

**Star Valley Ranch Association**

*Financial Report*  
**December 31, 2009**

**Star Valley Ranch Association**  
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**December 31, 2009 and 2008**

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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 statement of financial position of Star Valley Ranch Association (a nonprofit organization) as of December 31, 2009. This statement of financial position is the responsibility of the Association's management. Our responsibility is to express an opinion on this statement of financial position based on our audit. The financial statements of Star Valley Ranch Association as of December 31, 2008 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated August 26, 2009.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinion.

During 2009, the Association's management and Board of Directors determined that there were a number of balance sheet accounts which were being carried at incorrect amounts in its accounting records. These balances were investigated and restated with the effect of these adjustments being carried in suspense accounts. When these suspense accounts were reduced to zero, there was an unexplained material balance remaining. We were unable to determine whether this unexplained balance resulted from current year transactions or from prior year balances that may have been incorrect. The Association's management and Board of Directors determined that it is not cost beneficial to spend the time and resources necessary to further investigate these unexplained differences.

Because of the matters discussed in the previous paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the statement of activities and changes in net assets or the statement of cash flows for the year ended December 31, 2009.

In our opinion, the statement of financial position referred to above presents fairly, in all material respects, the financial position of Star Valley Ranch Association as of December 31, 2009 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.

*Hirschi DeCoria & Company, PC*

Hirschi DeCoria & Company, PC  
Afton, WY 83110

June 7, 2010

**Star Valley Ranch Association**  
**Statements of Financial Position**  
**December 31, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
<b>ASSETS</b>		
<b>Current assets:</b>	\$ 157,443	\$ 483,674
Cash and cash equivalents	12,930	12,922
Restricted cash	596,439	8,150
Investments	198,507	35,483
Accounts receivable, net	62,996	67,587
Inventory	14,028	-
Prepaid Expenses		
Total current assets	<u>1,042,343</u>	<u>607,816</u>
<b>Noncurrent assets:</b>	<u>1,895,494</u>	<u>2,031,244</u>
Fixed assets, net		
Total noncurrent assets	<u>1,895,494</u>	<u>2,031,244</u>
<b>Other assets:</b>	220,000	220,000
Water rights	-	689
Restricted cash held in fiduciary capacity		
Total other assets	<u>220,000</u>	<u>220,689</u>
Total assets	<u><u>\$ 3,157,837</u></u>	<u><u>\$ 2,859,749</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>	\$ 5,526	\$ 12,533
Accounts payable	6,080	19,657
Accrued payroll and related liabilities	27,000	-
Deposits	19	-
Other accrued liabilities	13,897	-
Deferred income	6,898	70,602
Designated funds		
Total liabilities	<u>59,420</u>	<u>102,792</u>
<b>Net assets:</b>	2,167,342	1,825,890
Unrestricted net assets	12,930	12,922
Restricted net assets	918,145	918,145
Reserved net assets		
Total net assets	<u>3,098,417</u>	<u>2,756,957</u>
Total liabilities and net assets	<u><u>\$ 3,157,837</u></u>	<u><u>\$ 2,859,749</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, 2009 and 2008**

	2009	2008
<b>Operating revenue:</b>		
Homeowner assessments	\$ 673,010	\$ 848,752
Other administrative income	(13,629)	52,828
Utilities revenue	86,500	86,500
Golf course fees	509,199	506,990
Interest income	12,656	36,649
Designated contributions	595	3,200
Facilities rental and other	28,059	66,847
Lounge income	103,549	99,276
<b>Total operating revenue</b>	<u>1,399,939</u>	<u>1,701,042</u>
<b>Operating expenses:</b>		
Administration	396,721	488,469
Facilities	124,874	144,242
Golf course	538,386	668,654
Lounge	103,237	149,496
Utilities	20,628	6,593
Depreciation	174,760	173,461
<b>Total operating expenses</b>	<u>1,358,606</u>	<u>1,630,915</u>
<b>Operating income</b>	<u>41,333</u>	<u>70,127</u>
<b>Other revenue (expense):</b>		
Gain on sale of assets	296,307	-
Unrealized gain (loss) on investments	3,820	(5,385)
<b>Total other revenue (expense)</b>	<u>300,127</u>	<u>(5,385)</u>
<b>Change in net assets</b>	341,460	64,742
<b>Net assets, beginning of year</b>	<u>2,756,957</u>	<u>2,692,215</u>
<b>Net assets, end of year</b>	<u><u>\$ 3,098,417</u></u>	<u><u>\$ 2,756,957</u></u>

