

Town of Snowflake, Arizona
Comprehensive Annual Financial Report



For the fiscal year ended
June 30, 2011

Prepared by:
Brian Richards, CPA, CPFO
Finance Director
Finance Department
Town of Snowflake, Arizona

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Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2011**

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INTRODUCTORY SECTION



October 11, 2011

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, 2011. 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.

Darlene Wood, Certified Public Accountant, has issued an unqualified ("clean") opinion on the Town of Snowflake's financial statements for the year ended June 30, 2011. 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 5,590. 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, 2011, on July 13, 2010. The budget is prepared by fund, and department. Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing council.

Local Economy

Major industries located within the government's boundaries or in close proximity include manufacturers of newsprint, tomato growers, pork production, and wood molding products. The area is centrally located within Navajo County and provides a stable resource for travelers from the North and South of the county.

Unemployment has increased over the past year as it has on the national level as well. During the past ten years the unemployment rate in the county has gone from a low of 6.2% to a current rate of 15.7%. The Town's unemployment rate is the same as the county at 15.7%. Unemployment is expected to decline as the economy continues to labor in a prolonged recession. Navajo county is on a downward trend of business growth, however, the Town has experienced a moderate increase in population growth.

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

Capital Projects

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

Long-term Financial Planning

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

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Snowflake for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2010. This was the fifth 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, CPA, CPFO
Finance Director

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

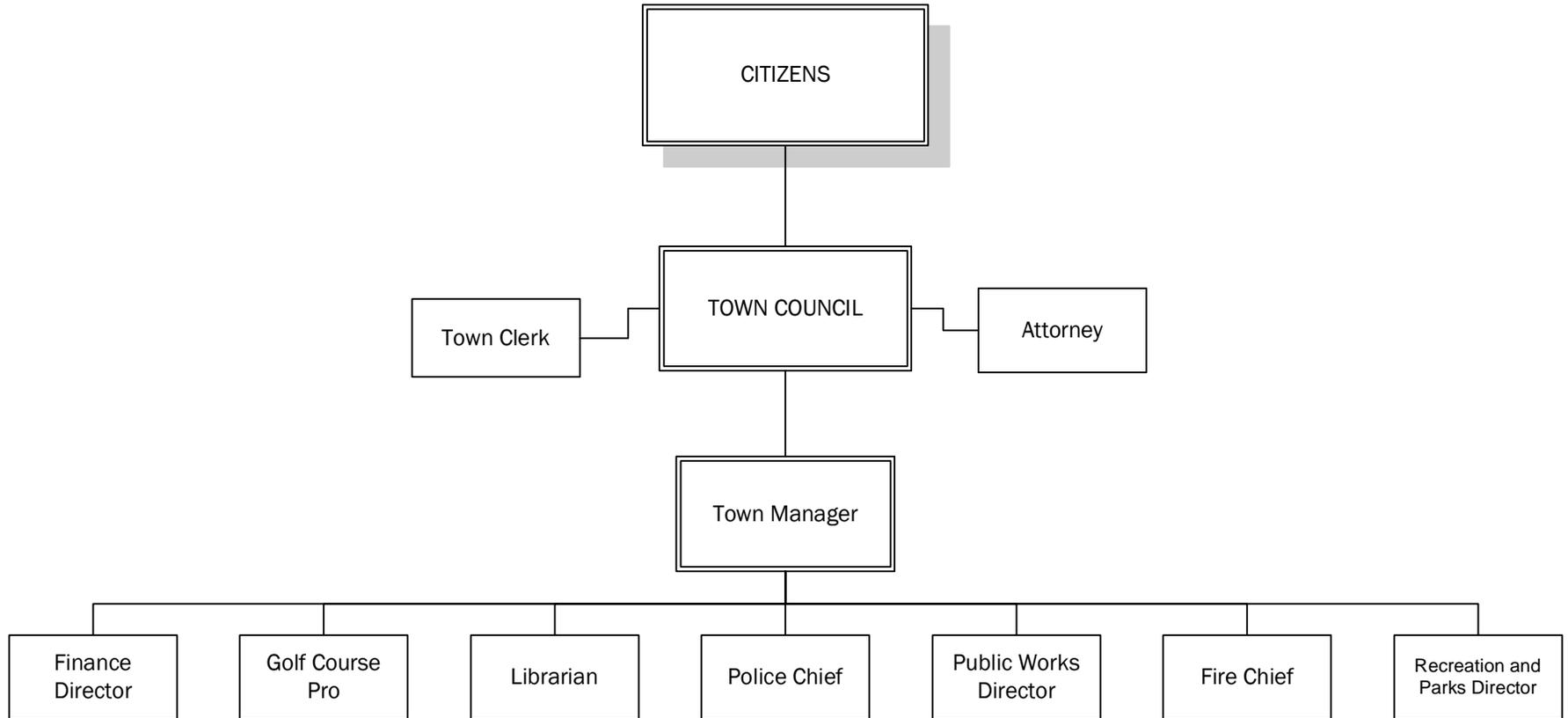


President

Executive Director

Town of Snowflake, Arizona

Organization Chart



**Town of Snowflake, Arizona
List of Elected and Appointed Officials
June 30, 2011**

Elected Officials

Mayor	Kelly S. Willis
Vice-Mayor	Jason Whiting
Council	Thomas L. Poscharsky
Council	Larry D. Matyas
Council	Beverlee Kay
Council	Lorrie Davis
Council	Chris T. Brimhall

Appointed Officials

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

FINANCIAL SECTION

Darlene Wood

Certified Public Accountant

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Town Council of the
Town of Snowflake, Arizona

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Snowflake, Arizona, as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Snowflake, Arizona's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Snowflake, Arizona, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and the Highway User Revenue Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My 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 accompanying supplementary information such as the introductory section, combining statements, and other supplementary information and the statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining statements and other supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

Darlene Wood, CPA

Prescott, Arizona
October 31, 2011

*100 North Summit Avenue
Prescott, Arizona 86301*

*Phone: 928.771.1950
E-mail: darcpa@msn.com*

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Town of Snowflake, we offer readers of the Town of Snowflake's financial statements this narrative overview and analysis of the financial activities of the Town of Snowflake for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information in the notes to the financial statements.

Financial Highlights

- The assets of the Town of Snowflake exceeded its liabilities at the close of the most recent fiscal year by \$13,213,773 (net assets). Of this amount \$1,908,498 (unrestricted net assets) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town of Snowflake's total net assets increased by \$403,440 during the current fiscal year.
- As of June 30, 2011, the Town's governmental funds reported combined ending fund balances of \$2,400,181, an increase of \$159,159. Of the total ending fund balance, \$2,048,220 is unassigned fund balance available for spending at the government's discretion.
- As of June 30, 2011, total unassigned fund balance for the general fund was \$2,048,220, or 52% of total general fund expenditures (\$3,966,773).
- As of June 30, 2011, the Town's proprietary funds reported combined total net assets of \$3,286,325.
- The Town's long term debt decreased by \$390,592 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 Assets* presents information on all of the Town of Snowflake's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

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

The government-wide financial statements can be found on pages 25-26 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS- continued

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 spendable 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 27-31 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 32-34 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-53 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Snowflake, assets exceeded liabilities by \$13,213,773 at the close of the most recent fiscal year.

MANAGEMENT DISCUSSION AND ANALYSIS- continued

By far the largest portion of the Town of Snowflake's net assets (76 percent, \$10,053,219) reflects its investment in capital assets such as land, buildings, machinery, and equipment, less any related debt used to acquire those assets that are still outstanding. The Town of Snowflake uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Snowflake's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Town of Snowflake, Arizona
Net Assets
June 30, 2011**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 2,573,751	\$ 2,644,603	\$ 1,044,830	\$ 1,057,451	\$ 3,618,581	\$ 3,702,054
Capital assets	10,470,902	10,478,693	5,813,915	6,022,777	16,284,817	16,501,470
Total assets	<u>13,044,653</u>	<u>13,123,296</u>	<u>6,858,745</u>	<u>7,080,228</u>	<u>19,903,398</u>	<u>20,203,524</u>
Long-term liabilities	2,779,835	2,948,775	3,427,751	3,417,235	6,207,586	6,366,010
Other liabilities	337,370	559,581	144,669	467,600	482,039	1,027,181
Total liabilities	<u>3,117,205</u>	<u>3,508,356</u>	<u>3,572,420</u>	<u>3,884,835</u>	<u>6,689,625</u>	<u>7,393,191</u>
Invested in capital assets net of related debt	7,655,966	7,508,330	2,397,253	2,370,950	10,053,219	9,879,280
Restricted	362,984	293,160	747,123	656,248	1,110,107	949,408
Unrestricted	1,908,498	1,813,450	141,949	168,195	2,050,447	1,981,645
Total net assets	<u>\$ 9,927,448</u>	<u>\$ 9,614,940</u>	<u>\$ 3,286,325</u>	<u>\$ 3,195,393</u>	<u>\$ 13,213,773</u>	<u>\$ 12,810,333</u>

An additional portion of the Town of Snowflake's net assets, \$1,110,107 (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$2,050,447) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Snowflake is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate business-type activities.

The Town's net assets increased by \$403,440 during the current fiscal year. This increase is attributed to the increase in capital expenditures for the year.

