

TOWN OF STAR VALLEY, ARIZONA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014

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YEAR ENDED JUNE 30, 2014**

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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, 2014, 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, 2014, 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 – 32 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
February 16, 2015

REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF STAR VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

We (the Town of Star Valley, Arizona) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2014. 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 \$5,763,096 (net position). Of this amount \$2,675,503 (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 \$3,216,140, an increase of \$546,257 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,639,416 or 195 percent of total General Fund expenditures.
- ◆ General Fund revenues were more than budgeted revenues by \$139,653 for fiscal year ending June 30, 2014. Additionally, expenditures were only 61% (\$2,107,594 in savings) of the final budget in the General Fund.
- ◆ General Fund revenues exceeded expenditures by \$451,517; a positive variance of \$2,247,247 from the final 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, 2014**

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, 2014**

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, 2014 showing that assets exceeded liabilities by \$5,673,096.

**Table A-1
The Town's Net Position
June 30, 2014 and 2013**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current and Other Assets	\$ 3,335,793	\$ 2,768,827	\$ (229)	\$ 121,419	\$ 3,335,564	\$ 2,890,246
Capital Assets						
Non-depreciable	296,561	268,257	-	30,699	296,561	298,956
Depreciable (Net)	1,151,163	1,164,576	1,163,145	837,977	2,314,308	2,002,553
Total Assets	4,783,517	4,201,660	1,162,916	990,095	5,946,433	5,191,755
LIABILITIES						
Current Liabilities	119,653	98,944	29,630	33,763	149,283	132,707
Non-Current Liabilities						
Due Within One Year	15,232	7,870	-	-	15,232	7,870
Due in More Than One Year	18,822	18,815	-	-	18,822	18,815
Total Liabilities	153,707	125,629	29,630	33,763	183,337	159,392
NET POSITION						
Net Investment in Capital Assets	1,447,724	1,432,833	1,163,145	868,676	2,610,869	2,301,509
Restricted	476,724	381,984	-	-	476,724	381,984
Unrestricted	2,705,362	2,261,214	(29,859)	87,656	2,675,503	2,348,870
Total Net Position	\$ 4,629,810	\$ 4,076,031	\$ 1,133,286	\$ 956,332	\$ 5,763,096	\$ 5,032,363

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 45.3% 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 (8.3%) represents resources that are subject to external restrictions on how they may be used. Restricted net position increased over the prior fiscal year due to an accumulation of unspent Highway User Revenue Funds restricted for highways and streets. The remaining balance of unrestricted net position (\$2,675,503) 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, 2014**

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, 2014 and 2013**

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 916,078	\$ 827,287	\$ 155,002	\$ 159,039	\$ 1,071,080	\$ 986,326
Operating Grants and Contributions	234,513	228,817	-	9,835	234,513	238,652
Capital Grants and Contributions	-	-	218,799	30,699	218,799	30,699
General Revenues:						
Sales Taxes	234,677	256,892	-	-	234,677	256,892
Franchise Taxes	52,829	51,696	-	-	52,829	51,696
State Shared Revenues	458,548	424,770	-	-	458,548	424,770
Auto Lieu Taxes	129,408	120,515	-	-	129,408	120,515
Investment Income	291	3,950	-	-	291	3,950
Other	-	1,363	-	-	-	1,363
Total Revenues	<u>2,026,344</u>	<u>1,915,290</u>	<u>373,801</u>	<u>199,573</u>	<u>2,400,145</u>	<u>2,114,863</u>
EXPENSES						
General Government	500,333	515,791	-	-	500,333	515,791
Public Safety	845,280	799,979	-	-	845,280	799,979
Highways and Streets	126,952	107,476	-	-	126,952	107,476
Water	-	-	196,847	170,433	196,847	170,433
Total Expenses	<u>1,472,565</u>	<u>1,423,246</u>	<u>196,847</u>	<u>170,433</u>	<u>1,669,412</u>	<u>1,593,679</u>
Change in Net Position	553,779	492,044	176,954	29,140	-	(521,184)
Net Position - Beginning of Year	<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>
NET POSITION - END OF YEAR	<u><u>\$ 4,629,810</u></u>	<u><u>\$ 4,076,031</u></u>	<u><u>\$ 1,133,286</u></u>	<u><u>\$ 956,332</u></u>	<u><u>\$ 5,763,096</u></u>	<u><u>\$ 5,032,363</u></u>

Governmental Activities

Program revenues increased by \$94,487 and general revenues increased by \$16,567.

