

BOARD OF PUBLIC UTILITIES

**A COMPONENT UNIT OF THE
CITY OF CHEYENNE, WYOMING**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2007

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Board of Public Utilities

Cheyenne Water and Sewer Department

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

October 4, 2007

The Board of Public Utilities (Board) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007 (CAFR FY2007) 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 designed to present fairly the financial position and results of operations of the City of Cheyenne's water and sewer enterprise funds. All disclosures necessary to enable the reader to gain an understanding of the Board financial activities have been included.

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

McGee, Hearne & Paiz, LLP, a firm of licensed certified public accountants, have audited the Board's financial statements. The goal of the independent audit was to provide reasonable assurance that the Board's financial statements for the fiscal year ended June 30, 2007 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, 2007 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 MD&A and should be read in conjunction with it. The Board's MD&A can be found immediately following the report of the independent auditors in the financial section.

THE REPORTING ENTITY AND SERVICES PROVIDED

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

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

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

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

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

GENERAL INFORMATION

With a unique combination of the Old West and the New West, Cheyenne is a vibrant city that celebrates both its pioneer roots and tomorrow's technology. Founded as a railroad and cattle center more than a century ago, Wyoming's capital and largest city has always been an important Western crossroads and a blend of Western cultures. From the newly reconstructed water reclamation plants at Crow Creek and Dry Creek east of Cheyenne to the city's state-of-the-art R.L. Sherard Water Treatment Plant on the west, Cheyenne is a place to pioneer new ideas and new technology with the same tenacity, spirit and sensibility of its original settlers.

As an innovative, progressive community, Cheyenne utilizes the world's newest technology at a friendlier, less frenzied 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."

Cheyenne has an estimated 2007 population of 57,464, and a county population of 85,040. The City of Cheyenne has been designated a Standard Metropolitan Statistical Area (50,000 population or greater) since 1985.

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

ECONOMIC CONDITION AND OUTLOOK

Cheyenne's economy has continued, during the last fiscal year, to move at an accelerated pace. Perhaps the most exciting development during the last fiscal year was the announcement in January of this year by the National Center of Atmospheric Research (NCAR), in partnership with the University of Wyoming, of plans to build the world's largest supercomputer in Cheyenne's North Range Business Park. The computer that will be housed in Cheyenne was described by NCAR Director Tim Killen as being two to five times bigger than the world's biggest computer that exists on the planet today. Richard Anthes, President of the University Corporation for Atmospheric Research, the managing company of NCAR, stated "We could get more computing power – almost double as much – and a faster start on the facility, and a larger facility at the Cheyenne Wyoming site than any other site. That means you can almost immediately increase the computing power."

Cheyenne's available electrical power and the acreage with infrastructure in place along with the University Wyoming's intention to become a world-class research institution with the available funding were important factors in bringing the NCAR super computer to Wyoming. Construction is scheduled to begin later this year in the North Range Business Park with an anticipated completion date by late 2010 or early 2011.

During the last fiscal year, construction by Wal-Mart Corporation of a new 893,000 square foot mechanized distribution center was completed. The facility is comprised primarily of two buildings, with a separate truck services facility on site. One half of the area will be for "ambient temperature" goods, while the second building will be for refrigerated and frozen goods. Over 500 trucks will be entering and leaving the Cheyenne center per day to supply stores in four different states. Initial plans are for the center to hire 500 associates including approximately 30 supervisors and 32 managers.

In early March of this year, Allstate Insurance Company announced plans to locate a 200 seat Express claim service office in Cheyenne. "Allstate could have located this facility anywhere in the nation," stated Tim Thorson, Cheyenne LEADS Vice President. With this statement in mind, it is asked, then why Cheyenne? This is a question that is in the mind of many, especially in Wyoming. Another question on people's mind is, "can Cheyenne support another large company that needs an additional large number of employees?" The answer to these questions is availability of needed resources. Cheyenne had the resources available that Allstate needed to get their center running on schedule. Allstate expects to be staffed and in operation by January 2008.

According to the latest Annual Trends Report published by the Center for Economic and Business Data for Laramie County (CEBDLC), Laramie County continues to enjoy marked improvement of economic statistics. While not all data for 2006 was finalized at the time of the CEBDLC's annual report, it appears the greater Cheyenne economy has now had five consecutive years of well above average growth in employment, wages, personal income and retail sales. The Wyoming Department of Employment (DOE) preliminary statistics report an average annual gain of 1,067 new jobs for 2006. This is a percentage gain of 2.6 percent over 2005. Job growth in 2005, by comparison, was 1.8 percent.

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

In October 2006, the Small Business & Entrepreneurship Council ranked Wyoming in the top 3 policy environments for entrepreneurship across the nation. Wyoming ranked 3rd, in overall ranking out of 51 states (including the District of Columbia) in the Small Business & Entrepreneurship Councils' "Small Business Survival Index 2006".

In coming up with the ratings, the eleventh annual Small Business Survival Index tied together 29 major government-imposed or government-related costs impacting small business and entrepreneurs across a broad spectrum of industries and types of businesses. SBE Council CEO and President Karen Kerrigan added, "The 'Small Business Survival Index' is notable for its breadth. These costs include personal income tax, capital gains tax, corporate income tax, additional income tax on S-Corporations, individual alternative minimum tax, corporate alternative minimum tax, indexing personal income tax rates, property taxes, sales, gross receipts and excise taxes, death taxes, unemployment tax rates, health care regulation: guaranteed issue for small groups, health care regulation: guaranteed issue for self-employed group of one, health care regulation: community rating, health care regulation: number of mandates, electricity costs, workers' compensation costs, total crime rate, right to work, number of bureaucrats, tax limitation states, internet taxes, gas tax, state minimum wage, state legal liability costs, regulatory flexibility status, trend in state and local government spending, per capita state and local government spending and protecting private property.

In October of 2006 the Tax Foundation presented the 2007 edition of the State Business Tax Climate Index (SBTCI) which ranked Wyoming as the best state in the nation. The SBTCI places 113 variables into five component indexes that each measures a different sector of a state's business tax climate. The five component indexes are the Corporate Tax Index, Individual Income Tax Index, Sales Tax Index, Unemployment Tax Index and Property Tax Index.

In July of 2006 Cheyenne LEADS announced the formation of a coalition of economic development organizations to launch LEADS M.E., a microenterprise fund that is designed to give smaller businesses access to lines of credit. Under the program, business people who live in Laramie County and who are unable to secure financing through traditional means to expand or start a small business can apply for a line of credit up to \$5,000. LEADS and the chamber each contributed \$20,000; the Cheyenne-Laramie County Economic Development Joint Powers Board contributed \$30,000; and the City of Cheyenne donated \$10,000. During the first 6 months of the program and in each year that follows, LEADS M.E. plans to make at least 11 loans to qualified businesses.

Cheyenne's favorable business environment continues to bring national chain stores and restaurants to Cheyenne and has established the community as a regional shopping center with an estimated trade area population of 180,000. Another thriving sector is tourism, and not just during Cheyenne Frontier Days, either. 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.

The economic growth is testimony to a strong spirit within the community to make its economy even more vibrant. With modest growth in the 1980s and early 1990s, Cheyenne community leaders launched a campaign to actively promote new jobs and a growing, diversified economy. In 1987, the City of Cheyenne designated 3 percent of its 1 percent optional sales tax revenues for economic development. Led by Cheyenne LEADS, the city-county economic development corporation, the business community has actively sought growth and recruited quality business to Cheyenne.

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

F.E. Warren Air Force Base, the nation's command post for land-based intercontinental ballistic missiles, is the community's largest employer, with nearly 4,156 civilian and military employees. State government accounts for about 3,756 employees, followed by the Laramie County School District No. 1 with around 2,075 employees, Federal Government with around 1,736 employees, and Cheyenne Regional Medical Center with approximately 1,480 employees. The Lowe's Companies ranks as the community's largest private employer, with about 997 employees. Union Pacific Railroad ranks as the community's second largest private employer with about 832 employees.

One advantage to Cheyenne includes a relatively low cost of doing business. Land is available and inexpensive compared to other areas on the Front Range; taxes are among the lowest in the country; and the cost of utilities and materials is relatively low. There is no state or local personal or corporate income tax and no state or local inventory tax. Property taxes on a \$150,000 home would be about \$1,011 a year, according to the Laramie County Assessor's Office.

With the current growth and anticipated future growth, the mood throughout the business community is one of optimism, though concerns about the pace of growth, lack of housing and available workforce have surfaced. However, business leaders remain confident the community can handle growth as long as it continues to invest in infrastructure and remains committed to managing growth.

MAJOR INITIATIVES

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

Reclaimed Water Pipeline & Pumping Facilities



During the last fiscal year, construction on the first phase of the reclaimed water pipeline and pumping facilities was substantially completed bringing recycled water from Crow Creek Water Reclamation Facility to a pond at Prairie View Golf Course.

Phase I construction took approximately a year to complete 12 miles of distribution pipeline, pumping facilities and pond. This phase of the new system delivers recycled water to Prairie View Golf Course, Cahill Park and Soccer Fields, Junior League Complex, Powers Field, Dutcher Field, Brimmer Park and Fields, Converse Softball Complex, the Airport Parkway, the Cemeteries, Sun Valley Park, the Veterans' Affairs Medical Center grounds and athletic fields at East High.



Sherard Raw Water Pipeline - Crystal Canyon Extension



During the last fiscal year, construction was substantially completed on the installation of the final segment of the Sherard Raw Water pipeline from the Hecla Diversion to the Crystal Dam. This final one-mile segment is also known as the Crystal Canyon Extension and will be 50 inches in diameter. The estimated cost is \$3.8 million. In accordance with the restrictions of the USACOE 404 permit, work on the project halted on February 14, 2006 and

started up again in mid September. With the completion of this final segment, the combined flows of the old and new Sherard pipelines will be approximately 55 mgd. The project is financed by a 60 percent grant and a 40 percent loan from the Wyoming Water Development Commission (WWDC).

Belvoir Water Exploration



The BOPU continues to pursue projects for the exploration and development of groundwater on the Belvoir Ranch. Efforts during Fiscal Year 2007 extended the previous year's efforts on the Paleozoic Ground Water Project by conducting a month-long pump test of the Lone Tree Creek well. The test results suggest that the well is not hydrologically connected to near by springs and artesian wells despite pumping a constant 600 gallons per minute for 1 month.

The BOPU extended the Cheyenne Belvoir Ranch Level II Study to include the entire High Plains Aquifer, the collective name for the Ogallala and White River formations. The purpose of the extension is to further explore, characterize and define the lower portions of the High Plains Aquifer, drill a second test well (Belvoir 6) and to identify routes for piping water from wells in the High Plains Aquifer at the Belvoir Ranch to Cheyenne's water treatment plant.

30" Western Hills Water Main Extension (Project)



Construction began during the current fiscal year on the last mile of the 30" Western Hills water main that was extended and connected to the Round Top treated water storage reservoir. When completed this will boost the total flows that can be conveyed by the 24" and 30" parallel lines that enter the city from the northwest at about Western Hills Blvd.

Cheyenne's entire treated water system is supplied from the west side of town from the King I, King II, and Round Top Reservoirs. Because of the lack of higher elevation areas within the City, the majority of storage is also located west of the City. Transmission mains from the treated water reservoirs must be able to meet all peak hour demands. As the City continues to grow, efforts will need to be made to enhance flows to meet demand requirements.

The 30" diameter water main was extended in a northwest direction from its current location on Warren Air Force Base to the existing Round Top water storage tank, a total distance of about 6,600 feet. In addition to providing additional flow the extension will improve water quality from the Round Top Water Storage Tank by placing additional demand upon the tank.

In August 2005 an application was submitted to the State Loan and Investment Board (SLIB) for a \$1.3 million loan from the Wyoming Drinking Water State Revolving Fund. In December 2005 the SLIB approved the \$1.3 million loan for the project. Substantial completion is planned for September 2007.

Other Initiatives

In FY02, water and sewer system development fees were increased as part of a six year schedule of incremental increases to cover anticipated increases in future construction expenses.

The current residential water system development fees for a ¾ inch tap are \$4,800. The last scheduled increase in residential water system development fees for a ¾ inch tap will be January 1, 2008 when the rate will be \$4,900.00

The current residential sewer system development fees for a ¾ inch tap are \$1,200. The last scheduled increase in residential sewer system development fees for a ¾ inch tap will be January 1, 2008 when the rate will be \$1,225.00.

Effective January 1, 2008, the water multi-tiered rate will increase by 3.28% as follows:

Residential (in-city)		Volume Rate Charge	
		Per 1,000 Gallons	
		<u>Current</u>	<u>January 01, 2008</u>
First Block	First 6,000	\$ 2.87	\$2.96
Second Block	Next 18,000	3.59	3.71
Third Block	Next 18,000	4.48	4.62
All Over	42,000	5.61	5.79

Effective January 1, 2007 the sewer rate charge per 1,000 gallons increased from \$2.50 to \$2.75. One additional increase will occur on January 1, 2008 increasing the rate to \$3.00.

FY 2007 marked the release of the Board’s eighth 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 2007 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.

Southern Transmission Line - Phase I



Currently, the 30" Hynds Line provides the only water transmission line from King I Reservoir to the southern portion of Cheyenne, which puts additional stress on the northern supply lines. As growth is expected to continue in the southern portion of Cheyenne, this problem will continue to worsen.

The 2003 Master Plan recommended the 42-inch Southern Line to provide service directly to South Cheyenne and other users in the southern part of the Service Area. This line would run east from King II Reservoir along Happy Jack Road to Roundtop Road and continue southeast to the Greeley Highway. The first phase of the project would construct the segment from the King II Water Tank, along Happy Jack Road, to Round Top Road, a distance of approximately 2.5 miles. During this fiscal year an engineering contract for design of the project was awarded to Aspen-Banner. An application for a loan to finance Phase I was submitted to the State Loan Investment Board for \$5.6 million and subsequently approved. The award of a contract for construction is scheduled for December 2007, and project completion in October 2008.

Reclaimed Water Pipeline Extension (Phase II)



During the next fiscal year an expansion of the reclaimed water system will begin. The pipeline network will be extended to include Holiday Park, Miller School and Cheyenne's North park complex.

Currently these three locations use potable water to irrigate a total of 100.3 acres of green area. By extending the reclaimed water pipeline the project will replace potable water with approximately 80 million gallons of reclaimed water from the Crow Creek Water Reclamation Plant. The conversion from potable water to reclaimed water for irrigation will substantially reduce the peaked flow rate that must be delivered by the Potable Water Treatment Plant (WTP) lengthening the design life of the WTP and freeing this capacity for domestic growth. Additional extensions of the reclaimed water system are planned in future years to cover more green areas in the City which in turn will provide a reduction in potable water demands reducing the hydraulic peaks thus reducing the pipeline transients that lead to metal fatigue and premature pipe aging of the potable water pipelines. The anticipated construction cost of Phase II will be approximately \$1.3 million dollars and would be financed through a loan from the State Clean Water Revolving Fund.

Rehabilitation of the Spillway at the Granite Reservoir Dam



Granite Dam and its principal spillway were constructed in 1904. Granite Dam was modified and rehabilitated in 1986, but the spillway was not included in the rehabilitation. In November of 2004, States West Water Resources completed a safety inspection of all the BOPU major dams. The report recommended the replacement of the spillway at Granite Dam due to deterioration and cracking of the existing concrete. The anticipated rehabilitation costs will be approximately \$1.0 million dollars and, if approved, will be partially funded by a \$670 thousand grant from The Wyoming Water Development Commission.

On June 20, 2006, the City Governing Body adopted the water and sewer enterprise fund budgets as recommended by the Board for fiscal year 2008 (July 1, 2007 to June 30, 2008). The Board's fiscal year 2008 budget of \$32.9 million is \$21.1 million less than fiscal year 2007's adjusted budget.

The Board also continued its intensive planning efforts. On December 1, 2006, the Board held its annual daylong Goals and Planning Workshop to look at near and long-term projects to carry the City of Cheyenne well into the 21st Century. Another workshop will be planned for December 2007.

During the 2006 Goals and Planning Workshop, the Board redefined its mission statement and goals;

BOARD OF PUBLIC UTILITIES
Mission Statement and Goals
December 18, 2006

Mission Statement:

Develop, maintain and protect Cheyenne's water, wastewater and water reclamation resources and assets ensuring that regulatory requirements are met in order to provide the utmost benefit for the community's investment.

