or insured as required by state statutes.

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

NOTES TO FINANCIAL STATEMENTS

In addition to the applicable statutes, the Board's policy requires all deposits to be collateralized at 105% of the amount invested including accrued interest to further reduce its exposure to custodial credit risk. At June 30, 2013, the Board's deposits were fully collateralized as required by Board policy.

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

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

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Board's investments are held in external pooled investment accounts and in bank certificates of deposit, and as a means of limiting its exposure to fair value losses arising from rising interest rates, the Board attempts to match its investment maturities to expected cash flow needs. The Board's investment policy requires that the investment portfolio shall be timed to provide that at least 20% is under 31 days (but this amount need not be more than \$3,000,000) and not more than 25% may be over 181 days and less than three years. With this investment focus, investments are expected to reach maturity with limited gains or losses. At June 30, 2013, the Board's investments met this policy. The maturities and applicable interest rates of the Board's investments are displayed in the following Interest Rate Risk Table.

Investment Type	Fair Value	Interest Rate	Investment Maturities Less Than One Year
Certificates of deposit	\$ 5,576,307	0.05% - 0.25%	\$ 5,576,307
State Treasurer's Investment Pool (WYOSTAR)	25,010,193	0.35%	25,010,193
Wyoming Government Investment Fund (WGIF)	9,874	0.05%	9,874
	<u>\$ 30,596,374</u>		<u>\$ 30,596,374</u>

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

NOTES TO FINANCIAL STATEMENTS

Note 3. Changes in Capital Assets

A summary of changes in capital assets follows:

	Balance June 30, 2012	Additions	Retirement and Transfers	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 5,067,723	\$ -	\$ -	\$ 5,067,723
Water rights	1,797,968	-	-	1,797,968
Construction in progress	8,193,596	5,222,982	(9,487,806)	3,928,772
Total capital assets not being depreciated	15,059,287	5,222,982	(9,487,806)	10,794,463
Capital assets being depreciated:				
Utility plant in service	452,284,110	6,792,548	(316,433)	458,760,225
Machinery and equipment	1,045,671	6,548	(326,963)	725,256
Transportation equipment	2,303,013	165,297	(36,886)	2,431,424
Structures and improvements	2,221,480	5,814,944		8,036,424
Office furniture and equipment	953,418	-	(18,837)	934,581
Total capital assets being depreciated	458,807,692	12,779,337	(699,119)	470,887,910
Less accumulated depreciation for:				
Utility plant in service	179,490,689	10,348,228	(316,433)	189,522,484
Machinery and equipment	898,604	31,961	(326,963)	603,602
Transportation equipment	2,090,619	110,588	(36,886)	2,164,321
Structures and improvements	989,912	192,210	-	1,182,122
Office furniture and equipment	841,893	48,402	(18,837)	871,458
Total accumulated depreciation	184,311,717	10,731,389	(699,119)	194,343,987
Total capital assets being depreciated, net	274,495,975	2,047,948	-	276,543,923
Total capital assets, net	\$ 289,555,262	\$ 7,270,930	\$ (9,487,806)	\$ 287,338,386

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Bonds and Loans

The following is a summary of debt transactions of the Board for the year ended June 30, 2013:

	Balance as of June 30, 2012	Debt	
		Issued	Retired
Waterworks Fund:			
DWSRF #034 Water Main Rehabilitation 2003	\$ 524,213	\$ -	\$ 34,575
DWSRF #056 Western Hills 2005	807,915	-	41,463
Granite Crystal Rehabilitation Water Loan 1985	1,424,568	-	1,424,568
Stage I Rehabilitation Loan 1993	4,787,091	-	114,864
King Two Water Storage Tank Loan 1994	189,992	-	47,490
Sherard Plant State WDWRP Loan 2000	2,455,377	-	196,455
DWSRF #023 RLS Refinance 2002	6,103,092	-	488,309
DWSRF #065 Southern Water Main 2007	4,600,777	-	221,449
DWSRF #074 Administrative Building 2007	243,185	-	9,520
CWSRF #084 Administrative Building 2007	281,250	-	11,009
CWSRF #081 Phase II Reuse 2008	1,178,197	-	52,871
DWSRF #079 30" Water Main/WAFB	5,130,509	-	201,196
DWSRF #106 Administrative Building 2009	1,859,735	-	72,804
CWSRF #115 Administrative Building 2009	1,859,735	-	72,804
DWSRF #120 Southern Water Main Ph II 2012	213,164	229,998	-
DWSRF #133 RLS Hydroelectric Project 2013	-	13,866	-
Refunding Revenue Water Bonds 2007 Series	10,510,000	-	505,000
	<u>42,168,800</u>	<u>243,864</u>	<u>3,494,377</u>
Sewer Fund:			
CWSRF #007 Crow Creek Rollins Sewer Lines 1997	939,396	-	124,529
CWSRF #032 Crow Creek Dry Creek WWTP 2002	2,399,803	-	145,276
CWSRF #046 Clean Water State Revolving Loan 2004	27,335,256	-	1,654,781
CWSRF #060 WAFB/Parsley 2006	2,404,982	-	115,759
DWSRF #074 Administrative Building 2007	81,062	-	3,174
CWSRF #084 Administrative Building 2007	93,750	-	3,670
DWSRF #106 Administrative Building 2009	619,912	-	24,268
CWSRF #115 Administrative Building 2009	619,912	-	24,268
CWSRF #133 Crow Creek Plant Improvements 2013	-	229,137	-
	<u>34,494,073</u>	<u>229,137</u>	<u>2,095,725</u>
	<u>\$ 76,662,873</u>	<u>\$ 473,001</u>	<u>\$ 5,590,102</u>

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

NOTES TO FINANCIAL STATEMENTS

Balance as of June 30, 2013	Current Portion	Unamortized Bond Premium	Long-Term Portion
\$ 489,638	\$ 35,489	\$ -	\$ 454,149
766,452	42,730	-	723,722
-		-	-
4,672,227	119,459	-	4,552,768
142,502	49,389	-	93,113
2,258,922	201,608	-	2,057,314
5,614,783	501,116	-	5,113,667
4,379,328	226,591	-	4,152,737
233,665	9,758	-	223,907
270,241	11,286	-	258,955
1,125,326	54,093	-	1,071,233
4,929,313	205,866	-	4,723,447
1,786,931	74,623	-	1,712,308
1,786,931	74,623	-	1,712,308
443,162	-	-	443,162
13,866	-	-	13,866
10,005,000	525,000	289,819	9,769,819
38,918,287	2,131,631	289,819	37,076,475
814,867	127,577	-	687,290
2,254,527	148,908	-	2,105,619
25,680,475	1,696,151	-	23,984,324
2,289,223	118,447	-	2,170,776
77,888	3,253	-	74,635
90,080	3,762	-	86,318
595,644	24,874	-	570,770
595,644	24,874	-	570,770
229,137	-	-	229,137
32,627,485	2,147,846	-	30,479,639
\$ 71,545,772	\$ 4,279,477	\$ 289,819	\$ 67,556,114

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

NOTES TO FINANCIAL STATEMENTS

On December 21, 2007, the Board issued \$12,330,000 in Refunding Revenue Water Bonds with an average interest rate of 4.368% in order to refinance two Wyoming Water Development Commission loans totaling \$8,043,330 and one Permanent Mineral Trust Fund loan for \$3,567,231 bearing substantially higher interest rates between 5.5% and 7.25%. The proceeds of the Series 2007 Bonds, together with other available monies of the City, were used to: (i) refinance the above-referenced loans in the amount of \$11,610,561, (ii) pay expenses incurred in connection with the issuance of the Bonds in the amount of \$102,636, and (iii) establish a debt service reserve fund for the Bonds in the amount of \$989,594. 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, 2013 consists of the following:

