

CITY OF CHEYENNE, WYOMING
FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED JUNE 30, 2017

Table of Contents

INDEPENDENT AUDITOR’S REPORT	1 - 3
-------------------------------------	-------

MANAGEMENT’S DISCUSSION AND ANALYSIS <i>(Required Supplementary Information)</i>	4 - 11
--	--------

BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	12 and 13
Statement of Activities	14 and 15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Position – Proprietary Funds	20 - 23
Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds	24 and 25
Statement of Cash Flows – Proprietary Funds	26 - 29
Notes to Financial Statements	30 - 72

REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (GAAP Basis) – General Fund	73
Schedule of Funding Progress	74
Schedule of the City’s Proportionate Share of Net Pension Liability	75
Schedule of the City’s Contributions	76
Notes to Required Supplementary Information	77

OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet – Nonmajor Governmental Funds	80 - 85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	86 - 91
Combining Statement of Net Position – Nonmajor Proprietary Funds	93
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Nonmajor Proprietary Funds	94
Combining Statement of Cash Flows – Nonmajor Proprietary Funds	95

Continued

Table of Contents, *Continued*

SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards	96 - 98
Notes to Schedule of Expenditures of Federal Awards	99

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*

100 and 101

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

102 and 103

Schedule of Findings and Questioned Costs	104 - 106
---	-----------

Summary Schedule of Prior Year Audit Findings	107
---	-----

EXHIBIT I: CORRECTIVE ACTION PLANS



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Cheyenne
Cheyenne, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cheyenne, Wyoming (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cheyenne, Wyoming, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, budgetary comparison schedule on page 73, Schedule of Funding Progress on page 74, Schedule of City's Proportionate Share of Net Pension Liability on page 75, Schedule of the City's Contributions on page 76, and Notes to Required Supplementary Information on page 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements of nonmajor funds, listed in the table of contents as other supplementary information, and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

McGee, Hearne & Paig, LLP

Cheyenne, Wyoming
March 23, 2018

CITY OF CHEYENNE, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

The City of Cheyenne (the City) offers readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017. In addition to this overview and analysis based on currently known facts, decisions and conditions, the City would encourage readers to consider the information presented in the City's financial statements, which begins on page 12 of this report.

Financial Highlights

The City's total net position (governmental and business-type combined) increased by \$13.3 million (2.60%) during fiscal year 2017. The governmental net position increased by \$1.8 million (0.83%) and the business-type net position increased by \$11.5 million (3.9%).

- ❖ The General Fund, the City's primary operating fund, reported an increase of \$1,493,909 on a current financial resource basis. As of June 30, 2017, unassigned fund balance for the General Fund was \$17.3 million or 130 days of total General Fund expenditures of \$48.5 million. The City Council has a requirement by resolution to maintain an unrestricted fund balance in the General Fund of 60 days of operating expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. Other supplementary information is also included at the end of the report.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances using the accrual basis of accounting, the basis of accounting used by most private-sector businesses.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources and liabilities and deferred inflows of resources. The difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources is reported as net position. Over time, increases or decreases in net position may provide an indication of whether the City's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety – police and fire, public works, health and welfare and recreation. The business-type activities of the City include the Board of Public Utilities (water and sewer departments), the Solid Waste Fund, the Civic Center and the Ice and Events Center.

CITY OF CHEYENNE, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Fund financial statements. Traditional users of the City's financial statements will find the fund financial statement presentation more familiar. The focus is now on major funds rather than fund types.

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. A major fund should generally meet both of the following criteria: 1) total assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues, or expenditures/expenses are at least 10% of the corresponding total (assets and deferred outflows, liabilities and deferred inflows, etc.) for that fund type (i.e., governmental or enterprise funds) and 2) total assets and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 21 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the One Percent Sales Tax Fund and the Capital Facilities Tax Fund, all of which are considered to be major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all of its governmental funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Proprietary funds. The City maintains two types of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Board of Public Utilities, Solid Waste Fund, Civic Center and Ice and Events Center. The Internal Service fund is used to account for activities of our Fleet Maintenance facility, and is allocated based on other funds' usage on the Statement of Net Position and Statement of Activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Waterworks, Sewer and Solid Waste funds as they are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 20-29 of this report.

CITY OF CHEYENNE, WYOMING

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2017

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City does not currently have a fiduciary fund.

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 30-72 of this report.

Other information. Required supplementary information regarding the budget comparisons, the funding progress and the Net Pension Liability is included in this report on pages 73-77. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 78-95 of this report.

Government-wide financial analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. In the case of the City’s net position, 99 percent reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’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.

The following table reflects the condensed Statement of Net Position.

Statement of Net Position						
(amounts expressed in thousands, totals may not add due to rounding)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 64,852	\$ 67,569	\$ 54,235	\$ 55,533	\$ 119,087	\$ 123,102
Capital and other assets	250,847	244,894	351,468	344,894	602,315	589,788
Total assets	315,699	312,463	405,703	400,427	721,402	712,890
Deferred outflows of resources	14,947	18,020	3,691	3,886	18,638	21,906
Long-term liabilities	97,009	96,578	88,519	96,086	185,528	192,664
Other liabilities	8,417	11,300	13,649	12,637	22,066	23,937
Total liabilities	105,426	107,878	102,168	108,723	207,594	216,601
Deferred inflows of resources	6,283	5,474	353	243	6,636	5,717
Net position:						
Net investment in capital assets	238,729	232,265	284,821	268,442	523,550	500,707
Restricted	36,300	34,973	500	500	36,800	35,473
Unrestricted	(56,092)	(50,107)	21,552	26,405	(34,540)	(23,702)
Total net position	\$ 218,937	\$ 217,131	\$ 306,873	\$ 295,347	\$ 525,810	\$ 512,478

CITY OF CHEYENNE, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

A portion of the City's net position (7.00 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$-34.5 million) may be used to meet the government's ongoing obligations to citizens and creditors subject to the City's fund designations and fiscal policies.

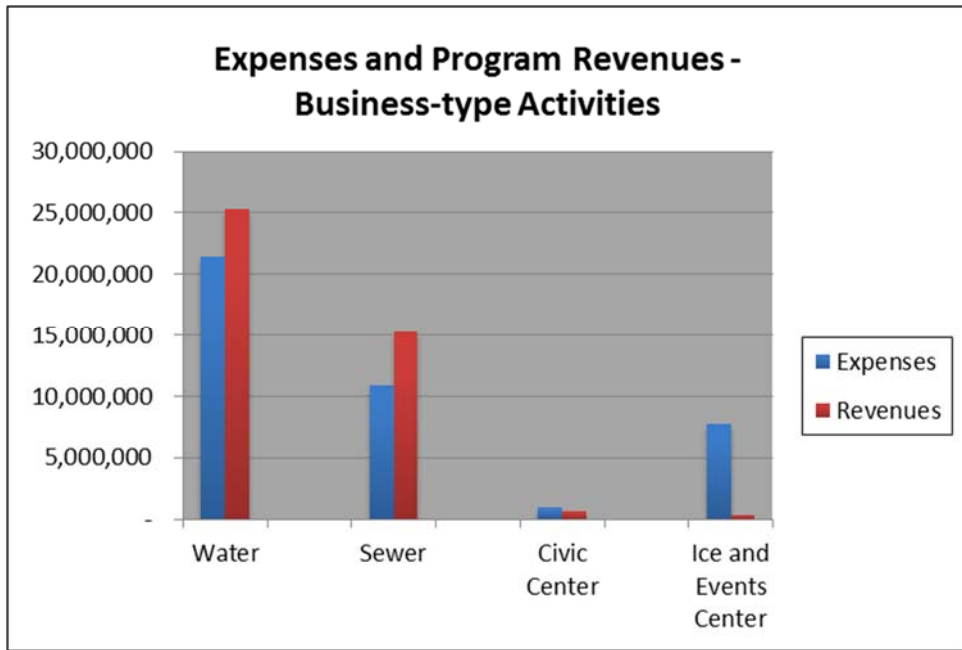
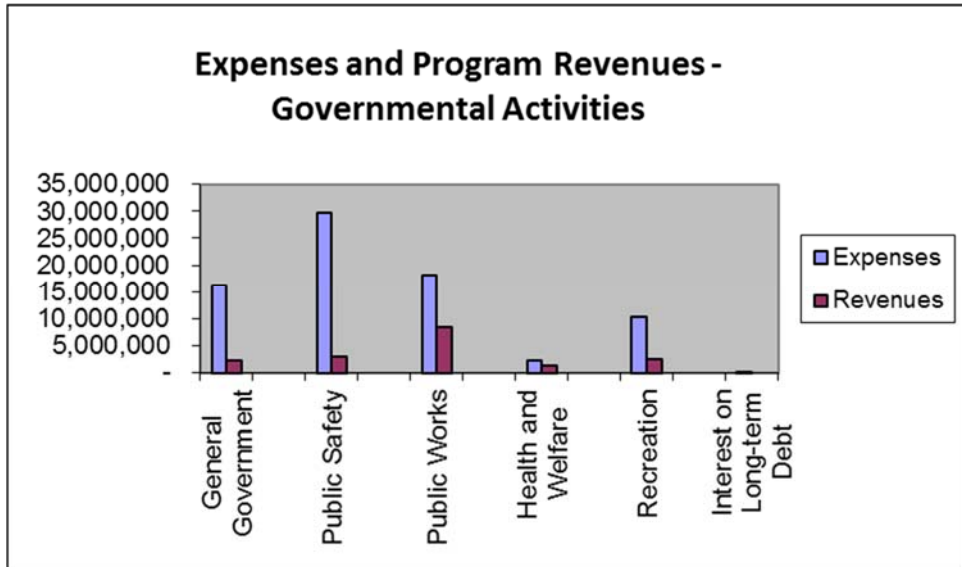
Net position in the City's governmental type activities increased by \$1.8 million during fiscal year 2017. This was down from a prior year increase of \$13.3 million. Net position in the City's business type activities increased by \$11.5 million during fiscal year 2017 compared to an increase of \$11.3 million in the prior year.

The following table reflects a condensed summary of activities and changes in net assets.

Changes in Net Position						
(amounts expressed in thousands, totals may not add due to rounding)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 8,495	\$ 7,305	\$ 48,656	\$ 45,997	\$ 57,151	\$ 53,302
Operating grants and contributions	5,217	4,824	3,553	4,015	8,770	8,839
Capital grants and contributions	3,807	9,977	4,132	4,082	7,939	14,059
General revenues:						
Property and other taxes	14,470	14,064	-	-	14,470	14,064
Sales taxes	40,901	47,824	-	-	40,901	47,824
Intergovernmental	5,492	5,283	-	-	5,492	5,283
Other	2,030	2,571	179	668	2,209	3,239
Total revenues	<u>80,412</u>	<u>91,848</u>	<u>56,520</u>	<u>54,762</u>	<u>136,932</u>	<u>146,610</u>
Expenses:						
General government	16,225	15,796	-	-	16,225	15,796
Public safety	29,676	31,002	-	-	29,676	31,002
Public works	18,055	18,969	-	-	18,055	18,969
Health and welfare	2,219	2,002	-	-	2,219	2,002
Recreation	10,185	10,561	-	-	10,185	10,561
Interest on long-term debt	246	245	-	-	246	245
Water	-	-	21,415	21,029	21,415	21,029
Sewer	-	-	10,843	10,763	10,843	10,763
Solid waste	-	-	13,019	9,880	13,019	9,880
Civic Center	-	-	942	-	942	-
Other	-	-	780	1,762	780	1,762
Total expenses	<u>76,606</u>	<u>78,575</u>	<u>46,999</u>	<u>43,434</u>	<u>123,605</u>	<u>122,009</u>
Increase in net position before transfers	3,806	13,273	9,521	11,328	13,327	24,601
Transfers	(2,000)	51	2,000	(51)	-	-
Change in net position	<u>1,806</u>	<u>13,324</u>	<u>11,521</u>	<u>11,277</u>	<u>13,327</u>	<u>24,601</u>
Net position - beg. of year, original	217,131	207,063	295,352	284,070	512,483	491,133
Prior period adjustment	-	(3,256)	-	-	-	(3,256)
Net position - beg of year, amended	<u>217,131</u>	<u>203,807</u>	<u>295,352</u>	<u>284,070</u>	<u>512,483</u>	<u>487,877</u>
Net position - end of year	<u>\$ 218,937</u>	<u>\$ 217,131</u>	<u>\$ 306,873</u>	<u>\$ 295,347</u>	<u>\$ 525,810</u>	<u>\$ 512,478</u>

CITY OF CHEYENNE, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017



CITY OF CHEYENNE, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Financial Analysis of the City's Funds

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

Governmental funds. The focus on the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$53,935,231. Approximately 27% of this total amount (\$14,561,245) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period, to pay debt service or has been dedicated to other uses.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$17,299,470, while total fund balance reached \$19,768,871. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 35.70 percent of total general fund expenditures, while total fund balance represents 40.79 percent of that same amount. This compares to 28.6 percent and 36.9 percent respectively in the prior year.

Proprietary funds. The City of Cheyenne's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Waterworks and Sewer funds at the end of the year amounted to \$27,774,167, Solid Waste Fund was \$(5,972,898) and those for the Civic Center and Ice and Events Center amounted to (\$462,155). Other factors concerning the finances of these four funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and the final amended budgeted expenditures and transfers were \$1,977,039. The major expenditure increases follow:

- ❖ \$1,325,023 in carryover projects
- ❖ \$10,742 for various agency account projects and unanticipated revenues
- ❖ \$641,274 from reserves for various unanticipated projects and expenditures

Of this increase, \$10,742 was funded from unanticipated revenue with the remaining \$1,966,297 budgeted from available fund balance. Expenditures were less than budgetary estimates for all functions thus eliminating the need to further draw upon existing fund balance for operations.

CITY OF CHEYENNE, WYOMING

MANAGEMENT’S DISCUSSION AND ANALYSIS

June 30, 2017

Capital Asset and Debt Administration

Capital assets. The City of Cheyenne’s investment in capital assets for its governmental and business-type activities as of June 30, 2017, amounted to \$597,861,179 (net of accumulated depreciation). This investment in capital assets included land, buildings, utility plant, improvements, machinery and equipment, park facilities and roads. The total increase in the City’s investment in capital assets for the current fiscal year was 2.14 percent.

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

- ❖ Expansion of the Transfer Station and additional equipment for the sanitation department.
- ❖ A variety of street construction projects.
- ❖ Various building and system additions and improvements for the Board of Public Utilities.

Capital Assets Net of Depreciation

(amounts expressed in thousands, totals may not add due to rounding)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 15,199	\$ 15,247	\$ 13,941	\$ 14,097	\$ 29,140	\$ 29,344
Construction in progress	20,548	12,755	18,634	9,541	39,182	22,296
Buildings and improvements	104,183	102,801	22,830	23,217	127,013	126,018
Utility plant in service	-	-	527,779	518,779	527,779	518,779
Machinery and equipment	36,116	35,932	22,775	21,414	58,891	57,346
Infrastructure	217,866	211,806	-	-	217,866	211,806
Less accumulated depreciation	(147,519)	(138,101)	(254,491)	(242,153)	(402,010)	(380,254)
Total	\$ 246,393	\$ 240,440	\$ 351,468	\$ 344,895	\$ 597,861	\$ 585,335

Additional information on the City’s capital assets can be found in Note 4 on pages 44 and 45 of this report.

Long-term debt. The City’s debt represents bonds and loans secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Debt - General Obligation Bonds, Revenue Bonds and Loans

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Loans and capital leases	\$ 4,453,943	\$ 4,453,943	\$ 59,509,220	\$ 68,555,836	\$ 63,963,163	\$ 73,009,779
Revenue bonds	7,750,000	8,175,000	7,525,000	8,325,000	15,275,000	16,500,000
Total	\$ 12,203,943	\$ 12,628,943	\$ 67,034,220	\$ 76,880,836	\$ 79,238,163	\$ 89,509,779

The City of Cheyenne’s total debt decreased by \$10,271,616 (11.48 percent) during the current fiscal year.

The Board of Public Utilities maintains a AA rating from Standard & Poor’s for general obligation debt. The City of Cheyenne maintains an A- rating from Standard & Poor’s on the revenue bonds.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4 percent of its total assessed valuation. The current debt limitation for the City of Cheyenne is \$26,553,502.

Additional information on the City of Cheyenne’s long-term debt can be found in Note 7 on pages 50-57 of this report.

CITY OF CHEYENNE, WYOMING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

Economic Factors and Next Year's Budgets and Rates

The City's original approved fiscal year 2017 budget for the general fund totaled \$49,004,088 compared to an original budget in fiscal year 2016 of \$50,451,696. This represented a 2.9 percent decrease. The decrease was directly related to reduced sales tax projections for fiscal year 2017 that resulted in decreased capital project expenditures. Sales tax receipts started to rebound in the last quarter of 2017 and are projected to be stronger into 2018.

A continuing challenge in the fiscal year 2017 budget was balancing the budget without the use of one-time funds to be received from the State. As of the preparation of this report, the State of Wyoming has shown a marked decrease in mineral revenues which could result in the City's additional loss of funding from the State during the 2017 legislative session. This would impact future budgets of the City but efforts have already been made to review expenditures in light of the expected decreases in future funding. The City expenditures continue to rise for major expenditures such as insurance, fuel, repairs and health insurance for employees. Requests from departments for ongoing additional staff and expanded service costs have not typically been funded.

As noted above, the most significant risk to the City is the uncertainty of the economy in Wyoming due to the mineral industry. As the City receives a significant portion of mineral-derived revenues, the roller coaster effect in this economic area has proven to be a challenge for future budgets of the City.

Requests for Information

The financial report is designed to provide a general overview of the City of Cheyenne's 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 Office of the City Treasurer, City of Cheyenne, 2101 O'Neil, Room 108, Cheyenne, Wyoming 82001.

