

BOARD OF PUBLIC UTILITIES

Waterworks and Sewer Enterprise Funds
of the City of Cheyenne, Wyoming



Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2018

Southern Water Transmission Main – Phase III Project

The City of Cheyenne Board of Public Utilities is completing construction on the Southern Water Transmission Main – Phase III. Phase I and II of this large diameter water transmission main have been installed starting at the Sherard Water Treatment plant, heading east along Happy Jack Road then south to Swan Ranch Rail Park. Phase III construction began at West Wallick Road by Afflerbach Elementary, north along College Drive and tied into the existing water system on Morrie Ave. Besides improving water flows, the Southern Water Transmission Main relieves stress and demand on other existing transmission mains, provides redundancy, and improves water deliverability to the southern and eastern part of Cheyenne. The water transmission main project was identified in the 2003 and 2013 Water and Wastewater Master Plans.

Phase III adds approximately seven-miles of 10-inch to 36-inch water mains to the Southern Water Transmission Main. Approximately \$16 million is set aside for Phase III. Funding for Phase III comes from a Wyoming Water Development Commission grant of \$10.72 million and a Drinking Water State Revolving Fund loan through the Wyoming Office of State Lands and Investments of \$5.28 million. The debt service on the loan will be funded from revenue generated through water bills and system development fees.

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

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**Board of Public Utilities
Cheyenne Water and Sewer Department**

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

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

Monday, October 8, 2018

The Board of Public Utilities (Board) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018 (CAFR FY 2018) is hereby submitted. The Board's Administration Division prepared this report, and is responsible for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures.

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

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

McGee Hearne & Paiz LLP, a firm of licensed certified public accountants, has audited the Board's financial statements. The goal of the independent audit is to provide reasonable assurance that the Board's financial statements for the fiscal year ended June 30, 2018 are free of material misstatement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the Board's financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with general accepted accounting principles (GAAP). The independent auditor's opinion is presented as the first component of the financial section.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The Board's MD&A can be found immediately following the report of the independent auditor in the financial section.

THE REPORTING ENTITY AND SERVICES PROVIDED

Any city or town in the State of Wyoming which owns and operates a municipal waterworks, a sanitary sewer system, a sewage disposal plant or an electric utility distribution system may establish a board of commissioners, to be known as the Board of Public Utilities. On April 27, 1943, the City of Cheyenne established such a board. This year marks the Board of Public Utilities 75th anniversary. The board manages, operates, maintains and controls the water treatment plants, water mains, sanitary sewer systems and water reclamation plants, and makes all procedures and regulations necessary for their safe, economical and efficient operation and management.



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

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

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

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

GENERAL INFORMATION

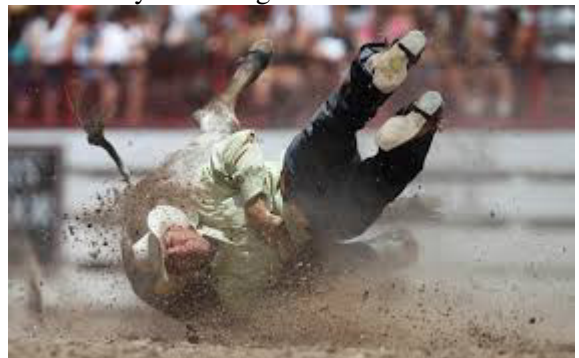
Cheyenne, located along the first trans-continental railroad, started as an early Union Pacific railroad tent town in 1867 and was named after the Cheyenne Native American Tribe who resided in the general area. Shortly after the establishment of Cheyenne, the United States Army established Fort D.A. Russell on the western side of the city. Since the creation of Fort D.A. Russell, (now F.E. Warren Air Force Base), there has been a military



presence in Cheyenne and continues to remain an integral part of the community. As a railroad hub, Wyoming's capital and largest city has always been an important Western crossroads and a unique blend of western cowboy, military, and contemporary cultures.

From the state-of-the art water reclamation plants at Crow Creek and Dry Creek east of Cheyenne to the City's R.L. Sherard Water Treatment Plant on the west, Cheyenne is a city pioneering new ideas and new technology with the same tenacity, spirit and sensibility of its original settlers.

As an innovative, progressive community, Cheyenne utilizes the world's newest technologies at a friendlier and less frantic pace than larger urban areas; yet it is a city that remembers its roots and retains a unique Western flavor. It is known worldwide for its annual celebration of the west, Cheyenne Frontier Days,



the Daddy of ‘Em All’ which draws large crowds from across the nation and around the world.

According to the State of Wyoming Economic Analysis Division report, Cheyenne has an estimated population, as of July 2017, of 63,624 and a county population of 98,136. The City of Cheyenne has been designated a Standard Metropolitan Statistical Area (50,000 population or greater) since 1985.

Cheyenne retains a unique combination of business advantages:

- Being near the geographic and time center of the North American Continent.
- Serves as a transportation hub with easy access to Interstates 80 and 25.
- Has two major railroads in the Union Pacific and the Burlington Northern rail roads.
- Serves as the northern anchor city of the rapidly expanding Front Range Region of the Rocky Mountains.
- A tax friendly environment for businesses.
- Multiple industrial parks including a newly developed 2,500-acre heavy industrial park with access to the Union Pacific and Burlington Northern rail roads as well as two interstate highways.
- Close proximity to other front range communities.
- University of Wyoming, Colorado State University, and University of Northern Colorado, with more than 50,000 students combined are all within 45-minute commuting distances.
- A major Fiber Switching Center with many high-speed data services including DSL, ATM, Frame Relay and ISDN.

ECONOMIC CONDITION AND OUTLOOK

According to the Wyoming Center for Business & Economic Analysis (WCBEA) during the first quarter of 2018 Cheyenne has yet to return to the level of economic activity it experienced prior to the decline in energy prices and the subsequent downturn in the Wyoming economy. While several of Cheyenne’s economic indicators continued to show encouraging signs, including retail sales, tax collections, oil activity and home prices, other economic indicators highlighted less robust sectors, including labor and construction.

Estimated retail sales for the first quarter of 2018 were \$327,465,000. This was an increase of 12.4 percent from one year ago and a decrease of 2.0 percent from the fourth quarter of 2017. From the first quarter of 2017 to the first quarter of 2018, all but three of fourteen subsectors had an increase in retail sales. Four subsectors are consistently the top contributors, accounting for about 55.5 percent of retail sales in Laramie County – Automobile Sales, Eating and Drinking Places, Building Material & Garden, and General Merchandise Stores. Of these top four subsectors, there were increases over the last year in all four: Automobile Sales (0.3%), Building Material and Garden (8.5%), Eating and Drinking Places (4.8%) and General Merchandise Stores (5.5%).

Total tax collections and tax receipts by local governments fell from the fourth quarter of 2017 to the first quarter of 2018. Tax collections fell by 4.5 percent and tax receipts fell by 3.5 percent. However, both of these indicators were up over the last year – tax collections rose by 15.3 percent and tax receipts rose by 15.1 percent from the first quarter of 2017 to the first quarter of 2018. While it was encouraging to see the year-over-year increase in tax collections in Laramie County, it is worth noting that the \$27,304,000 in tax collections in the first quarter of 2018 was 10.0 percent lower than tax collections three years ago, in the first quarter of 2015.

The average sales price for homes in the city of Cheyenne fell over the last quarter, from \$244,757 in the fourth quarter of 2017 to \$237,017 (-3.2%) in the first quarter of 2018. The average sales price was up over the last year, from \$228,674 in the first quarter of 2017 to \$237,017 in the first quarter of 2018 (3.6%).

The number of unemployed workers fell over the last year, from 2,117 in the first quarter of 2017 to 1,930 in the first quarter of 2018 (-8.9%). The number of unemployed workers rose over the last quarter, from 1,695 in the fourth quarter of 2017 to 1,930 in the first quarter of 2018 (13.8%).

In Cheyenne the number of single-family building permits decreased from 67 in the first quarter of 2017 to 45 in the first quarter of 2018 (-32.8%). The average monthly value of authorized commercial construction in the city fell 10.8 percent over the last year, from first quarter of 2017 to the first quarter of 2018.

The continuing threat to the local government's economy is the impact of sustained low energy prices and the corresponding decrease in severance tax revenue to the state government. As the state's budget becomes more problematic the allocation of funds received by the local governments from the state could see significant decreases. Additionally, grant monies from the Wyoming Water Development Commission will see significant reductions. These reductions will force water utilities to increase debt loads, in future years.

CHEYENNE LABOR MARKET

	1Q 2016	1Q 2017	4Q 2017	1Q 2018	2 Year % Chg 1Q/2016 - 1Q 2018	1 Year % Chg 1Q/2017 - 1Q 2018	Qtrly % Chg 4Q/2017 - 1Q 2018
Avg Monthly Civilian Labor Force (LAUS)	49,241	49,091	47,711	47,690	-3.15%	-2.85%	-0.04%
Avg Monthly Employment (LAUS)	46,889	46,974	46,015	45,759	-2.41%	-2.59%	-0.56%
Avg Monthly Unemployment (LAUS)	2,351	2,117	1,695	1,930	-17.91%	-8.83%	13.86%
Avg Monthly Unemployment Rate (LAUS)	4.8%	4.3%	3.5%	4.1%	-14.58%	-4.65%	17.14%
(LAUS) - Local Area Unemployment Statistics							

GENERAL BUSINESS ACTIVITY

	1 Q 2016	1 Q 2017	4Q 2017	1 Q 2018	2 Year % Chg 1Q 2016- 1Q/2018	1 Year % Chg 1Q /2017- 1Q/2018	Qtrly % Chg 4Q/2017 - 1Q/2018
Auto Registrations New & Used	2,846	2,875	3,101	2,771	-2.62	-3.61	-10.63
Avg Monthly Enplanements - Cheyenne Airport	165	228	59	89	-46.264	-61.05	50.28
Total Retail Sales (\$000)	298,579	291,237	334,125	327,465	9.675	12.44	-1.99
Avg Monthly Bankruptcies	9	13	14	14	46.43	2.50	0.00

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

Microsoft to complete Cheyenne Data Center Expansion

After an 18-month delay, Microsoft has begun work to complete a promised expansion of its data center operations west of town.

The Redmond, Washington-based technology giant originally announced the expansion at a 2015 news conference with Wyoming Gov. Matt Mead, where officials said the company planned to spend more than \$200 million and double the 25 permanent jobs at the center within one to two years.

In 2015, the expansion was expected to bring the company's total investment in the data center to \$750 million and employment to 50 full-time jobs. The function of Microsoft's data centers here and around the world is to host data for the company's cloud services like search engine Bing, video chat application Skype and online gaming platform Xbox Live.



Cheyenne ranked one of best small cities in nation for starting a business

In April Cheyenne was named the fifth-best small city in the nation to start a business by a personal finance website, validating what local leaders say has been a concerted effort to improve the economic climate in Wyoming's capital and largest city. Cheyenne's fifth-place rank placed it behind Holland, Michigan, St. George, Utah, Aberdeen, South Dakota and Wilson, North Carolina. Laramie was ranked 52, Casper 128 and Gillette 320.

Wallethub, the website behind the ranking, scored over 1,000 small cities across a range of metrics that were consolidated into three categories — "business environment," "access to resources" and "business costs." Cheyenne placed first in the nation for "business environment," where it received boosts for growth in the number of local small businesses and the number of "startups" per capita.



Cheyenne ranked the most affordable state capital in America

According to a new WalletHub study, Cheyenne has the lowest cost of living of any state capital in the country. Cheyenne's economy also ranked among the top five. The study compared the 50 state capital cities on several factors, including median household income, employment rate, education, health, nightlife and entertainment options. Cheyenne ranked 16th overall; first for affordability, fourth for economic well-being. Adjusted for cost of living, Cheyenne's median income ranked third in the study. Cheyenne also had the fifth lowest percentage of the population living below the poverty line.

In order to identify the best state capitals to live in, WalletHub compared all 50 across four key dimensions: 1) Affordability, 2) Economic Well-Being, 3) Quality of Education & Health and 4) Quality of Life. Cheyenne received an over-all rating as the 16th best capital to live in.

Cheyenne Botanic Garden Conservatory Completion

The Grand Conservatory building, part of the Cheyenne Botanic Gardens, opened in August of 2017. The four story glass conservatory holds hundreds of plant varieties as well as a 34 foot tall palm tree.

According to Shane Smith, Director of Cheyenne Botanic Gardens, "It's unheard of for a city the size of Cheyenne (population 60,000) to have professionally staffed botanic gardens that are open year-round with a curated collection. The general rule of thumb is you need a half-million people to support a botanic gardens."

The community approved two sixth-penny sales tax votes in 2012 that provided about \$16 million to design and build the building as well as areas like the parking lot. Another \$2 million was raised through private donations.



Historically, while the economic growth is welcome and encouraged, the large base of federal, state and local government continues to add stability to Cheyenne's economy. That base has helped the City weather downturns in the state's energy and agricultural sectors in the 1980s, 1990s, 2008, and the current oil and coal downturn.

In summary, the local economy has continued to show signs of recovery from the downturn that occurred related to the subsequent decline, statewide, in energy prices. While several of the local economic indicators continued to show encouraging signs, including retail sales, tax collections, oil activity and home prices, other economic indicators highlighted less robust sectors, including labor and construction.

MAJOR INITIATIVES

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

Southern Water Main Phase III

Toward the end of the fiscal year the Southern Water Transmission Main Project Phase III reached substantial completion. The project was budgeted at \$16.4 million and consisted of about 6.8 miles of water main (36-inch – 8-inch). The Project began where the Phase II 42-inch pipeline ended, continued east along the Wallick Road alignment as a 36-inch pipeline.

The project was financed through a Wyoming Water Development grant in the amount of 67% of the project cost and a loan from the State Loan and Investment Board in the amount of 33% of the project cost.

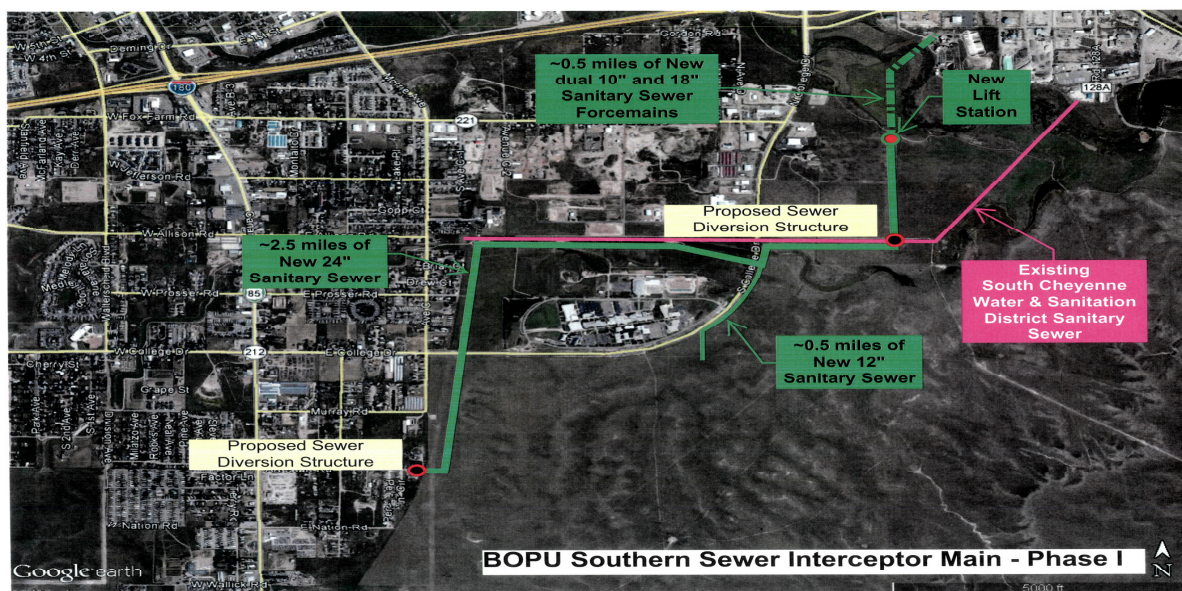


Phase One Southern Sewer Interceptor Main

Phase One of the Southern Sewer Interceptor Main Project is currently near substantial completion. Phase One Southern Sewer Interceptor Main will collect sewage from the southern portion of Cheyenne and deliver the sewage to the Crow Creek Water Reclamation Facility (CCWRF). Project budgeted at \$12.8 million.

The Project will:

- Provide enhanced sewer services to the southern portion of Cheyenne.
- Includes 4.4 miles of sewer main (12-inch – 36-inch) and a sewage lift station.
- Increase sewage flows into the CCWRF, which has existing capacity.
- Provide needed expansion of water supply to the recycled water treatment works located at the CCWRF. The expansion of the water supply to the recycled water treatment works will support expansions of the recycled water irrigation systems and increased usage of recycled water, thus allowing valuable potable water resources currently used for irrigation to be redirected as needed.



Other Initiatives

Effective January 1, 2019, the multi-tiered water rate for single family residential will increase approximately 3.0%.

Water Volume Rate Charge Per 1,000 Gallons

<u>Residential (in-city)</u>		<u>Jan 01, 2017</u>	<u>Jan 01, 2018</u>	<u>Jan 01, 2019</u>
First Block	First 6,000	\$4.05	\$4.17	\$4.29
Second Block	Next 18,000	5.01	5.15	5.30
Third Block	Next 18,000	6.21	6.39	6.58
All Over	42,000	7.73	7.96	8.19

The volume rate charge per 1,000 gallons of drinking water for commercial users during these same time periods of January 1, 2017, January 1, 2018 and January 1, 2019 are as follows: \$4.65, \$4.79, and \$4.93, respectively.

The volume rate charge per 1,000 gallons for sewerage for all users during these same time periods of January 1, 2017, January 1, 2018 and January 1, 2019 are as follows: \$4.63, \$4.76, and \$4.90, respectively.

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

Fiscal Year 2018 marked the release of the Board's 19th Consumer Confidence Report, an annual report on the quality of the City's drinking water. Once again, the Board was pleased to report that Cheyenne's drinking water is safe and meets or exceeds all state and federal standards and requirements. Tests for 76 chemicals and potential contaminants during the calendar year revealed no violations.

The report concluded: "Our goal is to provide the community of Cheyenne with safe, quality drinking water that meets federal and local requirements at the lowest cost. We encourage all of our water customers to learn about Cheyenne's water system and the Safe Drinking Water Act requirements and to help us protect our valuable water sources, which are the heart of our community, our way of life and vital to our future."

Other noteworthy initiatives during FY 2018 included another ambitious round of water and sewer main rehabilitations. Water and sewer main rehabilitation is an annual priority to keep the City's water distribution and wastewater collection systems in top shape.

FOR THE FUTURE

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

FY 2019 projects include:

Evers Boulevard Project

The City of Cheyenne plans to reconstruct Evers Boulevard from Bishop Boulevard to Brittany Drive. As part of this project, the Board of Public Utilities will replace water and sewer infrastructure within the project limits. The water mains are 1960 and 1970 cast iron pipe and the sewer mains are vitrified clay pipe. The project includes the replacement of up to 5,500 feet of existing water main with PVC pipe and the replacement of the existing parallel sewer mains with 3,000 feet of a single PVC sewer main if possible depending on utility construction restrictions. Total FY19 budget \$1,550,000



Enterprise Resource Planning Software Replacement Project (Cowpoke)



Cowpoke, a project currently underway, to replace the current Enterprise Resource Planning (ERP) software. New modules will include an H.R. Package, General Ledger, Payroll, Accounts Payable, Budgeting, Fixed Assets, Inventory, Investment/Debt Management, and Purchasing Systems (\$1,426,000 budget). General Ledger, Accounts Payable and other financial pieces of the project are scheduled to come on-line in the spring of 2019. Payroll and H.R.

modules are scheduled to go live toward the end of the fiscal year.

Sherard Hydroelectric Generation Facility

Approximately 70% of Cheyenne's municipal water supply comes from surface water stored in reservoirs. This surface water is conveyed through a series of reservoirs, pipelines and streams ultimately reaching Crystal Reservoir. At Crystal Reservoir, the water is diverted into pipelines and conveyed approximately 15 miles to the Sherard Water Treatment Plant.

There is a 525-foot elevation difference between Crystal Reservoir and the Sherard Water Treatment Plant. This elevation difference generates 250 pounds per square inch (psi) of water pressure at the water treatment plant. The Hydroelectric Generation Facility will use this pressure to generate electricity. Water that enters the plant will be diverted to a 950 kilowatt 4-jet, vertical-axis turbine. This turbine was selected because it will provide the greatest power output at multiple flows and provides the best value. The generator is expected to produce approximately 4,000,000 kilowatt hours annually. The turbine will be housed in a steel frame building approximately 36 feet by 36 feet wide and at least 40 feet tall. The turbine, generator, switchgear, controls and ancillary equipment would be located on the second floor. Water leaving the generator will be collected in a basin approximately 25 feet tall. This elevation is needed to provide enough head pressure to allow water to flow through the water treatment plant's treatment processes.



The turbine is under construction with Gilbert, Gilkes & Gordon and will be delivered in the summer of 2019. The building to house the turbine is being designed by Wenck Associates who plan to release an invitation to bid for construction in late fall 2018 with construction beginning spring 2019. It is anticipated that the generator will produce electricity by fall 2019. Once completed the generator will, at times, service all of the Sherard Water Treatment Plant electrical needs and allow for the excess generation capacity to be sold back to the service provider.

Other Items for 2018:

On June 12, 2018, the City Governing Body adopted the water and sewer enterprise fund budgets as recommended by the Board for fiscal year 2019 (July 1, 2018 to June 30, 2019). The Board's combined water and sewer budget for fiscal year 2019 of \$37,152,350 is \$42,814,966 less than fiscal year 2018's adjusted budget.

