

# **TOWN OF STAR VALLEY RANCH**

## **FINANCIAL STATEMENTS**

**June 30, 2019**



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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, 2019, 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**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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 February 10, 2020, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



JONES SIMKINS LLC  
Logan, Utah  
February 10, 2020

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

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, 2019. 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 \$580,000. The governmental net position decreased by approximately \$166,000, and the business-type net position increased by approximately \$746,000.

The total net position of governmental and business-type activities is approximately \$16,326,000 and is made up of approximately \$13,766,000 in capital assets, such as land, infrastructure, buildings, and equipment, net of related debt.

The net total indebtedness of the Town increased approximately \$1,056,000 during the year related to loans to help fund water system improvements.

As of June 30, 2019, the following projects were in process:

- The Town proceeded with the Water Supply Project-2017 funded with the State of Wyoming. Funding is made up of 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 construction of this project has been extended through July 2020.
- The Town proceeded with the Water Supply Project-2019 funded with the State of Wyoming. Funding is made up of 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 \$1,868,000. The approved funding from SLIB was a loan in the amount of \$4,111,000. The loan includes a loan forgiveness provision of twenty-five percent (25%). The construction of this project began during fiscal year 2019 and is expected to continue through fiscal year 2021.

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

**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, 2019

## **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 51 of this report.

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

**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 \$16,326,000.

By far the largest portion of the Town's net position (84%) 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. Additional parts of net position, approximately 3%, are assets that are subject to external restrictions on how they may be expended (debt reserve). The remaining 13% 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, 2019 and 2018.

<u>STATEMENTS OF NET POSITION</u>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 2,341,095	2,376,804	2,950,183	2,452,398	5,291,278	4,829,202
Capital assets	5,063,546	3,452,531	15,318,662	14,553,016	20,382,208	18,005,547
Total assets	<u>7,404,641</u>	<u>5,829,335</u>	<u>18,268,845</u>	<u>17,005,414</u>	<u>25,673,486</u>	<u>22,834,749</u>
Deferred outflows of resources - Pension	130,519	97,953	83,639	94,303	214,158	192,256
Current liabilities	1,248,287	158,146	951,693	672,476	2,199,980	830,622
Non-current liabilities	1,035,691	310,192	6,095,935	5,820,597	7,131,626	6,130,789
Total liabilities	<u>2,283,978</u>	<u>468,338</u>	<u>7,047,628</u>	<u>6,493,073</u>	<u>9,331,606</u>	<u>6,961,411</u>
Deferred inflows of resources - revenues for future periods	202,000	199,000	-	-	202,000	199,000
Pension	16,976	61,466	10,853	59,055	27,829	120,521
Net investment in capital assets	4,513,546	3,452,531	9,252,249	8,798,444	13,765,795	12,250,975
Restricted	-	-	500,000	500,000	500,000	500,000
Unrestricted	518,660	1,745,953	1,541,754	1,249,145	2,060,414	2,995,098
Total net position	<u>\$ 5,032,206</u>	<u>5,198,484</u>	<u>11,294,003</u>	<u>10,547,589</u>	<u>16,326,209</u>	<u>15,746,073</u>

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

The following table provides a summary of the Town's operations for the years ended June 30, 2019 and 2018.

<u>CHANGES IN NET POSITION</u>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program revenues						
Charges for services	\$ 21,471	30,748	1,161,796	1,053,754	1,183,267	1,084,502
Operating grants and contributions	5,882	17,812	-	-	5,882	17,812
Capital grants and contributions	-	14,500	535,185	753,150	535,185	767,650
General revenues						
Sales, use, and other taxes	855,188	766,296	-	-	855,188	766,296
Property taxes	257,357	248,147	-	-	257,357	248,147
Other taxes	93,919	87,100	-	-	93,919	87,100
Interest	10,185	11,739	13,943	9,292	24,128	21,031
Mineral royalties	248,149	249,206	-	-	248,149	249,206
Gain on disposal of assets	-	53,397	-	4,917	-	58,314
Miscellaneous	464	175	33,229	23,299	33,693	23,474
Total revenues	<u>1,492,615</u>	<u>1,479,120</u>	<u>1,744,153</u>	<u>1,844,412</u>	<u>3,236,768</u>	<u>3,323,532</u>
Expenses						
General government	449,788	524,160	-	-	449,788	524,160
Public safety	177,598	144,770	-	-	177,598	144,770
Public works	987,248	366,330	-	-	987,248	366,330
Community development	44,259	41,360	-	-	44,259	41,360
Water	-	-	997,739	1,056,562	997,739	1,056,562
Total expenses	<u>1,658,893</u>	<u>1,076,620</u>	<u>997,739</u>	<u>1,056,562</u>	<u>2,656,632</u>	<u>2,133,182</u>
Changes in net position before transfers	(166,278)	402,500	746,414	787,850	580,136	1,190,350
Transfers	-	(31,440)	-	31,440	-	-
Change in net position	(166,278)	371,060	746,414	819,290	580,136	1,190,350
Net position - beginning	<u>5,198,484</u>	<u>4,827,424</u>	<u>10,547,589</u>	<u>9,728,299</u>	<u>15,746,073</u>	<u>14,555,723</u>
Net position - ending	<u>\$ 5,032,206</u>	<u>5,198,484</u>	<u>11,294,003</u>	<u>10,547,589</u>	<u>16,326,209</u>	<u>15,746,073</u>

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

**Governmental Activities**

Governmental activities net position decreased by approximately \$166,000 for the current fiscal year. A key element of this decrease is as follows:

- Public works expenditures increased approximately \$621,000 when compared to the prior year. These increased expenditures primarily relate to road improvements and road construction projects. The increase is partially offset by an increase in tax revenues of approximately \$105,000. Other governmental departments experienced modest decreases in expenditures. General governmental revenues, primarily consisting of taxes increased approximately \$81,000.

