



**Comprehensive Annual
Financial Report**

For the Fiscal Year Ended
June 30, 2020

TOWN OF SNOWFLAKE, ARIZONA
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020
Table of Contents

Page

INTRODUCTORY SECTION

Letter of Transmittal.....	1
GFOA Certificate of Achievement	3
Organizational Chart.....	4
List of Elected and Appointed Officials.....	5

FINANCIAL SECTION

Independent Auditor’s Report	9
Management’s Discussion and Analysis.....	12

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	22
Statement of Activities	23

Fund Financial Statements:

Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	25
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	27
Statement of Net Position - Proprietary Funds	28
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	29
Statement of Cash Flows - Proprietary Funds	30
Notes to the Financial Statements.....	31

Required Supplementary Information:

Schedule of the Proportionate Share of the Net Pension Liability	64
Schedule of the Proportionate Share of the Net OPEB Liability	65
Schedule of Changes in the Net Pension Liability and Related Ratios.....	66
Schedule of Changes in the Net OPEB Liability and Related Ratios.....	67
Schedule of Pension/OPEB Contributions	68
Notes to the Pension Plan Schedules	71
Budgetary Comparison Schedule – General Fund	74
Budgetary Comparison Schedule – Highway User Special Revenue Fund	76

STATISTICAL SECTION

Financial Trends
 Net Position by Component..... 78
 Changes in Net Position 79
 Fund Balances of Governmental Funds 81
 Change in Fund Balances of Governmental Funds 82

Revenue Capacity
 Local Sales Tax Revenue by Industry 84
 Governmental Activities Tax Revenue by Source 85

Debt Capacity
 Ratios of Outstanding Debt by Type 86
 Legal Debt Margin Information..... 87

Demographic and Economic Information
 Demographic and Economic Statistics 88
 Principle Employers 89

Operating Information
 Full Time Equivalent Town Employees by Function..... 90
 Operating Indicators by Function/Program..... 91
 Capital Assets Statistics by Function/Program 92

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

Independent Auditors’ Report on Internal Control over
 Financial Reporting and on Compliance and Other Matters 95
 Report on State Legal Compliance 97

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INTRODUCTORY SECTION

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December 14, 2020

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, 2020. 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 unmodified ("clean") opinion on the Town of Snowflake's financial statements for the year ended June 30, 2020. 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 5,858. 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, 2020, on August 6, 2019. 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 and the legal level of budgetary control is at the department level.

Local Economy

Major industries located within the government's boundaries or in close proximity include pork producers, electrical generation, and cannabis growing operations. Unemployment has remained steady at around 3.5%. The unemployment rate in the Town has fluctuated between 3.4% and 9.1% 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 the increases in employer contributions for the Public Safety Personnel Retirement System.

Capital Projects

The major capital projects planned for the next year include minor road improvements, and a major flood control project of approximately \$545,000.

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, 2019. This was the 13th 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
Town Manager/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

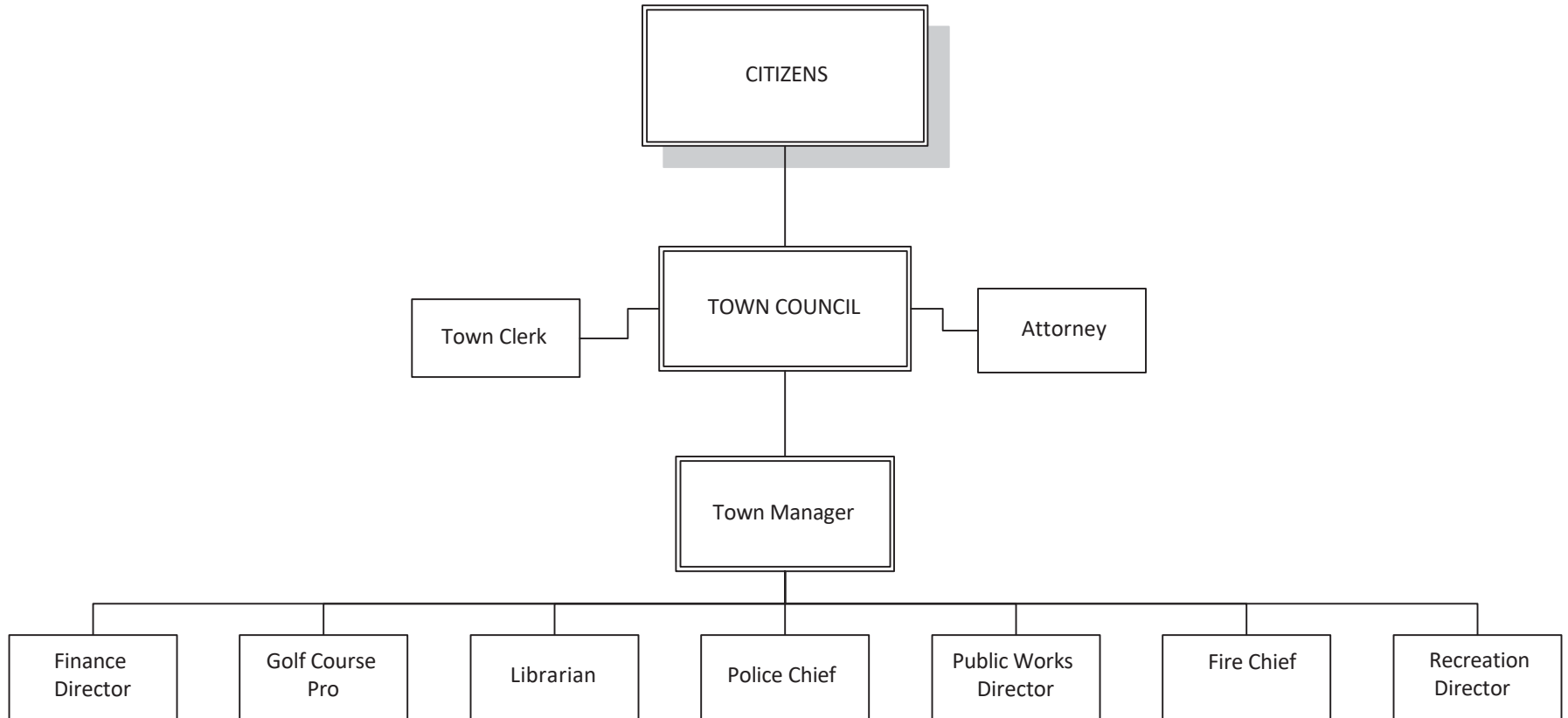
June 30, 2019

Christopher P. Morill

Executive Director/CEO

Town of Snowflake, Arizona

Organization Chart



Town of Snowflake, Arizona
List of Elected and Appointed Officials
June 30, 2020

Elected Officials

Mayor	Lynn Johnson
Vice-Mayor	Kerry Ballard
Council	Allison Perkins
Council	Greg Brimhall
Council	Byron Lewis
Council.....	Robert Flake
Council	Cory Johnson

Appointed Officials

Town Manager	Brian Richards
Public Works Director	Terry Cooper
Finance Director	Brian Richards
Town Clerk	Katie Melser
Town Attorney	Robert M. Hall
Fire Chief	Willie Nelson
Police Chief	Robert Martin
Librarian	Cathie McDowell
Town Magistrate	Fred Peterson

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FINANCIAL SECTION

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The Honorable Mayor and
Town Council
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 fiscal year ended June 30, 2020, 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 an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 purposes 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 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension/OPEB liability, schedule of changes in the net pension/OPEB liability and related ratios, schedule of pension/OPEB contributions, and budgetary comparison information 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 standard generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 sections 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 14, 2020, 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 solely 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 Town of Snowflake, Arizona's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "HintonBurdick, PLLC".

HintonBurdick, PLLC
Gilbert, Arizona
December 14, 2020

Management Discussion and Analysis

As management of the Town of Snowflake, we offer readers of the Town of Snowflake's statement this narrative overview and analysis of the financial activities of the Town of Snowflake for the fiscal year ended June 30, 2020. 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 and deferred inflows at the close of the most recent fiscal year by \$15,577,026 (net position).
- The Town of Snowflake's total net position increased by \$2,541,403 during the current fiscal year due to an increase in overall revenues over the previous year.
- As of June 30, 2020, the Town's governmental funds reported combined ending fund balances of \$4,570,742, an increase of \$1,447,685. Of the total ending fund balance, \$3,807,912 is unassigned and available for spending at the government's discretion.
- As of June 30, 2020, the total unassigned fund balance for the general fund was \$3,807,912, or 76.14% of total general fund expenditures (\$4,983,770).
- As of June 30, 2020, the Town's proprietary funds reported combined total net position of \$4,162,830.
- The Town's net long-term liabilities decreased by \$288,137 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).

Management Discussion and Analysis, continued

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.

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 24-27 of this report.

Management Discussion and Analysis, continued

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 28-30 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 beginning on page 31 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 64-72 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 \$15,577,026 at the close of the most recent fiscal year.

By and far the largest portion of the Town of Snowflake's net position (96 percent, \$14,937,888) 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.

An additional portion of the Town of Snowflake's net position, \$1,064,739 (7 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 \$425,601.

Management Discussion and Analysis, continued

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 increased by \$2,541,403 during the current fiscal year. This change is the result of normal operations of the Town.

Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Current and other assets	\$ 5,282,196	\$ 3,377,676	\$ 1,060,108	\$ 947,342	\$ 6,342,304	\$ 4,325,018
Capital assets	11,952,206	11,473,298	5,603,651	5,582,745	17,555,857	17,056,043
Total assets	<u>17,234,402</u>	<u>14,850,974</u>	<u>6,663,759</u>	<u>6,530,087</u>	<u>23,898,161</u>	<u>21,381,061</u>
Deferred outflows of resources	1,012,166	965,720	102,099	138,222	1,114,265	1,103,942
Long-term liabilities outstanding	5,889,806	5,751,759	2,349,352	2,775,536	8,239,158	8,527,295
Other liabilities	641,563	211,285	197,423	138,534	838,986	349,819
Total liabilities	<u>6,531,369</u>	<u>5,963,044</u>	<u>2,546,775</u>	<u>2,914,070</u>	<u>9,078,144</u>	<u>8,877,114</u>
Deferred inflows of resources	301,003	456,297	56,253	115,969	357,256	572,266
Net position:						
Net investment in capital assets	10,861,843	10,124,421	4,076,045	3,620,139	14,937,888	13,744,560
Restricted	762,830	632,459	301,909	292,149	1,064,739	924,608
Unrestricted	<u>(210,477)</u>	<u>(1,359,527)</u>	<u>(215,124)</u>	<u>(274,018)</u>	<u>(425,601)</u>	<u>(1,633,545)</u>
Total net position	<u>\$ 11,414,196</u>	<u>\$ 9,397,353</u>	<u>\$ 4,162,830</u>	<u>\$ 3,638,270</u>	<u>\$ 15,577,026</u>	<u>\$ 13,035,623</u>

Management Discussion and Analysis, continued

Changes in Net Position for the year ended June 30, 2020 are as follows:

	Governmental activities		Business-type activities		Combined Total	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Revenues:						
Program revenues:						
Charges for services	\$ 1,622,361	\$ 1,328,511	\$ 2,475,433	\$ 2,258,310	\$ 4,097,794	\$ 3,586,821
Operating grants and contributions	1,888,614	869,363	-	-	1,888,614	869,363
Capital grants and contributions	188,144	159,359	-	-	188,144	159,359
General revenues:						
Taxes	3,266,104	2,681,011	-	-	3,266,104	2,681,011
State revenue sharing	757,524	696,688	-	-	757,524	696,688
Other revenue/(expense)	131,616	234,372	12,780	20,494	144,396	254,866
Total revenues	7,854,363	5,969,304	2,488,213	2,278,804	10,342,576	8,248,108
Expenses:						
General government	793,016	617,826	-	-	793,016	617,826
Public safety	2,916,544	2,415,706	-	-	2,916,544	2,415,706
Public works/Streets	838,244	908,712	-	-	838,244	908,712
Culture and recreation	604,603	534,535	-	-	604,603	534,535
Interest on long-term debt	25,622	21,423	-	-	25,622	21,423
Water and wastewater	-	-	1,679,119	1,834,635	1,679,119	1,834,635
Golf Course	-	-	944,025	932,059	944,025	932,059
Total expenses	5,178,029	4,498,202	2,623,144	2,766,694	7,801,173	7,264,896
Increase (Decrease) in net position						
before transfers	2,676,334	1,471,102	(134,931)	(487,890)	2,541,403	983,212
Transfers	(659,491)	(495,530)	659,491	495,530	-	-
Increase in net position	2,016,843	975,572	524,560	7,640	2,541,403	983,212
Net position, beginning	9,397,353	8,421,781	3,638,270	3,630,630	13,035,623	12,052,411
Net position, ending	\$ 11,414,196	\$ 9,397,353	\$ 4,162,830	\$ 3,638,270	\$ 15,577,026	\$ 13,035,623

