

**TOWN OF STAR VALLEY, ARIZONA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2016**

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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, 2016, 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**

<b>Opinion Unit</b>	<b>Type of Opinion</b>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Unmodified
Highway Users Revenue Fund (HURF)	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 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, 2016, and the respective changes in financial position and cash flows 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, Highway Users Revenue Fund, and the aggregate remaining fund information of the Town of Star Valley, Arizona, as of June 30, 2016, 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.



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

***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 38 and the budgetary comparison schedules of the General Fund and major Special Revenue Funds on pages 39 – 40 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*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
June 20, 2017

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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, 2016**

We (the Town of Star Valley, Arizona) are pleased to provide an overview of our financial activities for the fiscal year ended June 30, 2016. 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 \$7,424,493 (net position). Of this amount \$3,408,450 (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 \$4,450,615, an increase of \$772,792 in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,729,582 or 252% of total General Fund expenditures.
- ◆ General Fund revenues were more than budgeted revenues by \$398,648 for fiscal year ending June 30, 2016. Additionally, expenditures were only 30% (\$3,439,375 in savings) of the final budget in the General Fund.
- ◆ General Fund revenues exceeded expenditures by \$813,304; a positive variance of \$3,838,023 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, 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, 2016**

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.

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**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.

**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 - 41. 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, 2016 showing that assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$7,424,493.

**Table A-1  
The Town's Net Position  
June 30, 2016 and 2015**

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>ASSETS</b>						
Current and Other Assets	\$ 4,844,235	\$ 3,876,812	\$ (1,793)	\$ 8,798	\$ 4,842,442	\$ 3,885,610
Capital Assets						
Non-depreciable	477,586	313,056	6,258	91,203	483,844	404,259
Depreciable (Net)	1,499,487	1,451,763	1,411,671	1,167,012	2,911,158	2,618,775
Total Assets	6,821,308	5,641,631	1,416,136	1,267,013	8,237,444	6,908,644
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	28,941	31,445	9,792	9,460	38,733	40,905
<b>LIABILITIES</b>						
Current Liabilities	393,620	198,989	33,693	94,596	427,313	293,585
Non-Current Liabilities						
Due Within One Year	23,194	15,596	-	-	23,194	15,596
Due in More Than One Year	288,209	280,783	82,751	77,210	370,960	357,993
Total Liabilities	705,023	495,368	116,444	171,806	821,467	667,174
<b>DEFERRED INFLOWS OF RESOURCES</b>	23,229	44,878	6,988	13,502	30,217	58,380
<b>NET POSITION</b>						
Net Investment in Capital Assets	1,977,073	1,764,819	1,417,929	1,258,215	3,395,002	3,023,034
Restricted	621,033	446,306	-	-	621,033	446,306
Unrestricted	3,523,891	2,921,705	(115,433)	(167,050)	3,408,458	2,754,655
Total Net Position	\$ 6,121,997	\$ 5,132,830	\$ 1,302,496	\$ 1,091,165	\$ 7,424,493	\$ 6,223,995

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

Net position consists of three components. The Town of Star Valley, Arizona's investment in capital assets (e.g., infrastructure, buildings and improvements, and vehicles, machinery and equipment), less any related debt used to acquire those assets that are still outstanding accounts for 45.7% of total net position. The Town of Star Valley, Arizona uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

An additional portion of the Town of Star Valley, Arizona's net position (8.4%) 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 the Town not having any expenses of excise tax revenues. The remaining balance of unrestricted net position (\$3,408,458) 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, 2016 and 2015**

