

**TOWN OF THE CITY OF  
BUFFALO, WYOMING**

**FINANCIAL AND COMPLIANCE REPORTS**

**JUNE 30, 2017**

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**INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and Members of the City Council  
Town of the City of Buffalo, Wyoming  
46 North Main Street  
Buffalo, Wyoming 82834

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditors' Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 to 9 and page 43 to 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2018, 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* in considering the City's internal control over financial reporting and compliance.



Cloud Peak Accounting, LLC  
Buffalo, Wyoming  
January 18, 2018

**TOWN OF THE CITY OF BUFFALO, WYOMING  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017  
(UNAUDITED)**

**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, 2017. 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 exceed its liabilities at the close of June 30, 2017, by \$71,996,795 (reported as net position). Of this amount, \$9,555,182 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. Capital assets net of accumulated depreciation are \$69,755,678.

The City's total net position increased by \$327,018. This is a result of the payoff of the Tie Hack Dam & Reservoir loan in the amount of \$3,824,475. This expenditure combined with the construction in progress of the Lobban Avenue Construction capital improvement project and capitalizing these assets had a net effect on total net position of \$327,018. Net position for governmental activities decreased by \$2,305,632 while net position for business-type activities increased by \$2,632,649.

The City implemented GASB 68, *Accounting and Reporting for Pensions – an amendment of GASB 27*. This implementation resulted in the City restating its net position as of July 1, 2014, in order to report a net pension liability totaling \$1,316,501. The balance of the net pension liability as of June 30, 2017 was \$2,702,210.

At the close of the year, the City's governmental funds reported combined ending fund balances of \$7,617,025, a decrease of \$3,030,070 or about 28% from the prior year. Of this amount, \$7,617,025 is available for spending at the City's discretion (unreserved, unassigned fund balance).

At the end of the year, the unreserved fund balance for the General Fund, the City's primary operating account, was \$3,591,997 or about 87% of total General Fund expenditures.

Total long-term debt had a net decrease of \$4,371,358 (about 37%) from the prior year. This is due to payments in debt principal made of \$4,192,870 in the water fund, \$123,442 in the sewer fund, and \$55,045 in the General fund. No new debt was issued and the Tie Hack Dam & Reservoir note with a 4% interest rate was retired.

**TOWN OF THE CITY OF BUFFALO, WYOMING  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017  
(UNAUDITED)**

**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 required supplementary information (budgetary comparison), 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 Position provides information about the City's assets and liabilities, with the difference between the two reported as Total Net Position. The statements provide both short-term and long-term information about the City's 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 revenue and expense information showing how the City's net assets changed during the fiscal year. 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, public works and culture and recreation. Business-type activities include the water, sewer, and sanitation departments.

The government-wide financial statements can be found on pages 11 and 12 of this report.

**Fund financial statements.** A fund is a grouping of related accounts (revenues, expenditures/expenses, assets and liabilities) 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 the same functions reported as governmental activities in the government-wide financial statements.

**TOWN OF THE CITY OF BUFFALO, WYOMING  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017  
(UNAUDITED)**

The General Fund is the primary operating governmental fund of the City. Capital Project Funds include the Depreciation Fund and the Capital Projects Funds. To demonstrate legal compliance, a statement comparing budget-to-actual numbers for the General Fund is included in the financial statements.

**Proprietary funds.** The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for 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 19 of this report.

**Required supplementary information.** The budgetary comparison schedule, including related notes, is reported as required supplementary information, which begins on page 42.

**Government-wide financial analysis**

**Net position:** As stated earlier, an analysis of net position 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 position.

**Town of the City of Buffalo, Wyoming  
Summary of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current Assets	\$ 7,620,190	\$ 11,063,093	\$ 3,819,413	\$ 4,552,470	\$ 11,439,603	\$ 15,615,563
Noncurrent Assets	23,796,959	22,961,922	45,958,720	46,932,276	69,755,679	69,894,198
Deferred Outflows of Resources	802,985	790,685	242,533	236,004	1,045,518	1,026,689
Total Assets and Def. Outflows	<u>32,220,134</u>	<u>34,815,700</u>	<u>50,020,666</u>	<u>51,720,750</u>	<u>82,240,800</u>	<u>86,536,450</u>
Current Liabilities	64,545	476,806	575,801	714,195	640,346	1,191,001
Noncurrent Liabilities	2,496,515	2,374,189	7,107,143	11,301,483	9,603,658	13,675,672
Total Liabilities	<u>2,561,060</u>	<u>2,850,995</u>	<u>7,682,944</u>	<u>12,015,678</u>	<u>10,244,004</u>	<u>14,866,673</u>
Invested in Capital Assets	23,253,742	22,364,190	39,187,872	35,845,116	62,441,614	58,209,306
Unrestricted	6,405,332	9,600,515	3,149,850	3,859,956	9,555,182	13,460,471
Total Net Position	<u>\$ 29,659,074</u>	<u>\$ 31,964,705</u>	<u>\$ 42,337,722</u>	<u>\$ 39,705,072</u>	<u>\$ 71,996,796</u>	<u>\$ 71,669,777</u>

At June 30, 2017, the City's net position is approximately \$72 million. Assets classified as unrestricted are considered to be available for spending or appropriation.

**TOWN OF THE CITY OF BUFFALO, WYOMING  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017  
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**Changes in net position:** As taken from the government-wide statement of activities, the following table depicts the changes in net position for fiscal year end 2017.

**Town of the City of Buffalo, Wyoming  
Summary of Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Receipts:						
Program Receipts:						
Charges for Services	\$ 252,552	\$ 280,066	\$ 2,882,565	\$ 3,206,299	\$ 3,135,117	\$ 3,486,365
Operating Grants and Contributions	142,590	579,525	-	-	142,590	579,525
Capital Grants and Contributions	686,871	99,887	-	87,184	686,871	187,071
General Receipts:						
Sales and Use Tax	1,376,588	1,465,570	-	-	1,376,588	1,465,570
Mineral Severance & Royalties Tax	408,348	410,010	-	-	408,348	410,010
Property Tax	441,677	439,495	-	-	441,677	439,495
Franchise Tax	269,601	266,165	-	-	269,601	266,165
Gas and Special Fuels Tax	232,661	195,245	-	-	232,661	195,245
Lottery	22,004	15,167	-	-	22,004	15,167
1% Optional Tax	1,163,441	1,237,644	-	-	1,163,441	1,237,644
Cigarette Tax	27,602	29,924	-	-	27,602	29,924
Interest	24,758	15,241	21,966	9,120	46,724	24,361
Miscellaneous	385,666	461,417	-	-	385,666	461,417
Transfers	(2,557,841)	(627,714)	2,557,841	627,714	-	-
Total Receipts	2,876,518	4,867,642	5,462,372	3,930,317	8,338,890	8,797,959
Disbursements:						
General Government	845,612	1,404,645	-	-	845,612	1,404,645
Public Safety	1,962,429	2,031,665	-	-	1,962,429	2,031,665
Public Works	1,657,277	1,845,331	-	-	1,657,277	1,845,331
Culture and Recreation	716,831	736,046	-	-	716,831	736,046
Water	-	-	1,756,512	1,689,713	1,756,512	1,689,713
Sewer	-	-	681,563	733,570	681,563	733,570
Sanitation	-	-	391,647	432,236	391,647	432,236
Total Disbursements	5,182,149	6,017,687	2,829,722	2,855,519	8,011,871	8,873,206
Change in Net Position	(2,305,631)	(1,150,045)	2,632,650	1,074,798	327,019	(75,247)
Net Position, Beginning of Year	31,964,705	33,114,750	39,705,072	38,630,274	71,669,777	71,745,024
Net Position, End of Year	\$ 29,659,074	\$ 31,964,705	\$ 42,337,722	\$ 39,705,072	\$ 71,996,796	\$ 71,669,777