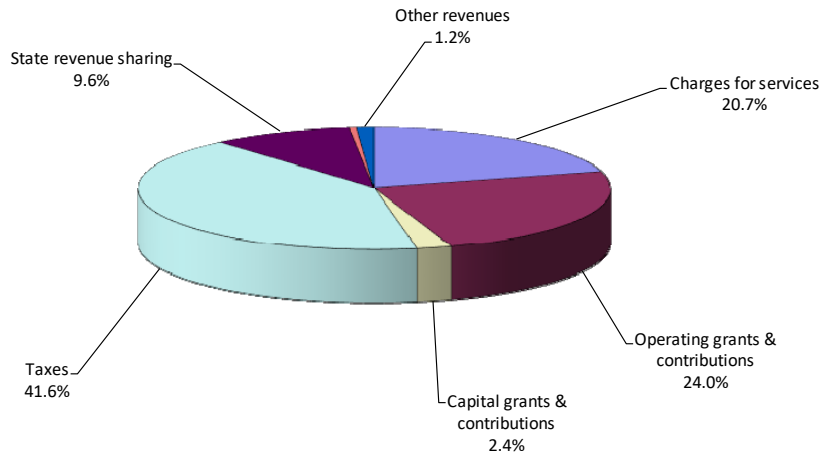
Governmental activities – Governmental activities increased the Town’s Net position by \$2,016,843. Key elements of this increase are as follows:

- Charges for services increased by \$293,850 (22.12 percent) during the year primarily due to increases in business license revenue.
- Operating grants and contributions increased by \$1,019,251 (117.24 percent) during the year primarily due to increased HURF related grants and AZ CARES funds.
- General government expenses increased by \$175,190 (28.36%) during the year primarily due to increases in employee benefits and miscellaneous expenses.
- Public safety expenses increased by \$500,838 (20.73 percent) during the year primarily related to employee benefits and professional and technical expenses.

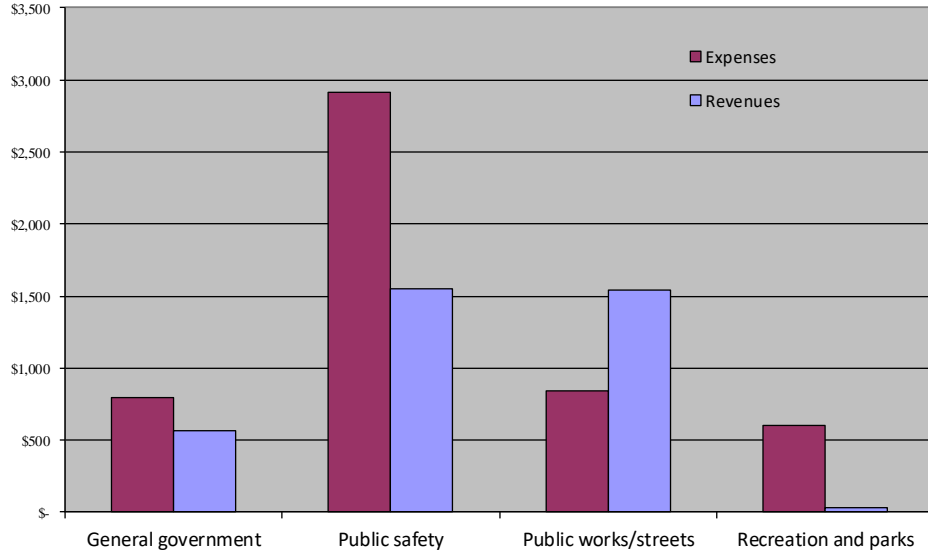
Business-type activities – Business-type activities increased the Town of Snowflake’s net position by \$524,560. This was a result in increases in water and sewer sales and decreases in employee benefits, adjudication and maintenance expenses.

Management Discussion and Analysis, continued

Revenue By Source - Governmental Activities



**Expenses and Program Revenues - Governmental Activities
(in Thousands)**



Management Discussion and Analysis, continued

Financial Analysis of the Government's Funds

As noted earlier, the Town of Snowflake's 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 \$4,570,742, an increase of 46 percent in comparison with the prior year. Approximately 83 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 for highways and streets (\$762,830).

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 \$3,807,912, with total fund balance reached being \$3,807,912. 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 76 percent of total general fund expenditures (\$4,983,770).

The fund balance of the Town of Snowflake's general fund increased by \$1,317,314 during the current fiscal year. Key factors relating to this change are as follows:

- General fund governmental revenues increased by \$1,209,766 (23.76 percent) during the year, mainly due to a increased in grants and taxes; while expenditures increased by \$791,411 (18.88 percent).

The fund balance for the Highway User Revenue Fund increased by \$130,371 to \$762,830, mainly due to revenues increasing by 76.91 percent and expenses increasing by 101.14 percent, resulting from normal fluctuations in operations.

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 balance of \$66,403, and unrestricted net position of the Golf Course fund was a deficit of \$281,527. The main reason there is a deficit balance in unrestricted net position is due to the implementation of GASB 68 in the prior years, which required an accrual of net pension liability in the total amount of \$844,475 for both funds in fiscal year 2015. The deficits have carried forward from then, though they are decreasing. 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.

Management Discussion and Analysis, continued

General Fund Budgetary Highlights

The overall general fund budget increased by 3.05% from the prior year due to the overall increase in anticipated revenues and the economic environment in which the Town operates.

General Fund Budgetary Variances

Intergovernmental revenues received are lower than budgeted because of fewer grant related revenues awarded than expected and miscellaneous and contingent revenues was \$821,763 less than budgeted.

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, 2020, amounts to \$17,555,856 (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 \$499,813.

The most significant capital asset addition for the year was the following:

- \$708,396 for the mill and overlay of Concho Highway

Additional information on the Town of Snowflake's capital assets can be found in Note 5 on pages 43-44 of this report

Long-term liabilities. At the end of the current fiscal year, the Town of Snowflake had total long-term liabilities outstanding of \$8,239,158 consisting of revenue bonds, compensated absences, net pension/OPEB liability and capital leases. The entire amount of revenues bonds are secured by specified revenue sources.

The Town of Snowflake's total long-term liabilities decreased by \$288,137 during the year, this decrease is attributed to 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, 2020 is \$2.1 million at 6 percent and \$6.9 million at 20 percent.

Additional information on the Town of Snowflake's long-term debt can be found in Note 6 on pages 45-47.

Management Discussion and Analysis, continued

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 increased in the recent year due to a general economic uptick.

All of these factors were considered in preparing the Town of Snowflake's budget for the 2021 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

BASIC FINANCIAL STATEMENTS

TOWN OF SNOWFLAKE, ARIZONA
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 4,381,300	\$ 517,292	\$ 4,898,592
Receivables (net of allowance)	820,499	203,665	1,024,164
Inventory	-	15,046	15,046
Restricted cash	-	322,594	322,594
Net pension/OPEB asset	80,397	1,511	81,908
Capital assets (net of accumulated depreciation):			
Land	595,043	1,783,317	2,378,360
Construction in progress	221,078	-	221,078
Buildings and improvements	2,675,065	2,697,768	5,372,833
Infrastructure/roads	7,630,656	-	7,630,656
Furniture, equipment and vehicles	830,364	1,122,566	1,952,930
Total assets	<u>17,234,402</u>	<u>6,663,759</u>	<u>23,898,161</u>
Deferred outflows of resources			
Deferred outflows related to pensions/OPEB	<u>1,012,166</u>	<u>102,099</u>	<u>1,114,265</u>
Total deferred outflows of resources	<u>1,012,166</u>	<u>102,099</u>	<u>1,114,265</u>
Liabilities			
Accounts payable and other current liabilities	286,924	180,005	466,929
Unearned revenue	344,133	-	344,133
Interest payable	10,506	17,418	27,924
Current portion of long-term liabilities	374,027	452,205	826,232
Noncurrent liabilities:			
Due in more than one year:			
Bonds, leases and compensated absences	868,354	1,096,254	1,964,608
Net pension/opeb liability	4,647,425	800,893	5,448,318
Total liabilities	<u>6,531,369</u>	<u>2,546,775</u>	<u>9,078,144</u>
Deferred inflows of resources			
Deferred inflows related to pensions/OPEB	<u>301,003</u>	<u>56,253</u>	<u>357,256</u>
Total deferred inflows of resources	<u>301,003</u>	<u>56,253</u>	<u>357,256</u>
Net position			
Net investment in capital assets	10,861,843	4,076,045	14,937,888
Restricted for:			
Public works/streets	762,830	-	762,830
Debt service	-	301,909	301,909
Unrestricted	<u>(210,477)</u>	<u>(215,124)</u>	<u>(425,601)</u>
Total net position	<u>\$ 11,414,196</u>	<u>\$ 4,162,830</u>	<u>\$ 15,577,026</u>

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

TOWN OF SNOWFLAKE, ARIZONA
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 793,016	\$ 517,858	\$ -	\$ 50,000	\$ (225,158)	\$ -	\$ (225,158)
Public safety	2,916,544	1,071,428	345,061	138,144	(1,361,911)	-	(1,361,911)
Public works/streets	838,244	-	1,543,553	-	705,309	-	705,309
Recreation and parks	604,603	33,075	-	-	(571,528)	-	(571,528)
Interest on long-term debt	25,622	-	-	-	(25,622)	-	(25,622)
Total governmental activities	<u>5,178,029</u>	<u>1,622,361</u>	<u>1,888,614</u>	<u>188,144</u>	<u>(1,478,910)</u>	<u>-</u>	<u>(1,478,910)</u>
Business-type activities:							
Water and wastewater	1,679,119	1,989,646	-	-	-	310,527	310,527
Golf Course	944,025	485,787	-	-	-	(458,238)	(458,238)
Total business-type activities	<u>2,623,144</u>	<u>2,475,433</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(147,711)</u>	<u>(147,711)</u>
Total primary government	<u>\$ 7,801,173</u>	<u>\$ 4,097,794</u>	<u>\$ 1,888,614</u>	<u>\$ 188,144</u>			
General revenues:							
Taxes:							
City sales tax					2,127,903	-	2,127,903
State sales tax					606,267	-	606,267
Franchise taxes					130,888	-	130,888
Auto lieu tax					401,046	-	401,046
Urban revenue sharing					757,524	-	757,524
Unrestricted investment earnings					40,199	6,048	46,247
Gain (loss) on sale of assets					-	6,732	6,732
Miscellaneous					91,417	-	91,417
Transfers					(659,491)	659,491	-
Total general revenues					<u>3,495,753</u>	<u>672,271</u>	<u>4,168,024</u>
Change in net position					2,016,843	524,560	2,541,403
Net position - beginning					<u>9,397,353</u>	<u>3,638,270</u>	<u>13,035,623</u>
Net position - ending					<u>\$ 11,414,196</u>	<u>\$ 4,162,830</u>	<u>\$ 15,577,026</u>

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

TOWN OF SNOWFLAKE, ARIZONA
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 3,662,673	\$ 718,627	\$ 4,381,300
Receivables:			
Other	334,753	-	334,753
Intergovernmental	384,272	73,707	457,979
Franchise	27,767	-	27,767
Total assets	<u>\$ 4,409,465</u>	<u>\$ 792,334</u>	<u>\$ 5,201,799</u>
Liabilities			
Accounts payable	\$ 168,816	\$ 20,121	\$ 188,937
Accrued wages and benefits	88,604	9,383	97,987
Unearned Revenue	344,133	0	344,133
Total liabilities	<u>601,553</u>	<u>29,504</u>	<u>631,057</u>
Fund balances			
Restricted for:			
Public works/streets	-	762,830	762,830
Unassigned	3,807,912	-	3,807,912
Total fund balances	<u>3,807,912</u>	<u>762,830</u>	<u>4,570,742</u>
Total liabilities and fund balances	<u>\$ 4,409,465</u>	<u>\$ 792,334</u>	<u>\$ 5,201,799</u>

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

TOWN OF SNOWFLAKE, ARIZONA
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2020

Total fund balances governmental funds		\$ 4,570,742
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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:

Governmental capital assets	23,902,933	
Accumulated depreciation	<u>(11,950,727)</u>	
		11,952,206

Net OPEB asset is not an available resource and, therefore is not reported in the funds.		80,397
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(588,743)	
Compensated absences	(152,018)	
Capital leases	(501,620)	
Net pension/OPEB liability	<u>(4,647,425)</u>	
		(5,889,806)

Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in the governmental funds balance sheet.		(10,506)
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Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds:

Deferred outflows	1,012,166	
Deferred inflows	<u>(301,003)</u>	
		<u>711,163</u>

Net position of governmental activities		<u>\$ 11,414,196</u>
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The accompanying notes are an integral part of the financial statements.

