



town of
SNOWFLAKE
arizona

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Comprehensive Annual Financial Report

For the fiscal year ended
June 30, 2015

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, 2015**

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INTRODUCTORY SECTION



November 30, 2015

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, 2015. 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, 2015. 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 5,644. 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, 2015, on July 8, 2014. 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 from 6.5% last year to 3.4% this year. The unemployment rate in the Town has fluctuated between 3.4 and 4.0% 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 \$1.1 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, 2014. 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**

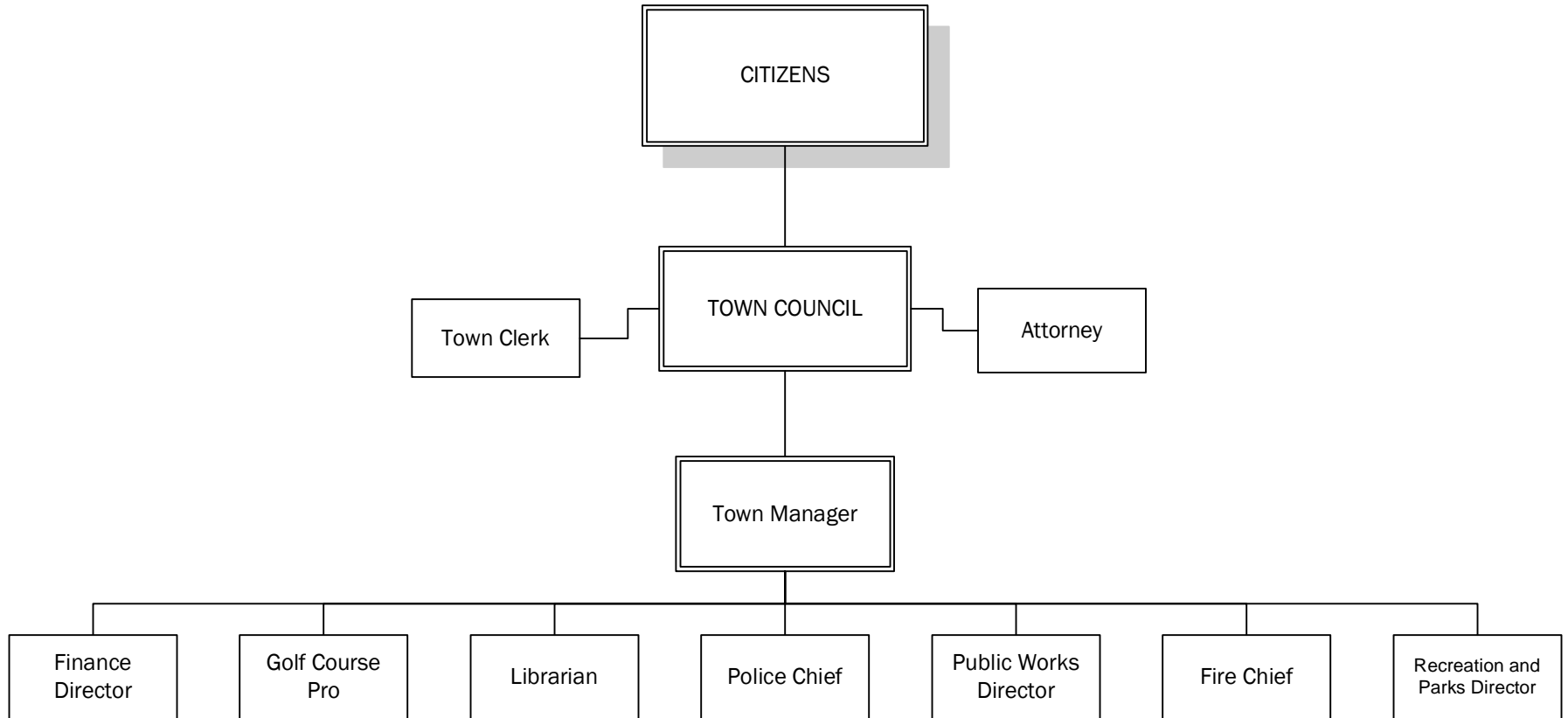
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

Town of Snowflake, Arizona

Organization Chart



**Town of Snowflake, Arizona
List of Elected and Appointed Officials
June 30, 2015**

Elected Officials

Mayor	Thomas L. Poscharsky
Vice-Mayor	Kerry Ballard
Council	Terril Kay
Council	Stuart Hensley
Council	Byron Lewis
Council	Lynn Johnson
Council	Cory Johnson

Appointed Officials

Town Manager	Brian Richards
Public Works Director	Terry Cooper
Finance Director	Brian Richards
Town Clerk	Barbara Flake
Town Attorney	Robert M. Hall
Fire Chief	Clint Burden
Police Chief	Larry Scarber
Recreation and Parks Director	Donald Camacho
Librarian	Cathie McDowell
Golf Pro	Mark Wilson
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, 2015, 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, 2015, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in fiscal year 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the pension related schedules, as listed in the table of contents, 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 December 8, 2015, 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
December 8, 2015

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, 2015. 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 and deferred outflows of resources of the Town of Snowflake exceeded its liabilities at the close of the most recent fiscal year by \$10,225,334 (net position).
- The Town of Snowflake's total net position decreased by \$3,750,078 during the current fiscal year.
- As of June 30, 2015, the Town's governmental funds reported combined ending fund balances of \$1,474,863, a decrease of \$151,312. Of the total ending fund balance, \$1,037,617 is unassigned and available for spending at the government's discretion.
- As of June 30, 2015, the total unassigned fund balance for the general fund was \$1,037,617, or 21% of total general fund expenditures (\$4,827,830).
- As of June 30, 2015, the Town's proprietary funds reported combined total net position of \$2,604,039.
- The Town's long term debt decreased by \$73,860 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 29-32 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 33-58 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 pages 62-67 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 \$10,225,334 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 (122 percent, \$12,513,465) 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, 2015**

	Governmental		Business-type		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 1,729,534	\$ 2,469,333	\$ 871,819	\$ 1,168,769	\$ 2,601,353	\$ 3,638,102
Capital assets	11,674,007	11,171,880	5,914,457	5,960,950	17,588,464	17,132,830
Total assets	13,403,541	13,641,213	6,786,276	7,129,719	20,189,817	20,770,932
Total deferred outflows of resources	739,935	-	74,534	-	814,469	-
Long-term liabilities	5,753,536	2,152,024	439,202	3,060,062	6,192,738	5,212,086
Other liabilities	381,007	975,866	3,669,896	607,566	4,050,903	1,583,432
Total liabilities	6,134,543	3,127,890	4,109,098	3,667,628	10,243,641	6,795,518
Total deferred inflows of resources	387,638	-	147,673	-	535,311	-
Net position:						
Net investment in capital assets	9,631,282	9,055,294	2,882,183	2,702,536	12,513,465	11,757,830
Restricted	409,799	399,860	236,945	260,167	646,744	660,027
Unrestricted	(2,419,786)	1,058,167	(515,089)	499,388	(2,934,875)	1,557,555
Total net position	\$ 7,621,295	\$10,513,321	\$ 2,604,039	\$ 3,462,091	\$10,225,334	\$13,975,412

An additional portion of the Town of Snowflake's net position, \$646,744 (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$2,934,875.

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

The Town's net position decreased by \$3,750,078 during the current fiscal year. This decrease is the result of implementation of GASB 68 and the accrual of \$4,545,977 in net pension liability.

MANAGEMENT DISCUSSION AND ANALYSIS - continued

Changes in Net Position for the year ended June 30, 2015 are as follows:

Town of Snowflake						
Changes in Net Position						
June 30, 2015						
	Governmental		Business-type		Total	
	Activities		Activities			
Revenues:	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$ 1,129,241	\$ 1,158,500	\$ 1,750,752	\$ 1,717,580	\$ 2,879,993	\$ 2,876,080
Operating grants and contributions	-	4,908	-	-	-	4,908
Capital grants and contributions	871,969	312,095	-	-	871,969	312,095
General revenues:						
Sales taxes	1,046,222	993,577	-	-	1,046,222	993,577
State shared sales taxes	510,863	486,569	-	-	510,863	486,569
Intergovernmental	676,704	623,076	-	-	676,704	623,076
Franchise taxes	124,221	121,282	-	-	124,221	121,282
Motor fuel taxes	698,167	646,059	-	-	698,167	646,059
Investment earnings	-	4,993	3,303	1,073	3,303	6,066
Vehicle license taxes	295,826	285,566	-	-	295,826	285,566
Other	39,423	61,938	-	-	39,423	61,938
Total revenues	5,392,636	4,698,563	1,754,055	1,718,653	7,146,691	6,417,216
Expenses:						
General government	1,542,753	1,152,065	-	-	1,542,753	1,152,065
Public safety	2,080,498	2,245,703	-	-	2,080,498	2,245,703
Highways and streets	844,341	736,137	-	-	844,341	736,137
Recreation and parks	417,642	482,477	-	-	417,642	482,477
Interest on long-term debt	62,981	75,071	-	-	62,981	75,071
Water and wastewater	-	-	1,353,699	1,457,208	1,353,699	1,457,208
Golf Course	-	-	557,523	607,426	557,523	607,426
Total expenses	4,948,215	4,691,453	1,911,222	2,064,634	6,859,437	6,756,087
Increase (decrease) in net position before transfers	444,421	7,110	(157,167)	(345,981)	287,254	(338,871)
Transfers	(147,412)	(293,821)	147,412	293,821	-	-
Change in net position	297,009	(286,711)	(9,755)	(52,160)	287,254	(338,871)
Beginning net position	10,513,321	10,800,032	3,462,091	3,514,251	13,975,412	14,314,283
Restatement adjustment	(3,189,035)	-	(848,297)	-	(4,037,332)	-
Ending net position	<u>\$ 7,621,295</u>	<u>\$ 10,513,321</u>	<u>\$ 2,604,039</u>	<u>\$ 3,462,091</u>	<u>\$ 10,225,334</u>	<u>\$ 13,975,412</u>

