

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

FINANCIAL AND COMPLIANCE REPORTS

JUNE 30, 2016

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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, 2016, 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, 2016, 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 10 and page 42, 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 20, 2017, 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 20, 2017

**TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(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, 2016. 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, 2016, by \$71,669,777 (reported as net position). Of this amount, \$13,460,471 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. Capital assets net of accumulated depreciation are \$69,894,198.

The City's total net position decreased by \$75,247. This is a result of the payoff of loans for the Northwest Transmission Line and the South Loop Pipeline in the amounts of \$1,165,559 and \$183,798, respectively. This expenditure combined with the closeout of large capital improvements projects and capitalizing these assets has a net effect on total net position of \$75,247. Net position for governmental activities decreased by \$1,150,045 while net position for business-type activities increased by \$1,074,798.

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, 2016 was \$2,429,582.

At the close of the year, the City's governmental funds reported combined ending fund balances of \$10,647,095, a decrease of \$810,018 or about 7% from the prior year. Of this amount, \$10,647,095 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 \$1,759,278 or about 35% of total General Fund expenditures.

Total long-term debt had a net decrease of \$1,828,877 (about 14%) from the prior year. This is due to payments in debt principal made of \$1,780,830 in the Water Fund, \$121,610 in the Sewer Fund, and \$53,966 in the General Fund, offset with the issuance of \$127,529 in Water Fund debt for the Northwest Waterline and South Loop Pipeline projects.

**TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(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.

**TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(UNAUDITED)**

Governmental funds. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements.

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.

**TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(UNAUDITED)**

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	
	2016	2015	2016	2015	2016	2015
Current Assets	\$ 11,063,093	\$ 11,457,113	\$ 4,552,470	\$ 4,872,057	\$ 15,615,563	\$ 16,329,170
Noncurrent Assets	22,961,922	23,387,402	46,932,276	47,357,312	69,894,198	70,744,714
Deferred Outflows of Resources	790,685	304,239	236,004	85,210	1,026,689	389,449
Total Assets and Def. Outflows	<u>34,815,700</u>	<u>35,148,754</u>	<u>51,720,750</u>	<u>52,314,579</u>	<u>86,536,450</u>	<u>87,463,333</u>
Current Liabilities	476,806	252,414	714,195	859,533	1,191,001	1,111,947
Noncurrent Liabilities	2,374,189	1,781,590	11,301,483	12,824,772	13,675,672	14,606,362
Total Liabilities	<u>2,850,995</u>	<u>2,034,004</u>	<u>12,015,678</u>	<u>13,684,305</u>	<u>14,866,673</u>	<u>15,718,309</u>
Invested in Capital Assets	22,364,190	22,735,704	35,845,116	34,545,212	58,209,306	57,280,916
Unrestricted	9,600,515	10,379,046	3,859,956	4,085,062	13,460,471	14,464,108
Total Net Position	<u>\$ 31,964,705</u>	<u>\$ 33,114,750</u>	<u>\$ 39,705,072</u>	<u>\$ 38,630,274</u>	<u>\$ 71,669,777</u>	<u>\$ 71,745,024</u>

At June 30, 2016, the City's net position is approximately \$71.67 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, 2016
(UNAUDITED)**

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 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Receipts:						
Program Receipts:						
Charges for Services	\$ 280,066	\$ 286,377	\$ 3,206,299	\$ 2,900,822	\$ 3,486,365	\$ 3,187,199
Operating Grants and Contributions	579,525	431,276	-	-	579,525	431,276
Capital Grants and Contributions	99,887	231,231	87,184	1,276,942	187,071	1,508,173
General Receipts:						
Sales and Use Tax	1,465,570	1,808,997	-	-	1,465,570	1,808,997
Mineral Severance & Royalties Tax	410,010	414,016	-	-	410,010	414,016
Property Tax	439,495	430,360	-	-	439,495	430,360
Franchise Tax	266,165	294,726	-	-	266,165	294,726
Gas and Special Fuels Tax	195,245	200,492	-	-	195,245	200,492
Lottery	15,167	-	-	-	15,167	-
1% Optional Tax	1,237,644	1,525,242	-	-	1,237,644	1,525,242
Cigarette Tax	29,924	30,019	-	-	29,924	30,019
Interest	15,241	13,671	9,120	7,781	24,361	21,452
Miscellaneous	461,417	416,678	-	-	461,417	416,678
Transfers	(627,714)	(764,724)	627,714	764,724	-	-
Total Receipts	4,867,642	5,318,361	3,930,317	4,950,269	8,797,959	10,268,630
Disbursements:						
General Government	1,404,645	919,669	-	-	1,404,645	919,669
Public Safety	2,031,665	2,043,203	-	-	2,031,665	2,043,203
Public Works	1,845,331	1,860,585	-	-	1,845,331	1,860,585
Culture and Recreation	736,046	604,231	-	-	736,046	604,231
Water	-	-	1,689,713	1,919,314	1,689,713	1,919,314
Sewer	-	-	733,570	688,884	733,570	688,884
Sanitation	-	-	432,236	458,272	432,236	458,272
Total Disbursements	6,017,687	5,427,688	2,855,519	3,066,470	8,873,206	8,494,158
Change in Net Position	(1,150,045)	(109,327)	1,074,798	1,883,799	(75,247)	1,774,472
Net Position, Beginning of Year	33,114,750	33,224,077	38,630,274	36,746,475	71,745,024	69,970,552
Net Position, End of Year	\$ 31,964,705	\$ 33,114,750	\$ 39,705,072	\$ 38,630,274	\$ 71,669,777	\$ 71,745,024

**TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(UNAUDITED)**

Governmental activities decreased the City's net position by \$1,150,045. The key elements of this decrease are as follows:

- Sales and use tax receipts comprise approximately 56% of total governmental receipts. These taxes decreased by approximately \$0.63 million or 19% from the previous year, which is in addition to the prior year's decrease. Sales and use tax receipts for fiscal year end 2016, were \$1.65 million or 38% 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. Transfers to governmental activities from the business-type activities decreased by \$137,010 as a result of decreased major capital construction projects.
- Loans for the Northwest Waterline and the South Loop Pipeline were paid off with reserves placed in the Depreciation Fund as the loan proceeds were drawn which reduced net position in the governmental funds.
- Public Safety is the largest category of governmental disbursements, representing 35% of expenditures. General Government represents 21%, Streets and Public Works represent 20%, and Culture and Recreation and Capital Outlay each represents approximately 11% of governmental disbursements. Total governmental disbursements were \$944,161 lower this year compared to the prior year. This decrease was a result of fewer major capital projects constructed this year.

The business-type activities include the Water, Sewer, and the Sanitation Funds. These activities increased net position by \$1,074,798. 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.
- Capital Grants and Contributions decreased by \$1,240,748 as a result of fewer major capital projects constructed this year. Transfers to governmental activities from the business-type activities decreased by 137,010 due to less capital construction in the Water Fund.
- Loans for the Northwest Waterline and the South Loop Pipeline were paid off with reserves placed in the Depreciation fund as the loan proceeds were drawn which increased net position for business-type activities.

**TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(UNAUDITED)**

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 (\$1,360,357), \$734,643, and \$920,559, respectively. The decrease in total net position for the Water Fund, Sewer Fund and Sanitation Fund was \$2,490,313.

Budgetary highlights

For fiscal year end 2016, tax receipts were less than budgeted amounts by approximately \$663,000. 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 2016, General Fund disbursements were under budget by \$220,120. This is a result of recreation projects not constructed by year end. Salaries and benefits expense were under budget by \$129,327 as a result of one street department employee working at the Waste Water Treatment Plant for the year as well as less street repair completed resulting in less employee hours expended than budgeted this fiscal year.

Capital Assets

At the end of the year, the City had invested/received over \$800,000 in a variety of capital assets.

Major capital asset events during the year included:

- Construction finished on the South Loop Pipeline project at a total cost of \$488,893.
- Acquisition of new vehicles for the police department at a total cost of \$95,543.
- Acquisition and installation of the West entrance roof extension for the Buffalo Senior Center at a total cost of \$30,700.
- Acquisition of new administration vehicle at a total cost of \$43,915.
- Acquisition of new Council room seating at a total cost of \$10,085.
- Acquisition of new dispatch interface server at a total cost of \$17,070.
- Acquisition of new vehicle for street department at a total cost of \$28,960.
- Acquisition of new front mower tractor for parks department at a total cost of \$21,560.
- Acquisition of 3 bronze sheep sculptures in Crazy Woman Square for a total cost of \$33,000.

**TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016
(UNAUDITED)**

- Acquisition of new vehicle and trailers at the recycle center at a total cost of \$50,990.

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

Long-term debt

At year-end, the City had debt outstanding of \$11,684,892. 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 \$1,828,877, or about 14%, over the previous year. Please refer to Note 5 for more information on long-term debt.

