

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

Basic Financial Statements

June 30, 2019

(With Independent Auditors' Report Thereon)

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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

Report on the Financial Statements

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, 2019, 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2019, 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 General Fund budgetary comparison information, schedule of proportionate share of the net pension liability – Wyoming Retirement System and the schedule of contributions – Wyoming Retirement System, as listed in the table of contents, 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 reports dated September 13, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and not to provide an opinion on the internal control over financial reporting. This 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.

Carver Florek & James, CPAs

September 13, 2019
Sheridan, Wyoming

**TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(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, 2019. 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, 2019, by \$74,070,753 (reported as net position). Of this amount, \$10,774,394 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. Capital assets net of accumulated depreciation are \$69,449,883.

The City's total net position increased by \$1,499,506. Net position for governmental activities decreased by \$300,286 while net position for business-type activities increased by \$1,799,792.

The balance of the net pension liability as of June 30, 2019 was \$3,713,435. This increased from the prior year as a result of the Wyoming Retirement System's net liability increasing for both the public employees pension plan and the law enforcement plan.

At the close of the year, the City's governmental funds reported combined ending fund balances of \$8,687,455, an increase of \$446,349 or about 5% from the prior year. Of this amount, \$8,659,087 is available for spending at the City's discretion (unreserved, unassigned fund balance).

At the end of the year, the unassigned fund balance for the General Fund, the City's primary operating account, was \$3,692,763 or about 96% of total General Fund expenditures.

Total long-term debt had a net decrease of \$588,169 (about 9%) from the prior year. This is due to payments in debt principal made of \$397,493 in the water fund, \$133,407 in the sewer fund, and \$57,269 in the General fund. No new debt was issued.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 10 and 11 of this report.

Fund Financial Statements

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

Governmental Funds

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

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 40.

**TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(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	
	2019	2018	2019	2018	2019	2018
Current Assets	\$ 8,722,313	\$ 8,280,417	\$ 4,707,258	\$ 3,961,749	\$ 13,429,571	\$ 12,242,166
Noncurrent Assets	22,476,274	23,067,663	46,973,609	46,591,175	69,449,883	69,658,838
Deferred Outflows of Resources	1,174,439	610,188	381,688	172,375	1,556,127	782,563
Total Assets and Def. Outflows	<u>32,373,026</u>	<u>31,958,268</u>	<u>52,062,555</u>	<u>50,725,299</u>	<u>84,435,581</u>	<u>82,683,567</u>
Current Liabilities	97,413	101,632	623,908	818,625	721,321	920,257
Noncurrent Liabilities	3,179,014	2,494,421	6,256,339	6,524,159	9,435,353	9,018,580
Deferred Inflows of Resources	165,650	130,980	42,504	42,503	208,154	173,483
Total Liabilities	<u>3,442,077</u>	<u>2,727,033</u>	<u>6,922,751</u>	<u>7,385,287</u>	<u>10,364,828</u>	<u>10,112,320</u>
Invested in Capital Assets	22,047,003	22,401,401	41,249,356	40,542,070	63,296,359	62,943,471
Unrestricted	6,883,946	6,829,834	3,890,448	2,797,942	10,774,394	9,627,776
Total Net Position	<u>\$ 28,930,949</u>	<u>\$ 29,231,235</u>	<u>\$ 45,139,804</u>	<u>\$ 43,340,012</u>	<u>\$ 74,070,753</u>	<u>\$ 72,571,247</u>

At June 30, 2019, the City's net position is approximately \$74 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, 2019
(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 2019.

	Governmental		Business-Type		Total	
	Activities		Activities			
	2019	2018	2019	2018	2019	2018
Receipts:						
Program Receipts:						
Charges for Services	\$ 268,690	\$ 253,213	\$ 2,949,659	\$ 2,832,631	\$ 3,218,349	\$ 3,085,844
Operating Grants and Contributions	77,196	236,709	-	-	77,196	236,709
Capital Grants and Contributions	434,908	395,665	553,908	120,201	988,816	515,866
General Receipts:						
Sales and Use Tax	1,661,996	1,527,463	-	-	1,661,996	1,527,463
Mineral Severance & Royalties Tax	407,489	407,537	-	-	407,489	407,537
Property Tax	464,529	461,101	-	-	464,529	461,101
Franchise Tax	252,286	262,756	-	-	252,286	262,756
Gas and Special Fuels Tax	213,423	238,454	-	-	213,423	238,454
Lottery	45,277	31,434	-	-	45,277	31,434
1% Optional Tax	1,405,079	1,292,004	-	-	1,405,079	1,292,004
Cigarette Tax	25,523	25,417	-	-	25,523	25,417
Interest	141,862	47,420	87,443	69,607	229,305	117,027
Miscellaneous	517,605	425,714	-	-	517,605	425,714
Transfers	(1,166,567)	(733,188)	1,166,567	733,188	-	-
Total Receipts	<u>4,749,296</u>	<u>4,871,699</u>	<u>4,757,577</u>	<u>3,755,627</u>	<u>9,506,873</u>	<u>8,627,326</u>
Disbursements:						
General Government	994,992	1,068,597	-	-	994,992	1,068,597
Public Safety	1,910,690	2,138,087	-	-	1,910,690	2,138,087
Public Works	1,501,928	1,468,076	-	-	1,501,928	1,468,076
Culture and Recreation	641,972	625,309	-	-	641,972	625,309
Water	-	-	1,687,639	1,610,268	1,687,639	1,610,268
Sewer	-	-	707,895	682,010	707,895	682,010
Sanitation	-	-	562,251	461,059	562,251	461,059
Total Disbursements	<u>5,049,582</u>	<u>5,300,069</u>	<u>2,957,785</u>	<u>2,753,337</u>	<u>8,007,367</u>	<u>8,053,406</u>
Change in Net Position	(300,286)	(428,370)	1,799,792	1,002,290	1,499,506	573,920
Net Position, Beginning of Year	29,231,235	29,659,605	43,340,012	42,337,722	72,571,247	71,997,327
Net Position, End of Year	<u>\$ 28,930,949</u>	<u>\$ 29,231,235</u>	<u>\$ 45,139,804</u>	<u>\$ 43,340,012</u>	<u>\$ 74,070,753</u>	<u>\$ 72,571,247</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental activities decreased the City's net position by \$300,286. The key elements of this decrease are as follows:

- Sales and use tax receipts comprise approximately 65% of total governmental receipts. These taxes increased by approximately \$0.25 million or 9% from the previous year, which follows an 11% increase last year. Sales and use tax receipts for fiscal year end 2019, were \$1.8 million or 46% 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. It is encouraging to see an increased economy starting to return.
- Public Safety was the largest category of governmental disbursements, representing 41% of expenditures. Streets and Public Works represents 17% of expenditures, General Government represents 17%, Culture and Recreation represents 12% and Capital Outlay represents approximately 13% of governmental disbursements. Total governmental disbursements for the year were \$55,329 higher this year compared to the prior year. This increase was a result of construction on the Buffalo Business Park and the projects funded by a 1% Specific Purpose Tax.
- Additional capital construction project expenses for the year included construction costs for a business park in the amount of \$405,607.
- The Fetterman/Burritt/Flatiron Reconstruction project funded with a 1% Specific Purpose Tax approved at the November 2018 election had construction costs of \$40,122.

The business-type activities include the Water, Sewer, and the Sanitation Funds. These activities increased net position by \$1,799,792. Key elements of this increase are:

- Capital Grants and Contributions this year for the combined South Tank Valve and Main Street Pipeline project in the amount of \$178,057.
- Capital Grants and Contributions this year for the Dump Draw Detention Pond project in the amount of \$866,566.
- Investments for the water fund and sewer fund were moved from local bank CDs to an investment manager beginning in January 2017. Interest earnings for the water and sewer fund for 2019 was \$87,443.

