

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) as of and for the year ended June 30, 2013, and have issued our report thereon dated May 5, 2014. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

## **Significant audit findings**

### ***Qualitative aspects of accounting practices***

#### **Accounting policies**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town are described in Note 1 to the financial statements.

As described in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) numbers 60, 61, 62, 63, and 65. GASBS 60, *Accounting and Financial Reporting for Service Concession Arrangements*, improves financial reporting by establishing recognition, measurement, and discloses requirements for service concession arrangements (SCA's). An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties.

GASBS 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, modifies certain requirements for inclusion of component units in the financial reporting entity. The amendments allow users of the financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

GASBS 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, supersedes GASBS 20. GASBS 20 gave governments the choice to elect to follow only GASB's authoritative literature, or to follow FASB and AICPA pronouncements that did not conflict with GASB pronouncements. Upon adoption of GASBS 62, all governmental accounting guidance is codified into the GASB literature.

GASBS 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance on deferred outflows and inflows of resources. It also renames the residual amounts from “net assets” to “net position”. These financial statements include the statement of net position, which reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

GASB 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 and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

None of the statements had a significant impact on the City’s financial reporting.

We noted no transactions entered into by the entity 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

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 estimate affecting the financial statements was:

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.

#### Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

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.

#### ***Uncorrected misstatements***

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly 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.

***Corrected misstatements***

The following material misstatements detected as a result of audit procedures were corrected by management:

- Adjustments were proposed and subsequently recorded in the General Fund to properly accrue state shared revenues and to move a receivable for highway user revenue funds (HURF) to the HURF fund that were recorded in the General Fund in error.
- An adjustment was proposed and subsequently recorded in the General Fund to properly reverse a prior year expenditure accrual and to accrue expenditures at or near year end.
- Adjustments were proposed and subsequently recorded in the Grants Fund and the Water Fund to move revenues and expenditures of the Community Development Block Grant and the Water Infrastructure Authority of Arizona from the Grants Fund to the Water Fund that were recorded in the Grants Fund in error.
- An adjustment was proposed and subsequently recorded in the Water Fund to reverse a prior year revenue accrual.
- Adjustments were proposed and subsequently recorded in the Water Fund to capitalize current year capital asset additions and record current year depreciation.

***Disagreements with management***

For purposes of this letter, a disagreement with management is 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. No such disagreements arose during our audit.

***Management representations***

We have requested certain representations from management that are included in the management representation letter dated May 5, 2014.

***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.

***Significant issues discussed with management prior to engagement***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement 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 engagement.

***Other audit findings or issues***

We have provided a separate letter dated May 5, 2014, communicating internal control related matters identified during the audit.

**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 the reasons for any such changes, 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 communication is intended solely for the information and 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  
May 5, 2014

Town of Star Valley, Arizona  
 Passed, Unrecorded Adjustments  
 June 30, 2013

Account	Description	Debit	Credit
<b>Water Enterprise / Business-Type Activities</b>			
50-70-850	CDBG REVENUE	\$ 5,000	\$ -
50-29800	FUND BALANCE	-	5,000
To properly state fund balance and revenues for a revenue that should have been accrued in the previous fiscal year.			
<b>General Fund / Governmental Activities</b>			
10-10100	COMBINED CASH	\$ 1,517	\$ -
10-10100	COMBINED CASH	2,012	-
10-10100	COMBINED CASH	2,591	-
10-44-110	SALARIES & WAGES	-	2,256
10-44-130	EMPLOYEE BENEFITS	-	1,517
10-44-131	Employee Taxes	-	335
10-44-131	Employee Taxes	-	2,012
To properly state cash and expenses and eliminate erroneous reconciling items from bank reconciliation.			