

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

FINANCIAL AND COMPLIANCE REPORTS

June 30, 2018

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of the City of Buffalo, Wyoming, (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 to 9 and page 42, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Cloud Peak Accounting, LLC
Buffalo, Wyoming
January 28, 2019

TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018
(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, 2018. 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, 2018, by \$72,488,776 (reported as net position). Of this amount, \$9,627,776 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors. Capital assets net of accumulated depreciation are \$69,658,838.

The City's total net position increased by \$491,449. Net position for governmental activities decreased by \$304,794, while net position for business-type activities increased by \$796,243.

The City implemented GASB 68, *Accounting and Reporting for Pensions – an amendment of GASB 27*. This implementation resulted in the City restating its net position as of July 1, 2014, in order to report a net pension liability totaling \$1,316,501. The balance of the net pension liability as of June 30, 2018 was \$2,520,669.

At the close of the year, the City's governmental funds reported combined ending fund balances of \$8,241,106, an increase of \$624,081 or about 8% from the prior year. Of this amount, \$8,241,106 is available for spending at the City's discretion (unreserved, unassigned fund balance).

At the end of the year, the unreserved fund balance for the General Fund, the City's primary operating account, was \$3,602,220 or about 95% of total General Fund expenditures.

Total long-term debt had a net decrease of \$571,842 (about 8%) from the prior year. This is due to payments in debt principal made of \$388,794 in the water fund, \$126,902 in the sewer fund, and \$56,146 in the General fund. No new debt was issued.

TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018
(UNAUDITED)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position provides information about the City's assets and liabilities, with the difference between the two reported as Total Net Position. The statements provide both short-term and long-term information about the City's financial position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the economic condition of the City is improving or deteriorating. In evaluating the government's economic condition, however, additional non-financial factors should be considered such as the City's economic outlook, changes in its demographics, and the condition of its infrastructure and other capital assets.

The statement of activities presents revenue and expense information showing how the City's net assets changed during the fiscal year. The government-wide financial statements distinguish functions of the City that are principally supported by intergovernmental revenues and taxes (governmental activities) from other functions that are designed to recover all or a significant portion of their costs through user fees and charges (business type activities). The governmental activities of the City include: general government, public safety, public works and culture and recreation. Business-type activities include the water, sewer, and sanitation departments.

The government-wide financial statements can be found on pages 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.

TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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, schedule of net pension liability and related ratios, and schedule of pension contributions, are reported as required supplementary information, which begins on page 42.

Government-wide financial analysis

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

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current Assets	\$ 8,280,417	\$ 7,620,190	\$ 3,755,702	\$ 3,819,413	\$ 12,036,119	\$ 11,439,603
Noncurrent Assets	23,067,663	23,796,959	46,591,175	45,958,720	69,658,838	69,755,679
Deferred Outflows of Resources	610,188	802,985	172,375	242,533	782,563	1,045,518
Total Assets and Def. Outflows	<u>31,958,268</u>	<u>32,220,134</u>	<u>50,519,252</u>	<u>50,020,666</u>	<u>82,477,520</u>	<u>82,240,800</u>
Current Liabilities	101,632	64,545	818,625	575,801	920,257	640,346
Noncurrent Liabilities	2,370,845	2,495,984	6,524,159	7,107,143	8,895,004	9,603,127
Deferred Inflows of Resources	130,980	-	42,503	-	173,483	-
Total Liabilities and Def. Outflows	<u>2,603,457</u>	<u>2,560,529</u>	<u>7,385,287</u>	<u>7,682,944</u>	<u>9,988,744</u>	<u>10,243,473</u>
Invested in Capital Assets	22,524,977	23,254,273	40,336,023	39,187,872	62,861,000	62,442,145
Unrestricted	6,829,834	6,405,332	2,797,942	3,149,850	9,627,776	9,555,182
Total Net Position	<u>\$ 29,354,811</u>	<u>\$ 29,659,605</u>	<u>\$ 43,133,965</u>	<u>\$ 42,337,722</u>	<u>\$ 72,488,776</u>	<u>\$ 71,997,327</u>

At June 30, 2018, the City's net position is approximately \$72 million. Assets classified as unrestricted are considered to be available for spending or appropriation.

TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018
(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 2018.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Receipts:						
Program Receipts:						
Charges for Services	\$ 253,213	\$ 252,552	\$ 2,832,631	\$ 2,882,565	\$ 3,085,844	\$ 3,135,117
Operating Grants and Contributions	236,709	142,590	-	-	236,709	142,590
Capital Grants and Contributions	395,665	686,871	120,201	-	515,866	686,871
General Receipts:						
Sales and Use Tax	1,527,463	1,376,588	-	-	1,527,463	1,376,588
Mineral Severance & Royalties Tax	407,537	408,348	-	-	407,537	408,348
Property Tax	461,101	441,677	-	-	461,101	441,677
Franchise Tax	262,756	269,601	-	-	262,756	269,601
Gas and Special Fuels Tax	238,454	232,661	-	-	238,454	232,661
Lottery	31,434	22,004	-	-	31,434	22,004
1% Optional Tax	1,292,004	1,163,441	-	-	1,292,004	1,163,441
Cigarette Tax	25,417	27,602	-	-	25,417	27,602
Interest	47,420	24,758	69,607	21,966	117,027	46,724
Miscellaneous	425,714	385,666	-	-	425,714	385,666
Transfers	(733,188)	(2,557,841)	733,188	2,557,841	-	-
Total Receipts	<u>4,871,699</u>	<u>2,876,518</u>	<u>3,755,627</u>	<u>5,462,372</u>	<u>8,627,326</u>	<u>8,338,890</u>
Disbursements:						
General Government	1,124,741	845,612	-	-	1,124,741	845,612
Public Safety	1,958,367	1,962,429	-	-	1,958,367	1,962,429
Public Works	1,468,076	1,657,277	-	-	1,468,076	1,657,277
Culture and Recreation	625,309	716,831	-	-	625,309	716,831
Water	-	-	1,816,315	1,756,512	1,816,315	1,756,512
Sewer	-	-	682,010	681,563	682,010	681,563
Sanitation	-	-	461,059	391,647	461,059	391,647
Total Disbursements	<u>5,176,493</u>	<u>5,182,149</u>	<u>2,959,384</u>	<u>2,829,722</u>	<u>8,135,877</u>	<u>8,011,871</u>
Change in Net Position	(304,794)	(2,305,631)	796,243	2,632,650	491,449	327,019
Net Position, Beginning of Year	<u>29,659,605</u>	<u>31,965,236</u>	<u>42,337,722</u>	<u>39,705,072</u>	<u>71,997,327</u>	<u>71,670,308</u>
Net Position, End of Year	<u>\$ 29,354,811</u>	<u>\$ 29,659,605</u>	<u>\$ 43,133,965</u>	<u>\$ 42,337,722</u>	<u>\$ 72,488,776</u>	<u>\$ 71,997,327</u>

TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Governmental activities decreased the City's net position by \$304,794. The key elements of this decrease are as follows:

- Sales and use tax receipts comprise approximately 58% of total governmental receipts. These taxes increased by approximately \$0.28 million or 11% from the previous year, which is in contrast to the prior three years' decreases. Sales and use tax receipts for fiscal year end 2018, were \$1.1 million or 28% 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 42% of expenditures. Streets and Public Works represents 17% of expenditures, General Government represents 16%, Culture and Recreation represents 12% and Capital Outlay represents approximately 11% of governmental disbursements. Total governmental disbursements for the year were \$1,658,970 lower this year compared to the prior year. This decrease was a result of less construction on the Lobban Street Reconstruction major capital project which was completed this year.
- Additional capital construction project expenses for the year included construction costs for Lobban Street Reconstruction, a sewer lift station, Main Street retaining wall, and a business park in the amount of \$1,066,813.

The business-type activities include the Water, Sewer, and the Sanitation Funds. These activities increased net position by \$796,243. 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 120,201.
- Investments for the water fund and sewer fund were moved from local bank CDs to an investment manager beginning in January 2017. This has resulted in three (3) times the amount of interest earnings.

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 \$1,142,244, \$625,537, and \$1,030,181, respectively. The increase in total net position for the Water Fund, Sewer Fund and Sanitation Fund was \$796,243.

TOWN OF THE CITY OF BUFFALO, WYOMING
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018
(UNAUDITED)

Budgetary highlights

For Fiscal Year End 2018, tax receipts were more than budgeted amounts by approximately \$308,409. 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 2018, General Fund disbursements were under budget by \$449,826. 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 \$78,753. 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 \$1.9 million in a variety of capital assets.

Major capital asset events during the year included:

- Construction completed on the Lobban Avenue reconstruction project at a total cost of \$417,676.
- Acquisition of new vehicles for the police department at a total cost of \$44,177.
- Acquisition of new John Deere 310 SL Backhoe for the street department at a total cost of \$110,554.
- Construction performed on the Business Park project at a total cost of \$39,670.
- Acquisition of new criminal justice center E911 system, dispatch console and portable radios at a total cost of \$229,435.
- Construction performed on the S Tank Valve/Main Street pipeline project at a total cost of \$112,434.
- Construction performed on a new sewer lift station at a total cost of \$579,711.
- Acquisition of a new sewer grit tank and influent pumps at a total cost of \$24,307.
- Construction of a new retaining wall on Main Street at a total cost of \$22,496.
- Construction of a new water salesman vault at a total cost of \$7,260.
- Acquisition of a new Mack Odyssey sanitation truck at a total cost of \$260,033.
- Acquisition of new commercial dumpsters at a total cost of \$80,166.

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

Long-term debt

At year-end, the City had debt outstanding of \$6,741,692. 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 \$571,842, or about 8%, 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, 2018
(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 City recently continued the contract with Pacificorp to sell power from the hydroelectric generator by signing a 5-year contract. This contract replaces the 1-year contract that expired December 31, 2016. Prior to the short-term contract, a 20-year contract expired December 31, 2015. The new contract contains a substantial decrease in sales price to \$.0287/kWh from \$.11/kWh with the sales price gradually increasing to \$.0381/kWh. Revenue from this contract has been used to pay annual loan payments for the Tie Hack Reservoir. This loss of revenue required the City to increase the water rates by 17% effective April 1, 2016. Subsequently, the City of Buffalo retired the debt on the Tie Hack Reservoir in the amount of \$3,824,476 on October 4, 2016. This loan had a 4% interest rate and Water Fund reserves as well as Capital Improvement Fund reserves were used to pay off the note.

Requests for information

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

TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 7,664,619	\$ 3,338,155	\$ 11,002,774
Receivables, net			
Taxes	536,816	-	536,816
Intergovernmental and grants	78,982	-	78,982
Accounts receivable, net	-	417,547	417,547
Total Current Assets	<u>8,280,417</u>	<u>3,755,702</u>	<u>12,036,119</u>
Noncurrent Assets			
Capital assets, net of accumulated depreciation	<u>23,067,663</u>	<u>46,591,175</u>	<u>69,658,838</u>
TOTAL ASSETS	<u>31,348,080</u>	<u>50,346,877</u>	<u>81,694,957</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to pensions	<u>610,188</u>	<u>172,375</u>	<u>782,563</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>31,958,268</u>	<u>50,519,252</u>	<u>82,477,520</u>
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	44,003	291,438	335,441
Current portion of long-term liabilities	<u>57,629</u>	<u>527,187</u>	<u>584,816</u>
Total Current Liabilities	<u>101,632</u>	<u>818,625</u>	<u>920,257</u>
Noncurrent Liabilities			
Pension liability	1,750,611	770,058	2,520,669
Compensated absences	135,177	26,136	161,313
Notes payable	<u>485,057</u>	<u>5,727,965</u>	<u>6,213,022</u>
Total Noncurrent Liabilities	<u>2,370,845</u>	<u>6,524,159</u>	<u>8,895,004</u>
Deferred Inflows of resources related to pensions	130,980	42,503	173,483
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>2,603,457</u>	<u>7,385,287</u>	<u>9,988,744</u>
NET POSITION			
Invested in capital assets, net of related debt	22,524,977	40,336,023	62,861,000
Unrestricted	<u>6,829,834</u>	<u>2,797,942</u>	<u>9,627,776</u>
TOTAL NET POSITION	<u>29,354,811</u>	<u>43,133,965</u>	<u>72,488,776</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 31,958,268</u>	<u>\$ 50,519,252</u>	<u>\$ 82,477,520</u>

