

TOWN OF STAR VALLEY RANCH

FINANCIAL STATEMENTS

June 30, 2018

Draft

TOWN OF STAR VALLEY RANCH
TABLE OF CONTENTS
June 30, 2018

	<u>Page</u>
Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Net Position – Proprietary Funds	21
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23
Notes to Financial Statements	25
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	53
Schedule of Proportionate Share of the Net Pension Liability	54
Schedule of Contributions	55
Notes to Required Supplementary Information	56

TOWN OF STAR VALLEY RANCH
TABLE OF CONTENTS
June 30, 2018

	<u>Page</u>
Supplementary Information:	
Governmental Funds:	
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – General Fund	59
Proprietary Funds:	
Statement of Revenues and Expenses - Budget and Actual – Water Fund	61
Governmental Audit Reports:	
Independent Auditors’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63
Schedule of Findings and Responses	65
Corrective Action Plan	66

INDEPENDENT AUDITORS' REPORT

To the Mayor and Town Council
Town of Star Valley Ranch
Star Valley Ranch, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Star Valley Ranch, Wyoming (the Town), as of and for the year ended June 30, 2018, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of the proportionate share of the net pension liability, and the schedule of contributions, as listed in the table of contents, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

JONES SIMKINS LLC
Logan, Utah
December 12, 2018

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

This document is a narrative overview and analysis of the financial activities of the Town of Star Valley Ranch (the "Town") for the fiscal year ending June 30, 2018. The Town's management encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section. To help the reader with navigation of this report, the Town's activities are classified in the following manner: governmental activities, which include general administration, public safety, public works, community development, etc., and business-type activities, which include operation of the Town's water utilities.

FINANCIAL HIGHLIGHTS

The total net position of the Town increased by approximately \$1,190,000. The governmental net position increased by approximately \$371,000, and the business-type net position increased by approximately \$819,000.

The total net position of governmental and business-type activities is approximately \$15,746,000 and is made up of approximately \$12,251,000 in capital assets, such as land, infrastructure, buildings, and equipment, net of related debt.

The net total indebtedness of the Town increased approximately \$524,000 during the year related to loans to help fund water system improvements.

As of June 30, 2018, the following projects were in process:

- The Town proceeded with the Water Supply Project-2017 funded with the State of Wyoming. Funding is made up of both the Mineral Royalty Grant Program (MRG) and the State Lands and Investments Board (SLIB). The approved funding from MRG was a grant in the amount of \$982,300. The approved funding from SLIB was a loan in the amount of \$1,964,600. The loan includes a loan forgiveness provision of twenty-five percent (25%). The construction of this project has been extended through July 2019.
- Subsequent to fiscal year end 2018, the Town was approved for the third and final phase of the Water Supply Project. This third and final phase or the entire twelve million dollar project will be the Water Supply Project-2019 and expects to be completed in fiscal year 2022.
- During the year the Town made significant improvements to its public works building to accommodate the administrative offices as temporary location before either buying or building a permanent location.

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Town's assets, deferred inflows/outflows, and liabilities, with the residual balance 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 is improving or deteriorating. However, you will also need to consider other non-financial factors.

The Statement of Activities presents information showing how the Town's net position changed during the fiscal year reported. 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 all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both the Statement of Net Position and the Statement of Activities, which together comprise the government-wide financial statements, distinguish between activities 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 government-wide financial statements can be found on pages 15 and 16 of this report.

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

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 also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements. The major governmental fund (as determined by generally accepted accounting principles) is the General Fund. The basic General Fund financial statements and reconciliation to governmental activities can be found on pages 17 through 20 of this report.

Proprietary funds – The Town maintains one type of proprietary fund, the enterprise fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its culinary water operations. As determined by generally accepted accounting principles, the Water Fund meets the criteria for major fund classification. The basic financial statements of the Water Fund may be found on pages 21 through 24 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 51 of this report.

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows exceed liabilities and deferred inflows by approximately \$15,746,000.

By far the largest portion of the Town's net position (78%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, machinery and equipment, net of depreciation), net of related debt. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additional parts of net position, approximately 3%, are assets that are subject to external restrictions on how they may be expended (debt reserve). The remaining 19% of net position can be used to meet the Town's ongoing obligations to its creditors and citizens.

The following table summarizes the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2018 and 2017.

STATEMENTS OF NET POSITION

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 2,376,804	1,938,013	2,452,398	1,992,316	4,829,202	3,930,329
Capital assets	3,452,531	3,454,201	14,553,016	13,360,696	18,005,547	16,814,897
Total assets	<u>5,829,335</u>	<u>5,392,214</u>	<u>17,005,414</u>	<u>15,353,012</u>	<u>22,834,749</u>	<u>20,745,226</u>
Deferred outflows of resources - Pension	97,953	93,355	94,303	90,054	192,256	183,409
Current liabilities	158,146	133,707	672,476	410,662	830,622	544,369
Non-current liabilities	310,192	325,707	5,820,597	5,295,682	6,130,789	5,621,389
Total liabilities	<u>468,338</u>	<u>459,414</u>	<u>6,493,073</u>	<u>5,706,344</u>	<u>6,961,411</u>	<u>6,165,758</u>
Deferred inflows of resources - revenues for future periods	199,000	190,000	-	-	199,000	190,000
Pension	61,466	8,731	59,055	8,423	120,521	17,154
Net investment in capital assets	3,452,531	3,454,201	8,798,444	8,130,202	12,250,975	11,584,403
Restricted	-	-	500,000	500,000	500,000	500,000
Unrestricted	1,745,953	1,373,223	1,249,145	1,098,097	2,995,098	2,471,320
Total net position	<u>\$ 5,198,484</u>	<u>4,827,424</u>	<u>10,547,589</u>	<u>9,728,299</u>	<u>15,746,073</u>	<u>14,555,723</u>

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

The following table provides a summary of the Town's operations for the years ended June 30, 2018 and 2017.

	<u>CHANGES IN NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program revenues						
Charges for services	\$ 30,748	23,018	1,053,754	1,013,345	1,084,502	1,036,363
Operating grants and contributions	17,812	259	-	-	17,812	259
Capital grants and contributions	14,500	3,524	753,150	457,509	767,650	461,033
General revenues						
Sales, use, and other taxes	766,296	697,931	-	-	766,296	697,931
Property taxes	248,147	225,957	-	-	248,147	225,957
Other taxes	87,100	88,204	-	-	87,100	88,204
Interest	11,739	11,063	9,292	8,104	21,031	19,167
Mineral royalties	249,206	283,628	-	-	249,206	283,628
Gain (loss) on disposal of assets	53,397	(2,029)	4,917	(227,385)	58,314	(229,414)
Miscellaneous	175	3,613	23,299	14,409	23,474	18,022
Total revenues	<u>1,479,120</u>	<u>1,335,168</u>	<u>1,844,412</u>	<u>1,265,982</u>	<u>3,323,532</u>	<u>2,601,150</u>
Expenses						
General government	524,160	375,676	-	-	524,160	375,676
Public safety	144,770	171,470	-	-	144,770	171,470
Public works	366,330	623,030	-	-	366,330	623,030
Community development	41,360	43,821	-	-	41,360	43,821
Water	-	-	1,056,562	951,247	1,056,562	951,247
Total expenses	<u>1,076,620</u>	<u>1,213,997</u>	<u>1,056,562</u>	<u>951,247</u>	<u>2,133,182</u>	<u>2,165,244</u>
Changes in net position before transfers	402,500	121,171	787,850	314,735	1,190,350	435,906
Transfers	(31,440)	(94,320)	31,440	94,320	-	-
Change in net position	371,060	26,851	819,290	409,055	1,190,350	435,906
Net position - beginning	<u>4,827,424</u>	<u>4,800,573</u>	<u>9,728,299</u>	<u>9,319,244</u>	<u>14,555,723</u>	<u>14,119,817</u>
Net position - ending	<u>\$ 5,198,484</u>	<u>4,827,424</u>	<u>10,547,589</u>	<u>9,728,299</u>	<u>15,746,073</u>	<u>14,555,723</u>

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Governmental Activities

Governmental activities net position increased by approximately \$371,000 for the current fiscal year. A key element of this increase is as follows:

- The net transfers between the General Fund and the Water Fund decreased by approximately \$63,000, with a transfer in the current year for approximately \$31,000, when compared to a prior year transfer in the amount of approximately \$94,000. These transfers were made to provide the Water Fund with working capital which was budgeted for \$7,860 per month. These funds have decreased each year to make the Water Fund self-sustaining. These funds were given through the fifth penny sales tax that exists in Lincoln County and offsets water users by giving each in-town water user a credit of \$5 per account per month for each water user.