The increase in program revenues was the result of an increase in fees and fines related to an increase in photo enforcement fines, as well as an increase in HURF state shared revenue funding.

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

Expenses increased \$49,319, primarily due to the increase in photo enforcement fines and the costs associated with processing those fines. Highway and streets expenses increased due to an increase in street improvements and repairs.

**TOWN OF STAR VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Business-Type Activities –Program revenues increased \$174,228 due to an increase in water fund CDBG projects related to water infrastructure projects. Additionally, expenses increased \$26,414 primarily due to an increase in supplies and maintenance costs associated with water operations.

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 \$3,216,140, an increase of \$546,257 in comparison with the prior year. Approximately 82% of this total amount (\$2,639,416) constitutes General Fund fund balance, which is reported as unassigned fund balances. At fiscal year-end 2013-14 fund balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase From 2012-13
General Fund	\$ 2,639,416	\$ 451,517
Highway Users Revenue Fund	458,087	77,719
Nonmajor Governmental Funds	118,637	17,021

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 195 percent of total General Fund expenditures.

The fund balance of the General Fund increased by \$451,517 during the current fiscal year. This increase was largely attributed to the continuing increase in revenues over expenditures within the General Fund. In the current year, the Town saw an increase in fines and forfeitures and an increase in intergovernmental revenues from state shared revenue sources. Additionally, expenditures decreased in the current year as the Town purchased a large piece of land in the prior year for the park.

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 was attributed to the Town collecting fines and forfeitures from photo enforcement revenue and not incurring any expenditures during the current year.

**TOWN OF STAR VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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 \$1,802,287 were greater than budgeted revenues of \$1,662,634 by \$139,653 while expenditures of \$1,350,770 were 61% of budgeted expenditures (savings of \$2,107,594). Revenues were greater than the budget primarily due to the significant increase 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 continuing to be 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, 2014 amount to \$2,610,869 (net of accumulated depreciation), an increase of 13.4%. 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:

- ◆ Parking lot improvements at the new park site.
- ◆ Milky Way and Quail Valley well site improvements.
- ◆ Fencing around Water Fund facilities.
- ◆ Water meter replacement.

**TOWN OF STAR VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

The following table provides a breakdown of the capital assets of the Town at June 30, 2014 and 2013.

**Table A-4
Capital Assets (Net)
June 30, 2014 and 2013**

	Governmental Activities		Business Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 268,257	\$ 268,257	\$ -	\$ -	\$ 268,257	\$ 268,257
Construction in Progress	28,304	-	-	30,699	28,304	30,699
Infrastructure	835,766	831,782	-	-	835,766	831,782
Buildings and Improvements	293,078	300,159	21,941	23,319	315,019	323,478
Water System	-	-	1,116,164	799,959	1,116,164	799,959
Vehicle, Machinery and Equipment	22,319	32,635	25,040	14,699	47,359	47,334
Total Capital Assets	<u>\$ 1,447,724</u>	<u>\$ 1,432,833</u>	<u>\$ 1,163,145</u>	<u>\$ 868,676</u>	<u>\$ 2,610,869</u>	<u>\$ 2,301,509</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

- ◆ General Fund Park development projects.
- ◆ HURF Fund expenditure increases related to three major road improvement projects.
- ◆ HURF Fund expenditure increases for a low water crossing project.
- ◆ Water Fund source water supply development projects.
- ◆ General Fund CDBG project increases.