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>						
Program Revenues:						
Fees, Fines and Charges for Services	\$ 1,149,689	\$ 1,066,603	\$ 171,832	\$ 163,160	\$ 1,321,521	\$ 1,229,763
Operating Grants and Contributions	425,896	304,906	-	13,050	425,896	317,956
Capital Grants and Contributions	-	-	61,470	119,812	61,470	119,812
General Revenues:						
Sales Taxes	348,036	263,933	-	-	348,036	263,933
Franchise Taxes	58,650	55,214	-	-	58,650	55,214
State Shared Revenues	495,734	490,748	-	-	495,734	490,748
Auto Lieu Taxes	138,358	131,989	-	-	138,358	131,989
Investment Income	63,046	16,575	-	-	63,046	16,575
Other	3,691	8,832	-	-	3,691	8,832
Total Revenues	<u>2,683,100</u>	<u>2,338,800</u>	<u>233,302</u>	<u>296,022</u>	<u>2,916,402</u>	<u>2,634,822</u>
<b>EXPENSES</b>						
General Government	335,664	569,987	-	-	335,664	569,987
Public Safety	888,856	929,897	-	-	888,856	929,897
Highways and Streets	246,012	55,415	-	-	246,012	55,415
Culture and Recreation	8,162	9,919	-	-	8,162	9,919
Water	-	-	237,210	256,745	237,210	256,745
Total Expenses	<u>1,478,694</u>	<u>1,565,218</u>	<u>237,210</u>	<u>256,745</u>	<u>1,715,904</u>	<u>1,821,963</u>
<b>CHANGE IN NET POSITION</b>						
<b>BEFORE TRANSFERS</b>	1,204,406	773,582	(3,908)	39,277	1,200,498	812,859
Transfers	(215,239)	-	215,239	-	-	-
Change in Net Position	<u>989,167</u>	<u>773,582</u>	<u>211,331</u>	<u>39,277</u>	<u>1,200,498</u>	<u>(812,859)</u>
Net Position - Beginning of Year	<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>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 6,121,997</u>	<u>\$ 5,132,830</u>	<u>\$ 1,302,496</u>	<u>\$ 1,091,165</u>	<u>\$ 7,424,493</u>	<u>\$ 6,223,995</u>



**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Governmental Activities**

Program revenues increased by \$204,076 and general revenues increased by \$140,224.

The increase in program revenues was the result of an increase in fees and fines related to an increase in photo enforcement fines received during the closing of the program and removing cameras.

Additionally, operating grants and contributions increased as a result of the Town's excise tax revenues from Gila County for streets being received the entire fiscal year as opposed to the revenue source being new at the end of prior year.

The increase in general revenues was primarily due to an increase in sales tax. State shared revenue is collected and distributed by the State of Arizona based on sales tax collection at the State level. Additionally, investment income increased as a result of market trends and the Town moving more funds to its investment portfolio.

Expenses decreased \$86,524, primarily due to photo enforcement fine processing fees decreasing as a result of the cameras being removed at the end of the current fiscal year. General government expenses decreased due to more revenues being used for capital projects in current year versus maintenance in the prior year, as well as court processing expenses from photo enforcement decreasing. Additionally, highway and streets expenses increased as a significant amount of the current year costs were related to Highway Users Revenue Fund maintenance and street repair compared to mostly capitalized improvements in prior year.

*Business-Type Activities* – Program revenues decreased \$62,720 due to a continued decline in capital grants for CDBG projects related to water infrastructure projects. Additionally, expenses decreased \$19,535 primarily due to the Town being more efficient 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 \$4,450,615, an increase of \$772,792 in comparison with the prior year. Approximately 84% of this total amount (\$3,729,582) constitutes General Fund fund balance, which is reported as unassigned fund balances. At fiscal year-end 2015-16 fund balances were as follows:

**Table A-3  
Fund Balances**

Fund	Balance	Increase (Decrease) from 2014-15
General Fund	\$ 3,729,582	\$ 598,065
Highway Users Revenue Fund	363,934	10,863
Nonmajor Governmental Funds	357,099	163,864

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

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 252% of total General Fund expenditures.

The fund balance of the General Fund increased by \$598,065 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 again 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 increased \$10,863 as a result of a decrease in expenditures related to street capital projects.

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 \$163,864. That increase was attributed to the Town collecting excise taxes for street improvement projects and not incurring any related expenditures during 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 39 – 40 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 \$2,293,881 were greater than budgeted revenues of \$1,895,233 by \$398,648 while expenditures of \$1,480,577 were 30% of budgeted expenditures (savings of \$3,439,375). Revenues were greater than the budget primarily due to the significant increase in photo enforcement fines and forfeitures as well as the Town budgeting conservatively for sales tax revenues, intergovernmental revenues and investment income.

Expenditures fell below budget largely due to unspent contingency and administration during the fiscal 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.