Business-Type Activities

Business-type activities net position increased by approximately \$819,000. Key elements of the increase in business-type activities net position are as follows:

- Charges for services provided revenue of approximately \$1,054,000, which resulted in an increase of approximately \$41,000 when compared to the prior year. Water rates will continue to increase so this figure will continue to grow over the next budget years. These increases will be necessary to cover the cost of construction and updating the water system.

The Town received capital grants of approximately \$753,000 from the State of Wyoming. These grants were used to fund various water system improvements and construction projects. This second phase of the water system is expected to be completed no later than July 2019. The remaining funds to complete the second phase of the water system improvement project are expected to be received during fiscal year 2019. Subsequent to year-end, the Town applied for and was approved for additional funding in the form of grants and loans from the State of Wyoming of approximately \$5,979,000 to complete the third and final phase of the water system project. Said funding consists of approximately \$1,868,000 in grants and approximately \$4,111,000 in loan proceeds. As of June 30, 2018, no grant revenue and loan proceeds had been received.

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

Governmental funds

The focus of the Town's sole governmental fund (the General Fund) is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As of June 30, 2018, the Town's General Fund reported fund equity of approximately \$2,034,000. The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a separate matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represented 77% of total general fund revenues. The largest element of taxes is sales and use taxes, as it has been for the last several years. Sales and use tax represents 70% of total tax revenues and 54% of total general fund revenues. Sales and use tax revenues increased from approximately \$698,000 in fiscal year 2017 to approximately \$766,000 in fiscal year 2018; an increase of approximately \$68,000 or 10%. Property tax revenues increased from approximately \$226,000 in fiscal year 2017 to approximately \$248,000 in fiscal year 2018; an increase of approximately \$22,000 or 10%.

Excluding capital outlay, General Fund collective departmental expenditures decreased by approximately \$134,000; due mainly to a decrease in road upgrades, construction and maintenance costs.

Proprietary funds

The Town maintains enterprise funds to account for the business-type activities of the Town. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide more detail.

The Water Fund incurred an operating income of approximately \$146,000 in fiscal year 2018 as compared to an operating income of approximately \$183,000 in fiscal year 2017, the decrease is due to an increase in usage of inventory parts due to the ongoing water supply project.

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year, it is not uncommon to make adjustments to the original budget. There are often matters that are unknown during the initial budget approval process which occur during the course of the year, which require action on the part of the Town. These unknowns may be factors outside the control of the Town administration.

The budget is constantly under review by the Town Administrator, Mayor, and Town Council. Original budgeted expenditures were not adjusted. Other items of note when expenditures are compared to the budget are as follows:

- No funds overspent on their budgets.
- The Town had budgeted for a net decrease in fund balance. However, a net increase occurred, due largely to capital expenditures not being incurred as the Town has reevaluated its decision to build a new Town Hall building and has considered the purchase an existing building.

CAPITAL ASSETS

Capital assets - The investment in capital assets for governmental and business-type activities as of June 30, 2018, amounts to approximately \$18,005,000 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, infrastructure (streets, sidewalks, bridges, etc.), and machinery and equipment.

The net decrease in the Town's governmental fixed assets for 2018 was approximately \$2,000 and depreciation expense was approximately \$112,000. The decrease in governmental fixed assets was mainly attributed to equipment being disposed of in current year.

The net increase in the Town's proprietary fixed assets for 2018 was approximately \$1,192,000 and depreciation expense was approximately \$409,000. The main increase in the Town's proprietary fixed assets was due to the additions from the Water Supply 2017 Project.

Additional information on the Town's capital assets can be found in the footnotes to these financial statements.

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

DEBT ADMINISTRATION

Long-term liabilities - As of June 30, 2018, the Town had total debt and other long term liabilities outstanding of approximately \$6,388,000. These long-term liabilities relate primarily to the loans received to make water system improvements and the Town's proportionate share of the net pension liability as required by Governmental Accounting Standards Board Statement No. 68.

Additional information on the outstanding debt and pension obligations of the Town can be found in the footnotes of these financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Town expects modest increases in property and sales and use tax revenues and collections due to improving economic conditions. Accordingly, the fiscal 2019 budget remains relatively consistent in comparison to the fiscal year ended June 30, 2018.

The Town also plans to begin the following projects in the upcoming fiscal year:

- Replace the undersized (PVC) plastic water lines throughout the Town and complete the placement of fire hydrants in the Town. The second phase of this project will continue and is expected to be completed in 2019. The Town expects to begin the third and final phase during 2019 as money becomes available through the State of Wyoming.
- The Town has begun to negotiate the purchase a building for the use as a town hall, postal center, meeting center, and additional office building.
- The Town has continued developing different trails that begin in the Town boundaries and then venture out into US Forest Service property.

TOWN OF STAR VALLEY RANCH
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mayor Kathleen Buyers, Town of Star Valley Ranch, 560 Middle Branch Drive #7028, Star Valley Ranch, Wyoming 83127-5158 (kbuyers@starvalleyranchwy.org).

Draft

BASIC FINANCIAL STATEMENTS

Draft

TOWN OF STAR VALLEY RANCH
STATEMENT OF NET POSITION
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets:			
Pooled cash and cash equivalents	\$ 1,950,766	1,387,994	3,338,760
Restricted cash and cash equivalents	-	500,000	500,000
Due from other governments	361,144	290,397	651,541
Receivables	2,600	115,187	117,787
Inventories	15,778	158,820	174,598
Prepaid expenses	46,516	-	46,516
Nondepreciable capital assets	1,709,076	1,603,538	3,312,614
Depreciable capital assets	2,783,555	15,532,550	18,316,105
Accumulated depreciation	(1,040,100)	(2,583,072)	(3,623,172)
Total assets	5,829,335	17,005,414	22,834,749
Deferred outflows of resources:			
Pension	97,953	94,303	192,256
Liabilities:			
Accounts payable and accrued expenses	144,146	428,876	573,022
Long-term liabilities:			
Due within one year	14,000	243,600	257,600
Due in more than one year	-	5,522,572	5,522,572
Net pension liability	310,192	298,025	608,217
Total liabilities	468,338	6,493,073	6,961,411
Deferred inflows of resources:			
Property taxes	199,000	-	199,000
Pension	61,466	59,055	120,521
Total deferred inflows of resources	260,466	59,055	319,521
Net position:			
Net investment in capital assets	3,452,531	8,798,444	12,250,975
Restricted	-	500,000	500,000
Unrestricted	1,745,953	1,249,145	2,995,098
Total net position	\$ 5,198,484	10,547,589	15,746,073

The accompanying notes are an integral part of these financial statements.

TOWN OF STAR VALLEY RANCH
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Activities							
Primary government:							
Governmental:							
General government	\$ 524,160	30,748	17,812	-	(475,600)	-	(475,600)
Public safety	144,770	-	-	-	(144,770)	-	(144,770)
Public works	366,330	-	-	14,500	(351,830)	-	(351,830)
Community development	41,360	-	-	-	(41,360)	-	(41,360)
Total governmental activities	1,076,620	30,748	17,812	14,500	(1,013,560)	-	(1,013,560)
Business-type activities:							
Water	1,056,562	1,053,754	-	753,150	-	750,342	750,342
Total business-type activities	1,056,562	1,053,754	-	753,150	-	750,342	750,342
Total primary government	\$ 2,133,182	1,084,502	17,812	767,650	(1,013,560)	750,342	(263,218)
General revenues:							
Taxes:							
Sales and use tax					\$ 766,296	-	766,296
Property tax					248,147	-	248,147
Other taxes					87,100	-	87,100
Total taxes					1,101,543	-	1,101,543
Interest and investment earnings					11,739	9,292	21,031
Mineral royalties					249,206	-	249,206
Gain on disposal of assets					53,397	4,917	58,314
Miscellaneous					175	23,299	23,474
Transfers					(31,440)	31,440	-
Total general revenues and transfers					1,384,620	68,948	1,453,568
Change in net position					371,060	819,290	1,190,350
Net position - beginning					4,827,424	9,728,299	14,555,723
Net position - ending					\$ 5,198,484	10,547,589	15,746,073

The accompanying notes are an integral part of these financial statements.

