



**Town of Snowflake, Arizona**  
Comprehensive Annual Financial Report

For the fiscal year ended  
June 30, 2014

Prepared by:

Brian Richards, CPA, CPFO

Finance Department  
Town of Snowflake, Arizona

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**Town of Snowflake, Arizona  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2014**

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## INTRODUCTORY SECTION



October 25, 2014

To the Honorable Mayor, Members of the Town Council, and Citizens of the Town of Snowflake:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the Town of Snowflake, Arizona (Town) for the fiscal year ended June 30, 2014. The report was prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a licensed Certified Public Accountant.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Hinton Burdick, Certified Public Accountants, has issued an unqualified ("clean") opinion on the Town of Snowflake's financial statements for the year ended June 30, 2014. The independent auditor's report is located at the front of the financial section of this report. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements: assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

## **Profile of the Government**

The Town of Snowflake was incorporated in 1948, and is located in Northeastern Arizona. It currently occupies 27 square miles and serves a population estimated at 5,641. The Town of Snowflake is empowered by the citizens to levy property taxes through a proper election, but as of today levies no property taxes, nor has ever levied a tax on property. The Town is also empowered by state statute to extend its corporate limits by annexation, which it has done from time to time.

The Town of Snowflake has operated under the council-manager form of government since 1986. Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and six other council members, all elected on a non-partisan basis. The Council appoints the Town's manager, who in turn appoints the heads of various departments. Council members serve four-year terms, with three members elected every two years. The mayor is directly elected to a four-year term.

The Town of Snowflake provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets and other infrastructure; and recreation and cultural activities. The Town operates a water and sewer utility and a golf course.

The Council is required to adopt a tentative budget on or before the third Monday in July of each year. The Town Council adopted the final budget for the fiscal year ending June 30, 2014, on July 23, 2013. The budget is prepared by fund, and department. Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing council.

## **Local Economy**

Major industries located within the government's boundaries or in close proximity include vegetable growers, pork production, and electrical generation.

Unemployment has decreased slightly from 8.5% last year to 6.5% this year. The unemployment rate in the Town has fluctuated from a low of 4.6% to its current rate of 6.5% during the past ten years.

During the past five years, the Town's expenditures related to public safety have increased significantly. These expenditures have risen in a large part to increased staffing and competitive wages.

### **Capital Projects**

The major capital projects planned for the next year include minor road improvements, and a major flood control project of approximately \$2.3 million.

### **Long-term Financial Planning**

The Town is currently working on projects that will enhance the value of the Town's industrial area. These flood control projects will be completed using a combination of Federal, State, and Local dollars. When completed a large area of available land will become more attractive because the land will no longer be designated a flood prone area. This enhanced area is projected to allow the expansion of existing businesses, bringing more jobs and dollars to the community.

### **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Snowflake for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2013. This was the eighth year that the Town of Snowflake has received this prestigious award. In order to be awarded a Certificate of Achievement, the government had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance and administration department. I wish to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the mayor and the governing council for their unfailing support for maintaining the highest standards of professionalism in the management of the Town of Snowflake's finances.

Respectfully Submitted,

*Brian Richards*

Brian Richards, CPA, CPFO  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Town of Snowflake  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

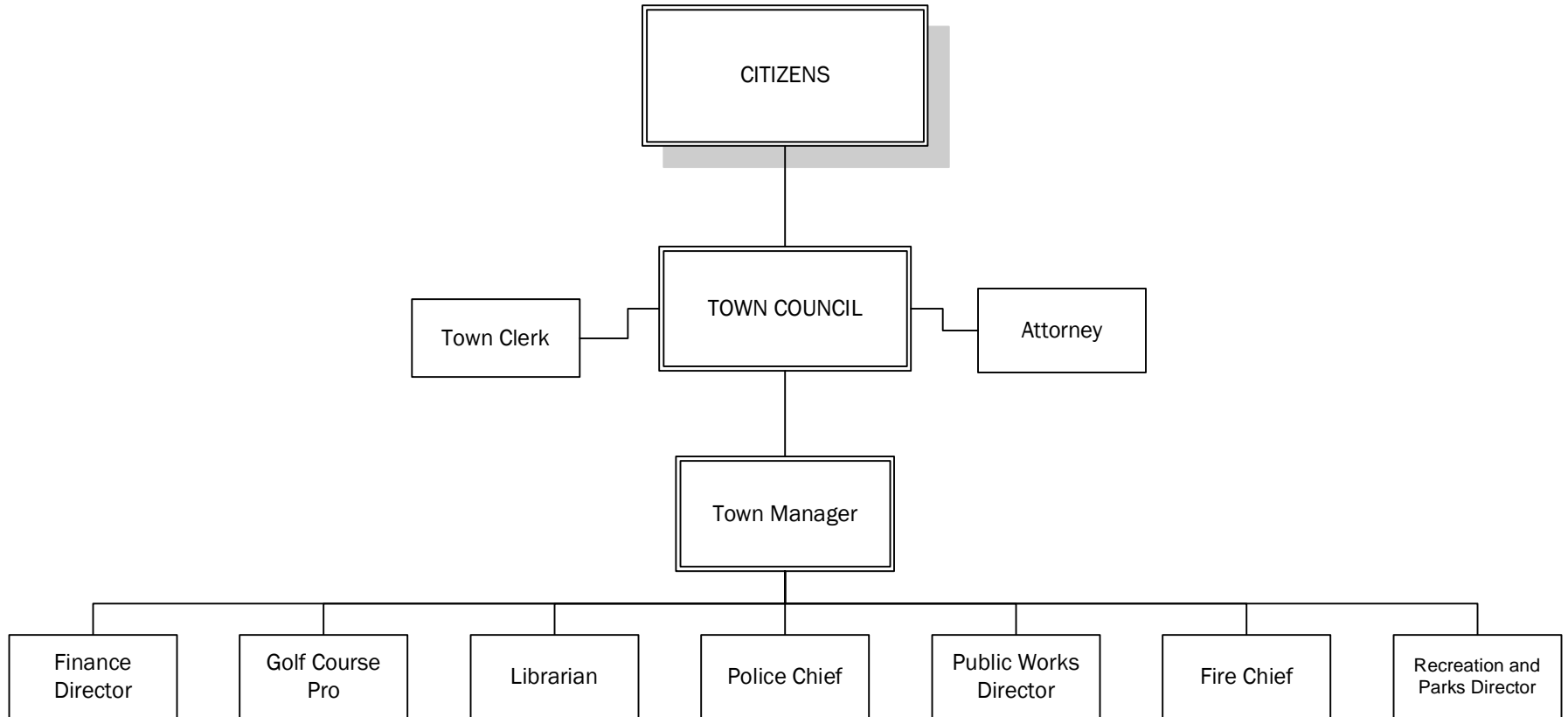
**June 30, 2013**

Executive Director/CEO



# Town of Snowflake, Arizona

## Organization Chart



**Town of Snowflake, Arizona  
List of Elected and Appointed Officials  
June 30, 2014**

Elected Officials

Mayor	Kelly S. Willis
Vice-Mayor	Jason Whiting
Council	Thomas L. Poscharsky
Council	Stuart Hensley
Council	Beverlee Kay
Council	Lynn Johnson
Council	Kerry Ballard

Appointed Officials

Town Manager	Paul Watson
Public Works Director	Rob Emmett
Finance Director	Brian Richards
Town Clerk	Barbara Flake
Town Attorney	Robert M. Hall
Fire Chief	Patrick Hancock
Police Chief	Jerry VanWinkle
Recreation and Parks Director	Donald Camacho
Librarian	Cathie McDowell
Golf Pro	Steve Schneider
Town Magistrate	Fred Peterson

## FINANCIAL SECTION

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## Independent Auditors' Report

Honorable Mayor and  
Town Council  
Town of Snowflake, Arizona

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Snowflake, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

#### *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 opinions 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 opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Snowflake, Arizona, as of June 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Highway User Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and supplementary schedules on pages 10–18 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Snowflake, Arizona's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, on our consideration of the Town of Snowflake, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Snowflake, Arizona's internal control over financial reporting and compliance.



HintonBurdick, PLLC  
Flagstaff, Arizona  
October 22, 2014

## MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Town of Snowflake, we offer readers of the Town of Snowflake's financial statements this narrative overview and analysis of the financial activities of the Town of Snowflake for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information in the notes to the financial statements.

### Financial Highlights

- The assets of the Town of Snowflake exceeded its liabilities at the close of the most recent fiscal year by \$13,975,412 (net position). Of this amount \$1,557,555 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town of Snowflake's total net position decreased by \$338,871 during the current fiscal year.
- As of June 30, 2014, the Town's governmental funds reported combined ending fund balances of \$1,626,175, a decrease of \$358,280. Of the total ending fund balance, \$664,703 is unassigned and available for spending at the government's discretion.
- As of June 30, 2014, the total unassigned fund balance for the general fund was \$664,703, or 16% of total general fund expenditures (\$4,076,709).
- As of June 30, 2014, the Town's proprietary funds reported combined total net position of \$3,462,091.
- The Town's long term debt decreased by \$24,482 during the current fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Snowflake's basic financial statements. The Town of Snowflake's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the Town of Snowflake's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Town of Snowflake's assets and liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town of Snowflake is improving or deteriorating.

The *Statement of Activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Snowflake that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Town of Snowflake include; general government, public safety, highways and streets, economic development, library, and recreation and parks. The business-type activities of the Town of Snowflake include; a Water and Sewer utility and a Golf Course operation.

The government-wide financial statements can be found on pages 22-23 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Snowflake, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town of Snowflake can be divided into three categories; governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

## MANAGEMENT DISCUSSION AND ANALYSIS - continued

Because the focus of governmental funds is narrower than that of the governmental-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town of Snowflake maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special revenue funds.

The Town of Snowflake adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 24-28 of this report.

**Proprietary funds.** The Town of Snowflake maintains two proprietary funds. Both of these funds are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Snowflake uses enterprise funds to account for its Water and Sewer utilities and Golf Course enterprise.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer utility and Golf Course enterprise, both of which are considered to be major funds of the Town of Snowflake.

The basic proprietary fund financial statements can be found on pages 29-31 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-48 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents require supplementary information concerning the Town of Snowflake's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on page 52 of this report.

### Government-wide Financial Analysis

As previously noted, net position may serve as a useful indicator of a government's financial position over time. In the case of the Town of Snowflake, assets exceeded liabilities by \$13,975,412 at the close of the most recent fiscal year.



**MANAGEMENT DISCUSSION AND ANALYSIS - continued**

By far the largest portion of the Town of Snowflake's net position (84 percent, \$11,757,830) reflects its investment in capital assets such as land, buildings, machinery, and equipment, less any related debt used to acquire those assets that are still outstanding. The Town of Snowflake uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Snowflake's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Town of Snowflake, Arizona  
Net Position  
June 30, 2014**

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 2,469,333	\$ 2,201,430	\$ 1,168,769	\$ 1,025,921	\$ 3,638,102	\$ 3,227,351
Capital assets	11,171,880	11,454,409	5,960,950	5,642,711	17,132,830	17,097,120
Total assets	<u>13,641,213</u>	<u>13,655,839</u>	<u>7,129,719</u>	<u>6,668,632</u>	<u>20,770,932</u>	<u>20,324,471</u>
Long-term liabilities	2,152,024	2,638,832	3,060,062	2,961,027	5,212,086	5,599,859
Other liabilities	975,866	216,975	607,566	193,354	1,583,432	410,329
Total liabilities	<u>3,127,890</u>	<u>2,855,807</u>	<u>3,667,628</u>	<u>3,154,381</u>	<u>6,795,518</u>	<u>6,010,188</u>
Invested in capital assets						
net of related debt	9,055,294	8,972,640	2,702,536	2,724,998	11,757,830	11,697,638
Restricted	399,860	379,571	260,167	610,810	660,027	990,381
Unrestricted	1,058,167	1,447,821	499,388	178,443	1,557,555	1,626,264
Total net position	<u>\$ 10,513,321</u>	<u>\$ 10,800,032</u>	<u>\$ 3,462,091</u>	<u>\$ 3,514,251</u>	<u>\$ 13,975,412</u>	<u>\$ 14,314,283</u>

An additional portion of the Town of Snowflake's net position, \$660,027 (5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$1,557,555) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Snowflake is able to report positive balances in all three categories of net position, for the government as a whole, and positive balances in the three categories of net position for the government's separate business type activities.

The Town's net position decreased by \$338,871 during the current fiscal year. This decrease is a result of expenditures exceeding revenues in the general fund.