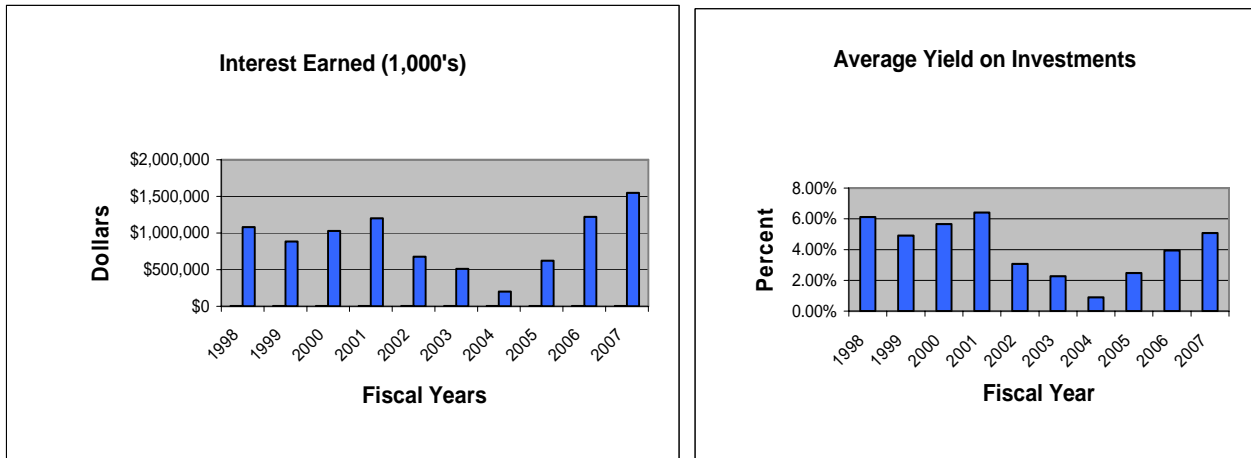
Goals:

1. Be accountable to the citizens of Cheyenne, the Governing Body and our customers for water, wastewater and water reclamation services including: responsive customer service, safe drinking water, clean reclaimed water and maintenance of sanitary sewer mains.
2. Inform and involve the citizens of Cheyenne, the Governing Body and our customers about Cheyenne's water, wastewater and water reclamation systems, activities and projects.
3. Protect Cheyenne's valuable water resources and the environment by promoting the wise use of water through education, conservation and drought management practices.
4. Communicate, collaborate and coordinate services, projects and activities with the Governing Body and departments of the City of Cheyenne.
5. Provide safe drinking water and reclaimed wastewater effluent that meets or exceeds regulatory requirements.
6. Be proactive in developing water, wastewater and water reclamation resources and assets for future growth and economic development.
7. Be proactive in maintaining and protecting Cheyenne's water, wastewater and water reclamation resources and assets.
8. Manage responsibly the water and sewer financial resources through the areas of accounting, budgeting, investing, auditing and water and wastewater rates.
9. Foster an environment where employees work together as a TEAM and treat each other with respect to achieve the greatest productivity.
10. Promote an environment where employees have access to education and training opportunities that enable them to perform their duties in an efficient and effective manner and develop skills to address future challenges.
11. Compensate and recognize employees based upon performance, responsibilities, duties and achievements and to provide a safe working environment.

Cash Management

During FY 2007, average yield on maturing investments was 5.08 percent and the amount of interest received value was \$1,550,006. The increase of \$329,632 in revenue from the prior fiscal year was due primarily to the increased short term rates and multiple increases in the fed lending rate throughout the year. The average rate of interest received on investments in FY 2006 was 3.941 percent.

The average amount of funds available for investment during FY 2007 was \$28,214,991 compared to \$28,391,353 for FY 2006. This includes all Board cash, restricted and unrestricted (debt service, operating, capital additions and replacements, system development fees, Specific Purpose Tax, etc.).



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

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

Relevant Financial Policies

The Board implemented a revised Capital Asset Policy during the current fiscal year. Changes to the policy included;

- The capitalization threshold on assets increased from \$1,000 to \$5,000.
- The estimated lives of asset classifications were adjusted to more accurately reflect estimated useful life.

In accordance with Wyo. Stat. § 16-4-115, capital projects shall not lapse following the close of the budget year.

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

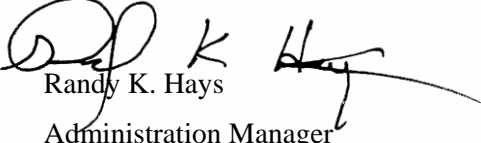
In Conclusion

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

In closing, the Board Members and Management continue to provide valuable leadership, planning and direction for Cheyenne's water and wastewater systems. Serving nearly 66,000 residents, these systems will continue to play a vital role in the development and growth of our City for many years to come.

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

Respectfully submitted,



Randy K. Hays
Administration Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Board of Public Utilities
City of Cheyenne, Wyoming

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



A handwritten signature in black ink, appearing to read "Ronald J. Hahn".

President

A handwritten signature in black ink, appearing to read "Jeffrey L. Esser".

Executive Director

Board of Public Utilities – Board Members



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



Betty Dubrowski
Board Secretary
Board Member since April 14, 1997
Term expires: June 1, 2009



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



David Evans
Board Member
Board member since June 1, 2002
Term expires: June 1, 2009



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

List of Principal Officials

As of June 30, 2007 the following is a list of principal officials of the Board of Public Utilities, City of Cheyenne:

Elected and Appointed Officials	Current Term Expires	Position
Jack Spiker	January-09	Mayor
Gary Carver	June-13	Board President
Betty Dubrowski	June-09	Board Secretary
Phil Van Horn	June-11	Board Member
Gary Carver	June-07	Board Member
David Evans	June-09	Board Member
Joe Bonds	June-13	Board Member

Management

Timothy E. Wilson, Director

Randy Hays, Administration Manager

Herman Noe, Engineering and Water Resource Manager

Bud Spillman, Water Treatment Manager

Brad Brooks, Operations and Maintenance Manager

Jim Hughes, Water Reclamation Manager

City of Cheyenne

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

When Union Pacific Railroad construction crews wintered along the banks of Crow Creek in 1867, the little stream flowing onto the plains from the Rocky Mountains provided plenty of fresh water for the railroad camp and the town that grew up around it. From the date of Cheyenne's founding, the headwaters of Crow Creek in the Pole Mountain area, about 35 miles west of Cheyenne, had been Cheyenne's sole source of water.

But 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.

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

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

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

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

With the steady growth of the City during the 1940's and 1950's, it was evident that Cheyenne needed to develop an additional source of water. Because water rights in the North Platte River drainage were already appropriated during normal flows, Cheyenne looked farther west, over 115 miles to the headwaters of the Little Snake River in the Sierra Madre Mountains on the western slope of the Continental Divide.

Cheyenne acquired sufficient unappropriated water rights to the Little Snake River, a tributary of the Yampa River, in the Colorado River drainage in the late 1950's. The presence of several large mountain ranges between the Sierra Madres and Cheyenne made the actual delivery of this water to Cheyenne cost prohibitive. An intricate trans-basin diversion plan was developed whereby water collected from the Little Snake River drainage could be traded for water from the closer and more deliverable Douglas Creek drainage located in the Snowy Range about 75 miles west of Cheyenne. Little Snake River water is diverted in the North Platte River in exchange for water from Douglas Creek, a tributary to the North Platte River. Stage I of the plan was completed in 1965.

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" diameter pipeline where it is released into the Middle Crow Creek drainage near Vedauwoo and at Granite and Crystal Reservoirs.

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

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

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

The City expanded its wastewater treatment with the construction of the Dry Creek Water Reclamation plant. Located 3 miles east of Cheyenne, the Dry Creek plant uses an activated sludge process and was constructed to treat 5.0 MGD. Later in the 1980's, the Dry Creek WRP was upgraded and expanded to treat 7.0 MGD.

By the late 1970's Cheyenne's water demand began to exceed annual supply. Water stored in reservoirs was used to assist supply and meet demand.

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

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

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

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

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

The average peak daily demand for treated water demand grew from approximately 23.5 MGD in 1978 to about 33.5 MGD in 1998. In the 1990's, peak day demand reached 40 MGD and the highest peak week (7 consecutive day period) averaged 37.4 MGD. In an effort to meet growing demands for treated drinking water in the community, the Board launched two significant projects.

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

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

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

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

With the design output capacity of the new Sherard project being 32 MGD, a raw water supply of 36 MGD was needed. The existing delivery pipeline, from Crystal to the old Sherard plant, can provide about 22 MGD. Construction of a second delivery pipeline to carry raw water supply from Crystal Reservoir to the new Sherard Plant was completed in the Spring of 2002. Combined capacity of both delivery pipelines, is about 36 MGD.

In 2001, an expansion and upgrade was completed to the Crow Creek Wastewater Treatment Plant. The \$2.5 million project replaced 50-year-old original plant equipment and expanded the plant capacity from 4.5 MGD to 6.5 MGD. Currently, the City's two wastewater treatment plants have a combined capacity of 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. Designated uses on Class 4 waters included agriculture, industry, recreation and wildlife and scenic value. In July 2001, the State of Wyoming Department of Environmental Quality 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 wastewater treatment plants was reclassified under the new system from a Class 4 stream to a Class 2C stream. Designated uses on Class 2C waters include nongame fisheries, fish consumption, aquatic life other than fish, primary contact recreation, wildlife, industry, agriculture, and scenic value.

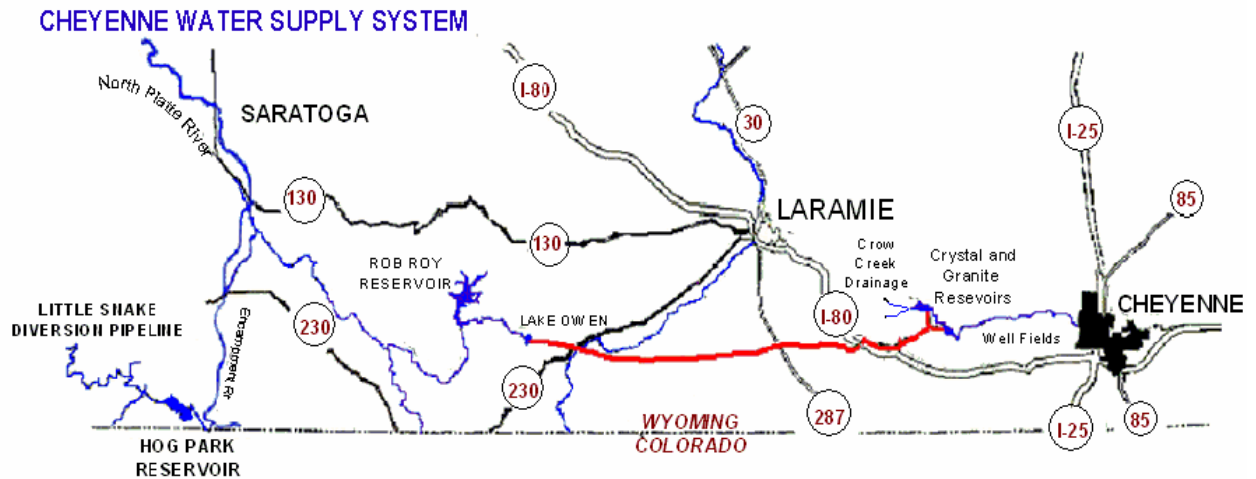
Cheyenne's reclamation plants have been upgraded to remove ammonia, the primary constituent of municipal wastewater that is not removed by normal secondary treatment and is toxic to aquatic life at low concentrations. As part of this project, Cheyenne expanded the Dry Creek water reclamation plant from 7 MGD to 10 MGD. With a preliminary cost of over \$44 million, construction on the project began in May of 2004 and final completion is anticipated in August 2006.

As part of the water reclamation plant upgrade, reclaimed wastewater reuse facilities (chemical feed, filtration, pumping, supplemental disinfection and storage) were constructed at the Crow Creek WRP. Primary purposes of the reuse facilities include conserving drinking water supplies, deriving beneficial use of treated wastewater and decreasing long-term water demands. Wastewater reuse uses include industrial purposes such as process and cooling waters and irrigation on areas such as parks, golf courses, cemeteries, and recreational and athletic fields.

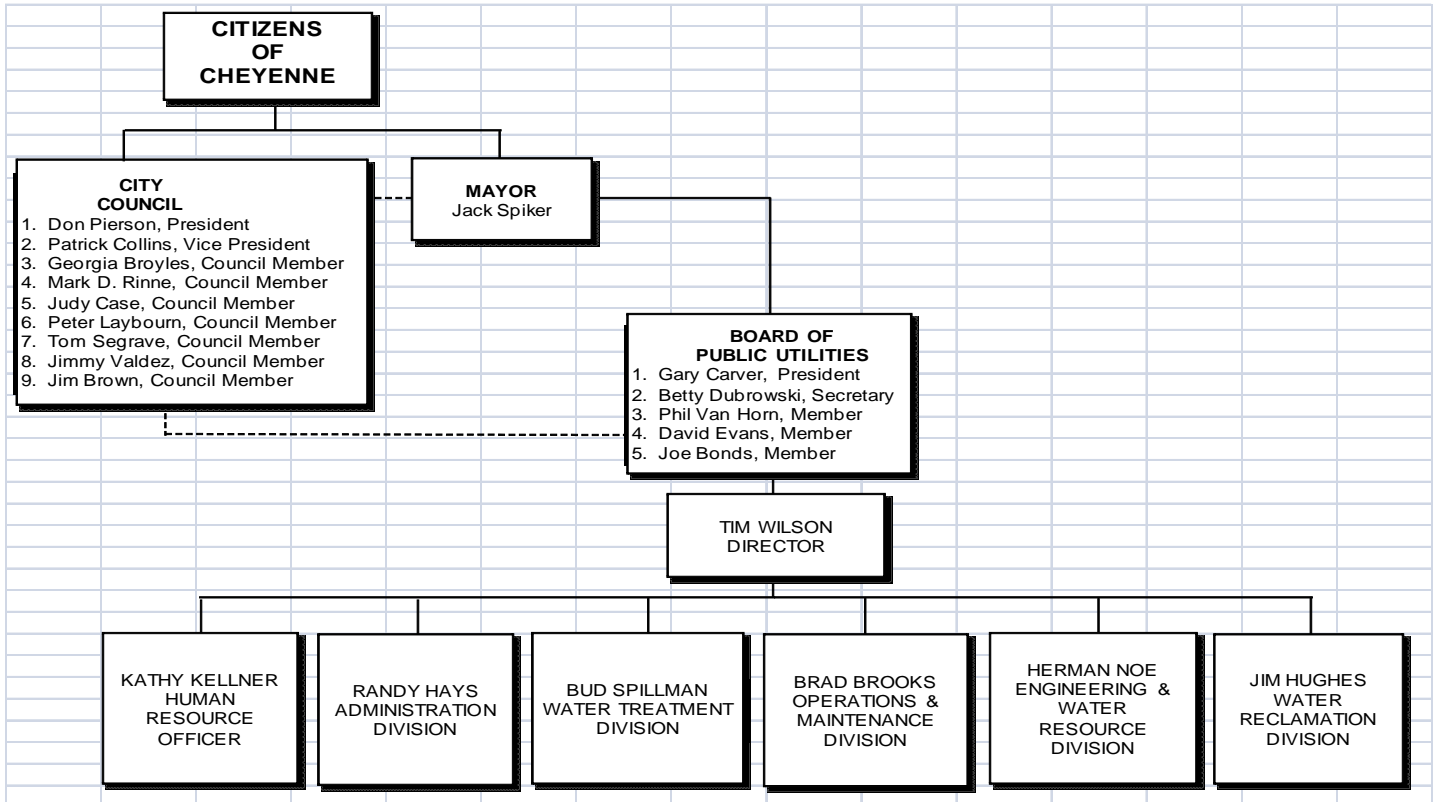
The Reuse Facilities was included as a bid alternate to the Crow Creek & Dry Creek WRP Improvements Project, which was bid during fiscal 2004. Additional financing of the project was secured from the Office of State Lands and Investments in the amount of \$5.7 million.

Black & Veatch, project engineer, estimates the City has about 3,500 acre-feet of effluent available annually for reuse. Potential sites for reclaimed water include the Prairie View Golf Course, Brimmer Park, Cemeteries, VA Complex, several athletic fields and Frontier Refinery. As designed, the reuse facilities will be able to treat up to 4mgd or about 4,500 acre-feet per year. The treatment facilities will have the capability of being expanded in the future to 8mgd or about 9,000 acre-feet.

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.



**Board of Public Utilities
City of Cheyenne, Wyoming
Water and Sewer Departments
Organizational Chart
June 2007**



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

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

We have audited the accompanying financial statements of the business-type activities and each major fund of the City of Cheyenne, Wyoming Board of Public Utilities (the "Board"), a component unit of the City of Cheyenne, as of and for the year ended June 30, 2007, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2007, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2007 on our consideration of the Board's internal control over financial reporting and our testing of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions of the financial statements that collectively comprise the Board's basic financial statements.

