

**TOWN OF STAR VALLEY RANCH**

**FINANCIAL STATEMENTS**

**June 30, 2017**



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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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 supplementary information is the responsibility of management and was derived from and relates 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 is 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 16, 2017, 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 16, 2017

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

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, 2017. 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 \$436,000. The governmental net position increased by approximately \$27,000, and the business-type net position increased by approximately \$409,000.

The total net position of governmental and business-type activities is approximately \$14,556,000 and is made up of approximately \$11,584,000 in capital assets, such as land, infrastructure, buildings, and equipment, net of related debt.

The net total indebtedness of the Town increased approximately \$289,000 during the year related to loans to help fund water system improvements.

As of June 30, 2017, the following projects were in process:

- The Town proceeded with the Water Supply Project-2017 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 \$982,300. The approved funding from SLIB was a loan in the amount of \$1,964,600. The loan includes a loan forgiveness provision of twenty-five percent (25%). The total funding for this phase of the Water Supply Project is approximately three million dollars. The Town will apply for the third phase of the Water Supply Project in fiscal year 2018, with the application due in November 2017. The third phase will be the Water Supply Project-2019 and should be completed in the fall of 2020. The Town expects to start the fourth and final phase in 2020. 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 2022, 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, 2017

- 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 2018. The current lease expires June 30, 2018 and the present plan is to move the offices to a temporary location at the Town owned public works buildings.

## **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, 2017

## **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.

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

**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 \$14,556,000.

By far the largest portion of the Town's net position (80%) 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 17% 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, 2017 and 2016.

<u>STATEMENTS OF NET POSITION</u>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 1,938,013	1,926,546	1,992,316	1,827,025	3,930,329	3,753,571
Capital assets	3,454,201	3,470,532	13,360,696	13,173,025	16,814,897	16,643,557
Total assets	5,392,214	5,397,078	15,353,012	15,000,050	20,745,226	20,397,128
Deferred outflows of resources - Pension	93,355	97,653	90,054	81,525	183,409	179,178
Current liabilities	133,707	205,523	410,662	799,966	544,369	1,005,489
Non-current liabilities	325,707	314,972	5,295,682	4,956,802	5,621,389	5,271,774
Total liabilities	459,414	520,495	5,706,344	5,756,768	6,165,758	6,277,263
Deferred inflows of resources - revenues for future periods	190,000	167,000	-	-	190,000	167,000
Pension	8,731	6,663	8,423	5,563	17,154	12,226
Net investment in capital assets	3,454,201	3,470,532	8,130,202	8,231,179	11,584,403	11,701,711
Restricted	-	-	500,000	500,000	500,000	500,000
Unrestricted	1,373,223	1,330,041	1,098,097	588,065	2,471,320	1,918,106
Total net position	\$ 4,827,424	4,800,573	9,728,299	9,319,244	14,555,723	14,119,817

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The following table provides a summary of the Town's operations for the years ended June 30, 2017 and 2016.

<u>CHANGES IN NET POSITION</u>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues						
Program revenues						
Charges for services	\$ 23,018	26,980	1,013,345	769,263	1,036,363	796,243
Operating grants and contributions	259	23,404	-	-	259	23,404
Capital grants and contributions	3,524	347,364	457,509	856,140	461,033	1,203,504
General revenues						
Sales, use, and other taxes	697,931	720,004	-	-	697,931	720,004
Property taxes	225,957	208,355	-	-	225,957	208,355
Other taxes	88,204	84,062	-	-	88,204	84,062
Interest	11,063	7,732	8,104	8,128	19,167	15,860
Mineral royalties	283,628	240,867	-	-	283,628	240,867
Loss on disposal of assets	(2,029)	(6,406)	(227,385)	-	(229,414)	(6,406)
Miscellaneous	3,613	4,458	14,409	13,126	18,022	17,584
Total revenues	<u>1,335,168</u>	<u>1,656,820</u>	<u>1,265,982</u>	<u>1,646,657</u>	<u>2,601,150</u>	<u>3,303,477</u>
Expenses						
General government	375,676	315,517	-	-	375,676	315,517
Public safety	171,470	193,902	-	-	171,470	193,902
Public works	623,030	884,324	-	-	623,030	884,324
Community development	43,821	33,618	-	-	43,821	33,618
Water	-	-	951,247	924,992	951,247	924,992
Total expenses	<u>1,213,997</u>	<u>1,427,361</u>	<u>951,247</u>	<u>924,992</u>	<u>2,165,244</u>	<u>2,352,353</u>
Changes in net position before transfers	121,171	229,459	314,735	721,665	435,906	951,124
Transfers	<u>(94,320)</u>	<u>(157,304)</u>	<u>94,320</u>	<u>157,304</u>	<u>-</u>	<u>-</u>
Change in net position	26,851	72,155	409,055	878,969	435,906	951,124
Net position - beginning	<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>
Net position - ending	<u>\$ 4,827,424</u>	<u>4,800,573</u>	<u>9,728,299</u>	<u>9,319,244</u>	<u>14,555,723</u>	<u>14,119,817</u>

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

**Governmental Activities**

Governmental activities net position increased by approximately \$27,000 for the current fiscal year. A key element of this increase is as follows:

- The net transfers between the General Fund and the Water Fund decreased by approximately \$63,000, with a transfer in the current year for approximately \$94,000, when compared to a prior year transfer in the amount of approximately \$157,000. These transfers were made to provide the Water Fund with working capital which was budgeted for \$13,109 per month. These funds have decreased each year to make the Water Fund self-sustaining. Presently the Town has budgeted \$5,250 each month which will end in December of 2017. 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 \$5 per account per month for each water user.