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 \$1,929,443, \$955,780, and \$1,005,225, respectively. The increase in total net position for the Water Fund, Sewer Fund and Sanitation Fund was \$1,799,792.

**TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(UNAUDITED)**

Budgetary Highlights

For Fiscal Year End 2019, tax receipts were less than budgeted amounts by approximately \$161,327. 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 2019, General Fund disbursements were under budget by \$737,041. This is primarily a result of reduced staff and timing of staff replacement. The Planning Director resigned in August 2016 and duties from this office continue to be added to the Building Inspector position. The Street crew is operating with two less employees and Law Enforcement is operating with one less employee. Salaries and benefits for the year were under budget by \$145,071. The reduced staff has once again resulted in less street repair, park maintenance and projects funded by the recreation district.

Capital Assets

At the end of the year, the City had invested/received over \$2.45 million in a variety of capital assets.

Major capital asset events during the year included:

- Acquisition of a new vehicle for the street department at a total cost of \$31,929.
- Installation of curb/gutter/sidewalk on Lucas Street at a total cost of \$20,342.
- Construction performed on the Business Park at a total cost of \$405,607.
- Construction performed on the Fetterman/Burritt/Flatiron Reconstruction project at a total cost of \$40,122.
- Construction performed on the S Tank Valve/Main Street pipeline project at a total cost of \$303,124.
- Construction performed on the Dump Draw Detention Pond project at a total cost of \$490,715.
- Acquisition of a new Mack sanitation truck at a total cost of \$310,860.
- Acquisition of 18 Plains Drive which includes a building to house the sanitation department trucks and equipment at a total cost of \$214,499.
- Acquisition of new commercial dumpsters and residential containers at a total cost of \$60,314.

Please refer to Note 3 for more information on capital assets.

Long-Term Debt

At year-end, the City had debt outstanding of \$6,153,524. 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 \$588,169, or about 9%, over the previous year.

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

**TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019
(UNAUDITED)**

Economic Factors and Next Year's Budgets and Rates

A challenge to upcoming fiscal year budgets is the uncertainty of funding from the State during the 2019 legislative session. The State of Wyoming has shown a marked decrease in mineral revenues which has resulted in the City's loss of funding from the State. Consensus funding from the State of Wyoming for capital construction projects has not been awarded since the 2014 biennium budget. There is concern that the Direct Distribution funding for local governments will also be cut or eliminated in the upcoming legislative session. This would impact future budgets of the City but efforts have already been made to review expenditures in light of the expected decreases in future funding. The City expenditures continue to rise for major expenditures such as insurance, fuel, repairs and health insurance for employees.

A 1% Specific Purpose Sales and Use Tax was approved at the November 2018 General Election in Johnson County to raise seven million eighty-three thousand four hundred seventy-two dollars (\$7,083,472) for the purpose of planning, engineering, and constructing public streets known as West Fetterman Street from Burritt Avenue to Fort Street, Flat Iron Drive, and Burritt Avenue from West Angus Street to Fort Street. This 1% specific purpose sales and use tax will take effect on April 1, 2019 and will continue until the entire \$7,083,472 is raised. The City estimates it will take four and a half to five years to raise the entire amount.

The Dispatch and Law Enforcement departments have been challenged with an employee shortage as a result of the Johnson County Sheriff's office filling vacancies. The wage differential between the Sheriff's Office and the Buffalo Police Department has resulted in the loss of a dispatcher, an investigator and an animal control officer employed by the City. The recruitment and training process to fill these vacancies is also resulting in large overtime amounts accompanied by added employee stress and burnout.

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, 2019

	Primary Government		Total
	Governmental Activities	Business-type Activities	
ASSETS			
Current assets			
Cash and cash equivalents	\$ 5,533,861	\$ 4,057,961	\$ 9,591,822
Investments	2,589,431	-	2,589,431
Receivables:			
Taxes	475,107	-	475,107
Intergovernmental and grants	95,546	-	95,546
Accounts receivable, net	-	649,297	649,297
Prepaid expense	28,368	-	28,368
Total current assets	<u>8,722,313</u>	<u>4,707,258</u>	<u>13,429,571</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	22,476,274	46,973,609	69,449,883
Total assets	<u>31,198,587</u>	<u>51,680,867</u>	<u>82,879,454</u>
DEFERRED OUTFLOWS - PENSION	<u>1,174,439</u>	<u>381,688</u>	<u>1,556,127</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>32,373,026</u>	<u>52,062,555</u>	<u>84,435,581</u>
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	38,998	83,449	122,447
Current portion of notes payable	58,415	540,459	598,874
Total current liabilities	<u>97,413</u>	<u>623,908</u>	<u>721,321</u>
Long-term liabilities:			
Accrued compensated absences	137,564	29,704	167,268
Notes payable	370,856	5,183,794	5,554,650
Net pension liability	2,670,594	1,042,841	3,713,435
Total long-term liabilities	<u>3,179,014</u>	<u>6,256,339</u>	<u>9,435,353</u>
DEFERRED INFLOWS - PENSION	<u>165,650</u>	<u>42,504</u>	<u>208,154</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>3,442,077</u>	<u>6,922,751</u>	<u>10,364,828</u>
NET POSITION			
Invested in capital assets, net of related debt	22,047,003	41,249,356	63,296,359
Unrestricted	6,883,946	3,890,448	10,774,394
Total net position	<u>\$ 28,930,949</u>	<u>\$ 45,139,804</u>	<u>\$ 74,070,753</u>

The notes to financial statements are an integral part of this statement.

TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

<u>FUNCTIONS/PROGRAMS</u>	Program Revenues				Net (Expense) 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	\$ 994,992	\$ 27,458	\$ -	\$ -	\$ (967,534)	\$ -	\$ (967,534)
Public safety	1,910,690	43,790	77,196	-	(1,789,704)	-	(1,789,704)
Streets and public works	1,501,928	171,587	-	434,908	(895,433)	-	(895,433)
Culture and recreation	641,972	25,855	-	-	(616,117)	-	(616,117)
Total governmental activities	5,049,582	268,690	77,196	434,908	(4,268,788)	-	(4,268,788)
Business-type activities:							
Water	1,687,639	1,471,136	-	553,908	-	337,405	337,405
Sewer	707,895	887,467	-	-	-	179,572	179,572
Sanitation	562,251	591,056	-	-	-	28,805	28,805
Total business-type activities	2,957,785	2,949,659	-	553,908	-	545,782	545,782
Total primary government	\$ 8,007,367	\$ 3,218,349	\$ 77,196	\$ 988,816	(4,268,788)	545,782	(3,723,006)
General revenues:							
General sales and use taxes					3,067,075	-	3,067,075
Property tax					464,529	-	464,529
Franchise fees					252,286	-	252,286
Gas and special fuel tax					213,423	-	213,423
Lottery					45,277	-	45,277
Cigarette tax					25,523	-	25,523
Mineral severance and royalties tax					407,489	-	407,489
Special state distributions					335,015	-	335,015
Interest income					141,862	87,443	229,305
Miscellaneous					182,590	-	182,590
Transfers in (out)					(1,166,567)	1,166,567	-
Total general revenues and transfers					3,968,502	1,254,010	5,222,512
Change in net position					(300,286)	1,799,792	1,499,506
Net position - beginning (RESTATED, See Note 11)					29,231,235	43,340,012	72,571,247
Net position - ending					\$ 28,930,949	\$ 45,139,804	\$ 74,070,753

The notes to financial statements are an integral part of this statement.