TOWN OF SNOWFLAKE, ARIZONA
Statement of Revenues, Expenditures, and Changes in
Fund Balances - Governmental Funds
For the Fiscal Year Ended June 30, 2020

	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 2,258,791	\$ -	\$ 2,258,791
Licenses, permits and fees	392,639	-	392,639
Intergovernmental revenue	3,358,222	1,543,553	4,901,775
Charges for services	7,621	-	7,621
Interest	30,474	9,725	40,199
Other revenues	253,337	-	253,337
Total revenues	<u>6,301,084</u>	<u>1,553,278</u>	<u>7,854,362</u>
Expenditures			
Current:			
General government	619,474	-	619,474
Public safety	2,599,037	-	2,599,037
Public works/streets	278,728	623,920	902,648
Recreation and parks	568,755	-	568,755
Capital outlay	-	766,338	766,338
Debt service:			
Principal	226,789	31,725	258,514
Interest	31,496	924	32,420
Total expenditures	<u>4,324,279</u>	<u>1,422,907</u>	<u>5,747,186</u>
Excess of revenues over expenditures	<u>1,976,805</u>	<u>130,371</u>	<u>2,107,176</u>
Other financing sources (uses)			
Transfers out	<u>(659,491)</u>	<u>-</u>	<u>(659,491)</u>
Total other financing sources (uses)	<u>(659,491)</u>	<u>-</u>	<u>(659,491)</u>
Net change in fund balances	1,317,314	130,371	1,447,685
Fund balances, beginning of year	<u>2,490,598</u>	<u>632,459</u>	<u>3,123,057</u>
Fund balances, end of year	<u>\$ 3,807,912</u>	<u>\$ 762,830</u>	<u>\$ 4,570,742</u>

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

TOWN OF SNOWFLAKE, ARIZONA
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Fiscal Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds		\$ 1,447,685
<p>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 and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current</p>		
Capital outlay	1,164,251	
Depreciation expense	<u>(685,344)</u>	478,907
<p>Principal of long-term debt consumes and provides current financial resources of governmental funds, however, this does not have any effect on net position.</p>		
Debt Payments		258,514
<p>Accrued Interest and related changes for Long-term debt are not reported for the current period while they are recorded in the statement of activities.</p>		
		6,799
<p>Compensated absences 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.</p>		
		(5,787)
<p>Pension/OPEB 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/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.</p>		
Pension/OPEB contributions	426,702	
Pension/OPEB expense	<u>(595,977)</u>	<u>(169,275)</u>
Change in net position of governmental activities		<u>\$ 2,016,843</u>

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

TOWN OF SNOWFLAKE, ARIZONA
Statement of Net Position
Proprietary Funds
June 30, 2020

	Utility Fund	Golf Course Fund	Totals
Assets			
Current assets:			
Cash and cash equivalents	\$ 430,915	\$ 86,377	\$ 517,292
Receivables (net of allowance)	203,665	-	203,665
Inventory	-	15,046	15,046
Total current assets	<u>634,580</u>	<u>101,423</u>	<u>736,003</u>
Noncurrent assets:			
Restricted investments	322,594	-	322,594
Net pension/OPEB asset	852	659	1,511
Land	28,911	1,754,406	1,783,317
Buildings and improvements	7,366,750	684,481	8,051,231
Furniture, equipment and vehicles	1,075,556	565,484	1,641,040
Accumulated depreciation	<u>(5,118,332)</u>	<u>(753,605)</u>	<u>(5,871,937)</u>
Total noncurrent assets	<u>3,676,331</u>	<u>2,251,425</u>	<u>5,927,756</u>
Total assets	<u>4,310,911</u>	<u>2,352,848</u>	<u>6,663,759</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions/OPEB	<u>57,594</u>	<u>44,505</u>	<u>102,099</u>
Liabilities			
Current liabilities:			
Accounts payable	78,979	22,565	101,544
Accrued liabilities	37,843	18,580	56,423
Customer deposits	20,685	1,353	22,038
Accrued interest payable	11,979	5,439	17,418
Current portion of long-term debt	<u>304,822</u>	<u>147,383</u>	<u>452,205</u>
Total current liabilities	<u>454,308</u>	<u>195,320</u>	<u>649,628</u>
Noncurrent liabilities (net of current portion):			
Compensated absences	3,576	1,637	5,213
Bonds payable	860,834	168,764	1,029,598
Capital leases	-	61,443	61,443
Net pension/OPEB liability	<u>451,785</u>	<u>349,108</u>	<u>800,893</u>
Total noncurrent liabilities	<u>1,316,195</u>	<u>580,952</u>	<u>1,897,147</u>
Total liabilities	<u>1,770,503</u>	<u>776,272</u>	<u>2,546,775</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions/OPEB	<u>31,733</u>	<u>24,520</u>	<u>56,253</u>
Total deferred inflows of resources	<u>31,733</u>	<u>24,520</u>	<u>56,253</u>
Net position			
Net investment in capital assets	2,197,957	1,878,088	4,076,045
Restricted for debt service	301,909	-	301,909
Unrestricted	<u>66,403</u>	<u>(281,527)</u>	<u>(215,124)</u>
Total net position	<u>\$ 2,566,269</u>	<u>\$ 1,596,561</u>	<u>\$ 4,162,830</u>

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

TOWN OF SNOWFLAKE, ARIZONA
Statement Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	<u>Utility Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>
Operating revenues			
Metered water service	\$ 1,132,503	\$ -	\$ 1,132,503
Sewer service charges	713,011	-	713,011
Connection fees	108,258	-	108,258
Other fine and fees	35,874	-	35,874
Green fees	-	175,970	175,970
Cart fees	-	137,837	137,837
Membership dues	-	60,826	60,826
Other charges and fees	-	111,154	111,154
Total operating revenues	<u>1,989,646</u>	<u>485,787</u>	<u>2,475,433</u>
Operating expenses			
Cost of sales and services	874,096	442,016	1,316,112
Administration	576,881	413,274	990,155
Depreciation	205,878	80,499	286,377
Total operating expenses	<u>1,656,855</u>	<u>935,789</u>	<u>2,592,644</u>
Operating income (loss)	<u>332,791</u>	<u>(450,002)</u>	<u>(117,211)</u>
Non-operating revenues (expenses)			
Interest income	6,048	-	6,048
Gain (loss) on sale of capital assets	-	6,732	6,732
Interest expense	(22,264)	(8,236)	(30,500)
Total non-operating revenue (expense)	<u>(16,216)</u>	<u>(1,504)</u>	<u>(17,720)</u>
Income (loss) before contributions and transfers			
	<u>316,575</u>	<u>(451,506)</u>	<u>(134,931)</u>
Contributions and transfers:			
Transfers in	-	659,491	659,491
Total contributions & transfers	<u>-</u>	<u>659,491</u>	<u>659,491</u>
Change in net position			
	316,575	207,985	524,560
Net position, beginning of year	2,249,694	1,388,576	3,638,270
Net position, end of year	<u>\$ 2,566,269</u>	<u>\$ 1,596,561</u>	<u>\$ 4,162,830</u>

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

TOWN OF SNOWFLAKE, ARIZONA
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	<u>Utility Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers, service fees	\$ 1,974,374	\$ 374,633	\$ 2,349,007
Cash received from customers, other	-	111,154	111,154
Cash paid to suppliers	(832,304)	(428,597)	(1,260,901)
Cash paid to employees	(574,498)	(411,125)	(985,623)
Net cash flows from operating activities	<u>567,572</u>	<u>(353,935)</u>	<u>213,637</u>
Cash flows from noncapital financing activities:			
Transfers (to)/from other funds	-	659,491	659,491
Net cash flows from noncapital financing activities	<u>-</u>	<u>659,491</u>	<u>659,491</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(143,273)	(164,009)	(307,282)
Principal paid on bonds	(294,095)	(82,544)	(376,639)
Principal paid on capital lease	-	(58,361)	(58,361)
Interest paid	(25,391)	(8,236)	(33,627)
Net cash flows from capital and related financing activities	<u>(462,759)</u>	<u>(313,150)</u>	<u>(775,909)</u>
Cash flows from investing activities:			
Proceeds from sale of asset	-	6,732	6,732
Interest on investments	6,048	-	6,048
Net cash flows from investing activities	<u>6,048</u>	<u>6,732</u>	<u>12,780</u>
Net change in cash and cash equivalents	110,861	(862)	109,999
Cash and cash equivalents, including restricted cash, beginning of year	<u>642,648</u>	<u>87,239</u>	<u>729,887</u>
Cash and cash equivalents, including restricted cash, end of year	<u>\$ 753,509</u>	<u>\$ 86,377</u>	<u>\$ 839,886</u>
Reconciliation of operating income to net cash flows from operating activities:			
Net operating income (loss)	\$ 332,791	\$ (450,002)	\$ (117,211)
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation/amortization	205,878	80,499	286,377
Pension/OPEB expense	7,392	7,225	14,617
Employer pension/OPEB contributions	(1,336)	(2,544)	(3,880)
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	(15,272)	-	(15,272)
(Increase)/decrease in prepaids	6,900	-	6,900
(Increase)/decrease in inventory	-	5,104	5,104
Increase/(decrease) in payables	34,892	8,315	43,207
Increase/(decrease) in accrued liabilities	(3,673)	(2,532)	(6,205)
Net cash flows from operating activities	<u>\$ 567,572</u>	<u>\$ (353,935)</u>	<u>\$ 213,637</u>

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

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. 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 nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, when applicable, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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 Town of Snowflake, Arizona (Town) is a municipal corporation governed by an elected mayor, vice-mayor, and an elected five-member council (council). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The Town has no blended or discretely presented component units.

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.

Basis of presentation - government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds. Separate statements for each fund category—governmental and proprietary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

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

The **Highway User Special 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.

The Town reports the following major enterprise funds:

The **Utility Fund** accounts for the activities related to the Town's water and wastewater system.

The **Golf Course Fund** accounts for the activities related to the Town's municipal golf course operations.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

Property taxes, sales taxes, intergovernmental grants and aid, 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 fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Town.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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

Cash and cash equivalents

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.

Investments

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

All Investments for the government are reported at fair value with unrealized gains and losses recorded as adjustments to interest earnings. Fair market values are generally based on quoted market prices. The reported value of the state treasurer's pool is the same as the fair value of the pool shares.

Inventories

The cost of governmental fund-type inventories are normally recorded as expenditures when purchased rather than when consumed. However, the Highway User Revenue Fund at times, maintains and records inventories for street supplies and fuel respectively and are recorded at cost using the first in/first-out method. Inventories for business-type activities consist of materials and supplies for the water and sewer system and are recorded at cost using the first in/first-out method.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

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 activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Land and construction in progress are not depreciated. Other property, plant and equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Building	20 - 40 years
Improvements	10 - 20 years
Equipment	5 - 20 years
Infrastructure	20 - 40 years

Unearned Revenue

Unearned revenue represents revenues collected but not earned as of June 30. During the fiscal year ended June 30, 2020 the Town received AZ CARES funding in the amount of \$688,265. Of that amount, \$344,133 had not been earned as of year end. The Town will have qualifying expenses to earn the revenue prior to December 31, 2020.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Town has one type of item that qualifies for reporting in this category, which is pension/OPEB related items reported on the government-wide and proprietary fund financial statements. See footnote 8 for more information.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town has one type of item that qualifies for reporting in this category, which is pension/OPEB related items reported on the government-wide and proprietary fund financial statements. See footnote 8 for more information.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. 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.

Net position flow assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the Town that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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.

Property taxes

The Town does not currently have any primary or secondary real property tax levies.