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

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BASIC FINANCIAL STATEMENTS

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TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 3,200,929	\$ -	\$ 3,200,929
Restricted Assets	-	11,739	11,739
Receivables, Net:			
Accounts Receivable	2,475	18,711	21,186
Intergovernmental Receivables	92,649	9,061	101,710
Internal Balances	39,740	(39,740)	-
Capital Assets:			
Non-Depreciable	296,561	-	296,561
Depreciable (Net)	1,151,163	1,163,145	2,314,308
Total Assets	<u>4,783,517</u>	<u>1,162,916</u>	<u>5,946,433</u>
LIABILITIES			
Accounts Payable	47,036	13,594	60,630
Accrued Wages and Benefits	14,364	3,280	17,644
Intergovernmental Payable	58,253	-	58,253
Customer Deposits Payable	-	11,739	11,739
Unearned Revenue	-	1,017	1,017
Noncurrent Liabilities:			
Due Within One Year	15,232	-	15,232
Due in More Than One Year	18,822	-	18,822
Total Liabilities	<u>153,707</u>	<u>29,630</u>	<u>183,337</u>
NET POSITION			
Investment in Capital Assets	1,447,724	1,163,145	2,610,869
Restricted for:			
Local Transportation Assistance	19,927	-	19,927
Highways and Streets	358,087	-	358,087
Judicial Court Enhancement	98,710	-	98,710
Unrestricted	2,705,362	(29,859)	2,675,503
Total Net Position	<u>\$ 4,629,810</u>	<u>\$ 1,133,286</u>	<u>\$ 5,763,096</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

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	
Primary Government:							
Governmental Activities:							
General Government	\$ 500,333	\$ 34,380	\$ 15,565	\$ -	\$ (450,388)	\$ -	\$ (450,388)
Public Safety	845,280	881,698	12,058	-	48,476	-	48,476
Highways and Streets	126,952	-	206,890	-	79,938	-	79,938
Total Governmental Activities	1,472,565	916,078	234,513	-	(321,974)	-	(321,974)
Business-Type Activities:							
Water	196,847	155,002	-	218,799	-	176,954	176,954
Total Primary Government	<u>\$ 1,669,412</u>	<u>\$ 1,071,080</u>	<u>\$ 234,513</u>	<u>\$ 218,799</u>	(321,974)	176,954	(145,020)
General Revenues:							
Taxes							
Sales Taxes							
					234,677	-	234,677
Franchise Taxes							
					52,829	-	52,829
State Revenue Sharing							
					257,479	-	257,479
State Sales Tax Revenue Sharing							
					201,069	-	201,069
Auto Lieu Tax Revenue Sharing							
					129,408	-	129,408
Investment Income							
					291	-	291
Total General Revenues							
					875,753	-	875,753
Change in Net Position							
					553,779	176,954	730,733
Net Position - Beginning							
					4,076,031	956,332	5,032,363
Net Position - Ending							
					<u>\$ 4,629,810</u>	<u>\$ 1,133,286</u>	<u>\$ 5,763,096</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and Investments	\$ 2,646,567	\$ 438,200	\$ 116,162	\$ 3,200,929
Receivables:				
Accounts Receivable	-	-	2,475	2,475
Intergovernmental Receivables	71,523	21,126	-	92,649
Due from Other Funds	39,740	-	-	39,740
Total Assets	<u>\$ 2,757,830</u>	<u>\$ 459,326</u>	<u>\$ 118,637</u>	<u>\$ 3,335,793</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 47,036	\$ -	\$ -	\$ 47,036
Accrued Wages and Benefits	13,125	1,239	-	14,364
Intergovernmental Payable	58,253	-	-	58,253
Total Liabilities	<u>118,414</u>	<u>1,239</u>	<u>-</u>	<u>119,653</u>
Fund Balances:				
Restricted	-	358,087	118,637	476,724
Committed	-	100,000	-	100,000
Unassigned	2,639,416	-	-	2,639,416
Total Fund Balances	<u>2,639,416</u>	<u>458,087</u>	<u>118,637</u>	<u>3,216,140</u>
Total Liabilities and Fund Balances	<u>\$ 2,757,830</u>	<u>\$ 459,326</u>	<u>\$ 118,637</u>	<u>\$ 3,335,793</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, 2014**

