

Town Council
Town of Star Valley, Arizona
Star Valley, Arizona

We have audited the 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) for the year ended June 30, 2012, and have issued our report thereon dated December 30, 2013. Professional standards require that we provide you with the following information related to our audit.

Our responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 18, 2013, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

1. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
2. As part of our audit, we considered the internal control of the Town. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
3. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.
4. We are also responsible for reporting on the Town's compliance with the annual expenditure limitation and the use of Highway User Revenue Funds.

Planned scope and timing of the audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 30, 2013.

Significant audit findings

Qualitative aspects of accounting practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Star Valley, Arizona are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012.

We noted no transactions entered into by the Town during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives and remaining useful lives of capital assets are based on the Town's previous experience with similar assets and the condition of the asset. We evaluated the key factors and assumptions used to develop the useful lives and estimated remaining useful lives in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit; however, the issuance of the reports were delayed as a result of the Town delaying the start of the audit and due to the Town having a significant number of accounts payable and payroll transactions that were not recorded in the Town's general ledger. As a result, the Town had to provide us a revised general ledger that included the previously unrecorded accounts payable and payroll transactions. The revised general ledger was provided to the audit firm in July 2013; however, the unrecorded transactions were discovered as part of the audit process in February 2013. Additionally, a list of items had been requested from the client and the final items were not received from the client until November 2013.

Corrected and uncorrected misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, the following material misstatements were detected as a result of audit procedures and subsequently corrected by management.

During the audit, it was discovered that one month of payroll and numerous accounts payable runs were not recorded as expenditures and an offsetting liability in the Town's general ledger. Indication that an error had occurred was brought to the attention of management in February 2013 and management subsequently corrected the errors and provided a revised general ledger to the auditors in July 2013.

Adjustments totaling more than \$900,000 were proposed and subsequently recorded by management in the General Fund and the Water Fund to correctly record the acquisition of the water infrastructure and related wells and transfer the assets to the Water Fund.

Adjustments totaling more than \$20,000 and \$34,000 were proposed and subsequently recorded by management in the General Fund and Nonmajor Governmental Funds, respectively, to properly reverse prior year revenue accruals and accrue current year revenue.

Corrected and uncorrected misstatements (Continued)

Adjustments totaling more than \$170,000 were proposed and subsequently recorded by management in the General Fund to properly state cash, receivables and the court liability.

An adjustment in the amount of \$10,557 was proposed and subsequently recorded by management in the General Fund to reduce expenditures and properly record prepaid expenditures.

Adjustments totaling more than \$69,000 were proposed and subsequently recorded by management in the General Fund and Nonmajor Governmental Funds to properly record grant expenditures that were recorded in the General Fund in error.

Adjustments totaling more than \$12,000 were proposed and subsequently recorded by management in the General Fund to accrue expenditures at or near year-end that were recorded in the incorrect fiscal year.

Adjustments were proposed and subsequently recorded by management in the General Fund, Highway User Revenue Fund and Water Fund to reverse prior year payroll expenditures and accrue current year payroll expenditures.

Adjustments totaling approximately \$30,000 were proposed and subsequently recorded by management in the Water Fund to properly record the June 2013 water billings and customer deposits.

Disagreements with management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated December 30, 2013.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other audit findings or issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

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This information is intended solely for the use of the Town Council and management of the Town of Star Valley, Arizona and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Larson Allen LLP

Phoenix, Arizona
December 30, 2013

Town of Star Valley, Arizona
 Passed, Unrecorded Adjustments
 June 30, 2012

Account	Description	Debit	Credit
Nonmajor Governmental Fund			
39-29800	BEGINNING FUND BALANCE	\$ -	\$ 561
39-42-101	JCEF FINES	561	-

To record revenue in the proper fiscal year.