**MANAGEMENT DISCUSSION AND ANALYSIS - continued**

Changes in Net Position for the year ended June 30, 2014 are as follows:

**Town of Snowflake  
Changes in Net Position  
June 30, 2014**

	Governmental		Business-type		Total	
	Activities		Activities			
<b>Revenues:</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Program revenues:						
Charges for services	\$ 1,158,500	\$ 1,226,838	\$ 1,717,580	\$ 1,851,016	\$ 2,876,080	\$ 3,077,854
Operating grants and contributions	4,908	1,392	-	-	4,908	1,392
Capital grants and contributions	312,095	651,551	-	-	312,095	651,551
General revenues:						
Sales taxes	993,577	1,039,145	-	-	993,577	1,039,145
State shared sales taxes	486,569	457,552	-	-	486,569	457,552
Intergovernmental	623,076	623,291	-	-	623,076	623,291
Franchise taxes	121,282	123,360	-	-	121,282	123,360
Motor fuel taxes	646,059	614,387	-	-	646,059	614,387
Investment earnings	4,993	2,918	1,073	4,381	6,066	7,299
Vehicle license taxes	285,566	274,622	-	-	285,566	274,622
Other	61,938	44,305	-	-	61,938	44,305
Sales of capital assets	-	-	-	-	-	-
<b>Total revenues</b>	<b>4,698,563</b>	<b>5,059,361</b>	<b>1,718,653</b>	<b>1,855,397</b>	<b>6,417,216</b>	<b>6,914,758</b>
<b>Expenses:</b>						
General government	1,152,065	1,206,701	-	-	1,152,065	1,206,701
Public safety	2,245,703	2,122,500	-	-	2,245,703	2,122,500
Highways and streets	736,137	722,752	-	-	736,137	722,752
Recreation and parks	482,477	480,047	-	-	482,477	480,047
Interest on long-term debt	75,071	120,376	-	-	75,071	120,376
Water and wastewater	-	-	1,457,208	1,251,985	1,457,208	1,251,985
Golf Course	-	-	607,426	621,585	607,426	621,585
<b>Total expenses</b>	<b>4,691,453</b>	<b>4,652,376</b>	<b>2,064,634</b>	<b>1,873,570</b>	<b>6,756,087</b>	<b>6,525,946</b>
Increase (decrease) in net position before transfers	7,110	406,985	(345,981)	(18,173)	(338,871)	388,812
Transfers	(293,821)	(215,138)	293,821	215,138	-	-
Change in net position	(286,711)	191,847	(52,160)	196,965	(338,871)	388,812
Net position 06/30/2013	10,800,032	10,658,877	3,514,251	3,317,286	14,314,283	13,976,163
Net position 06/30/2014	\$ 10,513,321	\$ 10,800,032	\$ 3,462,091	\$ 3,514,251	\$ 13,975,412	\$ 14,314,283

MANAGEMENT DISCUSSION AND ANALYSIS - continued

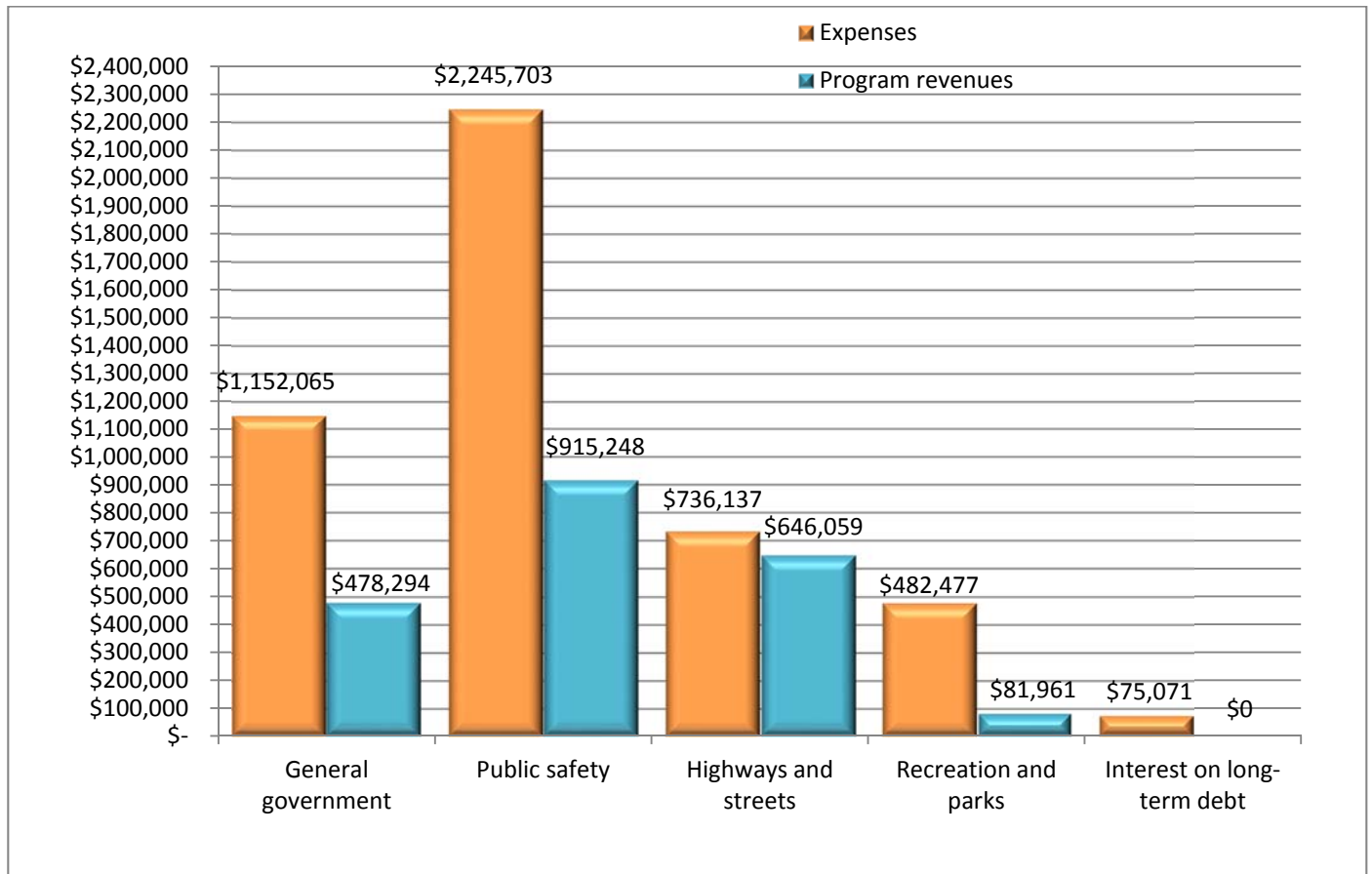
**Governmental activities** – Governmental activities decreased the Town’s net position by 286,711, thereby accounting for 85 percent of the decrease in net position of the Town of Snowflake. Key elements of this decrease are as follows:

- Charges for services decreased by \$68,338 (6 percent) during the year.
- Sales tax collections decreased by \$45,468 (4 percent) during the year.
- Public safety expenses increased by \$123,203 (6 percent) during the year.
- Total governmental expenses increased by \$39,077 (1 percent) during the year.

**Business-type activities** – Business-type activities decreased the Town of Snowflake’s net position by \$52,160. The main factor of the net position decrease in business-type activities is:

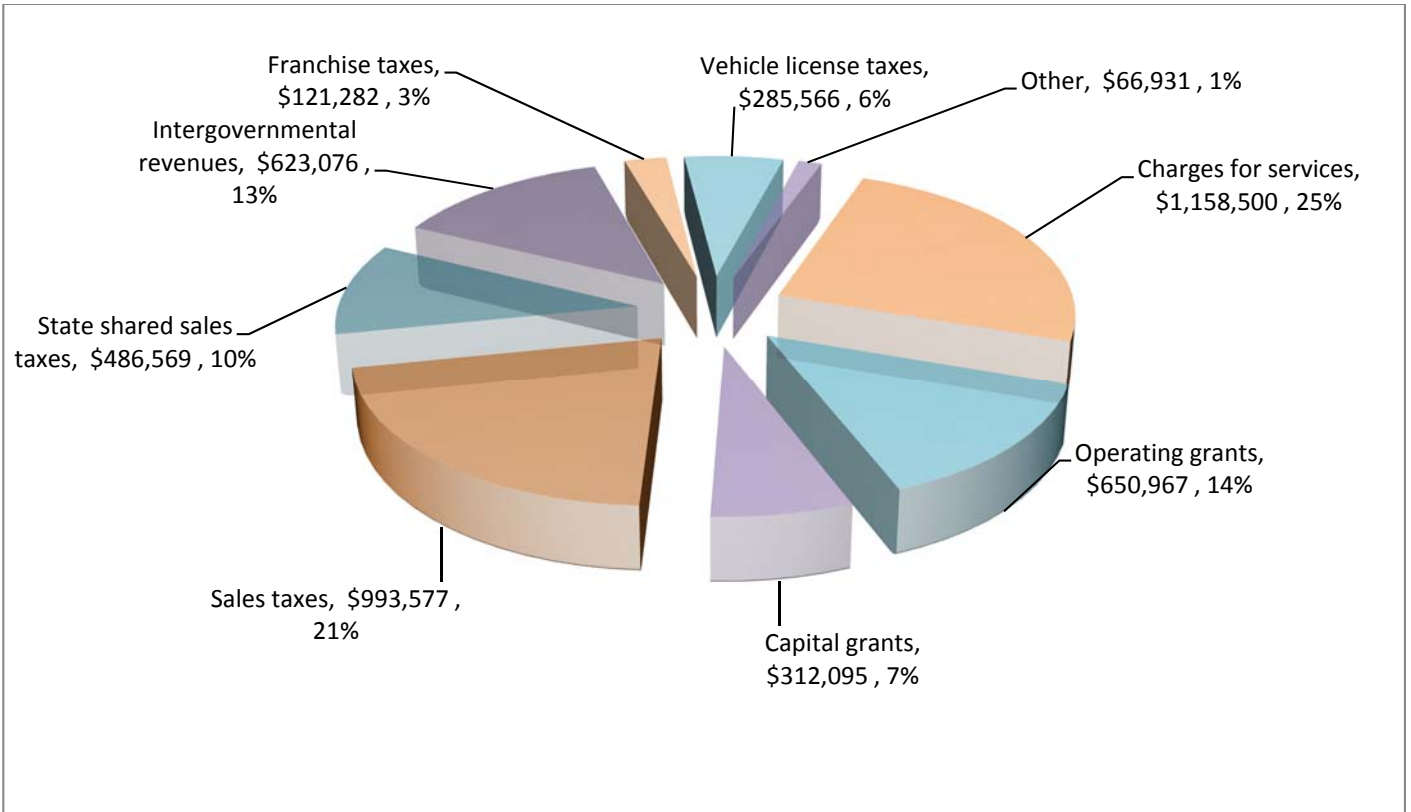
- Business type revenues were lower by \$133,436 (7 percent). Mainly due to reduced usage of services.

Expenses and Program Revenues - Governmental Activities

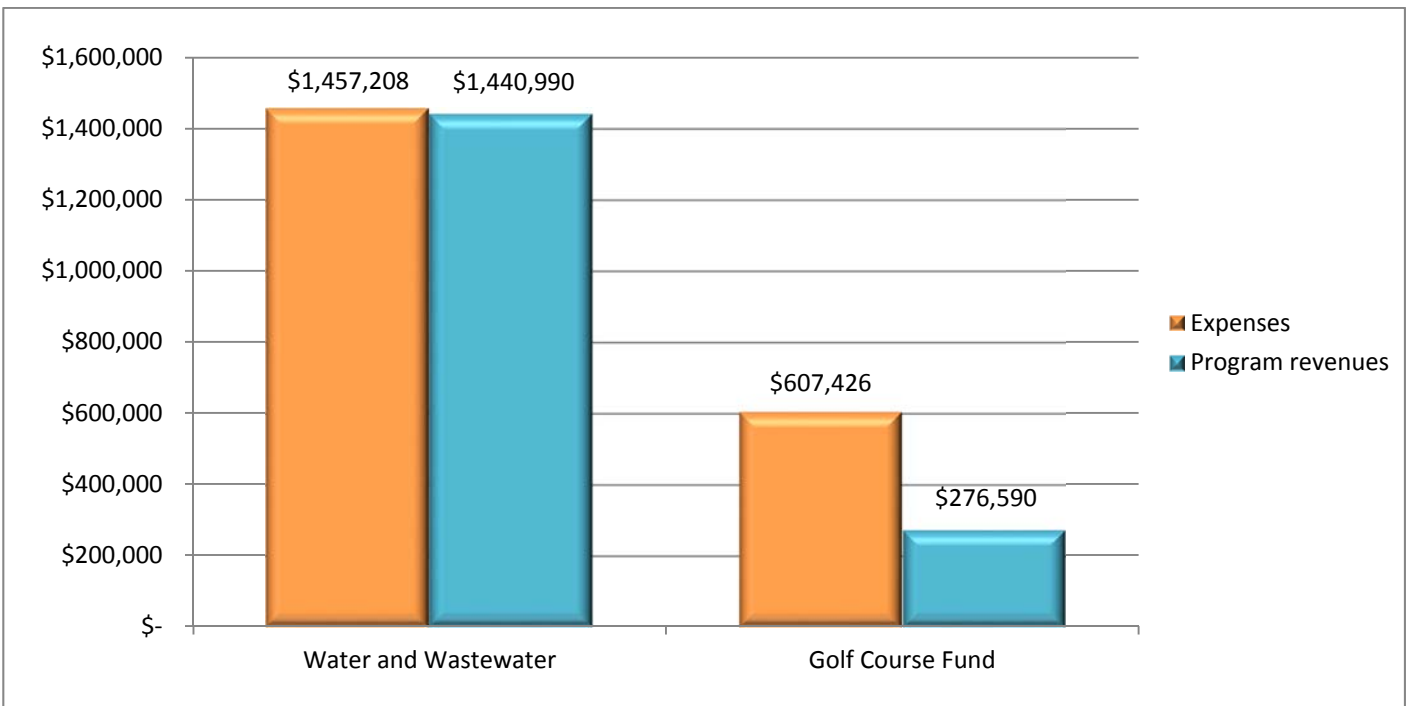


MANAGEMENT DISCUSSION AND ANALYSIS - continued

Revenues by Source - Governmental Activities

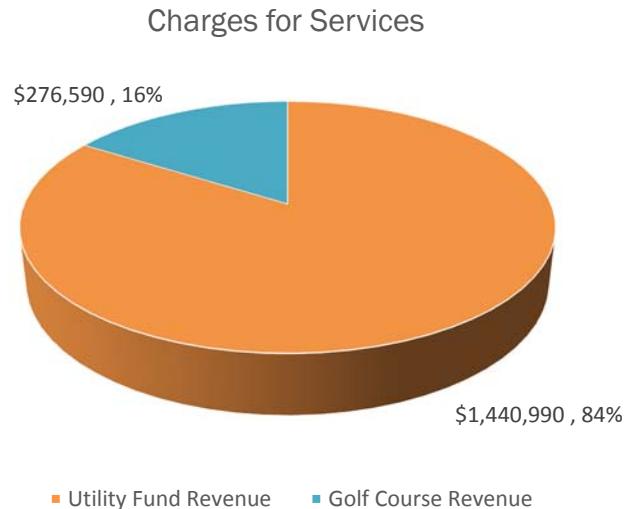


Expenses and Program Revenues - Business-type Activities



## MANAGEMENT DISCUSSION AND ANALYSIS - continued

### Revenues by Source - Business-type Activities



### Financial Analysis of the Government's Funds

As noted earlier, the Town of Snowflake uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the Town of Snowflake's governmental funds is to provide information on near-term inflows, outflows, and balances of spend-able resources. Such information is useful in assessing the Town of Snowflake's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Snowflake's governmental funds reported combined ending fund balances of \$1,626,175, a decrease of 18 percent in comparison with the prior year. Approximately 41 percent constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service (\$106,754), and for highways and streets (\$293,106).