TOWN OF STAR VALLEY RANCH
BALANCE SHEET -
GOVERNMENTAL FUNDS
June 30, 2018

	General	Total Governmental Funds
Assets:		
Pooled cash and cash equivalents	\$ 1,950,766	1,950,766
Due from other governments	361,144	361,144
Receivables, net	2,600	2,600
Inventories	15,778	15,778
Prepaid expenses	46,516	46,516
	<u>2,376,804</u>	<u>2,376,804</u>
Total assets	<u>2,376,804</u>	<u>2,376,804</u>
Liabilities:		
Accounts payable and accrued expenses	144,146	144,146
Deferred inflows of resources:		
Unavailable revenue - property taxes	199,000	199,000
	<u>199,000</u>	<u>199,000</u>
Fund balances:		
Nonspendable	62,294	62,294
Committed	1,474,733	1,474,733
Unassigned	496,631	496,631
	<u>496,631</u>	<u>496,631</u>
Total fund balances	<u>2,033,658</u>	<u>2,033,658</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,376,804</u>	<u>2,376,804</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF STAR VALLEY RANCH
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2018

Total fund balances for governmental funds \$ 2,033,658

Amounts reported for governmental activities in the Statement of Net Position are different because:

Deferred outflows of resources related to pensions are not financial resources and, therefore, are not reported in the funds. 97,953

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Land	\$	1,667,827	
Machinery and equipment		725,151	
Infrastructure		1,149,349	
Buildings and improvements		909,055	
Construction in progress		41,249	
Accumulated depreciation		<u>(1,040,100)</u>	
			3,452,531

Long-term liabilities and related accrued interest are not due and payable in the current period and, therefore, are not reported in the funds.

Compensated absences	\$	(14,000)	
Net pension liability		<u>(310,192)</u>	
			(324,192)

Deferred inflows of resources related to pensions are not due and payable in the current period and, therefore, are not reported in the funds. (61,466)

Net position of governmental activities \$ 5,198,484

The accompanying notes are an integral part of these financial statements.

TOWN OF STAR VALLEY RANCH
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	<u>General</u>	<u>Total Governmental Funds</u>
Revenues:		
Taxes	\$ 1,101,543	1,101,543
Licenses and permits	26,501	26,501
Intergovernmental	282,456	282,456
Miscellaneous	15,223	15,223
Total revenues	<u>1,425,723</u>	<u>1,425,723</u>
Expenditures:		
General government	454,690	454,690
Public safety	144,770	144,770
Public works	477,811	477,811
Community development	41,360	41,360
Total expenditures	<u>1,118,631</u>	<u>1,118,631</u>
Excess of revenues over expenditures	<u>307,092</u>	<u>307,092</u>
Other financing sources (uses):		
Transfers out	(31,440)	(31,440)
Proceeds from sale of assets	129,700	129,700
Total other financing uses	<u>98,260</u>	<u>98,260</u>
Net change in fund balance	405,352	405,352
Fund balance - beginning	<u>1,628,306</u>	<u>1,628,306</u>
Fund balance - ending	<u>\$ 2,033,658</u>	<u>2,033,658</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF STAR VALLEY RANCH
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Net change in fund balance - total governmental funds \$ 405,352

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, the cost of these assets are allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 186,959	
Depreciation expense	<u>(112,326)</u>	74,633

Certain capital assets were disposed during the course of the year. The amount of net book value of the assets at the time of disposal is recorded in the Statement of Activities as a reduction of net position.

Net book value of disposed assets	\$ <u>(76,303)</u>	(76,303)
-----------------------------------	--------------------	----------

The net effect of transactions involving net pension liability, deferred outflows of resources related to pensions, and pension expense is to decrease net position.

Change in net position of governmental activities	\$ <u><u>371,060</u></u>	
---	--------------------------	--

The accompanying notes are an integral part of these financial statements.

TOWN OF STAR VALLEY RANCH
STATEMENT OF NET POSITION –
PROPRIETARY FUNDS
June 30, 2018

	<u>Water</u> <u>Fund</u>	<u>Total</u> <u>Proprietary</u> <u>Funds</u>
Assets:		
Current assets:		
Pooled cash and cash equivalents	\$ 1,387,994	1,387,994
Restricted cash and cash equivalents	500,000	500,000
Due from other governments	290,397	290,397
Receivables	115,187	115,187
Inventories	<u>158,820</u>	<u>158,820</u>
Total current assets	<u>2,452,398</u>	<u>2,452,398</u>
Non-current assets:		
Land	15,000	15,000
Construction in progress	1,588,538	1,588,538
Buildings and improvements	1,492,176	1,492,176
Lines and improvements	13,593,597	13,593,597
Machinery and equipment	446,777	446,777
Accumulated depreciation	<u>(2,583,072)</u>	<u>(2,583,072)</u>
Total non-current assets	<u>14,553,016</u>	<u>14,553,016</u>
Total assets	<u>17,005,414</u>	<u>17,005,414</u>
Deferred outflows of resources:		
Pension	<u>94,303</u>	<u>94,303</u>
Total deferred outflows of resources	<u>94,303</u>	<u>94,303</u>
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	428,876	428,876
Long-term liabilities, due within one year	<u>243,600</u>	<u>243,600</u>
Total current liabilities	<u>672,476</u>	<u>672,476</u>
Long-term liabilities, due in more than one year	5,522,572	5,522,572
Net pension liability	<u>298,025</u>	<u>298,025</u>
Total liabilities	<u>6,493,073</u>	<u>6,493,073</u>
Deferred inflows of resources:		
Pension	<u>59,055</u>	<u>59,055</u>
Total deferred inflows of resources	<u>59,055</u>	<u>59,055</u>
Net position:		
Net investment in capital assets	8,798,444	8,798,444
Restricted	500,000	500,000
Unrestricted	<u>1,249,145</u>	<u>1,249,145</u>
Total net position	<u>\$ 10,547,589</u>	<u>10,547,589</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF STAR VALLEY RANCH
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION –
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Water Fund	Total Proprietary Funds
Operating revenues:		
Charges for services	\$ 1,053,754	1,053,754
Miscellaneous	23,299	23,299
Total operating revenues	1,077,053	1,077,053
Operating expenses:		
Salaries and benefits	313,446	313,446
Current expenses	208,556	208,556
Depreciation	408,750	408,750
Total operating expenses	930,752	930,752
Operating income	146,301	146,301
Non-operating income (expense):		
Grants	753,150	753,150
Interest income	9,292	9,292
Interest expense	(125,810)	(125,810)
Gain on disposal of assets	4,917	4,917
Total non-operating income	641,549	641,549
Income before transfers and capital contributions	787,850	787,850
Transfer from the General Fund	31,440	31,440
Change in net position	819,290	819,290
Net position - beginning	9,728,299	9,728,299
Net position - ending	\$ 10,547,589	10,547,589

The accompanying notes are an integral part of these financial statements.

