

TOWN OF STAR VALLEY RANCH

FINANCIAL STATEMENTS

June 30, 2016



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INDEPENDENT AUDITORS' REPORT

To the Mayor and Town Council
Town of Star Valley Ranch
Star Valley Ranch, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Star Valley Ranch, Wyoming (the Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town'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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2016, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of 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 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 Town's internal control over financial reporting and compliance.



JONES SIMKINS LLC
Logan, Utah
November 11, 2016

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

This document is a narrative overview and analysis of the financial activities of the Town of Star Valley Ranch (the "Town") for the fiscal year ending June 30, 2016. The Town's management encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section. To help the reader with navigation of this report, the Town's activities are classified in the following manner: governmental activities, which include general administration, public safety, public works, community development, etc., and business-type activities, which include operation of the Town's water utilities.

FINANCIAL HIGHLIGHTS

The total net position of the Town increased by approximately \$951,000. The governmental net position increased by approximately \$72,000, and the business-type net position increased by approximately \$879,000.

The total net position of governmental and business-type activities is approximately \$14,120,000 and is made up of approximately \$11,702,000 in capital assets, such as land, infrastructure, buildings, and equipment, net of related debt.

The net total indebtedness of the Town increased approximately \$844,000 during the year related to loans to help fund water system improvements.

As of June 30, 2016, the following projects were in process:

- The Town proceeded with the Water Supply Project-2015 by applying for funding with the State of Wyoming. Funding was approved by both the Mineral Royalty Grant Program (MRG) and the State Lands and Investments Board (SLIB). The approved funding from MRG was a grant in the amount of \$997,800. The approved funding from SLIB was a loan in the amount of \$1,995,600. The loan includes a loan forgiveness provision of twenty-five percent (25%). The total funding for this first phase of the Water Supply Project is approximately three million dollars. The Town will apply for the second phase of the Water Supply Project in fiscal year 2017, with the application due in September 2016. The next phase (Phase II) will be the Water Supply Project-2017 and should be completed in the fall of 2018. The total project will be an every other year process until all the phases are complete, therefore; the Town expects to complete the entire twelve-million dollar project around year 2021, unless of course other funding sources become available as to not place repayment burden solely on the water users and citizens of the Town.

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

- The Town has continued to plan for a new Town facility that would house the Town hall, postal center and other offices. The Town has been working with GPC Architects from Driggs, Idaho for the different concepts and designs for a new facility. The Town has held meetings with the Wyoming Business Council, Wyoming Council for the Arts and other agencies to determine the various funding options available for building a new community facility. The Town is hopeful that construction of this facility can begin in the spring of 2017. Completion is expected to occur prior to June 30, 2018, as this is the date when the lease for the current office space ends.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Town's assets, deferred inflows/outflows, and liabilities, with the residual balance reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. However, you will also need to consider other non-financial factors.

The Statement of Activities presents information showing how the Town's net position changed during the fiscal year reported. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both the Statement of Net Position and the Statement of Activities, which together comprise the government-wide financial statements, distinguish between activities that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 15 and 16 of this report.

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements. The major governmental fund (as determined by generally accepted accounting principles) is the General Fund. The basic General Fund financial statements and reconciliation to governmental activities can be found on pages 17 through 20 of this report.

Proprietary funds – The Town maintains one type of proprietary fund, the enterprise fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its culinary water operations. As determined by generally accepted accounting principles, the Water Fund meets the criteria for major fund classification. The basic financial statements of the Water Fund may be found on pages 21 through 24 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceed liabilities and deferred inflows by approximately \$14,120,000.

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

By far the largest portion of the Town's net position (83%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment, net of depreciation), net of related debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional part of net position, approximately 3%, are assets that are subject to external restrictions on how they may be expended (debt reserve). The remaining 14% of net position can be used to meet the Town's ongoing obligations to its creditors and citizens.

The following table summarizes the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2016 and 2015.

<u>STATEMENTS OF NET POSITION</u>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 1,926,546	1,704,494	1,827,025	1,763,598	3,753,571	3,468,092
Capital assets	3,470,532	3,502,622	13,173,025	11,515,639	16,643,557	15,018,261
Total assets	<u>5,397,078</u>	<u>5,207,116</u>	<u>15,000,050</u>	<u>13,279,237</u>	<u>20,397,128</u>	<u>18,486,353</u>
Deferred outflows of resources - Pension	97,653	41,231	81,525	28,063	179,178	69,294
Current liabilities	205,523	96,493	799,966	693,982	1,005,489	790,475
Non-current liabilities	314,972	256,436	4,956,802	4,173,043	5,271,774	4,429,479
Total liabilities	<u>520,495</u>	<u>352,929</u>	<u>5,756,768</u>	<u>4,867,025</u>	<u>6,277,263</u>	<u>5,219,954</u>
Deferred inflows of resources - revenues for future periods	167,000	167,000	-	-	167,000	167,000
Pension	6,663	-	5,563	-	12,226	-
Net investment in capital assets	3,470,532	3,502,622	8,231,179	7,271,143	11,701,711	10,773,765
Restricted	-	-	500,000	500,000	500,000	500,000
Unrestricted	1,330,041	1,225,796	588,065	669,132	1,918,106	1,894,928
Total net position	<u>\$ 4,800,573</u>	<u>4,728,418</u>	<u>9,319,244</u>	<u>8,440,275</u>	<u>14,119,817</u>	<u>13,168,693</u>

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

The following table provides a summary of the Town's operations for the years ended June 30, 2016 and 2015.

<u>CHANGES IN NET POSITION</u>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues						
Program revenues						
Charges for services	\$ 26,980	18,352	769,263	606,940	796,243	625,292
Operating grants and contributions	23,404	1,811	-	-	23,404	1,811
Capital grants and contributions	347,364	23,636	856,140	159,189	1,203,504	182,825
General revenues						
Sales, use, and other taxes	720,004	681,014	-	-	720,004	681,014
Property taxes	208,355	192,495	-	-	208,355	192,495
Other taxes	84,062	82,292	-	-	84,062	82,292
Interest	7,732	7,037	8,128	6,395	15,860	13,432
Mineral royalties	240,867	240,728	-	-	240,867	240,728
Gain (loss) on disposal of assets	(6,406)	3,518	-	-	(6,406)	3,518
Miscellaneous	4,458	884	13,126	7,104	17,584	7,988
Total revenues and transfers	<u>1,656,820</u>	<u>1,251,767</u>	<u>1,646,657</u>	<u>779,628</u>	<u>3,303,477</u>	<u>2,031,395</u>
Expenses						
General government	315,517	348,747	-	-	315,517	348,747
Public safety	193,902	199,847	-	-	193,902	199,847
Public works	884,324	501,823	-	-	884,324	501,823
Community development	33,618	57,666	-	-	33,618	57,666
Water	-	-	924,992	853,833	924,992	853,833
Total expenses	<u>1,427,361</u>	<u>1,108,083</u>	<u>924,992</u>	<u>853,833</u>	<u>2,352,353</u>	<u>1,961,916</u>
Changes in net position before transfers	229,459	143,684	721,665	(74,205)	951,124	69,479
Transfers	<u>(157,304)</u>	<u>(188,640)</u>	<u>157,304</u>	<u>188,640</u>	<u>-</u>	<u>-</u>
Change in net position	72,155	(44,956)	878,969	114,435	951,124	69,479
Net position - beginning	<u>4,728,418</u>	<u>4,773,374</u>	<u>8,440,275</u>	<u>8,325,840</u>	<u>13,168,693</u>	<u>13,099,214</u>
Net position - ending	<u>\$ 4,800,573</u>	<u>4,728,418</u>	<u>9,319,244</u>	<u>8,440,275</u>	<u>14,119,817</u>	<u>13,168,693</u>

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Governmental Activities

Governmental activities net position increased by approximately \$72,000 for the current fiscal year. Key element of this increase is as follows:

- The net transfers between the General Fund and the Water Fund decreased by \$31,336, with a transfer in the current year in the amount of \$157,304, when compared to a prior year transfer in the amount of \$188,640. These transfers were made to provide the Water Fund with working capital which was budgeted for \$13,109 per month. These funds were given through the fifth penny sales tax that exists in Lincoln County and offsets water users by giving each in-town water user a credit of \$15 per account per month for each water user.

