

**TOWN OF STAR VALLEY, ARIZONA**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2013**

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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. 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 auditors' 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 Town'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 Town'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.

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

**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, 2013, 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 management's discussion and on pages 3 – 9 and the budgetary comparison schedules of the General Fund and major Special Revenue Funds on pages 30 – 31 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.



Phoenix, Arizona  
May 5, 2014



## **REQUIRED SUPPLEMENTARY INFORMATION**

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**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

We (the Town of Star Valley, Arizona) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2013. 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 \$5,032,363 (net position). Of this amount \$2,348,870 (unrestricted net position) 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 \$2,699,883, an increase of \$269,430 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,187,593 or 143 percent of total General Fund expenditures.
- ◆ General Fund revenues were less than budgeted revenues by \$27,587 for fiscal year ending June 30, 2013. Additionally, expenditures were only 42% (\$2,082,644 in savings) of the final budget in the General Fund.
- ◆ General Fund revenues exceeded expenditures by \$145,034; a positive variance of \$2,055,057 from the original budget.

**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 position presents information on all of the Town of Star Valley, Arizona's assets and liabilities, with the difference between the two 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 of Star Valley, Arizona is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. 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, 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, 2013**

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 10 - 11 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 and Highway Users Revenue Fund which are considered major funds. Data from the other three governmental funds are combined into a single, aggregate presentation.

The basic governmental fund financial statements can be found on pages 12 - 15 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 16 - 18 of this report.

**Notes to Basic Financial Statements**

The notes to the basic financial statements (pages 19 - 29) 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, 2013**

**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 30 – 32.

**Government-Wide Financial Analysis**

**Net Position**

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects the condensed Statement of Net Position of the Town for June 30, 2013 showing that assets exceeded liabilities by \$5,032,363.

**Table A-1  
The Town's Net Position  
June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>ASSETS</b>						
Current and Other Assets	\$ 2,768,827	\$ 2,532,886	\$ 121,419	\$ 87,476	\$ 2,890,246	\$ 2,620,362
Capital Assets						
Non-depreciable	268,257	12,251	30,699	-	298,956	12,251
Depreciable (Net)	1,164,576	1,191,098	837,977	853,586	2,002,553	2,044,684
Total Assets	4,201,660	3,736,235	990,095	941,062	5,191,755	4,677,297
<b>LIABILITIES</b>						
Current Liabilities	98,944	132,433	33,763	13,870	132,707	146,303
Non-Current Liabilities						
Due Within One Year	7,870	9,698	-	-	7,870	9,698
Due in More Than One Year	18,815	10,117	-	-	18,815	10,117
Total Liabilities	125,629	152,248	33,763	13,870	159,392	166,118
<b>NET POSITION</b>						
Net Investment in Capital Assets	1,432,833	1,203,349	868,676	853,586	2,301,509	2,056,935
Restricted	381,984	257,588	-	-	381,984	257,588
Unrestricted	2,261,214	2,123,050	87,656	73,606	2,348,870	2,196,656
Total Net Position	\$ 4,076,031	\$ 3,583,987	\$ 956,332	\$ 927,192	\$ 5,032,363	\$ 4,511,179

Net position consists of three components. The Town of Star Valley, Arizona's investment 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 45.7% of total net position. 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 position (7.6%) represents resources that are subject to external restrictions on how they may be used. Restricted net position 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 position (\$2,348,870) 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, 2013**

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 position for the government as a whole.