MANAGEMENT DISCUSSION AND ANALYSIS- continued

Changes in Net Assets for the year ended June 30, 2011 are as follows:

**Town of Snowflake
Changes in Net Assets
June 30, 2011**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 1,013,298	\$ 1,022,029	\$ 1,683,464	\$ 1,718,710	\$ 2,696,762	\$ 2,740,739
Operating grants and contributions	104,585	133,805	-	-	104,585	133,805
Capital grants and contributions	582,901	630,778	-	-	582,901	630,778
General revenues:						
Sales taxes	1,127,115	933,781	-	-	1,127,115	933,781
State shared sales taxes	381,877	362,157	-	-	381,877	362,157
Intergovernmental revenues	480,336	637,160	-	-	480,336	637,160
Franchise taxes	123,838	121,399	-	-	123,838	121,399
Motor fuel taxes	613,039	602,502	-	-	613,039	602,502
Investment earnings	3,143	9,403	1,046	3,132	4,189	12,535
Vehicle license taxes	256,076	256,954	-	-	256,076	256,954
Other	183,954	56,039	-	-	183,954	56,039
Sales of capital assets	-	4,286	-	-	-	4,286
Total revenues	4,870,162	4,770,293	1,684,510	1,721,842	6,554,672	6,492,135
Expenses:						
General government	1,159,761	1,208,734	-	-	1,159,761	1,208,734
Public safety	1,858,543	1,851,500	-	-	1,858,543	1,851,500
Highways and streets	691,815	635,067	-	-	691,815	635,067
Recreation and parks	527,855	528,592	-	-	527,855	528,592
Interest on long-term debt	133,704	140,054	-	-	133,704	140,054
Water and wastewater	-	-	1,224,999	1,302,245	1,224,999	1,302,245
Golf Course	-	-	554,555	570,994	554,555	570,994
Total expenses	4,371,678	4,363,947	1,779,554	1,873,239	6,151,232	6,237,186
Increase (decrease) in net assets before transfers	498,484	406,346	(95,044)	(151,397)	403,440	254,949
Transfers	(185,976)	(172,728)	185,976	172,728	-	-
Change in net assets	312,508	233,618	90,932	21,331	403,440	254,949
Net assets 06/30/2010	9,614,940	9,381,322	3,195,393	3,174,062	12,810,333	12,555,384
Net assets 06/30/2011	\$ 9,927,448	\$ 9,614,940	\$ 3,286,325	\$ 3,195,393	\$ 13,213,773	\$ 12,810,333

MANAGEMENT DISCUSSION AND ANALYSIS- continued

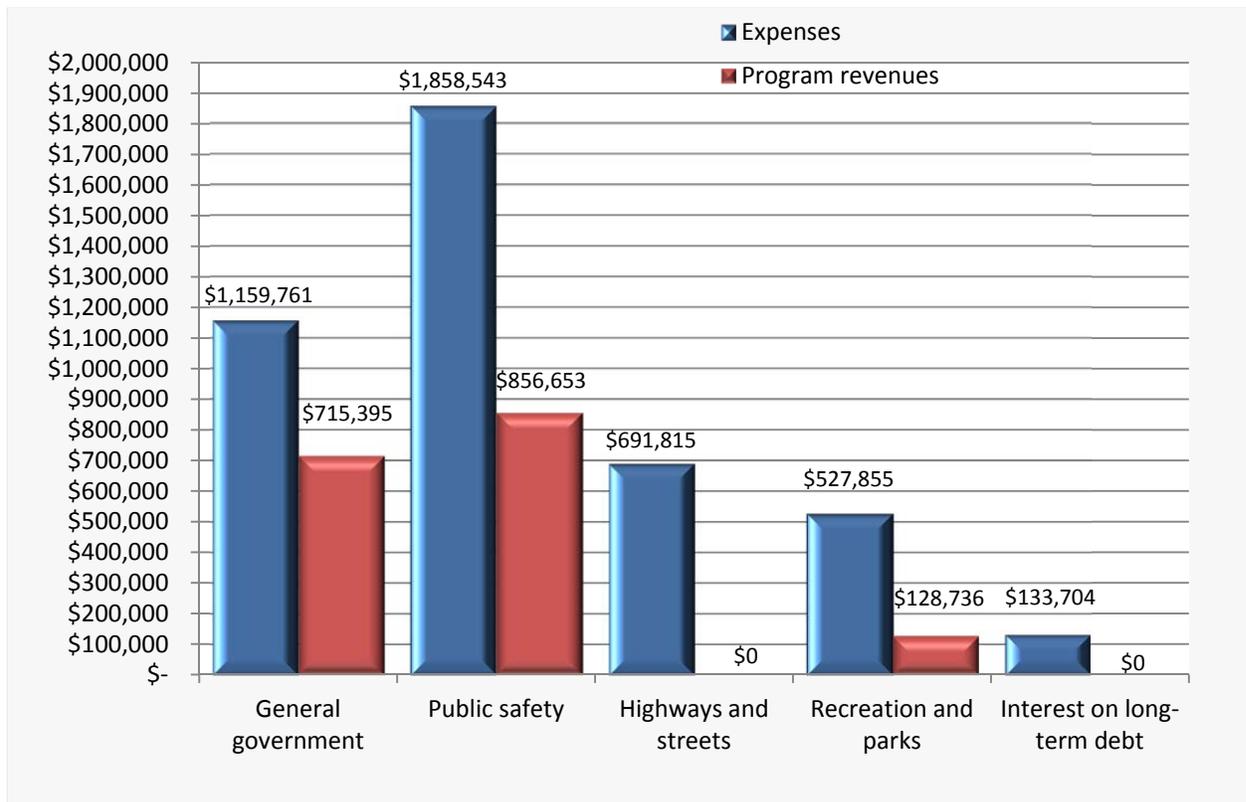
Governmental activities – Governmental activities increased the Town’s net assets by \$312,508, thereby accounting for 77 percent of the increase in net assets of the Town of Snowflake. Key elements of this increase are as follows:

- Sales tax collected increased by \$193,334 during the year (21 percent). A slight rebound in local economic activity was experienced and attributed to the increase.
- General government expenses decreased by \$48,973 (4 percent) during the year mostly because of reductions in budgeted expenditures.
- Other miscellaneous revenue increased by \$127,915 (228 percent) during the year. This increase is attributed to an insurance reimbursement.
- Interest on long-term debt decreased by \$6,350 (5 percent)

Business-type activities – Business-type activities increased the Town of Snowflake’s net assets by \$90,932. This increase was 23 percent of the total increase in net assets government-wide. The main factor of the net asset increase in business-type activities is:

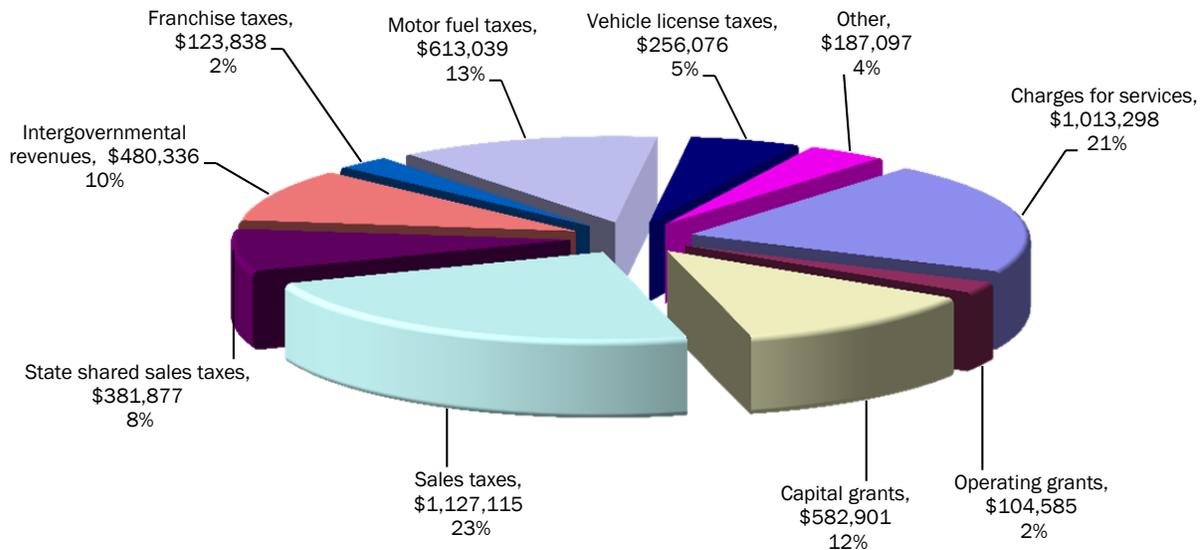
- Actual revenues and expenses were in line with budgets and expenses in the Golf Course fund were lower than the previous year by \$16,439 (3 percent).
- Water and wastewater expenses were lower by \$77,246 (6 percent) during the year. This decrease was attributed to a lower cost of inputs related to wastewater treatment.