#### **CAPITAL ASSET AND DEBT ADMINISTRATION**

##### **Capital Assets**

The Town's capital assets for its governmental and business-type activities as of June 30, 2016 amount to \$3,395,002 (net of accumulated depreciation), an increase of 12.3%. 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.

**TOWN OF STAR VALLEY, ARIZONA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

Major capital asset events during the current fiscal year included the following:

- ◆ Street improvement projects
- ◆ Waterline and well projects
- ◆ Town park facilities

The following table provides a breakdown of the capital assets of the Town at June 30, 2016 and 2015.

**Table A-4  
Capital Assets (Net)  
June 30, 2016 and 2015**

	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 268,257	\$ 268,257	\$ -	\$ -	\$ 268,257	\$ 268,257
Construction in Progress	209,329	44,799	6,258	91,203	215,587	136,002
Infrastructure	1,212,359	1,150,657	-	-	1,212,359	1,150,657
Buildings and Improvements	278,916	285,997	19,185	20,563	298,101	306,560
Water System	-	-	1,380,570	1,127,971	1,380,570	1,127,971
Vehicle, Machinery and Equipment	8,212	15,109	11,916	18,478	20,128	33,587
<b>Total Capital Assets</b>	<b>\$ 1,977,073</b>	<b>\$ 1,764,819</b>	<b>\$ 1,417,929</b>	<b>\$ 1,258,215</b>	<b>\$ 3,395,002</b>	<b>\$ 3,023,034</b>

**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**

- ◆ Discontinued photo enforcement revenue allocation.
- ◆ Normal distributions from state shared revenues.
- ◆ Continued excise tax funding for highway and street projects.
- ◆ Continued emphasis on expenditure reduction.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all of those with an interest in the government's finances and to demonstrate accountability for the use of public funds. Questions about any of the information provided in this report, or requests for additional financial information should be addressed to:

Town of Star Valley, Arizona  
Accounting Department  
HC 5 Box 49-90  
Star Valley, AZ 85541  
(928) 472-7752

Or visit our website at:

[www.ci.star-valley.az.us](http://www.ci.star-valley.az.us)

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## **BASIC FINANCIAL STATEMENTS**

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**TOWN OF STAR VALLEY, ARIZONA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 4,715,901	\$ -	\$ 4,715,901
Restricted Assets	-	13,640	13,640
Receivables, Net:			
Accounts Receivable	3,008	19,783	22,791
Intergovernmental Receivables	90,110	-	90,110
Internal Balances	35,216	(35,216)	-
Capital Assets:			
Non-Depreciable	477,586	6,258	483,844
Depreciable, Net	1,499,487	1,411,671	2,911,158
Total Assets	6,821,308	1,416,136	8,237,444
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 28,941	 9,792	 38,733
<b>LIABILITIES</b>			
Accounts Payable	289,383	9,033	298,416
Accrued Wages and Benefits	80,468	9,542	90,010
Intergovernmental Payable	23,769	-	23,769
Customer Deposits Payable	-	13,640	13,640
Unearned Revenue	-	1,478	1,478
Noncurrent Liabilities:			
Due Within One Year	23,194	-	23,194
Due in More Than One Year	288,209	82,751	370,960
Total Liabilities	705,023	116,444	821,467
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 23,229	 6,988	 30,217
<b>NET POSITION</b>			
Investment in Capital Assets	1,977,073	1,417,929	3,395,002
Restricted for:			
Local Transportation Assistance	19,927	-	19,927
Highways and Streets	461,810	-	461,810
Judicial Court Enhancement	139,296	-	139,296
Unrestricted	3,523,891	(115,433)	3,408,458
Total Net Position	\$ 6,121,997	\$ 1,302,496	\$ 7,424,493

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Change in Net Position			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$ 335,664	\$ 55,540	\$ 63,866	\$ -	\$ (216,258)	\$ -	\$ (216,258)
Public Safety	888,856	1,094,149	-	-	205,293	-	205,293
Highways and Streets	246,012	-	362,030	-	116,018	-	116,018
Culture and Recreation	8,162	-	-	-	(8,162)	-	(8,162)
Total Governmental Activities	1,478,694	1,149,689	425,896	-	96,891	-	96,891
Business-Type Activities:							
Water	237,210	171,832	-	61,470	-	(3,908)	(3,908)
Total Primary Government	\$ 1,715,904	\$ 1,321,521	\$ 425,896	\$ 61,470	\$ 96,891	\$ (3,908)	\$ 92,983