MANAGEMENT DISCUSSION AND ANALYSIS - continued

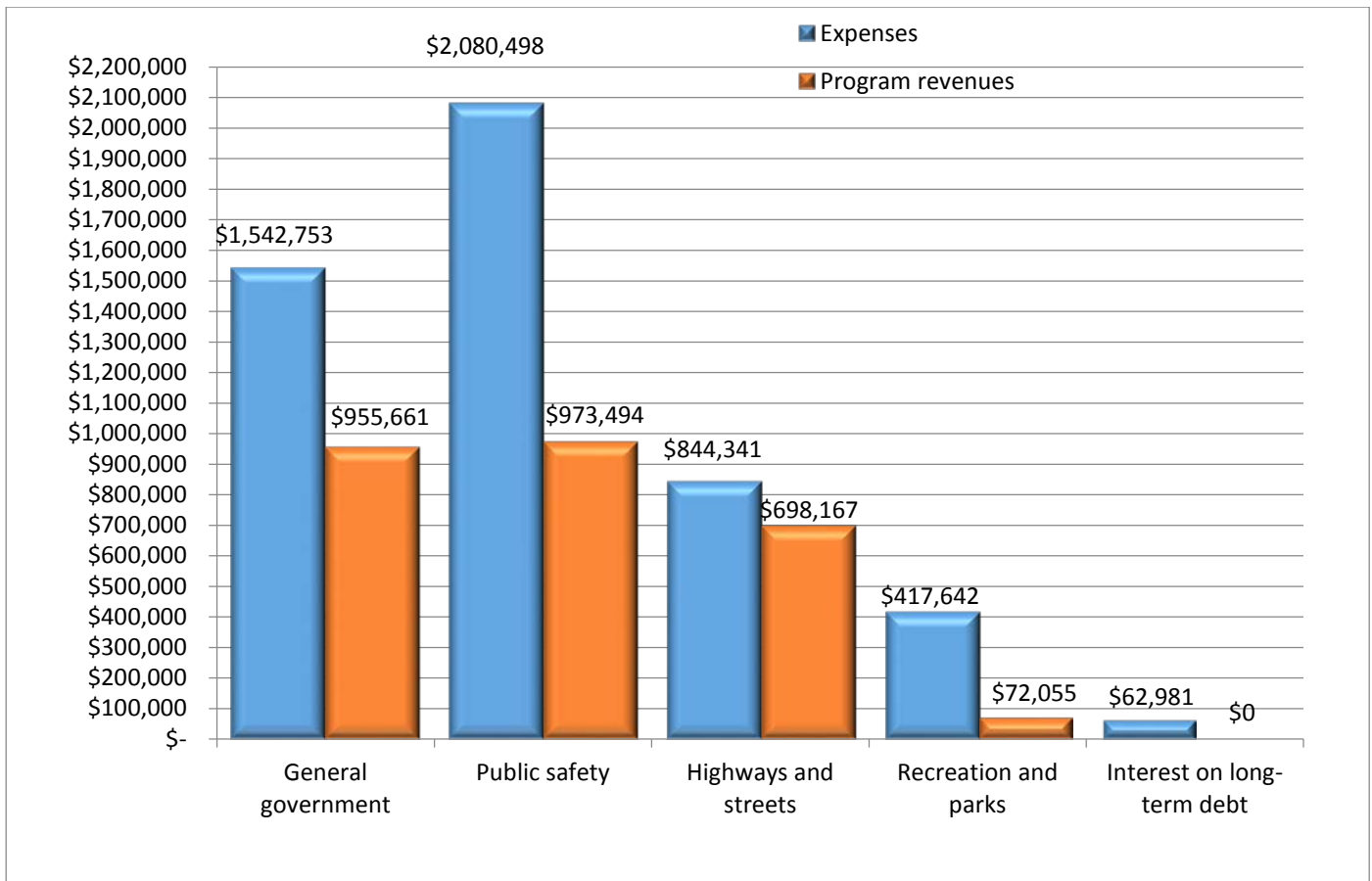
Governmental activities – Governmental activities increased the Town’s net position by \$297,009. Key elements of this increase are as follows:

- Capital grants and contributions increased by \$559,874 (179 percent) during the year.
- Sales tax collections increased by \$52,645 (5 percent) during the year.
- Public safety expenses decreased by \$165,205 (7 percent) during the year.
- Recreation and park expenses decreased by \$64,835 (13 percent) during the year.

Business-type activities – Business-type activities decreased the Town of Snowflake’s net position by \$9,755. The main factor of the net position decrease in business-type activities is:

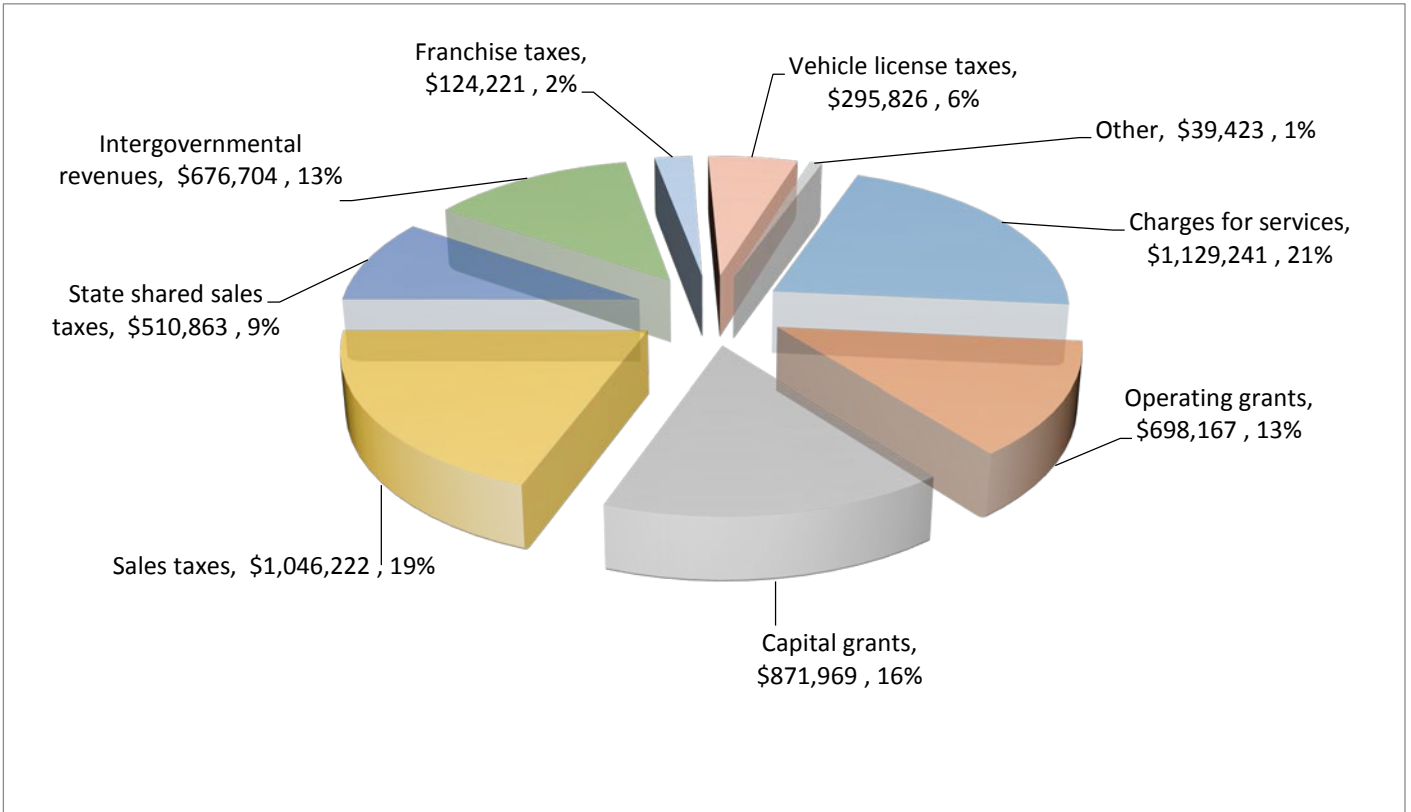
- Business type revenues were lower than expenses, mainly due to reduced usage of services.

