

**TOWN OF STAR VALLEY, ARIZONA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2012**

THIS PAGE BLANK

**TOWN OF STAR VALLEY, ARIZONA  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2012**

**FINANCIAL SECTION**

INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	9
STATEMENT OF ACTIVITIES	10
BALANCE SHEET – GOVERNMENTAL FUNDS	11
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS	12
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES – GOVERNMENTAL FUNDS	13
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	14
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS	15
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS – PROPRIETARY FUNDS	16
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	17
NOTES TO BASIC FINANCIAL STATEMENTS	18
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A	
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	28
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – HIGHWAY USER REVENUE FUND	29
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE – BUDGET AND ACTUAL – GRANTS FUND	30
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A	31

THIS PAGE BLANK

## **FINANCIAL SECTION**

THIS PAGE BLANK

## INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and the Town Council  
Town of Star Valley, Arizona  
Star Valley, Arizona

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Star Valley, Arizona (Town), as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Star Valley, Arizona, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the budgetary comparison schedules for the General Fund and major special revenue funds on pages 2 through 8 and pages 28 through 30 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.

*CliftonLarsonAllen LLP*

Phoenix, Arizona  
December 30, 2013

THIS PAGE BLANK

## **REQUIRED SUPPLEMENTARY INFORMATION**

THIS PAGE BLANK

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

We (the Town of Star Valley, Arizona) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2012. The intended purpose of the Management Discussion and Analysis (MD&A) is to provide an introduction to the basic financial statements and notes, that provides an objective and easy to read analysis of our financial activities based on currently known facts, decisions, and conditions, by providing an easily readable summary of operating results and reasons for changes, which will help to determine if our financial position improved or deteriorated over the past year. This report addresses current operational activities, the sources, uses, and changes in resources, adherence to budget, service levels, limitations, and significant economic factors.

**FINANCIAL HIGHLIGHTS**

- ◆ The assets of the Town of Star Valley, Arizona exceeded its liabilities at the close of the most recent fiscal year by \$4,511,179 (net assets). Of this amount \$2,096,656 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Town of Star Valley, Arizona's governmental funds reported combined ending fund balances of \$2,400,453, a decrease of \$508,300 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,032,308 or 142 percent of total General Fund expenditures.
- ◆ General Fund revenues were greater than budgeted revenues by \$44,255 for fiscal year 2012. Additionally, expenditures were only 70% (\$612,508 (30%) in savings) of the final budget in the General Fund.
- ◆ General Fund revenues exceeded expenditures by \$290,676; a positive variance of \$656,763 from the original budget.
- ◆ During the fiscal year ended June 30, 2012, the Town began operations of its Water Fund.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section consists of this discussion and analysis and the basic financial statements. The basic financial statements include the government-wide financial statements, fund financial statements, and notes to the basic financial statements.

**Government-Wide Financial Statements**

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

The statement of net assets presents information on all of the Town of Star Valley, Arizona's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Star Valley, Arizona is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

Both of the government-wide financial statements distinguish functions of the Town of Star Valley, Arizona 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 governmental activities of the Town of Star Valley, Arizona include general government, public safety, and highways and streets. The business-type activities include the operations of the Town water system.

The government-wide financial statements can be found on pages 9 - 10 of this report.

**Fund Financial Statements**

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 of Star Valley, Arizona, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Star Valley, Arizona can be divided into two categories - governmental funds and proprietary funds.

*Governmental Funds* – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Since the governmental fund financial statements focus on near-term spendable resources, while the governmental activities on the government-wide financial statements have a longer term focus, a reconciliation of the differences between the two is provided with the fund financial statements.

The Town maintains five individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Highway Users Revenue Fund, and the Grants Fund, which are considered major funds. Data from the other two governmental funds are combined into a single, aggregate presentation.

The basic governmental fund financial statements can be found on pages 11 - 14 of this report.

*Proprietary Funds* – The Town of Star Valley, Arizona maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Star Valley, Arizona uses enterprise funds to account for its water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund, which is considered a major fund.

The basic proprietary fund financial statements can be found on pages 15 - 17 of this report.

**Notes to Basic Financial Statements**

The notes to the basic financial statements (pages 18 - 27) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements and should be read with the basic financial statements.

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

**Required Supplementary Information Other Than MD&A**

Governments have an option of including the budgetary comparison statements for the General Fund and major special revenue funds as either part of the fund financial statements within the basic financial statements or as required supplementary information after the footnotes. The Town has chosen to present these budgetary statements as required supplementary information other than MD&A and can be found on pages 28 – 30.

**Government-Wide Financial Analysis**

**Net Assets**

Net assets may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Assets of the Town for June 30, 2012 showing that assets exceeded liabilities by \$4,511,449.