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

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

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
October 4, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Board of Public Utilities (the "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, 2007.

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 \$217,194,971 (*net assets*). Of this amount, \$24,459,644 (*unrestricted net assets*) is available to meet the Board's ongoing obligations to citizens and creditors.

The Board's total net assets increased by \$11,739,215 during fiscal year 2007. This increase can be attributed to capital contributions, grant revenues, specific purpose sales tax revenue, and an increase in water and sewer consumption charges.

The Board applied for and received \$5.6 million dollars earmarked for the purpose of funding Phase I of the Southern Water Transmission Line Project which runs east from King II Reservoir along Happy Jack Road to Roundtop Road. The loan is from the State of Wyoming Drinking Water State Revolving Fund for a term of 20 years at 2.5% interest.

Interest revenue for the current year was \$1,550,006 and increased \$329,632 over the previous fiscal year. The yield on investments increased during the fiscal year to 5.08 percent. Current forecasts indicate that rates will remain constant during the first half of fiscal year 2008.

Operating revenue for the waterworks fund and the sewerage fund increased \$416 thousand and \$895 thousand, respectively, during the fiscal year. Revenue increases in the waterworks operating revenue was largely due to a \$359 thousand increase in metered water sales revenue and an increase in miscellaneous revenue of \$57 thousand. Revenue increases in the sewerage operating revenue was largely attributed to an increase in consumption rates from \$2.50 to \$2.75 per 1,000 gallons and a 14.05% increase in metered sewerage sales revenue. During the fiscal year a \$669 thousand insurance settlement for damages incurred to the primary digester at the Dry Creek Reclamation Plant was received.

The total indebtedness of the Board decreased by \$830,726 (0.09 percent) from \$90,341,988 to \$89,511,262 during the current fiscal year. The decrease was due to a significant increase in debt service payments related to the Crow Creek and Dry Creek Wastewater Treatment Plants Improvement Project.

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:

Total business-type activities (government-wide financial statements) presented as the total column, fund financial statements presented as the waterworks and sewer enterprise fund columns, and notes to the financial statements.

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

Financial Statements

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

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

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

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

The basic financial statements of the Board, presented as Business-Type Activities, Enterprise Funds are found on pages 19 through 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 Sewerage 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 Sewerage 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 through 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 through 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 and 43 of this report.

Financial Analysis

Since the Board has only Business-type activities, accounted for as two enterprise funds (Waterworks and Sewerage), 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.

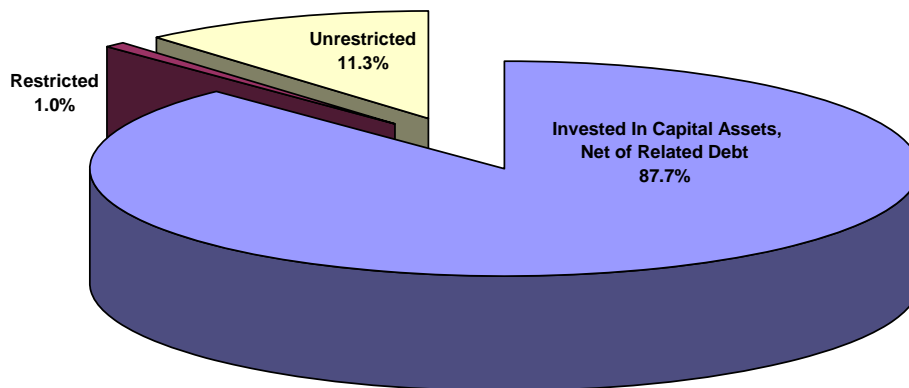
Business-Type Activities - Net Assets

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 assets exceeded liabilities by \$216,544,971 at the end of fiscal year 2007.

The largest portion of the Board's net assets, \$190,664,158 (87.7 percent) reflects its investment in capital assets (e.g., dams, reservoirs, water and sewer treatment plants, miles and miles of water and sewer mains, land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding.

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

Net Asset Categories as of June 30, 2007



	Waterworks Fund		Sewer Fund		Total Business-Type Activities	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 21,357	\$ 22,062	\$ 10,934	\$ 13,199	\$ 32,291	\$ 35,261
Capital assets	203,950	197,414	76,225	70,656	280,175	268,070
Noncurrent assets	59	213	328	328	387	541
Total assets	225,366	219,689	87,487	84,183	312,853	303,872
Other liabilities	8,410	8,689	3,174	3,011	11,584	11,700
Long-term liabilities outstanding	44,740	45,511	39,335	41,206	84,075	86,717
Total liabilities	53,150	54,200	42,509	44,217	95,659	98,417
Invested in capital assets net of related debt	155,474	148,386	35,189	29,343	190,663	177,729
Restricted	1,000	395	1,071	405	2,071	800
Unrestricted	15,742	16,709	8,718	10,218	24,460	26,927
Total net assets	\$ 172,216	\$ 165,490	\$ 44,978	\$ 39,966	\$ 217,194	\$ 205,456

The remaining balance of unrestricted net assets (\$24,459,644) may be used to meet the government's ongoing obligations to citizens and creditors.

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

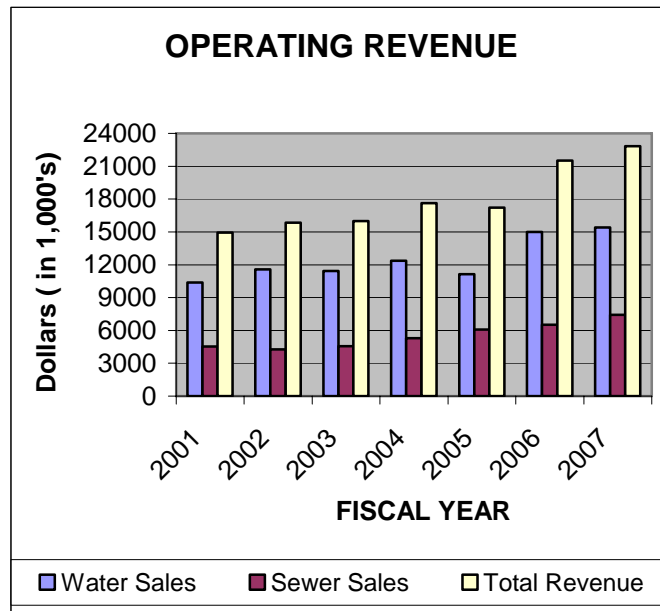
CHANGES IN NET ASSETS Last Ten Fiscal Years

Fiscal Year	Operating Revenue	Operating Expenses	Operating Income	Total Nonoperating Revenue/ (Expenses)	Income (Loss) before Capital Contribution	Capital Contribution	Change in Net Assets
1998	\$13,377,239	\$11,894,469	\$1,482,770	\$440,367	\$1,923,137	\$2,102,276	\$4,025,413
1999	14,579,085	12,884,363	1,694,722	228,180	1,922,902	673,642	2,596,544
2000	15,102,418	13,586,356	1,516,062	330,034	1,846,096	1,549,594	3,395,690
2001	14,924,994	13,462,063	1,462,931	2,737,717	4,200,648	1,157,400	5,358,048
2002	15,838,162	14,470,308	1,367,854	5,831,918	7,199,772	6,592,056	13,791,828
2003	16,001,865	16,465,051	(463,186)	6,454,018	5,990,832	1,911,023	7,901,855
2004	17,640,068	17,023,616	616,452	2,505,826	3,122,278	3,276,543	6,398,821
2005	17,210,446	18,146,174	(935,728)	7,111,526	6,175,798	2,050,320	8,226,118
2006	21,520,678	19,430,355	2,090,323	3,124,447	5,214,770	9,891,820	15,106,590
2007	22,831,536	20,401,356	2,430,180	3,456,732	5,886,912	5,852,303	11,739,215

Net assets increased by \$11,089,215 during fiscal year 2007. This is attributed to capital contributions, grant revenues, specific purpose sales tax revenue, and an increase in water and sewer consumption charges.

Business-Type Activities – Revenues and Expenses

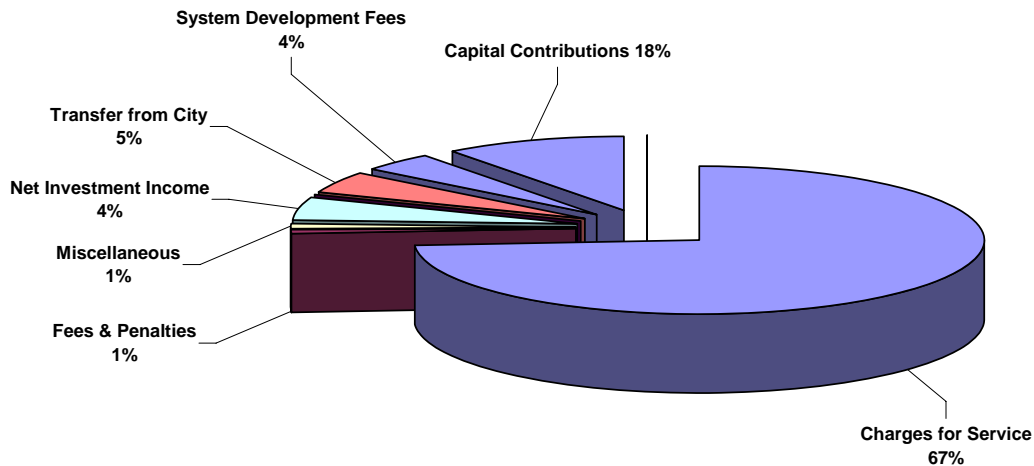
The following schedules present a summary of the water and sewer enterprise fund operating revenues for the fiscal year ended June 30, 2007, and the amount and percentage of increases and decreases in relation to prior year revenues.



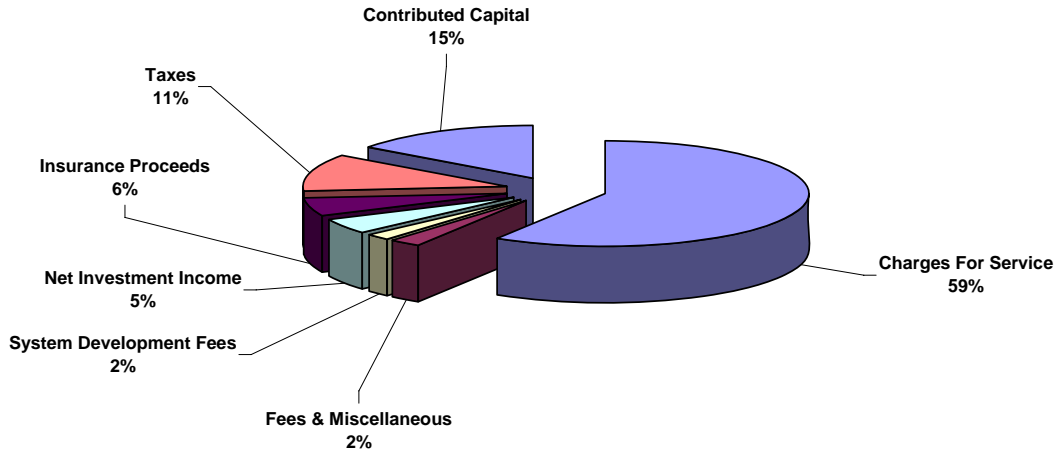
BOARD OF PUBLIC UTILITIES Revenue (1,000's)

Revenue Source	Waterworks Fund		Sewer Fund		Total		Inc./(Decr.) From FY 06	% of Inc./Decr.	Fiscal Year 2006
	Amount	% of Total	Amount	% of Total	Amount	% of Total			
Operating Revenue									
Sales and charges for service	\$15,017	67%	\$7,132	59%	\$22,149	64%	\$1,238	6%	\$20,911
Fees and miscellaneous	394	2%	289	2%	683	2%	73	12%	610
Total operating revenue	15,411	69%	7,421	61%	22,832	66%	1,311	18%	21,521
Nonoperating Revenue									
System development fees	823	4%	230	2%	1,053	3%	(1,455)	-58%	2,508
Intergovernmental revenues	1,000	5%	0	0%	1,000	3%	0	0%	1,000
Taxes	0	0%	1,365	11%	1,365	4%	23	2%	1,342
Net investment income	990	4%	595	5%	1,585	5%	384	32%	1,201
Insurance proceeds	0	0%	669	6%	669	2%	669	0%	0
Total nonoperating revenue	2,813	13%	2,859	24%	5,672	17%	(379)	-6%	6,051
Capital Contributions	4,026	18%	1,827	15%	5,853	17%	(4,039)	-41%	9,892
Gross Revenue	\$22,250	100%	\$12,107	100%	\$34,357	100%	(\$3,107)	-8%	\$37,464

Water Revenue By Source



Sewer Revenue By Source



Gross revenue, including interest and transfers, totaled \$34,356,363 for FY 2007, an 8.29 percent decrease from FY 2006. FY 2007 gross revenue was \$3,107,079 below FY 2006. The largest portion of this decrease, \$2,356,708, was due to a decrease in grant revenue related to the completion of financing on several large projects, including the Dry Creek and Crow Creek Plant Improvement Project.

System Development fees decreased in FY 2007 by \$1,454,705. The decrease was due in part to a one time \$380,100 system development fee charged in FY 2006 for the development of the North Range Business Park, as well as a significant drop in the number of tap permits from 570 permits issued in FY2006 to 199 permits in FY2007.

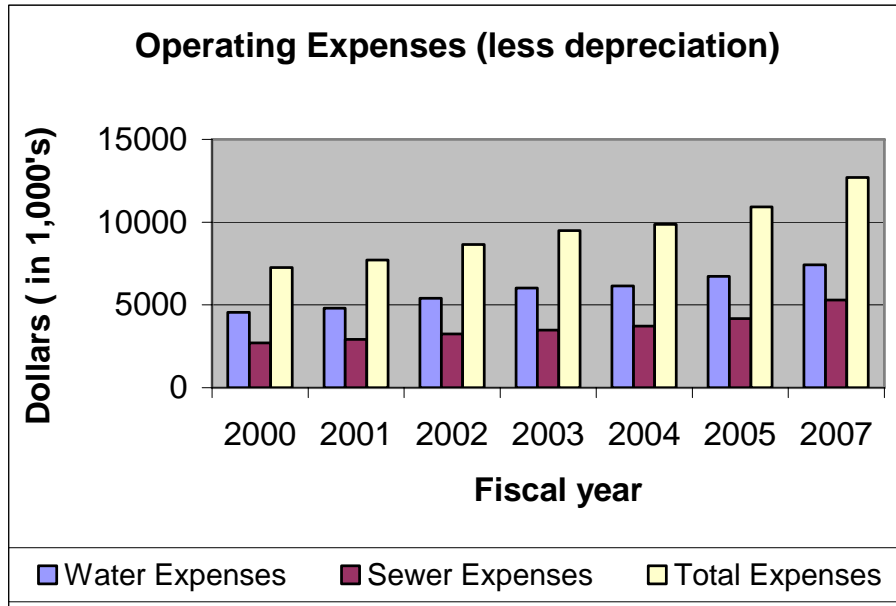
In June 2002, the Board and City Governing Body approved increases to the System Development Fees (SDFs) over a six-year period, beginning on January 1, 2003. Prior to January 1, 2003, SDFs were last increased in 1984 for water and 1993 for sewer.

On January 1, 2007 sewer rates increased \$0.25 from \$2.50 to \$2.75 per 1,000 gallons. This rate increase resulted in additional revenue of approximately \$289,000 during the fiscal year 2007.

Effective July 1, 2004 residential customers were charged on a tiered rate schedule, which increases in relation to the increase in water used. Tiered rates will increase by 3.23% on January 1, 2008.

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. In order to comply with federal mandates, improvements are currently being completed to the City's two Water Reclamation Plants. To pay for the improvements, approval was given to increase sewer rates by \$1.45 per 1,000 gallons of usage over a six-year period beginning January 1, 2003 and ending January 1, 2008.

The following schedules presents a summary of the Water and Sewer Enterprise Fund operating expenses for FY 2007 and the percentage of increases and decreases in relation to prior year amounts.



