

**Star Valley Ranch Association**

*Financial Report*  
**December 31, 2012**

**Star Valley Ranch Association  
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December 31, 2012 and 2011**

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## Independent Auditor's Report

To the Board of Directors of  
Star Valley Ranch Association  
Star Valley Ranch, Wyoming

We have audited the accompanying statements of financial position of Star Valley Ranch Association (a nonprofit organization) as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Star Valley Ranch Association as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Information on Future Major Repairs and Replacements is supplementary information required by accounting principles generally accepted in the United States of America. This information has not been included as part of these financial statements.

*DeCoria & Company, PC*

DeCoria & Company, PC  
Afton, WY 83110

March 18, 2013

## **Financial Statements**

**Star Valley Ranch Association  
 Statements of Financial Position  
 December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 104,259	\$ 171,922
Investments	1,111,998	926,092
Restricted investments	26,141	25,956
Accounts receivable, net	57,510	45,580
Inventory	15,945	15,869
Prepaid Expenses	<u>15,942</u>	<u>10,804</u>
Total current assets	<u>1,331,795</u>	<u>1,196,223</u>
<b>Noncurrent assets:</b>		
Fixed assets, net	<u>1,633,046</u>	<u>1,788,086</u>
Total noncurrent assets	<u>1,633,046</u>	<u>1,788,086</u>
<b>Other assets:</b>		
Water rights	<u>220,000</u>	<u>220,000</u>
Total other assets	<u>220,000</u>	<u>220,000</u>
Total assets	<u><u>\$ 3,184,841</u></u>	<u><u>\$ 3,204,309</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 6,387	\$ 21,991
Accrued payroll and related liabilities	23,443	16,989
Deposits	175	300
Member deposits	3,278	4,265
Designated funds	<u>7,000</u>	<u>8,508</u>
Total liabilities	<u>40,283</u>	<u>52,053</u>
<b>Net assets:</b>		
Unrestricted net assets	3,118,417	3,126,300
Restricted net assets	<u>26,141</u>	<u>25,956</u>
Total net assets	<u>3,144,558</u>	<u>3,152,256</u>
Total liabilities and net assets	<u><u>\$ 3,184,841</u></u>	<u><u>\$ 3,204,309</u></u>

*The accompanying notes are an integral part of the financial statements.*

**Star Valley Ranch Association**  
**Statements of Activities and Changes in Net Assets**  
**Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Operating revenues:</b>		
Homeowner assessments	\$ 705,250	\$ 594,822
Other administrative income	7,634	10,997
Utilities revenue	14,294	29,259
Golf course fees	349,671	376,709
Facilities rental and other	28,691	27,851
Lounge income	65,004	51,286
	<u>1,170,544</u>	<u>1,090,924</u>
<b>Operating expenses:</b>		
Administration	338,883	323,529
Facilities	126,421	126,992
Golf course	436,223	472,077
Lounge	64,997	53,229
Major repairs	19,751	47,953
Depreciation	208,726	206,945
Bad debt expense	3,214	2,185
	<u>1,198,215</u>	<u>1,232,910</u>
	<u>Operating loss</u>	<u>(141,986)</u>
<b>Other revenue:</b>		
Interest income	19,973	29,672
Gain on sale of assets	-	3,350
	<u>19,973</u>	<u>33,022</u>
	<u>Change in net assets</u>	<u>(108,964)</u>
Net assets, beginning of year	<u>3,152,256</u>	<u>3,261,220</u>
	<u>Net assets, end of year</u>	<u>\$ 3,144,558</u>
		<u>\$ 3,152,256</u>

