

TOWN OF THE CITY OF BUFFALO, WYOMING

FINANCIAL REPORT

JUNE 30, 2010

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

Honorable Mayor and Members of the City Council
Town of the City of Buffalo
Buffalo, Wyoming

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of the City of Buffalo, Wyoming (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the City prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of the City of Buffalo, Wyoming as of June 30, 2010, and the respective changes in financial position - modified cash basis thereof for the year then ended in conformity with the basis of accounting described in Note 1 to the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2011 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's discussion and analysis on pages 3 through 9 and budgetary comparison information on pages 23 through 25, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining statements of nonmajor governmental funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Mc Gee, Hearne & Paiz, LLP

Cheyenne, Wyoming
February 10, 2011

TOWN OF THE CITY OF BUFFALO, WYOMING MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

As management of the Town of the City of Buffalo, Wyoming (the "City"), we offer the readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the year ending June 30, 2010. When read in conjunction with the financial statements, this section's financial highlights, overview, and analysis should assist the reader in gaining a more complete knowledge of the City's financial performance.

FINANCIAL HIGHLIGHTS

The assets of the City (cash and investments) at the close of June 30, 2010 were \$14,364,006 (reported as net assets), and all of this amount may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets decreased by \$1,619,572. This decrease is primarily related to the timing of grant proceeds received in conjunction with the Waste Water Treatment Plant Expansion Project. Net assets for governmental activities decreased by \$1,762,086, or 12% while net assets for business-type activities increased by \$142,514 or 11%.

At the end of the year, the unreserved fund balance for the general fund, the City's primary operating account, was \$4,265,304 or 126% of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains additional required supplementary information (budgetary schedules) and other supplementary information in addition to the other basic financial statements themselves.

Government-wide financial statements. These statements are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business reporting.

The Statement of Net Assets provides information about the City's current financial position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the economic condition of the City is improving or deteriorating. In evaluating the government's economic condition, however, additional non-financial factors should be considered such as the City's economic outlook, changes in its demographics, and the condition of its infrastructure and other capital assets.

The statement of activities presents receipts and disbursement information showing how the City's net assets changed during the fiscal year. To understand the basis of how these numbers are determined, it is important to note that changes in net assets are reported when the cash is received or disbursed, regardless of when the event occurs, which is consistent with the modified cash basis approach.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by intergovernmental revenues and taxes (governmental activities) from other functions that are designed to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City include: general government, public safety, streets and public works, culture and recreation, interest expense, and capital outlay. Business-type activities include the water department, the wastewater department, and the sanitation department.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A fund is a grouping of related accounts (receipts, disbursements, and assets) that is used to control resources that have been segregated for specific activities. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds utilized by the City can be divided into two categories, governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. For accounting and reporting purposes under the modified cash basis, there is not a difference between the Governmental funds and the government-wide financial statements.

The General Fund is the primary operating governmental fund of the City. The other governmental funds include the 1% Optional Tax Fund, the Waste Water Treatment Plant Fund, the Depreciation Fund, the Severance Tax Fund, Euskaldum Kalea Paving Fund, City-Wide Water/Sewer Line Fund, Clear Creek Restoration Fund, WYDOT North Main Storm Drain Fund, WYDOT Gateway Project Fund, Sidewalks to School Fund, and the Equipment Fund. To demonstrate legal compliance, schedules comparing budget-to-actual numbers for the General Fund and the 1% Optional Tax Fund (the City's major special revenue fund), are included in the required supplementary information.

Proprietary funds. The City maintains one type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operation of the water, sewer, and sanitation operations.

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 starting on page 14 of this report.

Other information. The budgetary comparison schedules, including related notes, are reported as required supplementary information, which begins on page 23. Also, individual fund statements and other supplementary information can be found starting on page 26 of this report.

Government-wide financial analysis

Net assets: As stated earlier, an analysis of net assets is probably the most important financial measurement to assist with understanding the financial position of the City, and whether the financial position improves or deteriorates each year. The following table presents summary information from the government-wide statement of net assets.

**Town of the City of Buffalo
Summary of Net Assets – Modified Cash Basis
(in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Cash & Investments	12.88	14.65	1.47	1.33	14.36	15.98
Total assets	12.88	14.65	1.47	1.33	14.36	15.98
Unrestricted	12.88	14.65	1.47	1.33	14.36	15.98
Total net assets	12.88	14.65	1.47	1.33	14.36	15.98

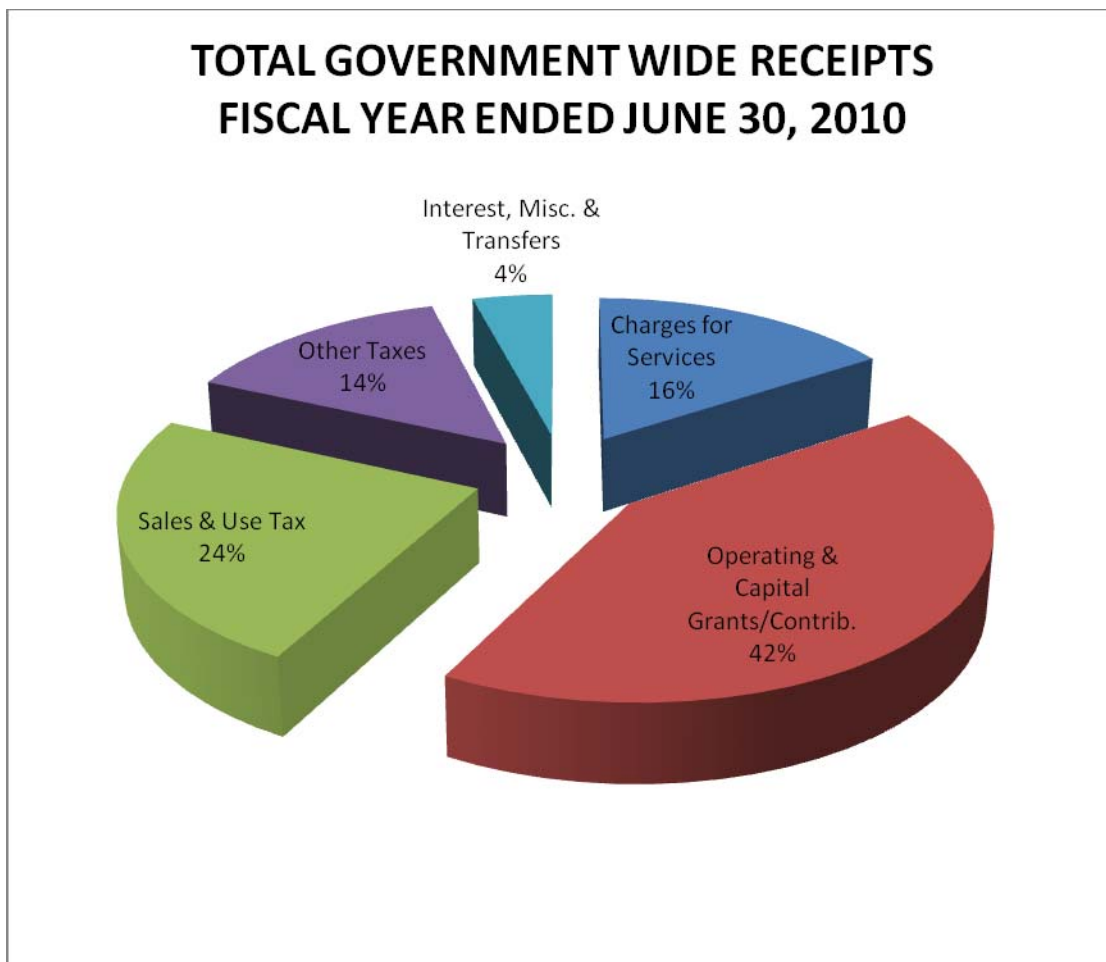
As depicted, at June 30, 2010, the City’s net assets are approximately \$14.36 million. Since the assets are classified as unrestricted they are considered to be available for spending or appropriation.