**TOWN OF THE CITY OF BUFFALO, WYOMING  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017  
(UNAUDITED)**

Governmental activities decreased the City's net position by \$2,305,631. The key elements of this decrease are as follows:

- Sales and use tax receipts comprise approximately 58% of total governmental receipts. These taxes decreased by approximately \$0.16 million or 6% from the previous year, which is in addition to the prior two years' decreases. Sales and use tax receipts for fiscal year end 2017, were \$1.42 million or 37% less than fiscal year end 2014. Beginning late in fiscal year end 2014, oil and gas prices began to decrease which caused decreased sales and use tax receipts.
- A loan for the Tie Hack Dam & Reservoir was paid off with a combination of reserves from the Depreciation fund and the Water fund. Depreciation fund reserves in the amount of \$2.6 million were used which reduced net position in the governmental funds.
- Capital Outlay was the largest category of governmental disbursements, representing 33% of expenditures. Public Safety represents 31% of expenditures, Streets and Public Works represent 16%, Culture and Recreation represents 10% and General Government represents approximately 9% of governmental disbursements. Total governmental disbursements for the year were \$411,082 higher this year compared to the prior year. This increase was a result of the Lobban Street Reconstruction major capital project constructed this year

The business-type activities include the Water, Sewer, and the Sanitation Funds. These activities increased net position by \$2,775,841. Key elements of this increase are as follows:

- Water rates for all customers increased by 17% in March 2016. This was a result of the new contract with PacifiCorp for electricity produced by the hydroelectric generator. The new contract contains a substantial decrease in sales price to \$.0287/kWh from \$.11/kWh.
- There were no Capital Grants and Contributions this year since there were no capital construction projects in the business-type activities.
- A loan for the Tie Hack Dam & Reservoir was paid off with reserves from the Water fund in the amount of \$1.26 million combined with reserves from the Depreciation fund which increased net position for business-type activities.

### **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 position of the Water Fund, Sewer Fund and Sanitation Fund were \$1,135,032, \$987,682, and \$1,027,136, respectively. The increase in total net position for the Water Fund, Sewer Fund and Sanitation Fund was \$2,632,649.

**TOWN OF THE CITY OF BUFFALO, WYOMING  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017  
(UNAUDITED)**

**Budgetary highlights**

For Fiscal Year End 2017, tax receipts were less than budgeted amounts by approximately \$263,680. The City has historically budgeted sales and use tax receipts extremely conservatively to prepare for fluctuating revenues that result from the boom and bust cycles in the oil and gas industries.

For Fiscal Year End 2017, General Fund disbursements were under budget by \$878,100. This is primarily a result of reduced staff and timing of staff replacement. The Planning Director resigned in August 2016 and duties from this office were added to the Building Inspector position. The Street crew is operating with two less employees and Law Enforcement is operating with one less employee. Salaries and benefits for the year were under budget by \$275,000. The reduced staff has also resulted in less street repair, park maintenance and projects funded by the recreation district. In addition, the expenses for the roof replacement at the YMCA in the amount of \$185,000 were capitalized and depreciated.

**Capital Assets**

At the end of the year, the City had invested/received over \$2 million in a variety of capital assets.

Major capital asset events during the year included:

- Construction finished on the Lobban Avenue reconstruction project at a total cost of \$1,638,441.
- Acquisition of new vehicles for the police department at a total cost of \$89,842.
- Acquisition and installation of the YMCA roof replacement at a total cost of \$185,000.
- Acquisition of new criminal justice center computers at a total cost of \$38,574.
- Construction finished on the S Tank Valve/Main Street pipeline project at a total cost of \$44,653.

Please refer to Note 4 for more information on capital assets.

**Long-term debt**

At year-end, the City had debt outstanding of \$7,313,535. Debt consists of loans payable to the Office of the State Land and Investment Board, the Wyoming Water Development Commission and Johnson County for water and wastewater projects and a Justice Center. Overall debt for the City decreased by \$4,371,358, or about 37%, over the previous year.

Please refer to Note 5 for more information on long-term debt.

**TOWN OF THE CITY OF BUFFALO, WYOMING  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2017  
(UNAUDITED)**

**Economic Factors and Next Year's Budgets and Rates**

A challenge to upcoming fiscal year budgets is the uncertainty of funding from the State during the 2018 legislative session. The State of Wyoming has shown a marked decrease in mineral revenues which has resulted in the City's loss of funding from the State. Consensus funding from the State of Wyoming for capital construction projects has not been awarded since the 2014 biennium budget. There is concern that the Direct Distribution funding for local governments will also be cut or eliminated in the upcoming legislative session. This would impact future budgets of the City but efforts have already been made to review expenditures in light of the expected decreases in future funding. The City expenditures continue to rise for major expenditures such as insurance, fuel, repairs and health insurance for employees.

The City recently continued the contract with Pacificorp to sell power from the hydroelectric generator by signing a 5-year contract. This contract replaces the 1-year contract that expired December 31, 2016. Prior to the short-term contract, a 20-year contract expired December 31, 2015. The new contract contains a substantial decrease in sales price to \$.0287/kWh from \$.11/kWh with the sales price gradually increasing to \$.0381/kWh. Revenue from this contract has been used to pay annual loan payments for the Tie Hack Reservoir. This loss of revenue required the City to increase the water rates by 17% effective April 1, 2016. Subsequently, the City of Buffalo retired the debt on the Tie Hack Reservoir in the amount of \$3,824,476 on October 4, 2016. This loan had a 4% interest rate and Water Fund reserves as well as Capital Improvement Fund reserves were used to pay off the note.

**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.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 6,965,516	\$ 3,517,737	\$ 10,483,253
Receivables, net			
Taxes	493,413	-	493,413
Intergovernmental and grants	161,261	-	161,261
Accounts receivable, net	-	301,676	301,676
Total Current Assets	7,620,190	3,819,413	11,439,603
<b>Noncurrent Assets</b>			
Capital assets, net of accumulated depreciation	23,796,959	45,958,720	69,755,679
<b>TOTAL ASSETS</b>	<b>31,417,149</b>	<b>49,778,133</b>	<b>81,195,282</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflows of resources related to pensions	802,985	242,533	1,045,518
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>32,220,134</b>	<b>50,020,666</b>	<b>82,240,800</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	8,399	61,507	69,906
Current portion of long-term liabilities	56,146	514,294	570,440
Total Current Liabilities	<b>64,545</b>	<b>575,801</b>	<b>640,346</b>
<b>Noncurrent Liabilities</b>			
Pension liability	1,881,196	821,014	2,702,210
Compensated absences	128,248	29,575	157,823
Notes payable	486,540	6,256,554	6,743,094
Total Noncurrent Liabilities	<b>2,495,984</b>	<b>7,107,143</b>	<b>9,603,127</b>
<b>TOTAL LIABILITIES</b>	<b>2,560,529</b>	<b>7,682,944</b>	<b>10,243,473</b>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	23,254,273	39,187,872	62,442,145
Unrestricted	6,405,332	3,149,850	9,555,182
<b>TOTAL NET POSITION</b>	<b>\$ 29,659,605</b>	<b>\$ 42,337,722</b>	<b>\$ 71,997,327</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**STATEMENT OF ACTIVITIES**  
**JUNE 30, 2017**