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

TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENT OF ACTIVITIES
June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General government	\$ 1,124,741	\$ 36,895	\$ -	\$ -	\$ (1,087,846)	\$ -	\$ (1,087,846)
Public safety	1,958,367	72,690	236,709	-	(1,648,968)	-	(1,648,968)
Streets and public works	1,468,076	141,091	-	395,665	(931,320)	-	(931,320)
Culture and recreation	625,309	2,537	-	-	(622,772)	-	(622,772)
Total governmental activities	<u>5,176,493</u>	<u>253,213</u>	<u>236,709</u>	<u>395,665</u>	<u>(4,290,906)</u>	<u>-</u>	<u>(4,290,906)</u>
BUSINESS-TYPE ACTIVITIES							
Water	1,816,315	1,447,639	-	120,201	-	(248,475)	(248,475)
Sewer	682,010	810,242	-	-	-	128,232	128,232
Sanitation	461,059	570,267	-	-	-	109,208	109,208
Total business-type activities	<u>2,959,384</u>	<u>2,828,148</u>	<u>-</u>	<u>120,201</u>	<u>-</u>	<u>(11,035)</u>	<u>(11,035)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 8,135,877</u>	<u>\$ 3,081,361</u>	<u>\$ 236,709</u>	<u>\$ 515,866</u>	<u>\$ (4,290,906)</u>	<u>\$ (11,035)</u>	<u>\$ (4,301,941)</u>
General revenues							
					\$ 2,819,467	\$ -	\$ 2,819,467
					461,101	-	461,101
					262,756	-	262,756
					238,454	-	238,454
					31,434	-	31,434
					25,417	-	25,417
					407,537	-	407,537
					331,220	-	331,220
					47,420	74,090	121,510
					94,494	-	94,494
					(733,188)	733,188	-
					<u>3,986,112</u>	<u>807,278</u>	<u>4,793,390</u>
					(304,794)	796,243	491,449
					<u>29,659,605</u>	<u>42,337,722</u>	<u>71,997,327</u>
					<u>\$ 29,354,811</u>	<u>\$ 43,133,965</u>	<u>\$ 72,488,776</u>

The accompanying notes are an integral part of these financial statements

TOWN OF THE CITY OF BUFFALO, WYOMING
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	<u>Capital Project Funds</u>			Total Governmental Funds
	<u>General Fund</u>	<u>Depreciation Fund</u>	<u>Other Capital Project Funds</u>	
ASSETS				
Cash and cash equivalents	\$ 3,045,077	\$ 3,311,451	\$ 1,308,091	\$ 7,664,619
Receivables, net				
Taxes	536,816	-	-	536,816
Intergovernmental and grants	45,471	-	33,511	78,982
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>3,627,364</u>	<u>3,311,451</u>	<u>1,341,602</u>	<u>8,280,417</u>
LIABILITIES				
Accounts payable and accrued expenses	25,144	-	14,167	39,311
TOTAL LIABILITIES	<u>25,144</u>	<u>-</u>	<u>14,167</u>	<u>39,311</u>
FUND BALANCE				
Unassigned	3,602,220	3,311,451	1,327,435	8,241,106
TOTAL FUND BALANCE	<u>3,602,220</u>	<u>3,311,451</u>	<u>1,327,435</u>	<u>8,241,106</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,627,364</u>	<u>\$ 3,311,451</u>	<u>\$ 1,341,602</u>	<u>\$ 8,280,417</u>

Total fund balance from above	\$ 8,241,106
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	23,067,663
Accrued interest on note payable is not reported in the funds.	(4,692)
Pension plan accounts, such as deferred inflows/outflows and net pension liability, are not receivable or payable in the current period and, therefore, not reported in the funds	
Net pension liability	(1,750,611)
Deferred outflows of resources	610,188
Deferred inflows of resources	(130,980)
Long-term liabilities, including compensated absences, are not due in the current period, and therefore are not reported in the funds.	<u>(677,863)</u>
Net position of governmental funds	<u>\$ 29,354,811</u>

The accompanying notes are an integral part of these financial statements

TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
June 30, 2018

	<u>Capital Project Funds</u>			Total Governmental Funds
	General Fund	Depreciation Fund	Other Capital Project Funds	
REVENUES				
Taxes	\$ 4,246,166	\$ -	\$ -	\$ 4,246,166
Licenses and fees	120,143	-	-	120,143
Fines and forfeitures	29,793	-	-	29,793
Intergovernmental	236,709	331,220	395,665	963,594
Charges for services	91,700	-	-	91,700
Investment income	17,286	28,246	1,888	47,420
Rent	11,577	-	-	11,577
Other revenue	94,494	-	-	94,494
Total revenues	4,847,868	359,466	397,553	5,604,887
EXPENDITURES				
Current				
General government	700,823	-	-	700,823
Public safety	1,771,108	-	-	1,771,108
Public works	728,314	-	-	728,314
Culture and recreation	500,387	-	-	500,387
Debt service				
Principal retirement	56,146	-	-	56,146
Interest	10,854	-	-	10,854
Capital outlay	22,495	-	457,491	479,986
Total expenditures	3,790,127	-	457,491	4,247,618
Excess of revenues over (under) expenditures	1,057,741	359,466	(59,938)	1,357,269
OTHER FINANCING SOURCES (USES)				
Operating transfers in	825,000	2,498,735	616,605	3,940,340
Operating transfers out	(1,872,518)	(1,360,000)	(1,441,010)	(4,673,528)
Total other financing sources (uses)	(1,047,518)	1,138,735	(824,405)	(733,188)
Excess of revenues and other sources over (under) expenditures and other uses	10,223	1,498,201	(884,343)	624,081
FUND BALANCE - JULY 1, 2017	3,591,997	1,813,250	2,211,778	7,617,025
FUND BALANCE - JUNE 30, 2018	\$ 3,602,220	\$ 3,311,451	\$ 1,327,435	\$ 8,241,106

The accompanying notes are an integral part of these financial statements

TOWN OF THE CITY OF BUFFALO, WYOMING
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2018

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

Net change in fund balance - total governmental funds (page 13)	\$	624,081
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$1,062,476) exceeded capital outlays (\$479,986) in the current period.		(582,490)
Proceeds from loans provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment on loans is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which repayments exceeded proceeds.		56,146
Revenues (Losses) in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(70,991)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		<u>(331,540)</u>
Net change in net assets of governmental activities (page 11)	\$	<u><u>(304,794)</u></u>

The accompanying notes are an integral part of these financial statements

TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES – PROPRIETARY FUNDS
June 30, 2018