**Business-Type Activities**

Business-type activities net position increased by approximately \$409,000. Key elements of the increase in business-type activities net position are as follows:

- Charges for services provided revenue of approximately \$1,013,000, which resulted in an increase of approximately \$244,000 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 \$458,000 from the State of Wyoming. These grants were used to fund various water system improvements and construction projects. During the current 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 \$2,947,000 to complete the second phase of the water system project. Said funding consists of approximately \$982,000 in grants and approximately \$1,965,000 in loan proceeds. As of June 30, 2017, approximately \$41,000 in combined grant revenue and loan proceeds had been received. The remaining funds to complete the second phase of the water system improvement project are expected to be received during fiscal year 2018.

As of June 30, 2017, the first phase of the water system improvement project was completed and the funds consisted of approximately \$1,452,000 in grants and approximately \$1,463,000 in loan proceeds.

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 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, 2017, the Town's General Fund reported fund equity of approximately \$1,628,000. 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.

Taxes continue to be the largest source of revenue in the General Fund and represented 76% 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 69% of total tax revenues and 52% of total general fund revenues. Sales and use tax revenues decreased from approximately \$720,000 in fiscal year 2016 to approximately \$698,000 in fiscal year 2017; a decrease of approximately \$22,000 or 3%. Property tax revenues increased from approximately \$208,000 in fiscal year 2016 to approximately \$226,000 in fiscal year 2017; an increase of approximately \$18,000 or 8%.

Excluding capital outlay, General Fund collective departmental expenditures decreased by approximately \$213,000; due mainly to a decrease 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 income of approximately \$183,000 in fiscal year 2017 as compared to an operating loss of approximately \$77,000 in fiscal year 2016 which is a result of the Town raising water system user fees over the past several years.

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

**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 funds 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.

**CAPITAL ASSETS**

*Capital assets* - The investment in capital assets for governmental and business-type activities as of June 30, 2017, amounts to approximately \$16,815,000 (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 2017 was approximately \$16,000 and depreciation expense was approximately \$131,000. The decrease in governmental fixed assets was mainly attributed to depreciation expense being greater than capital asset purchases.

The net increase in the Town's proprietary fixed assets for 2017 was approximately \$188,000 and depreciation expense was approximately \$379,000. The main increase in the Town's proprietary fixed assets was due to the completion of the Water Supply 2015 Project.

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

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

## **DEBT ADMINISTRATION**

*Long-term liabilities* - As of June 30, 2017, the Town had total debt and other long term liabilities outstanding of approximately \$5,896,000. These long-term liabilities relate 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 2018 budget remains relatively consistent in comparison to the fiscal year ended June 30, 2017.

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 was completed during 2017. The second phase of the undersized plastic water lines began in June 2017 and is expected to be completed in 2018. The remaining phases will be completed over several years as money becomes available through the State of Wyoming.
- 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 for 2017 was moved to 2018 and will include Solitude, Eastwood, West and Birch.
- 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 East Forest and Vista East Circle 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. In 2017 the Town completed the development of Vista Drive, West Elkhorn, Chokecherry and Birch cul-de-sacs as well as applied new road base to Alpenglöw, Snowforest and Vista West.

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2017

- A dog park was completed in the summer of 2017 and is scheduled to open in spring 2018. The park has a section for small dogs and all dogs with shade trees donated by a local citizen. The park is located in the Fox Run Park off of Hardman, near the Public Works building.
- The Town has been developing different trails that begin in the Town boundaries and then venture out into US Forest Service property. Three miles of trails have been completed so far and Town volunteers continue to maintain the trails. 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 requests 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).