Expenses and Program Revenues - Governmental Activities

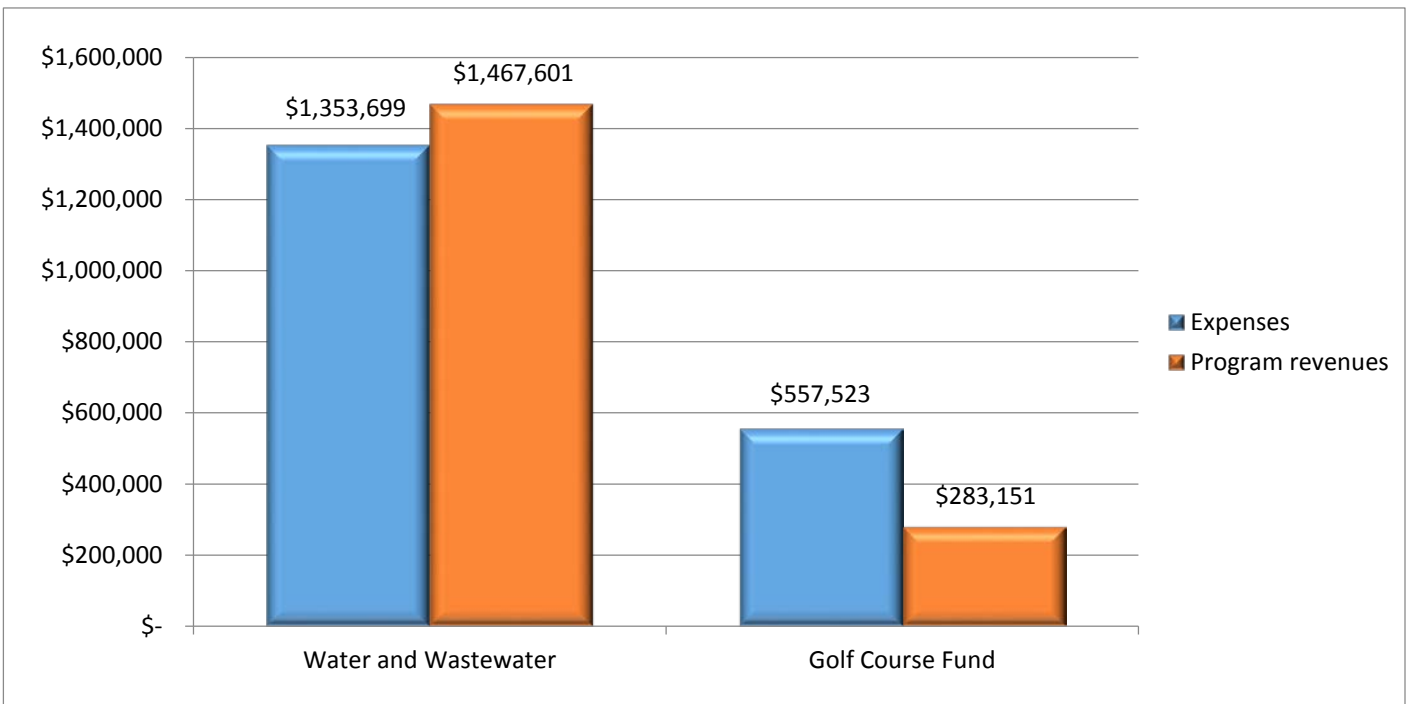


MANAGEMENT DISCUSSION AND ANALYSIS - continued

Revenues by Source - Governmental Activities

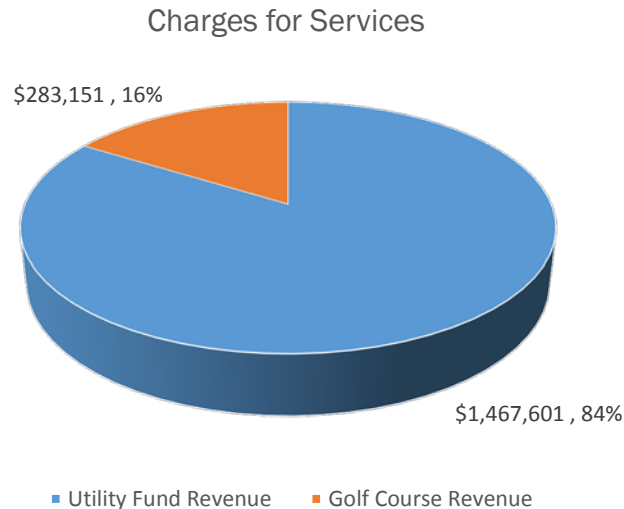


Expenses and Program Revenues - Business-type Activities



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 \$1,474,863, a decrease of 10 percent in comparison with the prior year. Approximately 70 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 (\$270), and for highways and streets (\$409,529).

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 \$1,037,617, while total fund balance reached was \$1,065,334. 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 21 percent of total general fund expenditures (\$4,827,830), while total fund balance represents 22 percent of that same amount.

MANAGEMENT DISCUSSION AND ANALYSIS - continued

The fund balance of the Town of Snowflake’s general fund decreased by \$260,775 during the current fiscal year. Key factors relating to this decrease are as follows:

- General fund governmental expenditures increased by \$751,121 (18 percent) during the year.

The fund balance for the Highway User Revenue Fund increased by \$109,463 to \$409,529, mainly due to expenditures being lower than anticipated.

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 a negative balance of \$182,457, and unrestricted net position of the Golf Course fund was \$(332,632). The main reason there is a deficit balance in unrestricted net position is due to the implementation of GASB 68, which required an accrual of net pension liability in the total amount of \$844,475 for both funds. 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 3% from the prior year due to the overall decrease in anticipated revenues and the economic environment in which the Town operates. There were no significant budget variances for expenditures or revenues.

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, 2015, amounts to \$17,588,464 (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 \$455,634.

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
Land	\$ 530,743	\$ 530,743	\$1,783,317	\$1,783,317	\$ 2,314,060	\$ 2,314,060
Construction in Progress	-	1,805,896	-	-	-	1,805,896
Buildings and improvements	2,594,125	2,690,075	3,214,969	3,270,549	5,809,094	5,960,624
Machinery and equipment	1,076,527	1,190,864	916,171	907,084	1,992,698	2,097,948
Infrastructure	7,472,612	4,954,302	-	-	7,472,612	4,954,302
Total	<u>\$11,674,007</u>	<u>\$11,171,880</u>	<u>\$5,914,457</u>	<u>\$5,960,950</u>	<u>\$17,588,464</u>	<u>\$17,132,830</u>

Additional information on the Town of Snowflake’s capital assets can be found in note IV on pages 43-44 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 \$9,620,977. The entire amount of revenues bonds are secured by specified revenue sources.

**Town of Snowflake's Outstanding Debt
General Obligation, Revenue Bonds and Net Pension Liability**

	Governmental		Business-type		Total	
	Activities		Activities			
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue bonds	2,042,726	2,116,586	3,032,274	3,258,414	5,075,000	5,375,000
Net pension liability	3,701,502	3,454,279	844,475	903,345	4,545,977	4,357,624
Total	\$ 5,744,228	\$ 4,233,172	\$3,876,749	\$6,516,828	\$ 9,620,977	\$ 9,732,624

The Town of Snowflake’s total debt decreased by \$111,647 during the year, this decrease is attributed to a changes in deferred outflows and inflows of resources related to pension expenses, and principal payments on debt.

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, 2015 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 45-46.

Economic Factors and Next Year’s Budgets and Rates

The unemployment rate for the Town of Snowflake is currently around 3.4 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 2016 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. 1st 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, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 1,432,931	\$ 443,914	\$ 1,876,845
Accounts receivable, (net of allowance for uncollectables)	268,886	174,715	443,601
Inventories	-	16,245	16,245
Prepays	27,447	-	27,447
Restricted assets:			
Temporarily restricted:			
Investments	270	236,945	237,215
Capital assets not being depreciated:			
Land	530,743	1,783,317	2,314,060
Depreciable, net	11,143,264	4,131,140	15,274,404
Total Assets	\$ 13,403,541	\$ 6,786,276	\$ 20,189,817
<u>Deferred Outflows of Resources</u>			
Deferred outflows of resources related to pensions	739,935	74,534	814,469
Total deferred outflows of resources	739,935	74,534	814,469
<u>Liabilities</u>			
Accounts payable	\$ 163,990	\$ 116,476	\$ 280,466
Accrued liabilities	59,190	22,409	81,599
Interest payable	31,491	31,547	63,038
Deposits payable	-	16,860	16,860
Non-current liabilities:			
Due within one year:			
Bonds payable	78,860	226,140	305,000
Compensated absences	47,476	15,770	63,246
Due in more than one year:			
Bonds payable	1,963,865	2,806,134	4,769,999
Compensated absences	88,169	29,287	117,456
Net pension liability	3,701,502	844,475	4,545,977
Total Liabilities	6,134,543	4,109,098	10,243,641
<u>Deferred Inflows of Resources</u>			
Deferred inflows of resources related to pensions	387,638	147,673	535,311
Total deferred inflows of resources	387,638	147,673	535,311
<u>Net Position</u>			
Net investment in capital assets	9,631,282	2,882,183	12,513,465
Restricted for:			
Highways and streets	409,529	-	409,529
Debt service	270	236,945	237,215
Unrestricted	(2,419,786)	(515,089)	(2,934,875)
Total Net Position	\$ 7,621,295	\$ 2,604,039	\$ 10,225,334

Town of Snowflake, Arizona

Statement of Activities Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges		Capital Grants and Contributions	Primary Government		
		for Services	Operating Grants and Contributions		Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,542,753	\$ 166,707	\$ -	\$ 788,954	\$ (587,092)	\$ -	\$ (587,092)
Public safety	2,080,498	890,479	-	83,015	(1,107,004)	-	(1,107,004)
Highways and streets	844,341	-	698,167	-	(146,174)	-	(146,174)
Recreation and parks	417,642	72,055	-	-	(345,587)	-	(345,587)
Interest on long-term debt	62,981	-	-	-	(62,981)	-	(62,981)
Total governmental activities	4,948,215	1,129,241	698,167	871,969	(2,248,838)	-	(2,248,838)
Business-type activities:							
Water and wastewater	1,353,699	1,467,601	-	-	-	113,902	113,902
Golf course	557,523	283,151	-	-	-	(274,372)	(274,372)
Total business-type activities	1,911,222	1,750,752	-	-	-	(160,470)	(160,470)
Total primary government:	\$ 6,859,437	\$ 2,879,993	\$ 698,167	\$ 871,969	\$ (2,248,838)	\$ (160,470)	\$ (2,409,308)
					General revenues		
					Sales taxes		
					\$ 1,046,222	\$ -	\$ 1,046,222
					State shared sales taxes		
					510,863	-	510,863
					Franchise taxes		
					124,221	-	124,221
					Vehicle license taxes		
					295,826	-	295,826
					State shared income taxes		
					676,704	-	676,704
					Investment earnings		
						3,303	3,303
					Miscellaneous		
					39,423	-	39,423
					Transfers		
					(147,412)	147,412	-
					Total general revenues, contributions and transfers		
					2,545,847	150,715	2,696,562
					Change in net position		
					297,009	(9,755)	287,254
					Net position - beginning		
					10,513,321	3,462,091	13,975,412
					Restatement adjustment		
					(3,189,035)	(848,297)	(4,037,332)
					\$ 7,621,295	\$ 2,604,039	\$ 10,225,334

Town of Snowflake, Arizona

Balance Sheet

Governmental Funds

June 30, 2015

	General	Highway User Revenue	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 1,049,544	\$ 383,387	\$ 1,432,931
Receivables (net of allowance for uncollectibles)	201,805	67,081	268,886
Prepays	27,447	-	27,447
Restricted assets:			
Temporarily restricted:			
Investments	270	-	270
Total assets	1,279,066	450,468	1,729,534
<u>Liabilities</u>			
Accounts payable	130,311	33,679	163,990
Accrued liabilities	54,081	5,109	59,190
Interest payable	29,340	2,151	31,491
Total liabilities	213,732	40,939	254,671
<u>Fund Balances</u>			
Nonspendable:			
Prepays	27,447	-	27,447
Restricted for:			
Highways and streets	-	409,529	409,529
Debt service	270	-	270
Unassigned:	1,037,617	-	1,037,617
Total fund balances (deficits)	1,065,334	409,529	1,474,863
Total liabilities and fund balances	\$ 1,279,066	\$ 450,468	

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.	11,674,007
Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and, therefore are not reported in the funds.	352,297
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(5,879,872)
Net position of governmental activities	\$ 7,621,295

Town of Snowflake, Arizona
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	<u>General</u>	<u>Highway User Revenue</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>			
Taxes:			
Local sales tax	\$ 1,046,222	\$ -	\$ 1,046,222
Franchise tax	124,221	-	124,221
Intergovernmental	2,402,268	698,167	3,100,435
Permits and fees	31,493	-	31,493
Charges for services	1,050,842	-	1,050,842
Miscellaneous	39,421	-	39,421
Total revenues	<u>4,694,467</u>	<u>698,167</u>	<u>5,392,634</u>
<u>Expenditures</u>			
Current:			
General government	1,314,150	-	1,314,150
Public safety	1,769,931	-	1,769,931
Highways and streets	-	559,667	559,667
Recreation, parks, and cemetery	418,693	-	418,693
Debt service:			
Principal	69,125	4,735	73,860
Interest	58,679	4,302	62,981
Capital outlay:			
General government	1,037,673	-	1,037,673
Recreation, parks, and cemetery	5,865	-	5,865
Public safety	153,714	-	153,714
Total expenditures	<u>4,827,830</u>	<u>568,704</u>	<u>5,396,534</u>
Excess (deficiency) of revenues over expenditures	<u>(133,363)</u>	<u>129,463</u>	<u>(3,900)</u>
<u>Other financing sources (uses)</u>			
Transfers in	100,000	-	100,000
Transfers (out)	(227,412)	(20,000)	(247,412)
Total other financing sources (uses)	<u>(127,412)</u>	<u>(20,000)</u>	<u>(147,412)</u>
Net change in fund balance	(260,775)	109,463	(151,312)
Fund balance - beginning	<u>1,326,109</u>	<u>300,066</u>	<u>1,626,175</u>
Fund balance - ending	<u>\$ 1,065,334</u>	<u>\$ 409,529</u>	<u>\$ 1,474,863</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, 2015

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

Net Change in Fund Balances - Total Governmental Funds \$ (151,312)

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.