BASIC FINANCIAL STATEMENTS

CITY OF CHEYENNE, WYOMING

STATEMENT OF NET POSITION

June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
ASSETS				
Cash and cash equivalents	\$ 10,334,938	\$ 33,254,815	\$ 43,589,753	\$ 1,083,087
Investments, at fair value	5,254,632	13,372,527	18,627,159	-
Restricted assets				
Cash and cash equivalents	7,960,070	663,020	8,623,090	-
Investments	25,052,491	-	25,052,491	-
Due from other governments	-	1,623,305	1,623,305	-
Receivables				
Accrued interest	79,421	33,118	112,539	-
Accounts - customers	921,545	2,069,612	2,991,157	-
Estimated unbilled usage	-	2,667,835	2,667,835	-
Sanitation receivable and unbilled usage	-	1,722,967	1,722,967	-
Property tax receivable	5,440,846	-	5,440,846	343,428
Internal balances	1,766,424	(1,766,424)	-	-
Intergovernmental receivable	7,430,697	-	7,430,697	-
Prepaid expenses	526,213	81,735	607,948	-
Notes receivable, due within one year	-	-	-	20,788
Inventories	84,953	513,018	597,971	-
Capital assets not being depreciated:				
Land	15,198,575	12,143,187	27,341,762	-
Construction in progress	20,547,893	18,633,757	39,181,650	-
Water rights	-	1,797,968	1,797,968	-
Capital assets being depreciated:				
Utility plant in service	-	527,778,637	527,778,637	-
Machinery and equipment	11,918,815	10,751,842	22,670,657	-
Transportation equipment	20,733,612	10,360,759	31,094,371	-
Buildings and improvements	104,182,840	22,830,328	127,013,168	5,500
Office furniture and equipment	3,463,995	1,662,278	5,126,273	34,302
Infrastructure	217,866,037	-	217,866,037	-
Accumulated depreciation	(147,518,689)	(254,490,655)	(402,009,344)	(37,185)
Net investment in direct financing lease	4,453,943	-	4,453,943	-
Notes receivable, due in more than one year	-	-	-	26,103
Total assets	\$ 315,699,251	\$ 405,703,629	\$ 721,402,880	\$ 1,476,023
DEFERRED OUTFLOWS OF RESOURCES	\$ 14,947,030	\$ 3,690,630	\$ 18,637,660	\$ -

See Notes to Financial Statements.

CITY OF CHEYENNE, WYOMING

STATEMENT OF NET POSITION

June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Downtown Development Authority
LIABILITIES				
Accounts payable	\$ 4,529,977	\$ 5,005,594	\$ 9,535,571	\$ 54,526
Accrued interest	47,831	507,113	554,944	-
Accrued salaries including compensated absences and early retirement	3,297,427	757,091	4,054,518	-
Unearned fees and deposits	-	1,064,094	1,064,094	-
Unearned revenue	98,893	753	99,646	3,025
Capital leases, due within one year		1,058,726	1,058,726	
Bonds and loans payable, due within one year	443,165	5,255,920	5,699,085	10,238
Due in more than one year				
Landfill closure and post-closure costs	-	13,481,368	13,481,368	-
Net pension liability	84,260,659	13,336,684	97,597,343	
Compensated absences	1,072,971	981,236	2,054,207	-
Capital leases	-	3,426,000	3,426,000	-
Bonds and loans payable	11,675,163	57,293,574	68,968,737	-
Total liabilities	105,426,086	102,168,153	207,594,239	67,789
DEFERRED INFLOWS OF RESOURCES	6,283,433	353,086	6,636,519	338,838
NET POSITION				
Net investment in capital assets	238,728,693	284,821,313	523,550,006	2,617
Restricted for				
Debt service and capital improvements	938,831	500,000	1,438,831	-
Legal restrictions	1,975,222	-	1,975,222	-
Tax voter approved projects	33,386,249	-	33,386,249	-
Unrestricted	(56,092,233)	21,551,707	(34,540,526)	1,066,779
Total net position	\$ 218,936,762	\$ 306,873,020	\$ 525,809,782	\$ 1,069,396

See Notes to Financial Statements.

CITY OF CHEYENNE, WYOMING

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	\$ 16,224,911	\$ 1,939,230	\$ 270,237	\$ -
Public safety	29,675,777	1,292,147	1,535,417	190,850
Public works	18,055,295	3,034,728	1,999,630	3,294,703
Health and welfare	2,219,231	2,490	1,373,976	-
Recreation	10,185,015	2,226,411	37,272	321,389
Interest on long-term debt	246,032	-	-	-
Total governmental activities	76,606,261	8,495,006	5,216,532	3,806,942
Business-type activities				
Water	21,415,395	20,633,802	1,630,642	3,040,487
Sewer	10,842,942	12,247,457	1,922,580	1,091,053
Solid Waste	13,019,171	14,834,658	-	-
Civic Center	941,689	606,252	-	-
Ice and Events Center	779,562	334,068	-	-
Total business-type activities	46,998,759	48,656,237	3,553,222	4,131,540
Total primary government	\$ 123,605,020	\$ 57,151,243	\$ 8,769,754	\$ 7,938,482
Governmental component unit				
Downtown Development Authority	\$ 601,186	\$ 44,813	\$ 200	\$ -

General revenues
Property taxes and other taxes
Sales taxes
Franchise taxes
Motor vehicle taxes
Intergovernmental funds and shared revenues not restricted to specific programs
Unrestricted investment earnings
Insurance proceeds
Gain on sale of capital assets
Miscellaneous revenue
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning of year
Net position - end of year

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			Component Unit
Primary Government			Downtown Development Authority
Governmental Activities	Business-type Activities	Total	
\$ (14,015,444)	\$ -	\$ (14,015,444)	\$ -
(26,657,363)	-	(26,657,363)	-
(9,726,234)	-	(9,726,234)	-
(842,765)	-	(842,765)	-
(7,599,943)	-	(7,599,943)	-
(246,032)	-	(246,032)	-
<u>(59,087,781)</u>	<u>-</u>	<u>(59,087,781)</u>	<u>-</u>
-	3,889,536	3,889,536	-
-	4,418,148	4,418,148	-
-	1,815,487	1,815,487	-
-	(335,437)	(335,437)	-
-	(445,494)	(445,494)	-
<u>-</u>	<u>9,342,240</u>	<u>9,342,240</u>	<u>-</u>
\$ (59,087,781)	\$ 9,342,240	\$ (49,745,541)	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (556,173)</u>
\$ 7,697,652	\$ -	\$ 7,697,652	\$ 330,071
40,901,183	-	40,901,183	-
5,338,713	-	5,338,713	-
1,433,478	-	1,433,478	-
5,491,879	-	5,491,879	470,000
8,892	82,295	91,187	3,671
350,747	-	350,747	-
16,116	96,969	113,085	-
1,654,326	-	1,654,326	35,024
(1,999,164)	1,999,164	-	-
<u>60,893,822</u>	<u>2,178,428</u>	<u>63,072,250</u>	<u>838,766</u>
<u>1,806,041</u>	<u>11,520,668</u>	<u>13,326,709</u>	<u>282,593</u>
217,130,721	295,352,352	512,483,073	786,803
<u>\$ 218,936,762</u>	<u>\$ 306,873,020</u>	<u>\$ 525,809,782</u>	<u>\$ 1,069,396</u>

CITY OF CHEYENNE, WYOMING

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017**

	General Fund	One Percent Sales Tax Fund	Capital Facilities Tax	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,697,949	\$ -	\$ -	\$ 4,401,559	\$ 10,099,508
Investments, at fair value	5,254,632	-	-	-	5,254,632
Cash and cash equivalents - restricted	17,699	5,885,440	1,614,160	442,771	7,960,070
Investments - restricted	921,130	14,494,007	9,637,354	-	25,052,491
Receivables					
Accrued interest	-	46,711	32,710	-	79,421
Property tax	5,440,846	-	-	-	5,440,846
Customers	746,794	-	-	174,751	921,545
Due from other funds	4,592,370	-	-	39,466	4,631,836
Due from other governments	3,488,993	2,391,652	-	1,541,548	7,422,193
Prepaid items	502,090	14,695	-	-	516,785
Total assets	\$ 26,662,503	\$ 22,832,505	\$ 11,284,224	\$ 6,600,095	\$ 67,379,327
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 1,508,792	\$ 544,141	\$ 581,430	\$ 1,816,508	\$ 4,450,871
Accrued interest	47,831	-	-	-	47,831
Accrued salaries including vacation and sick leave	-	-	-	-	-
Due to other funds	-	-	-	2,877,025	2,877,025
Due to other governments	-	-	-	-	-
Unearned revenue	-	-	-	98,893	98,893
Total liabilities	1,556,623	544,141	581,430	4,792,426	7,474,620
Deferred inflows of resources					
Unavailable property taxes	5,337,009	-	-	632,467	5,969,476
Fund balances					
Nonspendable	502,090	14,695	-	-	516,785
Restricted	938,831	22,273,669	10,702,794	2,251,980	36,167,274
Committed	269,724	-	-	1,505,834	1,775,558
Assigned	758,756	-	-	155,613	914,369
Unassigned	17,299,470	-	-	(2,738,225)	14,561,245
Total fund balances	19,768,871	22,288,364	10,702,794	1,175,202	53,935,231
Total liabilities, deferred inflows of resources, and fund balances	\$ 26,662,503	\$ 22,832,505	\$ 11,284,224	\$ 6,600,095	\$ 67,379,327

See Notes to Financial Statements.

CITY OF CHEYENNE, WYOMING

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017**

Total fund balances - governmental funds \$ 53,935,231

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	246,393,078
Other assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	658,776
Assets related to net investment in direct financing lease are not available to pay for current period expenditures and, therefore, are not reported in the funds.	4,453,943
Long-term liabilities for compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(4,370,398)
Pension plan accounts, such as deferred inflows/outflows and net pension liability, are not receivable or payable in the current period and, therefore, are not reported in the funds.	
Net pension liability	(84,260,659)
Deferred outflows of resources	14,721,690
Deferred inflows of resources	(972,733)
Long-term liabilities, including loans and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds payable	(12,118,328)
Deferred charge on refunding	225,340
An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of this internal service fund are allocated 50% to governmental activities based on usage in the Statement of Net Position	270,822

Net position of governmental activities \$ 218,936,762

See Notes to Financial Statements.

CITY OF CHEYENNE, WYOMING

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year Ended June 30, 2017**

	General Fund	One Percent Sales Tax Fund	Capital Facilities Tax	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes and special assessments	\$ 11,838,912	\$ -	\$ -	\$ -	\$ 11,838,912
Licenses and permits	3,320,989	-	-	-	3,320,989
Intergovernmental	29,293,460	13,190,132	7,224,914	7,823,892	57,532,398
Charges for services	2,501,258	-	-	1,433,637	3,934,895
Fines and forfeitures	1,239,122	-	-	-	1,239,122
Investment income	19,884	(40,587)	4,627	24,968	8,892
Miscellaneous	1,043,977	519	413,595	196,235	1,654,326
Total revenues	49,257,602	13,150,064	7,643,136	9,478,732	79,529,534
Expenditures					
Current					
General government	13,604,789	-	31,979	1,170,647	14,807,415
Public safety	22,629,577	255,435	-	1,278,650	24,163,662
Public works	3,905,791	1,944,473	-	2,715,397	8,565,661
Health and welfare	-	809,000	-	1,413,501	2,222,501
Recreation	6,453,004	250,943	157,325	1,062,780	7,924,052
Capital outlay	1,241,643	5,772,145	7,328,017	5,750,227	20,092,032
Debt service					
Principal retirements	425,000	-	-	-	425,000
Interest payments	199,560	-	-	22,269	221,829
Total expenditures	48,459,364	9,031,996	7,517,321	13,413,471	78,422,152
Excess (deficiency) of revenues over expenditures	798,238	4,118,068	125,815	(3,934,739)	1,107,382
Other financing sources (uses)					
Transfers in	753,612	-	-	335,066	1,088,678
Transfers out	(620,000)	(35,066)	(2,083,633)	(349,143)	(3,087,842)
Insurance proceeds	350,747	-	-	-	350,747
Proceeds from sales of assets	211,312	-	-	36,316	247,628
Total other financing sources (uses)	695,671	(35,066)	(2,083,633)	22,239	(1,400,789)
Net change in fund balances	1,493,909	4,083,002	(1,957,818)	(3,912,500)	(293,407)
Fund balances - beginning of year	18,274,962	18,205,362	12,660,612	5,087,702	54,228,638
Fund balances - end of year	\$ 19,768,871	\$ 22,288,364	\$ 10,702,794	\$ 1,175,202	\$ 53,935,231

See Notes to Financial Statements.

CITY OF CHEYENNE, WYOMING

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017**

Net change in fund balances - total governmental funds \$ (293,407)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital purchases and contributions exceeded depreciation and disposals in the current period.

Capital outlay	16,496,774
Depreciation expense	(10,656,971)
Disposal of assets	(231,512)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 515,069

Expenses for accrued absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. 226,571

The change in the defined benefit pension liability and pension related outflows and inflows are not reported in the governmental funds. This is the net effect of the change in these balances in the Statement of Net Position. (5,219,300)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities. This amount is the net effect of the differences in the treatment of long-term debt and related items. 400,797

Internal service funds are accounted for as a proprietary fund, therefore, they are not included in the governmental funds. 568,020

Change in net position of governmental activities \$ 1,806,041

See Notes to Financial Statements.

CITY OF CHEYENNE, WYOMING

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

June 30, 2017

	Enterprise Funds	
	Waterworks Fund	Sewer Fund
ASSETS		
Current assets		
Cash and cash equivalents	\$ 22,881,999	\$ 10,133,477
Investments, at fair value	1,050,000	987,083
Restricted assets		
Cash and cash equivalents	663,020	-
Investments	-	-
Due from other governments	1,604,668	10,134
City of Cheyenne sanitation account	1,722,967	-
Receivables		
Accrued interest	9,573	5,103
Accounts - customers	862,098	731,882
Estimated unbilled usage	1,833,987	833,848
Due from other funds	-	-
Inventories	408,148	19,917
Prepaid expenses	2,165	-
Total current assets	31,038,625	12,721,444
Noncurrent assets		
Capital assets		
Land	4,587,691	545,003
Utility plant in service	390,655,132	137,123,505
Water rights	1,797,968	-
Machinery and equipment	508,724	168,278
Transportation equipment	2,265,558	760,055
Buildings and improvements	6,411,011	2,153,287
Office furniture and equipment	973,340	339,617
Construction in progress	7,624,031	1,087,055
Accumulated depreciation	(178,191,235)	(60,909,410)
Total noncurrent assets	236,632,220	81,267,390
Total assets	\$ 267,670,845	\$ 93,988,834
DEFERRED OUTFLOWS OF RESOURCES	\$ 2,227,940	\$ 613,503

See Notes to Financial Statements.

Enterprise Funds			
Solid Waste Fund	Other Proprietary Funds	Totals	Internal Service Fund
\$ 898	\$ 3,011	\$ 33,019,385	\$ 470,860
11,335,444	-	13,372,527	-
-	-	663,020	-
-	-	-	-
-	-	1,614,802	17,007
-	-	1,722,967	-
18,442	-	33,118	-
470,116	5,516	2,069,612	-
-	-	2,667,835	-
1,888,958	-	1,888,958	23,225
-	-	428,065	169,906
70,143	-	72,308	18,855
13,784,001	8,527	57,552,597	699,853
6,512,000	342,243	11,986,937	312,500
-	-	527,778,637	-
-	-	1,797,968	-
9,178,730	682,244	10,537,976	427,731
7,008,257	56,798	10,090,668	540,181
7,081,063	6,750,783	22,396,144	868,369
214,692	131,675	1,659,324	5,909
9,922,671	-	18,633,757	-
(9,762,966)	(4,858,526)	(253,722,137)	(1,537,036)
30,154,447	3,105,217	351,159,274	617,654
\$ 43,938,448	\$ 3,113,744	\$ 408,711,871	\$ 1,317,507
\$ 849,187	\$ -	\$ 3,690,630	\$ -

Continued

CITY OF CHEYENNE, WYOMING

STATEMENT OF NET POSITION - PROPRIETARY FUNDS (Continued)

June 30, 2017

	Enterprise Funds	
	Waterworks Fund	Sewer Fund
LIABILITIES		
Current liabilities		
Accounts payable	\$ 2,936,941	\$ 333,641
Accrued interest	347,914	159,199
Unearned revenue	-	-
Due to other funds	1,945,224	3,150
Unearned fees and deposits	904,663	159,431
Accrued salaries including vacation and sick leave	205,616	136,528
Current portion of capital leases	-	-
Current portion of general obligation and loan debt	2,988,407	2,267,513
Total current liabilities	9,328,765	3,059,462
Noncurrent liabilities		
Accrued compensated absences	562,496	372,798
Landfill closure and post-closure costs	-	-
Net pension liability	7,214,258	2,404,753
Capital leases, net of current portion	-	-
General obligation and loan debt, unamortized bond premium, net of current portion	32,901,050	24,392,524
Total noncurrent liabilities	40,677,804	27,170,075
Total liabilities	50,006,569	30,229,537
DEFERRED INFLOWS OF RESOURCES	189,976	63,325
NET POSITION		
Net investment in capital assets	201,130,195	54,607,353
Restricted for debt service and capital improvements	500,000	-
Unrestricted	18,072,045	9,702,122
Total net position	\$ 219,702,240	\$ 64,309,475
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise funds over time		
Net position of proprietary funds		

See Notes to Financial Statements.

Enterprise Funds			
Solid Waste Fund	Other Proprietary Funds	Totals	Internal Service Fund
\$ 1,465,627	\$ 190,280	\$ 4,926,489	\$ 158,211
-	-	507,113	-
-	753	753	-
1,488,620	230,000	3,666,994	-
-	-	1,064,094	-
325,732	43,837	711,713	90,756
1,058,726	-	1,058,726	-
-	-	5,255,920	-
<u>4,338,705</u>	<u>464,870</u>	<u>17,191,802</u>	<u>248,967</u>
27,281	5,812	968,387	25,699
13,481,368	-	13,481,368	-
3,717,673	-	13,336,684	-
3,426,000	-	3,426,000	-
-	-	57,293,574	-
<u>20,652,322</u>	<u>5,812</u>	<u>88,506,013</u>	<u>25,699</u>
<u>24,991,027</u>	<u>470,682</u>	<u>105,697,815</u>	<u>274,666</u>
99,785	-	353,086	-
25,669,721	3,105,217	284,512,486	617,654
-	-	500,000	-
<u>(5,972,898)</u>	<u>(462,155)</u>	<u>21,339,114</u>	<u>425,187</u>
<u>\$ 19,696,823</u>	<u>\$ 2,643,062</u>	<u>\$ 306,351,600</u>	<u>\$ 1,042,841</u>
		<u>521,420</u>	
		<u>\$ 306,873,020</u>	

CITY OF CHEYENNE, WYOMING

**STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2017**

	Enterprise Funds	
	Waterworks Fund	Sewer Fund
Operating revenues		
Sales and charges for services	\$ 20,331,453	\$ 11,793,475
Fees and miscellaneous	302,349	453,982
Total operating revenues	20,633,802	12,247,457
Operating expenses		
Waterworks	12,065,681	-
Sewer	-	6,543,778
Sanitation collection	-	-
Recycling/compost	-	-
Landfill	-	-
Belvoir Ranch	-	-
Fleet maintenance	-	-
Culture and recreation	-	-
Depreciation	8,510,640	3,615,870
Total operating expenses	20,576,321	10,159,648
Operating income (loss)	57,481	2,087,809
Non-operating income (expenses)		
Gain (loss) on sale of assets	11,280	31,360
System development fees	1,630,642	1,922,580
Investment income		
Interest income	136,553	51,325
Net increase (decrease) in fair value of investments	(61,794)	(23,328)
Interest expense	(839,074)	(683,294)
Total non-operating income (expenses)	877,607	1,298,643
Income (loss) before contributions and transfers	935,088	3,386,452
Capital grants	2,159,120	-
Donated utilities and other assets	881,367	1,091,053
Transfers in	-	-
Transfers out	-	-
Change in net position	3,975,575	4,477,505
Net position - beginning of year	215,726,665	59,831,970
Net position - end of year	\$ 219,702,240	\$ 64,309,475
Adjustment for the net effect of the current year activity between the internal service fund and the enterprise funds		
Change in net position of business-type activities		

See Notes to Financial Statements.