Changes in net assets: As taken from the government-wide statement of activities, the following table depicts the changes in net assets for 2010.

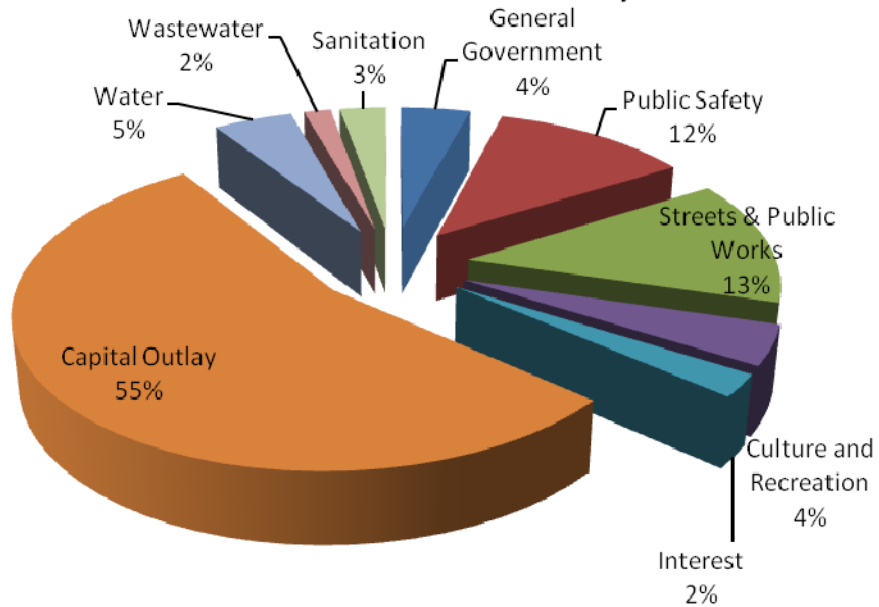
**Town of the City of Buffalo
Summary of Changes in Net Assets – Modified Cash Basis
(in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Receipts:						
Program Receipts:						
Charges For Services	-	-	2.05	2.05	2.05	2.05
Operating Grants and Contributions	0.13	0.16	-	-	0.13	0.16
Capital Grants and Contributions	5.30	5.71	-	-	5.30	5.71
General receipts:						
Sales and use tax	3.08	4.13	-	-	3.08	4.13
Mineral sever. & royalties tax	0.44	0.46	-	-	0.44	0.46
Property tax	0.49	0.47	-	-	0.49	0.47
Franchise tax	0.23	0.25	-	-	0.23	0.25
Gas and special fuels tax	0.08	0.10	-	-	0.08	0.10
Other taxes	0.58	0.60	-	-	0.58	0.60
Interest	0.10	0.33	-	-	0.10	0.33
Miscellaneous	0.45	0.54	-	-	0.45	0.54
Transfers	0.59	0.56	(0.59)	(0.56)	-	-
Total receipts	11.47	13.31	1.46	1.49	12.93	14.80

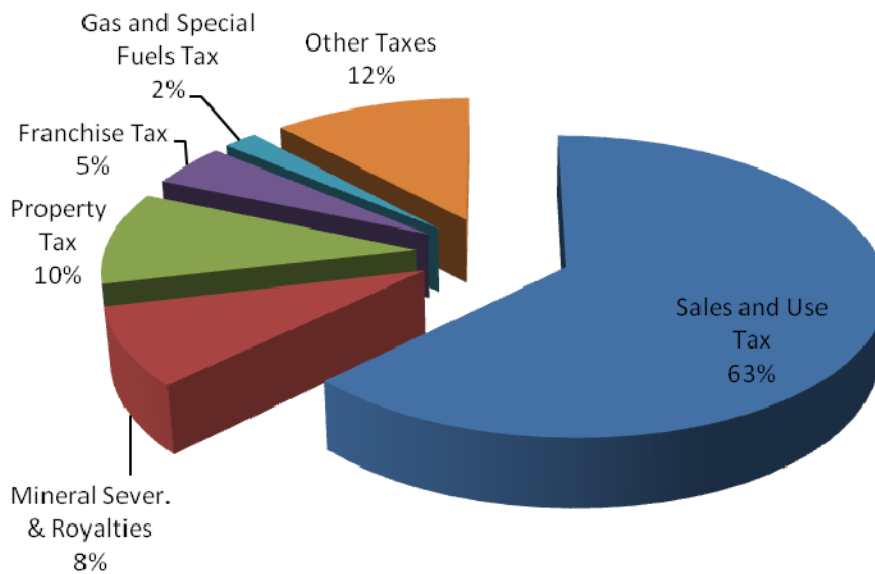
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Disbursements:						
General government	0.62	0.83	-	-	0.62	0.83
Public safety	1.75	1.71	-	-	1.75	1.71
Streets and public works	1.94	3.43	-	-	1.94	3.43
Culture and recreation	0.62	0.45	-	-	0.62	0.45
Interest	0.35	0.34	-	-	0.35	0.34
Capital Outlay	7.96	0.97	-	-	7.96	0.97
Water	-	-	0.66	0.79	0.66	0.79
Wastewater	-	-	0.24	0.16	0.24	0.16
Sanitation	-	-	0.41	0.45	0.41	0.45
Total disbursements	13.24	7.73	1.31	1.40	14.55	9.13
Change in net assets	(1.77)	5.58	0.15	0.09	(1.62)	5.67
Net assets, beg of year	14.65	9.07	1.33	1.24	15.98	10.31
Net assets, end of year	12.88	14.65	1.48	1.33	14.36	15.98