Expenditures for capital assets	1,197,252	
Less current year depreciation	<u>(695,126)</u>	
		502,126

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	32,503
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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.

	<u>73,860</u>
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Change in Net Position of Governmental Activities prior to GASB 68 Entries 457,177

Pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension contributions	281,355	
Pension expense	<u>(441,523)</u>	
		<u>(160,168)</u>

Change in Net Position of Governmental Activities \$ 297,009

Town of Snowflake, Arizona

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual General Fund Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance With (Negative)
	Original	Final		
Revenues				
Local sales tax	\$ 970,000	\$ 970,000	\$ 1,046,222	\$ 76,222
Franchise tax	123,000	123,000	124,221	1,221
Intergovernmental	3,651,919	3,651,919	2,402,268	(1,249,651)
Permits and fees	17,300	17,300	31,493	14,193
Charges for services	1,071,880	1,071,880	1,050,842	(21,038)
Interest	500	500	-	(500)
Miscellaneous and contingencies	331,500	331,500	39,421	(292,079)
Total revenues	6,166,099	6,166,099	4,694,467	(1,471,632)
Expenditures				
Current				
Mayor and council	33,000	33,000	27,701	5,299
Administration	354,850	354,850	340,021	14,829
Town clerk	90,100	90,100	87,007	3,093
Magistrate court	5,200	5,200	4,795	405
Police	1,838,400	1,838,400	1,835,322	3,078
Fire	338,560	338,560	330,775	7,785
Building maintenance	138,300	138,300	137,297	1,003
Planning	77,000	77,000	70,723	6,277
Library	173,150	173,150	157,456	15,694
Recreation, parks, and cemetery	477,650	477,650	428,441	49,209
Community Improvement	2,100,000	2,100,000	1,123,789	976,211
Attorney/Engineer	40,000	40,000	102,315	(62,315)
Other - promotion/contingencies	330,460	330,460	182,188	148,272
Total expenditures	5,996,670	5,996,670	4,827,830	1,168,840
Excess (deficiency) of revenues over expenditures	169,429	169,429	(133,363)	(302,792)
Other financing sources (uses)				
Transfers in	100,000	100,000	100,000	-
Transfers (out)	(240,150)	(240,150)	(227,412)	12,738
Total other financing sources (uses)	(140,150)	(140,150)	(127,412)	12,738
Net change in fund balance	29,279	29,279	(260,775)	(290,054)
Fund balance - beginning	1,326,109	1,326,109	1,326,109	-
Fund balance - ending	\$ 1,355,388	\$ 1,355,388	\$ 1,065,334	\$ (290,054)

Town of Snowflake, Arizona

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Highway User Revenue Fund Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<u>Revenues</u>				
Intergovernmental				
Highway user revenue	\$ 668,503	\$ 668,503	\$ 698,167	\$ 29,664
Contingency	200,000	200,000	-	(200,000)
Total revenues	868,503	868,503	698,167	(170,336)
<u>Expenditures</u>				
Current				
Highways and streets	848,503	848,503	568,704	279,799
Total expenditures	848,503	848,503	568,704	279,799
Excess (deficiency) of revenues over expenditures	20,000	20,000	129,463	109,463
<u>Other financing sources (uses)</u>				
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses)	(20,000)	(20,000)	(20,000)	-
Net change in fund balances	-	-	109,463	109,463
Fund balance - beginning	300,066	300,066	300,066	-
Fund balance - ending	\$ 300,066	\$ 300,066	\$ 409,529	\$ 109,463

Town of Snowflake, Arizona

Statement of Net Position

Proprietary Funds

June 30, 2015

Business-type Activities - Enterprise Funds

	Utility Fund	Golf Course Fund	Totals
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 443,914	\$ -	\$ 443,914
Accounts receivable, (net of allowance for uncollectable)	173,777	938	174,715
Inventories	-	16,245	16,245
Total current assets	617,691	17,183	634,874
Non-current assets			
Restricted investments	236,945	-	236,945
Total restricted assets	236,945	-	236,945
Capital Assets			
Land	28,911	1,754,406	1,783,317
Buildings and improvements	7,116,777	633,858	7,750,635
Machinery and equipment	874,479	282,701	1,157,180
Less: accumulated depreciation	(4,135,466)	(641,209)	(4,776,675)
Total capital assets (net of accumulated depreciation)	3,884,701	2,029,756	5,914,457
Total non-current assets	4,121,646	2,029,756	6,151,402
Total assets	4,739,337	2,046,939	6,786,276
<u>Deferred Outflows of Resources</u>			
Deferred outflows related to pensions	50,361	24,173	74,534
Total deferred outflows related to pensions	50,361	24,173	74,534

(continued)

Town of Snowflake, Arizona
Statement of Net Position - continued
Proprietary Funds
June 30, 2015

Business-type Activities - Enterprise Funds

	<u>Utility Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	90,743	25,733	116,476
Accrued liabilities	15,629	6,780	22,409
Interest payable	25,951	5,596	31,547
Deposits payable	15,860	1,000	16,860
Compensated absences	11,220	4,550	15,770
Bonds and contracts payable	214,342	11,798	226,140
Total current liabilities	<u>373,745</u>	<u>55,457</u>	<u>429,202</u>
Long-term liabilities			
Bonds and contracts payable (net)	2,274,620	531,514	2,806,134
Compensated absences	20,735	8,552	29,287
Net pension liability	570,591	273,884	844,475
Total long-term liabilities	<u>2,865,946</u>	<u>813,950</u>	<u>3,679,896</u>
Total liabilities	<u>3,239,691</u>	<u>869,407</u>	<u>4,109,098</u>
<u>Deferred Inflows of Resources</u>			
Deferred inflows related to pensions	99,780	47,893	147,673
Total deferred inflows related to pensions	<u>99,780</u>	<u>47,893</u>	<u>147,673</u>
<u>Net Position</u>			
Net investment in capital assets	1,395,739	1,486,444	2,882,183
Restricted for debt service	236,945	-	236,945
Unrestricted	(182,457)	(332,632)	(515,089)
Total net position	<u>\$ 1,450,227</u>	<u>\$ 1,153,812</u>	<u>\$ 2,604,039</u>

Town of Snowflake, Arizona
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2015

Business-type Activities - Enterprise Funds

	<u>Utility Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>
Operating revenues:			
Charges for sales and services:			
Metered water sales	\$ 789,737	\$ -	\$ 789,737
Sewer service charges	642,393	-	642,393
Connection fees	7,160	-	7,160
Other fines and fees	28,311	-	28,311
Green fees	-	82,701	82,701
Cart fees	-	95,026	95,026
Membership dues	-	31,834	31,834
Other charges and fees	-	73,590	73,590
Total operating revenues	<u>1,467,601</u>	<u>283,151</u>	<u>1,750,752</u>
Operating expenses:			
Cost of sales and services	676,022	262,669	938,691
Administration	434,191	249,931	684,122
Depreciation	191,583	33,731	225,314
Total operating expenses	<u>1,301,796</u>	<u>546,331</u>	<u>1,848,127</u>
Operating income (loss)	<u>165,805</u>	<u>(263,180)</u>	<u>(97,375)</u>
Non-operating revenues (expenses):			
Investment earnings	3,303	-	3,303
Interest expense	(51,903)	(11,192)	(63,095)
Total non-operating revenues (expenses)	<u>(48,600)</u>	<u>(11,192)</u>	<u>(59,792)</u>
Income (loss) before contributions and transfers	117,205	(274,372)	(157,167)
Transfers in	-	227,412	227,412
Transfers out	(80,000)	-	(80,000)
Change in net position	37,205	(46,960)	(9,755)
Total net position - beginning of year	1,986,196	1,475,895	3,462,091
Restatement adjustment	(573,174)	(275,123)	(848,297)
Total net position - end of year	<u>\$ 1,450,227</u>	<u>\$ 1,153,812</u>	<u>\$ 2,604,039</u>

The notes to the financial statements are an integral part of this statement.

Town of Snowflake, Arizona

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2015

Business-type Activities - Enterprise Funds

	<u>Utility Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,466,552	\$ 285,057	\$ 1,751,609
Cash paid to suppliers for goods and services	(859,641)	(261,944)	(1,121,585)
Cash payments to employees for services	(382,950)	(228,268)	(611,218)
Net cash provided (used) by operating activities	<u>223,961</u>	<u>(205,155)</u>	<u>18,806</u>
Cash flows from non-capital financing activities:			
Transfers to other funds	(80,000)	-	(80,000)
Transfers from other funds	-	227,412	227,412
Net cash provided (used) by non-capital financing activities	<u>(80,000)</u>	<u>227,412</u>	<u>147,412</u>
Cash flows from capital and related financing activities:			
Principal paid on bonds	(213,820)	(12,320)	(226,140)
Interest paid on bonds	(51,903)	(11,192)	(63,095)
Acquisition of capital assets	(161,963)	(16,858)	(178,821)
Net cash provided by (used for) capital and related financing activities	<u>(427,686)</u>	<u>(40,370)</u>	<u>(468,056)</u>
Cash flows from investing activities:			
Purchase of investments	(236,945)	-	(236,945)
Sale of investments	242,054	18,112	260,166
Interest received	3,303	-	3,303
Net cash provided by (used for) investing activities	<u>8,412</u>	<u>18,112</u>	<u>26,524</u>
Net increase (decrease) in cash and cash equivalents	(275,313)	-	(275,313)
Cash and cash equivalents beginning of year, including restricted cash and cash equivalents	<u>719,227</u>	<u>-</u>	<u>719,227</u>
Cash and cash equivalents end of year including restricted cash and cash equivalents	<u>\$ 443,914</u>	<u>\$ -</u>	<u>\$ 443,914</u>
Reconciliation of operating income to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ 165,805	\$ (263,180)	\$ (97,375)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	191,583	33,731	225,314
Pension expense	46,836	22,481	69,317
(Increase) decrease in accounts receivable	(2,139)	1,906	(233)
(Increase) decrease in inventories	-	(1,353)	(1,353)
Increase (decrease) in accounts payable	(183,619)	2,078	(181,541)
Increase (decrease) in accrued liabilities	4,405	(818)	3,587
Increase (decrease) in customer deposits	1,090	-	1,090
Total adjustments	<u>58,156</u>	<u>58,025</u>	<u>116,181</u>
Net cash provided (used) by operating activities	<u>\$ 223,961</u>	<u>\$ (205,155)</u>	<u>\$ 18,806</u>

The notes to the financial statements are an integral part of this statement.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

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. *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.