Relevant Financial Policies

During the course of fiscal year 2018, there were no significant financial policy changes.

Administrative Controls

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

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

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the Board for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 40th consecutive year that the Board has received this prestigious award.


In Conclusion

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

In closing, the Board Members and Management continue to provide valuable leadership, planning and direction for Cheyenne's water and wastewater systems. Serving nearly 76,000 residents, these systems will continue to play a vital role in the development and growth of our City for many years to come.

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

Respectfully submitted,

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

Randy K. Hays
Administration Manager/Assistant City Treasurer



Government Finance Officers Association

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

Presented to

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

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO

BOARD OF PUBLIC UTILITIES

**– BOARD MEMBERS –
-JUNE 30, 2018-**



**Joe Bonds
Board President
Board Member since June 1, 2007
Term expires: June 1, 2019**



**Mary Guthrie
Board Secretary
Board Member since June 18, 2015
Term expires: June 1, 2021**



**John Edwards
Board Member
Board Member since June 18, 2018
Term expires: June 1, 2024**



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



**Matt Pope
Board Member
Board Member since September 9, 2013
Term expires: June 1, 2021**

LIST OF PRINCIPAL OFFICIALS

As of June 30, 2018 the following is a list of principal officials of the Board of Public Utilities, City of Cheyenne:

<u>Elected and Appointed Officials</u>	<u>Current Term Expires</u>	<u>Position</u>
Marian Orr	January – 2021	Mayor
Joe Bonds	June – 2019	Board President
Mary Guthrie	June – 2021	Board Secretary
James Murphy	June – 2019	Board Member
Matt Pope	June - 2021	Board Member
John Edwards	June – 2024	Board Member

Management:

Brad A. Brooks, Director
Randy Hays, Administration Manager
Bruce Hattig, Engineering and Water Resource Manager
Clint Bassett, Water Treatment Manager
Frank Strong, Operations and Maintenance Manager
Nate Kie, Water Reclamation Manager
Kathy Kellner, Human Resource Manager

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

When Union Pacific Railroad construction crews wintered along the banks of Crow Creek in 1867, the little stream flowing onto the plains from the Rocky Mountains provided plenty of fresh water for the railroad camp and the town that grew up around it. In July or 1867 General Grenvill Dodge chief engineer for the Union Pacific platted the site for Cheyenne largely due to the constant supply of water available from Crow Creek. Steam engines required large amounts of water to run successfully over Sherman Summit which Crow Creek would provide. Dodge envisioned Cheyenne as an important division point on the Union Pacific railroad line.

Before any tents or buildings were constructed, Crow Creek Crossing was selected as a strategic railroad hub and military outpost on the transcontinental railway. The crossing was approximately midway on the Union Pacific's length of track, which made it a great location for a depot, maintenance yards, military and supply posts.

Within a week of selecting the site, the City of Cheyenne was surveyed and lots sold. Tent City Cheyenne sprang into existence. When the railroad crews reached Cheyenne on November 10th 1867, crowds of people were waiting for them. Cheyenne's population jumped to 3,000 from the time the route was announced to the day tracks arrived. By February 1868 there were 6,000 residents in town.

Almost immediately after, the U.S. Cavalry established Fort D. A. Russell a few miles to the west. The fort began as a cavalry unit living in tents arranged into a diamond shape for protection from the wind. The cavalry provided protection to the railroad, protected the City of Cheyenne, guarded the Overland Trail and participated in the Great Sioux Indian Wars. By 1885, the fort had grown to eight infantry companies housed in brick buildings.



Above: Tent City Cheyenne, used with permission from Wyoming State Archives.

Throughout this growth, Crow Creek supplied water. The first water delivery system consisted of buckets of water pulled from Crow Creek or public wells. A barrel of Crow Creek water delivered by wagon to a home or business cost \$0.25.

The first water system was installed in 1877. Pipes distributed water from small reservoirs located near the modern day Botanic Gardens and Ames Underpass to strategic commercial locations within Cheyenne. This water was mostly reserved for the rail road and fire protection, which was a major priority for early Cheyenne. When fires broke out, the lack of water meant fires could destroy entire sections of the City before being brought under control.

One such fire broke out on January 11, 1870. A defective flue at a liquor store started a fire that destroyed 80 buildings on two of the main blocks in Cheyenne. Without the water necessary to fight the fire, volunteer fire crews ran from building to building evacuating people, furniture, goods and supplies.

The early residents and businesses within Cheyenne recognized the economic and lifestyle enhancements that access to water provided. In 1882, these citizens petitioned City Council to allow homes and businesses to tap into the water system. Water use was not metered. Instead, customers were charged based on the number of bathrooms and types of water uses at the location. For example, an eight room home with one bathroom and a stable paid \$17 per year in 1883.ⁱ

While an improvement over scooping water from Crow Creek, this early water system wasn't without challenges. The water was described as tasting terrible and many of the residents of Cheyenne considered the reservoirs in Cheyenne to be a source of disease.ⁱⁱ

A second challenge was water pressure. Water pressure was produced using steam engines. The engines required constant attention by City employees. By 1897, the City operated and maintained three pump stations.ⁱⁱⁱ

A third challenge was the limited supply of water. As with all natural streams, Crow Creek flooded in the spring and produced trickles of water in the fall and winter.



To address these challenges, Cheyenne constructed a series of dams, pipelines, a water treatment plant and designed a water distribution system that used gravity to deliver water. Cheyenne constructed four dams on the three branches of Crow Creek between 1902 and 1911, Granite Springs Reservoir, Crystal Reservoir, South Crow Reservoir and North Crow Reservoir. Cheyenne also constructed the pipelines to carry the water approximately 25 miles to Cheyenne.

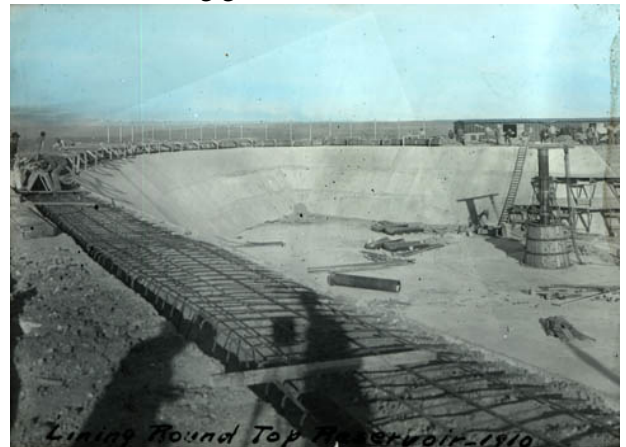
Surface water was treated at the Roundtop Water Treatment Plant, built on a hill west of Cheyenne in 1915. One of Wyoming's first conventional water treatment plants, Roundtop had the capacity to treat 12 million gallons of water a day (MGD).

This distribution system satisfied Cheyenne's water needs until an extended drought period in the mid- 1930s. During this period, Cheyenne's water needs increased and a water shortage was imminent. For the first time, Crow Creek was not able to supply enough water to meet Cheyenne's needs. City officials recognized the crisis and worked quickly to overcome it using groundwater from wells west of Cheyenne.

Seventy five years ago on April 27, 1943, the City of Cheyenne established the Board of Public Utilities (Board) to manage and control the city's water and sewer systems. The Board began studying and addressing the long-range water and sewer needs of Cheyenne. One of their first tasks was to treat sewer. In 1949, the Board began construction on Cheyenne's first wastewater treatment plant (WWTP), Crow Creek WWTP. It was one of the first WWTPs in Wyoming and the Rocky Mountain Region.

With the steady growth of the city during the 1940's and 50's, it was evident that Cheyenne needed to develop an additional source of water. Because water rights in the North Platte River drainage were already appropriated, meaning already assigned to other uses, the Board had to look farther west. The Board found unappropriated water over 115 miles and three mountain ranges to the west in the headwaters of the Little Snake River in the Sierra Madre Mountains on the western slope of the Continental Divide.

The presence of the mountains between the Sierra Madres and Cheyenne made the actual delivery of this water to Cheyenne cost prohibitive. In order to use the water, city leaders developed an intricate trans-basin system whereby water collected from the Little Snake River drainage could be traded for water from the closer and more deliverable Douglas Creek drainage located in the Snowy Range about 75 miles west of Cheyenne.



Water from the North Fork of the Little Snake River and its tributaries on the west side of the Divide, is collected and diverted through a 3,500-foot-long tunnel to the eastern side of the Divide and stored in Hog Park Reservoir. This water is used as trade water. Hog Park Reservoir is on the west side of the North Platte River and Rob Roy Reservoir is on the east. When the Board release water from Hog Park Reservoir into the North Platte River the Board can collect water from the North Platte River at Rob Roy Reservoir.

Water released from the Rob Roy Reservoir travels by gravity about 50 miles where it can be released into the Middle Crow Creek drainage near Vedauwoo, in the Laramie Mountains. The water flowed down creeks in the Crow Creek drainage to Granite and Crystal Reservoirs. Stage I of the system was completed in 1965.

Building on the successes of Cheyenne's previous 100 years, the "Magic City of the Plains" continued to grow and expand. In the 1970s, the Board added to both its water and wastewater treatment capacities. Water treatment capacity increased with the construction of the first R.L. Sherard Water Treatment Plant. Wastewater treatment expanded with the construction of Dry Creek Wastewater Treatment Plant. Dry Creek was expanded again a decade later.

A drought in the late 1970s indicated the need for additional water and the BOPU began looking to expand water resources. In 1982, the BOPU began construction of Stage II of the Little Snake River—Douglas Creek System. The project enlarged Rob Roy Reservoir and Hog Park Reservoir, installed 21 miles of diversion pipeline on the western slope of the Continental Divide and installed a second delivery pipeline from Rob Roy Reservoir to Granite and Crystal Reservoirs. On November 7, 1988, water flowed for the first time through the Stage II Water Delivery

Pipeline. By 1991, the BOPU was operating both Stage I and Stage II at the same time.

The Cheyenne Water Supply Master Plan, completed in July 1994, concluded that due to considerable concrete deterioration, the Roundtop Water Treatment Plant was no longer reliable and recommended it be retired as soon as possible. In addition, the 1990s saw an increase in the number of regulated contaminants and more stringent drinking water regulations under the Safe Drinking Water Act. In order to meet the more stringent drinking water requirements, plant productivity at the Sherard Water Treatment plant had to be reduced.

Above: Decommissioned Round Top WTP.

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

The first was the Northwest Area Raw Water Irrigation Project. This project switched irrigation of two golf courses and a City park to raw, untreated water instead of treated City drinking water. The project freed up as much as three MGD of treated water during peak summer day demands.



Above: Construction of the Hog Park Tunnel.



The second was the design and construction of a new 32 MGD R.L. Sherard Water Treatment Plant. The new Sherard plant replaced the 1915 Roundtop Water Treatment Plant and the original Sherard Water Plant. The new plant was designed to meet or exceed current and future drinking water requirements. It was also designed to be expanded, at some future date, to 50 MGD. The water treatment plant began serving the community in the spring of 2002, just as a multiple-year drought peaked and another water shortage loomed.



Above: Sherard WTP.

At about the same time, the Wyoming Department of Environmental Quality reclassified Crow Creek below the discharges of Cheyenne's wastewater treatment plants. Historically, the creek was classified for uses such as agriculture, industry, recreation, wildlife and scenic value. Under the new classification, designated uses were expanded to also include nongame fisheries, fish consumption, aquatic life other than fish, and primary contact recreation.



Above: Biologic treatment at Crow Creek WRF.

As a result, ammonia and chlorine could no longer be discharged to Crow Creek. This created the need to upgrade both of Cheyenne's wastewater treatment plants.

Upgrades included biological treatment and disinfection. Biologic treatment was enhanced by improving contact with the water. At Crow Creek WWTP, the previous biological treatment consisted of clarified wastewater sprayed across a rock media upon which beneficial bacteria grew. The beneficial bacteria consumed contaminants in the water. Contact with the water was limited by how long it took the water to flow down the rock and freezing temperatures could prevent water from contacting the rock. With the upgrades, beneficial bacteria float freely and attach to pasta-shaped plastic media while being mixed through the water in a series of basins. This increases contact with the water and increases contaminant removal. Both plants implemented the more efficient biological treatment. Disinfection was upgraded from chlorine to ultra-violet light. The treated wastewater flows

through a series of intense ultra-violet lights that sterilizes bacteria.

These upgraded treatment methods meant that Cheyenne had the ability to restore usefulness and value to wastewater. As a result, the Board changed the names of the wastewater treatment plants to water reclamation facilities (WRF). The construction also presented the Board with an opportunity to expand treatment capacity and provide an additional source of water, recycled water.

Like the droughts in the 1880s, 1930s and 1970s, the drought in the early 2000s resulted in increased water use when less water was available. Treated water use peaked at 39.5 MGD. With the combination of water demand, wastewater projects and drought, the Board seized upon an opportunity to realize an observation made by a Board President fifty years earlier.

“The story of the long struggle for water in Cheyenne is typical of the general situation of the arid West, and leads to the conclusion that in order to meet the demands of the future, the existing sources of water must be conserved, and that the residents of this area must learn to use water so that one gallon of the supply provided by nature will perform the duty of two gallons as it is now used.” He continued saying, “Probably the most promising source of additional water at Cheyenne is the reclamation of sewage effluent for industrial use.” – W. J. Dineen, circa 1951.

In the spirit of this observation, the BOPU added additional water treatment capabilities to the Crow Creek WRF. These additional treatment methods produced Class A reuse water, affectionately termed recycled water. Class A reuse water is the most stringent classification of reuse water in Wyoming and has the least restrictions on its use. Recycled water is a drought resistant source of water which will be available even during severe droughts.

The BOPU installed the first large-scale recycled water system in Wyoming and used the water to irrigate parks, athletic fields and green spaces. This reduced peak summer treated water demand by as much as 3 MGD.

During the last decade, the Board continued to prepare for future water demands. In 2003 the Board adopted a water conservation program. The water conservation program has successfully reduced water demand. Since implementing the program, peak water use dropped.



Above: Purple pipe. The recycled water system includes a separate distribution system for recycled water. To differentiate this system from the potable system, purple pipe was used.

In 2003, the Board participated in the purchase of the Belvoir Ranch to expand ground water resources. Since the purchase, the Board and Wyoming Water Development Commission have studied the water resources on the ranch and ways to deliver the water to Cheyenne. Building a pipeline to the ranch is part of the Board’s plans.

In 2007, the Board completed construction of a second delivery pipeline from Crystal Reservoir to the new Sherard Water Treatment Plant. The second pipeline added redundancy and increased supply capabilities in preparation for a future expansion of the plant.

In 2013, the Board completed phase II of the Southern Water Transmission Main. This main was needed to supply water to Cheyenne, provide redundancy and provide relief to the transmission mains that supply water to the northern parts of the City.

Also in 2013, the Board conducted a water and wastewater master plan. This plan identifies and prioritizes the projects the Board needs to accomplish to be able to supply water into the future.

The final phase III of the Southern Water Transmission Main will continue to the east and to the north and will eventually tie into the existing water system near the Holly-Frontier Refinery. Phase III will complete the loop around the southern section of the city. Phase III will be completed in fiscal year 2019.

Phase I of the Southern Sewer Interceptor Main will start construction in near future. Phase I will run from the Crow Creek Water Reclamation to the south and west eventually ending in the vicinity of Artesian Road in the south of Cheyenne. Phase I will reach completion in fiscal year 2019.

Looking ahead, Cheyenne moves into the 21st century with an excellent water supply, adequate treatment capacities and the ability to expand both treatment and delivery of water resources. This was accomplished due to the vision of current and past City leaders, Board Members and Board staff. Under current growth rates, per capita water use, conservation efforts and recycled water capabilities, the Board expects Cheyenne's water resources to meet supply demand into the 2040s. But, as history has taught us, someday, Cheyenne will once again need more water and/or face another drought.

Nearly 150 years have passed and rail cars still rumble through town. Missiliers inhabit the military barracks once used by cavalry. Cattle still graze the grasslands surrounding town. And water is still the precious and limited resource that makes it all possible.



Above: Construction of the Southern Water Transmission Main Phase II.

ⁱ 1883 City Ordinance Concerning the Water Supply for the City of Cheyenne

ⁱⁱ Cheyenne Daily Leader, December 7, 1895

ⁱⁱⁱ History of Utilities, believed to come from preparation work for Cheyenne, the Magic City of the Plains, Centennial Committee, 1967.



The City of Cheyenne Board of Public Utilities Source of Supply Water System



Little Snake River Diversion Pipeline

(Constructed 1960's - Stage I
& Enlarged 1980's - Stage II)



Rob Roy Dam & Reservoir

(Constructed 1966 & Enlarged 1985)



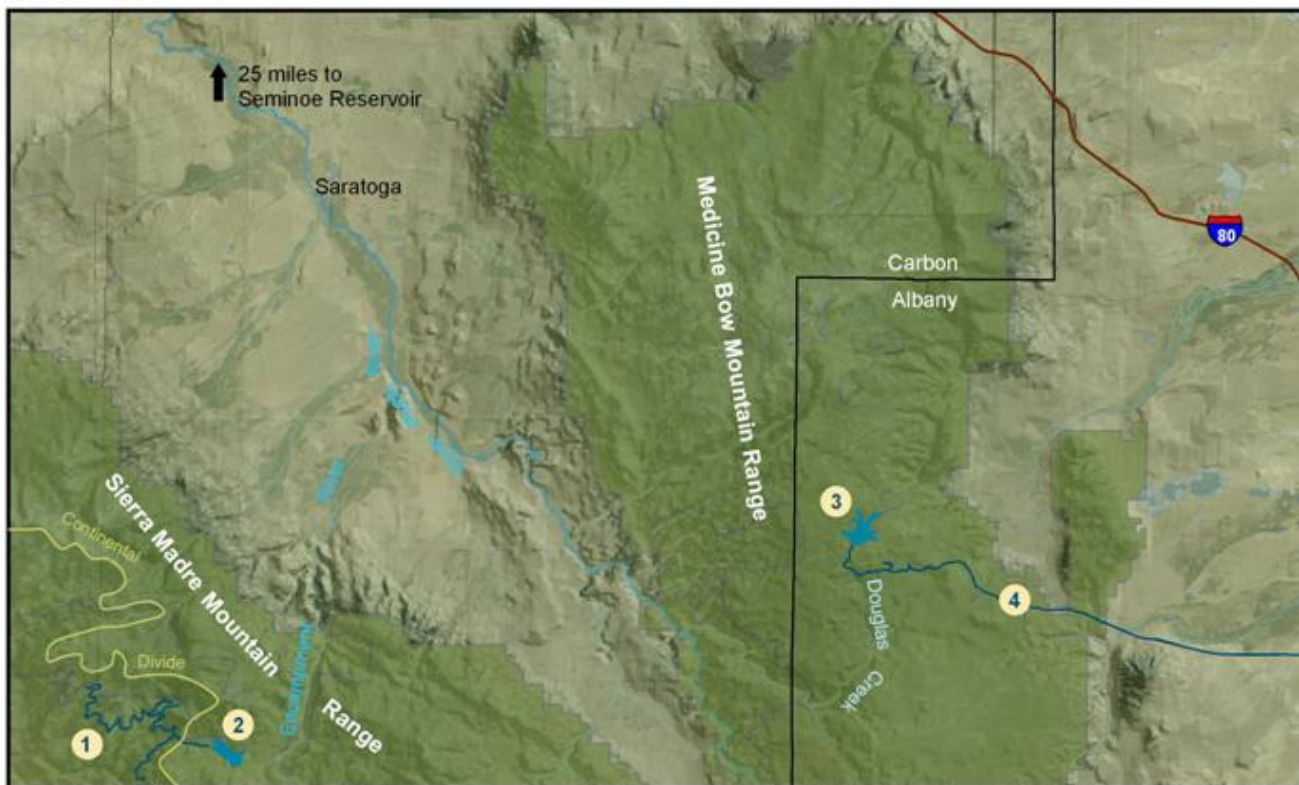
Granite Springs Dam & Reservoir

(Constructed 1902-1904
Rehab in 1986)



South Crow Dam & Reservoir

(Constructed 1911 - Rehab in 2003)



Hog Park Dam & Reservoir

(Constructed 1966 & Enlarged 1985)



Lake Owen Dam & Reservoir

(Constructed 1962)



Crystal Lake Dam & Reservoir

(Constructed 1909-1910
Rehab in 1986)



North Crow Dam & Reservoir

(Constructed 1911
Rehab in 1994)



This map has been prepared by and for the use of The Board of Public Utilities and may contain inaccuracies. Any reliance thereon by third parties is done so at their sole risk.



This map has been made possible through the Cheyenne/Laramie County Cooperative GIS Program. Data contained hereon is for informational purposes only.