Refunding Revenue Water Bonds, Series 2007, original amount of \$12,330,000 due in annual principal installments ranging from \$485,000 to \$910,000 through December 2026; interest at 4% to 5%. Secured by pledge of revenues from the City's water system tap and user fees and system development fees, net of premiums. \$ 10,005,000

Due to the State of Wyoming, Water Development Commission, original amount of \$6,250,000, with interest at 4%, due annually on December 1. Annual principal and interest payments are \$306,348 through 2037. Secured by a mortgage on the Stage I pipeline and revenues from the Cheyenne Water System. 4,672,227

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. 142,502

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #002, original amount of \$4,000,000, with interest at 2.5%, due annually on December 1. Annual principal and interest payments are \$258,075 through 2023. Secured by pledge and assignment revenues from by the City's water system user fees necessary to meet the annual loan payment. 2,258,922

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 by pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. 5,614,783

Continued

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

NOTES TO FINANCIAL STATEMENTS

Due to the State of Wyoming, Office of State Land and Investments, #DWSRF-034, original amount of \$825,000, with interest at 2.5% due annually on December 1. Annual principal and interest payments are \$47,729 through 2025 for funding of the City's Water Main Rehabilitation Project for Fiscal Year 2004. Secured by pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. \$ 489,638

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. 766,452

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #065, original amount of \$5,600,000 for the Southern Water Transmission Main - Phase I Project, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$334,582 through 2029. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. 4,379,328

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #074, original amount of \$324,246 loan for the planning phase of the Administration Building Project, with interest at 2.5% due annually on June 1. Annual principal and interest payments are \$20,799 through 2032. Secured by pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. 311,553

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #079, original amount of \$5,130,509 for the 30" Transmission Line Replacement Project, with interest at 2.5% due annually on June 1. Annual principal and interest payments are \$329,107 through 2031. Secured by pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. 4,929,313

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #106, original amount of \$3,500,000 for the construction phase of the Administration Building Project, with interest at 2.5% due annually on June 1. Annual principal and interest payments are \$159,062 through 2032. Secured by pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. 2,382,575

Continued

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

NOTES TO FINANCIAL STATEMENTS

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #120, advances on a \$9,400,000 loan for the design and construction of Phase II of the Southern Water Transmission Main. Interest will accrue at 2.5% from the date of loan disbursements. Twenty annual payments of principal and interest will begin not later than one year after substantial completion of the project. The payments are currently estimated at \$602,983 per year. Secured by the pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payments. \$ 443,162

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #133, advances on a \$3,000,000 loan for the construction of the Hydro-Electric Generation Project. Interest thereon is at 0.0% for a term of twenty years. Upon completion of project, loan shall be granted principal forgiveness up to 25% of the loan, not to exceed \$750,000. The payments are currently estimated at \$112,500 per year. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual payment. 13,866

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #007, original amount of \$2,334,500, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$147,951 through 2019 for the rehabilitation of the Crow Creek and Rollins sewer lines. Secured by the pledge and assignment of revenues generated from the City's wastewater user fees necessary to meet the annual loan payment. 814,867

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #032, original amount of \$3,200,000, with interest at 2.5%, due annually on June 1. Annual principal and interest payments are \$205,271 through 2026 for the Dry and Crow Creek Rehab - Engineering project. Secured by the pledge and assignment of revenues generated from the City's wastewater user fees necessary to meet the annual loan payment. 2,254,527

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #046, original amount of \$36,450,000, with interest at 2.5%, due annually on June 1. Annual principal and interest payments are \$2,338,163 through 2026 for the Dry and Crow Creek Rehab - Construction project. Secured by the pledge and assignment of revenues generated from the City's wastewater user fees necessary to meet the annual loan payment. 25,680,475

Continued

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

NOTES TO FINANCIAL STATEMENTS

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

\$ 2,289,223

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.

1,125,326

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

360,321

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

2,382,575

Due to the State of Wyoming, Office of State Land and Investments, #CWSRF-133, advances on \$5,000,000 loan for Crow Creek Plant Improvements Project. Interest will accrue at 2.5% from the date of the loan disbursements. Twenty annual payments of principal and interest will begin one year after substantial completion of the project. The payments are currently estimated at \$93,433 per year. Secured by pledge and assignment of revenues from the City's wastewater user fees necessary to meet the annual loan payment.

229,137

Total long-term liabilities

\$ 71,545,772

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

NOTES TO FINANCIAL STATEMENTS

The annual debt service requirements of the long-term debt and current principal maturities as of June 30, 2013 are as follows:

	Waterworks Fund		Sewer Fund	
	Principal	Interest	Principal	Interest
2014	\$ 2,131,631	\$ 1,236,294	\$ 2,147,846	\$ 809,180
2015	2,268,873	1,180,693	2,201,502	755,525
2016	2,237,919	1,105,767	2,265,468	706,257
2017	2,306,204	1,035,882	2,322,062	649,663
2018	2,385,646	966,539	2,380,070	591,655
2019-2023	13,038,478	3,575,485	12,208,043	2,058,781
2024-2028	9,361,970	1,659,699	8,497,262	534,743
2029-2033	4,043,983	537,975	576,902	34,467
2034-2038	1,143,583	114,601	28,330	1,067
	<u>\$ 38,918,287</u>	<u>\$ 11,412,935</u>	<u>\$ 32,627,485</u>	<u>\$ 6,141,338</u>

The balances above do not include the unamortized bond premium in the amount of \$289,819 that is reported as a component of bonds payable.

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

The Board has pledged and assigned future water system and wastewater user fees to meet the annual debt requirements. Proceeds from the debt has been used to improve, expand and replace the distribution system, source of supply, and treatment facilities. The proportion of pledged revenues to total revenues is not estimable because annual total fees fluctuate annually. Principal and interest paid for the current year was \$7,680,451. Net customer revenues totaled 28,417,091 for the year. At year end, pledged future revenues totaled \$89,100,045, which is the amount of the remaining principal and interest on outstanding debt.

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.

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

NOTES TO FINANCIAL STATEMENTS

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%.

The Board's contribution to the Wyoming Retirement System for the years ended June 30, 2013, 2012 and 2011 were \$736,660, \$733,963 and \$703,034, 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, 2013, 2012 and 2011 were \$158,491, \$162,053 and \$166,595, 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, 2013, 2012 and 2011 were \$29,250, \$28,750 and \$29,575, respectively.

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Due from Other Governments

Amounts due from other governments of \$716,078 as of June 30, 2013 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 2013. Upon receipt of these pay requests, the Board applies to other governmental entities for grant and/or loan monies to pay contractors.