**Business-Type Activities**

Business-type activities net position increased by approximately \$746,000. Key elements of the increase in business-type activities net position are as follows:

- Charges for services provided revenue of approximately \$1,162,000, which resulted in an increase of approximately \$108,000 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 \$535,000 from the State of Wyoming. These grants were used to fund various water system improvements and construction projects. This second phase of the water system is expected to be completed no later than August 2020. The remaining funds to complete the second phase of the water system improvement project are expected to be received during fiscal year 2020. During fiscal year 2019 the Town applied for and was approved for additional funding in the form of grants and loans from the State of Wyoming of approximately \$5,979,000 to complete the third and final phase of the water system project. Said funding consists of approximately \$1,868,000 in grants and approximately \$4,111,000 in loan proceeds. As of June 30, 2019, grant revenues of approximately \$138,000 and loan proceeds of approximately \$147,000, had been received for the third and final phase of the water system project. The remaining funds to complete the third phase of the water system improvement project are expected to be received no later than fiscal year 2022.

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

## **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, 2019, the Town's General Fund reported fund equity of approximately \$911,000. 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 81% of total general fund revenues. The largest element of taxes is sales and use taxes, as it has been for the last several years. Sales and use tax represents 71% of total tax revenues and 57% of total general fund revenues. Sales and use tax revenues increased from approximately \$766,000 in fiscal year 2018 to approximately \$855,000 in fiscal year 2019; an increase of approximately \$89,000 or 12%. Property tax revenues increased from approximately \$248,000 in fiscal year 2018 to approximately \$257,000 in fiscal year 2019; an increase of approximately \$9,000 or 4%.

Excluding capital outlay, General Fund collective departmental expenditures increased by approximately \$582,000; due mainly to an increase in road 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 \$340,000 in fiscal year 2019 as compared to an operating income of approximately \$146,000 in fiscal year 2018; the increase is due to an increase in charges for services and water usage rates, which have been increased annually by the Town in an effort to maintain Water Fund operations and make debt payments.

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

**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, as the Town anticipated capital expenditures increasing significantly during the current year, primarily to purchase a Town Hall building.

**CAPITAL ASSETS**

*Capital assets* - The investment in capital assets for governmental and business-type activities as of June 30, 2019, amounts to approximately \$20,382,000 (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 increase in the Town's governmental fixed assets for 2019 was approximately \$1,611,000 and depreciation expense was approximately \$115,000. The increase in governmental fixed assets was mainly attributed to the purchase of the Town Hall building.

The net increase in the Town's proprietary fixed assets for 2019 was approximately \$766,000 and depreciation expense was approximately \$419,000. The main increase in the Town's proprietary fixed assets was due to the additions from the Water Supply 2017 and 2019 Projects.

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, 2019

**DEBT ADMINISTRATION**

*Long-term liabilities* - As of June 30, 2019, the Town had total debt and other long term liabilities outstanding of approximately \$7,447,000. 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 2020 budget remains relatively consistent in comparison to the fiscal year ended June 30, 2019.

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 third phase of this project will continue and is expected to be completed in 2021.
- The Town has begun to make the necessary improvements to the Town Hall building purchased during fiscal year 2019. These improvements are necessary to ensure the Town Hall building is up to current building codes and specifications.
- The Town has continued developing different trails that begin in the Town boundaries and then venture out into US Forest Service property.

TOWN OF STAR VALLEY RANCH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2019

**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, 560 Middle Branch Drive #7028, Star Valley Ranch, Wyoming 83127-5158 (kbuyers@starvalleyranchwy.org).



## BASIC FINANCIAL STATEMENTS

TOWN OF STAR VALLEY RANCH  
STATEMENT OF NET POSITION  
June 30, 2019

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Assets:			
Pooled cash and cash equivalents	\$ 1,934,944	1,759,807	3,694,751
Restricted cash and cash equivalents	-	500,000	500,000
Due from other governments	348,899	395,672	744,571
Receivables	2,800	142,236	145,036
Inventories	15,778	149,968	165,746
Prepaid expenses	38,674	2,500	41,174
Nondepreciable capital assets	3,324,495	2,710,949	6,035,444
Depreciable capital assets	2,894,136	15,609,720	18,503,856
Accumulated depreciation	(1,155,085)	(3,002,007)	(4,157,092)
Total assets	7,404,641	18,268,845	25,673,486
Deferred outflows of resources:			
Pension	130,519	83,639	214,158
Liabilities:			
Accounts payable and accrued expenses	1,228,487	656,593	1,885,080
Long-term liabilities:			
Due within one year	19,800	295,100	314,900
Due in more than one year	550,000	5,785,413	6,335,413
Net pension liability	485,691	310,522	796,213
Total liabilities	2,283,978	7,047,628	9,331,606
Deferred inflows of resources:			
Property taxes	202,000	-	202,000
Pension	16,976	10,853	27,829
Total deferred inflows of resources	218,976	10,853	229,829
Net position:			
Net investment in capital assets	4,513,546	9,252,249	13,765,795
Restricted	-	500,000	500,000
Unrestricted	518,660	1,541,754	2,060,414
Total net position	\$ 5,032,206	11,294,003	16,326,209