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



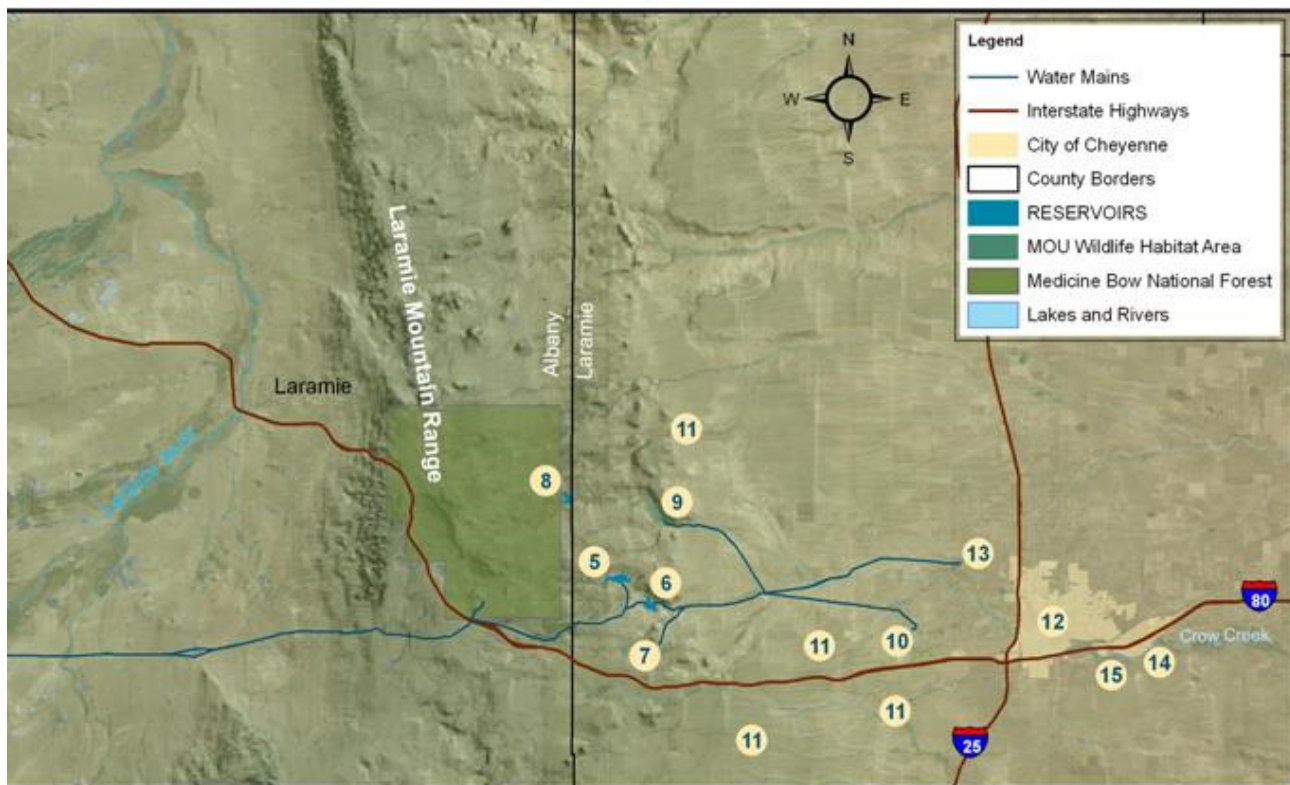
Wells High Plains Aquifer



Roundtop Water Treatment Plant
(Constructed 1915 - Closed 2002)



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



Sherard Water Treatment Plant
(Operation 2002 - Present)

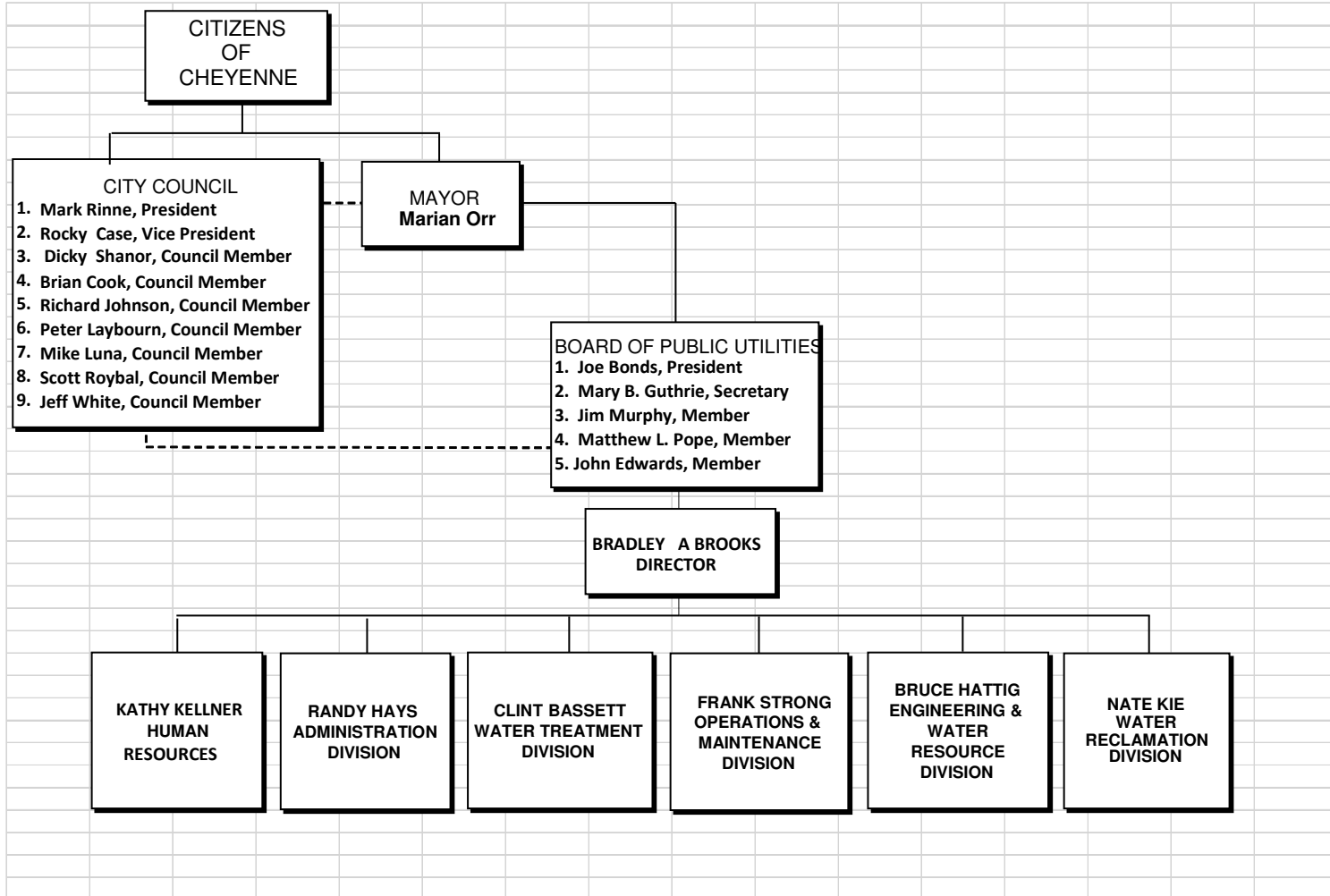


Cheyenne, Wyoming
(Population 55,314 - Board of Public Utilities Customers 21,667)



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

**Board of Public Utilities
City of Cheyenne, Wyoming
Water and Sewer Departments
Organizational Chart
June 30, 2018**





INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the City of Cheyenne, Wyoming Board of Public Utilities (the "Board"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 Board'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 Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Board as of June 30, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 - 17, Schedule of the Board's Proportionate Share of the Net Pension Liability, on page 44, and Schedule of the Board's Contributions and Notes to Required Supplementary Information, on page 45, 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The Budgetary Comparison Schedule, Notes to Budgetary Comparison Schedule, Introductory Section, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Budgetary Comparison Schedule and the related Notes to Budgetary Comparison Schedule are the responsibility of management and were derived from and relate 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.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Emphasis of Matter

As discussed in Note 1, the financial statements of the Board are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the business-type activities and each major fund of the City of Cheyenne, Wyoming that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the City of Cheyenne, Wyoming as of June 30, 2018, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated October 8, 2018, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Board'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 Board's internal control over financial reporting and compliance.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
October 8, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of the Board of Public Utilities (Board) offers readers of the Board's financial statements this narrative overview and analysis of the financial activities of the Board of Public Utilities for the fiscal year ended June 30, 2018.

Readers are encouraged to consider the information presented here along with additional information presented in our letter of transmittal.

Financial Highlights

For fiscal year ended June 30, 2015, the Board implemented GASB 68, Accounting and Reporting for Pensions- an Amendment of GASB 27. The balance of the Net Pension Liability at June 30, 2018 was \$9,280,567.

The Board's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$297,593,423 (net position). Of this amount, \$30,326,170 (unrestricted net position) is available to meet the Board's ongoing obligations to citizens and creditors.

The Board's total net position increased by \$13,581,708 during fiscal year 2018. This increase can be attributed to capital contributions, grant revenues, and an increase in operating revenues.

Interest revenue received for the current year was \$407,906 and increased \$220,028 from the previous fiscal year. The yield on bank certificates of deposit (c.d.'s) increased during the fiscal year to 0.27% on 90 day c.d.'s and returns on Wyo-Star Fund Investments increased to 1.10%. Rate forecasts are expected to remain constant for the first half of fiscal year 2019.

Operating revenue for the waterworks fund increased \$1,054,350 and the sewer fund increased \$582,830 during the fiscal year. Revenue increases in the waterworks operating revenue was largely due to a 3% rate increase effective January 1, 2018. Revenue increases in the sewer operating revenue were attributed to 3% rate increase effective January 1, 2018.

The total indebtedness of the Board increased \$5,753,809 (9.2 percent) from \$62,549,494 to \$68,303,303 during the current fiscal year due to loan advances on two major capital projects, Southern Water Transmission Main Phase III and Southern Sewer Interceptor Main. For additional information please refer to Note 4 of the financial statements.

Overview of the Financial Statements

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

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

Financial Statements

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

The Statement of Net Position presents information on the Board's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the government is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing how the Board's net position changed during the most recent fiscal year.

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

The basic financial statements of the Board, presented as business-type activities of the enterprise funds are found on pages 18-22 of this report.

Fund Financial Statements

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

Proprietary Funds

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

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

The basic proprietary fund financial statements are represented by individual fund columns and also can be found on pages 18-22 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-43 of this report.

Other Information

Required supplementary information regarding the Net Pension Liability is included in this report on pages 44-45. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the Board's budget comparison – Budget versus Actual. This supplementary information can be found on pages 46-48 of this report.

Financial Analysis

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

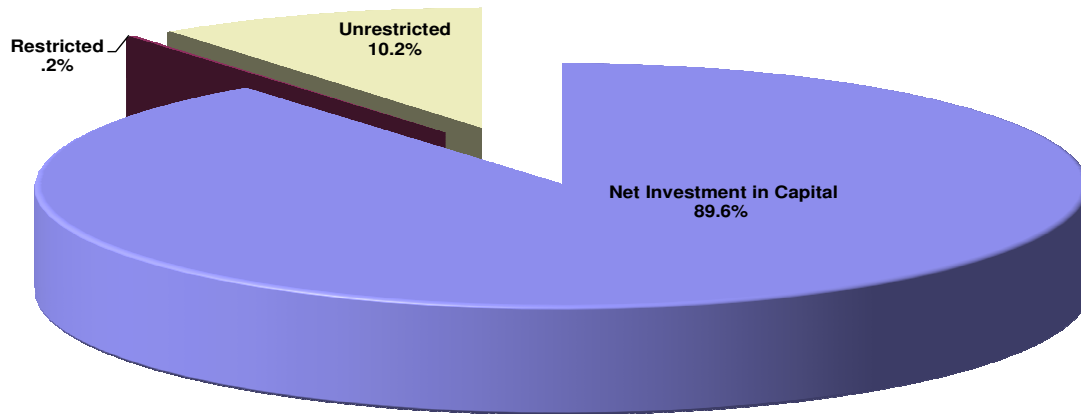
Business-Type Activities Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, total net position increased by \$13,581,708 during fiscal year 2018.

The largest portion of the Board's net position, \$266,767,253 (89.6%) reflects its net investment in capital assets (e.g., dams, reservoirs, water and sewer treatment plants, miles and miles of water and sewer mains, land, buildings, machinery and equipment), less any related outstanding debt used to acquire those assets.

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

Net Position Categories as of June 30, 2018



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

	Waterworks Fund (\$1,000's)		Sewer Fund (\$1,000's)		Total Business-Type Activities (\$1,000's)	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 32,305	\$ 31,039	\$ 17,243	\$ 12,721	\$ 49,548	\$ 43,760
Capital assets	244,036	236,632	90,689	81,267	334,725	317,899
Total assets	276,341	267,671	107,932	93,988	384,273	361,659
Deferred outflows of resources	2,398	2,228	684	614	3,082	2,842
Total assets & deferred outflows of resources	278,739	269,899	108,616	94,602	387,355	364,501
Long-term liabilities outstanding	39,377	40,678	33,798	27,170	73,175	67,848
Other liabilities	8,568	9,329	6,186	3,059	14,754	12,388
Total liabilities	47,945	50,007	39,984	30,229	87,929	80,236
Deferred inflows of resources	1,375	190	458	63	1,833	253
Total liabilities & deferred inflows of resources	49,320	50,197	40,442	30,292	89,762	80,489
Net investment in capital assets	209,489	201,130	57,278	54,608	266,767	255,738
Restricted	500	500	-	-	500	500
Unrestricted	19,430	18,072	10,896	9,702	30,326	27,774
Total net position	\$ 229,419	\$ 219,702	\$ 68,174	\$ 64,310	\$ 297,593	\$ 284,012

The remaining balance of unrestricted net position \$30,326,170 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Board reports positive balances in all categories of net positions. The same situation held true for the prior fiscal year.

CHANGES IN NET POSITION

Last Ten Fiscal Years

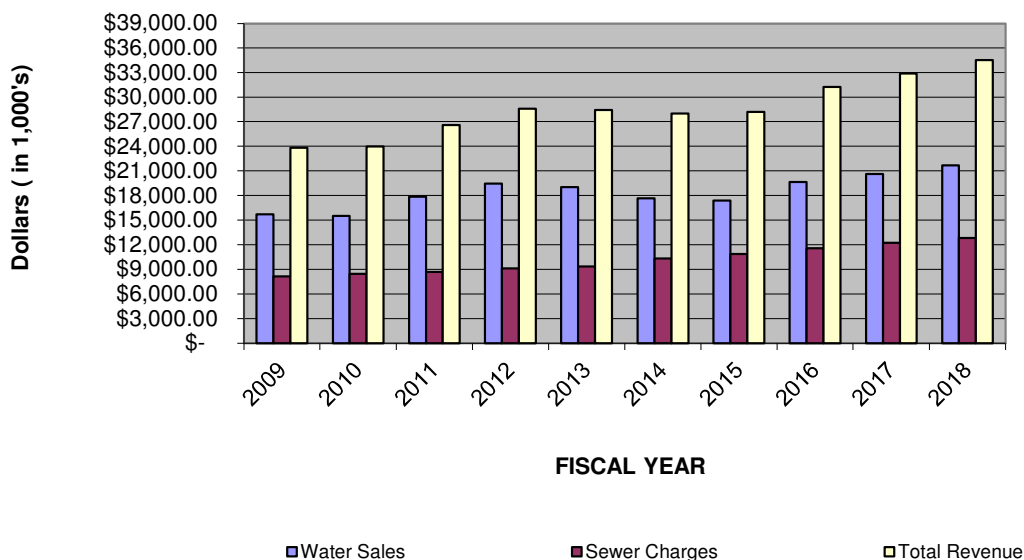
Fiscal Year	Operating Revenue	Operating Expenses	Operating Income (Loss)	Total Nonoperating Revenue/ (Expenses)	Income (Loss) before Capital Contribution	Capital Contribution	Change in Net Position
2009	23,856,054	23,911,025	(54,971)	324,167	269,196	3,279,312	3,548,508
2010	24,281,960	24,220,188	61,772	(149,067)	(87,295)	1,498,273	1,410,978
2011	26,575,116	25,151,232	1,423,884	(685,814)	738,070	5,958,598	6,696,668
2012	28,594,129	26,005,418	2,588,711	(179,719)	2,408,992	4,381,020	6,790,012
2013	28,417,091	26,474,263	1,942,828	(543,390)	1,399,438	3,765,449	5,164,887
2014	28,030,122	27,483,943	546,179	2,855,489	3,401,668	19,083,507	22,485,175
2015	28,223,658	27,605,751	617,907	2,906,969	3,524,876	2,554,040	6,078,916
2016	31,243,040	29,990,481	1,252,559	2,380,668	3,633,227	4,051,165	7,684,392
2017	32,881,259	30,735,969	2,145,290	2,176,250	4,321,540	4,131,540	8,453,080
2018	34,518,439	31,800,359	2,718,080	2,228,947	4,947,027	8,634,681	13,581,708

Net position increased by \$13,581,708 during fiscal year 2018 to \$297,593,423 from \$284,011,715 at the end of fiscal year 2017. This is attributed to donated utilities, grant revenues, and increased operating revenues.

Business-Type Activities – Revenues and Expenses

The following schedules present a summary of the waterworks and sewer enterprise fund operating revenues for the fiscal year ended June 30, 2018, and the amount and percentage of increases and decreases in relation to prior year revenues.

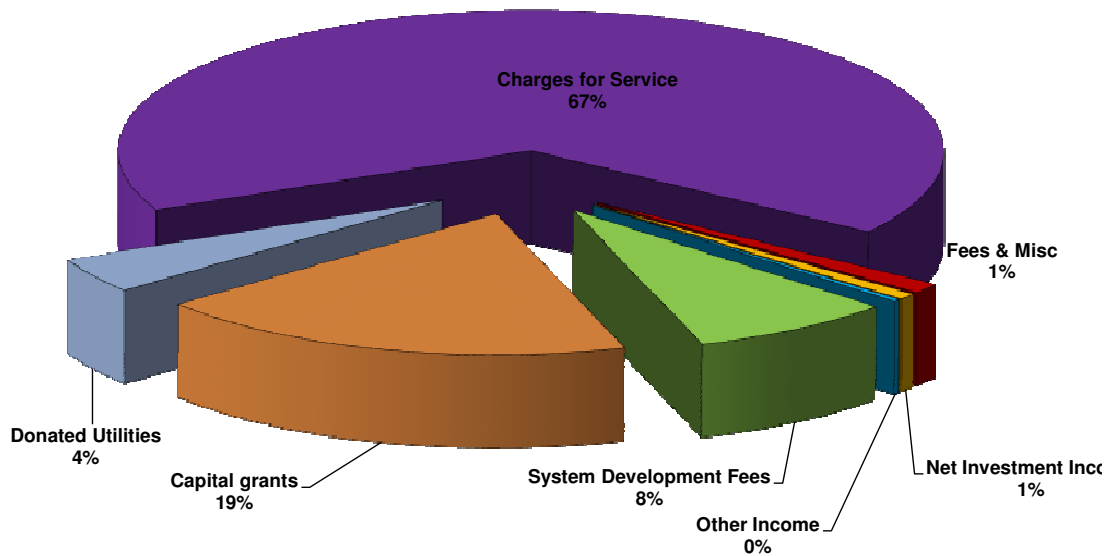
OPERATING REVENUE



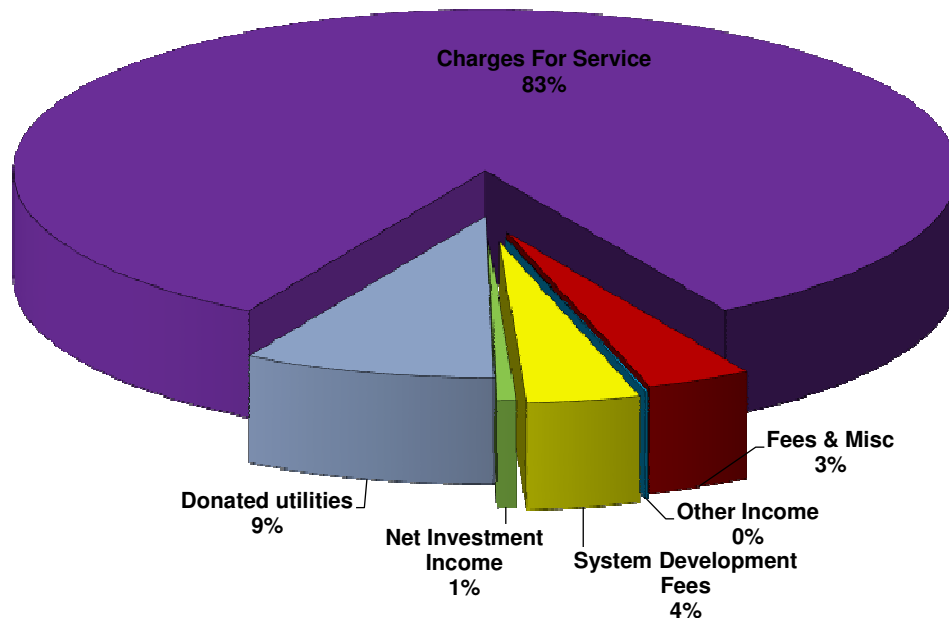
BOARD OF PUBLIC UTILITIES Revenue (\$1,000's)

	Waterworks Fund		Sewer Fund		Total		Inc./(Decr.) From FY 17	% of Inc./Decr.	Fiscal Year 2017
	FY 18 Amount	% of Total	FY 18 Amount	% of Total	FY 18 Amount	% of Total			
Revenue Source									
Operating Revenue									
Sales and charges for service	\$21,305	67%	\$12,301	83%	\$33,606	72%	\$1,481	5%	\$32,125
Fees and miscellaneous	383	1%	529	4%	912	2%	156	21%	756
Total operating revenue	21,688	68%	12,830	87%	34,518	74%	1,637	5%	32,881
Nonoperating Revenue									
Net investment income	223	1%	96	0%	319	0%	216	210%	103
Other income	83	0%	13	0%	96	0%	53	123%	43
System development fees	2,542	8%	569	4%	3,111	7%	(442)	-12%	3,553
Total nonoperating revenue	2,848	9%	678	4%	3,526	7%	(173)	-5%	3,699
Capital Contributions	7,362	23%	1,273	9%	8,635	19%	4,504	109%	4,131
Gross Revenue	\$31,898	100%	\$14,781	100%	\$46,679	100%	\$5,968	15%	\$40,711

Water Revenue By Source



Sewer Revenue By Source



Gross revenues, including interest and transfers, totaled \$46,679,189 for FY 2018, a 14.7% increase from FY 2017. The increase was due to increased volume and rate increases for water and sewer, an increase in donated utilities, as well as grant revenue for the Southern Water Main Phase III project.