TOWN OF STAR VALLEY RANCH
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2018

	<u>Water</u> <u>Fund</u>	<u>Total</u> <u>Proprietary</u> <u>Funds</u>
<u>Cash flows from operating activities:</u>		
Receipts from customers and users	\$ 1,054,024	1,054,024
Payments to suppliers	(197,294)	(197,294)
Payments to employees	(250,442)	(250,442)
Net cash provided by operating activities	<u>606,288</u>	<u>606,288</u>
<u>Cash flows from non-capital financing activities:</u>		
Interfund transfers	<u>31,440</u>	<u>31,440</u>
Net cash provided by non-capital financing activities	<u>31,440</u>	<u>31,440</u>
<u>Cash flows from capital and related financing activities:</u>		
Proceeds from issuance of long-term debt	607,952	607,952
Proceeds from the sale of assets	4,917	4,917
Payments on long-term debt	(229,072)	(229,072)
Proceeds from capital grants	648,996	648,996
Interest and fiscal charges	(125,810)	(125,810)
Acquisition and construction of capital assets	(1,348,397)	(1,348,397)
Net cash used in capital and related financing activities	<u>(441,414)</u>	<u>(441,414)</u>
<u>Cash flows from investing activities</u>		
Interest received	<u>9,292</u>	<u>9,292</u>
Net cash provided by investing activities	<u>9,292</u>	<u>9,292</u>
Net increase in cash and cash equivalents	205,606	205,606
Cash and cash equivalents - beginning	<u>1,682,388</u>	<u>1,682,388</u>
Cash and cash equivalents - ending (\$500,000 restricted)	<u>\$ 1,887,994</u>	<u>1,887,994</u>

(continued)

The accompanying notes are an integral part of these financial statements.

(continued)

TOWN OF STAR VALLEY RANCH
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
Year Ended June 30, 2018

	<u>Water</u> <u>Fund</u>	<u>Total</u> <u>Proprietary</u> <u>Funds</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 146,301	146,301
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	408,750	408,750
Pension expense	30,220	30,220
Net change in assets and liabilities:		
Increase in accounts receivable	(23,029)	(23,029)
Decrease in inventories	17,905	17,905
Decrease in accounts payable	(6,643)	(6,643)
Increase in accrued liabilities	32,784	32,784
Total adjustments	459,987	459,987
Net cash provided by operating activities	\$ 606,288	606,288
Non-cash capital and related financing activities:		
Total acquisition and construction of capital assets		\$ (1,601,070)
Less capital assets financed with accounts payable		<u>252,673</u>
Cash paid for acquisition and construction of capital assets		<u>\$ (1,348,397)</u>
Total loan and grant proceeds		\$ 1,506,300
Plus loan and grant proceeds with accounts receivable in the prior year		41,045
Less loan and grant proceeds with accounts receivable in the current year		<u>(290,397)</u>
Cash received from loan and grant proceeds		<u>\$ 1,256,948</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies

The Town of Star Valley Ranch, Wyoming (the “Town”), operates as an incorporated governmental entity within the State of Wyoming. The Town operates under the Council-Mayor form of government and provides the following services: public safety (police and fire), streets and public improvements, community development, and general administrative services. In addition, the Town owns and operates a water system.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant accounting policies established in GAAP and used by the Town are discussed below.

Financial Reporting Entity

The Town's basic financial statements include the accounts of all Town operations. The accounting policies of the Town conform to generally accepted accounting principles.

The Town has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the Town. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective government board.

Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's public safety, public improvements, community development and general administrative services are classified as governmental activities. The Town's water services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debts and obligations. The Town's Net Position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Government-Wide Statements (continued)

Governmental activities are usually financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities (general, public safety, water services, etc.). The functions are also supported by general government revenues (property taxes, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and contributions, and capital grants and contributions.

Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (property or sales taxes, certain intergovernmental revenues, interest income, etc.). The Town does not allocate indirect costs.

These government-wide statements focus more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

Basic Financial Statements – Fund Statements

The Town's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions, or specific purposes.

Separate financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on major individual funds, as defined by GASB Statement No. 34, with each displayed as a separate column. All remaining governmental and proprietary funds are aggregated and reported as non-major funds in their respective fund financial statements.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Fund Statements (continued)

The following fund types are used by the Town:

Governmental Funds

The focus of the governmental funds' measurement (in the fund financial statements) is on determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income.

The following is a description of the governmental fund of the Town:

- The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Town. Proprietary funds distinguish operating revenues and expenses from non-operating 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. Revenues and expenses not meeting this definition, such as investment earnings, are reported as non-operating.

Proprietary funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is (a) financed with debt that is solely secured by a pledge of the fund's net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Town's major proprietary fund consists of the following:

- The Water Fund accounts for the water services provided to Town residents.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The following provides a summary of the basis of accounting used by the Town:

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when 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 (the availability period) of the end of the current fiscal period. An exception to this policy is expenditure-driven grant revenues, which generally are considered to be available if the eligible expenditures have been made. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service and compensated absences expenditures are recorded only when payment is due.

Financial Statement Amounts

Pooled Cash and Cash Equivalents

Wherever possible, the Town's cash accounts are pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled cash accounts has equity therein. An individual fund's equity in the pooled cash accounts is available on demand and is considered to be cash equivalents for purposes of these financial statements. Negative balances incurred in pooled cash at year-end are treated as interfund payables of the deficit account and interfund receivables in other funds with positive balances. Investments of the pool are reported at fair value.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Pooled Cash and Cash Equivalents (continued)

For the purpose of the Statement of Net Position, the term “pooled cash and cash equivalents” includes all demand deposit accounts, savings accounts, or other short-term, highly liquid investments. For the purposes of the Statement of Cash Flows, the enterprise funds consider all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

Interfund Balances and Transactions

During the course of operations, transactions sometimes occur between individual funds that may result in amounts owed between funds. Interfund receivables and payables between funds within governmental activities or between funds within business-type activities are eliminated in the Statement of Net Position.

Transfers are used to report flows of cash (or other assets) between funds without equivalent flows of assets in return or a requirement for repayment. In the government-wide Statement of Activities, transfers between governmental funds have been eliminated. In the fund financial statements, transfers are reported as other financing sources or uses.

Receivables and Due from Other Governments

Receivables consist of all revenues earned at year-end but received after year-end. All receivable balances are reported net of any allowance for uncollectible accounts. Allowances for uncollectible accounts are based upon historical trends and current data regarding the condition of specific debtors as of the date of issuance of the financial statements. Business-type activities report receivables for utility service fees and grants.

Due from other governments consists of amounts due to the Town at year-end but remitted after year-end. The balance consists primarily of sales tax, franchise taxes, property taxes, other taxes, and grants.

Inventories

Inventories held by the proprietary fund and the general fund are valued using the first-in, first-out method and expenditures are recorded as inventory is used (consumption method).

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Contributed assets are reported at fair market value as of the date received. Other costs for repairs and maintenance are expensed as incurred.

Depreciation on all depreciable assets has been provided over the estimated useful lives using the straight-line method. The ranges of estimated useful lives are as follows:

Water lines	50 years
Buildings, infrastructure, and improvements	30 years
Machinery and equipment	5 to 12 years

In the governmental fund financial statements, the acquisition or construction of capital assets is accounted for as capital outlay expenditures.

Capitalized Interest

The Town capitalizes material net interest costs as part of the cost of construction for proprietary capital projects.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town has one item that qualifies for reporting in this category; which is related to deferred pension expense and will be amortized to pension expense over the ensuing years.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Deferred Outflows and Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Two items are reported in the governmental fund balance sheet as deferred inflows of resources, one is due to property taxes being recognized as receivables prior to the period for which the taxes are levied and another represents the difference between expected and actual experience of the proportionate share of the net pension liability. These amounts are also reported as deferred inflows of resources on the government-wide statement of position.

Pension Related Assets, Liabilities and Deferred Outflows and Inflows of Resources

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 Wyoming Retirement System (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. 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.

Compensated Absences

The Town's policies regarding vacation time permit employees to accumulate unused vacation leave. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds do not report a long-term liability for compensated absences while proprietary funds report the entire liability. Compensated absences related to governmental activities are usually liquidated by the General Fund. In the government-wide financial statements, the liability for governmental activities compensated absences is included in current liabilities.

Long-term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Long-term Liabilities (continued)

In the government-wide financial statements, long-term liabilities and obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, and similar items, when material, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are recorded as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources and payments of principal and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. The accounting for proprietary fund long-term liabilities is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

Equity in the government-wide financial statements and proprietary fund financial statements is classified as net position and displayed in three components:

- Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.
- Restricted - Consists of net position with constraints placed on their use whether by: 1) external groups such as creditors, grantors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - All other net position that does not meet the definition of “restricted” or “net investment in capital assets”.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Classifications

Governmental fund equity is classified as fund balance in the fund financial statements. Fund balance is further classified based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Town has classified inventory as nonspendable.