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as liabilities in the government-wide statement of net position and as expenses in the government-wide statement of activities. No expenditures are reported for these amounts in the fund financial statements. Vested or accumulated vacation and sick leave in the proprietary fund are recorded as an expense and a liability of that fund as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund financial statements.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 1. Summary of Significant Accounting Policies, Continued

Proprietary funds operating and nonoperating 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 water fund, sewer fund, building fund and EMS fund are charges to customers for sales and services. 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.

Tax Abatements

The Town has not entered into any tax abatement agreements and the Town is not aware of any tax abatement agreements that have been entered into by other governments that would reduce the Town's tax revenues.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net position of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheets. The details of these differences are reported in the reconciliation on page 25.

The governmental fund statement of revenues, expenditures, and changes in fund balance 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. These differences are the result of converting from the current resources measurement focus and modified accrual basis for governmental fund statements to the economic resources measurement focus and full accrual basis used for government-wide statements. The details of these differences are reported in the reconciliation on page 27.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 3. Stewardship, Compliance, and Accountability

Stewardship, compliance, and accountability are key concepts in defining the responsibilities of the Town. The use of budgets and monitoring of equity status facilitate the Town's compliance with legal requirements.

Budgets and budgetary accounting

The Town Council follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain public comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).
4. The Town follows a voter-approved alternative expenditure limitation that was adopted on March 8, 2011 and extended in August of 2016. This law does not permit the Town to spend more than budgeted revenues. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may, at any time, transfer any unencumbered appropriation balance or portion thereof within a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 3. Stewardship, Compliance, and Accountability, Continued

The Town is subject to the State of Arizona’s Spending Limitation Law for Cities and Towns. 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.

Expenditures over Appropriations

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the fiscal year ended June 30, 2020, if any.

Highway User Revenue Funds

Highway user revenue fund monies received by the Town pursuant to title 28, chapter 18, article 2 and other dedicated state transportation revenues received during the current fiscal year have been used solely for authorized purposes.

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TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 4. Deposits and Investments

Deposits

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

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. At June 30, 2020 the carrying amount of the Town's deposits was \$1,037,298 and the bank balances were \$1,043,954. As of June 30, 2020, \$355,909 of the Town's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name.

As of June 30, 2020, the Town had \$605,909 of cash held by BNY Mellon acting as a trust agent for debt service payments and \$600 held in petty cash.

Investments

The Town's investments include \$4,183,889 held in the Local Government Investment Pool 5 which has a Standard and Poor rating of AAA f/S1+. The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

The LGIP is not registered with the SEC as an investment company. The State Board of Investments provides oversight for the State Treasurer's investment pools. Deposits in the LGIP are not insured or otherwise guaranteed by the State of Arizona, and participants share proportionally in any realized gain or losses on investments. The provisions of State law (A.R.S. 35-323) govern the investment of funds in excess of \$100,000. A.R.S. 35-323 allows for investment in certificates of deposit, interest bearing savings accounts, repurchase agreements with a maximum maturity of 180 days, pooled investment funds established by the State Treasurer, obligations guaranteed by the United States, bonds of the State of Arizona or other local municipalities, commercial paper of prime quality that is rated "P1" by Moody's investors or "A1" by Standard and Poor's rating service, and bonds, debentures or notes that are issued by corporations organized and doing business in the United States subject to certain restrictions. For investments of less than \$100,000, procedures as specified by local ordinance or resolution must be followed.

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the provisions of State law (A.R.S. 35-323) which requires that the Town's investment portfolio maturities do not exceed five years from the time of purchase.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 4. Deposits and Investments, Continued

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with 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.

Fair value measurements

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following recurring fair value measurements as of June 30, 2020:

- LGIP investments are valued using quoted market prices (Level 2 inputs)

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TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 5. Capital Assets

The following table summarizes the changes to capital assets for governmental activities during the year.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Non-depreciable assets:				
Land	\$ 595,043	\$ -	\$ -	\$ 595,043
Construction in progress	58,916	162,162	-	221,078
Total non-depreciable assets	<u>653,959</u>	<u>162,162</u>	<u>-</u>	<u>816,121</u>
Depreciable assets:				
Buildings and improvements	5,582,786	37,332	-	5,620,118
Machinery and equipment	2,258,530	256,361	-	2,514,891
Infrastructure	14,243,407	708,396	-	14,951,803
Total depreciable assets	<u>22,084,723</u>	<u>1,002,089</u>	<u>-</u>	<u>23,086,812</u>
Accumulated depreciation:				
Buildings	(2,831,853)	(113,200)	-	(2,945,053)
Machinery and equipment	(1,486,179)	(198,348)	-	(1,684,527)
Infrastructure	(6,947,352)	(373,795)	-	(7,321,147)
Total accumulated depreciation	<u>(11,265,384)</u>	<u>(685,344)</u>	<u>-</u>	<u>(11,950,727)</u>
Governmental activities capital assets, net	<u>\$ 11,473,298</u>	<u>\$ 478,907</u>	<u>\$ -</u>	<u>\$ 11,952,206</u>

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

Governmental activities:	
General government	\$ 168,942
Public safety	157,083
Highways and Streets	328,818
Recreations and parks	30,501
Total depreciation expense - governmental	<u>\$ 685,344</u>

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 5. Capital Assets, Continued

The following table summarizes the changes to capital assets for business-type activities during the year.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Non-depreciable assets:				
Land	\$ 1,783,317	\$ -	\$ -	\$ 1,783,317
Total non-depreciable assets	<u>1,783,317</u>	<u>-</u>	<u>-</u>	<u>1,783,317</u>
Depreciable assets:				
Buildings and improvements	7,922,628	128,602	-	8,051,230
Machinery and equipment	<u>1,468,360</u>	<u>178,680</u>	<u>(6,000)</u>	<u>1,641,040</u>
Total depreciable assets	<u>9,390,988</u>	<u>307,282</u>	<u>(6,000)</u>	<u>9,692,270</u>
Accumulated depreciation:				
Buildings and improvements	(5,176,903)	(176,560)	-	(5,353,463)
Machinery and equipment	<u>(414,657)</u>	<u>(109,817)</u>	<u>6,000</u>	<u>(518,474)</u>
Total accumulated depreciation	<u>(5,591,560)</u>	<u>(286,377)</u>	<u>6,000</u>	<u>(5,871,937)</u>
Business-type activities capital assets, net	<u>\$ 5,582,745</u>	<u>\$ 20,905</u>	<u>\$ -</u>	<u>\$ 5,603,650</u>

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

Business-type activities:	
Utility fund	\$ 205,878
Golf course fund	<u>80,499</u>
expense - business-type activities	<u>\$ 286,377</u>

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 6. Long-Term Liabilities

The following is a summary of changes in long-term obligations during the year:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Direct Placement Bonds Payable:					
Revenue bonds series 2013	\$ 782,105	\$ -	\$ (193,362)	\$ 588,743	\$ 193,342
Capital leases	566,772	-	(65,152)	501,620	66,671
Net pension/OPEB liability	4,256,651	390,774	-	4,647,425	-
Compensated absences	146,231	108,444	(102,657)	152,018	114,014
Total long-term liabilities	<u>\$ 5,751,759</u>	<u>\$ 499,218</u>	<u>\$ (361,171)</u>	<u>\$ 5,889,806</u>	<u>\$ 374,027</u>
Business-type activities:					
Direct Placement Bonds Payable:					
Revenue bonds series 2013	\$ 572,895	\$ -	\$ (141,639)	\$ 431,256	\$ 141,658
Revenue bonds utility 2013	1,210,000	-	(235,000)	975,000	235,000
Capital leases	179,711	-	(58,361)	121,350	59,907
Net pension/OPEB liability	767,063	33,830	-	800,893	-
Compensated absences	45,867	25,437	(50,451)	20,853	15,640
Total long-term liabilities	<u>\$ 2,775,536</u>	<u>\$ 59,267</u>	<u>\$ (485,451)</u>	<u>\$ 2,349,352</u>	<u>\$ 452,205</u>

Generally, resources from the General fund are used to liquidate net pension/OPEB liabilities for governmental activities. 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.

The Town's outstanding bonds from direct placements of \$1,994,999 are secured with pledged revenues. One of the outstanding issues from direct placement contain provisions that in an event of default, the owners of the bond may proceed to divert state shared revenues to the issuer.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 6. Long-Term Liabilities, Continued

The following is a listing of long-term debt and liabilities outstanding as of June 30, 2020:

	Governmental Activities	Business-Type Activities
Direct Placement Bonds Payable		
\$2,255,000 Excise Tax Revenue Refunding Bonds, Series 2013, issued 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%	\$ 588,743	\$ 431,256
\$2,305,000 Utility System Revenue Refunding Bonds, Series 2013, 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%	-	975,000
Total direct placement bonds payable	\$ 588,743	\$ 1,406,256

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

Year Ended June 30,	Direct Placement Bonds Payable					
	Governmental Activities		Business-Type Activities		Combined Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 193,342	\$ 8,143	\$ 376,658	\$ 21,433	\$ 570,000	\$ 29,576
2022	196,228	4,102	383,772	13,455	580,000	17,557
2023	199,173	-	390,807	5,329	589,980	5,329
2024	-	-	255,019	2,665	255,019	2,665
Total	\$ 588,743	\$ 12,245	\$ 1,406,256	\$ 42,882	\$ 1,994,999	\$ 55,127

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 6. Long-Term Liabilities, Continued

The Town has entered into two lease agreements which are considered capital leases in accordance with Generally Accepted Accounting Principles. The following is an annual schedule of future minimum lease payments with the present value of the net minimum lease payments for the fiscal years ending June 30:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2021	\$ 79,142	\$ 63,124	\$ 142,266
2022	79,142	63,124	142,266
2023	79,142	-	79,142
2024	79,142	-	79,142
2025	79,142	-	79,142
2026-2027	158,189	-	158,189
Total remaining minimum lease payments	553,899	126,248	680,147
Less: amount representing interest:	<u>(52,279)</u>	<u>(4,898)</u>	<u>(57,177)</u>
Present value of remaining minimum lease payments:	<u>\$ 501,620</u>	<u>\$ 121,350</u>	<u>\$ 622,970</u>

The assets acquired through capital leases that meet the City's capitalization threshold are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Machinery and Equipment	\$ -	\$ 292,188
Buildings	1,320,288	-
Less: Accumulated Depreciation	<u>(430,923)</u>	<u>(115,226)</u>
Total	<u>\$ 889,365</u>	<u>\$ 176,962</u>

The leased equipment has a purchase option at any given time equal to the principal outstanding plus accrued interest from the previous rental payment date. Interest on the equipment is 2.65% with payments ending in fiscal year 2022. The leased building was refinanced in the prior year to a total principal balance of \$630,156 and an interest rate of 2.48% with payments ending in fiscal year 2027.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 7. Interfund Receivables, Payables, and Transfers

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Residual balances outstanding between the governmental activities and the business-type activities are netted and reported in the government-wide financial statements as internal balances. The Town has no interfund receivables outstanding as of June 30, 2020.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in certain funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended, June 30, 2020, the General fund made a transfer of \$659,491 to the Golf Course 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 \$659,491 from the General Fund to the Golf Course fund was for budgetary reasons, and considered a subsidy.

Note 8. Pensions and Other Postemployment Benefits

The Town contributes to the Arizona State Retirement System and the Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2020, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

Statement of Net Position and Statement of Activities	ASRS	PSPRS	Combined Total	Governmental Activities	Business-Type Activities
Net penions/OPEB asset	\$ 3,874	\$ 78,034	\$ 81,908	\$ 80,397	\$ 1,511
Net pension/OPEB liabilities	2,053,571	3,394,747	5,448,318	4,647,425	800,893
Deferred outflows of resources	261,793	852,472	1,114,265	1,012,166	102,099
Deferred inflows of resources	144,239	213,017	357,256	301,003	56,253
Pension/OPEB (income) expense	199,923	152,482	352,405	341,669	10,736

The Town reported \$493,131 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Pensions and Other Postemployment Benefits, Continued

Arizona State Retirement System (ASRS)

Plan description – Town employees not covered by the other pension plans describe below participate in the Arizona State Retirement System (ASRS). The ASRS is 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:

	Initial Membership Date	Initial Membership Date
	Before July 1, 2011	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.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Pensions and Other Postemployment Benefits, Continued

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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

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 fiscal year ended June 30, 2020, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 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 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 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 10.41 percent (10.29 percent for retirement, 0.05 percent for health insurance premium benefit, and 0.07 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 to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2020 were \$162,998, \$6,975, and \$2,420, respectively.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Pensions and Other Postemployment Benefits, Continued

Liability – At June 30, 2020, the Town reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB liability.