**Table A-1  
The Town's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>ASSETS</b>						
Current and Other Assets	\$ 2,532,886	\$ 3,059,418	\$ 87,476	\$ -	\$ 2,620,362	\$ 3,059,418
Capital Assets						
Non-depreciable	12,251	12,251	-	-	12,251	12,251
Depreciable (Net)	1,191,098	1,090,350	853,586	-	2,044,684	1,090,350
Total Assets	3,736,235	4,162,019	941,062	-	4,677,297	4,162,019
<b>LIABILITIES</b>						
Current Liabilities	132,433	150,665	13,870	-	146,303	150,665
Non-Current Liabilities						
Due Within One Year	9,698	9,989	-	-	9,698	9,989
Due in More Than One Year	10,117	5,120	-	-	10,117	5,120
Total Liabilities	152,248	165,774	13,870	-	166,118	165,774
<b>NET ASSETS</b>						
Invested in Capital Assets, Net of Related Debt	1,203,349	1,102,601	853,586	-	2,056,935	1,102,601
Restricted	257,588	98,727	-	-	257,588	98,727
Unrestricted	2,123,050	2,794,917	73,606	-	2,196,656	2,794,917
Total Net Assets	\$ 3,583,987	\$ 3,996,245	\$ 927,192	\$ -	\$ 4,511,179	\$ 3,996,245

Net assets consist of three components. The Town of Star Valley, Arizona's net assets invested in capital assets (e.g., infrastructure, buildings and improvements, and vehicles, machinery and equipment), less any related debt used to acquire those assets that are still outstanding accounts for 45.6% of total net assets. The Town of Star Valley, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Town of Star Valley, Arizona's net assets (5.7%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets significantly increased over the prior fiscal year due an accumulation of unspent Highway User Revenue Funds restricted for highways and streets. The remaining balance of unrestricted net assets (\$2,196,656) may be used to meet the government's ongoing obligations to citizens and creditors.

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

At the end of the current fiscal year, the Town of Star Valley, Arizona is able to report positive balances in all three categories of net assets for the government as a whole.

**Change in Net Assets**

The following table compares the revenues and expenses for the current and previous fiscal year.

**Table A-2  
Change in Net Assets**

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 949,553	\$ 973,601	\$ 27,652	\$ -	\$ 977,205	\$ 973,601
Operating Grants and Contributions	215,301	247,655	-	-	215,301	247,655
Capital Grants and Contributions	161,592	82,078	-	-	161,592	82,078
General Revenues:						
Sales Taxes	235,399	244,278	-	-	235,399	244,278
Franchise Taxes	49,275	47,261	-	-	49,275	47,261
State Shared Revenues	375,471	350,727	-	-	375,471	350,727
Auto Lieu Taxes	130,930	113,287	-	-	130,930	113,287
Investment Income	1,047	1,596	-	-	1,047	1,596
Other	884	226	-	-	884	226
Total Revenues	<u>2,119,452</u>	<u>2,060,709</u>	<u>27,652</u>	<u>-</u>	<u>2,147,104</u>	<u>2,060,709</u>
<b>EXPENSES</b>						
General Government	820,244	827,435	-	-	820,244	827,435
Public Safety	745,306	756,274	-	-	745,306	756,274
Highways and Streets	8,323	2,018	-	-	8,323	2,018
Water	-	-	58,297	-	58,297	-
Total Expenses	<u>1,573,873</u>	<u>1,585,727</u>	<u>58,297</u>	<u>-</u>	<u>1,632,170</u>	<u>1,585,727</u>
<b>CHANGE IN NET ASSETS BEFORE TRANSFERS</b>	545,579	474,982	(30,645)	-	514,934	474,982
Transfers	(957,837)	-	957,837	-	-	-
Change in Net Assets	<u>(412,258)</u>	<u>474,982</u>	<u>927,192</u>	<u>-</u>	<u>-</u>	<u>(474,982)</u>
Net Assets - Beginning of Year	<u>3,996,245</u>	<u>3,521,263</u>	<u>-</u>	<u>-</u>	<u>3,996,245</u>	<u>3,521,263</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 3,583,987</u>	<u>\$ 3,996,245</u>	<u>\$ 927,192</u>	<u>\$ -</u>	<u>\$ 4,511,179</u>	<u>\$ 3,996,245</u>

**Governmental Activities**

Program revenues increased by \$23,112 and general revenues increased by \$35,631.

The increase in program revenues was the net result of a decrease in fees, fines and charges for services, a decrease in operating grants and an increase in capital grants.

Charges for services showed a slight decline due to fewer fines through photo enforcement as compared to the prior year.

Operating grants and contributions decreased \$32,354 primarily due to a decrease in activity of the Star Valley Thistle Maintenance grant provided by Federal Forest Services for the maintenance of noxious weeds throughout the Towns limits. Capital grants increased due to increased funding through three community development block grants.

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

The significant changes in general revenues were due to an increase of the state shared revenues distribution schedule. Population increase indicated in the 2010 census attributed to the increase in shared funding by the State of Arizona.

Expenses decreased \$11,854, which were primarily due to a slight decrease in public safety expenditures for its contract with Redflex.