Enterprise Funds			
Solid Waste Fund	Other Proprietary Funds	Totals	Internal Service Fund
\$ 14,613,017	\$ 853,402	\$ 47,591,347	\$ 3,559,472
221,641	86,918	1,064,890	708
<u>14,834,658</u>	<u>940,320</u>	<u>48,656,237</u>	<u>3,560,180</u>
-	-	12,065,681	-
-	-	6,543,778	-
8,416,091	-	8,416,091	-
537,738	-	537,738	-
1,884,339	-	1,884,339	-
185,039	-	185,039	-
-	-	-	3,636,771
-	1,492,489	1,492,489	-
<u>1,208,378</u>	<u>228,762</u>	<u>13,563,650</u>	<u>72,361</u>
<u>12,231,585</u>	<u>1,721,251</u>	<u>44,688,805</u>	<u>3,709,132</u>
<u>2,603,073</u>	<u>(780,931)</u>	<u>3,967,432</u>	<u>(148,952)</u>
55,080	(751)	96,969	4,505
-	-	3,553,222	-
190,353	-	378,231	-
(210,814)	-	(295,936)	-
<u>(116,282)</u>	<u>-</u>	<u>(1,638,650)</u>	<u>-</u>
<u>(81,663)</u>	<u>(751)</u>	<u>2,093,836</u>	<u>4,505</u>
2,521,410	(781,682)	6,061,268	(144,447)
-	-	2,159,120	-
-	-	1,972,420	-
2,293,079	456,085	2,749,164	-
<u>(750,000)</u>	<u>-</u>	<u>(750,000)</u>	<u>-</u>
4,064,489	(325,597)	12,191,972	(144,447)
<u>15,632,334</u>	<u>2,968,659</u>		<u>1,187,288</u>
<u>\$ 19,696,823</u>	<u>\$ 2,643,062</u>		<u>\$ 1,042,841</u>
		<u>(671,304)</u>	
		<u>\$ 11,520,668</u>	

CITY OF CHEYENNE, WYOMING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2017

	Enterprise Funds	
	Waterworks Fund	Sewer Fund
Cash flows from operating activities		
Cash received from customers	\$ 20,455,951	\$ 12,270,867
Cash payments to suppliers	(4,120,303)	(2,731,912)
Cash payments to employees	(7,136,598)	(4,364,605)
Change in City sanitation account	24,513	-
	<u>9,223,563</u>	<u>5,174,350</u>
Net cash provided by (used in) operating activities		
Cash flows from noncapital financing activities		
Donations and operating grants	-	-
Proceeds from amounts due to other funds	-	-
Advances to other funds	-	-
Transfers to other funds	-	-
Transfers from other funds	-	-
	<u>-</u>	<u>-</u>
Net cash provided by (used in) noncapital financing activities		
Cash flows from capital and related financing activities		
System development fees	1,905,238	1,965,982
Proceeds from issuance of debt	1,321,173	141,027
Acquisition and construction of capital assets	(7,578,433)	(1,287,305)
Principal paid on revenue bonds and loan debt maturities	(6,357,791)	(4,436,586)
Capital grants	1,752,046	37,427
Proceeds from sale of capital assets	15,438	31,360
Interest paid on debt	(989,086)	(724,348)
	<u>(9,931,415)</u>	<u>(4,272,443)</u>
Net cash (used in) capital and related financing activities		
Cash flows from investing activities		
Interest on cash accounts and investments	72,290	26,426
Redemption of investments	-	36,971
Purchase of investments	-	(37,083)
	<u>72,290</u>	<u>26,314</u>
Net cash provided by investing activities		
Net increase (decrease) in cash and cash equivalents	(635,562)	928,221
Cash and cash equivalents - beginning of year	24,180,581	9,205,256
Cash and cash equivalents - end of year	<u>\$ 23,545,019</u>	<u>\$ 10,133,477</u>

See Notes to Financial Statements.

Enterprise Funds			
Solid Waste Fund	Other Proprietary Funds	Totals	Internal Service Fund
\$ 14,477,010	\$ 701,107	\$ 47,904,935	\$ 3,547,758
(3,497,938)	(704,934)	(11,055,087)	(2,482,953)
(4,652,840)	(689,858)	(16,843,901)	(1,109,890)
-	-	24,513	-
6,326,232	(693,685)	20,030,460	(45,085)
-	-	-	-
1,488,620	100,000	1,588,620	(12,744)
(101,681)	-	(101,681)	-
(750,000)	-	(750,000)	-
2,293,079	456,085	2,749,164	-
2,930,018	556,085	3,486,103	(12,744)
-	-	3,871,220	-
567,390	-	2,029,590	-
(9,644,192)	-	(18,509,930)	-
(891,310)	-	(11,685,687)	-
-	-	1,789,473	-
147,184	-	193,982	4,505
(116,282)	-	(1,829,716)	-
(9,937,210)	-	(24,141,068)	4,505
187,506	-	286,222	-
-	-	36,971	-
(708,127)	-	(745,210)	-
(520,621)	-	(422,017)	-
(1,201,581)	(137,600)	(1,046,522)	(53,324)
1,202,479	140,611	34,728,927	524,184
\$ 898	\$ 3,011	\$ 33,682,405	\$ 470,860

Continued

CITY OF CHEYENNE, WYOMING

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)

Year Ended June 30, 2017

	Enterprise Funds	
	Waterworks Fund	Sewer Fund
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	\$ 57,481	\$ 2,087,809
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation	8,510,640	3,615,870
Net pension expense	794,425	264,808
Increase (decrease) in cash and cash equivalents resulting from changes in operating assets and liabilities		
Receivables	(164,511)	31,337
Inventory	(30,600)	(717)
Prepaid expenses	(1,573)	-
Accounts payable	286,154	(693,267)
Landfill closure and post-closure costs	-	-
City sanitation account	(79,197)	-
Accrued salaries including vacation and sick leave	(149,256)	(131,490)
Unearned revenue	-	-
Net cash provided by (used in) operating activities	\$ 9,223,563	\$ 5,174,350
Noncash investing, capital and noncapital financing activities		
Amortization of deferred refunding loss and debt premiums	\$ (40,585)	\$ -
Donated asset acquisitions	881,367	1,091,053
Capitalized interest	104,009	29,045
Debt forgiveness	439,998	-

See Notes to Financial Statements.

Enterprise Funds			
Solid Waste Fund	Other Proprietary Funds	Totals	Internal Service Fund
\$ 2,603,073	\$ (780,931)	\$ 3,967,432	\$ (148,952)
1,208,378	228,762	13,563,650	72,361
1,130,444	-	2,189,677	-
(357,648)	(1,770)	(492,592)	(12,422)
-	-	(31,317)	20,039
-	-	(1,573)	-
1,149,864	96,291	839,042	3,049
511,218	-	511,218	-
-	-	(79,197)	-
80,903	1,406	(198,437)	20,840
-	(237,443)	(237,443)	-
<u>\$ 6,326,232</u>	<u>\$ (693,685)</u>	<u>\$ 20,030,460</u>	<u>\$ (45,085)</u>
\$ -	\$ -	\$ (40,585)	\$ -
-	-	1,972,420	-
-	-	133,054	-
-	-	439,998	-

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 1. The Reporting Entity and Significant Accounting Policies

Reporting Entity

The City of Cheyenne, Wyoming (the City or the City of Cheyenne) is a municipal corporation governed by an elected mayor and nine elected council members. The accompanying financial statements present the government and its component unit. As required by accounting principles generally accepted in the United States of America, these financial statements include all of the governmental activities and business-type activities relevant to the operations of the City. The accompanying financial statements of the City are to include those separately administered organizations for which the elected officials of the City are financially accountable or those that it would be misleading to exclude. Financial accountability is determined based on the appointment of a voting majority of the governing board and, either the City's ability to impose its will, or the presence of a potential financial benefit or burden to the City. The City of Cheyenne Board of Public Utilities (the Board) is not a separate legal entity; as such, the Board's information is reported as proprietary funds of the City.

Discretely Presented Component Unit

The Cheyenne Downtown Development Authority ("DDA") was established to account for all the revenues and those expenditures associated with the activities of developing the City downtown area. The DDA primarily serves the citizens and businesses of the City of Cheyenne, and is dependent upon revenue from property tax assessments and funding from the City of Cheyenne. Due to the nature and significance of its relationship with the City, the exclusion of the DDA would render the financial statements of the City incomplete or misleading. Complete financial statements for the DDA may be obtained from the Cheyenne Downtown Development Authority, 1601 Capitol Avenue, Cheyenne, Wyoming.

Nature of Operations

The City provides the following services as authorized by statute: public safety, street maintenance and operation, health and social services, culture-recreation, public improvements, planning and zoning, solid waste disposal, and general administrative services.

The DDA plans and implements the restoration and improvement of property within the City downtown boundaries.

The Board provides all water and sewer services for the City, Warren Air Force Base and the South Cheyenne Water & Sewer District. These services include obtaining an adequate source of water supply, water treatment, wastewater collection, and water reclamation.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental and proprietary funds. Major individual governmental funds, major individual enterprise funds and the internal service fund are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The City's government-wide financial statements are designed to present the information in a format more closely resembling that of the private sector and to provide the user with more managerial analysis regarding the financial results and the City's financial outlook.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, except property taxes, to be available if they are collected within 90 days of the end of the current fiscal period. Property taxes are considered available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *one percent sales tax fund* accounts for the City's share of revenue received and expenditures made with the general purpose optional 1% sales tax approved by the voters.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

The *capital facilities tax fund* accounts for the City's share of revenue received and expenditures made with the special purpose option sales tax approved by the voters for specific capital projects.

The City reports the following major proprietary funds:

The *waterworks fund* accounts for the operation of the water distribution system which produces and supplies the City and its inhabitants with water for domestic and industrial purposes, and for public use.

The *sewer fund* accounts for operation of the water reclamation plant, sewage pumping stations, and the collection systems.

The *solid waste fund* accounts for the operation of all solid waste activities including collection and disposal as mandated by federal and state regulations and to accumulate funds for the closure and post-closure costs of the landfill.

Additionally, the government reports the following fund types:

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The *capital projects funds* are used to account for and report financial resources that are restricted or committed to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *permanent fund* is used to account for resources legally restricted for use in the care and maintenance of the City's cemetery.

The *other proprietary funds* are for the Civic Center and the Ice and Events Center, which are used to account for their operations.

The *internal service fund* accounts for fleet management services provided to other departments, or to other governments, on a cost reimbursement basis. Based on usage of the internal service fund, its activity is allocated half to governmental activities and half to business type activities in the Statement of Net Position and the Statement of Activities.

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 waterworks, sewer, solid waste, civic center and ice and events center enterprise funds and the City's internal service fund are charges to customers for sales and services. The City 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 and the internal service fund 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 non-operating revenues and expenses.

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

Deposits and Investments

The City'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 end of the fiscal year. For purposes of the Statements of Cash Flows, the City considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. The City also has investments in the State Treasurer's Investment Pool (WYO-STAR) and the Wyoming Government Investment Fund (WGIF), which are considered cash equivalents due to the City's ability to withdraw funds at any time without restriction. Interest earned is allocated among the various funds based on the average monthly outstanding balance in the consolidated bank account. Accrued interest is shown separately on the Statement of Net Position and fund Balance Sheet. The City uses consolidated bank accounts, which earn interest at variable interest rates. Occasionally, certain individual funds may reflect a deficiency in the cash balance per books. These deficit cash balances are reported as an inter-fund payable between the fund showing the deficit and the fund showing the related asset.

Investments, which consist of certificates of deposit, money market certificates, mortgage-backed securities and government securities, are reported at fair value at June 30, 2017. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City had recurring fair value measurements as of June 30, 2017 of mortgage-backed securities and government securities in the amount of \$41,189,879 which are valued using a matrix pricing model and the market approach (Level 2 inputs).

A significant portion of the City's investment activity, except for funds that are required to maintain their investments separately, is conducted in a pooled investment account with the State of Wyoming, State Treasurer's office. The State Treasurer's Investment Pool (WYO-STAR) operates in accordance with appropriate state laws and regulations. The City considers fair value measurements as of June 30, 2017 for WYO-STAR to be completed by the pool using matrix pricing model and the market approach (Level 2 inputs).

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of inter-fund loans) or “advances to/from other funds” (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Accounts receivable – customers are shown on the Statement of Net Position net of allowances for doubtful accounts of \$111,134 at June 30, 2017.

Property is annually valued and assessed on January 1. Property taxes are levied on or about August 1 and are payable in two installments on September 1 and March 1, with delinquent dates of November 10 and May 10, respectively. If the first installment is not paid, the entire levy is delinquent on December 31. Property taxes attach as an enforceable lien on property as of May 11. Laramie County bills and collects property taxes for all municipalities and political subdivisions within Laramie County, including the City of Cheyenne.

The City is permitted by Wyoming Statutes to levy up to 8 mills of the assessed valuation except for the payment of public debt and the interest thereon. The combined tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2017 was 8 mills, which means the City has no available tax margin and accordingly, cannot raise any additional property taxes.

The estimated unbilled usage receivable represents the unbilled utility services that have been provided but not billed as of the end of the year.

Inventories

Inventories are stated at the lower of cost, determined by the weighted-average method, or market. All purchases of supplies are recorded as expenditures when used or issued to the user department (consumption method).

Restricted Assets

By voter approval, restricted assets include cash, cash equivalents and investments required to be set aside as specific purpose sales and use taxes for the exclusive purpose of funding various projects. Assets held by the Board for the City sanitation, as well as amounts due from the State of Wyoming on requested loan advances are also deemed restricted. In addition, cash required to be set aside for the repair and maintenance of capital assets that were funded by the State of Wyoming loans are deemed restricted.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Capital Assets

Capital assets of governmental funds and the Solid Waste, Civic Center, Ice and Events Center and Fleet Maintenance proprietary funds, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the Statement of Net Position. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant, and equipment of the governmental funds and the Solid Waste, Civic Center, Ice and Events Center and Fleet Maintenance activities are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30-50 years
Infrastructure	15-40 years
Improvements	20 years
Equipment	5-20 years

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

Depreciation for the Waterworks and Sewer capital assets has been provided over the following estimated useful lives computed by the straight-line method:

Utility plant in service:	
Waterworks system	10-50 years
Sewer system	10-40 years
Machinery and equipment	5-10 years
Transportation equipment	5 years
Buildings and improvements	40 years
Office furniture and equipment	3-5 years

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Compensated Absences

City employees, other than employees of the Board, earn vacation leave at the following rates:

<u>Months of Service</u>	<u>Vacation Hours Accrued Per Month</u>
0 to 60	8.67
61 to 120	10.67
121 to 180	12.67
181 to 240	14.67
Over 240	16.67

Employees may accumulate up to 240 hours of vacation. Accumulated vacation leave in excess of 240 hours shall be deemed forfeited at the end of the December pay period. Sick leave accrues at the rate of 10 hours per month and employees may accumulate unlimited hours of sick leave (unless hired after July 1, 2015 and therefore are entitled to accumulate 520 hours of sick leave) but upon termination are only paid up to one half of the accrued sick leave not to exceed 240 hours of sick leave. Nonexempt full-time employees of the City may earn up to 80 hours of compensatory time in lieu of overtime wages. Compensatory time is earned at one and one-half hours for time worked in excess of 40 in a workweek. Upon termination, an employee is paid for his or her accrued unused compensatory time, not to exceed 80 hours. Payment is calculated using the rate of pay at the time of termination.

Nonexempt full-time and part-time employees of the waterworks and sewer departments 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.

Employees of the Board earn vacation leave at the following rates:

<u>Months of Service</u>	<u>Vacation Hours Accrued Per Month</u>
0 to 48	8.0
49 to 96	10.0
97 to 144	12.0
145 to 192	14.0
Over 192	16.0

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

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Employees of the Board 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	10.0
120 to 159	7.5
80 to 119	5.0
40 to 79	2.5
39 or less	no accrual

Vacation and sick leave shall be granted to permanent employees only. Probationary employees can accrue leave from the employment date but are not eligible to use leave until a permanent status is achieved. Unused sick leave and vacations of City personnel are accumulated during employment. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences is accrued as benefits are accumulated in the government-wide and proprietary fund financial statements. 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 up to 240 hours.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Fund Balance

The City reports fund balance in the governmental fund financial statements in one of the following five categories.

1. Nonspendable Fund Balance – This classification reflects the portion of net resources that is inherently nonspendable because of its form or because it must be maintained intact which for the City includes prepaid items and inventories.
2. Restricted Fund Balance – The portion of fund balance for which there are legally enforceable restrictions on use, either by limitations imposed 1) by creditors, grantors, contributors, or laws and regulations of other governments or 2) by laws representing amounts constrained to a specific purpose by their providers, through constitutional provisions, or by enabling legislation.
3. Committed Fund Balance – The portion of net resources for which there are self-imposed limitations enacted by the City Council that 1) required formal action at the same level to remove and 2) are set in place prior to the end of the period. Commitments may be established, modified, or rescinded through motion action enacted by City Council.
4. Assigned Fund Balance – This classification reflects the portion of fund balance for which there are limitations that result from intended use established by the City Council or the Mayor. The City's policy delegates to the City Treasurer the authority to assign unrestricted fund balance amounts.
5. Unassigned Fund Balance – The portion of net resources that is residual after nonspendable, restricted, committed, and assigned amounts have been determined.

The City's policy on the order in which unrestricted (committed, assigned or unassigned) resources are to be used when any of these amounts are available for expenditure is to first apply committed fund balance, then assigned fund balance and finally unassigned fund balance.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws and regulations of other governments.

Unearned Fees and Deposits

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

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual amounts could differ from those estimates.

Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year. Encumbrances are reflected as either a restricted, committed, or assigned portion of the fund balance. The City's encumbrances have been included within fund balance as follows:

General Fund	
Assigned	\$ 224,587
One Percent Sales Tax Fund	
Restricted	880,700
Capital Facilities Tax Fund	
Restricted	325
Other Governmental Funds	
Restricted	451,316
Committed	43
Total Encumbrances	<u><u>\$1,556,971</u></u>

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has recognized deferred outflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB 68 – *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The City and Board also recognize a deferred outflow of resources for the loss on refunding, which is amortized over the life of the related debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has recognized deferred outflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB 68, as well as unavailable property taxes. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Pensions

The City and Board participate in several Pension Plans, all cost-sharing multiple-employer defined benefits pension plans administered by the Wyoming Retirement System (WRS). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the Plans have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2. Stewardship, Compliance, and Accountability

Fund Deficit

The following funds had a deficit balance at June 30, 2017:

Fund	Deficit Balance
Community Development Block Grant	\$ (9,871)
Law Enforcement Block Grant	(31,180)
Miscellaneous Federal Grants	(2,083,017)
Transportation Planning	(31,445)
UMTA Transit Grant	(75,354)
State Grants	(472,482)

The fund deficit is due to draws not made early in the program or requests for reimbursements not meeting the availability requirement.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Fund Balance Specific-Purpose Details

The following table outlines the specific purpose details for governmental fund balances of the City:

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
Fund balances					
Nonspendable					
Prepaid items	\$ 502,090	\$ -	\$ 14,695	\$ -	\$ 516,785
Restricted for					
Bond ordinances	938,831	-	-	-	938,831
Weed and Pest programs	-	409,786	-	-	409,786
Capital projects	-	-	33,437,054	-	33,437,054
Cemetery projects	-	-	-	728,537	728,537
Juvenile justice programs	-	255,423	-	-	255,423
Grants	-	34,966	-	-	34,966
Housing programs	-	250,466	-	-	250,466
Youth programs	-	112,211	-	-	112,211
Committed to					
Capital projects	269,724	-	477,986	-	747,710
Annexation improvements	-	241,126	-	-	241,126
Youth and recreation programs	-	786,722	-	-	786,722
Assigned to					
Future expenditures	223,986	-	155,613	-	379,599
Agency accounts	534,770	-	-	-	534,770
Unassigned	17,299,470	(2,738,225)	-	-	14,561,245
Totals	<u>\$ 19,768,871</u>	<u>\$ (647,525)</u>	<u>\$ 34,085,348</u>	<u>\$ 728,537</u>	<u>\$ 53,935,231</u>

Note 3. Cash, Cash Equivalents and Investments

Investments Authorized by the City's Investment Policy

The City follows the guidelines set forth in Wyoming State Statute 9-4-831 as it relates to the investment of public funds. The City's investment policy requires investments to comply with State statutes, which generally allow the City 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 City may by law invest. All investments made during the year were made within these statutory limits.

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 City 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. State statutes require that the City and Board's deposits in excess of the Federal depository insurance must be collateralized. As of June 30, 2017, the deposits of the City and Board were fully insured and collateralized as required by State statutes. The deposits of the component unit of the City were fully insured and collateralized at June 30, 2017. In addition to the applicable statutes, the City and Board's policies require all deposits to be collateralized at 105% of the amount invested including accrued interest to further reduce its exposure to custodial credit risk.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

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 City 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 City 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 City's exposure to custodial credit risk for its investments. As of June 30, 2017, all investment securities were held by the City's custodians and registered in the City's name.

Concentration of Credit Risk

The City's investment policy states that with the exception of U.S. Treasury securities, obligations or securities issued by or guaranteed by any federal government agency or instrumentality, certificates of deposits, and authorized pools, no more than 50% of the City's total investment portfolio will be invested in a single security type. The City met this limitation as of June 30, 2017. The City held \$7,603,728 or 14.2% of its portfolio in Federal National Mortgage Association (FNMA) Pools and \$6,901,979 or 12.9% of its portfolio in FNMA as of June 30, 2017. The Board's policy does not allow more than 50% of the total investment portfolio to be invested in any one single security type and to 5% in any one single obligor with the exception of funds held in WYO-STAR. Therefore, no further disclosure regarding concentrations of credit risk is required.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The City's investments are held in external pooled investment accounts, bank certificates of deposit, as well as accounts managed by an investment manager, and as a means of limiting its exposure to fair value losses arising from rising interest rates, the City attempts to match its investment maturities to expected cash flow needs. Unless matched to a specific cash flow, the City's policy is to maintain a weighted average life of less than seven years. The Board's investment portfolio shall have a minimum level of three months of budgets operating expenditures in short term investment to be maintained to provide sufficient liquidity for expected disbursements. With this investment focus, investments are expected to reach maturity with limited gains and losses. The maturities and applicable interest rates of the City and Board's investments are displayed in the following Interest Rate Risk Table.

Investment Type	Fair Value	Interest Rate	Investment Maturities in Years			
			Less Than 1	1-5	6-10	More Than 10
Certificates of Deposit	\$ 5,039,771	.50% - .75%	\$ 5,039,771	\$ -	\$ -	\$ -
U.S. Government Securities	17,550,477	.13% - 3.88%	845,007	12,903,687	2,463,045	1,338,738
U.S. Agencies	23,639,402	.88% - 6.50%	1,291,821	19,307,418	476,907	2,563,256
State Treasurer's Investment Pool						
Investment Pool (WYO-STAR)	42,036,372	0.41%	42,036,372	-	-	-
Wyoming Government						
Investment Fund (WGIF)	3,171	0.72%	3,171	-	-	-
	<u>\$ 88,269,193</u>		<u>\$ 49,216,142</u>	<u>\$ 32,211,105</u>	<u>\$ 2,939,952</u>	<u>\$ 3,901,994</u>

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

The City holds certain investments that are classified as “highly sensitive.” These securities, because of their specific type and structure, are rate sensitive as market conditions change. Step-up bonds are structured so that the bonds, at strategic times during their life, will step-up to a higher interest rate if they are not called. The portfolio holds 323,300 or 0.37% of the securities in step-up structured bonds.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City and Board’s investment policies do not contain any specific provisions intended to limit the City or Board’s exposure to credit risk. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Under investment agreements with WYO-STAR and WGIF, the City and Board have invested monies at a variable and fixed contract rate of interest, respectively. There is no rating available for the WYO-STAR investment; however, under Wyoming statutes underlying providers are required to have the highest rating from at least one of the nationally recognized rating organizations. The WGIF investment received an AAA rating by Standard & Poor’s. State law does not allow governments to invest in corporate bonds, stocks or mutual funds and limits investments in commercial paper to short term maturities (not greater than 270 days) and to top ratings issued by nationally recognized statistical rating organizations (Moody’s and Standard and Poor’s). Obligations of the U.S. Government and obligations specifically guaranteed are backed by the full faith and credit of the U.S. Government. Of the investments in U.S. Agencies, \$8,534,539 were rated AAA by Moody’s and \$15,104,863 were not rated. The City’s investments in the governmental mutual funds were not rated. Under investment note agreements with WYO-STAR and WGIF, the City has invested monies at a variable and fixed contract rate of interest, respectively.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Governmental capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Retirements and Transfers	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	\$ 15,403,799	\$ -	\$ (205,225)	\$ 15,198,574
Construction in progress	12,754,725	14,468,736	(6,675,568)	20,547,893
Total capital assets, not being depreciated	28,158,524	14,468,736	(6,880,793)	35,746,467
Capital assets, being depreciated:				
Buildings and improvements	103,234,688	952,422	(4,270)	104,182,840
Machinery and equipment	11,704,852	883,014	(669,050)	11,918,816
Transportation equipment	21,532,154	515,015	(1,313,557)	20,733,612
Office furniture and equipment	3,199,272	292,674	(27,951)	3,463,995
Infrastructure	211,805,556	6,060,481	-	217,866,037
Total capital assets, being depreciated	351,476,522	8,703,606	(2,014,828)	358,165,300
Less accumulated depreciation for:				
Buildings and improvements	29,438,798	3,162,060	(4,270)	32,596,588
Machinery and equipment	7,328,189	604,438	(646,062)	7,286,565
Transportation equipment	13,481,724	1,699,709	(1,313,554)	13,867,879
Office furniture and equipment	1,454,016	540,023	(24,655)	1,969,384
Infrastructure	87,147,532	4,650,741	-	91,798,273
Total accumulated depreciator	138,850,259	10,656,971	(1,988,541)	147,518,689
Total capital assets being depreciated, net	212,626,263	(1,953,365)	(26,287)	210,646,611
Governmental activities, capital assets, net	\$ 240,784,787	\$ 12,515,371	\$ (6,907,080)	\$ 246,393,078

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Business-type capital asset activity for the year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Retirements and Transfers	Balance June 30, 2017
Capital assets, not being depreciated				
Land	\$ 12,143,187	\$ -	\$ -	\$ 12,143,187
Water rights	1,797,968	-	-	1,797,968
Construction in progress	9,540,886	16,996,649	(7,903,778)	18,633,757
Total capital assets, not being depreciated	<u>23,482,041</u>	<u>16,996,649</u>	<u>(7,903,778)</u>	<u>32,574,912</u>
Capital assets, being depreciated:				
Utility plant in service	518,778,858	9,132,101	(132,322)	527,778,637
Machinery and equipment	8,878,867	1,923,756	(50,781)	10,751,842
Transportation equipment	10,407,965	371,411	(418,617)	10,360,759
Buildings and improvements	22,782,607	50,950	(3,229)	22,830,328
Office furniture and equipment	1,622,965	44,313	(5,000)	1,662,278
Total capital assets being depreciated	<u>562,471,262</u>	<u>11,522,531</u>	<u>(609,949)</u>	<u>573,383,844</u>
Less accumulated depreciation for:				
Utility plant in service	223,062,883	11,579,405	(128,166)	234,514,122
Machinery and equipment	3,436,496	423,664	(50,781)	3,809,379
Transportation equipment	5,674,642	866,859	(329,241)	6,212,260
Buildings and improvements	8,027,749	549,041	(500)	8,576,290
Office furniture and equipment	1,201,991	180,861	(4,250)	1,378,602
Total accumulated depreciation	<u>241,403,761</u>	<u>13,599,830</u>	<u>(512,938)</u>	<u>254,490,653</u>
Total capital assets being depreciated, net	<u>321,067,501</u>	<u>(2,077,299)</u>	<u>(97,011)</u>	<u>318,893,191</u>
Business-type activities, capital assets, net	<u>\$ 344,549,542</u>	<u>\$ 14,919,350</u>	<u>\$ (8,000,789)</u>	<u>\$ 351,468,103</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities	
General government	\$ 1,057,499
Public safety	1,990,632
Public works	5,621,966
Recreation	<u>1,986,874</u>
Total depreciation expense - governmental activities	<u>\$ 10,656,971</u>
Business-type activities	
Waterworks	\$ 8,510,640
Sewer	3,615,870
Solid Waste Fund	1,208,377
Civic center	101,380
Ice and events center	127,382
Fleet maintenance	<u>36,181</u>
Total depreciation expense - business-type activities	<u>\$ 13,599,830</u>

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 5. Interfund Receivables, Payables and Transfers

The composition of interfund receivables and payables as of June 30, 2017 is as follows:

Fund	Fund Level Financial Statements Due From/To Other Funds	
	Receivable	Payable
Governmental activities:		
General fund	\$ 4,592,370	\$ -
Special revenue funds:		
State Grants	39,466	312,203
Community Development Block Grant	-	19,000
Transportation Planning	-	388,000
Law Enforcement Block Grants	-	87,695
UTMA Transit Grant	-	211,232
Miscellaneous Federal Grants	-	1,453,614
Capital projects funds:		
Athletic Facilities	-	58
Development Impact Fees	-	405,223
Internal service fund	23,225	-
Business-type activities:		
Waterworks	-	1,945,224
Sewer	-	3,150
Solid Waste	1,888,958	1,488,620
Civic Center	-	50,000
Ice and Events Center	-	180,000
	<u>\$ 6,544,019</u>	<u>\$ 6,544,019</u>

A balance of \$1,888,958 due from the waterworks fund to the solid waste fund resulted from the Board billing and collection of sanitation charges on behalf of the City. All other balances resulted from the time lag between dates that (1) interfund goods and services were provided or reimbursable expenses occurred, (2) transactions were recorded in the accounting systems, and (3) payments between funds were made.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Transfers for the year ended June 30, 2017 were as follows:

Fund	In	Out
Governmental activities:		
General fund	\$ 753,612	\$ 620,000
Special revenue funds:		
State Grants	-	209,446
Transportation Planning	35,066	-
UMTA Transit Grants	300,000	-
Recreation Programs	-	136,085
Capital projects		
One Percent Sales Tax	-	35,066
Capital Facilities Tax	-	2,083,633
Permanent fund		
Cemetery Perpetual Care	-	3,612
Total governmental activities	<u>1,088,678</u>	<u>3,087,842</u>
Business-type activities:		
Solid Waste	2,293,079	750,000
Civic Center	200,000	-
Ice and Events Center	256,085	-
Total business-type activities	<u>2,749,164</u>	<u>750,000</u>
Total primary government	<u>\$3,837,842</u>	<u>\$3,837,842</u>

During the year ended June 30, 2017, transfers were used to (1) move revenues from the fund that statute or budget requires expending them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 6. Leases

The City has entered into lease agreements as lessee for financing the acquisition of landfill equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are as follows:

	<u>Business-Type Activities</u>
Machinery and equipment/transportation equipment	\$ 7,300,808
Less accumulated depreciation	<u>(1,467,202)</u>
Total	<u><u>\$ 5,833,606</u></u>

The capital lease obligations payable as of June 30, 2017 were as follows:

Lease payable for landfill equipment, due in semi-annual installments of \$112,881, with interest at 2.49%, through June 2018.	\$ 175,452
Lease payable for landfill equipment, due in semi-annual installments of \$115,530 to \$147,012, with interest at 1.94% through June 2019.	469,505
Lease payable for landfill equipment, due in semi-annual installments of \$164,296, with interest at 2.61%, through June 2021.	1,684,745
Lease payable for landfill equipment, due in semi-annual installments of \$128,636, with interest at 2.61%, through June 2022.	1,537,633
Lease payable for landfill equipment, due in semi-annual installments, amounts to be estimated on a semi-annual basis based on the estimated outstanding principal balance with interest accruing at 2.61%, final payment estimated to be due June 2023. Unused balance of lease is \$571,283 and at June 30, 2017.	<u>617,391</u>
	<u><u>\$ 4,484,726</u></u>

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2017, were as follows:

Year Ending June 30,	Business-Type Activities
2018	\$ 1,165,981
2019	985,490
2020	744,559
2021	1,236,976
2022	658,315
Total minimum lease payments	4,791,321
Less amount representing interest	<u>(306,595)</u>
Present value of minimum lease payments	<u>\$ 4,484,726</u>

On May 2, 2014, the City entered into an agreement with the Wyoming Business Council (the Council) and Granite Peak Development (the Developer) for the funding of the Swan Ranch Rail Spur (the Rail Spur). In connection with the development of the Rail Spur, the City received a grant with recapture totaling \$2,000,000 and a loan totaling \$2,453,943 from the Council for a total net investment in direct financing lease receivable of \$4,453,943 (see Note 7 for disclosures on the loan). After completion of the project, the City leased the Rail Spur to the Developer. General terms of the lease include no payments until 2019, with annual payments of \$661,982 after that. Upon the end of the lease, ownership of the Rail Spur will be transferred to the Developer.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Debt

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

General long-term debt currently outstanding is as follows:

	Balance at June 30, 2017	Amount Due Within One Year
<i>Governmental activities</i>		
Refunding Revenue Bonds, Series 2012, original amount of \$9,455,000, due in annual installments of \$350,000 to \$1,700,000 through April 2028 plus interest from 1.95% to 2.80%. Secured by a pledge of Federal mineral royalties and gross parking fee revenues received.	\$ 7,750,000	\$ 450,000
Due to the Wyoming Business Council, original amount of \$4,453,943 with interest at .5%, due annually on November 1. Annual principal and interest payments beginning in 2019 are \$661,982 through 2025. Secured by the collateral assignment of a promissory note, mortgage and railroad easement and track lease between the City and Granite Peak Development Limited Partnership.	4,453,943	-
Total governmental activities	\$ 12,203,943	\$ 450,000
<i>Business-type activities</i>		
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #133, advances on a \$3,000,000 loan for the Construction of the Hydro-Electric Generation project. Interest thereon is at 0.0% for a term of twenty years. Upon completion of project, loan shall be granted principal forgiveness up to 25% of the loan, not to exceed \$750,000. The payments are currently estimated at \$112,500 per year. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual payment.	\$ 146,668	\$ -
Due to the State of Wyoming, Water Development Commission, original amount of \$6,250,000, with interest at 4%, due annually on December 1. Annual principal and interest payments are \$306,348 through 2037. Secured by a mortgage on the Stage I pipeline and revenues from the Cheyenne Water System.	1,556,504	244,089
Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #144, advances on \$1,300,000 loan for Southern Sewer Interceptor Main. Interest thereon is at 2.5% for a term of twenty years. The payments are currently estimated at \$83,391 per year. Secured by pledge and assignment of revenues from the City's wastewater user fees necessary to meet the annual loan payment.	560,784	-

Continued

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

	Balance at June 30, 2017	Amount Due Within One Year
<i>Business-type activities (continued)</i>		
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #002, original amount of \$4,000,000, with interest at 2.5 %, due annually on December 1. Annual principal and interest payments are \$258,075 through 2023. Secured by pledge and assignment revenues from the City's water system user fees necessary to meet the annual loan payment.	\$ 1,421,972	\$ 222,537
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #065, original amount of \$5,600,000 for the Southern Water Transmission Main - Phase I Project, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$334,582 through 2029. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment.	3,436,864	249,780
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #120, advances on a \$9,400,000 loan for the design and construction of Phase II of the Southern Water Transmission Main. Interest will accrue at 2.5% from the date of loan disbursements. Twenty annual payments of principal and interest will begin not later than one year after substantial completion of the project. The payments are currently estimated at \$602,983 per year. Secured by the pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment.	6,592,942	315,961
2013 Refunding Revenue Water Note, original amount of \$8,740,000, due in annual principal installments ranging from \$215,000 to \$955,000 through December 2025; interest at 2.41%. Note originated to refinance the callable portion 2007 Water Revenue Bonds. Secured by pledge of revenues from the City's water system tap and user fees and system development fees, net of premiums.	7,525,000	815,000
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #023, original amount of \$10,000,000, with interest at 2.5%, due annually on December 1. Annual principal and interest payments are \$641,471 through 2023. Secured by pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment.	3,534,459	553,139
		<i>Continued</i>