New Pronouncements

For the year ended June 30, 2015, the Town implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. In addition, Statement No. 68 requires disclosure of information related to pension benefits. Implementation of these new Statements resulted in a restatement of beginning net position in the Town's government-wide and proprietary fund financial statements (see Note V).

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,

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Government-wide financial statements - continued

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.

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.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Measurement Focus – continued

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.

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, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

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, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan’s fiduciary net position and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows and inflows of resources

The statement of net position includes a separate section for deferred outflows of resources and deferred inflows 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. *Deferred inflows of resources* represent an acquisition of net position that applies to future periods and will be recognized as revenue in future periods. Pension related items of deferred outflows and inflows of resources are more fully detailed in Note V.

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 Town’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.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Net Assets and Fund Equity – continued

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.

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, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

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 balance sheet includes a reconciliation between *fund balance – total governmental funds and net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of this \$11,674,007 are as follows:

Land	\$ 530,743
Buildings	5,010,523
Less: Accumulated depreciation-buildings	(2,416,398)
Equipment	3,714,884
Less: Accumulated depreciation-equipment	(2,638,357)
Infrastructure	13,010,395
Less: Accumulated depreciation-infrastructure	<u>(5,537,783)</u>
 Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	 <u>\$ 11,674,007</u>

Another element of that reconciliation explains that “*Deferred outflows and inflows of resources related to pensions are applicable to future reporting periods and therefore are not reported in the funds.*” The details of this \$352,297 are as follows:

Deferred outflows of resources related to pensions	\$ 739,935
Deferred inflows of resources related to pensions	<u>(387,638)</u>
 Net adjustment to increase <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	 <u>\$ 352,297</u>

Another element of that reconciliation explains that “*Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.*” The details of this \$5,879,872 are as follows:

Bonds payable	\$ 2,042,725
Compensated absences payable	135,645
Net pension liability	<u>3,701,502</u>
 Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	 <u>\$ 5,879,872</u>

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

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.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “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.” The details of this \$502,126 difference are as follows:

Capital outlay	\$ 1,197,252
Depreciation expense	<u>(695,126)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 502,126</u>

Another element of that reconciliation states that “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.” The details of this \$106,363 difference is as follows:

Accrual of compensated absences	\$ 32,503
Principal payments on long term debt	<u>73,860</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 106,363</u>

Another element of that reconciliation states that “Pension contributions are reported as expenditures in the governmental funds when made. However, they are not reported as deferred outflows of resources in the Statement of Net Position because the net pension liability is measured a year before the Town’s report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.” The details of this \$160,168 is as follows:

Pension contributions	\$ (281,355)
Pension expense	<u>441,523</u>
Net adjustment to decrease <i>changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 160,168</u>

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

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, 2015, no expenditures exceeded appropriations.

Deficit Fund Equity

No funds had a deficit for the year ended June 30, 2015.

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 \$1,752,850, and the bank balances were \$2,013,368. Of the bank balances, \$500,000 was covered by federal depository insurance. The remaining balances of \$1,252,851 were collateralized with securities held by the financial institution's agent, but not in the government's name. As of June 30, 2015, the Town had \$237,215 of cash held by BNY Mellon acting as a trust agent for debt service payments, and \$550 held in local petty cash.

Investments

The Town's investments include \$99,445 held in the Local Government Investment Pool under the Office of the State Treasurer of Arizona.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

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, 2015 was \$99,445 and is the fair value. The investments in US Government securities held by BNY Mellon are unrated and the balance at June 30, 2015 was \$237,215.

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

Receivables

Receivables as of June 30, 2015, including allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Highway User</u>	<u>Utility</u>	<u>Total</u>
Taxes	\$ 155,186	\$ -	\$ -	\$ 155,186
Accounts	2,073	-	193,819	195,892
Due from other governments	-	67,081	-	67,081
Grants	16,236	-	-	16,236
Franchise fees	<u>28,310</u>	<u>-</u>	<u>-</u>	<u>28,310</u>
Gross receivables	201,805	67,081	193,819	462,705
Less: allowance for uncollectible	<u>-</u>	<u>-</u>	<u>19,104</u>	<u>19,104</u>
Net total receivables	<u>\$ 201,805</u>	<u>\$ 67,081</u>	<u>\$ 174,715</u>	<u>\$ 443,601</u>

Restricted Assets

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

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

IV. DETAILED NOTES ON ALL FUNDS - continued

Capital Assets

Capital asset activity for the year ended June 30, 2015 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Non-depreciable assets:				
Land	\$ 530,743	\$ -	\$ -	\$ 530,743
Construction in progress	1,805,896	-	(1,805,896)	-
Total non-depreciable assets	2,336,639	-	(1,805,896)	530,743
Depreciable assets:				
Buildings and improvements	5,010,523	-	-	5,010,523
Machinery and equipment	4,033,496	159,579	(478,191)	3,714,884
Infrastructure	10,166,826	2,843,569	-	13,010,395
Total depreciable assets	19,210,845	3,003,148	(478,191)	21,735,802
Accumulated depreciation:				
Buildings	(2,320,448)	(95,950)	-	(2,416,398)
Machinery and equipment	(2,842,632)	(273,916)	478,191	(2,638,357)
Infrastructure	(5,212,524)	(325,259)	-	(5,537,783)
Total accumulated depreciation	(10,375,604)	(695,125)	478,191	(10,592,538)
Governmental activities capital assets, net	\$ 11,171,880	\$ 2,308,023	\$ (1,805,896)	\$ 11,674,007
Business-type activities:				
Non-depreciable assets:				
Land	\$ 1,783,317	\$ -	\$ -	\$ 1,783,317
Total non-depreciable assets	1,783,317	-	-	1,783,317
Depreciable assets:				
Buildings and improvements	7,607,137	143,498	-	7,750,635
Machinery and equipment	1,407,029	35,322	(285,171)	1,157,180
Total depreciable assets	9,014,163	178,820	(285,171)	8,907,815
Accumulated depreciation:				
Buildings and improvements	(4,266,464)	(199,079)	-	(4,465,543)
Machinery and equipment	(570,067)	(26,236)	285,171	(311,132)
Total accumulated depreciation	(4,836,530)	(225,315)	285,171	(4,776,675)
Business-type activities capital assets, net	\$ 5,960,950	\$ (46,495)	\$ -	\$ 5,914,457

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

IV. DETAILED NOTES ON ALL FUNDS – continued

Capital Assets-continued

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

Governmental activities:	Business-type activities:
General government	
Public safety	
Highways and streets	Utility fund
Recreation and parks	Golf course fund
Total depreciation expense - governmental activities	Total depreciation expense - business-type activities
\$ 695,126	\$ 225,314

Construction commitments

The Town has an active construction project as of June 30, 2015. A flood control project is being constructed and is 80% complete.

Inter-fund receivables, payables, and transfers

For the year ended, June 30, 2015, Inter-fund transfers for the year were as follows: The General fund made a transfer of \$227,412 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 \$227,412 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, 2015.

Long-Term Debt

The Town has no general obligation debt outstanding. Three Revenue Bond issues are outstanding as of June 30, 2015. 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. Both of these two revenue bonds were refunded during the year ended, June 30, 2014. 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. At June 30, 2015, \$2,205,000 of the defeased bonds remain outstanding. 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 was used for acquisition of capital assets, 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. At June 30, 2015, \$2,100,000 of the defeased bonds remain outstanding.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

IV. DETAILED NOTES ON ALL FUNDS – continued

Long-Term Debt - continued

Revenue bonds at June 30, 2015:

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, 2015:

Amount attributed to governmental activities is	\$2,042,726
Amount attributed to business-type activities is	\$ 932,274

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, 2015:

2013 Refunding and water system improvements	\$2,100,000
Business-type activity portion of the above referenced refunding bond	932,274

Total revenue bonds outstanding:

Governmental activities	\$2,042,726
Business-type activities	<u>3,032,274</u>
Total	<u>\$5,075,000</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
2016	\$ 78,860	\$ 61,321	\$ 236,140	\$ 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	269,242	16,562	390,758	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>\$ 2,042,726</u>	<u>\$ 356,321</u>	<u>\$ 3,032,274</u>	<u>\$ 261,735</u>	<u>\$ 5,075,000</u>	<u>\$ 618,056</u>

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

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, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds Payable:					
Revenue bonds series 2013	\$ 1,301,586	\$ -	\$ (28,860)	1,272,726	\$ 28,860
Revenue bonds series 2007A	815,000	-	(45,000)	770,000	50,000
Net pension liability	3,454,279	247,223	-	3,701,502	-
Compensated absences	168,146	22,750	(55,251)	135,645	47,476
Total long-term liabilities	\$ 5,739,011	\$ 269,973	\$ (129,111)	\$ 5,879,873	\$ 126,336

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, 2015:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities:					
Bonds Payable:					
Revenue bonds series 2013	\$ 953,414	\$ -	\$ (21,140)	\$ 932,274	\$ 21,140
Revenue bonds utility 2013	2,305,000	-	(205,000)	2,100,000	205,000
Net pension liability	903,345	-	(58,870)	844,475	-
Compensated absences	42,756	7,374	(5,073)	45,057	15,770
Total long-term liabilities	\$ 4,204,515	\$ 7,374	\$ (290,083)	\$ 3,921,806	\$ 241,910

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, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

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, 2015 was \$165,188. 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 \$29,407 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.