	Net pension/OPEE (asset) liability
Pension	\$ 2,044,438
Health insurance premium benefit	(3,874)
Long-term disability	9,133

The net asset and net liabilities were measured as of June 30, 2019. The total liability used to calculate the net asset and net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019

The Town's proportion of the net asset or net 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, 2019. The Town's proportion measured as of June 30, 2019, and the change from its proportions measured as of June 30, 2018, were:

	Proportion June 30, 2018	Proportion June 30, 2019	Increase (decrease) from June 30, 2018
Pension	0.014050%	0.014050%	-
Health insurance premium benefit	0.014320%	0.014020%	(0.00000300)
Long-term disability	0.014060%	0.014020%	(0.00000040)

Expense – For the year ended June 30, 2020, the Town recognized pension and OPEB expense (income):

	Pension/OPEB Expense
Pension	\$ 197,120
Health insurance premium benefit	4,867
Long-term disability	2,990

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Pensions and Other Postemployment Benefits, Continued

Deferred outflows/inflows of resources – At June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-term disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 36,933	\$ 384	\$ -	\$ 4,631	\$ 1,079	\$ -
Changes of assumptions or other inputs	8,642	81,414	7,619	-	1,366	-
Net difference between projected and actual earnings on pension plan investments	-	45,952	-	5,039	-	195
Changes in proportion and differences between contributions and proportionate share of contributions	33,483	6,600	43	6	234	18
Contributions subsequent to the measurement date	162,998	-	6,975	-	2,420	-
Total	<u>\$ 242,056</u>	<u>\$ 134,350</u>	<u>\$ 14,637</u>	<u>\$ 9,676</u>	<u>\$ 5,099</u>	<u>\$ 213</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pension and OPEB will be recognized as expense as follows:

Year Ended	Pension		Health Insurance	Long-term
June 30			Premium Benefit	disability
2021	\$ (4,226)		\$ (1,669)	\$ 258
2022	(54,548)		(1,667)	257
2023	(8,825)		484	447
2024	12,307		947	482
2025	-		(109)	410
Thereafter	-		-	612

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Pensions and Other Postemployment Benefits, Continued

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

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions/not applicable for OPEB
Inflation	2.3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	2017 SRA Scale U-MP for pensions and health insurance premium benefit
Recovery rates	2012 GLDT for long-term disability
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.5 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	6.09%
Credit	20%	5.36%
Interest rate sensitive bonds	10%	1.62%
Real estate	20%	5.85%
Totals	<u>100%</u>	

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Pensions and Other Postemployment Benefits, Continued

Discount Rate – The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 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 rate under Arizona statute. Based on those assumptions, the plans’ 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the proportionate share of the net pension/OPEB liability to changes in the discount rate – The following table presents the Town's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5 percent, as well as what the Town's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

Proportionate share of the	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 2,909,709	\$ 2,044,438	\$ 1,321,295
Net insurance premium benefit liability (asset)	19,626	(3,874)	(23,898)
Net long-term disability liability	10,108	9,133	8,188

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 – Town employees who are regularly assigned hazardous duty participate in the Public Safety Personnel Retirement System (PSPRS) or employees who became members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP). The PSPRS administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans. A nine-member board known as the Board of Trustees and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool).

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
June 30, 2020

Note 8. Pensions and Other Postemployment Benefits, 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 of service or 15 years of credited service, 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
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%	1.5% to 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	

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Pensions and Other Postemployment Benefits, Continued

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents.

Employees covered by benefit terms – At June 30, 2020, the following employees were covered by the agent pension plans’ benefit terms:

PSPRS - Police	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	8	8
Inactive employees entitled to but not yet receiving benefits	3	2
Active employees	8	8
Total	19	18

Contributions – State Statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine 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. Contribution rates for the year ended June 30, 2020, are indicated below. Rates are a percentage of active members’ annual covered payroll.

	Active member - Pension	City - Pension	City-Health insurance premium
PSPRS Police	11.65 - 7.65%	45.39% - 47.54%	0.00%
PSPRS Tier 3 risk pool	9.94%	45.39%	0.00%

Also, statute required the Town to contribute at the actuarially determined rate of 45.39% of the annual covered payroll of Town police employees who were PSPRS Tier 3 Risk Pool members, in addition to the Town’s required contributions to the PSPRS Tier 3 Risk Pool for the Town police employees.

In addition, statute required the Town to contribute at the actuarially determined rate of 35.45% for police of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the PSPRS would typically fill and employees participating in the PSPRS Tier 3 Risk Pool and PSPDCRP members in addition to the Town’s required contributions to the PSPRS Tier 3 Risk Pool and PSDCRP.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Pensions and Other Postemployment Benefits, Continued

The Town's contributions to the plans for the year ended June 30, 2020, were:

PSPRS - Police	Pension	Health insurance premium benefit
PSPRS	\$ 252,717	\$ -
PSPRS Tier 3 risk pool	68,825	-

During the fiscal year 2020, the Town paid for PSPRS pension and OPEB contributions 100% from the general fund.

Liability – At June 30, 2020, the Town reported the following assets and liabilities.

	Net pension (asset) liability	Net OPEB (asset) liability
PSPRS Police	\$ 3,394,747	\$ (78,034)

The net assets and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the new assets or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Pensions and Other Postemployment Benefits, Continued

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

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry Age Normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price Inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.3 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometric 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>
Short Term Inv.	2.00%	0.25%
Risk parity	4.00%	4.01%
Fixed Income	5.00%	3.00%
Real assets	9.00%	6.75%
GTS	12.00%	4.01%
Private Credit	16.00%	5.36%
Real estate	10.00%	4.50%
Private equity.	12.00%	8.40%
Non-U.S. equity	14.00%	5.00%
U.S. equity	16.00%	4.75%
Total	<u>100.00%</u>	

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Pensions and Other Postemployment Benefits, Continued

Discount Rate – At June 30, 2019, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.30 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2018. 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 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 plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Changes in the Net Pension/OPEB Liability

	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2019	\$ 5,494,198	\$ 2,437,311	\$ 3,056,887	\$ 90,877	\$ 148,370	\$ (57,493)
Changes for the year:						
Service cost	125,050		125,050	2,680	-	2,680
Interest on total pension/OPEB liability	405,220		405,220	6,879	-	6,879
Changes of benefit terms	-		-	-	-	-
Difference between expected and actual experience in the measurement of the pension/OPEB	160,174		160,174	(22,165)	-	(22,165)
Changes of assumptions	127,019		127,019	550	-	550
Contributions - employer		295,319	(295,319)	-	(14)	14
Contributions - employee		54,621	(54,621)	-	-	-
Net investment income		133,609	(133,609)	-	8,006	(8,006)
Benefit payments, including refunds of employee contributions	(286,615)	(286,615)	-	(1,200)	(1,200)	-
Hall/Parker Settlement		-	-	-	-	-
Plan administrative expenses		(3,315)	3,315	-	(138)	138
Other changes*		(631)	631	-	631	(631)
Net changes	530,848	192,988	337,860	(13,256)	7,285	(20,541)
Balances at June 30, 2020	\$ 6,025,046	\$ 2,630,299	\$ 3,394,747	\$ 77,621	\$ 155,655	\$ (78,034)

* Other changes include adjustments for prior year GASB 68 and reserve transfer to/from employer and employee reserves.

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/OPEB (assets) liabilities calculated using the discount rate of 7.3%, as well as what the Town's net pension/OPEB (assets) liabilities 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 (6.30%)	Discount Rate (7.30%)	1% Increase (8.30%)
PSPRS-Police			
Net pension (asset) / liability	\$ 4,190,702	\$ 3,394,747	\$ 2,746,942
Net OPEB (asset)/ liability	(67,280)	(78,034)	(86,913)

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 8. Pensions and Other Postemployment Benefits, Continued

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

Expense – For the year ended June 30, 2020, the Town recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 481,211	\$ (9,364)

Deferred outflows/inflows of resources – For the fiscal year ended June 30, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pension and OPEB from the following sources:

PSPRS - Police	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 240,763	\$ 182,880	\$ -	\$ 27,517
Changes in assumptions	251,384	-	440	2,620
Net difference between projected and actual earnings on pension/OPEB plan investments	37,817	-	526	-
Contributions subsequent to the measurement date	321,542	-	-	-
Total	\$ 851,506	\$ 182,880	\$ 966	\$ 30,137

The amounts reported as deferred outflows of resources related to PSPRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30	PSPRS - Police	
	Pension	Health Insurance Premium Benefit
2021	\$ 118,273	\$ (8,130)
2022	74,886	(8,131)
2023	80,684	(7,051)
2024	73,241	(5,859)
2025	-	-
Thereafter	-	-

TOWN OF SNOWFLAKE, ARIZONA
Notes to the Financial Statements
June 30, 2020

Note 9. 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. The Town's insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$3,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

The Arizona Municipal Risk Retention Pool is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The Town is insured by Municipal Workers Compensation for potential worker related accidents.

Note 10. Commitments and Contingencies

The Town is involved in various matters of litigation. Any pending or threatened litigation is not measurable and cannot be estimated as of the date of the financial statements. It is the opinion of Town officials that none of these cases would have a material effect on the Town's financial condition.

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REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF SNOWFLAKE, ARIZONA
Required Supplementary Information
Schedule of the Proportionate Share of the Net Pension Liability
June 30, 2020

ASRS - Pension	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability (asset)	0.014050%	0.014050%	0.013410%	0.014040%	0.015150%	0.015425%
Proportionate share of the net pension liability (asset)	\$ 2,044,438	\$ 1,959,481	\$ 2,089,017	\$ 2,266,197	\$ 2,359,735	\$ 2,282,364
Covered payroll	\$ 1,436,958	\$ 1,396,971	\$ 1,257,910	\$ 1,240,073	\$ 1,385,444	\$ 1,375,190
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	142.28%	140.27%	166.07%	182.75%	170.32%	165.97%
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.00%	69.92%	67.06%	68.35%	69.49%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SNOWFLAKE, ARIZONA
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability
June 30, 2020

ASRS - Health insurance premium benefit	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.014020%	0.014320%	0.013230%	0.013231%
Proportionate share of the net OPEB (asset)	\$ (3,874)	\$ (5,156)	\$ (7,202)	\$ 3,826
Covered payroll	\$ 1,436,958	\$ 1,396,971	\$ 1,257,910	\$ 1,240,073
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.27%	-0.37%	-0.57%	0.31%
Plan fiduciary net position as a percentage of the total OPEB liability	101.62%	102.00%	103.57%	98.02%

Note: The Town implemented GASB 75 in fiscal year 2018. Prior year information is not available.