## BASIC FINANCIAL STATEMENTS

TOWN OF STAR VALLEY RANCH  
STATEMENT OF NET POSITION  
June 30, 2017

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets:			
Pooled cash and cash equivalents	\$ 1,611,241	1,182,388	2,793,629
Restricted cash and cash equivalents	-	500,000	500,000
Due from other governments	305,774	41,045	346,819
Receivables	2,000	92,158	94,158
Inventories	18,998	176,725	195,723
Nondepreciable capital assets	1,709,076	56,046	1,765,122
Depreciable capital assets	2,906,825	15,492,722	18,399,547
Accumulated depreciation	(1,161,700)	(2,188,072)	(3,349,772)
Total assets	5,392,214	15,353,012	20,745,226
Deferred outflows of resources:			
Pension	93,355	90,054	183,409
Liabilities:			
Accounts payable and accrued expenses	119,707	150,062	269,769
Long-term liabilities:			
Due within one year	14,000	260,600	274,600
Due in more than one year	-	4,981,494	4,981,494
Net pension liability	325,707	314,188	639,895
Total liabilities	459,414	5,706,344	6,165,758
Deferred inflows of resources:			
Property taxes	190,000	-	190,000
Pension	8,731	8,423	17,154
Total deferred inflows of resources	198,731	8,423	207,154
Net position:			
Net investment in capital assets	3,454,201	8,130,202	11,584,403
Restricted	-	500,000	500,000
Unrestricted	1,373,223	1,098,097	2,471,320
Total net position	\$ 4,827,424	9,728,299	14,555,723

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

TOWN OF STAR VALLEY RANCH  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2017

		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
Activities	Expenses						
Primary government:							
Governmental:							
General government	\$ 397,876	23,018	259	3,524	(371,075)	-	(371,075)
Public safety	171,470	-	-	-	(171,470)	-	(171,470)
Public works	600,830	-	-	-	(600,830)	-	(600,830)
Community development	43,821	-	-	-	(43,821)	-	(43,821)
Total governmental activities	1,213,997	23,018	259	3,524	(1,187,196)	-	(1,187,196)
Business-type activities:							
Water	951,247	1,013,345	-	457,509	-	519,607	519,607
Total business-type activities	951,247	1,013,345	-	457,509	-	519,607	519,607
Total primary government	\$ 2,165,244	1,036,363	259	461,033	(1,187,196)	519,607	(667,589)
General revenues:							
Taxes:							
Sales and use tax					\$ 697,931	-	697,931
Property tax					225,957	-	225,957
Other taxes					88,204	-	88,204
Total taxes					1,012,092	-	1,012,092
Interest and investment earnings					11,063	8,104	19,167
Mineral royalties					283,628	-	283,628
Loss on disposal of assets					(2,029)	(227,385)	(229,414)
Miscellaneous					3,613	14,409	18,022
Transfers					(94,320)	94,320	-
Total general revenues and transfers					1,214,047	(110,552)	1,103,495
Change in net position					26,851	409,055	435,906
Net position - beginning					4,800,573	9,319,244	14,119,817
Net position - ending					\$ 4,827,424	9,728,299	14,555,723

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

TOWN OF STAR VALLEY RANCH  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
June 30, 2017

	<u>General</u>	<u>Total Governmental Funds</u>
Assets:		
Pooled cash and cash equivalents	\$ 1,611,241	1,611,241
Due from other governments	305,774	305,774
Receivables, net	2,000	2,000
Inventories	18,998	18,998
	<u>1,938,013</u>	<u>1,938,013</u>
Liabilities:		
Accounts payable and accrued expenses	119,707	119,707
Deferred inflows of resources:		
Unavailable revenue - property taxes	190,000	190,000
Fund balances:		
Nonspendable	18,998	18,998
Committed	1,295,163	1,295,163
Unassigned	314,145	314,145
	<u>1,628,306</u>	<u>1,628,306</u>
Total liabilities, deferred inflows of resources, and fund balances	\$ <u>1,938,013</u>	<u>1,938,013</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, 2017

Total fund balances for governmental funds	\$	1,628,306
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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.		93,355
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	1,667,827	
Machinery and equipment		940,052	
Infrastructure		1,149,349	
Buildings and improvements		817,424	
Construction in progress		41,249	
Accumulated depreciation		<u>(1,161,700)</u>	
			3,454,201

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>(325,707)</u>	
			(339,707)

Deferred inflows of resources related to pensions are not due and payable in the current period and, therefore, are not reported in the funds.		<u>(8,731)</u>
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Net position of governmental activities	\$	<u><u>4,827,424</u></u>
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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, 2017

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues:		
Taxes	\$ 1,012,091	1,012,091
Licenses and permits	19,239	19,239
Intergovernmental	287,152	287,152
Miscellaneous	18,714	18,714
	<u>1,337,196</u>	<u>1,337,196</u>
Total revenues		
Expenditures:		
General government	325,485	325,485
Public safety	171,470	171,470
Public works	641,817	641,817
Community development	43,821	43,821
	<u>1,182,593</u>	<u>1,182,593</u>
Total expenditures		
Excess of revenues over expenditures	<u>154,603</u>	<u>154,603</u>
Other financing sources (uses):		
Transfers out	<u>(94,320)</u>	<u>(94,320)</u>
	<u>(94,320)</u>	<u>(94,320)</u>
Total other financing uses		
Net change in fund balance	60,283	60,283
Fund balance - beginning	<u>1,568,023</u>	<u>1,568,023</u>
Fund balance - ending	<u>\$ 1,628,306</u>	<u>1,628,306</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, 2017