	Water Fund	Sewer Fund	Sanitation Fund	Total
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 1,486,916	\$ 758,840	\$ 1,092,399	\$ 3,338,155
Accounts receivable, net	275,166	81,354	61,027	417,547
Total Current Assets	<u>1,762,082</u>	<u>840,194</u>	<u>1,153,426</u>	<u>3,755,702</u>
Noncurrent Assets				
Capital assets, net	<u>33,247,687</u>	<u>12,813,611</u>	<u>529,877</u>	<u>46,591,175</u>
TOTAL ASSETS	<u>35,009,769</u>	<u>13,653,805</u>	<u>1,683,303</u>	<u>50,346,877</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	<u>97,973</u>	<u>42,527</u>	<u>31,875</u>	<u>172,375</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>35,107,742</u>	<u>13,696,332</u>	<u>1,715,178</u>	<u>50,519,252</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued expenses	239,800	48,719	2,919	291,438
Current portion of long-term liabilities	<u>395,955</u>	<u>131,232</u>	<u>-</u>	<u>527,187</u>
Total Current Liabilities	<u>635,755</u>	<u>179,951</u>	<u>2,919</u>	<u>818,625</u>
Noncurrent Liabilities				
Pension Liability	437,278	190,232	142,548	770,058
Compensated absences	16,652	7,924	1,560	26,136
Notes payable	<u>3,874,435</u>	<u>1,853,530</u>	<u>-</u>	<u>5,727,965</u>
Total Noncurrent Liabilities	<u>4,328,365</u>	<u>2,051,686</u>	<u>144,108</u>	<u>6,524,159</u>
Deferred inflows related to pensions	24,101	10,309	8,093	42,503
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>4,988,221</u>	<u>2,241,946</u>	<u>155,120</u>	<u>7,385,287</u>
NET POSITION				
Invested in capital assets, net of related debt	28,977,297	10,828,849	529,877	40,336,023
Unrestricted	<u>1,142,224</u>	<u>625,537</u>	<u>1,030,181</u>	<u>2,797,942</u>
TOTAL NET POSITION	<u>30,119,521</u>	<u>11,454,386</u>	<u>1,560,058</u>	<u>43,133,965</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 35,107,742</u>	<u>\$ 13,696,332</u>	<u>\$ 1,715,178</u>	<u>\$ 50,519,252</u>

The accompanying notes are an integral part of these financial statements

TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUSINESS-TYPE ACTIVITIES – PROPRIETARY FUNDS
June 30, 2018

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sanitation Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for goods and services	\$ 1,437,814	\$ 810,242	\$ 570,267	\$ 2,818,323
Electricity generation sales	9,825	-	-	9,825
Total operating revenues	<u>1,447,639</u>	<u>810,242</u>	<u>570,267</u>	<u>2,828,148</u>
OPERATING EXPENSES				
Salaries and benefits	644,716	200,970	163,270	1,008,956
Contractual services	149,336	124,037	224,757	498,130
Materials and supplies	214,509	35,108	53,996	303,613
Depreciation	695,178	269,780	19,036	983,994
Total operating expenses	<u>1,703,739</u>	<u>629,895</u>	<u>461,059</u>	<u>2,794,693</u>
Operating income (loss)	<u>(256,100)</u>	<u>180,347</u>	<u>109,208</u>	<u>33,455</u>
NONOPERATING INCOME (EXPENSES)				
Investment income	69,607	4,483	-	74,090
Grant income	120,201	-	-	120,201
Interest expense	(112,576)	(52,115)	-	(164,691)
Total nonoperating income (expenses)	<u>77,232</u>	<u>(47,632)</u>	<u>-</u>	<u>29,600</u>
Income (loss) before capital contributions and transfers	<u>(178,868)</u>	<u>132,715</u>	<u>109,208</u>	<u>63,055</u>
Transfers	<u>317,133</u>	<u>201,055</u>	<u>215,000</u>	<u>733,188</u>
Change in net position	138,265	333,770	324,208	796,243
NET POSITION - JUNE 30, 2017	<u>29,981,256</u>	<u>11,120,616</u>	<u>1,235,850</u>	<u>42,337,722</u>
NET POSITION - JUNE 30, 2018	<u>\$ 30,119,521</u>	<u>\$ 11,454,386</u>	<u>\$ 1,560,058</u>	<u>\$ 43,133,965</u>

The accompanying notes are an integral part of these financial statements

TOWN OF THE CITY OF BUFFALO, WYOMING
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES – PROPRIETARY FUNDS
June 30, 2018

	Water Fund	Sewer Fund	Sanitation Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from service users	\$ 1,337,016	\$ 808,149	\$ 567,111	\$ 2,712,276
Cash paid for goods and services	(152,002)	(143,976)	(275,834)	(571,812)
Cash paid for wages and benefits	(372,565)	(111,162)	(91,835)	(575,562)
Net cash provided by (used in) operating activities	<u>812,449</u>	<u>553,011</u>	<u>199,442</u>	<u>1,564,902</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on notes payable	(388,793)	(126,902)	-	(515,695)
Interest paid on notes payable	(112,576)	(52,115)	-	(164,691)
Capital grants received	120,201	-	-	120,201
Transfers from other funds	317,133	201,055	215,000	733,188
Net cash provided by (used in) capital and related financing activities	<u>(64,035)</u>	<u>22,038</u>	<u>215,000</u>	<u>173,003</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	69,607	4,483	-	74,090
Purchase of fixed assets	(437,457)	(838,793)	(340,199)	(1,616,449)
Net cash provided by (used in) investing activities	<u>(367,850)</u>	<u>(834,310)</u>	<u>(340,199)</u>	<u>(1,542,359)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	380,564	(259,261)	74,243	195,546
CASH AND CASH EQUIVALENTS				
Balances - July 1, 2017	<u>1,342,035</u>	<u>1,095,974</u>	<u>1,079,728</u>	<u>3,517,737</u>
Balances - June 30, 2018	<u>\$ 1,722,599</u>	<u>\$ 836,713</u>	<u>\$ 1,153,971</u>	<u>\$ 3,713,283</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Operating income (loss)	\$ (256,100)	\$ 180,347	\$ 109,208	\$ 33,455
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities				
Depreciation	695,178	220,500	19,036	934,714
Loss on sale of assets	-	49,280	-	49,280
Change in assets - (increase) decrease				
Accounts receivable	(110,623)	(2,093)	(3,155)	(115,871)
Deferred outflows/inflows	39,523	16,960	13,675	70,158
Change in liabilities - increase (decrease)				
Accounts payable and accrued expenses	211,843	15,169	2,918	229,930
Pension liability	(28,777)	(12,334)	(9,845)	(50,956)
Deferred inflows	259,784	88,182	69,665	417,631
Compensated absences	1,621	(3,000)	(2,060)	(3,439)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 812,449</u>	<u>\$ 553,011</u>	<u>\$ 199,442</u>	<u>\$ 1,564,902</u>

Total interest paid for fiscal year ended June 30, 2018	\$ 112,576	\$ 52,115	\$ -	\$ 164,691
Total taxes paid for fiscal year ended June 30, 2018	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

Nature of operations

The City provides a broad range of services to citizens, including public safety (police and fire), streets, recreation, public improvements, planning, water, sewer, sanitation and general administrative services.

Reporting entity

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

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

Government-wide and fund financial statements

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

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

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

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

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, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The City reports the following major governmental funds:

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

Capital project funds, which comprise the depreciation fund and other capital projects fund, accounts for all financial resources that are restricted, committed, or assigned to expenditure for capital outlays and are not accounted for in other capital project funds. These other capital project funds have been determined to be nonmajor funds for the year ended June 30, 2018.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

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

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

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

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit in banks with original maturities of three months or less, certificates of deposit and petty cash. The City considers the accounts with WYO-STAR and certificate of deposits to be cash equivalents due to the City's ability and intent to withdraw the monies at any time.