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Business-Type Activities
<b>GOVERNMENTAL ACTIVITIES</b>						
General government	\$ 845,081	\$ 15,402	\$ -	\$ -	\$ (829,679)	\$ (829,679)
Public safety	1,962,429	75,843	142,590	-	(1,743,996)	(1,743,996)
Streets and public works	1,657,277	133,402	-	686,871	(837,004)	(837,004)
Culture and recreation	716,831	27,905	-	-	(688,926)	(688,926)
Total governmental activities	<u>5,181,618</u>	<u>252,552</u>	<u>142,590</u>	<u>686,871</u>	<u>(4,099,605)</u>	<u>(4,099,605)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Water	1,756,512	1,545,326	-	-	-	(211,186)
Sewer	681,563	791,203	-	-	-	109,640
Sanitation	391,647	546,036	-	-	-	154,389
Total business-type activities	<u>2,829,722</u>	<u>2,882,565</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52,843</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 8,011,340</u>	<u>\$ 3,135,117</u>	<u>\$ 142,590</u>	<u>\$ 686,871</u>	<u>\$ (4,099,605)</u>	<u>\$ 52,843</u>
<b>General revenues</b>						
General sales and use tax					\$ 2,540,029	\$ 2,540,029
Property tax					441,677	441,677
Franchise fees					269,601	269,601
Gas and special fuel tax					232,661	232,661
Lottery					22,004	22,004
Cigarette tax					27,602	27,602
Mineral severance and royalties tax					408,348	408,348
Special state distributions					307,244	307,244
Interest income					24,758	21,966
Miscellaneous					78,422	78,422
Transfers					(2,557,841)	2,557,841
Total general revenues and transfers					<u>1,794,505</u>	<u>2,579,807</u>
Change in net position					(2,305,100)	2,632,650
Net position - beginning					31,964,705	39,705,072
Net position - ending					<u>\$ 29,659,605</u>	<u>\$ 42,337,722</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF THE CITY OF BUFFALO, WYOMING  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017**

		<b>Capital Project Funds</b>		
	<b>General Fund</b>	<b>Depreciation Fund</b>	<b>Other Capital Project Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,057,200	\$ 1,813,250	\$ 2,095,066	\$ 6,965,516
Receivables, net				
Taxes	493,413	-	-	493,413
Intergovernmental and grants	44,549	-	116,712	161,261
	<b>3,595,162</b>	<b>1,813,250</b>	<b>2,211,778</b>	<b>7,620,190</b>
<b>Deferred Outflows of Resources</b>				
Deferred outflows of resources related to pensions	10,826	-	-	10,826
	<b>10,826</b>	<b>-</b>	<b>-</b>	<b>10,826</b>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b>\$ 3,605,988</b>	<b>\$ 1,813,250</b>	<b>\$ 2,211,778</b>	<b>\$ 7,631,016</b>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	13,991	-	-	13,991
	<b>13,991</b>	<b>-</b>	<b>-</b>	<b>13,991</b>
<b>FUND BALANCE</b>				
Unassigned	3,591,997	1,813,250	2,211,778	7,617,025
	<b>3,591,997</b>	<b>1,813,250</b>	<b>2,211,778</b>	<b>7,617,025</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 3,605,988</b>	<b>\$ 1,813,250</b>	<b>\$ 2,211,778</b>	<b>\$ 7,631,016</b>

Total fund balance from above		\$ 7,617,025
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.		23,796,959
Accrued interest on note payable is not reported in the funds.		(5,234)
Pension plan accounts, such as deferred inflows/outflows and net pension liability, are not receivable or payable in the current period and, therefore, not reported in the funds		
Net pension liability		(1,881,196)
Deferred outflows of resources		802,985
Long-term liabilities, including compensated absences, are not due in the current period, and therefore are not reported in the funds.		(670,934)
Net position of governmental funds		\$ 29,659,605

The accompanying notes are an integral part of these financial statements

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<u>Capital Project Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Depreciation Fund</u>	<u>Other Capital Project Funds</u>	
<b>REVENUES</b>				
Taxes	\$ 3,941,921	\$ -	\$ -	\$ 3,941,921
Licenses and fees	90,526	-	-	90,526
Fines and forfeitures	33,801	-	-	33,801
Intergovernmental	142,590	307,244	686,871	1,136,705
Charges for services	91,700	-	-	91,700
Investment income	8,508	14,911	1,340	24,759
Rent	36,525	-	-	36,525
Other revenue	78,422	-	-	78,422
<b>Total revenues</b>	<u>4,423,993</u>	<u>322,155</u>	<u>688,211</u>	<u>5,434,359</u>
<b>EXPENDITURES</b>				
Current				
General government	508,267	-	-	508,267
Public safety	1,853,913	-	-	1,853,913
Public works	933,863	-	-	933,863
Culture and recreation	591,688	-	-	591,688
Debt service				
Principal retirement	55,045	-	-	55,045
Interest	11,955	-	-	11,955
Capital outlay	185,000	-	1,766,857	1,951,857
<b>Total expenditures</b>	<u>4,139,731</u>	<u>-</u>	<u>1,766,857</u>	<u>5,906,588</u>
Excess of revenues over (under) expenditures	<u>284,262</u>	<u>322,155</u>	<u>(1,078,646)</u>	<u>(472,229)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	4,175,779	1,275,548	3,686,990	9,138,317
Operating transfers out	(2,627,322)	(7,427,108)	(1,641,728)	(11,696,158)
<b>Total other financing sources (uses)</b>	<u>1,548,457</u>	<u>(6,151,560)</u>	<u>2,045,262</u>	<u>(2,557,841)</u>
Excess of revenues and other sources over (under) expenditures and other uses	1,832,719	(5,829,405)	966,616	(3,030,070)
<b>FUND BALANCE - JULY 1, 2016</b>	<u>1,759,278</u>	<u>7,642,655</u>	<u>1,245,162</u>	<u>10,647,095</u>
<b>FUND BALANCE - JUNE 30, 2017</b>	<u>\$ 3,591,997</u>	<u>\$ 1,813,250</u>	<u>\$ 2,211,778</u>	<u>\$ 7,617,025</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF THE CITY OF BUFFALO, WYOMING  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017**

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balance - total governmental funds (page 13)	\$ (3,030,070)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,951,857) exceeded depreciation expense (\$1,037,506) in the current period.	914,351
Proceeds from loans provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment on loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.	55,045
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	123,967
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	<u>(368,393)</u>
Net change in net assets of governmental activities (page 11)	<u>\$ (2,305,100)</u>

