

TOWN OF STAR VALLEY, ARIZONA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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YEAR ENDED JUNE 30, 2015**

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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, 2015, 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.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
HURF Fund	Unmodified
Water Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions on Governmental Activities, Business-Type Activities and Water Fund

The Town’s proportionate share of the cost-sharing multiple employer pension plan pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and restatement of beginning net position were calculated based on the Town’s actual contributions to the plan; however the Town was not contributing to the plan for two qualified employees, resulting in an understatement of the pension liability, deferred outflows of resources, deferred inflows of resources and pension expense. The pension liability, deferred outflows of resources, deferred inflows of resources, pension expense and the beginning and ending net position reported in the Governmental Activities, Business-Type Activities and Water Fund excluded the effects of the two qualifying employees. Accounting principles generally accepted in the United States of America and the Governmental Accounting Standards Board require the Town’s proportionate share of the pension liability, deferred outflows of resources, deferred inflows of resources and pension expense be recorded based on the Town’s total contributions to the pension plan as a percentage of the total participating contributions. The amount by which this departure would affect the liability, deferred outflows of resources, deferred inflows of resources, pension expense and net position of the Governmental Activities, Business-Type Activities and Water Fund has not been determined.

Qualified Opinions

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinions on Governmental Activities, Business-Type Activities and Water Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Governmental Activities, Business-Type Activities and Water Fund of the Town of Star Valley, Arizona, as of June 30, 2015, and the respective changes in financial position and cashflows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, HURF Fund and the aggregate remaining fund information of the Town of Star Valley, Arizona, as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2015, the Town of Star Valley, Arizona adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of GASBS No. 68 and No. 71, the Town of Star Valley, Arizona reported a restatement for the change in accounting principle (see Note 3.D.) Our auditors’ opinion was not modified with respect to the restatement; however, our opinion was modified as a result of the effects of the matter described in “Basis for Qualified Opinions on Governmental Activities, Business-Type Activities and Water Fund.”

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management’s discussion and analysis on pages 4 – 10, the schedule of the Town’s proportionate share of the net pension liability and pension contributions on page 37 and the budgetary comparison schedules of the General Fund and major Special Revenue Funds on pages 38 – 39 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
March 23, 2016

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REQUIRED SUPPLEMENTARY INFORMATION

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**TOWN OF STAR VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

We (the Town of Star Valley, Arizona) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2015. 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 and deferred outflows of resources of the Town of Star Valley, Arizona exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,223,995 (net position). Of this amount \$2,754,655 (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 \$3,677,823, an increase of \$461,683 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,131,517 or 202 percent of total General Fund expenditures.
- ◆ General Fund revenues were more than budgeted revenues by \$322,604 for fiscal year ending June 30, 2015. Additionally, expenditures were only 36% (\$2,813,801 in savings) of the final budget in the General Fund.
- ◆ General Fund revenues exceeded expenditures by \$492,101; a positive variance of \$3,136,405 from the final budget.
- ◆ Beginning net position was restated in the Governmental Activities, Business-Type Activities and Water Fund due to the effects of the implementation of GASB No. 68 & 71 in the current year. Additional information on the restated can be found in Note 3.D.

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, deferred outflows of resources, liabilities and deferred inflows of resources with the difference 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, 2015**

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, highways and streets, and culture and recreation. The business-type activities include the operations of the Town water system.

The government-wide financial statements can be found on pages 11 - 12 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 13 - 16 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 17 - 19 of this report.

Notes to Basic Financial Statements

The notes to the basic financial statements (pages 20 - 36) 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, 2015**

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 38 – 40. Additionally, governments are required to disclose certain information about employee pension plans. The Town has disclosed this information on page 37.

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, 2015 showing that assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$6,223,995.