Expenses and Program Revenues - Governmental Activities

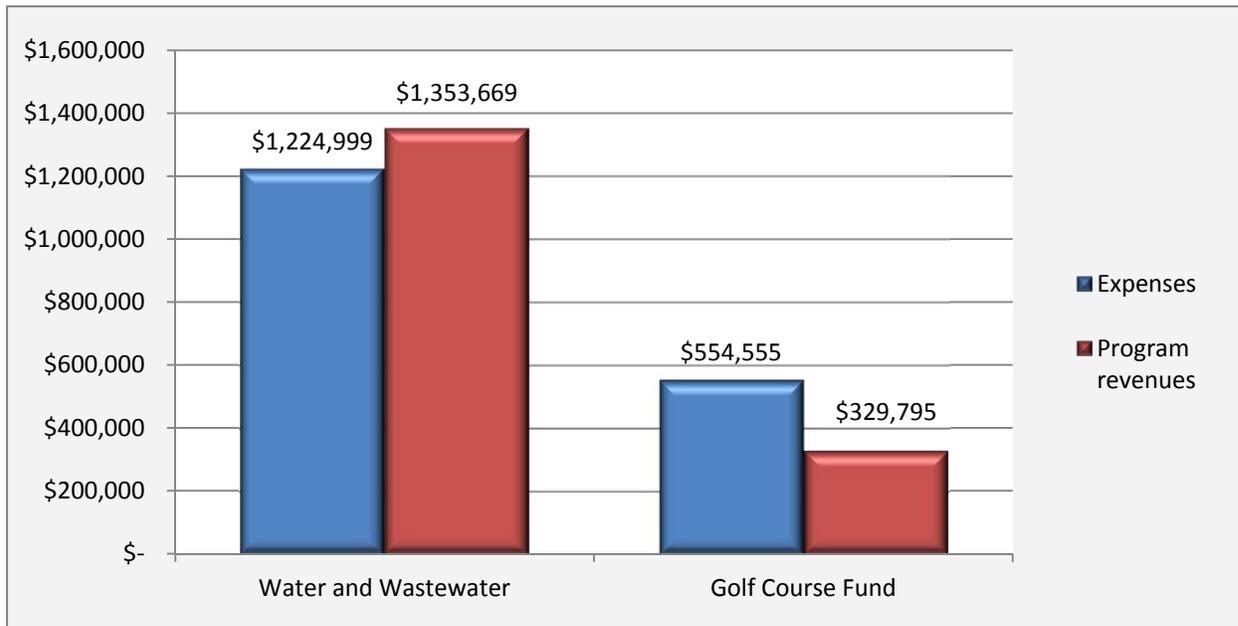


MANAGEMENT DISCUSSION AND ANALYSIS- continued

Revenues by Source - Governmental Activities

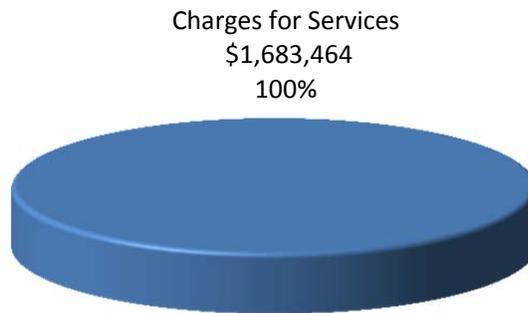


Expenses and Program Revenues - Business-type Activities



MANAGEMENT DISCUSSION AND ANALYSIS- continued

Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town of Snowflake's governmental funds reported combined ending fund balances of \$2,400,181, an increase of 7 percent in comparison with the prior year. Approximately 85 percent constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service (\$178,525), for highways and streets (\$149,420), and prepaid items (\$24,016).

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 \$2,048,220, while total fund balance reached was \$2,250,761. 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 52 percent of total general fund expenditures (\$3,996,773), while total fund balance represents 56 percent of that same amount.

The fund balance of the Town of Snowflake's general fund increased by \$145,167 during the current fiscal year. Key factors relating to this increase are as follows:

- General governmental expenditures decreased by \$48,973 or 4 percent.
- Local sales taxes increased by 21 percent or \$193,334.

MANAGEMENT DISCUSSION AND ANALYSIS- continued

The fund balance for the Highway User Revenue Fund increased by \$34,785 to \$149,420. The main reason for this increase is related to the fact that expenditures for streets were less than anticipated.

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

Unrestricted net assets of the Utility fund at the end of the year amounted to \$94,854, and unrestricted net assets of the Golf Course fund were \$47,095. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Snowflake’s business-type activities.

General Fund Budgetary Highlights

The overall general fund budget decreased by 8% from the prior year due to the overall decrease in anticipated revenues and the economic environment in which the Town operates.

General Fund Budgetary Variances

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

Capital Asset and Debt Administration

Capital Assets. The Town of Snowflake’s investment in capital assets for its governmental and business type activities as of June 30, 2011, amounts to \$16,284,817 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure. The total decrease in the Town of Snowflake’s investment in capital assets for the current fiscal year was \$216,653.

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

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 530,743	\$ 530,743	\$ 653,317	\$ 653,317	\$ 1,184,060	\$ 1,184,060
Buildings and improvements	2,763,350	2,621,664	4,113,842	4,285,100	6,877,192	6,906,764
Machinery and equipment	1,179,662	1,291,463	1,046,756	1,084,360	2,226,418	2,375,823
Infrastructure	5,997,147	6,034,823	-	-	5,997,147	6,034,823
Total	<u>\$10,470,902</u>	<u>\$10,478,693</u>	<u>\$ 5,813,915</u>	<u>\$ 6,022,777</u>	<u>\$ 16,284,817</u>	<u>\$ 16,501,470</u>

Additional information on the Town of Snowflake’s capital assets can be found in note IV on pages 46-47 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS- continued

Long-term debt. At the end of the current fiscal year, the Town of Snowflake had total debt outstanding of \$6,231,598. The entire debt amount is secured solely by specified revenue sources (i.e. revenue bonds).

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue bonds	2,814,363	2,970,363	3,417,235	3,651,827	6,231,598	6,622,190
Total	\$ 2,814,363	\$ 2,970,363	\$ 3,417,235	\$ 3,651,827	\$ 6,231,598	\$ 6,622,190

The Town of Snowflake’s total debt decreased by \$390,592 during the year, this decrease is attributed to principal paid during the year. The Town maintains an investment grade rating from Standard and Poor’s of A.

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, 2011 is \$2.56 million at 6 percent and \$8.53 million at twenty percent.

Additional information on the Town of Snowflake’s long-term debt can be found in note IV on pages 47-50 of this report.

Economic Factors and Next Year’s Budgets and Rates

The unemployment rate for the Town of Snowflake is currently around 15.7 percent. Inflationary trends in the region compare favorably to national indices. Sales taxes have declined in the recent year due to a general economic downturn, and decreased residential new home construction.

All of these factors were considered in preparing the Town of Snowflake’s budget for the 2011 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 South
Snowflake, AZ 85937
Telephone: 928-536-7103 ext. 254
Fax: 928-536-2539

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BASIC FINANCIAL STATEMENTS

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Town of Snowflake, Arizona

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 2,009,946	\$ 117,155	\$ 2,127,101
Accounts receivable, (net of allowance for uncollectables)	326,225	154,121	480,346
Inventories	-	26,431	26,431
Prepays	24,016	-	24,016
Restricted assets:			
Temporarily restricted:			
Cash	-	590,687	590,687
Investments	213,564	156,436	370,000
Capital Assets:			
Non-depreciable	895,800	653,317	1,549,117
Depreciable, net	9,575,102	5,160,598	14,735,700
Total assets	\$ 13,044,653	\$ 6,858,745	\$ 19,903,398
<u>Liabilities</u>			
Accounts payable	\$ 8,264	\$ 10,130	\$ 18,394
Accrued liabilities	93,955	18,269	112,224
Interest payable	66,851	68,540	135,391
Deposits payable	-	17,730	17,730
Unearned revenues	4,500	-	4,500
Non-current liabilities:			
Due within one year:			
Bonds payable	163,800	246,042	409,842
Compensated absences	59,740	24,355	84,095
Due in more than one year:			
Compensated absences	68,959	16,734	85,693
Bonds payable	2,651,136	3,170,620	5,821,756
Total liabilities	3,117,205	3,572,420	6,689,625
<u>Net assets</u>			
Invested in capital assets, net of related debt	7,655,966	2,397,253	10,053,219
Restricted for:			
Highways and streets	149,420	-	149,420
Debt service	213,564	747,123	960,687
Unrestricted	1,908,498	141,949	2,050,447
Total net assets	\$ 9,927,448	\$ 3,286,325	\$ 13,213,773