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

	Waterworks Fund		Sewer Fund		Total		Inc./ (Decr.) From FY 06	% of Inc./Decr.	Fiscal Year 2006
	Amount	% of Total	Amount	% of Total	Amount	% of Total			
Operating Expenses									
Source of supply	\$970	6%	\$0	0%	\$970	4%	(\$127)	-12%	\$1,097
Water treatment	1,756	11%	0	0%	1,756	8%	64	4%	1,692
Transmission and distribution	1,683	11%	0	0%	1,683	7%	228	16%	1,455
Sewer collection lines	0	0%	2,160	31%	2,160	10%	277	15%	1,883
Water reclamation	0	0%	966	14%	966	4%	69	8%	897
Engineering and water resources	517	3%	513	7%	1,030	5%	41	4%	989
Administrative and general	1,937	13%	1,151	16%	3,088	14%	132	4%	2,956
M.I.S. and customer service	495	3%	480	7%	975	4%	46	5%	929
Depreciation	6,356	41%	1,418	20%	7,774	34%	242	3%	7,532
Total operating expenses	13,714	89%	6,688	95%	20,402	90%	972	5%	19,430
Nonoperating Expenses									
Interest expense	1,760	11%	390	5%	2,150	10%	(777)	-27%	2,927
Total Expenses	\$15,474	100%	\$7,078	100%	\$22,552	100%	\$195	1%	\$22,357

Total operating expenses, excluding depreciation which increased \$241,418, increased \$729,583 over FY 2006. Significant increases included \$228,454 in transmission and distribution expenses, a \$276,729 increase in water reclamation expenses, and a \$131,724 increase in administrative and general expenses.

Supportive service expenses (electricity, gas, telephone, postage, etc.) decreased \$170,631 or 9.5 percent largely due to decreased electrical expenses at the Sherard Water Treatment Plant.

Material and supplies expenses (chemicals, plant equipment, office supplies, gasoline etc.) increased \$320,075 or 20.9 percent. Significant increases included a \$48,750 increase in chemical expenses at the Sherard Water Treatment Plant; \$29,987 increase in water main distribution expenses; \$35,714 increase in plant equipment expenses at the Dry Creek Water Reclamation Plant, and a \$38,547 increase in chemical expenses at the Dry Creek Water Reclamation Plant.

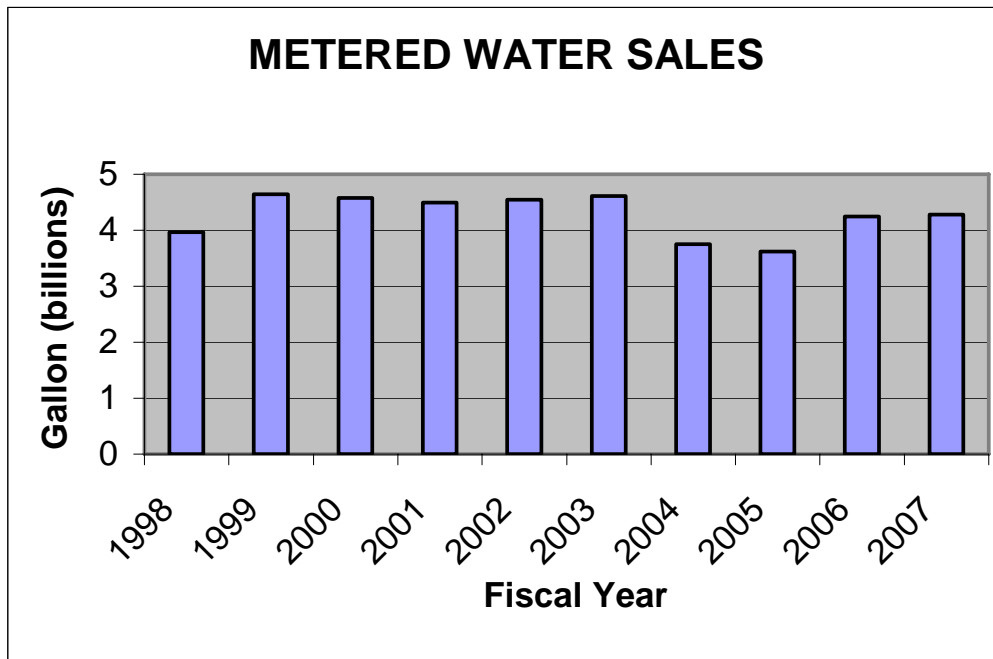
Contractual services expenses (contracts, software maintenance, studies, and property and liability insurance) increased \$104,584 or 7.7 percent during FY2007. Significant increases included a \$10,000 for a Forest Service Study of the Little Snake River and a \$76,585 research study by HDR Engineering on alleviating manganese levels in water supplied from Crystal Reservoir.

Interest expense on bonds and loans totaled \$2,150,580 for FY 2007 and was included in the above schedule of operating expenses. This 26.5 percent decrease from FY 2006 was the result of normal debt service payments on the existing bonds and loans. FY 2006 interest expense totaled \$2,926,496.

Metered Water Consumption History

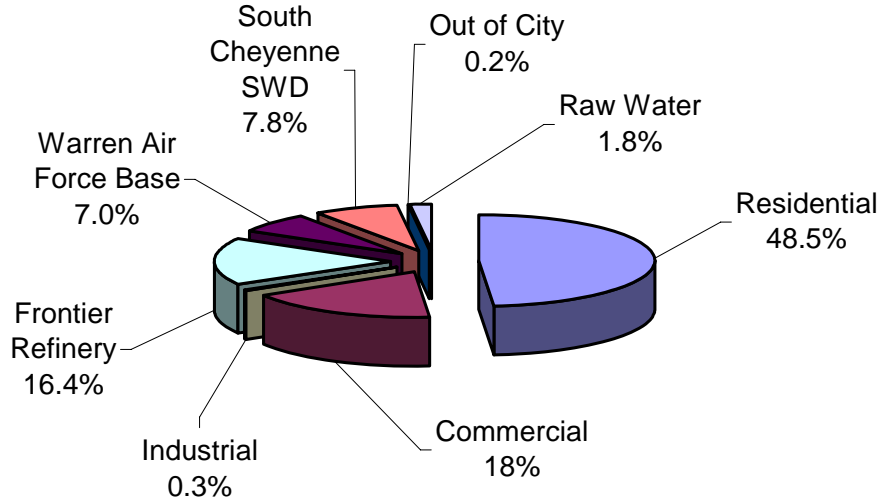
During FY 2007, the Board sold 4.284 billion gallons of water as compared to 4.250 billion gallons in FY 2006, an 0.8 percent increase. Water sales have averaged 4.275 billion gallons over the past ten years.

*



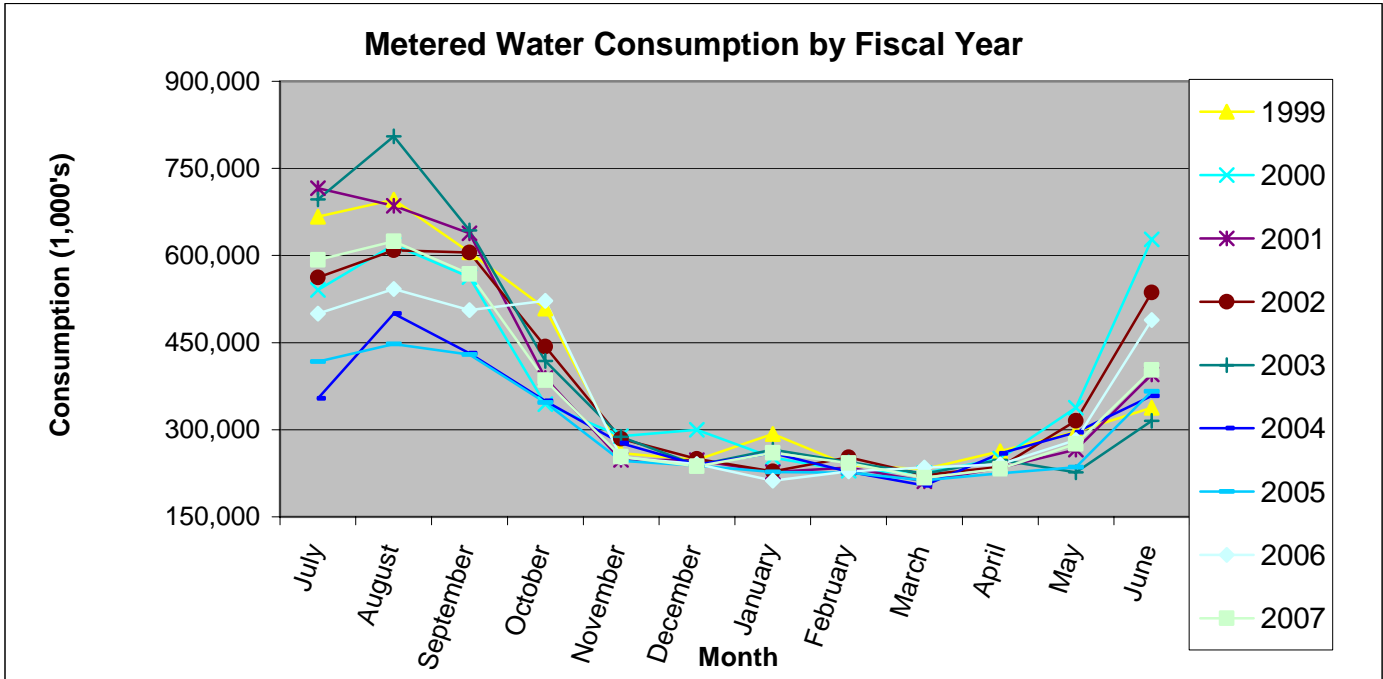
* Total water supplied to the City in FY 2007 was 5.176 billion gallons of water compared to 5.276 billion gallons of water in FY 2006.

METERED WATER SALES BY CUSTOMER CLASS FY2007



BOARD OF PUBLIC UTILITIES Per Capita Consumption

Fiscal Year	Population Estimate	Residential Meter Water Use-Only	Gallons per Capita per Day Residential Use	Total City Metered Water Use-Only	Gallons per Capital per Day Total City Use
2007	57,464	2,081,685,000	99.25	3,564,189,000	169.93
2006	56,755	2,093,589,000	101.06	3,624,482,000	174.96
2005	56,054	1,784,824,000	87.24	3,089,056,000	150.98
2004	55,362	1,736,696,000	85.94	3,177,271,000	157.24
2003	54,642	2,174,054,000	109.01	3,797,967,000	190.43
2002	53,994	2,226,099,000	112.96	3,793,348,000	192.48
2001	53,551	2,165,147,000	110.77	3,641,974,000	186.33
2000	53,011	2,241,088,000	115.82	3,788,543,000	195.80
1999	53,925	2,311,938,000	117.46	3,916,115,000	198.96
1998	53,780	1,953,401,000	99.51	3,318,561,000	169.06



Financial Analysis of the Board’s Enterprise Funds

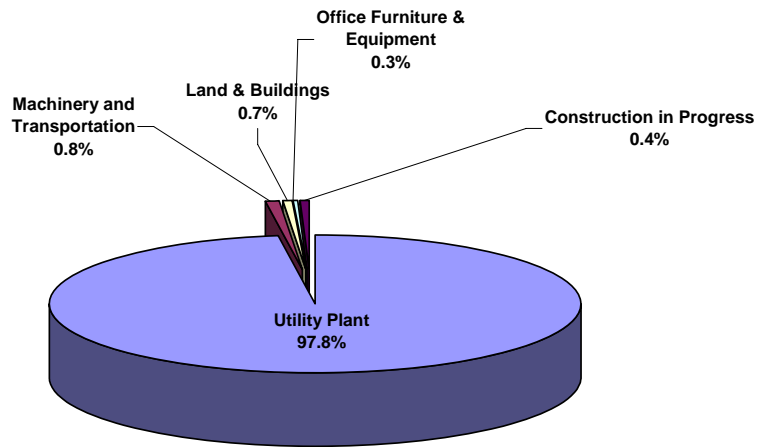
As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Capital Asset and Debt Administration

Capital assets (property, plant and equipment)

As of June 30, 2007, the capital assets of the Board, net of accumulated depreciation, totaled \$280,175,420. This investment in capital assets includes land, dams, reservoirs, well fields, water collection and transmission pipelines, water and wastewater treatment plants, water distribution and sewer collection mains and systems, buildings, machinery, vehicles and equipment.

Capital Asset Allocation



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

	Waterworks Fund		Sewer Fund		Total Business-Type Activities	
	2007	2006	2007	2006	2007	2006
Utility plant in service	\$ 303,813	\$ 284,540	\$ 102,816	\$ 53,051	\$ 406,629	\$ 337,591
Machinery and transportation equipment	2,445	2,397	814	798	3,259	3,195
Land and buildings	2,249	1,854	750	618	2,999	2,472
Office furniture and equipment	989	956	330	319	1,319	1,275
Construction in progress	224	7,295	1,580	44,576	1,804	51,871
Less accumulated depreciation	(105,770)	(99,628)	(30,064)	(28,706)	(135,834)	(128,334)
Total	\$ 203,950	\$ 197,414	\$ 76,226	\$ 70,656	\$ 280,176	\$ 268,070

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

- Contributed capital (water distribution mains, hydrants, sewer collection mains and manholes) from development projects.
- Improvements and upgrades to water distribution and sewer collection mains.
- Improvements and upgrades to several of the City ground water wells.
- Construction of the Recycled Water Pipeline System
- Construction of the Western Hills 30” Water Main
- Warren Air Force Base/ Snyder Avenue Relief Sewer

At the close of FY 2007, the Board transferred the following projects from construction work in progress to capital assets:

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

Project:	
Crystal Canyon Pipeline Project	\$ 5,056,764
Recycled Water Pipeline Project	5,261,533
12 Street Recycled Water Pipeline	525,510
Water Recycling - Administrative	62,909
Lake Owen Outlet Works	3,862
Granite Reservoir Hydraulic Rehave	71,581
Belvoir/Casper Groundwater Aquifer	118,430
FY 2005 Well projects	591
Belvoir High Plains/White River Exploration	3,076
Belvoir Level II Groundwater Exploration	39,000
Water Distribution Main Projects	4,665,292
Western Hills 30" Main Project	914,675
King II Chlorinator Project	136,532
Total Water Projects	<u>16,859,755</u>
 Sewer Collection Main Projects	 1,300,513
Dry Creek/Crow Creek Water Reclamation	46,096,035
Total Sewer Projects	<u>47,396,548</u>
 Grand Total	 <u><u>\$ 64,256,303</u></u>

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

Long-Term Debt

At the end of the current fiscal year, the Board had total bonded debt outstanding of \$89,920,356. Of this amount, \$13,205,000 are 1998 General Obligation Water Refunding Bonds and \$76,715,356 are loans from the State of Wyoming for various water and sewer projects.

The Board’s total debt decreased \$830,725 (0.09 percent) during fiscal year 2007. The key factor to the decrease is an increase in principle payments related to Dry Creek/Crow Creek Water Reclamation Plant financing.