**Change in Net Position**

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

**Table A-2  
Change in Net Position  
June 30, 2013 and 2012**

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 827,287	\$ 949,553	\$ 159,039	\$ 27,652	\$ 986,326	\$ 977,205
Operating Grants and Contributions	228,817	215,301	9,835	-	238,652	215,301
Capital Grants and Contributions	-	161,592	30,699	-	30,699	161,592
General Revenues:						
Sales Taxes	256,892	235,399	-	-	256,892	235,399
Franchise Taxes	51,696	49,275	-	-	51,696	49,275
State Shared Revenues	424,770	375,471	-	-	424,770	375,471
Auto Lieu Taxes	120,515	130,930	-	-	120,515	130,930
Investment Income	3,950	1,047	-	-	3,950	1,047
Other	1,363	884	-	-	1,363	884
Total Revenues	<u>1,915,290</u>	<u>2,119,452</u>	<u>199,573</u>	<u>27,652</u>	<u>2,114,863</u>	<u>2,147,104</u>
<b>EXPENSES</b>						
General Government	515,791	820,244	-	-	515,791	820,244
Public Safety	799,979	745,306	-	-	799,979	745,306
Highways and Streets	107,476	8,323	-	-	107,476	8,323
Water	-	-	170,433	58,297	170,433	58,297
Total Expenses	<u>1,423,246</u>	<u>1,573,873</u>	<u>170,433</u>	<u>58,297</u>	<u>1,593,679</u>	<u>1,632,170</u>
<b>CHANGE IN NET POSITION</b>						
<b>BEFORE TRANSFERS</b>	492,044	545,579	29,140	(30,645)	521,184	514,934
Transfers	-	(957,837)	-	957,837	-	-
Change in Net Position	<u>492,044</u>	<u>(412,258)</u>	<u>29,140</u>	<u>927,192</u>	<u>-</u>	<u>(514,934)</u>
Net Position - Beginning of Year	<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>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 4,076,031</u>	<u>\$ 3,583,987</u>	<u>\$ 956,332</u>	<u>\$ 927,192</u>	<u>\$ 5,032,363</u>	<u>\$ 4,511,179</u>

**Governmental Activities**

Program revenues decreased by \$270,342 and general revenues increased by \$66,180.

The decrease in program revenues was the result of a decrease in fees and fines related to a decrease in photo enforcement fines, as well as a decrease in capital grants and contributions due to the Town receiving less funding for capital grants during the current year.

Operating grants and contributions increased \$13,516 primarily due to an increase in Highway User Revenue Funding for streets projects.

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

The increase in general revenues was primarily due to an increase in state shared revenue funding. State shared revenue is collected and distributed by the State of Arizona and based on sales tax collection at the State level.

Expenses decreased \$150,627, primarily due to the decrease in grant funding received for governmental operations. The grants the Town received in the current year were mainly used for improvements and upgrades to the Water Fund. Additionally, highway and streets expenditures increase as a result of an increase in street improvements and repair.

*Business-Type Activities* – The prior fiscal was the first year of operations of the Water Fund. Program revenues increased \$171,921 due to the Water Company having a full year of water billings and the Town received two grants during the year related to the water infrastructure projects. Additionally, expenses increased \$112,136 as the Water Company had its first full year of operating expenses and an increase in depreciation expense recorded.

**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 \$2,699,883, an increase of \$269,430 in comparison with the prior year. Approximately 82% of this total amount (\$2,187,899) constitutes General Fund fund balance, which is reported in the nonspendable and unassigned fund balances. At fiscal year-end 2012-13 fund balances were as follows:

**Table A-3  
Fund Balances**

Fund	Balance	Increase From 2011-12
General Fund	\$ 2,187,899	\$ 145,034
Highway Users Revenue Fund	380,368	114,756
Nonmajor Governmental Funds	101,616	9,640

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 143 percent of total General Fund expenditures.

The fund balance of the General Fund increased by \$145,034 during the current fiscal year. This increase was largely attributed to the continuing increase in revenues over expenditures within the General Fund. In the prior year, the Town had a large transfer from the General Fund to the Water Fund related to start-up costs of the water company that decreased ending fund balance. In the current year, the Town saw a decrease in fines and forfeitures and an increase in expenditures, but was still able to maintain a positive net change in the General Fund fund balance.

