

Star Valley Ranch Association

Financial Report
December 31, 2013

**Star Valley Ranch Association
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December 31, 2013 and 2012**

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Star Valley Ranch Association (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 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 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 opinion.

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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, Wyoming

March 20, 2014

Financial Statements

**Star Valley Ranch Association
 Statements of Financial Position
 December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 138,949	\$ 104,259
Investments	1,048,890	1,111,998
Restricted investments	26,221	26,141
Accounts receivable, net	70,028	57,510
Inventory	14,613	15,945
Prepaid Expenses	<u>17,850</u>	<u>15,942</u>
Total current assets	<u>1,316,551</u>	<u>1,331,795</u>
Noncurrent assets:		
Fixed assets, net	<u>1,621,962</u>	<u>1,633,046</u>
Total noncurrent assets	<u>1,621,962</u>	<u>1,633,046</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>\$ 3,158,513</u></u>	<u><u>\$ 3,184,841</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 7,999	\$ 6,387
Accrued payroll and related liabilities	14,631	23,443
Deposits	175	175
Member deposits	6,555	3,278
Designated funds	<u>7,291</u>	<u>7,000</u>
Total liabilities	<u>36,651</u>	<u>40,283</u>
Net assets:		
Unrestricted net assets	3,095,641	3,118,417
Restricted net assets	<u>26,221</u>	<u>26,141</u>
Total net assets	<u>3,121,862</u>	<u>3,144,558</u>
Total liabilities and net assets	<u><u>\$ 3,158,513</u></u>	<u><u>\$ 3,184,841</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Homeowner assessments	\$ 704,900	\$ 705,250
Other administrative income	11,446	7,634
Utilities revenue	1,212	14,294
Golf course fees	369,214	349,671
Facilities rental and other	24,833	28,691
Lounge income	<u>60,956</u>	<u>65,004</u>
Total operating revenues	<u>1,172,561</u>	<u>1,170,544</u>
Operating expenses:		
Administration	335,657	338,883
Facilities	122,673	126,421
Golf course	445,082	436,223
Lounge	58,378	64,997
Major repairs	35,575	19,751
Depreciation	213,993	208,726
Bad debt expense	<u>2,209</u>	<u>3,214</u>
Total operating expenses	<u>1,213,567</u>	<u>1,198,215</u>
Operating loss	<u>(41,006)</u>	<u>(27,671)</u>
Other revenue:		
Interest income	17,820	19,973
Gain on sale of assets	<u>490</u>	<u>-</u>
Total other revenue	<u>18,310</u>	<u>19,973</u>
Change in net assets	(22,696)	(7,698)
Net assets, beginning of year	<u>3,144,558</u>	<u>3,152,256</u>
Net assets, end of year	<u><u>\$ 3,121,862</u></u>	<u><u>\$ 3,144,558</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Operating loss	\$ (41,006)	\$ (27,671)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	213,993	208,726
Prior year construction in progress expensed in the current year	21,821	-
Change in:		
Accounts receivable	(12,518)	(11,930)
Inventory	1,332	(76)
Prepaid expenses	(1,908)	(5,138)
Accounts payable	1,612	(15,604)
Accrued payroll and related liabilities	(8,812)	6,454
Deposits	-	(125)
Deferred revenue	3,277	(987)
Designated funds payable	291	(1,508)
	<u>178,082</u>	<u>152,141</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Interest income	17,820	19,973
Proceeds from sale of fixed assets	490	-
Purchases of fixed assets	(227,817)	(53,686)
Change in restricted investments	(80)	(185)
Change in investments, net	63,108	(185,906)
Cash from disposal of fixed assets	3,087	-
	<u>(143,392)</u>	<u>(219,804)</u>
Net cash used by investing activities		
Change in cash and cash equivalents	34,690	(67,663)
Cash and cash equivalents, beginning of year	<u>104,259</u>	<u>171,922</u>
Cash and cash equivalents, end of year	<u>\$ 138,949</u>	<u>\$ 104,259</u>

**Star Valley Ranch Association
Notes to Financial Statements
December 31, 2013 and 2012**

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 consist of certificates of deposit with local banks and are stated at cost plus accrued interest.

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.

**Star Valley Ranch Association
Notes to Financial Statements
December 31, 2013 and 2012**

1. Summary of Significant Accounting Policies, Continued

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 \$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 2010 through 2013.

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. At December 31, 2013 and 2012, the carrying value of financial instruments, such as receivables, accounts payable and accrued liabilities, approximated their fair values based on the short-term maturities of these instruments.

**Star Valley Ranch Association
Notes to Financial Statements
December 31, 2013 and 2012**

1. Summary of Significant Accounting Policies, Continued

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. The inputs and methodology used for valuing SVRA's financial assets and liabilities are not indicators of the risks associated with those instruments.

At December 31, 2013 and 2012, there are no assets that are measured at fair value on a recurring basis. 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). SVRA had not assets measured at fair value on a nonrecurring basis during 2013 or 2012.