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

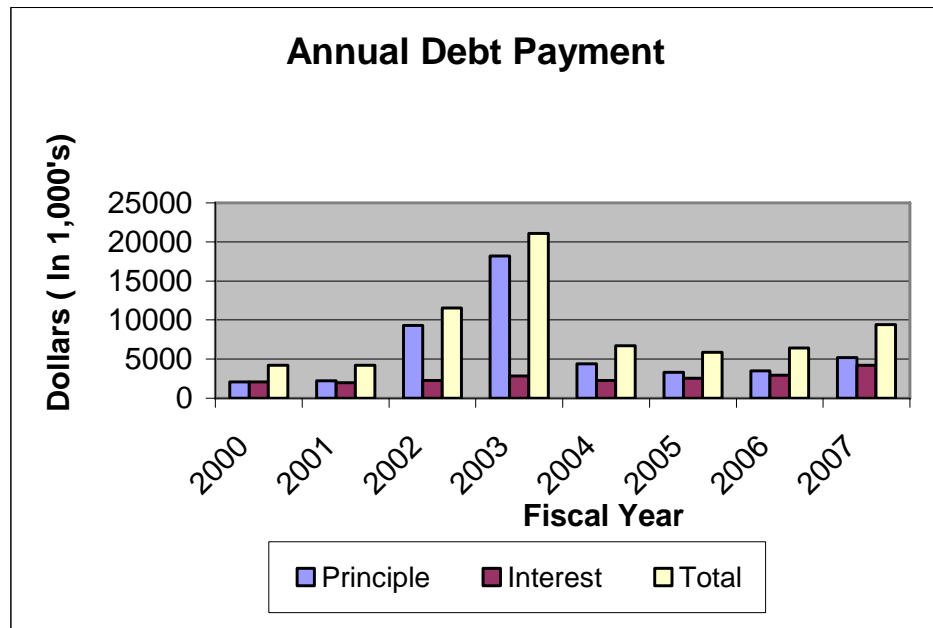
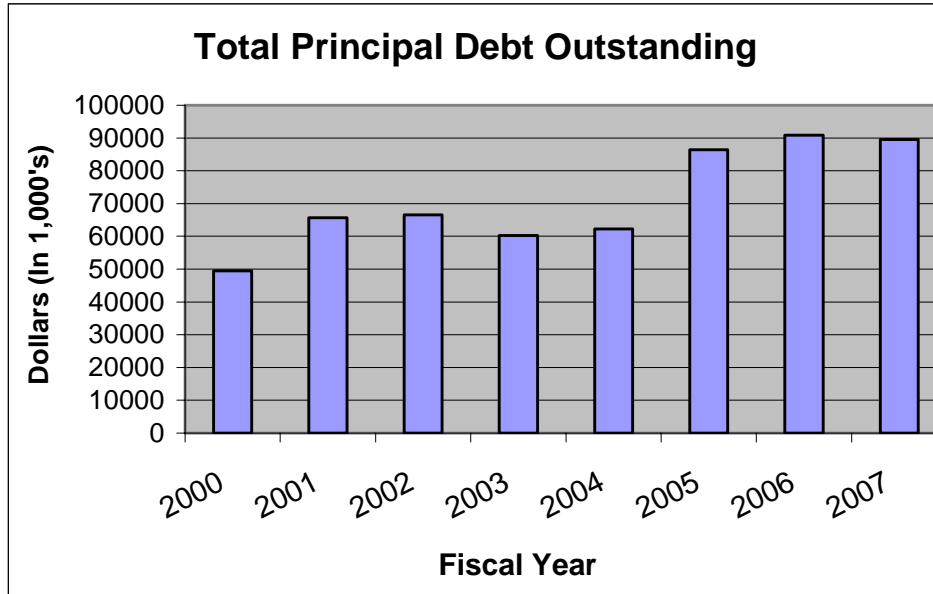
	Enterprise Fund Waterworks		Enterprise Fund Sewer		Business-Type Activities Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$13,205,000	\$15,555,000	\$ -	\$ -	\$13,205,000	\$15,555,000
Loans from the State of Wyoming	35,679,282	33,958,120	41,036,074	41,313,167	76,715,356	75,271,287
Total	\$48,884,282	\$49,513,120	\$41,036,074	\$41,313,167	\$89,920,356	\$90,826,287

During FY 2007 proceeds from the issuance of debt totaled \$4,280,850 as follow:

BOARD OF PUBLIC UTILITIES - Proceeds from Debt Issuance

Project	Advance	Funding Source
Western Hills/Roundtop 30" Extension	\$ 897,813	Wyoming State Land and Investments
Water Reuse	1,760,168	Wyoming Water Development Commission
RLS Pipeline	218,011	Wyoming Water Development Commission
Southern Water Main	22,440	Wyoming State Land and Investments
WAFB/Parsley Relief Sewer	1,382,418	Wyoming State Land and Investments
	<u>\$ 4,280,850</u>	

The Board retired \$2,350,000 of general obligation water refunding bonds, and \$2,836,781 of State of Wyoming water and sewer loans.



The amount of general obligation bonded debt per capita is a useful indicator of the Board's financial position and provides management, citizens and investors with helpful information. Net direct bonded debt per capita at June 30, 2007, is as follows:

Total Estimated Population	G.O. Water Debt	Debt Payable from Revenue Fiscal Year 2007	Bonded Net G.O. Bonded Debt	Debt Per Capita
57,464	\$ 13,205,000	\$ 2,460,000	\$ 10,745,000	\$ 186.99

General Obligation Water Refunding Bonds, Series 1998

AA

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

Economic Factors and Next Year’s Budget and Rates

These factors were considered in preparing the Board’s budget for the 2008 fiscal year (July 1, 2007 to June 30, 2008).

The unemployment rate for Laramie County was 3.9 percent as of March 31, 2007, compared to the rate of 4.2 percent a year ago. This compares to the state’s average unemployment rate of 2.6 percent and the national average rate of 4.4 percent.

During the course of this calendar year, 296 new housing units were constructed with a total added valuation to the city of \$49,764,021. 149 commercial permits were issued on new and remodeling construction with a total added valuation to the City of \$40,966,774.

Inflationary trends in the area compare favorably to national indices.

The Board’s approved budget for the upcoming fiscal year 2008 totaled \$32,967,600. This is a 9.7 percent decrease from fiscal year 2007 or (\$3,540,200). The decrease is primarily due to the reduction of construction projects and capital equipment expenditures.

Sewer rates will increase from \$2.75 per 1,000 gallons to \$3.00, effective with billings rendered after January 1, 2008.

On January 1, 2008 the combined rate for water and sewer SDFs will increase approximately 2 percent on single-family residential ¾ inch taps from \$6,000 to \$6,125. These rate increases are necessary to finance debt service on the Wastewater Treatment Plants Improvements and continued pursuit to develop additional supplies of water for Cheyenne.

Water multi-tiered rates will increase effective January 1, 2008. The average rate increase, per tier, will be approximately 3.23%.

**Residential Single Family Rate Structure (In-City)
Volume Rate Charge per 1,000 Gallons
Effective January 1, 2008**

First Block	First 6,000	\$2.96
Second Block	Next 18,000	\$3.71
Third Block	Next 18,000	\$4.62
All Over	Over 42,000	\$5.79

The financial report is designed to provide a general overview of the Board of Public Utilities’ finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Public Utilities, Administration Manager, 2100 Pioneer Avenue, Cheyenne, Wyoming 82003-1469.

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007**

ASSETS	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Current Assets			
Cash and cash equivalents	\$ 5,046,173	\$ 1,805,918	\$ 6,852,091
Investments	10,918,900	6,813,251	17,732,151
Restricted assets:			
Cash and cash equivalents	1,176,968	868,075	2,045,043
Accrued interest	-	1,573	1,573
Due from other governments	233,916	371,028	604,944
City of Cheyenne sanitation account	1,034,749	-	1,034,749
Receivables:			
Accounts, consumers, net	1,181,881	487,973	1,669,854
Estimated unbilled usage	1,352,865	505,028	1,857,893
Accrued interest	141,368	71,293	212,661
Inventories	270,749	10,355	281,104
Total current assets	21,357,569	10,934,494	32,292,063
Noncurrent Assets			
Capital assets:			
Land	3,839,817	295,711	4,135,528
Utility plant in service	300,462,269	102,684,509	403,146,778
Machinery and equipment	740,693	245,587	986,280
Transportation equipment	1,704,050	568,017	2,272,067
Structures and improvements	1,760,379	586,793	2,347,172
Office furniture and equipment	989,224	329,719	1,318,943
Construction in progress	223,730	1,579,550	1,803,280
	309,720,162	106,289,886	416,010,048
Less accumulated depreciation	(105,770,243)	(30,064,385)	(135,834,628)
	203,949,919	76,225,501	280,175,420
Other Assets			
Accounts receivable, consumers	-	327,701	327,701
Deferred debt expense	58,786	-	58,786
	58,786	327,701	386,487
Total assets	225,366,274	87,487,696	312,853,970

See Notes to Financial Statements.

LIABILITIES	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Current Liabilities			
Vouchers payable	\$ 867,652	\$ 632,321	\$ 1,499,973
Accrued compensated absences	568,495	385,094	953,589
Accrued interest on general obligation bonds and loans	697,814	110,989	808,803
Current portion of general obligation bonds and loans	3,734,871	1,700,999	5,435,870
Unearned fees and deposits	1,277,370	277,323	1,554,693
Other accruals	51,745	67,217	118,962
Due to other City funds	1,211,717	-	1,211,717
Total current liabilities	8,409,664	3,173,943	11,583,607
Noncurrent Liabilities			
General obligation bonds and loans, net of current portion, deferred amount on refunding, and unamortized bond premium	44,740,317	39,335,075	84,075,392
Total liabilities	53,149,981	42,509,018	95,658,999
NET ASSETS			
Invested in Capital Assets, net of related debt	155,474,731	35,189,427	190,664,158
Restricted for Debt Service and Capital Improvements	1,000,000	1,071,169	2,071,169
Unrestricted	15,741,562	8,718,082	24,459,644
Total net assets	\$ 172,216,293	\$ 44,978,678	\$ 217,194,971

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Operating Revenues			
Sales and charges for services	\$ 15,016,607	\$ 7,131,655	\$ 22,148,262
Fees and miscellaneous	394,205	289,069	683,274
Total operating revenues	15,410,812	7,420,724	22,831,536
Operating Expenses			
Source of supply	970,615	-	970,615
Water treatment	1,755,806	-	1,755,806
Transmission and distribution	1,682,988	-	1,682,988
Sewer collection lines	-	965,679	965,679
Water reclamation	-	2,160,199	2,160,199
Engineering and water resources	517,012	512,844	1,029,856
Administrative and general	1,936,903	1,151,259	3,088,162
Information technology and customer service	494,656	480,230	974,886
Depreciation	6,355,567	1,417,598	7,773,165
Total operating expenses	13,713,547	6,687,809	20,401,356
Operating income	1,697,265	732,915	2,430,180
Nonoperating Revenues (Expenses)			
System development fees	822,955	229,790	1,052,745
Intergovernmental revenues	1,000,000	-	1,000,000
Special purpose taxes	-	1,365,071	1,365,071
Loss on disposal of capital assets	(48,909)	(16,303)	(65,212)
Insurance proceeds	-	669,112	669,112
Investment income:			
Net increase in fair value of investments	15,606	19,984	35,590
Interest income	974,555	575,451	1,550,006
Interest expense	(1,760,473)	(390,107)	(2,150,580)
Total nonoperating revenues (expenses)	1,003,734	2,452,998	3,456,732
Income before contributions	2,700,999	3,185,913	5,886,912
Capital Contributions			
Capital grants	2,089,491	126,600	2,216,091
Donated utilities	1,936,012	1,700,200	3,636,212
Total capital contributions	4,025,503	1,826,800	5,852,303
Change in net assets	6,726,502	5,012,713	11,739,215
Net Assets, beginning of year	165,489,791	39,965,965	205,455,756
Net Assets, end of year	\$ 172,216,293	\$ 44,978,678	\$ 217,194,971

See Notes to Financial Statements.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 14,886,130	\$ 7,164,564	\$ 22,050,694
Cash payments to suppliers	(3,035,326)	(2,154,110)	(5,189,436)
Cash payments to employees	(4,438,096)	(3,219,539)	(7,657,635)
Change in City sanitation account	90,351	-	90,351
Net cash provided by operating activities	7,503,059	1,790,915	9,293,974
Cash Flows from Noncapital Financing Activities			
Intergovernmental revenue	1,000,000	-	1,000,000
Cash Flows from Capital and Related Financing Activities			
System development fees	963,036	549,500	1,512,536
Special purpose taxes	-	1,365,071	1,365,071
Insurance proceeds	-	669,112	669,112
Capital grants	2,089,491	126,600	2,216,091
Proceeds from issuance of debt	2,898,432	1,382,418	4,280,850
Principal paid on general obligation/revenue bonds and loan debt maturities	(3,527,270)	(1,659,511)	(5,186,781)
Interest paid on debt	(1,706,834)	(2,518,140)	(4,224,974)
Acquisition and construction of capital assets	(11,014,967)	(4,657,178)	(15,672,145)
Proceeds from disposition of capital assets	10,881	3,627	14,508
Net cash (used in) capital and related financing activities	(10,287,231)	(4,738,501)	(15,025,732)
Cash Flows from Investing Activities			
Interest on cash and investments	1,003,586	599,912	1,603,498
Net (decrease) in cash and cash equivalents	(780,586)	(2,347,674)	(3,128,260)
Cash and Cash Equivalents			
Beginning	17,922,627	11,834,918	29,757,545
Ending	\$ 17,142,041	\$ 9,487,244	\$ 26,629,285

Continued

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

**STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
Year Ended June 30, 2007**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Combined Components of Cash and Cash Equivalents			
Cash and cash equivalents	\$ 6,223,141	\$ 2,673,993	\$ 8,897,134
Investments	10,918,900	6,813,251	17,732,151
	<u>\$ 17,142,041</u>	<u>\$ 9,487,244</u>	<u>\$ 26,629,285</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 1,697,265	\$ 732,915	\$ 2,430,180
Adjustments to reconcile operation income to net cash provided by operating activities:			
Depreciation	6,355,567	1,417,598	7,773,165
Increase (decrease) in cash and cash equivalents resulting from changes in operating assets and liabilities:			
Receivables	(551,897)	(238,166)	(790,063)
Inventories	(15,835)	(2,880)	(18,715)
Vouchers payable	(172,588)	(188,029)	(360,617)
Accrued compensated absences	21,236	20,254	41,490
Other accruals	51,745	67,217	118,962
Unearned fees and deposits	27,215	(17,994)	9,221
City sanitation account	90,351	-	90,351
Net cash provided by operating activities	<u>\$ 7,503,059</u>	<u>\$ 1,790,915</u>	<u>\$ 9,293,974</u>
Noncash Investing, Capital and Financing Activities			
Amortization of deferred refunding loss and debt premiums	\$ 75,205	\$ -	\$ 75,205
Donated asset acquisitions	1,936,012	1,700,200	3,636,212

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 considered a blended component unit of the proprietary fund types of the City, the primary government, which is subject to separate accountability. Consequently, these financial statements present only the Board 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 considered a blended component unit of the primary government and, as such, it serves as the nucleus for the reporting entity under the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14 for its separately issued financial statements. Using this premise, the Board is not financially accountable for any other organizations and, thus, includes only the financial activity of the various funds of the Board. In addition to the applicable aspects of financial accountability as defined by GASB, the Board considered the following Wyoming State Statutes in defining the reporting entity:

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

1. Operational budgets are submitted by the division managers to the director in April of each year.
2. During April of each year, these budgets are reviewed and refined as necessary by the division managers and the director.
3. The director submits the proposed budget to the Board the first of May of each year. The overall budget includes proposed expenses and the means of financing them.
4. In early May, the Board approves the tentative budget and submits it to the Cheyenne City Council.
5. During May, the tentative budget is reviewed by the City of Cheyenne Financial Committee and revisions are made, if necessary.
6. Public hearings are conducted at City Hall to obtain taxpayer comments during June of each year.
7. Prior to June 30, the budget is legally enacted through passage of an ordinance for the fiscal year beginning July 1 of each year.
8. The division managers are authorized to transfer budgeted amounts between expense classifications within their divisions. The director is authorized to approve transfers of less than \$15,000 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.

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

NOTES TO FINANCIAL STATEMENTS

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.

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 WYOSTAR are considered to be cash equivalents due to the Board's ability to withdraw the investments at any time.

Investments for the Board are reported at fair value. Fair value is determined using the latest bid price or by the closing exchange price at the statement of net assets date. A significant portion of the Board's investment activity is conducted in a pooled investment account with the State of Wyoming, State Treasurer's office. The State Treasurer's Investment Pool (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: By voter approval, restricted assets include cash and investments required to be set aside as specific purpose sales and use taxes for the exclusive purpose of funding the planning, design and construction of improvements to the Crow Creek and Dry Creek Wastewater Treatment Plants. Assets held for the City sanitation, as well as amounts due from the State of Wyoming on requested loan advances, are deemed restricted. In addition, cash required to be set aside for the repair and maintenance of capital assets that were funded by State of Wyoming loans is deemed restricted.

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

Accounts receivable: Accounts receivable are shown on the statement of net assets net of allowances for doubtful accounts of \$80,185. Accounts receivable at June 30, 2007 include system development fees from Frontier Refining of \$327,701, which will be paid in one installment with interest at 2.5% and from Cheyenne LEADS of \$142,823, which will be paid in two semi-annual installments with interest at 4%.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Vacation and sick leave shall be granted to permanent employees only. Probationary employees can accrue leave from the employment date but are not eligible to use leave until a permanent status is achieved. Upon termination of employment, an employee is paid for his or her other accrued unused vacation leave and one half of his or her accrued unused sick leave.

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

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

Note 2. Cash and Investments

Cash and investments and restricted cash as of June 30, 2007, as classified in the accompanying financial statements, consist of the following:

Statement of Net Assets:

Deposits with financial institutions:

Cash	\$ 1,462,870
Certificates of deposit	19,232,151
Investments:	
WYOSTAR	5,934,264
	<u>\$ 26,629,285</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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Under investment agreements with WYOSTAR, the Board has invested monies at a variable rate of interest. There is no rating available for such an investment; however, under Wyoming statutes underlying providers are required to have the highest rating from at least one of the nationally recognized rating organizations.

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

NOTES TO FINANCIAL STATEMENTS

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, 2007, the primary government had bank balances on deposit and certificates of deposit of \$20,695,021, which were fully collateralized or insured as required by state statutes.

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.