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

The fund balance of the Highway Users Revenue Fund increased as a result of the state shared revenue distribution schedule. Population increases in the 2010 census attributed to the increase in shared funding by the State of Arizona. However, in the current year the Town recognized more expenditures related to street improvement and repairs. Overall, the Town continues to see a net increase in fund balance as the Town monitors spending to ensure they don't spend over the revenues received.

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 in the current year was not significant.

**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 30 – 32 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 \$1,670,310 were less than budgeted revenues of \$1,697,897 by \$27,587 while expenditures of \$1,525,276 were 42% of budgeted expenditures (savings of \$2,082,644). Revenues were less than the budget primarily due to the significant decrease in photo enforcement fines and forfeitures.

Expenditures fell below budget largely due to unspent capital project funding in the administration department and a large savings in the building inspector department as services were outsourced to another government.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2013 amount to \$2,301,509 (net of accumulated depreciation), an increase of 11.9%. 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.3 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:

- ◆ Purchase of property within the Town's city limits.
- ◆ Pinion road improvements.
- ◆ Phone system upgrade.
- ◆ Water company equipment and upgrades.



**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2013**

The following table provides a breakdown of the capital assets of the Town at June 30, 2013 and 2012.

**Table A-4  
Capital Assets (Net)  
June 30, 2013 and 2012**

	Governmental Activities		Business Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 268,257	\$ 12,251	\$ -	\$ -	\$ 268,257	\$ 12,251
Construction in Progress	-	-	30,699	-	30,699	-
Infrastructure	831,782	839,594	-	-	831,782	839,594
Buildings and Improvements	300,159	307,240	23,319	24,697	323,478	331,937
Water System	-	-	799,959	828,889	799,959	828,889
Vehicle, Machinery and Equipment	32,635	44,264	14,699	-	47,334	44,264
Total Capital Assets	<u>\$ 1,432,833</u>	<u>\$ 1,203,349</u>	<u>\$ 868,676</u>	<u>\$ 853,586</u>	<u>\$ 2,301,509</u>	<u>\$ 2,056,935</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**

- ◆ The Town estimates a decrease in Fee and Fine revenues at a trending decline of 7-10% annually. We project state shared revenues and local tax to hold a steady increase of 3%.
- ◆ CDBG grant project 142-12 proposed a project budget that exceeded grant revenues at an estimated 120k. Town council approved the deficit to be covered by the Water Fund.
- ◆ Management plans to propose several HURF projects that will reduce the reserve fund balance that has accrued over past years.
- ◆ Development of the water master plan may detail water department projects for upcoming years.