Note 7. Accrued Compensated Absences and Early Retirement

Compensated absences and early retirement obligations have been accrued in the financial statements of the Board and consist of the following at June 30, 2013:

	Waterworks Fund	Sewer Fund	Total
Vacation leave	\$ 334,002	\$ 221,679	\$ 555,681
Compensatory/administrative time	81,908	54,606	136,514
Sick leave	305,422	203,615	509,037
Early retirement obligation	78,351	84,154	162,505
	<u>\$ 799,683</u>	<u>\$ 564,054</u>	<u>\$ 1,363,737</u>

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

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year
Compensated Absences and Early Retirement					
Waterworks Fund	\$ 780,948	\$ 152,232	\$ (133,497)	\$ 799,683	\$ 222,617
Sewer Fund	520,659	125,343	(81,948)	564,054	180,134
	<u>\$ 1,301,607</u>	<u>\$ 277,575</u>	<u>\$ (215,445)</u>	<u>\$ 1,363,737</u>	<u>\$ 402,751</u>

Note 8. Related-Party Transactions

The Board collects sanitation charges on behalf of the City. At June 30, 2013, the Board had cash and receivables relating to the City's sanitation charges of \$1,632,161. The Board also owed the City \$713,975 for fuel charges, legal fees, and the Board's share of construction projects.

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

NOTES TO FINANCIAL STATEMENTS

Note 9. Major Customer

For the year ended June 30, 2013, the Board had three customers who each individually accounted for a significant portion of the Board's billed water and sewer revenues as follows:

	Water	Sewer	Total
Holly Refining & Marketing	\$ 3,167,427	\$ 367,318	\$ 3,534,745
South Cheyenne Water & Sewer District	1,446,856	864,543	2,311,399
F.E. Warren Air Force Base	1,082,835	362,263	1,445,098

Note 10. Commitments

As of June 30, 2013, 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 2013, the amounts below represent the activity pertaining to the respective contract as a whole.

	Expended to June 30, 2013	Total Contract	Total Commitment at June 30, 2013
Waterworks Fund:			
W. Pershing Blvd. Reconstruction	\$ 567,631	\$ 684,750	\$ 117,119
Southern Water Transmission Main	1,410,937	22,637,310	21,226,373
PCCP Study-Little Snake	401,530	1,200,896	799,366
FY13 Water Rehabs	20,735	1,412,084	1,391,349
FY13 Well Rehabs	63,158	117,779	54,621
E. Pershing Blvd-reconstruction	784,671	1,422,635	637,964
Hydro Electric Generator	28,866	364,895	336,029
2013 Master Plan	303,559	734,550	430,991
	3,581,087	28,574,899	24,993,812
Sewer Fund:			
W. Pershing Blvd. Reconstruction	240,653	274,355	33,702
FY13 Sewer Rehabs	13,889	644,015	630,126
E. Pershing Blvd-reconstruction	166,965	243,472	76,507
Crow Creek Improvements	229,137	744,332	515,195
2013 Master Plan	101,186	244,850	143,664
	751,830	2,151,024	1,399,194
	\$ 4,332,917	\$ 30,725,923	\$ 26,393,006

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

NOTES TO FINANCIAL STATEMENTS

Note 11. Risk Management

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

As of June 30, 2013, 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, 2013**

	Waterworks Fund			
	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
	Original	Final		
Operating Revenues				
Sales and charges for services	\$ 17,601,900	\$ 17,601,900	\$ 18,727,876	\$ 1,125,976
Fees and miscellaneous	329,800	329,800	321,229	(8,571)
Total operating revenues	17,931,700	17,931,700	19,049,105	1,117,405
Nonoperating Revenues				
Interest income	70,700	70,700	11,621	(59,079)
Intergovernmental revenues	1,000,000	-	-	-
System development fees	1,261,000	1,261,000	1,206,117	(54,883)
Capital grants	-	15,534,541	1,404,495	(14,130,046)
Donated utilities	-	-	1,407,545	1,407,545
Total nonoperating revenues	2,331,700	16,866,241	4,029,778	(12,836,463)
Total revenues	20,263,400	34,797,941	23,078,883	(11,719,058)
Operating Expenses				
Source of supply	1,516,000	1,720,000	1,218,162	(501,838)
Water treatment	2,032,400	2,078,380	1,779,324	(299,056)
Transmission and distribution	1,941,300	2,031,240	2,015,765	(15,475)
Sewer collection lines	-	-	-	-
Water reclamation	-	-	-	-
Engineering and water resources	871,100	878,300	854,312	(23,988)
Administrative and general	2,929,600	3,398,262	3,396,542	(1,720)
Information technology and customer service	766,800	763,251	753,750	(9,501)
Total operations	10,057,200	10,869,433	10,017,855	(851,578)
Other Expenditures				
Capital purchases	940,500	734,548	587,297	(147,251)
Construction work in progress	10,336,100	38,800,696	4,329,795	(34,470,901)
Debt service, interest	1,483,400	1,446,816	1,243,946	(202,870)
Debt service, principal	3,471,100	3,507,684	3,494,377	(13,307)
Total other expenditures	16,231,100	44,489,744	9,655,415	(34,834,329)
Total expenditures	26,288,300	55,359,177	19,673,270	(35,685,907)
Excess (deficiency) of revenues over expenditures	\$ (6,024,900)	\$ (20,561,236)	\$ 3,405,613	\$ 23,966,849

See the accompanying independent auditors' report.

Sewer Fund

Budgeted Amounts				Actual Budget Basis	Variance with Final Budget		
Original		Final					
\$	8,955,300	\$	8,955,300	\$	8,913,119	\$	(42,181)
	327,900		341,000		454,867		113,867
	9,283,200		9,296,300		9,367,986		71,686
	34,430		34,430		7,369		(27,061)
	-		-		-		-
	281,700		281,700		325,891		44,191
	155,500		314,837		170,115		(144,722)
	-				783,294		783,294
	471,630		630,967		1,286,669		655,702
	9,754,830		9,927,267		10,654,655		727,388
	-		-		-		-
	-		-		-		-
	-		-		-		-
	1,173,900		1,155,282		1,109,167		(46,115)
	2,263,200		2,365,939		2,360,921		(5,018)
	290,500		292,800		282,481		(10,319)
	1,565,400		1,753,531		1,721,931		(31,600)
	256,200		260,444		250,519		(9,925)
	5,549,200		5,827,996		5,725,019		(102,977)
	495,100		504,479		444,049		(60,430)
	6,763,800		8,336,925		893,187		(7,443,738)
	879,500		879,500		846,403		(33,097)
	2,100,000		2,100,000		2,095,725		(4,275)
	10,238,400		11,820,904		4,279,364		(7,541,540)
	15,787,600		17,648,900		10,004,383		(7,644,517)
\$	(6,032,770)	\$	(7,721,633)	\$	650,272	\$	8,371,905

See the accompanying independent auditors' report.