Accounts receivable

Utility fund customer accounts receivable and other miscellaneous accounts receivable in the proprietary fund are recorded at the amount the City expects to collect on balances outstanding. Utility customer accounts receivable are recorded in the water, sewer or sanitation fund based on which fund expects to respectively recognize the revenue. 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 \$23,648 at June 30, 2018. The allowance for uncollectible accounts as of June 30, 2018, is \$3,000.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

Inventory

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

Capital assets

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

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

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

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

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

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

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

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

Deferred outflows of resources and deferred inflows of resources

In addition to assets, the financial statements may include a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a decrease of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to the liabilities, the financial statement may include a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City reports deferred outflows and deferred inflows of resources as follows:

Pension-related revenues – In the government-wide and proprietary funds statement of net position, a deferred outflow or deferred inflow of resources is reported for the unrecognized items not yet charged to pension expense related to the net pension liability. This includes the unamortized portion of the net difference between projected and actual earnings on pension plan investments and other differences between expected and actual experience. Deferred outflows for the net difference between projected and actual investment earnings are recognized over a period of five years, while the deferred inflows or deferred outflows for the differences between expected and actual experience for economic/demographic assumptions are recognized over the remaining service life for all active and inactive members.

Compensated absences

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

Deferred revenues

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

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

Long-term liabilities

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

Interfund balances and transactions

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

Fund balance

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

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

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

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

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

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

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

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

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

Net position

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

Contribution of capital

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

Property taxes

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

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 THE FINANCIAL STATEMENTS
June 30, 2018

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

Pensions

The City participates in several pension plans, all cost-sharing multiple-employer defined benefits pension plans administered by the Wyoming Retirement System (WRS). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wyoming Retirement System (WRS) plans and additions to/deductions from WRS's fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 2. Cash and Cash Equivalents

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

Deposits with financial institutions:	Primary
Cash and certificates of deposit	Government
	\$11,002,774

Investments authorized by the City's investment policy

The City follows the guidelines set forth in Wyoming State Statute 9-4-831, as it relates to the investment of public funds. The City's investment policy requires investments to comply with State statutes, which generally allows the City to invest in U.S., state and local government securities and accounts of any bank and savings associations which are federally insured or secured by a pledge of assets including bonds, debentures and other securities in which the State Treasurer may by law invest. All investments made during the year were made within these statutory limits. The City's investment policy does not contain any specific provisions intended to limit the City's exposure to interest rate risk, credit risk or concentration of credit risk. However, in regard to custodial credit risk, the City's investment policy does require all deposits and certificates of deposits to be collateralized at 102% of the amount invested including accrued interest, based on the lower of cost or market value of the collateral.

Credit risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City has no significant credit risk as of June 30, 2018.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 2. Cash and Cash Equivalents (Continued)

Custodial credit risk

Custodial credit risk for deposits and certificates of deposit is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require that the City's deposits in excess of the Federal depository insurance must be collateralized. In accordance with State statutes, the City maintains deposits at those depository banks authorized by City Council. As of June 30, 2018, all of the City's deposits were insured by federal depository insurance or are collateralized with securities held by the custodian bank under safekeeping or Federal Reserve receipts in the name of the City and the financial institution. Additionally, the City's deposits in WYO-STAR are held in trust by the Treasurer of the State of Wyoming and not comingles with other State funds; each entity has an individual interest in the pool. Management does not believe its cash balances are at significant risk as a result of not being fully insured or collateralized. The City has not incurred any losses related to uninsured deposits

Note 3. 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, 2018, were as follows:

	Transfers from other funds	Transfers to other funds
<i>Governmental Funds</i>		
General fund	\$ 825,000	\$ 1,872,518
Depreciation fund	2,498,735	1,360,000
Other capital project funds	616,605	1,441,010
Total governmental activities - governmental funds	3,940,340	4,673,528
<i>Proprietary funds - business-type activities</i>		
Water fund	317,133	-
Sanitation fund	275,000	60,000
Sewer fund	719,711	518,656
Total proprietary funds - business type activities	1,311,844	578,656
	\$ 5,252,184	\$ 5,252,184

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 4. Capital Assets

Governmental and business-type activities capital asset activity for the year ended June 30, 2018, was as follows:

	Balance June 30, 2017	Additions	Retirements and Transfers	Balance June 30, 2018
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 799,777	\$ -	\$ -	\$ 799,777
Construction in progress	2,057,319	39,700	(2,057,319)	39,700
Total capital assets not being depreciated	<u>2,857,096</u>	<u>39,700</u>	<u>(2,057,319)</u>	<u>839,477</u>
Capital assets being depreciated:				
Buildings and improvements	11,080,071	-	-	11,080,071
Transportation equipment	2,696,734	63,077	(133,914)	2,625,897
Other equipment	3,501,753	343,989	-	3,845,742
Infrastructure	26,054,590	2,012,666	(21,594)	28,045,662
Total capital assets being depreciated	<u>43,333,148</u>	<u>2,419,732</u>	<u>(155,508)</u>	<u>45,597,372</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,486,942)	(204,368)	280,250	(3,411,060)
Transportation equipment	(868,576)	(92,094)	(138,948)	(1,099,618)
Other equipment	(1,098,479)	(121,229)	(54,727)	(1,274,435)
Infrastructure	(16,939,288)	(644,785)	-	(17,584,073)
Total accumulated depreciation	<u>(22,393,285)</u>	<u>(1,062,476)</u>	<u>86,575</u>	<u>(23,369,186)</u>
Capital assets being depreciated, net	<u>20,939,863</u>	<u>1,357,256</u>	<u>(68,933)</u>	<u>22,228,186</u>
Governmental activities, capital assets, net	<u>\$ 23,796,959</u>	<u>\$ 1,396,956</u>	<u>\$ (2,126,252)</u>	<u>\$ 23,067,663</u>
	Balance June 30, 2017	Additions	Retirements and Transfers	Balance June 30, 2018
Business-type activities, utility funds:				
Capital assets not being depreciated:				
Land	\$ 272,741	\$ -	\$ -	\$ 272,741
Construction in progress	-	732,190	44,655	776,845
Total capital assets not being depreciated	<u>272,741</u>	<u>732,190</u>	<u>44,655</u>	<u>1,049,586</u>
Capital assets being depreciated:				
Buildings and improvements	44,806,167	-	(77,440)	44,728,727
Transportation equipment	1,260,408	260,033	-	1,520,441
Other equipment	291,353	138,706	-	430,059
Infrastructure	12,643,634	469,025	-	13,112,659
Total capital assets being depreciated	<u>59,001,562</u>	<u>867,764</u>	<u>(77,440)</u>	<u>59,791,886</u>
Less accumulated depreciation for:				
Buildings and improvements	(9,503,688)	(699,039)	49,280	(10,153,447)
Transportation equipment	(470,523)	(47,809)	-	(518,332)
Other equipment	(117,147)	(11,125)	-	(128,272)
Utility plant in service	(3,224,225)	(226,021)	-	(3,450,246)
Total accumulated depreciation	<u>(13,315,583)</u>	<u>(983,994)</u>	<u>49,280</u>	<u>(14,250,297)</u>
Capital assets being depreciated, net	<u>45,685,979</u>	<u>(116,230)</u>	<u>(28,160)</u>	<u>45,541,589</u>
Business-type activities, utilities funds, capital assets, net	<u>\$ 45,958,720</u>	<u>\$ 615,960</u>	<u>\$ 16,495</u>	<u>\$ 46,591,175</u>

