

Star Valley Ranch Association

Financial Report
December 31, 2011

Star Valley Ranch Association
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December 31, 2011 and 2010

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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, 2011 and 2010, 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 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 audits provide a reasonable basis for our opinions.

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, 2011 and 2010, 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.

Hirschi DeCoria & Company, PC

Hirschi DeCoria & Company, PC
Afton, WY 83110

March 28, 2012

**Star Valley Ranch Association
Statements of Financial Position
December 31, 2011 and 2010**

	Total 2011	Total 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 171,922	\$ 98,433
Investments	926,092	908,626
Restricted investments	25,956	25,652
Accounts receivable, net	45,580	51,221
Inventory	15,869	39,060
Prepaid Expenses	10,804	16,663
Total current assets	<u>1,196,223</u>	<u>1,139,655</u>
Noncurrent assets:		
Fixed assets, net	<u>1,788,086</u>	<u>1,938,270</u>
Total noncurrent assets	<u>1,788,086</u>	<u>1,938,270</u>
Other assets:		
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>\$ 3,204,309</u></u>	<u><u>\$ 3,297,925</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 21,991	\$ 5,809
Accrued payroll and related liabilities	16,989	14,048
Deposits	300	1,100
Member deposits	4,265	4,701
Designated funds	8,508	11,047
Total liabilities	<u>52,053</u>	<u>36,705</u>
Net assets:		
Unrestricted net assets	3,126,300	3,235,568
Restricted net assets	25,956	25,652
Total net assets	<u>3,152,256</u>	<u>3,261,220</u>
Total liabilities and net assets	<u><u>\$ 3,204,309</u></u>	<u><u>\$ 3,297,925</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, 2011 and 2010

	Total 2011	Total 2010
Operating revenues:		
Homeowner assessments	\$ 594,822	\$ 554,341
Other administrative income	10,997	22,684
Utilities revenue	29,259	31,477
Golf course fees	376,709	407,709
Interest income	29,672	27,246
Facilities rental and other	27,851	26,656
Lounge income	51,286	45,083
Total operating revenues	<u>1,120,596</u>	<u>1,115,196</u>
Operating expenses:		
Administration	323,529	315,582
Facilities	126,992	126,225
Golf course	472,077	511,168
Lounge	53,229	49,617
Major repairs	47,953	8,178
Depreciation	206,945	179,166
Bad debt expense	2,185	2,069
Total operating expenses	<u>1,232,910</u>	<u>1,192,005</u>
Operating loss	<u>(112,314)</u>	<u>(76,809)</u>
Other revenue:		
Gain on sale of assets	3,350	239,612
Total other revenue	<u>3,350</u>	<u>239,612</u>
Change in net assets	(108,964)	162,803
Net assets, beginning of year	<u>3,261,220</u>	<u>3,098,417</u>
Net assets, end of year	<u><u>\$ 3,152,256</u></u>	<u><u>\$ 3,261,220</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, 2011 and 2010

	Total 2011	Total 2010
Cash flows from operating activities:		
Operating loss	\$ (112,314)	\$ (76,809)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	206,945	179,166
Change in:		
Accounts receivable	5,641	147,286
Inventory	23,191	23,936
Prepaid expenses	5,859	(2,635)
Accounts payable	16,182	264
Accrued payroll and related liabilities	2,941	7,968
Deposits	(800)	(25,900)
Deferred revenue	(436)	(9,196)
Designated funds payable	(2,539)	4,149
Net cash provided by operating activities	<u>144,670</u>	<u>248,229</u>
Cash flows from investing activities:		
Proceeds from sale of fixed assets	3,350	420,000
Purchases of fixed assets	(56,761)	(402,330)
Change in restricted investments	(304)	(13,682)
Change in investments, net	<u>(17,466)</u>	<u>(324,157)</u>
Net cash used by investing activities	<u>(71,181)</u>	<u>(320,169)</u>
Cash flows from financing activities:		
Change in restricted cash	<u>-</u>	<u>12,930</u>
Net cash provided by financing activities	<u>-</u>	<u>12,930</u>
Change in cash and cash equivalents	73,489	(59,010)
Cash and cash equivalents, beginning of year	<u>98,433</u>	<u>157,443</u>
Cash and cash equivalents, end of year	<u><u>\$ 171,922</u></u>	<u><u>\$ 98,433</u></u>

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

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2011 and 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 Association, which comprises approximately 2,035 lots, 2015 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, 2011 and 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:

<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.