The general fund is the chief operating fund of the Town of Snowflake. At the end of the current fiscal year, unassigned fund balance of the general fund was \$664,703, while total fund balance reached was \$1,326,109. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 16 percent of total general fund expenditures (\$4,076,709), while total fund balance represents 33 percent of that same amount.

## MANAGEMENT DISCUSSION AND ANALYSIS - continued

The fund balance of the Town of Snowflake's general fund decreased by \$457,300 during the current fiscal year. Key factors relating to this decrease are as follows:

- General fund governmental revenues decreased by \$390,321 (9 percent) during the year.

The fund balance for the Highway User Revenue Fund increased by \$99,020 to \$300,066.

*Proprietary Funds.* The Town of Snowflake's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility fund at the end of the year amounted to \$532,603, and unrestricted net position of the Golf Course fund was \$(33,215). Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Snowflake's business-type activities.

### General Fund Budgetary Highlights

The overall general fund budget decreased by 4% from the prior year due to the overall decrease in anticipated revenues and the economic environment in which the Town operates.

### General Fund Budgetary Variances

Intergovernmental Revenues received are significantly less than budgeted because of capital grant related revenues were not awarded in the budgeted fiscal year.

### Capital Asset and Debt Administration

*Capital Assets.* The Town of Snowflake's investment in capital assets for its governmental and business type activities as of June 30, 2014, amounts to \$17,132,830 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure. The total net Increase in the Town of Snowflake's investment in capital assets for the current fiscal year was \$35,710.

#### Town of Snowflake's Capital Assets (net of depreciation)

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
Land	\$ 530,743	\$ 530,743	\$1,783,317	\$1,783,317	\$ 2,314,060	\$ 2,314,060
Construction in Progress	1,805,896	1,670,566	-	-	1,805,896	1,670,566
Buildings and improvements	2,690,075	2,601,869	3,270,549	3,119,591	5,960,624	5,721,460
Machinery and equipment	1,190,864	1,442,758	907,084	739,803	2,097,948	2,182,561
Infrastructure	4,954,302	5,208,473	-	-	4,954,302	5,208,473
Total	<u>\$11,171,880</u>	<u>\$11,454,409</u>	<u>\$5,960,950</u>	<u>\$5,642,711</u>	<u>\$17,132,830</u>	<u>\$17,097,120</u>

Additional information on the Town of Snowflake's capital assets can be found in note IV on pages 42-43 of this report.

**MANAGEMENT DISCUSSION AND ANALYSIS - continued**

*Long-term debt.* At the end of the current fiscal year, the Town of Snowflake had total debt outstanding of \$5,375,000. The entire debt amount is secured solely by specified revenue sources (i.e. revenue bonds).

**Town of Snowflake's Outstanding Debt  
General Obligation and Revenue Bonds**

	Governmental		Business-type		Total	
	Activities		Activities			
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue bonds	2,116,586	2,481,769	3,258,414	2,917,713	5,375,000	5,399,482
<b>Total</b>	<b>\$ 2,116,586</b>	<b>\$ 2,481,769</b>	<b>\$3,258,414</b>	<b>\$2,917,713</b>	<b>\$ 5,375,000</b>	<b>\$ 5,399,482</b>

The Town of Snowflake’s total debt decreased by \$24,482 during the year, this decrease is attributed to a combination of new debt issues and principal paid on outstanding debt issues during the year.

State statutes limit the amount of general obligation debt a governmental entity may issue. The debt limitations imposed on the Town by State statute are six percent and twenty percent of outstanding assessed valuation. The Town’s available debt margin at June 30, 2014 is \$1.7 million at 6 percent and \$5.7 million at 20 percent.

Additional information on the Town of Snowflake’s long-term debt can be found in note IV on pages 43-45 of this report.

**Economic Factors and Next Year’s Budgets and Rates**

The unemployment rate for the Town of Snowflake is currently around 6.5 percent. Inflationary trends in the region compare favorably to national indices. Sales taxes have declined in the recent year due to a general economic downturn, and decreased residential new home construction.

All of these factors were considered in preparing the Town of Snowflake’s budget for the 2015 fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Snowflake’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following address:

Finance Department  
 Town of Snowflake  
 Brian Richards, Finance Director  
 81 W. 1<sup>st</sup> St. South  
 Snowflake, AZ 85937  
 Telephone: 928-536-7103 ext. 254  
 Fax: 928-536-2539

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## **BASIC FINANCIAL STATEMENTS**

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# Town of Snowflake, Arizona

## Statement of Net Position

June 30, 2014

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 1,426,396	\$ 719,227	\$ 2,145,623
Accounts receivable, (net of allowance for uncollectables)	374,571	174,483	549,054
Inventories	-	14,892	14,892
Prepays	561,612	-	561,612
Restricted assets:			
Temporarily restricted:			
Investments	106,754	260,167	366,921
Capital assets not being depreciated:			
Land	530,743	1,783,317	2,314,060
Construction In progress	1,805,896	-	1,805,896
Depreciable, net	8,835,241	4,177,633	13,012,874
<b>Total Assets</b>	<b>\$ 13,641,213</b>	<b>\$ 7,129,719</b>	<b>\$ 20,770,932</b>
<b>Liabilities</b>			
Accounts payable	\$ 228,884	\$ 298,018	\$ 526,902
Accrued liabilities	80,673	18,763	99,436
Interest payable	32,744	33,907	66,651
Deposits payable	-	15,770	15,770
Unearned grant revenue	500,857	-	500,857
Non-current liabilities:			
Due within one year:			
Bonds payable	73,857	226,143	300,000
Compensated absences	58,851	14,965	73,816
Due in more than one year:			
Bonds payable	2,042,729	3,032,271	5,075,000
Compensated absences	109,295	27,791	137,086
<b>Total Liabilities</b>	<b>3,127,890</b>	<b>3,667,628</b>	<b>6,795,518</b>
<b>Net Position</b>			
Net investment in capital assets	9,055,294	2,702,536	11,757,830
Restricted for:			
Highways and streets	293,106	-	293,106
Debt service	106,754	260,167	366,921
Unrestricted	1,058,167	499,388	1,557,555
<b>Total Net Position</b>	<b>\$ 10,513,321</b>	<b>\$ 3,462,091</b>	<b>\$ 13,975,412</b>

# Town of Snowflake, Arizona

## Statement of Activities Year Ended June 30, 2014

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,152,065	\$ 172,899	\$ -	\$ 305,395	\$ (673,771)	\$ -	\$ (673,771)
Public safety	2,245,703	908,548	-	6,700	(1,330,455)	-	(1,330,455)
Highways and streets	736,137	-	646,059	-	(90,078)	-	(90,078)
Recreation and parks	482,477	77,053	4,908	-	(400,516)	-	(400,516)
Interest on long-term debt	75,071	-	-	-	(75,071)	-	(75,071)
Total governmental activities	4,691,453	1,158,500	650,967	312,095	(2,569,891)	-	(2,569,891)
Business-type activities:							
Water and wastewater	1,457,208	1,440,990	-	-	-	(16,218)	(16,218)
Golf course	607,426	276,590	-	-	-	(330,836)	(330,836)
Total business-type activities	2,064,634	1,717,580	-	-	-	(347,054)	(347,054)
Total primary government:	\$ 6,756,087	\$ 2,876,080	\$ 650,967	\$ 312,095	\$ (2,569,891)	\$ (347,054)	\$ (2,916,945)
			General revenues				
			Sales taxes		\$ 993,577	\$ -	\$ 993,577
			State shared sales taxes		486,569	-	486,569
			Franchise taxes		121,282	-	121,282
			Vehicle license taxes		285,566	-	285,566
			State shared income taxes		623,076	-	623,076
			Investment earnings		4,993	1,073	6,066
			Miscellaneous		61,938	-	61,938
			Transfers		(293,821)	293,821	-
			Total general revenues, contributions and transfers		2,283,180	294,894	2,578,074
			Change in net position		(286,711)	(52,160)	(338,871)
			Net position - beginning		10,800,032	3,514,251	14,314,283
			Net position - ending		\$ 10,513,321	\$ 3,462,091	\$ 13,975,412

# Town of Snowflake, Arizona

## Balance Sheet

### Governmental Funds

June 30, 2014

	General	Highway User Revenue	Total Governmental Funds
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 1,109,232	\$ 317,164	\$ 1,426,396
Receivables (net of allowance for uncollectibles)	312,517	62,054	374,571
Prepays	561,612	-	561,612
Restricted assets:			
Temporarily restricted:			
Investments	99,794	6,960	106,754
Total assets	2,083,155	386,178	2,469,333
<b><u>Liabilities</u></b>			
Accounts payable	149,508	79,376	228,884
Accrued liabilities	76,137	4,536	80,673
Unearned grant revenue	500,857	-	500,857
Interest payable	30,544	2,200	32,744
Total liabilities	757,046	86,112	843,158
<b><u>Fund Balances</u></b>			
<b>Nonspendable:</b>			
Prepays	561,612	-	561,612
<b>Restricted for:</b>			
Highways and streets	-	293,106	293,106
Debt service	99,794	6,960	106,754
<b>Unassigned:</b>	664,703	-	664,703
Total fund balances (deficits)	1,326,109	300,066	1,626,175
Total liabilities and fund balances	\$ 2,083,155	\$ 386,178	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,171,880
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,284,732)
Net position of governmental activities	\$ 10,513,323

**Town of Snowflake, Arizona**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2014**

	<u>General</u>	<u>Highway User Revenue</u>	<u>Total Governmental Funds</u>
<b><u>Revenues</u></b>			
Taxes:			
Local sales tax	\$ 993,577	\$ -	\$ 993,577
Franchise tax	121,282	-	121,282
Intergovernmental	1,731,860	646,059	2,377,919
Permits and fees	21,099	-	21,099
Charges for services	1,054,733	-	1,054,733
Interest	4,993	-	4,993
Miscellaneous	126,296	-	126,296
Total revenues	<u>4,053,840</u>	<u>646,059</u>	<u>4,699,899</u>
<b><u>Expenditures</u></b>			
Current:			
General government	990,186	-	990,186
Public safety	1,968,181	-	1,968,181
Highways and streets	-	461,585	461,585
Recreation, parks, and cemetery	466,594	-	466,594
Debt service:			-
Principal	153,546	20,836	174,382
Interest	61,977	13,094	75,071
Capital outlay:			-
General government	343,334	-	343,334
Recreation, parks, and cemetery	10,500	-	10,500
Public safety	82,391	-	82,391
Total expenditures	<u>4,076,709</u>	<u>495,515</u>	<u>4,572,224</u>
Excess (deficiency) of revenues over expenditures	<u>(22,869)</u>	<u>150,544</u>	<u>127,675</u>
<b><u>Other financing sources (uses)</u></b>			
Refunding bonds issued	1,088,038	213,548	1,301,586
Payment to refunded bond escrow agent	(1,248,648)	(245,072)	(1,493,720)
Transfers in	100,000	-	100,000
Transfers (out)	(373,821)	(20,000)	(393,821)
Total other financing sources (uses)	<u>(434,431)</u>	<u>(51,524)</u>	<u>(485,955)</u>
Net change in fund balance	(457,300)	99,020	(358,280)
Fund balance - beginning	<u>1,783,409</u>	<u>201,046</u>	<u>1,984,455</u>
Fund balance - ending	<u>\$ 1,326,109</u>	<u>\$ 300,066</u>	<u>\$ 1,626,175</u>

**Town of Snowflake, Arizona**  
 Reconciliation of the Statement of Revenues, Expenditures, and  
 Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 Year Ended June 30, 2014

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(358,280)
--	----	-----------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

	436,225	
Expenditures for capital assets		
Less current year depreciation	(718,754)	
		(282,529)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrual of long-term compensated absences		(11,082)
---	--	----------

The issuance of long term debt provides current financial resources to governmental funds, while the repayment of the principal of long term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

		365,180
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Change in net position of governmental activities	\$	(286,711)
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## Town of Snowflake, Arizona

### Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual General Fund Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With (Negative)
	Original	Final		
<b>Revenues</b>				
Local sales tax	\$ 1,000,000	\$ 1,000,000	\$ 993,577	\$ (6,423)
Franchise tax	125,500	125,500	121,282	(4,218)
Intergovernmental	3,982,333	3,982,333	1,731,860	(2,250,473)
Permits and fees	18,000	18,000	21,099	3,099
Charges for services	1,104,405	1,104,405	1,054,733	(49,672)
Interest	2,500	2,500	4,993	2,493
Miscellaneous and contingencies	421,500	421,500	126,296	(295,204)
Total revenues	6,654,238	6,654,238	4,053,840	(2,600,398)
<b>Expenditures</b>				
Current				
Mayor and council	33,000	33,000	31,567	1,433
Administration	363,650	363,650	351,575	12,075
Town clerk	86,000	86,000	72,556	13,444
Magistrate court	5,200	5,200	4,820	380
Police	1,810,900	1,810,900	1,810,182	718
Fire	344,560	344,560	344,036	524
Building maintenance	228,000	228,000	201,791	26,209
Planning	74,975	74,975	73,436	1,539
Library	177,850	177,850	171,487	6,363
Recreation, parks, and cemetery	468,550	468,550	454,701	13,849
Community Improvement	2,520,000	2,520,000	320,881	2,199,119
Attorney/Engineer	45,000	45,000	70,145	(25,145)
Pool	62,600	62,600	33,511	29,089
Other - promotion/contingencies	330,460	330,460	136,021	194,439
Total expenditures	6,550,745	6,550,745	4,076,709	2,474,036
Excess (deficiency) of revenues over expenditures	103,493	103,493	(22,869)	(126,362)
<b>Other financing sources (uses)</b>				
Proceeds from refinance	1,410,000	1,410,000	1,088,038	(321,962)
Payment of debt on refinance	(1,410,000)	(1,410,000)	(1,248,648)	161,352
Transfers in	100,000	100,000	100,000	-
Transfers (out)	(197,650)	(197,650)	(373,821)	(176,171)
Total other financing sources (uses)	(97,650)	(97,650)	(434,431)	(336,781)
Net change in fund balance	5,843	5,843	(457,300)	(463,143)
Fund balance - beginning	1,783,409	1,783,409	1,783,409	-
Fund balance - ending	\$ 1,789,252	\$ 1,789,252	\$ 1,326,109	\$ (463,143)