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

NOTES TO BUDGETARY COMPARISON SCHEDULE

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

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

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

STATISTICAL SECTION

(UNAUDITED)

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	2004	2005	2006	2007
Primary government:				
Net investment 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
Total primary govern- ment net position	\$182,153,434	\$190,349,165	\$205,455,756	\$217,194,971

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

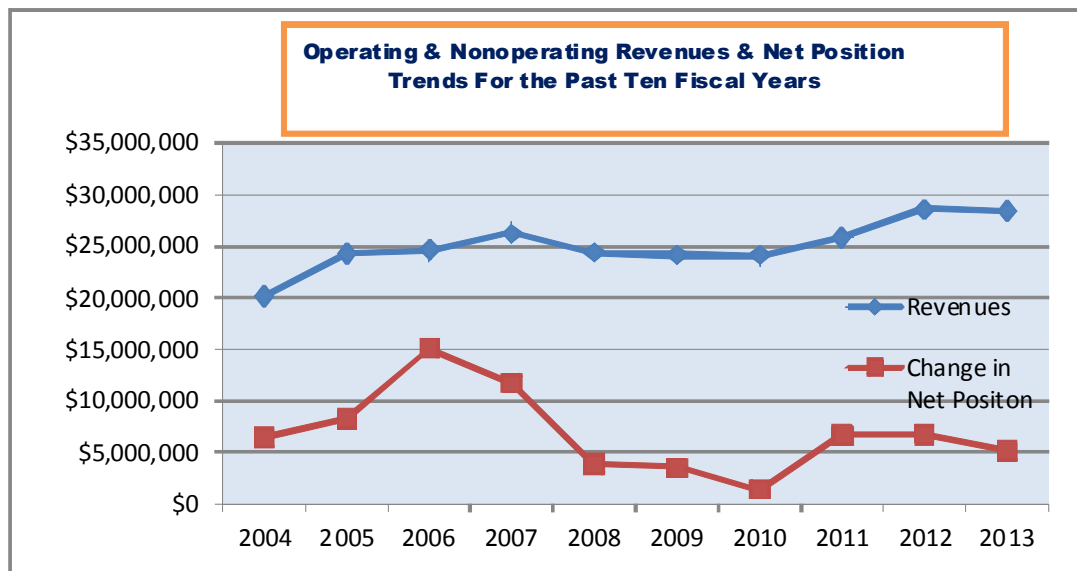
2008	2009	2010	2011	2012	2013
\$193,238,637	\$197,637,971	\$201,950,640	\$207,125,040	\$212,588,231	\$215,502,795
3,250,423	1,289,594	1,289,594	1,289,594	1,389,594	1,389,594
24,550,118	25,660,121	22,758,430	24,280,698	25,507,519	27,757,842
\$221,039,178	\$224,587,686	\$225,998,664	\$232,695,332	\$239,485,344	\$244,650,231

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

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

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)
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
2012	28,594,129	26,005,418	2,588,711
2013	28,417,091	26,474,263	1,942,828

Total Nonoperating Revenues/ (Expenses)	Income (Loss) before Capital Contribution	Capital Contributions	Change in Net Position
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
(179,719)	2,408,992	4,381,020	6,790,012
(543,390)	1,399,438	3,765,449	5,164,887



**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
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
2012	19,136,331	8,699,568	758,230	28,594,129
2013	18,727,876	8,913,119	776,096	28,417,091

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

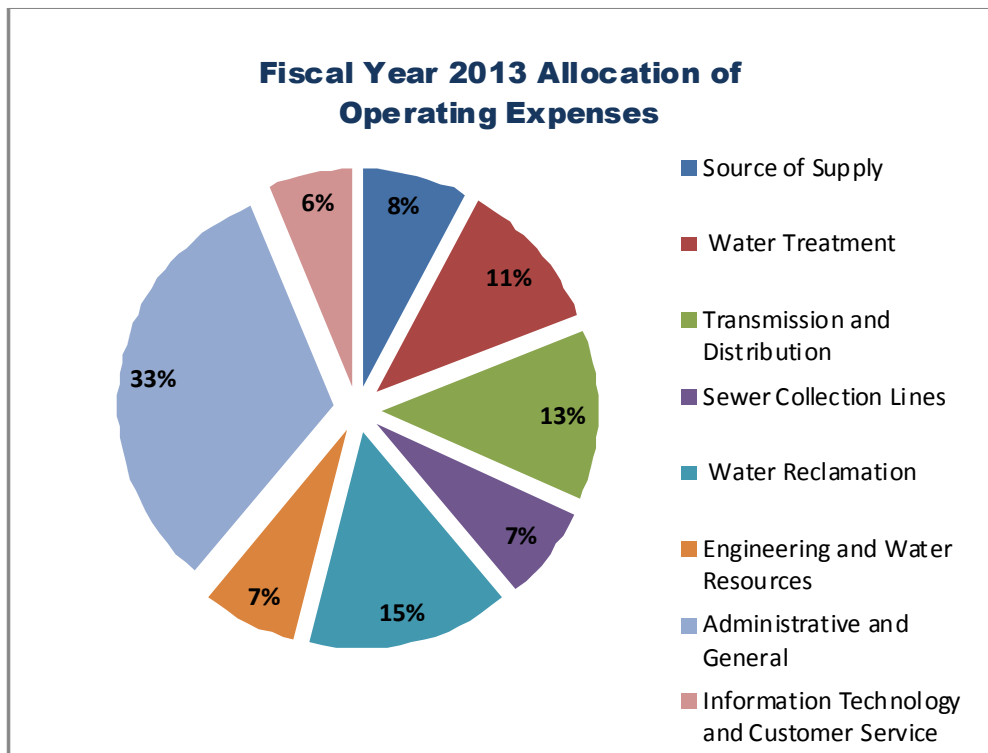
COMBINED OPERATING EXPENSES

(Unaudited)

Last Ten Fiscal Years

Fiscal Year	Source of Supply	Water Treatment	Transmission and Distribution	Sewer Collection Lines	Water Reclamation
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
2012	1,245,052	2,222,510	1,975,019	1,112,374	2,305,548
2013	1,218,162	1,779,324	2,015,765	1,109,167	2,360,921

Engineering and Water Resources	Administrative and General	Information Technology and Customer Service	Subtotal, Expenses before Depreciation	Depreciation	Total Operating Expenses
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
1,078,469	4,362,575	1,044,593	15,346,140	10,659,278	26,005,418
1,136,793	5,118,473	1,004,269	15,742,874	10,731,389	26,474,263



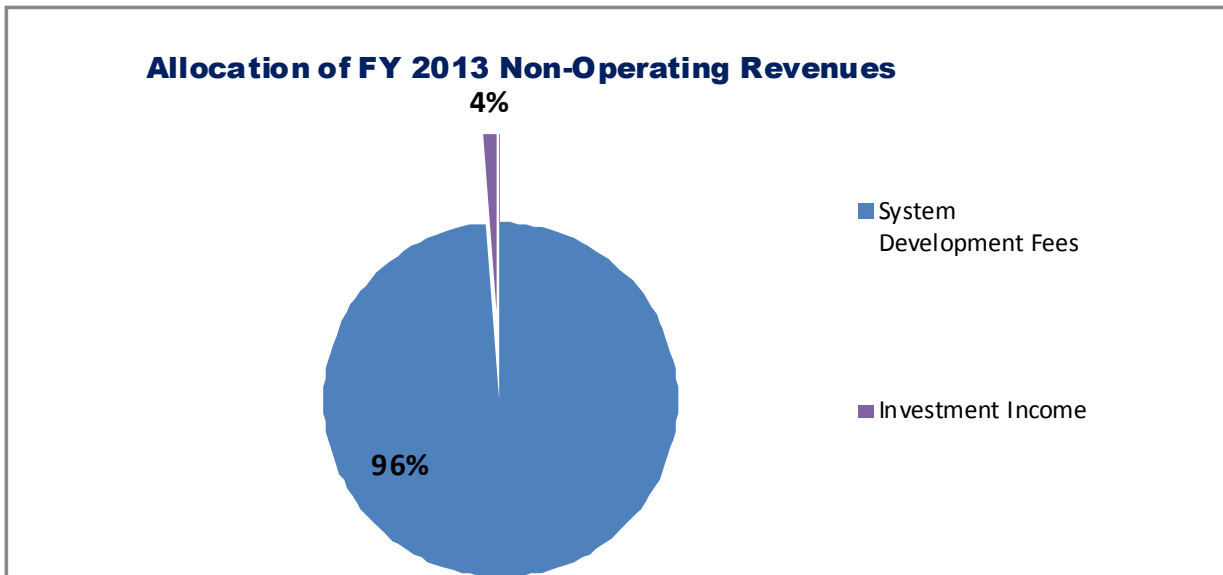
**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