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

	Balance at June 30, 2017	Amount Due Within One Year
<i>Business-type activities (continued)</i>		
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF #034, original amount of \$825,000, with interest at 2.5%, due annually on December 1. Annual principal and interest payments are \$47,729 through 2025 for funding of the City's Water Main Rehabilitation Project for Fiscal Year 2004. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment.	\$ 342,322	\$ 39,172
Due to the State of Wyoming, Office of State Lands and Investments, CWSRF #084, original amount of \$375,000 loan for the planning phase of the Administration Building Project, with interest at 2.5% due annually on June 1. Annual principal and interest payments are \$24,055 through 2032. Secured by pledge and assignment of revenues from the City's wastewater user fees necessary to meet the annual loan payment.	297,856	16,609
Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #046, original amount of \$36,450,000, with interest at 2.5%, due annually on June 1. Annual principal and interest payments are \$2,338,163 through 2026 for the Dry and Crow Creek Rehab - Construction project. Secured by the pledge and assignment of revenues generated from the City's wastewater user fees necessary to meet the annual loan payment.	18,640,542	1,872,233
Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #081, original amount of \$1,280,000 for the extension of Cheyenne's Recycled Water System Project, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$81,843 through 2030. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment.	900,203	59,629
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #056, original amount of \$1,300,000, with interest at 2.5%, due annually on March 1. Annual principal and interest payments are \$61,885 through 2028. Secured by the pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment.	588,904	47,166

Continued

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

	Balance at June 30, 2017	Amount Due Within One Year
<i>Business-type activities (continued)</i>		
Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #060, original amount of \$2,900,000 loan, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$174,898 through 2029. Secured by the pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment.	\$ 1,795,513	\$ 130,569
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #079, original amount of \$5,130,509 for the 30th Transmission Line Replacement Project, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$329,107 through 2031. Secured by pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment.	4,063,702	227,237
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #106, original amount of \$3,500,000 for the construction phase of the Administration Building Project, with interest at 2.5% due annually on June 1. Annual principal and interest payments are \$159,062 through 2032. Secured by pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment.	1,969,539	109,827
Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #115, original amount of \$3,500,000 for the construction phase of the Administration Building Project, with interest at 2.5% due annually on June 1. Annual principal and interest payments are \$159,062 through 2032. Secured by pledge and assignment of revenues from the City's wastewater user fees necessary to meet the annual loan payment.	1,969,539	109,827
Due to the State of Wyoming, Office of State Land and Investments, CWSRF Loan #133, advances on a \$5,000,000 loan for Crow Creek Plant Improvements Project. Interest will accrue at 2.5% from the date of the loan disbursements. Twenty annual payments of principal and interest will begin one year after substantial completion of the project. The payments are currently estimated at \$320,736 per year. Secured by pledge and assignment of revenues from the City's wastewater user fees necessary to meet the annual loan payment.	4,603,964	205,645

Continued

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

	Balance at June 30, 2017	Amount Due Within One Year
<i>Business-type activities (continued)</i>		
Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #151, advances on a \$589,800 loan for the construction of the Powder Activated Carbon Project. Interest thereon is at 2.5% for a term of twenty years. Upon completion of project, loan shall be granted principal forgiveness up to 25% of the loan, not to exceed \$147,450. The payments are currently estimated at \$37,800 per year. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual payment.	\$ 873,862	\$ -
Due to the State of Wyoming, Office of State Land and Investments, CWSRF Loan #143, advances on \$875,000 loan for Holliday Park Reuse Project. Interest thereon is at 0.00% for a term of twenty years. The payments are currently estimated at \$37,500 per year. Secured by pledge and assignment of revenues from the City's wastewater user fees necessary to meet the annual loan payment.	750,000	37,500
Due to the State of Wyoming, Office of State Lands and Investments, DDWSRF Loan #177, advances on a \$5,280,000 loan for the design and construction of Phase III of the Southern Water Transmission Main. Interest thereon is at 2.5% for a term of twenty years. Upon completion of project, loan shall be granted principal forgiveness up to 25% of the loan, not to exceed \$1,320,000. The payments are currently estimated at \$254,023 per year. Secured by a pledge and assignment of revenues from the City's water system user fees necessary to meet the annual payment.	978,355	-
Total business-type activities	62,549,494	5,255,920
Total long-term debt	\$ 74,753,437	\$ 5,705,920

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, 2017 are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 450,000	\$ 214,645	\$ 5,255,920	\$ 1,485,900
2019	886,628	204,520	5,486,311	1,412,807
2020	1,121,559	193,199	5,625,252	1,273,622
2021	1,152,774	179,591	5,767,313	1,130,834
2022	1,209,052	164,902	5,912,582	984,358
2023-2027	5,683,930	547,163	22,841,182	2,837,727
2028-2032	1,700,000	47,600	8,733,334	955,114
2033-2037	-	-	2,769,255	152,597
2038-2042	-	-	158,345	3,775
	<u>\$ 12,203,943</u>	<u>\$ 1,551,620</u>	<u>\$ 62,549,494</u>	<u>\$ 10,236,734</u>

The balances above do not include the unamortized bond premium/discount of (\$85,615) or the deferred loss on refunding in the amount of (\$225,340) for Governmental Activities and (\$387,432) for Business-type Activities.

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

The Board has pledged and assigned future water system and wastewater user fees to meet certain annual debt requirements. Proceeds from the debt have been used to improve, expand and replace the distribution system, source of supply, and treatment facilities. The proportion of pledged revenues to total revenues is not estimable because annual total fees fluctuate annually. Principal and interest paid for the current year was \$12,947,809. Net customer revenues totaled \$32,881,259 for the year. At year end, pledged future revenues totaled \$72,786,228, which is the amount of the remaining principal and interest on related outstanding debt.

The City has pledged and assigned future federal mineral royalties and gross parking fee revenues to meet certain annual debt requirements of the Series 2012 Refunding Revenue Bonds. Proceeds from the original debt were used to construct a parking facility. The proportion of pledged revenues to total revenues is not estimable because annual total fees fluctuate annually. Principal and interest paid for the current year was \$624,560. Net mineral royalties totaled \$2,670,739 and gross parking fees totaled \$403,555 for the year. At year end, pledged future revenues totaled \$9,181,963 which is the amount of the remaining principal and interest on the related outstanding debt.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Advance and Current Refundings

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

On December 27, 2013, the Board entered into an agreement with Colorado State Bank and Trust to authorize an advanced refunding of a portion of the 2007 Refunding Revenue Water Bonds. The Board received an \$8,740,000 Refunding Revenue Water Note with an annual interest rate of 2.41% with the proceeds to be deposited in a special fund and trust account to be used to refund, pay, discharge and redeem the portion of the refunded bonds outstanding and maturing on or after December 1, 2016. The costs from the advance refunding include a deferred loss of \$525,305, which is being charged to operations through the year 2025 using the effective interest method. The Board completed the advance refunding to reduce its total debt service payments over the next 12 years by \$1,065,000 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$700,000. As of June 30, 2017, the deferred loss on refunding totaled \$387,432 and is classified as a deferred outflow of resources.

On June 12, 2012, the City issued \$9,455,000 in Refunding Revenue Bonds with an average interest rate of 2.537% to advance refund \$8,975,000 of outstanding 2003 Series Bonds with an average interest rate of 3.985%. The net proceeds of \$9,211,981, (after payment of \$125,711 in underwriting fees and issuance costs) 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 to the 2003 bonds which were defeased. As a result, the 2003 Bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. As of June 30, 2017, the outstanding in-substance defeased debt was \$7,750,000. The net proceeds also included a net discount on the bond issue of \$117,308 which is being charged to operations through the year 2028 using the effective interest method.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

The following is a summary of long-term liability transactions for the City of Cheyenne for the year ended June 30, 2017.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Revenue bonds	\$ 8,175,000	\$ -	\$ (425,000)	\$ 7,750,000	\$ 450,000
Less: discount on refunding	(92,279)	-	6,664	(85,615)	(6,835)
Note payable	4,453,943	-	-	4,453,943	-
Compensated absences	4,596,969	4,004,014	(4,230,585)	4,370,398	3,297,427
Governmental activities long-term liabilities	\$ 17,133,633	\$ 4,004,014	\$ (4,648,921)	\$ 16,488,726	\$ 3,740,592
Business-type activities					
Refunding revenue bonds	\$ 8,325,000	\$ -	\$ (800,000)	\$ 7,525,000	\$ 815,000
Loans payable	63,747,190	1,711,679	(10,434,375)	55,024,494	4,440,920
Leases payable	4,808,646	567,390	(891,310)	4,484,726	1,058,726
Landfill closure and post-closure costs	12,970,151	511,217	-	13,481,368	-
Compensated absences	1,926,344	903,521	(1,091,538)	1,738,327	757,091
Business-type activity long-term liabilities	\$ 91,777,331	\$ 3,693,807	\$ (13,217,223)	\$ 82,253,915	\$ 7,071,737

For governmental activities, revenue bonds and compensated absences are generally liquidated by the general fund.

Component Unit Note Payable

The DDA entered into a loan agreement on September 25, 2012 with the Cheyenne-Laramie County Economic Development Joint Powers Board in the amount of \$55,412 with interest at 2%. Monthly payments to the Joint Powers Board are \$864 through June 20, 2018. As of June 30, 2017, the note balance was \$10,238. Activity related to the note payable included principal payments of \$10,055. The amount due within one year is \$10,238. Aggregate principal including interest of \$111 required on the note at June 30, 2017 is as follows:

Year Ending June 30,	Principal	Interest
2018	<u>\$10,238</u>	<u>\$ 111</u>

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 8. Retirement Commitments

All eligible City employees are covered under one of the four following retirement plans:

Law Enforcement Pension Plan

Plan Description: The City participates in the Wyoming Law Enforcement Pension Plan (“Police Plan”), a statewide cost-sharing multiple-employer defined benefit pension plan administered by the State of Wyoming Retirement System Board. Employees who are sworn law enforcement officers are eligible for full retirement benefits after they either reach age 60 with at least forty-eight months of contributions to the plan or at any age with 20 years of service. These same employees are eligible for early retirement with a reduced benefit after they reach age 50 with forty-eight months of contributions. Benefits are established by State statutes. The Plan issues a publicly available financial report which includes audited financial statements and required supplementary information for the Plan. The report may be obtained by writing to the Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002.

Benefits Provided: Benefits are based on a formula involving years of service, highest average salary and age at retirement. Currently, the benefit formula entitles retirees to 2.5% of the highest average salary for each year of service with a ceiling on the benefit at 75% of the highest average salary.

Disability Benefits: Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his/her duties from an individual and specific act incurred while employed. To qualify for duty disability retirement, there is no age or service requirement, and the member receives a monthly disability retirement benefit for the period of his/her disability equal to 62.5% of final salary. To qualify for non-duty disability retirement, the member must have at least 10 years of service, and the member receives a monthly disability benefit for the period of his/her disability equal to 50% of final salary.

Survivor’s Benefit: Surviving spouse receives benefits dependent on if the member was on-duty at time of death. Additional benefits are available for additional qualified dependents.

Contributions: The Police Plan is funded by amounts withheld from participating employees’ salaries and by contributions from the City. These contributions are determined by State statutes and as of June 30, 2017, the percentages to be contributed on compensation were 8.6% by the employees and the same by the City.

The City’s contributions to the Police Plan for the year ended June 30, 2017 was \$618,944, equal to the required contribution.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Paid Firemen's Pension Plan B

Plan Description: The City participates in the Wyoming Paid Firemen's Retirement Fund ("Fund"), a statewide cost-sharing multiple-employer defined benefit pension plan administered by the State of Wyoming Retirement System Board. Substantially all paid City firemen hired after July 1, 1981 are eligible to participate. The Fund provides retirement, disability and death benefits according to predetermined formulas. Benefits are established by Wyoming Statutes. The Fund issues a publicly available financial report which includes audited financial statements and required supplementary information for the Fund. The report may be obtained by writing to the Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002.

Benefits Provided: The members of this plan qualify for a retirement allowance if they are 50 years old and have at least 48 months of credited service. The basic monthly benefit for participants is based on a formula involving years of service, highest average salary and age at retirement. The current benefit formula equals 2.8% times the 3 year final average compensation for first 25 years of service. The benefit is capped at 70% of the highest average salary. The highest average salary is calculated by averaging the 36 highest continuous months of acceptable salary as defined in the rules of the Wyoming Retirement Board.

Disability Benefits: Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his/her duties from an individual and specific act incurred while employed. To qualify for benefits, there is no age or service requirement. Member receives a monthly disability retirement benefit equal to 50% of the final average salary.

Survivor Benefits: Surviving spouse or other qualified dependents receive benefits based on 50% of the member's final actual salary. On the death of a member, inactive member, retired member, or survivor, the excess of the accumulated member contributions over all pension payments made are payable as a death benefit to the next qualified beneficiary.

Contributions: Individual members participating under this plan are required to contribute 9.245% of their compensation and the City is required to contribute 12% of the compensation of covered members.

Legislation enacted in 1979 allows the employer to pay any or all of the employee's contribution. The City currently pays 1.5% of the required employee's contribution of 9.245%. The City's contributions to the fund for the year ended June 30, 2017 was \$883,227, equal to the required contribution plus the City's share of the required employee contribution.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Paid Firemen's Pension Plan A

Plan Description: The City formerly participated in the Wyoming Paid Firemen's Plan A, a statewide cost sharing multiple employer defined benefit, contributory retirement plan covering paid firemen who were employed prior to July 1, 1981 and who elected to participate.

Benefits Provided: The plan statutorily provides retirement, disability and death benefits according to a percentage of a fireman first class salary. The Plan also statutorily provides for an annual percentage increase in the benefit amounts beginning in the year following twelve (12) months of payments, by at least 3%.

Disability Benefits: Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his/her duties from an individual and specific act incurred while employed. To qualify for benefit, there is no age or service requirement. Member receives a monthly disability retirement benefit for the period based on maximum salary and years of service.

Survivor's Benefit: Certain surviving beneficiaries receive benefits based on the maximum salary and years of service. Upon death, 100% of the benefit continues to be paid to the beneficiary.

Contributions: The plan statutorily required participants to contribute 8% of their salary to a maximum not to exceed the salary of a Firemen First Class. Employers were required to contribute 21% of the salary. Effective April 1, 1997, required contributions were suspended as the Plan had been determined to be actuarially over-funded. This plan is being reviewed by the Wyoming Retirement System to determine the appropriate measures to take to ensure this plan is adequately funded, as it is a closed plan.

Public Employee Pension Plan

Plan Description: The City participates in the Wyoming Retirement System ("System"), a statewide cost-sharing multiple-employer defined benefit pension plan administered by the State of Wyoming Retirement System Board. Substantially all City full-time employees not covered by the Police or Fire Plans are eligible to participate. Participants who retire at age 60 with four years of credited service are entitled to a retirement benefit according to predetermined formulas and are allowed to select one of seven optional methods for receiving benefits. Early retirement is allowed provided the employee has completed four years of service and attained the age of 50, but will result in a reduction of benefits based on the length of time remaining to normal retirement age. The System also provides death and disability benefits. Benefits are established by State statutes. The System issues a publicly available financial report which includes audited financial statements and required supplementary information. The report may be obtained by writing to the Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Benefits Provided: The determination of retirement benefits is dependent upon the employee's initial employment date.

Service Retirement Tier 1: If an employee made a contribution prior to September 1, 2012, they are in Tier 1. Full retirement at age 60 or qualifies for the Rule of 85. Early retirement is permitted at age 50 or 25 years of service. Formula for retirement equals 2.125% times the number of years of service times the three-year highest average salary for the first 15 years and 2.25% times the number of years of service times the three-year highest average over 15 years.

Service Retirement Tier 2: If an employee made their first contribution after September 1, 2012, they are in Tier 2. Full retirement at age 65 or qualifies for the Rule of 85. Early retirement is permitted at age 55 or 25 years of service. Formula for retirement equals 2% times the number of years of service times the five-year highest average salary.

Disability Benefits: Partial or total disability retirement is available to any member who becomes incapacitated, mentally or physically, and cannot continue in the performance of his/her duties. To qualify, the member must have at least 10 years of service and must be "in service" at the time of application for disability retirement. Upon retirement for a partial disability, the member receives a monthly disability retirement benefit for the period of his/her disability equal to 50% of the normal benefit payable to the member, as if the member was eligible for normal retirement benefits. Upon retirement for a total disability, the member receives a monthly disability benefit equal to 100% of his service retirement benefit as if the member was eligible for normal retirement benefits. Disability benefits are payable for the life of the member or until death.

Survivor's Benefits: Certain surviving dependents receive benefits based on the deceased member's compensation and their relationship to the deceased, as well as the benefit option selected by the member at the date of retirement.

Contributions: Contributions to the System consist of an amount equal to 16.62% of the employee's salary. The City and Board are required by State statute to contribute 8.37% of the amount. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The Board currently pays 5.75% of the required employee's contribution of 8.25% and the City pays 4.25% of the required employee's contribution of 8.25%.