*Business-Type Activities* – The fiscal year ended June 30, 2012 was the first year of operations of the Water Fund. Through the transfer of \$957,837 from the Governmental Activities, the Town purchased the water infrastructure from a third party water company and paid some one-time start-up costs. Operations only included the months of May and June 2012.

**FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the Town include the General Fund and Special Revenue Funds.

As of the end of the current fiscal year the Town's governmental funds reported combined ending fund balances of \$2,400,453, a decrease of \$508,300 in comparison with the prior year. Approximately 85.1% of this total amount (\$2,042,865) constitutes General Fund fund balance, which is reported in the nonspendable and unassigned fund balances. At fiscal year-end 2011-12 fund balances were as follows:

**Table A-3  
Fund Balances**

Fund	Balance	Increase From 2010-11
General Fund	\$ 2,042,865	\$ (767,161)
Highway Users Revenue Fund	265,612	241,856
Grants Fund	-	-
Nonmajor Governmental Funds	91,976	17,005

The General Fund is the chief operating fund of the Town of Star Valley, Arizona. As a measure of the General Fund's liquidity, it may be useful to compare both General Fund fund balance and total fund balance to total fund expenditures. General Fund fund balance represents 142 percent of total General Fund expenditures.

The fund balance of the General Fund decreased by \$767,161 during the current fiscal year. This decrease was largely attributed to the purchase of a water company's assets during the fiscal year. The General Fund transferred \$957,837 to the Water Fund to fund the acquisition of the water infrastructure.

The fund balance of the Highway Users Revenue Fund increased as a result of the state shared revenue distribution schedule. Population increase indicated in the 2010 census attributed to the increase in shared funding by the State of Arizona.

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

All nonmajor governmental funds of the Town are combined into one column on the governmental fund statements. The fund balance of the nonmajor governmental funds increased during the current fiscal year. The increase was entirely due to the receipt of Justice Court Enhancement Funds (JCEF) that was received, but unspent during the current fiscal year. The JCEF funds can only be spent on projects approved by the Supreme Court and will be carried forward for future appropriation.

**BUDGETARY HIGHLIGHTS**

The Town's annual budget is the legally adopted expenditure control document of the Town. Budgetary comparison statements are required for the General Fund and all major special revenue funds and may be found on pages 28 – 30 in the required supplementary information other than MD&A. These statements compare the original adopted budget, the budget if amended throughout the fiscal year, and the actual expenditures prepared on a budgetary basis. The Town did not amend its budget during the fiscal year.

General Fund revenues of \$1,724,028 were more than budgeted revenues of \$1,679,773 by \$44,255 while expenditures of \$1,433,352 were 70% of budgeted expenditures (savings of \$612,508). Revenues exceeded the budget primarily due to the significant decrease in budgeted amounts from anticipated economic downturn. The Town however, did not experience as severe of a revenue decline in state shared revenues and photo enforcement revenues as expected.

Expenditures fell below budget largely due to unspent contingencies in the administration department of \$300,000 and photo enforcement expenditures remaining relatively equal to the prior year, while the budget increased slightly from the prior year budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2012 amount to \$2,056,935 (net of accumulated depreciation), an increase of 86.6%. For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 2.A.2 in the Notes to the Basic Financial Statements for further information regarding capital assets.

Major capital asset events during the current fiscal year included the following:

- ◆ The purchase of a water company's assets.
- ◆ Town hall improvements.
- ◆ Street paving projects.
- ◆ Town hall elevator.

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2012**

The following table provides a breakdown of the capital assets of the Town at June 30, 2012 and 2011.

**Table A-4  
Capital Assets (Net)**

	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 12,251	\$ 12,251	\$ -	\$ -	\$ 12,251	\$ 12,251
Infrastructure	839,594	829,768	-	-	839,594	829,768
Buildings and Improvements	307,240	217,314	772,130	-	1,079,370	217,314
Water System	-	-	81,456	-	81,456	-
Vehicle, Machinery and Equipment	44,264	43,268	-	-	44,264	43,268
Total Capital Assets	<u>\$ 1,203,349</u>	<u>\$ 1,102,601</u>	<u>\$ 853,586</u>	<u>\$ -</u>	<u>\$ 2,056,935</u>	<u>\$ 1,102,601</u>

**Long-Term Debt**

At the end of the current fiscal year, the Town of Star Valley, Arizona did not have any long-term bonds outstanding.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- ◆ An increase in recorded town population from the 2010 census will result in an increase of state shared revenues in the fiscal year 2013 budget.
- ◆ Town council approved an increase in water usage rates, base rate increases, and transaction fee for water customers, effective July 1, 2013.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the government's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Town of Star Valley, Arizona  
Accounting Department  
HC 5 Box 49-90  
Star Valley, AZ 85541  
(928) 472-7752

Or visit our website at:

[www.ci.star-valley.az.us](http://www.ci.star-valley.az.us)

