

Star Valley Ranch Association

Financial Report

December 31, 2010

Star Valley Ranch Association
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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, 2010, and the related statements of activities and changes in net assets and cash flows for the year 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 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 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.

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, 2010, and the results of its operations and its cash flows for the year 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.

Hirschi DeCoria & Company, PC

Hirschi DeCoria & Company, PC
Afton, WY 83110

May 24, 2011

**Star Valley Ranch Association
Statement of Financial Position
December 31, 2010**

ASSETS

Current assets:

Cash and cash equivalents	\$ 98,433
Investments	908,626
Restricted investments	25,652
Accounts receivable, net	51,221
Inventory	39,060
Prepaid Expenses	16,663
Total current assets	<u>1,139,655</u>

Noncurrent assets:

Fixed assets, net	<u>1,938,270</u>
Total noncurrent assets	<u>1,938,270</u>

Other assets:

Water rights	<u>220,000</u>
Total other assets	<u>220,000</u>
Total assets	<u><u>\$ 3,297,925</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 5,797
Accrued payroll and related liabilities	14,048
Deposits	1,100
Other accrued liabilities	12
Deferred income	4,701
Designated funds	11,047
Total current liabilities	<u>36,705</u>
Total liabilities	<u>36,705</u>

Net assets:

Unrestricted net assets	3,235,568
Restricted net assets	25,652
Total net assets	<u>3,261,220</u>
Total liabilities and net assets	<u><u>\$ 3,297,925</u></u>

Star Valley Ranch Association
Statement of Activities and Changes in Net Assets
Year Ended December 31, 2010

Unrestricted operating revenue:

Homeowner assessments	\$ 554,341
Other administrative income	22,684
Utilities revenue	31,477
Golf course fees	407,709
Interest income	27,246
Facilities rental and other	26,656
Lounge income	45,083
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Total operating revenue	1,115,196

Operating expenses:

Administration	317,651
Facilities	134,403
Golf course	511,168
Lounge	49,617
Utilities	-
Depreciation	179,166
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Total operating expenses	1,192,005
	<hr/>
Operating loss	(76,809)

Other revenue:

Gain on sale of assets	239,612
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Total other expense	239,612
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Change in net assets	162,803
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Net assets, beginning of year	3,098,417
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Net assets, end of year	\$ 3,261,220

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

Star Valley Ranch Association
Statement of Cash Flows
Year Ended December 31, 2010

Cash flows from operating activities:

Operating loss	\$ (76,809)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	179,166
Change in:	
Accounts receivable	147,286
Inventory	23,936
Prepaid expenses	(2,635)
Accounts payable	271
Accrued payroll and related liabilities	7,968
Deposits	(25,900)
Other accrued liabilities	(7)
Deferred revenue	(9,196)
Designated funds payable	4,149
Net cash provided by operating activities	<u>248,229</u>

Cash flows from investing activities:

Proceeds from sale of fixed assets	420,000
Purchases of fixed assets	(402,330)
Change in restricted investments	(13,682)
Change in investments, net	<u>(324,157)</u>
Net cash used by investing activities	<u>(320,169)</u>

Cash flows from financing activities:

Restricted cash	<u>12,930</u>
Net cash provided by financing activities	<u>12,930</u>
Change in cash and cash equivalents	(59,010)
Cash and cash equivalents, beginning of year	<u>157,443</u>
Cash and cash equivalents, end of year	<u><u>\$ 98,433</u></u>

Supplemental disclosure of cash flow information:

Interest paid	<u><u>\$ -</u></u>
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The accompanying notes are an integral part of the financial statements.

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2010

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, which comprises approximately 2,035 lots, 2015 of which are assessed, and 2,500 acres of land containing 30 miles of streets and roads, a water system, 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, and contract purchasers, lessees, sub lessees and/or occupants 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, 2010

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. 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:

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, 2010

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. The assessments are based on budgeted operating expenses. Assessments are approved by a vote of the Board of Directors. The annual assessment for 2010 amounted to \$275 per lot. 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

Bank deposits consist of deposits held in checking and savings accounts at local banks, 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.

The combined carrying amount of cash and investments on the Association's books at December 31, 2010 was \$1,032,721, while the combined balances on deposit at the local banks was \$1,096,994.

The differences between the carrying amount of cash and investments on the Association's books and the amount on deposit at the banks consist of outstanding checks and deposits not processed by the bank as of December 31, 2010.