The accompanying notes are an integral part of these financial statements



**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**STATEMENT OF NET POSITION**  
**BUSINESS-TYPE ACTIVITIES – PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	Water Fund	Sewer Fund	Sanitation Fund	Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 1,342,035	\$ 1,095,974	\$ 1,079,728	\$ 3,517,737
Accounts receivable, net	164,544	79,261	57,871	301,676
Total Current Assets	<u>1,506,579</u>	<u>1,175,235</u>	<u>1,137,599</u>	<u>3,819,413</u>
<b>Noncurrent Assets</b>				
Capital assets, net	<u>33,505,408</u>	<u>12,244,599</u>	<u>208,713</u>	<u>45,958,720</u>
<b>TOTAL ASSETS</b>	<u>35,011,987</u>	<u>13,419,834</u>	<u>1,346,312</u>	<u>49,778,133</u>
<b>Deferred Outflows of Resources</b>				
Deferred outflows related to pensions	<u>137,496</u>	<u>59,487</u>	<u>45,550</u>	<u>242,533</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>35,149,483</u>	<u>13,479,321</u>	<u>1,391,862</u>	<u>50,020,666</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable and accrued expenses	27,957	33,550	-	61,507
Current portion of long-term liabilities	<u>386,235</u>	<u>128,059</u>	<u>-</u>	<u>514,294</u>
Total Current Liabilities	<u>414,192</u>	<u>161,609</u>	<u>-</u>	<u>575,801</u>
<b>Noncurrent Liabilities</b>				
Pension Liability	466,055	202,566	152,393	821,014
Compensated absences	15,031	10,924	3,620	29,575
Notes payable	<u>4,272,949</u>	<u>1,983,605</u>	<u>-</u>	<u>6,256,554</u>
Total Noncurrent Liabilities	<u>4,754,035</u>	<u>2,197,095</u>	<u>156,013</u>	<u>7,107,143</u>
<b>TOTAL LIABILITIES</b>	<u>5,168,227</u>	<u>2,358,704</u>	<u>156,013</u>	<u>7,682,944</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	28,846,224	10,132,935	208,713	39,187,872
Unrestricted	<u>1,135,032</u>	<u>987,682</u>	<u>1,027,136</u>	<u>3,149,850</u>
<b>TOTAL NET POSITION</b>	<u>\$ 29,981,256</u>	<u>\$ 11,120,617</u>	<u>\$ 1,235,849</u>	<u>\$ 42,337,722</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**BUSINESS-TYPE ACTIVITIES – PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	Water Fund	Sewer Fund	Sanitation Fund	Total
<b>OPERATING REVENUES</b>				
Charges for goods and services	\$ 1,489,442	\$ 791,203	\$ 546,036	\$ 2,826,681
Electricity generation sales	55,884	-	-	55,884
Total operating revenues	<u>1,545,326</u>	<u>791,203</u>	<u>546,036</u>	<u>2,882,565</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	467,389	194,906	146,221	808,516
Contractual services	213,260	124,670	202,790	540,720
Materials and supplies	200,509	40,406	30,449	271,364
Depreciation	694,528	266,841	12,187	973,556
Total operating expenses	<u>1,575,686</u>	<u>626,823</u>	<u>391,647</u>	<u>2,594,156</u>
Operating income (loss)	<u>(30,360)</u>	<u>164,380</u>	<u>154,389</u>	<u>288,409</u>
<b>NONOPERATING INCOME (EXPENSES)</b>				
Investment income	21,966	-	-	21,966
Interest expense	(180,826)	(54,740)	-	(235,566)
Total nonoperating income (expenses)	<u>(158,860)</u>	<u>(54,740)</u>	<u>-</u>	<u>(213,600)</u>
Income (loss) before capital contributions and transfers	<u>(189,220)</u>	<u>109,640</u>	<u>154,389</u>	<u>74,809</u>
Transfers	<u>2,617,841</u>	<u>-</u>	<u>(60,000)</u>	<u>2,557,841</u>
Change in net position	2,428,621	109,640	94,389	2,632,650
<b>NET POSITION - JULY 1, 2016</b>	<u>27,552,635</u>	<u>11,010,977</u>	<u>1,141,460</u>	<u>39,705,072</u>
<b>NET POSITION - JUNE 30, 2017</b>	<u>\$ 29,981,256</u>	<u>\$ 11,120,617</u>	<u>\$ 1,235,849</u>	<u>\$ 42,337,722</u>

The accompanying notes are an integral part of these financial statements

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**STATEMENT OF CASH FLOWS**  
**BUSINESS-TYPE ACTIVITIES – PROPRIETARY FUNDS**  
**JUNE 30, 2017**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from service users	\$ 1,537,492	\$ 792,575	\$ 548,384	\$ 2,878,451
Cash paid for goods and services	(505,315)	(165,941)	(233,756)	(905,012)
Cash paid for wages and benefits	(427,724)	(177,123)	(133,693)	(738,540)
Net cash provided by (used in) operating activities	<u>604,453</u>	<u>449,511</u>	<u>180,935</u>	<u>1,234,899</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal paid on notes payable	(4,192,869)	(123,442)	-	(4,316,311)
Interest paid on notes payable	(180,826)	(54,740)	-	(235,566)
Transfers from other funds	2,617,841	-	(60,000)	2,557,841
Net cash provided by (used in) capital and related financing activities	<u>(1,755,854)</u>	<u>(178,182)</u>	<u>(60,000)</u>	<u>(1,994,036)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment income	21,966	-	-	21,966
Net cash provided by (used in) investing activities	<u>21,966</u>	<u>-</u>	<u>-</u>	<u>21,966</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,129,435)	271,329	120,935	(737,171)
<b>CASH AND CASH EQUIVALENTS</b>				
Balances - July 1, 2016	<u>2,471,470</u>	<u>824,645</u>	<u>958,793</u>	<u>4,254,908</u>
Balances - June 30, 2017	<u>\$ 1,342,035</u>	<u>\$ 1,095,974</u>	<u>\$ 1,079,728</u>	<u>\$ 3,517,737</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ (30,360)	\$ 164,380	\$ 154,389	\$ 288,409
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	694,528	266,841	12,187	973,556
Change in assets - (increase) decrease				
Accounts receivable	(7,833)	1,372	2,348	(4,113)
Deferred Outflows	(3,754)	(1,540)	(1,235)	(6,529)
Accounts payable and accrued expenses	(91,547)	(865)	(517)	(92,929)
Pension Liability	44,726	18,340	14,713	77,779
Compensated absences	(1,307)	983	(950)	(1,274)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 604,453</u>	<u>\$ 449,511</u>	<u>\$ 180,935</u>	<u>\$ 1,234,899</u>

The accompanying notes are an integral part of these financial statements

## **NOTES TO THE FINANCIAL STATEMENTS**

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 1. The Reporting Entity and Summary of Significant Accounting Policies**

A. Reporting entity

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

Services provided by the City include public safety (police and fire), streets, recreation, public improvements, planning, water, sewer, sanitation and general administrative services.

The accompanying financial statements present the primary government. The City has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board.

B. Government-wide and fund financial statements

The government-wide statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 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 included among program receipts are reported instead as general revenues.

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.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 1. The Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

The City reports the following major governmental funds:

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

The *Depreciation Capital Project Fund* accounts for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays and are not accounted for in other capital project funds. These other capital project funds have been determined to be nonmajor funds for the year ended June 30, 2017.

*Water, Sewer, and Sanitation Funds* comprise the proprietary utility funds. Each fund charges for its applicable services, including system attachment fees for the Water and Sewer Funds. The Water Fund also includes revenues from the operation of a hydroelectric plant that utilizes water being transported into the water treatment plant. The electricity sales for this plant are to a major utility company. Expenses for the Water and Sewer Funds are for the maintenance of the service systems. Expenses for the Sanitation Fund are for waste pick-up services; the waste disposal facility is operated by an independent governmental entity to which the City pays fees.

**C. Measurement focus, basis of accounting, and financial statement presentation**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

**Government-wide financial statements**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 1. The Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the City.

Private sector standards of accounting and financial reporting are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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 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 enterprise funds are charges to customers for sales and services. The Water and Sewer Funds also recognize as operating revenues 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.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. The Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

D. Assets, liabilities and fund balances

**Cash and cash equivalents**

Cash and cash equivalents consist of demand deposit accounts, certificates of deposit and petty cash. Highly liquid debt instruments purchased with maturity of three months or less are considered cash equivalents, but the City had no such investments during the year ended June 30, 2017.

**Accounts receivable**

Utility fund customer accounts receivable and other miscellaneous accounts receivable in the proprietary fund are recorded at the amount the City expects to collect on balances outstanding. Utility customer accounts receivable are recorded in the Water, Sewer or Sanitation Fund based on which fund expects to respectively recognize the revenue.

**Allowance for uncollectible accounts**

Receivables have been reported net of the allowance for uncollectible accounts. The allowance is estimated based on prior experience. Utility fund customer accounts receivable balances that are more than ninety days past due are \$25,550 at June 30, 2017. The allowance for uncollectible accounts as of June 30, 2017, is \$3,000.

**Inventory**

Materials and supplies used in the utility funds are reported as expenses in the period purchased. Balances on hand are not considered material to the financial statements. Office supplies are reported as expenditures or expenses in the period purchased.

**Capital assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business type activity columns in the government-wide financial statements.



**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 1. The Reporting Entity and Summary of Significant Accounting Policies (Continued)**

Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Street infrastructure assets are entered into the system on a *network* basis since these assets consist of several different components of road and street construction.