ASRS - Long-term disability	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Proportion of the net OPEB (asset)	0.014020%	0.014060%	0.013300%	0.013301%
Proportionate share of the net OPEB (asset)	\$ 9,133	\$ 7,346	\$ 4,821	\$ 4,780
Covered payroll	\$ 1,436,958	\$ 1,396,971	\$ 1,257,910	\$ 1,240,073
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.64%	0.53%	0.38%	0.39%
Plan fiduciary net position as a percentage of the total OPEB liability	72.85%	78.00%	84.44%	85.17%

Note: The Town implemented GASB 75 in fiscal year 2018. Prior year information is not available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SNOWFLAKE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
June 30, 2020

PSPRS Police - Pension	Reporting Fiscal Year (Measurement Date)					
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Total pension liability						
Service cost	\$ 125,050	\$ 115,051	\$ 144,165	\$ 130,874	\$ 132,212	\$ 138,501
Interest on total pension liability	405,220	372,309	364,499	344,208	325,750	280,167
Changes of benefit terms	-	-	68,049	160,648	-	82,250
Difference between expected and actual experience of the total net pension liability	160,174	168,451	(298,156)	(83,711)	42,947	(70,662)
Changes of assumptions	127,019	-	172,738	177,123	-	397,088
Benefit payments, including refunds of employee contributions	(286,615)	(270,589)	(260,445)	(260,793)	(269,427)	(217,608)
Net change in total pension liability	530,848	385,222	190,850	468,349	231,482	609,736
Total pension liability - beginning	5,494,198	5,108,976	4,918,126	4,449,777	4,218,295	3,608,559
Total pension liability - ending (a)	<u>\$ 6,025,046</u>	<u>\$ 5,494,198</u>	<u>\$ 5,108,976</u>	<u>\$ 4,918,126</u>	<u>\$ 4,449,777</u>	<u>\$ 4,218,295</u>
Plan fiduciary net position						
Contributions - employer	\$ 295,319	\$ 297,228	\$ 258,290	\$ 222,768	\$ 189,537	\$ 171,514
Contributions - employee	54,621	61,026	71,283	74,644	85,034	74,324
Net investment income	133,609	158,268	244,971	11,743	72,784	234,045
Benefit payments, including refunds of employee contributions	(286,615)	(270,589)	(260,445)	(260,793)	(269,427)	(217,608)
Hall/Parker Settlement	-	(83,208)	-	-	-	-
Other (net transfer)	(3,946)	(3,082)	(73,075)	(30,410)	(13,918)	(92,067)
Net change in plan fiduciary net position	192,988	159,643	241,024	17,952	64,010	170,208
Plan fiduciary net position - beginning	2,437,311	2,277,668	2,036,644	2,018,692	1,954,682	1,784,474
Plan fiduciary net position - ending (b)	<u>\$ 2,630,299</u>	<u>\$ 2,437,311</u>	<u>\$ 2,277,668</u>	<u>\$ 2,036,644</u>	<u>\$ 2,018,692</u>	<u>\$ 1,954,682</u>
Net pension liability - ending (a) - (b)	<u>\$ 3,394,747</u>	<u>\$ 3,056,887</u>	<u>\$ 2,831,308</u>	<u>\$ 2,881,482</u>	<u>\$ 2,431,085</u>	<u>\$ 2,263,613</u>
Plan fiduciary net position as a percentage of the total pension liability	43.66%	44.36%	44.58%	41.41%	45.37%	46.34%
Covered payroll	\$ 452,038	\$ 582,535	\$ 633,694	\$ 675,307	\$ 601,000	\$ 687,610
Net pension liability as a percentage of covered payroll	750.99%	524.76%	446.79%	426.69%	404.51%	329.20%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SNOWFLAKE, ARIZONA
Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios
June 30, 2020

PSPRS Police Health Insurance Premium Benefit	Reporting Fiscal Year (Measurement Date)		
	2020 (2019)	2019 (2018)	2018 (2017)
Total OPEB liability			
Service cost	\$ 2,680	\$ 2,796	\$ 3,359
Interest on total OPEB liability	6,879	6,226	7,227
Changes of benefit terms	-	-	1,092
Difference between expected and actual experience of the total net OPEB liability	(22,165)	(279)	(17,569)
Changes of assumptions or other inputs	550	-	(4,792)
Benefit payments	(1,200)	(1,200)	(1,338)
Net change in total OPEB liability	(13,256)	7,543	(12,021)
Total OPEB liability - beginning	90,877	83,334	95,355
Total OPEB liability - ending (a)	<u>\$ 77,621</u>	<u>\$ 90,877</u>	<u>\$ 83,334</u>
Plan fiduciary net position			
Contributions - employer	\$ (14)	\$ 298	\$ -
Net investment income	8,006	9,731	14,807
Benefit payments	(1,200)	(1,200)	-
Administrative expense	(138)	(148)	(1,338)
Other changes	631	-	(131)
Net change in plan fiduciary net position	7,285	8,681	13,338
Plan fiduciary net position - beginning	148,370	139,689	126,351
Plan fiduciary net position - ending (b)	<u>\$ 155,655</u>	<u>\$ 148,370</u>	<u>\$ 139,689</u>
Net OPEB (asset)/liability - ending (a) - (b)	<u>\$ (78,034)</u>	<u>\$ (57,493)</u>	<u>\$ (56,355)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	200.53%	163.26%	167.63%
Covered payroll	\$ 452,038	\$ 582,535	\$ 633,694
Net OPEB (asset) liability as a percentage of covered payroll	-17.26%	-9.87%	-8.89%

Note: In accordance with GASB 68, employers will need to disclose a 10-year history for the pension schedule a information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SNOWFLAKE, ARIZONA
Required Supplementary Information
Schedules of Pension/OPEB Contributions
June 30, 2020

	Reporting Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 162,998	\$ 160,652	\$ 152,270	\$ 140,986	\$ 142,647	\$ 151,953	\$ 148,778
Contributions in relation to the contractually required contribution	(162,998)	(160,652)	(152,270)	(140,986)	(142,647)	(151,953)	(148,778)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,417,318	\$ 1,436,958	\$ 1,396,971	\$ 1,257,910	\$ 1,240,073	\$ 1,385,444	\$ 1,375,190
Contributions as a percentage of covered payroll	11.50%	11.18%	10.90%	11.21%	11.50%	10.97%	10.82%

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

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SNOWFLAKE, ARIZONA
Required Supplementary Information
Schedules of Pension/OPEB Contributions
June 30, 2020

	Reporting Fiscal Year			
	2020	2019	2018	2017
Contractually required contribution	\$ 6,975	\$ 6,610	\$ 6,147	\$ 7,120
Contributions in relation to the contractually required contribution	(6,975)	(6,610)	(6,147)	(7,120)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,417,318	\$ 1,436,958	\$ 1,396,971	\$ 1,257,910
Contributions as a percentage of covered payroll	0.49%	0.46%	0.44%	0.57%

Note: The Town implemented GASB 75 in fiscal year 2018. Prior year information is not available.

	Reporting Fiscal Year			
	2020	2019	2018	2017
Contractually required contribution	\$ 2,420	\$ 2,299	\$ 2,235	\$ 1,809
Contributions in relation to the contractually required contribution	(2,420)	(2,299)	(2,235)	(1,809)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,417,318	\$ 1,436,958	\$ 1,396,971	\$ 1,257,910
Contributions as a percentage of covered payroll	0.17%	0.16%	0.16%	0.14%

Note: The Town implemented GASB 75 in fiscal year 2018. Prior year information is not available.

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SNOWFLAKE, ARIZONA
Required Supplementary Information
Schedules of Pension/OPEB Contributions
June 30, 2020

PSPRS Police-Pensions	Reporting Fiscal Year						
	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 321,542	\$ 297,482	\$ 214,625	\$ 258,290	\$ 222,768	\$ 189,537	\$ 171,514
Contributions in relation to the actuarially determined contribution	\$ (321,542)	\$ (297,482)	\$ (214,625)	\$ (258,290)	\$ (222,768)	\$ (189,537)	\$ (171,514)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 683,218	\$ 452,038	\$ 582,535	\$ 633,694	\$ 675,307	\$ 601,000	\$ 687,610
Contributions as a percentage of covered payroll	47.06%	65.81%	36.84%	40.76%	32.99%	31.54%	24.94%

Note: The City implemented GASB 68 in fiscal year 2015. Information prior to 2015 is not available.

PSPRS Police Health Insurance Premium Benefit	Reporting Fiscal Year			
	2020	2019	2018	2017
Actuarially determined contribution	\$ -	\$ (14)	\$ 298	\$ -
Contributions in relation to the actuarially determined contribution	\$ -	\$ 14	\$ (298)	\$ -
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 683,218	\$ 452,038	\$ 582,535	\$ 633,694
Contributions as a percentage of covered payroll	0.00%	0.00%	0.05%	0.00%

See accompanying notes to pension/OPEB plan schedules.

TOWN OF SNOWFLAKE, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2020

Note 1. 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	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period	19 years for underfunded liabilities; 19 years for excess
Asset valuation method	7-Year smoothed market value; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2017 actuarial valuation, the investment rate of return was decreased from 7.5% to 7.4%. In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%.
Projected salary increases	In the 2017 actuarial valuation, projected salary increases were decreased from 4.0%–8.0% to 3.5%–7.5% for PSPRS. In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%–8.5% to 4.0%–8.0% for PSPRS. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%–9.0% to 4.5%–8.5% for PSPRS.
Wage growth	In the 2017 actuarial valuation, wage growth was decreased from 4% to 3.5% for PSPRS. In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS.
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	In the 2017 actuarial valuation, changed to RP-2014 tables, with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females)

TOWN OF SNOWFLAKE, ARIZONA
Required Supplementary Information
Notes to Pension Plan Schedules
June 30, 2020

Note 2. Factors that Affect Trends

Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes increased the PSPRS required contributions beginning in fiscal year 2019 for members who were retired as of the law's effective date. Also, the Town refunded excess employee contributions to PSPRS members. PSPRS allowed the Town to reduce its actual employer contributions for the refunded amounts. As a result, the Town's pension contributions were less than the actuarially or statutorily determined contributions for 2018 and 2019.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES

MAJOR GOVERNMENTAL FUNDS:

General Fund – Detail Budget-and-Actual

The **General Fund** is used to account for resources traditionally associated with the Town which are not required legally or by sound financial management to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for a particular purpose.

Highway User Revenue Fund (Streets) – This fund is used to account for the Town’s share of motor fuel tax revenues and lottery proceeds which are restricted for the maintaining, repairing, and upgrading of streets.

TOWN OF SNOWFLAKE, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES:				
Local sales tax	\$ 1,560,000	\$ 1,560,000	\$ 2,127,903	\$ 567,903
Franchise tax	135,500	135,500	130,888	(4,612)
Permits and fees	351,000	351,000	392,639	41,639
Intergovernmental	3,775,999	3,775,999	3,358,222	(417,777)
Charges for services	6,000	6,000	7,621	1,621
Interest	35,000	35,000	30,474	(4,526)
Miscellaneous and contingencies	1,075,100	1,075,100	253,337	(821,763)
Total revenues	<u>6,938,599</u>	<u>6,938,599</u>	<u>6,301,084</u>	<u>(637,515)</u>
EXPENDITURES:				
General government:				
Council	40,500	40,500	35,600	4,900
Administration	347,950	347,950	195,053	152,897
Town clerk	81,500	81,500	60,403	21,097
Magistrate	5,200	5,200	4,169	1,031
Planning and zoning	42,000	42,000	36,000	6,000
Building maintenance	165,000	165,000	138,114	26,886
Attorney	50,000	50,000	21,315	28,685
Contingency	891,560	891,560	128,820	762,740
Total general government	<u>1,623,710</u>	<u>1,623,710</u>	<u>619,474</u>	<u>1,004,236</u>
Public safety:				
Law enforcement	2,304,200	2,304,200	2,300,093	4,107
Fire	410,000	410,000	298,944	111,056
Total public safety	<u>2,714,200</u>	<u>2,714,200</u>	<u>2,599,037</u>	<u>115,163</u>
Public works/streets:				
Community improvements	1,100,000	1,100,000	254,984	845,016
Engineer	30,000	30,000	23,744	6,256
Total public works/streets	<u>1,130,000</u>	<u>1,130,000</u>	<u>278,728</u>	<u>851,272</u>
Recreation and parks:				
Library	184,150	184,150	178,693	5,457
Parks and recreation, activity	471,250	471,250	390,062	81,188
Total culture and recreation	<u>655,400</u>	<u>655,400</u>	<u>568,755</u>	<u>86,645</u>
Debt Service:				
Principal	234,000	234,000	226,789	7,211
Interest	31,700	31,700	31,496	204
Total debt service	<u>265,700</u>	<u>265,700</u>	<u>258,285</u>	<u>7,415</u>
Total expenditures	<u>6,389,010</u>	<u>6,389,010</u>	<u>4,324,279</u>	<u>2,064,731</u>

(continued)

TOWN OF SNOWFLAKE, ARIZONA
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Continued)
For the Fiscal Year Ended June 30, 2020

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	<u>549,589</u>	<u>549,589</u>	<u>1,976,805</u>	<u>1,427,216</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	-	(100,000)
Transfers out	<u>(450,000)</u>	<u>(450,000)</u>	<u>(659,491)</u>	<u>(209,491)</u>
Total other financing sources (uses)	<u>(350,000)</u>	<u>(350,000)</u>	<u>(659,491)</u>	<u>(309,491)</u>
Net change in fund balance	199,589	199,589	1,317,314	1,117,725
Fund balance, beginning of year	<u>2,490,598</u>	<u>2,490,598</u>	<u>2,490,598</u>	<u>-</u>
Fund balance, end of year	<u><u>\$2,690,187</u></u>	<u><u>\$2,690,187</u></u>	<u><u>\$3,807,912</u></u>	<u><u>\$1,117,725</u></u>

TOWN OF SNOWFLAKE, ARIZONA
HIGHWAY USER REVENUE SPECIAL REVENUE FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
For the Fiscal Year Ended June 30, 2020

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental revenue:				
Highway user revenues	\$ 1,057,139	\$ 1,057,139	\$ 1,060,708	\$ 3,569
Grants and contributions	600,000	600,000	482,845	(117,155)
Total intergovernmental	1,657,139	1,657,139	1,543,553	(113,586)
Other revenue:				
Interest income	-	-	9,725	9,725
Total revenue	1,657,139	1,657,139	1,553,278	(103,861)
EXPENDITURES:				
Public works:				
Salaries	245,000	245,000	212,044	32,956
Employee benefits	110,000	110,000	86,233	23,767
Services, supplies, and other	1,197,039	1,197,039	325,643	871,396
Total public works	1,552,039	1,552,039	623,920	928,119
Debt service				
Principal	34,000	34,000	31,725	2,275
Interest	1,100	1,100	924	176
Total debt service	35,100	35,100	32,649	2,451
Capital outlay				
	50,000	50,000	766,338	(716,338)
Total expenditures	1,637,139	1,637,139	1,422,907	214,232
Excess (deficiency) of revenues over (under) expenditures				
	20,000	20,000	130,371	110,371
Other Financing Sources (Uses):				
Transfers out	(20,000)	(20,000)	-	20,000
Total Other Financing Sources (Uses)	(20,000)	(20,000)	-	20,000
Net change in fund balance				
	-	-	130,371	130,371
Fund balance, beginning of year				
	632,459	632,459	632,459	-
Fund balance, end of year				
	\$ 632,459	\$ 632,459	\$ 762,830	\$ 130,371

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, no disclosures, and required supplementary information says about the government's overall financial health.