TOTAL GOVERNMENT WIDE DISBURSEMENTS FISCAL YEAR ENDED JUNE 30, 2010



TAX RECEIPTS FISCAL YEAR ENDED JUNE 30, 2010



Governmental activities decreased the City's net assets by \$1.77 million. The key elements of this decrease are as follows:

- Sales and use tax receipts comprise approximately 27% of total governmental receipts. These taxes decreased by approximately \$1.05 million or 25% from the previous year. This was due to economic factors specifically the coal-bed methane bust (in a boom-bust cycle). Capital contributions decreased by \$0.41 million or 7% due to the timing of reimbursements received on some large scale capital construction projects in the City.
- Capital outlay is the largest category of governmental disbursements, representing 60% of the total. Streets and Public Works represent 15% while Public Safety represents approximately 13% and Culture and Recreation represents approximately 5% of governmental disbursements. General government represents approximately 5% of governmental disbursements. Total disbursements for the year were \$5.51 million higher this year compared to the prior year. Much of this increase was a result of major capital projects being constructed this year.

The business-type activities include the water, wastewater, and the sanitation funds. These activities increased net assets by \$142,514. Key elements of this increase are as follows:

- The wastewater fund charges for services increased by approximately 20% due to a rate increase effective January 1, 2010 to fund the future loan obligation for the Waste Water Treatment Plant Expansion Project. Water fund charges for services decreased by 4% from the prior year due to less water sales to the coal-bed methane industry as a result of the economic downturn. Sanitation fund charges decreased by less than 1%.
- Total disbursements for the year were \$0.09 million lower this year compared to the prior year. Much of this decrease was due to decreased operating costs in the water treatment plant as a result of the expansion project completed in FY09.

Financial analysis of the City's funds

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

Unrestricted net assets of the water fund, wastewater fund and sanitation fund were \$173,393, \$758,769, and \$543,578, respectively. The increase in total net assets for the water fund, wastewater fund and sanitation fund was \$142,514.

Budgetary highlights

The differences between the original budget and the final amounts represent changes made by the council as additional facts and information became available. Several factors lead to these modifications. They include: economic factors, emergency purchases, and other factors.

For 2010, tax receipts exceed budgeted amounts by approximately \$0.09 million. At the beginning of the year, the budget was based on current economic conditions. Due to the activity in the local economy, sales tax receipts were \$0.2 million more than originally estimated. Actual federal, state, and county grant receipts recognized was \$4.3 million less than what was budgeted for. This was due to the timing of projects expended that are applicable for reimbursements for grants.

For 2010, disbursements were under budget by approximately \$6.55 million. Most of this amount was due to projects budgeted but not completed in various departments. Most of these projects should be completed in the subsequent budget year.

Long-term debt

Total long-term debt had a net decrease of \$385,628 (3%) from the prior year. This is due to payments in debt principal made of \$385,628 in the water and sewer funds.

At year-end, the City had debt outstanding of \$9,949,694. Debt consists of loans payable to the Office of the State Land and Investment Board, the Office of State Lands, and the Wyoming Water Development Commission.

Please refer to note 6 for more information on long-term debt.

Requests for information

This financial report is designed to provide citizens, customers, investors, creditors and others with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the City of Buffalo, Office of Clerk/Treasurer, 46 North Main, Buffalo, Wyoming 82834, telephone number 307-684-5566.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF THE CITY OF BUFFALO, WYOMING

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ (363,310)	\$ 1,475,740	\$ 1,112,430
Certificates of deposit	13,251,576	-	13,251,576
NET ASSETS			
Unrestricted	\$ 12,888,266	\$ 1,475,740	\$ 14,364,006

See Notes to Financial Statements.

TOWN OF THE CITY OF BUFFALO, WYOMING

STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For the Year Ended June 30, 2010

FUNCTIONS/PROGRAMS	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 623,525	\$ -	\$ 5,132	\$ -	\$ (618,393)	\$ -	\$ (618,393)
Public safety	1,752,026	-	54,114	-	(1,697,912)	-	(1,697,912)
Streets and public works	1,936,306	-	-	215,347	(1,720,959)	-	(1,720,959)
Culture and recreation	623,522	-	70,000	-	(553,522)	-	(553,522)
Interest disbursements	353,304	-	-	-	(353,304)	-	(353,304)
Capital outlay	7,957,951	-	-	5,093,509	(2,864,442)	-	(2,864,442)
Total governmental activities	13,246,634	-	129,246	5,308,856	(7,808,532)	-	(7,808,532)
Business-type activities:							
Water	664,529	1,160,523	-	-	-	495,994	495,994
Sewer	238,890	303,978	-	-	-	65,088	65,088
Sanitation	413,920	581,635	-	-	-	167,715	167,715
Total business-type activities	1,317,339	2,046,136	-	-	-	728,797	728,797
Total primary government	\$ 14,563,973	\$ 2,046,136	\$ 129,246	\$ 5,308,856	(7,808,532)	728,797	(7,079,735)
General cash receipts							
Taxes:							
General sales and use tax					3,080,600	-	3,080,600
Mineral severance and royalties tax					446,251	-	446,251
Property tax					496,202	-	496,202
Franchise tax					225,199	-	225,199
Gas and special fuels tax					84,089	-	84,089
Other taxes					583,016	-	583,016
Interest income					98,623	-	98,623
Miscellaneous					446,183	-	446,183
Transfers					586,283	(586,283)	-
Total general receipts					6,046,446	(586,283)	5,460,163
Change in net assets					(1,762,086)	142,514	(1,619,572)
Net assets - beginning					14,650,352	1,333,226	15,983,578
Net assets - ending					\$ 12,888,266	\$ 1,475,740	\$ 14,364,006

See Notes to Financial Statements.