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 2017, 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. 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, 2016

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 10,368,803	\$ 4,254,908	\$ 14,623,711
Receivables, net			
Taxes	437,700	-	437,700
Intergovernmental and grants	256,590	-	256,590
Accounts receivable, net	-	297,562	297,562
Total Current Assets	11,063,093	4,552,470	15,615,563
Noncurrent Assets			
Capital assets, net of accumulated depreciation	22,961,922	46,932,276	69,894,198
TOTAL ASSETS	34,025,015	51,484,746	85,509,761
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	790,685	236,004	1,026,689
TOTAL ASSETS AND DEFERRED OUTFLOWS	34,815,700	51,720,750	86,536,450
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	421,761	154,434	576,195
Current portion of long-term liabilities	55,045	559,761	614,806
Total Current Liabilities	476,806	714,195	1,191,001
Noncurrent Liabilities			
Pension liability	1,686,348	743,235	2,429,583
Compensated absences	145,154	30,849	176,003
Notes payable	542,687	10,527,399	11,070,086
Total Noncurrent Liabilities	2,374,189	11,301,483	13,675,672
TOTAL LIABILITIES	2,850,995	12,015,678	14,866,673
NET POSITION			
Invested in capital assets, net of related debt	22,364,190	35,845,116	58,209,306
Unrestricted	9,600,515	3,859,956	13,460,471
TOTAL NET POSITION	\$ 31,964,705	\$ 39,705,072	\$ 71,669,777

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

**TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,404,645	\$ 16,179	\$ -	\$ -	\$ (1,388,466)	\$ -	\$ (1,388,466)
Public safety	2,031,665	88,640	579,525	-	(1,363,500)	-	(1,363,500)
Streets and public works	1,845,331	144,805	-	79,050	(1,621,476)	-	(1,621,476)
Culture and recreation	736,046	30,442	-	20,837	(684,767)	-	(684,767)
Total governmental activities	6,017,687	280,066	579,525	99,887	(5,058,209)	-	(5,058,209)
BUSINESS-TYPE ACTIVITIES							
Water	1,689,713	1,813,994	-	36,194	-	160,475	160,475
Sewer	733,570	794,470	-	-	-	60,900	60,900
Sanitation	432,236	597,835	-	50,990	-	216,589	216,589
Total business-type activities	2,855,519	3,206,299	-	87,184	-	437,964	437,964
TOTAL PRIMARY GOVERNMENT	\$ 8,873,206	\$ 3,486,365	\$ 579,525	\$ 187,071	\$ (5,058,209)	\$ 437,964	\$ (4,620,245)

General revenues			
General sales and use tax	\$ 2,703,062	\$ -	\$ 2,703,062
Property tax	439,495	-	439,495
Franchise fees	266,165	-	266,165
Gas and special fuel tax	195,245	-	195,245
Lottery	15,167	-	15,167
Cigarette tax	29,924	-	29,924
Mineral severance and royalties tax	410,010	-	410,010
Special state distributions	387,368	-	387,368
Interest income	15,241	9,120	24,361
Miscellaneous	74,201	-	74,201
Transfers	(627,714)	627,714	-
Total general revenues and transfers	3,908,164	636,834	4,544,998
Change in net position	(1,150,045)	1,074,798	(75,247)
Net position - beginning	33,114,750	38,630,274	71,745,024
Net position - ending	<u>\$ 31,964,705</u>	<u>\$ 39,705,072</u>	<u>\$ 71,669,777</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, 2016**

	<u>Capital Project Funds</u>			Total Governmental Funds
	<u>General Fund</u>	<u>Depreciation Fund</u>	<u>Other Capital Project Funds</u>	
ASSETS				
Cash and cash equivalents	\$ 1,442,381	\$ 7,642,655	\$ 1,283,767	\$ 10,368,803
Receivables, net				
Taxes	437,700	-	-	437,700
Intergovernmental and grants	256,590	-	-	256,590
TOTAL ASSETS	2,136,671	7,642,655	1,283,767	11,063,093
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	150,790	-	-	150,790
TOTAL ASSETS AND DEFERRED OUTFLOWS	2,287,461	7,642,655	1,283,767	11,213,883
LIABILITIES				
Accounts payable and accrued expenses	528,183	-	38,605	566,788
TOTAL LIABILITIES	528,183	-	38,605	566,788
NET POSITION				
Assigned	-	-	-	-
Unassigned	1,759,278	7,642,655	1,245,162	10,647,095
TOTAL NET POSITION	\$ 1,759,278	\$ 7,642,655	\$ 1,245,162	\$ 10,647,095

Total net position from above	\$ 10,647,095
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.	22,961,922
Accrued interest on note payable is not reported in the funds.	(5,763)
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	(1,686,348)
Deferred outflows of resources	790,685
Long-term liabilities, including compensated absences, are not due in the current period, and therefore are not reported in the funds.	(742,886)
Net position of governmental funds	<u>\$ 31,964,705</u>