**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)

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 2,673,188	\$ 75,881	\$ 2,749,069
Restricted Assets	-	8,957	8,957
Receivables, Net:			
Accounts Receivable	2,883	17,960	20,843
Intergovernmental Receivables	92,450	18,621	111,071
Prepaid Items	306	-	306
Capital Assets:			
Non-Depreciable	268,257	30,699	298,956
Depreciable (Net)	1,164,576	837,977	2,002,553
Total Assets	<u>4,201,660</u>	<u>990,095</u>	<u>5,191,755</u>
<b>LIABILITIES</b>			
Accounts Payable	43,356	21,534	64,890
Accrued Wages and Benefits	8,718	1,717	10,435
Intergovernmental Payable	46,870	-	46,870
Customer Deposits Payable	-	8,957	8,957
Unearned Revenue	-	1,555	1,555
Noncurrent Liabilities:			
Due Within One Year	7,870	-	7,870
Due in More Than One Year	18,815	-	18,815
Total Liabilities	<u>125,629</u>	<u>33,763</u>	<u>159,392</u>
<b>NET POSITION</b>			
Investment in Capital Assets	1,432,833	868,676	2,301,509
Restricted for:			
Highways and Streets	300,295	-	300,295
Judicial Court Enhancement	81,689	-	81,689
Unrestricted	2,261,214	87,656	2,348,870
Total Net Position	<u>\$ 4,076,031</u>	<u>\$ 956,332</u>	<u>\$ 5,032,363</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Change in Net Position		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	\$ 515,791	\$ 30,634	\$ -	\$ -	\$ (485,157)	\$ -	\$ (485,157)
Public Safety	799,979	796,653	20,591	-	17,265	-	17,265
Highways and Streets	107,476	-	208,226	-	100,750	-	100,750
Total Governmental Activities	1,423,246	827,287	228,817	-	(367,142)	-	(367,142)
Business-Type Activities:							
Water	170,433	159,039	9,835	30,699	-	29,140	29,140
Total Primary Government	<u>\$ 1,593,679</u>	<u>\$ 986,326</u>	<u>\$ 238,652</u>	<u>\$ 30,699</u>	(367,142)	29,140	(338,002)
General Revenues:							
Taxes							
Sales Taxes					256,892	-	256,892
Franchise Taxes					51,696	-	51,696
State Revenue Sharing					235,692	-	235,692
State Sales Tax Revenue Sharing					189,078	-	189,078
Auto Lieu Tax Revenue Sharing					120,515	-	120,515
Investment Income					3,950	-	3,950
Other					1,363	-	1,363
Total General Revenues					<u>859,186</u>	-	<u>859,186</u>
Change in Net Position					492,044	29,140	521,184
Net Position - Beginning					3,583,987	927,192	4,511,179
Net Position - Ending					<u>\$ 4,076,031</u>	<u>\$ 956,332</u>	<u>\$ 5,032,363</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013**

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>				
Cash and Investments	\$ 2,212,689	\$ 361,766	\$ 98,733	\$ 2,673,188
Receivables:				
Accounts Receivable	-	-	2,883	2,883
Intergovernmental Receivables	72,875	19,575	-	92,450
Prepaid Items	306	-	-	306
Total Assets	<u>\$ 2,285,870</u>	<u>\$ 381,341</u>	<u>\$ 101,616</u>	<u>\$ 2,768,827</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 43,259	\$ 97	\$ -	\$ 43,356
Accrued Wages and Benefits	7,842	876	-	8,718
Intergovernmental Payable	46,870	-	-	46,870
Total Liabilities	<u>97,971</u>	<u>973</u>	<u>-</u>	<u>98,944</u>
Fund Balances:				
Nonspendable	306	-	-	306
Restricted	-	280,368	101,616	381,984
Committed	-	100,000	-	100,000
Unassigned	2,187,593	-	-	2,187,593
Total Fund Balances	<u>2,187,899</u>	<u>380,368</u>	<u>101,616</u>	<u>2,669,883</u>
Total Liabilities and Fund Balances	<u>\$ 2,285,870</u>	<u>\$ 381,341</u>	<u>\$ 101,616</u>	<u>\$ 2,768,827</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 POSITION  
JUNE 30, 2013**

Total Fund Balances for Governmental Funds \$ 2,669,883

Total net position reported for governmental activities in the statement of net position 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	\$ 1,689,997	
Less: Accumulated Depreciation	<u>(257,164)</u>	1,432,833

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 Position.

Compensated Absences Payable		<u>(26,685)</u>
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Total Net Position of Governmental Activities		<u><u>\$ 4,076,031</u></u>
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**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Fund	Totals
Revenues:				
Taxes:				
Sales Taxes	\$ 256,892	\$ -	\$ -	\$ 256,892
Franchise Taxes	51,696	-	-	51,696
Intergovernmental	545,285	205,019	23,798	774,102
Fines and Forfeitures	796,653	-	15,862	812,515
Licenses and Permits	14,772	-	-	14,772
Investment Income	3,649	301	-	3,950
Other	1,363	-	-	1,363
Total Revenues	<u>1,670,310</u>	<u>205,320</u>	<u>39,660</u>	<u>1,915,290</u>
Expenditures:				
Current:				
General Government	725,297	-	20,920	746,217
Public Safety	799,979	-	-	799,979
Highways and Streets	-	90,564	9,100	99,664
Total Expenditures	<u>1,525,276</u>	<u>90,564</u>	<u>30,020</u>	<u>1,645,860</u>
Net Change in Fund Balances	145,034	114,756	9,640	269,430
Fund Balances:				
Beginning of Year	2,042,865	265,612	91,976	2,400,453
End of Year	<u>\$ 2,187,899</u>	<u>\$ 380,368</u>	<u>\$ 101,616</u>	<u>\$ 2,669,883</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, 2013**