Capital assets are defined by the City as assets with an estimated useful life in excess of one year and individual cost for each asset category as follows:

<b><u>Classes of Assets</u></b>	<b><u>Threshold</u></b>
Land	\$100,000
Land improvements	25,000
Buildings	100,000
Building improvements	25,000
Vehicles	5,000
Equipment/machinery	5,000
Infrastructure	100,000
Utility systems	100,000

All property, plant and equipment of governmental or business type activities are depreciated using the straight line method with the following estimated useful lives:

<b><u>Classes of Assets</u></b>	<b><u>Useful Life</u></b>
Buildings and improvements	25-75 years
Equipment/machinery	5-30 years
Infrastructure	40-50 years
Utility systems	40-60 years

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. The Reporting Entity and Summary of Significant Accounting Policies  
(Continued)**

**Compensated absences**

The City permits employees to accumulate earned but unused vacation and sick leave. After six months of continuous service by an employee, vacation is accumulated at rates of eight hours to sixteen hours monthly based upon years of service by the employee up to 200 hours. Sick leave is accumulated at a rate of eight hours monthly for each employee up to 720 hours. At the end of employment employees hired prior to April 5, 2006, receive one-half of all unused sick leave days accumulated not to exceed sixty hours. Employees hired on April 5, 2006, or thereafter, receive no compensation for unused sick leave at the end of employment. The City has programs with restrictions to trade sick leave between employees in need. Vacation and sick leave liabilities are recorded at year end in the utility funds and in the government-wide statements.

**Deferred revenues**

Deferred revenues include tax levies accrued that are not collected within sixty days of the year end and therefore are not available for paying liabilities existing at year end.

**Long-term Liabilities**

In government-wide financial statements and proprietary fund types in the fund financial statements, long-term liabilities and other long term obligations are reported as liabilities in the applicable governmental activities and proprietary fund statements of net assets associated with the original asset acquisitions involved with the obligations.

**Interfund balances and transactions**

All outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*. Expenditures/expenses initially made from a fund but are properly recordable by another fund are reported in the proper fund with a fund transfer to/from being recorded by the applicable fund.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. The Reporting Entity and Summary of Significant Accounting Policies**  
**(Continued)**

**Fund balance**

To make the nature and extent of constraints placed on a government's fund balances more transparent, the following classifications are used to describe the relative strength of the spending constraints:

*Nonspendable fund balance*—amounts that are in nonspendable form or are required to be maintained intact.

*Restricted fund balance*—amounts that can be used only for specific purposes because of (a) constitutional provisions or enabling legislation or (b) externally imposed constraints. External constraints might be imposed by creditors, grantors, contributors, or even the laws or regulations of other governments.

*Committed fund balance*—amounts that can be used only for specific purposes by the City itself enacted by resolution of the City Council (the highest level of decision-making authority). Committed fund balance cannot be used for any other purpose unless the commitment expires as set forth in the resolution or a new resolution is initiated.

*Assigned fund balance*—amounts intended to be used for specific purposes but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the City Council or by an official to whom that authority has been given.

*Unassigned fund balance*—is the net resources in excess of what can be properly classified in one of the above four categories.

Proprietary fund balance is classified the same as in the government wide-statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used. For the government-wide financial statements, net position are reported as restricted when constraints placed on net position are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of the governments or (2) imposed by law through constitutional provision or enabling legislation.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2017

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**Note 1. The Reporting Entity and Summary of Significant Accounting Policies**  
**(Continued)**

**Net Position**

Net position is the difference between a) assets and deferred outflows of resources, and b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

**Contribution of capital**

Contributions of capital in the financial statements arise from outside contribution of capital assets (e.g., developers), and grants or outside contributions of resources restricted to capital acquisition and construction.

**Property taxes**

Property taxes are levied on or about August 1, and payable in two installments by November 10, and May 10, or can be paid in total by December 31 to avoid delinquent interest and penalties. Johnson County (the "County") bills and collects its own property taxes and also taxes for all municipalities and political subdivisions within the County, including the City. If any portion is not paid, property taxes attach as an enforceable lien on property as of May 11. The City is permitted to and has levied eight mills of the assessed valuation in the City.

**Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 1. The Reporting Entity and Summary of Significant Accounting Policies (Continued)**

**Pensions**

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

**Note 2. Cash and Cash Equivalents**

Cash and cash equivalents as of June 30, 2017, as classified in the accompanying financial statements, consist of the following:

<u>Deposits with financial institutions:</u>	Primary
Cash and certificates of deposit	<u>Government</u>
	\$10,483,253

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 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. 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 regard to custodial credit risk, the City's investment policy does require all deposits and certificates of deposits to be collateralized at 102% 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, 2017.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 2. Cash and Cash Equivalents (Continued)**

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.

At June 30, 2017, the City's deposits were fully collateralized as required by State Statute and were in compliance with the City's investment policy.

Concentration of credit risk: There is minimal concentration of 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 deposits, as all of them can be redeemed for minimal interest penalty.

**Note 3. Interfund Transfers**

The primary government's operating transfers for the year ended June 30, 2017, were as follows:

	<u>Transfers from other funds</u>	<u>Transfers to other funds</u>
General fund	\$ 4,585,640	\$ 3,037,183
Depreciation fund	1,275,548	7,427,108
Other capital project funds	3,686,990	1,641,728
Water fund	5,175,287	2,557,446
Sanitation fund	1,079,728	1,139,728
Sewer fund	844,230	844,230
	<u>\$ 16,647,423</u>	<u>\$ 16,647,423</u>

Transfers were used to move cash to the fund for which statute or budget requires the expenditure to be made and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 4. Capital Assets**

Governmental and business-type activities capital asset activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Retirements and Transfers	Balance June 30, 2017
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 799,777	\$ -	\$ -	\$ 799,777
Construction in progress	374,225	1,683,094	-	2,057,319
Total capital assets not being depreciated	<u>1,174,002</u>	<u>1,683,094</u>	<u>-</u>	<u>2,857,096</u>
Capital assets being depreciated:				
Buildings and improvements	11,280,390	185,000	(385,319)	11,080,071
Transportation equipment	2,655,404	89,842	(48,512)	2,696,734
Other equipment	3,463,179	38,574	-	3,501,753
Infrastructure	26,054,590	-	-	26,054,590
Total capital assets being depreciated	<u>43,453,563</u>	<u>313,416</u>	<u>(433,831)</u>	<u>43,333,148</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,282,850)	(204,092)	-	(3,486,942)
Transportation equipment	(1,082,860)	(95,580)	309,864	(868,576)
Other equipment	(989,142)	(109,337)	-	(1,098,479)
Infrastructure	(16,310,791)	(628,497)	-	(16,939,288)
Total accumulated depreciation	<u>(21,665,643)</u>	<u>(1,037,506)</u>	<u>309,864</u>	<u>(22,393,285)</u>
Capital assets being depreciated, net	<u>21,787,920</u>	<u>(724,090)</u>	<u>(123,967)</u>	<u>20,939,863</u>
Governmental activities, capital assets, net	<u>\$ 22,961,922</u>	<u>\$ 959,004</u>	<u>\$ (123,967)</u>	<u>\$ 23,796,959</u>
	Balance June 30, 2016	Additions	Retirements and Transfers	Balance June 30, 2017
<b>Business-type activities, utility funds:</b>				
Capital assets not being depreciated:				
Land	\$ 272,741	\$ -	\$ -	\$ 272,741
Construction in progress	-	44,653	(44,653)	-
Total capital assets not being depreciated	<u>272,741</u>	<u>44,653</u>	<u>(44,653)</u>	<u>272,741</u>
Capital assets being depreciated:				
Buildings and improvements	44,806,167	-	-	44,806,167
Transportation equipment	1,260,408	-	-	1,260,408
Other equipment	291,353	-	-	291,353
Utility plant in service	12,643,634	-	-	12,643,634
Total capital assets being depreciated	<u>59,001,562</u>	<u>-</u>	<u>-</u>	<u>59,001,562</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,804,568)	(699,120)	-	(9,503,688)
Transportation equipment	(428,384)	(42,139)	-	(470,523)
Other equipment	(107,043)	(10,104)	-	(117,147)
Utility plant in service	(3,002,032)	(222,193)	-	(3,224,225)
Total accumulated depreciation	<u>(12,342,027)</u>	<u>(973,556)</u>	<u>-</u>	<u>(13,315,583)</u>
Capital assets being depreciated, net	<u>46,659,535</u>	<u>(973,556)</u>	<u>-</u>	<u>45,685,979</u>
Business-type activities, utilities funds, capital assets, net	<u>\$ 46,932,276</u>	<u>\$ (928,903)</u>	<u>\$ (44,653)</u>	<u>\$ 45,958,720</u>