## Town of Snowflake, Arizona

### Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Highway User Revenue Fund Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b><u>Revenues</u></b>				
Intergovernmental				
Highway user revenue	\$ 633,075	\$ 633,075	\$ 646,059	\$ 12,984
Contingency	200,000	200,000	-	(200,000)
Total revenues	833,075	833,075	646,059	(187,016)
<b><u>Expenditures</u></b>				
Current				
Highways and streets	813,075	813,075	495,515	317,560
Total expenditures	813,075	813,075	495,515	317,560
Excess (deficiency) of revenues over expenditures	20,000	20,000	150,544	130,544
<b><u>Other financing sources (uses)</u></b>				
Proceeds from refinance	300,000	300,000	213,548	(86,452)
Payment of debt on refinance	(300,000)	(300,000)	(245,072)	54,928
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses)	(20,000)	(20,000)	(51,524)	(31,524)
Net change in fund balances	-	-	99,020	99,020
Fund balance - beginning	201,046	201,046	201,046	-
Fund balance - ending	\$ 201,046	\$ 201,046	\$ 300,066	\$ 99,020

# Town of Snowflake, Arizona

## Statement of Net Position

### Proprietary Funds

June 30, 2014

Business-type Activities - Enterprise Funds			
	Utility Fund	Golf Course Fund	Totals
<b><u>Assets</u></b>			
Current assets			
Cash and cash equivalents	\$ 719,227	\$ -	\$ 719,227
Accounts receivable, (net of allowance for uncollectable)	171,639	2,844	174,483
Inventories	-	14,892	14,892
Total current assets	890,866	17,736	908,602
Non-current assets			
Restricted investments	242,054	18,113	260,167
Total restricted assets	242,054	18,113	260,167
Capital Assets			
Land	28,911	1,754,406	1,783,317
Buildings and improvements	6,964,594	617,000	7,581,594
Machinery and equipment	1,038,522	394,049	1,432,571
Less: accumulated depreciation	(4,117,706)	(718,826)	(4,836,532)
Total capital assets (net of accumulated depreciation)	3,914,321	2,046,629	5,960,950
Total non-current assets	4,156,375	2,064,742	6,221,117
Total assets	5,047,241	2,082,478	7,129,719
<b><u>Liabilities</u></b>			
Current Liabilities			
Accounts payable	274,361	23,657	298,018
Accrued liabilities	11,873	6,890	18,763
Interest payable	28,184	5,723	33,907
Deposits payable	14,770	1,000	15,770
Compensated absences	10,176	4,789	14,965
Bonds and contracts payable	221,069	5,074	226,143
Total current liabilities	560,433	47,133	607,566
Long-term liabilities			
Bonds and contracts payable (net)	2,481,713	550,558	3,032,271
Compensated absences	18,899	8,892	27,791
Total long-term liabilities	2,500,612	559,450	3,060,062
Total liabilities	3,061,045	606,583	3,667,628
<b><u>Net Position</u></b>			
Net investment in capital assets	1,211,539	1,490,997	2,702,536
Restricted for debt service	242,054	18,113	260,167
Unrestricted	532,603	(33,215)	499,388
Total net position	\$ 1,986,196	\$ 1,475,895	\$ 3,462,091

**Town of Snowflake, Arizona**  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
Year Ended June 30, 2014

**Business-type Activities - Enterprise Funds**

	Utility Fund	Golf Course Fund	Totals
<b>Operating revenues:</b>			
Charges for sales and services:			
Metered water sales	\$ 770,092	\$ -	\$ 770,092
Sewer service charges	634,986	-	634,986
Connection fees	5,820	-	5,820
Other fines and fees	30,092	-	30,092
Green fees	-	71,893	71,893
Cart fees	-	83,882	83,882
Membership dues	-	49,402	49,402
Other charges and fees	-	71,413	71,413
Total operating revenues	<u>1,440,990</u>	<u>276,590</u>	<u>1,717,580</u>
<b>Operating expenses:</b>			
Cost of sales and services	699,008	277,793	976,801
Administration	461,889	275,581	737,470
Depreciation	196,097	33,005	229,102
Total operating expenses	<u>1,356,994</u>	<u>586,379</u>	<u>1,943,373</u>
Operating income (loss)	<u>83,996</u>	<u>(309,789)</u>	<u>(225,793)</u>
<b>Non-operating revenues (expenses):</b>			
Investment earnings	1,073	-	1,073
Debt issuance costs	(43,381)	(9,148)	(52,529)
Interest expense	(56,833)	(11,899)	(68,732)
Total non-operating revenues (expenses)	<u>(99,141)</u>	<u>(21,047)</u>	<u>(120,188)</u>
Income (loss) before contributions and transfers	(15,145)	(330,836)	(345,981)
Transfers in	-	373,821	373,821
Transfers out	(80,000)	-	(80,000)
Change in net position	(95,145)	42,985	(52,160)
<b>Total net position - beginning of year</b>	<u>2,081,341</u>	<u>1,432,910</u>	<u>3,514,251</u>
<b>Total net position - end of year</b>	<u>\$ 1,986,196</u>	<u>\$ 1,475,895</u>	<u>\$ 3,462,091</u>

# Town of Snowflake, Arizona

## Statement of Cash Flows

### Proprietary Funds

Year Ended June 30, 2014

#### Business-type Activities - Enterprise Funds

	Utility Fund	Golf Course Fund	Total
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,458,111	\$ 278,807	\$ 1,736,918
Cash paid to suppliers for goods and services	(497,850)	(280,958)	(778,808)
Cash payments to employees for services	(474,004)	(286,856)	(760,860)
Net cash provided (used) by operating activities	486,257	(289,007)	197,250
<b>Cash flows from non-capital financing activities:</b>			
Transfers to other funds	(80,000)	-	(80,000)
Transfers from other funds	-	373,821	373,821
Net cash provided (used) by non-capital financing activities	(80,000)	373,821	293,821
<b>Cash flows from capital and related financing activities:</b>			
Proceeds from refinance	2,702,782	555,632	3,258,414
Principal paid on bonds	(2,225,258)	(692,455)	(2,917,713)
Debt issuance costs	(43,381)	(9,148)	(52,529)
Interest paid on bonds	(56,833)	(11,899)	(68,732)
Acquisition of capital assets	(547,339)	-	(547,339)
Net cash provided by (used for) capital and related financing activities	(170,029)	(157,870)	(327,899)
<b>Cash flows from investing activities:</b>			
Purchase of investments	(242,054)	(18,113)	(260,167)
Proceeds from sale of investments	65,268	91,168	156,436
Interest received	1,073	-	1,073
Net cash provided by (used for) investing activities	(175,713)	73,055	1,073
Net increase (decrease) in cash and cash equivalents	60,515	-	60,515
Cash and cash equivalents beginning of year, including restricted cash and cash equivalents	658,712	-	658,712
Cash and cash equivalents end of year including restricted cash and cash equivalents	\$ 719,227	\$ -	\$ 719,227
<b>Reconciliation of operating income to net cash provided by (used by) operating activities:</b>			
Operating income (loss)	\$ 83,996	\$ (309,789)	\$ (225,793)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	196,097	33,005	229,102
(Increase) decrease in accounts receivable	21,296	1,217	22,513
(Increase) decrease in inventories	-	(1,115)	(1,115)
Increase (decrease) in accounts payable	201,158	(2,050)	199,108
Increase (decrease) in accrued liabilities	(12,115)	(11,275)	(23,390)
Increase (decrease) in customer deposits	(4,175)	1,000	(3,175)
Total adjustments	402,261	20,782	423,043
Net cash provided (used) by operating activities	\$ 486,257	\$ (289,007)	\$ 197,250

Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

### Financial Reporting Entity

The Town of Snowflake, Arizona (Town) was incorporated on August 2, 1948, under the provisions of the State of Arizona. The Town operates under a Council-Manager form of government and provides the following services: public safety, streets, water, sewer, planning, zoning, recreation, parks, golf, library, and general administrative services.

The accounting policies of the Town conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting standards.

The accompanying financial statements include the Town of Snowflake, which is the primary government. There are no blended component units or discretely presented component units.

### Basic Financial Statements

The accompanying financial statements include both Government-wide financial statements and Fund financial statements. Government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund. Significantly, the Town's statement of net position includes both non-current assets and non-current liabilities of the Town.

### Government-wide financial statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. The government-wide statements include the *Statement of Net Position*, and the *Statement of Activities*. Governmental activities which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and user charges for support.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1.) Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and, 2.) Grants and contributions that, are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Inter-fund services provided and used are not eliminated in the process of consolidation.

Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Fund financial statements**

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental or proprietary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The following fund categories are used by the Town:

**Governmental Funds:**

*Governmental Funds* are those through which most of the governmental functions of the Town are financed. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

The *General Fund* is the primary operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund will always be considered a major fund in the basic financial statements.

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes. There is one special revenue fund that is presented in the basic financial statements.

The *Highway User Revenue Fund* accounts for the revenue and expenditures related to maintenance, construction, and repair of Town streets and right of ways. This fund receives taxes on gasoline from the State and is restricted for authorized transportation purposes.

**Proprietary Funds:**

*Proprietary Funds* are used to account for the Town's ongoing activities which are similar to those found in the private sector. The measurement focus is based upon determination of net income, changes in net position, financial position, and cash flows.

The *Utility Fund* accounts for the revenues and expenses related to the operation of the Town's water and wastewater system.

The *Golf Course Fund* accounts for the revenues and expenses related to the operation of the Town's golf course.

**Measurement Focus and basis of accounting**

**Measurement Focus**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

City sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Measurement Focus – continued**

The Town uses funds to report its financial position and the results of its operations. Fund accounting segregates funds according to their intended purpose and is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, liabilities, fund equity, revenues and expenditures/expenses.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus whereby only current assets and current liabilities are generally included on the balance sheet. Operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Proprietary funds are accounted for on a flow of economic resources measurement focus whereby all assets and liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is used by governmental funds. Revenues are recognized when they become both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period, or soon thereafter, to be used to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 45 days after the end of the period.

Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due. Revenues susceptible to accrual include sales taxes, highway user revenues, vehicle license taxes, and interest.

The accrual basis of accounting is followed for all enterprise funds. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized when incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Assets, Liabilities, deferred outflows/inflows of resources, and net position/fund balance**

**Deposits and Investments**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in the State's Local Government Investment Pool, in obligations of the U.S. Treasury, commercial paper and repurchase agreements.

For purposes of the statement of cash flows, the Town considers cash and cash equivalents including restricted cash and cash equivalents, to be currency on hand, demand deposits with banks, amounts included in pooled cash and investment accounts and liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents are included in both restricted as well as unrestricted assets.

**Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds (i.e., the current portion of inter-fund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Accounts receivable and taxes receivable, are shown net of an allowance for uncollectible accounts.

**Inventory and Prepaid Items**

Inventory is valued at cost, and consists of expendable supplies held for consumption and is charged to expenditure accounts as consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

Certain debt proceeds of the Town's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet, or statement of net position, because they are maintained in separate accounts and their use is limited by applicable debt covenants.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life, are not capitalized. Major improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.



Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Capital Assets – continued**

Property, plant, equipment, and infrastructure is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful life (years)</u>
Buildings	20-40
Improvements	10-20
Equipment	5-25
Infrastructure	20-40

**Deferred outflows/inflows of resources**

In additions to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Town does not have any items that qualify for reporting in this category. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, The Town does not have any items that qualify for reporting in this category.

**Net Assets and Fund Equity**

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed. When both committed, assigned, or unassigned resources are available for use, it is the City's policy to use committed resources first, followed by assigned resources and then unassigned resources as they are needed.

Equity is classified in the government-wide financial statements and in the proprietary fund financial statements as net assets and is displayed in three components as follows:

**Invested in capital assets, net of related debt** represents capital assets, net of accumulated depreciation and reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets.

**Restricted net assets** are net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Unrestricted net assets** are all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Equity is classified in the governmental fund financial statements as fund balance and is further classified as non-spendable, restricted, committed, assigned or unassigned as follows:

**Non-spendable fund balance** cannot be spent because it is either (1) not in spendable form, or (2) legally or contractually required to be maintained intact.

**Restricted fund balance** is fund balance with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Net Assets and Fund Equity - continued**

**Committed fund balance** can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision making authority, the Town Council. A resolution by the Town Council is required to establish, modify or rescind a fund balance commitment.

**Assigned fund balance** is constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City Manager is authorized to assign amounts to a specific purpose in accordance with the Town's budget policy.

**Unassigned fund balance** is a residual classification of the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to a specific purpose within the General Fund.

**Revenues and expenditures/expenses**

**Program revenues**

Amounts Reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**Compensated Absences**

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the Town. All vacation pay is accrued when incurred in the government-wide, and proprietary fund financial statements.