GOVERNMENT FUND FINANCIAL STATEMENT

TOWN OF THE CITY OF BUFFALO, WYOMING

STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES AND CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES - GOVERNMENTAL FUNDS

As of and For the Year Ended June 30, 2010

	General Fund	1% Optional Tax Fund	Waste Water Treatment Plant Fund	Depreciation Fund	Nonmajor Governmental Funds	Total Governmental Funds
RECEIPTS						
Taxes	\$ 2,561,844	\$ 1,380,266	\$ -	\$ -	\$ 169,621	\$ 4,111,731
Franchise fees	225,199	-	-	-	-	225,199
Licensing fees	89,622	-	-	-	-	89,622
Fines	24,164	-	-	-	-	24,164
Reimbursements	263,444	-	-	-	30,442	293,886
Local grants	70,000	-	-	-	-	70,000
State grants	40,358	-	5,093,509	215,347	-	5,349,214
Federal grants	18,888	-	-	-	-	18,888
Interest income	24,492	2,769	-	66,351	5,011	98,623
Lease/donations	15,210	-	-	-	-	15,210
Miscellaneous sales	18,712	-	-	-	-	18,712
Electric utility charges	-	-	-	182,892	-	182,892
State direct distribution	-	-	-	400,124	-	400,124
Industrial siting	-	-	-	-	-	-
Total receipts	3,351,933	1,383,035	5,093,509	864,714	205,074	10,898,265
DISBURSEMENTS						
Salaries and benefits	2,434,850	-	-	-	-	2,434,850
Office/operating supplies	254,602	10,000	-	9,165	13	273,780
Utilities	118,726	-	-	-	-	118,726
Communication	39,904	-	-	-	-	39,904
Travel/training/membership	39,170	-	-	-	-	39,170
Auto/gas	169,179	-	-	-	-	169,179
Building/equipment/radio/ballfields maintenance	45,934	-	-	15,198	-	61,132
Advertisement	24,405	-	-	-	-	24,405
Consultation	52,093	-	-	-	-	52,093
Property/auto/liability insurance	102,741	-	-	-	-	102,741
Safety program	12,118	-	-	-	-	12,118
K-9 unit	3,601	-	-	-	-	3,601
Dare program	1,558	-	-	-	-	1,558
Equipment	38,407	-	-	-	332,085	370,492
Outside agency funding	45,428	332,855	-	-	123,467	501,750
Uniforms	7,395	-	-	-	-	7,395
Capital improvements	-	-	7,625,866	547,917	146,500	8,320,283
Debt service interest	-	-	-	353,304	-	353,304
Debt service principal	-	-	-	360,153	-	360,153
Total disbursements	3,390,111	342,855	7,625,866	1,285,737	602,065	13,246,634
Excess (deficiency) of receipts over disbursements	(38,178)	1,040,180	(2,532,357)	(421,023)	(396,991)	(2,348,369)
OTHER FINANCING SOURCES (USES)						
Transfers in	74,055	-	-	1,590,501	553,695	2,218,251
Transfers (out)	-	(1,027,906)	-	(410,812)	(193,250)	(1,631,968)
Total transfers	74,055	(1,027,906)	-	1,179,689	360,445	586,283
Excess of receipts and other financing sources over disbursements and other financing uses	35,877	12,274	(2,532,357)	758,666	(36,546)	(1,762,086)
Modified Cash Basis Fund Balance, beginning of year	4,229,427	-	-	9,767,591	653,334	14,650,352
Modified Cash Basis Fund Balance, end of year	\$ 4,265,304	\$ 12,274	\$ (2,532,357)	\$ 10,526,257	\$ 616,788	\$ 12,888,266
MODIFIED CASH BASIS ASSETS - End of Year						
Cash	\$ 1,475,364	\$ 12,274	\$ (2,532,357)	\$ 387,906	\$ 293,503	(363,310)
Certificates of deposit	2,789,940	-	-	10,138,351	323,285	13,251,576
	\$ 4,265,304	\$ 12,274	\$ (2,532,357)	\$ 10,526,257	\$ 616,788	\$ 12,888,266
MODIFIED CASH BASIS FUND BALANCES - End of Year						
Unreserved, undesignated	\$ 4,265,304	\$ 12,274	\$ (2,532,357)	\$ 10,526,257	\$ 616,788	\$ 12,888,266

See Notes to Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

TOWN OF THE CITY OF BUFFALO, WYOMING

STATEMENT OF MODIFIED CASH BASIS ASSETS AND NET ASSETS AND CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN MODIFIED CASH BASIS NET ASSETS - PROPRIETARY FUNDS

As of and For the Year Ended June 30, 2010

	Major	Nonmajor		Total Proprietary Funds
	Water Fund	Sewer Fund	Sanitation Fund	
OPERATING RECEIPTS				
Utility billing	\$ 1,160,523	\$ 303,978	\$ 581,635	\$ 2,046,136
OPERATING DISBURSEMENTS				
Salaries and benefits	358,899	141,709	129,854	630,462
Office/operating supplies	105,573	33,516	245,084	384,173
Utilities	99,651	46,324	-	145,975
Communication	4,440	2,662	-	7,102
Travel/training/membership	1,982	859	-	2,841
Auto/gas	20,103	11,809	38,515	70,427
Building/equipment/radio/ballfields maintenance	37,574	2,011	-	39,585
Advertisement	684	-	467	1,151
Consultation	-	-	-	-
Debt service interest	10,148	-	-	10,148
Debt service principal	25,475	-	-	25,475
Total disbursements	664,529	238,890	413,920	1,317,339
Excess of operating receipts over operating disbursements	495,994	65,088	167,715	728,797
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(475,258)	(50,800)	(60,225)	(586,283)
Change in net assets - modified cash basis	20,736	14,288	107,490	142,514
Modified Cash Basis Net Assets, beginning of year	152,657	744,481	436,088	1,333,226
Modified Cash Basis Net Assets, end of year	\$ 173,393	\$ 758,769	\$ 543,578	\$ 1,475,740
MODIFIED CASH BASIS ASSETS - End of Year				
Cash	\$ 173,393	\$ 758,769	\$ 543,578	\$ 1,475,740
MODIFIED CASH BASIS NET ASSETS - End of Year				
Unreserved, undesignated	\$ 173,393	\$ 758,769	\$ 543,578	\$ 1,475,740

See Notes to Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF THE CITY OF BUFFALO, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Reporting entity: The Town of the City of Buffalo, Wyoming (the “City”) is a municipal corporation incorporated March 3, 1884, and is governed by an elected mayor and a five member council. The Mayor and Council members are each elected to serve a four-year term. The Mayor appoints all department heads, subject to approval by the Council. The department heads are under the direct supervision of the Mayor.

Government-wide and fund financial statements: The government-wide statements (i.e. the statement of net assets – modified cash basis and statement of activities – modified cash basis) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

The statement of activities – modified cash basis demonstrates the degree to which the direct disbursements of a given function or segments are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function or segment. Program receipts include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

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

Measurement focus, basis of accounting, and financial statement presentation: The government-wide, governmental fund, and proprietary fund financial statements are reported using the modified cash basis of accounting. The modified cash basis of accounting prescribed by the City follows the *cash receipts and cash disbursements basis of accounting*, with the exception that the City recognizes its investments (certificates of deposit) as cash. Receipts are recorded when received and disbursements are recorded when paid.

The government reports the following major governmental funds:

The General Fund is the *primary operating fund* of the City and is always classified as a major fund. This fund is established to account for resources devoted to financing the general services that the City performs for its citizens. General tax receipts and other sources used to finance the fundamental operations of the City are included in this fund. This fund is charged with all costs of operating the government for which a separate fund has not been established.