Town of Snowflake, Arizona

Statement of Activities

Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
	Primary government:						
Governmental activities:							
General government	\$ 1,159,761	\$ 148,494	\$ -	\$ 566,901	\$ (444,366)	\$ -	\$ (444,366)
Public safety	1,858,543	736,068	104,585	16,000	(1,001,890)	-	(1,001,890)
Highways and streets	691,815	-	-	-	(691,815)	-	(691,815)
Recreation and parks	527,855	128,736	-	-	(399,119)	-	(399,119)
Interest on long-term debt	133,704	-	-	-	(133,704)	-	(133,704)
Total governmental activities	4,371,678	1,013,298	104,585	582,901	(2,670,894)	-	(2,670,894)
Business-type activities:							
Water and wastewater	1,224,999	1,353,669	-	-	-	128,670	128,670
Golf course	554,555	329,795	-	-	-	(224,760)	(224,760)
Total business-type activities	1,779,554	1,683,464	-	-	-	(96,090)	(96,090)
Total primary government:	\$ 6,151,232	\$ 2,696,762	\$ 104,585	\$ 582,901	\$ (2,670,894)	\$ (96,090)	\$ (2,766,984)
General revenues							
Sales taxes							
					\$ 1,127,115	\$ -	\$ 1,127,115
State shared sales taxes							
					381,877	-	381,877
Intergovernmental revenues							
					480,336	-	480,336
Franchise taxes							
					123,838	-	123,838
Vehicle license taxes							
					256,076	-	256,076
Motor fuel taxes							
					613,039	-	613,039
Investment earnings							
					3,143	1,046	4,189
Miscellaneous							
					183,954	-	183,954
Transfers							
					(185,976)	185,976	-
Total general revenues, contributions and transfers							
					2,983,402	187,022	3,170,424
Change in net assets							
					312,508	90,932	403,440
Net assets - beginning							
					9,614,940	3,195,393	12,810,333
Net assets - ending							
					\$ 9,927,448	\$ 3,286,325	\$ 13,213,773

Town of Snowflake, Arizona

Balance Sheet

Governmental Funds

June 30, 2011

	General	Highway User Revenue	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 1,944,556	\$ 65,390	\$ 2,009,946
Receivables (net of allowance for uncollectibles)	265,751	60,474	326,225
Prepays	24,016	-	24,016
Restricted assets:			
Temporarily restricted:			
Investments - US Bank	178,525	35,039	213,564
Total assets	2,412,848	160,903	2,573,751
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	7,106	1,158	8,264
Accrued liabilities	90,991	2,964	93,955
Interest payable	59,490	7,361	66,851
Deferred revenues	4,500	-	4,500
Total liabilities	162,087	11,483	173,570
Fund Balances:			
Non-Spendable Fund Balance:			
Prepaid insurance	24,016	-	24,016
Restricted for:			
Highways and streets	-	149,420	149,420
Debt service	178,525	-	178,525
Unassigned:	2,048,220	-	2,048,220
Total fund balances	2,250,761	149,420	2,400,181
Total liabilities and fund balances	\$ 2,412,848	\$ 160,903	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,470,902
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(2,943,635)
Net assets of governmental activities	\$ 9,927,448

Town of Snowflake, Arizona
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	<u>General</u>	<u>Highway User Revenue</u>	<u>"non-major" Perpetual Care</u>	<u>Total Governmental Funds</u>
<u>Revenues</u>				
Taxes:				
Local sales tax	\$ 1,127,115	\$ -	\$ -	\$ 1,127,115
State sales tax	381,877	-	-	381,877
Intergovernmental	1,423,898	-	-	1,423,898
Motor fuel	-	613,039	-	613,039
Franchise	123,838	-	-	123,838
Permits and fees	15,013	-	-	15,013
Charges for services	998,285	-	-	998,285
Interest	3,143	-	-	3,143
Miscellaneous	183,954	-	-	183,954
Total revenues	<u>4,257,123</u>	<u>613,039</u>	<u>-</u>	<u>4,870,162</u>
<u>Expenditures</u>				
Current				
General government	1,013,868	-	-	1,013,868
Public safety	1,798,774	-	-	1,798,774
Highways and streets	-	512,589	-	512,589
Recreation, parks, and cemetery	466,140	-	-	466,140
Debt service:				
Principal	136,485	18,942	-	155,427
Interest	118,981	14,723	-	133,704
Capital outlay:				
Highways and streets	-	12,000	-	12,000
General government	394,349	-	-	394,349
Public safety	30,721	-	-	30,721
Recreation, parks, and cemetery	7,455	-	-	7,455
Total expenditures	<u>3,966,773</u>	<u>558,254</u>	<u>-</u>	<u>4,525,027</u>
Excess (deficiency) of revenues over expenditures	<u>290,350</u>	<u>54,785</u>	<u>-</u>	<u>345,135</u>
<u>Other financing sources (uses)</u>				
Transfers in	120,793	-	-	120,793
Transfers (out)	(265,976)	(20,000)	(20,793)	(306,769)
Total other financing sources (uses)	<u>(145,183)</u>	<u>(20,000)</u>	<u>(20,793)</u>	<u>(185,976)</u>
Net change in fund balances	145,167	34,785	(20,793)	159,159
Fund balance - beginning	<u>2,105,594</u>	<u>114,635</u>	<u>20,793</u>	<u>2,241,022</u>
Fund balance - ending	<u>\$ 2,250,761</u>	<u>\$ 149,420</u>	<u>\$ -</u>	<u>\$ 2,400,181</u>

Town of Snowflake, Arizona
 Reconciliation of the Statement of Revenues, Expenditures, and
 Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ 159,159

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

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

Expenditures for capital assets	444,525	
Less current year depreciation	<u>(452,316)</u>	(7,791)

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

Accrual of long-term compensated absences	5,713
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The issuance of long term debt provides current financial
 resources to governmental funds, while the repayment of the
 principal of long term debt consumes the current financial
 resources of governmental funds. Neither transaction, however
 has any effect on net assets.

Repayment of principal on long-term debt	<u>155,427</u>
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Change in net assets of governmental activities	<u><u>\$ 312,508</u></u>
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Town of Snowflake, Arizona

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual General Fund Year Ended June 30, 2011

	Budgeted Amounts		Actual	Difference Positive (Negative)
	Original	Final		
Revenues				
Local sales tax	\$ 920,000	\$ 920,000	\$ 1,127,115	\$ 207,115
State sales tax	370,235	370,235	381,877	11,642
Intergovernmental	2,549,265	2,549,265	1,423,898	(1,125,367)
Permits and fees	33,500	33,500	15,013	(18,487)
Charges for services	989,595	989,595	998,285	8,690
Franchise fees	123,000	123,000	123,838	838
Interest	5,000	5,000	3,143	(1,857)
Miscellaneous and contingencies	331,500	331,500	183,954	(147,546)
Total revenues	5,322,095	5,322,095	4,257,123	(1,064,972)
Expenditures				
Current				
Mayor and council	28,500	28,500	27,402	1,098
Administration	314,150	314,150	313,753	397
Town clerk	73,200	73,200	72,855	345
Magistrate court	5,200	5,200	4,757	443
Police	1,581,100	1,611,100	1,610,688	412
Fire	280,200	330,200	328,767	1,433
Building maintenance	282,400	282,400	281,998	402
Planning	67,600	67,600	64,690	2,910
Library	163,530	163,530	153,173	10,357
Recreation, parks, and cemetery	433,500	433,500	431,823	1,677
Community Improvement	1,600,000	1,600,000	407,395	1,192,605
Attorney	30,000	30,000	20,272	9,728
Engineer	30,000	30,000	-	30,000
Pool	57,100	57,100	56,230	870
Other - promotion/contingencies	314,560	234,560	192,970	41,590
Total expenditures	5,261,040	5,261,040	3,966,773	1,294,267
Excess (deficiency) of revenues over expenditures	61,055	61,055	290,350	229,295
Other financing sources (uses)				
Transfers in	100,000	100,000	120,793	20,793
Transfers (out)	(176,900)	(176,900)	(265,976)	(89,076)
Total other financing sources (uses)	(76,900)	(76,900)	(145,183)	(68,283)
Net change in fund balances	(15,845)	(15,845)	145,167	161,012
Fund balance - beginning	2,105,594	2,105,594	2,105,594	-
Fund balance - ending	\$ 2,089,749	\$ 2,089,749	\$ 2,250,761	\$ 161,012

Town of Snowflake, Arizona

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Highway User Revenue Fund Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Difference Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Motor fuel	\$ 606,468	\$ 606,468	\$ 613,039	\$ 6,571
Contingency	200,000	200,000	-	(200,000)
Total revenues	<u>806,468</u>	<u>806,468</u>	<u>613,039</u>	<u>(193,429)</u>
<u>Expenditures</u>				
Current				
Highways and streets	786,468	786,468	546,254	240,214
Capital outlay	-	-	12,000	(12,000)
Total expenditures	<u>786,468</u>	<u>786,468</u>	<u>558,254</u>	<u>228,214</u>
Excess (deficiency) of revenues over expenditures	<u>20,000</u>	<u>20,000</u>	<u>54,785</u>	<u>34,785</u>
<u>Other financing sources (uses)</u>				
Transfers out	(20,000)	(20,000)	(20,000)	-
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>34,785</u>	<u>34,785</u>
Fund balance - beginning	114,635	114,635	114,635	-
Fund balance - ending	<u>\$ 114,635</u>	<u>\$ 114,635</u>	<u>\$ 149,420</u>	<u>\$ 34,785</u>