	Contents	Page
Financial Trends		
	<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>	
	Net Position by Component	78
	Changes in Net Position	79-80
	Fund Balances of Governmental Funds	81
	Changes in Fund Balances of Governmental Funds	82-83
Revenue Capacity		
	<i>These schedules contain information to help the reader assess the Town's most significant local revenue sources.</i>	
	Local Sales Tax Revenue by Industry	84
	Governmental Activities Tax Revenues by Source	85
Debt Capacity		
	<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>	
	Ratios of Outstanding Debt by Type	86
	Legal Debt Margin Information	87
Demographic and Economic Information		
	<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>	
	Demographic and Economic Statistics	88
	Principle Employers	89
Operating Information		
	<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	
	Full Time Equivalent Town Employees by Function	90
	Operating Indicators by Function/Program	91
	Capital Asset Statistics by Function/Program	92

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental activities										
Net investment in capital assets	\$ 10,861,843	\$ 10,124,421	\$ 10,052,079	\$ 9,821,620	\$ 10,117,910	\$ 9,631,282	\$ 9,055,294	\$ 8,972,640	\$ 8,284,922	\$ 7,655,966
Restricted	762,830	632,459	461,889	382,547	450,154	409,799	399,860	379,571	338,262	362,984
Unrestricted	(210,477)	(1,359,527)	(2,092,187)	(2,186,383)	(1,902,223)	(2,419,786)	1,058,167	1,447,821	2,035,693	1,908,498
Total governmental activities net position	\$ 11,414,196	\$ 9,397,353	\$ 8,421,781	\$ 8,017,784	\$ 8,665,841	\$ 7,621,295	\$ 10,513,321	\$ 10,800,032	\$ 10,658,877	\$ 9,927,448
Business-Type activities										
Net investment in capital assets	\$ 4,076,045	\$ 3,620,139	\$ 3,358,874	\$ 2,987,324	\$ 2,919,902	\$ 2,882,183	\$ 2,702,536	\$ 2,724,998	\$ 2,673,941	\$ 2,397,253
Restricted	301,909	292,149	285,657	286,448	256,137	236,945	260,167	610,810	610,810	747,123
Unrestricted	(215,124)	(274,018)	(13,901)	(302,613)	(313,875)	(515,089)	499,388	178,443	32,535	141,949
Total business-type activities net position	\$ 4,162,830	\$ 3,638,270	\$ 3,630,630	\$ 2,971,159	\$ 2,862,164	\$ 2,604,039	\$ 3,462,091	\$ 3,514,251	\$ 3,317,286	\$ 3,286,325
Primary government										
Net investment in capital assets	\$ 14,937,888	\$ 13,744,560	\$ 13,410,953	\$ 12,808,944	\$ 13,037,812	\$ 12,513,465	\$ 11,757,830	\$ 11,697,638	\$ 10,958,863	\$ 10,053,219
Restricted	1,064,739	924,608	747,546	668,995	706,291	646,744	660,027	990,381	949,072	1,110,107
Unrestricted	(425,601)	(1,633,545)	(2,106,088)	(2,488,996)	(2,216,098)	(2,934,875)	1,557,555	1,626,264	2,068,228	2,050,447
Total primary government net position	\$ 15,577,026	\$ 13,035,623	\$ 12,052,411	\$ 10,988,943	\$ 11,528,005	\$ 10,225,334	\$ 13,975,412	\$ 14,314,283	\$ 13,976,163	\$ 13,213,773

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Expenses										
Governmental activities:										
General government	\$ 793,016	\$ 617,826	\$ 741,030	\$ 900,201	\$ 631,965	\$ 1,542,753	\$ 1,152,065	\$ 1,206,701	\$ 1,061,303	\$ 1,159,761
Public safety	2,916,544	2,415,706	2,827,442	2,672,348	2,327,719	2,080,498	2,245,703	2,122,500	1,872,380	1,858,543
Public works/streets	838,244	908,712	901,418	1,252,722	1,361,718	844,341	736,137	722,752	620,565	691,815
Recreation and parks	604,603	534,535	641,163	448,326	612,740	417,642	482,477	480,047	540,833	527,855
Interest on long-term debt	25,622	21,423	32,088	56,352	60,025	62,981	75,071	120,376	127,256	133,704
Total governmental activities expenses	5,178,029	4,498,202	5,143,141	5,329,949	4,994,167	4,948,215	4,691,453	4,652,376	4,222,337	4,371,678
Business-type activities:										
Water and sewer	1,679,119	1,834,635	1,351,191	1,251,636	1,210,343	1,353,699	1,457,208	1,251,985	1,195,945	1,224,999
Golf course	944,025	932,059	603,616	773,371	516,876	557,523	607,426	621,585	617,653	554,555
Total business-type activities expenses	2,623,144	2,766,694	1,954,807	2,025,007	1,727,219	1,911,222	2,064,634	1,873,570	1,813,598	1,779,554
Total Expenses	\$ 7,801,173	\$ 7,264,896	\$ 7,097,948	\$ 7,354,956	\$ 6,721,386	\$ 6,859,437	\$ 6,756,087	\$ 6,525,946	\$ 6,035,935	\$ 6,151,232
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 517,858	\$ 303,579	\$ 418,358	\$ 230,051	\$ 259,877	\$ 166,707	\$ 172,899	\$ 165,662	\$ 142,725	\$ 148,494
Public safety	1,071,428	988,922	986,591	886,269	857,493	890,479	908,548	960,752	746,717	736,068
Recreation and parks	33,075	36,010	69,938	97,097	86,286	72,055	77,053	100,424	130,180	128,736
Operating grants and contributions	1,888,614	869,363	850,582	786,480	880,962	698,167	650,967	1,392	673,992	717,624
Capital grants and contributions	188,144	159,359	291,699	147,000	1,307,791	871,969	312,095	651,551	806,026	582,901
Total governmental activities program revenues	3,699,119	2,357,233	2,617,168	2,146,897	3,392,409	2,699,377	2,121,562	1,879,781	2,499,640	2,313,823
Business -type activities:										
Charges for services:										
Water and sewer	\$ 1,989,646	\$ 1,842,701	\$ 1,773,851	\$ 1,507,560	\$ 1,431,358	\$ 1,467,601	\$ 1,440,990	\$ 1,496,251	\$ 1,383,891	\$ 1,353,669
Golf course	485,787	415,609	317,467	258,742	250,479	283,151	276,590	354,765	364,682	329,795
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	2,475,433	2,258,310	2,091,318	1,766,302	1,681,837	1,750,752	1,717,580	1,851,016	1,748,573	1,683,464
Total primary government program revenues	\$ 6,174,552	\$ 4,615,543	\$ 4,708,486	\$ 3,913,199	\$ 5,074,246	\$ 4,450,129	\$ 3,839,142	\$ 3,730,797	\$ 4,248,213	\$ 3,997,287
Net/(expense) revenue										
Governmental activities	\$ (1,478,910)	\$ (2,140,969)	\$ (2,525,973)	\$ (3,183,052)	\$ (1,601,758)	\$ (2,248,838)	\$ (2,569,891)	\$ (2,772,595)	\$ (1,722,697)	\$ (1,908,514)
Business-type activities	(147,711)	(508,384)	136,511	(258,705)	(45,382)	(160,470)	(347,054)	(22,554)	(65,025)	(130,134)
Total primary government net expense	\$ (1,626,621)	\$ (2,649,353)	\$ (2,389,462)	\$ (3,441,757)	\$ (1,647,140)	\$ (2,409,308)	\$ (2,916,945)	\$ (2,795,149)	\$ (1,787,722)	\$ (2,038,648)

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Revenues										
Governmental activities:										
Taxes										
City sales taxes	\$ 2,127,903	\$ 1,579,196	\$ 1,674,234	\$ 1,170,233	\$ 1,163,487	\$ 1,046,222	\$ 993,577	\$ 1,039,145	\$ 1,060,338	\$ 1,127,115
State sales taxes	606,267	579,559	553,613	507,828	527,763	510,863	486,569	457,552	436,804	381,877
Franchise taxes	130,888	133,029	131,205	111,316	119,958	124,221	121,282	123,360	130,017	123,838
Auto lieu taxes	401,046	389,227	365,336	324,556	319,808	295,826	285,566	274,622	291,394	256,076
Urban revenue sharing	757,524	696,688	713,926	693,194	673,035	676,704	623,076	1,237,678	471,801	480,336
Unrestricted investment earnings	40,199	48,752	24,240	-	-	-	4,993	2,918	2,780	3,143
Miscellaneous	91,417	185,620	17,087	93,225	90,151	39,423	61,938	44,305	154,198	183,954
Sales of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers	(659,491)	(495,530)	(518,916)	(365,357)	(247,896)	(147,412)	(293,821)	(215,138)	(93,206)	(185,976)
Total governmental activities	\$ 3,495,753	\$ 3,116,541	\$ 2,960,725	\$ 2,534,995	\$ 2,646,306	\$ 2,545,847	\$ 2,283,180	\$ 2,964,442	\$ 2,454,126	\$ 2,370,363
Business-type activities:										
Investment earnings	\$ 6,048	\$ 7,378	\$ 3,964	\$ 2,343	\$ 1,520	\$ 3,303	\$ 1,073	\$ 4,381	\$ 2,780	\$ 1,046
Sales of capital assets	6,732	13,116	-	-	-	-	-	-	-	-
Transfers	659,491	495,530	518,916	365,357	247,896	147,412	293,821	215,138	93,206	185,976
Total business-type activities	672,271	516,024	522,880	367,700	249,416	150,715	294,894	219,519	95,986	187,022
Total primary government	4,168,024	3,632,565	3,483,605	2,902,695	2,895,722	2,696,562	2,578,074	3,183,961	2,550,112	2,557,385
Change in Net Position										
Governmental activities	\$ 2,016,843	\$ 975,572	\$ 434,752	\$ (648,057)	\$ 1,044,548	\$ 297,009	\$ (286,711)	\$ 191,847	\$ 731,429	\$ 647,666
Business-type activities	524,560	7,640	659,391	108,995	204,034	(9,755)	(52,160)	196,965	30,961	121,997
Total change in Net Position	\$ 2,541,403	\$ 983,212	\$ 1,094,143	\$ (539,062)	\$ 1,248,582	\$ 287,254	\$ (338,871)	\$ 388,812	\$ 762,390	\$ 769,663