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

TOWN OF STAR VALLEY RANCH  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2019

		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	\$ 449,788	21,471	5,882	-	(422,435)	-	(422,435)
Public safety	177,598	-	-	-	(177,598)	-	(177,598)
Public works	987,248	-	-	-	(987,248)	-	(987,248)
Community development	44,259	-	-	-	(44,259)	-	(44,259)
Total governmental activities	1,658,893	21,471	5,882	-	(1,631,540)	-	(1,631,540)
Business-type activities:							
Water	997,739	1,161,796	-	535,185	-	699,242	699,242
Total business-type activities	997,739	1,161,796	-	535,185	-	699,242	699,242
Total primary government	\$ 2,656,632	1,183,267	5,882	535,185	(1,631,540)	699,242	(932,298)
General revenues:							
Taxes:							
Sales and use tax					\$ 855,188	-	855,188
Property tax					257,357	-	257,357
Other taxes					93,919	-	93,919
Total taxes					1,206,464	-	1,206,464
Interest and investment earnings					10,185	13,943	24,128
Mineral royalties					248,149	-	248,149
Miscellaneous					464	33,229	33,693
Total general revenues and transfers					1,465,262	47,172	1,512,434
Change in net position					(166,278)	746,414	580,136
Net position - beginning					5,198,484	10,547,589	15,746,073
Net position - ending					\$ 5,032,206	11,294,003	16,326,209

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

TOWN OF STAR VALLEY RANCH  
BALANCE SHEET -  
GOVERNMENTAL FUNDS  
June 30, 2019

	<u>General</u>	<u>Total Governmental Funds</u>
Assets:		
Pooled cash and cash equivalents	\$ 1,934,944	1,934,944
Due from other governments	348,899	348,899
Receivables, net	2,800	2,800
Inventories	15,778	15,778
Prepaid expenses	38,674	38,674
	<u>2,341,095</u>	<u>2,341,095</u>
Total assets		
Liabilities:		
Accounts payable and accrued expenses	1,228,487	1,228,487
Deferred inflows of resources:		
Unavailable revenue - property taxes	<u>202,000</u>	<u>202,000</u>
Fund balances:		
Nonspendable	54,452	54,452
Committed	373,117	373,117
Unassigned	<u>483,039</u>	<u>483,039</u>
Total fund balances	<u>910,608</u>	<u>910,608</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,341,095</u>	<u>2,341,095</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, 2019

Total fund balances for governmental funds \$ 910,608

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. 130,519

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	794,922	
Infrastructure	1,177,349	
Buildings and improvements	921,865	
Construction in progress	1,656,668	
Accumulated depreciation	<u>(1,155,085)</u>	
		5,063,546

Long-term liabilities, including debt and related accrued  
interest, compensated absences, and net pension liability,  
are not due and payable in the current period and,  
therefore, are not reported in the funds.

Notes payable	\$ (550,000)	
Compensated absences	(19,800)	
Net pension liability	<u>(485,691)</u>	
		(1,055,491)

Deferred inflows of resources related to pensions are not  
due and payable in the current period and, therefore, are  
not reported in the funds. (16,976)

Net position of governmental activities \$ 5,032,206

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, 2019

	General	Total Governmental Funds
Revenues:		
Taxes	\$ 1,206,464	1,206,464
Licenses and permits	17,917	17,917
Intergovernmental	248,149	248,149
Miscellaneous	20,086	20,086
	<hr/>	<hr/>
Total revenues	1,492,616	1,492,616
	<hr/>	<hr/>
Expenditures:		
General government	1,971,401	1,971,401
Public safety	177,598	177,598
Public works	972,408	972,408
Community development	44,259	44,259
	<hr/>	<hr/>
Total expenditures	3,165,666	3,165,666
	<hr/>	<hr/>
Excess of revenues over expenditures	(1,673,050)	(1,673,050)
	<hr/>	<hr/>
Other financing sources:		
Proceeds from issuance of debt	550,000	550,000
	<hr/>	<hr/>
Total other financing uses	550,000	550,000
	<hr/>	<hr/>
Net change in fund balance	(1,123,050)	(1,123,050)
	<hr/>	<hr/>
Fund balance - beginning	2,033,658	2,033,658
	<hr/>	<hr/>
Fund balance - ending	\$ 910,608	910,608
	<hr/> <hr/>	<hr/> <hr/>

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, 2019

Net change in fund balance - total governmental funds \$ (1,123,050)

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	\$ 1,726,000	
Depreciation expense	(114,985)	
	1,611,015	

The net effect of transactions involving net pension liability, deferred outflows of resources related to pensions, and pension expense is to decrease net position. (98,443)

Governmental funds do not report expenditures related to compensated absences. However, the Statement of Activities reports this activity as an expense. (5,800)

The issuance of long-term debt (e.g. notes payable) provides current financial resources to governmental funds but results in an increase in long-term liabilities in the Statement of Net Position. Repayment of principal on long-term debt is an expenditure in governmental funds, but reduces liabilities in the Statement of Net Position. In the Statement of Activities, interest expense is recognized as it accrues, regardless of when it is due. This amount is the net effect of these differences in the treatment of long-term debt and related items. (550,000)

Change in net position of governmental activities \$ (166,278)