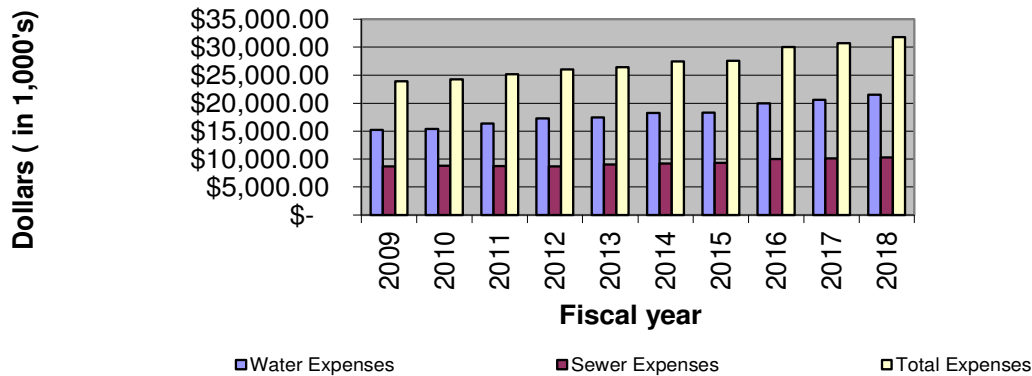
System Development fees decreased \$442,889 compared to FY 2017. FY 2018 fees totaled \$3,110,333 compared to \$3,553,222 in FY 2017. In FY 2018, there were 329 water and sewer permits sold compared to 485 permits in FY 2017.

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

Since July 1, 2004, residential customers (single family and multi-family) are charged on a tiered rate schedule, which increases in relation to increases in water used.

The following schedules present a summary of the Waterworks and Sewer Enterprise Fund operating expenses for FY 2018, and the percentage of increases and decreases in relation to prior year amounts.

Operating Expenses



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

	Waterworks Fund		Sewer Fund		Total		Inc./.(Decr.) From FY 17	% of Inc./Decr.	Fiscal Year 2017
	FY 18 Amount	% of Total	FY 18 Amount	% of Total	FY 18 Amount	% of Total			
Operating Expenses									
Source of supply	\$1,955	9%	\$ -	0%	\$1,955	6%	\$543	38%	\$1,412
Water treatment	1,933	9%	-	0%	1,933	6%	(250)	-11%	2,183
Transmission and distribution	2,449	11%	-	0%	2,449	7%	338	16%	2,111
Sewer collection lines	-	0%	1,309	12%	1,309	4%	163	14%	1,146
Water reclamation	-	0%	2,473	23%	2,473	8%	(32)	-1%	2,505
Engineering and water resources	1,107	4%	347	2%	1,454	4%	114	9%	1,340
Administrative and general	4,571	21%	2,211	20%	6,782	20%	55	1%	6,727
Information technology and customer service	885	4%	293	3%	1,178	4%	(7)	-1%	1,185
Depreciation	8,600	39%	3,667	34%	12,267	37%	140	1%	12,127
Total operating expenses	21,500	97%	10,300	94%	31,800	96%	1,064	3%	30,736
Nonoperating Expenses									
Interest expense	680	3%	617	6%	1,297	4%	(225)	-15%	1,522
Total Expenses	\$22,180	100%	\$10,917	100%	\$33,097	100%	\$839	3%	\$32,258

Total Operating Expenses, excluding depreciation, increased from FY 2017 by \$924,069.

Salaries and Wages increased \$52,673 or 0.7% during FY 2018. FY 2017 Salaries and Wages totaled \$7,301,969 compared to \$7,249,296 in FY 2017. The increase was primarily from market adjustments for FY 2018.

Employee Benefits increased \$177,639 or 4.3% during FY 2018. The increase was from a rate increase for health insurance.

Contractual Services increased \$506,947 or 24.9% during FY 2018. The increase was mainly attributed to a silt removal project and a root treatment contract.

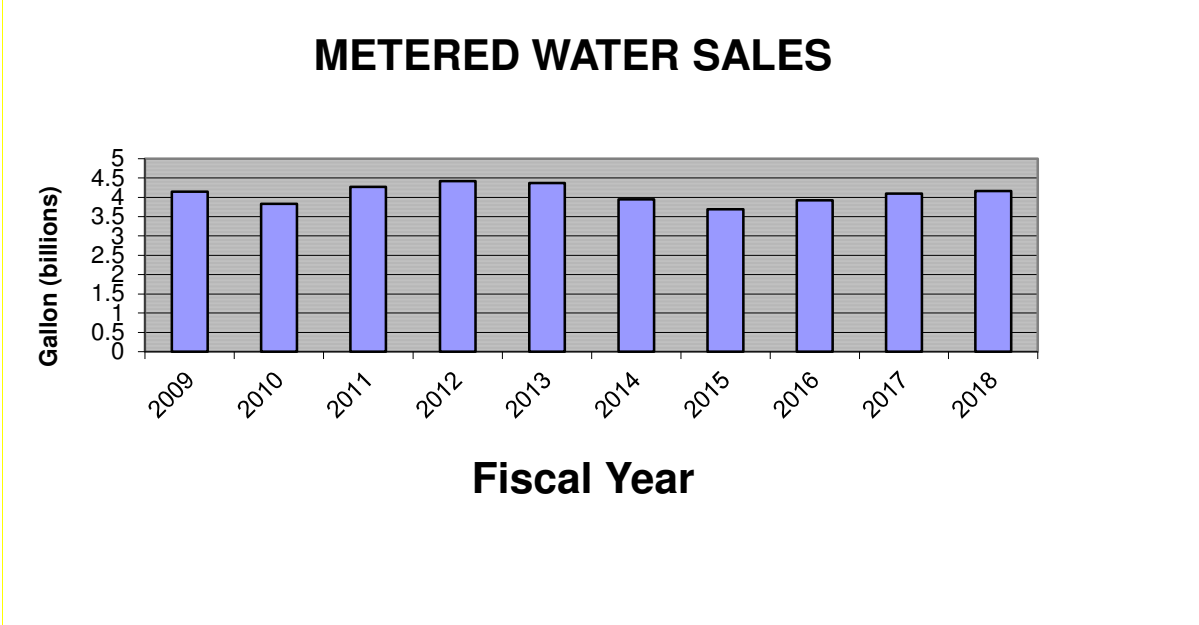
Materials and Supplies increased \$288,124 or 15.4% during FY 2018. The increase was from the installation of new smart water meters and repairs to water reclamation plant equipment.

Supportive service expenses (electricity, gas, telephone, postage, etc.) totaled \$2,246,268 for FY 2018 which was virtually unchanged from FY 2017.

Interest expense on bonds and loans totaled \$1,297,122 for FY 2018 and was included in the above schedule of operating expenses. This was a 14.8% decrease from FY 2017.

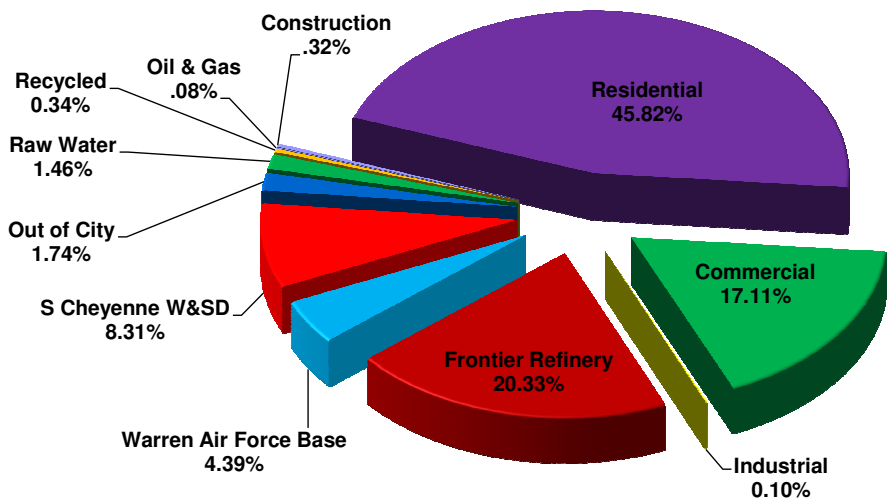
Metered Water Consumption History

During FY 2018, the Board sold 4.166 billion gallons of water as compared to 4.097 billion gallons in FY 2017. The increase can be attributed to a dry July and August resulting in increased outdoor irrigation. Billed water consumption has averaged 4.057 billion gallons over the past ten years.



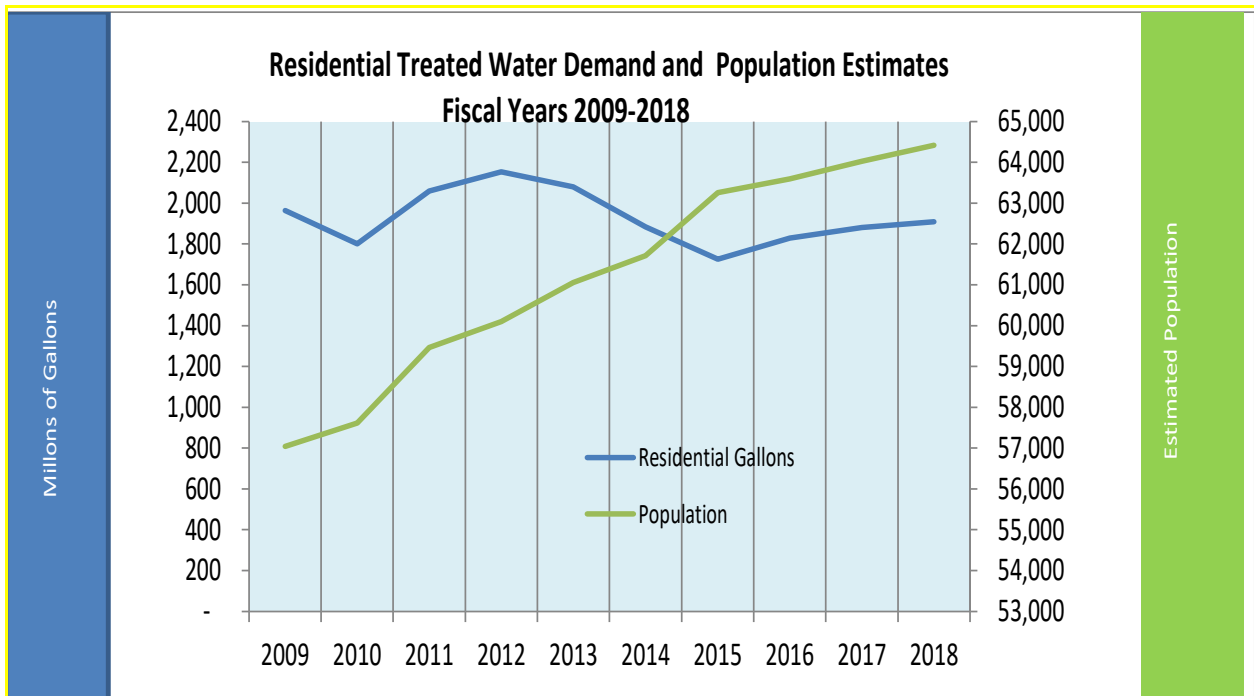
Total water supplied to the Board’s service area in FY 2018 was 4.731 billion gallons of water compared to 4.788 billion gallons of water in FY 2017.

METERED WATER SALES BY CUSTOMER CLASS FY 2018



BOARD OF PUBLIC UTILITIES Per Capita Consumption

Fiscal Year	Population Estimate	Residential Meter Water Use-Only	Gallons per Capita per Day Residential Use	Total City Metered Water Use-Only	Gallons per Capita per Day Total City Use
2009	56,296	1,962,219,000	95.49	2,993,434,000	145.68
2010	56,483	1,800,494,000	87.33	2,764,656,000	134.10
2011	59,466	2,057,439,000	94.79	3,169,653,000	146.03
2012	60,096	2,152,263,000	98.12	3,338,420,000	152.20
2013	61,055	2,079,444,000	93.31	3,184,078,000	142.88
2014	61,717	1,883,289,000	83.60	2,868,134,000	127.32
2015	63,254	1,725,254,000	74.73	2,655,067,000	115.00
2016	63,590	1,827,595,000	78.74	2,882,230,000	124.18
2017	64,019	1,880,860,000	80.49	3,386,465,000	144.93
2018	64,413	1,908,840,000	81.19	3,472,373,000	147.69



Financial Analysis of the Board's Enterprise Funds

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

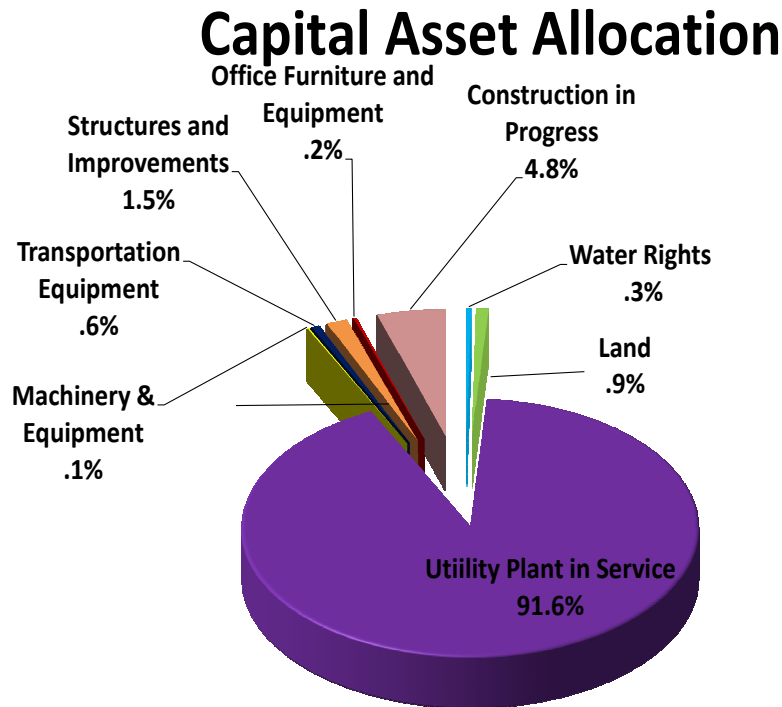
Proprietary Funds

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

Unrestricted net position of the Waterworks Enterprise Fund totaled \$19,430,591 at the end of the current fiscal year. Unrestricted net position of the Sewer Enterprise Fund totaled \$10,895,579 at the end of the current fiscal year. The total change in net position for both funds, from the previous fiscal year was \$9,717,345 and \$3,864,363, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Board's business-type activities.

Capital assets (property, plant and equipment)

As of June 30, 2018, the capital assets of the Board, net of accumulated depreciation, totaled \$334,724,697. This investment in capital assets includes land, water rights, dams, reservoirs, well fields, water collection and transmission pipelines, water and wastewater treatment plants, water distribution and sewer collection mains and systems, buildings, machinery, vehicles and equipment.



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

	Waterworks Fund		Sewer Fund		Total Business-Type Activities	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,588	\$ 4,588	\$ 545	\$ 545	\$ 5,133	\$ 5,133
Water rights	1,798	1,798	-	-	1,798	1,798
Utility plant in service	398,030	390,655	138,354	137,124	536,384	527,779
Machinery and equipment	509	509	169	168	678	677
Transportation equipment	2,538	2,265	839	760	3,377	3,025
Structures and improvements	6,411	6,411	2,153	2,153	8,564	8,564
Office furniture and equipment	984	973	343	340	1,327	1,313
Construction in progress	15,868	7,624	12,537	1,087	28,405	8,711
Less accumulated depreciation	(186,690)	(178,191)	(64,251)	(60,909)	(250,941)	(239,100)
Total	\$ 244,036	\$ 236,632	\$ 90,689	\$ 81,268	\$ 334,725	\$ 317,900

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

- Completion of Laramie River Pipeline project.
- Completion of Sherard Powder Activated Carbon System.
- Contributed capital (water distribution mains, hydrants, sewer collection mains and manholes) from development projects.
- Improvements and upgrades to water distribution and sewer collection mains.

At the close of FY 2018, the Board had transferred the following projects from construction work in progress to Capital Assets:

BOARD OF PUBLIC UTILITIES - CWIP
Transferred to Capital Assets

Water Projects:

Laramie River Pipeline	\$ 1,026,725
Campstool Road	613,826
FY 15 Pump Station Project	250,986
Saddle Ridge Pressure Zone	197,084
FY 17 Water Main Rehabs	1,837,083
Sherard Powder Activated Carbon System	983,618
Total Water Projects	<u>\$ 4,909,322</u>

Sewer Collection Main Projects:

Manhole Replacement - 17	<u>\$ 162,153</u>
Total Sewer Projects	<u>\$ 162,153</u>

Additional information on the Board's capital assets can be found in Note 3 on page 29 of this report.

Long-Term Debt

At the end of the current fiscal year, the Board had total bonded debt outstanding of \$68,303,303. Of this amount, \$6,710,000 is the 2013 Water Revenue Note and the remainder of \$61,593,303 are loans from the State of Wyoming for various water and sewer projects.

The total indebtedness of the Board increased by \$5,753,809 (9.2%) from \$62,549,494 to \$68,303,303 during the current fiscal year.

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

	Waterworks Enterprise Fund		Sewer Enterprise Fund		Total Business-Type Activities	
	2018	2017	2018	2017	2018	2017
Revenue refunding note	\$ 6,710,000	\$ 7,525,000	\$ -	\$ -	\$ 6,710,000	\$ 7,525,000
Loans from the State						
of Wyoming	28,182,487	28,364,457	33,410,816	26,660,037	61,593,303	55,024,494
Total	<u>\$ 34,892,487</u>	<u>\$ 35,889,457</u>	<u>\$ 33,410,816</u>	<u>\$ 26,660,037</u>	<u>\$ 68,303,303</u>	<u>\$ 62,549,494</u>

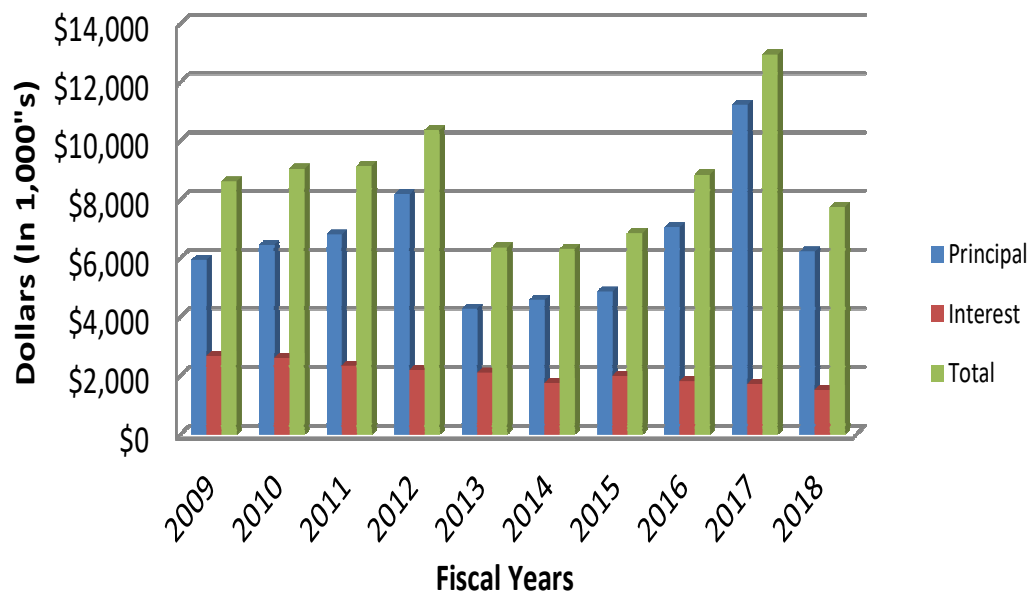
During FY 2018, proceeds from the issuance of debt totaled \$11,989,273 as follows:

BOARD OF PUBLIC UTILITIES - Proceeds from Debt Issuance

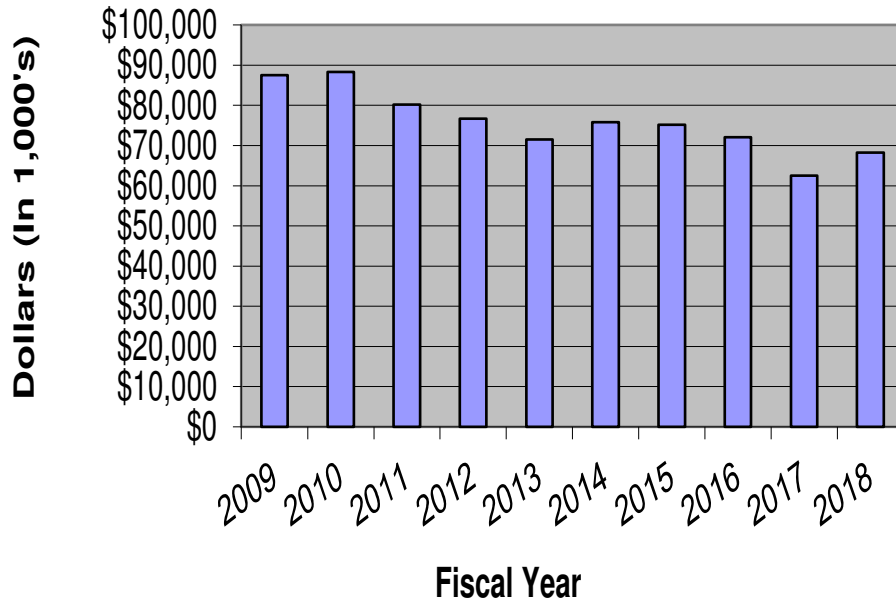
Project	Advance	Funding Source
DWSRF#133 RLS Hydroelectric Project	\$ 9,197	Wyoming State Lands and Investments
DWSRF#151 Powder Activated Carbon	104,066	Wyoming State Lands and Investments
DWSRF#177 S Wtr Transmission PH III	2,857,757	Wyoming State Lands and Investments
CWSRF#144 Southern Sewer Interceptor	739,216	Wyoming State Lands and Investments
CWSRF#159 Southern Sewer Interceptor	8,279,037	Wyoming State Lands and Investments
	<u>\$ 11,989,273</u>	

The Board paid \$815,000 of the 2013 Refunding Revenue Note, paid \$5,175,982 of additional State of Wyoming water and sewer loans, and received \$244,482 in loan forgiveness.