Arizona State Retirement System (ASRS)

Plan description – The Town participates in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at www.azasrs.gov.

Benefits provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

V. OTHER INFORMATION – continued

Retirement and Pension Plans – ASRS – continued

	Initial Membership Date Before July 1, 2011	Initial Membership Date On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years age 62 5 years age 50* any years age 65	30 years age 55 25 years age 60 10 years age 62 5 years age 50* any years age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits.

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.6 percent (11.48 percent for retirement and 0.12 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.6 percent (10.89 percent for retirement, 0.59 percent for health insurance premium benefit, and 0.12 percent for long-term disability) of the active members' annual covered payroll. In addition, the Town was required by statute to contribute at the actuarially determined rate of 9.57 percent (9.51 percent for retirement and 0.06 percent for long-term disability) of annual covered payroll of retired members who worked for the Town in positions that would typically be filled by an employee who contributes to the ASRS.

The Town's contributions for the current and two preceding fiscal years, all of which were equal to the required contributions, were as follows:

Year Ended June 30,	Contribution Amounts		
	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
2013	\$ 128,487	\$ 8,148	\$ 3,008
2014	143,320	8,037	3,215
2015	146,193	7,920	1,611

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

V. OTHER INFORMATION - continued

Retirement and Pension Plans – ASRS – continued

Pension liability – At June 30, 2015, the Town reported a liability of \$2,282,364 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2013, to the measurement date of June 30, 2014. The Town's proportion of the net pension liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2014. The Town's proportion measured as of June 30, 2014, was 0.015425 percent, which was an increase of 0.000739 percent from its proportion measured as of June 30, 2013.

Pension expense and deferred outflows and inflows of resources – For the year ended June 30, 2015, the Town recognized pension expense for ASRS of \$187,343. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Details of Deferred Outflows and Deferred Inflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 115,996	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	399,115
Changes in proportion and differences between contributions and proportional share of contributions	85,446	-
Contributions subsequent to the measurement date	146,193	-
Total	\$ 347,635	\$ 399,115

The \$146,193 reported as deferred outflows of resources related to ASRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Amortization of Deferred Outflows and Deferred Inflows

Year Ended <u>June 30,</u>	Deferred Outflows (Inflows) of <u>Resources</u>
2016	\$ (12,195)
2017	(12,195)
2018	(73,504)
2019	(99,779)
2020	-
Thereafter	-

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

V. OTHER INFORMATION – continued

Retirement and Pension Plans – ASRS – continued

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2013
Actuarial roll forward date	June 30, 2014
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75%
Inflation	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2013, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Expected Return Arithmetic Basis			
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity	63%	7.03%	4.43%
Fixed income	25%	3.20%	0.80%
Commodities	4%	4.50%	0.18%
Real Estate	8%	4.75%	0.38%
Totals	100%		5.79%
	Inflation		3.00%
	Expected arithmetic nominal return		8.79%

Discount Rate – The discount rate used to measure the ASRS total pension liability was 8 percent, which is less than the long-term expected rate of return of 8.79 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

V. OTHER INFORMATION - continued

Retirement and Pension Plans – ASRS – continued

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7 percent) or 1 percentage point higher (9 percent) than the current rate:

Discount Rate Sensitivity Table

	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Proportionate share of Net pension (asset) / liability	\$ 2,884,791	\$ 2,282,364	\$ 1,955,517

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Public Safety Personnel Retirement System (PSPRS)

Plan description – The Town contributes to the Public Safety Personnel Retirement System (PSPRS), an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium plan that covers public safety personnel who are regularly assigned hazardous duty in the employ of the State of Arizona or a political subdivision thereof. The PSPRS, acting as a common investment administrative agent, is governed by a five-member board, known as the Fund Manager, and the participating local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at www.psprs.com.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

V. OTHER INFORMATION - continued

Retirement and Pension Plans – PSPRS – continued

Benefits provided – The PSPRS provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefit terms. Retirement, disability, and survivor benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

	Initial Membership Date Before January 1, 2012	Initial Membership Date On or After January 1, 2012
Retirement and Disability		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years months
Benefit percent		
Normal Retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
Survivor Benefit		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

V. OTHER INFORMATION - continued

Retirement and Pension Plans – PSPRS – continued

Employees covered by benefit terms – At June 30, 2015, the following employees were covered by the agent pension plans’ benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	2
Active employees	<u>14</u>
Total	<u>22</u>

Contributions and annual OPEB cost – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, active PSPRS members were required by statute to contribute 11.05 percent of their annual covered salary to the PSPRS and the Town was required to contribute 25.92 percent, the remaining amounts necessary to fund the PSPRS, as determined by the actuarial basis specified by statute. The health insurance premium portion of the contribution rate was actuarially set at 1.29 percent.

The Town’s contributions to the pension plan for the year ended June 30, 2015, were \$199,464, which included the required contributions of \$10,211 to the pension plan for the health insurance premium benefit. During fiscal year 2015, the Town paid for the PSPRS pension and OPEB contributions from the General Fund.

Pension liability – At June 30, 2015, the Town reported a net pension liability of \$2,263,613. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total pension liabilities as of June 30, 2014, reflect the following changes of benefit terms and actuarial assumptions.

- In February 2014, the Arizona Supreme Court affirmed a Superior Court ruling that a 2011 law changed the mechanism for funding permanent benefit increases was unconstitutional. As a result, the plans changed benefit terms to reflect the prior mechanism for funding permanent benefit increases and revised actuarial assumptions to explicitly value future permanent benefit increases.
- The wage growth actuarial assumption was decreased from 4.5 percent to 4.0 percent.

Pension actuarial assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Discount rate	7.85%
Projected salary increases	4.0% to 8.0% including inflation
Inflation	4.0%
Permanent benefit increase	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)

Actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2011.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

V. OTHER INFORMATION - continued

Retirement and Pension Plans – PSPRS – continued

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.85 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometrical real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	16.00%	7.60%
Non-U.S. Equity	14.00%	8.63%
Private Equity	11.00%	9.50%
Fixed Income	7.00%	4.75%
Credit Opportunities	13.00%	8.00%
Absolute Return	4.00%	6.75%
GTAA	10.00%	5.73%
Real Assets	8.00%	5.96%
Real Estate	11.00%	6.50%
Risk Parity	4.00%	6.04%
Short Term Inv	2.00%	3.25%
Total	<u>100.00%</u>	

Discount Rate – A Single Discount Rate of 7.85% was used to measure the total pension liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 7.85%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

V. OTHER INFORMATION - continued

Retirement and Pension Plans – PSPRS – continued

Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	\$ 3,608,559	\$ 1,692,407	\$ 1,916,152
Changes for the year:			
Service cost	138,501	-	138,501
Interest on total pension liability	280,167	-	280,167
Changes of benefit terms*	82,250	-	82,250
Difference between expected and actual experience in the measurement of the pension liability	(70,662)	-	(70,662)
Changes of assumptions**	397,088		397,088
Contributions - employer		171,514	(171,514)
Contributions - employee		74,324	(74,324)
Net investment income		235,945	(235,945)
Benefit payments, including refunds of employee contributions	(217,608)	(217,608)	-
Other changes		(1,900)	1,900
Net changes	609,736	262,275	347,461
Balances at June 30, 2015	\$ 4,218,295	\$ 1,954,682	\$ 2,263,613

* Changes of benefit terms include the payout of Retro PBI and a change in the employee contribution rate

** Changes of assumptions include a decrease in the wage assumption from 4.5% to 4.0% as well as the inclusion of an assumption to explicitly value future PBI

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate – The following table presents the Town's net pension liability calculated using the discount rate noted above, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.85%)	Discount Rate (7.85%)	1% Increase (8.85%)
Proportionate share of Net pension (asset) / liability	\$ 2,780,874	\$ 2,263,613	\$ 1,832,690

Pension plan fiduciary net position – Detailed information about the pension plan's fiduciary net position is available in the separately issued PSPRS financial report.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

V. OTHER INFORMATION - continued

Retirement and Pension Plans – PSPRS – continued

Pension expense and deferred outflows/inflows of resources – For the year ended June 30, 2015, the Town recognized pension expense for PSPRS of \$323,498. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 59,021
Changes in assumptions	331,673	-
Net difference between projected and actual earnings on pension plan investments	-	77,175
Contributions subsequent to the measurement date	189,253	-
Total	\$ 520,926	\$ 136,196

The \$189,253 reported as deferred outflows of resources related to PSPRS pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to PSPRS pensions will be recognized in pension expense as follows:

Year Ended June 30	Deferred Outflows (Inflows) of Resources
2016	\$ 34,480
2017	34,480
2018	34,480
2019	34,480
2020	53,774
Thereafter	3,783

Agent plan OPEB actuarial assumptions – The health insurance premium benefit contribution requirements for the year ended June 30, 2015, were established by the June 30, 2013, actuarial valuations, and those actuarial valuations were based on the following actuarial methods and assumptions.

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability of events in the future. Amounts determined regarding the plans' funded status and the annual required contributions are subject to continual revision as actual results are compared to past expectations and new estimates are made. The required schedule of funding progress for the health insurance premium benefit presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of the plans' assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

V. OTHER INFORMATION - continued

Retirement and Pension Plans – PSPRS – continued

Agent plan OPEB actuarial assumptions – Projections of benefits are based on (1) the plan as the Town and plans' members understand them and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the Town and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the following actuarial methods and assumptions were used to establish the fiscal year 2015 contribution requirements:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	23 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.50%

Agent plan OPEB trend information – Annual OPEB cost information for the health insurance premium benefit for the current and two preceding years follows for each of the agent plans:

Plan	Year Ended June 30,	Annual Pension/ OPEB Cost	Percentage of Annual Cost Contributed	Net Pension/ OPEB Obligation
Health Insurance	2013	\$ 12,602	100%	-
	2014	9,868	100%	-
	2015	10,211	100%	-

Agent plan OPEB funded status – The health insurance premium benefit plans' funded status as of the most recent valuation date, June 30, 2014, along with the actuarial assumptions and methods used in those valuations follow.

	<u>Insurance Subsidy</u>
Actuarial accrued liability (AAL)	\$ 101,025
Actuarial value of plan assets	<u>113,835</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (12,810)</u>
Funded ratio (actuarial value of plan assets/AAL)	112.68%
Covered payroll (active plan members)	\$ 687,608
UAAL as a percentage of covered payroll	-1.86%

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2015

V. OTHER INFORMATION - continued

Retirement and Pension Plans – PSPRS – continued

Agent plan OPEB actuarial assumptions –

The actuarial methods and assumptions used for the most recent valuation date are as follows:

Actuarial valuation date	June 30, 2014
Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Pay, Closed
Remaining Amortization Period	22 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.5%-8.5%
Wage growth	4.50%

Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

None of the amounts of compensation deferred under the plan, none of the property and rights purchased with those amounts, and none of the income attributable to those amounts, property or rights are the property of the Town, subject to the claims of the Town’s general creditors.