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Capital Project Funds</u>			Total Governmental Funds
	General Fund	Depreciation Fund	Other Capital Project Funds	
REVENUES				
Taxes	\$ 4,059,067	\$ -	\$ -	\$ 4,059,067
Licenses and fees	109,264	-	-	109,264
Fines and forfeitures	42,600	-	-	42,600
Intergovernmental	582,025	387,368	99,887	1,069,280
Charges for services	91,700	-	-	91,700
Investment income	5,848	8,437	956	15,241
Rent	36,502	-	-	36,502
Other revenue	81,711	-	-	81,711
	<u>5,008,717</u>	<u>395,805</u>	<u>100,843</u>	<u>5,505,365</u>
Total revenues				
	5,008,717	395,805	100,843	5,505,365
EXPENDITURES				
Current				
General government	1,159,169	-	-	1,159,169
Public safety	1,907,195	-	-	1,907,195
Public works	1,121,745	-	-	1,121,745
Culture and recreation	613,973	-	-	613,973
Debt service				
Principal retirement	53,966	-	-	53,966
Interest	13,035	-	-	13,035
Capital outlay	168,220	-	458,203	626,423
	<u>5,037,303</u>	<u>-</u>	<u>458,203</u>	<u>5,495,506</u>
Total expenditures				
	5,037,303	-	458,203	5,495,506
Excess of revenues over (under) expenditures	<u>(28,586)</u>	<u>395,805</u>	<u>(357,360)</u>	<u>9,859</u>
OTHER FINANCING SOURCES (USES)				
Operating transfers in	493,723	5,391,405	660,598	6,545,726
Operating transfers out	(1,285,583)	(4,070,487)	(1,817,370)	(7,173,440)
	<u>(791,860)</u>	<u>1,320,918</u>	<u>(1,156,772)</u>	<u>(627,714)</u>
Total other financing sources (uses)				
	(791,860)	1,320,918	(1,156,772)	(627,714)
Excess of revenues and other sources over (under) expenditures and other uses	<u>(820,446)</u>	<u>1,716,723</u>	<u>(1,514,132)</u>	<u>(617,855)</u>
NET POSITION - JULY 1, 2015	<u>2,579,724</u>	<u>5,925,932</u>	<u>2,759,294</u>	<u>11,264,950</u>
NET POSITION - JUNE 30, 2016	<u>\$ 1,759,278</u>	<u>\$ 7,642,655</u>	<u>\$ 1,245,162</u>	<u>\$ 10,647,095</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, 2016**

Amounts reported for governmental activities in the statement of activities (page 12) are different because:

Net change in net position - total governmental funds (page 14)	\$ (617,855)
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 (\$626,423) exceeded depreciation expense (\$1,044,394) in the current period.	(417,971)
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.	53,966
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	7,510
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>(175,695)</u>
Net change in net assets of governmental activities (page 12)	<u><u>\$ (1,150,045)</u></u>

See accompanying notes to the financial statements.

TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES - PROPRIETARY FUNDS
JUNE 30, 2016

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 2,471,470	\$ 824,645	\$ 958,793	\$ 4,254,908
Accounts receivable, net	156,712	80,633	60,217	297,562
Total Current Assets	<u>2,628,182</u>	<u>905,278</u>	<u>1,019,010</u>	<u>4,552,470</u>
Noncurrent Assets				
Capital assets, net	<u>34,199,936</u>	<u>12,511,440</u>	<u>220,900</u>	<u>46,932,276</u>
TOTAL ASSETS	<u>36,828,118</u>	<u>13,416,718</u>	<u>1,239,910</u>	<u>51,484,746</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	<u>133,742</u>	<u>57,947</u>	<u>44,315</u>	<u>236,004</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>36,961,860</u>	<u>13,474,665</u>	<u>1,284,225</u>	<u>51,720,750</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	119,503	34,415	516	154,434
Current portion of long-term liabilities	<u>434,788</u>	<u>124,973</u>	<u>-</u>	<u>559,761</u>
Total Current Liabilities	<u>554,291</u>	<u>159,388</u>	<u>516</u>	<u>714,195</u>
Noncurrent Liabilities				
Pension Liability	421,329	184,226	137,680	743,235
Compensated absences	16,338	9,941	4,570	30,849
Notes payable	<u>8,417,266</u>	<u>2,110,133</u>	<u>-</u>	<u>10,527,399</u>
Total Noncurrent Liabilities	<u>8,854,933</u>	<u>2,304,300</u>	<u>142,250</u>	<u>11,301,483</u>
TOTAL LIABILITIES	<u>9,409,224</u>	<u>2,463,688</u>	<u>142,766</u>	<u>12,015,678</u>
NET POSITION				
Invested in capital assets, net of related debt	25,347,882	10,276,334	220,900	35,845,116
Unrestricted	<u>2,204,754</u>	<u>734,643</u>	<u>920,559</u>	<u>3,859,956</u>
TOTAL NET POSITION	<u>\$ 27,552,636</u>	<u>\$ 11,010,977</u>	<u>\$ 1,141,459</u>	<u>\$ 39,705,072</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
FOR THE YEAR ENDED JUNE 30, 2016**