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
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)
2012	1,928,153	-	-	77,077	-	(2,184,949)	(179,719)
2013	1,532,008	-	-	18,990	-	(2,094,388)	(543,390)



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

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

	2004	2005	2006
Water Rates			
Rate charge (per 1,000 gallons):			
Treated	\$ 2.34	**	**
Large volume industrial treated	2.17	**	**
Residential single family:			
First block - First 6,000	**	\$ 2.40	\$ 2.76
Second block - Next 18,000	**	3.00	3.45
Third block - Next 18,000	**	3.75	4.31
All over - 42,000	**	4.69	5.39
Residential multi family:			
First block - First 3,000 per unit	**	2.40	2.76
Second block - Next 9,000 per unit	**	3.00	3.45
Third block - Next 9,000 per unit	**	3.75	4.31
All over - 21,000 per unit	**	4.69	5.39
All other treated (range)	**	2.58-3.00	3.01-3.45
Raw water (range)	**	1.49-1.51	1.73-1.75
Reclaimed water	**	1.20	1.40
Recycled water			
Monthly service fee range (based on meter size)	3.40-145.00	3.75-145.00	4.00-145.00
Sewer Rates			
Rate charge (per 1,000 gallons)	\$ 2.00	\$ 2.25	\$ 2.50
Monthly service fee range (based on meter size)	3.50-60.00	3.50-60.00	3.50-60.00

Notes:

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

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

Fiscal Year						
2007	2008	2009	2010	2011	2012	2013
**	**	**	**	**	**	**
**	**	**	**	**	**	**
\$ 2.87	\$ 2.96	\$ 3.20	\$ 3.35	\$ 3.46	\$ 3.46	\$ 3.60
3.59	3.71	3.98	4.15	4.29	4.29	4.46
4.48	4.62	4.92	5.15	5.32	5.32	5.53
5.61	5.79	6.15	6.40	6.61	6.61	6.88
2.87	2.96	3.20	3.35	3.46	3.46	3.60
3.59	3.71	3.98	4.15	4.29	4.29	4.46
4.48	4.62	4.92	5.15	5.32	5.32	5.53
5.61	5.79	6.15	6.40	6.61	6.61	6.88
3.13-3.59	3.23-3.71	3.68-3.98	3.65-4.15	3.78-4.29	3.78-4.29	3.94-4.65
1.82	1.88	2.08	2.17	2.24	2.24	2.33
1.46	1.51	1.69	1.76	1.82	1.82	1.89
2.70	2.79	3.02	3.14	3.24	3.24	3.37
4.10-145.00	4.25-145.00	4.45-150.95	4.65-158.00	4.80-163.37	4.80-163.37	4.99-170.06
\$ 2.75	\$ 3.00	\$ 3.20	\$ 3.35	\$ 3.46	\$ 3.46	\$ 3.74
3.50-60.00	3.50-60.00	3.65-62.50	3.80-65.00	3.93-67.21	3.93-67.21	4.09-69.95

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

TEN LARGEST WATER CUSTOMERS

(Unaudited)

Current Year and Nine Years Ago

Customer	Fiscal Year 2013		Fiscal Year 2013	
	Billed Water Revenues		Gallons (1,000's)	
	Amount	%	Amount	%
Holly Refining and Marketing	\$3,167,427	16.88%	819,979	18.75%
South Cheyenne Water and Sewer District	\$1,446,856	7.72%	357,885	8.18%
Warren Air Force Base	\$1,082,835	5.77%	257,943	5.90%
Laramie County School Dist #1	\$390,574	2.08%	92,558	2.12%
State of Wyoming	\$213,052	1.14%	47,994	1.10%
Cheyenne Country Club	\$171,851	0.92%	71,749	1.64%
Cheyenne Housing Authority	\$94,972	0.51%	22,415	0.51%
Cheyenne Regional Medical Center	\$84,332	0.45%	20,179	0.46%
Department of Veterans Affairs	\$74,734	0.40%	18,482	0.42%
Wal-Mart Distribution Center	\$67,260	0.36%	11,527	0.26%
Subtotal (10 largest)	\$6,793,893	36.22%	1,720,711	39.35%
Balance from other customers	\$11,965,772	63.78%	2,651,900	60.65%
Grand total	\$18,759,665	100.00%	4,372,611	100.00%

Customer	Fiscal Year 2004		Fiscal Year 2004	
	Billed Water Revenues		Gallons (1,000's)	
	Amount	%	Amount	%
Frontier Refining and Marketing	\$1,702,767	14.26%	782,888	20.85%
Warren Air Force Base	\$648,760	5.43%	277,248	7.38%
South Cheyenne Water and Sewer District	\$526,148	4.40%	233,881	6.23%
Cheyenne Country Club	\$106,805	0.89%	65,045	1.73%
State of Wyoming	\$94,403	0.79%	36,995	0.98%
Cheyenne Regional Medical Center	\$85,275	0.71%	35,483	0.94%
Laramie County School Dist #1	\$93,700	0.78%	35,238	0.94%
Hitching Post Inn	\$58,230	0.49%	24,187	0.64%
Holdings Little America	\$57,491	0.48%	20,770	0.55%
Department of Veterans Affairs	\$49,235	0.41%	20,374	0.54%
Subtotal (10 largest)	\$3,422,814	28.64%	1,532,109	40.79%
Balance from other customers	\$8,527,283	71.36%	2,223,752	59.21%
Grand total	\$11,950,097	100.00%	3,755,861	100.00%

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

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

Customer	Fiscal Year 2013		Fiscal Year 2013	
	Billed Sewer Revenues		Sewer Gallons (1,000's)	
	Amount	%	Amount	%
South Cheyenne Sewer and Water District	\$ 864,543	9.73%	239,352	11.08%
Holly Refining & Marketing	\$ 367,318	4.13%	98,477	4.56%
Warren Air Force Base	\$ 362,263	4.08%	100,470	4.65%
Laramie County School Dist #1	\$ 96,228	1.08%	25,467	1.18%
Cheyenne Regional Medical Center	\$ 71,364	0.80%	19,493	0.90%
Wal-Mart Distribution Center	\$ 61,278	0.69%	11,527	0.53%
Cheyenne Housing Authority	\$ 60,556	0.68%	15,077	0.70%
State of Wyoming	\$ 58,748	0.66%	15,228	0.70%
Department of Veterans Affairs	\$ 51,462	0.58%	14,112	0.65%
Pinewood Village	\$ 33,836	0.38%	9,216	0.43%
Subtotal (10 largest)	2,027,596	22.81%	548,419	25.39%
Balance from other customers	6,860,396	77.19%	1,611,629	74.61%
Grand total	\$ 8,887,992	100.00%	\$ 2,160,048	100.00%