**General Revenues:**

Taxes	
Sales Taxes	348,036
Franchise Taxes	58,650
State Revenue Sharing	278,124
State Sales Tax Revenue Sharing	217,610
Auto Lieu Tax Revenue Sharing	138,358
Investment Income	63,046
Other	3,691
Transfers	(215,239)
Total General Revenues	892,276
Change in Net Position	989,167
Net Position - Beginning	5,132,830
Net Position - Ending	\$ 6,121,997
	\$ 1,302,496
	\$ 7,424,493

See accompanying Notes to Basic Financial Statements.



**TOWN OF STAR VALLEY, ARIZONA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>				
Cash and Investments	\$ 3,966,414	\$ 407,779	\$ 341,708	\$ 4,715,901
Receivables:				
Accounts Receivable	-	-	3,008	3,008
Intergovernmental Receivables	56,944	20,783	12,383	90,110
Due from Other Funds	35,216	-	-	35,216
Total Assets	<u>\$ 4,058,574</u>	<u>\$ 428,562</u>	<u>\$ 357,099</u>	<u>\$ 4,844,235</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts Payable	\$ 225,035	\$ 64,348	\$ -	\$ 289,383
Accrued Wages and Benefits	80,188	280	-	80,468
Intergovernmental Payable	23,769	-	-	23,769
Total Liabilities	<u>328,992</u>	<u>64,628</u>	<u>-</u>	<u>393,620</u>
Fund Balances:				
Restricted	-	263,934	357,099	621,033
Committed	-	100,000	-	100,000
Unassigned	3,729,582	-	-	3,729,582
Total Fund Balances	<u>3,729,582</u>	<u>363,934</u>	<u>357,099</u>	<u>4,450,615</u>
Total Liabilities and Fund Balances	<u>\$ 4,058,574</u>	<u>\$ 428,562</u>	<u>\$ 357,099</u>	<u>\$ 4,844,235</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, 2016**

Total Fund Balances for Governmental Funds \$ 4,450,615

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	\$ 2,357,573	
Less: Accumulated Depreciation	<u>(380,500)</u>	1,977,073

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		28,941
Deferred inflow of resources related to pensions		<u>(23,229)</u>

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

Pension Liability	(275,061)	
Compensated Absences Payable	<u>(36,342)</u>	(311,403)

Total Net Position of Governmental Activities		<u><u>\$ 6,121,997</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, 2016**

	General Fund	Highway Users Revenue Fund	Nonmajor Governmental Funds	Totals
<b>REVENUES</b>				
Taxes:				
Sales Taxes	\$ 348,036	\$ -	\$ -	\$ 348,036
Franchise Taxes	58,650	-	-	58,650
Intergovernmental	697,958	219,549	142,481	1,059,988
Fines and Forfeitures	1,094,149	-	21,383	1,115,532
Licenses and Permits	34,157	-	-	34,157
Investment Income	57,240	5,806	-	63,046
Other	3,691	-	-	3,691
Total Revenues	<u>2,293,881</u>	<u>225,355</u>	<u>163,864</u>	<u>2,683,100</u>
<b>EXPENDITURES</b>				
Current:				
General Government	505,317	-	-	505,317
Public Safety	889,055	-	-	889,055
Highways and Streets	-	214,492	-	214,492
Culture and Recreation	86,205	-	-	86,205
Total Expenditures	<u>1,480,577</u>	<u>214,492</u>	<u>-</u>	<u>1,695,069</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	813,304	10,863	163,864	988,031
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(215,239)	-	-	(215,239)
<b>NET CHANGE IN FUND BALANCES</b>	598,065	10,863	163,864	772,792
<b>FUND BALANCES</b>				
Beginning of Year	<u>3,131,517</u>	<u>353,071</u>	<u>193,235</u>	<u>3,677,823</u>
End of Year	<u>\$ 3,729,582</u>	<u>\$ 363,934</u>	<u>\$ 357,099</u>	<u>\$ 4,450,615</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, 2016**

Net Change in Fund Balances - Total Governmental Funds \$ 772,792

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	\$ 261,014	
Depreciation Expense	<u>(48,760)</u>	212,254

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	17,483	
Pension Expense	<u>(16,759)</u>	724

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.