Business-Type Activities

Business-type activities net position increased by approximately \$879,000. Key elements of the increase in business-type activities net position are as follows:

- Charges for services provided revenue of approximately \$769,000, which resulted in an increase of approximately \$162,000 when compared to the prior year. Water rates will continue to increase so this figure will continue to grow over the next budget years. These increases will be necessary to cover the cost of construction and updating the water system.
- The Town received capital grants of approximately \$856,000 from the State of Wyoming. These grants were used to fund various water system improvements and construction projects. During the prior year, the Town applied for and was approved for additional funding in the form of grants and loans from the State of Wyoming of approximately \$2,994,000. Said funding consists of approximately \$998,000 in grants and approximately \$1,996,000 in loan proceeds. As of June 30, 2016, approximately \$2,041,000 in combined grant revenue and loan proceeds had been received. The remaining funds to complete the first phase of the water system improvement project are expected to be received during fiscal year 2017.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental funds

The focus of the Town's sole governmental fund (the General Fund) is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As of June 30, 2016, the Town's General Fund reported fund equity of approximately \$1,568,000. The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a separate matching of revenues and expenses are accounted for in this fund.

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

Taxes continue to be the largest source of revenue in the General Fund and represented 61% of total general fund revenues. The largest element of taxes is sales and use taxes, as it has been for the last several years. Sales and use tax represents 71% of total tax revenues and 43% of total general fund revenues. Sales and use tax revenues increased from approximately \$681,000 in fiscal year 2015 to approximately \$720,000 in fiscal year 2016; an increase of approximately \$39,000 or 6%. Property tax revenues increased from approximately \$192,000 in fiscal year 2015 to approximately \$208,000 in fiscal year 2016; an increase of approximately \$16,000 or 8%.

Excluding capital outlay, General Fund collective departmental expenditures increased by approximately \$319,000; due mainly to an increase in roads upgrades, construction and maintenance costs.

Proprietary funds

The Town maintains enterprise funds to account for the business-type activities of the Town. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide more detail.

The Water Fund incurred an operating loss of approximately \$77,000. The Town is in the process of raising water system user fees over the next several years, while subsidizing the Water Fund from the General Fund, as necessary.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, it is not uncommon to make adjustments to the original budget. There are often matters that are unknown during the initial budget approval process which occur during the course of the year, which require action on the part of the Town. These unknowns may be factors outside the control of the Town administration.

The budget is constantly under review by the Town Administrator, Mayor, and Town Council. Original budgeted expenditures were not adjusted. Other items of note when expenditures are compared to the budget are as follows:

- No departments overspent on their budgets.
- The Town had budgeted for a net decrease in fund balance. However, a net increase occurred, due to unanticipated decreases in expenditures for all departments.

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

CAPITAL ASSETS

Capital assets - The investment in capital assets for governmental and business-type activities as of June 30, 2016, amounts to approximately \$16,644,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, bridges, etc.), and machinery and equipment.

The net decrease in the Town's governmental fixed assets for 2016 was approximately \$32,000 and depreciation expense was approximately \$130,000. Most of the decrease in governmental fixed assets was attributed to depreciation expense.

The net increase in the Town's proprietary fixed assets for 2016 was approximately \$1,657,000 and depreciation expense was approximately \$364,000. The main increase in the Town's proprietary fixed assets was for the 2015/2016 water supply project.

Additional information on the Town's capital assets can be found in the footnotes to these financial statements.

DEBT ADMINISTRATION

Long-term liabilities - As of June 30, 2016, the Town had total debt and other long term liabilities outstanding of approximately \$5,542,000. This debt relates primarily to the loans received to make water system improvements and the Town's proportionate share of the net pension liability as required by Governmental Accounting Standards Board Statement No. 68.

Additional information on the outstanding debt and pension obligations of the Town can be found in the footnotes of these financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town expects modest increases in property and sales and use tax revenues and collections due to improving economic conditions. Accordingly, the fiscal 2017 budget remains relatively flat in comparison to the fiscal year ended June 30, 2016.

The Town also plans to begin the following projects in the upcoming fiscal year:

- Replace the undersized (PVC) plastic water lines throughout the Town and complete the placement of fire hydrants in the Town. The first phase of this project is underway and should be completed in September of 2016. The second phase of the undersized plastic water lines will be applied for in September 2016 and work should begin in the spring of 2017. The remaining phases will be completed over several years as money becomes available through the State of Wyoming.

TOWN OF STAR VALLEY RANCH
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- The Town has placed road base and re-ground asphalt on many of the roads and plans to continue this process throughout the Town including the cul-de-sacs and the northern half of the town. The Chip Seal project took place during August 2015 and improved certain roads within the Town, especially those receiving the heaviest traffic. Another chip seal project will be carried out in August 2016, contributing additional road base and re-ground asphalt to many roads within the Town.
- The Town has begun to plan for a new town center which will include a new town hall, postal center, meeting center and additional offices. The Town hopes to begin construction on this project in the near future. Funding will be the main factor in the determination of what type, size, and the location of this new facility.
- The Town plans to develop the cul-de-sac at the end of Vista Drive in the upcoming year. The Town has determined to address this issue given the fact that residents currently living on this cul-de-sac have experienced trouble accessing their property.
- Plans for a dog park will continue to be explored by the Town. It is expected to be located in the Fox Run Park off of Hardman, near the Public Works building. This park will be completely fenced and will allow local residents to walk and exercise their dog(s). The Town is looking at different funding options for this project and should begin construction in the spring 2017.
- The Town has been developing different trails that begin in the Town boundaries and then venture out into US Forest Service property. This will continue during fiscal year 2017 with additional trails added during the summer months. These trails are funded with grants from Wyoming State Parks, Historic Site and Trails, and also by Town volunteers performing the labor.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Mayor Kathleen Buyers, Town of Star Valley Ranch, 171 Vista Drive, Box 7007, Star Valley Ranch, Wyoming 83127-5158 (kbuyers@starvalleyranchwy.org).

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BASIC FINANCIAL STATEMENTS

TOWN OF STAR VALLEY RANCH
STATEMENT OF NET POSITION
June 30, 2016

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets:			
Pooled cash and cash equivalents	\$ 1,531,091	920,299	2,451,390
Restricted cash and cash equivalents	-	500,000	500,000
Due from other governments	293,780	186,983	480,763
Receivables	1,000	78,316	79,316
Inventories	96,176	139,212	235,388
Prepaid expenses	4,499	2,215	6,714
Nondepreciable capital assets	1,693,112	185,494	1,878,606
Depreciable capital assets	2,820,020	15,002,417	17,822,437
Accumulated depreciation	<u>(1,042,600)</u>	<u>(2,014,886)</u>	<u>(3,057,486)</u>
Total assets	<u>\$ 5,397,078</u>	<u>15,000,050</u>	<u>20,397,128</u>
Deferred outflows of resources:			
Pension	<u>97,653</u>	<u>81,525</u>	<u>179,178</u>
Liabilities:			
Accounts payable and accrued expenses	\$ 191,523	543,766	735,289
Long-term liabilities:			
Due within one year	14,000	256,200	270,200
Due in more than one year	-	4,693,846	4,693,846
Net pension liability	<u>314,972</u>	<u>262,956</u>	<u>577,928</u>
Total liabilities	<u>520,495</u>	<u>5,756,768</u>	<u>6,277,263</u>
Deferred inflows of resources:			
Revenues for future periods	167,000	-	167,000
Pension	<u>6,663</u>	<u>5,563</u>	<u>12,226</u>
Total deferred inflows of resources	<u>173,663</u>	<u>5,563</u>	<u>179,226</u>
Net position:			
Net investment in capital assets	3,470,532	8,231,179	11,701,711
Restricted	-	500,000	500,000
Unrestricted	<u>1,330,041</u>	<u>588,065</u>	<u>1,918,106</u>
Total net position	<u>\$ 4,800,573</u>	<u>9,319,244</u>	<u>14,119,817</u>