Annual Debt Payment



Total Principal Debt Outstanding



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

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

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

Economic Factors and Next Year's Budget and Rates

For the calendar year 2017, expectations were held that the Greater Cheyenne economy would have a below average year across most economic sectors. However, total taxable and retail sales had significant increases from the prior year. Total retail sales increased 6.6 percent during 2017 from 2016. Total taxable sales rose 9.2 percent from 2016 to 2017. Housing sales for 2017 rose 2.4% from 2016 and the average sales price increased 2.0%. Job growth indicated a gain of 343 local jobs during 2017.

According to the Wyoming Center for Business and Economic Analysis the first quarter 2018, new job creation was down from first quarter 2017. Employment growth was .9% lower, a loss of 433 jobs. The Cheyenne area's unemployment rate averaged 4.1% over the first quarter of 2018, similar to first quarter 2017's average of 4.2%.

Over the last year, the supply of homes for sale was up in the City of Cheyenne; it increased from a monthly average of 192 units for sale in the first quarter of 2017 to a monthly average of 203 units for sale in the first quarter of 2018. The average sales price for homes in the city of Cheyenne increased slightly over the last quarter, from \$228,674 in the first quarter of 2017 to \$237,017 (3.6%) in the first quarter of 2018. The average sales price was up over the last year, from \$224,499 during 2016 to \$240,112 during 2017 (7.0%). There were no signals to suggest homes sales will reverse their positive growth trend as 2018 proceeds.

The number of single-family residential building permits issued declined from the first quarter of 2017 to the first quarter of 2018. In the City of Cheyenne, the number of single-family permits issued declined from 67 in the first quarter of 2017 to 45 in the first quarter of 2018 (-32.8%) and outside Cheyenne, the number of single family building permits also increased, from 42 in the first quarter of 2017 to 38 in the first quarter of 2018 (9.5%). It is anticipated that commercial building permits will increase as the building season progresses.

These factors were considered in preparing the Board's budget for the 2019 fiscal year (July 1, 2018 to June 30, 2019).

The financial report is designed to provide a general overview of the Board of Public Utilities' finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Board of Public Utilities, Administration Manager, 2416 Snyder Avenue, Cheyenne, Wyoming 82001.

BASIC FINANCIAL STATEMENTS

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

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2018**

ASSETS	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Current Assets			
Cash and cash equivalents	\$ 24,637,363	\$ 12,867,881	\$ 37,505,244
Investments	1,050,000	987,231	2,037,231
Restricted assets:			
Cash and cash equivalents	672,593	-	672,593
Due from other governments	260,593	1,578,722	1,839,315
City of Cheyenne sanitation account	1,945,926	-	1,945,926
Receivables:			
Accounts, consumers, net	1,295,326	908,368	2,203,694
Estimated unbilled usage	1,971,607	872,975	2,844,582
Accrued interest	14,855	7,442	22,297
Inventories	456,289	20,544	476,833
Prepaid expenses	591	-	591
Total current assets	32,305,143	17,243,163	49,548,306
Noncurrent Assets			
Capital assets:			
Land	4,587,691	545,003	5,132,694
Water rights	1,797,968	-	1,797,968
Utility plant in service	398,029,716	138,354,485	536,384,201
Machinery and equipment	509,441	168,517	677,958
Transportation equipment	2,538,387	838,543	3,376,930
Structures and improvements	6,411,011	2,153,287	8,564,298
Office furniture and equipment	984,224	343,244	1,327,468
Construction in progress	15,867,840	12,536,605	28,404,445
	430,726,278	154,939,684	585,665,962
Less accumulated depreciation	(186,690,655)	(64,250,610)	(250,941,265)
Total noncurrent assets	244,035,623	90,689,074	334,724,697
Total assets	276,340,766	107,932,237	384,273,003
Deferred loss on refunding	345,858	-	345,858
Pension related deferred outflows	2,052,817	684,272	2,737,089
Deferred outflows of resources	2,398,675	684,272	3,082,947

See Notes to Financial Statements.

LIABILITIES	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Current Liabilities			
Vouchers payable	\$ 1,432,358	\$ 3,241,130	\$ 4,673,488
Accrued compensated absences and early retirement	191,742	128,418	320,160
Accrued interest on general obligation bonds and loans	365,167	219,738	584,905
Current portion of general obligation bonds and loans	3,060,360	2,324,156	5,384,516
Unearned fees and deposits	1,179,662	226,980	1,406,642
Other accruals	-	37,269	37,269
Due to other City of Cheyenne funds	2,338,946	8,128	2,347,074
Total current liabilities	8,568,235	6,185,819	14,754,054
Noncurrent Liabilities			
Accrued compensated absences	584,002	391,695	975,697
Net pension liability	6,960,425	2,320,142	9,280,567
General obligation bonds and loans, net of current portion, deferred amount on refunding, and unamortized bond premium	31,832,127	31,086,660	62,918,787
Total noncurrent liabilities	39,376,554	33,798,497	73,175,051
Total liabilities	47,944,789	39,984,316	87,929,105
Deferred inflows of resources	1,375,067	458,355	1,833,422
NET POSITION			
Net Investment in Capital Assets	209,488,994	57,278,259	266,767,253
Restricted for Debt Service and Capital Improvements	500,000	-	500,000
Unrestricted	19,430,591	10,895,579	30,326,170
Total net position	\$ 229,419,585	\$ 68,173,838	\$ 297,593,423

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

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2018**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Operating Revenues			
Sales and charges for services	\$ 21,305,003	\$ 12,300,941	\$ 33,605,944
Fees and miscellaneous	383,149	529,346	912,495
Total operating revenues	21,688,152	12,830,287	34,518,439
Operating Expenses			
Source of supply	1,955,042	-	1,955,042
Water treatment	1,933,235	-	1,933,235
Transmission and distribution	2,449,095	-	2,449,095
Sewer collection lines	-	1,309,261	1,309,261
Water reclamation	-	2,472,745	2,472,745
Engineering and water resources	1,107,082	347,244	1,454,326
Administrative and general	4,571,065	2,210,839	6,781,904
Information technology and customer service	884,557	293,363	1,177,920
Depreciation	8,600,484	3,666,347	12,266,831
Total operating expenses	21,500,560	10,299,799	31,800,359
Operating income	187,592	2,530,488	2,718,080
Nonoperating Revenues (Expenses)			
Gain on sale of assets	83,559	12,957	96,516
System development fees	2,541,631	568,702	3,110,333
Investment income:			
Net decrease in fair value of investments	(58,384)	(30,302)	(88,686)
Interest income	281,002	126,904	407,906
Interest and bond amortization expense	(680,056)	(617,066)	(1,297,122)
Total nonoperating revenues (expenses)	2,167,752	61,195	2,228,947
Income before contributions	2,355,344	2,591,683	4,947,027
Capital Contributions			
Capital grants	6,046,604	-	6,046,604
Donated utilities	1,315,397	1,272,680	2,588,077
Total capital contributions	7,362,001	1,272,680	8,634,681
Change in net position	9,717,345	3,864,363	13,581,708
Net Position, beginning of year	219,702,240	64,309,475	284,011,715
Net Position, end of year	\$ 229,419,585	\$ 68,173,838	\$ 297,593,423

See Notes to Financial Statements.

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

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2018**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Cash Flows from Operating Activities			
Cash received from customers	\$ 21,107,572	\$ 12,603,895	\$ 33,711,467
Cash payments to suppliers	(7,511,041)	(2,160,712)	(9,671,753)
Cash payments to employees	(7,323,539)	(4,281,835)	(11,605,374)
Change in City sanitation account	9,573	-	9,573
Net cash provided by operating activities	6,282,565	6,161,348	12,443,913
Cash Flows from Capital and Related Financing Activities			
System development fees	2,816,630	636,251	3,452,881
Capital grants	5,645,903	-	5,645,903
Proceeds from issuance of debt	4,471,314	7,449,666	11,920,980
Principal paid on general obligation/revenue bonds and loan debt maturities	(3,723,508)	(2,267,475)	(5,990,983)
Interest paid on debt	(863,593)	(651,867)	(1,515,460)
Proceeds from sale of capital assets	83,559	12,957	96,516
Acquisition and construction of capital assets	(13,165,269)	(8,700,739)	(21,866,008)
Net cash (used in) capital and related financing activities	(4,734,964)	(3,521,207)	(8,256,171)
Cash Flows from Investing Activities			
Interest on cash and investments	217,336	94,411	311,747
Purchase of investments	-	(37,231)	(37,231)
Redemption of investments	-	37,083	37,083
Net cash provided by investing activities	217,336	94,263	311,599
Net increase in cash and cash equivalents	1,764,937	2,734,404	4,499,341
Cash and Cash Equivalents			
Beginning	23,545,019	10,133,477	33,678,496
Ending	\$ 25,309,956	\$ 12,867,881	\$ 38,177,837

Continued

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

**STATEMENT OF CASH FLOWS (Continued)
PROPRIETARY FUNDS
Year Ended June 30, 2018**

	Business-Type Activities Enterprise Funds		
	Waterworks Fund	Sewer Fund	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 187,592	\$ 2,530,488	\$ 2,718,080
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	8,600,484	3,666,347	12,266,831
Pension liability	(253,833)	(84,611)	(338,444)
Deferred outflow- pension	(212,309)	(70,769)	(283,078)
Deferred inflow- pension	1,185,091	395,030	1,580,121
Increase (decrease) in cash and cash equivalents resulting from changes in operating assets and liabilities:			
Receivables	(570,848)	(215,613)	(786,461)
Inventories	(48,141)	(627)	(48,768)
Prepaid expenses	1,574	-	1,574
Vouchers payable	(2,391,718)	(69,684)	(2,461,402)
Accrued compensated absences	7,632	10,787	18,419
City sanitation account	(222,959)	-	(222,959)
Net cash provided by operating activities	\$ 6,282,565	\$ 6,161,348	\$ 12,443,913
Noncash Investing, Capital and Financing Activities			
Amortization of deferred refunding loss and debt premiums	\$ (41,574)	\$ -	\$ (41,574)
Donated asset acquisitions	1,315,397	1,272,680	2,588,077
Capitalized interest	242,364	95,340	337,704
Debt forgiveness	244,482	-	244,482

See Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Operations and Significant Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments consist of non-negotiable certificates of deposit, which are reported at cost, and participation in WYOSTAR, which is reported at fair value, at June 30, 2018. The Board 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 Board considers fair value measurements as of June 30, 2018 for WYOSTAR to be completed by the pool using matrix pricing model and the market approach (Level 2).

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

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

Accounts receivable: Accounts receivable are shown on the Statement of Net Position net of allowances for doubtful accounts of \$61,003.

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

Inventories: Inventories of supplies are accounted for at cost.

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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.

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

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

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

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

**BOARD OF PUBLIC UTILITIES
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NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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 that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Board has recognized deferred outflows of resources and deferred inflows of resources in the financial statements in accordance with presentation requirements for GASB 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* (GASB 68). The Board also recognizes a deferred outflow of resources for its loss on refunding, which is amortized over the life of the related debt.

Defined benefit pensions: For purposes of measuring 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 of the Wyoming Retirement System (WRS) and additions to/deductions from the WRS's fiduciary net position have been determined on the same basis as they are reported by the WRS. 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.

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Cash, Cash Equivalents and Investments

Cash and cash equivalents, investments, and restricted cash and cash equivalents as of June 30, 2018, as classified in the accompanying financial statements, consist of the following:

Statement of Net Position:

Deposits with financial institutions:	
Cash	\$ 688,168
Certificates of deposit	4,587,231
Deposits with Wyoming State Treasurer:	
WYOSTAR	34,939,669
	<u>\$ 40,215,068</u>
Cash and cash equivalents	\$ 37,505,244
Investments	2,037,231
Restricted cash and cash equivalents	672,593
	<u>\$ 40,215,068</u>

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

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

Custodial credit risk: Custodial credit risk for deposits and certificates of deposit is the risk that, in the event of the failure of a depository financial institution, the Board will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Certain deposits held in Board bank accounts are insured by Federal deposit insurance or are collateralized with securities held by the custodian bank under safekeeping or Federal Reserve receipts in the name of the Board and the financial institution. As of June 30, 2018, the Board had bank balances on deposit and certificates of deposit of \$6,528,722. These deposits and certificates of deposit were fully collateralized or insured as required by state statutes.

In addition to the applicable statutes, the Board's policy requires all deposits to be collateralized at 105% of the amount invested including accrued interest to further reduce its exposure to custodial credit risk. At June 30, 2018, the Board's deposits were fully collateralized as required by Board policy.

**BOARD OF PUBLIC UTILITIES
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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 Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes limit the type of investments the Board can use. Statutes limit investments primarily to securities issued or guaranteed by the U.S. Treasury or agencies of the United States Government; therefore, reducing the Board's exposure to custodial credit risk for its investments.

Concentration of credit risk: The Board's policy does not allow more than 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 WYOSTAR. Therefore, no further disclosure regarding concentrations of credit risk is required.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The Board's investments are held in external pooled investment accounts and in bank certificates of deposit, and as a means of limiting its exposure to fair value losses arising from rising interest rates, the Board attempts to match its investment maturities to expected cash flow needs. The Board's investment policy requires that the investment portfolio have a minimum level of three months of budgeted 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 or losses. At June 30, 2018, the Board's investments met this policy. The maturities and applicable interest rates of the Board's investments are displayed in the following Interest Rate Risk Table.

Investment Type	Fair Value	Interest Rate	Investment Maturities Less Than One Year
Certificates of deposit	\$ 4,587,231	0.18% - 0.30%	\$ 4,587,231
State Treasurer's Investment Pool (WYOSTAR)	34,939,669	0.75% - 1.25%	34,939,669
	<u>\$ 39,526,900</u>		<u>\$ 39,526,900</u>

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

NOTES TO FINANCIAL STATEMENTS

Note 3. Changes in Capital Assets

A summary of changes in capital assets follows:

	Balance June 30, 2017	Additions	Retirement and Transfers	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 5,132,694	\$ -	\$ -	\$ 5,132,694
Water rights	1,797,968	-	-	1,797,968
Construction in progress	8,711,086	24,764,834	(5,071,475)	28,404,445
Total capital assets not being depreciated	15,641,748	24,764,834	(5,071,475)	35,335,107
Capital assets being depreciated:				
Utility plant in service	527,778,637	8,927,959	(322,395)	536,384,201
Machinery and equipment	677,002	5,999	(5,043)	677,958
Transportation equipment	3,025,613	421,041	(69,724)	3,376,930
Structures and improvements	8,564,298	-	-	8,564,298
Office furniture and equipment	1,312,957	43,559	(29,048)	1,327,468
Total capital assets being depreciated	541,358,507	9,398,558	(426,210)	550,330,855
Less accumulated depreciation for:				
Utility plant in service	233,036,767	11,707,808	(322,395)	244,422,180
Machinery and equipment	625,204	15,327	(5,043)	635,488
Transportation equipment	2,496,946	216,872	(69,724)	2,644,094
Structures and improvements	1,788,215	213,203	-	2,001,418
Office furniture and equipment	1,153,513	113,620	(29,048)	1,238,085
Total accumulated depreciation	239,100,645	12,266,830	(426,210)	250,941,265
Total capital assets being depreciated, net	302,257,862	(2,868,272)	-	299,389,590
Total capital assets, net	\$ 317,899,610	\$ 21,896,562	\$ (5,071,475)	\$ 334,724,697

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Bonds and Loans

The following is a summary of debt transactions of the Board for the year ended June 30, 2018:

	Balance as of June 30, 2017	Debt	
		Issued	Retired
Waterworks Fund:			
DWSRF #034 Water Main Rehabilitation 2003	\$ 342,322	\$ -	\$ 39,170
DWSRF #056 Western Hills 2005	588,904	-	47,163
Stage I Rehabilitation Loan 1993	1,556,504	-	244,088
Sherard Plant State WDWRP Loan 2000	1,421,972	-	222,525
DWSRF #023 RLS Refinance 2002	3,534,459	-	553,110
DWSRF #065 Southern Water Main 2007	3,436,864	-	249,838
CWSRF #084 Administrative Building 2007	223,392	-	12,456
CWSRF #081 Phase II Reuse 2008	900,203	-	59,646
DWSRF #079 30" Water Main/WAFB	4,063,702	-	228,882
DWSRF #106 Administrative Building 2009	1,477,154	-	82,368
CWSRF #115 Administrative Building 2009	1,477,154	-	82,368
DWSRF #120 Southern Water Main Ph II 2012	6,592,942	-	315,948
DWSRF #133 RLS Hydroelectric Project 2013	146,668	9,197	-
CWSRF #143 Holliday Reuse 2015	750,000	-	37,500
DWSRF #151 Powder Activated Carbon 2015	873,862	104,066	977,928
DWSRF #177 Southern Water Main Ph III 2016	978,355	2,857,757	-
2013 Water Revenue Note	7,525,000	-	815,000
	<u>35,889,457</u>	<u>2,971,020</u>	<u>3,967,990</u>
Sewer Fund:			
CWSRF #046 Clean Water State Revolving Loan 2004	18,640,542	-	1,872,149
CWSRF #060 WAFB/Parsley 2006	1,795,513	-	130,625
CWSRF #084 Administrative Building 2007	74,464	-	4,152
DWSRF #106 Administrative Building 2009	492,385	-	27,456
CWSRF #115 Administrative Building 2009	492,385	-	27,456
CWSRF #133 Crow Creek Plant Improvements 2013	4,603,964	-	205,636
CWSRF #144 Southern Sewer Interceptor 2016	560,784	739,216	-
CWSRF #159 Southern Sewer Interceptor 2018	-	8,279,037	-
	<u>26,660,037</u>	<u>9,018,253</u>	<u>2,267,474</u>
	<u>\$ 62,549,494</u>	<u>\$ 11,989,273</u>	<u>\$ 6,235,464</u>

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

NOTES TO FINANCIAL STATEMENTS

Balance as of June 30, 2018	Current Portion	Long-Term Portion
\$ 303,152	\$ 40,152	\$ 263,000
541,741	48,345	493,396
1,312,416	253,852	1,058,564
1,199,447	228,101	971,346
2,981,349	566,967	2,414,382
3,187,026	255,939	2,931,087
210,936	12,769	198,167
840,557	61,099	779,458
3,834,820	232,918	3,601,902
1,394,786	84,429	1,310,357
1,394,786	84,429	1,310,357
6,276,994	323,860	5,953,134
155,865	-	155,865
712,500	37,500	675,000
-	-	-
3,836,112	-	3,836,112
6,710,000	830,000	5,880,000
34,892,487	3,060,360	31,832,127
16,768,393	1,919,040	14,849,353
1,664,888	133,788	1,531,100
70,312	4,256	66,056
464,929	28,143	436,786
464,929	28,143	436,786
4,398,328	210,786	4,187,542
1,300,000	-	1,300,000
8,279,037	-	8,279,037
33,410,816	2,324,156	31,086,660
\$ 68,303,303	\$ 5,384,516	\$ 62,918,787

**BOARD OF PUBLIC UTILITIES
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NOTES TO FINANCIAL STATEMENTS

On December 21, 2007, the Board issued \$12,330,000 in Refunding Revenue Water Bonds with an average interest rate of 4.368% in order to refinance two Wyoming Water Development Commission loans totaling \$8,043,330 and one Permanent Mineral Trust Fund loan for \$3,567,231 bearing substantially higher interest rates between 5.5% and 7.25%. The proceeds of the Series 2007 Bonds, together with other available monies of the 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, 2018, the deferred loss on refunding totaled \$345,858 and is classified as a deferred outflow of resources.