Net Change in Fund Balances - Total Governmental Funds \$ 269,430

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	\$ 277,406	
Depreciation Expense	<u>(47,922)</u>	229,484

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.

(6,870)

Change in Net Position of Governmental Activities

\$ 492,044

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013**

		<u>Enterprise Funds</u>
		<u>Water</u>
<b>Assets</b>		
Current Assets		
Cash and Cash Equivalents	\$	75,881
Restricted Cash and Cash Equivalents		8,957
Receivables, Net		
Accounts Receivable, Net		17,960
Intergovernmental Receivable		18,621
Total Current Assets		<u>121,419</u>
Non-Current Assets		
Non-Depreciable Capital Assets		30,699
Depreciable Capital Assets, Net		837,977
Total Assets		<u>990,095</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts Payable		21,534
Accrued Wages and Benefits		1,717
Customer Deposits Payable		8,957
Unearned Revenue		1,555
Total Liabilities		<u>33,763</u>
<b>Net Position</b>		
Investment in Capital Assets		837,977
Unrestricted		118,355
Total Net Position	\$	<u><u>956,332</u></u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013**

	Enterprise Funds
	Water
Operating Revenues	
Charges for Services	\$ 159,039
Operating Expenses	
Cost of Sales and Services	130,144
Depreciation	40,289
Total Operating Expenses	170,433
Operating Loss	(11,394)
Nonoperating Revenues	
Intergovernmental Revenues	9,835
Loss Before Capital Contributions	(1,559)
Capital Contributions	30,699
Change in Net Position	29,140
Total Net Position, Beginning of Year	927,192
Total Net Position, End of Year	\$ 956,332

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2013**

	Enterprise Funds
	Water
<b>Cash Flows from Operating Activities</b>	
Receipts from Customers	\$ 160,790
Payments to Suppliers	(54,533)
Payments to Employees	(66,001)
Customer Deposits	807
Net Cash Flows from Operating Activities	41,063
<b>Cash flows from noncapital financing activities</b>	
Intergovernmental Revenues	9,835
<b>Cash Flows from Capital and Financing Activities</b>	
Capital Contributions	12,078
Purchases of Capital Assets	(45,688)
Net Cash Flows from Capital and Related Financing Activities	(33,610)
Net Change in Cash and Cash Equivalents	17,288
Cash and Cash Equivalents, Beginning of Year	67,550
Cash and Cash Equivalents, End of Year (Including \$8,957 Restricted Cash and Cash Equivalents)	\$ 84,838
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities	
Operating Loss	\$ (11,394)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	40,289
Change in Assets/Liabilities:	
Receivables, Net	1,966
Accounts Payable	9,938
Accrued Wages and Benefits	(328)
Customer Deposits Payable	807
Unearned Revenue	(215)
Net Cash Provided by Operating Activities	\$ 41,063

See accompanying Notes to Basic Financial Statements.

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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.

During the year ended June 30, 2013, the Town adopted GASB Statements No. 61, 62, 63, and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statement No. 14 and No. 34*, relates to the reporting of component units. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, relates to the codification of prior GASB statements. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities.

**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 position 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*.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**B. Government-Wide and Fund Financial Statements (Continued)**

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.