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

TOWN OF STAR VALLEY RANCH
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Activities	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental:							
General government	\$ 315,517	26,980	23,404	14,105	(251,028)	-	(251,028)
Public safety	193,902	-	-	-	(193,902)	-	(193,902)
Public works	884,324	-	-	333,259	(551,065)	-	(551,065)
Community development	33,618	-	-	-	(33,618)	-	(33,618)
Total governmental activities	1,427,361	26,980	23,404	347,364	(1,029,613)	-	(1,029,613)
Business-type activities:							
Water	924,992	769,263	-	856,140	-	700,411	700,411
Total business-type activities	924,992	769,263	-	856,140	-	700,411	700,411
Total primary government	\$ 2,352,353	796,243	23,404	1,203,504	(1,029,613)	700,411	(329,202)
General revenues:							
Taxes:							
Sales and use tax					720,004	-	720,004
Property tax					208,355	-	208,355
Other taxes					84,062	-	84,062
Total taxes					1,012,421	-	1,012,421
Interest and investment earnings					7,732	8,128	15,860
Mineral royalties					240,867	-	240,867
Loss on disposal of assets					(6,406)	-	(6,406)
Miscellaneous					4,458	13,126	17,584
Transfers					(157,304)	157,304	-
Total general revenues and transfers					1,101,768	178,558	1,280,326
Change in net position					72,155	878,969	951,124
Net position - beginning					4,728,418	8,440,275	13,168,693
Net position - ending					\$ 4,800,573	9,319,244	14,119,817

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

TOWN OF STAR VALLEY RANCH
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2016

	<u>General</u>	<u>Total Governmental Funds</u>
Assets:		
Pooled cash and cash equivalents	\$ 1,531,091	1,531,091
Due from other governments	293,780	293,780
Receivables, net	1,000	1,000
Inventories	96,176	96,176
Prepaid expenses	<u>4,499</u>	<u>4,499</u>
Total assets	<u>\$ 1,926,546</u>	<u>1,926,546</u>
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 191,523</u>	<u>191,523</u>
Deferred inflows of resources:		
Revenues for future periods	<u>167,000</u>	<u>167,000</u>
Fund balances:		
Nonspendable	100,675	100,675
Committed	1,290,298	1,290,298
Unassigned	<u>177,050</u>	<u>177,050</u>
Total fund balances	<u>1,568,023</u>	<u>1,568,023</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,926,546</u>	<u>1,926,546</u>

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

TOWN OF STAR VALLEY RANCH
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2016

Total fund balances for governmental funds \$ 1,568,023

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

Deferred outflows of resources related to pensions are not
financial resources and, therefore, are not reported in the funds. 97,653

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds.

Land	\$ 1,641,000	
Machinery and equipment	853,246	
Infrastructure	1,149,350	
Buildings and improvements	817,424	
Construction in progress	52,112	
Accumulated depreciation	<u>(1,042,600)</u>	
		3,470,532

Long-term liabilities and related accrued interest are not due and
payable in the current period and, therefore, are not reported in
the funds.

Compensated absences	(14,000)	
Net pension liability	<u>(314,972)</u>	
		(328,972)

Deferred inflows of resources related to pensions are not due
and payable in the current period and, therefore, are not reported
in the funds. (6,663)

Net position of governmental activities \$ 4,800,573

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

TOWN OF STAR VALLEY RANCH
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues:		
Taxes	\$ 1,012,419	1,012,419
Licenses and permits	23,016	23,016
Intergovernmental	607,426	607,426
Miscellaneous	20,365	20,365
Total revenues	<u>1,663,226</u>	<u>1,663,226</u>
Expenditures:		
General government	301,908	301,908
Public safety	193,902	193,902
Public works	877,002	877,002
Community development	33,618	33,618
Total expenditures	<u>1,406,430</u>	<u>1,406,430</u>
Excess of revenues over expenditures	<u>256,796</u>	<u>256,796</u>
Other financing sources (uses):		
Transfers out	(157,304)	(157,304)
Proceeds from sale of assets	13,530	13,530
Total other financing uses	<u>(143,774)</u>	<u>(143,774)</u>
Net change in fund balance	113,022	113,022
Fund balance - beginning	<u>1,455,001</u>	<u>1,455,001</u>
Fund balance - ending	<u>\$ 1,568,023</u>	<u>1,568,023</u>

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

TOWN OF STAR VALLEY RANCH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Net change in fund balance - total governmental funds \$ 113,022

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

Governmental funds report capital outlays as expenditures.
However, in the Statement of Activities, the cost of these assets are allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 117,607	
Depreciation expense	<u>(129,761)</u>	(12,154)

Certain capital assets were disposed during the course of the year.
The amount of net book value of the assets at the time of disposal is recorded in the Statement of Activities as a reduction of net position.

Net book value of disposed assets	\$ <u>(19,936)</u>	(19,936)
-----------------------------------	--------------------	----------

The net effect of transactions involving net pension liability, deferred outflows of resources related to pensions, and pension expense is to decrease net position.

	<u>(8,777)</u>	
Change in net position of governmental activities	\$ <u><u>72,155</u></u>	

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

TOWN OF STAR VALLEY RANCH
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2016

	Water Fund	Total Proprietary Funds
Assets:		
Current assets:		
Pooled cash and cash equivalents	\$ 920,299	920,299
Restricted cash and cash equivalents	500,000	500,000
Due from other governments	186,983	186,983
Receivables, net	78,316	78,316
Inventories	139,212	139,212
Prepaid Expenses	2,215	2,215
Total current assets	<u>1,827,025</u>	<u>1,827,025</u>
Non-current assets:		
Land	15,000	15,000
Construction in progress	170,494	170,494
Buildings and improvements	1,492,176	1,492,176
Lines and improvements	13,236,825	13,236,825
Machinery and equipment	273,416	273,416
Accumulated depreciation	<u>(2,014,886)</u>	<u>(2,014,886)</u>
Total non-current assets	<u>13,173,025</u>	<u>13,173,025</u>
Total assets	<u>\$ 15,000,050</u>	<u>15,000,050</u>
Deferred outflows of resources:		
Pension	<u>81,525</u>	<u>81,525</u>
Total deferred outflows of resources	<u>81,525</u>	<u>81,525</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$ 543,766	543,766
Long-term liabilities, due within one year	<u>256,200</u>	<u>256,200</u>
Total current liabilities	799,966	799,966
Long-term liabilities, due in more than one year	4,693,846	4,693,846
Net pension liability	<u>262,956</u>	<u>262,956</u>
Total liabilities	<u>5,756,768</u>	<u>5,756,768</u>
Deferred inflows of resources:		
Pension	<u>5,563</u>	<u>5,563</u>
Total deferred inflows of resources	<u>5,563</u>	<u>5,563</u>
Net position:		
Net investment in capital assets	8,231,179	8,231,179
Restricted	500,000	500,000
Unrestricted	<u>588,065</u>	<u>588,065</u>
Total net position	<u>\$ 9,319,244</u>	<u>9,319,244</u>

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

TOWN OF STAR VALLEY RANCH
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2016

	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues:		
Charges for services	\$ 769,263	769,263
Miscellaneous	<u>13,126</u>	<u>13,126</u>
Total operating revenues	<u>782,389</u>	<u>782,389</u>
Operating expenses:		
Salaries and benefits	307,574	307,574
Current expenses	188,717	188,717
Depreciation	<u>363,526</u>	<u>363,526</u>
Total operating expenses	<u>859,817</u>	<u>859,817</u>
Operating loss	<u>(77,428)</u>	<u>(77,428)</u>
Non-operating income (expense):		
Grants	856,140	856,140
Interest income	8,128	8,128
Interest expense	<u>(65,175)</u>	<u>(65,175)</u>
Total non-operating income	<u>799,093</u>	<u>799,093</u>
Income before transfers and capital contributions	721,665	721,665
Transfer from the General Fund	<u>157,304</u>	<u>157,304</u>
Change in net position	878,969	878,969
Net position - beginning	<u>8,440,275</u>	<u>8,440,275</u>
Net position - ending	<u><u>\$ 9,319,244</u></u>	<u><u>9,319,244</u></u>