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 4. Capital Assets (Continued)**

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

Governmental activities	
General government	\$ 80,433
Public safety	108,516
Public works	723,414
Culture and recreation	<u>125,143</u>
Total depreciation expense - governmental activities	<u>\$ 1,037,506</u>
Business-type activities, utility funds	
Water	\$ 694,528
Sewer	266,841
Sanitation	<u>12,187</u>
Total depreciation expense - business-type activities	<u>\$ 973,556</u>

**Note 5. Long Term Liabilities**

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

Purpose	Balance July 1, 2016	Borrowings	Repayments	Balance June 30, 2017
Water Fund				
Tie Hack Reservoir	\$ 3,824,475	\$ -	\$ 3,824,475	\$ -
Water Tank	1,421,569	-	113,392	1,308,177
Water Treatment Plant	<u>3,606,010</u>	-	<u>255,003</u>	<u>3,351,007</u>
	<u>8,852,054</u>	<u>-</u>	<u>4,192,870</u>	<u>4,659,184</u>
Sewer Fund				
Waste Water Treatment Plant	<u>2,235,107</u>	-	<u>123,443</u>	<u>2,111,664</u>
General Fund				
Criminal Justice Center	<u>597,731</u>	-	<u>55,045</u>	<u>542,686</u>
Total	<u>\$ 11,684,892</u>	<u>\$ -</u>	<u>\$ 4,371,358</u>	<u>\$ 7,313,534</u>

*Tie Hack Reservoir:* The City obtained a \$4,366,587 loan with 4% interest 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 1<sup>st</sup> through 2048. The City paid this loan off in October 2016.

*Water Tank:* The City obtained a \$2,336,898 loan with 2.5% interest from the State of Wyoming 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 all revenues generated by the General Fund, user fees and severance tax to cover the debt service requirements. Annual payments in the amount of \$149,905 are due on June 1<sup>st</sup> through 2027.



**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 5. Long Term Liabilities (Continued)**

*Water Treatment Plant:* The City obtained a \$5,500,000 loan with 2.5% interest 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 1<sup>st</sup> through 2028.

*Waste Water Treatment Plant:* The City obtained a \$2,816,902 loan with 2.5% interest from the State of Wyoming Office of State Lands and Investments to finance the construction of the Waste Water Treatment Plant Expansion project. As part of the loan agreement, the City agreed to pledge future revenues from the waste water utility bills to cover the debt service requirements. Annual payments in the amount of \$180,851 are due on December 1<sup>st</sup> through 2030.

*Criminal Justice Center:* By agreement with Johnson County, the City owns eighteen percent of the Criminal Justice Center in exchange for \$1,000,000 of payments at \$67,000 annually from January 5, 2012, to January 5, 2026. The agreement provides that the City shall pay for 18% of the utility and operations costs for the Criminal Justice Center, but in no case shall pay more than \$108,000 including the \$67,000 annual payment. The payment agreement was discounted at 2% to determine a value of \$857,185 for the City's share of the property and the original value of the obligation.

Principal and interest payments due on long-term debt for the years ending June 30, are as follows:

Year	Interest	Principal	Total
2018	180,125	570,440	750,565
2019	166,145	584,421	750,566
2020	151,820	598,745	750,565
2021	137,144	613,421	750,565
2022	122,106	628,459	750,565
2023 -2027	371,794	3,304,161	3,675,955
2027 -2031	51,119	1,013,887	1,065,006
	<u>\$ 1,180,253</u>	<u>\$ 7,313,534</u>	<u>\$ 8,493,787</u>

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 6. Retirement Commitments**

The City participates in three pension programs administered by the State of Wyoming Retirement System, a statewide cost-sharing multiple-employer public employee retirement system.

Public Employee Pension Plan: Substantially all City full-time (excluding law enforcement) employees are eligible to participate in the plan. The plan is a defined benefit retirement plan. Participants and employers contribute specified percentages of participants' salaries. The plan provides retirement and disability benefits according to predetermined amounts primarily determined by years of services and average salaries. Death benefits are also provided. Contributions may be withdrawn from the plan upon termination or upon meeting certain eligibility requirements.

For the fiscal year ended June 30, 2017, the contributions to the plan were 16.62%, of which 10.94% (8.37% is required by state statute) was contributed by the City and 5.69% was contributed by the employee.

The City's and employees' combined contribution to the plan for the year ended June 30, 2017, was \$190,058 and equaled the required contributions for the year.

Volunteer Firefighter Pension Plan: All volunteer City firemen are eligible to participate in the plan. The plan 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 service. Participants may withdraw from the plan at any time and receive funds of participant contributions without interest.

Contributions to the plan consist of an amount equal to \$15 per month. The City, as permitted by state statute, contributes the entire amount of the contribution.

The City's and employees' combined contribution to the plan for the year ended June 30, 2017, was \$2,700 and equaled the required contributions for the year.

Law Enforcement Pension Plan: All full-time City law enforcement employees are eligible to participate in the plan. The plan 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 and disability benefits according to predetermined amounts primarily determined by years of service and average salaries. Death benefits are also provided.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 6. Retirement Commitments (Continued)**

Contributions may be withdrawn from the plan upon termination or upon meeting certain eligibility requirements.

Contributions to the plan 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 year ended June 30, 2017, was \$160,881 and equaled the required contributions for the year.

Benefits for the plans are established by state statutes. The State of Wyoming Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. This report may be obtained by writing to Wyoming Retirement System, 6101 Yellowstone Road, 5<sup>th</sup> Floor West, Cheyenne, Wyoming 82009 or by calling (307) 777-7691.

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

At June 30, 2017, the City reported a total liability of \$2,687,496 for its proportionate share of the net pension liability. The breakdown between plans is as follows:

	Proportionate Share of Net Pension Liability as of June 30, 2017	Proportionate Share of Net Pension Liability as of June 30, 2016
Public Employee Pension	\$ 1,948,810	\$ 1,885,744
Law Enforcement Pension	738,686	543,838
Total Net Pension Liability	<u>\$ 2,687,496</u>	<u>\$ 2,429,582</u>

The net position liability as of June 30, 2017, is based on results of an actuarial valuation as of January 1, 2017, rolled forward from a measurement date of December 31, 2015. The City's proportion of the net pension liability for all plans was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2016, and 2015, the City's proportionate shares were as follows:

	Proportionate Share as of December 31, 2016	Proportionate Share as of December 31, 2015	Increase (Decrease)
Public Employee Pension	0.072485%	0.078312%	-0.005827%
Law Enforcement Pension	0.660386%	0.700737%	-0.040351%

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 6. Retirement Commitments (Continued)**

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

	Governmental Activities			Business-Type Activities			
	Public Employee Pension Plan	Law Enforcement Pension Plan	Total	Public Employee Pension Plan			
	Water	Sewer	Sanitation	Total			
Pension Expense	\$ 99,901	\$ 71,821	\$ 171,722	\$ 42,094	\$ 17,260	\$ 13,847	\$ 73,201
Deferred Outflows of Resources							
Differences between expected and actual experience	\$ 1,096	\$ 12,984	\$ 14,080	\$ 1,096	\$ 566	\$ 454	\$ 2,116
Contributions subsequent to the measurement date	58,059	86,949	145,008	58,059	10,031	8,047	76,137
Total Deferred Outflows of Resources	\$ 59,155	\$ 99,933	\$ 159,088	\$ 59,155	\$ 10,597	\$ 8,501	\$ 78,253