The 1% Optional Tax Fund is a *special revenue fund* that was established to account for the proceeds of the 1% optional tax proceeds.

The Waste Water Treatment Plant Fund is a *capital project fund* that was established to account for the proceeds of grant and loan funding on the waste water treatment plant expansion construction project.

TOWN OF THE CITY OF BUFFALO, WYOMING

NOTES TO FINANCIAL STATEMENTS

The Depreciation Fund is a *debt service fund* that was established for the purpose of accumulating resources for the payment of principal and interest on long-term debt and the accumulation of funds for capital expenditures.

The government reports the following nonmajor governmental funds:

The Severance Tax Fund is a *special revenue fund* that was established to account for the proceeds of specific revenue sources.

The *capital project funds* are established to account for the proceeds of grant and loan funding on construction projects.

The government reports the following major and nonmajor proprietary funds:

The *water, sewer, and sanitation funds* account for the activities of the water, the wastewater treatment facilities and sanitation collection activities that the City operates. The water fund has been designated as a major fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program receipts include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. General receipts include all taxes.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursement generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. The water and wastewater funds also recognize as operating receipts the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating disbursements for enterprise funds include the cost of sales and services, and administrative expenses. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

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

Cash and investments: Cash consists of demand deposit accounts and petty cash. Investments are carried at fair value and consist of certificates of deposit.

Interfund transactions: During the normal course of operations, transactions occur between individual funds for goods, services, and for short-term interfund loans or transfers. Interfund activity has been eliminated from the government-wide financial statements as follows:

Internal balances – Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net assets.

TOWN OF THE CITY OF BUFFALO, WYOMING

NOTES TO FINANCIAL STATEMENTS

Compensated absences: Vacation leave and the portion of sick leave that will likely be paid are not recognized as liabilities in the government-wide and proprietary fund financial statements at this time, consistent with the modified cash basis of accounting. In the event of termination or retirement, an employee is reimbursed for unused accumulated vacation. Employees hired prior to April 5, 2006 receive one-half of all unused sick leave accumulated not to exceed sixty hours. Employees hired on April 5, 2006, or thereafter, receive no compensation for unused sick leave.

Property taxes: Property is annually valued and assessed on January 1. Taxes are levied on or about August 1 and payable in two installments on November 10 and May 10 or can be paid in total by December 31. Johnson County bills and collects its own property taxes and also taxes for all municipalities and political subdivisions within the County, including the City. If not paid, property taxes attach as an enforceable lien on property as of May 11.

Note 2. Cash and Investments

Cash and investments as of June 30, 2010, as classified in the accompanying financial statements, consist of the following:

Statement of Net Assets:

Deposits with financial institutions:	Primary
Cash	<u>Government</u>
Certificates of deposit	\$ 1,112,430
	13,251,576
	<u>\$ 14,364,006</u>

Investments authorized by the City's investment policy: The City follows the guidelines set forth in Wyoming State Statute 9-4-831 as it relates to the investment of public funds. The City's investment policy requires investments to comply with State statutes, which generally allows the City to invest in U.S., state and local government securities and accounts of any bank or 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. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk or concentration of credit risk. However, in regards to custodial credit risk, the City's investment policy does require all deposits and certificates of deposits to be collateralized at 120% of the amount invested including accrued interest, based on the lower of cost or market value of the collateral.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City has no significant credit risk as of June 30, 2010.

Custodial credit risk: Custodial credit risk for deposits and certificates of deposit is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Certain deposits held in City bank accounts are insured by Federal depository insurance or are collateralized with securities held by the custodian bank under safekeeping or Federal Reserve receipts in the name of the City and the financial institution.

TOWN OF THE CITY OF BUFFALO, WYOMING

NOTES TO FINANCIAL STATEMENTS

At June 30, 2010, the City's deposits were fully collateralized as required by State Statute, with the exception of under-collateralization in the amount of \$1,300,113 at one bank whose deposits totaled \$1,894,944, including accrued interest.

At June 30, 2010, the City's deposits were fully collateralized as required by the City's policy, with the exception of under-collateralization in the amounts of \$1,679,102 and \$666,661 at two banks whose deposits totaled \$1,894,944 and \$5,648,926, respectively, including accrued interest.

Concentration of credit risk: There is minimal credit risk associated with certificates of deposit.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. There is minimal interest rate risk associated with certificates of deposit, as all have maturity dates of less than one year.

Note 3. Interfund Transfers

The primary government's operating transfers for the year ended June 30, 2010 were as follows:

	Transferred From:							Total
	Severance Tax Fund	1% Optional Sales Tax Fund	Equipment Fund	Depreciation Fund	Water Fund	Sewer Fund	Sanitation Fund	
Transferred to:								
Governmental:								
General Fund	\$ -	\$ -	\$ -	\$ 74,055	\$ -	\$ -	\$ -	\$ 74,055
Equipment Fund	28,000	125,967	-	311,323	-	-	-	465,290
Depreciation Fund	30,250	838,968	135,000	-	475,258	50,800	60,225	1,590,501
WYDOT North Main Storm Drain Fund	-	62,971	-	-	-	-	-	62,971
WYDOT Gateway Project Fund	-	-	-	25,434	-	-	-	25,434
Total receipts	\$ 58,250	\$ 1,027,906	\$ 135,000	\$ 410,812	\$ 475,258	\$ 50,800	\$ 60,225	\$ 2,218,251

Transfers are used to: 1) use unrestricted receipts collected in the Severance Tax Fund and 1% Optional Sales Tax Fund to finance equipment, 2) move unrestricted receipts to the Depreciation Fund to be used on future capital improvement projects, 3) use capital improvement reserves to finance construction projects, and 4) move revenues from the fund that statute requires to collect them to the fund that services debt associated with these services.

The major governmental fund transfers to nonmajor government funds were for capital improvement projects.

TOWN OF THE CITY OF BUFFALO, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 4. Retirement Commitments

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

Substantially all City full-time (excluding firemen and law enforcement) employees are eligible to participate in the System. Participants who retire at age 60 with four years of credited service are entitled to a retirement benefit according to predetermined formulas and are allowed to select one of five optional methods for receiving benefits. Early retirement is allowed provided the employee has completed four years of service and attained the age of 50, but will result in a reduction of benefits based on the length of time remaining to normal retirement age. The System also provides death and disability benefits. Benefits are established by State statutes. The System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002 or by calling (307) 777-7691.

Generally, individuals with creditable service prior to January 1, 2000, the date the City began participating in the plan, receive benefits based on the larger of a money purchase benefit structure or a formula basis. The formula consists of multiplying the number of years of service by 2.215% for the members first 15 years of service and 2.25% for all years after 15 by the final average salary. The final average salary consists of the three highest continuous years of service.