**Proprietary funds operating and non-operating revenues and expenses**

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund, and golf course funds are charges to customers for sales and services. The utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.**

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual accounting basis. Reconciliations briefly explaining the adjustments necessary to transform the fund financial statements in the governmental activities column of the government-wide financial statements immediately follow each fund financial statement. Additional reconciliations are provided as shown:

	Total Governmental Funds	Capital Assets (1)	Long-Term Liabilities (2)	Reclass and Eliminations	Statement of Net Position Total
<b>Assets</b>					
Cash and cash equivalents	\$ 1,426,396	\$ -	\$ -	\$ -	\$ 1,426,396
Receivables (net)	374,571				374,571
Prepays	561,612				561,612
Investments-restricted	106,754				106,754
Capital Assets	-	11,171,880			11,171,880
<b>Total Assets</b>	<b>\$ 2,469,333</b>	<b>\$ 11,171,880</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,641,213</b>
<b>Liabilities and Net Position</b>					
Accounts payable	\$ 228,884	\$ -	\$ -	\$ -	\$ 228,884
Accrued liabilities	80,673				80,673
Interest payable	32,744				32,744
Unearned grant revenue	500,857				500,857
Compensated absences	-		168,146		168,146
Current bonds/contracts payable	-		2,116,588		2,116,588
Fund Balance/Net Position	1,626,175	11,171,880	(2,284,734)		10,513,321
<b>Total Liabilities and Net Position</b>	<b>\$ 2,469,333</b>	<b>\$ 11,171,880</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 13,641,213</b>

(1) Capital assets (land, buildings, equipment, etc.) that are to be used in governmental activities are purchased or constructed; the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net position includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$ 21,547,484
Accumulated depreciation	<u>( 10,375,604)</u>
	<u>\$ 11,171,880</u>

(2) Long-term liabilities applicable to the Town's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities in the governmental fund statement. All liabilities, both current and long-term, are reported in the statement of net position.

Compensated Absences	\$ 168,146
Bonds Payable	<u>2,116,588</u>
	<u>\$ 2,284,734</u>

Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - continued**

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.**

	Total Governmental Funds	Capital Related Items (1)	Long-Term Revenues/ Expenses (2)	Adjustments and Eliminations	Statement of Activities Total
<b>Revenues and Other Sources</b>					
Taxes	\$ 3,492,778	\$ -	\$ -	\$ -	\$ 3,492,778
Permits and fees	21,099				21,099
Charges for services	1,054,733				1,054,733
Interest	4,993				4,993
Miscellaneous	126,296				126,296
Total revenue	<u>\$ 4,699,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,699,899</u>
<b>Expenditures/Expenses</b>					
General government	\$ 990,186	\$ 156,273	\$ 5,606	\$ -	\$ 1,152,065
Public safety	1,968,181	270,879	6,643		2,245,703
Highways and streets	461,585	279,196	(4,644)		736,137
Recreation and parks	466,594	12,406	3,477		482,477
Debt service principal	174,382			(174,382)	-
Debt service interest	75,071				75,071
Capital outlay	436,225	(436,225)			-
Total expenditures/expenses	<u>4,572,224</u>	<u>282,529</u>	<u>11,082</u>	<u>(174,382)</u>	<u>4,691,453</u>
<b>Other financing sources/(uses)</b>					
Proceeds from refinance	\$ 1,301,586	\$ -	\$ -	\$ (1,301,586)	\$ -
Payment of debt on refinance	(1,493,720)			1,492,384	(1,336)
Transfers in	100,000				100,000
Transfers out	(393,821)				(393,821)
Total other financing sources/(uses)	<u>(485,955)</u>	<u>-</u>	<u>-</u>	<u>190,798</u>	<u>(295,157)</u>
Net change for the year	<u>\$ (358,280)</u>	<u>\$ (282,529)</u>	<u>\$ (11,082)</u>	<u>\$ 365,180</u>	<u>\$ (286,711)</u>

(1) When capital assets that are to be used in the governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of the financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital outlay	\$ 436,225
Depreciation expense	<u>(718,754)</u>
	<u>\$ (282,529)</u>

(2) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrual of compensated absences	\$ (11,082)
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Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

### III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### Budget Basis of Accounting

The Town's accounting records for General government operations (General and Special Revenue Funds) are maintained on a basis consistent with Generally Accepted Accounting Principles (GAAP) with measurable revenues recorded when they become available to finance expenditures in the current fiscal year. Available is defined as: collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on debt, are recognized in the accounting period in which the liability arises.

Prior to June 30 of each year, the Town Manager submits to the Town Council a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. A Public hearing is held each year in accordance with legal requirements, in order to obtain comments from local taxpayers. State statutes require that on or before the third Monday in July of each fiscal year, the Town Council must adopt a tentative budget. Once this tentative budget has been adopted, the expenditures may not be increased upon final adoption; however, they may be decreased. The tentative budget must be published once per week for two consecutive weeks prior to final adoption. Final adoption must take place on or before the second Monday in August.

The Town is subject to the State of Arizona's spending limitation law. This law does not permit the Town to spend more than budgeted revenues plus the carry-over unrestricted cash balance from the prior fiscal year. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.

The level of control for each legally adopted budget is at the departmental level. The budget amounts shown in the financial statements are the final authorized amounts as revised by the Town Council during the year. Unused appropriations for all of the above annually budgeted funds lapse at June 30. The budget is prepared on the same basis as the financial statements.

#### Excess of Expenditures over Appropriations

For the year ended June 30, 2014, no expenditures exceeded appropriations.

#### Deficit Fund Equity

No funds had a deficit for the year ended June 30, 2014.

### IV. DETAILED NOTES ON ALL FUNDS

#### Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, cash and investments held by the State Treasurer, and highly liquid investments with maturities of three months or less from the date of acquisition.

#### Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town maintains two bank accounts for all of its funds. At year end, the Town's carrying amount of deposits was \$2,048,931, and the bank balances were \$2,111,079. Of the bank balances, \$500,000 was covered by federal depository insurance. The remaining balances of \$1,611,079 were collateralized with securities held by the financial institution's agent, but not in the government's name, except for \$52,585. As of June 30, 2014, the Town had \$366,921 of cash held by BNY Mellon and US Bank acting as trust agents for debt service payments, and \$550 held in local petty cash.

#### Investments

The Town's investments include \$96,143 held in the Local Government Investment Pool under the Office of the State Treasurer of Arizona.

Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS - continued**

**Deposits and Investments – continued**

The State Board of Deposit provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The Local Government Investment Pool is not registered with the Securities Exchange Commission under the 1940 Investment Advisors Act. The pool’s policy is to invest in fixed-rate securities with a final maturity less than 24 months from the settlement date of the purchase and variable-rate securities with final maturity less than 5 years. The dollar weighted average portfolio maturity is less than 180 days. Only securities backed by the full faith and credit of the U.S. Government may be purchased for this pool. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares. The shares are not identified with specific investments and are not subject to custodial credit risk.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The Town’s policy for reducing its exposure to credit risk is to comply with the State law (A.R.S. 35-323) which limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor’s and Moody’s Investor Services. The State Investment Pool is rated AAAF/S1+ and the weighted average to maturity is 26 days. The balance at June 30, 2014 was \$96,143 and is the fair value. The investments in US Government securities held by US Bank and BNY Mellon are unrated and the balance at June 30, 2014 was \$366,921.

The Town has no formal policy relating to interest rate risk.

**Receivables**

Receivables as of June 30, 2014, including allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Highway User</u>	<u>Utility</u>	<u>Total</u>
Taxes	\$ 174,629	\$ -	\$ -	\$ 174,629
Accounts	1,610	-	189,541	191,151
Due from other governments	67,909	62,054	-	129,963
Grants	43,312	-	-	43,312
Franchise fees	<u>25,057</u>	<u>-</u>	<u>-</u>	<u>25,057</u>
Gross receivables	312,517	62,054	189,541	564,112
Less: allowance for uncollectible	<u>-</u>	<u>-</u>	<u>15,058</u>	<u>15,058</u>
Net total receivables	<u>\$ 312,517</u>	<u>\$ 62,054</u>	<u>\$ 174,483</u>	<u>\$ 549,054</u>

**Restricted Assets**

Assets temporarily restricted in the financial statements are for debt service payments due in a subsequent period.

Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS - continued**

**Capital Assets**

Capital asset activity for the year ended June 30, 2014 is as follows:

**Governmental activities:**

Non-depreciable assets:

Land	\$ 530,743	\$ -	\$ -	\$ 530,743
Construction in progress	1,670,566	135,330	-	1,805,896
Total non-depreciable assets	<u>2,201,309</u>	<u>135,330</u>	<u>-</u>	<u>2,336,639</u>

Depreciable assets:

Buildings and improvements	4,824,972	185,551	-	5,010,523
Machinery and equipment	3,918,152	115,344	-	4,033,496
Infrastructure	10,166,826	-	-	10,166,826
Total depreciable assets	<u>18,909,950</u>	<u>300,895</u>	<u>-</u>	<u>19,210,845</u>

Accumulated depreciation:

Buildings	(2,223,103)	(97,345)	-	(2,320,448)
Machinery and equipment	(2,475,394)	(367,238)	-	(2,842,632)
Infrastructure	(4,958,353)	(254,171)	-	(5,212,524)
Total accumulated depreciation	<u>(9,656,850)</u>	<u>(718,754)</u>	<u>-</u>	<u>(10,375,604)</u>

Governmental activities  
capital assets, net

\$ 11,454,409	\$ (282,529)	\$ -	\$ 11,171,880
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Beginning Balance	Increases	Decreases	Ending Balance
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**Business-type activities:**

Non-depreciable assets:

Land	\$ 1,783,317	\$ -	\$ -	\$ 1,783,317
Total non-depreciable assets	<u>1,783,317</u>	<u>-</u>	<u>-</u>	<u>1,783,317</u>

Depreciable assets:

Buildings and improvements	7,183,957	353,055	-	7,537,012
Machinery and equipment	1,282,867	194,284	-	1,477,151
Total depreciable assets	<u>8,466,824</u>	<u>547,339</u>	<u>-</u>	<u>9,014,163</u>

Accumulated depreciation:

Buildings and improvements	(4,064,366)	(202,098)	-	(4,266,463)
Machinery and equipment	(543,064)	(27,004)	-	(570,067)
Total accumulated depreciation	<u>(4,607,430)</u>	<u>(229,102)</u>	<u>-</u>	<u>(4,836,530)</u>

Business-type activities  
capital assets, net

\$ 5,642,711	\$ 318,237	\$ -	\$ 5,960,950
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Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS – continued**

**Capital Assets-continued**

Depreciation expense was charged to programs of the Town of Snowflake as follows:

<b>Governmental activities:</b>	<b>Business-type activities:</b>
General government     \$     156,273	
Public safety                     270,879	
Highways and streets             279,196	Utility fund     \$     196,097
Recreation and parks             12,406	Golf course fund             33,005
Total depreciation expense - governmental activities     \$     718,754	Total depreciation expense - business-type activities     \$     229,102

**Construction commitments**

The Town has an active construction project as of June 30, 2014. A flood control project is being constructed and is 70% complete.

**Inter-fund receivables, payables, and transfers**

For the year ended, June 30, 2014, Inter-fund transfers for the year were as follows: The General fund made a transfer of \$373,821 to the Golf Course fund, the Utility fund made a transfer of \$80,000 to the General fund, and the Highway User Revenue fund made a transfer of \$20,000 to the General fund. Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds, in accordance with budgetary authorizations, including amounts provided as subsidies. The transfer of \$80,000 from the Utility fund and \$20,000 from the Highway User Revenue fund to the General fund was for overhead expenditures, and the transfer of \$373,821 from the General Fund to the Golf Course fund was for budgetary reasons, and considered a subsidy.

**Capital Leases**

The Town has no capital leases outstanding as of June 30, 2014.

**Long-Term Debt**

The Town has no general obligation debt outstanding. Three Revenue Bond issues are outstanding as of June 30, 2014. The first issue is entirely related to construction and expansion of the Town’s wastewater treatment plant in 2002. The second revenue bond issue is entirely related to an advance refunding of all capital leases of the Town, with an amount added to fund various construction projects in June of 2003. The third revenue bond was issued to construct a new fire station in the amount of \$1,075,000.

In the year ended June 30, 2014 the Town issued \$2,255,000 of excise tax revenue refunding obligations (series 2013) along with \$370,000 of debt service reserve funds for the current refunding of \$2,585,000 of excise tax revenue obligations (series 2003). The difference between the reacquisition price and the net carrying amount of the old debt was immaterial and is therefore not recorded as a deferred outflow and amortized. The refunding was undertaken to reduce total debt service payments over the next nine years by \$352,683 and resulted in an economic gain of \$392,135.

In the year ended June 30, 2014 the Town also issued \$2,305,000 of utility system revenue refunding obligations (series 2013). \$700,000 of the obligation will be used for rehabilitation and installation of specific water storage tanks and the provision of a new well, and \$1,605,000 was used for the current refunding \$1,562,584 of outstanding loan balance to Water Infrastructure Finance Authority (WIFA) of Arizona. The difference between the reacquisition price and the net carrying amount of the old debt was immaterial and is therefore not recorded as a deferred outflow and amortized. The refunding was undertaken to reduce total debt service payments over the next nine years by \$250,146 and resulted in an economic gain of \$241,151.



Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS – continued**

**Long-Term Debt - continued**

Revenue bonds at June 30, 2014:

*Governmental activities:*

\$2,255,000 for refunding of 2003 Series revenue bonds, due in annual installments of \$95,423 to \$359,608; through July 1, 2023; interest at 2.09%.

\$1,075,000 for construction of a new fire station, due in annual installments of \$82,718 to \$83,938; through August 1, 2026; interest at 4.5%

Outstanding at June 30, 2014:

Amount attributed to governmental activities is	\$2,116,586
Amount attributed to business-type activities is	\$ 953,414

*Business-type activities:*

\$2,305,000 for refunding of 2003 WIFA loan and water system improvements, due in annual installments of \$248,890 to \$255,289; through July 1, 2023; interest at 2.09%.