The amount reported as deferred outflow of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	Public Employee Pension	Law Enforcement Pension	Total
June 30			
2018	\$ 5,152	\$ 3,894	\$ 9,046
2019	5,152	3,894	9,046
2020	5,152	3,894	9,046
2021	5,152	3,894	9,046
2022	5,152	3,894	9,046
	\$ 25,760	\$ 19,470	\$ 45,230

Actuarial Assumptions

The total pension liability at December 31, 2016, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

	Public Employee Pension	Law Enforcement Pension
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open
Remaining Amortization Period	30	30
Asset Valuation Method	5-year	5-year
Actual Assumptions:		
Investment Rate of Return	7.75%	7.75%
Projected Salary Increases		
Includes Inflation	4.25% to 6.00%	4.25% to 8.00%
Assumed Inflation Rate	3.25%	3.25%

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 6. Retirement Commitments (Continued)**

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

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of a 2012 actuarial experience study. The expectation of life after disability was based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected return, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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 Real Rate of Return</u>
Cash	0.00%	-0.20%
Fixed Income	20.00%	1.43%
Equity	45.00%	5.72%
Marketable Alternatives	17.50%	3.03%
Private Markets	17.50%	5.84%
Total	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate that contributions for participating employers will be made at contractually required rates, actuarially determined. Based on these assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investment was applied to all period of projected benefit payments to determine the total pension liability.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 6. Retirement Commitments (Continued)**

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

The City's combined proportionate share of net pension liability for the Public Employee Pension Plan and the Law Enforcement Pension Plan is \$2,687,496. This amount is based on a discount rate of 7.75%. The discount rate is an estimate and is subject to many factors outside of the City's control so actual results may vary.

Pension Plan Fiduciary Net Position

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

**Note 7. Joint Ventures**

Kaycee-Buffalo-Johnson County Economic Development Joint Powers Board Agreement (JOCO First): Pursuant to certain provisions of Wyoming State Statutes, the City entered into an agreement with the Board of Commissioners of Johnson County and the Town of Kaycee, Wyoming, 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. In the fiscal year ended June 30, 2017, the board began doing business as JOCO First.

JOCO First consists of seven to nine voting members and one Ex-Officio non-voting member: Mayor of Kaycee, Mayor of Buffalo, County Commissioner Chair, one member appointed by the Buffalo City Council, one member appointed by the Kaycee Town Council, one member to be appointed by the Board of Commissioners of Johnson County, up to three at-large members appointed by JOCO First and the Buffalo City Planner. For the year ended June 30, 2017, the City paid \$65,000 to JOCO First.

The financial transactions of the JOCO First are not included in these financial statements. However, complete financial statements of JOCO First may be obtained by contacting the Board Treasurer at 46 North Main St., Buffalo, WY 82834.

Buffalo-Johnson Recycling Center Joint Powers Board Agreement: Under certain provisions of the Wyoming State Statutes, the City 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.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 7. Joint Ventures (Continued)**

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. For the year ended June 30, 2017, the City paid \$50,000 to the Buffalo-Johnson Recycling Center Joint Powers Board for recycling operations.

The financial transactions of the Buffalo-Johnson Recycling Center Joint Powers Board are not included in these financial statements. However, additional financial information of the Buffalo-Johnson Recycling Center Joint Powers Board may be obtained by contacting the Board Treasurer at 46 North Main St., Buffalo, WY 82834.

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

The Mountain Plains Heritage Park Joint Powers 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. For the year ended June 30, 2017, there were no payments made to the Mountain Plains Heritage Park Joint Powers Board.

The financial transactions of the Mountain Plains Heritage Park Joint Powers Board are not included in these financial statements. However, additional financial information of the Mountain Plains Heritage Park Joint Powers Board may be obtained by contacting the Mountain Plains Heritage Park Joint Powers Board at the Johnson County Courthouse, 76 North Main St., Buffalo, WY 82834.

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

The Criminal Justice Center Joint Powers Board consists of five members: two members appointed by the City, two members appointed by the County Commissioners and one joint appointment. For the year ended June 30, 2017, the City paid \$101,439 for its share of operations and maintenance expenses of the Criminal Justice Center.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 7. Joint Ventures (Continued)**

The financial transactions of the Criminal Justice Center Joint Powers Board are not included in these financial statements. However, additional financial information of the Criminal Justice Center Joint Powers Board may be obtained by contacting the Johnson County Commissioners at the Johnson County Courthouse, 76 North Main St., Buffalo, WY 82834.

**Note 8. 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 material 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.

The City purchased commercial insurance and workers' compensation coverage to minimize their risks of loss. No settlements occurred during the current year, and no significant reduction in coverage against losses from year to year has occurred.

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.

Construction commitments: The City had the remaining construction commitments at June 30, 2017, which were budgeted in the following fiscal year:

Lobban Street Reconstruction – with land acquisition, non-construction costs and construction costs in the amount of \$2,134,654 to be paid 82% by the Business Ready Community Grant (\$1,758,961) and 18% to be paid by the City (\$375,693). The City has \$1,047,873 budgeted in 2017, for this project. The difference between the Grant and the project cost will come out of the capital improvement reserves. The project received substantial completion in November, 2017 (see Note 12). As of June 30, 2017, the Construction in Progress balance was \$2,057,319 for this project.



**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 8. Contingencies and Commitments (Continued)**

Lease Agreements

10 year lease agreements: The City has entered into lease agreements with Buffalo Children's Center, Inc., Buffalo Senior Center Inc., Child Development Center – Region II, YMCA Inc. and Buffalo Golf Club, Inc. (collectively the "Lessees"). All of these lease agreements have a term of 10 years with option to renew for another 10 years. Except for Buffalo Senior Center Inc. and Buffalo Golf Club, Inc., rent payment is \$10 per year. Buffalo Senior Center Inc. and Buffalo Golf Club, Inc.'s rent payment is about \$2,500 per month and \$0, respectively. Beginning July, 2017 the rent payment from the Buffalo Senior Center, Inc. will be \$0 per month. Any fixtures, additions or structures placed in, upon or attached to the leased premises by the Lessees shall be and remain the property of the City.

5 year lease agreement: The City has entered into a lease agreement with the Buffalo Trap and Skeet Club. The lease started in 2007, and then automatically renewed in 2011. No rent is charged. Any fixtures, additions or structures placed in, upon or attached to the leased premises by the Lessees shall be and remain the property of the City.

**Note 9. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The City's general liability insurance is provided by participation in the Local Government Liability Pool (LGLP). LGLP manages risk by receiving an annual actuarial assessment of funding needs. The LGLP have never requested a reserve call on its members. All risk management activities are accounted for in each fund as appropriate. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

All property, equipment, and autos owned by the City, and crime are covered under a policy issued by American Alternative Insurance Corporation and administered by Glatfelter Public Practice.

The City also participates in two other risk management programs: Worker's Compensation Act and Unemployment Compensation Act.

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

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**Note 9. Risk Management (Continued)**

Wyoming Statute 27-14-101 created the Wyoming Worker's Compensation Act, which is administered as an enterprise fund by the State of Wyoming. All employers within the State of Wyoming are participants of this plan unless the employer elects not to be covered under the plan. This Act requires the City to obtain liability coverage for payment of benefits to employees for job-related injuries and diseases through the Worker's Compensation Fund. This Act provides general protection from suits filed by employees against the City. The City makes quarterly payments to the Department of Employment, State of Wyoming. Amounts paid by the City to the State for Worker's Compensation during fiscal year 2017, were approximately \$45,924.

Wyoming Statute 27-3-101 created the Unemployment Compensation Act. This act requires the City to pay the cost of the actual claims incurred. For the period ending June 30, 2017, the City paid approximately \$523.