3,397

Change in Net Position of Governmental Activities

\$ 989,167

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2016**

	Enterprise Funds
	Water
<b>ASSETS</b>	
Current Assets	
Restricted Cash and Cash Equivalents	\$ 13,640
Receivables, Net	
Accounts Receivable, Net	19,783
Total Current Assets	33,423
Noncurrent Assets	
Non-Depreciable Capital Assets	6,258
Depreciable Capital Assets, Net	1,411,671
Total Noncurrent Assets	1,417,929
 Total Assets	 1,451,352
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	 9,792
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	9,033
Accrued Wages and Benefits	9,542
Due to Other Funds	35,216
Customer Deposits Payable	13,640
Unearned Revenue	1,478
Total Current Liabilities	68,909
Noncurrent Liabilities	
Net Pension Liability	82,751
 Total Liabilities	 151,660
 <b>DEFERRED INFLOWS OF RESOURCES</b>	 6,988
<b>NET POSITION</b>	
Investment in Capital Assets	1,417,929
Unrestricted	(115,433)
Total Net Position	\$ 1,302,496

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, 2016**

	Enterprise Funds
	Water
<b>OPERATING REVENUES</b>	
Charges for Services	\$ 171,832
<b>OPERATING EXPENSES</b>	
Cost of Sales and Services	180,103
Depreciation	57,107
Total Operating Expenses	237,210
Operating Loss	(65,378)
Capital Contributions	61,470
Transfers In	215,239
Change in Net Position	211,331
Total Net Position, Beginning of Year	1,091,165
Total Net Position, End of Year	\$ 1,302,496

See accompanying Notes to Basic Financial Statements.

**TOWN OF STAR VALLEY, ARIZONA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2016**

	Enterprise Funds
	Water
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Customers	\$ 170,907
Payments to Suppliers	(63,560)
Payments to Employees	(116,007)
Customer Deposits	746
Net Cash Used by Operating Activities	(7,914)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Interfund Borrowing	(76,664)
<b>CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES</b>	
Capital Contributions	149,181
Purchases of Capital Assets	(279,097)
Transfer In	215,239
Net Cash Provided by Capital and Related Financing Activities	85,324
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	746
Cash and Cash Equivalents, Beginning of Year	12,894
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 13,640
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
<b>OPERATING LOSS</b>	\$ (65,378)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	57,107
Pension Expense	(1,305)
Change in Assets/Liabilities:	
Receivables, Net	290
Accounts Payable	2,340
Accrued Wages and Benefits	(498)
Customer Deposits Payable	746
Unearned Revenue	(1,215)
Net Cash Used by Operating Activities	\$ (7,914)

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, 2016**

**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, 2016, the financial statements include the impact, if any, of Governmental Accounting Standards Board Statement (GASBS) Number 72 – *Fair Value Measurement and Application*, GASBS Number 73 – *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASBS Number 68 and Amendments to Certain Provisions of GASBS Numbers 67 and 68*, GASBS Number 76 – *the Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, and GASBS Number 79 – *Certain External Investment Pools and Pool Participants*.

**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, 2016

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, 2016**

**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 and state shared revenues.

**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, 2016**

**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.

**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.

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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)**

**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.

**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.

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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)**

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.

The Town reports the following fund balance classifications:

	General Fund	HURF	Nonmajor Governmental Funds	Total Governmental Funds
<b>Restricted:</b>				
Highway and Street Projects	\$ -	\$ 263,934	\$ 197,876	\$ 461,810
Local Transportation Assistance	-	-	19,927	19,927
Judicial Court Enhancement	-	-	139,296	139,296
Total Restricted	-	263,934	357,099	621,033
<b>Committed</b>				
Highway and Street Projects	-	100,000	-	100,000
<b>Unassigned</b>	3,729,582	-	-	3,729,582
Total Fund Balance	<u>\$ 3,729,582</u>	<u>\$ 363,934</u>	<u>\$ 357,099</u>	<u>\$ 4,450,615</u>