Town of Snowflake, Arizona

Statement of Net Assets

Proprietary Funds

June 30, 2011

Business-type Activities - Enterprise Funds			
	Utility Fund	Golf Course Fund	Totals
<u>Assets</u>			
Current assets			
Cash and cash equivalents	\$ 46,260	\$ 70,895	\$ 117,155
Accounts receivable, (net of allowance for uncollectables)	154,121	-	154,121
Inventories	1,650	24,781	26,431
Total current assets	202,031	95,676	297,707
Non-current assets			
Restricted cash	590,687	-	590,687
Restricted investments	65,268	91,168	156,436
Total restricted assets	655,955	91,168	747,123
Capital Assets			
Land	28,911	624,406	653,317
Buildings and improvements	6,378,601	1,747,000	8,125,601
Machinery and equipment	819,886	388,049	1,207,935
Less: accumulated depreciation	(3,558,002)	(614,936)	(4,172,938)
Total capital assets (net of accumulated depreciation)	3,669,396	2,144,519	5,813,915
Total non-current assets	4,325,351	2,235,687	6,561,038
Total assets	\$ 4,527,382	\$ 2,331,363	\$ 6,858,745
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	\$ 2,335	\$ 7,795	\$ 10,130
Accrued liabilities	12,684	5,585	18,269
Interest payable	49,385	19,155	68,540
Deposits payable	17,730	-	17,730
Compensated absences	16,255	8,100	24,355
Bonds and contracts payable	194,289	51,753	246,042
Total current liabilities	292,678	92,388	385,066
Long-term liabilities			
Bonds and contracts payable (net)	2,423,948	746,672	3,170,620
Compensated absences	8,788	7,946	16,734
Total long-term liabilities	2,432,736	754,618	3,187,354
Total liabilities	2,725,414	847,006	3,572,420
<u>Net assets</u>			
Invested in capital assets net of related debt	1,051,159	1,346,094	2,397,253
Restricted for debt service	655,955	91,168	747,123
Unrestricted	94,854	47,095	141,949
Total net assets	\$ 1,801,968	\$ 1,484,357	\$ 3,286,325

Town of Snowflake, Arizona
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2011

Business-type Activities - Enterprise Funds

	<u>Utility Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>
Operating revenues:			
Charges for sales and services:			
Metered water sales	\$ 694,925	\$ -	\$ 694,925
Sewer service charges	619,815	-	619,815
Water connect fees	1,600	-	1,600
Sewer connect fees	4,600	-	4,600
Other fines and fees	32,729	-	32,729
Green fees	-	105,625	105,625
Cart fees	-	110,140	110,140
Membership dues	-	50,000	50,000
Other charges and fees	-	64,030	64,030
Total operating revenues	<u>1,353,669</u>	<u>329,795</u>	<u>1,683,464</u>
Operating expenses:			
Cost of sales and services	542,796	214,152	756,948
Administration	387,173	267,252	654,425
Depreciation	192,462	34,842	227,304
Total operating expenses	<u>1,122,431</u>	<u>516,246</u>	<u>1,638,677</u>
Operating income (loss)	<u>231,238</u>	<u>(186,451)</u>	<u>44,787</u>
Non-operating revenues (expenses):			
Investment earnings	1,046	-	1,046
Interest expense	(102,568)	(38,309)	(140,877)
Total non-operating revenues (expenses)	<u>(101,522)</u>	<u>(38,309)</u>	<u>(139,831)</u>
Income (loss) before contributions and transfers	129,716	(224,760)	(95,044)
Transfers in	-	265,976	265,976
Transfers out	(80,000)	-	(80,000)
Change in net assets	<u>49,716</u>	<u>41,216</u>	<u>90,932</u>
Total net assets - beginning of year	1,752,252	1,443,141	3,195,393
Total net assets - end of year	<u>\$ 1,801,968</u>	<u>\$ 1,484,357</u>	<u>\$ 3,286,325</u>

Town of Snowflake, Arizona

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2011

Business-type Activities - Enterprise Funds

	Utility Fund	Golf Course Fund	Total
Cash flows from operating activities:			
Cash received from customers	\$ 1,380,652	\$ 329,795	\$ 1,710,447
Cash paid to suppliers for goods and services	(592,464)	(237,715)	(830,179)
Cash payments to employees for services	(392,433)	(268,981)	(661,414)
Net cash provided by operating activities	395,755	(176,901)	218,854
Cash flows from non-capital financing activities:			
Transfers to other funds	(80,000)	-	(80,000)
Transfers from other funds	-	265,976	265,976
Net cash provided by non-capital financing activities	(80,000)	265,976	185,976
Cash flows from capital and related financing activities:			
Principal paid on bonds	(185,877)	(49,288)	(235,165)
Interest paid on bonds	(102,568)	(38,309)	(140,877)
Acquisition of capital assets	(18,441)	-	(18,441)
Net cash used for capital and related financing activities	(306,886)	(87,597)	(394,483)
Cash flows from investing activities:			
Interest received	1,046	-	1,046
Net cash provided by investing activities	1,046	-	1,046
Net increase (decrease) in cash and cash equivalents	9,915	1,478	11,393
Cash and cash equivalents beginning of year	627,032	69,417	696,449
Cash and cash equivalents end of year	\$ 636,947	\$ 70,895	\$ 707,842
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 231,238	\$ (186,451)	\$ 44,787
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	192,462	34,842	227,304
(Increase) decrease in accounts receivable	30,678	-	30,678
(Increase) decrease in inventories	-	(6,664)	(6,664)
Increase (decrease) in accounts payable	(49,668)	(16,899)	(66,567)
Increase (decrease) in accrued liabilities	(5,260)	(1,729)	(6,989)
Increase (decrease) in customer deposits	(3,695)	-	(3,695)
Total adjustments	164,517	9,550	174,067
Net cash provided by operating activities	\$ 395,755	\$ (176,901)	\$ 218,854

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

In June 1999, the GASB approved Statement #34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. The Town of Snowflake implemented this standard in the reporting year ended June 30, 2004.

The accompanying financial statements include the Town of Snowflake, which is the primary government. The Town of Snowflake created a municipal property corporation for future financing or construction of municipal facilities. Currently, the municipal property corporation remains a separate legal entity, and any assets or liabilities, revenues and expenses are blended into the Town's primary government. All services of the municipal property corporation are entirely for the benefit of the primary government. The municipal property corporation does not issue separate financial statements.

B. Basic Financial Statements - GASB 34

The accompanying financial statements have been prepared in accordance with a new reporting model defined by GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. GASB 34 significantly changes financial reporting for governmental entities. GASB 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund. Significantly, the Town's statement of net assets includes both non-current assets and non-current liabilities of the Town, which were previously recorded in the general fixed asset account group and general long-term debt account group. In addition, the government-wide statement of activities reflects depreciation expenses on the Town's assets and infrastructure.

Significant changes of the new reporting model include the requirements for government-wide financial statements, management's discussion and analysis, and reporting of infrastructure such as roads, bridges, sidewalks, curbs, gutters, and recreational assets.

The basic financial statements of the Town include the government-wide and the fund financial statements. Prior to the implementation of GASB 34, the financial statements emphasized fund types and account groups. In the new reporting model the focus is on the Town as a whole in the government-wide financial statements, while reporting additional and detailed information about the Town's major governmental and business-type activities in the fund financial statements.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Government-wide and Fund Financial Statements

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

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

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

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

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

The following fund categories are used by the Town:

Governmental Fund Types

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

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

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

The *Highway User Revenue Fund* accounts for the revenue and expenditures related to maintenance, construction, and repair of Town streets and right of ways. These funds are restricted for authorized transportation purposes.

The *Perpetual Care Fund* accounts for the revenue and expenditures related to the maintenance of the Town's cemetery.

Proprietary Fund Types

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

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

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

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with each proprietary fund's principal ongoing operations. The principal operating revenues of the Utility fund and Golf Course fund are charges to customers for sales and services. The Utility fund recognizes as operating revenues the portion of connect fees intended to recover the cost of connecting new customers to the system. Operating expenses for Utility fund and Golf Course fund include the cost of providing sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

Basis of Accounting

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

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

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

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

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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

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

E. Assets, Liabilities, and Net Assets or Equity

Deposits and Investments

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

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

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

Receivables and Payables

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

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

Inventory and Prepaid Items

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

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

Restricted Assets

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

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

I. 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 activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$4,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

<u>Assets</u>	<u>Useful life (years)</u>
Buildings	20-50
Improvements	10-20
Equipment	5-25
Infrastructure	20-60

Compensated Absences

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance from amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Unreserved/Undesignated fund equity is defined as that portion of fund equity, which is available for use in a future period.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

	Total Governmental Funds	Capital Assets (1)	Long-Term Liabilities (2)	Re-class and Eliminations	Statement of Net Assets Total
Assets					
Cash and cash equivalents	\$ 2,009,946				\$ 2,009,946
Receivables (net)	326,225				326,225
Prepays	24,016				24,016
Investments-restricted	213,564				213,564
Capital Assets	-	10,470,902			10,470,902
Total Assets	\$ 2,573,751	\$ 10,470,902	\$ -	\$ -	\$ 13,044,653
Liabilities and Net Assets					
Accounts payable	\$ 8,264				\$ 8,264
Accrued liabilities	93,955				93,955
Interest payable	66,851				66,851
Unearned revenues	4,500				4,500
Compensated absences	-		128,699		128,699
Current bonds/contracts payable	-		2,814,936		2,814,936
Fund Balance/Net Assets	2,400,181	10,470,902	(2,943,635)		9,927,448
Total Liabilities and Net Assets	\$ 2,573,751	\$ 10,470,902	\$ -	\$ -	\$ 13,044,653