**Note 10. Related Party Transactions**

Two Council Members are officers of local banks with which investment accounts and checking accounts are held. At the fiscal year ended June 30, 2017, the balance of these accounts is \$4,606,482 and \$19,132 was received in interest income for the year ended June 30, 2017.

**Note 11. Subsequent Events**

Subsequent events have been evaluated from June 30, 2017, through January 16, 2018, the date on which the financial statements were available to be issued.

On November 7, 2017, the City Council voted to purchase a sanitation truck in the amount of \$258,765, which will be funded with the Equipment Fund. The Council also voted to accept a Homeland Security grant for the construction of a detention pond to address future flooding issues in the City. The grant is for \$579,396 with a 25% match of the costs of \$772,528 (\$193,132) payable by the City, which will be funded with the Other Capital Projects Fund.

On November 7, 2017, the City received substantial completion on the Lobban Street Construction project. Final completion is expected in January, 2018.

On January 2, 2018, the City Council voted to award a construction bid of \$372,363 for the construction of the Main Street high pressure line and South Tank control valve. This will be funded by a Wyoming Water Development Commission grant and a match by the City of approximately \$214,000, which will be funded by the Other Capital Projects Fund.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF THE CITY OF BUFFALO, WYOMING  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	<b>Original Budget and Final</b>	<b>Actual Amounts Budgetary Basis</b>	<b>Variance with Final Budget - Favorable (Unfavorable)</b>
<b>RESOURCES</b>			
Taxes	\$ 4,456,000	\$ 3,480,067	\$ (975,933)
Franchises	251,000	269,601	18,601
Licensing Fees	87,500	83,744	(3,756)
Fines	39,000	33,801	(5,199)
Other	544,645	531,366	(13,279)
Interest	3,100	8,508	5,408
	<u>5,381,245</u>	<u>4,407,087</u>	<u>(974,158)</u>
<b>APPROPRIATION EXPENDITURES</b>			
General Government	1,026,316	426,939	599,377
Public Safety (Protective Services)	1,980,754	1,798,917	181,837
Public Works (Streets)	1,168,020	883,863	284,157
Culture and Recreation	335,605	450,790	(115,185)
Outside Agencies	488,145	457,662	30,483
	<u>4,998,840</u>	<u>4,018,171</u>	<u>980,669</u>
Excess of appropriations over (under) charges to appropriations	<u>382,405</u>	<u>388,916</u>	<u>6,511</u>
<b>NET CHANGE IN NET POSITION</b>	<u>\$ 382,405</u>	<u>\$ 388,916</u>	<u>\$ 6,511</u>
<b>BUDGETARY NET POSITION - JULY 1, 2016 - ADJUSTED</b>	<u>1,759,279</u>	<u>1,759,279</u>	
<b>BUDGETARY NET POSITION - JUNE 30, 2017</b>	<u>\$ 2,141,684</u>	<u>\$ 2,148,195</u>	

**TOWN OF THE CITY OF BUFFALO, WYOMING**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2017**

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**Note 1. Budgets and Budgetary Accounting**

The City uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 15, the city clerk submits to the City Council a proposed operating budget for the fiscal year commencing that July 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with revenue estimates for the upcoming year.
2. Public hearings are conducted on the third Tuesday of June to obtain taxpayer comments.
3. The budget is legally adopted through passage of an ordinance by the City Council.
4. The City Council can, after adequate public notice and a public hearing, amend the budget by resolution.
5. Budgets are generally adopted on the modified accrual basis.

The following table summarizes the adjustment necessary to reconcile the actual amounts per budgetary comparison schedule to the statement of revenues, expenditures and changes in fund balances for the general fund.

Net change in fund balance per budgetary comparison schedule	\$ 388,916
Adjustment to transfer out activities which were either eliminated as interfund activity or budgeted for in Depreciation and Other Capital Project Funds	<u>1,443,803</u>
Excess of revenues and other sources over(under) expenditures and other uses of General Fund (page 13)	<u><u>\$ 1,832,719</u></u>



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

The Honorable Mayor and Members of the City Council  
Town of the City of Buffalo, Wyoming  
46 North Main Street  
Buffalo, Wyoming 82834

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of the City of Buffalo (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 18, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings that we consider to be a material weakness.

## **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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings.

## **Town of the City of Buffalo, Wyoming's Response to Findings**

Town of the City of Buffalo, Wyoming's response to the finding identified in our audit is described in the accompanying schedule of findings. Town of the City of Buffalo, Wyoming's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

This report is intended for the information of the management and regulatory agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.



Cloud Peak Accounting, LLC  
Buffalo, Wyoming  
January 18, 2018

**CITY OF BUFFALO  
SCHEDULE OF FINDINGS  
JUNE 30, 2017**

**MATERIAL WEAKNESS**

**Condition**

The City of Buffalo utilizes a combined cash account, and allocates the cash to the different funds the City of Buffalo operates. The City of Buffalo operates the following funds: General Fund, Severance Tax Fund, 1% Optional Sales Tax Fund, Lobban Street Reconstruction Fund, Water Fund, Sewer Fund, Sanitation Fund, Equipment Fund, and Depreciation Fund. When the City of Buffalo paid loans of the Water Fund, the money was not properly transferred among the Depreciation Reserve, General Fund, and Water Fund.

**Effect**

The result was that the General Fund ended with a total negative balance in cash and cash equivalents. The General Fund was understated by \$4,135,406 and the Depreciation Fund was overstated by the same amount. Although this did not affect the Combined Cash account, it required several unbudgeted transfers to correct the balances.

**Cause**

In prior years, several loans were paid and cash was not transferred properly, culminating into the large intra-governmental transfers required at June 30, 2017. Additionally, controls were not in place to provide oversight of the proper allocation of the checking and investment balances.

**Criteria**

Pursuant to the Internal Control Structure section of the Wyoming Governmental Entity Budgeting, Accounting, and Reporting Manual, "Accounting responsibilities, procedures, and policies should be designed to help prevent misstatement of account balances because errors (both intentional and unintentional) go undetected." Additional control activities should include management comparisons of assets with recorded accountability.

Wyoming State Statute §16.4.112 states that "At the request of the budget officer or upon its own motion after publication of notice, the governing body may by resolution transfer any unencumbered or unexpended appropriation balance or part thereof from one (1) fund, department or account to another." The City had in previous years budgeted for transfers between the Water Fund, Depreciation Fund, and the General Fund, however, had not budgeted for these transfers in the fiscal year ended June 30, 2017.

Additionally, one of the defining aspects of governmental accounting is fund accounting. The Wyoming Governmental Entity Budgeting, Accounting, and Reporting Manual describes the Fund Accounting System as follows:



*“The need to account for separate operations differently, and the fact that many governmental entities’ revenue sources carry legal restrictions regarding how they can be spent, have together resulted in the development of fund accounting for governmental entities. Fund accounting reemphasizes the separate detailed accounting and reporting for each of several subparts of an entity, called funds, rather than accounting and reporting for the entity as a whole. Significant importance is placed upon the need for the accounting system to assure that spending restrictions are met.*

*The Governmental Accounting Standards Board has defined the term “fund” as follows:*

*‘A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.’”*

## **Recommendations**

1. The Buffalo City Council should monitor that the checking balances maintain positive balances in every fund, and that the investment balances are allocated properly in all funds. This can be accomplished by reviewing the fund balances monthly, evaluating the balance in each fund, and reallocating between funds, if necessary.
2. When loans are paid from different funds and construction projects are completed, a transfer should be made to ensure the proper amount of checking and investment balances are recorded for each fund. Additionally, pursuant to Wyoming State Statutes, unless budgeted, the transfer should be made only after publication of notice and a resolution is passed.

## **Management’s Response**

The City of Buffalo agrees with the recommendations of the auditors and will implement the recommendations.