Net change in fund balance - total governmental funds	\$	60,283
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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	\$	117,098	
Depreciation expense		<u>(131,401)</u>	(14,303)

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>(2,029)</u>	(2,029)
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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>(17,100)</u>
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Change in net position of governmental activities	\$	<u><u>26,851</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF STAR VALLEY RANCH  
STATEMENT OF NET POSITION –  
PROPRIETARY FUNDS  
June 30, 2017

	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
Assets:		
Current assets:		
Pooled cash and cash equivalents	\$ 1,182,388	1,182,388
Restricted cash and cash equivalents	500,000	500,000
Due from other governments	41,045	41,045
Receivables, net	92,158	92,158
Inventories	176,725	176,725
Total current assets	<u>1,992,316</u>	<u>1,992,316</u>
Non-current assets:		
Land	15,000	15,000
Construction in progress	41,046	41,046
Buildings and improvements	1,492,176	1,492,176
Lines and improvements	13,593,597	13,593,597
Machinery and equipment	406,949	406,949
Accumulated depreciation	(2,188,072)	(2,188,072)
Total non-current assets	<u>13,360,696</u>	<u>13,360,696</u>
Total assets	<u>15,353,012</u>	<u>15,353,012</u>
Deferred outflows of resources:		
Pension	90,054	90,054
Total deferred outflows of resources	<u>90,054</u>	<u>90,054</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	150,062	150,062
Long-term liabilities, due within one year	260,600	260,600
Total current liabilities	410,662	410,662
Long-term liabilities, due in more than one year	4,981,494	4,981,494
Net pension liability	314,188	314,188
Total liabilities	<u>5,706,344</u>	<u>5,706,344</u>
Deferred inflows of resources:		
Pension	8,423	8,423
Total deferred inflows of resources	<u>8,423</u>	<u>8,423</u>
Net position:		
Net investment in capital assets	8,130,202	8,130,202
Restricted	500,000	500,000
Unrestricted	1,098,097	1,098,097
Total net position	<u>\$ 9,728,299</u>	<u>9,728,299</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, 2017

	Water Fund	Total Proprietary Funds
Operating revenues:		
Charges for services	\$ 1,013,345	1,013,345
Miscellaneous	14,409	14,409
Total operating revenues	<u>1,027,754</u>	<u>1,027,754</u>
Operating expenses:		
Salaries and benefits	320,138	320,138
Current expenses	138,034	138,034
Depreciation	386,450	386,450
Total operating expenses	<u>844,622</u>	<u>844,622</u>
Operating income	<u>183,132</u>	<u>183,132</u>
Non-operating income (expense):		
Grants	457,509	457,509
Interest income	8,104	8,104
Interest expense	(106,625)	(106,625)
Loss on disposal of assets	(227,385)	(227,385)
Total non-operating income	<u>131,603</u>	<u>131,603</u>
Income before transfers and capital contributions	314,735	314,735
Transfer from the General Fund	94,320	94,320
Change in net position	409,055	409,055
Net position - beginning	<u>9,319,244</u>	<u>9,319,244</u>
Net position - ending	<u><u>\$ 9,728,299</u></u>	<u><u>9,728,299</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, 2017

	Water Fund	Total Proprietary Funds
<u>Cash flows from operating activities:</u>		
Receipts from customers and users	\$ 1,024,177	1,024,177
Payments to suppliers	(167,920)	(167,920)
Payments to employees	(265,474)	(265,474)
Net cash provided by operating activities	<u>590,783</u>	<u>590,783</u>
<u>Cash flows from non-capital financing activities:</u>		
Interfund transfers	<u>94,320</u>	<u>94,320</u>
Net cash provided by non-capital financing activities	<u>94,320</u>	<u>94,320</u>
<u>Cash flows from capital and related financing activities:</u>		
Proceeds from issuance of long-term debt	559,194	559,194
Proceeds from the sale of assets	50,000	50,000
Payments on long-term debt	(173,254)	(173,254)
Proceeds from capital grants	506,155	506,155
Interest and fiscal charges	(117,125)	(117,125)
Payments on prior year purchases financed by accounts payable	(408,042)	(408,042)
Acquisition and construction of capital assets	(848,046)	(848,046)
Net cash used in capital and related financing activities	<u>(431,118)</u>	<u>(431,118)</u>
<u>Cash flows from investing activities</u>		
Interest received	<u>8,104</u>	<u>8,104</u>
Net cash provided by investing activities	<u>8,104</u>	<u>8,104</u>
Net increase in cash and cash equivalents	262,089	262,089
Cash and cash equivalents - beginning	<u>1,420,299</u>	<u>1,420,299</u>
Cash and cash equivalents - ending (\$500,000 restricted)	<u>\$ 1,682,388</u>	<u>1,682,388</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, 2017