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

Cost of capital assets	\$ 19,048,510
Accumulated depreciation	(8,577,608)
	<u>\$ 10,470,902</u>

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

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

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

Compensated Absences	\$ 128,699
Bonds Payable	<u>2,814,936</u>
	<u>\$ 2,943,635</u>

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

	Total Governmental Funds	Capital Related Items (1)	Long-Term Revenues/ Expenses (2)	Adjustments and Eliminations	Statement of Activities Total
Revenues and Other Sources					
Taxes	\$ 3,669,767	\$ -	\$ -	\$ -	\$ 3,669,767
Permits and fees	15,013				15,013
Charges for services	998,285				998,285
Interest	3,143				3,143
Miscellaneous	183,954				183,954
Total revenue	<u>\$ 4,870,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,870,162</u>
Expenditures/Expenses					
General government	\$ 1,013,868	\$ 142,118	\$ 3,775	\$ -	\$ 1,159,761
Public safety	1,798,774	52,740	7,029		1,858,543
Highways and streets	512,589	195,310	(16,084)		691,815
Recreation and parks	466,140	62,148	(433)		527,855
Debt service principal	155,427			(155,427)	-
Debt service interest	133,704				133,704
Capital outlay	444,525	(444,525)			-
Total expenditures/expenses	<u>4,525,027</u>	<u>7,791</u>	<u>(5,713)</u>	<u>(155,427)</u>	<u>4,371,678</u>
Other financing sources/(uses)					
Transfers in	120,793				120,793
Transfers out	(306,769)				(306,769)
Total other financing sources/(uses)	<u>(185,976)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(185,976)</u>
Net change for the year	<u>\$ 159,159</u>	<u>\$ (7,791)</u>	<u>\$ 5,713</u>	<u>\$ 155,427</u>	<u>\$ 312,508</u>

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

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

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

Capital outlay	\$ 444,525
Depreciation expense	<u>(452,316)</u>
	<u>\$ (7,791)</u>

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

Accrual of compensated absences	\$ 5,713
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III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Basis of Accounting

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

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

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

Excess of Expenditures over Appropriations

For the year ended June 30, 2011, no expenditures exceeded appropriations.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued

Deficit Fund Equity

No funds had a deficit for the year ended June 30, 2011.

IV. Detailed Notes on All Funds

Deposits and Investments

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

The Town maintains one bank account for all of its funds. At year end, the Town's carrying amount of deposits was \$390,309.11, and the bank balance was \$569,251. Of the bank balance, \$569,251 was covered by federal depository insurance. The Town's investments include \$1,977,210 held in the Local Government Investment Pool under the Office of the State Treasurer of Arizona, \$719,719 in US Government securities held by US Bank acting as trust agent, and \$550 in local petty cash accounts.

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

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The State Investment Pool is not rated and the balance at June 30, 2011 was \$1,977,210. The investments in US Government securities held by US Bank are unrated and the balance at June 30, 2011 was \$719,719.

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

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

IV. Detailed Notes on All Funds - continued

Receivables

Receivables as of June 30, 2011, including allowances for uncollectible accounts, are as follows:

Receivables	<u>General</u>	<u>Highway User</u>	<u>Utility</u>	<u>Total</u>
Taxes	\$ 143,606	\$ 60,474	\$ -	\$ 204,080
Accounts	60,847	-	166,813	227,660
Grants	32,259	-	-	32,259
Franchise fees	<u>29,039</u>	<u>-</u>	<u>-</u>	<u>29,039</u>
Gross receivables	265,751	60,474	166,813	493,038
Less: allowance for uncollectibles			12,692	12,692
Net total receivables	<u>\$ 265,751</u>	<u>\$ 60,474</u>	<u>\$ 154,121</u>	<u>\$ 480,346</u>

Unearned Revenues

Unearned revenues as of June 30, 2011:

Cellular One lease revenue	<u>\$ 4,500</u>
Total	<u>\$ 4,500</u>

Restricted Assets

The Town's loan covenants with the Water Infrastructure Finance Authority of Arizona (WIFA), requires a debt service reserve to be fully funded by July 1, 2007. This reserve is equal to one year's worth of debt service payments. This reserve has been restricted on the face of the Statement of Net Assets - Proprietary Funds, as a restriction of net assets, restricted for debt service of \$590,687. Of this amount \$227,187 is restricted for debt service reserve in accordance with the loan covenants through WIFA. In addition, the Town is required to establish a repair and replacement reserve in the amount of \$363,500, with the set-aside required this fiscal year ending June 30, 2010. This amount is included in the above figure of \$590,687. The remaining restrictions of investments are related to the reserve requirement of the 2003 series excise tax revenue obligations, which require a declining reserve.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

IV. Detailed Notes on All Funds - continued

Capital Assets

Capital asset activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Non-depreciable assets:				
Land	\$ 530,743	\$ -	\$ -	\$ 530,743
Construction in progress	231,052	134,005	-	365,057
Total non-depreciable assets	761,795	134,005	-	895,800
Depreciable assets:				
Buildings and improvements	4,486,004	260,344	-	4,746,348
Machinery and equipment	3,189,360	50,176	-	3,239,536
Infrastructure	10,166,826	-	-	10,166,826
Total depreciable assets	17,842,190	310,520	-	18,152,710
Accumulated depreciation:				
Buildings	(1,864,340)	(118,659)	-	(1,982,999)
Machinery and equipment	(1,897,897)	(161,977)	-	(2,059,874)
Infrastructure	(4,363,055)	(171,680)	-	(4,534,735)
Total accumulated depreciation	(8,125,292)	(452,316)	-	(8,577,608)
Governmental activities capital assets, net	\$ 10,478,693	\$ (7,791)	\$ -	\$ 10,470,902
Business-type activities:				
Non-depreciable assets:				
Land	\$ 653,317	\$ -	\$ -	\$ 653,317
Total non-depreciable assets	653,317	-	-	653,317
Depreciable assets:				
Buildings and improvements	8,107,160	18,441	-	8,125,601
Machinery and equipment	1,207,935	-	-	1,207,935
Total depreciable assets	9,315,095	18,441	-	9,333,536
Accumulated depreciation:				
Buildings and improvements	(3,481,029)	(200,538)	-	(3,681,567)
Machinery and equipment	(464,606)	(26,765)	-	(491,371)
Total accumulated depreciation	(3,945,635)	(227,303)	-	(4,172,938)
Business-type activities capital assets, net	\$ 6,022,777	\$ (208,862)	\$ -	\$ 5,813,915

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

IV. Detailed Notes on All Funds – continued

Capital Assets-continued

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

Governmental activities:		Business-type activities:	
General government	\$ 142,118	Utility fund	\$ 192,462
Public safety	52,740	Golf course fund	<u>34,842</u>
Highways and streets	195,310		
Recreation and parks	<u>62,148</u>	Total depreciation expense -	
		business-type activities	<u><u>\$ 227,304</u></u>
Total depreciation expense -			
governmental activities	<u><u>\$ 452,316</u></u>		

Construction commitments

The Town has a active construction project as of June 30, 2011. A flood control project is in the design and planning stages. So far, \$365,057 has been spent on engineering for this project.

Inter-fund receivables, payables, and transfers

For the year ended, June 30, 2011, Inter-fund transfers for the year were as follows: The General fund made a transfer of \$265,976 to the Golf Course fund, the Utility fund made a transfer of \$80,000 to the General fund, and the Highway User Revenue fund made a transfer of \$20,000 to the General fund. The Perpetual Care Fund was eliminated and the remaining fund balance was transferred to the General Fund in the amount of \$20,793.

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds, in accordance with budgetary authorizations, including amounts provided as subsidies. The transfer of \$80,000 from the Utility fund and \$20,000 from the Highway User Revenue fund to the General fund was for overhead expenditures, and the transfer of \$265,976 from the General Fund to the Golf Course fund was for budgetary reasons, and considered a subsidy.

Capital Leases

The Town has no capital leases outstanding as of June 30, 2011. All capital leases were refunded with a revenue bond issue in June and July of 2003.

Long-Term Debt

The Town has no general obligation debt outstanding. The Town has issued revenue bonds where income derived from construction projects or sales taxes have been pledged to cover the debt service on these bonds. Three Revenue Bond issues are outstanding as of June 30, 2011. The first issue is entirely related to construction and expansion of the Town’s wastewater treatment plant in 2002, the original principal amount of this issue is \$3,000,000. This revenue bond issue was in conjunction with the *Water Infrastructure Finance Authority of Arizona*, which is credit-enhancement arm of the Arizona state legislature. The second revenue bond issue is entirely related to an advance refunding of all capital leases of the Town, with an amount added to fund various construction projects in June of 2003. The third revenue bond was issued to construct a new fire station in the amount of \$1,075,000. More information on these revenue bond issues are as follows:

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

IV. Detailed Notes on All Funds – continued

Long Term Debt-continued

Revenue bonds at June 30, 2011:

Governmental activities:

\$4,270,453 for refunding of capital leases and construction projects, due in semi-annual installments of \$112,613 to \$183,625 through July 1, 2022; interest at 4.72%.