*The accompanying notes are an integral part of the financial statements.*

**Star Valley Ranch Association**  
**Statements of Cash Flows**  
**Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities:</b>		
Operating loss	\$ (27,671)	\$ (141,986)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	208,726	206,945
Change in:		
Accounts receivable	(11,930)	5,641
Inventory	(76)	23,191
Prepaid expenses	(5,138)	5,859
Accounts payable	(15,604)	16,182
Accrued payroll and related liabilities	6,454	2,941
Deposits	(125)	(800)
Deferred revenue	(987)	(436)
Designated funds payable	(1,508)	(2,539)
	<u>152,141</u>	<u>114,998</u>
Net cash provided by operating activities		
<b>Cash flows from investing activities:</b>		
Interest income	19,973	29,672
Proceeds from sale of fixed assets	-	3,350
Purchases of fixed assets	(53,686)	(56,761)
Change in restricted investments	(185)	(304)
Change in investments, net	<u>(185,906)</u>	<u>(17,466)</u>
	<u>(219,804)</u>	<u>(41,509)</u>
Net cash used by investing activities		
Change in cash and cash equivalents	(67,663)	73,489
Cash and cash equivalents, beginning of year	<u>171,922</u>	<u>98,433</u>
Cash and cash equivalents, end of year	<u>\$ 104,259</u>	<u>\$ 171,922</u>

*The accompanying notes are an integral part of the financial statements.*

**Star Valley Ranch Association  
Notes to Financial Statements  
December 31, 2012 and 2011**

**1. Summary of Significant Accounting Policies**

Nature of Organization

Star Valley Ranch Association (“SVRA” or the “Association”) was incorporated under the laws of the State of Wyoming on November 16, 1970, as a nonprofit corporation to serve the representative owners and inhabitants of the self-contained residential community located in Lincoln County, Wyoming known as Star Valley Ranch. The members of the Association are property owners of Star Valley Ranch Association, which comprises approximately 2,035 lots, 2014 of which are assessed, and recreational facilities, including two golf courses, two pro shops, a swimming pool, two tennis courts, a grill and lounge, and airstrip and other facilities. Recreational facilities are available on a user fee basis. The primary purposes of SVRA are to provide community services and recreational facilities for the general use, benefit and welfare of the owners of the residential lots situated within the real property area. The Association’s main sources of revenue are annual assessments and golf course revenue.

In 2007, residents of the area elected to incorporate as the Town of Star Valley Ranch (“the Town”). Subsequently, the Town has taken over the roads, culinary water system and other functions from the Association. However, the Association continues to operate the recreational facilities in Star Valley Ranch.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

The Association considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the changes in net assets. The cost of securities sold is based on the specific identification method.



**Star Valley Ranch Association  
Notes to Financial Statements  
December 31, 2012 and 2011**

**1. Summary of Significant Accounting Policies, Continued**

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through an allowance for doubtful accounts based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for doubtful accounts and a credit to the applicable accounts receivable.

Inventories

Inventories, consisting of pro shop merchandise, liquor and pool merchandise, is valued at the lower of weighted average cost or market value.

Fixed Assets

Purchased fixed assets are stated at cost; and donated items, if any, are recorded at their estimated fair value at the date of donation. Prior to 2011, only assets with a value of \$500 or greater were capitalized as fixed assets. Beginning in 2012, only assets with a value of \$4,000 or greater are capitalized as fixed assets. Normal maintenance and repairs are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. Equipment under capital lease obligations is amortized over the shorter period of the lease term or the estimated useful life of the equipment.

Depreciation of fixed assets is computed using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Years</u>
Buildings and improvements	5-50
Equipment	5-25
Land improvements	7-20
Vehicles	5-7

Income Taxes

The Association is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Association's income tax filings are subject to examination by various taxing authorities, the open examination periods are 2009 through 2012.

**Star Valley Ranch Association  
Notes to Financial Statements  
December 31, 2012 and 2011**

**1. Summary of Significant Accounting Policies, Continued**

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses and future capital acquisitions. Assessments are approved by a vote of the Board of Directors. The annual assessment for lots was \$350 and \$295 in 2012 and 2011, respectively. Assessments are recognized as revenue in the year for which they are levied.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates and affect the amounts reported in the financial statements. Management is continually evaluating and updating these estimates, and it is possible these estimates will change in the near future.