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

TOWN OF STAR VALLEY RANCH
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2016

	Water Fund	Total Proprietary Funds
<u>Cash flows from operating activities:</u>		
Receipts from customers and users	\$ 790,766	790,766
Payments to suppliers	(253,341)	(253,341)
Payments to employees	(267,664)	(267,664)
Net cash provided by operating activities	<u>269,761</u>	<u>269,761</u>
<u>Cash flows from non-capital financing activities:</u>		
Interfund transfers	<u>157,304</u>	<u>157,304</u>
Net cash provided by non-capital financing activities	<u>157,304</u>	<u>157,304</u>
<u>Cash flows from capital and related financing activities:</u>		
Proceeds from issuance of long-term debt	953,407	953,407
Payments on long-term debt	(167,394)	(167,394)
Proceeds from capital grants	900,471	900,471
Interest and fiscal charges	(74,175)	(74,175)
Payments on prior year purchases financed by accounts payable	(261,657)	(261,657)
Acquisition and construction of capital assets	<u>(1,612,870)</u>	<u>(1,612,870)</u>
Net cash used in capital and related financing activities	<u>(262,218)</u>	<u>(262,218)</u>
<u>Cash flows from investing activities</u>		
Interest received	<u>8,128</u>	<u>8,128</u>
Net cash provided by investing activities	<u>8,128</u>	<u>8,128</u>
Net increase in cash and cash equivalents	172,975	172,975
Cash and cash equivalents - beginning	<u>1,247,324</u>	<u>1,247,324</u>
Cash and cash equivalents - ending (\$500,000 restricted)	<u>\$ 1,420,299</u>	<u>1,420,299</u>

(continued)

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

(continued)

TOWN OF STAR VALLEY RANCH
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2016

	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ <u>(77,428)</u>	<u>(77,428)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	363,526	363,526
Pension expense	40,510	40,510
Accrued compensation expense	(600)	(600)
Net change in assets and liabilities:		
Increase in accounts receivable	(26,234)	(26,234)
Decrease in inventories	2,788	2,788
Decrease in accounts payable	(67,412)	(67,412)
Increase in customer deposits	<u>34,611</u>	<u>34,611</u>
Total adjustments	<u>347,189</u>	<u>347,189</u>
Net cash provided by operating activities	\$ <u><u>269,761</u></u>	<u><u>269,761</u></u>
Non-cash capital and related financing activities:		
Total acquisition and construction of capital assets		\$ (2,020,912)
Less capital assets financed with accounts payable		<u>408,042</u>
Cash paid for acquisition and construction of capital assets		\$ <u><u>(1,612,870)</u></u>

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

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies

The Town of Star Valley Ranch, Wyoming (the “Town”), operates as an incorporated governmental entity within the State of Wyoming. The Town operates under the Council-Mayor form of government and provides the following services: public safety (police and fire), streets and public improvements, community development, and general administrative services. In addition, the Town owns and operates a water system.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies established in GAAP and used by the Town are discussed below.

Financial Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The accounting policies of the Town conform to generally accepted accounting principles.

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

Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's public safety, public improvements, community development and general administrative services are classified as governmental activities. The Town's water services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debts and obligations. The Town's Net Position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Government-Wide Statements (continued)

Governmental activities are usually financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general, public safety, water services, etc.). The functions are also supported by general government revenues (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and contributions, and capital grants and contributions.

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (property or sales taxes, certain intergovernmental revenues, interest income, etc.). The Town does not allocate indirect costs.

These government-wide statements focus more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Basic Financial Statements – Fund Statements

The Town's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions, or specific purposes.

Separate financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major individual funds, as defined by GASB Statement No. 34, with each displayed as a separate column. All remaining governmental and proprietary funds are aggregated and reported as non-major funds in their respective fund financial statements.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Fund Statements (continued)

The following fund types are used by the Town:

Governmental Funds

The focus of the governmental funds' measurement (in the fund financial statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income.

The following is a description of the governmental fund of the Town:

- The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town. Proprietary funds distinguish operating revenues and expenses from non-operating 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. Revenues and expenses not meeting this definition, such as investment earnings, are reported as non-operating.

Proprietary funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the fund's net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Town's major proprietary fund consists of the following:

- The Water Fund accounts for the water services provided to Town residents.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The following provides a summary of the basis of accounting used by the Town:

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when 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 Town considers revenues to be available if they are collected within 60 days (the availability period) of the end of the current fiscal period. An exception to this policy is expenditure-driven grant revenues, which generally are considered to be available if the eligible expenditures have been made. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service and compensated absences expenditures are recorded only when payment is due.

Financial Statement Amounts

Pooled Cash and Cash Equivalents

Wherever possible, the Town's cash accounts are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein. An individual fund's equity in the pooled cash accounts is available on demand and is considered to be cash equivalents for purposes of these financial statements. Negative balances incurred in pooled cash at year-end are treated as interfund payables of the deficit account and interfund receivables in other funds with positive balances. Investments of the pool are reported at fair value.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Pooled Cash and Cash Equivalents (continued)

For the purpose of the Statement of Net Position, the term “pooled cash and cash equivalents” includes all demand deposit accounts, savings accounts, or other short-term, highly liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

Interfund Balances and Transactions

During the course of operations, transactions sometimes occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities or between funds within business-type activities are eliminated in the Statement of Net Position.

Transfers are used to report flows of cash (or other assets) between funds without equivalent flows of assets in return or a requirement for repayment. In the government-wide Statement of Activities, transfers between governmental funds have been eliminated. In the fund financial statements, transfers are reported as other financing sources or uses.

Receivables and Due from Other Governments

Receivables consist of all revenues earned at year-end but received after year-end. All receivable balances are reported net of any allowance for uncollectible accounts. Allowances for uncollectible accounts are based upon historical trends and current data regarding the condition of specific debtors as of the date of issuance of the financial statements. Business-type activities report receivables for utility service fees and grants.

Due from other governments consists of amounts due to the Town at year-end but remitted after year-end. The balance consists primarily of sales tax, franchise taxes, property taxes, other taxes, and grants.

Inventories

Inventories held by the proprietary fund and the general fund are valued using the first-in, first-out method and expenditures are recorded as inventory is used (consumption method).

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Contributed assets are reported at fair market value as of the date received. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all depreciable assets has been provided over the estimated useful lives using the straight-line method. The ranges of estimated useful lives are as follows:

Water lines	50 years
Buildings, infrastructure, and improvements	30 years
Machinery and equipment	5 to 12 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

Capitalized Interest

The Town capitalizes material net interest costs as part of the cost of construction for proprietary capital projects.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category; which is related to deferred pension expense and will be amortized to pension expense over the ensuing years.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Outflows and Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report 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. Two items are reported in the governmental fund balance sheet as deferred inflows of resources, one is due to property taxes being recognized as receivables prior to the period for which the taxes are levied and another represents the difference between expected and actual experience of the proportionate share of the net pension liability. These amounts are also reported as deferred inflows of resources on the government-wide statement of position.

Pension Related Assets, Liabilities and Deferred Outflows and Inflows of Resources

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 (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. 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.

Compensated Absences

The Town's policies regarding vacation time permit employees to accumulate unused vacation leave. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds do not report a long-term liability for compensated absences while proprietary funds report the entire liability. Compensated absences related to governmental activities are usually liquidated by the General Fund. In the government-wide financial statements, the liability for governmental activities compensated absences is included in current liabilities.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Long-term Debt (continued)

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide financial statements. The long-term debt consists of notes payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Equity in the government-wide financial statements and proprietary fund financial statements is classified as net position and displayed in three components:

- Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted - Consists of net position with constraints placed on their use whether by: 1) external groups such as creditors, grantors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Fund Balance Classifications

Governmental fund equity is classified as fund balance in the fund financial statements. Fund balance is further classified based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified inventory as nonspendable.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Classifications (continued)

Restricted - This classification includes amounts for which constraints have been placed on the use of resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or Town administrator. No other governing body or officials have this authority delegated to them. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

Revenues

Program revenues - Program revenues include charges to customers, grants and contributions for operational or capital requirements. Grants are usually reimbursable grants and are thus recognized as revenue at the time the associated expenditures are made.