THIS PAGE BLANK

## **BASIC FINANCIAL STATEMENTS**

THIS PAGE BLANK

**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 2,428,854	\$ 67,550	\$ 2,496,404
Receivables, Net:			
Accounts Receivable	11,485	19,926	31,411
Intergovernmental Receivables	81,990	-	81,990
Prepaid Items	10,557	-	10,557
Capital Assets:			
Non-Depreciable	12,251	-	12,251
Depreciable (Net)	1,191,098	853,586	2,044,684
Total Assets	<u>3,736,235</u>	<u>941,062</u>	<u>4,677,297</u>
<b>LIABILITIES</b>			
Accounts Payable	70,310	1,905	72,215
Accrued Wages and Benefits	10,071	2,045	12,116
Intergovernmental Payable	52,052	-	52,052
Customer Deposits Payable	-	8,150	8,150
Unearned Revenue	-	1,770	1,770
Noncurrent Liabilities:			
Due Within One Year	9,698	-	9,698
Due in More Than One Year	10,117	-	10,117
Total Liabilities	<u>152,248</u>	<u>13,870</u>	<u>166,118</u>
<b>NET ASSETS</b>			
Invested in Capital Assets	1,203,349	853,586	2,056,935
Restricted for:			
Highways and Streets	191,761	-	191,761
Judicial Court Enhancement	65,827	-	65,827
Unrestricted	2,123,050	73,606	2,196,656
Total Net Assets	<u>\$ 3,583,987</u>	<u>\$ 927,192</u>	<u>\$ 4,511,179</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets		Total
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 820,244	\$ 35,477	\$ 4,123	\$ 161,592	\$ (619,052)	\$ -	\$ (619,052)
Public Safety	745,306	914,076	13,616	-	182,386	-	182,386
Highways and Streets	8,323	-	197,562	-	189,239	-	189,239
Total Governmental Activities	1,573,873	949,553	215,301	161,592	(247,427)	-	(247,427)
Business-Type Activities:							
Water	58,297	27,652	-	-	-	(30,645)	(30,645)
Total Primary Government	<u>\$ 1,632,170</u>	<u>\$ 977,205</u>	<u>\$ 215,301</u>	<u>\$ 161,592</u>	(247,427)	(30,645)	(278,072)
General Revenues:							
Taxes							
Sales Taxes					235,399	-	235,399
Franchise Taxes					49,275	-	49,275
State Revenue Sharing					194,967	-	194,967
State Sales Tax Revenue Sharing					180,504	-	180,504
Auto Lieu Tax Revenue Sharing					130,930	-	130,930
Investment Income					1,047	-	1,047
Other					884	-	884
Transfers					(957,837)	957,837	-
Total General Revenues					(164,831)	957,837	793,006
Change in Net Assets					(412,258)	927,192	514,934
Net Assets - Beginning					3,996,245	-	3,996,245
Net Assets - Ending					<u>\$ 3,583,987</u>	<u>\$ 927,192</u>	<u>\$ 4,511,179</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012**

	General Fund	Highway Users Revenue Fund	Grants Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>					
Cash and Investments	\$ 2,090,714	\$ 249,355	\$ -	\$ 88,785	\$ 2,428,854
Receivables:					
Accounts Receivable	8,294	-	-	3,191	11,485
Intergovernmental Receivables	55,101	20,979	5,910	-	81,990
Due from Other Funds	910	-	-	-	910
Prepaid Items	10,557	-	-	-	10,557
Total Assets	<u>\$ 2,165,576</u>	<u>\$ 270,334</u>	<u>\$ 5,910</u>	<u>\$ 91,976</u>	<u>\$ 2,533,796</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 61,992	\$ 3,318	\$ 5,000	\$ -	\$ 70,310
Accrued Wages and Benefits	8,667	1,404	-	-	10,071
Intergovernmental Payable	52,052	-	-	-	52,052
Due to Other Funds	-	-	910	-	910
Total Liabilities	<u>122,711</u>	<u>4,722</u>	<u>5,910</u>	<u>-</u>	<u>133,343</u>
Fund Balances:					
Nonspendable	10,557	-	-	-	10,557
Restricted	-	165,612	-	91,976	257,588
Committed	-	100,000	-	-	100,000
Unassigned	2,032,308	-	-	-	2,032,308
Total Fund Balances	<u>2,042,865</u>	<u>265,612</u>	<u>-</u>	<u>91,976</u>	<u>2,400,453</u>
Total Liabilities and Balances	<u>\$ 2,165,576</u>	<u>\$ 270,334</u>	<u>\$ 5,910</u>	<u>\$ 91,976</u>	<u>\$ 2,533,796</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2012**

Total Fund Balances for Governmental Funds		\$ 2,400,453
--	--	--------------

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Governmental Capital Assets	\$ 1,412,591		
Less: Accumulated Depreciation	<u>(209,242)</u>		1,203,349

Long-term liabilities that pertain to governmental funds, including capital leases, are not due and payable in the current period and, therefore, are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of Net Assets.