**Table A-1
The Town's Net Position
June 30, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014 (Restated)	2015	2014 (Restated)	2015	2014 (Restated)
ASSETS						
Current and Other Assets	\$ 3,876,812	\$ 3,335,793	\$ 8,798	\$ (229)	\$ 3,885,610	\$ 3,335,564
Capital Assets						
Non-depreciable	313,056	296,561	91,203	-	404,259	296,561
Depreciable (Net)	1,451,763	1,151,163	1,167,012	1,163,145	2,618,775	2,314,308
Total Assets	<u>5,641,631</u>	<u>4,783,517</u>	<u>1,267,013</u>	<u>1,162,916</u>	<u>6,908,644</u>	<u>5,946,433</u>
DEFERRED OUTFLOWS OF RESOURCES	31,445	16,729	9,460	5,033	40,905	21,762
LIABILITIES						
Current Liabilities	198,989	119,653	94,596	29,630	293,585	149,283
Non-Current Liabilities						
Due Within One Year	15,596	15,232	-	-	15,596	15,232
Due in More Than One Year	280,783	306,113	77,210	86,431	357,993	392,544
Total Liabilities	<u>495,368</u>	<u>440,998</u>	<u>171,806</u>	<u>116,061</u>	<u>667,174</u>	<u>557,059</u>
DEFERRED INFLOWS OF RESOURCES	44,878	-	13,502	-	58,380	-
NET POSITION						
Net Investment in Capital Assets	1,764,819	1,447,724	1,258,215	1,163,145	3,023,034	2,610,869
Restricted	446,306	476,724	-	-	446,306	476,724
Unrestricted	2,921,705	2,434,800	(167,050)	(111,257)	2,754,655	2,323,543
Total Net Position	<u>\$ 5,132,830</u>	<u>\$ 4,359,248</u>	<u>\$ 1,091,165</u>	<u>\$ 1,051,888</u>	<u>\$ 6,223,995</u>	<u>\$ 5,411,136</u>

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 48.6% 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.

**TOWN OF STAR VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

An additional portion of the Town of Star Valley, Arizona's net position (7.2%) represents resources that are subject to external restrictions on how they may be used. Restricted net position decreased over the prior fiscal year due to the Town utilizing restricted net position for capital projects related to highways and streets. The remaining balance of unrestricted net position (\$2,754,655) may be used to meet the government's ongoing obligations to citizens and creditors.

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, 2015 and 2014**

	Governmental Activities		Business Type Activities		Total	
	2015	2014 (Restated)	2015	2014 (Restated)	2015	2014 (Restated)
REVENUES						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 1,066,603	\$ 916,078	\$ 163,160	\$ 155,002	\$ 1,229,763	\$ 1,071,080
Operating Grants and Contributions	304,906	234,513	13,050	-	317,956	234,513
Capital Grants and Contributions	-	-	119,812	218,799	119,812	218,799
General Revenues:						
Sales Taxes	263,933	234,677	-	-	263,933	234,677
Franchise Taxes	55,214	52,829	-	-	55,214	52,829
State Shared Revenues	490,748	458,548	-	-	490,748	458,548
Auto Lieu Taxes	131,989	129,408	-	-	131,989	129,408
Investment Income	16,575	291	-	-	16,575	291
Other	8,832	-	-	-	8,832	-
Total Revenues	2,338,800	2,026,344	296,022	373,801	2,634,822	2,400,145
EXPENSES						
General Government	569,987	500,333	-	-	569,987	500,333
Public Safety	929,897	845,280	-	-	929,897	845,280
Highways and Streets	55,415	126,952	-	-	55,415	126,952
Culture and Recreation	9,919	-	-	-	9,919	-
Water	-	-	256,745	196,847	256,745	196,847
Total Expenses	1,565,218	1,472,565	256,745	196,847	1,821,963	1,669,412
Change in Net Position	773,582	553,779	39,277	176,954	-	(730,733)
Net Position - Beginning of Year, As Restated	4,359,248	3,805,469	1,051,888	874,934	5,411,136	4,680,403
NET POSITION - END OF YEAR	\$ 5,132,830	\$ 4,359,248	\$ 1,091,165	\$ 1,051,888	\$ 6,223,995	\$ 5,411,136

Governmental Activities

Program revenues increased by \$220,918 and general revenues increased by \$91,538.

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.

**TOWN OF STAR VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

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

Expenses increased \$92,653, primarily due to the increase in photo enforcement fines and the costs associated with processing those fines. General government expense increased due to court expenses from photo enforcement processing and increases in salaries and related benefits. Additionally, culture and recreation expenses increased from the opening of the park operations. Lastly, highway and streets expense decreased as HURF funding was used for capital projects in the current year instead of maintenance and repair expense.

Business-Type Activities –Program revenues decreased \$77,779 due to a decline in capital grants for CDBG projects related to water infrastructure projects. Additionally, expenses increased \$59,898 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 \$3,677,823, an increase of \$461,683 in comparison with the prior year. Approximately 85% of this total amount (\$3,131,517) constitutes General Fund fund balance, which is reported as unassigned fund balances. At fiscal year-end 2014-15 fund balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase(Decreases) From 2013-14
General Fund	\$ 3,131,517	\$ 492,101
Highway Users Revenue Fund	353,071	(105,016)
Nonmajor Governmental Funds	193,235	74,598

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 202 percent of total General Fund expenditures.