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

TOWN OF STAR VALLEY RANCH  
STATEMENT OF NET POSITION –  
PROPRIETARY FUNDS  
June 30, 2019

	Water Fund	Total Proprietary Funds
Assets:		
Current assets:		
Pooled cash and cash equivalents	\$ 1,759,807	1,759,807
Restricted cash and cash equivalents	500,000	500,000
Due from other governments	395,672	395,672
Receivables	142,236	142,236
Inventories	149,968	149,968
Prepaid Expenses	2,500	2,500
Total current assets	<u>2,950,183</u>	<u>2,950,183</u>
Non-current assets:		
Land	15,000	15,000
Construction in progress	2,695,949	2,695,949
Buildings and improvements	1,492,176	1,492,176
Lines and improvements	13,593,597	13,593,597
Machinery and equipment	523,947	523,947
Accumulated depreciation	<u>(3,002,007)</u>	<u>(3,002,007)</u>
Total non-current assets	<u>15,318,662</u>	<u>15,318,662</u>
Total assets	<u>18,268,845</u>	<u>18,268,845</u>
Deferred outflows of resources:		
Pension	<u>83,639</u>	<u>83,639</u>
Total deferred outflows of resources	<u>83,639</u>	<u>83,639</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	656,593	656,593
Long-term liabilities, due within one year	<u>295,100</u>	<u>295,100</u>
Total current liabilities	951,693	951,693
Long-term liabilities, due in more than one year	5,785,413	5,785,413
Net pension liability	<u>310,522</u>	<u>310,522</u>
Total liabilities	<u>7,047,628</u>	<u>7,047,628</u>
Deferred inflows of resources:		
Pension	<u>10,853</u>	<u>10,853</u>
Total deferred inflows of resources	<u>10,853</u>	<u>10,853</u>
Net position:		
Net investment in capital assets	9,252,249	9,252,249
Restricted	500,000	500,000
Unrestricted	<u>1,541,754</u>	<u>1,541,754</u>
Total net position	<u>\$ 11,294,003</u>	<u>11,294,003</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, 2019

	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
Operating revenues:		
Charges for services	\$ 1,161,796	1,161,796
Miscellaneous	33,229	33,229
Total operating revenues	<u>1,195,025</u>	<u>1,195,025</u>
Operating expenses:		
Salaries and benefits	240,607	240,607
Current expenses	195,079	195,079
Depreciation	418,935	418,935
Total operating expenses	<u>854,621</u>	<u>854,621</u>
Operating income	<u>340,404</u>	<u>340,404</u>
Non-operating income (expense):		
Grants	535,185	535,185
Interest income	13,943	13,943
Interest expense	(143,118)	(143,118)
Total non-operating income	<u>406,010</u>	<u>406,010</u>
Income before transfers and capital contributions	746,414	746,414
Transfer from the General Fund	<u>-</u>	<u>-</u>
Change in net position	746,414	746,414
Net position - beginning	<u>10,547,589</u>	<u>10,547,589</u>
Net position - ending	<u>\$ 11,294,003</u>	<u>11,294,003</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, 2019

	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers and users	\$ 1,167,977	1,167,977
Payments to suppliers	(424,675)	(424,675)
Payments to employees	(210,524)	(210,524)
Net cash provided by operating activities	<u>532,778</u>	<u>532,778</u>
<u>Cash flows from non-capital financing activities:</u>		
Net cash provided by non-capital financing activities	<u>-</u>	<u>-</u>
<u>Cash flows from capital and related financing activities:</u>		
Proceeds from issuance of long-term debt	346,325	346,325
Payments on long-term debt	(232,320)	(232,320)
Proceeds from capital grants	627,746	627,746
Interest and fiscal charges	(143,118)	(143,118)
Acquisition and construction of capital assets	(773,541)	(773,541)
Net cash used in capital and related financing activities	<u>(174,908)</u>	<u>(174,908)</u>
<u>Cash flows from investing activities</u>		
Interest received	<u>13,943</u>	<u>13,943</u>
Net cash provided by investing activities	<u>13,943</u>	<u>13,943</u>
Net increase in cash and cash equivalents	371,813	371,813
Cash and cash equivalents - beginning	<u>1,887,994</u>	<u>1,887,994</u>
Cash and cash equivalents - ending (\$500,000 restricted)	<u>\$ 2,259,807</u>	<u>2,259,807</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, 2019

	<u>Water Fund</u>	<u>Total Proprietary Funds</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 340,404	340,404
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	418,935	418,935
Net change in pension expense	(25,042)	(25,042)
Accrued compensation expense	2,500	2,500
Net change in assets and liabilities:		
Increase in receivables	(27,049)	(27,049)
Decrease in inventories	8,852	8,852
Increase in prepaid expenses	(2,500)	(2,500)
Decrease in accounts payable	(235,947)	(235,947)
Increase in accrued liabilities	52,625	52,625
Total adjustments	192,374	192,374
Net cash provided by operating activities	\$ 532,778	532,778
Non-cash capital and related financing activities:		
Total acquisition and construction of capital assets		\$ (1,184,581)
Less capital assets financed with accounts payable		411,040
Cash paid for acquisition and construction of capital assets		\$ (773,541)
Total loan and grant proceeds		\$ 1,088,322
Plus loan and grant proceeds with receivables in the prior year		290,397
Less loan and grant proceeds with receivables in the current year		(395,672)
Cash received from loan and grant proceeds		\$ 983,047

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

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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 and prepaid expenses as nonspendable.

*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, 2019

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, 2019

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	\$ 1,329,352	-	100	1,329,452
Certificates of deposit	2,365,299	-	-	2,365,299
	<u>3,694,651</u>	<u>-</u>	<u>100</u>	<u>3,694,751</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>\$ 4,194,651</u>	<u>-</u>	<u>100</u>	<u>4,194,751</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, 2019, \$3,621,765 of the Town's bank balances of \$4,121,765 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, 2019

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, 2019

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 laws. At June 30, 2019, 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 laws.



TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 3 – Receivables and Payables

The Town's receivables consist of the following:

Governmental activities:

Due from other governments:

Property tax	\$ 198,000
Sales tax	<u>150,899</u>
Total due from other governments	348,899

Receivables:

Miscellaneous	1,500
Interest	<u>1,300</u>
Total governmental activities	\$ <u><u>351,699</u></u>

Business-type activities:

Due from other governments:

Capital grants	\$ <u>395,672</u>
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Receivables:

Water services and fees	141,436
Interest	<u>800</u>
Total receivables	<u>142,236</u>
Total business-type activities	\$ <u><u>537,908</u></u>

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 3 – Receivables and Payables (continued)

The Town's payables consist of the following:

Governmental activities:

Accounts payable and accrued expenses:

Payables to vendors	\$ 1,127,745
Refundable building permits	81,500
Payroll and benefits	<u>19,242</u>
Total governmental activities	\$ <u><u>1,228,487</u></u>

Business-type activities:

Accounts payable and accrued expenses:

Payables to vendors	\$ 434,238
Interest	133,000
Customer deposits	76,338
Payroll and benefits	<u>13,017</u>
Total business-type activities	\$ <u><u>656,593</u></u>

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 4 – Capital Assets

Capital assets activity is as follows:

	July 1, 2018	Additions	Deletions	Transfers	June 30, 2019
<u>Governmental activities</u>					
Capital assets not being depreciated:					
Land and improvements	\$ 1,667,827	-	-	-	1,667,827
Construction in progress	41,249	1,615,419	-	-	1,656,668
	<u>1,709,076</u>	<u>1,615,419</u>	<u>-</u>	<u>-</u>	<u>3,324,495</u>
Total capital assets not being depreciated					
Capital assets being depreciated:					
Machinery and equipment	725,151	69,771	-	-	794,922
Infrastructure	1,149,349	28,000	-	-	1,177,349
Buildings	909,055	12,810	-	-	921,865
	<u>2,783,555</u>	<u>110,581</u>	<u>-</u>	<u>-</u>	<u>2,894,136</u>
Total capital assets being depreciated					
Accumulated depreciation for:					
Machinery and equipment	(397,746)	(57,155)	-	-	(454,901)
Infrastructure	(339,807)	(37,999)	-	-	(377,806)
Buildings	(302,547)	(19,831)	-	-	(322,378)
	<u>(1,040,100)</u>	<u>(114,985)</u>	<u>-</u>	<u>-</u>	<u>(1,155,085)</u>
Total accumulated depreciation					
Total governmental activities capital assets, net	\$ <u>3,452,531</u>	<u>1,611,015</u>	<u>-</u>	<u>-</u>	<u>5,063,546</u>

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

Streets and public improvements	\$ 70,603
General government	<u>44,382</u>
Total depreciation expense	<u>\$ 114,985</u>

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 4 – Capital Assets (continued)

Business-type capital assets activity is as follows:

	July 1, 2018	Additions	Deletions	Transfers	June 30, 2019
<u>Business-type activities</u>					
Capital assets not being depreciated:					
Land	\$ 15,000	-	-	-	15,000
Construction in progress	1,588,538	1,107,411	-	-	2,695,949
	<u>1,603,538</u>	<u>1,107,411</u>	<u>-</u>	<u>-</u>	<u>2,710,949</u>
Total capital assets not being depreciated	<u>1,603,538</u>	<u>1,107,411</u>	<u>-</u>	<u>-</u>	<u>2,710,949</u>
Capital assets being depreciated:					
Machinery and equipment	446,776	77,170	-	-	523,946
Water improvements	13,593,598	-	-	-	13,593,598
Buildings	1,492,176	-	-	-	1,492,176
	<u>15,532,550</u>	<u>77,170</u>	<u>-</u>	<u>-</u>	<u>15,609,720</u>
Total capital assets being depreciated	<u>15,532,550</u>	<u>77,170</u>	<u>-</u>	<u>-</u>	<u>15,609,720</u>
Accumulated depreciation for:					
Machinery and equipment	(157,236)	(56,877)	-	-	(214,113)
Water improvements	(2,157,207)	(323,666)	-	-	(2,480,873)
Buildings	(268,629)	(38,392)	-	-	(307,021)
	<u>(2,583,072)</u>	<u>(418,935)</u>	<u>-</u>	<u>-</u>	<u>(3,002,007)</u>
Total accumulated depreciation	<u>(2,583,072)</u>	<u>(418,935)</u>	<u>-</u>	<u>-</u>	<u>(3,002,007)</u>
Total capital assets being depreciated, net	<u>12,949,478</u>	<u>(341,765)</u>	<u>-</u>	<u>-</u>	<u>12,607,713</u>
Total business-type activities capital assets, net	<u>\$ 14,553,016</u>	<u>765,646</u>	<u>-</u>	<u>-</u>	<u>15,318,662</u>

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 5 – Interfund Balances and Transfers

During the year, the Town did not make any interfund transfers.

Note 6 – Commitments

As of June 30, 2019, the Town has entered into construction contracts related to water supply improvement projects of approximately \$2,500,000.