**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Excess Expenditures over Appropriations**

For the year ended June 30, 2016, the Town reported an overexpenditure in the following categories:

	<u>Overexpenditure</u>
<b>General Fund</b>	
Court	\$ 112,082

Cash was available to meet all of the overexpenditures.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

**1. Deposits and Investments**

Deposits and investments at June 30, 2016 consist of the following:

Deposits:	
Cash on Hand	\$ 1,244
Cash in Bank	1,350,157
Investments:	
Certificates of Deposit	3,151,263
Money Market Funds	<u>226,877</u>
Total Deposits and Investments	4,729,541
Less: Restricted Assets	<u>(13,640)</u>
Total Cash and Investments	<u>\$ 4,715,901</u>

**Deposits** – The Town’s deposits had a carrying value of \$1,350,157 and a bank balance of \$1,400,863 at June 30, 2016. Of the bank balance, \$387,391 was covered by federal depository insurance and the remaining \$1,013,472 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.

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

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

*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	\$ 3,151,263	\$ 429,529	\$ 746,169	\$ 1,015,262	\$ 960,303
Money Market	226,877	226,877	-	-	-
Total	\$ 3,378,140	\$ 656,406	\$ 746,169	\$ 1,015,262	\$ 960,303

*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.

*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, 2016.

*Fair Value Measurements* - The Town uses fair value measurements to record fair value adjustments to certain assets and liabilities to determine fair value disclosures.

TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

The Town follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Town has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level III). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

Level I – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level II – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level III – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

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

At year end, the Town's investments were measured as follows:

Investments by Fair Value Level	June 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Other Observable Inputs (Level II)	Significant Other Inputs (Level III)
Certificates of Deposits	\$ 3,151,263	\$ -	\$ 3,151,262	\$ -
Investments Measured at Amortized Cost				
Money Market	226,877			
Total Investments	<u>\$ 3,378,140</u>			

**2. Restricted Assets**

At June 30, 2016, the Town reported \$13,640 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, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, Not Being Depreciated:				
Land	\$ 268,257	\$ -	\$ -	\$ 268,257
Construction in Progress	44,799	280,137	(95,607)	209,329
Total Capital Assets, Not Being Depreciated	<u>313,056</u>	<u>280,137</u>	<u>(95,607)</u>	<u>477,586</u>
Capital Assets, Being Depreciated:				
Infrastructure	1,305,558	96,484	-	1,402,042
Buildings and Improvements	318,637	-	-	318,637
Vehicles, Machinery and Equipment	159,308	-	-	159,308
Total Capital Assets, Being Depreciated	<u>1,783,503</u>	<u>96,484</u>	<u>-</u>	<u>1,879,987</u>
Accumulated Depreciation for:				
Infrastructure	(154,901)	(34,782)	-	(189,683)
Buildings and Improvements	(32,640)	(7,081)	-	(39,721)
Machinery and Equipment	(144,199)	(6,897)	-	(151,096)
Total Accumulated Depreciation	<u>(331,740)</u>	<u>(48,760)</u>	<u>-</u>	<u>(380,500)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,451,763</u>	<u>47,724</u>	<u>-</u>	<u>1,499,487</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,764,819</u>	<u>\$ 307,861</u>	<u>\$ (95,607)</u>	<u>\$ 1,977,073</u>

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Capital Assets (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 91,203	\$ 216,821	\$ (301,766)	\$ 6,258
Capital Assets, Being Depreciated:				
Buildings and Improvements	24,807	-	-	24,807
Water System	1,251,467	-	301,766	1,553,233
Machinery, Equipment, and Vehicles	32,812	-	-	32,812
Total Capital Assets, Being Depreciated	<u>1,309,086</u>	<u>-</u>	<u>301,766</u>	<u>1,610,852</u>
Accumulated Depreciation for:				
Buildings and Improvements	(4,244)	(1,378)	-	(5,622)
Water System	(123,496)	(49,167)	-	(172,663)
Machinery, Equipment, and Vehicles	(14,334)	(6,562)	-	(20,896)
Total Accumulated Depreciation	<u>(142,074)</u>	<u>(57,107)</u>	<u>-</u>	<u>(199,181)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,167,012</u>	<u>(57,107)</u>	<u>301,766</u>	<u>1,411,671</u>
Business-Type Activities Capital Assets, Net	<u>\$ 1,258,215</u>	<u>\$ 159,714</u>	<u>\$ -</u>	<u>\$ 1,417,929</u>