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 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.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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 Position 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. Restricted Assets**

The Town reports restricted assets for water deposits collected and held by the Town for customers it serves. The deposits will be returned to customers upon termination of services.

**3. 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.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

**4. 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.

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

**5. Intergovernmental Payable**

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

**6. 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.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

**7. Net Position**

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

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

**8. 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.

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

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

The Town reports the following fund balance classifications:

	<u>General Fund</u>	<u>HURF</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Fund Balances:</b>				
<b>Nonspendable:</b>				
Prepays	\$ 306	\$ -	\$ -	\$ 306
<b>Restricted:</b>				
Highway and Street Projects	-	280,368	-	280,368
Local Transportation Assistance	-	-	19,927	19,927
Judicial Court Enhancement	-	-	81,689	81,689
Total Restricted	<u>-</u>	<u>280,368</u>	<u>101,616</u>	<u>381,984</u>
<b>Committed</b>				
Highway and Street Projects	-	100,000	-	100,000
<b>Unassigned</b>				
	<u>2,187,593</u>	<u>-</u>	<u>-</u>	<u>2,187,593</u>
Total Fund Balance	<u>\$ 2,187,899</u>	<u>\$ 380,368</u>	<u>\$ 101,616</u>	<u>\$ 2,669,883</u>

**NOTE 2 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2013 consist of the following:

Deposits:	
Cash on Hand	\$ 1,244
Cash in Bank	1,328,824
Investments:	
State Treasurer's Investment Pool	<u>1,427,958</u>
Total Deposits and Investments	2,758,026
Less: Restricted Assets	<u>(8,957)</u>
Total Cash and Investments	<u>\$ 2,749,069</u>

**Deposits**

The Town's deposits had a carrying value of \$1,328,824 and a bank balance of \$1,359,863 at June 30, 2013. Of the bank balance, \$380,278 was collateralized by federal depository insurance and the remaining \$979,585 was collateralized by pledged securities.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**A. Assets (Continued)**

**1. Deposits and Investments (Continued)**

**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.

**2. Restricted Assets**

At June 30, 2013, the Town reported \$8,957 of cash and investments reported as restricted assets for customer water deposits held by the Town.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**A. Assets (Continued)**

**3. Capital Assets**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 12,251	\$ 256,006	\$ -	\$ 268,257
Capital Assets, Being Depreciated:				
Infrastructure	913,679	17,862	-	931,541
Buildings and Improvements	318,637	-	-	318,637
Vehicles, Machinery and Equipment	168,024	3,538	-	171,562
Total Capital Assets, Being Depreciated	1,400,340	21,400	-	1,421,740
Accumulated Depreciation for:				
Infrastructure	(74,085)	(25,674)	-	(99,759)
Buildings and Improvements	(11,397)	(7,081)	-	(18,478)
Machinery and Equipment	(123,760)	(15,167)	-	(138,927)
Total Accumulated Depreciation	(209,242)	(47,922)	-	(257,164)
Total Capital Assets, Being Depreciated, Net	1,191,098	(26,522)	-	1,164,576
Governmental Activities Capital Assets, Net	<u>\$ 1,203,349</u>	<u>\$ 229,484</u>	<u>\$ -</u>	<u>\$ 1,432,833</u>
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 30,699	\$ -	\$ 30,699
Capital Assets, Being Depreciated:				
Buildings and Improvements	24,807	-	-	24,807
Water System	833,030	7,635	-	840,665
Machinery, Equipment, and Vehicles	-	17,045	-	17,045
Total Capital Assets, Being Depreciated	857,837	24,680	-	882,517
Accumulated Depreciation for:				
Buildings and Improvements	(110)	(1,378)	-	(1,488)
Water System	(4,141)	(36,565)	-	(40,706)
Machinery, Equipment, and Vehicles	-	(2,346)	-	(2,346)
Total Accumulated Depreciation	(4,251)	(40,289)	-	(44,540)
Total Capital Assets, Being Depreciated, Net	853,586	(15,609)	-	837,977
Business-Type Activities Capital Assets, Net	<u>\$ 853,586</u>	<u>\$ 15,090</u>	<u>\$ -</u>	<u>\$ 868,676</u>