	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 183,132	183,132
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	386,450	386,450
Pension expense	45,563	45,563
Accrued compensation expense	3,401	3,401
Net change in assets and liabilities:		
Increase in accounts receivable	(13,842)	(13,842)
Increase in inventories	(37,513)	(37,513)
Decrease in prepaid expenses	2,215	2,215
Increase in accounts payable	5,412	5,412
Increase in accrued liabilities	5,700	5,700
Increase in customer deposits	10,265	10,265
Total adjustments	407,651	407,651
Net cash provided by operating activities	\$ 590,783	590,783
Non-cash capital and related financing activities:		
Total acquisition and construction of capital assets	\$ (851,506)	
Less capital assets financed with accounts payable		3,460
Cash paid for acquisition and construction of capital assets		\$ (848,046)

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

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

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 Liabilities*

The accounting treatment of long-term liabilities 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, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

*Long-term Liabilities (continued)*

In the government-wide financial statements, long-term liabilities and obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, and similar items, when material, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are recorded as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and payments of principal and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. The accounting for proprietary fund long-term liabilities 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”.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

*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.

*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.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

*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.

*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.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

**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.

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	\$ 512,519	-	100	512,619
Certificates of deposit	<u>2,281,010</u>	<u>-</u>	<u>-</u>	<u>2,281,010</u>
	<u>2,793,529</u>	<u>-</u>	<u>100</u>	<u>2,793,629</u>
Restricted cash and cash equivalents:				
Certificates of deposit	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total deposits and investments	<u>\$ 3,293,529</u>	<u>-</u>	<u>100</u>	<u>3,293,629</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, 2017, \$2,796,983 of the Town's bank balances of \$3,296,983 was uninsured, but all of the Town's bank balances were collateralized by the pledging financial institutions.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 2 – Deposits and Investments (continued)

*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;
- 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.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 2 – Deposits and Investments (continued)

*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.

*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, 2017, 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.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 3 – Receivables and Payables

The Town's receivables consist of the following:

Governmental activities:

Due from other governments:

Property tax	\$ 185,000
Sales tax	<u>120,774</u>

Total due from other governments	305,774
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Interest	<u>2,000</u>
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Total governmental activities	<u><u>\$ 307,774</u></u>
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Business-type activities:

Due from other governments:

Capital grants	<u>\$ 41,045</u>
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Receivables:

Water services and fees	91,358
Interest	<u>800</u>

Total receivables	<u>92,158</u>
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Total business-type activities	<u><u>\$ 133,203</u></u>
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TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 3 – Receivables and Payables (continued)

The Town's payables consist of the following:

Governmental activities:

Accounts payable and accrued expenses:	
Refundable building permits	\$ 51,700
Payables to vendors	39,107
Payroll and benefits	<u>28,900</u>
Total governmental activities	<u>\$ 119,707</u>

Business-type activities:

Accounts payable and accrued expenses:	
Customer deposits	\$ 75,747
Interest	52,000
Payables to vendors	13,115
Payroll and benefits	<u>9,200</u>
Total business-type activities	<u>\$ 150,062</u>

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 4 – Capital Assets

Capital assets activity is as follows:

	July 1, 2016	Additions	Deletions	Transfers	June 30, 2017
<u>Governmental activities</u>					
Capital assets not being depreciated:					
Land and improvements	\$ 1,641,000	-	-	26,827	1,667,827
Construction in progress	52,112	15,964	-	(26,827)	41,249
Total capital assets not being depreciated	1,693,112	15,964	-	-	1,709,076
Capital assets being depreciated:					
Machinery and equipment	853,246	101,134	(14,329)	-	940,051
Infrastructure	1,149,350	-	-	-	1,149,350
Buildings	817,424	-	-	-	817,424
Total capital assets being depreciated	2,820,020	101,134	(14,329)	-	2,906,825
Accumulated depreciation for:					
Machinery and equipment	(516,295)	(69,782)	12,301	-	(573,776)
Infrastructure	(265,209)	(37,299)	-	-	(302,508)
Buildings	(261,096)	(24,320)	-	-	(285,416)
Total accumulated depreciation	(1,042,600)	(131,401)	12,301	-	(1,161,700)
Total governmental activities capital assets, net	\$ 3,470,532	(14,303)	(2,028)	-	3,454,201

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

Streets and public improvements	\$ 82,347
General government	49,054
Total depreciation expense	\$ 131,401

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 4 – Capital Assets (continued)

	July 1, 2016	Additions	Deletions	Transfers	June 30, 2017
<u>Business-type activities</u>					
Capital assets not being depreciated:					
Land	\$ 15,000	-	-	-	15,000
Construction in progress	170,494	734,694	-	(864,142)	41,046
Total capital assets not being depreciated	185,494	734,694	-	(864,142)	56,046
Capital assets being depreciated:					
Machinery and equipment	273,416	109,782	(81,803)	105,553	406,948
Water improvements	13,236,825	-	(401,816)	758,589	13,593,598
Buildings	1,492,176	-	-	-	1,492,176
Total capital assets being depreciated	15,002,417	109,782	(483,619)	864,142	15,492,722
Accumulated depreciation for:					
Machinery and equipment	(176,585)	(29,275)	80,555	-	(125,305)
Water improvements	(1,646,454)	(311,753)	125,678	-	(1,832,529)
Buildings	(191,847)	(38,391)	-	-	(230,238)
Total accumulated depreciation	(2,014,886)	(379,419)	206,233	-	(2,188,072)
Total capital assets being depreciated, net	12,987,531	(269,637)	(277,386)	864,142	13,304,650
Total business-type activities capital assets, net	\$ 13,173,025	465,057	(277,386)	-	13,360,696