Depreciation expense was charged to governmental functions as follows at June 30, 2016:

<b>Governmental Activities:</b>	
General Government	\$ 14,291
Capital Outlay	32,480
Highways and Streets	1,989
Total Depreciation Expense, Governmental Activities	<u>\$ 48,760</u>

Depreciation expense was charged to business-type functions/programs as follows at June 30, 2016:

<b>Business-Type Activities:</b>	
Water	<u>\$ 57,107</u>

**TOWN OF STAR VALLEY, ARIZONA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Interfund Receivables, Payables, and Transfers**

At June 30, 2016, the Town reported the following interfund receivables and payables:

Due To	Due From
General Fund	Water Fund
General Fund	\$ 35,216

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

At June 30, 2016, transfers were as follows:

Transfers Out	Transfers In
General Fund	Water Fund
General Fund	\$ 215,239

The transfer from the General Fund to the Water Fund was budgeted to fund prior year capital purchases.

**C. Long-Term Obligations**

Changes in long-term debt for the year ended June 30, 2016 are as follows:

	July 1, 2015	Increases	Decreases	June 30, 2016	Due Within One Year
<b>Governmental Activities:</b>					
Other Liabilities:					
Compensated Absences	\$ 39,739	\$ 18,419	\$ (21,816)	\$ 36,342	\$ 23,194

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, 2016**

**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, 2016, the Town reported the following amounts related to its proportionate share of the ASRS pension plan:

Statement of Net Position and Statement of Activities	Governmental Activities	Business-Type Activities	Total
Net Pension Liability	\$ 275,061	\$ 82,751	\$ 357,812
Deferred Outflows of Resources	28,941	9,792	38,733
Deferred Inflows of Resources	23,229	6,988	30,217
Pension Expense	16,759	5,042	21,801

**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](http://www.azasrs.gov).

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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, 2016, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.47% (11.35% for retirement and 0.12% 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 11.47% (10.85% for retirement, 0.50% for the health insurance premium benefit, and 0.12% for long-term disability) of the active members' annual covered payroll.



**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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 9.36% (9.30% for retirement and 0.06% 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, 2016 were \$23,797. 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:

Year Ended June 30,	Health Benefit Supplement Fund	Long-Term Disability Fund
2016	\$ 1,097	\$ 263
2015	1,247	254
2014	1,380	552

During the fiscal year ended June 30, 2016, the Town paid for ASRS pension and OPEB contributions as follows: 69% from the General Fund, 4% from the HURF Fund and 27% from the Water Fund.

**Pension Liability** – At June 30, 2016, the Town reported a liability of \$357,812 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2015. 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, 2014, to the measurement date of June 30, 2015.

The Town's reported liability at June 30, 2016 increased by \$23,962 from the Town's prior year liability of \$333,850 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 2015 contributions. The Town's proportion measured as of June 30, 2015 was 0.002300%, which was an increase of 0.0000440 from its proportion measured as of June 30, 2014.

**TOWN OF STAR VALLEY, ARIZONA  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**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, 2016, the Town recognized pension expense for ASRS of \$21,801. At June 30, 2016, 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	\$ 9,764	\$ 18,750
Net difference between projected and actual earnings on pension plan investments	-	11,467
Changes in proportion and differences between Town's contributions and proportionate share of contributions	5,172	-
Contributions subsequent to the measurement date	23,797	-
Total	\$ 38,733	\$ 30,217

The \$23,797 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, 2017. 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:

Year Ending June 30,	Amount
2017	\$ (5,077)
2018	(10,618)
2019	(7,864)
2020	8,278

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

Actuarial Valuation Date	June 30, 2014
Actuarial Roll Forward Date	June 30, 2015
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, 2016**

**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% 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Equity	58%	3.94%
Fixed Income	25%	0.93%
Commodities	2%	0.08%
Real Estate	10%	0.42%
Multi-Asset Class	5%	0.17%
Total	<u>100%</u>	

**Discount Rate** – The discount rate used to measure the ASRS total pension liability was 8%, which is less than the long-term expected rate of return of 8.79%. 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, 2016