Outstanding at June 30, 2014:

2013 Refunding and water system improvements	\$2,305,000
Business-type activity portion of the above referenced refunding bond	953,414

Total debt outstanding:

Governmental activities	\$2,116,586
Business-type activities	<u>3,258,414</u>
Total	<u>\$5,375,000</u>

Annual debt service requirements to maturity for revenue bonds are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	73,857	63,933	226,143	63,098	300,000	127,031
2016	78,857	61,321	236,143	58,169	315,000	119,490
2017	136,571	57,413	283,429	52,264	420,000	109,677
2018	242,571	51,386	362,430	44,730	605,000	96,116
2019	242,571	45,048	367,430	37,092	610,000	82,140
2020	253,342	38,190	376,658	29,263	630,000	67,453
2021	253,342	31,206	376,658	21,433	630,000	52,639
2022	261,228	24,040	383,772	13,455	645,000	37,495
2023	269,248	16,562	390,887	5,330	660,000	21,892
2024	70,000	13,281	255,000	-	325,000	13,281
2025	75,000	9,875	-	-	75,000	9,875
2026	80,000	6,000	-	-	80,000	6,000
2027	80,000	2,000	-	-	80,000	2,000
	<u>\$ 2,116,586</u>	<u>\$ 420,254</u>	<u>\$ 3,258,414</u>	<u>\$ 324,833</u>	<u>\$ 5,375,000</u>	<u>\$ 745,087</u>

Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**IV. DETAILED NOTES ON ALL FUNDS – continued**

**Long Term Debt - continued**

Changes in long-term liabilities:  
Non-current liability activity for the year ended June 30, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds Payable					
Revenue bonds series 2013	\$ -	\$ 1,301,586	\$ -	\$ 1,301,586	\$ 28,857
Revenue bonds series 2003	1,621,769	-	(1,621,769)	-	-
Revenue bonds series 2007A	860,000	-	(45,000)	815,000	45,000
Total bonds payable	2,481,769	1,301,586	(1,666,769)	2,116,586	73,857
Compensated absences	157,063	30,837	(19,754)	168,146	58,851
Total long-term liabilities	\$ 2,638,832	\$ 1,332,423	\$ (1,686,523)	\$ 2,284,732	\$ 132,708

The General fund and Highway User Revenue fund have separately liquidated their respective liabilities for compensated absences within the current year. In addition, the respective business-type activities of the Utility fund and Golf course fund generally liquidate their respective liabilities in each fund as it relates to compensated absences.

Changes in long-term liabilities:  
Non-current liability activity for the year ended June 30, 2014:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
Bonds Payable					
Revenue bonds WIFA	\$ 1,729,481	\$ -	\$ (1,729,481)	\$ -	\$ -
Revenue bonds series 2013	-	953,414	-	953,414	21,143
Revenue bonds Utility 2013	-	2,305,000	-	2,305,000	205,000
Revenue bonds series 2003	1,188,232	-	(1,188,232)	-	-
Total bonds payable	2,917,713	3,258,414	(2,917,713)	3,258,414	226,143
Compensated absences	43,314	12,802	(13,360)	42,756	14,965
Total long-term liabilities	\$ 2,961,027	\$ 3,271,216	\$ (2,931,073)	\$ 3,301,170	\$ 241,108

**Segment Information**

Both the water and sewer departments are accounted for in a single fund, the Utility Fund. Repayment of the revenue bonds are supported by both water and sewer revenues, consequently segment information is not presented and information on these revenues can be found in the fund financial statements.

Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**V. OTHER INFORMATION**

**Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. As of June 30, 1988, the Town joined the Arizona Municipal Risk Pool (Pool) as an alternative to escalating general liability insurance costs. The Pool is made up of various towns and cities within Arizona that operate a common risk management and insurance program. The agreement provides that the Pool will be self-sustaining through member premiums. The Town pays an annual premium to the Pool for its general insurance coverage. If the Pool becomes insolvent or is otherwise unable to discharge its legal obligations, the Town (and all other participants) may be assessed an additional contribution based on the Town's current year's contribution divided by the current year's contributions of all participants times the deficiency. The assessment may not exceed the original contribution to the Pool for the year in which the assessment is made. The contribution to the Pool for the year ended June 30, 2014 was \$135,345. The Town continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Related Party Transactions**

The Town purchased from council members goods and services in the amount of \$35,767 in the fiscal year. There were no other related party transactions.

**Contingent Liabilities**

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's attorney the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

**Retirement and Pension Plans**

The Town contributes to two plans described below. Benefits are established by State statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits.

*Plan Description* – The Arizona State Retirement System (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the Town. The ASRS is governed by the Arizona State Retirement System Board according to the provision of A.R.S. Title 38, Chapter 5, and Article 2.

*Plan Description* – The Public Safety Personnel Retirement System (PSPRS) is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 171 local boards according to the provisions of A.R.S. Title 38, Chapter 5, and Article 4.

Each plan issues a publicly available report that includes its financial statements and required supplementary information. A report may be obtained by writing or calling the applicable plan.

**ASRS**  
3300 North Central Avenue  
Phoenix, AZ 85067-3910  
(602) 621-3778

**PSPRS**  
1020 East Missouri Avenue  
Phoenix, AZ 85014-2613  
(602) 255-5575

Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**V. OTHER INFORMATION - continued**

**Retirement and Pension Plans – continued**

**Funding Policy**

The Arizona State Legislature establishes and may amend active plan members' and the Town's contribution rate.

Active ASRS members and the Town were each required to contribute at the actuarially determined rate of 11.3% for retirement and .24% for disability. The Town's contributions to ASRS for the years ended June 30, 2014, 2013, and 2012, were \$154,571, \$139,643, \$132,861, respectively, which were equal to the required contributions for the year.

For the year ended June 30, 2013, active PSPRS members were required by statute to contribute 10.35% of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 25.3%.

**Annual Pension Cost**

The Town's pension cost for the PSPRS for the year ended June 30, 2013 was \$161,956, which was equal to the required and actual contributions. The Town's actuarial assumptions for the year ended June 30, 2013, the date of the most recent actuarial valuation, and related information follow.

Contribution Rate	25.3%
Annual Pension Costs	\$161,956
Contributions Made	\$161,956
Actuarial Valuation Date	June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of pay closed
Remaining Amortization Period	23 Years for underfunded 20 Years for overfunded
Asset Valuation Method	7-year smoothed market

**Actuarial Assumptions**

Investment rate of return	7.85%
Projected Salary Increases	4.50% – 8.50%
Payroll Growth/Inflation Rate	4.50%

State law provides for an annual benefit increase for retirees or their survivors who are over the age fifty-five on the effective day of the increase and for disability retirees regardless of age. These increases are dependent upon the production of excess earnings on a portion of the system's assets and are limited to four percent of the average benefit being paid.

**Trend Information for PSPRS**

Information for the Public Safety Personnel Retirement System for the year ended June 30, 2013 (2014 not available) follows:

Fiscal Year Ended June 30	Annual Pension Cost	Percent Contributed	Net Pension Obligation
2008	\$ 107,840	100%	\$ -
2009	150,835	100%	-
2010	110,487	100%	-
2011	133,868	100%	-
2012	149,550	100%	-
2013	161,956	100%	-

Town of Snowflake  
Notes to the Financial Statements  
For the Year Ended June 30, 2014

**V. OTHER INFORMATION - continued**

**Retirement and Pension Plans - continued**

**Funding Progress for PSPRS**

Information for the Public Safety Personnel Retirement System funding progress for the year ended June 30, 2013 (2014 not available) (excluding health insurance subsidy).

	1	2	3	4	5	6
Valuation Date June 30,	Valuation Value of Assets	Actuarial Accrued Liability	Percent Funded (1)/(2)	Unfunded Actuarial Accrued Liability (2)-(1)	Annual Covered Payroll	Unfunded Liability as a % of Covered Payroll
2008	\$ 1,461,209	\$ 2,415,003	60.50%	\$ 953,794	\$ 726,624	131.30%
2009	1,590,879	2,603,193	61.10%	1,012,314	758,963	133.40%
2010	1,728,178	2,804,369	61.60%	1,076,191	726,368	148.20%
2011	1,869,236	3,110,387	60.10%	1,241,151	728,058	170.47%
2012	1,958,756	3,462,076	56.60%	1,503,320	683,238	220.00%
2013	1,996,104	3,608,559	55.30%	1,612,455	724,838	222.50%

Information for the Public Safety Personnel Retirement System funding progress for the year ended June 30, 2013 (2014 not available) (postretirement health insurance subsidy only).

	(1)	(2)	(3)	(4)	(5)	(6)
Valuation Date June 30	Valuation Value of Assets	Actuarial Accrued Liability	Percent Funded (1)/(2)	Unfunded AAL (2)-(1)	Annual Covered Payroll	UAAL As a % of Covered Payroll
2008	\$ -	\$ 87,331	0.00%	\$ 87,331	\$ 726,621	12.02%
2009	-	95,680	0.00%	95,680	758,963	12.61%
2010	-	110,487	0.00%	110,487	726,368	15.21%
2011	-	133,868	0.00%	133,868	728,058	18.39%
2012	-	105,075	0.00%	105,075	683,238	15.38%
2013	-	96,022	0.00%	96,022	724,838	13.25%

In accordance with GASB 45, assets within the PSPRS plan are not segregated to fund the post-retirement health insurance subsidy. Accordingly, these benefits may not be considered pre-funded. These liabilities are based on the same assumptions and actuarial cost methods as indicated for the plan. The Town reported a health insurance subsidy payment for the fiscal year ending June 30, 2013, of \$3,000.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**Town of Snowflake, Arizona  
Required Supplementary Information  
Public Safety Personnel Retirement System  
Schedule of Funding Progress**

**Police and Fire**

(Excluding Health Insurance Subsidy)

Valuation Date June 30	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) UAAL As a % of Covered Payroll
2013	\$ 1,996,104	\$ 3,608,559	55.3%	\$ 1,612,455	\$ 724,838	222.5%
2012	1,958,756	3,462,076	56.6%	1,503,320	683,238	220.0%
2011	1,869,236	3,110,387	60.1%	1,241,151	728,058	170.5%
2010	1,728,178	2,804,369	61.6%	1,076,191	726,368	148.2%
2009	1,590,879	2,603,193	61.1%	1,012,314	758,963	133.4%
2008	1,461,209	2,415,003	60.5%	953,794	726,624	131.3%
2007	1,261,743	2,264,099	55.7%	1,002,356	610,274	164.2%
2006	1,246,925	1,941,239	64.2%	694,314	479,199	144.9%
2005	1,160,370	1,782,884	65.1%	622,514	401,243	155.1%
2004	1,076,737	1,597,249	67.4%	520,512	453,449	114.8%
2003	1,046,091	1,343,912	77.8%	297,821	384,250	77.5%
2002	985,357	1,219,955	80.8%	234,598	389,228	60.3%
2001	1,123,980	1,081,080	104.0%	(42,900)	390,833	-11.0%
2000	1,039,060	1,110,737	93.5%	71,677	351,237	20.4%
1999	892,175	1,044,962	85.4%	152,787	339,252	45.0%
1998	750,275	936,369	80.1%	186,094	343,555	54.2%
1997	648,370	795,342	81.5%	146,972	280,221	52.4%

Health Insurance Subsidy

Valuation Date June 30	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) UAAL As a % of Covered Payroll
2013	\$ -	\$ 96,022	0.00%	\$ 96,022	\$ 724,838	13.25%
2012	-	105,075	0.00%	105,075	683,238	15.38%
2011	-	133,868	0.00%	133,868	728,058	18.39%
2010	-	110,487	0.00%	110,487	726,368	15.21%
2009	-	95,680	0.00%	95,680	758,963	12.61%
2008	-	87,331	0.00%	87,331	726,621	12.02%
2007	-	82,109	0.00%	82,109	610,274	13.45%
2006	-	54,915	0.00%	54,915	479,199	11.46%

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## STATISTICAL SECTION

This part of the Town of Snowflake's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, not disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	55
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	
Revenue Capacity	61
<i>These schedules contain information to help the reader assess the Town's most significant local revenue sources.</i>	
Debt Capacity	63
<i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	65
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	

**Town of Snowflake, Arizona**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Governmental activities</b>										
Net investment in capital assets	\$ 9,055,294	\$ 8,972,640	\$ 8,284,922	\$ 7,655,966	\$ 7,508,330	\$ 6,945,750	\$ 6,859,301	\$ 6,514,718	\$ 5,698,363	\$ 5,345,038
Restricted	399,860	379,571	338,262	362,984	293,160	403,720	246,235	1,255,124	220,458	216,398
Unrestricted	1,058,167	1,447,821	2,035,693	1,908,498	1,813,450	2,031,852	2,883,107	1,512,512	1,930,471	1,160,840
Total governmental activities net position	\$ 10,513,321	\$ 10,800,032	\$ 10,658,877	\$ 9,927,448	\$ 9,614,940	\$ 9,381,322	\$ 9,988,643	\$ 9,282,354	\$ 7,849,292	\$ 6,722,276
<b>Business-Type activities</b>										
Net investment in capital assets	\$ 2,702,536	\$ 2,724,998	\$ 2,673,941	\$ 2,397,253	\$ 2,370,950	\$ 2,184,603	\$ 2,165,129	\$ 2,124,487	\$ 2,059,863	\$ 2,116,076
Restricted	260,167	610,810	610,810	747,123	656,248	565,400	478,917	390,488	343,275	158,551
Unrestricted	499,388	178,443	32,535	141,949	168,195	424,059	380,182	401,599	163,306	19,731
Total business-type activities net position	\$ 3,462,091	\$ 3,514,251	\$ 3,317,286	\$ 3,286,325	\$ 3,195,393	\$ 3,174,062	\$ 3,024,228	\$ 2,916,574	\$ 2,566,444	\$ 2,294,358
<b>Primary government</b>										
Net investment in capital assets	\$ 11,757,830	\$ 11,697,638	\$ 10,958,863	\$ 10,053,219	\$ 9,879,280	\$ 9,130,353	\$ 9,024,430	\$ 8,639,205	\$ 7,758,226	\$ 7,461,114
Restricted	660,027	990,381	949,072	1,110,107	949,408	969,120	725,152	1,645,612	563,733	374,949
Unrestricted	1,557,555	1,626,264	2,068,228	2,050,447	1,981,645	2,455,911	3,263,289	1,914,111	2,093,777	1,180,571
Total primary government net position	\$ 13,975,412	\$ 14,314,283	\$ 13,976,163	\$ 13,213,773	\$ 12,810,333	\$ 12,555,384	\$ 13,012,871	\$ 12,198,928	\$ 10,415,736	\$ 9,016,634