	Water Fund	Sewer Fund	Sanitation Fund	Total
OPERATING REVENUES				
Charges for goods and services	\$ 1,661,191	\$ 794,470	\$ 597,835	\$ 3,053,496
Electricity generation sales	152,803	-	-	152,803
Total Operating Revenues	<u>1,813,994</u>	<u>794,470</u>	<u>597,835</u>	<u>3,206,299</u>
OPERATING EXPENSES				
Salaries and benefits	339,712	191,240	146,790	677,742
Contractual services	192,065	161,031	240,566	593,662
Materials and supplies	179,167	55,984	33,788	268,939
Depreciation	686,987	266,841	11,092	964,920
Total operating expenses	<u>1,397,931</u>	<u>675,096</u>	<u>432,236</u>	<u>2,505,263</u>
Operating income (loss)	<u>416,063</u>	<u>119,374</u>	<u>165,599</u>	<u>701,036</u>
NONOPERATING INCOME (EXPENSES)				
Investment income	9,120	-	-	9,120
Interest expense	(291,782)	(58,474)	-	(350,256)
Total nonoperating income (expenses)	<u>(282,662)</u>	<u>(58,474)</u>	<u>-</u>	<u>(341,136)</u>
Income (loss) before capital contributions and transfers	133,401	60,900	165,599	359,900
Capital contributions	36,194	-	50,990	87,184
Transfers	687,714	-	(60,000)	627,714
Change in net position	857,309	60,900	156,589	1,074,798
NET POSITION - JULY 1, 2015	<u>26,695,327</u>	<u>10,950,077</u>	<u>984,870</u>	<u>38,630,274</u>
NET POSITION - JUNE 30, 2016	<u>\$ 27,552,636</u>	<u>\$ 11,010,977</u>	<u>\$ 1,141,459</u>	<u>\$ 39,705,072</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
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from service users	\$ 2,090,114	\$ 713,837	\$ 537,618	\$ 3,341,569
Cash paid for goods and services	(515,699)	(233,062)	(273,839)	(1,022,600)
Cash paid for wages and benefits	(304,866)	(175,928)	(131,431)	(612,225)
Net cash provided by (used in) operating activities	<u>1,269,549</u>	<u>304,847</u>	<u>132,348</u>	<u>1,706,744</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on notes payable	(1,603,329)	(121,610)	-	(1,724,939)
Interest paid on notes payable	(291,782)	(58,474)	-	(350,256)
Proceeds from capital grants	36,194	-	50,990	87,184
Transfers from other funds	546,864	80,633	217	627,714
Net cash provided by (used in) capital and related financing activities	<u>(1,312,053)</u>	<u>(99,451)</u>	<u>51,207</u>	<u>(1,360,297)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of capital assets	(488,893)	-	(50,990)	(539,883)
Investment income	9,120	-	-	9,120
Net cash provided by (used in) investing activities	<u>(479,773)</u>	<u>-</u>	<u>(50,990)</u>	<u>(530,763)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(522,277)	205,396	132,565	(184,316)
CASH AND CASH EQUIVALENTS				
Balances - July 1, 2015	<u>2,993,747</u>	<u>619,249</u>	<u>826,228</u>	<u>4,439,224</u>
Balances - June 30, 2016	<u>\$ 2,471,470</u>	<u>\$ 824,645</u>	<u>\$ 958,793</u>	<u>\$ 4,254,908</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ 416,063	\$ 119,374	\$ 165,599	\$ 701,036
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	686,987	266,841	11,092	964,920
Change in assets - (increase) decrease				
Accounts receivable	276,121	(80,633)	(60,217)	135,271
Deferred Outflows	(85,424)	(36,663)	(28,707)	(150,794)
Change in liabilities - increase (decrease)				
Accounts payable and accrued expenses	(144,468)	(16,047)	515	(160,000)
Pension Liability	121,101	51,975	40,696	213,772
Compensated absences	(831)	-	3,370	2,539
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 1,269,549</u>	<u>\$ 304,847</u>	<u>\$ 132,348</u>	<u>\$ 1,706,744</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, 2016

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, 2016

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, 2016.