In addition to the applicable statutes, the Board's policy requires all deposits and investments to be collateralized at 105% of the amount invested including accrued interest and excluding Federal depository insurance to further reduce its exposure to custodial credit risk. At June 30, 2007, the Board's deposits were fully collateralized as required by Board policy, with the exception of under-collateralization in the amount of \$17,466 at one bank whose deposits totaled \$1,510,159, including accrued interest, at June 30, 2007.

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, 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 that will adversely affect the fair value of an investment. The Board's investments are held in an external pooled investment account 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 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. The maturities and applicable interest rates of the Board's investments are displayed in the following Interest Rate Risk Table.

Investment Type	Fair Value	Interest Rate	Investment Maturities
			(in Years) Less Than One Year
Certificates of deposit	\$ 17,732,151	5.05% - 5.50%	\$ 17,732,151
State Treasurer's Investment Pool (WYOSTAR)	5,934,264	4.65% - 5.00%	5,934,264
	<u>\$ 23,666,415</u>		<u>\$ 23,666,415</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, 2006	Additions	Retirement and Transfers	Balance June 30, 2007
Capital assets not being depreciated:				
Land	\$ 3,895,002	\$ 240,526	\$ -	\$ 4,135,528
Construction in progress	51,871,658	14,837,925	(64,906,303)	1,803,280
Total capital assets not being depreciated	55,766,660	15,078,451	(64,906,303)	5,938,808
Capital assets being depreciated:				
Utility plant in service	334,106,856	4,168,876	64,871,046	403,146,778
Machinery and equipment	971,379	36,911	(22,010)	986,280
Transportation equipment	2,223,847	343,146	(294,926)	2,272,067
Structures and improvements	2,060,073	287,099	-	2,347,172
Office furniture and equipment	1,275,069	43,874	-	1,318,943
Total capital assets being depreciated	340,637,224	4,879,906	64,554,110	410,071,240
Less accumulated depreciation for:				
Utility plant in service	124,303,091	7,380,165	(35,257)	131,647,999
Machinery and equipment	738,911	43,034	(11,443)	770,502
Transportation equipment	1,619,573	215,278	(225,773)	1,609,078
Structures and improvements	703,354	52,860	-	756,214
Office furniture and equipment	969,007	81,828	-	1,050,835
Total accumulated depreciation	128,333,936	7,773,165	(272,473)	135,834,628
Total capital assets being depreciated, net	212,303,288	(2,893,259)	64,826,583	274,236,612
Total capital assets, net	\$ 268,069,948	\$ 12,185,192	\$ (79,720)	\$ 280,175,420

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Long-Term Liabilities

The following is a summary of debt transactions of the Board for the year ended June 30, 2007:

	Balance as of June 30, 2006	Debt	
		Issued	Retired
Waterworks Fund:			
DWSRF #034 Water Main Rehabilitation 2003	\$ 714,922	\$ -	\$ 29,855
General Obligation Water Bonds 1998 Series	15,555,000	-	2,350,000
Granite Crystal Rehabilitation Water Loan 1985	1,615,645	-	28,808
Embankment Rehabilitation Water Loan 1989	2,107,777	-	220,730
Stage I Rehabilitation Loan 1993	5,389,224	-	90,779
10 Well Rehabilitation Loan 1994	294,678	-	44,426
King Two Water Storage Tank Loan 1994	450,612	-	37,532
North Crow Rehabilitation Water Loan 1992	1,166,059	-	42,140
Sherard Plant State WDWRP Loan 2000	3,538,771	-	169,605
Sherard Plant State PMTF Loan 1999	3,752,269	-	91,823
City Raw Water Project #2 2004	739,832	1,760,168	-
DWSRF #023 RLS Refinance 2002	8,795,981	-	421,572
Sherard Pipeline State WWDC Loan 2001	5,381,989	218,011	-
DWSRF #056 Western Hills 2005	10,361	897,813	-
DWSRF #065 Southern Water Main 2007	-	22,440	-
	<u>49,513,120</u>	<u>2,898,432</u>	<u>3,527,270</u>
Sewer Fund:			
CWSRF #060 WAFB/Parsley 2006	38,197	1,382,418	-
CWSRF #007 Crow Creek Rollins Sewer Lines 1997	1,624,970	-	107,327
CWSRF #032 Crow Creek Dry Creek WWTP 2002	3,200,000	-	125,271
CWSRF #046 Clear Water State Revolving Loan 2004	36,450,000	-	1,426,913
	<u>41,313,167</u>	<u>1,382,418</u>	<u>1,659,511</u>
	<u>\$ 90,826,287</u>	<u>\$ 4,280,850</u>	<u>\$ 5,186,781</u>

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

NOTES TO FINANCIAL STATEMENTS

Balance as of June 30, 2007	Current Portion	Unamortized Bond Premium	Deferred Amount on Refunding	Long-Term Portion
\$ 685,067	\$ 30,602	\$ -	\$ -	\$ 654,465
13,205,000	2,460,000	(159,404)	568,498	10,335,906
1,586,837	29,959	-	-	1,556,878
1,887,047	231,767	-	-	1,655,280
5,298,445	94,410	-	-	5,204,035
250,252	46,203	-	-	204,049
413,080	39,033	-	-	374,047
1,123,919	43,825	-	-	1,080,094
3,369,166	173,845	-	-	3,195,321
3,660,446	96,446	-	-	3,564,000
2,500,000	-	-	-	2,500,000
8,374,409	432,111	-	-	7,942,298
5,600,000	56,670	-	-	5,543,330
908,174	-	-	-	908,174
22,440	-	-	-	22,440
48,884,282	3,734,871	(159,404)	568,498	44,740,317
1,420,615	-	-	-	1,420,615
1,517,643	110,010	-	-	1,407,633
3,074,729	128,403	-	-	2,946,326
35,023,087	1,462,586	-	-	33,560,501
41,036,074	1,700,999	-	-	39,335,075
\$ 89,920,356	\$ 5,435,870	\$ (159,404)	\$ 568,498	\$ 84,075,392

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

NOTES TO FINANCIAL STATEMENTS

On April 13, 1998, the Board issued \$23,380,000 in General Obligation Bonds with an average interest rate of 4.8298% to advance refund \$22,295,000 of outstanding 1992 Series Bonds with an average interest rate of 6.079%. The net proceeds of \$23,772,903 (after payment of \$144,529 in underwriting fees, insurance and other issuance costs) plus an additional \$534,368 in existing sinking fund monies were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1992 Series Bonds which were defeased. As a result, the 1992 Series Bonds are considered defeased to the extent of the refunding and the liability for those bonds has been removed from the long-term debt balance. As of June 30, 2007, the outstanding in-substance defeased debt was \$14,580,000. The net proceeds also included a premium on the bond issue of \$391,903, which is being charged to operations through the year 2012 using the effective interest method.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,332,374. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2012 using the effective-interest method. The Board completed the advance refunding to reduce its total debt service payments over the next 14 years by \$2,431,908 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,217,784.

As of June 30, 2007, it is believed that the funds in the escrow account are sufficient to pay all principal and interest as they become due. However, the Board is contingently liability if, for any reason, the funds become insufficient. After the principal and interest on all of the outstanding bonds have been paid, the remaining funds in the escrow account, together with any interest thereon, shall be returned to the Board.

Long-term debt payable as of June 30, 2007 consists of the following:

Due to the State of Wyoming, Office of State Land and Investments, #DWSRF-034, 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.	\$ 685,067
General Obligation Water Refunding Bonds, Series 1998, due in annual principal installments ranging from \$2,460,000 to \$2,850,000 through December 2011; interest at 4.55% to 5.25%. Secured by all taxable property within the City and all revenue, net of premiums and deferred loss.	13,205,000
Due to the State of Wyoming, Water Development Commission, with interest at 4%, due annually on December 1. Annual principal and interest payments are \$93,433 through 2036. Secured by a mortgage on Granite Springs dam and reservoir and Crystal Lake dam and reservoir and revenues from the Cheyenne Water System.	1,586,837

Continued

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

NOTES TO FINANCIAL STATEMENTS

Due the State of Wyoming, Office of State Lands and Investments, #IRR-802, with interest at 5%, due annually on December 1. Annual principal and interest payments are \$326,119 through 2014 for rehabilitation of Stage II embankments. Secured by the assignment and pledge of all revenues generated by the Cheyenne Water System sufficient to meet the required debt service.	\$ 1,887,047
Due to the State of Wyoming, Water Development Commission, with interest at 4%, due annually on December 1. Annual principal and interest payments are \$306,348 through 2037. Secured by a mortgage on the Stage I pipeline and revenues from the Cheyenne Water System.	5,298,445
Due to the State of Wyoming, Water Development Commission, with interest at 4%, due annually on December 1. Annual principal and interest payments are \$56,213 through 2012. Secured by a mortgage on the wells and revenues from the Cheyenne Water System.	250,252
Due to the State of Wyoming, Water Development Commission, 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.	413,080
Due to the State of Wyoming, Water Development Commission, with interest at 4%, due annually on December 1. Annual principal and interest payments are \$88,782 through 2024 for rehabilitation of the North Crow dams and reservoirs. Secured by a mortgage on North Crow dams and reservoirs and revenues from the Cheyenne Water System.	1,123,919
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #002, with interest at 2.5%, due annually on December 1. Annual principal and interest payments are \$258,075 through 2023. Secured by an assignment and pledge of all revenues generated by the Cheyenne Water System sufficient to meet the required debt service.	3,369,166
Due to the State of Wyoming, Water Development Commission, with interest at 5.5%, due annually on December 1. Annual principal and interest payments are \$298,197 through 2027 for construction of Sherard Water Treatment Plant. Secured by a mortgage on the R.L. Sherard Water Treatment Plant and revenues from the Cheyenne Water System.	3,660,446

Continued

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

NOTES TO FINANCIAL STATEMENTS

Due to the State of Wyoming, Water Development Commission, advances on a \$2,500,000 loan for the Cheyenne Raw Water Supply II (Water Reuse) Project. Interest will accrue at 6% annually beginning on a date which the Commission determines benefits accrue to the Board. Once this date has been determined, 30 annual payments of principal and interest will begin. Secured by a mortgage on the water supply system and revenues from the Cheyenne Water System. \$ 2,500,000

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #023, with interest at 2.5%, due annually on December 1. Annual principal and interest payments are \$641,471 through 2023. Secured with the pledge and assignment of revenues from the water system user fees. 8,374,409

Due to the State of Wyoming, Water Development Commission, with interest at 7.25%, due annually on December 1. Annual principal and interest payments are \$462,670 through 2037. Secured by a mortgage on the R.L. Sherard Pipeline, assignment of water rights and an assignment of revenues generated by the Cheyenne Water System. 5,600,000

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #056, advances on a \$1,300,000 loan for the 30" Western Hills Water Main Extension Project. Interest will accrue at 2.5% from the date of loan disbursements. Twenty annual payments of principal and interest will begin not later than one year after substantial completion of the project. The payments are currently estimated at \$83,391 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. 908,174

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #065, advances on a \$5,600,000 loan for the Southern Water Transmission Main - Phase I Project. Interest will accrue at 2.5% from the date of loan disbursements. Twenty annual payments of principal and interest will begin not later than one year after substantial completion of the project. The payments are currently estimated at \$359,224 per year. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. 22,440

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, advances on a \$2,900,000 loan for the WAFB/ Snyder Avenue Relief Sewer Main and Parsley Boulevard Relief Sewer Main Projects. 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 \$186,027 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. \$ 1,420,615

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #007, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$147,951 through 2019 for the rehabilitation of the Crow Creek and Rollins sewer lines. Secured by the pledge and assignment of revenues generated from wastewater user fees necessary to meet the annual loan payments. 1,517,643

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #032, with interest at 2.5%, due annually on June 1. Annual principal and interest payments are \$205,271 through 2026. Secured by the pledge and assignment of revenues generated from wastewater user fees necessary to meet the annual loan payments. 3,074,729

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #046, with interest at 2.5%, due annually on June 1. Annual principal and interest payments are \$2,338,163 through 2026. Secured by the pledge and assignment of revenues generated from wastewater user fees necessary to meet the annual loan payments. 35,023,087

Total long-term liabilities \$ 89,920,356

**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, 2007 are as follows:

	Waterworks Fund		Sewer Fund	
	Principal	Interest	Principal	Interest
2008	\$ 3,734,872	\$ 1,794,673	\$ 1,700,998	\$ 990,386
2009	3,965,428	1,973,633	1,799,136	983,377
2010	4,147,286	1,791,544	1,844,114	938,399
2011	4,346,345	1,591,665	1,890,217	892,296
2012	4,167,716	1,391,833	1,937,472	845,040
2013-2017	7,309,861	5,752,657	10,438,592	3,473,972
2018-2022	7,754,941	4,435,195	11,355,267	2,113,444
2023-2027	5,289,899	3,026,571	9,981,373	648,004
2028-2032	3,684,617	1,884,441	88,905	2,223
2033-2037	4,311,975	818,518	-	-
2038-2039	171,342	10,281	-	-
	<u>\$ 48,884,282</u>	<u>\$ 24,471,011</u>	<u>\$ 41,036,074</u>	<u>\$ 10,887,141</u>

The balances above do not include the unamortized bond premiums or the deferred loss on refunding in the amount of \$409,094 that are reported as components on bonds payable.

Note 5. Retirement Commitments

The Board participates in the State of Wyoming Retirement System (System), a statewide cost-sharing multiple-employer public employee retirement system.

Substantially all Board full-time employees are eligible to participate in the System. Participants who retire at age 60 with four years of credited service are entitled to a retirement benefit according to predetermined formulas and are allowed to select one of five optional methods for receiving benefits. Early retirement is allowed provided the employee has completed four years of service and attained the age of 50, but will result in a reduction of benefits based on the length of time remaining to normal retirement age. The System also provides death and disability benefits. Benefits are established by State statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Wyoming Retirement System, 6101 Yellowstone Road, 5th Floor West, Cheyenne, Wyoming 82009 or by calling (307) 777-7691.

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

Contributions to the System consist of an amount equal to 11.25% of the employee's salary. The City is required by State statute to contribute 5.68% of the amount. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The Board currently pays 3% of the required employee's contribution of 5.57%.

The Board's contribution to the Wyoming Retirement System for the years ended June 30, 2007, 2006 and 2005 were \$480,770, \$453,616 and \$441,576, respectively, equal to the required contributions for each year, plus the Board's 3% share of the required employee contribution.

Note 6. Due from Other Governments

Amounts due from other governments of \$604,944 as of June 30, 2007 are from other governmental entities in connection with the construction of various projects and for special purpose taxes. The amount due represents pay requests received from contractors for work done through June 2007. Upon receipt of these pay requests, the Board applies to other governmental entities for grant and/or loan monies to pay contractors. The amount also includes sales taxes collected by vendors through June 30, 2007 but remitted to the Board subsequent to June 30, 2007.

Note 7. Compensated Absences

Compensated absences have been accrued in the financial statements of the Board and consist of the following at June 30, 2007:

	Waterworks Fund	Sewer Fund	Total
Vacation leave	\$ 262,325	\$ 180,981	\$ 443,306
Compensatory time	42,702	28,468	71,170
Administrative time	23,952	15,968	39,920
Sick leave	239,516	159,677	399,193
	<u>\$ 568,495</u>	<u>\$ 385,094</u>	<u>\$ 953,589</u>

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

NOTES TO FINANCIAL STATEMENTS

Changes in the liability for compensated absences is as follows:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Compensated Absences				
Waterworks Fund	\$ 547,259	\$ 480,945	\$ (459,709)	\$ 568,495
Sewer Fund	364,840	326,727	(306,473)	385,094
	<u>\$ 912,099</u>	<u>\$ 807,672</u>	<u>\$ (766,182)</u>	<u>\$ 953,589</u>

Note 8. Related-Party Transactions

During the year ended June 30, 2007, the Board received \$1,000,000 from the City for payment of bond indebtedness. The Board collects sanitation charges on behalf of the City. At June 30, 2007, the Board had cash and receivables relating to the City's sanitation charges of \$1,211,717.

Note 9. Major Customer

For the year ended June 30, 2007, the Board had one customer which individually accounted for a significant portion of the Board's consumed water and sewer revenues as follows:

	Water	Sewer	Total
Frontier Oil and Refinery	\$ 2,158,982	\$ 388,927	\$ 2,547,909

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

NOTES TO FINANCIAL STATEMENTS

Note 10. Commitments

As of June 30, 2007, 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 2007, the amounts below represent the activity pertaining to the contract as a whole.