General revenues - Property taxes, franchise taxes, motor vehicle taxes, other taxes, and interest income associated with the current fiscal period that are susceptible to accrual, and received in the availability period, are recognized as revenues of the fiscal period they are intended to finance. All taxes and internally dedicated resources are reported as general revenues.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 1 – Summary of Significant Accounting Policies (continued)

Revenues (continued)

Proprietary funds - Proprietary funds distinguish between operating revenues and non-operating items. Operating revenues generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Subsidies and grants to proprietary funds, which finance either capital projects or current operations, are reported as non-operating revenue or capital contributions. Other revenues that do not result from providing services are reported as non-operating revenues.

Expenses/Expenditures

Flow assumptions - When an expense/expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the Town's general policy to use restricted resources first. When an expense/expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Proprietary funds - For proprietary fund financial statements, operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

Property Tax Calendar

Lincoln County assesses all taxable property other than centrally assessed property, which is assessed by the State of Wyoming, by January 1 of each year. The Town must adopt a final tax rate prior to the third Monday of July. Property taxes are levied by Lincoln County on or about August 1 and are payable in two installments in November and May. Lincoln County collects all property tax payments and remits the collections to the Town monthly. State law allows anyone to pay the delinquent taxes on a property and obtain an enforceable lien on that property. Therefore, the Town's delinquent property taxes are insignificant.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2 – Deposits and Investments

The State of Wyoming has established laws regarding the investment of public funds (Wyoming Statutes, 9-4). The Town's adopted investment policy refers to State laws and indicates the Town will comply with State laws.

The Town's deposits and investments consist of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Pooled cash and cash equivalents:				
Demand deposits	\$ 447,740	-	100	447,840
Certificates of deposit	2,003,550	-	-	2,003,550
	<u>2,451,290</u>	<u>-</u>	<u>100</u>	<u>2,451,390</u>
Restricted cash and cash equivalents:				
Certificates of deposit	500,000	-	-	500,000
	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total deposits and investments	<u>\$ 2,951,290</u>	<u>-</u>	<u>100</u>	<u>2,951,390</u>

Deposits

State law specifies the types of financial institutions in which the Town can deposit monies. State law also requires that all deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation or secured by a pledge of collateral or the furnishing of a surety bond. At June 30, 2016, \$2,634,622 of the Town's bank balances of \$3,134,622 was uninsured, but all of the Town's bank balances were collateralized by the pledging financial institutions.

Investments

Wyoming statutes (W.S. 9-4-831) specifically identify the types of investments that may be held by the Town and the conditions for making investment transactions. Accordingly, the Town may invest in the following investments:

- United States treasury bills, notes, or bonds or any other obligation issued by the United States treasury or guaranteed by the United States;
- bonds, notes, debentures or any other obligation or securities issued by or guaranteed by any federal government agency or instrumentality;

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2 – Deposits and Investments (continued)

Investments (continued)

- repurchase agreements involving securities which are authorized investments that have been previously mentioned and subject to certain limitations, mortgage-backed securities that are obligations of or guaranteed or insured issuances of the United States, its agencies, instrumentalities or organizations created by an act of Congress excluding those defined as high risk;
- bankers acceptances eligible for purchase by the federal reserve system;
- guaranteed investment contracts if issued by a United States commercial bank or insurance company whose credit rating is of the highest category;
- a commingled fund of eligible securities if the securities are held through a trust department of a bank authorized to do business in the State of Wyoming or through a trust company authorized to do business in the State of Wyoming with total capital of at least \$10,000,000; bonds of the Wyoming Natural Gas Pipeline Authority and the Wyoming Infrastructure Authority;
- commercial paper of corporations organized and existing under the laws of any state of the United States with a maturity of not more than 270 days and rated by Moody's as P-1 or by Standard and Poor's as A-1 or equivalent ratings indicating that the commercial paper issued by a corporation is of the highest quality rating;
- diversified money market funds in which the Town does not own more than 10% of the Net Position of the funds and subject to several other limits.

The Town may also enter into contracts which are determined to be necessary or appropriate to hedge risk or to place the obligation of the bonds, in whole or in part, on the interest rate, cash flow, or other basis; but these contracts may not be used for investment.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have a policy regarding custodial credit risk other than State laws.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with State laws.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 2 – Deposits and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing exposure to credit risk is to comply with State law. At June 30, 2016, the Town did not hold any investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy for reducing exposure to credit risk is to comply with State law.

Note 3 – Receivables and Payables

The Town's receivables consist of the following:

Governmental activities:

Due from other governments:

Property tax	\$ 165,500
Sales tax	122,904
Grants	<u>5,376</u>

Total due from other governments	293,780
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Other receivable	<u>1,000</u>
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Total governmental activities	\$ <u><u>294,780</u></u>
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Business-type activities:

Due from other governments:

Capital grants	\$ <u>186,983</u>
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Receivables:

Water services and fees	77,816
Interest	<u>500</u>

Total receivables	<u>78,316</u>
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Total business-type activities	\$ <u><u>265,299</u></u>
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TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 3 – Receivables and Payables (continued)

The Town's payables consist of the following:

Governmental activities:

Accounts payable and accrued expenses:

Payables to vendors	\$ 141,023
Refundable building permits	41,400
Payroll and benefits	<u>9,100</u>

Total governmental activities	\$ <u><u>191,523</u></u>
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Business-type activities:

Accounts payable and accrued expenses:

Payables to vendors	\$ 412,284
Interest	62,500
Customer deposits	65,482
Payroll and benefits	<u>3,500</u>

Total business-type activities	\$ <u><u>543,766</u></u>
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TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 4 – Capital Assets

Capital assets activity is as follows:

	July 1, 2015	Additions	Deletions	Transfers	June 30, 2016
<u>Governmental activities</u>					
Capital assets not being depreciated:					
Land	\$ 1,641,000	-	-	-	1,641,000
Construction in progress	29,448	41,316	(18,652)	-	52,112
Total capital assets not being depreciated	1,670,448	41,316	(18,652)	-	1,693,112
Capital assets being depreciated:					
Machinery and equipment	827,819	76,291	(50,864)	-	853,246
Infrastructure	1,149,350	-	-	-	1,149,350
Buildings	817,424	-	-	-	817,424
Total capital assets being depreciated	2,794,593	76,291	(50,864)	-	2,820,020
Accumulated depreciation for:					
Machinery and equipment	(497,733)	(68,142)	49,580	-	(516,295)
Infrastructure	(227,910)	(37,299)	-	-	(265,209)
Buildings	(236,776)	(24,320)	-	-	(261,096)
Total accumulated depreciation	(962,419)	(129,761)	49,580	-	(1,042,600)
Total governmental activities capital assets, net	\$ 3,502,622	(12,154)	(19,936)	-	3,470,532

Depreciation expense is charged to functions of the Town as follows:

Streets and public improvements	\$ 83,614
General government	46,147
Total depreciation expense	\$ 129,761

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 4 – Capital Assets (continued)