**Town of Snowflake, Arizona**  
**Changes in Net Position**  
**Last Ten Fiscal Years**  
(accrual basis of accounting) - (unaudited)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Expenses</b>										
Governmental activities:										
General government	\$ 1,152,065	\$ 1,206,701	\$ 1,061,303	\$ 1,159,761	\$ 1,208,734	\$ 1,605,940	\$ 1,358,209	\$ 1,514,695	\$ 1,171,397	\$ 1,137,586
Public safety	2,245,703	2,122,500	1,872,380	1,858,543	1,851,500	1,954,856	1,808,214	1,475,624	1,294,893	1,271,648
Highways and streets	736,137	722,752	620,565	691,815	635,067	783,645	671,591	587,925	551,739	481,525
Recreation and parks	482,477	480,047	540,833	527,855	528,592	553,915	562,641	479,144	419,211	483,796
Economic development	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	75,071	120,376	127,256	133,704	140,054	146,155	147,826	109,224	111,447	115,436
<b>Total governmental activities expenses</b>	<b>4,691,453</b>	<b>4,652,376</b>	<b>4,222,337</b>	<b>4,371,678</b>	<b>4,363,947</b>	<b>5,044,511</b>	<b>4,548,481</b>	<b>4,166,612</b>	<b>3,548,687</b>	<b>3,489,991</b>
Business-type activities:										
Water and sewer	1,457,208	1,251,985	1,195,945	1,224,999	1,302,245	1,233,194	1,197,742	1,126,619	1,086,695	1,082,330
Golf course	607,426	621,585	617,653	554,555	570,994	627,625	619,821	598,767	583,282	562,114
<b>Total business-type activities expenses</b>	<b>2,064,634</b>	<b>1,873,570</b>	<b>1,813,598</b>	<b>1,779,554</b>	<b>1,873,239</b>	<b>1,860,819</b>	<b>1,817,563</b>	<b>1,725,386</b>	<b>1,669,977</b>	<b>1,644,444</b>
<b>Total Expenses</b>	<b>\$ 6,756,087</b>	<b>\$ 6,525,946</b>	<b>\$ 6,035,935</b>	<b>\$ 6,151,232</b>	<b>\$ 6,237,186</b>	<b>\$ 6,905,330</b>	<b>\$ 6,366,044</b>	<b>\$ 5,891,998</b>	<b>\$ 5,218,664</b>	<b>\$ 5,134,435</b>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 172,899	\$ 165,662	\$ 142,725	\$ 148,494	\$ 173,982	\$ 184,073	\$ 222,346	\$ 360,638	\$ 311,364	\$ 227,321
Public safety	908,548	960,752	746,717	736,068	713,533	755,291	813,178	684,900	569,785	513,325
Recreation and Parks	77,053	100,424	130,180	128,736	134,514	105,365	100,429	95,910	90,847	93,794
Operating grants and contributions	650,967	1,392	673,992	717,624	736,307	799,342	812,680	856,519	831,293	883,097
Capital grants and contributions	312,095	651,551	806,026	582,901	630,778	47,116	269,328	463,657	154,979	193,627
<b>Total governmental activities program revenues</b>	<b>2,121,562</b>	<b>1,879,781</b>	<b>2,499,640</b>	<b>2,313,823</b>	<b>2,389,114</b>	<b>1,891,187</b>	<b>2,217,961</b>	<b>2,461,624</b>	<b>1,958,268</b>	<b>1,911,164</b>
Business -type activities:										
Charges for services:										
Water and sewer	\$ 1,440,990	\$ 1,496,251	\$ 1,383,891	\$ 1,353,669	\$ 1,372,481	\$ 1,343,856	\$ 1,419,767	\$ 1,543,327	\$ 1,414,122	\$ 1,116,447
Golf course	276,590	354,765	364,682	329,795	346,229	384,272	411,859	409,219	401,415	308,640
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
<b>Total business-type activities program revenues</b>	<b>1,717,580</b>	<b>1,851,016</b>	<b>1,748,573</b>	<b>1,683,464</b>	<b>1,718,710</b>	<b>1,728,128</b>	<b>1,831,626</b>	<b>1,952,546</b>	<b>1,815,537</b>	<b>1,425,087</b>
<b>Total primary government program revenues</b>	<b>\$ 3,839,142</b>	<b>\$ 3,730,797</b>	<b>\$ 4,248,213</b>	<b>\$ 3,997,287</b>	<b>\$ 4,107,824</b>	<b>\$ 3,619,315</b>	<b>\$ 4,049,587</b>	<b>\$ 4,414,170</b>	<b>\$ 3,773,805</b>	<b>\$ 3,336,251</b>
Net/(expense) revenue										
Governmental activities	\$ (2,569,891)	\$ (2,772,595)	\$ (1,722,697)	\$ (1,908,514)	\$ (1,982,564)	\$ (2,472,760)	\$ (2,826,550)	\$ (2,086,857)	\$ (2,208,344)	\$ (1,637,523)
Business-type activities	(347,054)	(22,554)	(65,025)	(130,134)	(60,844)	(145,111)	(29,193)	134,983	90,151	(244,890)
<b>Total primary government net expense</b>	<b>\$ (2,916,945)</b>	<b>\$ (2,795,149)</b>	<b>\$ (1,787,722)</b>	<b>\$ (2,038,648)</b>	<b>\$ (2,043,408)</b>	<b>\$ (2,617,871)</b>	<b>\$ (2,855,743)</b>	<b>\$ (1,951,874)</b>	<b>\$ (2,118,193)</b>	<b>\$ (1,882,413)</b>

**Town of Snowflake, Arizona**  
**Changes in Net Position (continued)**  
**Last Nine Fiscal Years**  
(accrual basis of accounting) - (unaudited)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>General Revenues</b>										
Governmental activities:										
Taxes										
Sales taxes	\$ 993,577	\$ 1,039,145	\$ 1,060,338	\$ 1,127,115	\$ 933,781	\$ 1,183,389	\$ 1,396,429	\$ 1,506,977	\$ 1,361,579	\$ 994,601
State shared sales taxes	486,569	457,552	436,804	381,877	362,157	392,644	453,546	469,059	474,828	413,176
Franchise taxes	121,282	123,360	130,017	123,838	121,399	121,073	117,921	134,254	106,541	103,673
Vehicle license taxes	285,566	274,622	291,394	256,076	256,954	279,662	294,464	294,625	284,637	255,242
State shared income taxes	623,076	1,237,678	471,801	480,336	637,160	738,459	694,504	560,298	987,212	409,997
Investment earnings	4,993	2,918	2,780	3,143	9,403	2,993	129,148	82,535	52,679	10,449
Miscellaneous	61,938	44,305	154,198	183,954	56,039	110,308	44,388	213,272	66,286	54,030
Sales of capital assets	-	-	-	-	4,286	-	-	-	-	-
Transfers	(293,821)	(215,138)	(93,206)	(185,976)	(172,728)	(282,525)	(93,591)	(122,970)	(126,526)	(1,459,834)
<b>Total governmental activities</b>	<b>\$ 2,283,180</b>	<b>\$ 2,964,442</b>	<b>\$ 2,454,126</b>	<b>\$ 2,370,363</b>	<b>\$ 2,208,451</b>	<b>\$ 2,546,003</b>	<b>\$ 3,036,809</b>	<b>\$ 3,138,050</b>	<b>\$ 3,207,236</b>	<b>\$ 781,334</b>
Business-type activities:										
Investment earnings	\$ 1,073	\$ 4,381	\$ 2,780	\$ 1,046	\$ 3,132	\$ -	\$ -	\$ -	\$ -	\$ -
Transfers	293,821	215,138	93,206	185,976	172,728	282,525	93,591	122,970	126,526	1,459,834
<b>Total business-type activities</b>	<b>294,894</b>	<b>219,519</b>	<b>95,986</b>	<b>187,022</b>	<b>175,860</b>	<b>282,525</b>	<b>93,591</b>	<b>122,970</b>	<b>126,526</b>	<b>1,459,834</b>
<b>Total primary government</b>	<b>2,578,074</b>	<b>3,183,961</b>	<b>2,550,112</b>	<b>2,557,385</b>	<b>2,384,311</b>	<b>2,828,528</b>	<b>3,130,400</b>	<b>3,261,020</b>	<b>3,333,762</b>	<b>2,241,168</b>
<b>Change in Net Position</b>										
Governmental activities	\$ (286,711)	\$ 191,847	\$ 731,429	\$ 647,666	\$ 299,937	\$ (607,321)	\$ 706,289	\$ 1,433,062	\$ 1,127,016	\$ (797,493)
Business-type activities	(52,160)	196,965	30,961	121,997	45,726	149,834	107,654	350,130	272,086	1,240,477
<b>Total change in Net Position</b>	<b>\$ (338,871)</b>	<b>\$ 388,812</b>	<b>\$ 762,390</b>	<b>\$ 769,663</b>	<b>\$ 345,663</b>	<b>\$ (457,487)</b>	<b>\$ 813,943</b>	<b>\$ 1,783,192</b>	<b>\$ 1,399,102</b>	<b>\$ 442,984</b>

**Town of Snowflake, Arizona**  
**Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(Unaudited)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General fund										
Non-Spendable	\$ 561,612	\$ 6,433	\$ 380,338	\$ 202,541	\$ 205,257	\$ 205,779	\$ 210,206	\$ 1,255,124	\$ 246,549	\$ 241,923
Restricted	99,794	178,525	178,525	-	-	-	-	-	-	-
Unassigned	664,703	1,598,451	1,798,697	2,048,220	1,900,337	2,100,426	2,760,031	2,564,559	1,743,204	1,020,451
Total general fund	<u>\$ 1,326,109</u>	<u>\$ 1,783,409</u>	<u>\$ 2,357,560</u>	<u>\$ 2,250,761</u>	<u>\$ 2,105,594</u>	<u>\$ 2,306,205</u>	<u>\$ 2,970,237</u>	<u>\$ 3,819,683</u>	<u>\$ 1,989,753</u>	<u>\$ 1,262,374</u>
All other governmental funds										
Restricted	\$ 300,066	\$ 201,046	\$ 159,737	\$ 149,420	\$ 114,635	\$ 225,166	\$ -	\$ -	\$ 255,147	\$ 129,410
Unassigned, reported in:										
Special Revenue Funds	-	-	-	-	20,793	12,093	276,318	89,549	(3,145)	53,047
Total all other governmental funds	<u>\$ 300,066</u>	<u>\$ 201,046</u>	<u>\$ 159,737</u>	<u>\$ 149,420</u>	<u>\$ 135,428</u>	<u>\$ 237,259</u>	<u>\$ 276,318</u>	<u>\$ 89,549</u>	<u>\$ 252,002</u>	<u>\$ 182,457</u>

**Town of Snowflake, Arizona**  
**Changes in Fund Balances of Governmental Funds**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(Unaudited)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Revenues</b>										
Local sales tax	\$ 993,577	\$ 1,039,145	\$ 1,060,338	\$ 1,127,115	\$ 933,781	\$ 1,183,389	\$ 1,396,429	\$ 1,506,977	\$ 1,361,579	\$ 994,601
State sales tax	486,569	457,552	436,804	381,877	362,157	392,644	453,546	469,059	474,828	413,176
Motor fuel tax	646,059	614,387	560,452	613,039	602,502	652,684	721,047	761,936	750,655	743,956
Franchise tax	121,282	123,360	130,017	123,838	121,399	121,073	117,921	134,254	106,541	103,673
Licenses and permits	21,099	31,143	15,111	15,013	32,608	55,869	88,030	183,665	182,725	98,757
Intergovernmental	1,245,291	1,550,856	1,682,761	1,423,898	1,659,258	1,211,895	1,409,830	1,413,163	987,212	924,560
Charges for services	1,054,733	1,195,695	1,004,511	998,285	988,860	988,860	988,022	957,783	789,271	733,332
Investment earnings	4,993	2,918	2,780	3,143	9,403	2,993	129,148	82,535	52,679	10,449
Miscellaneous	126,296	44,305	154,198	183,954	56,039	110,308	44,388	213,272	66,286	129,828
Total revenues	4,699,899	5,059,361	5,046,972	4,870,162	4,766,007	4,719,715	5,348,361	5,722,644	4,771,776	4,152,332
<b>Expenditures</b>										
Current:										
General government	990,186	1,100,970	911,708	1,013,868	1,065,648	1,474,031	1,227,551	1,393,282	1,055,676	1,039,616
Public safety	1,968,181	1,952,548	1,823,809	1,798,774	1,786,493	1,909,056	1,759,164	1,428,732	1,246,398	1,240,189
Highways and streets	461,585	419,911	413,611	512,589	436,947	600,332	487,940	426,485	397,493	337,681
Economic development				-	-	-	-	-	-	-
Recreation and parks	466,594	474,147	473,462	466,140	467,220	497,233	502,817	426,664	368,361	438,791
Debt service:										
Principal	174,382	171,969	161,199	155,427	152,541	146,771	113,884	98,114	40,400	-
Interest	75,071	120,376	127,256	133,704	140,054	146,155	147,826	109,224	111,447	115,436
Capital outlay	436,225	1,137,144	925,605	444,525	851,104	366,703	1,678,265	1,124,696	628,551	306,680
Total expenditures	4,572,224	5,377,065	4,836,650	4,525,027	4,900,007	5,140,281	5,917,447	5,007,197	3,848,326	3,478,393
Excess (Deficiency) of Revenues over expenditures	\$ 127,675	\$ (317,704)	\$ 210,322	\$ 345,135	\$ (134,000)	\$ (420,566)	\$ (569,086)	\$ 715,447	\$ 923,450	\$ 673,939