**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

**A. Assets (Continued)**

**3. Capital Assets (Continued)**

Depreciation expense was charged to functions/programs as follows:

**Governmental Activities:**

General Government	\$ 22,248
Highways and Streets	25,674
Total Depreciation Expense, Governmental Activities	<u>\$ 47,922</u>

**Business-Type Activities:**

Water	<u>\$ 40,289</u>
-------	------------------

**4. Construction Commitments**

Construction commitments as of June 30, 2013, were as follows:

Project	Governmental Spent-to-date	Remaining Commitment
Water Improvements	<u>\$ 30,699</u>	<u>\$ 247,050</u>

**B. Long-Term Obligations**

Changes in long-term debt for the year ended June 30, 2013 are as follows:

	July 1, 2012	Increases	Decreases	June 30, 2013	Due within One Year
<b>Governmental Activities:</b>					
Other Liabilities:					
Compensated Absences	<u>\$ 19,815</u>	<u>\$ 14,511</u>	<u>\$ (7,641)</u>	<u>\$ 26,685</u>	<u>\$ 7,870</u>

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, 2013**

**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, 2013**

**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, 2013, active plan members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent for retirement and 0.24 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 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium, and 0.24 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>
2013	\$ 20,862	\$ 1,323	\$ 488
2012	20,057	1,280	488
2011	19,013	1,245	528

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**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, 2013**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues:			
Taxes	\$ 231,000	\$ 308,588	\$ 77,588
Intergovernmental	561,297	545,285	(16,012)
Fines and Forfeitures	890,000	796,653	(93,347)
Licenses and Permits	15,100	14,772	(328)
Investment Income	-	3,649	3,649
Other	500	1,363	863
Total Revenues	<u>1,697,897</u>	<u>1,670,310</u>	<u>(27,587)</u>
Expenditures:			
Current:			
General Government:			
Court	128,400	118,313	10,087
Administration	2,370,022	573,360	1,796,662
Building Inspection	93,450	6,881	86,569
Town Council	25,200	25,721	(521)
Planning and Zoning	5,000	1,022	3,978
Total General Government	<u>2,622,072</u>	<u>725,297</u>	<u>1,896,775</u>
Public Safety:			
Photo Enforcement	592,348	434,163	158,185
Contracted Law Enforcement	393,500	365,816	27,684
Total Public Safety	<u>985,848</u>	<u>799,979</u>	<u>185,869</u>
Total Expenditures	<u>3,607,920</u>	<u>1,525,276</u>	<u>2,082,644</u>
Net Change in Fund Balance	(1,910,023)	145,034	2,055,057
Fund Balance:			
Beginning of Year	-	2,042,865	2,042,865
End of Year	<u>\$ (1,910,023)</u>	<u>\$ 2,187,899</u>	<u>\$ 4,097,922</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**

	Original and Final Budget	Actual	Variance With Final Budget
Revenues:			
Intergovernmental	\$ 210,888	\$ 205,019	\$ (5,869)
Investment Earnings	-	301	301
Total Revenues	<u>210,888</u>	<u>205,320</u>	<u>(5,568)</u>
Expenditures:			
Current:			
Highways and Streets	<u>249,802</u>	<u>90,564</u>	<u>159,238</u>
Net Change in Fund Balances	(38,914)	114,756	153,670
Fund Balance:			
Beginning of Year	<u>-</u>	<u>265,612</u>	<u>265,612</u>
End of Year	<u>\$ (38,914)</u>	<u>\$ 380,368</u>	<u>\$ 419,282</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, 2013**

**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 \$521 within the Town Council department of the General Fund for the fiscal year. The subsequent year's budget will be modified to account for the over-expenditure.