Benefits for individuals hired after January 1, 2000 are calculated only by the formula method.

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

Contributions to the System consist of an amount equal to 11.25% of the employee's salary. The City is required by State statute to contribute 5.68% of the amount and, as permitted by statute, also contributes 1.82% of the employee's contribution. The remaining 3.75% is contributed by the employee.

The City's and employees' combined contribution to the Wyoming Retirement System for the years ended June 30, 2010, 2009 and 2008 were \$87,924, \$92,407 and \$82,237, respectively, equal to the required contributions for each year.

TOWN OF THE CITY OF BUFFALO, WYOMING

NOTES TO FINANCIAL STATEMENTS

Firemen's pension: The City also participates in the State of Wyoming Volunteer Firemen's Pension, a statewide cost-sharing multiple-employer public employee retirement system.

All volunteer City firemen are eligible to participate in the system. The Volunteer Firemen's Pension Fund is a defined-benefit contributory retirement plan covering volunteer firemen who elect to participate. Participants and employers contribute specified monthly amounts. The plan provides retirement disability and death benefits according to predetermined amounts primarily determined by years of services. Participants may withdraw from the plan at any time and receive refunds of participant contributions without interest.

Contributions to the system consist of an amount equal to \$12.50 per month. The City as permitted by statute contributes the entire amount of the contribution.

The City's contribution to the plan for the years ended June 30, 2010, 2009 and 2008 were \$2,400, \$2,400 and \$2,500, respectively, equal to the required contributions for each year.

Law enforcement pension: The City began participating in the State of Wyoming Law Enforcement Pension on July 1, 2002, a statewide cost-sharing multiple-employer public employee retirement system.

All full-time City law enforcement employees are eligible to participate in the system. The Law Enforcement Pension is a defined-benefit contributory retirement plan covering specific law enforcement positions within the City. Participants and employers contribute specified percentages of participants' salaries. The plan provides retirement disability and death benefits according to predetermined amounts primarily determined by years of services and average salaries. Contributions may be withdrawn from the plan upon termination or upon meeting certain eligibility requirements.

Contributions to the system consist of an amount equal to 17.2% of the employee's salary. The City is required by State statute to contribute 8.6% of the amount. The employee contributes the remaining 8.6%. The City's and employees' combined contribution to the plan for the years ended June 30, 2010, 2009 and 2008 was \$79,711, \$79,542 and \$72,180, respectively.

Note 5. Joint Ventures

Buffalo-Johnson Commerce Joint Powers Board Agreement: Pursuant to certain provisions of Wyoming State Statutes, the Town of the City of Buffalo, Wyoming entered into an agreement with the Board of Commissioners of Johnson County to design, develop, construct, operate, maintain and finance certain public utilities for development of commercial areas outside of the City limits of the City, areas to become annexed to the City or areas previously annexed to City and connect such areas to existing public services offered by the City.

The Board consists of five members: four members appointed by the City Council and one member to be appointed by the Board of Commissioners of Johnson County.

TOWN OF THE CITY OF BUFFALO, WYOMING

NOTES TO FINANCIAL STATEMENTS

The financial transactions of the Board are not included in these financial statements. However, complete financial statements of the Buffalo-Johnson Commerce Joint Powers Board Agreement may be obtained by contacting the Board Treasurer, Skip Hancock, at the City of Buffalo, 46 North Main, Buffalo, Wyoming 82834.

Buffalo-Johnson Recycling Center Joint Powers Board Agreement: Under certain provisions of the Wyoming State Statutes, the Town of the City of Buffalo entered into an agreement with the Board of Commissioners of Johnson County to form a Joint Powers Board to design, develop, construct, operate, maintain and finance a recycling storage and collection facility in or near Buffalo, Wyoming.

The Buffalo-Johnson Recycling Center Joint Powers Board consists of five members: two members appointed by the City Council, two members appointed by the Board of Commissioners and one member appointed jointly. In fiscal year 2010, the City paid the Buffalo-Johnson Recycling Joint Powers Board \$25,000 for recycling operations.

The financial transactions of the Buffalo-Johnson Recycling Center JPB are not included in these financial statements. However, additional financial information of the Buffalo-Johnson Recycling Center JPB may be obtained by contacting the Board Treasurer, Skip Hancock, at the City of Buffalo, 46 North Main, Buffalo, Wyoming 82834.

Mountain Plains Heritage Park Joint Powers Board: Under certain provisions of Wyoming State Statutes, the Town of the City of Buffalo, Wyoming entered into a joint powers agreement with the Board of Commissioners of Johnson County to operate and maintain the Mountain Plains Heritage Park.

The Board consists of six members: two members appointed by the City Council, two members appointed by the County Commissioners, one member appointed jointly and one at large member. During the year ended June 30, 2010, the City paid the Mountain Plains Heritage Park JPB \$250 for one-half of the entity's liability insurance.

The financial transactions of the Board are not included in these financial statements. However, additional financial information of the Board may be obtained by contacting the Board Member, Christy Kessler, at the Johnson County Courthouse, 76 North Main, Buffalo, Wyoming 82834.

Criminal Justice Center Joint Powers Board: Under certain provisions of Wyoming State Statutes, the Town of the City of Buffalo, Wyoming entered into a joint powers agreement with the Board of Commissioners of Johnson County to operate the Criminal Justice Center.

The Board consists of five members: two members appointed by the City, two members appointed by the County Commissioners and one joint appointment. During the year ended June 30, 2010, the City did not owe the Criminal Justice Centers Joint Powers Board anything.

Additional information of the Board may be obtained by contacting County Commissioner, Smokey Wildeman, at the Johnson County Courthouse, 76 North Main, Buffalo, Wyoming 82834.

TOWN OF THE CITY OF BUFFALO, WYOMING

NOTES TO FINANCIAL STATEMENTS

Note 6. Loan Commitments

The City has incurred several loan commitments in financing the construction of necessary infrastructure.

The City obtained a loan from the State of Wyoming to finance the construction of the raw water line, which is secured by real estate. Annual payments in the amount of \$3,616 are due on December 1st through 2022.

The City obtained a loan from the State of Wyoming to finance the construction of the diversion dam, which is secured by real estate. Annual payments in the amount of \$32,006 are due on December 1st through 2015.

The City obtained a loan from the State of Wyoming to finance the construction of Tie Hack reservoir, which is secured by real estate. Annual payments in the amount of \$210,742 are due on December 1st through 2048.

The City obtained a loan from the State of Wyoming Office of State Lands and Investments to finance the construction of a 2.5 million gallon storage tank and pipeline. As part of the loan agreement, the City agreed to pledge future revenues from the water utility bills to cover the debt service requirements. Annual payments in the amount of \$149,905 are due on June 1st through 2027.