TOWN OF THE CITY OF BUFFALO, WYOMING
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>Capital Project Funds</u>			Total Governmental Funds
	General Fund	Depreciation Fund	Other Capital Project Funds	
ASSETS				
Cash	\$ 606,188	\$ 3,621,385	\$ 1,306,288	\$ 5,533,861
Investments	2,589,431	-	-	2,589,431
Receivables, net				
Taxes	475,107	-	-	475,107
Intergovernmental and grants	49,334	-	46,212	95,546
Prepaid Expense	28,368	-	-	28,368
	<u>\$ 3,748,428</u>	<u>\$ 3,621,385</u>	<u>\$ 1,352,500</u>	<u>\$ 8,722,313</u>
LIABILITIES				
Accounts payable and other accrued liabilities	27,297	-	7,561	34,858
Total liabilities	<u>27,297</u>	<u>-</u>	<u>7,561</u>	<u>34,858</u>
FUND BALANCE				
Non-spendable	28,368	-	-	28,368
Unassigned	3,692,763	3,621,385	1,344,939	8,659,087
Total fund balances	<u>3,721,131</u>	<u>3,621,385</u>	<u>1,344,939</u>	<u>8,687,455</u>
Total liabilities and fund balances	<u>\$ 3,748,428</u>	<u>\$ 3,621,385</u>	<u>\$ 1,352,500</u>	<u>\$ 8,722,313</u>

The notes to financial statements are an integral part of this statement.

TOWN OF THE CITY OF BUFFALO, WYOMING
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

Total fund balance per Government Funds balance sheet \$ 8,687,455

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 as assets in governmental funds. Asset cost and accumulated depreciation is as follows:

Asset cost	46,934,847	
Accumulated depreciation	(24,458,573)	
	<u>22,476,274</u>	22,476,274

The assets and liabilities of the government-wide statement of net position include certain deferred outflows and inflows related to pensions and the net pension liability which do not require the use of current financial resources and are therefore excluded from the governmental fund balance sheet. Pension activities at year end consist of:

Net pension liability	(2,670,594)	
Deferred inflows related to pensions	(165,650)	
Deferred outflows related to pensions	1,174,439	
	<u>(1,661,805)</u>	(1,661,805)

Long-term liabilities are not reported as liabilities in the governmental funds. Long-term liabilities included in the government-wide financial statements at year-end consist of:

Compensated absences	137,564	
Accrued interest on note payable	4,140	
Note payable	429,271	
	<u>(570,975)</u>	(570,975)

Net position of governmental activities \$ 28,930,949

TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	General Fund	Capital Project Funds		Total Governmental Funds
		Depreciation Fund	Other Capital Projects	
REVENUES				
Taxes	\$ 4,475,602	\$ -	\$ -	\$ 4,475,602
Licenses and permits	153,978	-	-	153,978
Fines and forfeitures	23,012	-	-	23,012
Intergovernmental	77,196	335,015	434,908	847,119
Charges for services	91,700	-	-	91,700
Investment income	57,561	81,576	2,725	141,862
Rent	12,500	-	-	12,500
Other income	170,090	-	-	170,090
Total revenues	<u>5,061,639</u>	<u>416,591</u>	<u>437,633</u>	<u>5,915,863</u>
EXPENDITURES				
Current:				
General government	710,597	-	-	710,597
Public safety	1,779,301	-	-	1,779,301
Public works	735,690	-	-	735,690
Culture and recreation	517,050	-	-	517,050
Debt Service				
Principal retirement	57,269	-	-	57,269
Interest	5,039	-	-	5,039
Capital outlay	60,464	-	437,537	498,001
Total expenditures	<u>3,865,410</u>	<u>-</u>	<u>437,537</u>	<u>4,302,947</u>
Excess of revenues over (under) expenditures	<u>1,196,229</u>	<u>416,591</u>	<u>96</u>	<u>1,612,916</u>
Other financing sources (uses):				
Transfers in	296,578	895,239	883,480	2,075,297
Transfers out	(1,373,896)	(1,001,896)	(866,072)	(3,241,864)
Total other financing sources (uses)	<u>(1,077,318)</u>	<u>(106,657)</u>	<u>17,408</u>	<u>(1,166,567)</u>
Net change in fund balance	<u>118,911</u>	<u>309,934</u>	<u>17,504</u>	<u>446,349</u>
Fund balance beginning of year	<u>3,602,220</u>	<u>3,311,451</u>	<u>1,327,435</u>	<u>8,241,106</u>
Fund balance end of year	<u>\$ 3,721,131</u>	<u>\$ 3,621,385</u>	<u>\$ 1,344,939</u>	<u>\$ 8,687,455</u>

The notes to financial statements are an integral part of this statement.

**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
Year Ended June 30, 2019**

Net change in fund balances - total governmental funds \$ 446,349

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

Capital outlays are reported in governmental funds as expenditures.
However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation expense.
This is the amount by which capital outlays exceed depreciation
expense in the period:

Capital outlays	498,001	
Depreciation expense	<u>(1,089,388)</u>	(591,387)

Pension expense reported in the government-wide statement of activities does not require the use of current financial resources and therefore is not reported as an expense in governmental funds.	(205,979)
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Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.	
Compensated absences	(2,398)
Accrued interest on notes payable	(4,140)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position	<u>57,269</u>
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Change in net position of governmental activities	<u><u>\$ (300,286)</u></u>
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The notes to financial statements are an integral part of this statement.

TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Water Fund	Sewer Fund	Sanitation Fund	Total Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,891,156	\$ 1,087,077	\$ 1,079,728	\$ 4,057,961
Accounts receivable, net	498,633	84,094	66,570	649,297
Noncurrent assets:				
Capital assets, net	33,349,664	12,535,037	1,088,908	46,973,609
Total assets	<u>35,739,453</u>	<u>13,706,208</u>	<u>2,235,206</u>	<u>51,680,867</u>
DEFERRED OUTFLOWS - PENSION	<u>203,015</u>	<u>93,116</u>	<u>85,557</u>	<u>381,688</u>
LIABILITIES				
Current liabilities				
Accounts payable	45,479	34,184	3,786	83,449
Current portion of long term liabilities	405,892	134,567	-	540,459
Long-term liabilities:				
Accrued compensated absences	19,608	7,854	2,242	29,704
Notes payable	3,467,005	1,716,789	-	5,183,794
Net pension liability	574,172	256,161	212,508	1,042,841
Total liabilities	<u>4,512,156</u>	<u>2,149,555</u>	<u>218,536</u>	<u>6,880,247</u>
DEFERRED INFLOWS - PENSION	<u>24,102</u>	<u>10,308</u>	<u>8,094</u>	<u>42,504</u>
NET POSITION				
Invested in capital assets, net of related debt	29,476,767	10,683,681	1,088,908	41,249,356
Unrestricted	1,929,443	955,780	1,005,225	3,890,448
Total net position	<u>\$ 31,406,210</u>	<u>\$ 11,639,461</u>	<u>\$ 2,094,133</u>	<u>\$ 45,139,804</u>

The notes to financial statements are an integral part of this statement.

TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2019

	Water Fund	Sewer Fund	Sanitation Fund	Total Enterprise Funds
OPERATING REVENUES				
Charges for goods and services	\$ 1,471,136	\$ 887,467	\$ 591,056	\$ 2,949,659
Total operating revenues	1,471,136	887,467	591,056	2,949,659
OPERATING EXPENSES				
Salaries and benefits	633,302	195,934	219,147	1,048,383
Contractual services	3,718	136,857	249,689	390,264
Materials and supplies	244,497	47,850	66,774	359,121
Depreciation	702,282	281,067	26,641	1,009,990
Total operating expenses	1,583,799	661,708	562,251	2,807,758
Operating income (loss)	(112,663)	225,759	28,805	141,901
NONOPERATING INCOME (EXPENSES)				
Investment income	81,940	5,503	-	87,443
Grant income	553,908	-	-	553,908
Interest expense	(103,840)	(46,187)	-	(150,027)
Total nonoperating income (expenses)	532,008	(40,684)	-	491,324
Income (loss) before capital contributions and transfers	419,345	185,075	28,805	633,225
Transfers	661,297	-	505,270	1,166,567
Change in net position	1,080,642	185,075	534,075	1,799,792
NET POSITION BEGINNING (RESTATED, See Note 11)				
	30,325,568	11,454,386	1,560,058	43,340,012
NET POSITION ENDING				
	<u>\$ 31,406,210</u>	<u>\$ 11,639,461</u>	<u>\$2,094,133</u>	<u>\$45,139,804</u>

The notes to financial statements are an integral part of this statement.

TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENTS OF CASH FLOWS - PROPRIETARY FUNDS
June 30, 2019

	Water Fund	Sewer Fund	Sanitation Fund	Total Enterprise Funds
Cash flows from operating activities:				
Cash received from customers	\$ 1,465,123	\$ 884,727	\$ 585,513	\$ 2,935,363
Cash paid for goods and services	(246,907)	(199,243)	(315,596)	(761,746)
Cash paid for wages and benefits	(598,493)	(180,665)	(202,185)	(981,343)
Net cash provided by operating activities	619,723	504,819	67,732	1,192,274
Cash flow from financing activities:				
Principal paid on notes payable	(397,493)	(133,406)	-	(530,899)
Interest paid on notes payable	(103,840)	(46,187)	-	(150,027)
Cash received for capital grants	336,454	-	-	336,454
Transfers from other funds	661,297	-	505,270	1,166,567
Net cash provided by (used in) financing activities	496,418	(179,593)	505,270	822,095
Cash flows from investing activities:				
Interest on deposits	81,940	5,503	-	87,443
Purchases of capital assets	(793,841)	(2,492)	(585,673)	(1,382,006)
Net cash provided by (used in) investing activities	(711,901)	3,011	(585,673)	(1,294,563)
Net increase/(decrease) in cash and cash equivalents	404,240	328,237	(12,671)	719,806
Cash and cash equivalents, beginning of year	1,486,916	758,840	1,092,399	-
Cash and cash equivalents, end of year	\$ 1,891,156	\$ 1,087,077	\$ 1,079,728	\$ 719,806
Reconciliation of operating income to net cash provided by operating activities:				
Operating income (loss)	\$ (112,663)	\$ 225,759	\$ 28,805	\$ 141,901
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	702,282	281,067	26,641	1,009,990
Changes in assets and liabilities:				
Receivables	6,013	(2,740)	(5,543)	(2,270)
Accounts payable	(10,418)	(14,535)	867	(24,086)
Pension related items	34,509	15,268	16,962	66,739
Net cash provided by operating activities	\$ 619,723	\$ 504,819	\$ 67,732	\$ 1,192,274

The notes to financial statements are an integral part of this statement.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Town of the City of Buffalo (the City), located in Johnson County, Wyoming, provides a broad range of services to citizens, including general government, public safety (police and fire), streets, cultural, recreational, public improvements, planning, and utilities (water, sewer, and sanitation). Its government is managed by an elected four-member City council and an elected mayor. Generally, the Mayor appoints all department heads, subject to approval by the Council. The department heads are under the direct supervision of the Mayor.

The accompanying financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position, Statement of Activities, and separate governmental fund financial statements.

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. Both the governmental and business-type activities are presented on a consolidated basis by column and are reflected on a full accrual, economic resource basis which incorporates long-term assets, receivables and long-term debt and obligations. These statements include the financial activities of the primary government, except fiduciary funds. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which generally rely on fees and charges for support.

The statement of net position presents the financial condition of the governmental activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those specifically associated with a service, program, or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, such as taxes, that are not classified as program revenues are presented as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the City.

2. Fund Financial Statements

Separate fund 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 BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The following is a brief description of the specific funds used by the City.

Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities are reported as fund balance. The following are the City's governmental funds.

Major Governmental Funds:

General Fund

The General Fund is used to account for all financial transactions of the City not properly accounted for in other funds or account groups.

The revenue of the fund is derived mainly from sales and use taxes, other taxes, intergovernmental sources and charges for services with expenditures relating to general government, public safety, public works, culture and recreation, debt payments and capital outlays.

Capital Project Funds

The Capital Project Funds comprise the Depreciation Fund and the Other Capital Projects Fund, these funds account for various financial resources that are received and intended for expenditure of capital outlays.

3. Proprietary Utilities Funds

Enterprise Funds

The Proprietary Utility Funds record the City's activities that are operated similar to private business enterprises, where determination of net income is necessary or useful for financial administration. The three proprietary funds of the City are the Water Fund which provides water to the residents of the City; the Sewer Fund which receives and treats wastewater; and the Sanitation Fund which collects garbage. Proprietary funds are accounted for using accrual basis of accounting.

4. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are revenues from taxes and investments, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Governmental fund level financial statements are reported using 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 available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Expenditures generally are recorded when a fund liability is incurred; however, expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured, and payment is due.

The proprietary funds are accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.
2. Current year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

5. Budgetary Data

The City prepares its annual operating budget under the provisions of Wyoming State Statutes for all the funds. The legal level of control at which expenditures may not legally exceed appropriations is the function level within a fund. The Board adopts a budget at the beginning of each fiscal year and then they may amend the budget and authorize transfers within various budgetary programs, in any fund. Unused appropriations typically lapse at the end of the year.

While the City is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenues, expenditures, and changes in fund balance budget and actual presented for the general fund is presented on the budgetary basis to provide meaningful comparison of actual results with the budget. The three major differences between budget basis and GAAP basis are as follows: (1) Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP). (2) Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP). (3) Proceeds from capital leases and the associated capital outlay expenditures are not recorded on the cash basis (budget), but are recorded on the GAAP basis.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position

Cash and Cash Equivalents

Cash and cash equivalents include all demand and savings accounts and certificates of deposits or short-term investments with an original maturity of twelve months or less. These deposits are fully insured by the Federal Deposit Insurance Corporation or secured by pledge of assets including bonds, debentures and other securities (which by law) the State Treasurer may invest. At June 30, 2019, all deposits were fully insured with a combination of FDIC insurance and pledged collateral held in the name of the City.

Investments

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 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 require all deposits and certificates of deposits to be collateralized at 102 percent of the amount invested including accrued interest, based on the lower of cost or market value of the collateral.

Receivables

Material receivables in governmental funds and governmental activities include revenue accruals such as sales and use tax, grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions that are collectible but not available are deferred. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available at the fund level.

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. 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 \$42,581 at June 30, 2019. The allowance for uncollectible accounts as of June 30, 2019 is \$3,000.

Prepaid Expenses

Certain prepaid expenses exist year to year depending on the timing of payments to various contracts and services. Therefore, when payment is made and/or contracts overlapping fiscal year, a prepaid asset is created. The most common types of expenditures meeting this stipulation is the payment of insurance, technology services or maintenance contracts.

Capital Assets and Depreciation

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.

Acquired or constructed capital assets are valued at historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs to these assets that do not add materially to the value of the asset are expensed as incurred.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

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 costs 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 and machinery	5-30 years
Infrastructure	40-60 years
Utility systems	40-60 years

In the governmental fund financial statements, capital purchases are accounted for as capital outlay expenditures.

Accounts Payable and Other Accrued Liabilities

Accounts Payable – Accounts payable in the governmental activities includes the payables recorded by the City at June 30, 2019, related to normal operating and capital expenditures for all funds.