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General fund										
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,447	\$ 561,612	\$ 6,433	\$ 380,338	\$ 202,541
Restricted	-	-	-	-	-	270	99,794	178,525	178,525	-
Unassigned	3,807,912	2,490,598	2,087,169	1,623,060	1,691,952	1,037,617	664,703	1,598,451	1,798,697	2,048,220
Total general fund	<u>\$ 3,807,912</u>	<u>\$ 2,490,598</u>	<u>\$ 2,087,169</u>	<u>\$ 1,623,060</u>	<u>\$ 1,691,952</u>	<u>\$ 1,065,334</u>	<u>\$ 1,326,109</u>	<u>\$ 1,783,409</u>	<u>\$ 2,357,560</u>	<u>\$ 2,250,761</u>
All other governmental funds										
Non-Spendable	\$ -	\$ -	\$ -	\$ -	\$ 11,400	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	762,830	632,459	461,889	382,547	450,154	409,529	300,066	201,046	159,737	149,420
Unassigned, reported in: Special Revenue Funds	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 762,830</u>	<u>\$ 632,459</u>	<u>\$ 461,889</u>	<u>\$ 382,547</u>	<u>\$ 461,554</u>	<u>\$ 409,529</u>	<u>\$ 300,066</u>	<u>\$ 201,046</u>	<u>\$ 159,737</u>	<u>\$ 149,420</u>

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenues										
Local sales tax	\$ 2,127,903	\$ 1,579,196	\$ 1,674,234	\$ 1,170,233	\$ 1,163,487	\$ 1,046,222	\$ 993,577	\$ 1,039,145	\$ 1,060,338	\$ 1,127,115
State sales tax	606,267	579,559	553,613	507,828	527,763	510,863	486,569	457,552	436,804	381,877
Motor fuel tax	1,060,708	866,175	850,582	786,480	880,962	698,167	646,059	614,387	560,452	613,039
Franchise tax	130,888	133,029	131,205	111,316	119,958	124,221	121,282	123,360	130,017	123,838
Licenses and permits	392,639	177,196	161,646	69,654	39,532	31,493	21,099	31,143	15,111	15,013
Intergovernmental	2,038,198	1,085,915	1,370,961	1,164,750	2,300,633	1,891,405	1,245,291	1,550,856	1,682,761	1,423,898
Charges for services	1,204,223	1,328,511	1,313,240	1,116,363	1,076,655	1,050,842	1,054,733	1,195,695	1,004,511	998,285
Investment earnings	40,199	48,752	19,142	-	-	-	4,993	2,918	2,780	3,143
Miscellaneous	253,337	170,969	22,185	120,625	90,151	39,421	126,296	44,305	154,198	183,954
Total revenues	7,854,362	5,969,302	6,096,808	5,047,249	6,199,141	5,392,634	4,699,899	5,059,361	5,046,972	4,870,162
Expenditures										
Current:										
General government	619,474	585,998	554,474	751,757	504,011	1,314,150	990,186	1,100,970	911,708	1,013,868
Public safety	2,599,037	2,483,220	2,403,061	2,197,854	1,990,361	1,769,931	1,968,181	1,952,548	1,823,809	1,798,774
Public works/streets	902,648	922,031	1,218,782	1,078,102	993,157	559,667	461,585	419,911	413,611	512,589
Recreation and parks	568,755	574,081	593,653	609,146	566,824	418,693	466,594	474,147	473,462	466,140
Debt service:										
Principal	258,514	250,975	227,435	136,580	78,860	73,860	174,382	171,969	161,199	155,427
Interest	32,420	30,362	37,036	56,352	60,262	62,981	75,071	120,376	127,256	133,704
Capital outlay	766,338	53,106	-	-	1,110,557	1,197,252	436,225	1,137,144	925,605	444,525
Total expenditures	5,747,186	4,899,773	5,034,441	4,829,791	5,304,032	5,396,534	4,572,224	5,377,065	4,836,650	4,525,027
Excess (Deficiency) of Revenues over expenditures	\$ 2,107,176	\$ 1,069,529	\$ 1,062,367	\$ 217,458	\$ 895,109	\$ (3,900)	\$ 127,675	\$ (317,704)	\$ 210,322	\$ 345,135

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Other financing sources (uses)										
Transfers in	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 120,793
Transfers (out)	(659,491)	(495,530)	(518,916)	(465,357)	(347,896)	(247,412)	(393,821)	(315,138)	(193,206)	(306,769)
Proceeds from refinancing	-	-	630,156	-	-	-	1,301,586	-	-	-
Payment of debt from refinancing	-	-	(630,156)	-	-	-	(1,493,720)	-	-	-
Sales of capital assets	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(659,491)	(495,530)	(518,916)	(365,357)	(247,896)	(147,412)	(485,955)	(215,138)	(93,206)	(185,976)
Net change in fund balances	\$ 1,447,685	\$ 573,999	\$ 543,451	\$ (147,899)	\$ 647,213	\$ (151,312)	\$ (358,280)	\$ (532,842)	\$ 117,116	\$ 159,159
Debt service as a percentage of noncapital expenditures	5.84%	5.80%	5.25%	3.99%	3.32%	3.26%	6.03%	6.90%	7.38%	7.09%

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

	Fiscal Year									
	2020		2019		2018		2017		2016	
	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total
Mining	\$ 19,104	0.9%	\$ 21,155	1.3%	\$ -	0.0%	\$ 58,411	5.0%	\$ 69,623	6.0%
Communication and Utilities	215,485	10.1%	206,410	13.1%	202,970	12.1%	178,655	15.3%	167,496	14.4%
Construction	209,145	9.8%	133,105	8.4%	185,691	11.1%	137,140	11.7%	111,145	9.6%
Manufacturing	8,765	0.4%	10,140	0.6%	384	0.0%	9,045	0.8%	10,188	0.9%
Retail	1,321,244	62.1%	953,788	60.4%	1,059,359	63.3%	499,949	42.7%	532,592	45.8%
Real Estate Leasing	48,711	2.3%	42,105	2.7%	44,935	2.7%	29,405	2.5%	30,655	2.6%
Restaurant and Bar	264,960	12.5%	178,965	11.3%	165,004	9.9%	156,844	13.4%	138,799	11.9%
Accommodation	18,745	0.9%	9,623	0.6%	10,899	0.7%	19,033	1.6%	21,155	1.8%
Services	2,004	0.1%	2,865	0.2%	1,176	0.1%	61,877	5.3%	60,874	5.2%
Other	19,740	0.9%	21,040	1.3%	3,816	0.2%	19,874	1.7%	20,960	1.8%
Total	<u>\$ 2,127,903</u>	<u>100.0%</u>	<u>\$ 1,579,196</u>	<u>100.0%</u>	<u>\$ 1,674,234</u>	<u>100.0%</u>	<u>\$ 1,170,233</u>	<u>100.0%</u>	<u>\$ 1,163,487</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
2020	\$ 606,267	\$ 2,127,903	\$ 130,888	\$ 1,060,708	\$ 401,046	\$ 757,524
2019	579,559	1,579,196	133,029	866,175	389,227	696,688
2018	553,613	1,674,234	131,205	850,582	365,336	713,926
2017	507,828	1,170,233	111,316	786,480	324,556	693,194
2016	527,763	1,163,487	119,958	742,799	319,808	673,035
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

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			
2020	\$ -	\$ 588,743	\$ 501,620	\$ 1,406,256	\$ 121,350	\$ 2,617,969	2.54%	\$ 447
2019	-	782,105	566,772	1,782,895	179,711	3,311,483	3.18%	568
2018	-	969,696	630,156	2,150,304	236,614	3,986,770	3.85%	687
2017	-	1,827,286	-	2,512,714	-	4,340,000	3.96%	738
2016	-	1,963,866	-	2,796,134	-	4,760,000	4.56%	829
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

(1) See the schedule of Demographic and Economic Statistics 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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Secondary assessed valuation	\$ 44,708,030	\$ 38,999,928	\$ 33,977,800	\$ 31,525,347	\$ 28,207,167	\$ 28,357,451	\$ 28,586,860	\$ 31,688,491	\$ 35,550,051	\$ 38,904,372
Debt limit @ 20%	8,941,606	7,799,986	6,795,560	6,305,069	5,641,433	5,671,490	5,717,372	6,337,698	7,110,010	7,780,874
Debt limit @ 6%	2,682,482	2,339,996	2,038,668	1,891,521	1,692,430	1,701,447	1,715,212	1,901,309	2,133,003	2,334,262
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin @ 20%	8,941,606	7,799,986	6,795,560	6,305,069	5,641,433	5,671,490	5,717,372	6,337,698	7,110,010	7,780,874
Legal debt margin @ 6%	2,682,482	2,339,996	2,038,668	1,891,521	1,692,430	1,701,447	1,715,212	1,901,309	2,133,003	2,334,262

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, 2020, 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
2020	5,858	\$ 47,206	\$ 17,605	\$ 103,130,090	3.4%	2,487
2019	5,825	49,813	17,901	104,273,325	3.5%	2,486
2018	5,800	49,191	17,844	103,495,200	3.8%	2,429
2017	5,882	49,018	17,904	109,716,946	5.1%	2,313
2016	5,644	60,215	17,727	100,051,188	5.6%	2,260
2015	5,641	53,021	17,439	98,373,399	6.5%	2,345
2014	5,564	53,384	16,796	93,452,944	8.5%	2,417
2013	5,587	38,050	14,923	83,374,801	8.7%	2,436
2012	5,590	42,374	15,324	85,661,160	9.1%	2,494
2011	5,528	37,439	13,850	76,562,800	9.1%	2,494

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>2020</u>		<u>2010</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Summit Regional Medical Center	1,500	4.69%	700	1.78%
Navajo County	718	2.25%	670	1.70%
Indian Health Services	520	1.63%	550	1.40%
Northland Pioneer College	470	1.47%	425	1.08%
Hon-Dah Casino	400	1.25%	409	1.04%
Peabody Energy	300	0.94%	473	1.20%
Copperstate Farms	260	0.81%	-	0.00%
Arizona Public Service	250	0.78%	300	0.76%
Snowflake Unified School District	245	0.77%	236	0.60%
Wal-Mart	200	0.63%	520	1.32%
Smithfield Farms	145	0.45%	154	0.39%
Brimhall Sand and Rock	120	0.38%	115	0.29%
Town of Snowflake	51	0.16%	67	0.17%
Town of Taylor	50	0.16%	56	0.14%
Catalyst	-	0.00%	268	0.68%
Total	<u>5,229</u>	<u>16.36%</u>	<u>4,943</u>	<u>12.57%</u>
Total Employment	<u>31,955</u>		<u>39,325</u>	

Note: The information presented above is County-wide.

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

	Full Time Equivalent Employees									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General government	9	9	9	9	9	10	10	10	10	11
Public safety										
Police										
Officers	14	14	14	14	14	14	14	14	14	14
Civilians	7	7	7	7	7	7	7	7	7	7
Fire										
Full-time	0	0	0	0	1	1	1	1	1	1
Volunteers	0	0	0	0	15	15	15	15	15	15
Highways and streets	5	5	4	5	5	4.5	4.5	4	4	4
Recreation and parks	4	4	4	4	4	4	4	4	4	5
Utility fund	7	7	6	6	6	5.5	5.5	5	5	6
Golf Course	7	7	6	5	4	4	4	4	4	4
Total	53	53	50	50	65	65	65	64	64	67

Source: Various departments

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public safety										
Police calls for service	18,403	16,310	15,150	13,400	11,125	16,985	17,875	19,505	18,520	17,625
Fire calls for service	-	-	-	-	-	330	385	400	415	320
Highways and streets										
Street miles resurfaced	3.00	1.50	6.00	10.00	21.00	0.50	2.50	0.50	0.10	0.50
Recreation and parks										
Participants	2,675	3,005	3,250	3,600	4,250	4,105	3,750	4,400	4,700	4,720
Water and wastewater										
Water connects	30	20	25	15	10	6	3	2	3	1
Sewer connects	15	10	15	6	3	-	1	-	1	1
Golf course										
Rounds of golf	18,140	14,890	15,155	13,000	14,110	16,510	17,460	21,230	22,800	20,130

Source: Various departments

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

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Streetlights	418	418	417	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
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

OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS

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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***

The 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 fiscal year ended June 30, 2020, 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 14, 2020.

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) as a basis for designing 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. 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 of 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 financial statement. 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
Gilbert, Arizona
December 14, 2020



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

The Honorable Mayor and
Town Council
Town of Snowflake, Arizona

We have audited the basic financial statements of the Town of Snowflake, Arizona for the fiscal year ended June 30, 2020, and have issued our report thereon dated December 14, 2020. 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 and Local Transportation Assistance 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 fiscal year ended June 30, 2020.

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
Gilbert, Arizona
December 14, 2020