Compensated Absences Payable		<u>(19,815)</u>
------------------------------	--	-----------------

Total Net Assets of Governmental Activities		<u><u>\$ 3,583,987</u></u>
---	--	----------------------------

**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2012**

	General Fund	Highway Users Revenue Fund	Grants Fund	Nonmajor Governmental Fund	Totals
Revenues:					
Taxes:					
Sales Taxes	\$ 235,399	\$ -	\$ -	\$ -	\$ 235,399
Franchise Taxes	49,275	-	-	-	49,275
Intergovernmental	506,401	191,079	179,331	6,483	883,294
Fines and Forfeitures	914,076	-	-	18,322	932,398
Licenses and Permits	17,155	-	-	-	17,155
Investment Income	838	209	-	-	1,047
Other	884	-	-	-	884
Total Revenues	<u>1,724,028</u>	<u>191,288</u>	<u>179,331</u>	<u>24,805</u>	<u>2,119,452</u>
Expenditures:					
Current:					
General Government	688,046	-	179,331	-	867,377
Public Safety	745,306	-	-	-	745,306
Highways and Streets	-	49,432	-	7,800	57,232
Total Expenditures	<u>1,433,352</u>	<u>49,432</u>	<u>179,331</u>	<u>7,800</u>	<u>1,669,915</u>
Excess (Deficiency) of Revenues Over Expenditures	290,676	141,856	-	17,005	449,537
Other Financing Sources (Uses):					
Transfers In	-	100,000	-	-	100,000
Transfers Out	(1,057,837)	-	-	-	(1,057,837)
Total Other Financing Sources (Uses)	<u>(1,057,837)</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>(957,837)</u>
Net Change in Fund Balances	(767,161)	241,856	-	17,005	(508,300)
Fund Balances:					
Beginning of Year	2,810,026	23,756	-	74,971	2,908,753
End of Year	<u>\$ 2,042,865</u>	<u>\$ 265,612</u>	<u>\$ -</u>	<u>\$ 91,976</u>	<u>\$ 2,400,453</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012**

Net Change in Fund Balances - Total Governmental Funds \$ (508,300)

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, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for Capital Assets	\$ 192,323	
Depreciation Expense	<u>(52,492)</u>	139,831

Losses arising from the disposal of capital assets is recorded as an expense in the government-wide financial statements and represents a reconciling item between the government-wide and fund financial statements. (39,083)

In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. (4,706)

Change in Net Assets of Governmental Activities \$ (412,258)

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012**

	Enterprise Funds
	Water
<b>Assets</b>	
Current Assets	
Cash and Cash Equivalents	\$ 67,550
Accounts Receivable, Net	19,926
Total Current Assets	87,476
Noncurrent Assets	
Depreciable Capital Assets, Net	853,586
Total Assets	941,062
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable	1,905
Accrued Wages and Benefits	2,045
Customer Deposits Payable	8,150
Unearned Revenue	1,770
Total Liabilities	13,870
<b>Net Assets</b>	
Invested in Capital Assets	853,586
Unrestricted	73,606
Total Net Assets	\$ 927,192

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012**

	Enterprise Funds
	Water
Operating Revenues	
Charges for Services	\$ 27,652
Operating Expenses	
Cost of Sales and Services	54,046
Depreciation	4,251
Total Operating Expenses	58,297
Operating Loss	(30,645)
Transfers In	957,837
Change in Net Assets	927,192
Total Net Assets, Beginning of Year	-
Total Net Assets, End of Year	\$ 927,192

*See accompanying Notes to Basic Financial Statements.*

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2012**

	<u>Enterprise Funds</u>
	<u>Water</u>
<b>Cash flows from operating activities</b>	
Receipts from customers	\$ 7,726
Payments to suppliers	(44,078)
Payments to employees	(6,018)
Customer deposits	9,650
Net cash flows from operating activities	<u>(32,720)</u>
 <b>Cash flows from capital and financing activities</b>	
Purchases of capital assets	(857,837)
Transfer In	957,837
Net cash flows from capital and related financing activities	<u>100,000</u>
 Net change in cash and cash equivalents	67,280
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	<u>\$ 67,550</u>
 Reconciliation of operating income (loss) to net cash provided by operating activities	
Operating income (loss)	\$ (30,645)
 Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	4,251
Change in assets/liabilities:	
Receivables, net	(19,926)
Accounts payable	1,905
Accrued wages and benefits	2,045
Customer deposits payable	9,650
Net cash used for operating activities	<u>\$ (32,720)</u>

See accompanying Notes to Basic Financial Statements.

THIS PAGE BLANK

## **NOTES TO BASIC FINANCIAL STATEMENTS**

THIS PAGE BLANK

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Town of Star Valley, Arizona (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the Town's more significant accounting policies follows.