Long-term debt payable as of June 30, 2018 consists of the following:

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.	\$ 6,710,000
Due to the State of Wyoming, Water Development Commission, original amount of \$6,250,000, with interest at 4%, due annually on December 1. Annual principal and interest payments are \$306,348 through 2037. Secured by a mortgage on the Stage I pipeline and revenues from the Cheyenne Water System.	1,312,416
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.	1,199,447

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**BOARD OF PUBLIC UTILITIES
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Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #023, original amount of \$10,000,000, with interest at 2.5%, due annually on December 1. Annual principal and interest payments are \$641,471 through 2023. Secured by pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. \$ 2,981,349

Due to the State of Wyoming, Office of State Land and Investments, DWSRF Loan #034, original amount of \$825,000, with interest at 2.5% due annually on December 1. Annual principal and interest payments are \$47,729 through 2025 for funding of the City's Water Main Rehabilitation Project for Fiscal Year 2004. Secured by pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payment. 303,152

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #056, original amount of \$1,300,000, with interest at 2.5%, due annually on March 1. Annual principal and interest payments are \$61,885 through 2028. Secured by the pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payments. 541,741

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. 3,187,026

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #079, original amount of \$5,130,509 for the 30" Transmission Line Replacement Project, with interest at 2.5% due annually on 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. 3,834,820

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. 1,859,715

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**BOARD OF PUBLIC UTILITIES
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NOTES TO FINANCIAL STATEMENTS

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF Loan #120, advances on a \$9,400,000 loan for the design and construction of Phase II of the Southern Water Transmission Main. Interest will accrue at 2.5% from the date of loan disbursements. Twenty annual payments of principal and interest will begin not later than one year after substantial completion of the project. The payments are currently estimated at \$602,983 per year. Secured by the pledge and assignment of revenues from the City's water system user fees necessary to meet the annual loan payments. \$ 6,276,994

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. 155,865

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan#159, advances on \$9,900,000 loan for Southern Sewer Interceptor Main. Interest thereon is at 2.5% for a term of twenty years. The payments are currently estimated at \$635,057 per year. Secured by pledge and assignment of revenues from the City's wastewater user fees necessary to meet the annual loan payment. 8,279,037

Due to the State of Wyoming, Office of State Lands and Investments, DWSRF 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. 3,836,112

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. 16,768,393

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**BOARD OF PUBLIC UTILITIES
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NOTES TO FINANCIAL STATEMENTS

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #060, original amount of \$2,900,000 loan, with interest at 2.5%, due annually on September 1. Annual principal and interest payments are \$174,898 through 2029. Secured by the pledge and assignment of revenues from the City's wastewater user fees necessary to meet the annual loan payment. \$ 1,664,888

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. 840,557

Due to the State of Wyoming, Office of State Lands and Investments, CWSRF Loan #084, original amount of \$375,000 loan for the planning phase of the Administration Building Project, with interest at 2.5% due annually on June 1. Annual principal and interest payments are \$24,055 through 2032. Secured by pledge and assignment of revenues from the City's wastewater user fees necessary to meet the annual loan payment. 281,248

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. 1,859,715

Due to the State of Wyoming, Office of State Land and Investments, CWSRF Loan #133, advances on \$5,000,000 loan for Crow Creek Plant Improvements Project. Interest will accrue at 2.5% from the date of the loan disbursements. Twenty annual payments of principal and interest will begin one year after substantial completion of the project. The payments are currently estimated at \$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. 4,398,328

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 0.0% 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. 712,500

Continued

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

NOTES TO FINANCIAL STATEMENTS

Due to the State of Wyoming, Office of State Land and Investments, 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.

Total general obligation bonds and loans

\$	1,300,000
\$	68,303,303

The annual debt service requirements of the long-term debt and current principal maturities as of June 30, 2018 are as follows:

	Waterworks Fund		Sewer Fund	
	Principal	Interest	Principal	Interest
2019	\$ 3,060,360	\$ 757,296	\$ 2,324,156	\$ 595,185
2020	3,296,847	774,435	2,757,205	776,603
2021	3,380,734	689,821	2,826,089	707,720
2022	3,466,375	602,972	2,896,693	637,116
2023	3,497,953	512,119	2,969,061	564,748
2024-2028	10,104,837	1,600,394	11,264,373	1,728,344
2029-2033	6,063,643	638,296	4,370,143	822,951
2034-2038	1,773,871	126,244	3,403,615	310,194
2039-2043	247,867	6,002	599,481	14,987
	<u>\$ 34,892,487</u>	<u>\$ 5,707,579</u>	<u>\$ 33,410,816</u>	<u>\$ 6,157,848</u>

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 the annual debt requirements. Proceeds from the debt has been used to improve, expand and replace the distribution system, source of supply, and treatment facilities. The proportion of pledged revenues to total revenues is not estimable because annual total fees fluctuate annually. Principal and interest paid for the current year was \$7,750,925. Net customer revenues totaled \$34,518,439 for the year. At year end, pledged future revenues totaled \$80,168,730, which is the amount of the remaining principal and interest on outstanding debt.

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

NOTES TO FINANCIAL STATEMENTS

Note 5. Retirement Commitments

Plan description: Substantially all employees of the Board are provided with pensions through the Public Employee Pension Plan - a statewide cost-sharing multiple-employer defined benefit pension plan administered by the Wyoming Retirement System (WRS). The authority to establish and amend benefits and contributions rates rests with the Legislature of the State of Wyoming. WRS is granted the authority to administer the Plan by Wyoming State Statutes 9-3-401 through 432. WRS issues a publicly available financial report that can be obtained at <http://retirement.state.wy.us/About/Reports?Label=Financial#categories>.

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

Service Retirement 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: 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 her/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: Per Title 9-3-412 and 413 of Wyoming State Statutes, for the year ended June 30, 2018, member contributions were required to be 8.25% of compensation and employer contributions were required to be 8.37% of compensation. In accordance with Title 9-3-412 (c) (ii) of State Statutes, the Board has elected to pay 5.75% of the members' contribution in addition to the employers contribution. Total contributions to the pension plan from the Board were \$1,021,841 for the year ended June 30, 2018.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions: At June 30, 2018, the Board reported a liability of \$9,280,567 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 and incorporated assumption changes adopted by the Board effective August 23, 2017. The Board's proportion of the net pension liability was based on the relationship of the Board's total contributions to the plan for the year ended December 31, 2017 to the contributions of all participating employers for the same period. At December 31, 2017, the Board's proportion was .4072%, which was an increase from its December 31, 2016 proportion of .3979%.

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

NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2018, the Board recognized pension expense of \$1,564,236. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (319,054)
Changes of assumptions	901,761	-
Net difference between projected and actual earnings on pension plan investments	1,102,253	(1,514,368)
Changes in proportion and differences between employer contributions and proportionate share of contributions	427,049	-
Contributions subsequent to the measurement date	306,026	-
	<u>\$ 2,737,089</u>	<u>\$ (1,833,422)</u>

The amount of \$306,026 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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:

2019	\$ 583,503
2020	407,748
2021	(69,661)
2022	(323,949)
	<u>\$ 597,641</u>

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

NOTES TO FINANCIAL STATEMENTS

Actuarial assumptions: The total pension liability in the January 1, 2017 valuation was determined using the following actuarial assumptions adopted by the Wyoming Retirement Systems Board effective August 23, 2017 and applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	2.50% - 6.50%, including inflation
Payroll growth rate	2.50%
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Mortality Tables for Males or Females, as appropriate with adjustments for mortality improvements based on Scale MP-2017.

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 arithmetic 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>	<u>Long-Term Expected Arithmetic Real Rate of Return</u>
Cash	0.00%	0.40%	0.40%
Fixed Income	20.00%	1.25%	1.77%
Equity	45.00%	4.96%	6.88%
Marketable Alternatives	17.50%	2.79%	3.30%
Private Markets	17.50%	5.06%	7.11%
Total	100.00%		

Experience analysis: An experience study was conducted on behalf of all WRS's plans covering the five-year period ended December 31, 2016. 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 7.00%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

NOTES TO FINANCIAL STATEMENTS

Sensitivity of the employer's proportionate share of the net pension liability to changes in the discount rate: The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Board's proportionate share of the net pension liability	\$14,026,552	\$9,280,567	\$5,322,485

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued WRS financial report available from the Wyoming Retirement System, 6101 Yellowstone Road, Cheyenne, Wyoming 82002 or at <http://retirement.state.wy.us/home/About/Reports?Label=Financial#categories>

Defined Contributions Plans

The Board employees have the option to participate in one of two defined contribution plans. These defined contribution plans include the Wyoming Deferred Compensation Program (457 Plan) administered by the Wyoming Retirement System and a defined contribution plan administered by VALIC Financial Advisors. Employees are allowed to contribute the maximum amount per Internal Revenue Service guidelines. The total employee contributions for the years ended June 30, 2018 and 2017 were \$180,961 and \$211,243, respectively. Beginning July 1, 2008, the Board elected to match an employee's contribution up to \$25 per month. The total matching contributions for the years ended June 30, 2018 and 2017 were \$31,650 and \$31,350, respectively.

Note 6. Due from Other Governments

Amounts due from other governments of \$1,839,315 as of June 30, 2018 are from other governmental entities in connection with the construction of various projects. The amount due represents pay requests received from contractors for work done through June 2018. Upon receipt of these pay requests, the Board applies to other governmental entities for grant and/or loan monies to pay contractors.

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Accrued Compensated Absences and Early Retirement

Compensated absences and early retirement obligations have been accrued in the financial statements of the Board and consist of the following at June 30, 2018:

	Waterworks Fund	Sewer Fund	Total
Vacation leave	\$ 352,347	\$ 237,848	\$ 590,195
Compensatory/administrative time	81,673	54,449	136,122
Sick leave	295,982	197,322	493,304
Early retirement obligation	45,742	30,494	76,236
	<u>\$ 775,744</u>	<u>\$ 520,113</u>	<u>\$ 1,295,857</u>

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

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Compensated Absences and Early Retirement					
Waterworks Fund	\$ 768,112	\$ 193,751	\$ (186,119)	\$ 775,744	\$ 191,742
Sewer Fund	509,326	120,592	(109,805)	520,113	128,418
	<u>\$ 1,277,438</u>	<u>\$ 314,343</u>	<u>\$ (295,924)</u>	<u>\$ 1,295,857</u>	<u>\$ 320,160</u>

Note 8. Related-Party Transactions

The Board collects sanitation charges on behalf of the City. At June 30, 2018, the Board had cash and receivables relating to the City's sanitation charges of \$2,118,519. The Board also owed the City \$228,555 for fuel charges, legal fees, and the Board's share of construction projects.

Note 9. Major Customers

For the year ended June 30, 2018, the Board had two customers who each accounted for more than 10% of the Board's billed water and/or sewer revenues as follows:

	Water	Sewer	Total
Holly Frontier Refining & Marketing	\$ 3,828,508	\$ 1,422,556	\$ 5,251,064
South Cheyenne Water & Sewer District	1,628,570	1,260,016	2,888,586

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

NOTES TO FINANCIAL STATEMENTS

Note 10. Commitments

As of June 30, 2018, the Board has entered into several construction/engineering contracts resulting in commitments for future capital expenditures. The major projects are listed below. Although portions of the projects may have been completed and capitalized during 2018, the amounts below represent the activity pertaining to the respective contract as a whole.

	Expended to June 30, 2018	Total Contract	Total Commitment at June 30, 2018
Waterworks Fund:			
Sherard Hydropower	\$ 328,227	\$ 1,346,878	\$ 1,018,651
S. Water Transmission Main Ph III	11,801,163	11,944,076	142,913
Christensen Road Extension	19,080	90,203	71,123
FY 17 Water Rehabs	2,499,242	2,892,566	393,324
FY 18 Water Rehabs	1,269,943	2,532,548	1,262,605
26th Street Storm Interceptor	430,053	618,181	188,128
FY 19 Water Rehabs	26,511	27,374	863
North City Study	-	168,510	168,510
Dam Enlargement Study	-	400,000	400,000
Prairie Avenue Roundabout	9,452	13,534	4,082
Civic Center Commons	150,654	632,660	482,006
ERP Project- Munis	273,407	628,379	354,972
	<u>16,807,732</u>	<u>21,294,909</u>	<u>4,487,177</u>
Sewer Fund:			
FY 17 Sewer Rehabs	584,119	841,734	257,615
S. Sewer Interceptor Main Ph I	11,305,856	12,518,828	1,212,972
19th Street Rehab-Phase III	63,139	75,576	12,437
FY 17 Sewer Manholes	162,153	176,291	14,138
FY 18 Sewer Rehabs	697,659	1,656,131	958,472
FY 18 Sewer Manholes	-	1,656,131	1,656,131
FY 19 Sewer Rehabs	30,882	31,208	326
ERP Project- Munis	91,136	209,459	118,323
	<u>12,934,944</u>	<u>17,165,358</u>	<u>4,230,414</u>
	<u>\$ 29,742,676</u>	<u>\$ 38,460,267</u>	<u>\$ 8,717,591</u>

Note 11. Risk Management

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

As of June 30, 2018, the Board is a member of the Wyoming Association of Risk Management (WARM), which is a separate legal agency created under Wyoming State Statutes for the purpose of establishing a shared risk pool and/or jointly purchasing insurance coverage. The participating entities are responsible for paying premiums into the pool which are calculated annually and are based upon actuarially sound and recognized pooling practices. The pool is responsible for determining the amounts of the premiums charged to the entities and is also responsible for managing the pool's assets. The entities have the right to submit claims for losses incurred. The pool has the right to collect premiums and admit or terminate members for nonpayment of premiums. The Board management considers the assets of WARM to be sufficient to cover any claims that may be incurred by its members.

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

NOTES TO FINANCIAL STATEMENTS

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

**SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEE PENSION PLAN
Last 5 Fiscal Years***

	Board's proportion of the net pension liability	Board's proportionate share of the net pension liability	Board's covered payroll	Board's proportionate share of the net pension liability as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2014	0.3772%	\$ 5,735,039	\$ 6,463,729	88.73%	81.10%
2015	0.3621%	\$ 6,390,668	\$ 6,307,367	101.32%	79.08%
2016	0.3838%	\$ 8,940,291	\$ 6,855,922	130.40%	73.40%
2017	0.3979%	\$ 9,619,011	\$ 7,127,606	134.95%	73.42%
2018	0.4072%	\$ 9,280,567	\$ 7,177,501	129.30%	76.35%

** The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Supplementary information presented is intended to show information for 10 years. Additional years will be displayed as it becomes available.*

See Notes to Required Supplementary Information

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

**SCHEDULE OF THE BOARD'S CONTRIBUTIONS
PUBLIC EMPLOYEE PENSION PLAN**

Last 5 Fiscal Years*

	Statutorily required contribution	Contributions in relation to the statutorily required contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2014	\$ 465,964	\$ 465,964	\$ -	6,544,388	7.12%
2015	\$ 512,031	\$ 512,031	\$ -	6,719,564	7.62%
2016	\$ 586,407	\$ 586,407	\$ -	7,006,054	8.37%
2017	\$ 602,689	\$ 602,689	\$ -	7,200,585	8.37%
2018	\$ 608,519	\$ 608,519	\$ -	7,270,239	8.37%

**Supplementary information presented is intended to show information for 10 years.
Additional years will be displayed as it becomes available.*

See Notes to Required Supplementary Information

Notes to Required Supplementary Information

Changes in benefit terms: There were no changes in benefit terms between the December 31, 2016 measurement date and the December 31, 2017 measurement date.

Changes in assumptions: There were economic and demographic changes in assumptions between the December 31, 2016 measurement date and the December 31, 2017 measurement date.

SUPPLEMENTARY INFORMATION

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

**BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018**

	Waterworks Fund			
	Budgeted Amounts		Actual Budget Basis	Variance with Final Budget
	Original	Final		
Operating Revenues				
Sales and charges for services	\$ 20,389,800	\$ 20,389,800	\$ 21,305,003	\$ 915,203
Fees and miscellaneous	380,700	380,700	383,149	2,449
Total operating revenues	20,770,500	20,770,500	21,688,152	917,652
Nonoperating Revenues				
Investment income	81,000	81,000	176,780	95,780
Gain on sale of assets	-	-	83,559	83,559
System development fees	1,574,800	1,574,800	2,541,631	966,831
Capital grants	1,070,000	9,854,805	6,046,604	(3,808,201)
Donated utilities	-	-	1,315,397	1,315,397
Total nonoperating revenues	2,725,800	11,510,605	10,163,971	(1,346,634)
Total revenues	23,496,300	32,281,105	31,852,123	(428,982)
Operating Expenses				
Source of supply	1,633,950	2,257,999	1,955,042	(302,957)
Water treatment	2,319,100	2,333,500	1,933,235	(400,265)
Transmission and distribution	2,416,500	2,694,250	2,449,095	(245,155)
Sewer collection lines	-	-	-	-
Water reclamation	-	-	-	-
Engineering and water resources	1,392,950	1,533,950	1,107,082	(426,868)
Administrative and general	4,303,050	4,359,111	3,852,116	(506,995)
Information technology and customer service	984,600	1,003,413	884,557	(118,856)
Total operations	13,050,150	14,182,223	12,181,127	(2,001,096)
Other Expenditures				
Capital purchases	1,965,100	2,064,825	1,209,435	(855,390)
Construction work in progress	6,791,500	28,772,012	13,153,130	(15,618,882)
Debt service, interest	867,100	881,971	880,846	(1,125)
Debt service, principal	2,988,900	3,724,029	3,723,510	(519)
Total other expenditures	12,612,600	35,442,837	18,966,921	(16,475,916)
Total expenditures	25,662,750	49,625,060	31,148,048	(18,477,012)
Excess (deficiency) of revenues over expenditures	\$ (2,166,450)	\$ (17,343,955)	\$ 704,075	\$ 18,048,030

Sewer Fund

Budgeted Amounts				Actual Budget		Variance with	
Original		Final		Basis		Final Budget	
\$	12,079,300	\$	12,079,300	\$	12,300,941	\$	221,641
	512,300		512,300		529,346		17,046
	12,591,600		12,591,600		12,830,287		238,687
	30,200		30,200		78,707		48,507
	-		-		12,957		12,957
	1,055,000		1,055,000		568,702		(486,298)
	-		-		-		-
	-		-		1,272,680		1,272,680
	1,085,200		1,085,200		1,933,046		847,846
	13,676,800		13,676,800		14,763,333		1,086,533
	-		-		-		-
	-		-		-		-
	-		-		-		-
	1,352,950		1,505,200		1,309,261		(195,939)
	2,665,850		2,738,256		2,472,745		(265,511)
	464,450		358,450		347,244		(11,206)
	2,142,300		2,159,045		1,971,189		(187,856)
	328,500		332,795		293,363		(39,432)
	6,954,050		7,093,746		6,393,802		(699,944)
	517,000		667,147		95,352		(571,795)
	4,998,400		19,546,063		11,611,703		(7,934,360)
	767,500		767,475		712,406		(55,069)
	2,267,800		2,267,825		2,267,475		(350)
	8,550,700		23,248,510		14,686,936		(8,561,574)
	15,504,750		30,342,256		21,080,738		(9,261,518)
\$	(1,827,950)	\$	(16,665,456)	\$	(6,317,405)	\$	10,348,051

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

NOTES TO BUDGETARY COMPARISON SCHEDULE

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

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

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

STATISTICAL SECTION

(UNAUDITED)

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

**NET POSITION BY COMPONENT
(Unaudited)
Last Ten Fiscal Years**

	2009	2010	2011	2012
<hr/>				
Primary government:				
Net investment in capital assets	\$197,637,971	\$201,950,640	\$207,125,040	\$212,588,231
Restricted	1,289,594	1,289,594	1,289,594	1,389,594
Unrestricted	25,660,121	22,758,430	24,280,698	25,507,519
	<hr/>			
Total primary govern- ment net position	\$224,587,686	\$225,998,664	\$232,695,332	\$239,485,344
	<hr/> <hr/>			

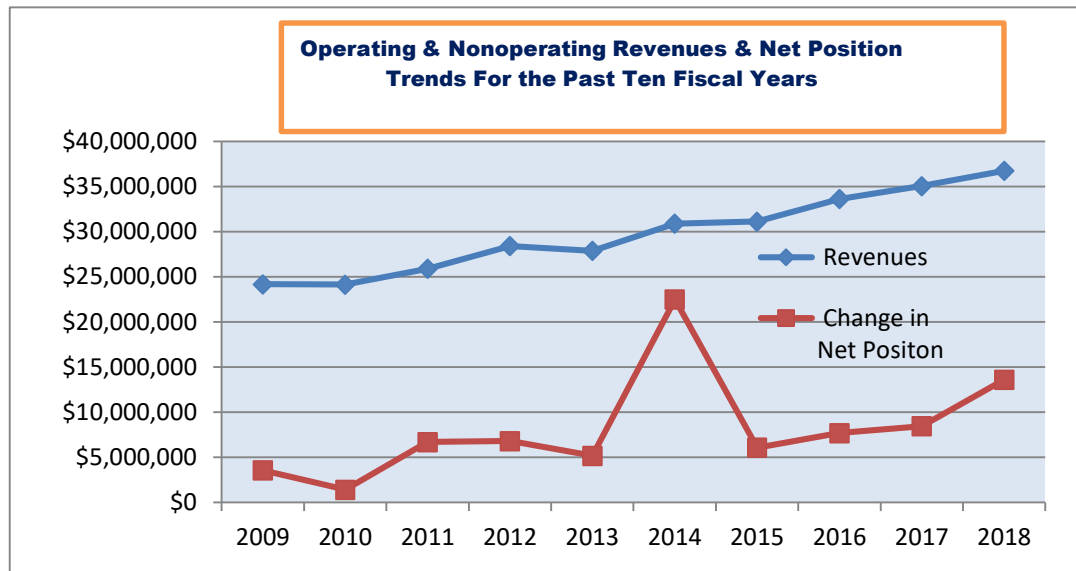
2013	2014	2015	2016	2017	2018
\$215,502,795	\$234,533,472	\$240,632,987	\$247,414,892	\$255,737,548	\$266,767,253
1,389,594	1,103,001	1,103,001	500,000	500,000	500,000
27,757,842	31,498,933	26,138,255	27,643,743	27,774,167	30,326,170
\$244,650,231	\$267,135,406	\$267,874,243	\$275,558,635	\$284,011,715	\$297,593,423