The *proprietary utility funds* include the Water, Sewer and Sanitation 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, 2016

**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, 2016

**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, 2016.

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 \$12,359 at June 30, 2016. The allowance for uncollectible accounts as of June 30, 2016, 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, 2016

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:

<u>Classes of Assets</u>	<u>Threshold</u>
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:

<u>Classes of Assets</u>	<u>Useful Life</u>
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, 2016

**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, 2016

**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, 2016

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

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.

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.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 2. Cash and Cash Equivalents

Cash and cash equivalents as of June 30, 2016, 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>
	\$14,623,711

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, 2016.

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, 2016, 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.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 2. Cash and Cash Equivalents (Continued)

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, 2016, were as follows:

	<u>Transfers from other funds</u>	<u>Transfers to other funds</u>
General fund	\$ 493,723	\$ 1,285,583
Depreciation fund	5,391,405	4,070,487
Other capital project funds	660,598	1,817,370
Water fund	3,565,111	2,877,397
Sanitation fund	-	60,000
	<u>\$ 10,110,837</u>	<u>\$ 10,110,837</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, 2016

Note 4. Capital Assets

Governmental and business-type activities capital asset activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Additions	Retirements and Transfers	Balance June 30, 2016
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 799,777	\$ -	\$ -	\$ 799,777
Construction in progress	28,635	345,590	-	374,225
Total capital assets not being depreciated	<u>828,412</u>	<u>345,590</u>	<u>-</u>	<u>1,174,002</u>
Capital assets being depreciated:				
Buildings and improvements	11,249,690	30,700	-	11,280,390
Transportation equipment	2,506,085	168,419	(19,100)	2,655,404
Other equipment	3,386,464	81,715	(5,000)	3,463,179
Infrastructure	26,054,590	-	-	26,054,590
Total capital assets being depreciated	<u>43,196,829</u>	<u>280,834</u>	<u>(24,100)</u>	<u>43,453,563</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,078,547)	(204,303)	-	(3,282,850)
Transportation equipment	(1,007,719)	(91,731)	16,590	(1,082,860)
Other equipment	(869,279)	(119,863)	-	(989,142)
Infrastructure	(15,682,294)	(628,497)	-	(16,310,791)
Total accumulated depreciation	<u>(20,637,839)</u>	<u>(1,044,394)</u>	<u>16,590</u>	<u>(21,665,643)</u>
Capital assets being depreciated, net	<u>22,558,990</u>	<u>(763,560)</u>	<u>(7,510)</u>	<u>21,787,920</u>
Governmental activities, capital assets, net	<u>\$ 23,387,402</u>	<u>\$ (417,970)</u>	<u>\$ (7,510)</u>	<u>\$ 22,961,922</u>

	Balance June 30, 2015	Additions	Retirements and Transfers	Balance June 30, 2016
Business-type activities, utility funds:				
Capital assets not being depreciated:				
Land	\$ 272,741	\$ -	\$ -	\$ 272,741
Construction in progress	65,787	488,893	(554,680)	-
Total capital assets not being depreciated	<u>338,528</u>	<u>488,893</u>	<u>(554,680)</u>	<u>272,741</u>
Capital assets being depreciated:				
Buildings and improvements	44,806,167	-	-	44,806,167
Transportation equipment	1,209,418	50,990	-	1,260,408
Other equipment	291,353	-	-	291,353
Utility plant in service	12,088,953	554,681	-	12,643,634
Total capital assets being depreciated	<u>58,395,891</u>	<u>605,671</u>	<u>-</u>	<u>59,001,562</u>
Less accumulated depreciation for:				
Buildings and improvements	(8,105,449)	(699,119)	-	(8,804,568)
Transportation equipment	(386,715)	(41,669)	-	(428,384)
Other equipment	(96,619)	(10,424)	-	(107,043)
Utility plant in service	(2,788,324)	(213,708)	-	(3,002,032)
Total accumulated depreciation	<u>(11,377,107)</u>	<u>(964,920)</u>	<u>-</u>	<u>(12,342,027)</u>
Capital assets being depreciated, net	<u>47,018,784</u>	<u>(359,249)</u>	<u>-</u>	<u>46,659,535</u>
Business-type activities, utilities funds, capital assets, net	<u>\$ 47,357,312</u>	<u>\$ 129,644</u>	<u>\$ (554,680)</u>	<u>\$ 46,932,276</u>

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 4. Capital Assets (Continued)