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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	\$ 94,320	Water	General

Note 6 – Commitments

As of June 30, 2017, the Town has entered into construction contracts related to water supply improvement projects of approximately \$2.5 million.

Note 7 – 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	\$ 4,941,846	461,902	(173,254)	5,230,494	249,000
Compensated absences	8,200	5,000	(1,600)	11,600	11,600
Total business-type long-term liabilities	\$ 4,950,046	466,902	(174,854)	5,242,094	260,600

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 7 – 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 \$95,228, interest at 4%, matures June 2043. \$ 1,555,026

\$1,463,328 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 \$93,868, interest at 2.5%, matures August 2036. 1,463,328

\$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 Oct 2032. 1,087,155

\$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. 449,088

\$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 \$28,127, interest at 2.5%, matures December 2030. 327,962

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 7 – Long-Term Liabilities (continued)

*Business-Type Activities* (continued)

\$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. 327,412

\$20,523 loan from the Wyoming State Loan and Investments Board, for the Water Supply Project - 2017, interest at 2.5%, matures April 2037. 20,523

\$ 5,230,494

The Town has pledged all Water Fund revenues to secure the notes listed above. As of June 30, 2017, the future principal and interest payments on these notes totaled approximately \$6,695,000. Principal and interest on these loans due within one year is approximately \$249,000 or 24% 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>
2018	\$ 249,000	84,955	333,955
2019	232,177	103,260	335,437
2020	235,521	99,916	335,437
2021	238,969	96,469	335,438
2022	242,523	92,914	335,437
2023-2027	1,269,942	407,244	1,677,186
2028-2032	1,316,846	300,130	1,616,976
2033-2037	874,361	185,911	1,060,272
2038-2042	391,953	84,185	476,138
2043-2047	179,202	9,221	188,423
Totals	\$ <u>5,230,494</u>	<u>1,464,205</u>	<u>6,694,699</u>

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 7 – Long-Term Liabilities (continued)

*Business-Type Activities (continued)*

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 8 – 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:

Business-Type Activities:

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

Nonspendable:

Inventory	\$ <u>18,998</u>
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Total nonspendable	\$ <u>18,998</u>
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Committed:

Town hall construction	\$ 888,314
Road rehabilitation	356,376
Capital equipment	<u>50,473</u>

Total committed	\$ <u>1,295,163</u>
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TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 9 – Retirement Plans

*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 25<sup>th</sup> 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.

*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.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 9 – Retirement Plans (continued)

*Public Employees Pension Plan (continued)*

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, 2017 were \$80,383.

*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 2017, 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, 2017, the Town reported an entity-wide net pension liability of \$639,895, of which \$325,707 is related to governmental activities and \$314,188 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 0.0264693%.

The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016 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 2016.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 9 – Retirement Plans (continued)

*Pension Liabilities, Expense, and Deferred Outflows of Resources Related to Pensions*  
(continued)

For the year ended June 30, 2017, the Town recognized entity-wide pension expense of \$100,157. At June 30, 2017, 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	\$ -	17,154
Net difference between projected and actual earnings on pension plan investments	118,371	-
Change in proportionate share	25,687	
Contributions subsequent to the measurement date	<u>39,351</u>	<u>-</u>
	<u>\$ 183,409</u>	<u>17,154</u>

Deferred outflows of resources related to pensions resulting from Town contributions of \$39,351 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>
2018	\$ 44,048
2019	44,434
2020	36,541
2021	<u>1,881</u>
	<u>\$ 126,904</u>

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 9 – Retirement Plans (continued)

*Actuarial Assumptions*

The total pension liability in the December 31, 2016, 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.

*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.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 9 – Retirement Plans (continued)

*Discount Rate* (continued)

The assumed asset allocation of PEPP's portfolio, the long-term expected rate of return for each asset class, and the expected rate of return is presented arithmetically and geometrically below over a 20 year time frame.