The City obtained a loan from the State of Wyoming to finance the construction of the Water Treatment Plant Expansion project. As part of the loan agreement, the City agreed to pledge future revenues from the water utility bills to cover the debt service requirements. Annual payments in the amount of \$352,809 are due on May 1st through 2028.

Note 7. Contingencies and Commitments

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

Risk of loss: The City is subject to risk of loss from various events, including torts, theft, damage to assets, business interruption, errors and omissions, and job-related injuries to employees, as well as acts of God.

TOWN OF THE CITY OF BUFFALO, WYOMING

NOTES TO FINANCIAL STATEMENTS

The City has purchased commercial insurance and workers' compensation coverage to minimize their risks of loss. The City has not had significant settlements exceeding insurance coverage in any of the past three fiscal years. There has been no significant reduction in coverage against these losses from year to year.

Employees of the City are covered by the City's medical plan. The City's costs for this plan are reflected in the funds paying the coverage, premiums and administrative costs.

REQUIRED SUPPLEMENTARY INFORMATION

The City's required supplementary information includes the budgetary comparisons – for the General Fund and the 1% Optional Tax Fund, as described in the accompanying Notes to Required Supplementary Information following the schedule.

TOWN OF THE CITY OF BUFFALO, WYOMING

**SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
 MODIFIED CASH BASIS - BUDGET AND ACTUAL - GENERAL FUND
 For the Year Ended June 30, 2010**

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,473,000	\$ 2,473,000	\$ 2,561,844	\$ 88,844
Franchise fees	197,000	197,000	225,199	28,199
Licensing fees	86,000	86,000	89,622	3,622
Fines	10,750	10,750	24,164	13,414
Reimbursements	218,500	218,500	263,444	44,944
Local grants	10,000	10,000	70,000	60,000
State grants	40,000	40,000	40,358	358
Federal grants	-	-	18,888	18,888
Interest	60,000	60,000	24,492	(35,508)
Lease/donations	10,000	10,000	15,210	5,210
Miscellaneous sales	2,000	2,000	18,712	16,712
Total receipts	3,107,250	3,107,250	3,351,933	244,683
DISBURSEMENTS				
Salaries and benefits	2,533,645	2,533,645	2,434,850	98,795
Office/operating supplies	427,318	427,318	254,602	172,716
Utilities	127,400	127,400	118,726	8,674
Communication	43,300	43,300	39,904	3,396
Travel/training/membership	46,700	46,700	39,170	7,530
Auto/gas	169,500	169,500	169,179	321
Building/equipment/radio/ballfields maintenance	78,500	78,500	45,934	32,566
Advertisement	25,500	25,500	24,405	1,095
Consultation	23,000	23,000	52,093	(29,093)
Property/auto/liability insurance	98,500	98,500	102,741	(4,241)
Safety program	10,000	10,000	12,118	(2,118)
K-9 unit	4,000	4,000	3,601	399
Dare program	3,000	3,000	1,558	1,442
Equipment	20,100	20,100	38,407	(18,307)
Outside agency funding	48,100	48,100	45,428	2,672
Uniforms	8,000	8,000	7,395	605
Total disbursements	3,666,563	3,666,563	3,390,111	276,452
Excess of receipts over (under) disbursements	(559,313)	(559,313)	(38,178)	521,135
Transfers from (to) other funds	559,313	559,313	74,055	(485,258)
Net change in modified cash basis fund balance	-	-	35,877	35,877
Modified Cash Basis Fund Balance, beginning	2,920,572	2,908,072	4,229,427	1,321,355
Modified Cash Basis Fund Balance, ending	\$ 2,920,572	\$ 2,908,072	\$ 4,265,304	\$ 1,357,232

TOWN OF THE CITY OF BUFFALO, WYOMING

SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
 MODIFIED CASH BASIS - BUDGET AND ACTUAL - 1% OPTIONAL TAX FUND
 For the Year Ended June 30, 2010

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
RECEIPTS				
Taxes	\$ 1,045,088	\$ 1,045,088	\$ 1,380,266	\$ 335,178
Interest	-	-	2,769	2,769
Total receipts	1,045,088	1,045,088	1,383,035	337,947
DISBURSEMENTS				
Office/operating supplies	-	-	10,000	(10,000)
Outside agency funding	404,650	404,650	332,855	71,795
Total disbursements	404,650	404,650	342,855	61,795
Excess of receipts over disbursements	640,438	640,438	1,040,180	399,742
Transfers (to) other funds	(640,438)	(640,438)	(1,027,906)	(387,468)
Net change in modified cash basis fund balance	-	-	12,274	12,274
Modified Cash Basis Fund Balance, beginning	-	-	-	-
Modified Cash Basis Fund Balance, ending	\$ -	\$ -	\$ 12,274	\$ 12,274

TOWN OF THE CITY OF BUFFALO, WYOMING

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION For the Year Ended June 30, 2010

Budgets

The City prepares its annual budget at the departmental level for the City as a whole rather than by fund. The departmental budget line items that apply to the General Fund and the 1% Optional Tax Fund have been extracted from the approved ordinance for comparison to actual disbursements in the schedule of receipts and disbursements and changes in fund balance – modified cash basis - budget to actual. All budget amendments are approved by the City Council and are presented within the final budget figures.

Wyoming State Statutes require the preparation of an annual budget which provides documentation that all sources and uses of City resources are properly planned, budgeted, and approved. The budget, upon adoption, is the legal document which places restrictions and limitations on the purposes and amounts for which City monies may be expended.

The budget is adopted according to the following schedule:

1. On or before May 15, the Budget Officer shall prepare a tentative budget for each fund and file the budget with the governing body.
2. A summary of the tentative budget shall be entered into the minutes and the governing body shall publish the summary at least one week before the public hearing to adopt the budget.
3. The public hearing is held on the third Tuesday in June.
4. A copy of the adopted budget shall be furnished to the County Commissioners for the necessary property tax levies and placed on file for public inspection.

OTHER GOVERNMENTAL FUNDS

The City's nonmajor governmental funds are described below:

Special Revenue Fund:

Severance Tax Fund – used to account for receipts and disbursements of mineral severance taxes.

Capital Project Funds:

Euskaldum Kalea Paving Fund – used to account for receipts and disbursements to pave Euskaldum Kalea Street.

City-Wide Water/Sewer Line Fund – used to account for grant receipts and disbursements for various water and sewer line projects within the City.

Clear Creek Restoration Fund – used to account for receipts and disbursements for the construction of the Spray Park.

WYDOT North Main Storm Drain Fund – used to account for receipts and disbursements for the Wyoming Department of Transportation North Main Storm Drainage project.