	July 1, 2015	Additions	Deletions	Transfers	June 30, 2016
<u>Business-type activities</u>					
Capital assets not being depreciated:					
Land	\$ 15,000	-	-	-	15,000
Construction in progress	640,267	130,232	-	(600,005)	170,494
	<u>655,267</u>	<u>130,232</u>	<u>-</u>	<u>(600,005)</u>	<u>185,494</u>
Total capital assets not being depreciated	<u>655,267</u>	<u>130,232</u>	<u>-</u>	<u>(600,005)</u>	<u>185,494</u>
Capital assets being depreciated:					
Machinery and equipment	248,034	25,382	-	-	273,416
Water improvements	10,771,523	1,865,297	-	600,005	13,236,825
Buildings	1,492,176	-	-	-	1,492,176
	<u>12,511,733</u>	<u>1,890,679</u>	<u>-</u>	<u>600,005</u>	<u>15,002,417</u>
Total capital assets being depreciated	<u>12,511,733</u>	<u>1,890,679</u>	<u>-</u>	<u>600,005</u>	<u>15,002,417</u>
Accumulated depreciation for:					
Machinery and equipment	(150,551)	(26,034)	-	-	(176,585)
Water improvements	(1,347,354)	(299,100)	-	-	(1,646,454)
Buildings	(153,456)	(38,391)	-	-	(191,847)
	<u>(1,651,361)</u>	<u>(363,525)</u>	<u>-</u>	<u>-</u>	<u>(2,014,886)</u>
Total accumulated depreciation	<u>(1,651,361)</u>	<u>(363,525)</u>	<u>-</u>	<u>-</u>	<u>(2,014,886)</u>
Total capital assets being depreciated, net	<u>10,860,372</u>	<u>1,527,154</u>	<u>-</u>	<u>600,005</u>	<u>12,987,531</u>
Total business-type activities capital assets, net	<u>\$ 11,515,639</u>	<u>1,657,386</u>	<u>-</u>	<u>-</u>	<u>13,173,025</u>

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 5 – Interfund Balances and Transfers

During the year, the Town made the following interfund transfer:

<u>Purpose</u>	<u>Amount</u>	<u>Transfer in</u>	<u>Transfer out</u>
To provide the Water Fund with working capital and for capital outlay	\$ 157,304	Water	General

Note 6 – Long-Term Liabilities

Long-term liability activity is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
Compensated absences	\$ 14,000	6,000	(6,000)	14,000	14,000
Total governmental long-term liabilities	\$ 14,000	6,000	(6,000)	14,000	14,000
<u>Business-type activities:</u>					
Notes payable	\$ 4,244,496	864,744	(167,394)	4,941,846	248,000
Compensated absences	8,800	5,000	(5,600)	8,200	8,200
Total business-type long-term liabilities	\$ 4,253,296	869,744	(172,994)	4,950,046	256,200

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 6 – Long-Term Liabilities (continued)

Business-Type Activities

Long-term debt in the Water Fund is comprised of the following:

Notes payable:

\$1,645,885 loan from the Wyoming Water Development Commission, initial draw July 8, 2009 for the water supply development project. Due in annual installments of \$93,092, interest at 4%, matures December 2043.	\$ 1,586,783
\$1,358,943 loan from the Wyoming State Loan and Investments Board, initial draw June 30, 2012 for the steel pipe replacement phase II project. Due in annual installments of \$67,947, non-interest bearing, matures June 2033.	1,155,102
\$1,025,533 loan from the Wyoming State Loan and Investments Board, initial draw July 28, 2015 for the Water Supply Project - 2015. Due in annual installments of \$128,012, interest at 2.5%, matures May 2035.	1,025,533
\$641,554 loan from the Wyoming State Loan and Investments Board, initial draw July 6, 2009 for the water meters installation project. Due in annual installments of \$32,078, non-interest bearing, matures August 2030.	481,165
\$438,474 loan from the Wyoming State Loan and Investments Board, initial draw June 17, 2010 for the steel pipe replacement project. Due in annual installments of \$28,733, interest at 2.5%, matures December 2030.	347,661
\$363,792 loan from the Wyoming State Loan and Investments Board, initial draw June 24, 2014 for the steel pipe replacement phase III project. Due in annual installments of \$18,190, non-interest bearing, matures September 2034.	<u>345,602</u>
	\$ <u><u>4,941,846</u></u>

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 6 – Long-Term Liabilities (continued)

The Town has pledged all Water Fund revenues to secure the notes listed above. As of June 30, 2016, the future principal and interest payments on these notes totaled approximately \$6,526,000. Principal and interest on these loans due within one year is approximately \$370,000 or 50% of water operating revenues.

The requirements to service all business-type activities long-term debt is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 248,000	122,068	370,068
2018	251,222	118,359	369,581
2019	255,043	114,538	369,581
2020	258,979	110,552	369,531
2021	263,034	106,547	369,581
2022-2026	1,380,431	467,474	1,847,905
2027-2031	1,126,647	259,504	1,386,151
2032-2036	518,419	166,372	684,791
2037-2041	376,878	99,260	476,138
2042-2046	263,193	19,792	282,985
Totals	<u>\$ 4,941,846</u>	<u>1,584,466</u>	<u>6,526,312</u>

In addition, the loan from the Wyoming Water Development Commission for the water supply project required that the Town make annual deposits of \$50,000 into a sinking fund until a reserve balance of \$500,000 had been reached. The sinking fund must be maintained through the life of the loan and the reserve balance of \$500,000 is reported as restricted cash in the Water Fund.

Note 7 – Net Position and Fund Equities

Restricted net position represents moneys required to be maintained to satisfy third party agreements or legal requirements. Nonspendable, restricted, committed, and assigned fund balance represent moneys required to be maintained to satisfy third party agreements, legal requirements, enabling legislation, or the assignment of the Town's appointed designee. Restricted net position and nonspendable fund balance are as follows:

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 7 – Net Position and Fund Equities (continued)

Business-Type Activities:

Restricted for water supply project reserves	\$ <u>500,000</u>
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General Fund:

Nonspendable:

Inventory	\$ 96,176
Prepaid expenses	<u>4,499</u>

Total nonspendable	\$ <u>100,675</u>
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Committed:

Town hall construction	\$ 849,038
Road rehabilitation	366,260
Capital equipment	<u>75,000</u>

Total committed	\$ <u>1,290,298</u>
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Note 8 – Retirement Commitments

Defined Benefit Plan

The Town participates in the Wyoming Retirement System (the "System"), a statewide cost-sharing multiple-employer public employee retirement system. The System is established and governed by the respective sections of Wyoming state statute. The statute provides for the administration of the System under the direction of the Wyoming State Retirement Board whose members are appointed by the Governor. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. A copy of the report may be obtained by writing to the Wyoming Retirement System, 122 West 25th Street, Cheyenne, Wyoming 82002 or by calling 1-307-777-7691.

Substantially all Town full-time employees are eligible to participate in the Public Employees Pension Plan (PEPP) offered by the System.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 – Retirement Commitments (continued)

Public Employees Pension Plan

The PEPP is a cost sharing multiple employer defined benefit, contributory retirement plan. PEPP statutorily requires 16.62% of the participant's salary to be contributed to PEPP. Contributions consist of 8.25% of the participant's salary as employee contributions and 8.37% as employer contributions. The amount of contributions designated as employee contributions represent the portion of total contributions that a participant retains ownership of and can elect to receive as a refund upon termination of employment. Employers can elect to cover all or a portion of the employee's contribution at their discretion. Through legislation passed during the 2014 legislative session, two tiers of benefits were established for participants of this plan.

- Tier 1, PEPP allows for normal retirement after four years of service and attainment of age 60. Early retirement is allowed provided the employee has completed four years of service and attained age 50 or 25 years of service but will result in a reduction of benefits based on the length of time remaining to age 60.
- Tier 2, PEPP allows for normal retirement after four years of service and attainment of age 65. Early retirement is allowed provided the employee has completed four years of service and attained age 55, or 25 or more years of service but will result in a reduction of benefits based on the length of time remaining to age 65. All employees may also retire upon normal retirement on the bases that the sum of the member's age and service is at least 85.

PEPP provides retirement, disability and death benefits according to predetermined formulas and allows retirees to select one of seven optional methods for receiving benefits, including two joint and survivor forms of benefits: a 100% 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 provided to retirees must be granted by the State Legislature. In addition a cost of living adjustment will not be approved by the legislature unless the plan is 100% 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 PEPP and be eligible for retirement benefits at age 50 (Tier 1 employees) and 60 (Tier 2 employees).

Contributions to PEPP for the year ended June 30, 2016 were \$75,653.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 – Retirement Plans (continued)

Wyoming Deferred Compensation Plan

The Plan administered by the System is an IRS Section 457 Deferred Compensation Plan. This Plan is available as a supplemental plan to the defined benefit retirement plans. Contributions may be made into this Plan (subject to plan and Internal Revenue Code limitations) by employees and employer contributions may be made into this Plan at rates determined by the Town. During 2016, employees did not contribute to this Plan and the Town elected not to make contributions to this Plan on behalf of participating employees.