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

Governmental activities	
General government	\$ 71,765
Public safety	124,470
Public works	723,586
Culture and recreation	<u>124,573</u>
Total depreciation expense - governmental activities	<u>\$ 1,044,394</u>
Business-type activities, utility funds	
Water	\$ 686,987
Sewer	266,841
Sanitation	<u>11,092</u>
Total depreciation expense - business-type activities	<u>\$ 964,920</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, 2016:

Purpose	Balance July 1, 2015	Borrowings	Repayments	Balance June 30, 2016
Water Fund				
Tie Hack Reservoir	\$ 3,880,018	\$ -	\$ 55,542	\$ 3,824,476
Water Tank	1,536,337	-	114,768	1,421,569
Water Treatment Plant	3,867,172	-	261,163	3,606,009
Northwest Transmission Pipeline	1,158,900	6,659	1,165,559	-
S Loop Pipeline	62,928	120,870	183,798	-
	<u>10,505,355</u>	<u>127,529</u>	<u>1,780,830</u>	<u>8,852,054</u>
Sewer Fund				
Waste Water Treatment Plant	<u>2,356,716</u>	-	121,610	<u>2,235,106</u>
General Fund				
Criminal Justice Center	<u>651,698</u>	-	53,966	<u>597,732</u>
Total	<u>\$ 13,513,769</u>	<u>\$ 127,529</u>	<u>\$ 1,956,406</u>	<u>\$ 11,684,892</u>

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 5. Long Term Liabilities (Continued)

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 1st through 2048.

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 1st through 2027.

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 1st 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 1st 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.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 5. Long Term Liabilities (Continued)

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

Year	Interest	Principal	Total
2017	\$ 346,493	\$ 614,815	\$ 961,308
2018	330,531	630,776	961,307
2019	314,141	647,166	961,307
2020	297,311	663,996	961,307
2021 -2025	1,217,817	3,588,720	4,806,537
2026 -2030	753,576	2,612,055	3,365,631
2031 -2035	516,188	712,007	1,228,195
2036 -2040	394,553	659,157	1,053,710
2041 -2045	251,745	801,967	1,053,712
2046 -2050	73,822	754,233	828,055
	<u>\$ 4,496,177</u>	<u>\$ 11,684,892</u>	<u>\$ 16,181,069</u>

This schedule included payments for the loan for the reconstruction of Tie Hack Reservoir, which was paid off subsequent to the fiscal year ended June 30, 2016.

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, 2016, 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, 2016, was \$202,508 and equaled the required contributions for the year.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 6. Retirement Commitments (Continued)

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, 2016, 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.

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, 2016, was \$164,708 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, 5th Floor West, Cheyenne, Wyoming 82009 or by calling (307) 777-7691.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 6. Retirement Commitments (Continued)

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

At June 30, 2016, the City reported a total liability of \$2,429,582 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, 2016	Proportionate Share of Net Pension Liability as of June 30, 2015
Public Employee Pension	\$ 1,885,744	\$ 1,365,999
Law Enforcement Pension	543,838	198,204
Total Net Pension Liability	<u>\$ 2,429,582</u>	<u>\$ 1,564,203</u>

The net position liability as of December 31, 2015, is based on results of an actuarial valuation as of January 1, 2015, rolled forward to 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, 2015, and 2014, the City's proportionate shares were as follows:

	Proportionate Share as of December 31, 2015	Proportionate Share as of December 31, 2014	Increase (Decrease)
Public Employee Pension	0.078312%	0.077407%	0.000905%
Law Enforcement Pension	0.700737%	0.672706%	0.028031%

For the year ended June 30, 2016, 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	\$ 90,145	\$ 75,017	\$ 165,162	\$ 35,678	\$ 15,313	\$ 11,990	\$ 62,981
Deferred Outflows of Resources							
Differences between expected and actual experience	\$ 162,592	\$ 205,323	\$ 367,915	\$ 64,352	\$ 27,619	\$ 21,626	\$ 113,597
Contributions subsequent to the measurement date	64,079	86,266	150,345	25,362	10,885	8,523	44,770
Total Deferred Outflows of Resources	<u>\$ 226,671</u>	<u>\$ 291,589</u>	<u>\$ 518,260</u>	<u>\$ 89,714</u>	<u>\$ 38,504</u>	<u>\$ 30,149</u>	<u>\$ 158,367</u>

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 6. Retirement Commitments (Continued)

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, 2016. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30	Public Employee Pension	Law Enforcement Pension	Total
2017	\$ 90,431	\$ 65,294	\$ 155,725
2018	90,431	65,294	155,725
2019	90,431	65,294	155,725
2020	90,431	65,294	155,725
2021	90,431	65,294	155,725
	\$ 452,155	\$ 326,470	\$ 778,625