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 4. Capital Assets (Continued)

Depreciation expense for the fiscal year ended June 30, 2018, was charged to functions/programs of the primary government as follows:

<i>Governmental activities</i>	
General government	\$ 81,639
Public safety	116,153
Public works	739,762
Culture and recreation	<u>124,922</u>
Total depreciation expense - governmental activities	<u>\$ 1,062,476</u>
<i>Business-type activities, utility funds</i>	
Water	\$ 695,178
Sewer	269,780
Sanitation	<u>19,036</u>
Total depreciation expense - business-type activities	<u>\$ 983,994</u>

Note 5. Long Term Liabilities

The following is a summary of long-term liability transactions for the City for the year ended June 30, 2018:

Purpose	Balance July 1, 2017	Borrowings	Repayments	Balance June 30, 2018
<i>Water Fund</i>				
Water Tank	\$ 1,308,176	\$ -	\$ 119,530	\$ 1,188,646
Water Treatment Plant	<u>3,351,008</u>	<u>-</u>	<u>269,264</u>	<u>3,081,744</u>
	<u>4,659,184</u>	<u>-</u>	<u>388,794</u>	<u>4,270,390</u>
<i>Sewer Fund</i>				
Waste Water Treatment Plant	<u>2,111,665</u>	<u>-</u>	<u>126,902</u>	<u>1,984,763</u>
<i>General Fund</i>				
Criminal Justice Center	<u>542,686</u>	<u>-</u>	<u>56,146</u>	<u>486,540</u>
Total	<u>\$ 7,313,535</u>	<u>\$ -</u>	<u>\$ 571,842</u>	<u>\$ 6,741,693</u>

Water Tank: The City obtained a \$2,336,898 loan with 2.5% interest from the State of Wyoming to finance the construction of a 2.5 million gallon storage tank and pipeline. As part of the loan agreement, the City agreed to pledge all revenues generated by the General Fund, user fees and severance tax to cover the debt service requirements. Annual payments in the amount of \$149,905 are due on June 1st through 2027.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 5. Long Term Liabilities (Continued)

Water Treatment Plant: The City obtained a \$5,500,000 loan with 2.5% interest from the State of Wyoming to finance the construction of the Water Treatment Plant Expansion project. As part of the loan agreement, the City agreed to pledge future revenues from the water utility bills to cover the debt service requirements. Annual payments in the amount of \$352,809 are due on May 1st through 2028.

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

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

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

Year	Interest	Principal	Total
2019	166,110	584,456	750,566
2020	151,785	598,781	750,566
2021	137,107	613,458	750,565
2022	122,069	628,497	750,566
2023 -2027	371,590	3,301,456	3,673,046
2028 -2032	51,261	1,015,045	1,066,306
	<u>\$ 999,922</u>	<u>\$ 6,741,693</u>	<u>\$ 7,741,615</u>

Note 6. Pension Plans

Pension plan fiduciary net position

The Wyoming Retirement System issues a publicly available financial report which includes audited financial statements and required supplementary information for each plan. Detailed information about the pension plans' fiduciary net position is available in a separately issued Wyoming Retirement System website at <http://retirement.state.wy.us>.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 6. Pension Plans (Continued)

All eligible City employees are covered under one of the three following retirement plans:

Public Employee Pension Plan

The City participates in the Public Employees' Pension Plan (PEPP), a statewide cost-sharing multiple-employer public employee retirement system administered by the State of Wyoming Retirement System Board. Substantially all City full-time (excluding law enforcement) employees are eligible to participate in the plan.

PEPP members are required to contribute 8.25% of their annual covered salary and the City is required to contribute 8.37% of the annual covered payroll. Legislation enacted in 1979 allows the employer to pay any or all of the employees' contribution in addition to the matching contribution. The City currently pays 10.80% of the required total contributions and the employees contribute the remaining portion, 5.82% of the required total contribution. Contribution rates are established by Title 9, Chapter 3 of the Wyoming Statutes.

The City's and employees' combined contribution to the PEPP for the year ended June 30, 2018, was \$187,013, equal to the required contributions for the year.

Through legislation passed during the 2014 legislative session, two tiers of benefits were established for participants of this plan. For Tier 1 (first contribution before September 1, 2012), 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 or more years of service, but will result in a reduction of benefits based on the length of time remaining at age 60. For 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 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.

Benefits are established by Title 9, Chapter 3 of the Wyoming Statutes. The PEPP provides retirement, disability and death benefits according to predetermined formulas and allows retirees to select one of the seven optional methods for receiving benefits, including two joint and survivor forms of benefits: a 100% joint and survivor annuity, and a 50% 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 unless the plan is 100% 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 the age of 60 (Tier 1 employee) or 65 (Tier 2 employee).

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 6. Pension Plans (Continued)

Wyoming Law Enforcement Retirement Plan

The City participates in the Wyoming Law Enforcement Retirement Plan (LEPP), a state-wide, cost-sharing, multiple-employer public employee retirement plan administered by the State of Wyoming Retirement System Board. The LEPP is a defined benefit plan, contributory plan covering any county sheriff, deputy county sheriff, municipal police officer, Wyoming correctional officer, Wyoming law enforcement academy instructor, University of Wyoming campus police officer, detention officer or dispatcher for law enforcement agencies and certain investigators of the Wyoming Livestock Board.

The LEPP statutorily provides retirement, disability and death benefits according to predetermined amounts primarily determined by salary, age, and years of service of the participant. Any COLA will not be approved by the legislature unless the plan is 100% funded after the COLA is awarded. Participants may withdraw from the LEPP at any time and receive refunds or participant contributions plus accumulated interest.