**A. Reporting Entity**

The Town is a municipal government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the Town for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the Town's financial statements present only the funds of those entities for which its elected governing board is financially accountable.

**B. Government-Wide and Fund Financial Statements**

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

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

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

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

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

The Town reports the following major governmental funds:

*Major Governmental Funds*

The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The *Highway Users Revenue Special Revenue Fund (HURF)* accounts for the operations of the street maintenance department. Financing is provided by the Town's share of motor fuel tax.

The *Grants Fund* is a special revenue fund used to account for the activity of federal and state grants.

The Town reports the following major proprietary funds:

The *Water Fund* accounts for the activities necessary to provide water services to the citizens of the Town.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for the business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, for governmental activities it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three years or less from the date of acquisition.

Cash and investments are pooled except for funds required to be held by fiscal agents or restricted under provisions of bond indentures. Interest earned from investments purchased with such pooled monies is allocated to each of the funds based on the average daily cash balances. State statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit in eligible depositories, repurchase agreements, obligations of the State of Arizona or any of its counties or incorporated cities, Towns or duly organized school districts, improvement districts in this state and the State Treasurer's Local Government Investment Pool. Investments are stated at fair value.

**2. Receivables**

All trade receivables are shown net of an allowance for uncollectible. The Town reported \$-0- for an allowance based on prior experience and the nature of the receivables. The intergovernmental receivables represent sales tax, state shared revenues and grants from federal agencies.

**3. Capital Assets**

Capital assets, which include land, infrastructure, buildings and improvements, and vehicles, machinery and equipment, are reported in the governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**3. Capital Assets (Continued)**

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

General infrastructure assets acquired prior to July 1, 2002 are not reported in the basic financial statements.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Infrastructure	10-45 Years
Water System	45 Years
Buildings and Improvements	45 Years
Vehicles, Machinery and Equipment	5 Years

**4. Intergovernmental Payable**

The liability for intergovernmental payable represents court surcharges due to the State of Arizona.

**5. Compensated Absences**

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**6. Net assets**

In the government-wide financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt is separately reported because the Town reports all Town assets which make up a significant portion of total net assets. Restricted net assets account for the portion of net assets restricted by parties outside the Town. Unrestricted net assets are the remaining net assets not included in the previous two categories.

None of the restricted net assets reported in the government-wide financial statements are restricted by enabling legislation.

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Assets, Liabilities, and Net Assets or Equity (Continued)**

**7. Fund Balances**

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned and unassigned fund balances.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on the usage by creditors, grantors, contributors, or laws and regulations. The committed fund balances are self-imposed limitations approved by the Town Council, which is the highest level of decision-making authority within the Town. Only the Town Council can remove or change the constraints placed on committed fund balances. The Town Council must commit fund balances before the end of the fiscal year through formal council action. Assigned fund balances are resources constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The Town Council has not formally authorized an individual or a group of individuals to make assignments of resources for specific purposes.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted, committed, assigned or unassigned fund balances, the Town uses restricted fund balance first, then committed, assigned and unassigned amounts.

The Town reports the following fund balance classifications:

	General Fund	HURF	CDBG	Nonmajor Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Prepays	\$ 10,557	\$ -	\$ -	\$ -	\$ 10,557
<b>Restricted:</b>					
Highway and Street Projects	-	165,612	-	-	165,612
Local Transportation Assistance	-	-	-	26,149	26,149
Judicial Court Enhancement	-	-	-	65,827	65,827
Total Restricted	-	165,612	-	91,976	257,588
<b>Committed</b>					
Highway and Street Projects	-	100,000	-	-	100,000
<b>Unassigned</b>	2,032,308	-	-	-	2,032,308
Total Fund Balance	<u>\$ 2,042,865</u>	<u>\$ 265,612</u>	<u>\$ -</u>	<u>\$ 91,976</u>	<u>\$ 2,400,453</u>

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 2 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2012 consist of the following:

Deposits:	
Cash in Bank	\$ 1,069,960
Investments:	
State Treasurer's Investment Pool	1,426,444
Total Cash and Investments	<u>\$ 2,496,404</u>

**Deposits**

The Town's deposits had a carrying value of \$1,069,960 and a bank balance of \$1,077,685 at June 30, 2012. The Town's bank balance was fully insured by federal depository insurance.

**Investments**

The State Board of Deposit provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk.

*Interest Rate Risk* – In accordance with its investment policy, the Town manages its exposure to declines in fair values by limiting the average maturity of investments to less than one year. The average maturity of the State Treasurer's Investment Pool is less than one year.

*Custodial Credit Risk* – For an investment, this is the risk that, in the event of the failure of the counterparty, the government 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's investment policy requires the Town to invest in obligations secured by the federal government; and, therefore is not subject to custodial credit risk.

*Credit Risk* – The Town does not have a formal policy related to credit risk; however, the Town's deposits and investments consist of insured or collateralized deposits and investments are deposited with the State Treasurer's Investment Pool. The Town's investment in the State Treasurer's Investment Pool did not receive a credit quality rating from a national rating agency.