Restricted - This classification includes amounts for which constraints have been placed on the use of resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town Council. These amounts cannot be used for any purpose unless the Town Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned - This classification includes amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Town Council or Town administrator. No other governing body or officials have this authority delegated to them. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned - This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Revenues

Program revenues - Program revenues include charges to customers, grants and contributions for operational or capital requirements. Grants are usually reimbursable grants and are thus recognized as revenue at the time the associated expenditures are made.

General revenues - Property taxes, franchise taxes, motor vehicle taxes, other taxes, and interest income associated with the current fiscal period that are susceptible to accrual, and received in the availability period, are recognized as revenues of the fiscal period they are intended to finance. All taxes and internally dedicated resources are reported as general revenues.

Proprietary funds - Proprietary funds distinguish between operating revenues and non-operating items. Operating revenues generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Subsidies and grants to proprietary funds, which finance either capital projects or current operations, are reported as non-operating revenue or capital contributions. Other revenues that do not result from providing services are reported as non-operating revenues.

Expenses/Expenditures

Flow assumptions - When an expense/expenditure is incurred for purposes for which both restricted and unrestricted resources are available, it is the Town's general policy to use restricted resources first. When an expense/expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Town considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

Proprietary funds - For proprietary fund financial statements, operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Property Tax Calendar

Lincoln County assesses all taxable property other than centrally assessed property, which is assessed by the State of Wyoming, by January 1 of each year. The Town must adopt a final tax rate prior to the third Monday of July. Property taxes are levied by Lincoln County on or about August 1 and are payable in two installments in November and May. Lincoln County collects all property tax payments and remits the collections to the Town monthly. State law allows anyone to pay the delinquent taxes on a property and obtain an enforceable lien on that property. Therefore, the Town’s delinquent property taxes are insignificant.

Note 2 – Deposits and Investments

The State of Wyoming has established laws regarding the investment of public funds (Wyoming Statutes, 9-4). The Town’s adopted investment policy refers to State laws and indicates the Town will comply with State laws.

The Town’s deposits and investments consist of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Cash</u>	<u>Total</u>
Pooled cash and cash equivalents:				
Demand deposits	\$ 605,087	-	100	605,187
Certificates of deposit	2,733,573	-	-	2,733,573
	<u>3,338,660</u>	<u>-</u>	<u>100</u>	<u>3,338,760</u>
Restricted cash and cash equivalents:				
Certificates of deposit	500,000	-	-	500,000
	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total deposits and investments	\$ <u>3,838,660</u>	<u>-</u>	<u>100</u>	<u>3,838,760</u>

Deposits

State law specifies the types of financial institutions in which the Town can deposit monies. State law also requires that all deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation or secured by a pledge of collateral or the furnishing of a surety bond. At June 30, 2018, \$3,455,657 of the Town’s bank balances of \$3,955,657 was uninsured, but all of the Town’s bank balances were collateralized by the pledging financial institutions.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 2 – Deposits and Investments (continued)

Investments

Wyoming statutes (W.S. 9-4-831) specifically identify the types of investments that may be held by the Town and the conditions for making investment transactions. Accordingly, the Town may invest in the following investments:

- United States treasury bills, notes, or bonds or any other obligation issued by the United States treasury or guaranteed by the United States;
- bonds, notes, debentures or any other obligation or securities issued by or guaranteed by any federal government agency or instrumentality;
- repurchase agreements involving securities which are authorized investments that have been previously mentioned and subject to certain limitations, mortgage-backed securities that are obligations of or guaranteed or insured issuances of the United States, its agencies, instrumentalities or organizations created by an act of Congress excluding those defined as high risk;
- bankers acceptances eligible for purchase by the federal reserve system;
- guaranteed investment contracts if issued by a United States commercial bank or insurance company whose credit rating is of the highest category;
- a commingled fund of eligible securities if the securities are held through a trust department of a bank authorized to do business in the State of Wyoming or through a trust company authorized to do business in the State of Wyoming with total capital of at least \$10,000,000; bonds of the Wyoming Natural Gas Pipeline Authority and the Wyoming Infrastructure Authority;
- commercial paper of corporations organized and existing under the laws of any state of the United States with a maturity of not more than 270 days and rated by Moody's as P-1 or by Standard and Poor's as A-1 or equivalent ratings indicating that the commercial paper issued by a corporation is of the highest quality rating;
- diversified money market funds in which the Town does not own more than 10% of the Net Position of the funds and subject to several other limits.

The Town may also enter into contracts which are determined to be necessary or appropriate to hedge risk or to place the obligation of the bonds, in whole or in part, on the interest rate, cash flow, or other basis; but these contracts may not be used for investment.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 2 – Deposits and Investments (continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town 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 does not have a policy regarding custodial credit risk other than State laws.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with State laws.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing exposure to credit risk is to comply with State laws. At June 30, 2018, the Town did not hold any investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town's policy for reducing exposure to credit risk is to comply with State laws.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3 – Receivables and Payables

The Town's receivables consist of the following:

Governmental activities:

Due from other governments:

Property tax	\$ 195,000
Sales tax	135,294
Grants	<u>30,850</u>

Total due from other governments 361,144

Interest 2,600

Total governmental activities \$ 363,744

Business-type activities:

Due from other governments:

Capital grants \$ 290,397

Receivables:

Water services and fees 114,387

Interest 800

Total receivables 115,187

Total business-type activities \$ 405,584

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 3 – Receivables and Payables (continued)

The Town's payables consist of the following:

Governmental activities:

Accounts payable and accrued expenses:	
Refundable building permits	\$ 74,000
Payables to vendors	44,530
Payroll and benefits	<u>25,616</u>
Total governmental activities	<u>\$ 144,146</u>

Business-type activities:

Accounts payable and accrued expenses:	
Payables to vendors	\$ 259,145
Interest	93,000
Customer deposits	66,954
Payroll and benefits	<u>9,777</u>
Total business-type activities	<u>\$ 428,876</u>

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 4 – Capital Assets

Capital assets activity is as follows:

	July 1, 2017	Additions	Deletions	Transfers	June 30, 2018
<u>Governmental activities</u>					
Capital assets not being depreciated:					
Land and improvements	\$ 1,667,827	-	-	-	1,667,827
Construction in progress	41,249	-	-	-	41,249
Total capital assets not being depreciated	1,709,076	-	-	-	1,709,076
Capital assets being depreciated:					
Machinery and equipment	940,052	95,328	(310,229)	-	725,151
Infrastructure	1,149,349	-	-	-	1,149,349
Buildings	817,424	91,631	-	-	909,055
Total capital assets being depreciated	2,906,825	186,959	(310,229)	-	2,783,555
Accumulated depreciation for:					
Machinery and equipment	(573,776)	(57,896)	233,926	-	(397,746)
Infrastructure	(302,508)	(37,299)	-	-	(339,807)
Buildings	(285,416)	(17,131)	-	-	(302,547)
Total accumulated depreciation	(1,161,700)	(112,326)	233,926	-	(1,040,100)
Total governmental activities capital assets, net	\$ 3,454,201	74,633	(76,303)	-	3,452,531

Depreciation expense is charged to functions of the Town as follows:

Streets and public improvements	\$ 70,395
General government	41,931
Total depreciation expense	\$ 112,326

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 4 – Capital Assets (continued)

Business-type capital assets activity is as follows:

	July 1, 2017	Additions	Deletions	Transfers	June 30, 2018
<u>Business-type activities</u>					
Capital assets not being depreciated:					
Land	\$ 15,000	-	-	-	15,000
Construction in progress	41,046	1,547,492	-	-	1,588,538
Total capital assets not being depreciated	56,046	1,547,492	-	-	1,603,538
Capital assets being depreciated:					
Machinery and equipment	406,948	53,578	(13,750)	-	446,776
Water improvements	13,593,598	-	-	-	13,593,598
Buildings	1,492,176	-	-	-	1,492,176
Total capital assets being depreciated	15,492,722	53,578	(13,750)	-	15,532,550
Accumulated depreciation for:					
Machinery and equipment	(125,305)	(45,681)	13,750	-	(157,236)
Water improvements	(1,832,529)	(324,678)	-	-	(2,157,207)
Buildings	(230,238)	(38,391)	-	-	(268,629)
Total accumulated depreciation	(2,188,072)	(408,750)	13,750	-	(2,583,072)
Total capital assets being depreciated, net	13,304,650	(355,172)	-	-	12,949,478
Total business-type activities capital assets, net	\$ 13,360,696	1,192,320	-	-	14,553,016

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 5 – Interfund Balances and Transfers

During the year, the Town made the following interfund transfer:

<u>Purpose</u>	<u>Amount</u>	<u>Transfer in</u>	<u>Transfer out</u>
To provide the Water Fund with working capital and for capital outlay	\$ 31,440	Water	General

Note 6 – Commitments

As of June 30, 2018, the Town has entered into construction contracts related to water supply improvement projects of approximately \$1,000,000.