A summary of the total insured and uninsured cash balances at December 31, 2010 is as follows:

Cash	\$ 162,716
Certificates of deposit (included with investments)	<u>934,278</u>
Total bank deposits	1,096,994
Portion insured by FDIC	<u>593,144</u>
Uninsured balance	<u><u>\$ 503,850</u></u>

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2010

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 and Concentrations of Credit Risk

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, 2010 is included below:

Assessments due from members	\$	54,730	100%
Allowance for doubtful accounts		(8,210)	-15%
Accounts receivable, net	\$	<u>46,520</u>	<u>85%</u>

5. Fixed Assets

Changes in fixed assets during 2010 are summarized as follows:

	Balance 12/31/09	Additions	Disposals	Balance 12/31/10
Building improvements	\$ 987,596	\$ 4,811	\$ (34,998)	\$ 957,409
Equipment	502,519	354,749	(92,071)	765,197
Vehicles	55,368	-	(5,018)	50,350
Land improvements	54,745	25,255	(19,103)	60,897
Water & irrigation system	1,612,780	6,054	-	1,618,834
Construction in progress	10,360	11,461	-	21,821
Land	<u>266,406</u>	<u>-</u>	<u>(146,650)</u>	<u>119,756</u>
Total acquisition cost	3,489,774	402,330	(297,840)	3,594,264
Accumulated depreciation	<u>(1,594,280)</u>	<u>(179,166)</u>	<u>117,452</u>	<u>(1,655,994)</u>
Total Fixed Assets, net	<u>\$ 1,895,494</u>	<u>\$ 223,164</u>	<u>\$ (180,388)</u>	<u>\$ 1,938,270</u>

Depreciation expense for the years ended December 31, 2010 was \$174,760.

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2010

6. Lease Commitments

Lease commitments for operating leases that the Association had entered into as of December 31, 2010 are as follows:

Description of Property Leased	Months	Start Date	End Date	Annual Payments
11 golf carts	60	05/28/07	04/28/12	6,904
10 Golf carts	48	07/01/10	06/30/14	7,488
				<u>14,392</u>

During 2010, the Association paid all remaining lease obligations related to golf course maintenance equipment, and purchased new equipment using money received from the sale of property to the Town of Star Valley Ranch, Wyoming.

Lease expense pursuant to these lease agreements was \$104,904 for the year ended December 31, 2010.

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 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, 2010 are the same as those reported in the statement of financial position.

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2010

8. Functional Expenses

Expenses have been reported below by their functional classification:

For the Year Ended December 31, 2010

	<i>Association Business</i>	<i>Facilities Expense</i>	<i>Golf Operations</i>	<i>Lounge</i>	<i>Total</i>	<i>2010</i>
Salaries and wages	\$ 96,977	\$ 63,526	\$ 223,707	\$ 19,663	\$ 403,873	
Payroll taxes	49,619	1,065	3,496	334	54,514	
Employee benefits	-	-	-	-	-	
Accounting fees	12,199	-	-	-	12,199	
Advertising	1,215	-	7,583	-	8,798	
Bad debt	2,069	-	-	-	2,069	
Bank charges	7,557	-	-	-	7,557	
Committee expenses	15,571	-	-	-	15,571	
Cleaning	-	9,393	-	-	9,393	
Contract services	13,576	8,000	-	1,674	23,250	
Dues and donations	370	-	-	-	370	
Insurance	41,264	-	-	-	41,264	
Interest	6	-	-	-	6	
Lease	-	-	104,904	-	104,904	
Legal and professional	12,764	-	-	-	12,764	
License and fees	166	-	-	1,540	1,706	
Office expense	-	-	-	-	-	
Other	691	-	770	769	2,230	
Postage	2,886	-	47	-	2,933	
Printing and publications	786	146	810	-	1,742	
Property taxes	36,398	-	-	-	36,398	
Repairs and maintenance	292	28,500	22,357	-	51,149	
Supplies	10,048	5,195	132,310	24,364	171,917	
Telephone	4,697	1,705	3,753	-	10,155	
Training	141	1,089	450	-	1,680	
Travel	914	159	-	-	1,073	
Utilities	7,445	15,625	10,981	1,273	35,324	
Total expenses	\$ 317,651	\$ 134,403	\$ 511,168	\$ 49,617	\$ 1,012,839	

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2010

9. Subsequent Events

The Association has evaluated subsequent events through May 24, 2011, 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*.