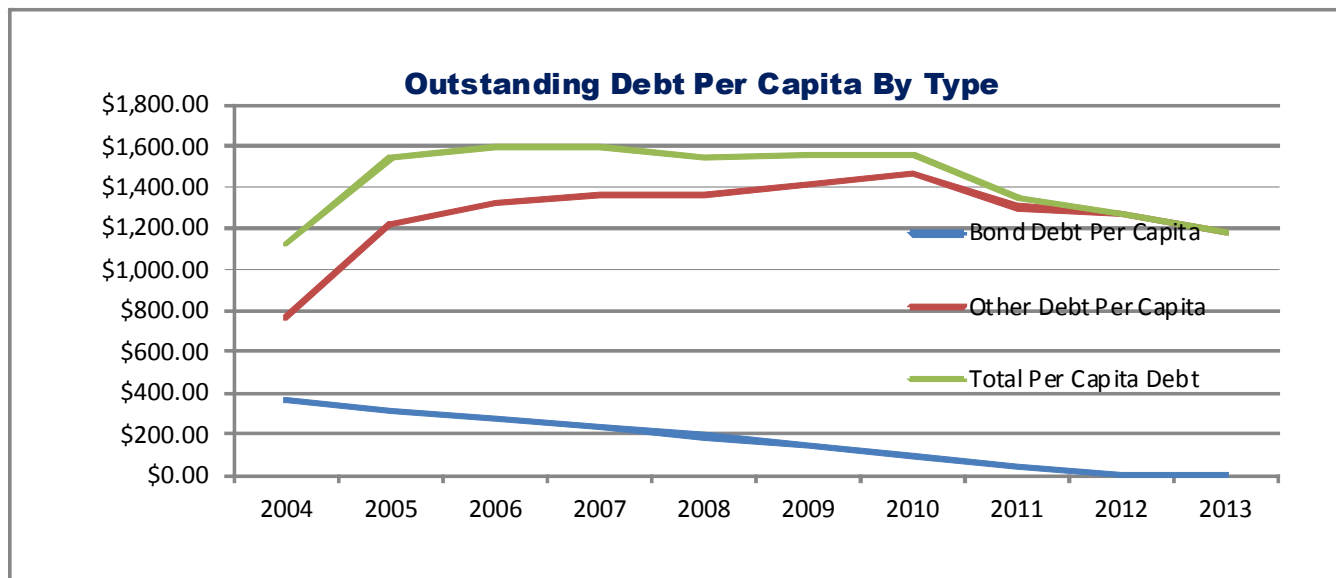
Customer	Fiscal Year 2004		Fiscal Year 2004	
	Billed Sewer Revenues		Sewer Gallons (1,000's)	
	Amount	%	Amount	%
South Cheyenne Sewer and Water District	\$ 348,072	6.62%	189,030	8.71%
Warren Air Force Base	\$ 254,391	4.84%	136,636	6.29%
Cheyenne Regional Medical Center	\$ 57,677	1.10%	30,388	1.40%
Hitching Post	\$ 42,556	0.81%	22,573	1.04%
Laramie County School District #1	\$ 39,504	0.75%	18,883	0.87%
Cheyenne Housing Authority	\$ 34,616	0.66%	15,774	0.73%
State of Wyoming	\$ 32,228	0.61%	15,451	0.71%
Cheyenne Frontier Days	\$ 25,781	0.49%	12,820	0.59%
Pinewood Village	\$ 21,551	0.41%	11,340	0.52%
Frontier Mall	\$ 19,111	0.36%	9,812	0.45%
Subtotal (10 largest)	875,487	16.65%	462,707	21.31%
Balance from other customers	4,382,616	83.35%	1,708,159	78.69%
Grand total	\$ 5,258,103	100.00%	\$ 2,170,866	100.00%

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

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

Fiscal Year	General Bonded Debt			Other Debt			Total Debt
	General Obligation Bonds	Per Capita	As a Share of Personal Income	Notes and Refunding Revenue Bonds	Per Capita	As a Share of Personal Income	All Notes/Bonds
2004	19,955,000	360.45	0.70%	42,305,907	764.17	1.40%	62,260,907
2005	17,805,000	317.64	0.60%	68,637,859	1,224.50	2.20%	86,442,859
2006	15,555,000	274.07	0.60%	75,271,287	1,317.72	3.30%	90,826,287
2007	13,205,000	234.75	0.50%	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	0.20%	82,667,860	1,463.59	3.23%	88,132,860
2011	2,615,000	43.97	0.10%	77,546,824	1,304.05	2.94%	80,161,824
2012	-	-	0.00%	76,662,873	1,275.67	2.70%	76,662,873
2013	-	-	**	71,545,772	1,190.52	**	71,545,772

** 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
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%
2012	21,327,661	-	21,327,661	0.00%
2013	21,847,014	-	21,847,014	0.00%

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

**SEWER FUND
COMPUTATION OF LEGAL DEBT MARGIN
(Unaudited)
June 30, 2013**

Total assessed value, City of Cheyenne	<u>\$ 546,175,351</u>
Debt limit (4% of total assessed value)	<u>21,847,014</u>
Debt applicable to limit	
Bonded debt	-
Less: Amount set aside for repayment of bond debt	<u>-</u>
Total net debt applicable to limit	<u>-</u>
 Legal debt margin	 <u><u>\$ 21,847,014</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	Principal	Interest	Total	age
	Revenues		for Debt				Ratio
			Service				****
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
2012	21,038,714	9,865,383	11,173,331	6,185,564	1,310,423	7,495,987	1.5
2013	20,266,843	10,017,855	10,248,988	3,494,377	1,559,833	5,054,210	2.0

* 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	Total	age
	Revenues		for Debt				Ratio
			Service				***
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
2012	9,560,645	5,480,757	4,079,888	1,990,398	875,883	2,866,281	1.42
2013	9,701,246	5,725,019	3,976,227	2,095,725	887,892	2,983,617	1.33

* 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*
2003	54,716	(a)	2,837,159	33,053	4.8%	14,542
2004	54,709	(a)	2,837,159	33,742	4.8%	14,612
2005	55,461	(a)	3,028,295	35,449	4.4%	14,498
2006	55,533	(a)	3,208,059	37,420	4.1%	14,351
2007	55,885	(a)	3,549,633	40,885	4.0%	14,320
2008	56,313	(b)	3,751,313	42,797	4.1%	14,257
2009	57,048	(b)	4,168,039	46,791	6.5%	14,301
2010	57,618	(b)	3,918,152	43,328	7.4%	14,825
2011	59,739	(b)	4,080,008	44,285	6.7%	14,823
2012	60,096	(b)	4,345,022	46,882	6.0%	14,883
2013	60,459	(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	2013	
		Employees	Percentage of Total
F.E. Warren A.F.B.	Military	3,660	5.58%
State of Wyoming	Government Services	3,409	5.19%
Laramie County School District No.1	Education K-12	2,178	3.32%
Federal Government	Government Services	1,814	2.76%
Cheyenne Regional Medical Center	Health Care	1,763	2.69%
Wyoming National Guard	Military	1,230	1.87%
Laramie County Community College	Academic	800	1.22%
Sierra Trading Post	Outlet Catalog/Retail	684	1.04%
Veterans Affairs Medical Center	Health Care	650	0.99%
Union Pacific Railroad	Transportation, Rail	600	0.91%
		16,788	25.58%
All other employers		48,849	74.42%
Total employees		65,637	100.00%

Employer		2004	
		Employees	Percentage of Total
F.E. Warren A.F.B.	Military	4,190	7.32%
State of Wyoming	Government Services	3,574	6.24%
Laramie County School District No.1	Education K-12	1,794	3.13%
Federal Government	Government Services	1,811	3.16%
Cheyenne Regional Medical Center	Health Care	999	1.75%
Union Pacific Railroad	Transportation, Rail	700	1.22%
Wyoming National Guard	Military	698	1.22%
City of Cheyenne	Government Services	557	0.97%
Sierra Trading Post	Outlet Catalog/Retail	420	0.73%
Laramie County Community College	Academic	410	0.72%
		15,153	26.47%
All other employers		42,090	73.53%
Total employees		57,243	100.00%