**2. Bank Deposits**

Cash and cash equivalents and investments consist of deposits held in a checking accounts and certificates of deposit with local banks. The carrying amount of bank deposits at December 31, 2012 was \$1,242,398, and combined bank balances totaled \$1,260,097. The difference between the carrying amount of bank deposits and bank balances consists of outstanding checks and deposits not processed by the bank as of December 31, 2012. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank.

A summary of the total insured and uninsured cash balances at December 31, 2012 and 2011 is as follows:

	2012	2011
Cash	\$ 121,958	\$ 178,413
Certificates of deposit (included with investments)	1,111,998	926,092
Certificates of deposit (included with restricted investments)	26,141	25,956
Total bank deposits	1,260,097	1,130,461
Portion insured by FDIC	1,126,139	999,654
Uninsured balance	\$ 133,958	\$ 130,807

**Star Valley Ranch Association  
Notes to Financial Statements  
December 31, 2012 and 2011**

**3. Restricted Cash and Investments**

Restricted cash and investments were acquired through a gift from a member. The cost of the securities was determined using the fair market value at the date of the gift. Terms of the gift require the proceeds from the sale of the securities and the restricted cash to be used to construct two additional tennis courts.

**4. Accounts Receivable**

The Association assesses membership fees annually, uncollected balances are included in accounts receivable. A summary of accounts receivable, and the related allowance for doubtful accounts as of December 31, 2012 and 2011 are included below:

	2012		2011	
Assessments due from members	\$ 67,659	100%	\$ 52,888	100%
Allowance for doubtful accounts	(10,149)	-15%	(7,308)	-15%
Accounts receivable, net	\$ 57,510	85%	\$ 45,580	85%

**5. Fixed Assets**

Changes in fixed assets during 2012 are summarized as follows:

	<b>Balance 12/31/11</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance 12/31/12</b>
Building improvements	\$ 906,657	\$ -	\$ -	\$ 906,657
Equipment	707,078	29,357	-	736,435
Vehicles	40,400	-	-	40,400
Land improvements	85,625	14,004	-	99,629
Water & irrigation system	1,618,834	-	-	1,618,834
Construction in progress	21,821	7,311	-	29,132
Land	119,756	3,014	-	122,770
Total acquisition cost	3,500,171	53,686	-	3,553,857
Accumulated depreciation	(1,712,085)	(208,726)	-	(1,920,811)
Total Fixed Assets, net	\$ 1,788,086	\$ (155,040)	\$ -	\$ 1,633,046

Depreciation expense for the years ended December 31, 2012 and 2011, was \$208,726 and \$206,945, respectively.

**Star Valley Ranch Association  
Notes to Financial Statements  
December 31, 2012 and 2011**

**6. Lease Commitments**

Lease commitments for operating leases that the Association had entered into as of December 31, 2012 are as follows:

<b>Description of Property Leased</b>	<b>Months</b>	<b>Start Date</b>	<b>End Date</b>	<b>Annual Payments</b>
10 Golf carts	48	07/01/10	06/30/14	7,488
28 Golf carts	48	04/01/11	03/31/15	21,670
12 Golf carts	48	07/01/12	06/30/16	18,888
				48,046

Lease expense pursuant to lease agreements was \$37,553 and \$37,744 for the years ended December 31, 2012 and 2011, respectively.

**7. Fair Value of Financial Instruments**

The following methods and assumptions were used by the Association in estimating the fair value of its financial instruments:

*Cash and cash equivalents* – The carrying amount reported in the statements of financial position for cash and cash equivalents approximates its fair value.

*Investments* – Investments consist of CD's which are stated at cost plus earned interest, which approximates fair value.

*Accounts receivable* – The carrying amount reported in the statements of financial position for accounts receivable is the amount management expects to collect, which approximates its fair value.

*Accounts payable and accrued expenses* – The carrying amount reported in the statements of financial position for accounts payable and accrued expenses approximates its fair value.

The carrying amounts and fair values of the Association's financial instruments at December 31, 2012 and 2011, are the same as those reported in the statements of financial position.