The City and Board's contributions to the System for the year ended June 30, 2017 was \$3,142,043, equal to the required contribution, plus the City and Board's share of the required employee contribution.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the City and Board reported a total liability of \$97,597,343 for its proportionate share of the net pension liability. The breakdown between plans is as follows:

Pension Plan:	<u>Net Pension Liability</u>
Public Employee Pension Plan	
City of Cheyenne	\$ 21,868,668
Board of Public Utilities	9,619,011
Paid Firemen's Pension Plan A	55,286,195
Paid Firemen's Pension Plan B	7,409,315
Law Enforcement Pension Plan	<u>3,414,154</u>
Total Net Pension Liability	<u><u>\$ 97,597,343</u></u>

The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability at December 31, 2016. The City and Board's proportion of the net pension liability for all plans except Firemen's Plan A, was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The proportion of the net pension liability for Firemen's Plan A was based on a projection of the City's long-term share of benefit payments made by the plan relative to the projected benefits paid for all participating employers. At December 31, 2016, the City and Board's proportionate shares were as follows:

Pension Plan:	<u>Proportion of the Net Pension Liability</u>		
	<u>December 31, 2016</u>	<u>December 31, 2015</u>	<u>Increase (Decrease)</u>
Public Employee Pension Plan			
City of Cheyenne	0.9045	0.8842	0.0203
Board of Public Utilities	0.3979	0.3838	0.0141
Paid Firemen's Pension Plan A	30.1332	29.1245	1.0087
Paid Firemen's Pension Plan B	23.4759	23.5543	(0.0784)
Law Enforcement Pension Plan	4.5225	4.4224	0.1001

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2017, the City and Board recognized pension expense and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows and from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Paid Firemen's Pension Plan A:		
Net difference between projected and actual earnings on pension plan investments	\$ 2,647,470	\$ -
Paid Firemen's Pension Plan B:		
Differences between expected and actual experience	\$ 21,531	\$ 19,265
Changes of assumptions	3,616,324	307,993
Net difference between projected and actual earnings on pension plan investments	1,888,540	-
Changes in proportionate share of contributions	8,007	20,989
Contributions subsequent to the measurement date	381,046	-
	<u>\$ 5,915,448</u>	<u>\$ 348,247</u>
Law Enforcement:		
Differences between expected and actual experience	\$ 44,682	\$ 125,805
Net difference between projected and actual earnings on pension plan investments	1,597,894	-
Changes in proportionate share of contributions	59,751	11,493
Contributions subsequent to the measurement date	310,416	-
	<u>\$ 2,012,743</u>	<u>\$ 137,298</u>
Public Employees:		
Governmental Activities:		
Differences between expected and actual experience	\$ -	\$ 481,089
Net difference between projected and actual earnings on pension plan investments	3,287,199	-
Changes in proportionate share of contributions	292,491	6,099
Contributions subsequent to the measurement date	566,339	-
	<u>\$ 4,146,029</u>	<u>\$ 487,188</u>
Business-Type Activities		
City:		
Differences between expected and actual experience	\$ -	\$ 98,536
Net difference between projected and actual earnings on pension plan investments	673,282	-
Changes in proportionate share of contributions	59,908	1,249
Contributions subsequent to the measurement date	115,997	-
	<u>\$ 849,187</u>	<u>\$ 99,785</u>
Board:		
Differences between expected and actual experience	\$ -	\$ 253,301
Net difference between projected and actual earnings on pension plan investments	1,704,737	-
Changes in proportionate share of contributions	449,116	-
Contributions subsequent to the measurement date	300,158	-
	<u>\$ 2,454,011</u>	<u>\$ 253,301</u>

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Governmental Activities					Business-Type Activities		
	Public Employee Pension Plan	Paid Firemen's Pension Plan A	Paid Firemen's Pension Plan B	Las Enforcement Plan	Total	Public Employee Pension Plan		
						Board	City	Total
2018	\$ 1,056,324	\$ 941,058	\$ 1,192,813	\$ 562,185	\$ 3,752,380	\$ 685,142	\$ 216,356	\$ 901,498
2019	1,067,324	941,058	1,192,812	562,185	3,763,379	681,443	218,609	900,052
2020	915,494	713,927	1,036,769	430,309	3,096,499	505,688	187,511	693,199
2021	53,360	51,426	553,884	10,350	669,020	28,279	10,929	39,208
Thereafter	-	-	1,209,877	-	1,209,877	-	-	-
	<u>\$ 3,092,502</u>	<u>\$ 2,647,469</u>	<u>\$ 5,186,155</u>	<u>\$ 1,565,029</u>	<u>\$ 12,491,155</u>	<u>\$ 1,900,552</u>	<u>\$ 633,405</u>	<u>\$ 2,533,957</u>

Actuarial assumptions

The total pension liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions for each plan, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25% - 8.0%, including inflation
Investment rate of return	7.75%, net of pension plan investment expense
Payroll growth rate	3.25% - 4.25%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

Long-term expected rate of return:

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation		
	Target Allocation	Long-Term Expected Real Rate of Return	Long-Term Expected Arithmetic Real Rate of Return
Cash	0.00%	-0.20%	-0.20%
Fixed Income	20.00%	1.43%	1.95%
Equity	45.00%	5.72%	7.73%
Marketable Alternatives	17.50%	3.03%	3.73%
Private Markets	17.50%	5.84%	7.14%
Total	<u>100.00%</u>		

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Experience analysis

An experience study was conducted on behalf of all WRS's plans covering the five-year period ended December 31, 2011. That study provided a detailed analysis concerning the development of the long-term inflation rate, real rate of return and discount rate. The study also analyzed each major actuarial assumption (e.g., mortality, salary increases, retirement, termination and disability) and proposed assumptions consistent with the findings.

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent for the Public Employee and Law Enforcement Plans, 4.38 percent for the Paid Firemen's Plan A, and 6.59 percent for the Paid Firemen's Plan B. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from participating employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City and Board's proportionate share of the net pension liability to changes in the discount rate:

In accordance with GASB 67 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the net pension liability calculated using the discount rate previously disclosed as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00 percent lower or higher than the current rate.

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
Public Employees Pension Plan:			
City of Cheyenne	\$ 31,410,707	\$ 21,868,666	\$13,854,260
Board of Public Utilities	13,816,112	9,619,011	6,093,846
Paid Firemen's Pension Plan A	68,417,538	55,286,195	44,694,676
Paid Firemen's Pension Plan B	12,863,911	7,409,315	2,898,205
Law Enforcement Pension Plan	7,089,577	3,414,154	378,982

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued WRS financial report which can be obtained at www.retirement.state.wy.us/employers/GASB.html.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Defined Contribution Plans

The Board and City employees have the option to participate in one of two defined contribution plans. The defined contribution plans include the Wyoming Deferred Compensation program (457 Plan) administered by the Wyoming Retirement System and a defined contribution plan administered by VALIC Financial Advisors. Employees are allowed to contribute the maximum amount per Internal Revenue Service guidelines. The total employee contributions for the year ended June 30, 2017 was \$930,821. Beginning July 1, 2008, the Board and City elected to match an employee's contribution up to \$25 per month. The City's match ended on January 31, 2010. The Board continues to provide a match. The total matching contributions for the year ended June 30, 2017 was \$31,350.

Note 9. Risk Management

The City 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.

The City 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 premiums required by the participating entities 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 City management considers the assets of WARM to be sufficient to cover any claims that may be incurred by its members. The City has not had significant settlements exceeding insurance coverage in any of the past three fiscal years. The City has had no significant reductions in insurance coverage from coverage in the prior year.

The City pays into the State Worker's Compensation System. All employers within the State of Wyoming are participants of this plan unless the employer elects not to be covered under the plan. This Act requires the City to obtain liability coverage for payment of benefits to employees for job-related injuries and diseases through the Workers' Compensation Fund. This Act provides general protection from suits filed by employees against the City. The City makes monthly payments to the Department of Employment, State of Wyoming. This amount is based on salaries and a split rate between hazardous and non-hazardous positions.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 10. Compensated Absences

Compensated absences have been accrued in the financial statements of the City and consist of the following at June 30, 2017:

	Vacation Leave	Sick Leave	Comp Time	Early Retirement Obligation	Total
Governmental activities	\$ 2,227,299	\$ 2,003,287	\$ 139,812	\$ -	\$ 4,370,398
Business-type activities					
Waterworks fund	340,138	283,433	79,548	64,993	768,112
Sewer fund	224,011	188,955	53,032	43,328	509,326
Solid waste fund	167,859	183,861	1,293	-	353,013
Fleet maintenance fund	34,412	22,959	856	-	58,227
Civic Center fund	19,822	14,330	-	-	34,151
Ice and Events Center fund	8,909	6,285	304	-	15,498
Total business-type activities	795,150	699,823	135,033	108,321	1,738,327
Total all funds	\$ 3,022,449	\$ 2,703,110	\$ 274,845	\$ 108,321	\$ 6,108,725

The amounts reported above for governmental and business-type activities include current and long-term portions.

Note 11. Industrial Revenue Bonds

The City has participated in several issues of industrial revenue bonds for constructing privately operated manufacturing and other related facilities in the City. These bonds are not direct or contingent liabilities of the City. As of June 30, 2017, there were two series of industrial revenue bonds outstanding, with an aggregate principal amount payable of \$7,875,000.

Note 12. Closure and Post-Closure Care Liability

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports the estimated liability for these closure and post-closure costs in the government-wide financial statements based on landfill capacity used as of each Statement of Net Position date. The current operating costs of the landfill are accounted for within the Solid Waste Fund of the City using the accrual basis of accounting. The \$13,481,368 reported as landfill closure and post-closure care liability at June 30, 2017, represents the cumulative liability estimated to date based on the use of 96.91% of the estimated capacity of the site. The City will recognize the remaining estimated cost of closure and post-closure care of \$429,148 as the remaining estimated capacity is filled. The calculation of the estimated liability has been based on what it would cost to perform all closure and post-closure care in 2017. In the event no action is taken by the City to expand the landfill, the City expects the landfill site to be at full capacity in approximately 3.9 years. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 13. Deferred Outflows/Inflows of Resources

The detail of the deferred outflows/inflows of resources for the City in its statement of net position as of June 30, 2017 is as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Deferred outflows of resources:		
Deferred loss on refunding	\$ 225,340	\$ 387,432
Deferred outflows - pension liability	14,721,690	3,303,198
Total deferred outflows of resources	<u><u>\$ 14,947,030</u></u>	<u><u>\$ 3,690,630</u></u>
Deferred inflows of resources:		
Unavailable property taxes	\$ 5,310,700	\$ -
Deferred inflows - pension liability	972,733	353,086
Total deferred inflows of resources	<u><u>\$ 6,283,433</u></u>	<u><u>\$ 353,086</u></u>

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 14. Commitments

As of June 30, 2017, the City 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 2017, the amounts below represent the activity pertaining to the contract as a whole.

	Expended to Date at June 30, 2017	Total Contract	Commitment at June 30, 2017
Governmental Activities			
Botanic Gardens Expansion	\$ 10,741,819	\$ 12,317,459	\$ 1,575,640
City Waste Transfer Station	8,904,031	9,950,000	1,045,969
City Overlay Part 3	462,208	1,562,893	1,100,685
Cheyenne Pumphouse Wetlands	1,059,362	1,726,169	666,807
Capital Basin 26th St. Interceptor	482,099	3,412,542	2,930,443
FY17 City Overlay Part 1	77,389	1,307,857	1,230,468
19th Street Rehabilitation Phase 3	1,091,418	1,213,042	121,624
Lake Minnehaha Phase 2	1,985,554	2,354,545	368,991
Miscellaneous Governmental	1,593,541	2,753,187	1,159,646
Total governmental activities	26,397,421	36,597,694	10,200,273
Business-type Activities			
S. Water Transmission Main Ph III	3,044,292	11,783,726	8,739,434
RLS Powder Activated Carbon	873,931	974,968	101,037
FY17 Water Rehabs	1,602,104	2,884,497	1,282,393
S. Sewer Interceptor Main Ph I	644,785	12,455,895	11,811,110
Miscellaneous Water Projects	845,542	1,704,364	858,822
Miscellaneous Sewer Projects	196,433	1,113,557	917,124
Total business-type activities	7,207,087	30,917,007	23,709,920
Total primary government	\$ 33,604,508	\$ 67,514,701	\$ 33,910,193

Note 15. Postemployment Benefits Other Than Pensions

Plan Description. The City participates in a single-employer defined benefit postemployment healthcare plan, being a Post-retirement Health Insurance Plan. The Governing Body has the authority for establishing and amending the plan. The plan does not issue a separate report.

Under the Post-Retirement Health Insurance Plan, the City offers retiring firefighters who were hired prior to July 1, 2013 an offset to postretirement medical premiums. To be eligible for the coverage, an active firefighter must be at least age 50 and have a minimum of 4 years of service upon retirement. City employees, police officers, and firefighters not meeting the previous criteria must pay the full subsidized premium. Some current retirees have retired under differing offset provisions and disabled firefighters are also included in current retiree costs. All benefits end at age 65.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Funding Policy. The City finances this program on a “pay-as-you-go” basis. The Governing Body has the authority to establish and amend the funding policy.

Annual OPEB Cost: The City’s annual other postemployment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

	<u>Total</u>	<u>Explicit</u>	<u>Implicit</u>
Annual required contribution (ARC)	\$ 604,075	\$ 176,320	\$ 427,755
Interest on OPEB obligation	12,596	(4,051)	16,647
Adjustment to ARC	<u>(16,944)</u>	<u>5,449</u>	<u>(22,393)</u>
Annual OPEB cost - end of year	599,727	177,718	422,009
Net estimated employer contributions	<u>372,984</u>	<u>183,646</u>	<u>189,338</u>
Change in net OPEB obligation	226,743	(5,928)	232,671
Net OPEB obligation - beginning of year	<u>296,390</u>	<u>(95,311)</u>	<u>391,701</u>
Net OPEB obligation - end of year	<u>\$ 523,133</u>	<u>\$(101,239)</u>	<u>\$ 624,372</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending June 30, 2017 and the preceding two fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Amount Contributed</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	\$ 356,634	\$ 315,391	88.40%	\$ 70,082
6/30/2016	586,679	360,221	61.40%	296,390
6/30/2017	599,727	373,030	62.20%	523,133

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Funding Status and Funding Progress: The funded status of the City’s retiree health care plan under GASB Statement No. 45 as of June 30, 2017 is as follows:

	<u>Total</u>	<u>Explicit</u>	<u>Implicit</u>
(a) Actuarial accrued liability (AAL)			
(1) Actuarial accrued liability - prior year	\$ 5,754,203	\$ 2,154,327	\$ 3,599,876
(2) Normal cost - prior year	258,748	53,639	205,109
(3) AAL	5,882,093	2,113,116	3,768,977
(b) Actuarial value of assets (AVA)	-	-	-
(c) Unfunded actuarial accrued liability (UAAL) (a) - (b)	<u>\$ 5,882,093</u>	<u>\$ 2,113,116</u>	<u>\$ 3,768,977</u>
(d) Funded ratio (b) / (a)	0%	0%	0%
(e) Covered payroll	\$ 24,954,985	\$ 5,307,106	\$ 24,954,985
(f) UAAL as % of covered payroll (c)/(e)	23.6%	39.8%	15.1%

Actuarial methods and assumptions: Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level dollar amount
Amortization period	30 year, open amortization
Investment rate of return	4.25%, net of expenses
Inflation rate	N/A
Payroll growth	N/A
Healthcare cost trend rate	Initial rate of 7.50%, declining to an ultimate rate of 4.25% after 16 years

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the City’s retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

CITY OF CHEYENNE, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 16. Contingencies

At various times, claims and lawsuits are pending against the City. The City is of the opinion that the liability, if any, arising from such claims will not have a materially adverse effect on its financial statements. Under the terms of Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. City management believes disallowances, if any, would not be significant to the City's financial statements.

Note 17. Recent Pronouncements

The GASB released Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, in June of 2015 which will replace GASB Statement No. 45 and which will require balance sheet recognition of a liability which resembles the current unfunded accrued liability. The Statement will be effective for fiscal years beginning after June 15, 2017. The effect that the adoption of GASB Statement No. 75 will have on the City's financial statements has not yet been determined.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CHEYENNE, WYOMING

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GAAP BASIS - GENERAL FUND
Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 11,612,799	\$ 11,612,799	\$ 11,838,912	\$ 226,113
Licenses and permits	2,248,820	2,248,820	3,320,989	1,072,169
Intergovernmental	29,331,158	29,331,158	29,293,460	(37,698)
Charges for services	2,230,596	2,230,596	2,501,258	270,662
Fines and forfeitures	1,432,000	1,432,000	1,239,122	(192,878)
Investment income (loss)	110,500	110,500	19,884	(90,616)
Miscellaneous	620,800	631,542	1,043,977	412,435
Total revenues	<u>47,586,673</u>	<u>47,597,415</u>	<u>49,257,602</u>	<u>1,660,187</u>
Expenditures				
General government				
City Council	271,255	288,308	251,245	37,063
Mayor	2,285,781	2,275,845	2,141,313	134,532
City Clerk	3,604,748	3,648,136	3,531,957	116,179
Planning and development	2,161,960	2,133,209	1,810,975	322,234
Engineering	1,105,819	1,066,161	1,035,880	30,281
Budget and finance	684,081	684,653	669,728	14,925
General accounts	3,180,474	4,822,472	4,667,120	155,352
Support Services	2,066,825	2,066,825	2,073,643	(6,818)
Public works	4,024,728	4,038,512	3,810,886	227,626
Public safety				
Police	13,091,299	13,194,194	9,914,655	3,279,539
Fire	9,903,271	10,103,678	12,718,948	(2,615,270)
Parks and recreation	6,623,847	6,659,134	6,453,014	206,120
Total expenditures	<u>49,004,088</u>	<u>50,981,127</u>	<u>49,079,364</u>	<u>1,901,763</u>
Excess (deficiency) of revenues over expenditures	<u>(1,417,415)</u>	<u>(3,383,712)</u>	<u>178,238</u>	<u>3,561,950</u>
Other financing sources (uses)				
Transfers in	755,000	755,000	753,612	(1,388)
Insurance proceeds	-	-	350,747	350,747
Proceeds from sales of assets	-	-	211,312	211,312
Total other financing sources (uses)	<u>755,000</u>	<u>755,000</u>	<u>1,315,671</u>	<u>560,671</u>
Net change in fund balance	<u>(662,415)</u>	<u>(2,628,712)</u>	<u>1,493,909</u>	<u>\$ 4,122,621</u>
Fund balance - beginning of year	<u>18,274,962</u>	<u>18,274,962</u>	<u>18,274,962</u>	
Fund balance - end of year	<u>\$ 17,612,547</u>	<u>\$ 15,646,250</u>	<u>\$ 19,768,871</u>	

See accompanying Notes to Required Supplementary Information.

CITY OF CHEYENNE, WYOMING

SCHEDULE OF FUNDING PROGRESS

Year Ended June 30, 2017

Post Retirement Health Insurance Plan						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage of Covered Payroll ((b-a)/c)
6/30/2016	\$ -	\$ 5,754,203	\$ 5,754,203	0.00%	\$ 24,111,097	23.87%
6/30/2014	-	3,834,862	3,834,862	0.00%	29,520,945	12.99%
6/30/2012	-	3,832,468	3,832,468	0.00%	5,702,905	67.20%

See accompanying Notes to Required Supplementary Information.

CITY OF CHEYENNE, WYOMING

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
Last 4 Fiscal Years***

	For the Year Ended June 30,			
	2017	2016	2015	2014
Public Employee Pension Plan				
City of Cheyenne				
City's proportion of the net pension liability (asset)	0.9045%	0.8842%	0.8850%	0.8686%
City's proportionate share of the net pension liability (asset) \$	21,868,666	20,595,553	15,618,025	13,205,851
City's covered payroll	16,333,427	15,933,164	15,449,954	14,962,498
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	133.89%	129.26%	101.09%	88.26%
Plan fiduciary net position as a percentage of the total pension liability	73.42%	73.40%	79.08%	81.10%
Board of Public Utilities				
Board's proportion of the net pension liability (asset)	0.3979%	0.3838%	0.3621%	0.3772%
Board's proportionate share of the net pension liability (asset) \$	9,619,011	8,940,291	6,390,668	5,735,039
Board's covered payroll	7,127,606	6,855,922	6,307,367	6,463,729
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	134.95%	130.40%	101.32%	88.73%
Plan fiduciary net position as a percentage of the total pension liability	73.42%	73.40%	79.08%	81.10%
Paid Firemen's Pension Plan A				
City's proportion of the net pension liability (asset)	30.1332%	29.1245%	29.8597%	29.2907%
City's proportionate share of the net pension liability (asset) \$	55,286,196	54,012,637	49,145,415	17,188,483
City's covered payroll	-	-	-	-
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	38.91%	40.05%	45.95%	71.55%
Paid Firemen's Pension Plan B				
City's proportion of the net pension liability (asset)	23.4759%	23.5543%	24.4894%	25.0324%
City's proportionate share of the net pension liability (asset) \$	7,409,315	7,201,639	(275,411)	(902,906)
City's covered payroll	6,603,344	6,432,467	6,532,704	6,303,806
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	112.21%	111.96%	-4.22%	-14.32%
Plan fiduciary net position as a percentage of the total pension liability	80.16%	79.33%	100.98%	103.45%
Law Enforcement Pension Plan				
City's proportion of the net pension liability (asset)	4.5225%	4.4224%	4.4884%	4.4361%
City's proportionate share of the net pension liability (asset) \$	3,414,154	3,322,120	1,322,464	810,003
City's covered payroll	7,077,700	6,933,372	6,936,457	6,707,023
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	48.24%	47.91%	19.07%	12.08%
Plan fiduciary net position as a percentage of the total pension liability	88.11%	87.49%	94.76%	96.53%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

Note: This schedule is presented to illustrate the requirement to show information for 10 years.