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

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

Fiscal Year	Operating Revenues	Operating Expenses	Operating Income (Loss)
2009	23,856,054	23,911,025	(54,971)
2010	24,281,960	24,220,188	61,772
2011	26,575,116	25,151,232	1,423,884
2012	28,594,129	26,005,418	2,588,711
2013	28,417,091	26,474,263	1,942,828
2014	28,030,122	27,483,943	546,179
2015	28,223,658	27,605,751	617,907
2016	31,243,040	29,990,481	1,252,559
2017	32,881,259	30,735,969	2,145,290
2018	34,518,439	31,800,359	2,718,080

Total Nonoperating Revenues/ (Expenses)	Income (Loss) before Capital Contribution	Capital Contributions	Change in Net Position
324,167	269,196	3,279,312	3,548,508
(149,067)	(87,295)	1,498,273	1,410,978
(685,814)	738,070	5,958,598	6,696,668
(179,719)	2,408,992	4,381,020	6,790,012
(543,390)	1,399,438	3,765,449	5,164,887
2,855,489	3,401,668	19,083,507	22,485,175
2,906,969	3,524,876	2,554,040	6,078,916
2,380,668	3,633,227	4,051,165	7,684,392
2,176,250	4,321,540	4,131,540	8,453,080
2,228,947	4,947,027	8,634,681	13,581,708



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

**COMBINED OPERATING REVENUES BY SOURCE
(Unaudited)
Last Ten Fiscal Years**

Fiscal Year	Water Sales	Sewer Charges	Fees and Miscellaneous	Total
2009	15,380,781	7,870,804	604,469	23,856,054
2010	15,460,342	8,242,981	578,637	24,281,960
2011	17,517,713	8,279,468	777,935	26,575,116
2012	19,136,331	8,699,568	758,230	28,594,129
2013	18,727,876	8,913,119	776,096	28,417,091
2014	17,210,780	9,737,163	1,082,179	28,030,122
2015	16,927,691	10,203,095	1,092,872	28,223,658
2016	19,264,134	11,013,457	965,449	31,243,040
2017	20,331,453	11,793,475	756,331	32,881,259
2018	21,305,003	12,300,941	912,495	34,518,439

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

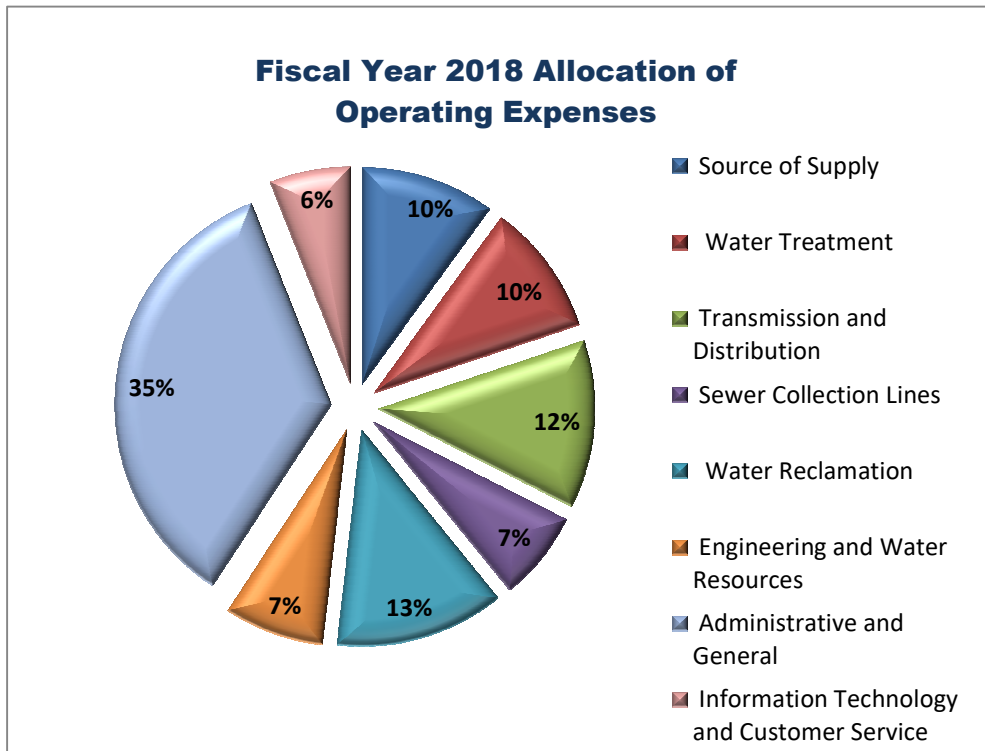
COMBINED OPERATING EXPENSES

(Unaudited)

Last Ten Fiscal Years

Fiscal Year	Source of Supply	Water Treatment	Transmission and Distribution	Sewer Collection Lines	Water Reclamation
2009	1,023,116	2,096,691	1,885,130	1,093,916	2,232,907
2010	1,076,321	1,959,147	1,902,540	1,134,465	2,266,565
2011	1,129,193	2,032,733	1,893,363	1,073,547	2,303,619
2012	1,245,052	2,222,510	1,975,019	1,112,374	2,305,548
2013	1,218,162	1,779,324	2,015,765	1,109,167	2,360,921
2014	1,426,207	1,846,817	2,052,179	1,144,516	2,348,946
2015	1,334,981	1,869,151	2,040,958	1,181,757	2,400,409
2016	1,351,996	1,874,575	2,074,783	1,239,039	2,473,365
2017	1,412,417	2,182,952	2,111,073	1,145,985	2,504,492
2018	1,955,042	1,933,235	2,449,095	1,309,261	2,472,745

Engineering and Water Resources	Administrative and General	Information Technology and Customer Service	Subtotal, Expenses before Depreciation	Depreciation	Total Operating Expenses
1,084,039	3,457,144	977,070	13,850,013	10,061,012	23,911,025
1,040,738	3,555,360	896,234	13,831,370	10,388,818	24,220,188
1,046,353	4,122,194	947,699	14,548,701	10,602,531	25,151,232
1,078,469	4,362,575	1,044,593	15,346,140	10,659,278	26,005,418
1,136,793	5,118,473	1,004,269	15,742,874	10,731,389	26,474,263
1,199,393	5,603,288	1,049,253	16,670,599	10,813,344	27,483,943
1,204,863	5,249,576	1,132,188	16,413,883	11,191,868	27,605,751
1,338,086	6,530,009	1,157,416	18,039,269	11,951,212	29,990,481
1,339,279	6,727,482	1,185,779	18,609,459	12,126,510	30,735,969
1,454,326	6,781,904	1,177,920	19,533,528	12,266,831	31,800,359



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

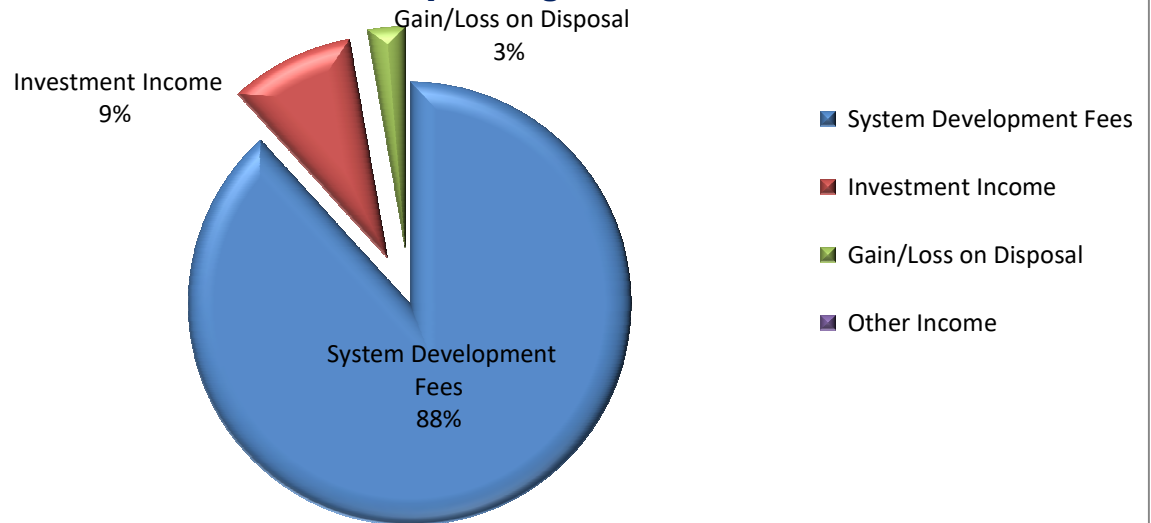
COMBINED NONOPERATING REVENUES AND EXPENSES

(Unaudited)

Last Ten Fiscal Years

Fiscal Year	System Development Fees	Investment Income	Insurance Proceeds and Gain/Loss on Disposal of Assets	Other Income	Intergovernmental Revenues	Specific Purpose Tax	Interest Expense	Total Nonoperating Revenues/ Expenses
2009	1,267,358	695,770	-	-	1,000,000	259,653	(2,898,614)	324,167
2010	1,153,325	307,393	5,175	-	1,000,000	10,257	(2,625,217)	(149,067)
2011	1,655,563	147,225	-	-	-	-	(2,488,602)	(685,814)
2012	1,928,153	77,077	-	-	-	-	(2,184,949)	(179,719)
2013	1,532,008	18,990	-	-	-	-	(2,094,388)	(543,390)
2014	4,151,596	101,738	248,729	26,939	-	-	(1,673,513)	2,855,489
2015	4,480,380	68,815	7,925	-	-	-	(1,650,151)	2,906,969
2016	4,014,691	144,963	21,625	-	-	-	(1,800,611)	2,380,668
2017	3,553,222	102,756	42,640	-	-	-	(1,522,368)	2,176,250
2018	3,110,333	319,220	96,516	-	-	-	(1,297,122)	2,228,947

Allocation of FY 2018 Non-Operating Revenues



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

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

	2009	2010	2011
Water Rates			
Residential single family:			
First block - First 6,000	\$ 3.20	\$ 3.35	\$ 3.46
Second block - Next 18,000	3.98	4.15	4.29
Third block - Next 18,000	4.92	5.15	5.32
All over - 42,000	6.15	6.40	6.61
Residential multi family:			
First block - First 3,000 per unit	3.20	3.35	3.46
Second block - Next 9,000 per unit	3.98	4.15	4.29
Third block - Next 9,000 per unit	4.92	5.15	5.32
All over - 21,000 per unit	6.15	6.40	6.61
All other treated (range)	3.68-3.98	3.65-4.15	3.78-4.29
Raw water (range)	2.08	2.17	2.24
Reclaimed water	1.69	1.76	1.82
Recycled water	3.02	3.14	3.24
Monthly service fee range (based on meter size)	4.45-150.95	4.65-158.00	4.80-163.37
Sewer Rates			
Rate charge (per 1,000 gallons)	\$ 3.20	\$ 3.35	\$ 3.46
Monthly service fee range (based on meter size)	3.65-62.50	3.80-65.00	3.93-67.21

Notes:

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

2012	2013	2014	2015	2016	2017	2018
\$ 3.46	\$ 3.60	\$ 3.72	\$ 3.85	\$ 3.97	\$ 4.05	\$ 4.17
4.29	4.46	4.61	4.77	4.91	5.01	5.15
5.32	5.53	5.72	5.91	6.09	6.21	6.39
6.61	6.88	7.11	7.36	7.58	7.73	7.96
3.46	3.60	3.72	3.85	3.97	4.05	4.17
4.29	4.46	4.61	4.77	4.91	5.01	5.15
5.32	5.53	5.72	5.91	6.09	6.21	6.39
6.61	6.88	7.11	7.36	7.58	7.73	7.96
3.78-4.29	3.94-4.65	4.08-4.81	4.23-4.97	4.36-5.12	4.45-5.22	4.58-5.37
2.24	2.33	2.41	2.49	2.56	2.61	2.69
1.82	1.89	1.95	2.02	2.08	2.12	2.18
3.24	3.37	3.48	3.60	3.71	3.78	3.89
4.80-163.37	4.99-170.06	5.16-175.84	5.34-181.82	5.50-187.27	5.61-191.02	5.77-196.75
\$ 3.46	\$ 3.74	\$ 3.91	\$ 4.21	\$ 4.43	\$ 4.62	\$ 4.76
3.93-67.21	4.09-69.95	4.27-73.10	4.48-76.76	4.61-79.06	4.70-80.64	4.84-83.06

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

TEN LARGEST WATER CUSTOMERS

(Unaudited)

Current Year and Nine Years Ago

Customer	Fiscal Year 2018		Fiscal Year 2018	
	Billed Water Revenues		Gallons (1,000's)	
	Amount	%	Amount	%
Holly Frontier Refining and Marketing	\$ 3,828,508	17.97%	846,690	20.33%
South Cheyenne Water and Sewer District	\$ 1,628,570	7.64%	346,075	8.31%
F.E. Warren Air Force Base	\$ 879,844	4.13%	182,857	4.39%
Laramie County School Dist #1	\$ 440,368	2.07%	86,766	2.08%
Microsoft Corporation	\$ 310,890	1.46%	42,743	1.03%
State of Wyoming	\$ 202,659	0.95%	38,761	0.93%
Cheyenne Country Club	\$ 171,864	0.81%	62,265	1.49%
Cheyenne Regional Medical Center	\$ 126,154	0.59%	25,502	0.61%
DISH Purchasing Corporation	\$ 83,279	0.39%	17,280	0.41%
Univ Center for Atmospheric Research	\$ 75,342	0.35%	10,325	0.25%
Subtotal (10 largest)	\$ 7,747,478	36.36%	1,659,264	39.83%
Balance from other customers	\$ 13,557,525	63.64%	2,506,407	60.17%
Grand total	\$ 21,305,003	100.00%	4,165,671	100.00%

Customer	Fiscal Year 2009		Fiscal Year 2009	
	Billed Water Revenues		Gallons (1,000's)	
	Amount	%	Amount	%
Frontier Oil & Refinery	\$ 2,953,919	19.21%	867,703	20.93%
South Cheyenne Water and Sewer District	\$ 1,462,904	9.51%	430,619	10.39%
F.E. Warren Air Force Base	\$ 1,149,028	7.47%	334,428	8.07%
Laramie County School District No.1	\$ 351,506	2.29%	72,391	1.75%
State of Wyoming	\$ 265,431	1.73%	55,600	1.34%
Cheyenne Regional Medical Center	\$ 228,026	1.48%	50,280	1.21%
Cheyenne Country Club	\$ 155,204	1.01%	61,538	1.48%
Cheyenne Housing Authority	\$ 143,918	0.94%	29,843	0.72%
Frontier Mall	\$ 120,786	0.79%	25,632	0.62%
Pinewood Village	\$ 107,929	0.70%	20,528	0.50%
Subtotal (10 largest)	\$ 6,938,650	45.11%	1,948,562	47.01%
Balance from other customers	\$ 8,442,130	54.89%	2,196,681	52.99%
Grand total	\$ 15,380,780	100.00%	4,145,243	100.00%

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

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

Customer	Fiscal Year 2018		Fiscal Year 2018	
	Billed Sewer Revenues		Sewer Gallons (1,000's)	
	Amount	%	Amount	%
Holly Frontier Refining & Marketing	\$ 1,422,556	11.57%	300,048	13.06%
South Cheyenne Sewer and Water District	\$ 1,260,016	10.24%	268,742	11.70%
F.E. Warren Air Force Base	\$ 470,026	3.82%	100,092	4.36%
Laramie County School District #1	\$ 121,957	0.99%	24,736	1.08%
Microsoft Corporation	\$ 119,978	0.98%	16,826	0.73%
Cheyenne Regional Medical Center	\$ 113,098	0.92%	23,685	1.03%
Pinewood Village	\$ 68,040	0.55%	14,340	0.62%
WalMart Distribution Center	\$ 61,852	0.50%	8,785	0.38%
State of Wyoming	\$ 58,842	0.48%	11,400	0.50%
Cheyenne Housing Authority	\$ 56,272	0.46%	10,423	0.45%
Subtotal (10 largest)	\$ 3,752,637	30.51%	779,077	33.91%
Balance from other customers	\$ 8,548,304	69.49%	1,518,477	66.09%
Grand total	\$ 12,300,941	100.00%	2,297,554	100.00%

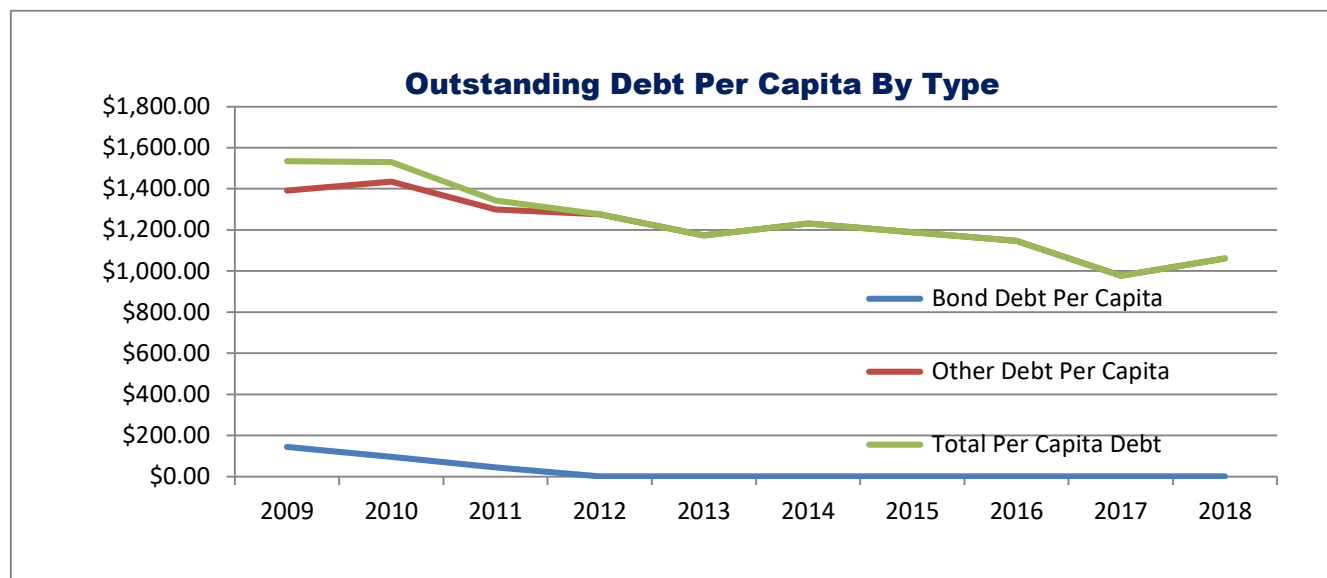
Customer	Fiscal Year 2009		Fiscal Year 2009	
	Billed Sewer Revenues		Sewer Gallons (1,000's)	
	Amount	%	Amount	%
South Cheyenne Sewer and Water District	\$ 705,979	8.97%	227,455	10.25%
F.E. Warren Air Force Base	\$ 378,268	4.81%	122,040	5.50%
Holly Frontier Refining and Marketing	\$ 390,420	4.96%	33,964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

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

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

Fiscal Year	General Bonded Debt			Other Debt			Total Debt
	General Obligation Bonds	Per Capita	As a Share of Personal Income	Notes and Refunding Revenue Bonds	Per Capita	As a Share of Personal Income	All Notes/Bonds
2009	8,170,000	143.21	0.30%	79,330,078	1,390.58	2.97%	87,500,078
2010	5,465,000	94.85	0.20%	82,667,860	1,434.76	3.22%	88,132,860
2011	2,615,000	43.77	0.10%	77,546,824	1,298.09	2.90%	80,161,824
2012	-	-	0.00%	76,662,873	1,275.67	2.58%	76,662,873
2013	-	-	0.00%	71,545,772	1,171.82	2.46%	71,545,772
2014	-	-	0.00%	75,878,271	1,229.45	2.50%	75,878,271
2015	-	-	0.00%	75,171,561	1,188.41	2.41%	75,171,561
2016	-	-	0.00%	72,072,190	1,146.82	2.33%	72,072,190
2017	-	-	0.00%	62,549,494	977.05	1.98%	62,549,494
2018	-	-	0.00%	68,303,303	1,060.40	2.15%	68,303,303

** Information not available



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

**SEWER FUND
LEGAL DEBT MARGIN INFORMATION
(Unaudited)
Last Ten Fiscal Years**

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to Limit as a Percentage of Debt Limit
2009	20,480,473	-	20,480,473	0.00%
2010	20,413,427	-	20,413,427	0.00%
2011	20,900,257	-	20,900,257	0.00%
2012	21,327,661	-	21,327,661	0.00%
2013	21,847,014	-	21,847,014	0.00%
2014	23,105,605	-	23,105,605	0.00%
2015	24,088,253	-	24,088,253	0.00%
2016	25,325,684	-	25,325,684	0.00%
2017	26,553,503	-	26,553,503	0.00%
2018	27,429,211	-	27,429,211	0.00%

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

**SEWER FUND
COMPUTATION OF LEGAL DEBT MARGIN
(Unaudited)
June 30, 2018**

Total assessed value, City of Cheyenne	<u>\$ 685,730,266</u>
Debt limit (4% of total assessed value)	<u>27,429,211</u>
Debt applicable to limit	
Bonded debt	-
Less: Amount set aside for repayment of bond debt	<u>-</u>
Total net debt applicable to limit	<u>-</u>
 Legal debt margin	 <u><u>\$ 27,429,211</u></u>

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

**WATERWORKS FUND
PLEDGED REVENUE COVERAGE
(Unaudited)**

Last Ten Fiscal Years

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fiscal	Water*		Net Revenues				Cover-
Year	Gross	Expenses**	Available		Debt Service***		age
	Revenues		for Debt	Principal	Interest	Total	Ratio
			Service				****
2009	20,056,379	8,169,940	11,886,439	4,197,162	1,729,781	5,926,943	2.01
2010	18,513,871	8,096,391	10,417,480	4,592,685	1,593,984	6,186,669	1.68
2011	19,379,192	8,979,938	10,399,254	4,862,348	1,429,762	6,292,110	1.65
2012	21,038,714	9,865,383	11,173,331	6,185,564	1,310,423	7,495,987	1.49
2013	20,266,843	10,017,855	10,248,988	3,494,377	1,559,833	5,054,210	2.03
2014	21,248,671	10,765,898	10,482,773	2,411,738	1,127,753	3,539,491	2.96
2015	19,989,573	10,481,000	9,508,573	2,669,343	1,230,045	3,899,388	2.44
2016	22,173,104	11,553,006	10,620,098	4,600,459	1,106,343	5,706,802	1.86
2017	22,350,483	12,065,681	10,284,802	6,797,789	989,086	7,786,875	1.32
2018	24,535,960	12,900,076	11,635,884	3,967,990	863,593	4,831,583	2.41

* Gross revenue does not include capital contributions.