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

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

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

	2004	2005	2006	2007
Administration				
General and administrative	7	8	8	8
Customer service	6	6	6	6
Information technology	3	4	4	4
Meter information techs	5	5	5	5
Subtotal	21	23	23	23
Water Treatment				
Management/support staff	2	2	2	2
Plant supervisor/operators	13	13	13	13
Laboratory staff	2	2	2	2
Wellfield group	3	3	3	3
Subtotal	20	20	20	20
Operation and Maintenance				
Source of supply	6	-	-	-
Transmission and distribution	10	12	12	12
Sewer collection	10	12	12	12
Support services	12	13	13	11
Sup. dist. and col. fac. staff	5.5	3.5	3.5	5.5
Subtotal	43.5	40.5	40.5	40.5
Engineering and Water Resources				
Engineering staff	7	8	8	8
Inspections and locates	4	3	4	4
Instrumentation and telemetry	3	3	3	4
Source of supply	-	6	6	6
Subtotal	14	20	21	22
Water Reclamation				
Management/support staff	4	4	4	4
Laboratory staff	2	2	2	2
Plant supervisors/operators	15	15	16	16
Subtotal	21	21	22	22
Total	119.5	124.5	126.5	127.5

Full-Time Equivalent Budgeted Positions as of June 30,

2007	2008	2009	2010	2011	2012	2013
8	8	8	8	8	8	8
6	6	6	6	6	6	6
4	4	4	4	4	4	4
5	5	5	5	5	5	5
23	23	23	23	23	23	23
2	2	2	2	2	2	2
13	13	13	13	13	13	13
2	2	2	2	2	2	2
3	3	3	3	3	3	3
20	20	20	20	20	20	20
-	-	-	-	-	-	-
12	12	13	13	13	13	13
12	12	12	12	12	12	12
11	11	11	11	11	11	11
5.5	5.5	5.5	5.5	5.5	5.5	5.5
40.5	40.5	41.5	41.5	41.5	41.5	41.5
8	8	8	7	7	7	7
4	4	4	4	4	4	4
4	4	4	4	4	4	4
6	6	6	6	6	6	6
22	22	22	21	21	21	21
4	5	5	5	5	5	5
2	2	2	2	2	2	2
16	16	16	16	16	16	16
22	23	23	23	23	23	23
127.5	128.5	129.5	128.5	128.5	128.5	128.5

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

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

	2004	2005	2006
Water Treatment			
Raw Water Collection Mains (miles)	24	24	24
Raw Water Transmission Mains (miles)	181	181	181
Treated Water Transmission Mains (miles)	243	243	243
Treated Water Distribution Mains (miles)	331	347	347
Gallons of treated water storage (millions)	35	35	35
Reservoir levels at June 30 (acre feet*)	35,306	39,364	38,221
Water treatment plant capacity	32 mgd	32 mgd	32 mgd
Peak day **	July 17, 2003	June 21, 2005	June 14, 2006
Peak day (mgd)	24.87	24.39	28.48
Peak month **	July 2003	August 2004	June 2006
Peak month (million gallons)	619.45	551.47	744.62
Total water delivered (acre feet*)	13,466	13,631	16,165
Average daily demand (mgd)	11.989	12.169	14.431
Recycled Water			
Miles of delivery pipeline	-	-	-
Treatment capacity	-	-	-
Total recycled water delivered (acre feet*)	-	-	-
Peak day	-	-	-
Peak day (mgd)	-	-	-
Water Reclamation			
Miles of sewer collection mains	288	291	300
Water reclamation capacity	13.5 mgd	13.5 mgd	17.0 mgd
Peak month	July 2003	June 2004	December 2005
Peak month (million gallons)	265.76	311.94	366.73
Peak month average per day	8.5 mgd	10.4 mgd	11.8 mgd
Total wastewater treated (000 gallons)	2,965,465	3,258,026	3,590,459
Average mgd	8.10	8.93	9.84

* 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						
2007	2008	2009	2010	2011	2012	2013
24	24	24	24	24	24	24
181	181	181	181	181	181	181
243	246	250	250	250	250	250
362	371	374	377	380	390	395
35	35	35	35	35	35	35
38,076	39,145	39,555	40,222	41,108	37,756	36,990
32 mgd	32 mgd	32 mgd	32 mgd	32 mgd	32 mgd	32 mgd
July 31, 2006	July 3, 2007	July 15, 2008	Aug. 12, 2009	Sept. 21, 2010	June 18, 2012	June 26, 2013
29.25	31.17	32.26	25.98	28.42	28.7	29.7
August 2006	July 2007	July 2008	August 2009	August 2010	June 2012	August 2012
735.72	725.82	833.17	626.79	697.66	695.760	767.650
15,888	14,208	12,753	13,173	14,815	16,176	15,272
14.182	12.649	11.385	11.760	13.230	14.44	13.63
-	12.24	13.70	13.70	13.70	13.70	13.70
-	4.0 mgd	4.0 mgd	4.0 mgd	4.0 mgd	4.0 mgd	4.0 mgd
-	378.7	305.6	252.05	566.42	585.05	546.05
-	October 4, 2007	August 2, 2008	June 21, 2010	July 14, 2010	June 6, 2012	July 20, 2012
-	2.56	2.89	2.68	2.39	2.14	2.23
306	311	312	313	314	323	327
17.0 mgd	17.0 mgd	17.0 mgd	17.0 mgd	17.0 mgd	17.0 mgd	17.0 mgd
March 2007	August 2007	August 2008	May 2010	July 2010	July 2011	May 2012
306.09	276.86	320.37	372.761	332.8	323.4	298.8
9.9 mgd	8.9 mgd	10.3 mgd	12.00 mgd	10.74 mgd	10.43 mgd	9.64 mgd
3,286,169	3,132,495	3,294,313	3,435,352	3,283,370	3,236,048	3,199,300
9.00	8.56	9.03	9.41	9.00	8.85	8.77

**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)
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
2012	5,271	4,419	425	427
2013	5,022	4,373	394	255
10-year average	4,747	4,099	328	320

Notes:

Gallons are presented in millions

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

Average Percent Unbilled(e)	Gallons of Wastewater Billed(f)	Total Direct Rate	
		Water(g)	Sewer(h)
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
8.10%	2,183	4.33	3.46
5.08%	2,160	4.33	3.46
6.74%	2,225		