The fund balance of the General Fund increased by \$492,101 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.

The fund balance of the Highway Users Revenue Fund decreased \$105,016 as a result of an increase in expenditures related to street capital projects.

**TOWN OF STAR VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

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 by \$74,598. That increase was attributed to the Town collecting fines and forfeitures from photo enforcement revenue and not incurring any expenditures during the current year. Additionally, the Town received intergovernmental revenues in relation to a new excise tax for street improvement projects. The Town did not have any related excise tax expenditures in the current year.

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 38 – 39 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 \$2,041,842 were greater than budgeted revenues of \$1,719,238 by \$322,604 while expenditures of \$1,549,741 were 36% of budgeted expenditures (savings of \$2,813,801). 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 contingency and elections funding in the current year. Additionally, court expenditures exceeded budget as the Town did not budget for current year court expenditures as those expenditures were moved to the Photo Enforcement budget. Lastly, Administration costs exceeded budget due to additional ASRS accrued expenditures reported to account for all eligible participants.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Town's capital assets for its governmental and business-type activities as of June 30, 2015 amount to \$3,023,034 (net of accumulated depreciation), an increase of 15.8%. 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 3.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:

- ◆ Town park infrastructure and improvements.
- ◆ Street improvement projects.
- ◆ Waterline projects.
- ◆ Town park well development.

**TOWN OF STAR VALLEY, ARIZONA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2015**

The following table provides a breakdown of the capital assets of the Town at June 30, 2015 and 2014.

**Table A-4
Capital Assets (Net)
June 30, 2015 and 2014**

	Governmental Activities		Business Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 268,257	\$ 268,257	\$ -	\$ -	\$ 268,257	\$ 268,257
Construction in Progress	44,799	28,304	91,203	-	136,002	28,304
Infrastructure	1,150,657	835,766	-	-	1,150,657	835,766
Buildings and Improvements	285,997	293,078	20,563	21,941	306,560	315,019
Water System	-	-	1,127,971	1,116,164	1,127,971	1,116,164
Vehicle, Machinery and Equipment	15,109	22,319	18,478	25,040	33,587	47,359
Total Capital Assets	\$ 1,764,819	\$ 1,447,724	\$ 1,258,215	\$ 1,163,145	\$ 3,023,034	\$ 2,610,869

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

- ◆ Continued photo enforcement revenue allocation.
- ◆ Normal distributions from state shared revenues.
- ◆ Increased funding from CDBG for capital projects within the Water Fund.
- ◆ Continued excise tax funding for highway and street projects.

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, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 3,643,715	\$ -	\$ 3,643,715
Restricted Assets	-	12,894	12,894
Receivables, Net:			
Accounts Receivable	2,526	20,073	22,599
Intergovernmental Receivables	118,691	87,711	206,402
Internal Balances	111,880	(111,880)	-
Capital Assets:			
Non-Depreciable	313,056	91,203	404,259
Depreciable (Net)	1,451,763	1,167,012	2,618,775
Total Assets	<u>5,641,631</u>	<u>1,267,013</u>	<u>6,908,644</u>
DEFERRED OUTFLOWS OF RESOURCES	31,445	9,460	40,905
LIABILITIES			
Accounts Payable	62,001	62,741	124,742
Accrued Wages and Benefits	66,835	10,040	76,875
Intergovernmental Payable	70,153	-	70,153
Retainage Payable	-	6,228	6,228
Customer Deposits Payable	-	12,894	12,894
Unearned Revenue	-	2,693	2,693
Noncurrent Liabilities:			
Due Within One Year	15,596	-	15,596
Due in More Than One Year	280,783	77,210	357,993
Total Liabilities	<u>495,368</u>	<u>171,806</u>	<u>667,174</u>
DEFERRED INFLOWS OF RESOURCES	<u>44,878</u>	<u>13,502</u>	<u>58,380</u>
NET POSITION			
Investment in Capital Assets	1,764,819	1,258,215	3,023,034
Restricted for:			
Local Transportation Assistance	19,927	-	19,927
Highways and Streets	308,466	-	308,466
Judicial Court Enhancement	117,913	-	117,913
Unrestricted	2,921,705	(167,050)	2,754,655
Total Net Position	<u>\$ 5,132,830</u>	<u>\$ 1,091,165</u>	<u>\$ 6,223,995</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