Note 7 – Long-Term Liabilities

Long-term liability activity is as follows:

<u>Governmental activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	\$ 14,000	6,000	(6,000)	14,000	14,000
Total governmental long-term liabilities	<u>\$ 14,000</u>	<u>6,000</u>	<u>(6,000)</u>	<u>14,000</u>	<u>14,000</u>
 <u>Business-type activities:</u>					
Notes payable	\$ 5,230,494	753,150	(229,072)	5,754,572	232,000
Compensated absences	<u>8,200</u>	<u>5,000</u>	<u>(1,600)</u>	<u>11,600</u>	<u>11,600</u>
Total business-type long-term liabilities	<u>\$ 5,238,694</u>	<u>758,150</u>	<u>(230,672)</u>	<u>5,766,172</u>	<u>243,600</u>

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7 – Long-Term Liabilities (continued)

Business-Type Activities

Long-term debt in the Water Fund is comprised of the following:

Notes payable:

\$1,645,885 loan from the Wyoming Water Development Commission, initial draw July 8, 2009 for the water supply development project. Due in annual installments of \$95,228, interest at 4%, matures June 2043.	\$ 1,522,001
\$1,463,328 loan from the Wyoming State Loan and Investments Board, initial draw July 28, 2015 for the Water Supply Project - 2015. Due in annual installments of \$93,868, interest at 2.5%, matures August 2036.	1,405,442
\$1,358,943 loan from the Wyoming State Loan and Investments Board, initial draw June 30, 2012 for the steel pipe replacement phase II project. Due in annual installments of \$67,947, non-interest bearing, matures Oct 2032.	1,019,208
\$773,673 loan from the Wyoming State Loan and Investments Board, for the Water Supply Project- 2017, interest at 2.5%. The terms of the loan require payments to commence no later than July 2020, a year subsequent to construction completion, unpaid principal is expected to be no more than \$1,473,450 due in annual installments of approximately \$94,500, matures July 2040.	773,673
\$641,554 loan from the Wyoming State Loan and Investments Board, initial draw July 6, 2009 for the water meters installation project. Due in annual installments of \$32,078, non-interest bearing, matures August 2030.	417,010

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7 – Long-Term Liabilities (continued)

Business-Type Activities (continued)

\$363,792 loan from the Wyoming State Loan and Investments Board, initial draw June 24, 2014 for the steel pipe replacement phase III project. Due in annual installments of \$18,190, non-interest bearing, matures September 2034. 309,227

\$438,474 loan from the Wyoming State Loan and Investments Board, initial draw June 17, 2010 for the steel pipe replacement project. Due in annual installments of \$28,127, interest at 2.5%, matures December 2030. 308,011

\$ 5,754,572

The Town has pledged all Water Fund revenues to secure the notes listed above. As of June 30, 2018, the future principal and interest payments on these notes totaled approximately \$7,353,000. Principal and interest on these loans due within one year is approximately \$232,000 or 22% of water operating revenues.

The requirements to service all business-type activities long-term debt is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 232,000	103,260	335,260
2020	235,521	99,916	335,437
2021	269,256	115,810	385,066
2022	273,568	111,498	385,066
2023	278,009	107,057	385,066
2024-2028	1,461,501	463,830	1,925,331
2029-2033	1,473,395	331,521	1,804,916
2034-2038	937,295	191,117	1,128,412
2039-2043	503,287	72,109	575,396
2044-2047	90,740	2,037	92,777
Totals	<u>\$ 5,754,572</u>	<u>1,598,155</u>	<u>7,352,727</u>

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 7 – Long-Term Liabilities (continued)

Business-Type Activities (continued)

In addition, the loan from the Wyoming Water Development Commission for the water supply project required that the Town make annual deposits of \$50,000 into a sinking fund until a reserve balance of \$500,000 had been reached. The sinking fund must be maintained through the life of the loan and the reserve balance of \$500,000 is reported as restricted cash in the Water Fund.

Note 8 – Net Position and Fund Equities

Restricted net position represents moneys required to be maintained to satisfy third party agreements or legal requirements. Nonspendable, restricted, committed, and assigned fund balance represent moneys required to be maintained to satisfy third party agreements, legal requirements, enabling legislation, or the assignment of the Town’s appointed designee. Restricted net position, nonspendable, and committed fund balance are as follows:

Business-Type Activities:

Restricted for water supply project reserves	\$ <u>500,000</u>
--	-------------------

General Fund:

Nonspendable:

Inventory	\$ 15,778
Prepaid expenses	<u>46,516</u>

Total nonspendable	\$ <u>62,294</u>
--------------------	------------------

Committed:

Town hall construction	888,313
Road rehabilitation	518,620
Capital equipment	<u>67,800</u>

Total committed	\$ <u>1,474,733</u>
-----------------	---------------------

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9 – Retirement Plans

Defined Benefit Plan

The Town participates in the Wyoming Retirement System (the "System"), a statewide cost-sharing multiple-employer public employee retirement system. The System is established and governed by the respective sections of Wyoming state statute. The statute provides for the administration of the System under the direction of the Wyoming State Retirement Board whose members are appointed by the Governor. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. A copy of the report may be obtained by writing to the Wyoming Retirement System, 6101 Yellowstone Road, Suite 500, Cheyenne, Wyoming 82002 or by calling 1-307-777-7691.

Substantially all Town full-time employees are eligible to participate in the Public Employees Pension Plan (PEPP) offered by the System.

Public Employees Pension Plan

The PEPP is a cost sharing multiple employer defined benefit, contributory retirement plan. PEPP statutorily requires 16.62% of the participant's salary to be contributed to PEPP. Contributions consist of 8.25% of the participant's salary as employee contributions and 8.37% as employer contributions. The amount of contributions designated as employee contributions represent the portion of total contributions that a participant retains ownership of and can elect to receive as a refund upon termination of employment. Employers can elect to cover all or a portion of the employee's contribution at their discretion. Through legislation passed during the 2014 legislative session, two tiers of benefits were established for participants of this plan.

- Tier 1, PEPP allows for normal retirement after four years of service and attainment of age 60. Early retirement is allowed provided the employee has completed four years of service and attained age 50 or 25 years of service but will result in a reduction of benefits based on the length of time remaining to age 60.
- Tier 2, PEPP allows for normal retirement after four years of service and attainment of age 65. Early retirement is allowed provided the employee has completed four years of service and attained age 55, or 25 or more years of service but will result in a reduction of benefits based on the length of time remaining to age 65. All employees may also retire upon normal retirement on the bases that the sum of the member's age and service is at least 85.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9 – Retirement Plans (continued)

Public Employees Pension Plan (continued)

PEPP provides retirement, disability and death benefits according to predetermined formulas and allows retirees to select one of seven optional methods for receiving benefits, including two joint and survivor forms of benefits: a 100% joint and survivor annuity, and a 50% joint and survivor annuity. The benefit amounts under these options are determined on an actuarially equivalent basis. Any cost of living adjustment provided to retirees must be granted by the State Legislature. In addition a cost of living adjustment will not be approved by the legislature unless the plan is 100% funded after the COLA is awarded.

Employees terminating prior to normal retirement can elect to withdraw all employee contributions plus accumulated interest through date of termination or, if they are vested, they may elect to remain in PEPP and be eligible for retirement benefits at age 60 (Tier 1 employees) and 65 (Tier 2 employees).