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

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

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

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

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

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Fiscal	Sewer*		Net Revenues		Debt Service		Cover-
Year	Gross	Expenses**	Available		Interest	Total	age
	Revenues		for Debt	Principal			Ratio
			Service				***
2009	9,233,317	5,680,073	3,553,244	1,743,523	939,868	2,683,391	1.32
2010	8,866,790	5,734,979	3,131,811	1,894,563	1,013,491	2,908,054	1.08
2011	9,062,959	5,568,763	3,494,196	1,941,889	916,115	2,858,004	1.22
2012	9,560,645	5,480,757	4,079,888	1,990,398	875,883	2,866,281	1.42
2013	9,701,246	5,725,019	3,976,227	2,095,725	887,892	2,983,617	1.33
2014	11,310,453	5,904,701	5,405,752	2,211,174	807,121	3,018,295	1.79
2015	12,791,205	5,932,883	6,858,322	2,199,687	757,339	2,957,026	2.32
2016	13,251,215	6,486,263	6,764,952	2,451,648	854,584	3,306,232	2.05
2017	14,229,394	6,543,778	7,685,616	4,436,586	724,348	5,160,934	1.49
2018	13,508,548	6,633,452	6,875,096	2,267,475	651,867	2,919,342	2.36

* Gross revenue does not include capital contributions.

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

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

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

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

Fiscal Year	Population		Personal Income (Thousands of Dollars)*	Per Capita Income*	Unemploy- ment Rate*	School Enrollment*
2009	57,048	(a)	4,176,656	46,888	4.0%	14,560
2010	57,618	(a)	4,030,420	44,570	6.5%	14,897
2011	59,739	(a)	4,120,894	44,734	7.6%	14,865
2012	60,096	(a)	4,572,791	49,443	6.9%	14,982
2013	61,055	(a)	4,795,529	50,755	6.1%	15,022
2014	62,845	(a)	4,969,568	51,870	4.9%	14,893
2015	63,254	(a)	4,744,712	49,225	4.2%	15,392
2016	63,590	(a)	4,836,235	49,796	4.6%	15,087
2017	64,019	(a)	**	**	4.1%	15,122
2018	64,413	(a)	**	**	3.7%	**

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

(a) Wyoming Division of Economic Analysis.

* For Laramie County.

** Information not yet available.

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

PRINCIPAL EMPLOYERS

(Unaudited)

Current Year and Nine Years Ago

Employer	Product	2018	
		Employees	Percentage of Total
State of Wyoming	Government Services	4,103	6.15%
F.E. Warren A.F.B.	Military	4,020	6.02%
Laramie County School District No.1	Education K-12	2,271	3.40%
Cheyenne Regional Medical Center	Health Care	1,900	2.85%
Federal Government	Government Services	1,728	2.59%
Wyoming National Guard	Military	1,130	1.69%
Veterans Affairs Medical Center	Health Care	980	1.47%
Sierra Trading Post	Outlet Catalog/Retail	878	1.32%
Union Pacific Railroad	Transportation, Rail	660	0.99%
Laramie County Community College	Academic	587	0.88%
		18,257	27.36%
All other employers		48,484	72.64%
Total employees		66,741	100.00%
Employer		2009	
		Employees	Percentage of Total
F.E. Warren A.F.B.	Military	4,325	6.97%
State of Wyoming	Government Services	3,553	5.73%
Laramie County School District No.1	Education K-12	1,955	3.15%
Federal Government	Government Services	1,747	2.82%
Cheyenne Regional Medical Center	Health Care	1,415	2.28%
Wyoming National Guard	Military	756	1.22%
City of Cheyenne	Government Services	606	0.98%
Union Pacific Railroad	Transportation, Rail	602	0.97%
Sierra Trading Post	Outlet Catalog/Retail	572	0.92%
Lowe's Companies	Distribution Center	518	0.84%
		15,531	25.04%
All other employers		46,492	74.96%
Total employees		62,023	100.00%

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

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

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

	2009	2010	2011	2012
Administration				
General and administrative	8	8	8	8
Customer service	6	6	6	6
Information technology	4	4	4	4
Meter information techs	5	5	5	5
Subtotal	23	23	23	23
Water Treatment				
Management/support staff	2	2	2	2
Plant supervisor/operators	13	13	13	13
Laboratory staff	2	2	2	2
Wellfield group	3	3	3	3
Subtotal	20	20	20	20
Operation and Maintenance				
Source of supply	-	-	-	-
Transmission and distribution	13	13	13	13
Sewer collection	12	12	12	12
Support services	11	11	11	11
Sup. dist. and col. fac. staff	5.5	5.5	5.5	5.5
Subtotal	41.5	41.5	41.5	41.5
Engineering and Water Resources				
Engineering staff	8	7	7	7
Inspections and locates	4	4	4	4
Instrumentation and telemetry	4	4	4	4
Source of supply	6	6	6	6
Subtotal	22	21	21	21
Water Reclamation				
Management/support staff	5	5	5	5
Laboratory staff	2	2	2	2
Plant supervisors/operators	16	16	16	16
Subtotal	23	23	23	23
Total	129.5	128.5	128.5	128.5

Full-Time Equivalent Budgeted Positions as of June 30,

2013	2014	2015	2016	2017	2018
8	8	8	8	8	8
6	6	6	6	6	6
4	4	4	4	4	4
5	5	5	5	5	5
23	23	23	23	23	23
2	2	2	2	2	2
13	13	13	13	13	13
2	2	2	2	2	2
3	3	3	3	3	3
20	20	20	20	20	20
13	13	13	13	13	13
12	12	12	14	14	15
11	11	11	11	11	11
5.5	5.5	5.5	5.5	5.5	5.5
41.5	41.5	41.5	43.5	43.5	44.5
7	7	7	8	8	8
4	4	4	4	4	4
4	4	4	5	5	5
6	6	6	6	6	6
21	21	21	23	23	23
5	5	6	6	6	6
2	2	2	2	2	2
16	16	16	16	16	16
23	23	24	24	24	24
128.5	128.5	129.5	133.5	133.5	134.5

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

OPERATING AND CAPITAL INDICATORS

(Unaudited)

Last Ten Fiscal Years

	2009	2010	2011
Water Treatment			
Raw Water Collection Mains (miles)	49	49	49
Raw Water Transmission Mains (miles)	222	222	222
Treated Water Transmission Mains (miles)	67	67	67
Treated Water Distribution Mains (miles)	358	361	364
Gallons of treated water storage (millions)	35	35	35
Reservoir levels at June 30 (acre feet*)	39,555	40,222	41,108
Water treatment plant capacity (mgd)	32	32	32
Peak day **	July 15, 2008	Aug. 12, 2009	Sept.21, 2010
Peak day (mgd)	32.26	25.98	28.42
Peak month **	July 2008	August 2009	August 2010
Peak month (million gallons)	833.17	626.79	697.66
Total water delivered (acre feet)	12,753	13,173	14,815
Average daily demand (mgd)**	11.385	11.760	13.230
Recycled Water			
Miles of delivery pipeline	14.99	14.99	14.99
Treatment capacity (mgd)	4.0	4.0	4.0
Total recycled water delivered (acre feet)	305.6	252.05	566.42
Peak day	August 2, 2008	June 21, 2010	July 14, 2010
Peak day (mgd)	2.89	2.68	2.39
Water Reclamation***			
Miles of sewer collection mains	308	309	310
Water reclamation capacity (mgd)	17.0	17.0	17.0
Peak month	August 2008	May 2010	July 2010
Peak month (million gallons)	320.4	372.8	332.8
Peak month average per day (mgd)	10.30	12.00	10.74
Total wastewater treated (000 gallons)	3,294,313	3,435,352	3,283,370
Average (mgd)	9.03	9.41	9.00

* Estimated water available in reservoirs for delivery to Cheyenne's water treatment plant; this amount does not include a dead pool estimate of 7,500 acre feet; one acre foot is approximately 325,851 gallons of water.

** Peak day/Peak month and Average Daily Demand: Includes treated water, raw water and recycled water delivered to the community of Cheyenne.

*** Wastewater influent

Fiscal Years						
2012	2013	2014	2015	2016	2017	2018
49	49	49	49	49	49	49
222	222	222	222	222	222	222
67	67	67	67	68	75	76
374	379	389	389	395	398	399
35	35	35	35	35	36.5	36.5
37,756	36,990	39,832	39,678	39,791	40,272	39,078
32	32	32	32	32	32	32
June 18, 2012	June 26, 2013	July 8, 2013	July 21, 2014	June 22, 2016	July 20, 2016	July 5, 2017
28.70	29.70	29.27	25.79	26.11	30.32	25.93
June 2012	August 2012	July 2013	July 2014	Aug 2015	Jul 2016	Jul 2017
695.76	767.65	699.86	651.13	699.17	732.46	704.65
16,176	15,272	13,377	13,587	14,088	14,692	13,480
14.40	13.63	11.94	12.13	12.58	13.12	12.79
14.99	14.99	14.99	13.59	14.99	14.00	14.00
4.0	4.0	4.0	4.0	4.0	4.0	4.0
585.05	546.05	330.24	155.84	167.62	341.64	478.93
June 6, 2012	July 20, 2012	July 3, 2013	July 8, 2014	June 21, 2016	June 28, 2017	June 13, 2018
2.14	2.23	2.05	1.24	1.24	1.89	2.57
319	323	327	327	331	337	327
17.0	17.0	17.0	17.0	17.0	17.0	17.0
July 2011	May 2012	May 2014	May 2015	July 2015	May 2017	May 2018
323.4	298.8	313.3	326.1	344.5	264.1	279.5
10.43	9.64	10.10	10.52	11.11	12.70	9.01
3,236,048	3,199,300	3,297,782	2,948,876	3,159,522	2,928,120	3,011,040
8.85	8.77	9.04	8.08	8.63	8.03	8.25

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

**WATER DELIVERED AND SOLD AND WASTEWATER TREATED
(Unaudited)
Last Ten Fiscal Years**

Fiscal Year	Gallons of Water Delivered(a)	Gallons of Water Sold(b)	Gallons of Water Used by City(c)	Gallons of Water Unbilled(d)
2009	4,155	4,072	138	(55)
2010	4,290	3,832	303	155
2011	4,828	4,218	366	244
2012	5,271	4,419	425	427
2013	5,022	4,373	394	255
2014	4,359	3,927	310	122
2015	4,427	3,694	370	363
2016	4,435	3,921	326	188
2017	4,788	4,097	417	274
2018	4,731	4,166	445	120
10-year average	4,631	4,072	349	209

Notes:

Gallons are presented in millions

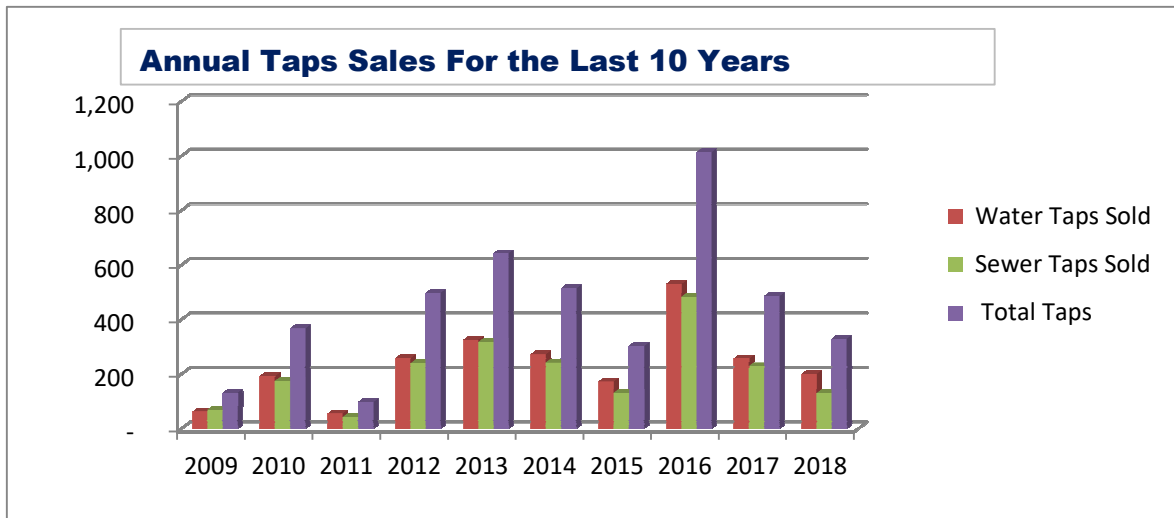
- (a) Water delivered to the community of Cheyenne for consumption, metered dates are from July 1 to June 30.
- (b) Gallons of water sold are based upon bills issued from July 1 or June 30, meter reading dates for these bills do not coincide with July 1 through June 30. Due to monthly billing cycles,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

Average Percent Unbilled(e)	Gallons of Wastewater Billed(f)	Total Direct Rate	
		Water(g)	Sewer(h)
-1.32%	2,219	3.74	3.20
3.61%	2,179	3.97	3.35
5.05%	2,126	4.15	3.46
8.10%	2,183	4.33	3.46
5.08%	2,160	4.28	3.46
2.80%	2,209	4.36	3.91
8.20%	2,183	4.62	4.21
4.24%	2,242	4.81	4.43
5.72%	2,298	4.96	4.62
2.54%	2,299	5.11	5.35
4.52%	2,210		

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

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

Fiscal Year	Water Meter Taps Sold	Sewer Taps Sold	Total Taps
2009	62	69	131
2010	193	174	367
2011	55	42	97
2012	258	239	497
2013	325	317	642
2014	272	242	514
2015	172	131	303
2016	530	483	1,013
2017	257	228	485
2018	200	129	329



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

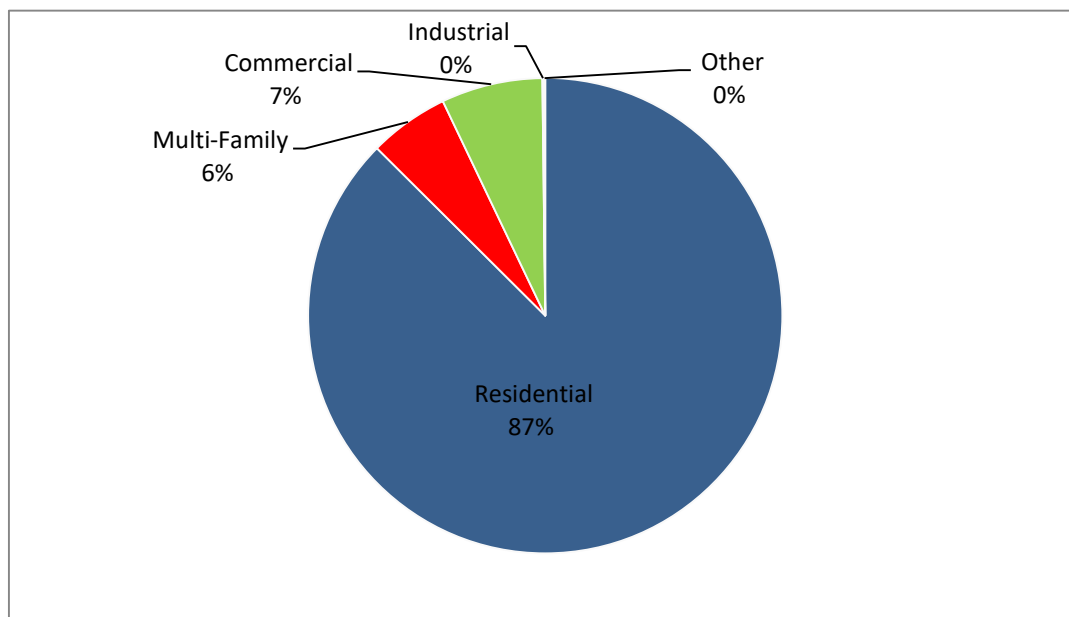
**NUMBER OF WATER AND SEWER USERS BY TYPE
(Unaudited)
Last Ten Fiscal Years**

Fiscal Year	Water				
	Residential	Multi-Family	Commercial	Industrial	Other
2009	18,947	1,182	1,629	24	156
2010	19,160	1,183	1,645	24	187
2011	19,311	1,210	1,660	21	149
2012	19,460	1,249	1,680	21	198
2013	19,917	1,266	1,677	21	151
2014	19,913	1,250	1,695	21	180
2015	20,195	1,250	1,711	17	152
2016	20,382	1,257	1,721	21	168
2017	20,618	1,271	1,735	21	159
2018	20,844	1,295	1,772	22	177

Notes:

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

Sewer					Total	
Residential	Multi-Family	Commercial	Industrial	Other	Water	Sewer
18,837	1,180	1,525	20	12	21,938	21,574
19,046	1,186	1,525	21	13	22,199	21,791
19,241	1,210	1,545	20	12	22,351	22,028
19,365	1,246	1,563	21	13	22,608	22,208
19,565	1,251	1,561	20	15	23,032	22,412
19,831	1,252	1,592	20	23	23,059	22,718
20,120	1,251	1,605	20	25	23,325	23,021
20,300	1,257	1,619	20	27	23,549	23,223
20,530	1,272	1,618	20	25	23,804	23,465
20,742	1,294	1,637	22	25	24,110	23,720



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

**GALLONS PER CAPITA PER DAY
(Unaudited)
Last Ten Fiscal Years**

Calendar Year	City Population Estimate*	Residential Meter Water Use - Only (000 Gallons)	Gallons per Capita per Day Residential Use	Total City** Metered Water Use - Only (000 Gallons)	Gallons per Capita per Day Total In-City Use
2009	57,048	1,962,219	94.24	3,482,228	167.23
2010	57,618	1,800,494	85.61	3,237,866	153.96
2011	59,739	2,057,439	94.36	3,512,364	161.08
2012	60,096	2,152,263	98.12	3,657,056	166.72
2013	61,055	2,079,444	93.31	3,620,334	162.46
2014	61,717	1,883,289	83.60	3,277,123	145.48
2015	63,254	1,725,254	74.73	3,073,629	133.13
2016	63,590	1,827,595	78.74	3,305,945	142.43
2017	64,019	1,880,860	80.49	3,386,465	144.93
2018	64,413	1,908,840	81.19	3,472,373	147.69

* Wyoming Center for Business and Economic Analysis.

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

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

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

(Unaudited)

Last Ten Fiscal Years in (000 Gallons)

Fiscal Year	Residential	Commercial and Industrial	Frontier Oil Refinery	Total In-City Metered Water Sales	F.E. Warren Air Force Base	South Cheyenne Sewer and Water District	Outside City
2009	1,962,219	701,687	818,322	3,482,228	268,014	320,490	7,449
2010	1,800,494	652,161	785,211	3,237,866	239,710	291,546	15,226
2011	2,057,439	710,916	744,009	3,512,364	324,206	323,243	19,026
2012	2,152,263	770,326	734,467	3,657,056	297,063	350,224	19,996
2013	2,079,444	720,911	819,979	3,620,334	255,285	357,885	26,880
2014	1,883,289	686,023	709,881	3,279,193	180,714	326,086	27,746
2015	1,725,254	694,585	653,790	3,073,629	189,640	313,828	29,781
2016	1,827,595	760,494	717,856	3,305,945	177,298	321,242	38,695
2017	1,880,860	714,806	790,799	3,386,465	174,401	336,733	63,312
2018	1,908,840	716,843	846,690	3,472,373	182,857	346,075	72,589

* Excluding depreciation.

Raw Water	Recycled Water	Oil and Gas	Construc- tion	Total Water Sales	Total Water Operating Expenses*	Operating Cost per 1,000	Total Water Debt Service	Debt Cost per 1,000
49,393	17,669	-	-	4,145,243	8,169,940	1.97	5,926,942	1.43
47,930	3,250	-	-	3,835,528	8,096,391	2.11	6,186,669	1.61
63,989	20,205	1,909	3,093	4,268,035	8,979,938	2.10	6,292,110	1.47
69,948	20,008	54	4,972	4,419,321	9,865,383	2.23	7,495,987	1.70
71,441	21,320	19	19,447	4,372,611	10,017,855	2.29	5,054,210	1.16
104,216	17,122	515	13,235	3,948,827	10,765,898	2.73	3,539,491	0.90
61,452	16,032	2,099	7,732	3,694,193	10,481,000	2.84	3,899,388	1.06
55,614	13,348	936	8,606	3,921,684	11,553,006	2.95	5,706,802	1.46
92,226	18,380	-	25,903	4,097,420	12,065,681	2.94	7,786,875	1.90
60,905	14,284	3,144	13,444	4,165,671	12,900,076	3.10	4,831,583	1.16

COMPLIANCE REPORT



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the City of Cheyenne, Wyoming Board of Public Utilities (the "Board"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 8, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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 result of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board'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 Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGee, Hearne & Paig, LLP

Cheyenne, Wyoming

October 8, 2018