Category	Target Allocation	Arithmetic Real Return	Arithmetic Nominal Return	Geometric Real Return	Geometric Nominal Return
Tactical Cash	0.0%	-0.20%	2.3%	-0.2%	2.3%
Fixed Income	20.0%	2.0%	4.5%	1.4%	3.9%
Equity	45.0%	7.7%	10.2%	5.7%	8.2%
Marketable Alternatives	17.5%	3.7%	6.2%	3.0%	5.5%
Private Markets	17.5%	7.1%	9.6%	5.1%	7.6%
Total	100.00%	5.77%	8.27%	4.28%	6.78%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate arithmetic expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These assumptions are converted into geometric forecasts by subtracting corresponding volatility drags which depend on forecasted standard deviation. Real returns are then generated by subtracting a constant inflation forecast, which in this case is 2.5%.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

Note 9 – 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	919,103	639,895	405,387

*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 10 – Operating Lease

The Town leases office space for town hall purposes. Lease rental expense under the operating lease for the year ended June 30, 2017, was approximately \$36,000. The lease expires on June 30, 2018. Future minimum non-cancelable operating lease payments will be \$36,000, to be paid next year.

Note 11 – 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.

## REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF STAR VALLEY RANCH  
BUDGETARY COMPARISON SCHEDULE -  
GENERAL FUND  
Year Ended June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 960,305	960,305	1,012,091	51,786
Licenses and permits	14,730	14,730	19,239	4,509
Intergovernmental	259,967	259,967	287,152	27,185
Miscellaneous revenues	13,300	13,300	18,714	5,414
Total revenues	<u>1,248,302</u>	<u>1,248,302</u>	<u>1,337,196</u>	<u>88,894</u>
Expenditures:				
General government	512,173	512,173	325,485	186,688
Public safety	221,714	221,714	171,470	50,244
Public works	749,737	749,737	641,817	107,920
Community development	30,229	30,229	43,821	(13,592)
Total expenditures	<u>1,513,853</u>	<u>1,513,853</u>	<u>1,182,593</u>	<u>331,260</u>
Excess of revenues over expenditures	<u>(265,551)</u>	<u>(265,551)</u>	<u>154,603</u>	<u>420,154</u>
Other financing sources (uses):				
Transfer to Water Fund	(94,320)	(94,320)	(94,320)	-
Proceeds from sale of assets	2,500	2,500	-	(2,500)
Total other financing uses	<u>(91,820)</u>	<u>(91,820)</u>	<u>(94,320)</u>	<u>(2,500)</u>
Net change to fund balance	<u>\$ (357,371)</u>	<u>(357,371)</u>	60,283	<u>417,654</u>
Fund balance - beginning			<u>1,568,023</u>	
Fund balance - ending			<u>\$ 1,628,306</u>	

TOWN OF STAR VALLEY RANCH  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	December 31, 2016	December 31, 2015	December 31, 2014
<u>Public Employee Pension Plan</u>			
Proportion of the net pension liability	0.026469%	0.024811%	0.024423%
Proportionate share of the net pension liability	\$ 639,895	\$ 577,928	\$ 430,983
Covered employee payroll	\$ 494,842	\$ 443,502	\$ 407,927
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	129.31%	130.31%	105.65%
Plan fiduciary net position as a percentage of the total pension liability	73.42%	73.40%	79.08%

TOWN OF STAR VALLEY RANCH  
SCHEDULE OF CONTRIBUTIONS

	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
<u>Public Employee Pension Plan</u>			
Contractually required contribution	\$ 80,383	\$ 75,653	\$ 67,726
Contributions in relation to the contractually required contribution	<u>80,383</u>	<u>75,653</u>	<u>67,726</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered employee payroll	\$ 483,652	\$ 455,193	\$ 426,755
Contributions as a percentage of covered employee payroll	16.62%	16.62%	15.87%

TOWN OF STAR VALLEY RANCH  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -  
BUDGETARY REPORTING  
June 30, 2017

Note 1 – 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.

Note 2 – 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 fund 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.

For the year ended June 30, 2017, the Town was compliant with all budgets, with no funds exceeding budget expenditures.

Note 3 – Schedules of the Proportionate Share of the Net Pension Liability and Contributions

Generally accepted accounting standards require the presentation of 10 years of the Town’s proportionate share of the net pension liability and the Town’s annual contributions. Transition provisions in the accounting standard indicate that information should be presented for as many years as are available. The Town determined that it is not practicable to provide information prior to December 31, 2014.

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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, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
Revenues:				
Taxes:				
Sales and use taxes	\$ 665,106	697,930	32,824	720,004
Property taxes	206,500	225,957	19,457	208,355
Gas taxes	29,500	25,722	(3,778)	26,029
Severance taxes	59,199	62,482	3,283	58,031
Total taxes	960,305	1,012,091	51,786	1,012,419
Licenses and permits:				
Building permits and sign licenses	13,100	17,739	4,639	22,241
Other licenses and permits	1,630	1,500	(130)	775
Total licenses and permits	14,730	19,239	4,509	23,016
Intergovernmental:				
Mineral royalties	90,709	116,274	25,565	115,082
Share the wealth grant	150,767	167,354	16,587	125,785
Other grants	18,491	3,524	(14,967)	366,559
Total intergovernmental	259,967	287,152	27,185	607,426
Miscellaneous revenues:				
Interest and investment earnings	8,100	11,063	2,963	7,732
Other	5,200	7,651	2,451	12,633
Total miscellaneous revenues	13,300	18,714	5,414	20,365
Total revenues	1,248,302	1,337,196	88,894	1,663,226
Expenditures:				
General government:				
Salaries and benefits	180,077	175,058	5,019	159,355
Capital outlay - grants	18,491	4,086	14,405	14,105
Capital outlay - general government	173,000	11,879	161,121	27,210
Municipal court	2,060	1,996	64	1,407
Administrative	64,725	63,600	1,125	47,192
Consulting	30,000	25,089	4,911	22,711
Legal	12,000	11,374	626	6,961
Town hall	31,820	32,403	(583)	22,967
Total general government	512,173	325,485	186,688	301,908