Contributions to PEPP for the year ended June 30, 2018 were \$75,337.

Wyoming Deferred Compensation Plan

The Plan administered by the System is an IRS Section 457 Deferred Compensation Plan. This Plan is available as a supplemental plan to the defined benefit retirement plans. Contributions may be made into this Plan (subject to plan and Internal Revenue Code limitations) by employees and employer contributions may be made into this Plan at rates determined by the Town. During 2018, employees did not contribute to this Plan and the Town elected not to make contributions to this Plan on behalf of participating employees.

Pension Liabilities, Expense, and Deferred Outflows of Resources Related to Pensions

At June 30, 2018, the Town reported an entity-wide net pension liability of \$608,218, of which \$310,193 is related to governmental activities and \$298,025 is related to the Town's water enterprise fund. The Town's entity-wide net pension liability is based on its proportionate share of the total pension liability. The Town's proportionate share of the total pension liability is 0.0266839%.

The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2017.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9 – Retirement Plans (continued)

Pension Liabilities, Expense, and Deferred Outflows of Resources Related to Pensions
(continued)

For the year ended June 30, 2018, the Town recognized entity-wide pension expense of \$89,317. At June 30, 2018, the Town reported entity-wide deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	21,274
Net difference between projected and actual earnings on pension plan investments	77,161	99,247
Change in proportionate share	19,239	-
Change in assumption	59,098	-
Contributions subsequent to the measurement date	36,758	-
	<u>\$ 192,256</u>	<u>120,521</u>

Deferred outflows of resources related to pensions resulting from Town contributions of \$36,758 made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2019	\$ 35,573
2020	27,904
2021	(6,982)
2022	<u>(21,518)</u>
	<u>\$ 34,977</u>

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9 – Retirement Plans (continued)

Actuarial Assumptions

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Projected salary increases, includes inflation	4.25% to 6.00%
Assumed inflation rate	3.25%
Investment Rate of Return	7.75%

Mortality rates were based on the RP-2000 Combined Mortality Table, fully generational, for Males and Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

Discount Rate

The discount rate used to measure the total pension liability for all plans was 7%. The projection of cash flows used to determine the discount rate assumed contributions from participating employers will be made based on the actuarially determined rates based on the Wyoming State Retirement Board's funding policy, which establishes the contractually required rates under Wyoming State Statutes. Based on those assumptions, the Systems' fiduciary net position was projected to be available to make all the 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 payment to determine the total pension liability.

The assumed asset allocation of PEPP's portfolio, the long-term expected rate of return for each asset class, and the expected rate of return is presented arithmetically and geometrically below over a 20 year time frame.

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9 – Retirement Plans (continued)

Discount Rate (continued)

Category	Target Allocation	Arithmetic Real Return	Arithmetic Nominal Return	Geometric Real Return	Geometric Nominal Return
Tactical Cash	0.0%	0.4%	2.9%	0.4%	2.9%
Fixed Income	20.0%	1.8%	4.3%	1.2%	3.7%
Equity	45.0%	6.9%	9.4%	5.0%	7.5%
Marketable Alternatives	17.5%	3.3%	5.8%	2.8%	5.3%
Private Markets	17.5%	7.1%	9.6%	5.1%	7.6%
Total	100%	5.27%	7.77%	3.85%	6.35%

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected arithmetic returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighing the expected future rates of return by the target asset allocation percentage and by adding expected inflation.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate:

	1% Decrease 6.00%	Discount Rate 7.00%	1% Increase 8.00%
Proportionate share of net pension liability	919,253	608,217	348,818

TOWN OF STAR VALLEY RANCH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

Note 9 – Retirement Plans (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Wyoming Retirement System financial report.

Note 10 – Operating Lease

The Town leases machinery and office equipment, and office space for town hall purposes under non-cancelable operating leases which expire through 2023. Rental expense and equipment rental under the operating leases for the year ended June 30, 2018, were approximately \$36,000 and \$48,000, respectively.

Future minimum rental payments under non-cancelable operating leases are approximately as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 43,000
2020	43,000
2021	43,000
2022	43,000
2023	<u>14,000</u>
	<u>\$ 186,000</u>

Note 11 – Risk Management

The Town mitigates risk of loss through the purchase of commercial liability insurance and through participation in a local government risk pool. The Town pays an annual premium for its general insurance coverage. The pool was created to be self-sustaining through member premiums. There have been no claim settlements that exceeded the Town's insurance coverage in the last three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

Draft

TOWN OF STAR VALLEY RANCH
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 1,009,017	1,009,017	1,101,543	92,526
Licenses and permits	19,450	19,450	26,501	7,051
Intergovernmental	314,789	329,400	282,456	(46,944)
Miscellaneous revenues	17,580	17,580	15,223	(2,357)
Total revenues	<u>1,360,836</u>	<u>1,375,447</u>	<u>1,425,723</u>	<u>50,276</u>
Expenditures:				
General government	1,184,852	1,201,086	454,690	746,396
Public safety	166,450	166,450	144,770	21,680
Public works	883,202	883,202	477,811	405,391
Community development	46,769	46,769	41,360	5,409
Total expenditures	<u>2,281,273</u>	<u>2,297,507</u>	<u>1,118,631</u>	<u>1,178,876</u>
Excess of revenues over expenditures	<u>(920,437)</u>	<u>(922,060)</u>	<u>307,092</u>	<u>1,229,152</u>
Other financing sources (uses):				
Transfer to Water Fund	(31,440)	(31,440)	(31,440)	-
Proceeds from sale of assets	10,385	10,385	129,700	119,315
Total other financing sources	<u>(21,055)</u>	<u>(21,055)</u>	<u>98,260</u>	<u>119,315</u>
Net change to fund balance	<u>\$ (941,492)</u>	<u>(943,115)</u>	405,352	<u>1,348,467</u>
Fund balance - beginning			<u>1,628,306</u>	
Fund balance - ending			<u>\$ 2,033,658</u>	

TOWN OF STAR VALLEY RANCH
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<u>Public Employee Pension Plan</u>				
Proportion of the net pension liability	0.026684%	0.026469%	0.024811%	0.024423%
Proportionate share of the net pension liability	\$ 608,217	\$ 639,895	\$ 577,928	\$ 430,983
Covered employee payroll	\$ 468,887	\$ 494,842	\$ 443,502	\$ 407,927
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	129.72%	129.31%	130.31%	105.65%
Plan fiduciary net position as a percentage of the total pension liability	76.35%	73.42%	73.40%	79.08%

TOWN OF STAR VALLEY RANCH
SCHEDULE OF CONTRIBUTIONS

	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
<u>Public Employee Pension Plan</u>				
Contractually required contribution	\$ 75,337	\$ 80,383	\$ 75,653	\$ 67,726
Contributions in relation to the contractually required contribution	<u>75,337</u>	<u>80,383</u>	<u>75,653</u>	<u>67,726</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 453,291	\$ 483,652	\$ 455,193	\$ 426,755
Contributions as a percentage of covered employee payroll	16.62%	16.62%	16.62%	15.87%

TOWN OF STAR VALLEY RANCH
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING
June 30, 2018

Note 1 – Budget Presentation

A Budgetary Comparison Schedule is presented for the General Fund as required by generally accepted accounting principles (GAAP). Budgets for governmental funds are adopted on a GAAP basis.

Annual appropriated budgets are adopted for all governmental and business-type funds. All annual appropriations lapse at fiscal year end. Each fund adopts a “balanced budget” in accordance with State law. As allowed by State law, the Town Council may authorize increases to or uses of unreserved fund balances. In the budget presentations, authorized increases to fund balance are shown as positive changes in fund balance and authorized decreases are shown as negative changes in fund balance.

Note 2 – Budget Adoption and Monitoring

The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town Council for review. The Town Council holds public hearings and may add to, subtract from, or change appropriations. The Town must adopt the budget by the first Monday in July.

State statute requires that Town officers shall not incur expenditures or encumbrances in excess of total appropriations for any fund in the budget as adopted or subsequently amended.

Only the Town Council at a properly advertised public hearing can make increases in total fund appropriations. The final budget information presented is after all approved amendments.