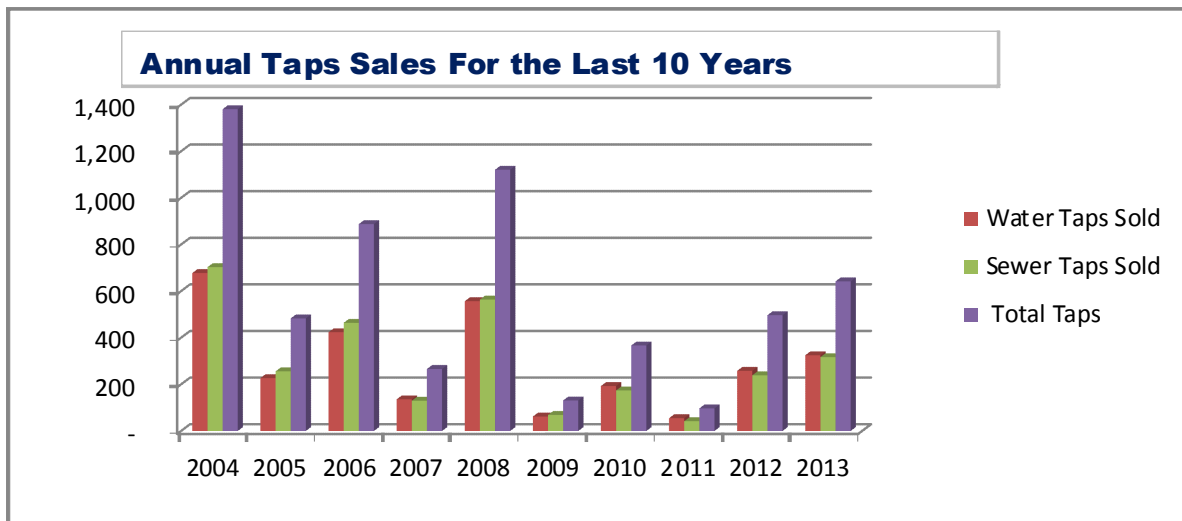
**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

ANNUAL TAP SALES

(Unaudited)

Last Fiscal Years

Fiscal Year	Water Meter Taps Sold	Sewer Taps Sold	Total Taps
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
2012	258	239	497
2013	325	317	642



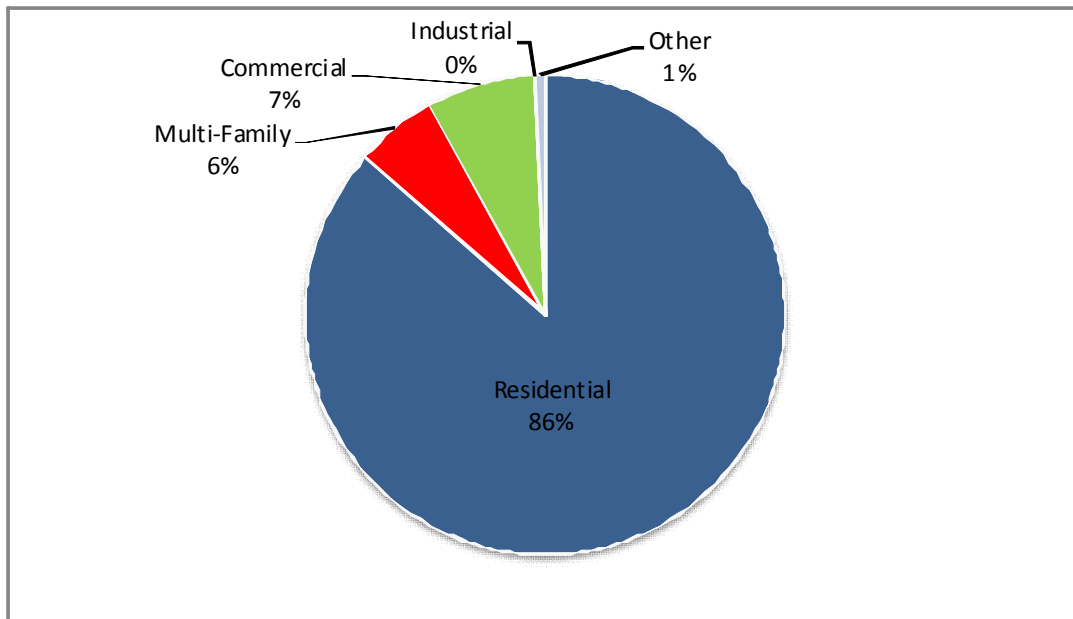
**BOARD OF PUBLIC UTILITIES
CITY OF CHEYENNE, WYOMING**

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

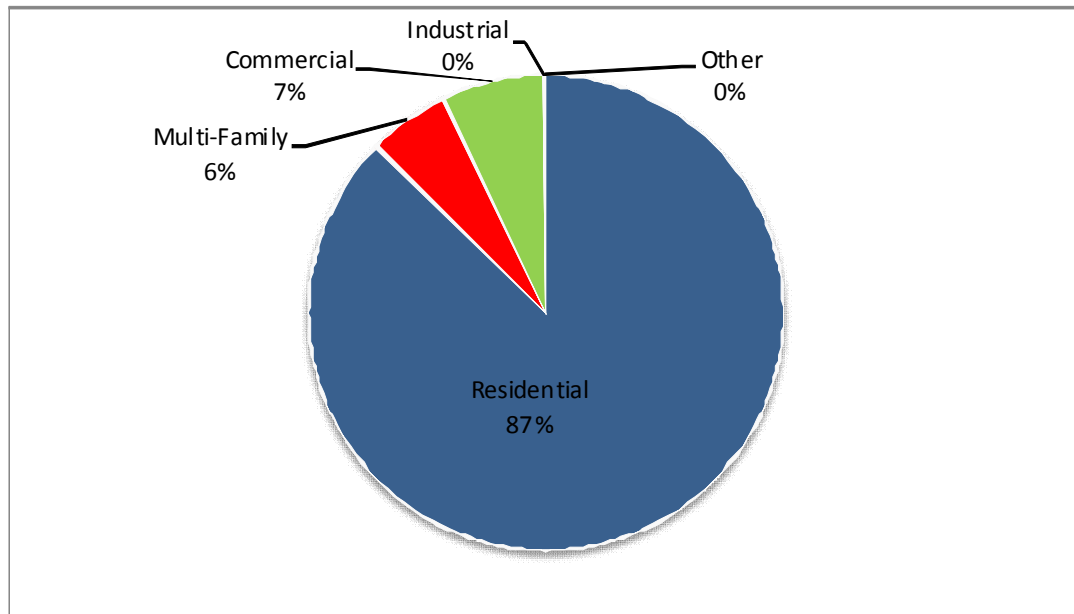
Fiscal Year	Water				
	Residential	Multi-Family	Commercial	Industrial	Other
2004	17,658	1,167	1,522	20	126
2005	18,102	1,161	1,538	21	139
2006	18,481	1,151	1,586	23	151
2007	18,635	1,165	1,594	19	166
2008	18,810	1,170	1,622	19	179
2009	18,947	1,182	1,629	24	156
2010	19,160	1,183	1,645	24	187
2011	19,311	1,210	1,660	21	149
2012	19,460	1,249	1,680	21	198
2013	19,917	1,266	1,677	21	151

Notes:

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



Sewer					Total	
Residential	Multi-Family	Commercial	Industrial	Other	Water	Sewer
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
19,365	1,246	1,563	21	13	22,608	22,208
19,565	1,251	1,561	20	15	23,032	22,412



**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
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
2012	60,096	2,152,263	98.12	3,657,056	166.72
2013	60,459	2,079,444	94.23	3,620,334	164.06

* 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
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
2012	2,152,263	770,326	734,467	3,657,056	297,063	350,224	19,996
2013	2,079,444	720,911	819,979	3,620,334	255,285	357,885	26,880

* 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
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
69,948	20,008	54	4,972	4,419,321	9,865,383	2.23	7,495,987	1.70
71,441	21,320	19	19,447	4,372,611	10,017,855	2.29	5,054,210	1.16

COMPLIANCE REPORT

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Board of Public Utilities City of Cheyenne, Wyoming (the Board), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated August 27, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance And Other Matters

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

Purpose Of This Report

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

RubinBrown LLP

August 27, 2013