The LEPP is funded by amounts withheld from participating employees' salaries and by contributions from the City. These contributions are determined by state statutes and, as of June 30, 2018, the percentages to be contributed were 8.60% for the employees and the same for the City. The City currently pays 8.60% of the total contributions and they police officers contribute the remaining portion, 8.60% of the required total contribution.

The City's and police officers' combined contribution to the LEPP for the year ended June 30, 2018, was \$147,618, equal to the required contributions for the year.

Volunteer Firefighter & EMT Pension Plan:

The City participates in the Volunteer Firefighter & EMT Pension Plan (VFPP), a statewide cost-sharing multiple-employer public employee retirement plan administered by the State of Wyoming Retirement System Board. The VFPP is a defined benefit, contributory plan covering any volunteer firefighter or EMT.

The VFPP is primarily funded by a tax on fire insurance premiums and secondarily by member contributions. These contributions are determined by state statutes and, as of June 30, 2018, the contribution requirement is \$15 per month, which is contributed by the City.

The contributions to the plan for the year ended June 30, 2018, was \$2,685.

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

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 6. Pension Plans (Continued)

Pension liabilities, pension expense, and deferred outflow of resources and deferred inflows of resources related to pensions

For disclosure purposes, the City combines the amounts for the VFPP and the PEPP and lists them as the PEPP.

At June 30, 2018, the City reported a total liability of \$2,520,669 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by a January 1, 2018, actuarial valuation. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating governmental entities, actuarially determined. At December 31, 2017, the City's liability as well as their proportion and increase from its proportion measured at December 31, 2016, were as follows for each plan:

	Proportionate Share of Net Pension Liability as of June 30, 2018	Proportionate Share of Net Pension Liability as of June 30, 2017
Public Employees' Pension Plan	\$ 1,852,766	\$ 1,963,524
Wyoming Law Enforcement Pension Plan	667,903	738,686
Total Net Pension Liability	\$ 2,520,669	\$ 2,702,210

	Proportionate Share as of December 31, 2017	Proportionate Share as of December 31, 2016	Increase (Decrease)
Public Employees' Pension Plan	0.069137%	0.072485%	-0.003348%
Wyoming Law Enforcement Pension Plan	0.063985%	0.660386%	-0.596401%

For the year ended June 30, 2018, the City recognized pension expense of \$344,825. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	PEPP	LEPP	Total Outflows
Net difference between projected and actual earnings on pension plan investments	\$ 268,053	\$ 174,409	\$ 442,462
Difference between actual and expected experience rate	64,286	49,961	114,247
Changes in employers proportion	20,791	21,856	42,647
Amortizing deferred outflows	353,130	246,226	599,356
Contributions subsequent to measurement date	101,005	82,202	183,207
Total	\$ 454,135	\$ 328,428	\$ 782,563

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 6. Pension Plans (Continued)

	Deferred (Inflows) of Resources		
	PEPP	LEPP	Total Outflows
Difference between actual and expected experience rate	\$ (92,119)	\$ (69,188)	\$ (161,307)
Changes in employers proportion	(7,653)	(4,523)	(12,176)
Total	\$ (99,772)	\$ (73,711)	\$ (173,483)

The City reported \$179,086 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Actuarial assumptions

The total pension liability in the December 31, 2017, measurement date was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	Public Employee Pension Plan	Wyoming Law Enforcement Pension Plan
Valuation date	1/1/2018	1/1/2018
Actuarial Cost Method	Individual Entry Age Normal	Individual Entry Age Normal
Amortization Method	Level Percent Open	Level Percent Open
Remaining Amortization Period	30	30
Asset Valuation Method	5-year	5-year
Actual Assumptions:		
Investment Rate of Return	7.75%	7.75%
Projected Salary Increases		
Includes Inflation	4.25% to 6.00%	4.25% to 8.00%
Assumed Inflation Rate	3.25%	3.25%
Mortality	RP-2000 Combined Mortality Table, fully generational	RP-2000 Combined Mortality Table, fully generational

The current actuarial assumptions and methods used in the January 1, 2017, valuation were based upon an experience study that covered a five-year period ending December 31, 2016. Differences between assumptions and actual experience since the prior valuation are identified as actuarial gains and losses. These gains and losses impact the unfunded actuarial liability and future funding requirements determined in subsequent valuations.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 6. Pension Plans (Continued)

For each major asset class that is included in the pension plans' target allocation as of January 1, 2018, these best estimates are summarized in the following table:

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

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions for participating governmental entities will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate as previously discussed, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the rate used.

<i>Primary government pension plans</i>	1% Decrease	Current	1% Increase
Rates	<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
Public Employees' Pension Plan	\$ 2,381,733	\$ 1,852,766	\$ 903,767
Wyoming Law Enforcement Pension Plan	1,181,655	667,903	36,786
	<u>\$ 3,563,388</u>	<u>\$ 2,520,669</u>	<u>\$ 940,553</u>

Payables to the pension plan

At June 30, 2018, the City reported no payables to the pension plans.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Joint Ventures

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

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

JOCO First consists of seven to nine voting members and one Ex-Officio non-voting member: Mayor of Kaycee, Mayor of Buffalo, County Commissioner Chair, one member appointed by the Buffalo City Council, one member appointed by the Kaycee Town Council, one member to be appointed by the Board of Commissioners of Johnson County, up to three at-large members appointed by JOCO First and the Buffalo City Planner. For the year ended June 30, 2018, the City paid \$106,250 to JOCO First.

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

Buffalo-Johnson Recycling Center Joint Powers Board Agreement:

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

The Buffalo-Johnson Recycling Center Joint Powers Board consists of five members: two members appointed by the City Council, two members appointed by the Board of Commissioners and one member appointed jointly. For the year ended June 30, 2018, 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.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 7. Joint Ventures (Continued)

Mountain Plains Heritage Park Joint Powers Board:

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

The Mountain Plains Heritage Park Joint Powers Board consists of six members: two members appointed by the City Council, two members appointed by the County Commissioners, one member appointed jointly and one at large member. For the year ended June 30, 2018, there were no payments made to the Mountain Plains Heritage Park Joint Powers Board.

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

Criminal Justice Center Joint Powers Board:

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

The Criminal Justice Center Joint Powers Board consists of five members: two members appointed by the City, two members appointed by the County Commissioners and one joint appointment. For the year ended June 30, 2018, the City paid \$19,458, 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.

Note 8. Contingencies and Commitments

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

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 8. Contingencies and Commitments (Continued)

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, 2018, 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 on the project in the amount of \$168,472, with an estimated project completion date of December 2018.