\$1,075,000 for construction of a new fire station, due in semi-annual installments of \$75,468 to \$85,625 through August 1, 2026; interest at 4.5%

Outstanding at June 30, 2011:

Amount attributed to governmental activities is	\$2,814,363
Amount attributed to business-type activities is	\$1,370,637

Business-type activities:

\$3,000,000 for expansion and retrofit of wastewater treatment plant, due in semi-annual installments of \$113,594; through July 2, 2021; interest at 3.49%.

Outstanding at June 30, 2011:

Wastewater treatment plant expansion	\$2,046,598
Business-type activity portion of the above referenced refunding bond	1,370,637

Total debt outstanding:

Governmental activities	\$2,814,363
Business-type activities	<u>3,417,235</u>
Total	<u>\$6,231,598</u>

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

IV. Detailed Notes on All Funds - continued

Long Term Debt - continued

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

Year Ending June 30,	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	163,800	129,583	246,042	133,862	409,842	263,445
2013	167,600	122,895	255,675	124,817	423,275	247,712
2014	176,500	115,927	260,475	115,457	436,975	231,384
2015	184,200	108,620	271,015	105,733	455,215	214,353
2016	196,000	100,005	285,736	95,071	481,736	195,076
2017	206,800	90,297	294,167	83,485	500,967	173,782
2018	216,500	80,353	306,914	71,421	523,414	151,774
2019	222,300	69,733	317,787	58,868	540,087	128,601
2020	231,000	58,500	330,993	45,819	561,993	104,319
2021	241,800	38,080	342,339	25,968	584,139	64,048
2022	255,500	34,448	351,455	22,785	606,955	57,233
2023	252,363	21,555	154,637	3,570	407,000	25,125
2024	70,000	13,250	-	-	70,000	13,250
2025	75,000	9,625	-	-	75,000	9,625
2026	75,000	5,875	-	-	75,000	5,875
2027	80,000	2,000	-	-	80,000	2,000
	<u>\$ 2,814,363</u>	<u>\$ 1,000,746</u>	<u>\$ 3,417,235</u>	<u>\$ 886,856</u>	<u>\$ 6,231,598</u>	<u>\$ 1,887,602</u>

Changes in long-term liabilities:

Non-current liability activity for the year ended June 30, 2011:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds Payable					
Revenue bonds series 2003	\$ 1,985,363	\$ -	\$ (116,000)	\$ 1,869,363	\$ 123,800
Revenue bonds series 2007A	985,000	-	(40,000)	945,000	40,000
Total bonds payable	2,970,363	-	(156,000)	2,814,363	163,800
Compensated absences	134,412	24,018	(29,731)	128,699	59,740
Total long-term liabilities	<u>\$ 3,104,775</u>	<u>\$ 24,018</u>	<u>\$ (185,731)</u>	<u>\$ 2,943,062</u>	<u>\$ 223,540</u>

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

IV. Detailed Notes on All Funds – continued

Long Term Debt - continued

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

Changes in long-term liabilities:

Non-current liability activity for the year ended June 30, 2011:

	Beginning			Ending	Due Within
	Balance	Increases	Decreases	Balance	One Year
Business-type activities:					
Bonds Payable					
Revenue bonds WIFA	\$ 2,197,190	\$ -	\$ (150,593)	\$ 2,046,597	\$ 155,842
Revenue bonds series 2003	1,454,637	-	(83,999)	1,370,638	90,200
Total bonds payable	3,651,827	-	(234,592)	3,417,235	246,042
Compensated absences	46,098	4,108	(9,117)	41,089	18,460
Total long-term liabilities	\$ 3,697,925	\$ 4,108	\$ (243,709)	\$ 3,458,324	\$ 264,502

Segment Information

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

V. Other Information

Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. As of June 30, 1988, the Town joined the Arizona Municipal Risk Pool (Pool) as an alternative to escalating general liability insurance costs. The Pool is made up of various towns and cities within Arizona that operate a common risk management and insurance program. The agreement provides that the Pool will be self-sustaining through member premiums. The Town pays an annual premium to the Pool for its general insurance coverage. If the Pool becomes insolvent or is otherwise unable to discharge its legal obligations, the Town (and all other participants) may be assessed an additional contribution based on the Town's current year's contribution divided by the current year's contributions of all participants times the deficiency. The assessment may not exceed the original contribution to the Pool for the year in which the assessment is made. The contribution to the Pool for the year ended June 30, 2011 was \$160,690. The Town continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

V. Other Information - continued

Related Party Transactions

There were no related party transactions for the year ended June 30, 2011.

Contingent Liabilities

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

Retirement and Pension Plans

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

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

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

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

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

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

Funding Policy

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

Active ASRS members and the Town were each required to contribute at the actuarially determined rate of 9.6% for retirement and .5% for disability. The Town's contributions to ASRS for the years ended June 30, 2011, 2010, and 2009, were \$130,654, \$126,452, \$130,459, respectively, which were equal to the required contributions for the year.

For the year ended June 30, 2010, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll, and the Town was required to contribute at the actuarially determined rate of 20.03%.

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

V. Other Information - continued

Retirement and Pension Plans - continued

Annual Pension Cost

The Town's pension cost for the PSPRS for the year ended June 30, 2010, the date of the most recent actuarial valuation, and related information follow.

Contribution Rate	20.03%
Annual Pension Costs	\$110,487
Contributions Made	\$110,487
Actuarial Valuation Date	June 30, 2010
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent Open
Remaining Amortization Period	20 Years for excess
Asset Valuation Method	Smoothed Market Value

Actuarial Assumptions

Investment rate of return	8.50%
Projected Salary Increases*	5.50%-8.5%
*Includes inflation at	5.50%

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

Trend Information for PSPRS

Information for the Public Safety Personnel Retirement System for the year ended June 30, 2010 follows:

Fiscal Year Ended June 30,	Annual Pension Cost	Percent Contributed	Net Pension Obligation
2005	\$ 70,191	100%	-
2006	68,273	100%	-
2007	98,765	100%	-
2008	107,840	100%	-
2009	150,835	100%	-
2010	110,487	100%	-

Town of Snowflake, Arizona
Notes to the Financial Statements
For the Year Ended June 30, 2011

V. Other Information - continued

Retirement and Pension Plans - continued

Funding Progress for PSPRS

Information for the Public Safety Personnel Retirement System funding progress for the year ended June 30, 2010.

	(1)	(2)	(3)	(4)	(5)	(6)
Valuation Date June 30,	Valuation Value of Assets	Actuarial Accrued Liability	Percent Funded (1)/(2)	Unfunded Actuarial Accrued Liability (2)-(1)	Annual Covered Payroll	Unfunded Liability as a % of Covered Payroll
2005	1,160,370	1,782,884	65.10%	622,514	401,243	155.10%
2006	1,246,925	1,941,239	64.20%	694,314	479,199	144.90%
2007	1,261,743	2,264,099	55.70%	1,002,356	610,274	164.20%
2008	1,461,209	2,415,003	60.50%	953,794	726,624	131.30%
2009	1,590,879	2,603,193	61.10%	1,012,314	758,963	133.40%
2010	1,728,178	2,804,369	61.60%	1,076,191	726,368	148.20%

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REQUIRED SUPPLEMENTARY INFORMATION

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

Police and Fire

Valuation Date June 30	(1) Valuation Value of Assets	(2) Actuarial Accrued Liability	(3) Percent Funded (1)/(2)	(4) Unfunded AAL (2)-(1)	(5) Annual Covered Payroll	(6) UAAL As a % of Covered Payroll
2010	1,728,178	2,804,369	61.60%	1,076,191	726,368	148.20%
2009	1,590,879	2,603,193	61.10%	1,012,314	758,963	133.40%
2008	1,461,209	2,415,003	60.50%	953,794	726,624	131.30%
2007	1,261,743	2,264,099	55.70%	1,002,356	610,274	164.20%
2006	1,246,925	1,941,239	64.20%	694,314	479,199	144.90%
2005	1,160,370	1,782,884	65.10%	622,514	401,243	155.10%
2004	1,076,737	1,597,249	67.40%	520,512	453,449	114.80%
2003	1,046,091	1,343,912	77.80%	297,821	384,250	77.50%
2002	985,357	1,219,955	80.80%	234,598	389,228	60.30%
2001	1,123,980	1,081,080	104.00%	(42,900)	390,833	-10.98%
2000	1,039,060	1,110,737	93.50%	71,677	351,237	20.40%
1999	892,175	1,044,962	85.40%	152,787	339,252	45.00%
1998	750,275	936,369	80.10%	186,094	343,555	54.20%
1997	648,370	795,342	81.50%	146,972	280,221	52.40%

STATISTICAL SECTION

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

Contents	Page
Financial Trends	61
<i>These schedules contain trend information to help the reader understand how the Town’s financial performance and well-being have changed over time.</i>	
Revenue Capacity	64
<i>These schedules contain information to help the reader assess the Town’s most significant local revenue sources.</i>	
Debt Capacity	69
<i>These schedules present information to help the reader assess the affordability of the Town’s current levels of outstanding debt and the Town’s ability to issue additional debt in the future.</i>	
Demographic and Economic Information	71
<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>	