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	\$ 569,987	\$ 37,165	\$ 30,103	\$ -	\$ (502,719)	\$ -	\$ (502,719)
Public Safety	929,897	1,029,438	-	-	99,541	-	99,541
Highways and Streets	55,415	-	274,803	-	219,388	-	219,388
Culture and Recreation	9,919	-	-	-	(9,919)	-	(9,919)
Total Governmental Activities	<u>1,565,218</u>	<u>1,066,603</u>	<u>304,906</u>	<u>-</u>	<u>(193,709)</u>	<u>-</u>	<u>(193,709)</u>
Business-Type Activities:							
Water	256,745	163,160	13,050	119,812	-	39,277	39,277
Total Primary Government	<u>\$ 1,821,963</u>	<u>\$ 1,229,763</u>	<u>\$ 317,956</u>	<u>\$ 119,812</u>	<u>(193,709)</u>	<u>39,277</u>	<u>(154,432)</u>
General Revenues:							
Taxes							
Sales Taxes					263,933	-	263,933
Franchise Taxes					55,214	-	55,214
State Revenue Sharing					279,640	-	279,640
State Sales Tax Revenue Sharing					211,108	-	211,108
Auto Lieu Tax Revenue Sharing					131,989	-	131,989
Investment Income					16,575	-	16,575
Other					8,832	-	8,832
Total General Revenues					<u>967,291</u>	<u>-</u>	<u>967,291</u>
Change in Net Position					773,582	39,277	812,859
Net Position - Beginning, As Restated					4,359,248	1,051,888	5,411,136
Net Position - Ending					<u>\$ 5,132,830</u>	<u>\$ 1,091,165</u>	<u>\$ 6,223,995</u>

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015**

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and Investments	\$ 3,131,733	\$ 333,185	\$ 178,797	\$ 3,643,715
Receivables:				
Accounts Receivable	-	-	2,526	2,526
Intergovernmental Receivables	85,793	20,986	11,912	118,691
Due from Other Funds	111,880	-	-	111,880
Total Assets	<u>\$ 3,329,406</u>	<u>\$ 354,171</u>	<u>\$ 193,235</u>	<u>\$ 3,876,812</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 61,755	\$ 246	\$ -	\$ 62,001
Accrued Wages and Benefits	65,981	854	-	66,835
Intergovernmental Payable	70,153	-	-	70,153
Total Liabilities	<u>197,889</u>	<u>1,100</u>	<u>-</u>	<u>198,989</u>
Fund Balances:				
Restricted	-	253,071	193,235	446,306
Committed	-	100,000	-	100,000
Unassigned	3,131,517	-	-	3,131,517
Total Fund Balances	<u>3,131,517</u>	<u>353,071</u>	<u>193,235</u>	<u>3,677,823</u>
Total Liabilities and Fund Balances	<u>\$ 3,329,406</u>	<u>\$ 354,171</u>	<u>\$ 193,235</u>	<u>\$ 3,876,812</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, 2015**

Total Fund Balances for Governmental Funds		\$ 3,677,823
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	\$ 2,096,559	
Less: Accumulated Depreciation	<u>(331,740)</u>	1,764,819
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions		31,445
Deferred inflow of resources related to pensions		(44,878)
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.		
Pension Liability	(256,640)	
Compensated Absences Payable	<u>(39,739)</u>	<u>(296,379)</u>
Total Net Position of Governmental Activities		<u>\$ 5,132,830</u>

See accompanying Notes to Basic Financial Statements.

TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
Revenues:				
Taxes:				
Sales Taxes	\$ 263,933	\$ -	\$ -	\$ 263,933
Franchise Taxes	55,214	-	-	55,214
Intergovernmental	652,840	219,408	55,395	927,643
Fines and Forfeitures	1,029,438	-	19,203	1,048,641
Licenses and Permits	17,962	-	-	17,962
Investment Income	13,623	2,952	-	16,575
Other	8,832	-	-	8,832
Total Revenues	<u>2,041,842</u>	<u>222,360</u>	<u>74,598</u>	<u>2,338,800</u>
Expenditures:				
Current:				
General Government	550,271	-	-	550,271
Public Safety	930,098	-	-	930,098
Highways and Streets	-	327,376	-	327,376
Culture and Recreation	69,372	-	-	69,372
Total Expenditures	<u>1,549,741</u>	<u>327,376</u>	<u>-</u>	<u>1,877,117</u>
Excess (Deficiency) of Revenues Over Expenditures	492,101	(105,016)	74,598	461,683
Fund Balances:				
Beginning of Year	2,639,416	458,087	118,637	3,216,140
End of Year	<u>\$ 3,131,517</u>	<u>\$ 353,071</u>	<u>\$ 193,235</u>	<u>\$ 3,677,823</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, 2015**

Net Change in Fund Balances - Total Governmental Funds \$ 461,683

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	\$ 360,532	
Depreciation Expense	<u>(43,437)</u>	317,095

Governmental funds report pension contributions as expenditures when made. However, in the Statement of Activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows or resources related to pensions, and the investment experience.