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 sick leave liabilities are recorded at year end in the utility funds and in the government-wide statements.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position (Continued)

Long-Term Debt

Accounting for long-term debt varies depending upon the source of repayment and the measurement focus applied, and whether the debt is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from proprietary fund resources are reported as liabilities, as incurred. Long-term debt consists primarily of net pension liability and notes payable.

Equity Classifications

1. Government-Wide and Proprietary Fund Financial Statements:

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

2. Governmental Fund Financial Statements:

Governmental fund equity is classified as fund balance. The City reports fund balance in the governmental fund financial statements in one of the following two categories:

- a. Non-Spendable Fund Balances – These fund balances are the net balance of assets and liabilities that are legally or contractually restricted and include items such as prepaid items, and other items that are not expected to be converted to cash.
- e. Unassigned Fund Balances – These fund balances represent amounts that have not been restricted, committed or assigned to a specific purpose.

Internal and Inter-Fund Balances and Activities

In the process of aggregating the financial information for the government-wide financial statements, some amounts reported as inter-fund activity and balances in the fund financial statements, have been eliminated or reclassified.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal and Inter-Fund Balances and Activities (Continued)

Government-Wide Financial Statements:

Inter-fund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

- a. **Internal balances** – Amounts reported in the fund financial statements as inter-fund receivables and payables are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are reported as internal balances.
- b. **Internal activities** – Amounts reported as inter-fund transfers in the fund financial statements are eliminated in the government-wide statement of activities except for the net amount of transfers between governmental and business-type activities, which are reported as transfers.

Property Taxes

The City is permitted to and has levied eight mills of the assessed valuation in the City. The City levies taxes on assessed property through Johnson County, who act as the agents to levy and collect property tax within the county. The taxes are levied on the assessed valuation of the prior year according to the tax calendar below. Collections are distributed after the end of each month. Consequently, the vast majority of taxes have been levied and collected within the City's fiscal year. Assessed valuation and tax levies are subject to adjustment for prior years (rebates and supplemental), as controlled by the County or State. The City does not adjust or record estimates for these adjustments, as they are adjusted to current year tax receipts when they are approved. The tax calendar is as follows:

August 10	Taxes are levied and become an enforceable lien on properties.
September 1	First of two equal installment payments is due.
November 10	First installment is delinquent.
March 1	Second installment is due.
May 10	Second installment is delinquent.

Under GASB Standards, a receivable can be recorded at the earliest of the date of the assessment or the date a lien is placed on the property. Neither of these items were deemed to occur prior to June 30th for the upcoming 2019 levy; therefore, the levy of August 2018 included in the current fiscal year is the basis for the receivable.

Use of 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. The estimate of pension liabilities is especially significant to the City. It is reasonably possible that this estimate will change within one year of the date of the financial statements due to one or more future events. The effect of the change could be material to the financial statements and could result in a loss.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

2. INVESTMENTS

Investments are carried at fair value. The City measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognized a three-tiered fair value hierarch as follows:

- Level 1:* Quoted prices for identical investments in active markets;
- Level 2:* Observable inputs other than quoted market prices; and,
- Level 3:* Unobservable inputs.

The following table sets forth the weighted average maturities of each investment type as well as the respective credit risk rating of the investments:

Investment Type	Fair Value	Fair Value Measurement Level	Credit Risk Rating		Weighted Average Maturity in Years
			AAA	Unrated	
Certificates of deposit	\$ 2,589,431	Level 2	\$ -	\$ 2,589,431	2.22
Total	<u>\$ 2,589,431</u>		<u>\$ -</u>	<u>\$ 2,589,431</u>	

Credit Risk - Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization as shown in the table above.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an instrument. The City's policy is to review the portfolio on an ongoing basis for changes in effective yields and compare those yields to those of specific investments to ensure reasonable rates are being achieved.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the City will not be able to recover the value of the investments or collateral securities that are in possession of an outside party. The City's policy for custodial credit risk is to have all funds on deposit collateralized at a level of 102 percent of deposits including accrued interest or higher if required by law. Investments are held in safekeeping by external custodians in the City's name.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

3. CAPITAL ASSETS

Capital asset activity related to governmental and business-type activities for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Increase	Transfers/ Decrease	Balance June 30, 2019
Governmental Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 39,700	\$ 445,729	\$ -	\$ 485,429
Land	799,777	-	-	799,777
Total assets not being depreciated	<u>839,477</u>	<u>445,729</u>	<u>-</u>	<u>1,285,206</u>
Depreciable capital assets:				
Buildings and Improvements	11,080,071	-	-	11,080,071
Transportation Equipment	2,625,897	31,927	-	2,657,824
Infrastructure	28,045,662	20,342	-	28,066,004
Other Equipment	3,845,742	-	-	3,845,742
Total assets being depreciated	<u>45,597,372</u>	<u>52,269</u>	<u>-</u>	<u>45,649,641</u>
Accumulated depreciation for:				
Buildings and Improvements	(3,411,060)	(204,481)	-	(3,615,541)
Transportation Equipment	(1,099,618)	(89,857)	-	(1,189,475)
Infrastructure	(17,584,073)	(668,103)	-	(18,252,176)
Other Equipment	(1,274,435)	(126,946)	-	(1,401,381)
Total accumulated depreciation	<u>(23,369,186)</u>	<u>(1,089,387)</u>	<u>-</u>	<u>(24,458,573)</u>
Capital assets being depreciated, net	<u>22,228,186</u>	<u>(1,037,118)</u>	<u>-</u>	<u>21,191,068</u>
Governmental activities capital assets, net	<u>\$ 23,067,663</u>			<u>\$ 22,476,274</u>

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

3. CAPITAL ASSETS (Continued)

	<u>Balance</u> <u>June 30, 2018</u>	<u>Increase</u>	<u>Transfers/ Decrease</u>	<u>Balance</u> <u>June 30, 2019</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Construction in Progress	* \$ 982,892	\$ 806,751	\$ 1,248,463	\$ 541,180
Land	272,741	-	-	272,741
Depreciable capital assets:				
Buildings and Improvements	44,728,727	796,704	-	45,525,431
Transportation Equipment	1,520,441	310,860	-	1,831,301
Infrastructure	13,112,659	460,211	-	13,572,870
Other Equipment	430,059	60,314	-	490,373
Total	<u>61,047,519</u>	<u>2,434,840</u>	<u>1,248,463</u>	<u>62,233,896</u>
Accumulated depreciation for:				
Buildings and Improvements	(10,153,447)	(707,730)	-	(10,861,177)
Transportation Equipment	(518,332)	(51,788)	-	(570,120)
Infrastructure	(3,450,246)	(235,478)	-	(3,685,724)
Other Equipment	(128,272)	(14,994)	-	(143,266)
Total accumulated depreciation	<u>(14,250,297)</u>	<u>(1,009,990)</u>	<u>-</u>	<u>(15,260,287)</u>
Business-type activities capital assets, net	<u>\$ 46,797,222</u>			<u>\$ 46,973,609</u>

* The June 30, 2018 construction in progress balance has been restated by \$206,047 as a result of the water fund having expensed the south tank valve and main street pipeline project in the prior year.

Depreciation expense for the fiscal year ended June 30, 2019, was charged to the following activities in the statement of activities.

Governmental Activities:

General government	\$ 80,842
Public safety	117,386
Public works	766,238
Culture and recreation	124,922
Total depreciation expense - governmental activities	<u>\$ 1,089,388</u>

Business-Type Activities

Water	\$ 702,282
Sewer	281,067
Sanitation	26,641
Total depreciation expense - business-type activities	<u>\$ 1,009,990</u>

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

4. INTERFUND TRANSFERS

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.