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



**Star Valley Ranch Association**  
**Statements of Cash Flows**  
**Years Ended December 31, 2009 and 2008**

	2009	2008
<b>Cash flows from operating activities:</b>		
Operating income	\$ 41,333	\$ 70,127
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	174,760	173,461
Change in:		
Accounts receivable	(163,024)	(23,930)
Other assets	-	43,770
Inventory	4,591	(67,587)
Prepaid expenses	(14,028)	14,985
Accounts payable	(7,007)	5,340
Accrued payroll and related liabilities	(13,577)	10,331
Deposits	27,000	-
Other accrued liabilities	19	-
Deferred revenue	13,897	(123,009)
Designated funds payable	(63,704)	(122,415)
Restricted cash held in fiduciary capacity	689	-
Net cash provided (used) by operating activities	949	(18,927)
<b>Cash flows from investing activities:</b>		
Proceeds from sale of equipment	320,000	-
Purchases of fixed assets	(62,703)	(89,970)
Change in investments, net	(584,469)	-
Net cash used by investing activities	(327,172)	(89,970)
<b>Cash flows from financing activities:</b>		
Payments on line of credit	-	(350,770)
Restricted cash	(8)	(230)
Net cash used by financing activities	(8)	(351,000)
Change in cash and cash equivalents	(326,231)	(459,897)
Cash and cash equivalents, beginning of year	483,674	943,571
Cash and cash equivalents, end of year	<u>\$ 157,443</u>	<u>\$ 483,674</u>
<b>Supplmental disclosure of cash flow information:</b>		
Interest paid	<u>\$ -</u>	<u>\$ 22,663</u>

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

**Star Valley Ranch Association**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

**1. Summary of Significant Accounting Policies**

Nature of Organization

Star Valley Ranch Association ("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, which comprises approximately 2,034 lots and 2,500 acres of land containing 30 miles of streets and roads, a water system, and recreational facilities, including two golf courses, two clubhouses, a swimming pool, two tennis courts, a restaurant and lounge, and airstrip and other facilities. Recreational facilities are available on a user fee basis. The primary purposes of the Association is to provide community services and recreational facilities for the general use, benefit and welfare of the owners, and contract purchasers, lessees, sub lessees and/or occupants of the residential lots situated within the real property area. The Association's main source of revenue is annual assessments.

In 2007, residents of the Association 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

The Association has adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, 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, 2009 and 2008**

**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 are valued at the lower of cost or market value, cost being determined primarily by the first-in, first-out method. Inventories consist of lounge and pro shop inventory held for sale.

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. Only assets with a value of \$500 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
Water and irrigation systems	7-50

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.

**Star Valley Ranch Association**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

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

Financial Instruments

ASC Topic 825, *Financial Instruments*, permits entities to choose to measure many financial assets and liabilities at fair value. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. At December 31, 2009 and 2008, the carrying value of financial instruments approximated fair values based on the short-term maturities of these instruments.

Fair Value Measurements

ASC Topic 820, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy for those assets and liabilities measured at fair value, that distinguishes between assumptions based on market data (observable inputs) and the organization's own assumptions (unobservable inputs). The hierarchy consists of: Level 1 – quoted market prices in active markets for identical instruments; Level 2 – inputs other than Level 1 inputs that are observable; and Level 3 – unobservable inputs developed using estimates and assumptions determined by the organization.

At December 31, 2009, the Association's financial assets and liabilities are accounted for and reported using Level 1 inputs, with the exception of accounts receivable, which are reported using Level 2 inputs. Certain assets are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis, but are subject to fair value adjustments only in certain circumstances (for example, when there is evidence of impairment). The Association had no assets measured at fair value on a nonrecurring basis during 2009 or 2008.

Member Assessments

Association members are subject to annual assessments to provide funds for the Association's operating expenses and future capital acquisitions. The assessments are based on budgeted operating expenses and maintenance reserves. Assessments are approved by a vote of the Board of Directors. The annual assessment for 2009 and 2008 amounted to \$334 and \$421 per lot, 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.



**Star Valley Ranch Association**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

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

Reclassifications

Certain amounts have been reclassified in the 2008 financial statements in order to conform with the 2009 presentation. These reclassifications have no effect on net assets or change in net assets as previously reported.

**2. Bank Deposits**

Bank deposits consist of deposits held in checking and savings accounts at local banks, and a money market account at a local investment company, as well as certificates of deposit that are reported with investments. Deposits at the banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000, while the money market account at the local investment company is not FDIC insured.

The combined carrying amount of bank deposits on the Association's books at December 31, 2009 and 2008 was \$754,842, and \$496,596, respectively; while the combined balances on deposit at the local banks and investment company was \$792,644 and 483,674, respectively.

The differences between the carrying amount of bank deposits on the Association's books and the amount on deposit at the bank and investment company consist of outstanding checks and deposits not processed by the bank as of December 31, 2009 and 2008.

A summary of the total insured and uninsured cash balances at December 31, 2009 and 2008 is as follows:

	2009	2008
Cash	\$ 195,245	\$ 418,880
Restricted cash	12,930	12,922
Certificates of deposit (included with investments)	584,469	-
Total bank deposits	792,644	431,802
Portion insured by FDIC	445,245	258,768
Uninsured balance	\$ 347,399	\$ 173,034

**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.



**Star Valley Ranch Association**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

**4. Accounts Receivable and Concentrations of Credit Risk**

The Association assesses membership fees annually and uncollected balances are included in accounts receivable. Additionally, during 2009, the Association entered into an agreement to sell certain property to the Town of Star Valley Ranch, a portion of which was outstanding as of December 31, 2009. This unpaid amount has been included in accounts receivable. A summary of accounts receivable, and the related allowance for doubtful accounts is included below:

	2009		2008	
Assessments due from members	\$ 61,923	30%	\$ 35,483	100%
Receivable from Town	144,000	70%	-	0%
Total accounts receivable	205,923	100%	35,483	100%
Allowance for doubtful accounts	(7,416)		-	
Accounts receivable, net	\$ 198,507		\$ 35,483	

**5. Fixed Assets**

Fixed assets at December 31, 2009 and 2008 are summarized as follows:

	Balance 12/31/08	Additions	Disposals	Balance 12/31/09
Building improvements	\$ 1,020,401	\$ 3,419	\$ (36,224)	\$ 987,596
Equipment	483,778	22,318	(3,576)	502,519
Vehicles	55,368	-	-	55,368
Land improvements	28,139	26,606	-	54,745
Water & irrigation system	1,612,780	-	-	1,612,780
Construction in progress	-	10,360	-	10,360
Land	270,906	-	(4,500)	266,406
Total acquisition cost	3,471,372	62,703	(44,300)	3,489,774
Accumulated depreciation	(1,440,128)	(174,760)	20,608	(1,594,280)
Total Fixed Assets, net	\$ 2,031,244	\$ (112,057)	\$ (23,692)	\$ 1,895,494

Depreciation expense for the years ended December 31, 2009 and 2008 was \$174,760 and \$173,461, respectively.

**Star Valley Ranch Association**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

**6. Operating Lease Commitments**

The Association leases golf carts and lawn tractors and equipment under operating leases as summarized below:

Description of Property Leased	Months	Start Date	End Date	Annual Payments
Golf course equipment	60	01/01/06	01/01/11	74,811
Golf course equipment	30	08/01/08	02/01/11	7,164
Ten golf carts	60	05/15/06	04/15/11	5,994
11 golf carts	60	05/28/07	04/28/12	6,904
18 golf carts	36	05/28/08	05/28/11	16,137
				<u>111,010</u>

Minimum future lease payments under these non-cancelable operating leases as of December 31, 2009 are as follows:

2010	\$ 111,010
2011	<u>7,501</u>
Total	<u>\$ 118,511</u>

Lease expense pursuant to these lease agreements as \$131,348 and \$131,348 for the years ended December 31, 2009 and 2008, respectively.

**Star Valley Ranch Association**  
**Notes to Financial Statements**  
**December 31, 2009 and 2008**

**7. Functional Expenses**

Expenses have been reported below by their functional classification for the years ended December 31, 2009 and 2008:

	Admini- stration	Facilities Expense	Golf	Lounge	Utilities	Total 2009	Total 2008
Salaries and wages	\$ 100,847	\$ 72,318	\$ 209,061	\$ 40,788	\$ -	\$ 423,014	\$ 450,978
Payroll taxes	42,991	1,120	2,966	649	-	47,726	43,449
Employee benefits	22,130	2,220	1,495	-	-	25,845	36,133
Accounting fees	31,076	-	-	-	-	31,076	17,589
Advertising	5,435	-	6,266	-	-	11,701	15,256
Bad debt	7,416	-	-	-	-	7,416	909
Bank charges	9,815	-	-	-	-	9,815	14,952
Contract services	1,079	3,955	65	3,625	-	8,724	33,415
Dues and donations	10,365	-	-	-	-	10,365	24,618
Insurance	40,751	-	-	-	-	40,751	71,720
Interest	880	-	-	-	-	* 880	22,663
Lease	-	-	119,499	-	-	119,499	131,348
Legal and professional	23,814	-	-	-	-	23,814	8,735
License and fees	1,079	-	-	800	-	1,879	4,294
Office expense	-	-	-	-	-	-	33,215
Other	11,234	-	351	591	471	12,647	25,855
Postage	6,384	-	22	-	-	6,406	5,422
Printing and publications	10,499	-	-	-	-	10,499	14,942
Property taxes	40,813	-	-	-	-	40,813	60,089
Repairs and maintenance	3,711	21,161	37,122	-	20,157	82,151	153,224
Supplies	12,147	8,753	149,269	52,653	-	222,822	211,959
Telephone	5,767	1,557	3,283	-	-	10,607	12,031
Training	1,226	-	860	-	-	2,086	3,654
Travel	548	87	-	300	-	935	5,091
Utilities	6,714	13,703	8,127	3,831	-	32,375	55,913
Total expenses	\$ 396,721	\$ 124,874	\$ 538,386	\$ 103,237	\$ 20,628	\$ 1,183,846	\$ 1,457,454



**Star Valley Ranch Association  
Notes to Financial Statements  
December 31, 2009 and 2008**

**8. 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 statement of financial position for cash and cash equivalents approximates its fair value.

*Investments* – Fair values, which are amounts reported in the statement of financial position, are based on quoted market prices, if available, or estimated using quoted market prices for similar securities.

*Accounts receivable* – The carrying amount reported in the statement of financial position for accounts receivable approximates its fair value.

*Accounts payable and accrued expenses* – The carrying amount reported in the statement 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, 2009 and 2008 are the same as those reported in the statement of financial position.

**9. Subsequent Events**

The Association has evaluated subsequent events through June 7, 2010, 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*.