Pension Contributions	17,688	
Pension Expense	<u>(17,199)</u>	489

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.

(5,685)

Change in Net Position of Governmental Activities \$ 773,582

**TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015**

	Enterprise Funds
	Water
Assets	
Current Assets	
Restricted Cash and Cash Equivalents	\$ 12,894
Receivables, Net	
Accounts Receivable, Net	20,073
Intergovernmental Receivable	87,711
Total Current Assets	120,678
Noncurrent Assets	
Non-Current Assets	
Non-Depreciable Capital Assets	91,203
Depreciable Capital Assets, Net	1,167,012
Total Noncurrent Assets	1,258,215
Total Assets	1,378,893
Deferred Outflows of Resources	9,460
Liabilities	
Current Liabilities	
Accounts Payable	62,741
Accrued Wages and Benefits	10,040
Retainage Payable	6,228
Due to Other Funds	111,880
Customer Deposits Payable	12,894
Unearned Revenue	2,693
Total Current Liabilities	206,476
Noncurrent Liabilities	
Net Pension Liability	77,210
Total Liabilities	283,686
Deferred Inflows of Resources	13,502
Net Position	
Investment in Capital Assets	1,258,215
Unrestricted	(167,050)
Total Net Position	\$ 1,091,165

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, 2015**

	Enterprise Funds
	Water
Operating Revenues	
Charges for Services	\$ 163,160
Operating Expenses	
Cost of Sales and Services	204,165
Depreciation	52,580
Total Operating Expenses	256,745
Operating Loss	(93,585)
Nonoperating Revenues	
Intergovernmental Revenues	13,050
Loss Before Capital Contributions	(80,535)
Capital Contributions	119,812
Change in Net Position	39,277
Total Net Position, Beginning of Year (As Restated)	1,051,888
Total Net Position, End of Year	\$ 1,091,165

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2015**

	Enterprise Funds
	Water
Cash Flows from Operating Activities	
Receipts from Customers	\$ 163,474
Payments to Suppliers	(96,861)
Payments to Employees	(107,590)
Customer Deposits	1,155
Net Cash Flows from Operating Activities	(39,822)
Cash flows from noncapital financing activities	
Interfund borrowing	72,140
Intergovernmental	13,050
Net cash flows from noncapital financing activities	85,190
Cash Flows from Capital and Financing Activities	
Capital Contributions	41,162
Purchases of Capital Assets	(85,375)
Net Cash Flows from Capital and Related Financing Activities	(44,213)
Net Change in Cash and Cash Equivalents	1,155
Cash and Cash Equivalents, Beginning of Year	11,739
Cash and Cash Equivalents, End of Year	\$ 12,894
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	\$ (93,585)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	52,580
Pension Expense	(146)
Change in Assets/Liabilities:	
Receivables, Net	(1,362)
Accounts Payable	(6,900)
Accrued Wages and Benefits	6,760
Customer Deposits Payable	1,155
Unearned Revenue	1,676
Net Cash Used by Operating Activities	\$ (39,822)

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, 2015

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, 2015, the Town adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*, both of which provides financial reporting guidance for reporting pension liabilities and expenses.

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.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources 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.

TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

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.

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. Deferred Outflows of Resources

The Town recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

7. Intergovernmental Payable

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

TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

8. Compensated Absences

The liability for compensated absences reported in the government-wide financial 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.

9. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and additions to/deductions from ASRS's fiduciary net position have been determined on the same basis as they are reported by ASRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Deferred Inflows of Resources

The Town recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions under GASB 68.

11. 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, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

12. 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, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

12. Fund Balances (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>
Fund Balances:				
Restricted:				
Highway and Street Projects	\$ -	\$ 253,071	\$ 55,395	\$ 308,466
Local Transportation Assistance	-	-	19,927	19,927
Judicial Court Enhancement	-	-	117,913	117,913
Total Restricted	<u>-</u>	<u>253,071</u>	<u>193,235</u>	<u>446,306</u>
Committed				
Highway and Street Projects	-	100,000	-	100,000
Unassigned				
	<u>3,131,517</u>	<u>-</u>	<u>-</u>	<u>3,131,517</u>
Total Fund Balance	<u><u>\$ 3,131,517</u></u>	<u><u>\$ 353,071</u></u>	<u><u>\$ 193,235</u></u>	<u><u>\$ 3,677,823</u></u>

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Excess Expenditures over Appropriations

For the year ended June 30, 2015, the Town reported an overexpenditure in the following categories:

	<u>Overexpenditure</u>
General Fund	
Court	\$ 127,174
Administration	48,240
Photo Enforcement	9,276
Parks	54,372

Cash was available to meet all of the overexpenditures.

**TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2015 consist of the following:

Deposits:	
Cash in Bank	\$ 1,140,217
Investments:	
Certificates of Deposit	2,456,616
Money Market Funds	59,776
Total Deposits and Investments	3,656,609
Less: Restricted Assets	(12,894)
Total Cash and Investments	\$ 3,643,715

Deposits – The Town’s deposits had a carrying value of \$1,140,217 and a bank balance of \$1,184,272 at June 30, 2015. Of the bank balance, \$427,420 was covered by federal depository insurance and the remaining \$756,852 was collateralized by pledged securities through the state pooled collateral program.

Investments – The Town’s investments are limited to money market funds and marketable certificates of deposits.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with the Town’s investment policy, the Town manages its exposure to declines in fair values by limiting its investments to certificates of deposit and money market funds. The following table summarizes the Town’s interest rate risk, based on maturity dates of various instruments:

Investment Type	Investment Maturities (in Years)				
	Fair Value	Less than			
		1	1-2	2-3	3+
Certificates of Deposits	2,456,616	695,490	310,808	499,783	950,535
Money Market	59,776	59,776	-	-	-
	2,516,392	755,266	310,808	499,783	950,535

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.

**TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Concentration of Credit Risk – The Town’s investment policy does not address concentration of credit risk. However, the Town only invests in funds authorized by Arizona State law and only has investments in Money Market Funds and Certificates of Deposit at June 30, 2015.

2. Restricted Assets

At June 30, 2015, the Town reported \$12,894 of cash and investments reported as restricted assets for customer water deposits held by the Town.

3. Capital Assets

Capital asset activity for the year ended June 30, 2015 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	16,495	-	44,799
Total Capital Assets, Not Being Depreciated	<u>296,561</u>	<u>16,495</u>	<u>-</u>	<u>313,056</u>
Capital Assets, Being Depreciated:				
Infrastructure	961,521	344,037	-	1,305,558
Buildings and Improvements	318,637	-	-	318,637
Vehicles, Machinery and Equipment	172,601	-	(13,293)	159,308
Total Capital Assets, Being Depreciated	<u>1,452,759</u>	<u>344,037</u>	<u>(13,293)</u>	<u>1,783,503</u>
Accumulated Depreciation for:				
Infrastructure	(125,755)	(29,146)	-	(154,901)
Buildings and Improvements	(25,559)	(7,081)	-	(32,640)
Machinery and Equipment	(150,282)	(7,210)	13,293	(144,199)
Total Accumulated Depreciation	<u>(301,596)</u>	<u>(43,437)</u>	<u>13,293</u>	<u>(331,740)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,151,163</u>	<u>300,600</u>	<u>-</u>	<u>1,451,763</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,447,724</u>	<u>\$ 317,095</u>	<u>\$ -</u>	<u>\$ 1,764,819</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
General Government	\$ 14,291
Highways and Streets	28,287
Culture and Recreation	859
Total Depreciation Expense, Governmental Activities	<u>\$ 43,437</u>

TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ -	\$ 91,203	\$ -	\$ 91,203
Capital Assets, Being Depreciated:				
Buildings and Improvements	24,807	-	-	24,807
Water System	1,195,020	56,447	-	1,251,467
Machinery, Equipment, and Vehicles	32,812	-	-	32,812
Total Capital Assets, Being Depreciated	<u>1,252,639</u>	<u>56,447</u>	<u>-</u>	<u>1,309,086</u>
Accumulated Depreciation for:				
Buildings and Improvements	(2,866)	(1,378)	-	(4,244)
Water System	(78,856)	(44,640)	-	(123,496)
Machinery, Equipment, and Vehicles	(7,772)	(6,562)	-	(14,334)
Total Accumulated Depreciation	<u>(89,494)</u>	<u>(52,580)</u>	<u>-</u>	<u>(142,074)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,163,145</u>	<u>3,867</u>	<u>-</u>	<u>1,167,012</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,163,145</u>	<u>\$ 95,070</u>	<u>\$ -</u>	<u>\$ 1,258,215</u>

Depreciation expense was charged to business-type functions/programs as follows:

Business-Type Activities:	
Water	<u>\$ 52,580</u>

4. Construction Commitments

The Town has active construction commitments at June 30, 2015. At fiscal year-end, the Town's commitments with contractors were as follows:

Project	Governmental Activities	
	Spent-to-Date	Estimated Remaining
Sprague Improvements	\$ 29,224	\$ 153,291
Town Park Facilities	780	79,830
Total:	<u>\$ 30,004</u>	<u>\$ 233,121</u>
Project	Business-type Activities	
	Spent-to-Date	Estimated Remaining
Waterline Improvements	\$ 91,203	\$ 206,326

**TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables and Payables

At June 30, 2015, the Town reported the following interfund receivables and payables:

Due To	Due From Water Fund
General Fund	\$ 111,880

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, 2015 are as follows:

	July 1, 2014	Increases	Decreases	June 30, 2015	Due within One Year
Governmental Activities:					
Other Liabilities:					
Compensated Absences	\$ 34,054	\$ 20,826	\$ (15,141)	\$ 39,739	\$ 15,596

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

D. Change in Accounting Principle

During the year ended June 30, 2015, the Town of Star Valley, Arizona adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the June 30, 2014, net position of the governmental activities, business-type activities and enterprise funds as shown as follows:

	Net Position as Previously Stated	Cumulative Affect of the Application of GASB 68 Net Pension Liability	Cumulative Affect of the Application of GASB 71 Deferred Outflows of Resources for Contributions Made During 2013-14	Net Position As Restated
Governmental Activities	\$ 4,629,810	\$ (287,291)	\$ 16,729	\$ 4,359,248
Business-type Activities/Enterprise Fund	1,133,286	(86,431)	5,033	1,051,888

**TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 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

The Town contributes to the Arizona State Retirement System (ASRS), a cost-sharing multiple-employer defined benefit pension plan. The plan is a component unit of the State of Arizona. At June 30, 2015, the Town reported the following amounts related to its proportionate share of the ASRS pension plan:

<u>Statement of Net Position and Statement of Activities</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Net Pension Liability	\$ 256,640	\$ 77,210	\$ 333,850
Deferred Outflows of Resources	31,445	9,460	40,905
Deferred Inflows of Resources	44,878	13,502	58,380
Pension Expense	17,199	5,174	22,373

Plan Descriptions – All full-time and qualifying part-time Town employees are required to participate in ASRS. The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

**TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of Service and Age Required to Receive Benefit	Sum of years and age equals 80 10 years age 62 5 year age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final Average Salary is Based On	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit Percentage Per Year of Service	2.1% to 2.3 %	2.1% to 2.3 %

* With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.60 percent (11.48 percent for retirement and 0.12 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 11.60 percent (10.89 percent for retirement, 0.59 percent for the health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll.

**TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the ASRS. The Town's contributions to the pension plan for the year ended June 30, 2015, were \$23,008. The Town's contributions for the current and two preceding years for OPEB, all of which were equal to the required contributions, were as follows:

<u>Year Ended June 30,</u>	<u>Health Benefit Supplement Fund</u>	<u>Long-Term Disability Fund</u>
2015	\$ 1,247	\$ 254
2014	1,380	552
2013	1,323	488

During the fiscal year ended June 30, 2015, the Town paid for ASRS pension and OPEB contributions as follows: 72 percent from the General Fund, 5 percent from the HURF Fund and 23 percent from the Water Fund.

Pension Liability – At June 30, 2015, the Town reported a liability of \$333,850 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014.

The Town's reported liability at June 30, 2015, decreased by \$39,872 from the Town's prior year liability of \$373,722 because of changes in the ASRS' net pension liability and the Town's proportionate share of that liability. The ASRS' publicly available financial report provides details on the change in the net pension liability. The Town's proportion of the net pension liability was based on the Town's FY 2014 contributions. The Town's proportion measured as of June 30, 2014, was 0.002256 percent, which was an increase of 0.00000800 from its proportion measured as of June 30, 2013.

**TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of \$22,373. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,967	\$ -
Net difference between projected and actual earnings on pension plan investments	-	58,380
Changes in proportion and differences between District's contributions and proportionate share of contributions Contributions subsequent to the measurement date	930	-
	23,008	-
Total	\$ 40,905	\$ 58,380

The \$23,008 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$ (6,814)
2017	(6,814)
2018	(12,261)
2019	(14,594)

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2013
Actuarial Roll Forward Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8%
Projected Salary Increases	3 - 6.75%
Inflation	3%
Permanent Benefit Increase	Included
Mortality Rates	1994 GAM Scale BB

**TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.79 percent using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	63%	7.03%
Fixed Income	25%	3.20%
Real Estate	8%	4.75%
Commodities	4%	4.50%
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**TOWN OF STAR VALLEY, ARIZONA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Sensitivity of the Town’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
District's proportionate share of the net pension liability	\$ 421,969	\$ 333,850	\$ 286,041

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

C. Subsequent Event

Subsequent to June 30, 2015, the Arizona State legislature passed Senate Bill 1241. The legislation prohibited the use of photo enforcement on Arizona highways. On March 16, 2016, the Town of Star Valley discontinued its photo enforcement along highway 260. The photo enforcement revenue had previously accounted for more than 28 percent of the Town’s revenue stream.

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

**TOWN OF STAR VALLEY, ARIZONA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND
PENSION CONTRIBUTIONS
COST SHARING PENSION PLANS
YEAR ENDED JUNE 30, 2015**

	Reporting Year (Measurement Date)	
	2015 (2014)	2014 (2013)
District's proportion of the net pension liability	0.002256%	0.002248%
District's proportionate share of the net pension liability	\$ 333,850	\$ 373,722
District's covered-employee payroll	\$ 262,194	Not Available
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	127.33%	Not Available
Plan fiduciary net position as a percentage of the total pension liability	69.49%	57.28%
	2015	2014
Contractually required contribution	\$ 40,633	\$ 36,520
Contributions in relation to the contractually required contribution	23,008	21,762
Contribution deficiency (excess)	\$ 17,625	\$ 14,758
District's covered-employee payroll	\$ 216,097	\$ 262,194
Contributions as a percentage of covered-employee payroll	10.65%	8.30%

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, 2015

	Original and Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
Revenues:			
Taxes	\$ 310,575	\$ 319,147	\$ 8,572
Intergovernmental	626,363	652,840	26,477
Fines and Forfeitures	739,050	1,029,438	290,388
Licenses and Permits	13,000	17,962	4,962
Contributions and Donations	5,000	-	(5,000)
Investment Income	25,000	13,623	(11,377)
Other	250	8,832	8,582
Total Revenues	<u>1,719,238</u>	<u>2,041,842</u>	<u>322,604</u>
Expenditures:			
Current:			
General Government:			
Court	-	127,174	(127,174)
Administration	305,685	353,925	(48,240)
Elections	60,575	7,011	53,564
Building Inspection	19,110	18,017	1,093
Town Council and Commission	52,300	44,144	8,156
Planning and Zoning	10,000	-	10,000
Contingency	2,974,392	-	2,974,392
Total General Government	<u>3,422,062</u>	<u>550,271</u>	<u>2,871,791</u>
Public Safety:			
Photo Enforcement	534,480	543,756	(9,276)
Contracted Law Enforcement	392,000	386,342	5,658
Total Public Safety	<u>926,480</u>	<u>930,098</u>	<u>(3,618)</u>
Culture and Recreation			
Parks	15,000	69,372	(54,372)
Total Expenditures	<u>4,363,542</u>	<u>1,549,741</u>	<u>2,813,801</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,644,304)	492,101	3,136,405
Fund Balance:			
Beginning of Year	-	2,639,416	2,639,416
End of Year	<u>\$ (2,644,304)</u>	<u>\$ 3,131,517</u>	<u>\$ 5,775,821</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, 2015**

	Original and Final Budget	Actual	Variance With Final Budget
Revenues:			
Intergovernmental	\$ 226,574	\$ 219,408	\$ (7,166)
Investment Earnings	-	2,952	2,952
Total Revenues	226,574	222,360	(4,214)
Expenditures:			
Current:			
Highways and Streets	676,175	327,376	348,799
Net Change in Fund Balances	(449,601)	(105,016)	344,585
Fund Balance:			
Beginning of Year	-	458,087	458,087
End of Year	\$ (449,601)	\$ 353,071	\$ 802,672

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, 2015**

NOTE 1 INFORMATION PRIOR TO MEASUREMENT DATE

Information prior to the measurement date (June 30, 2014) was not available.

NOTE 2 PENSION CONTRIBUTIONS

The Town did not contribute to ASRS for two qualifying employees. Therefore, a contribution deficiency is noted. An accrual was made on the Town's financial statements to record the projected amount of contributions due to the ASRS.

NOTE 3 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.

**TOWN OF STAR VALLEY, ARIZONA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A
YEAR ENDED JUNE 30, 2015**

NOTE 3 BUDGETARY INFORMATION (CONTINUED)

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.