Note 7 – Long-Term Liabilities

Long-term liability activity is as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	-	550,000	-	550,000	-
Compensated absences	\$ 14,000	8,100	(2,300)	19,800	19,800
Total governmental long-term liabilities	\$ 14,000	558,100	(2,300)	569,800	19,800
<u>Business-type activities:</u>					
Notes payable	\$ 5,754,572	544,161	(232,320)	6,066,413	281,000
Compensated absences	11,600	2,500	-	14,100	14,100
Total business-type long-term liabilities	\$ 5,766,172	546,661	(232,320)	6,080,513	295,100

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 7 – Long-Term Liabilities (continued)

*Governmental Activities*

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

Notes payable:

\$550,000 loan from Ridge Creek Investment Company, for the Town Hall building. Due in monthly installments of \$3,333, interest at 4%, matures January 2040.	\$ 550,000
	<u>\$ 550,000</u>

*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.	\$ 1,487,654
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\$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.	1,346,132
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As of June 30, 2019, the Town borrowed \$1,170,429 from the Wyoming State Loan and Investments Board, for the Water Supply Project- 2017, interest at 2.5%. The terms of the loan require payments to commence no later than July 2020, a year subsequent to construction completion, unpaid principal is expected to be no more than \$1,473,450 due in annual installments of approximately \$75,000, matures June 2039.	1,170,429
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TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 7 – Long-Term Liabilities (continued)

*Business-Type Activities* (continued)

\$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.	951,261
\$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.	384,932
\$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.	291,038
\$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.	287,564
As of June 30, 2019, the Town borrowed \$147,405 from the Wyoming State Loan and Investments Board, for the Water Supply Project- 2019, interest at 2.5%. The terms of the loan require payments to commence a year subsequent to construction completion, unpaid principal is expected to be no more than \$2,055,560 due in annual installments of approximately \$131,500, matures April 2041.	<u>147,403</u>
	<u>\$ 6,066,413</u>

The Town has pledged all Water Fund revenues to secure the notes listed above. As of June 30, 2019, the future principal and interest payments on these notes totaled approximately \$7,720,000. Principal and interest on these loans due within one year is approximately \$410,000 or 34% of water operating revenues.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 7 – Long-Term Liabilities (continued)

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>
2020	\$ 281,000	129,177	410,177
2021	288,163	132,046	420,209
2022	296,725	123,484	420,209
2023	301,745	118,464	420,209
2024	306,914	113,295	420,209
2025-2029	1,617,616	483,429	2,101,045
2030-2034	1,521,204	331,273	1,852,477
2035-2039	1,020,459	171,608	1,192,067
2040-2044	432,587	50,813	483,400
Totals	\$ <u>6,066,413</u>	<u>1,653,589</u>	<u>7,720,002</u>

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



TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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, nonspendable, and committed 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:

Prepaid expenses	\$ 38,674
Inventory	<u>15,778</u>

Total nonspendable	\$ <u>54,452</u>
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Committed:

Road rehabilitation	313,317
Capital equipment	<u>59,800</u>

Total committed	\$ <u>373,117</u>
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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, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002 or by calling 1-307-777-7691.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 9 – Retirement Plans (continued)

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*

PEPP is a cost-sharing multiple employer defined benefit, contributory retirement plan covering all full-time employees of the Town.

From July 1, 2018 to August 31, 2018, PEPP statutorily required 16.62% of the participant's salary to be contributed to PEPP, consisting of 8.25% of the participant's salary as employee contributions and 8.37% as employer contributions. From September 1, 2018 to June 30, 2019, PEPP statutorily required 17.12% of the participant's salary to be contributed to PEPP, consisting of 8.5% of the participant's salary as employee contributions and 8.62% 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, 2019

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 60 (Tier 1 employees) and 65 (Tier 2 employees).

Contributions to PEPP for the year ended June 30, 2019 were \$84,778.

*Wyoming Deferred Compensation Plan*

The Wyoming Deferred Compensation Plan (WDCP) administered by the System is an IRS Section 457 Deferred Compensation Plan. WDCP is available as a supplemental plan to the defined benefit retirement plans. Contributions may be made into WDCP (subject to plan and Internal Revenue Code limitations) by employees and employer contributions may be made into WDCP at rates determined by the Town. Upon qualifying for distributions, benefits are paid out in lump sums, or as periodic benefit payments, at the option of the participant based on individual account balances and WDCP provisions. WDCP's account balances are fully vested to the participants at the time of deposit. Investments in WDCP are individually directed by WDCP participants among WRS approved investment options of varying degrees of risk and earnings potential. Participants may transfer their funds between these options daily. Investments of WDCP are valued daily. In addition to employee contributions, WDCP also accepts employer contributions on behalf of the employees, provided such contribution when added to the employees' deferred contribution does not exceed the maximum deferral permitted by the IRS.

During 2019, employees did not contribute to WDCP and the Town elected not to make contributions to WDCP on behalf of participating employees.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 9 – Retirement Plans (continued)

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

At June 30, 2019, the Town reported an entity-wide net pension liability of \$796,213, of which \$485,691 is related to governmental activities and \$310,522 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 0.0261457%.

The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018 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 2018.