However, until a full 10-year trend is compiled, the City is presenting information for those years for which information is available.

See accompanying Notes to Required Supplementary Information.

CITY OF CHEYENNE, WYOMING

SCHEDULE OF THE CITY'S CONTRIBUTIONS

Last 4 Fiscal Years

	For the Year Ended June 30,			
	2017	2016	2015	2014
Public Employee Pension Plan				
City of Cheyenne				
Statutorily required contribution	\$ 1,427,569	\$ 1,372,651	\$ 1,203,890	\$ 1,078,803
Contribution in relation to the statutorily required contribution	<u>1,427,569</u>	<u>1,372,651</u>	<u>1,203,890</u>	<u>1,078,803</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 16,694,692	\$ 16,220,390	\$ 15,660,040	\$ 15,194,542
Contributions as a percentage of covered-employee payroll	8.55%	8.46%	7.69%	7.10%
Board of Public Utilities				
Statutorily required contribution	\$ 602,689	\$ 586,407	\$ 512,031	\$ 465,964
Contribution in relation to the statutorily required contribution	<u>602,689</u>	<u>586,407</u>	<u>512,031</u>	<u>465,964</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 7,200,585	\$ 7,006,054	\$ 6,719,564	\$ 6,544,388
Contributions as a percentage of covered-employee payroll	8.37%	8.37%	7.62%	7.12%
Paid Firemen's Pension Plan A				
Statutorily required contribution	\$ -	\$ -	\$ -	\$ -
Contribution in relation to the statutorily required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered- employee payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%
Paid Firemen's Pension Plan B				
Statutorily required contribution	\$ 785,180	\$ 772,527	\$ 783,023	\$ 779,804
Contribution in relation to the statutorily required contribution	<u>785,180</u>	<u>772,527</u>	<u>783,023</u>	<u>779,804</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered- employee payroll	\$ 6,543,169	\$ 6,437,727	\$ 6,525,189	\$ 6,498,364
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	12.00%	12.00%
Law Enforcement Pension Plan				
Statutorily required contribution	\$ 618,944	\$ 605,058	\$ 591,129	\$ 595,430
Contribution in relation to the statutorily required contribution	<u>618,944</u>	<u>605,058</u>	<u>591,129</u>	<u>595,430</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Contributions as a percentage of covered-employee payroll	\$ 7,197,025	\$ 7,035,554	\$ 6,873,586	\$ 6,923,605
Contributions as a percentage of covered-employee payroll	8.60%	8.60%	8.60%	8.60%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for those years for which information is available.

See accompanying Notes to Required Supplementary Information.

CITY OF CHEYENNE, WYOMING

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budget Information

Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Prior to May 15, the City Treasurer submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted not prior to the second Tuesday nor later than the third Tuesday in June to obtain public comments. Within twenty-four hours of the public hearing, the governing body adopts the budget.

At the request of the City Treasurer or upon its own motion after publication of notice, the City Council may by resolution transfer any unencumbered or unexpended appropriation balance or part thereof from one fund, department or account to another. No officer or employee of the City shall make any expenditure or encumbrance in excess of the total appropriation for any department. Management may amend the budget within the department level without the approval of the governing body. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Proprietary Funds and Permanent Fund. The amounts reported as the original budgeted amounts in the budgetary schedules reflect appropriation in the first appropriated budget. The amounts reported as the final budgeted amounts in the schedules of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Note 2. Changes in Benefit Terms

There were no changes in benefit terms between the December 31, 2015 measurement date and the December 31, 2016 measurement date.

Note 3. Changes in Assumptions

There were no changes in assumptions between the December 31, 2015 measurement date and the December 31, 2016 measurement date, with the exception of changes in assumption for Paid Firemen's Plan A and Paid Firemen's Plan B.

**COMBINING AND OTHER INDIVIDUAL FUND
AND OTHER SUPPLEMENTARY INFORMATION**

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenue resources that are legally restricted or committed to expenditure for particular purposes.

Weed and Pest Control – accounts for monies received by the City from a general county tax levy to administer a program of weed and pest control.

Youth Alternative Grants – accounts for monies received by the City from various agencies to administer a program for youth.

Juvenile Justice – accounts for a program which assists youth in trouble.

Special Friends – accounts for a program which brings adults together with young people.

Community Development Block Grant – accounts for funds given to various entities which assist low income individuals.

Law Enforcement Block Grant – accounts for funds received by the police department to administer various programs.

Miscellaneous Federal Grants – accounts for revenue received from various federal agencies to administer federal programs.

Transportation Planning – accounts for funds used for planning of streets and other transportation projects.

UMTA Transit Grant – accounts for funds used to provide public transportation.

State Grants – accounts for revenue received from various State agencies to administer state programs.

Recreation Programs – accounts for monies received by the City from various recreation programs to administer recreation programs.

Annexation Improvements – accounts for monies from individuals who have prepaid for annexation improvements in areas not yet annexed by the City.

Housing Loans – accounts for monies collected from rehabilitation loans made to low-income owners through the Neighborhood Housing Service. When the agency closed, the loans were turned over to the City. Money collected from home owners who received low-interest rehabilitation loans through the Cheyenne Redevelopment Agency is also in this fund.

NON-MAJOR GOVERNMENTAL FUNDS (*Continued*)

Capital Projects Funds

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Youth Alternatives – accounts for construction of youth alternatives projects.

Athletic Facilities – accounts for improvements to City parks and recreation facilities.

Parks Facilities – accounts for capital improvements to Parks facilities funded by the sales proceeds of property designated for Parks facilities.

Development Impact Fees—accounts for fees received by the City to administer specific functions required of the City.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Cemetery Perpetual Care – this trust fund was set up for perpetual care of the Cheyenne cemetery. Eighty dollars is put into the fund each time a cemetery lot is purchased. The fund is managed by a local bank.

CITY OF CHEYENNE, WYOMING

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017**

	Special Revenue Funds		
	Weed and Pest Control	Youth Alternative Grants	Juvenile Justice
ASSETS			
Cash and cash equivalents	\$ -	\$ 294,288	\$ 246,439
Receivables			
Customers	-	21,742	9,160
Due from other funds	-	-	-
Due from other governments	6,500	-	-
Cash and cash equivalents - restricted	442,771	-	-
Total assets	\$ 449,271	\$ 316,030	\$ 255,599
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 39,485	\$ 1,459	\$ 176
Unearned revenue	-	-	-
Due to other funds	-	-	-
Total liabilities	39,485	1,459	176
Deferred inflows of resources	-	-	-
Fund balances (deficits)			
Nonspendable	-	-	-
Restricted	409,786	-	255,423
Committed	-	314,571	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficits)	409,786	314,571	255,423
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 449,271	\$ 316,030	\$ 255,599

Special Revenue Funds

Special Friends	Community Development Block Grant	Law Enforcement Block Grant	Miscellaneous Federal Grants
\$ 112,259	\$ 893	\$ -	\$ -
-	-	-	-
-	19,361	68,581	641,901
-	-	-	-
<u>\$ 112,259</u>	<u>\$ 20,254</u>	<u>\$ 68,581</u>	<u>\$ 641,901</u>
\$ 48	\$ 11,035	\$ 12,066	\$ 983,127
-	-	-	-
-	19,000	87,695	1,453,614
<u>48</u>	<u>30,035</u>	<u>99,761</u>	<u>2,436,741</u>
-	-	-	288,177
-	-	-	-
112,211	-	1,463	31,900
-	-	-	-
-	-	-	-
<u>-</u>	<u>(9,781)</u>	<u>(32,643)</u>	<u>(2,114,917)</u>
<u>112,211</u>	<u>(9,781)</u>	<u>(31,180)</u>	<u>(2,083,017)</u>
<u>\$ 112,259</u>	<u>\$ 20,254</u>	<u>\$ 68,581</u>	<u>\$ 641,901</u>

Continued

CITY OF CHEYENNE, WYOMING

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (Continued)**

June 30, 2017

	Special Revenue Funds		
	Transportation Planning	UMTA Transit Grant	State Grants
ASSETS			
Cash and cash equivalents	\$ 278,632	\$ 150	\$ -
Receivables			
Customers	-	-	21,186
Due from other funds	-	-	39,466
Due from other governments	188,705	140,273	476,227
Cash and cash equivalents - restricted	-	-	-
Total assets	\$ 467,337	\$ 140,423	\$ 536,879
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 110,782	\$ 4,545	\$ 352,868
Unearned revenue	-	-	-
Due to other funds	388,000	211,232	312,203
Total liabilities	498,782	215,777	665,071
Deferred inflows of resources	-	-	344,290
Fund balances (deficits)			
Nonspendable	-	-	-
Restricted	1,603	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	(33,048)	(75,354)	(472,482)
Total fund balances (deficits)	(31,445)	(75,354)	(472,482)
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 467,337	\$ 140,423	\$ 536,879

Special Revenue Funds

Recreation Programs	Annexation Improvements	Housing Loans
\$ 498,815	\$ 446,254	\$ 252,110
24,714	-	97,249
-	-	-
-	-	-
-	-	-
<u>\$ 523,529</u>	<u>\$ 446,254</u>	<u>\$ 349,359</u>
\$ 51,378	\$ 205,128	\$ -
-	-	98,893
-	-	-
<u>51,378</u>	<u>205,128</u>	<u>98,893</u>
-	-	-
-	-	-
-	-	250,466
472,151	241,126	-
-	-	-
-	-	-
<u>472,151</u>	<u>241,126</u>	<u>250,466</u>
<u>\$ 523,529</u>	<u>\$ 446,254</u>	<u>\$ 349,359</u>

Continued

CITY OF CHEYENNE, WYOMING

**COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS (Continued)
June 30, 2017**

	Capital Projects Funds		
	Youth Alternatives	Athletic Facilities	Parks Facilities
ASSETS			
Cash and cash equivalents	\$ 54,128	\$ 155,671	\$ 460,591
Receivables			
Customers	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
Cash and cash equivalents - restricted	-	-	-
Total assets	\$ 54,128	\$ 155,671	\$ 460,591
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES (DEFICITS)			
Liabilities			
Accounts payable	\$ 1,032	\$ -	\$ -
Unearned revenue	-	-	-
Due to other funds	-	58	-
Total liabilities	1,032	58	-
Deferred inflows of resources	-	-	-
Fund balances (deficits)			
Nonspendable	-	-	-
Restricted	-	-	460,591
Committed	53,096	-	-
Assigned	-	155,613	-
Unassigned	-	-	-
Total fund balances (deficits)	53,096	155,613	460,591
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 54,128	\$ 155,671	\$ 460,591

<u>Capital Projects Funds</u>	<u>Permanent Fund</u>	Nonmajor Governmental Funds Total
<u>Development Impact Fees</u>	<u>Cemetery Perpetual Care</u>	
\$ 871,637	\$ 729,692	\$ 4,401,559
-	700	174,751
-	-	39,466
-	-	1,541,548
-	-	442,771
<u>\$ 871,637</u>	<u>\$ 730,392</u>	<u>\$ 6,600,095</u>
\$ 41,524	\$ 1,855	\$ 1,816,508
-	-	98,893
<u>405,223</u>	<u>-</u>	<u>2,877,025</u>
<u>446,747</u>	<u>1,855</u>	<u>4,792,426</u>
<u>-</u>	<u>-</u>	<u>632,467</u>
-	-	-
-	728,537	2,251,980
424,890	-	1,505,834
-	-	155,613
-	-	(2,738,225)
<u>424,890</u>	<u>728,537</u>	<u>1,175,202</u>
<u>\$ 871,637</u>	<u>\$ 730,392</u>	<u>\$ 6,600,095</u>

CITY OF CHEYENNE, WYOMING

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS**

Year Ended June 30, 2017

	Special Revenue Funds		
	Weed and Pest Control	Youth Alternatives Grants	Juvenile Justice
Revenues			
Intergovernmental	\$ 583,171	\$ 578,479	\$ 123,900
Charges for services	-	-	-
Investment income (loss)	-	1,298	1,386
Miscellaneous	2,332	10,149	7,073
Total revenues	<u>585,503</u>	<u>589,926</u>	<u>132,359</u>
Expenditures			
Current			
General government	-	-	-
Public safety	-	300,317	166,619
Public works	-	-	-
Health and welfare	587,919	206,661	-
Recreation	-	-	-
Capital outlay	-	-	-
Debt service			
Interest payments	-	-	-
Total expenditures	<u>587,919</u>	<u>506,978</u>	<u>166,619</u>
Revenues over (under) expenditures	<u>(2,416)</u>	<u>82,948</u>	<u>(34,260)</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Proceeds from sales of assets	1,700	-	-
Total other financing sources (uses)	<u>1,700</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficits)	<u>(716)</u>	<u>82,948</u>	<u>(34,260)</u>
Fund balances (deficits) - beginning of year	<u>410,502</u>	<u>231,623</u>	<u>289,683</u>
Fund balances (deficits) - end of year	<u>\$ 409,786</u>	<u>\$ 314,571</u>	<u>\$ 255,423</u>

Special Revenue Funds

Special Friends	Community Development Block Grant	Law Enforcement Block Grant	Miscellaneous Federal Grants
\$ 68,300	\$ 419,984	\$ 473,719	\$ 1,202,658
-	-	-	-
-	-	-	-
15,793	-	-	-
<u>84,093</u>	<u>419,984</u>	<u>473,719</u>	<u>1,202,658</u>
-	-	-	1,148,377
-	-	511,966	289,774
-	-	-	-
75,955	429,013	-	-
-	-	-	36,528
-	-	541	1,809,097
-	-	-	-
<u>75,955</u>	<u>429,013</u>	<u>512,507</u>	<u>3,283,776</u>
<u>8,138</u>	<u>(9,029)</u>	<u>(38,788)</u>	<u>(2,081,118)</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>8,138</u>	<u>(9,029)</u>	<u>(38,788)</u>	<u>(2,081,118)</u>
<u>104,073</u>	<u>(752)</u>	<u>7,608</u>	<u>(1,899)</u>
<u>\$ 112,211</u>	<u>\$ (9,781)</u>	<u>\$ (31,180)</u>	<u>\$ (2,083,017)</u>

Continued

CITY OF CHEYENNE, WYOMING

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)**

Year Ended June 30, 2017

	Special Revenue Funds		
	Transportation Planning	UMTA Transit Grant	State Grants
Revenues			
Intergovernmental	\$ 854,580	\$ 1,080,028	\$ 2,439,073
Charges for services	-	-	-
Investment income (loss)	-	-	-
Miscellaneous	-	18,147	64,079
Total revenues	<u>854,580</u>	<u>1,098,175</u>	<u>2,503,152</u>
Expenditures			
Current			
General government	-	-	22,270
Public safety	-	-	-
Public works	923,110	1,792,287	-
Health and welfare	-	-	-
Recreation	-	-	-
Capital outlay	-	-	2,712,093
Debt service			
Interest payments	-	-	22,269
Total expenditures	<u>923,110</u>	<u>1,792,287</u>	<u>2,756,632</u>
Revenues over (under) expenditures	<u>(68,530)</u>	<u>(694,112)</u>	<u>(253,480)</u>
Other financing sources (uses)			
Transfers in	35,066	300,000	-
Transfers out	-	-	(209,446)
Proceeds from sales of assets	-	34,616	-
Total other financing sources (uses)	<u>35,066</u>	<u>334,616</u>	<u>(209,446)</u>
Net change in fund balances (deficits)	<u>(33,464)</u>	<u>(359,496)</u>	<u>(462,926)</u>
Fund balances (deficits) - beginning of year	<u>2,019</u>	<u>284,142</u>	<u>(9,556)</u>
Fund balances (deficits) - end of year	<u>\$ (31,445)</u>	<u>\$ (75,354)</u>	<u>\$ (472,482)</u>

Special Revenue Funds

Recreation Programs	Annexation Improvements	Housing Loans
\$ -	\$ -	\$ -
1,077,083	32,451	-
31	854	12,592
-	-	46,621
<u>1,077,114</u>	<u>33,305</u>	<u>59,213</u>
-	-	-
-	-	-
-	-	-
-	-	113,953
990,163	-	-
11,600	-	-
-	-	-
<u>1,001,763</u>	<u>-</u>	<u>113,953</u>
<u>75,351</u>	<u>33,305</u>	<u>(54,740)</u>
-	-	-
(136,085)	-	-
-	-	-
<u>(136,085)</u>	<u>-</u>	<u>-</u>
(60,734)	33,305	(54,740)
<u>532,885</u>	<u>207,821</u>	<u>305,206</u>
<u>\$ 472,151</u>	<u>\$ 241,126</u>	<u>\$ 250,466</u>

Continued

CITY OF CHEYENNE, WYOMING

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (Continued)**

Year Ended June 30, 2017

	Capital Projects Funds		
	Youth Alternatives	Athletic Facilities	Parks Facilities
Revenues			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	197,807	-
Investment income (loss)	-	28	-
Miscellaneous	10,064	5,000	-
Total revenues	10,064	202,835	-
Expenditures			
Current			
General government	-	-	-
Public safety	9,974	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation	-	3,183	16,699
Capital outlay	-	72,564	575,785
Debt service			
Interest payments	-	-	-
Total expenditures	9,974	75,747	592,484
Revenues over (under) expenditures	90	127,088	(592,484)
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	-	-	-
Proceeds from sales of assets	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances (deficits)	90	127,088	(592,484)
Fund balances (deficits) - beginning of year	53,006	28,525	1,053,075
Fund balances (deficits) - end of year	\$ 53,096	\$ 155,613	\$ 460,591

Development Impact Fees	Permanent Fund Cemetery Perpetual Care	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 7,823,892
126,296	-	1,433,637
4,583	4,196	24,968
417	16,560	196,235
131,296	20,756	9,478,732
-	-	1,170,647
-	-	1,278,650
-	-	2,715,397
-	-	1,413,501
16,207	-	1,062,780
568,547	-	5,750,227
-	-	22,269
584,754	-	13,413,471
(453,458)	20,756	(3,934,739)
-	-	335,066
-	(3,612)	(349,143)
-	-	36,316
-	(3,612)	22,239
(453,458)	17,144	(3,912,500)
878,348	711,393	5,087,702
\$ 424,890	\$ 728,537	\$ 1,175,202

NONMAJOR PROPRIETARY FUNDS

Business-type Activities

Proprietary funds are used to account for business-type activities which rely to a significant extent on fees and charges for support.