Main Street High-Pressure Line and South Water Tank Level-Control Valve Project: The City received two grants from the Wyoming Water Development Commission for the design and construction of transmission pipelines and valves on Main Street. The grants totaled \$271,350, or 67% of the actual development costs, whichever is less. The City is required to pay 33% of the project costs. The City entered into a contract for substantial completion in the amount of \$372,013, in January 2018.

Buffalo Tech Park: The City received a Business Ready Community Grant from the Wyoming Business Council in the amount of \$1,800,000, for development of the road and utility infrastructure for the Buffalo Tech Park. The grant requires that construction be completed by June 30, 2019, with an allowance for an extension approved by City Council. The project has an estimated cost of \$6,475,633. Johnson County provided a cash match of \$78,947 for the construction of a portion of TW Road, City of Buffalo provided an in-kind match of \$375,000 for the land on which the tech park will be located, and Johnson County and WYDOT provided a cash match of \$5,021,686 for construction of TW Road. In March 2018, the City entered into a contract for design and surveying services for the tech park for \$141,500.

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 8. Contingencies and Commitments (Continued)

Lease agreements

10 year lease agreements:

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

5 year lease 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 of 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, as well as the property taxes on the property.

Note 9. Risk Management

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

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

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

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Note 9. Risk Management (Continued)

Wyoming Statute 27-14-101 created the Wyoming Worker's Compensation Act, which is administered as an enterprise fund by the State of Wyoming. All employers within the State of Wyoming are participants of this plan unless the employer elects not to be covered under the plan. This Act requires the City to obtain liability coverage for payment of benefits to employees for job-related injuries and diseases through the Worker's Compensation Fund. This Act provides general protection from suits filed by employees against the City. The City makes quarterly payments to the Department of Employment, State of Wyoming. Amounts paid by the City to the State for Worker's Compensation during fiscal year 2018, were approximately \$40,736.

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, 2018, the City paid approximately \$3,035.

Note 10. Related Party Transactions

Two Council Members are officers of local banks with which investment accounts and checking accounts are held. At the fiscal year ended June 30, 2018, the balance of these accounts is \$6,181,207 and \$25,297 was received in interest income for the year ended June 30, 2018.

Note 11. Subsequent Events

Subsequent events have been evaluated from June 30, 2018, through January 29, 2018, the date on which the financial statements were available to be issued.

On August 7, 2018, the City accepted a bid for a garbage truck in the amount of \$310,610.

On October 11, 2018, the City accepted a bid for construction on the Buffalo Tech Park in the amount of \$1,640,380, with substantial completion by July 31, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

**TOWN OF THE CITY OF BUFFALO, WYOMING
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Original Budget and Final	Actual Amounts Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
RESOURCES			
Taxes	\$ 4,225,000	\$ 3,781,762	\$ (443,238)
Franchises	269,750	262,756	(6,994)
Licensing fees	84,750	92,288	7,538
Fines	33,000	29,793	(3,207)
Other	451,645	670,912	219,267
Interest	5,600	17,286	11,686
Total resources	<u>5,069,745</u>	<u>4,854,797</u>	<u>(214,948)</u>
APPROPRIATION EXPENDITURES			
General government	595,890	582,343	13,547
Public safety (protective services)	1,854,859	1,679,084	175,775
Public works (streets)	1,028,310	663,285	365,025
Culture and recreation	326,080	302,493	23,587
Outside agencies	483,950	468,229	15,721
Total appropriation expenditures	<u>4,289,089</u>	<u>3,695,434</u>	<u>593,655</u>
Excess of appropriations over (under) charges to appropriations	<u>780,656</u>	<u>1,159,363</u>	<u>378,707</u>
NET CHANGE IN NET POSITION	<u>\$ 780,656</u>	<u>\$ 1,159,363</u>	<u>\$ 378,707</u>
BUDGETARY NET POSITION - JULY 1, 2017 - ADJUSTED	<u>3,591,997</u>	<u>3,591,997</u>	
BUDGETARY NET POSITION - JUNE 30, 2018	<u>\$ 4,372,653</u>	<u>\$ 4,751,360</u>	

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

TOWN OF THE CITY OF BUFFALO, WYOMING
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)

Primary Government	2018	2017	2016	2015
Public Employees Pension Plan				
Proportion of the net pension liability (asset)	0.0691365%	0.0724852%	0.0783115%	0.0774072%
Proportionate share of the net pension liability (asset)	\$ 1,852,766	\$ 1,963,524	\$ 1,885,745	\$ 1,365,999
Covered payroll	\$ 1,193,018	\$ 1,238,362	\$ 1,273,917	\$ 1,363,038
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	155.30%	158.56%	148.03%	100.22%
Plan fiduciary net position as a percentage of the total pension liability	76.35%	73.42%	73.40%	79.08%
Wyoming Law Enforcement Pension Plan				
Proportion of the net pension liability (asset)	0.6398484%	0.6603860%	0.7007367%	0.6727063%
Proportionate share of the net pension liability (asset)	\$ 667,903	\$ 738,686	\$ 543,838	\$ 198,204
Covered payroll	\$ 951,691	\$ 1,027,387	\$ 1,067,783	\$ 1,079,359
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	70.18%	71.90%	50.93%	18.36%
Plan fiduciary net position as a percentage of the total pension liability	87.99%	88.11%	87.49%	94.76%

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

**TOWN OF THE CITY OF BUFFALO, WYOMING
SCHEDULE OF PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018
(Unaudited)**

Primary Government	2018	2017	2016	2015
Public Employees Pension Plan				
Contractually required contribution	\$ 198,280	\$ 205,816	\$ 211,725	\$ 216,314
Contributions in relation to the contractually required contribution	(198,280)	(205,816)	(211,725)	(216,314)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,193,018	\$ 1,238,362	\$ 1,273,917	\$ 1,363,038
Contributions as a percentage of covered-employee payroll	16.62%	16.62%	16.62%	15.87%
 Wyoming Law Enforcement Pension Plan				
Contractually required contribution	\$ 163,691	\$ 176,711	\$ 183,659	\$ 185,650
Contributions in relation to the contractually required contribution	(163,691)	(176,711)	(183,659)	(185,650)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 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%

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

TOWN OF THE CITY OF BUFFALO, WYOMING
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

Note 1. Budgets and Budgetary Accounting

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

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

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

Net change in fund balance per budgetary comparison schedule	\$ 1,159,363
Adjustment to transfer out activities which were either eliminated as interfund activity or budgeted for in Depreciation and Other Capital Project Funds	<u>(1,149,140)</u>
Excess of revenues and other sources over(under) expenditures and other uses of General Fund (page 13)	<u><u>\$ 10,223</u></u>

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town of the City of Buffalo (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 29, 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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings that we consider to be a material weakness.

Compliance and Other Matters

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

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



Cloud Peak Accounting, LLC
Buffalo, Wyoming
January 29, 2019