	Expended to Date at June 30, 2007	Total Contract	Total Commitment at June 30, 2007
Waterworks Fund			
RLS Pipeline	\$ 703,822	\$ 760,610	\$ 56,788
Southern Water Transmission Line	51,695	5,600,000	5,548,305
Belvoir Casper Water Study	116,261	137,660	21,399
Belvoir Hi Plains/White River	3,076	676,000	672,924
Western Hills 30" Main	897,814	1,289,630	391,816
RLS Plant Construction	-	132,810	132,810
Sherard WTP Filter Media Cleaning	-	222,000	222,000
Manganese Treatment	-	15,000	15,000
King II Chlorinator Project	136,530	150,000	13,470
FY07 Well Projects	70,179	692,500	622,321
FY07 Raw Water and Dam Rehab Projects	4,381,924	4,720,315	338,391
FY07 Water Distribution Projects	1,972,116	5,291,650	3,319,534
	<u>8,333,417</u>	<u>19,688,175</u>	<u>11,354,758</u>
Sewer Fund			
Crow/Dry Creek Water Reclamation Plant	1,716,103	2,309,463	593,360
FE Warren/Snyder Relief Sewer	715,774	1,812,000	1,096,226
Parsley Relief Sewer	666,644	1,069,800	403,156
FY07 Sewer Collection Lines	1,148,713	2,670,860	1,522,147
	<u>4,247,234</u>	<u>7,862,123</u>	<u>3,614,889</u>
	<u>\$ 12,580,651</u>	<u>\$ 27,550,298</u>	<u>\$ 14,969,647</u>

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

NOTES TO FINANCIAL STATEMENTS

Note 11. Risk Management

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

As of June 30, 2007, 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, 2007**

	Waterworks Fund			
	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
	Original	Final		
Operating Revenues				
Sales and charges for services	\$ 14,318,000	\$ 14,318,000	\$ 15,016,607	\$ 698,607
Fees and miscellaneous	313,100	313,100	394,205	81,105
Total operating revenues	14,631,100	14,631,100	15,410,812	779,712
Nonoperating Revenues				
Interest income	450,900	450,900	974,555	523,655
Intergovernmental revenues	1,000,000	1,000,000	1,000,000	-
Special purpose taxes	-	-	-	-
System development fees	1,550,000	1,550,000	822,955	(727,045)
Insurance proceeds	-	-	-	-
Capital grants	-	2,453,330	2,089,491	(363,839)
Donated utilities	-	-	1,936,012	1,936,012
Total nonoperating revenues	3,000,900	5,454,230	6,823,013	1,368,783
Total revenues	17,632,000	20,085,330	22,233,825	2,148,495
Operating Expenses				
Source of supply	1,186,900	1,236,900	970,615	266,285
Water treatment	1,776,400	1,816,900	1,755,806	61,094
Transmission and distribution	1,678,500	1,782,166	1,682,988	99,178
Sewer collection lines	-	-	-	-
Water reclamation	-	-	-	-
Engineering and water resources	573,600	573,600	517,012	56,588
Administrative and general	2,035,500	2,087,023	1,936,903	150,120
Information technology and customer service	485,800	504,954	494,656	10,298
Total operations	7,736,700	8,001,543	7,357,980	643,563
Other Expenditures				
Capital purchases	1,293,000	1,403,277	1,226,831	176,446
Construction work in progress	11,180,000	21,653,250	9,788,136	11,865,114
Debt service, interest	2,208,500	2,208,500	1,760,473	448,027
Debt service, principal	3,584,600	3,584,600	3,527,270	57,330
Total other expenditures	18,266,100	28,849,627	16,302,710	12,546,917
Total expenditures	26,002,800	36,851,170	23,660,690	13,190,480
Excess (deficiency) of revenues over expenditures	\$ (8,370,800)	\$ (16,765,840)	\$ (1,426,865)	\$ 15,338,975

Sewer Fund

Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
Original	Final		
\$ 6,752,200	\$ 6,752,200	\$ 7,131,655	\$ 379,455
255,500	255,500	289,069	33,569
7,007,700	7,007,700	7,420,724	413,024
249,600	249,600	575,451	325,851
-	-	-	-
1,275,000	1,275,000	1,365,071	90,071
410,000	410,000	229,790	(180,210)
-	-	669,112	669,112
-	-	126,600	126,600
-	-	1,700,200	1,700,200
1,934,600	1,934,600	4,666,224	2,731,624
8,942,300	8,942,300	12,086,948	3,144,648
-	-	-	-
-	-	-	-
-	-	-	-
1,023,900	1,048,157	965,679	82,478
2,230,400	2,333,265	2,160,199	173,066
573,600	573,600	512,844	60,756
1,172,400	1,185,832	1,151,259	34,573
485,800	495,927	480,230	15,697
5,486,100	5,636,781	5,270,211	366,570
668,000	629,599	257,389	372,210
1,599,000	8,241,690	5,049,789	3,191,901
1,110,000	1,092,000	390,107	701,893
1,641,900	1,659,900	1,659,511	389
5,018,900	11,623,189	7,356,796	4,266,393
10,505,000	17,259,970	12,627,007	4,632,963
\$ (1,562,700)	\$ (8,317,670)	\$ (540,059)	\$ 7,777,611

STATISTICAL SECTION

(UNAUDITED)

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Invested in capital assets, net of related debt	\$ 154,736,559	\$ 162,003,448	\$ 163,057,489	\$ 177,727,960	\$ 190,664,158
Restricted	400	213,598	2,902,828	800,236	2,071,169
Unrestricted	20,987,265	19,936,388	24,388,848	26,927,560	24,459,644
Total primary govern- ment net assets	\$ 175,724,224	\$ 182,153,434	\$ 190,349,165	\$ 205,455,756	\$ 217,194,971

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

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

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)
1998	\$ 13,377,239	\$ 11,894,469	\$ 1,482,770
1999	14,579,085	12,884,363	1,694,722
2000	15,102,418	13,586,356	1,516,062
2001	14,924,994	13,462,063	1,462,931
2002	15,838,162	14,470,308	1,367,854
2003	16,001,865	16,465,051	(463,186)
2004	17,640,068	17,023,616	616,452
2005	17,210,446	18,146,174	(935,728)
2006	21,520,679	19,430,355	2,090,324
2007	22,831,536	20,401,356	2,430,180

Total Nonoperating Revenues/ (Expenses)	Income (Loss) before Capital Contribution	Capital Contributions	Change in Net Assets
\$ 440,367	\$ 1,923,137	\$ 2,102,276	\$ 4,025,413
228,180	1,922,902	673,642	2,596,544
330,034	1,846,096	1,549,594	3,395,690
2,737,717	4,200,648	1,157,400	5,358,048
5,831,918	7,199,772	6,592,056	13,791,828
6,454,018	5,990,832	1,911,023	7,901,855
2,505,826	3,122,278	3,276,543	6,398,821
7,111,526	6,175,798	2,050,320	8,226,118
3,124,447	5,214,771	9,891,820	15,106,591
3,456,732	5,886,912	5,852,303	11,739,215

**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
1998	\$ 8,859,835	\$ 4,330,725	\$ 186,679	\$ 13,377,239
1999	10,040,531	4,465,428	73,126	14,579,085
2000	10,421,150	4,549,291	131,977	15,102,418
2001	10,343,777	4,518,028	63,189	14,924,994
2002	11,499,490	4,253,905	84,767	15,838,162
2003	11,343,413	4,545,178	113,274	16,001,865
2004	11,950,097	5,258,103	431,868	17,640,068
2005	10,968,004	6,065,307	177,135	17,210,446
2006	14,657,466	6,252,915	610,298	21,520,679
2007	15,016,607	7,131,655	683,274	22,831,536

**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
1998	\$ 679,144	\$ 773,210	\$ 1,066,112	\$ 621,540	\$ 940,743
1999	794,499	825,986	1,103,846	600,149	957,000
2000	696,749	921,137	1,138,310	623,053	942,457
2001	715,365	933,440	1,185,565	620,167	1,010,336
2002	839,987	1,128,917	1,318,388	637,966	1,193,597
2003	984,406	1,397,759	1,366,476	699,434	1,210,654
2004	852,976	1,398,599	1,468,816	764,410	1,244,098
2005	1,059,238	1,501,883	1,481,811	937,242	1,339,888
2006	1,097,287	1,691,610	1,454,535	897,716	1,883,473
2007	970,615	1,755,806	1,682,988	965,679	2,160,199

Engineering and Water Resources	Administrative and General	Information Technology and Customer Service	Subtotal, Expenses before Depreciation	Depreciation	Total Operating Expenses
\$ 480,854	\$ 1,660,148	\$ 353,275	\$ 6,575,026	\$ 5,319,443	\$ 11,894,469
529,457	1,885,976	671,995	7,368,908	5,515,455	12,884,363
580,764	1,870,679	489,286	7,262,435	6,323,921	13,586,356
617,834	2,133,358	494,747	7,710,812	5,751,251	13,462,063
641,849	2,309,356	588,629	8,658,689	5,811,619	14,470,308
728,139	2,411,301	693,255	9,491,424	6,973,627	16,465,051
831,972	2,554,539	756,656	9,872,066	7,151,550	17,023,616
884,610	2,891,086	820,520	10,916,278	7,229,896	18,146,174
989,325	2,956,438	928,224	11,898,608	7,531,747	19,430,355
1,029,856	3,088,162	974,886	12,628,191	7,773,165	20,401,356

**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
1998	\$ 687,116	\$ 1,000,000	\$ -	\$ 1,082,517	\$ -	\$ (2,329,266)	\$ 440,367
1999	535,210	1,000,000	-	883,138	-	(2,190,168)	228,180
2000	385,725	1,000,000	-	1,028,153	-	(2,083,844)	330,034
2001	394,156	1,000,000	2,123,876	1,200,677	-	(1,980,992)	2,737,717
2002	683,333	1,000,000	5,716,808	676,359	-	(2,244,582)	5,831,918
2003	1,688,447	1,274,572	5,836,174	512,233	-	(2,857,408)	6,454,018
2004	2,481,680	1,573,730	532,526	199,947	-	(2,282,057)	2,505,826
2005	3,423,782	1,137,389	4,455,524	623,391	-	(2,528,560)	7,111,526
2006	2,507,450	1,000,000	1,341,736	1,201,757	-	(2,926,496)	3,124,447
2007	1,052,745	1,000,000	1,365,071	1,585,596	603,900	(2,150,580)	3,456,732

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

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

	Fiscal Year			
	1998	1999	2000	2001
Water Rates				
Rate charge (per 1,000 gallons):				
Treated	\$ 2.02	\$ 2.02	\$ 2.12	\$ 2.23
Large volume industrial treated	1.85	1.85	1.95	2.06
Residential single family:				
First block - First 6,000	**	**	**	**
Second block - Next 18,000	**	**	**	**
Third block - Next 18,000	**	**	**	**
All over - 42,000	**	**	**	**
Residential multi family:				
First block - First 3,000 per unit	**	**	**	**
Second block - Next 9,000 per unit	**	**	**	**
Third block - Next 9,000 per unit	**	**	**	**
All over - 21,000 per unit	**	**	**	**
All other treated (range)	**	**	**	**
Raw water (range)	**	**	**	**
Reclaimed water	**	**	**	**
Recycled water				
Monthly service fee range (based on meter size)	3.40-145.00	3.40-145.00	3.40-145.00	3.40-145.00
Sewer Rates				
Rate charge (per 1,000 gallons)	\$ 1.45	\$ 1.55	\$ 1.55	\$ 1.55
Monthly service fee range (based on meter size)	3.40-55.00	3.50-60.00	3.50-60.00	3.50-60.00

NOTES

Rates shown are inside City rates; outside City rates are 1.5 times the rates shown
Increases in water and sewer rates must be approved by the Council of the City of Cheyenne

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

Fiscal Year						
2002	2003	2004	2005	2006	2007	
\$ 2.34	\$ 2.34	\$ 2.34	**	**	**	
2.17	2.17	2.17	**	**	**	
**	**	**	\$ 2.40	\$ 2.76	\$ 2.87	
**	**	**	3.00	3.45	3.59	
**	**	**	3.75	4.31	4.48	
**	**	**	4.69	5.39	5.61	
**	**	**	2.40	2.76	2.87	
**	**	**	3.00	3.45	3.59	
**	**	**	3.75	4.31	4.48	
**	**	**	4.69	5.39	5.61	
**	**	**	2.58-3.00	3.01-3.45	3.13-3.59	
**	**	**	1.49-1.51	1.73-1.75	1.82	
**	**	**	1.20	1.40	1.46	
					2.70	
3.40-145.00	3.40-145.00	3.40-145.00	3.75-145.00	4.00-145.00	4.10-145.00	
\$ 1.55	\$ 1.75	\$ 2.00	\$ 2.25	\$ 2.50	\$ 2.75	
3.50-60.00	3.50-60.00	3.50-60.00	3.50-60.00	3.50-60.00	3.50-60.00	

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

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

Customer	Fiscal Year 2007			
	Water Revenues		Sewer Revenues	
	Amount	%	Amount	%
Frontier Oil & Refinery	\$ 2,158,982	14.38%	\$ 388,927	5.45%
Warren Air Force Base	1,294,553	8.62%	361,419	5.07%
South Cheyenne Water and Sewer District	1,204,854	8.02%	595,102	8.34%
Laramie County School District No.1	206,970	1.38%	61,813	0.87%
Cheyenne Regional Medical Center	179,375	1.19%	109,414	1.53%
State of Wyoming	164,819	1.10%	49,741	0.70%
Cheyenne Country Club	112,870	0.75%	4,103	0.06%
Cheyenne Housing Authority	79,047	0.53%	47,386	0.66%
Veterans Administration	68,890	0.46%	27,253	0.38%
A T & T Corporation	57,174	0.38%	44,744	0.63%
Subtotal (10 largest)	5,527,534	36.81%	1,689,902	23.70%
Balance from other customers	9,489,073	63.19%	5,441,753	76.30%
Grand total	\$ 15,016,607	100.00%	\$ 7,131,655	100.00%

NOTE

Information by customer from 1998 is not available

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

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

Fiscal Year	General Bonded Debt			Other Debt		
	General Obligation Bonds	Per Capita	As a Share of Personal Income	Notes	Per Capita	As a Share of Personal Income
1998	\$ 30,905,000	\$ 574.66	1.5%	\$ 16,601,623	\$ 308.70	0.8%
1999	29,300,000	543.35	1.4%	17,701,570	328.26	0.8%
2000	27,615,000	520.93	1.2%	22,662,881	427.51	1.0%
2001	25,845,000	482.62	1.1%	40,675,096	759.56	1.7%
2002	23,980,000	444.12	0.9%	43,276,272	801.50	1.7%
2003	22,015,000	405.90	0.8%	38,254,634	700.10	1.4%
2004	19,955,000	360.45	0.7%	42,305,907	764.17	1.4%
2005	17,805,000	317.64	0.6%	68,637,859	1,224.50	2.2%
2006	15,555,000	274.07	**	75,271,287	1,317.72	**
2007	13,205,000	230.58	**	76,715,356	1,327.11	**

** 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
1998	\$ 9,716,362	\$ -	\$ 9,716,362	0.00%
1999	10,171,568	-	10,171,568	0.00%
2000	10,800,298	-	10,800,298	0.00%
2001	11,384,986	-	11,384,986	0.00%
2002	12,064,604	-	12,064,604	0.00%
2003	13,321,160	-	13,321,160	0.00%
2004	14,439,440	-	14,439,440	0.00%
2005	16,090,560	-	16,090,560	0.00%
2006	17,729,384	-	17,729,384	0.00%
2007	18,749,719	-	18,749,719	0.00%

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

**SEWER FUND
COMPUTATION OF LEGAL DEBT MARGIN
(Unaudited)
June 30, 2007**

Total assessed value, City of Cheyenne	<u>\$ 468,742,963</u>
Debt limit (4% of total assessed value)	<u>18,749,719</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>\$ 18,749,719</u></u>

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

**WATERWORKS FUND
PLEDGED REVENUE COVERAGE**

(Unaudited)

Last Ten Fiscal Years

(1) Fiscal Year	(2) Water* Gross Revenues	(3) Expenses**	(4) Net Revenues Available for Debt Service	(6) Debt Service***			(8) Cover- age Ratio ****
				(5) Principal	(6) Interest	(7) Total	
1998	\$ 11,181,936	\$ 4,017,255	\$ 7,164,681	\$ 1,597,841	\$ 2,329,266	\$ 3,927,107	1.8
1999	12,069,030	4,655,841	7,413,189	2,832,385	2,078,644	4,911,029	1.5
2000	12,371,100	4,545,909	7,825,191	2,027,049	1,996,256	4,023,305	1.9
2001	14,552,326	4,800,924	9,751,402	2,127,298	1,896,531	4,023,829	2.4
2002	19,269,775	5,405,555	13,864,220	9,224,238	2,163,373	11,387,611	1.2
2003	20,494,307	6,018,963	14,475,344	18,122,497	2,779,581	20,902,078	0.7
2004	16,918,782	6,143,342	10,775,440	4,317,705	2,147,693	6,465,398	1.7
2005	17,448,197	6,730,049	10,718,148	3,220,697	2,015,436	5,236,133	2.0
2006	22,103,865	7,012,378	15,091,487	3,387,451	1,888,921	5,276,372	2.9
2007	20,264,510	7,357,980	12,906,530	3,527,270	1,706,834	5,234,104	2.5