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**2. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,251	\$ -	\$ -	\$ 12,251
Capital Assets, Being Depreciated:				
Infrastructure	883,839	74,840	(45,000)	913,679
Buildings and Improvements	222,674	95,963	-	318,637
Vehicles, Machinery and Equipment	152,098	21,520	(5,594)	168,024
Total Capital Assets, Being Depreciated	<u>1,258,611</u>	<u>192,323</u>	<u>(50,594)</u>	<u>1,400,340</u>
Accumulated Depreciation for:				
Infrastructure	(54,071)	(25,931)	5,917	(74,085)
Buildings and Improvements	(5,360)	(6,037)	-	(11,397)
Machinery and Equipment	(108,830)	(20,524)	5,594	(123,760)
Total Accumulated Depreciation	<u>(168,261)</u>	<u>(52,492)</u>	<u>11,511</u>	<u>(209,242)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,090,350</u>	<u>139,831</u>	<u>(39,083)</u>	<u>1,191,098</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,102,601</u>	<u>\$ 139,831</u>	<u>\$ (39,083)</u>	<u>\$ 1,203,349</u>

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Being Depreciated:				
Buildings and Improvements	\$ -	\$ 775,000	\$ -	\$ 775,000
Water System	-	82,837	-	82,837
Total Capital Assets, Being Depreciated	<u>-</u>	<u>857,837</u>	<u>-</u>	<u>857,837</u>
Accumulated Depreciation for:				
Buildings and Improvements	-	(2,870)	-	(2,870)
Water System	-	(1,381)	-	(1,381)
Total Accumulated Depreciation	<u>-</u>	<u>(4,251)</u>	<u>-</u>	<u>(4,251)</u>
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>853,586</u>	<u>-</u>	<u>853,586</u>
Business-Type Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 853,586</u>	<u>\$ -</u>	<u>\$ 853,586</u>

Depreciation expense was charged to functions/programs as follows:

<b>Governmental Activities:</b>	
General Government	\$ 26,561
Highways and Streets	25,931
Total Depreciation Expense, Governmental Activities	<u>\$ 52,492</u>
<b>Business-Type Activities:</b>	
Water	<u>\$ 4,251</u>

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Interfund Receivables, Payables, and Transfers**

Interfund receivables and payable for the year ended June 30, 2012 were as follows:

	Due To	Due From
	Grants Fund	
General Fund	\$ 910	

Interfund receivables and payables were recorded for short-term borrowings between funds to cover deficit cash.

The transfers for the year ended June 30, 2012 were as follows:

	Transfers To	Transfers From
		General Fund
HURF Fund		\$ 100,000
Water Fund		957,837
		\$ 1,057,837

The transfer from the General Fund to the Water Fund was to establish the water fund in connection with the purchase of a water company's assets. The transfer from the General Fund to the HURF Fund was to help pay for street and maintenance projects.

**C. Long-Term Obligations**

Changes in long-term debt for the year ended June 30, 2012 are as follows:

	July 1, 2011	Increases	Decreases	June 30, 2012	Due within One Year
<b>Governmental Activities:</b>					
Other Liabilities:					
Compensated Absences	\$ 15,109	\$ 14,121	\$ (9,415)	\$ 19,815	\$ 9,698

The liability for compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 3 OTHER INFORMATION**

**A. Risk Management**

The Town of Star Valley, Arizona, is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$2,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The Town is also insured by Arizona Municipal Workers Compensation Fund for potential worker related accidents.

**B. Retirement Plans**

**Arizona State Retirement System**

**Plan Descriptions**

The Town contributes to a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health care plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan, all of which are administered by the Arizona State Retirement System. The Arizona State Retirement System (through its Retirement Fund) provides retirement (i.e., pension), death, and survivor benefits; the Health Benefit Supplement Fund provides health insurance premium benefits (i.e., a monthly subsidy); and the Long-Term Disability Fund provides long-term disability benefits. Benefits are established by state statute. The System is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

The System issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the System, 3300 North Central Avenue, P.O. Box 33910, Phoenix, AZ 85067-3910 or by calling (602) 240-2000 or (800) 621-3778.

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 3 OTHER INFORMATION (CONTINUED)**

**B. Retirement Plans (Continued)**

**Arizona State Retirement System (Continued)**

**Funding Policy**

The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rates. For the year ended June 30, 2012, active plan members were required by statute to contribute at the actuarially determined rate of 9.85 percent (9.60 percent for retirement and 0.25 percent for long-term disability) of the members' annual covered payroll and the Town was required by statute to contribute at the actuarially determined rate of 9.85 percent (9.01 percent for retirement, 0.59 percent for health insurance premium, and 0.25 percent for long-term disability) of the members' annual covered payroll. The Town's contributions to the plan for the current and two preceding years, which were equal to the required contributions for each year, were as follows:

<u>Years ended June 30,</u>	<u>Retirement Fund</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2012	\$ 20,057	\$ 1,280	\$ 488
2011	19,013	1,245	528
2010	17,868	2,324	1,128

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**

**TOWN OF STAR VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
YEAR ENDED JUNE 30, 2012**

	Original and Final Budget	Actual	Variance With Final Budget
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Revenues:			
Taxes	\$ 288,400	\$ 284,674	\$ (3,726)
Intergovernmental	503,037	506,401	3,364
Fines and Forfeitures	870,000	914,076	44,076
Licenses and Permits	16,500	17,155	655
Charges for Services	500	-	(500)
Investment Income	1,036	838	(198)
Other	300	884	584
Total Revenues	<u>1,679,773</u>	<u>1,724,028</u>	<u>44,255</u>
Expenditures:			
Current:			
General Government:			
Court	117,000	165,532	(48,532)
Administration	807,250	420,614	386,636
Elections	15,000	3,875	11,125
Building Inspection	115,760	74,830	40,930
Town Council	25,200	23,075	2,125
Planning and Zoning	5,000	120	4,880
Total General Government	<u>1,085,210</u>	<u>688,046</u>	<u>397,164</u>
Public Safety:			
Photo Enforcement	565,150	370,830	194,320
Contracted Law Enforcement	395,500	374,476	21,024
Total Public Safety	<u>960,650</u>	<u>745,306</u>	<u>215,344</u>
Total Expenditures	<u>2,045,860</u>	<u>1,433,352</u>	<u>612,508</u>
Excess (Deficiency) of Revenues Over Expenditures	(366,087)	290,676	656,763
Other Financing Sources (Uses):			
Transfers Out	<u>(1,400,000)</u>	<u>(1,057,837)</u>	<u>342,163</u>
Net Change in Fund Balance	(1,766,087)	(767,161)	998,926
Fund Balance:			
Beginning of Year	-	2,810,026	2,810,026
End of Year	<u>\$ (1,766,087)</u>	<u>\$ 2,042,865</u>	<u>\$ 3,808,952</u>

See Accompanying Notes to Required Supplementary Information Other Than MD&A.

**TOWN OF STAR VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – HIGHWAY USER REVENUE FUND  
YEAR ENDED JUNE 30, 2012**

	Original and Final Budget	Actual	Variance With Final Budget
Revenues:			
Intergovernmental	\$ 268,065	\$ 191,079	\$ (76,986)
Investment Earnings	600	209	(391)
Other	100,000	-	(100,000)
Total Revenues	368,665	191,288	(177,377)
Expenditures:			
Current:			
Highways and Streets	420,507	49,432	371,075
Excess (Deficiency) of Revenues Over Expenditures	(51,842)	141,856	193,698
Other Financing Sources (Uses):			
Transfers In	100,000	100,000	-
Net Change in Fund Balances	48,158	241,856	193,698
Fund Balance:			
Beginning of Year	-	23,756	23,756
End of Year	\$ 48,158	\$ 265,612	\$ 217,454

See Accompanying Notes to Required Supplementary Information Other Than MD&A.

**TOWN OF STAR VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GRANTS FUND  
YEAR ENDED JUNE 30, 2012**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Intergovernmental	\$ 830,000	\$ 179,331	\$ (650,669)
Expenditures:			
Current:			
General Government	<u>841,350</u>	<u>179,331</u>	<u>662,019</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,350)	-	11,350
Fund Balances:			
Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
End of Year	<u><u>\$ (11,350)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,350</u></u>

See Accompanying Notes to Required Supplementary Information Other Than MD&A.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**  
**YEAR ENDED JUNE 30, 2012**

**NOTE 1 BUDGETARY INFORMATION**

The Town adopts a budget on the modified accrual basis of accounting; however, due to budget amendments and/or future projections, the budget may not be presented as a balanced budget.

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1, to the Town Council. The operating budget includes proposed expenditures and the means of financing them.
2. The Town operates under the voter approved alternative expenditure limitation. The electorate authorized the Town, in accordance with Arizona Revised Statutes, to establish a local annual expenditure limitation each fiscal year. The Town sets the annual expenditure limitation for all fund types as a whole with the adoption of the annual budget.
3. Public hearings on the budget are held each year in accordance with legal requirements in order to obtain comments from local taxpayers.
4. To ensure compliance with the State imposed expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. Section 41-1279.07).
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole per State law. For management purposes, the Town adopts a budget by department for each individual fund and establishes the legal level of local budgetary control at this level. The adopted budget cannot be amended in any way without Town Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Debt Service and Capital Projects Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures for financial reporting purposes.

The Town is subject to the State of Arizona's Spending Limitation Law for Towns and Cities. This law does not permit the Town to spend more than budgeted revenues plus the carryover unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

The Town reported an over-expenditure of \$48,562 within the court department of the General Fund for the fiscal year. The subsequent year's budget will be modified to account for the over-expenditure.

THIS PAGE BLANK