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

For the year ended June 30, 2019, the Town recognized entity-wide pension expense of \$114,742. At June 30, 2019, 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	\$ -	19,996
Net difference between projected and actual earnings on pension plan investments	119,760	-
Change in proportionate share	8,957	7,833
Change in assumption	39,781	-
Contributions subsequent to the measurement date	<u>45,660</u>	<u>-</u>
	\$ <u><u>214,158</u></u>	<u><u>27,829</u></u>

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 9 – Retirement Plans (continued)

Deferred outflows of resources related to pensions resulting from Town contributions of \$45,660 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</u> <u>June 30,</u>	<u>Deferred Outflows</u> <u>(Inflows) of</u> <u>Resources</u>
2020	\$ 61,518
2021	27,201
2022	12,754
2023	<u>39,196</u>
	\$ <u><u>140,669</u></u>

*Actuarial Assumptions*

The total pension liability in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Projected salary increases, includes inflation	4.75% to 8.75%
Assumed inflation rate	2.25%
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the RP-2014 Employee Mortality Table, fully generational, projected with Scale MP-2017 for males and females with no set back with a multiplier of 100%. Post-retirement mortality rates were based on the RP-2014 Healthy Annuitant Mortality Table, fully generational, projected with Scale MP-2017 for males with no set back with a multiplier of 100% and for females with no set back with a multiplier of 88%.

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 9 – Retirement Plans (continued)

*Discount Rate*

The discount rate used to measure the total pension liability for all plans was 7%. 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 Wyoming State Retirement Board's funding policy, which establishes the contractually required rates under Wyoming State Statutes. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members.

Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

The assumed asset allocation of 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.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected arithmetic returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plans target asset allocation as of January 1, 2018, these best estimates are summarized in the following table:

Category	Target Allocation	Arithmetic Real Return	Arithmetic Nominal Return	Geometric Real Return	Geometric Nominal Return
Tactical Cash	0.0%	0.3%	2.9%	30.0%	2.9%
Fixed Income	20.0%	2.0%	4.6%	1.5%	4.1%
Equity	49.0%	7.4%	10.0%	6.0%	8.6%
Marketable Alternatives	19.0%	3.5%	6.1%	3.1%	5.7%
Private Markets	12.0%	7.0%	9.6%	5.2%	7.8%
Total	100%	5.50%	8.10%	4.40%	7.00%

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

Note 9 – Retirement Plans (continued)

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

For the PEPP, the following presents the proportionate share of the net pension liability calculated using the discount rate of 7 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 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Proportionate share of net pension liability	1,104,240	796,213	539,167

*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 machinery and office equipment under non-cancelable operating leases which expire through 2023. Rental expense and equipment rental under the operating leases for the year ended June 30, 2019, were approximately \$43,000 and \$36,000, respectively.

Future minimum rental payments under non-cancelable operating leases are approximately as follows:

<u>Year</u>	<u>Amount</u>
2020	\$ 43,000
2021	43,000
2022	43,000
2023	<u>14,000</u>
	<u>\$ 143,000</u>

TOWN OF STAR VALLEY RANCH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 1,027,105	1,027,105	1,206,464	179,359
Licenses and permits	19,000	19,000	17,917	(1,083)
Intergovernmental	265,513	265,513	248,149	(17,364)
Miscellaneous revenues	<u>18,650</u>	<u>18,650</u>	<u>20,086</u>	<u>1,436</u>
Total revenues	<u>1,330,268</u>	<u>1,330,268</u>	<u>1,492,616</u>	<u>162,348</u>
Expenditures:				
General government	435,897	2,010,897	1,971,401	39,496
Public safety	173,314	173,314	177,598	(4,284)
Public works	1,184,192	1,184,192	972,408	211,784
Community development	<u>58,865</u>	<u>58,865</u>	<u>44,259</u>	<u>14,606</u>
Total expenditures	<u>1,852,268</u>	<u>3,427,268</u>	<u>3,165,666</u>	<u>261,602</u>
Excess of revenues over expenditures	<u>(522,000)</u>	<u>(2,097,000)</u>	<u>(1,673,050)</u>	<u>423,950</u>
Other financing sources:				
Proceeds from sale of assets	1,000	1,000	-	(1,000)
Proceeds from issuance of debt	<u>-</u>	<u>550,000</u>	<u>550,000</u>	<u>-</u>
Total other financing sources	<u>1,000</u>	<u>551,000</u>	<u>550,000</u>	<u>(1,000)</u>
Net change to fund balance	<u>\$ (521,000)</u>	<u>(1,546,000)</u>	<u>(1,123,050)</u>	<u>422,950</u>
Fund balance - beginning			<u>2,033,658</u>	
Fund balance - ending			<u>\$ 910,608</u>	

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

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<u>Public Employee Pension Plan</u>					
Proportion of the net pension liability	0.026146%	0.026684%	0.026469%	0.024811%	0.024423%
Proportionate share of the net pension liability	\$ 796,213	\$ 608,217	\$ 639,895	\$ 577,928	\$ 430,983
Covered employee payroll	\$ 455,289	\$ 474,007	\$ 471,923	\$ 443,502	\$ 407,927
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	174.88%	128.31%	135.59%	130.31%	105.65%
Plan fiduciary net position as a percentage of the total pension liability	76.35%	76.35%	73.42%	73.40%	79.08%

TOWN OF STAR VALLEY RANCH  
SCHEDULE OF CONTRIBUTIONS

	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
<u>Public Employee Pension Plan</u>					
Contractually required contribution	\$ 84,778	\$ 75,337	\$ 80,383	\$ 75,653	\$ 67,726
Contributions in relation to the contractually required contribution	<u>84,778</u>	<u>75,337</u>	<u>80,383</u>	<u>75,653</u>	<u>67,726</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Covered employee payroll	\$ 497,523	\$ 453,291	\$ 483,652	\$ 455,193	\$ 426,755
Contributions as a percentage of covered employee payroll	17.04%	16.62%	16.62%	16.62%	15.87%

TOWN OF STAR VALLEY RANCH  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -  
BUDGETARY REPORTING  
June 30, 2019

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, 2019, 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.