Restatement Adjustment

As mentioned in Note I to the financial statements, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement Nos. 68 and 71 establish standards for measuring and recognizing net pension assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to pension benefits provided through defined benefit pension plans. This resulted in a restatement of beginning net position as follows:

	<u>Governmental Activities</u>	<u>Utility Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>
Restatement adjustment - implementation of GASB 68:				
Net pension liability (ASRS)	\$ (1,538,127)	\$ (610,368)	\$ (292,977)	\$ (2,441,472)
Net pension liability (PSPRS)	(1,916,152)	-	-	(1,916,152)
Deferred outflows - contributions made during fiscal year 2014:				
ASRS	93,730	37,195	17,853	148,778
PSPRS	171,514	-	-	171,514
Total Restatement Adjustment	<u>\$ (3,189,035)</u>	<u>\$ (573,174)</u>	<u>\$ (275,123)</u>	<u>\$ (4,037,332)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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Town of Snowflake, Arizona
 Schedule of the Proportionate Share of the Net Pension Liability
 June 30, 2015

Arizona State Retirement System

		Reporting Fiscal Year (Measurement Date)
		2015 (2014)
		<hr style="border-top: 1px solid black;"/>
Proportion of the net pension liability (asset)		0.015425%
Proportionate share of the net pension liability (asset)	\$	2,282,364
Covered employee payroll	\$	1,375,190
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		165.97%
Plan fiduciary net position as a percentage of the total pension liability		69.49%

Note: The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

Town of Snowflake, Arizona
Schedule of Contributions
June 30, 2015

Arizona State Retirement System

	Reporting Fiscal Year (Measurement Date)	
	2015	(2014)
Contractually required contribution	\$	143,320
Contributions in relation to the contractually required contribution	\$	(143,320)
Contribution deficiency (excess)	\$	-
Covered employee payroll	\$	1,375,190
Contributions as a percentage of covered-employee payroll		10.42%

Note: The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

Town of Snowflake, Arizona
Schedule of Changes in Net Pension Liability and Related Ratios
June 30, 2015

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date) 2015 <u>(2014)</u>
Total pension liability	
Service cost	\$ 138,501
Interest on total pension liability	280,167
Changes of benefit terms*	82,250
Difference between expected and actual experience of the total net pension liability	(70,662)
Changes of assumptions	397,088
Benefit payments, including refunds of employee contributions	<u>(217,608)</u>
Net change in total pension liability	609,736
Total pension liability - beginning	3,608,559
Total pension liability - ending (a)	\$ 4,218,295
 Plan fiduciary net position	
Contributions - employer	\$ 171,514
Contributions - employee	74,324
Net investment income	235,945
Benefit payments, including refunds of employee contributions	(217,608)
Other (net transfer)	<u>(1,900)</u>
Net change in plan fiduciary net position	262,275
Plan fiduciary net position - beginning	1,692,407
Plan fiduciary net position - ending (b)	\$ 1,954,682
 Net pension liability - ending (a) - (b)	 \$ 2,263,613
 Plan fiduciary net position as a percentage of the total pension liability	 46.34%
 Covered employee payroll	 \$ 655,492
 Net pension liability as a percentage of covered-employee payroll	 345.33%

Note: The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

Town of Snowflake, Arizona
 Schedule of Contributions
 June 30, 2015

Public Safety Personnel Retirement System

	Reporting Fiscal Year (Measurement Date) 2015 (2014)
Actuarially determined contribution	\$ 171,514
Contributions in relation to the actuarially determined contribution	\$ (171,514)
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 655,492
Contributions as a percentage of covered-employee payroll	26.17%

Note: The Town implemented GASB 68 in fiscal year 2015. Prior year information is not available.

Town of Snowflake, Arizona
Notes to Schedule of Contributions
June 30, 2015

Public Safety Personnel Retirement System

NOTE I – Actuarially Determined Contribution Rates

Actuarially determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial cost method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years for unfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 20% corridor
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2013 actuarial valuation, the projected salary increases were decreased from 5.0%-9.0% to 4.0%-8.0%
Wage growth	In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.0%
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

Town of Snowflake, Arizona
Schedule of Funding Progress – Post Retirement Health Insurance Subsidy
June 30, 2015

Public Safety Personnel Retirement System

	(a)	(b)	(b) - (a)	(a)/(b)	(c)	Unfunded AAL As a Percentage of Covered Payroll
Valuation Date	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability (AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Annual Covered <u>Payroll</u>	<u>[(b)-(a)] / (c)</u>
<u>June 30,</u> 2012	\$ -	\$ 105,075	\$ 105,075	0.0%	\$ 683,238	15.38%
2013	-	96,022	96,022	0.0%	724,838	13.25%
2014	113,835	101,025	(12,810)	112.68%	687,608	0.00%
2015	**	**	**	**	**	**

Note I – Factors that Affect the Identification of Trends

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plans recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plans transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from each plan's Pension Fund to the new Health Insurance Fund.

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.

Contents	Page
Financial Trends	69
<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	75
<i>These schedules contain information to help the reader assess the Town’s most significant local revenue sources.</i>	
Debt Capacity	77
<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	79
<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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental activities										
Net investment in capital assets	\$ 9,631,282	\$ 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
Restricted	409,799	399,860	379,571	338,262	362,984	293,160	403,720	246,235	1,255,124	220,458
Unrestricted	(2,419,786)	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
Total governmental activities net position	\$ 7,621,295	\$ 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
Business-Type activities										
Net investment in capital assets	\$ 2,882,183	\$ 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
Restricted	236,945	260,167	610,810	610,810	747,123	656,248	565,400	478,917	390,488	343,275
Unrestricted	(515,089)	499,388	178,443	32,535	141,949	168,195	424,059	380,182	401,599	163,306
Total business-type activities net position	\$ 2,604,039	\$ 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
Primary government										
Net investment in capital assets	\$ 12,513,465	\$ 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
Restricted	646,744	660,027	990,381	949,072	1,110,107	949,408	969,120	725,152	1,645,612	563,733
Unrestricted	(2,934,875)	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
Total primary government net position	\$ 10,225,334	\$ 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

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Expenses										
Governmental activities:										
General government	\$ 1,542,753	\$ 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
Public safety	2,080,498	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
Highways and streets	844,341	736,137	722,752	620,565	691,815	635,067	783,645	671,591	587,925	551,739
Recreation and parks	417,642	482,477	480,047	540,833	527,855	528,592	553,915	562,641	479,144	419,211
Interest on long-term debt	62,981	75,071	120,376	127,256	133,704	140,054	146,155	147,826	109,224	111,447
Total governmental activities expenses	4,948,215	4,691,453	4,652,376	4,222,337	4,371,678	4,363,947	5,044,511	4,548,481	4,166,612	3,548,687
Business-type activities:										
Water and sewer	1,353,699	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
Golf course	557,523	607,426	621,585	617,653	554,555	570,994	627,625	619,821	598,767	583,282
Total business-type activities expenses	1,911,222	2,064,634	1,873,570	1,813,598	1,779,554	1,873,239	1,860,819	1,817,563	1,725,386	1,669,977
Total Expenses	\$ 6,859,437	\$ 6,756,087	\$ 6,525,946	\$ 6,035,935	\$ 6,151,232	\$ 6,237,186	\$ 6,905,330	\$ 6,366,044	\$ 5,891,998	\$ 5,218,664
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 166,707	\$ 172,899	\$ 165,662	\$ 142,725	\$ 148,494	\$ 173,982	\$ 184,073	\$ 222,346	\$ 360,638	\$ 311,364
Public safety	890,479	908,548	960,752	746,717	736,068	713,533	755,291	813,178	684,900	569,785
Recreation and Parks	72,055	77,053	100,424	130,180	128,736	134,514	105,365	100,429	95,910	90,847
Operating grants and contributions	698,167	650,967	1,392	673,992	717,624	736,307	799,342	812,680	856,519	831,293
Capital grants and contributions	871,969	312,095	651,551	806,026	582,901	630,778	47,116	269,328	463,657	154,979
Total governmental activities program revenues	2,699,377	2,121,562	1,879,781	2,499,640	2,313,823	2,389,114	1,891,187	2,217,961	2,461,624	1,958,268
Business-type activities:										
Charges for services:										
Water and sewer	\$ 1,467,601	\$ 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
Golf course	283,151	276,590	354,765	364,682	329,795	346,229	384,272	411,859	409,219	401,415
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	1,750,752	1,717,580	1,851,016	1,748,573	1,683,464	1,718,710	1,728,128	1,831,626	1,952,546	1,815,537
Total primary government program revenues	\$ 4,450,129	\$ 3,839,142	\$ 3,730,797	\$ 4,248,213	\$ 3,997,287	\$ 4,107,824	\$ 3,619,315	\$ 4,049,587	\$ 4,414,170	\$ 3,773,805
Net/(expense) revenue										
Governmental activities	\$ (2,248,838)	\$ (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)
Business-type activities	(160,470)	(347,054)	(22,554)	(65,025)	(130,134)	(60,844)	(145,111)	(29,193)	134,983	90,151
Total primary government net expense	\$ (2,409,308)	\$ (2,916,945)	\$ (2,795,149)	\$ (1,787,722)	\$ (2,038,648)	\$ (2,043,408)	\$ (2,617,871)	\$ (2,855,743)	\$ (1,951,874)	\$ (2,118,193)