Actuarial Assumptions

The total pension liability at December 31, 2015, actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement:

	Public Employee Pension	Law Enforcement Pension
	Individual Entry Age Normal	Individual Entry Age Normal
	Level Percent Open	Level Percent Open
Actuarial Cost Method		
Amortization Method		
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%

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, 2015, 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.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 6. Retirement Commitments (Continued)

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 table on the following page:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.50%	0.25%
Fixed Income	15.00%	0.87%
Equity	59.00%	5.13%
Marketable Alternatives	15.50%	4.75%
Private Markets	8.00%	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.

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 \$2,429,582. 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.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016, 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, 2016, the City paid \$50,000 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.

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, 2016, 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.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 7. Joint Ventures (Continued)

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, 2016, 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, 2016, the City paid \$101,957 for its share of operations and maintenance expenses of the Criminal Justice Center.

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.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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, 2016, 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 \$2,200,000 budgeted in 2016, for this project. The difference between the Grant and the project cost will come out of the capital improvement reserves. The project has an estimated completion date of July 2017.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

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. 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.

10 week lease agreement: The City entered into a lease agreement with the YMCA. The YMCA managed the outdoor pool for the City during the summer. The City paid the YMCA an amount not to exceed \$59,140 for the management services.

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.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2016

Note 9. Risk Management (Continued)

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

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 2016, were approximately \$46,406.

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, 2016, the City paid approximately \$157.

Note 10. Prior Period Adjustment

In the fiscal year ended June 30, 2016, accounts receivable were reclassified for water, sewer and sanitation. In prior periods, the entire balance of accounts receivable was classified in entirety to only the Water Fund. Please note that the adjustment does not change the net position in total. However, the effect on the separate funds in the City's previously issued June 30, 2015, statement of net position is summarized as follows:

	Business-Type Activities			Total
	Water Fund	Sewer Fund	Sanitation Fund	
Net Position, as previously reported as of July 1, 2015	\$26,836,177	\$10,930,344	\$ 1,081,242	\$38,847,763
Adjustment to reclassify Accounts receivable	(140,850)	80,633	60,217	-
Beginning Net Position as of July 1, 2015, as restated	\$26,695,327	\$11,010,977	\$ 1,141,459	\$38,847,763

Note 11. Subsequent Events

Subsequent events have been evaluated from June 30, 2016, through January 20, 2017, the date on which the financial statements were available to be issued.

The City paid off the loan related to the reconstruction of Tie Hack Reservoir in the amount of \$3,824,476 in October 2016.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF THE CITY OF BUFFALO, WYOMING
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	Original Budget and Final	Actual Amounts Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
RESOURCES			
Taxes	\$ 4,456,000	\$ 3,607,409	\$ (848,591)
Franchises	251,000	266,165	15,165
Licensing Fees	87,500	99,145	11,645
Fines	39,000	42,600	3,600
Other	544,645	983,586	438,941
Interest	3,100	5,848	2,748
	<u>5,381,245</u>	<u>5,004,753</u>	<u>(376,492)</u>
APPROPRIATION EXPENDITURES			
General Government	1,002,426	1,101,951	(99,525)
Public Safety (Protective Services)	1,955,603	1,854,373	101,230
Public Works (Streets)	1,251,135	1,071,774	179,361
Culture and Recreation	364,750	440,515	(75,765)
Outside Agencies	495,645	478,692	16,953
	<u>5,069,559</u>	<u>4,947,305</u>	<u>122,254</u>
Excess of appropriations over (under) charges to appropriations	<u>311,686</u>	<u>57,448</u>	<u>(254,238)</u>
NET CHANGE IN NET POSITION	<u>\$ 311,686</u>	<u>\$ 57,448</u>	<u>\$ (254,238)</u>
BUDGETARY NET POSITION - JULY 1, 2015 - ADJUSTED	<u>2,579,725</u>	<u>2,579,725</u>	
BUDGETARY NET POSITION - JUNE 30, 2016	<u>\$ 2,891,411</u>	<u>\$ 2,637,173</u>	

The accompanying notes to the required supplementary information are an integral part of these financial statements.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

June, 30 2015

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	\$ 57,448
Adjustment to transfer out activities which were either eliminated as interfund activity or budgeted for in Depreciation and Other Capital Project Funds	<u>(877,894)</u>
Excess of revenues and other sources over(under) expenditures and other uses of General Fund (page 14)	<u><u>\$ (820,446)</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, 2016, 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 20, 2017.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

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 20, 2017