Total Fund Balances for Governmental Funds		\$ 3,216,140
--	--	--------------

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	\$ 1,749,320		
Less: Accumulated Depreciation	<u>(301,596)</u>		1,447,724

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>(34,054)</u>
------------------------------	--	-----------------

Total Net Position of Governmental Activities		<u><u>\$ 4,629,810</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, 2014

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Fund	Totals
Revenues:				
Taxes:				
Sales Taxes	\$ 234,677	\$ -	\$ -	\$ 234,677
Franchise Taxes	52,829	-	-	52,829
Intergovernmental	615,579	206,890	-	822,469
Fines and Forfeitures	881,698	-	17,021	898,719
Licenses and Permits	17,359	-	-	17,359
Investment Income	145	146	-	291
Total Revenues	<u>1,802,287</u>	<u>207,036</u>	<u>17,021</u>	<u>2,026,344</u>
Expenditures:				
Current:				
General Government	505,490	-	-	505,490
Public Safety	845,280	-	-	845,280
Highways and Streets	-	129,317	-	129,317
Total Expenditures	<u>1,350,770</u>	<u>129,317</u>	<u>-</u>	<u>1,480,087</u>
Net Change in Fund Balances	451,517	77,719	17,021	546,257
Fund Balances:				
Beginning of Year	2,187,899	380,368	101,616	2,669,883
End of Year	<u>\$ 2,639,416</u>	<u>\$ 458,087</u>	<u>\$ 118,637</u>	<u>\$ 3,216,140</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, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ 546,257

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	\$ 59,323	
Depreciation Expense	<u>(44,432)</u>	14,891

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.

(7,369)

Change in Net Position of Governmental Activities

\$ 553,779

**TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	Enterprise Funds
	Water
Assets	
Current Assets	
Restricted Cash and Cash Equivalents	\$ 11,739
Receivables, Net	
Accounts Receivable, Net	18,711
Intergovernmental Receivable	9,061
Total Current Assets	39,511
Non-Current Assets	
Depreciable Capital Assets, Net	1,163,145
Total Assets	1,202,656
Liabilities	
Current Liabilities	
Accounts Payable	13,594
Accrued Wages and Benefits	3,280
Due to Other Funds	39,740
Customer Deposits Payable	11,739
Unearned Revenue	1,017
Total Liabilities	69,370
Net Position	
Investment in Capital Assets	1,163,145
Unrestricted	(29,859)
Total Net Position	\$ 1,133,286

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, 2014**

	Enterprise Funds
	Water
Operating Revenues	
Charges for Services	\$ 155,002
Operating Expenses	
Cost of Sales and Services	151,893
Depreciation	44,954
Total Operating Expenses	196,847
Operating Loss Before Capital Contributions	(41,845)
Capital Contributions	218,799
Change in Net Position	176,954
Total Net Position, Beginning of Year	956,332
Total Net Position, End of Year	\$ 1,133,286

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2014**

	Enterprise Funds
	Water
Cash Flows from Operating Activities	
Receipts from Customers	\$ 153,713
Payments to Suppliers	(91,247)
Payments to Employees	(67,023)
Customer Deposits	2,782
Net Cash Flows from Operating Activities	(1,775)
 Cash flows from noncapital financing activities	
Interfund borrowing	39,740
 Cash Flows from Capital and Financing Activities	
Capital Contributions	228,359
Purchases of Capital Assets	(339,423)
Net Cash Flows from Capital and Related Financing Activities	(111,064)
 Net Change in Cash and Cash Equivalents	(73,099)
 Cash and Cash Equivalents, Beginning of Year	84,838
Cash and Cash Equivalents, End of Year	\$ 11,739
 Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
 Operating Loss	\$ (41,845)
 Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	44,954
Change in Assets/Liabilities:	
Receivables, Net	(751)
Accounts Payable	(7,940)
Accrued Wages and Benefits	1,563
Customer Deposits Payable	2,782
Unearned Revenue	(538)
Net Cash Used by Operating Activities	\$ (1,775)

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, 2014

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 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*.