Pension Liabilities, Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2016, the Town reported an entity-wide net pension liability of \$577,928, of which \$314,972 is related to governmental activities and \$262,956 is related to the Town's water enterprise fund. The Town's entity-wide net pension liability is based on its proportionate share of the total pension liability. The Town's proportionate share of the total pension liability is 0.0248107%.

The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2015.

For the year ended June 30, 2016, the Town recognized entity-wide pension expense of \$82,576. At June 30, 2016, the Town reported entity-wide deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	12,226
Net difference between projected and actual earnings on pension plan investments	141,526	-
Contributions subsequent to the measurement date	<u>37,652</u>	<u>-</u>
	<u>\$ 179,178</u>	<u>12,226</u>

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 – Retirement Plans (continued)

Deferred outflows of resources related to pensions resulting from Town contributions of \$37,652 made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ 33,429
2018	33,429
2019	33,791
2020	<u>28,651</u>
	<u>\$ 129,300</u>

Actuarial Assumptions

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

Projected salary increases, includes inflation	4.25% to 6.00%
Assumed inflation rate	3.25%
Investment Rate of Return	7.75%

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

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 – Retirement Plans (continued)

Discount Rate

The discount rate used to measure the total pension liability for all plans was 7.75%. The projection of cash flows used to determine the discount rate assumed contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Wyoming State Statutes. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

The assumed asset allocation of the plan's portfolio, the long-term expected rate of return for each asset class, and the expected rate of return is presented arithmetically below. The geometric expected rate of return is presented for the overall plan.

Asset Class	30 Year Assumptions Nominal Arithmetic Return	30 Year Assumptions Real Arithmetic Return	Policy Allocation	30 Year Assumptions Nominal Geometric Return
Total Plan	8.27%	5.30%	100%	7.56%
Inflation	2.75%			
US Equity	8.83%	5.92%	25%	
Non-US Equity	10.37%	7.42%	30%	
Fixed Income	3.86%	1.08%	15%	
Real Estate	7.50%	4.62%	3%	
Private Markets	10.31%	7.36%	9%	
Hedge Funds	6.86%	4.00%	8.5%	
GAA	7.17%	4.30%	3%	
Risk Parity	6.72%	3.87%	4%	
Cash	3.00%	0.25%	2.5%	

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

Note 8 – Retirement Plans (continued)

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Discount Rate 7.75%	1% Increase 8.75%
Proportionate share of net pension liability	829,700	577,928	365,077

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Wyoming Retirement System financial report.

Note 9 – Operating Lease

The Town leases office space for town hall purposes. Lease rental expense under the operating lease for the year ended June 30, 2016, was approximately \$36,000. The lease expires on June 30, 2018. Future minimum non-cancelable operating lease payments will be \$36,000 a year over the next 2 years.

Note 10 – Risk Management

The Town mitigates risk of loss through the purchase of commercial liability insurance and through participation in a local government risk pool. The Town pays an annual premium for its general insurance coverage. The pool was created to be self-sustaining through member premiums. There have been no claim settlements that exceeded the Town's insurance coverage in the last three fiscal years.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF STAR VALLEY RANCH
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
Year Ended June 30, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 897,936	897,936	1,012,419	114,483
Licenses and permits	23,680	23,680	23,016	(664)
Intergovernmental	588,176	588,176	607,426	19,250
Miscellaneous revenues	16,180	16,180	20,365	4,185
	<u>1,525,972</u>	<u>1,525,972</u>	<u>1,663,226</u>	<u>137,254</u>
Total revenues				
Expenditures:				
General government	425,552	425,552	301,908	123,644
Public safety	203,508	203,508	193,902	9,606
Public works	1,149,765	1,149,765	877,002	272,763
Community development	30,750	30,750	33,618	(2,868)
	<u>1,809,575</u>	<u>1,809,575</u>	<u>1,406,430</u>	<u>403,145</u>
Total expenditures				
Excess of revenues over expenditures	<u>(283,603)</u>	<u>(283,603)</u>	<u>256,796</u>	<u>540,399</u>
Other financing sources (uses):				
Transfer to Water Fund	(188,640)	(188,640)	(157,304)	31,336
Proceeds from sale of assets	2,500	2,500	13,530	11,030
	<u>(186,140)</u>	<u>(186,140)</u>	<u>(143,774)</u>	<u>42,366</u>
Total other financing uses				
Net change to fund balance	\$ <u>(469,743)</u>	<u>(469,743)</u>	113,022	<u>582,765</u>
Fund balance - beginning			<u>1,455,001</u>	
Fund balance - ending			\$ <u>1,568,023</u>	

TOWN OF STAR VALLEY RANCH
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
As of December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>Public Employee Pension Plan</u>		
Proportion of the net pension liability	0.024811%	0.024423%
Proportionate share of the net pension liability	\$ 577,928	430,983
Covered employee payroll	\$ 443,502	407,927
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	130.31%	105.65%
Plan fiduciary net position as a percentage of the total pension liability	73.40%	79.08%

TOWN OF STAR VALLEY RANCH
SCHEDULE OF CONTRIBUTIONS
As of June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<u>Public Employee Pension Plan</u>		
Contractually required contribution	\$ 75,653	67,726
Contributions in relation to the contractually required contribution	<u>75,653</u>	<u>67,726</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
Covered employee payroll	\$ 455,193	426,755
Contributions as a percentage of covered employee payroll	16.62%	15.87%

TOWN OF STAR VALLEY RANCH
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING
June 30, 2016

Budget Presentation

A Budgetary Comparison Schedule is presented for the General Fund as required by generally accepted accounting principles (GAAP). Budgets for governmental funds are adopted on a GAAP basis.

Annual appropriated budgets are adopted for all governmental and business-type funds. All annual appropriations lapse at fiscal year end. Each fund adopts a “balanced budget” in accordance with State law. As allowed by State law, the Town Council may authorize increases to or uses of unreserved fund balances. In the budget presentations, authorized increases to fund balance are shown as positive changes in fund balance and authorized decreases are shown as negative changes in fund balance.

Budget Adoption and Monitoring

The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town Council for review. The Town Council holds public hearings and may add to, subtract from, or change appropriations. The Town must adopt the budget by the first Monday in July.

State statute requires that Town officers shall not incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Only the Town Council at a properly advertised public hearing can make increases in total fund appropriations. The final budget information presented is after all approved amendments.

Budgetary Compliance

For the year ended June 30, 2016, the Town was compliant with all budgets, with no departments or funds exceeding budget expenditures.

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SUPPLEMENTARY INFORMATION

TOWN OF STAR VALLEY RANCH
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016			2015
	Final Budget	Actual	Variance	Actual
Revenues:				
Taxes:				
Sales and use taxes	\$ 603,219	720,004	116,785	681,014
Property taxes	210,715	208,355	(2,360)	192,495
Gas taxes	30,027	26,029	(3,998)	26,801
Severance taxes	53,975	58,031	4,056	55,491
Total taxes	897,936	1,012,419	114,483	955,801
Licenses and permits:				
Building permits and sign licenses	22,050	22,241	191	13,760
Other licenses and permits	1,630	775	(855)	1,500
Total licenses and permits	23,680	23,016	(664)	15,260
Intergovernmental:				
Mineral royalties	114,430	115,082	652	114,963
Share the wealth grant	125,785	125,785	-	125,765
Other grants	347,961	366,559	18,598	23,636
Total intergovernmental	588,176	607,426	19,250	264,364
Miscellaneous revenues:				
Interest and investment earnings	8,625	7,732	(893)	7,037
Other	7,555	12,633	5,078	5,787
Total miscellaneous revenues	16,180	20,365	4,185	12,824
Total revenues	1,525,972	1,663,226	137,254	1,248,249
Expenditures:				
General government:				
Salaries and benefits	179,637	159,355	20,282	156,920
Capital outlay - grants	-	14,105	(14,105)	-
Capital outlay - general government	100,000	27,210	72,790	-
Municipal court	2,100	1,407	693	2,011
Administrative	71,345	47,192	24,153	58,910
Consulting	30,000	22,711	7,289	25,535
Legal	12,000	6,961	5,039	6,296
Town hall	30,470	22,967	7,503	25,036
Total general government	425,552	301,908	123,644	274,708