**Star Valley Ranch Association  
Notes to Financial Statements  
December 31, 2012 and 2011**

**8. Functional Expenses**

Expenses have been reported below by their functional classification:

*For the Year Ended December 31, 2012*

	<i>Administration</i>	<i>Facilities</i>	<i>Golf Courses</i>	<i>Lounge</i>	<i>Total 2012</i>
Payroll expenses	\$ 171,742	\$ 74,719	\$ 242,984	\$ 23,103	\$ 512,548
Accounting fees	14,000	-	-	-	14,000
Advertising	4,614	-	5,379	-	9,993
Bank charges	9,595	-	-	-	9,595
Committee expenses	15,043	-	-	-	15,043
Cleaning and janitorial	-	10,327	-	-	10,327
Contract services	-	5,251	1,890	3,713	10,854
Dues and subscriptions	802	-	3,080	-	3,882
Equipment	3,567	-	6,047	-	9,614
Insurance	42,313	-	-	-	42,313
Lease	-	-	37,553	-	37,553
Legal and professional	16,711	-	-	-	16,711
License and fees	490	-	-	920	1,410
Other	251	1,056	1,407	439	3,153
Postage	3,429	-	127	-	3,556
Printing and publications	153	253	345	-	751
Property taxes	36,904	-	-	-	36,904
Repairs and maintenance	-	18,299	19,223	-	37,522
Supplies	7,267	2,953	101,821	34,875	146,916
Telephone	4,590	1,786	2,030	398	8,804
Training	522	325	708	-	1,555
Travel	592	-	130	-	722
Utilities	6,298	11,452	13,499	1,549	32,798
<b>Total expenses</b>	<b>\$ 338,883</b>	<b>\$ 126,421</b>	<b>\$ 436,223</b>	<b>\$ 64,997</b>	<b>\$ 966,524</b>

This table does not included major repairs expense, bad debt expense and depreciation expense.

**Star Valley Ranch Association  
Notes to Financial Statements  
December 31, 2011**

**8. Functional Expenses, Continued**

Expenses have been reported below by their functional classification:

*For the Year Ended December 31, 2011*

	<i>Administration</i>	<i>Facilities</i>	<i>Golf Courses</i>	<i>Lounge</i>	<i>Total 2011</i>
Payroll expenses	\$ 150,086	\$ 71,482	\$ 246,663	\$ 20,033	\$ 488,264
Accounting fees	13,400	-	-	-	13,400
Advertising	3,083	-	8,652	-	11,735
Bank charges	8,453	-	-	-	8,453
Committee expenses	32,510	-	-	-	32,510
Cleaning	-	9,609	-	-	9,609
Contract services	-	5,408	1,895	2,638	9,941
Dues and donations	835	-	3,440	-	4,275
Equipment	-	-	2,852	-	2,852
Insurance	38,971	-	-	-	38,971
Lease	-	-	37,744	-	37,744
Legal and professional	6,366	-	-	-	6,366
License and fees	423	-	-	920	1,343
Other	2,999	1,107	1,656	528	6,290
Postage	3,014	-	23	-	3,037
Printing and publications	1,759	222	331	-	2,312
Property taxes	35,330	-	-	-	35,330
Repairs and maintenance	-	16,759	23,983	-	40,742
Supplies	7,394	4,200	129,083	27,283	167,960
Telephone	4,444	1,429	1,571	-	7,444
Training	563	1,270	-	-	1,833
Travel	654	88	-	-	742
Utilities	13,245	15,418	14,184	1,827	44,674
<b>Total expenses</b>	<b>\$ 323,529</b>	<b>\$ 126,992</b>	<b>\$ 472,077</b>	<b>\$ 53,229</b>	<b>\$ 975,827</b>

This table does not included major repairs expense, bad debt expense and depreciation expense.

**9. Subsequent Events**

The Association has evaluated subsequent events through March 18, 2013, which is the date the financial statements were available to be issued, and have determined that there are no subsequent events that require disclosure under FASB Accounting Standards Codification, (ASC 855) *Subsequent Events*.