For the year ended June 30, 2018, the Town was compliant with all budgets, with no funds exceeding budget expenditures.

Note 3 – Schedules of the Proportionate Share of the Net Pension Liability and Contributions

Generally accepted accounting standards require the presentation of 10 years of the Town’s proportionate share of the net pension liability and the Town’s annual contributions. Transition provisions in the accounting standard indicate that information should be presented for as many years as are available. The Town determined that it is not practicable to provide information prior to December 31, 2014.

TOWN OF STAR VALLEY RANCH
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY REPORTING
June 30, 2018

Note 4 – Changes in Assumptions

The following actuarial assumption changes were adopted January 1, 2018 for the PEPP and LEPP. The assumed inflation rate was reduced from 3.25% to 2.25% and the assumed real rate of return was increased from 4.5% to 4.75%, resulting in a decrease in the assumed nominal rate of return from 7.75% to 7.00%. With the decrease in the assumed inflation rate, both the payroll growth and wage inflation assumptions were both decreased by 1.75% from the prior year's assumptions. In addition to these changes, the assumed annual increase in administrative expenses was decreased from 6.50% per year to 2.50% per year, the assumptions associated with post-retirement mortality, disabled lives mortality, and active life mortality rates were updated to use the RP2014 table which is to be projected generationally using the MP 2017 mortality improvement scale, the assumptions associated with salary increases were decreased to move from age-based merit and promotion increases to service-based merit and promotion increases, and the assumptions associated with retirement and termination and disability rates were modified to actual experience and observed experience, respectively.

SUPPLEMENTARY INFORMATION

Draft

TOWN OF STAR VALLEY RANCH
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018			2017 Actual
	Final Budget	Actual	Variance	
Revenues:				
Taxes:				
Sales and use taxes	\$ 690,833	766,296	75,463	697,930
Property taxes	230,000	248,147	18,147	225,957
Gas taxes	26,400	24,611	(1,789)	25,722
Severance taxes	61,784	62,489	705	62,482
Total taxes	<u>1,009,017</u>	<u>1,101,543</u>	<u>92,526</u>	<u>1,012,091</u>
Licenses and permits:				
Building permits and sign licenses	18,700	25,001	6,301	17,739
Other licenses and permits	750	1,500	750	1,500
Total licenses and permits	<u>19,450</u>	<u>26,501</u>	<u>7,051</u>	<u>19,239</u>
Intergovernmental:				
Mineral royalties	115,435	116,693	1,258	116,274
Share the wealth grant	167,354	132,513	(34,841)	167,354
Other grants	46,611	33,250	(13,361)	3,524
Total intergovernmental	<u>329,400</u>	<u>282,456</u>	<u>(46,944)</u>	<u>287,152</u>
Miscellaneous revenues:				
Interest and investment earnings	8,700	11,739	3,039	11,063
Other	8,880	3,484	(5,396)	7,651
Total miscellaneous revenues	<u>17,580</u>	<u>15,223</u>	<u>(2,357)</u>	<u>18,714</u>
Total revenues	<u>1,375,447</u>	<u>1,425,723</u>	<u>50,276</u>	<u>1,337,196</u>
Expenditures:				
General government:				
Salaries and benefits	194,944	196,214	(1,270)	175,058
Capital outlay - grants	12,000	-	12,000	4,086
Capital outlay - general government	818,234	103,630	714,604	11,879
Municipal court	2,056	1,305	751	1,996
Administrative	59,910	52,340	7,570	63,600
Consulting	62,300	61,860	440	25,089
Legal	18,872	7,712	11,160	11,374
Town hall	32,770	31,629	1,141	32,403
Total general government	<u>1,201,086</u>	<u>454,690</u>	<u>746,396</u>	<u>325,485</u>

(continued)

(continued)

TOWN OF STAR VALLEY RANCH
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL –
GENERAL FUND
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018			2017 Actual
	Final Budget	Actual	Variance	
Public safety:				
Salaries and benefits	32,085	29,103	2,982	67,468
Other	7,865	4,667	3,198	6,609
Emergency medical services	33,000	41,250	(8,250)	33,000
Law enforcement	60,000	45,000	15,000	31,393
Fire protection	33,500	24,750	8,750	33,000
Total public safety	<u>166,450</u>	<u>144,770</u>	<u>21,680</u>	<u>171,470</u>
Public works:				
Salaries and benefits	269,742	219,984	49,758	241,662
Capital outlay	278,000	83,329	194,671	101,134
Streets	335,460	174,498	160,962	299,021
Total public works	<u>883,202</u>	<u>477,811</u>	<u>405,391</u>	<u>641,817</u>
Community development:				
Salaries and benefits	42,794	39,040	3,754	38,844
Community development	3,975	2,320	1,655	4,977
Total community development	<u>46,769</u>	<u>41,360</u>	<u>5,409</u>	<u>43,821</u>
Total expenditures	<u>2,297,507</u>	<u>1,118,631</u>	<u>1,178,876</u>	<u>1,182,593</u>
Excess of revenues over expenditures	<u>(922,060)</u>	<u>307,092</u>	<u>1,229,152</u>	<u>154,603</u>
Other financing sources (uses):				
Proceeds from sale of assets	10,385	129,700	119,315	-
Transfer to Water Fund	(31,440)	(31,440)	-	(94,320)
Total other financing sources (uses)	<u>(21,055)</u>	<u>98,260</u>	<u>119,315</u>	<u>(94,320)</u>
Net change to fund balance	<u>\$ (943,115)</u>	<u>405,352</u>	<u>1,348,467</u>	<u>60,283</u>
Fund balance - beginning		<u>1,628,306</u>		<u>1,568,023</u>
Fund balance - ending		<u>\$ 2,033,658</u>		<u>1,628,306</u>

TOWN OF STAR VALLEY RANCH
STATEMENT OF REVENUES AND EXPENSES –
BUDGET AND ACTUAL –
WATER FUND
Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018			2017 Actual
	Final Budget	Actual	Variance	
Operating revenues:				
Charges for services	\$ 1,020,211	1,053,754	33,543	1,013,345
Miscellaneous	15,150	23,299	8,149	14,409
Total operating revenues	<u>1,035,361</u>	<u>1,077,053</u>	<u>41,692</u>	<u>1,027,754</u>
Operating expenses:				
Salaries and benefits	320,775	283,227	37,548	274,575
Current expenses	260,710	208,556	52,154	138,034
Total operating expenses	<u>581,485</u>	<u>491,783</u>	<u>89,702</u>	<u>412,609</u>
Operating income	453,876	585,270	131,394	615,145
Non-operating income (expense):				
Interest income	6,900	9,292	2,392	8,104
Interest expense	(133,397)	(125,810)	7,587	(106,625)
Total non-operating expense	<u>(126,497)</u>	<u>(116,518)</u>	<u>9,979</u>	<u>(98,521)</u>
Income before transfers and capital budget income (expenses)	327,379	468,752	141,373	516,624
Transfer from General Fund	31,440	31,440	-	94,320
Capital budget income (expenses):				
Grant proceeds	1,473,450	753,150	(720,300)	457,509
Debt proceeds	1,473,450	753,150	(720,300)	461,902
Debt principal payments	(180,493)	(229,073)	(48,580)	(173,254)
Equipment and improvements - grants, loans	<u>(3,021,900)</u>	<u>(1,601,070)</u>	<u>1,420,830</u>	<u>(844,475)</u>
Net income budget basis	<u>\$ 103,326</u>	176,349	<u>73,023</u>	512,626
Adjustment from budget basis to GAAP basis:				
Debt proceeds		(753,150)		(461,902)
Gain on disposal of assets		4,917		(227,385)
Debt principal payments		229,073		173,254
Capital outlay		1,601,070		844,475
Depreciation		(408,750)		(386,450)
Pension expense		<u>(30,219)</u>		<u>(45,563)</u>
Net income GAAP basis		<u>\$ 819,290</u>		<u>409,055</u>

GOVERNMENTAL AUDIT REPORT

Draft

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Mayor and Town Council
Town of Star Valley Ranch
Star Valley Ranch, WY

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Star Valley Ranch, Wyoming (the Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 12, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

JONES SIMKINS LLC
Logan, Utah
December 12, 2018