(continued)

(continued)

TOWN OF STAR VALLEY RANCH
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016			2015
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Public safety:				
Salaries and benefits	129,403	124,874	4,529	127,106
Other	8,105	3,028	5,077	6,741
Emergency medical services	33,000	33,000	-	33,000
Fire protection	33,000	33,000	-	33,000
Total public safety	<u>203,508</u>	<u>193,902</u>	<u>9,606</u>	<u>199,847</u>
Public works:				
Salaries and benefits	225,610	195,128	30,482	187,320
Capital outlay - other	724,518	76,292	648,226	96,634
Streets	199,637	605,582	(405,945)	234,181
Total public works	<u>1,149,765</u>	<u>877,002</u>	<u>272,763</u>	<u>518,135</u>
Community development:				
Salaries and benefits	26,850	31,579	(4,729)	30,111
Community development	3,900	2,039	1,861	36,191
Total community development	<u>30,750</u>	<u>33,618</u>	<u>(2,868)</u>	<u>66,302</u>
Total expenditures	<u>1,809,575</u>	<u>1,406,430</u>	<u>403,145</u>	<u>1,058,992</u>
Excess of revenues over expenditures	<u>(283,603)</u>	<u>256,796</u>	<u>540,399</u>	<u>189,257</u>
Other financing sources (uses):				
Proceeds from sale of assets	2,500	13,530	11,030	9,828
Transfer to Water Fund	(188,640)	(157,304)	31,336	(188,640)
Total other financing uses	<u>(186,140)</u>	<u>(143,774)</u>	<u>42,366</u>	<u>(178,812)</u>
Net change to fund balance	\$ <u>(469,743)</u>	113,022	<u>582,765</u>	10,445
Fund balance - beginning		<u>1,455,001</u>		<u>1,444,556</u>
Fund balance - ending		\$ <u>1,568,023</u>		<u>1,455,001</u>

TOWN OF STAR VALLEY RANCH
STATEMENT OF REVENUES AND EXPENSES –
BUDGET AND ACTUAL –
WATER FUND
Year Ended June 30, 2016
(With Comparative Totals for the Year Ended June 30, 2015)

	2016			2015
	Final Budget	Actual	Variance	Actual
Operating revenues:				
Charges for services	\$ 892,129	769,263	(122,866)	606,940
Miscellaneous	8,400	13,126	4,726	7,104
Total operating revenues	900,529	782,389	(118,140)	614,044
Operating expenses:				
Salaries and benefits	285,524	267,064	18,460	231,590
Current expenses	186,137	188,717	(2,580)	145,226
Total operating expenses	471,661	455,781	15,880	376,816
Operating income	428,868	326,608	(102,260)	237,228
Non-operating income (expense):				
Interest income	5,275	8,128	2,853	6,395
Interest expense	(74,177)	(65,175)	9,002	(103,537)
Total non-operating expense	(68,902)	(57,047)	11,855	(97,142)
Income before transfers and capital budget income (expenses)	359,966	269,561	(90,405)	140,086
Transfer from General Fund	377,280	157,304	(219,976)	188,640
Capital budget income (expenses):				
Grant proceeds	2,993,400	856,140	(2,137,260)	159,189
Debt proceeds	-	864,744	864,744	160,789
Debt principal payments	(167,394)	(167,394)	-	(147,067)
Equipment and improvements - grants, loans	(3,093,400)	(2,016,563)	1,076,837	(468,191)
Net income (loss) budget basis	\$ 469,852	(36,208)	(506,060)	33,446
Adjustment from budget basis to GAAP basis:				
Debt proceeds		(864,744)		(160,789)
Debt principal payments		167,394		147,067
Capital outlay		2,016,563		468,191
Depreciation		(363,526)		(340,408)
Pension expense		(40,510)		(33,072)
Net income GAAP basis		\$ 878,969		114,435

GOVERNMENTAL AUDIT REPORT

TOWN OF STAR VALLEY RANCH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA No.	Pass Through Grant No.	Expenditures
<u>U.S. Environmental Protection Agency (EPA)</u>			
<i>Passed through the Wyoming State Drinking Water Revolving Account Loan Program:</i>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	DWSRF-154	\$ 1,153,406
<u>U.S. Department of the Interior</u>			
Federal Oil and Gas Royalty Management State and Tribal Coordination	15.427	MRG-15025 LN	568,096
<u>U.S. Department of Transportation</u>			
Recreational Trails Program	20.219	NRT# 1515	<u>14,105</u>
Total expenditures of federal awards			\$ <u><u>1,735,607</u></u>

TOWN OF STAR VALLEY RANCH
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Star Valley Ranch (the “Town”) under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Town, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Town.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported using the same accounting policies and basis of accounting as the financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The Town has not elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.



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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

To the Mayor and Town Council
Town of Star Valley Ranch
Star Valley Ranch, WY

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, and each major fund of the Town of Star Valley Ranch, Wyoming (the Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 11, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Town's Response to Findings

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

Purpose of this Report

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



JONES SIMKINS LLC

Logan, Utah

November 11, 2016



Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Mayor and Town Council
Town of Star Valley Ranch
Star Valley Ranch, WY

Report on Compliance for Each Major Federal Program

We have audited the Town of Star Valley Ranch Wyoming's (the Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2016. The Town's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Jones Simkins LLC".

JONES SIMKINS LLC

Logan, Utah

November 11, 2016

TOWN OF STAR VALLEY RANCH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

A. Summary of Auditors' Results:

Financial Statements

- | | |
|---|-----------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| • Material weakness(es) identified? | Yes |
| • Significant deficiency(ies) identified? | None identified |
| 3. Non-compliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|--|
| 4. Internal control over major programs: | |
| • Material weakness(es) identified? | No |
| • Significant deficiency(ies) identified? | None identified |
| 5. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. Identification of major programs: | Capitalization Grants for
Drinking Water State
Revolving Funds
CFDA #66.468 |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | No |

TOWN OF STAR VALLEY RANCH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

- B. Findings related to the financial statements required to be reported in accordance with *Government Auditing Standards*:

Finding 2016-001

Criteria: Internal control standards adopted by the GAO expect that an organization's internal controls be designed in such a manner that allows management or employees, in the normal course of performing their assigned functions, the ability to prevent or detect misstatements in account balances prior to being reported in the financial statements.

Condition: Material auditor-proposed adjustments outside the scope of the nonaudit services the auditor was engaged to provide were required to make the financial statements conform to generally accepted accounting principles.

Cause: Due in part to inherent limitations on internal controls associated with small organizations, the Town does not have an internal control system designed to record, report, and disclose all balances and transactions in accordance with Generally Accepted Accounting Principles.

Effect: The Town has a material weakness in internal controls with respect to the accurate recording, reporting, and disclosure of transactions and balances in accordance with Generally Accepted Accounting Principles.

Recommendation: Although this circumstance is not unusual for an organization of the Town's size, the absence of properly designed controls over financial reporting significantly increases the risk that a misstatement could occur in the financial statements and not be prevented, detected, or corrected by the Town's internal control. Town management should consider ways to reduce the number of year-end audit adjustments and consider whether obtaining the necessary training, materials, and resources to allow the Town to prepare financial information on the accrual and modified accrual basis in accordance with generally accepted accounting principles with reduced assistance from the auditor is cost beneficial.

- C. Findings and questioned costs related to federal awards required to be reported in accordance with the Uniform Guidance.

None

TOWN OF STAR VALLEY RANCH
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2016

There were no audit findings in the prior year related to federal awards.

TOWN OF STAR VALLEY RANCH
CORRECTIVE ACTION PLAN
(Client Submitted Document)
Year Ended June 30, 2016

The Town of Star Valley Ranch respectfully submits the following response for the findings identified in the June 30, 2016 audit.

Response to finding 2016-001

Management will continue to evaluate the cost and benefit of obtaining the necessary training, materials, and resources needed to improve the Town's ability to record transactions in accordance with Generally Accepted Accounting Principles.