(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, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
Public safety:				
Salaries and benefits	87,264	67,468	19,796	124,874
Other	7,950	6,609	1,341	3,028
Emergency medical services	33,000	33,000	-	33,000
Law enforcement	60,000	31,393	28,607	-
Fire protection	33,500	33,000	500	33,000
Total public safety	<u>221,714</u>	<u>171,470</u>	<u>50,244</u>	<u>193,902</u>
Public works:				
Salaries and benefits	248,937	241,662	7,275	195,128
Capital outlay	245,000	101,134	143,866	76,292
Streets	255,800	299,021	(43,221)	605,582
Total public works	<u>749,737</u>	<u>641,817</u>	<u>107,920</u>	<u>877,002</u>
Community development:				
Salaries and benefits	26,304	38,844	(12,540)	31,579
Community development	3,925	4,977	(1,052)	2,039
Total community development	<u>30,229</u>	<u>43,821</u>	<u>(13,592)</u>	<u>33,618</u>
Total expenditures	<u>1,513,853</u>	<u>1,182,593</u>	<u>331,260</u>	<u>1,406,430</u>
Excess of revenues over expenditures	<u>(265,551)</u>	<u>154,603</u>	<u>420,154</u>	<u>256,796</u>
Other financing sources (uses):				
Proceeds from sale of assets	2,500	-	(2,500)	13,530
Transfer to Water Fund	(94,320)	(94,320)	-	(157,304)
Total other financing uses	<u>(91,820)</u>	<u>(94,320)</u>	<u>(2,500)</u>	<u>(143,774)</u>
Net change to fund balance	<u>\$ (357,371)</u>	<u>60,283</u>	<u>417,654</u>	<u>113,022</u>
Fund balance - beginning		<u>1,568,023</u>		<u>1,455,001</u>
Fund balance - ending		<u>\$ 1,628,306</u>		<u>1,568,023</u>

TOWN OF STAR VALLEY RANCH  
STATEMENT OF REVENUES AND EXPENSES –  
BUDGET AND ACTUAL –  
WATER FUND  
Year Ended June 30, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)

	2017			2016
	Final Budget	Actual	Variance	Actual
Operating revenues:				
Charges for services	\$ 916,295	1,013,345	97,050	769,263
Miscellaneous	8,800	14,409	5,609	13,126
Total operating revenues	925,095	1,027,754	102,659	782,389
Operating expenses:				
Salaries and benefits	291,510	274,575	16,935	267,064
Current expenses	180,338	138,034	42,304	188,717
Total operating expenses	471,848	412,609	59,239	455,781
Operating income	453,247	615,145	161,898	326,608
Non-operating income (expense):				
Interest income	6,925	8,104	1,179	8,128
Interest expense	(147,583)	(106,625)	40,958	(65,175)
Total non-operating expense	(140,658)	(98,521)	42,137	(57,047)
Income before transfers and capital budget income (expenses)	312,589	516,624	204,035	269,561
Transfer from General Fund	94,320	94,320	-	157,304
Capital budget income (expenses):				
Grant proceeds	656,930	457,509	(199,421)	856,140
Debt proceeds	680,618	461,902	(218,716)	864,744
Debt principal payments	(222,000)	(173,254)	48,746	(167,394)
Equipment and improvements - grants, loans	(1,437,548)	(844,475)	593,073	(2,016,563)
Net income (loss) budget basis	\$ 84,909	512,626	427,717	(36,208)
Adjustment from budget basis to GAAP basis:				
Debt proceeds		(461,902)		(864,744)
Loss on disposal of assets		(227,385)		-
Debt principal payments		173,254		167,394
Capital outlay		844,475		2,016,563
Depreciation		(386,450)		(363,526)
Pension expense		(45,563)		(40,510)
Net income GAAP basis	\$	409,055		878,969

## GOVERNMENTAL AUDIT REPORT



Certified Public Accountants

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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, 2017, 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 16, 2017.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

### **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 16, 2017

TOWN OF STAR VALLEY RANCH  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2017

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

None

TOWN OF STAR VALLEY RANCH  
CORRECTIVE ACTION PLAN  
(Client Submitted Document)  
Year Ended June 30, 2017

There were no findings for the June 30, 2017 audit.