* Gross revenue does not include donated utilities

** Total expenses exclusive of depreciation

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

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

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

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fiscal Year	Sewer* Gross Revenues	Expenses**	Net Revenues Available for Debt Service	Principal	Debt Service Interest	Total	Coverage Ratio ***
1998	\$ 4,964,936	\$ 2,557,771	\$ 2,407,165	\$ -	\$ -	\$ -	100.0
1999	4,928,403	2,713,067	2,215,336	-	111,524	111,524	19.9
2000	5,145,196	2,716,526	2,428,670	75,651	87,588	163,239	14.9
2001	5,091,377	2,909,888	2,181,489	78,678	84,461	163,139	13.4
2002	4,644,887	3,253,134	1,391,753	81,824	81,209	163,033	8.5
2003	5,093,555	3,472,461	1,621,094	85,097	77,827	162,924	10.0
2004	6,082,899	3,728,724	2,354,175	99,663	134,364	234,027	10.1
2005	9,539,724	4,186,229	5,353,495	102,155	513,124	615,279	8.7
2006	10,040,555	4,886,230	5,154,325	104,709	1,037,575	1,142,284	4.5
2007	10,390,429	5,270,211	5,120,218	1,659,510	2,518,141	4,177,651	1.2

* Gross revenue does not include donated utilities

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

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

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

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

Fiscal Year	Population		Personal Income (Thousands of Dollars)*	Per Capita Income*	Unemployment Rate*	School Enrollment*
1998	53,780	(a)	\$ 2,031,156	\$ 25,255	3.7%	14,959
1999	53,925	(a)	2,150,636	26,548	3.5%	14,789
2000	53,011	(b)	2,292,534	28,052	3.8%	14,704
2001	53,551	(a)	2,443,472	29,672	4.1%	14,322
2002	53,994	(a)	2,623,184	31,545	4.2%	14,461
2003	54,642	(a)	2,762,680	32,766	4.5%	14,225
2004	55,362	(a)	2,938,689	34,559	4.5%	14,307
2005	56,054	(c)	3,096,124	36,355	4.2%	14,498
2006	56,755	(c)	**	**	4.1%	14,351
2007	57,464	(c)	**	**	**	**

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

- (a) U.S. Census Bureau Estimate
- (b) U.S. Census Bureau Count
- (c) Wyoming Center for Business and Economic Analysis

* For Laramie County

** Information not yet available

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

PRINCIPAL EMPLOYERS

(Unaudited)

Current Year and Nine Years Ago

Employer	Product	2007	
		Employees	Percentage of Total
F.E. Warren A.F.B.	Military	4,156	6.91%
State of Wyoming	Government Services	3,756	6.24%
Laramie County School District No.1	Education K-12	2,075	3.45%
Federal Government	Government Services	1,736	2.88%
Cheyenne Regional Medical Center	Health Care	1,430	2.38%
Lowe's Companies	Distribution Center	997	1.66%
Union Pacific Railroad	Transportation, Rail	832	1.38%
Wyoming National Guard	Military	693	1.15%
Sierra Trading Post	Outlet Catalog/Retail	661	1.10%
City of Cheyenne	Government Services	590	0.98%
		<u>16,926</u>	<u>28.13%</u>
All other employers		<u>43,250</u>	<u>71.87%</u>
Total employees		<u><u>60,176</u></u>	<u><u>100.00%</u></u>
Employer		1998	
		Employees	Percentage of Total
F.E. Warren A.F.B.	Military	4,004	7.75%
State of Wyoming	Government Services	3,116	6.03%
Federal Government	Government Services	2,923	5.66%
Laramie County School District No.1	Education K-12	1,750	3.39%
Cheyenne Regional Medical Center	Health Care	960	1.86%
Union Pacific Railroad	Transportation, Rail	850	1.65%
Safecard Services	Credit Card Servicing	505	0.98%
City of Cheyenne	Government Services	487	0.94%
Wyoming National Guard	Military	421	0.81%
Laramie County	Government Services	325	0.63%
		<u>15,341</u>	<u>29.70%</u>
All other employers		<u>36,318</u>	<u>70.30%</u>
Total employees		<u><u>51,659</u></u>	<u><u>100.00%</u></u>

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

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

NUMBER OF EMPLOYEES BY IDENTIFIABLE ACTIVITY

(Unaudited)

Last Ten Fiscal Years

	Full-Time Equivalent Budgeted Positions as of June 30,			
	1998	1999	2000	2001
Administration				
General and administrative	7	5	5	6
Customer service	7	6	7	7
Information technology	3	3	3	3
Meter information techs	4	4	4	4
Subtotal	21	18	19	20
Water Treatment				
Management/support staff	2	2	2	2
Plant supervisor/operators	13	13	13	13
Laboratory staff	2	2	2	2
Wellfield group	3	3	3	3
Subtotal	20	20	20	20
Operation and Maintenance				
Source of supply	6	6	6	6
Transmission and distribution	10	10	10	10
Sewer collection	9	10	10	10
Support services	11	11	10	10
Sup. dist. and col. fac. staff	6	5	5	5
Subtotal	42	42	41	41
Engineering and Water Resources				
Engineering staff	7	7	7	7
Inspections and locates	4	4	4	4
Instrumentation and telemetry	3	3	3	3
Source of supply	-	-	-	-
Subtotal	14	14	14	14
Water Reclamation				
Management/support staff	5	4	4	4
Laboratory staff	2	2	2	2
Plant supervisors/operators	15	15	15	15
Subtotal	22	21	21	21
Total	119	115	115	116

Full-Time Equivalent Budgeted Positions as of June 30,

2002	2003	2004	2005	2006	2007
6	7	7	8	8	8
6	6	6	6	6	6
3	3	3	4	4	4
5	5	5	5	5	5
20	21	21	23	23	23
2	2	2	2	2	2
13	13	13	13	13	13
2	2	2	2	2	2
3	3	3	3	3	3
20	20	20	20	20	20
6	6	6	-	-	-
10	10	10	12	12	12
10	10	10	12	12	12
12	12	12	13	13	11
5	5	6	4	4	6
43	43	44	41	41	41
7	7	7	8	8	8
4	4	4	3	4	4
3	3	3	3	3	4
-	-	-	6	6	6
14	14	14	20	21	22
4	4	4	4	4	4
2	2	2	2	2	2
15	15	15	15	16	16
21	21	21	21	22	22
118	119	120	125	127	128

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

OPERATING AND CAPITAL INDICATORS

(Unaudited)

Last Ten Fiscal Years

	Fiscal Years			
	1998	1999	2000	2001
Water Treatment				
Miles of collection and delivery pipeline	135	135	135	135
Miles of transmission mains	430	430	430	430
Miles of distribution mains	306	306	306	306
Gallons of treated water storage (millions)	35	35	35	35
Reservoir levels at June 30 (acre feet*)	**	40,118	36,472	37,979
Water treatment capacity	27.6 mgd	27.6 mgd	23 mgd	23 mgd
Peak day demand	July 16, 1997	July 20, 1998	June 22, 2000	July 6, 2000
Peak day demand mgd	34.02	35.58	31.82	30.72
Peak month	July 1997	July 1998	June 2000	July 2000
Peak month (million gallons)	819.47	842.96	838.52	822.28
Total water delivered (acre feet*)	13,406	14,525	16,272	15,381
Average daily demand (mgd)	11.968	12.967	14.487	13.731
Water Reclamation				
Miles of sewer collection mains	263	263	263	263
Water reclamation capacity	11 mgd	11 mgd	11.5 mgd	13.5 mgd
Total wastewater treated (000 gallons)	3,669,255	3,520,198	3,341,210	3,533,320
Average mgd	10.05	9.64	9.15	9.68

* 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

** Information not available

Fiscal Years

2002	2003	2004	2005	2006	2007
135	135	135	135	135	135
430	433	433	448	448	448
306	331	331	347	347	347
35	35	35	35	35	35
27,717	33,996	35,306	39,364	38,221	38,076
23 mgd	32 mgd	32 mgd	32 mgd	32 mgd	32 mgd
June 30, 2002	July 19, 2002	July 17, 2003	June 21, 2005	June 14, 2006	July 31, 2006
37.14	39.55	24.87	24.39	28.48	29.25
June 2002	July 2002	July 2003	June 2005	June 2006	August 2007
882.01	1,058.48	619.45	551.47	744.62	735.72
16,469	15,472	13,466	13,631	16,165	15,888
14.703	13.813	11.989	12.169	14.431	14.182
263	279	279	291	291	306
13.5 mgd	13.5 mgd	13.5 mgd	13.5 mgd	17.0 mgd	17.0 mgd
3,334,290	3,178,170	2,965,465	3,258,026	3,590,459	3,286,169
9.14	8.71	8.10	8.93	9.84	9.00

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

WATER DELIVERED AND SOLD AND WASTEWATER TREATED

(Unaudited)

Last Ten Fiscal Years

Fiscal Year	Gallons of Water Delivered(a)	Gallons of Water Sold(b)	Gallons of Water Used by City(c)	Gallons of Water Unbilled(d)
1998	4,368	3,966	**	402
1999	4,733	4,646	**	87
2000	5,302	4,576	187	539
2001	5,012	4,492	251	269
2002	5,366	4,543	383	440
2003	5,042	4,615	354	73
2004	4,388	3,756	298	334
2005	4,442	3,618	217	607
2006	5,267	4,250	352	665
2007	5,176	4,284	313	632

NOTES

Gallons are presented in millions

- (a) Water delivered to the community of Cheyenne for consumption, metered dates are from July 1 to June 30
- (b) Gallons of water sold are based upon bills issued from July 1 to June 30; meter reading dates for these bills do not coincide with July 1 through June 30
- (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) Examples may include hydrant usage, hydrant and main flushing, and water main leaks
- (e) Average is computed by taking the gallons of water unbilled (d) divided by gallons of water delivered (a)
- (f) Gallons of wastewater billed are based on billings for the period July 1 through June 30
- (g) The water rate for fiscal years 1998 through 2002 are the inside City treated water rates per 1,000 gallons; for fiscal years 2003 through 2007, the rates were based on a tiered system; the direct rate was computed by taking the total water sales divided by the total gallons sold
- (h) The sewer rate presented is the inside City rate per 1,000 gallons and does not include the monthly service fee

** Information not available

Average Percent Unbilled(e)	Gallons of Wastewater Billed(f)	Total Direct Rate	
		Water(g)	Sewer(h)
9.20%	2,404	\$ 2.02	\$ 1.45
1.84%	2,302	2.02	1.55
10.17%	2,307	2.12	1.55
5.37%	2,244	2.31	1.55
8.20%	2,113	2.44	1.55
1.45%	2,252	2.50	1.75
7.61%	2,171	2.54	2.00
13.67%	2,300	2.95	2.25
12.63%	2,269	3.37	2.50
12.21%	2,402	3.43	2.75

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

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

Calendar Year	Water Meter Taps Sold	Sewer Taps Sold	Total Taps
1998	220	168	388
1999	296	251	547
2000	238	203	441
2001	157	163	320
2002	329	327	656
2003	1,506	1,259	2,765
2004	775	718	1,493
2005	311	267	578
2006	478	438	916
2007	136	134	270

**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
1998	**	**	**	**	**
1999	**	**	**	**	**
2000	16,728	1,098	1,416	20	108
2001	16,863	1,109	1,448	20	112
2002	17,027	1,104	1,488	20	127
2003	17,271	1,105	1,508	19	112
2004	17,658	1,167	1,522	20	126
2005	18,102	1,161	1,538	21	139
2006	18,481	1,151	1,586	23	151
2007	18,635	1,165	1,594	19	166

NOTES

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

** Information by type of user prior to fiscal year 2000 is not available

Sewer					Total	
Residential	Multi-Family	Commercial	Industrial	Other	Water	Sewer
**	**	**	**	**	18,927	18,629
**	**	**	**	**	19,131	18,831
16,749	1,099	1,342	20	8	19,370	19,218
16,860	1,110	1,363	20	9	19,552	19,362
17,009	1,104	1,394	21	7	19,766	19,535
17,237	1,104	1,412	24	8	20,015	19,785
17,584	1,159	1,425	22	9	20,493	20,199
18,047	1,156	1,432	21	9	20,961	20,665
18,430	1,151	1,466	20	11	21,392	21,078
18,592	1,164	1,493	21	13	21,579	21,283

**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
1998	53,780	1,953,401	99.51	3,318,561	169.06
1999	53,925	2,311,938	117.46	3,916,115	198.96
2000	53,011	2,241,088	115.82	3,788,543	195.80
2001	53,551	2,165,147	110.77	3,641,974	186.33
2002	53,994	2,226,099	112.96	3,793,348	192.48
2003	54,642	2,174,054	109.01	3,797,967	190.43
2004	55,362	1,736,696	85.94	3,177,271	157.24
2005	56,054	1,784,824	87.24	3,089,056	150.98
2006	56,755	2,093,589	101.06	3,624,482	174.96
2007	57,464	2,081,685	99.25	3,564,189	169.93

* 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
1998	\$ 1,953,401	\$ 681,279	\$ 683,881	\$ 3,318,561	\$ 328,635	\$ 307,306
1999	2,311,938	800,458	803,719	3,916,115	385,001	334,867
2000	2,241,088	814,936	732,519	3,788,543	363,174	318,595
2001	2,165,147	822,103	654,724	3,641,974	348,336	342,434
2002	2,226,099	875,322	691,927	3,793,348	356,259	321,295
2003	2,174,054	873,385	750,528	3,797,967	367,623	350,180
2004	1,736,696	657,687	782,888	3,177,271	197,327	277,248
2005	1,784,824	646,095	658,137	3,089,056	203,392	267,063
2006	2,093,589	843,675	687,218	3,624,482	231,782	316,983
2007	2,081,685	779,406	703,098	3,564,189	298,728	333,219

* Excluding depreciation

Outside City	Raw Water	Total Water Sales	Total Water Operating Expenses*	Operating Cost per 1,000	Total Water Debt Service	Debt Cost per 1,000
\$ 11,482	\$ -	\$ 3,965,984	\$ 4,017,255	1.01	\$ 3,927,107	0.99
10,430	-	4,646,413	4,655,841	1.00	4,911,029	1.06
12,044	93,777	4,576,133	4,545,909	0.99	4,023,305	0.88
21,368	138,085	4,492,197	4,800,924	1.07	4,023,829	0.90
19,896	52,086	4,542,884	5,405,555	1.19	11,387,611	2.51
11,619	87,268	4,614,657	6,018,963	1.30	20,902,078	4.53
9,124	94,891	3,755,861	6,143,342	1.64	6,465,398	1.72
9,324	48,956	3,617,791	6,730,049	1.86	5,236,133	1.45
9,709	66,992	4,249,948	7,012,378	1.65	5,276,372	1.24
9,384	78,427	4,283,947	7,420,194	1.73	5,234,104	1.22

COMPLIANCE REPORT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the business-type activities and each major fund of the City of Cheyenne, Wyoming Board of Public Utilities (the "Board"), a component unit of the City of Cheyenne, as of and for the year ended June 30, 2007, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting:

1. The Board's estimate for unbilled water and sewer receivables erroneously excluded the estimated unbilled water and sewer receivables for two significant customers. In addition, the Board's estimate for unbilled water receivables was based on May water usage and did not take into account the historic increase in usage of water between May and June. Although unbilled water and sewer receivables are an accounting estimate, factoring in all customers and the historic increase in water usage between May and June caused a significant increase to this accounting estimate. The Board should review the assumptions and theories used to formulate accounting estimates, such as the estimate for unbilled water and sewer receivables, to ensure that such assumptions and theories create reasonable accounting estimates.

2. Although the Board had indicated their policy was to capitalize interest during periods of construction, it was noted during the audit that the amount of interest that should be capitalized had not been computed or recorded. The Board should review and apply the guidance provided in Statement of Financial Accounting Standards (FAS) 34, *Capitalization of Interest Cost*, and FAS 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants - An Amendment of FASB Statement No. 34*, in order to determine the proper amount of interest to be capitalized on self-constructed assets.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we have reported to the City Council in a separate letter dated October 4, 2007.

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

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
October 4, 2007