## 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, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
Revenues:				
Taxes:				
Sales and use taxes	\$ 714,534	855,188	140,654	766,296
Property taxes	230,000	257,357	27,357	248,147
Gas taxes	26,371	25,306	(1,065)	24,611
Severance taxes	56,200	68,613	12,413	62,489
Total taxes	1,027,105	1,206,464	179,359	1,101,543
Licenses and permits:				
Building permits and sign licenses	17,500	14,850	(2,650)	25,001
Other licenses and permits	1,500	3,067	1,567	1,500
Total licenses and permits	19,000	17,917	(1,083)	26,501
Intergovernmental:				
Mineral royalties	113,000	120,143	7,143	116,693
Share the wealth grant	132,513	128,006	(4,507)	132,513
Other grants	20,000	-	(20,000)	33,250
Total intergovernmental	265,513	248,149	(17,364)	282,456
Miscellaneous revenues:				
Interest and investment earnings	15,000	10,186	(4,814)	11,739
Other	3,650	9,900	6,250	3,484
Total miscellaneous revenues	18,650	20,086	1,436	15,223
Total revenues	1,330,268	1,492,616	162,348	1,425,723
Expenditures:				
General government:				
Salaries and benefits	224,371	191,427	32,944	196,214
Capital outlay - general government	1,600,000	1,670,237	(70,237)	103,630
Municipal court	2,276	1,548	728	1,305
Administrative	93,300	59,074	34,226	52,340
Consulting	66,000	31,730	34,270	61,860
Legal	15,000	5,024	9,976	7,712
Town hall	9,950	12,361	(2,411)	31,629
Total general government	2,010,897	1,971,401	39,496	454,690

(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, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
Public safety:				
Salaries and benefits	41,464	99,380	(57,916)	29,103
Other	5,850	12,218	(6,368)	4,667
Emergency medical services	33,000	33,000	-	41,250
Law enforcement	60,000	-	60,000	45,000
Fire protection	33,000	33,000	-	24,750
Total public safety	173,314	177,598	(4,284)	144,770
Public works:				
Salaries and benefits	269,066	242,111	26,955	219,984
Capital outlay	534,300	468,074	66,226	83,329
Streets	380,826	262,223	118,603	174,498
Total public works	1,184,192	972,408	211,784	477,811
Community development:				
Salaries and benefits	52,115	38,498	13,617	39,040
Community development	6,750	5,761	989	2,320
Total community development	58,865	44,259	14,606	41,360
Total expenditures	3,427,268	3,165,666	261,602	1,118,631
Excess of revenues over expenditures	(2,097,000)	(1,673,050)	423,950	307,092
Other financing sources (uses):				
Proceeds from sale of assets	1,000	-	(1,000)	129,700
Proceeds from issuance of debt	550,000	550,000	-	-
Transfer to Water Fund	-	-	-	(31,440)
Total other financing sources (uses)	551,000	550,000	(1,000)	98,260
Net change to fund balance	\$ (1,546,000)	(1,123,050)	422,950	405,352
Fund balance - beginning		2,033,658		1,628,306
Fund balance - ending		\$ 910,608		2,033,658



TOWN OF STAR VALLEY RANCH  
STATEMENT OF REVENUES AND EXPENSES –  
BUDGET AND ACTUAL –  
WATER FUND  
Year Ended June 30, 2019  
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			2018
	Final Budget	Actual	Variance	Actual
Operating revenues:				
Charges for services	\$ 1,075,528	1,161,796	86,268	1,053,754
Miscellaneous	263,500	33,229	(230,271)	23,299
Total operating revenues	1,339,028	1,195,025	(144,003)	1,077,053
Operating expenses:				
Salaries and benefits	302,955	265,649	37,306	283,227
Current expenses	203,551	195,079	8,472	208,556
Total operating expenses	506,506	460,728	45,778	491,783
Operating income	832,522	734,297	(98,225)	585,270
Non-operating income (expense):				
Interest income	9,000	13,943	4,943	9,292
Interest expense	(103,260)	(143,118)	(39,858)	(125,810)
Total non-operating expense	(94,260)	(129,175)	(34,915)	(116,518)
Income before transfers and capital budget income (expenses)	738,262	605,122	(133,140)	468,752
Transfer from General Fund	-	-	-	31,440
Capital budget income (expenses):				
Grant proceeds	435,594	535,185	99,591	753,150
Debt proceeds	1,862,128	544,161	(1,317,967)	753,150
Debt principal payments	(277,179)	(232,320)	44,859	(229,073)
Equipment and improvements - grants, loans	(2,574,804)	(1,184,582)	1,390,222	(1,601,070)
Net income budget basis	\$ 184,001	267,566	83,565	176,349
Adjustment from budget basis to GAAP basis:				
Debt proceeds		(544,161)		(753,150)
Gain on disposal of assets		-		4,917
Debt principal payments		232,320		229,073
Capital outlay		1,184,582		1,601,070
Depreciation		(418,935)		(408,750)
Change in pension expense		25,042		(30,219)
Net income GAAP basis	\$	746,414		819,290

## GOVERNMENTAL AUDIT REPORT



Certified Public Accountants

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INDEPENDENT AUDITOR'S 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, Wyoming

We have audited, 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, 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, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 10, 2020.

**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 Town'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



JONES SIMKINS LLC

Logan, Utah

February 10, 2020

TOWN OF STAR VALLEY RANCH  
SCHEDULE OF FINDINGS AND RESPONSES  
Year Ended June 30, 2019

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, 2019

There were no findings for the June 30, 2019 audit.