The primary government's operating transfers for the year ended June 30, 2019, were as follows:

	Transfers from other funds	Transfers to other funds
Governmental Funds		
General Fund	\$ 296,578	\$ 1,373,896
Depreciation fund	895,239	1,001,896
Other capital project funds	883,480	866,072
Total governmental activities - governmental funds	2,075,297	3,241,864
Proprietary funds - business-type activities		
Water fund	1,484,372	823,075
Sanitation fund	580,270	75,000
Total proprietary funds - busineses type activities	2,064,642	898,075
	\$ 4,139,939	\$ 4,139,939

5. NOTES PAYABLE

The following is a summary of long-term liability transactions for the City for the year ended June 30, 2019:

	Balance June 30, 2018		Borrowings		Repayments	Balance June 30, 2019
Water Fund						
Water Tank	\$ 1,188,646	\$ -	\$ -	\$ 118,561	\$ -	\$ 1,070,085
Water Treatment Plant	3,081,744	-	-	278,932	-	2,802,812
	4,270,390	-	-	397,493	-	3,872,897
Sewer Fund						
Waste Water Treatment Plant	1,984,763	-	-	133,407	-	1,851,356
General Fund						
Criminal Justice Center	* 486,540.00	-	-	57,269	-	429,271.00
Total	\$ 6,741,693	\$ -	\$ -	\$ 588,169	\$ -	\$ 6,153,524

* The June 30, 2018 Criminal Justice Center loan balance recognized in the statement of net position was overstated by \$56,144, accordingly, the beginning balance has been restated to correct this matter.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

5. NOTES PAYABLE (Continued)

Water Tank

The City obtained a \$2,336,898 loan with 2.5 percent 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 percent 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 percent 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 percent 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 percent to determine a value of \$857,185 for the City's share of the property and the original value of the obligation.

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

Year	Interest	Principal	Total
2020	\$ 151,785	\$ 598,873	\$ 750,658
2021	137,107	613,553	750,660
2022	122,069	628,594	750,663
2023	106,560	644,006	750,566
2024-2028	289,717	3,156,689	3,446,406
2029-2032	25,676	511,809	537,485
	\$ 832,914	\$ 6,153,524	\$ 6,986,438

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

6. PARTICIPATION IN THE WYOMING RETIREMENT SYSTEM

The City employees participate in either the Public Employee Pension Plan, the Law Enforcement Pension Plan or the Volunteer Firefighter & EMT Pension Plan within the Wyoming Retirement System (WRS or the Plan), which is a multiple employer cost sharing defined benefit plan. GASB standards require that the City recognize a liability for its proportionate share of the net pension liability. This proportion is required to be determined on a basis that is consistent with the manner in which contributions to the plan are determined. The City derived their portion of the net pension liability by applying the actual contribution as a percentage of total contributions to the Plan.

In addition to reporting the City's share of the net pension liability, deferred inflows and deferred outflows on the statement of net position and the related expense on the statement of activities, this standard requires the City to present two additional schedules in the required supplementary information section of this report.

These two additional schedules are referred to as: Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Contributions.

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and pension expense, this information has been determined using the same basis as reported by WRS. Benefit payments are recognized when due and payable in accordance with benefit terms and investments are reported at fair value.

General Information about the Plans

Public Employee Pension Plan - An actuarial valuation of the Plan's assets and net pension liability is performed annually. At the date of the most recent actuarial valuation, January 1, 2019, the fiduciary net position as a percentage of total pension liability decreased from 76.35% on January 1, 2018 to 69.17% on January 1, 2019. The net pension liability as a percentage of covered employee payroll increased from 128.31% to 174.88% as of January 1, 2018 and 2019, respectively. The net pension liability was \$3.05 billion as of January 1, 2019 compared to \$2.28 billion as of January 1, 2018. This is an increase from the prior year.

Law Enforcement Pension Plan - Actuarial valuation of the Plan's assets and net pension liability is performed annually. At the date of the most recent actuarial valuation, January 1, 2019, the fiduciary net position as a percentage of total pension liability decreased from 87.99% on January 1, 2018 to 71.22% on January 1, 2019. The net pension liability as a percentage of covered employee payroll increased from 56.04% to 159.36% as of January 1, 2018 and 2019, respectively. The net pension liability was \$242.1 million as of January 1, 2019 compared to \$86.0 million as of January 1, 2018. This is an increase from the prior year.

Volunteer Firefighter & EMT Pension Plan - An actuarial valuation of the Plan's assets and net pension liability is performed annually. At the date of the most recent actuarial valuation, January 1, 2019, the fiduciary net position as a percentage of total pension liability decreased from 74.11% on January 1, 2018 to 68.18% on January 1, 2018. The net pension liability was \$35.6 million as of January 1, 2019 compared to \$28.6 million as of January 1, 2018. This is an increase from the prior year. The Volunteer Firefighter and EMT plan was created on July 1, 2015, combining the assets and liabilities of two predecessor plans (Volunteer Fireman's Plan and Volunteer EMT Plan). The new plan features revised contribution and benefit provisions and governance by one board instead of two. It provides a modest benefit increase to retired volunteers whose benefit structure had remained static for some time. It also provided a long-term funding source to stabilize the finances of Volunteer EMT plan, while establishing consistent provisions for both firefighter and EMT volunteers.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

6. PARTICIPATION IN THE WYOMING RETIREMENT SYSTEM (Continued)

Determination of Tier 1 versus Tier 2 Employees - Public Employee Plan

Tier 1 employees are those whose first contribution to the Plan is before September 1, 2012; whereas, Tier 2 employees are those whose first contribution to the Plan is after September 1, 2012.

Vesting

Participants are fully vested within the Plan after the equivalent of four years of service for the Public Employee and Law Enforcement Plans. Participants in the Volunteer Firefighter & EMT Plan are fully in the Plan after five years of service.

Contributions

As a condition of participation in the Plan, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by Wyoming State Statute and specified by the WRS Board. Contributions are actuarially determined as an amount that is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. During 2014, House Bill 46 increased the required contributions for participants in the Public Employee's Pension Plan as follows: This bill provided for an increase to take effect on July 1, 2015, which increased the total contribution from 15.87 percent to 16.62 percent. During 2018, House Bill 109 increased required pension plan contributions rates by 0.50 percent per fiscal year through fiscal year 2022.

The Law Enforcement Pension Plan requires a contribution of 17.2 percent of eligible wages and the Volunteer Firefighter and EMT Pension Plan requires a contribution of \$15 per month per volunteer.

Benefits – Public Employee Pension Plan

The Public Employees Plan provides retirement, disability and death benefits according to predetermined formulas and allows retirees to select one of seven optional methods for receiving benefits, including two joint and survivor forms of benefits: a 100 percent joint and survivor annuity, and a 50 percent joint and survivor annuity. The benefit amounts under these options are determined on an actuarially equivalent basis. Any cost of living adjustment (COLA) provided to retirees must be granted by the State Legislature. In addition, a cost of living adjustment will not be approved by the legislature unless the plan is 100 percent funded after the COLA is awarded.

Employees terminating prior to normal retirement can elect to withdraw all employee contributions plus accumulated interest through date of termination or, if they are vested, they may elect to remain in the Plan and be eligible for unreduced retirement benefits at age 60 (Tier 1 employee) or 65 (Tier 2 employee).

Tier 1, the Plan allows for normal retirement after four years of service and attainment of age 60. Early retirement is allowed provided the employee has completed four years of service and attained age 50 or 25 years of service but will result in a reduction of benefits based on the length of time remaining to age 60.