Civic Center – accounts for monies received by the City from the operation of the Civic Center.

Ice and Events Center – accounts for monies received by the City from the operation of the Ice and Events Center.

CITY OF CHEYENNE, WYOMING

**COMBINING STATEMENT OF NET POSITION -
NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2017**

	Civic Center Fund	Ice and Events Center Fund	Nonmajor Proprietary Funds Totals
ASSETS			
Current assets			
Cash and cash equivalents	\$ 1,642	\$ 1,369	\$ 3,011
Receivables			
Accounts - customers	4,599	917	5,516
Total current assets	<u>6,241</u>	<u>2,286</u>	<u>8,527</u>
Noncurrent assets			
Capital assets being depreciated			
Land	-	342,243	342,243
Machinery and equipment	465,507	216,737	682,244
Transportation equipment		56,798	56,798
Buildings and improvements	3,768,560	2,982,223	6,750,783
Office furniture and equipment	93,963	37,712	131,675
Accumulated depreciation	<u>(3,724,426)</u>	<u>(1,134,100)</u>	<u>(4,858,526)</u>
Total noncurrent assets	<u>603,604</u>	<u>2,501,613</u>	<u>3,105,217</u>
Total assets	<u>\$ 609,845</u>	<u>\$ 2,503,899</u>	<u>\$ 3,113,744</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 187,168	\$ 3,112	\$ 190,280
Unearned revenue	753	-	753
Due to other funds	50,000	180,000	230,000
Accrued salaries including vacation and sick leave	<u>29,337</u>	<u>14,500</u>	<u>43,837</u>
Total current liabilities	<u>267,258</u>	<u>197,612</u>	<u>464,870</u>
Noncurrent Liabilities			
Accrued compensated absences	<u>4,814</u>	<u>998</u>	<u>5,812</u>
Total noncurrent liabilities	<u>4,814</u>	<u>998</u>	<u>5,812</u>
Total liabilities	<u>272,072</u>	<u>198,610</u>	<u>470,682</u>
NET POSITION			
Net investment in capital assets	603,604	2,501,613	3,105,217
Unrestricted (deficit)	<u>(265,831)</u>	<u>(196,324)</u>	<u>(462,155)</u>
Total net position	<u>\$ 337,773</u>	<u>\$ 2,305,289</u>	<u>\$ 2,643,062</u>

CITY OF CHEYENNE, WYOMING

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - NONMAJOR PROPRIETARY FUNDS
Year Ended June 30, 2017**

	Civic Center Fund	Ice and Events Center Fund	Nonmajor Proprietary Funds Totals
Operating revenues			
Sales and charges for services	\$ 519,872	\$ 333,530	\$ 853,402
Fees and miscellaneous	86,380	538	86,918
Total operating revenues	<u>606,252</u>	<u>334,068</u>	<u>940,320</u>
Operating expenses			
Administrative and general	794,380	623,936	1,418,316
Depreciation	101,380	127,382	228,762
Parts and supplies	29,385	25,225	54,610
Intra-city charges	16,544	3,019	19,563
Total operating expenses	<u>941,689</u>	<u>779,562</u>	<u>1,721,251</u>
Operating income (loss)	<u>(335,437)</u>	<u>(445,494)</u>	<u>(780,931)</u>
Non-operating income (expenses)			
Gain (loss) on sale of assets		(751)	(751)
Total non-operating income (expenses)	<u>-</u>	<u>(751)</u>	<u>(751)</u>
Income (loss) before contributions and transfers	(335,437)	(446,245)	(781,682)
Transfers in	<u>200,000</u>	<u>256,085</u>	<u>456,085</u>
Change in net position	(135,437)	(190,160)	(325,597)
Total net position - beginning of year	<u>473,210</u>	<u>2,495,449</u>	<u>2,968,659</u>
Total net position - end of year	<u>\$ 337,773</u>	<u>\$ 2,305,289</u>	<u>\$ 2,643,062</u>

CITY OF CHEYENNE, WYOMING

COMBINING STATEMENT OF CASH FLOWS
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2017

	Civic Center Fund	Ice and Events Center Fund	Nonmajor Proprietary Funds Totals
Cash flows from operating activities			
Cash received from customers	\$ 367,441	\$ 333,666	\$ 701,107
Cash payments to suppliers	(327,508)	(377,426)	(704,934)
Cash payments to employees	(421,751)	(268,107)	(689,858)
Net cash provided by (used in) operating activities	(381,818)	(311,867)	(693,685)
Cash flows from noncapital financing activities			
Transfers from other funds	200,000	256,085	456,085
Proceeds from due from other funds	50,000	50,000	100,000
Net cash provided by noncapital financing activities	250,000	306,085	556,085
Net increase (decrease) in cash and cash equivalents	(131,818)	(5,782)	(137,600)
Cash and cash equivalents - beginning of year	133,460	7,151	140,611
Cash and cash equivalents - end of year	\$ 1,642	\$ 1,369	\$ 3,011
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (335,437)	\$ (445,494)	\$ (780,931)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	101,380	127,382	228,762
Increase (decrease) in cash and cash equivalents resulting from changes in operating assets and liabilities			
Receivables	(1,368)	(402)	(1,770)
Accounts payable	102,576	(6,285)	96,291
Accrued salaries including vacation and sick leave	(11,526)	12,932	1,406
Unearned revenue	(237,443)	-	(237,443)
Net cash provided by (used in) operating activities	\$ (381,818)	\$ (311,867)	\$ (693,685)

SINGLE AUDIT SECTION

CITY OF CHEYENNE, WYOMING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Passed Through To Subrecipients	Expenditures June 30, 2017
U.S. Department of Agriculture				
Pass through program from Wyoming State Forestry Division Cooperative Forestry Assistance	10.664	-	-	\$ 36,528
U.S. Department of Commerce Direct Program				
Investments for Public Works and Economic Development Facilities	11.300	05-01-05628	-	236,228
U.S. Department of Housing and Urban Development Direct Program				
CDBG - Entitlement Grants Cluster: Community Development Block Grants/Entitlement Grants	14.218	-	312,956	428,230
U.S. Department of the Interior				
Pass through program from Wyoming Department of State Parks and Cultural Resources				
Historic Preservation Fund Grants-In-Aid	15.904	56-16-00000.02	-	11,250
Historic Preservation Fund Grants-In-Aid	15.904	56-16-00000.07	-	26,616
Historic Preservation Fund Grants-In-Aid	15.904	56-17-00000.03	-	1,754
Outdoor Recreation Acquisition, Development and Planning	15.916	56-00895	-	27,308
Total U.S. Department of the Interior				\$ 66,928
U.S. Department of Justice				
U.S. Department of Justice Direct Programs				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders (CARI)	16.590	2015-WE-AX-0003	-	\$ 112,501
Bulletproof Vest Partnership Program	16.607	FY2014	-	5,860
Total U.S. Department of Justice Direct Programs				118,361
U.S. Department of Justice Pass Through Programs				
Pass through from Volunteers of America Northern Rockies/ Laramie County Juvenile Justice and Delinquency Prevention	16.540	2015-JF-FX-K001	-	11,952
Pass through from Wyoming Division of Victim Services				
Violence Against Women Formula Grants	16.588	2014-WF-AX-0010 (LE)	-	7,755
Crime Victim Assistance	16.575	2014-VA-GX-0036	-	71,369
Pass through from Wyoming Association of Sheriffs and Chiefs of Police				
Enforcing Underage Drinking Laws Program	16.727	PFS - 2016	-	12,852
Enforcing Underage Drinking Laws Program	16.727	PFS - 2017	-	6,173
Subtotal Enforcing Underage Drinking Laws Program				19,025
JAG Program Cluster:				
Pass through from Laramie County				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-DJ-BX-1060	-	\$ 8,595
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015	-	22,511
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016	-	7,895
Subtotal JAG Program Cluster				39,001
Total U.S. Department of Justice Pass Through Programs				149,102
Total U.S. Department of Justice				\$ 267,463

Continued

CITY OF CHEYENNE, WYOMING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
 Year Ended June 30, 2017

Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Passed Through To Subrecipients	Expenditures June 30, 2017
U.S. Department of Transportation				
U.S. Department of Transportation Direct Program				
Federal Transit Formula Grant	20.507	90-X057-00	-	283,736
Federal Transit Formula Grant	20.507	90-X059-00	-	571,289
Total U.S. Department of Transportation Direct Programs				855,025
U.S. Department of Transportation Pass Through Programs:				
Highway Planning and Construction Cluster:				
Pass through from Wyoming Department of Transportation				
Highway Planning and Construction (West Lincolnway)	20.205	STP-E- 359.55 P561039	-	426,846
Highway Planning and Construction (Saddle Ridge Greenway)	20.205	CD 0.00 CD15003	-	82,506
Subtotal Highway Planning and Construction Cluster				509,352
Pass through from Wyoming Department of Transportation				
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	-	-	811,916
State and Community Highway Safety Cluster:				
Pass through from Wyoming Department of Transportation				
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	154AL-2016-AL-03	-	37,439
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	MH5VE-2017-17-HV-01	-	16,688
Pass through from Wyoming Association of Sheriffs and Chiefs of Police				
National Priority Safety Program	20.616	Non-DUI - FY2016	-	3,654
National Priority Safety Program	20.616	DUI - FY2016	-	10,311
National Priority Safety Program	20.616	Non-DUI - FY2017	-	29,385
National Priority Safety Program	20.616	DUI - FY2017	-	8,777
National Priority Safety Program	20.616	DRE	-	541
Subtotal State and Community Highway Safety Cluster				106,795
Total U.S. Department of Transportation Pass Through Programs				\$ 1,428,063
Total U.S. Department of Transportation				\$ 2,283,088
U.S. Environmental Protection Agency				
U.S. Environmental Protection Agency Direct Programs				
Brownfields Training, Research and Technical Assistance Grants and Cooperative Agreements	66.814	TR-96805701-0	-	\$ 13,036
U.S. Environmental Protection Agency Pass Through Programs				
Pass through from Wyoming State Land and Investment Board				
Capitalization Grants for Drinking Water State Revolving Fund	66.468	Various	-	431,401
Pass through from Wyoming Department of Environmental Quality Nonpoint Source Implementation Grant	66.460	319	-	332,972
Total U.S. Environmental Protection Agency Pass Through Programs				764,373
Total U.S. Environmental Protection Agency				\$ 777,409
U.S. Department of Education				
Pass through from Laramie County Community Partnership				
Twenty First Century Community Learning Centers	84.287	Cohort 11	-	\$ 99,917
Twenty First Century Community Learning Centers	84.287	Cohort 8	-	106,743
Total U.S. Department of Education				\$ 206,660

Continued

CITY OF CHEYENNE, WYOMING

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

Year Ended June 30, 2017

Federal Grantor/ Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass Through Grantor's Number	Passed Through To Subrecipients	Expenditures June 30, 2017
U.S. Department of Health and Human Services				
Pass through from Wyoming Department of Health Special Programs for the Aging, Title III, Part B Grants for Supportive Services and Senior Centers	93.044	-	-	\$ 41,564
U.S. Department of Homeland Security				
Pass through from Wyoming Office of Homeland Security Pre-Disaster Mitigation	97.047	14FEMA-CHE-PD-PDCH14	-	\$ 78,599
Homeland Security Grant Program	97.067	15-GPD-RR7-RR-HRT15	-	289,774
Homeland Security Grant Program	97.067	14-GPD-BT7-BM-HMB14	-	20,000
Homeland Security Grant Program	97.067	14-GPD-CHE-LP-HLE14	-	50,235
Total U.S. Department of Homeland Security				\$ 438,608
Total Expenditures of Federal Awards			\$ 312,956	\$ 4,782,706

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this Schedule.

CITY OF CHEYENNE, WYOMING

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the Federal award activity of the City under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City uses a 2.82% indirect cost rate as approved by the U.S. Department of Housing and Urban Development.



**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**

Honorable Mayor and Members of the City Council
City of Cheyenne
Cheyenne, Wyoming

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Cheyenne, Wyoming (the "City") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2018.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

The City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying Exhibit I, Corrective Action Plans. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

McLee, Hearne & Paiz, LLP

Cheyenne, Wyoming
March 23, 2018



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Members of the City Council
City of Cheyenne
Cheyenne, Wyoming

Report on Compliance for Each Major Federal Program

We have audited the City of Cheyenne, Wyoming (the "City's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major Federal programs for the year ended June 30, 2017. The City's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Questioned Costs, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003 to be a material weakness.

The City's response to the internal control over compliance finding identified in our audit is described in Exhibit I, Corrective Action Plans. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McLee, Hearne & Paiz, LLP

Cheyenne, Wyoming
March 23, 2018

CITY OF CHEYENNE, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major Federal programs:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major Federal programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516 (a)? Yes No

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
11.300	Investment for Public Works and Economic Development Facilities
20.505	Metropolitan Transportation Planning

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

CITY OF CHEYENNE, WYOMING

SCHEDULE OF FINDINGS AND QUESTIONED COSTS Year Ended June 30, 2017

II. FINANCIAL STATEMENT FINDINGS

2017-001: Audit Adjustments

Criteria: Under professional auditing standards, a control deficiency exists as City personnel did not identify multiple adjusting journal entries, which were material to the City's financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Condition/Context: As part of our audit, significant adjustments were proposed and recorded in order to properly state the financial statements in accordance with GAAP.

Cause: The Treasurer's Department has extensive experience in financial statements prepared in accordance with GAAP. However, as a result of turnover in multiple departments, certain adjustments were required and were not identified by City personnel.

Effect: Significant adjustments identified during the audit were as follows:

- Amounts accrued as accounts receivable were not received within the modified accrual period (90 days after year end, and 60 days after year end for property taxes), thereby overstating revenue within the governmental funds.
- Accounts receivable was overstated as a result of duplicate entries.
- Accounts payable was overstated in one instance for an invoice where the purchased goods were not received until the subsequent fiscal year, and accounts payable was understated for retainage payable to contractors on significant projects of the City.
- Property and equipment was understated for governmental activities and business-type activities.

Views of Responsible Officials and Planned Corrective Action: See Exhibit I.

2017-002: Timely Reconciliations

Criteria: In accordance with the City's Accounting Manual, certain reconciliations should be performed at least monthly for bank accounts (including all receipts and disbursements of funds), accounts receivable, and Federal expenditures to ensure amounts are properly reported in the general ledger and accounting system. As a best practice, accounts payable should also be periodically reconciled.

Condition/Context: During the course of our audit, we noted the City did not timely reconcile the balances as indicated above, which resulted in adjustments posted by the Treasurer's Department several months after year end as well as adjustments proposed by us during the audit process.

CITY OF CHEYENNE, WYOMING

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Cause: The Treasurer's Department has extensive experience in accounting and internal control processes, including preparation of reconciliations. However, as a result of turnover in multiple departments, certain reconciliations were not performed timely, which resulted in various adjustments by the Treasurer's Department and auditors several months after year end

Effect: Adjustments were posted to cash, accounts payable, and property and equipment as a result of reconciliations not being performed timely.

Views of Responsible Officials and Planned Corrective Action: See Exhibit I.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2017-003: Schedule of Expenditures of Federal Awards

Criteria: Per 2 CFR 200.502 and 2 CFR 500.510, the auditee shall identify in its accounts all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of Federal agency, and name of pass-through agency.

Condition/Context: The Schedule of Expenditures of Federal Awards (SEFA) provided by the City reported excess Federal fund expenditures compared to actual activity for the fiscal year. Specifically, we noted that one award (CFDA #66.814 - Brownsfield Area-Wide Planning) reported excess expenditures of approximately \$760,000.

Cause: Due to recent personnel turnover at the City, this funding source was not clearly identified in the accounting system as state and local funds to complete the pump house project, rather than Federal funds for CFDA #66.814 - Brownsfield Area-Wide Planning. Internal control processes that would normally identify issues of this nature did not occur prior to audit procedures identifying this issue.

Questioned Costs: \$0

Effect: An inaccurate or incomplete Schedule of Expenditures of Federal Awards could result in the improper identification and/or exclusion of major Federal programs and the related audit requirements.

Recommendation: We recommend the City review the internal control system in place over the preparation of the Schedule of Expenditures of Federal Awards and either revise the timing of the current internal controls and/or implement new internal controls to ensure that the SEFA is accurate and complete.

Views of Responsible Officials and Planned Corrective Actions: See Exhibit I.

CITY OF CHEYENNE, WYOMING

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2017

There were no findings for the year ended June 30, 2016.

EXHIBIT I
CORRECTIVE ACTION PLANS



www.cheyennecity.org ●

Amber M. Nuse, CPA, CTFA
McGee, Hearne, & Paiz, LLP
314 W. 18th St.
Cheyenne, WY 82001

Ms. Nuse.

The responses and corrective action plan to the FY 2017 audit findings are below:

2017-001: Audit Adjustments

Criteria: Under professional auditing standards, the control deficiency exists as City personnel did not identify multiple adjusting journal entries, which were material to the City's financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Response and corrective action plan: We have identified the areas where the weakness' occurred and have taken steps to ensure that all adjustments will be recorded timely in the future. Due to the turn over in the Department we were not able to bill and record all receivables timely. This has been corrected and grants are being billed timely. The receivables for property and sales taxes have been addressed also. The City will now post all receivables using the same approach for all tax receivables to ensure amounts recorded each fiscal year are correct.

The City has review the policy for payables at year end to ensure expenditures are recorded in the proper fiscal year. The issue resulted from using the Council's approval date for the effective date. We have changed the effective date to allow for expenditure to post in the correct period at year end.

Property and equipment is now recorded throughout the year rather than only at year end as has been the policy in the past.

2017-002: Timely Reconciliations

Criteria: In accordance with the City's Accounting Manual, certain reconciliations should be performed at least monthly for bank accounts (including all receipts and disbursements of funds), accounts receivable, and Federal expenditures to ensure amounts are properly reported in the general ledger and accounting system. As a best practice, accounts payable should also be periodically reconciled.

Response and corrective action plan: The City does reconcile all bank accounts monthly. We have added an additional bank account to capture all credit card transactions. This allows for a more efficient reconciliation process which can be completed timely.

2017-003: Schedule of Expenditures of Federal Awards

Criteria: Per 2 CFR 200.502 and 2 CFR 500.510, the auditee shall identify in its accounts all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of Federal agency, and name of pass-through agency.

Response and corrective action plan: The City has changed the policy and procedures regarding grant and federal awards. We have added a project ID as a required field for certain accounts. This will allow for more accurate reporting and tracking of grants and awards create efficiency when producing the schedule of federal awards.

These changes along with adding an additional accountant to the staff will allow for more timely reconciliations of account and funds, along with additional reporting of the results of operations.

Sincerely,



Ron Downey
City Treasurer