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%, 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%) or 1 percentage point higher (9%) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Town's proportionate share of the net pension liability	\$ 468,856	\$ 357,812	\$ 281,711

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

**REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A**

**TOWN OF STAR VALLEY, ARIZONA  
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A  
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND  
PENSION CONTRIBUTIONS  
COST SHARING PENSION PLANS  
YEAR ENDED JUNE 30, 2016**

	Reporting Year (Measurement Date)		
	2016 (2015)	2015 (2014)	2014 (2013)
Town's proportion of the net pension liability	0.002300%	0.002256%	0.002248%
Town's proportionate share of the net pension liability	\$ 357,812	\$ 333,850	\$ 373,722
Town's covered-employee payroll	\$ 216,097	\$ 262,194	Not Available
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	165.58%	127.33%	Not Available
Plan fiduciary net position as a percentage of the total pension liability	68.35%	69.49%	57.28%
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 38,718	\$ 40,633	\$ 36,520
Contributions in relation to the contractually required contribution	23,797	23,008	21,762
Contribution deficiency (excess)	<u>\$ 14,921</u>	<u>\$ 17,625</u>	<u>\$ 14,758</u>
Town's covered-employee payroll	\$ 250,564	\$ 216,097	\$ 262,194
Contributions as a percentage of covered-employee payroll	9.50%	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, 2016**

	Original and Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Taxes	\$ 312,950	\$ 406,686	\$ 93,736
Intergovernmental	660,773	697,958	37,185
Fines and Forfeitures	889,000	1,094,149	205,149
Licenses and Permits	16,060	34,157	18,097
Contributions and Donations	1,000	-	(1,000)
Investment Income	15,450	57,240	41,790
Other	-	3,691	3,691
Total Revenues	<u>1,895,233</u>	<u>2,293,881</u>	<u>398,648</u>
<b>EXPENDITURES</b>			
Current:			
General Government:			
Court	-	112,082	(112,082)
Administration	1,164,667	322,565	842,102
Building Inspection	19,231	18,143	1,088
Town Council and Commission	56,399	52,527	3,872
Planning and Zoning	10,000	-	10,000
Contingency	2,536,599	-	2,536,599
Total General Government	<u>3,786,896</u>	<u>505,317</u>	<u>3,281,579</u>
Public Safety:			
Photo Enforcement	609,377	500,311	109,066
Contracted Law Enforcement	393,273	388,744	4,529
Total Public Safety	<u>1,002,650</u>	<u>889,055</u>	<u>113,595</u>
Culture and Recreation			
Parks	130,406	86,205	44,201
Total Expenditures	<u>4,919,952</u>	<u>1,480,577</u>	<u>3,439,375</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(3,024,719)	813,304	3,838,023
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	1,310	-	(1,310)
Transfers Out	(215,239)	(215,239)	-
Total Other Financing Sources (Uses)	<u>(213,929)</u>	<u>(215,239)</u>	<u>(1,310)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(3,238,648)	598,065	3,836,713
<b>FUND BALANCE</b>			
Beginning of Year	-	3,131,517	3,131,517
End of Year	<u>\$ (3,238,648)</u>	<u>\$ 3,729,582</u>	<u>\$ 6,968,230</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 USERS REVENUE FUND**  
**YEAR ENDED JUNE 30, 2016**

	Original and Final Budget	Actual	Variance With Final Budget
<b>REVENUES</b>			
Intergovernmental	\$ 480,844	\$ 219,549	\$ (261,295)
Investment Earnings	-	5,806	5,806
Total Revenues	480,844	225,355	(255,489)
<b>EXPENDITURES</b>			
Current:			
Highways and Streets	812,155	214,492	597,663
<b>NET CHANGE IN FUND BALANCES</b>	(331,311)	10,863	342,174
<b>FUND BALANCE</b>			
Beginning of Year	-	353,071	353,071
End of Year	\$ (331,311)	\$ 363,934	\$ 695,245

*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**  
**JUNE 30, 2016**

**NOTE 1 INFORMATION PRIOR TO MEASUREMENT DATE**

Information prior to the measurement date (June 30, 2013) 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**  
**JUNE 30, 2016**

**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.