Tier 2, the Plan allows for normal retirement after four years of service and attainment of age 65. Early retirement is allowed provided the employee has completed four years of service and attained age 55, or 25 or more years of service but will result in a reduction of benefits based on the length of time remaining to age 65. All employees may also retire upon normal retirement on the basis that the sum of the member's age and service is at least 85.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

6. PARTICIPATION IN THE WYOMING RETIREMENT SYSTEM (Continued)

Benefits – Volunteer Firefighter & EMT Pension Plan

The Plan provides retirement and death benefits according to predetermined amounts primarily determined by entry age and years of service of the participant. Participants may withdraw from the Plan at any time and receive refunds of participant contributions plus accumulated interest.

Benefits – Law Enforcement Pension Plan

The Plan statutorily provides retirement, disability and death benefits according to predetermined amounts determined by salary, age and years of service of the participant. Any cost of living adjustment provided to retirees must be granted by the State Legislature. In addition, a cost of living adjustment will not be approved by the legislature unless the plan is 100 percent funded after the COLA is awarded. Participants may withdraw from the Plan at any time and receive refunds of participant contributions plus accumulated interest.

Actuarial Assumptions

The current assumptions used in the actuarial valuation were adopted by the Wyoming Retirement System’s Board effective August 23, 2017 and were first utilized with the January 1, 2018 valuation report. The net pension liability for the Law Enforcement Plan was calculated using a 5.92 percent discount rate in the current year and a 7 percent discount rate in the prior year. Otherwise, there have been no changes to the assumptions or methods since the prior actuarial valuation.

The results of the actuarial valuation are dependent upon the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contributions rates and funding periods.

Pension Liabilities, Deferred Outflows and Deferred Inflows

The net pension liability was measured as of December 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2019. The City’s proportion of the net pension liability was based on the City’s share of contributions to the Plan relative to the total contributions of all participating Plan members, the following table presents the changes in the City’s proportion as compared to the prior year:

	Proportionate Share of the Net Pension Liability (The City's Percentage of total Plan contributions)		
	2018	2017	Increase (Decrease)
Public Employee Pension Plan	0.070147%	0.069137%	0.000010
Wyoming Law Enforcement Pension Plan	0.058676%	0.063985%	(0.000053)
Volunteer Firefighter & EMT Pension Plan	0.640158%	0.642603%	(0.000024)

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

6. PARTICIPATION IN THE WYOMING RETIREMENT SYSTEM (Continued)

At June 30, 2019, the composition of the City's net pension liability is as follows:

	Net Pension Liability
Governmental Activities:	
Public Employee Plan	\$ 1,022,382
Law Enforcement Plan	1,420,376
Volunteer Firefighter & EMT Pension Plan	227,836
Total	<u>\$ 2,670,594</u>
Business-Type Activities:	
Water, Public Employee Pension	\$ 212,508
Sewer, Public Employee Pension	574,172
Sanitation, Public Employee Pension	256,161
	<u>\$ 1,042,841</u>

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Public Employee Pension Plan	Law Enforcement Pension Plan	Volunteer Firefighter & EMT Pension Plan	Total
Pension expense	<u>\$ 111,055</u>	<u>\$ 149,095</u>	<u>\$ 14,004</u>	<u>\$ 274,154</u>
Deferred outflows of resources				
Difference between expected and actual experience	\$ -	\$ 1,954	\$ -	\$ 1,954
Changes of assumptions	106,728	721,138	18,532	846,398
Net difference between projected and actual earning on pension plan investments	320,792	233,441	33,524	587,757
Contributions subsequent to the measurement date	103,353	15,315	1,350	120,018
Total deferred outflows of resources	<u>\$ 530,873</u>	<u>\$ 971,848</u>	<u>\$ 53,406</u>	<u>\$ 1,556,127</u>
Deferred inflows of resources				
Difference between expected and actual experience	\$ 75,108	\$ 113,753	\$ 19,293	\$ 208,154
Total deferred inflows of resources	<u>\$ 75,108</u>	<u>\$ 113,753</u>	<u>\$ 19,293</u>	<u>\$ 208,154</u>

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

6. PARTICIPATION IN THE WYOMING RETIREMENT SYSTEM (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table sets forth the City’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent for the Public Employee Plan and the Volunteer Firefighter Plan and a 5.92 percent discount rate for the Law Enforcement Plan. This table also presents what would be if it were calculated using a discount rate that is both 1 percentage point higher and lower than the current rate:

	1% Decrease	Discount Rate	1% Increase
Public Employee Plan	\$ 2,891,632	\$ 2,065,223	\$ 1,375,593
Law Enforcement Plan	2,138,505	1,420,376	838,186
Volunteer Firefighter & EMT Plan	316,070	227,836	154,922
Total	<u>\$ 5,346,207</u>	<u>\$ 3,713,435</u>	<u>\$ 2,368,701</u>

Other Detailed Information

For more detailed information regarding the Plan see the separately issued 2018 Wyoming Retirement System Comprehensive Annual Financial Report which is available at <http://retirement.state.wy.us/default.aspx> .

7. JOINT VENTURES

Kaycee-Buffalo-Johnson County Economic Development Joint Powers Board Agreement (JOCO First)

Pursuant to certain provisions of Wyoming State Statutes, the City entered into an agreement with the Board of Commissioners of Johnson County and the Town of Kaycee, Wyoming, to design, develop, construct, operate, maintain and finance certain public utilities for development of commercial areas outside of the city limits of the City, areas to become annexed to the City or areas previously annexed to City and connect such areas to existing public services offered by the City. In the fiscal year ended June 30, 2017, the board began doing business as JOCO First.

JOCO First consists of seven to nine voting member 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, 2019, the City paid \$74,268 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.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

7. JOINT VENTURES (CONTINUED)

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, 2019, the City paid \$60,000 to the Buffalo-Johnson Recycling Center Joint Powers Board for recycling operations.

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

Mountain Plains Heritage Park Joint Powers Board

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

The Mountain Plains Heritage Park Joint Powers Board consists of six members: Two members appointed by the City Council, two members appointed by the County Commissioners, one member appointed jointly and one at large member. For the year ended June 30, 2019, the City paid \$900 to the Mountain Plains Heritage Park Joint Powers Board for weed spraying.

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, 2019, the City paid \$424,368, 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 BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

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 and engineering commitments

The City had the remaining construction and engineering commitments at June 30, 2019, which were budgeted in the following fiscal year:

Dump Draw Storm Water Detention Pond Project

The City received a grant award of \$579,396 from US Department of Homeland Security Federal Emergency Management Agency, Hazard Mitigation Grant Program. The grant is for the development and completion of the City of Buffalo Hazard Mitigation Project, which includes the dump draw storm water detention pond. The grant requires \$193,132 in matching from the City. The City entered into a contract for engineering and construction on the project in the amount of \$168,472 and \$406,426, respectively. The final completion date for this project was August 29, 2019.

Flatiron, Fetterman and Burritt Street Reconstruction Project

The November 6, 2018 General Election ballot approved a ballot question to impose a one percent Specific Purpose Sales & Use Tax for Johnson County to pay for reconstruction of Flatiron Drive, Fetterman Street and Burritt Street in the amount of \$7,083,472. The tax went into effect April 1, 2019.

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 "Leases"). 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 \$-0- per year. Any fixtures, additions or structures place in, upon or attached to the leased premises by the Lessees shall be and remain the property of the City.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

8. CONTINGENCIES AND COMMITMENTS

5-year lease agreements

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.

The City has entered into a surface access agreement, for all the sand and gravel in and on the leased property, with Dorothy R. Elsom, Trustee of the D & D Elsom Trust, effective April 1, 2018 through March 31, 2023. The City shall pay the Lessor an access fee equal to \$7 per truckload of materials hauled across the lands of the Lessor, which is to be paid monthly by the City.

9. RISK MANAGEMENT

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

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

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

Wyoming Statute 27-14-101 created the Wyoming Worker's Compensation Act (the 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 2019, were approximately \$47,823.

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, 2019, the City paid approximately \$1,459.