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2011 and 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 lots was \$295 and \$275 in 2011 and 2010, 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, 2011 was \$1,123,970, and combined bank balances totaled \$1,130,461. 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, 2011. 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, 2011 and 2010 is as follows:

	2011	2010
Cash	\$ 171,922	\$ 162,716
Certificates of deposit (included with investments)	926,092	908,626
Certificates of deposit (included with restricted investments)	25,956	25,652
Total bank deposits	1,123,970	1,096,994
Portion insured by FDIC	999,654	1,096,994
Uninsured balance	<u>\$ 124,316</u>	<u>\$ -</u>

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

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, 2011 and 2010 are included below:

	2011		2010	
Assessments due from members	\$ 52,888	100%	\$ 59,431	100%
Allowance for doubtful accounts	(7,308)	-15%	(8,210)	-15%
Accounts receivable, net	<u>\$ 45,580</u>	<u>85%</u>	<u>\$ 51,221</u>	<u>85%</u>

5. Fixed Assets

Changes in fixed assets during 2011 are summarized as follows:

	Balance 12/31/10	Additions	Disposals	Balance 12/31/11
Building improvements	\$ 957,409	\$ 5,369	\$ (56,121)	\$ 906,657
Equipment	765,197	26,664	(84,783)	707,078
Vehicles	50,350	-	(9,950)	40,400
Land improvements	60,897	24,728	-	85,625
Water & irrigation system	1,618,834	-	-	1,618,834
Construction in progress	21,821	-	-	21,821
Land	119,756	-	-	119,756
Total acquisition cost	<u>3,594,264</u>	<u>56,761</u>	<u>(150,854)</u>	<u>3,500,171</u>
Accumulated depreciation	<u>(1,655,994)</u>	<u>(206,945)</u>	<u>150,854</u>	<u>(1,712,085)</u>
Total Fixed Assets, net	<u>\$ 1,938,270</u>	<u>\$ (150,184)</u>	<u>\$ -</u>	<u>\$ 1,788,086</u>

Depreciation expense for the years ended December 31, 2011 and 2010, was \$206,945 and \$179,166, respectively.

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2011 and 2010

6. Lease Commitments

Lease commitments for operating leases that the Association had entered into as of December 31, 2011 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
28 Golf carts	48	04/01/11	03/31/15	21,670
				<u>36,062</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 lease agreements was \$37,744 and \$104,904 for the years ended December 31, 2011 and 2010, 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 – Fair values, which are amounts reported in the statements 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 statements of financial position for accounts receivable 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, 2011 and 2010, are the same as those reported in the statements of financial position.

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2011 and 2010

8. Functional Expenses

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</i>	<i>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 and janitorial	-	9,609	-	-		9,609
Contract services	-	5,408	1,895	2,638		9,941
Dues and subscriptions	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
Total expenses	\$ 323,529	\$ 126,992	\$ 472,077	\$ 53,229	\$	975,827

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

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

8. Functional Expenses, Continued

Expenses have been reported below by their functional classification:

For the Year Ended December 31, 2010

	<i>Administration</i>	<i>Facilities</i>	<i>Golf Courses</i>	<i>Lounge</i>	<i>Total</i>	<i>2010</i>
Payroll expenses	\$ 146,596	\$ 64,591	\$ 227,203	\$ 19,997	\$	458,387
Accounting fees	12,199	-	-	-		12,199
Advertising	1,215	-	7,583	-		8,798
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
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	\$ 315,582	\$ 134,403	\$ 511,168	\$ 49,617	\$	1,010,770

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 28, 2012, 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*.