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Revenues										
Governmental activities:										
Taxes										
Sales taxes	\$ 1,046,222	\$ 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
State shared sales taxes	510,863	486,569	457,552	436,804	381,877	362,157	392,644	453,546	469,059	474,828
Franchise taxes	124,221	121,282	123,360	130,017	123,838	121,399	121,073	117,921	134,254	106,541
Vehicle license taxes	295,826	285,566	274,622	291,394	256,076	256,954	279,662	294,464	294,625	284,637
State shared income taxes	676,704	623,076	1,237,678	471,801	480,336	637,160	738,459	694,504	560,298	987,212
Investment earnings	-	4,993	2,918	2,780	3,143	9,403	2,993	129,148	82,535	52,679
Miscellaneous	39,423	61,938	44,305	154,198	183,954	56,039	110,308	44,388	213,272	66,286
Sales of capital assets	-	-	-	-	-	4,286	-	-	-	-
Transfers	(147,412)	(293,821)	(215,138)	(93,206)	(185,976)	(172,728)	(282,525)	(93,591)	(122,970)	(126,526)
Total governmental activities	\$ 2,545,847	\$ 2,283,180	\$ 2,964,442	\$ 2,454,126	\$ 2,370,363	\$ 2,208,451	\$ 2,546,003	\$ 3,036,809	\$ 3,138,050	\$ 3,207,236
Business-type activities:										
Investment earnings	\$ 3,303	\$ 1,073	\$ 4,381	\$ 2,780	\$ 1,046	\$ 3,132	\$ -	\$ -	\$ -	\$ -
Transfers	147,412	293,821	215,138	93,206	185,976	172,728	282,525	93,591	122,970	126,526
Total business-type activities	150,715	294,894	219,519	95,986	187,022	175,860	282,525	93,591	122,970	126,526
Total primary government	2,696,562	2,578,074	3,183,961	2,550,112	2,557,385	2,384,311	2,828,528	3,130,400	3,261,020	3,333,762
Change in Net Position										
Governmental activities	\$ 297,009	\$ (286,711)	\$ 191,847	\$ 731,429	\$ 647,666	\$ 299,937	\$ (607,321)	\$ 706,289	\$ 1,433,062	\$ 1,127,016
Business-type activities	(9,755)	(52,160)	196,965	30,961	121,997	45,726	149,834	107,654	350,130	272,086
Total change in Net Position	\$ 287,254	\$ (338,871)	\$ 388,812	\$ 762,390	\$ 769,663	\$ 345,663	\$ (457,487)	\$ 813,943	\$ 1,783,192	\$ 1,399,102

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General fund										
Non-Spendable	\$ 27,447	\$ 561,612	\$ 6,433	\$ 380,338	\$ 202,541	\$ 205,257	\$ 205,779	\$ 210,206	\$ 1,255,124	\$ 246,549
Restricted	270	99,794	178,525	178,525	-	-	-	-	-	-
Unassigned	1,037,617	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
Total general fund	\$ 1,065,334	\$ 1,326,109	\$ 1,783,409	\$ 2,357,560	\$ 2,250,761	\$ 2,105,594	\$ 2,306,205	\$ 2,970,237	\$ 3,819,683	\$ 1,989,753
All other governmental funds										
Restricted	\$ 409,529	\$ 300,066	\$ 201,046	\$ 159,737	\$ 149,420	\$ 114,635	\$ 225,166	\$ -	\$ -	\$ 255,147
Unassigned, reported in:										
Special Revenue Funds	-	-	-	-	-	20,793	12,093	276,318	89,549	(3,145)
Total all other governmental funds	\$ 409,529	\$ 300,066	\$ 201,046	\$ 159,737	\$ 149,420	\$ 135,428	\$ 237,259	\$ 276,318	\$ 89,549	\$ 252,002

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Revenues										
Local sales tax	\$ 1,046,222	\$ 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
State sales tax	510,863	486,569	457,552	436,804	381,877	362,157	392,644	453,546	469,059	474,828
Motor fuel tax	698,167	646,059	614,387	560,452	613,039	602,502	652,684	721,047	761,936	750,655
Franchise tax	124,221	121,282	123,360	130,017	123,838	121,399	121,073	117,921	134,254	106,541
Licenses and permits	31,493	21,099	31,143	15,111	15,013	32,608	55,869	88,030	183,665	182,725
Intergovernmental	1,891,405	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
Charges for services	1,050,842	1,054,733	1,195,695	1,004,511	998,285	988,860	988,860	988,022	957,783	789,271
Investment earnings	-	4,993	2,918	2,780	3,143	9,403	2,993	129,148	82,535	52,679
Miscellaneous	39,421	126,296	44,305	154,198	183,954	56,039	110,308	44,388	213,272	66,286
Total revenues	5,392,634	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
Expenditures										
Current:										
General government	1,314,150	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
Public safety	1,769,931	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
Highways and streets	559,667	461,585	419,911	413,611	512,589	436,947	600,332	487,940	426,485	397,493
Recreation and parks	418,693	466,594	474,147	473,462	466,140	467,220	497,233	502,817	426,664	368,361
Debt service:										
Principal	73,860	174,382	171,969	161,199	155,427	152,541	146,771	113,884	98,114	40,400
Interest	62,981	75,071	120,376	127,256	133,704	140,054	146,155	147,826	109,224	111,447
Capital outlay	1,197,252	436,225	1,137,144	925,605	444,525	851,104	366,703	1,678,265	1,124,696	628,551
Total expenditures	5,396,534	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
Excess (Deficiency) of Revenues over expenditures	\$ (3,900)	\$ 127,675	\$ (317,704)	\$ 210,322	\$ 345,135	\$ (134,000)	\$ (420,566)	\$ (569,086)	\$ 715,447	\$ 923,450

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Other financing sources (uses)										
Transfers in	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 120,793	\$ 80,000	\$ 50,000	\$ 100,000	\$ 100,000	\$ 100,000
Transfers (out)	(247,412)	(393,821)	(315,138)	(193,206)	(306,769)	(252,728)	(332,525)	(193,591)	(222,970)	(226,526)
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)	(147,412)	(485,955)	(215,138)	(93,206)	(185,976)	(168,442)	(282,525)	(93,591)	952,030	(126,526)
Net change in fund balances	\$ (151,312)	\$ (358,280)	\$ (532,842)	\$ 117,116	\$ 159,159	\$ (302,442)	\$ (703,091)	\$ (662,677)	\$ 1,667,477	\$ 796,924
 Debt service as a percentage of noncapital expenditures	3.26%	6.03%	6.90%	7.38%	7.09%	7.23%	6.14%	6.17%	5.34%	4.72%

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

	Fiscal Year									
	2015		2014		2013		2012		2011	
	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total
Mining	\$ 7,886	0.8%	\$ 6,050	0.6%	\$ 5,071	0.5%	\$ 10,295	1.0%	\$ 15,043	1.3%
Communication and Utilities	164,261	15.7%	167,070	16.8%	170,319	16.4%	188,295	17.8%	198,160	17.6%
Construction	90,801	8.7%	76,019	7.7%	129,422	12.5%	84,726	8.0%	108,580	9.6%
Manufacturing	13,182	1.3%	16,156	1.6%	11,362	1.1%	23,762	2.2%	16,504	1.5%
Retail	508,016	48.6%	459,649	46.3%	470,736	45.3%	524,351	49.5%	558,868	49.6%
Real Estate Leasing	32,125	3.1%	35,096	3.5%	35,096	3.4%	34,676	3.3%	29,311	2.6%
Restaurant and Bar	117,549	11.2%	98,714	9.9%	98,181	9.4%	84,319	8.0%	81,900	7.3%
Accommodation	22,252	2.1%	29,618	3.0%	32,192	3.1%	31,826	3.0%	36,098	3.2%
Services	67,782	6.5%	84,939	8.5%	77,938	7.5%	76,493	7.2%	77,135	6.8%
Other	22,368	2.1%	20,266	2.0%	8,828	0.8%	1,594	0.2%	5,516	0.5%
Total	<u>\$ 1,046,222</u>	<u>100.0%</u>	<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>

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
2015	\$ 510,863	\$ 1,046,222	\$ 124,221	\$ 698,167	\$ 295,826	\$ 676,704
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

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 ⁽¹⁾	Debt Per Capita ⁽²⁾
	General Obligation Bonds	Revenue Bonds	Capital Leases	Revenue Bonds	Capital Leases			
2015	\$ -	\$ 2,042,726	\$ -	\$ 3,032,274	\$ -	\$ 5,075,000	5.07%	\$ 899
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

(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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Secondary assessed valuation	\$ 28,357,451	\$ 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
Debt limit @ 20%	5,671,490	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
Debt limit @ 6%	1,701,447	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
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin @ 20%	5,671,490	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
Legal debt margin @ 6%	1,701,447	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

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, 2015, 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)

Fiscal Year	Estimated Population	Median Household Income	Per Capita Personal Income	Total Personal Income	Unemployment Rate	Public School Enrollment
2015	5,644	\$ 60,215	\$ 17,727	\$ 100,051,188	3.4%	2,505
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

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>2015</u>		<u>2005</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Summit Regional Medical Center	1,050	4.02%	500	1.82%
Northland Pioneer College	650	2.49%	175	0.64%
Navajo County	638	2.44%	425	1.55%
Wal-Mart	320	1.23%	761	2.77%
Hon-Dah Casino	370	1.42%	400	1.46%
Snowflake Unified School District	240	0.92%	250	0.91%
Arizona Public Service	220	0.84%	287	1.05%
Blue Ridge Unified School District	285	1.09%	195	0.71%
PFFJ	158	0.61%	142	0.52%
Total	<u>3,931</u>	<u>15.06%</u>	<u>3,135</u>	<u>11.42%</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									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government	9	10	10	10	10	11	11	11	12	10
Public safety										
Police										
Officers	14	14	14	14	14	14	15	15	15	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	15	16	18	12
Highways and streets	5	4.5	4.5	4	4	4	4	4	4	4
Recreation and parks	4	4	4	4	4	5	5	5	5	5
Utility fund	6	5.5	5.5	5	5	6	6	6	6	6
Golf Course	4	4	4	4	4	4	4	4	4	4
Total	65	65	65	64	64	67	68	69	72	61

Source: Various departments

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Police calls for service	16,985	17,875	19,505	18,520	17,625	15,480	14,489	14,210	13,855	13,641
Fire calls for service	330	385	400	415	320	305	274	222	286	266
Highways and streets										
Street miles resurfaced	0.50	2.50	0.50	0.10	0.50	0.60	0.40	0.20	2.30	1.65
Recreation and parks										
Participants	4,105	3,750	4,400	4,700	4,720	4,510	4,250	4,110	4,055	3,990
Water and wastewater										
Water connects	6	3	2	3	1	2	14	40	98	85
Sewer connects	-	1	-	1	1	1	7	28	62	60
Golf course										
Rounds of golf	16,510	17,460	21,230	22,800	20,130	21,110	23,439	24,098	23,255	24,110

Source: Various departments

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	1	1
Highways and streets										
Streetlights	415	415	415	415	415	415	415	415	415	415
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
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, 2015, 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 December 8, 2015.

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
December 8, 2015



**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, 2015, and have issued our report thereon dated December 8, 2015. 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, 2015.

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
December 8, 2015

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