**Town of Snowflake, Arizona**  
**Changes in Fund Balances of Governmental Funds (continued)**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(Unaudited)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
<b>Other financing sources (uses)</b>										
Transfers in	\$ 100,000	\$ 100,000	\$ 100,000	\$ 120,793	\$ 80,000	\$ 50,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 40,000
Transfers (out)	(393,821)	(315,138)	(193,206)	(306,769)	(252,728)	(332,525)	(193,591)	(222,970)	(226,526)	(1,459,834)
Refunding bonds issued	1,301,586	-	-	-	-	-	-	1,075,000	-	-
Payment of debt from refunding	(1,493,720)	-	-	-	-	-	-	-	-	-
Sales of capital assets	-	-	-	-	4,286	-	-	-	-	-
Issuance costs for bonds issued	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(485,955)	(215,138)	(93,206)	(185,976)	(168,442)	(282,525)	(93,591)	952,030	(126,526)	(1,419,834)
<b>Net change in fund balances</b>	<b>\$ (358,280)</b>	<b>\$ (532,842)</b>	<b>\$ 117,116</b>	<b>\$ 159,159</b>	<b>\$ (302,442)</b>	<b>\$ (703,091)</b>	<b>\$ (662,677)</b>	<b>\$ 1,667,477</b>	<b>\$ 796,924</b>	<b>\$ (745,895)</b>
 Debt service as a percentage of noncapital expenditures	6.03%	6.90%	7.38%	7.09%	7.23%	6.14%	6.17%	5.34%	4.72%	3.64%

**Town of Snowflake, Arizona**  
**Local Sales Tax Revenue by Industry**  
**Last Five Fiscal Years**  
(Unaudited)

	Fiscal Year									
	2014		2013		2012		2011		2010	
	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total
Mining	\$ 6,050	0.6%	\$ 5,071	0.5%	\$ 10,295	1.0%	\$ 15,043	1.3%	\$ 11,618	1.2%
Communication and Utilities	167,070	16.8%	170,319	16.4%	188,295	17.8%	198,160	17.6%	203,721	21.8%
Construction	76,019	7.7%	129,422	12.5%	84,726	8.0%	108,580	9.6%	86,067	9.2%
Manufacturing	16,156	1.6%	11,362	1.1%	23,762	2.2%	16,504	1.5%	13,438	1.4%
Retail	459,649	46.3%	470,736	45.3%	524,351	49.5%	558,868	49.6%	405,779	43.5%
Real Estate Leasing	35,096	3.5%	35,096	3.4%	34,676	3.3%	29,311	2.6%	29,480	3.2%
Restaurant and Bar	98,714	9.9%	98,181	9.4%	84,319	8.0%	81,900	7.3%	76,612	8.2%
Accommodation	29,618	3.0%	32,192	3.1%	31,826	3.0%	36,098	3.2%	29,312	3.1%
Services	84,939	8.5%	77,938	7.5%	76,493	7.2%	77,135	6.8%	71,740	7.7%
Other	20,266	2.0%	8,828	0.8%	1,594	0.2%	5,516	0.5%	6,014	0.6%
Total	<u>\$ 993,577</u>	<u>100.0%</u>	<u>\$ 1,039,145</u>	<u>100.0%</u>	<u>\$ 1,060,338</u>	<u>100.0%</u>	<u>\$ 1,127,115</u>	<u>100.0%</u>	<u>\$ 933,781</u>	<u>100.0%</u>

Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the Town's local sales tax revenues.

**Town of Snowflake, Arizona**  
**Governmental Activities Tax Revenues by Source**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(Unaudited)

Fiscal Year	State Shared Sales Tax	City Sales Tax	Franchise Tax	Motor Fuel Tax	Vehicle License Tax	State Shared Income Tax
2014	\$ 486,569	\$ 993,577	\$ 121,282	\$ 646,059	\$ 285,566	\$ 623,076
2013	457,552	1,039,145	123,360	614,387	274,622	571,006
2012	436,804	1,060,338	130,017	560,452	291,394	471,800
2011	381,877	1,127,115	123,838	613,039	256,076	480,336
2010	362,157	933,781	121,399	602,502	256,954	637,160
2009	392,644	1,183,389	121,073	652,684	279,662	738,459
2008	453,546	1,396,429	117,921	721,047	294,464	694,504
2007	469,059	1,506,977	134,254	761,936	294,625	560,299
2006	474,828	1,361,579	106,541	750,655	284,637	466,959
2005	413,176	994,601	103,673	743,956	255,242	409,997

**Town of Snowflake, Arizona**  
**Ratios of Outstanding Debt by Type**  
**Last Ten Fiscal Years**  
(Unaudited)

Fiscal Year	Governmental Activities			Business-Type Activities		Total Debt Primary Government	Percentage of Personal Income <sup>(1)</sup>	Debt Per Capita <sup>(2)</sup>
	General Obligation Bonds	Revenue Bonds	Capital Leases	Revenue Bonds	Capital Leases			
2014	\$ -	\$ 2,116,586	\$ -	\$ 3,258,414	\$ -	\$ 5,375,000	5.46%	\$ 953
2013	-	2,481,769	-	2,917,713	-	5,399,482	5.78%	970
2012	-	2,653,738	-	3,172,018	-	5,825,756	6.99%	1,043
2011	-	2,814,363	-	3,417,235	-	6,231,598	7.27%	1,115
2010	-	2,970,363	-	3,651,827	-	6,622,190	8.65%	1,198
2009	-	3,122,905	-	3,879,805	-	7,002,710	8.94%	1,258
2008	-	3,269,676	-	4,098,653	-	7,368,329	10.87%	1,411
2007	-	3,383,560	-	4,306,072	-	7,689,632	11.55%	1,484
2006	-	2,406,674	-	4,513,839	-	6,920,513	11.01%	1,402
2005	-	2,477,527	-	4,543,439	-	7,020,966	11.57%	1,464

(1) See the schedule of Demographic and Economic Statistics on page 70 for personal income and population data.

(2) Population numbers are based on Arizona Department of Economic Security estimated amounts.

**Town of Snowflake, Arizona**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
(Unaudited)

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Secondary assessed valuation	\$ 28,586,860	\$ 31,688,491	\$ 35,550,051	\$ 38,904,372	\$ 42,659,655	\$ 40,601,288	\$ 40,419,848	\$ 34,144,796	\$ 26,124,914	\$ 24,970,807
Debt limit @ 20%	5,717,372	6,337,698	7,110,010	7,780,874	8,531,931	8,120,258	8,083,970	6,828,959	5,224,983	4,994,161
Debt limit @ 6%	1,715,212	1,901,309	2,133,003	2,334,262	2,559,579	2,436,077	2,425,191	2,048,688	1,567,495	1,498,248
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin @ 20%	5,717,372	6,337,698	7,110,010	7,780,874	8,531,931	8,120,258	8,083,970	6,828,959	5,224,983	4,994,161
Legal debt margin @ 6%	1,715,212	1,901,309	2,133,003	2,334,262	2,559,579	2,436,077	2,425,191	2,048,688	1,567,495	1,498,248

For statutory purposes, the Town's outstanding revenue bonds are not considered general obligation bonds subject to the statutory limits listed above because the Town's bonds outstanding at June 30, 2014, were secured by sales taxes, and pledged excise tax revenues, rather than property taxes.

**Town of Snowflake, Arizona**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**  
(Unaudited)

<b>Fiscal Year</b>	<b>Estimated Population</b>	<b>Median Household Income</b>	<b>Per Capita Personal Income</b>	<b>Total Personal Income</b>	<b>Unemployment Rate</b>	<b>Public School Enrollment</b>
2014	5,641	\$ 53,021	\$ 17,439	\$ 98,373,399	6.5%	2,553
2013	5,564	53,384	16,796	93,452,944	8.5%	2,412
2012	5,587	38,050	14,923	83,374,801	8.7%	2,436
2011	5,590	42,374	15,324	85,661,160	9.1%	2,494
2010	5,528	37,439	13,850	76,562,800	9.1%	2,494
2009	5,565	38,262	14,080	78,355,200	8.6%	2,471
2008	5,221	37,439	12,985	67,794,685	5.4%	2,487
2007	5,180	34,110	12,854	66,583,720	3.4%	2,425
2006	4,935	32,650	12,740	62,871,900	3.9%	2,413
2005	4,795	31,155	12,650	60,656,750	4.4%	2,406

Source: US Census Bureau, Arizona Department of Economic Security, and US Department of Commerce, Arizona Office of Employment and Population Statistics.

**Town of Snowflake, Arizona**  
**Principle Employers**  
**Current Year and Ten Years Ago**  
(Unaudited)

<u>Employers</u>	<u>2014</u>		<u>2004</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Summit Regional Medical Center	855	3.28%	500	1.82%
Northland Pioneer College	545	2.09%	175	0.64%
Navajo County	765	2.93%	425	1.55%
Wal-Mart	320	1.23%	761	2.77%
Peabody Energy	320	1.23%	250	0.91%
Hon-Dah Casino	305	1.17%	400	1.46%
Snowflake Unified School District	230	0.88%	250	0.91%
Arizona Public Service	220	0.84%	287	1.05%
Blue Ridge Unified School District	210	0.80%	195	0.71%
PFFJ	140	0.54%	142	0.52%
Total	<u>3,910</u>	<u>14.98%</u>	<u>3,385</u>	<u>12.33%</u>
Total Employment	<u>26,100</u>		<u>27,450</u>	

Source: Estimates of various employers and sources.

The principle employers represent a county-wide employment base, because the Town operates in a rural area and most employers are based outside the Town limits.

**Town of Snowflake, Arizona**  
**Full Time Equivalent Town Employees by Function**  
**Last Ten Fiscal Years**

	Full Time Equivalent Employees									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General government	10	10	10	10	11	11	11	12	10	10
Public safety										
Police										
Officers	14	14	14	14	14	15	15	15	12	12
Civilians	7	7	7	7	7	7	7	7	7	7
Fire										
Full-time	1	1	1	1	1	1	1	1	1	1
Volunteers	15	15	15	15	15	15	16	18	12	12
Highways and streets	4.5	4.5	4	4	4	4	4	4	4	4
Recreation and parks	4	4	4	4	5	5	5	5	5	5
Utility fund	5.5	5.5	5	5	6	6	6	6	6	6
Golf Course	4	4	4	4	4	4	4	4	4	4
Total	65	65	64	64	67	68	69	72	61	61

Source: Various departments



**Town of Snowflake, Arizona**  
**Operating Indicators by Function/Program**  
**Last Ten Fiscal Years**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public safety										
Police calls for service	17,875	19,505	18,520	17,625	15,480	14,489	14,210	13,855	13,641	12,899
Fire calls for service	385	400	415	320	305	274	222	286	266	251
Highways and streets										
Street miles resurfaced	2.50	0.50	0.10	0.50	0.60	0.40	0.20	2.30	1.65	1.10
Recreation and parks										
Participants	3,750	4,400	4,700	4,720	4,510	4,250	4,110	4,055	3,990	4,130
Water and wastewater										
Water connects	3	2	3	1	2	14	40	98	85	80
Sewer connects	1	-	1	1	1	7	28	62	60	75
Golf course										
Rounds of golf	17,460	21,230	22,800	20,130	21,110	23,439	24,098	23,255	24,110	21,655

Source: Various departments

**Town of Snowflake, Arizona  
Capital Asset Statistics by Function/Program  
Last Ten Fiscal Years**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	1	1	1
Highways and streets										
Streetlights	415	415	415	415	415	415	415	415	415	400
Lift stations	7	7	7	7	7	7	7	7	7	7
Signalized intersections	1	1	1	1	1	1	1	1	1	1
Recreation and parks										
Park areas	3	3	3	3	3	3	3	3	3	3
Pools	-	1	1	1	1	1	1	1	1	1
Water and wastewater										
Well sites	3	3	3	3	3	3	3	3	3	3
Treatment facilities	1	1	1	1	1	1	1	1	1	1
Golf course										
Playable golf holes	27	27	27	27	27	27	27	27	27	27

Source: Various departments

## FEDERAL AND STATE REPORTS

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**Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

Honorable Mayor and  
Town Council  
Town of Snowflake, Arizona

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Snowflake, Arizona, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Snowflake, Arizona's basic financial statements and have issued our report thereon dated October 22, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Snowflake, Arizona's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Snowflake, Arizona's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Snowflake, Arizona's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Snowflake, Arizona's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HintonBurdick, PLLC  
Flagstaff, Arizona  
October 22, 2014

**Independent Auditors' Report on  
State Legal Compliance**

Honorable Mayor and  
Town Council  
Town of Snowflake, Arizona

We have audited the basic financial statements of the Town of Snowflake, Arizona for the year ended June 30, 2014, and have issued our report thereon dated October 22, 2014. Our audit also included test work on the Town of Snowflake's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

The management of the Town of Snowflake is responsible for the Town's compliance with all requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit; accordingly, we make the following statements:


The Town of Snowflake has established separate funds to account for Highway User Revenue funds. Highway user revenue fund monies received by the Town of Snowflake pursuant to Title 28, Chapter 18, Article 2 and other dedicated state transportation revenues received during the current fiscal year appear to have been used solely for authorized purposes. The funds are administered in accordance with Generally Accepted Accounting Principles. Sources of revenues available and fund balances are reflected in the individual fund financial statements.

Our opinion regarding the Town's compliance with annual expenditure limitations has been issued separately with the Town's Annual Expenditure Limitation Report.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Town of Snowflake complied, in all material respects, with the requirements identified above for the year ended June 30, 2014.

The purpose of this report is solely to describe the scope of our testing of the applicable compliance requirements identified in the Arizona Revised Statutes as noted above and the results of that testing based on the state requirements. Accordingly, this report is not suitable for any other purpose.

  
HintonBurdick, PLLC  
Flagstaff, Arizona  
October 22, 2014

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