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, 2014

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 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.

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.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

4. Interfund Receivables and Payables

The Town records due to or due from other funds for short-term borrowings within the Town's pooled cash to cover deficit cash balances in individual funds.

5. 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, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. 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

6. Intergovernmental Payable

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

7. 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.

8. 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.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. 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, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Balances (Continued)

The Town reports the following fund balance classifications:

Fund Balances:	<u>General Fund</u>	<u>HURF</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Restricted:				
Highway and Street Projects	\$ -	\$ 358,087	\$ -	\$ 358,087
Local Transportation Assistance	-	-	19,927	19,927
Judicial Court Enhancement	-	-	98,710	98,710
Total Restricted	<u>-</u>	<u>358,087</u>	<u>118,637</u>	<u>476,724</u>
Committed				
Highway and Street Projects	-	100,000	-	100,000
Unassigned	2,639,416	-	-	2,639,416
Total Fund Balance	<u>\$ 2,639,416</u>	<u>\$ 458,087</u>	<u>\$ 118,637</u>	<u>\$ 3,216,140</u>

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2014 consist of the following:

Deposits:	
Cash in Bank	\$ 1,783,979
Investments:	
State Treasurer's Investment Pool	1,428,689
Total Deposits and Investments	<u>3,212,668</u>
Less: Restricted Assets	<u>(11,739)</u>
Total Cash and Investments	<u>\$ 3,200,929</u>

Deposits

The Town's deposits had a carrying value of \$1,783,979 and a bank balance of \$1,800,890 at June 30, 2014. Of the bank balance, \$416,673 was collateralized by federal depository insurance and the remaining \$1,384,216 was collateralized by pledged securities.

**TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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 or invested in 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, 2014, the Town reported \$11,739 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, 2014

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 268,257	\$ -	\$ -	\$ 268,257
Construction in Progress	-	28,304	-	28,304
Total Capital Assets, Not Being Depreciated	<u>268,257</u>	<u>28,304</u>	<u>-</u>	<u>296,561</u>
Capital Assets, Being Depreciated:				
Infrastructure	931,541	29,980	-	961,521
Buildings and Improvements	318,637	-	-	318,637
Vehicles, Machinery and Equipment	171,562	1,039	-	172,601
Total Capital Assets, Being Depreciated	<u>1,421,740</u>	<u>31,019</u>	<u>-</u>	<u>1,452,759</u>
Accumulated Depreciation for:				
Infrastructure	(99,759)	(25,996)	-	(125,755)
Buildings and Improvements	(18,478)	(7,081)	-	(25,559)
Machinery and Equipment	(138,927)	(11,355)	-	(150,282)
Total Accumulated Depreciation	<u>(257,164)</u>	<u>(44,432)</u>	<u>-</u>	<u>(301,596)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,164,576</u>	<u>(13,413)</u>	<u>-</u>	<u>1,151,163</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,432,833</u>	<u>\$ 14,891</u>	<u>\$ -</u>	<u>\$ 1,447,724</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 30,699	\$ 271,912	\$ (302,611)	\$ -
Capital Assets, Being Depreciated:				
Buildings and Improvements	24,807	-	-	24,807
Water System	840,665	354,355	-	1,195,020
Machinery, Equipment, and Vehicles	17,045	15,767	-	32,812
Total Capital Assets, Being Depreciated	<u>882,517</u>	<u>370,122</u>	<u>-</u>	<u>1,252,639</u>
Accumulated Depreciation for:				
Buildings and Improvements	(1,488)	(1,378)	-	(2,866)
Water System	(40,706)	(38,150)	-	(78,856)
Machinery, Equipment, and Vehicles	(2,346)	(5,426)	-	(7,772)
Total Accumulated Depreciation	<u>(44,540)</u>	<u>(44,954)</u>	<u>-</u>	<u>(89,494)</u>
Total Capital Assets, Being Depreciated, Net	<u>837,977</u>	<u>325,168</u>	<u>-</u>	<u>1,163,145</u>
Business-Type Activities Capital Assets, Net	<u>\$ 868,676</u>	<u>\$ 597,080</u>	<u>\$ (302,611)</u>	<u>\$ 1,163,145</u>

**TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

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	\$ 18,493
Highways and Streets	25,939
Total Depreciation Expense, Governmental Activities	<u>\$ 44,432</u>

Business-Type Activities:

Water	<u>\$ 44,954</u>
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B. Interfund Receivables and Payables

At June 30, 2014, the Town reported the following interfund receivables and payables:

Due To	Due From Water Fund
General Fund	<u>\$ 39,740</u>

The interfund receivables and payables were recorded to eliminate deficit cash at year-end.

C. Long-Term Obligations

Changes in long-term debt for the year ended June 30, 2014 are as follows:

	July 1, 2013	Increases	Decreases	June 30, 2014	Due within One Year
Governmental Activities:					
Other Liabilities:					
Compensated Absences	<u>\$ 26,685</u>	<u>\$ 22,157</u>	<u>\$ (14,788)</u>	<u>\$ 34,054</u>	<u>\$ 15,232</u>

The liability for compensated absences is 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, 2014

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, 2014**

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, 2014, active plan members were required by statute to contribute at the actuarially determined rate of 11.54 percent (11.30 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 11.54 percent (10.70 percent for retirement, 0.60 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>
2014	\$ 24,618	\$ 1,380	\$ 552
2013	20,862	1,323	488
2012	20,057	1,280	488

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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, 2014

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
Revenues:			
Taxes	\$ 279,923	\$ 287,506	\$ 7,583
Intergovernmental	587,420	615,579	28,159
Fines and Forfeitures	779,551	881,698	102,147
Licenses and Permits	15,225	17,359	2,134
Investment Income	-	145	145
Other	515	-	(515)
Total Revenues	<u>1,662,634</u>	<u>1,802,287</u>	<u>139,653</u>
Expenditures:			
Current:			
General Government:			
Court	113,195	110,053	3,142
Administration	2,397,289	358,621	2,038,668
Building Inspection	35,500	11,347	24,153
Town Council and Commission	26,700	25,469	1,231
Planning and Zoning	10,000	-	10,000
Total General Government	<u>2,582,684</u>	<u>505,490</u>	<u>2,077,194</u>
Public Safety:			
Photo Enforcement	482,180	460,807	21,373
Contracted Law Enforcement	393,500	384,473	9,027
Total Public Safety	<u>875,680</u>	<u>845,280</u>	<u>30,400</u>
Total Expenditures	<u>3,458,364</u>	<u>1,350,770</u>	<u>2,107,594</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,795,730)	451,517	2,247,247
Other Financing Sources (Uses):			
Transfers In	<u>1,168,056</u>	<u>-</u>	<u>(1,168,056)</u>
Net Change in Fund Balance	(627,674)	451,517	1,079,191
Fund Balance:			
Beginning of Year	-	2,187,899	2,187,899
End of Year	<u>\$ (627,674)</u>	<u>\$ 2,639,416</u>	<u>\$ 3,267,090</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, 2014**

	Original and Final Budget	Actual	Variance With Final Budget
Revenues:			
Intergovernmental	\$ 214,570	\$ 206,890	\$ (7,680)
Investment Earnings	-	146	146
Total Revenues	214,570	207,036	(7,534)
Expenditures:			
Current:			
Highways and Streets	544,166	129,317	414,849
Net Change in Fund Balances	(329,596)	77,719	407,315
Fund Balance:			
Beginning of Year	-	380,368	380,368
End of Year	\$ (329,596)	\$ 458,087	\$ 787,683

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, 2014

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.