10. RELATED PARTY TRANSACTIONS

Two Council Members are officers of local banks with which investment accounts and checking accounts are held. At the fiscal year ended June 30, 2019, the balance of these accounts is \$8,097,850 and \$127,425 was received in interest income for the year ended June 30, 2019.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO BASIC FINANCIAL STATEMENTS
Year Ended June 30, 2019

11. PRIOR PERIOD ADJUSTMENTS

Government Wide – Governmental Activities Net Position

The June 30, 2018 financial statements presented notes payable with a balance that was overstated by \$56,144. Additionally, the June 30, 2018 financial statements did not recognize the deferred outflows, net pension liability, and deferred inflows related to the City's participation in the Wyoming Retirement System's Volunteer Firefighter & EMT Pension Plan, the net effect of this omission was to understate net position by \$179,720. Accordingly, the Governmental Activities beginning net position as presented in the City's Statement of Activities has been restated by \$(123,576) for an adjusted balance of \$29,231,235.

Water Fund – Net Position

The June 30, 2018 construction in progress balance has been restated by \$206,047 as a result of the water fund having expensed the south tank valve and main street pipeline project in the prior year. Accordingly, the Water Fund beginning net position has been restated by an additional \$206,047 for an adjusted balance of \$30,325,568.

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 13, 2019, the date the financial statements were available to be issued, and there were no matters that materially affect the carrying amounts of assets, liabilities, and fund balance as of June 30, 2019.

REQUIRED SUPPLEMENTAL INFORMATION

TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
June 30, 2019

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 4,161,822	\$ 4,000,495	\$ (161,327)
Licenses and permits	88,500	153,978	65,478
Fines and forfeitures	33,000	23,012	(9,988)
Intergovernmental	180,000	27,862	(152,138)
Charges for services	91,700	91,700	-
Investment income	9,000	57,561	48,561
Rent	12,500	12,500	-
Other income	81,000	170,090	89,090
Total revenues	<u>4,657,522</u>	<u>4,537,198</u>	<u>(120,324)</u>
Expenditures:			
General government	920,870	834,440	86,430
Public safety	1,924,372	1,779,301	145,071
Public works	1,141,925	735,690	406,235
Culture and recreation	616,355	517,050	99,305
Total expenditures	<u>4,603,522</u>	<u>3,866,481</u>	<u>737,041</u>
Excess of revenues over expenditures - budget basis	<u>\$ 54,000</u>	<u>\$ 670,717</u>	<u>\$ (857,365)</u>

BUDGETARY TO GAAP REPORTING RECONCILIATION

Excess of revenues over expenditure and other financing uses - budget basis	\$ 670,717
Revenue accruals	524,441
Prepaid expenditures	28,368
Expenditure accruals	<u>(27,297)</u>
Excess of revenues over (under) expenditures - GAAP basis	<u><u>\$ 1,196,229</u></u>

The notes to financial statements are an integral part of this statement.

TOWN OF THE CITY OF BUFFALO, WYOMING
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
WYOMING RETIREMENT SYSTEM

As of December 31, 2018

The following schedule presents the Town's share of the net pension liability from its participation in the Wyoming Retirement System. Eventually, employers will be required to disclose a 10-year history of their proportionate share of the "net pension liability". However, this schedule only presents available information since the effective date of GASB No. 68 for 2018, 2017, 2016, 2015 and 2014. The Volunteer Firefighter & EMT Pension Plan is for volunteers and payroll is not applicable and this Plan does not have information available prior to 2015.

	Primary Government				
	2018	2017	2016	2015	2014
Public Employee Pension Plan					
The Town's proportionate share of net pension liability	0.0701%	0.0691%	0.0725%	0.0783%	0.0077%
The Town's proportionate share of the net pension liability	\$ 2,136,167	\$ 1,852,766	\$ 1,963,524	\$ 1,885,745	\$ 1,365,999
Covered - employee payroll	\$ 1,217,731	\$ 1,193,018	\$ 1,238,362	\$ 1,273,917	\$ 1,363,038
Proportionate share of the net pension liability as percentage of covered-employee payroll	175.42%	155.30%	158.56%	148.03%	100.22%
Plan fiduciary net position as a percentage of the total pension liability	69.17%	76.35%	73.42%	73.40%	79.08%
Law Enforcement Pension Plan					
The Town's proportionate share of net pension liability	0.5868%	0.6398%	0.6604%	0.7007%	0.6727%
The Town's proportionate share of the net pension liability	\$ 1,349,432	\$ 667,903	\$ 738,686	\$ 543,838	\$ 198,204
Covered - employee payroll	\$ 951,691	\$ 951,691	\$ 1,027,387	\$ 1,067,783	\$ 1,079,359
Proportionate share of the net pension liability as percentage of covered-employee payroll	141.79%	70.18%	71.90%	50.93%	18.36%
Plan fiduciary net position as a percentage of the total pension liability	71.22%	87.99%	88.11%	87.49%	94.76%
Volunteer Firefighter & EMT Pension Plan					
The Town's proportionate share of net pension liability	0.6402%	0.6426%	0.6414%	0.6218%	
The Town's proportionate share of the net pension liability	\$ 227,836	\$ 183,818	\$ 203,633	\$ 197,053	
Plan fiduciary net position as a percentage of the total pension liability	68.18%	74.11%	69.99%	69.16%	

The notes to financial statements are an integral part of this statement.

TOWN OF THE CITY OF BUFFALO, WYOMING
SCHEDULE OF CONTRIBUTIONS
WYOMING RETIREMENT SYSTEM
Last 10 Years *

	Primary Government				
	2018	2017	2016	2015	2014
Public Employee Pension Plan					
Contractually required contribution	\$ 204,945	\$ 198,280	\$ 205,816	\$ 211,725	\$ 216,314
Actual contributions in relation to the contractually required contribution	\$ (204,945)	\$ (198,280)	\$ (205,816)	\$ (211,725)	\$ (216,314)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 1,217,731	\$ 1,193,018	\$ 1,238,362	\$ 1,273,917	\$ 1,363,038
Contributions as a percentage of covered-employee payroll **	16.83%	16.62%	16.62%	16.62%	15.87%
Law Enforcement Pension Plan					
Contractually required contribution	\$ 158,153	\$ 163,691	\$ 176,711	\$ 183,659	\$ 185,650
Actual contributions in relation to the contractually required contribution	\$ (158,153)	\$ (163,691)	\$ (176,711)	\$ (183,659)	\$ (185,650)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 919,494	\$ 951,691	\$ 1,027,387	\$ 1,067,783	\$ 1,079,359
Contributions as a percentage of covered-employee payroll	17.20%	17.20%	17.20%	17.20%	17.20%
Volunteer Firefighter & EMT Pension Plan					
Contractually required contribution	\$ 2,700	\$ 2,685	\$ 2,700	\$ 2,475	
Actual contributions in relation to the contractually required contribution	\$ (2,700)	\$ (2,685)	\$ (2,700)	\$ (2,475)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	

* Amounts are presented on a calendar year basis. Employers are required to report amounts prospectively in this table in future years to show 10-years of information. The schedule above is only for the calendar years ended in 2018 to 2014.

**In 2014, House Bill 46 increased contributions from 14.62% to 15.87% effective on September 1, 2014. This bill also provided for an increase, requiring a contribution of 16.62%, to take effect on July 1, 2015. In 2018, House Bill 109 required an increase in pension plan contribution rates by 0.50% per fiscal year through fiscal year 2022.

The notes to financial statements are an integral part of this statement.

OTHER INDEPENDENT AUDITORS' REPORT

**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, the component units, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 13, 2019.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Cavan Florek & James, CPAs

Sheridan, Wyoming
September 13, 2019