WYDOT Gateway Project Fund – used to account for receipts and disbursements for the Wyoming Department of Transportation gateway to Buffalo project at the east entrance to the City.

Sidewalks to School Fund – used to account for grant receipts and disbursements for new sidewalks to schools project.

Equipment Fund – used to account for receipts and disbursements for equipment purchase needs of the City.

TOWN OF THE CITY OF BUFFALO, WYOMING

COMBINING STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES AND CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
As of and For the Year Ended June 30, 2010

	Special Revenue Fund	Capital Project Funds							Total Nonmajor Governmental Funds
		Euskaldum		WYDOT					
		Kalea Paving Fund	City-Wide Water/Sewer Line Fund	Clear Creek Restoration Fund	North Main Storm Drain Fund	WYDOT Gateway Project Fund	Sidewalks to School Fund	Equipment Fund	
RECEIPTS									
Taxes	\$ 169,621	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169,621
Reimbursements	30,442	-	-	-	-	-	-	-	30,442
Interest income	3,216	-	-	-	-	-	-	1,795	5,011
Total receipts	203,279	-	-	-	-	-	-	1,795	205,074
DISBURSEMENTS									
Office/operating supplies	13	-	-	-	-	-	-	-	13
Equipment	-	-	-	-	-	-	-	332,085	332,085
Outside agency funding	123,467	-	-	-	-	-	-	-	123,467
Capital improvements	-	-	84,910	-	34,797	22,991	3,802	-	146,500
Total disbursements	123,480	-	84,910	-	34,797	22,991	3,802	332,085	602,065
Excess (deficiency) of receipts over disbursements	79,799	-	(84,910)	-	(34,797)	(22,991)	(3,802)	(330,290)	(396,991)
OTHER FINANCING SOURCES (USES)									
Transfers in	-	-	-	-	62,971	25,434	-	465,290	553,695
Transfers (out)	(58,250)	-	-	-	-	-	-	(135,000)	(193,250)
Total transfers	(58,250)	-	-	-	62,971	25,434	-	330,290	360,445
Excess of receipts and other financing sources over disbursements and other financing uses	21,549	-	(84,910)	-	28,174	2,443	(3,802)	-	(36,546)
Modified Cash Basis Fund Balance, beginning of year	278,924	9,276	-	7,454	-	39,864	-	317,816	653,334
Modified Cash Basis Fund Balance, end of year	\$ 300,473	\$ 9,276	\$ (84,910)	\$ 7,454	\$ 28,174	\$ 42,307	\$ (3,802)	\$ 317,816	\$ 616,788
MODIFIED CASH BASIS ASSETS - End of Year									
Cash	\$ 300,473	\$ 9,276	\$ (84,910)	\$ 7,454	\$ 28,174	\$ 42,307	\$ (3,802)	\$ (5,469)	\$ 293,503
Certificates of deposit	-	-	-	-	-	-	-	323,285	323,285
	\$ 300,473	\$ 9,276	\$ (84,910)	\$ 7,454	\$ 28,174	\$ 42,307	\$ (3,802)	\$ 317,816	\$ 616,788
MODIFIED CASH BASIS FUND BALANCES - End of Year									
Unreserved, undesignated	\$ 300,473	\$ 9,276	\$ (84,910)	\$ 7,454	\$ 28,174	\$ 42,307	\$ (3,802)	\$ 317,816	\$ 616,788

**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**

The Honorable Mayor and Members of the City Council
Town of the City of Buffalo
Buffalo, Wyoming

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of the City of Buffalo, Wyoming (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We consider the following to be a material weakness in internal control over financial reporting:

1. Internal controls are designed to safeguard assets and help prevent loss from employee dishonesty or error. A fundamental concept in an adequate system of internal control is the segregation of duties. Duties that should be segregated include the initiation of transactions, the approval and maintenance of subsidiary records, adjusting entries, and reconciliations. During the course of our audit, we noted the Clerk/Treasurer has the ability to perform all of these functions without an independent review. As a result, the City does not have adequate segregation of duties in several related operational areas, and errors or irregularities could occur without being detected or prevented in a timely manner. We recommend the City develop and implement policies and procedures to add compensating controls in such areas.

Auditee Response: The City recognizes the importance of a strong internal control system in detecting and preventing errors and irregularities in a timely manner. The City has also determined that additional staff to adequately segregate duties, at this time, is not cost efficient. The City is revising its procedures to implement compensating controls. Since the Clerk/Treasurer records all journal entries, the Mayor or a Council member will review all journal entries on a monthly basis. Quarterly, the Mayor or a Council member will review the City's bank statements/reconciliations for irregularities. As needed, additional policies and procedures will be implemented to detect and prevent errors and irregularities and to maintain a stronger internal control system.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following to be significant deficiencies in internal control over financial reporting:

1. The City has an informal agreement with the Buffalo Volunteer Fire Department (BVFD) to provide fire protection services for the City. In connection with this, the City has budgeted for funding to be provided to the BVFD; the BVFD in turn submits periodic invoices to cover such things as meetings/calls, operating supplies, communication, building maintenance, travel and training, and recently the construction of a new fire building. At the time these expenditures are submitted, they have not gone through the City's normal internal control process for reviewing and approving expenditures. We recommend the City prepare a formal written agreement with the BVFD, and that any invoices that are submitted for payment go through the City's normal internal control process for reviewing and approving expenditures if the intent of the agreement is to reimburse actual expenses.

Auditee Response: The City is working toward a solution on the significant deficiency in the internal control structure for the financial reporting of the Buffalo Volunteer Fire Department. The City is currently seeking a legal determination regarding the status of the BVFD. Once the status is determined, the financial reporting will be adjusted to include more adequate supporting documentation for invoices.

2. During our testing procedures, we noted that there is not an adequate process in place to ensure the City's financial resources were adequately collateralized in accordance with Wyoming State Statutes or the City's investment policy. We recommend the City implement procedures to ensure that both the State Statutes and the City's policies are monitored on a regular basis.

Auditee Response: The City Clerk/Treasurer's office has created its own form to track collateralization by each of the four banks where City funds are invested. The form is now monitored monthly to ensure that all funds invested are adequately collateralized in accordance with both the State Statutes and the City's investment policy.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under *Government Auditing Standards*:

1. The City is required by Wyoming State Statutes to maintain collateral on its depository balances, which exceed Federal depository insurance limits. At June 30, 2010, the City was under-collateralized by approximately \$1.3 million. The City has established an investment policy which states the City must maintain collateral on its depository balances at 120% of the amount invested. At June 30, 2010, the City was under-collateralized at two financial institutions by approximately \$667,000 and \$1.7 million, respectively.

We recommend the City implement monthly or quarterly procedures to ensure that their depository balances are adequately collateralized in accordance with State Statutes and the City's policies at all times.

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

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
February 10, 2011