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 for both 2013 and 2012. 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, 2013 was \$1,214,060, and combined bank balances totaled \$1,214,809. 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, 2013. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank.

**Star Valley Ranch Association
Notes to Financial Statements
December 31, 2013 and 2012**

2. Bank Deposits, Continued

A summary of the total insured and uninsured cash balances at December 31, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Cash	\$ 139,698	\$ 121,958
Certificates of deposit (included with investments)	1,048,890	1,111,998
Certificates of deposit (included with restricted investments)	<u>26,221</u>	<u>26,141</u>
Total bank deposits	1,214,809	1,260,097
Portion insured by FDIC	<u>1,214,809</u>	<u>1,126,139</u>
Uninsured balance	<u>\$ -</u>	<u>\$ 133,958</u>

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, 2013 and 2012 are included below:

	<u>2013</u>		<u>2012</u>	
Assessments due from members	\$ 82,386	100%	\$ 67,659	100%
Allowance for doubtful accounts	<u>(12,358)</u>	<u>-15%</u>	<u>(10,149)</u>	<u>-15%</u>
Accounts receivable, net	<u>\$ 70,028</u>	<u>85%</u>	<u>\$ 57,510</u>	<u>85%</u>

**Star Valley Ranch Association
Notes to Financial Statements
December 31, 2013 and 2012**

5. Fixed Assets

Changes in fixed assets during 2013 are summarized as follows:

	Balance 12/31/12	Additions	Disposals	Balance 12/31/13
Buildings and improvements	\$ 906,657	\$ 55,660	\$ -	\$ 962,317
Equipment	736,435	-	(14,403)	722,032
Vehicles	40,400	-	-	40,400
Land improvements	99,629	14,693	-	114,322
Water & irrigation system	1,618,834	40,529	(4,734)	1,654,629
Construction in progress	29,132	116,935	(21,821)	124,246
Land	122,770	-	-	122,770
Total acquisition cost	3,553,857	227,817	(40,958)	3,740,716
Accumulated depreciation	(1,920,811)	(213,993)	16,050	(2,118,754)
Total Fixed Assets, net	<u>\$ 1,633,046</u>	<u>\$ 13,824</u>	<u>\$ (24,908)</u>	<u>\$ 1,621,962</u>

Depreciation expense for the years ended December 31, 2013 and 2012, was \$213,993 and \$208,726, respectively.

6. Lease Commitments

Lease commitments for operating leases that the Association had entered into as of December 31, 2013 are as follows:

Description of Leased Property	Months	Start Date	End Date	Annual Payments
10 Golf carts	48	07/01/10	06/30/14	\$ 2,497
28 Golf carts	48	04/01/11	03/31/15	21,670
12 Golf carts	48	07/01/12	06/30/16	18,888
Total annual payments				<u>\$ 43,055</u>

Lease expense pursuant to lease agreements was \$48,046 and \$37,544 for the years ended December 31, 2013 and 2012, respectively.

**Star Valley Ranch Association
Notes to Financial Statements
December 31, 2013 and 2012**

8. Functional Expenses

Expenses have been reported below by their functional classification:

For the Year Ended December 31, 2013

	<i>Administration</i>	<i>Facilities</i>	<i>Golf Courses</i>	<i>Lounge</i>	<i>Total 2013</i>
Payroll expenses	\$ 155,958	\$ 76,209	\$ 230,315	\$ 20,690	\$ 483,172
Accounting fees	14,240	-	-	-	14,240
Advertising	2,758	-	5,868	-	8,626
Bank charges	10,245	-	-	-	10,245
Committee expenses	17,793	-	-	-	17,793
Cleaning and janitorial	-	9,985	-	-	9,985
Contract services	-	2,849	2,650	2,765	8,264
Dues and subscriptions	845	-	3,875	-	4,720
Equipment	6,400	-	4,211	-	10,611
Insurance	45,123	-	-	-	45,123
Lease	-	-	38,605	-	38,605
Legal and professional	24,434	-	-	-	24,434
License and fees	176	-	-	950	1,126
Other	712	1,425	2,597	623	5,357
Postage	3,492	-	84	-	3,576
Printing and publications	55	235	785	-	1,075
Property taxes	37,119	-	-	-	37,119
Repairs and maintenance	-	14,764	18,181	-	32,945
Supplies	6,712	3,557	118,433	31,617	160,319
Telephone	3,425	2,306	2,067	377	8,175
Training	-	337	877	-	1,214
Travel	33	-	385	-	418
Utilities	6,137	11,006	16,149	1,356	34,648
Total expenses	\$ 335,657	\$122,673	\$ 445,082	\$ 58,378	\$ 961,790

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

Star Valley Ranch Association
Notes to Financial Statements
December 31, 2013 and 2012

8. Functional Expenses, Continued

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	-	10,327	-	-	10,327
Contract services	-	5,251	1,890	3,713	10,854
Dues and donations	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
Total expenses	\$ 338,883	\$126,421	\$ 436,223	\$ 64,997	\$ 966,524

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 20, 2014, 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*.