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

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities								
Invested in capital assets, net of related debt	\$ 7,655,966	\$ 7,508,330	\$ 6,945,750	\$ 6,859,301	\$ 6,514,718	\$ 5,698,363	\$ 5,345,038	\$ 5,368,516
Restricted	362,984	293,160	403,720	246,235	1,255,124	220,458	216,398	214,666
Unrestricted	1,908,498	1,813,450	2,031,852	2,883,107	1,512,512	1,930,471	1,160,840	1,936,587
Total governmental activities net assets	<u>\$ 9,927,448</u>	<u>\$ 9,614,940</u>	<u>\$ 9,381,322</u>	<u>\$ 9,988,643</u>	<u>\$ 9,282,354</u>	<u>\$ 7,849,292</u>	<u>\$ 6,722,276</u>	<u>\$ 7,519,769</u>
Business-Type activities								
Invested in capital assets, net of related debt	\$ 2,397,253	\$ 2,370,950	\$ 2,184,603	\$ 2,165,129	\$ 2,124,487	\$ 2,059,863	\$ 2,116,076	\$ 2,160,338
Restricted	747,123	656,248	565,400	478,917	390,488	343,275	158,551	156,665
Unrestricted	141,949	168,195	424,059	380,182	401,599	163,306	19,731	(1,263,122)
Total business-type activities net assets	<u>\$ 3,286,325</u>	<u>\$ 3,195,393</u>	<u>\$ 3,174,062</u>	<u>\$ 3,024,228</u>	<u>\$ 2,916,574</u>	<u>\$ 2,566,444</u>	<u>\$ 2,294,358</u>	<u>\$ 1,053,881</u>
Primary government								
Invested in capital assets, net of related debt	\$ 10,053,219	\$ 9,879,280	\$ 9,130,353	\$ 9,024,430	\$ 8,639,205	\$ 7,758,226	\$ 7,461,114	\$ 7,528,854
Restricted	1,110,107	949,408	969,120	725,152	1,645,612	563,733	374,949	371,331
Unrestricted	2,050,447	1,981,645	2,455,911	3,263,289	1,914,111	2,093,777	1,180,571	673,465
Total primary government net assets	<u>\$ 13,213,773</u>	<u>\$ 12,810,333</u>	<u>\$ 12,555,384</u>	<u>\$ 13,012,871</u>	<u>\$ 12,198,928</u>	<u>\$ 10,415,736</u>	<u>\$ 9,016,634</u>	<u>\$ 8,573,650</u>

The Adoption of GASB Statement No. 34, precludes trend information from being presented for years previous to 2004.

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

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
Expenses								
Governmental activities:								
General government	\$ 1,159,761	\$ 1,208,734	\$ 1,605,940	\$ 1,358,209	\$ 1,514,695	\$ 1,171,397	\$ 1,137,586	\$ 1,219,269
Public safety	1,858,543	1,851,500	1,954,856	1,808,214	1,475,624	1,294,893	1,271,648	1,182,267
Highways and streets	691,815	635,067	783,645	671,591	587,925	551,739	481,525	577,462
Recreation and parks	527,855	528,592	553,915	562,641	479,144	419,211	483,796	476,978
Economic development	-	-	-	-	-	-	-	10,395
Interest on long-term debt	133,704	140,054	146,155	147,826	109,224	111,447	115,436	156,787
Total governmental activities expenses	<u>4,371,678</u>	<u>4,363,947</u>	<u>5,044,511</u>	<u>4,548,481</u>	<u>4,166,612</u>	<u>3,548,687</u>	<u>3,489,991</u>	<u>3,623,158</u>
Business-type activities:								
Water and sewer	1,224,999	1,302,245	1,233,194	1,197,742	1,126,619	1,086,695	1,082,330	1,094,766
Golf course	554,555	570,994	627,625	619,821	598,767	583,282	562,114	617,656
Total business-type activities expenses	<u>1,779,554</u>	<u>1,873,239</u>	<u>1,860,819</u>	<u>1,817,563</u>	<u>1,725,386</u>	<u>1,669,977</u>	<u>1,644,444</u>	<u>1,712,422</u>
Total primary government expenses	<u>\$ 6,151,232</u>	<u>\$ 6,237,186</u>	<u>\$ 6,905,330</u>	<u>\$ 6,366,044</u>	<u>\$ 5,891,998</u>	<u>\$ 5,218,664</u>	<u>\$ 5,134,435</u>	<u>\$ 5,335,580</u>
Program Revenues								
Governmental activities:								
Charges for services:								
General government	\$ 148,494	\$ 173,982	\$ 184,073	\$ 222,346	\$ 360,638	\$ 311,364	\$ 227,321	\$ 82,576
Public safety	736,068	713,533	755,291	813,178	684,900	569,785	513,325	471,209
Recreation and Parks	128,736	134,514	105,365	100,429	95,910	90,847	93,794	90,689
Operating grants and contributions	104,585	133,805	146,658	91,633	94,583	80,638	139,141	58,101
Capital grants and contributions	582,901	630,778	47,116	269,328	463,657	154,979	193,627	255,532
Total governmental activities program revenues	<u>1,700,784</u>	<u>1,786,612</u>	<u>1,238,503</u>	<u>1,496,914</u>	<u>1,699,688</u>	<u>1,207,613</u>	<u>1,167,208</u>	<u>958,107</u>
Business -type activities:								
Charges for services:								
Water and sewer	1,353,669	1,372,481	1,343,856	1,419,767	1,543,327	1,414,122	1,116,447	1,055,975
Golf course	329,795	346,229	384,272	411,859	409,219	401,415	308,640	337,137
Operating grants and contributions	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>1,683,464</u>	<u>1,718,710</u>	<u>1,728,128</u>	<u>1,831,626</u>	<u>1,952,546</u>	<u>1,815,537</u>	<u>1,425,087</u>	<u>1,393,112</u>
Total primary government program revenues	<u>\$ 3,384,248</u>	<u>\$ 3,505,322</u>	<u>\$ 2,966,631</u>	<u>\$ 3,328,540</u>	<u>\$ 3,652,234</u>	<u>\$ 3,023,150</u>	<u>\$ 2,592,295</u>	<u>\$ 2,351,219</u>
Net/(expense) revenue								
Governmental activities	\$ (2,670,894)	\$ (2,577,335)	\$ (3,806,008)	\$ (3,051,567)	\$ (2,466,924)	\$ (2,341,074)	\$ (2,322,783)	\$ (2,665,051)
Business-type activities	(96,090)	(154,529)	(132,691)	14,063	227,160	145,560	(219,357)	(319,310)
Total primary government net expense	<u>\$ (2,766,984)</u>	<u>\$ (2,731,864)</u>	<u>\$ (3,938,699)</u>	<u>\$ (3,037,504)</u>	<u>\$ (2,239,764)</u>	<u>\$ (2,195,514)</u>	<u>\$ (2,542,140)</u>	<u>\$ (2,984,361)</u>

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

continued

	Fiscal Year							
	2011	2010	2009	2008	2007	2006	2005	2004
General Revenues and Other Changes in Net Assets								
Governmental activities								
Taxes								
Sales taxes	\$ 1,127,115	\$ 933,781	\$ 1,183,389	\$ 1,396,429	\$ 1,506,977	\$ 1,361,579	\$ 994,601	\$ 944,832
State shared sales taxes	381,877	362,157	392,644	453,546	469,059	474,828	413,176	375,221
Intergovernmental revenues	480,336	637,160	738,459	694,504	560,298	987,212	409,997	402,155
Franchise taxes	123,838	121,399	121,073	117,921	134,254	106,541	103,673	93,789
Vehicle license taxes	256,076	256,954	279,662	294,464	294,625	284,637	255,242	247,408
Motor fuel taxes	613,039	602,502	652,684	721,047	761,936	750,655	743,956	700,773
Investment earnings	3,143	9,403	2,993	129,148	82,535	52,679	10,449	2,594
Miscellaneous	183,954	56,039	110,308	44,388	213,272	66,286	54,030	166,426
Sales of capital assets	-	4,286	-	-	-	-	-	-
Transfers	(185,976)	(172,728)	(282,525)	(93,591)	(122,970)	(126,526)	(1,459,834)	30,000
Total governmental activities	<u>\$ 2,983,402</u>	<u>\$ 2,810,953</u>	<u>\$ 3,198,687</u>	<u>\$ 3,757,856</u>	<u>\$ 3,899,986</u>	<u>\$ 3,957,891</u>	<u>\$ 1,525,290</u>	<u>\$ 2,963,198</u>
Business-type activities:								
Investment earnings	1,046	3,132	-	-	-	-	-	-
Transfers	185,976	172,728	282,525	93,591	122,970	126,526	1,459,834	(30,000)
Total business-type activities	<u>187,022</u>	<u>175,860</u>	<u>282,525</u>	<u>93,591</u>	<u>122,970</u>	<u>126,526</u>	<u>1,459,834</u>	<u>(30,000)</u>
Total primary government	<u><u>3,170,424</u></u>	<u><u>2,986,813</u></u>	<u><u>3,481,212</u></u>	<u><u>3,851,447</u></u>	<u><u>4,022,956</u></u>	<u><u>4,084,417</u></u>	<u><u>2,985,124</u></u>	<u><u>2,933,198</u></u>
Change in Net Assets								
Governmental activities	\$ 312,508	\$ 233,618	\$ (607,321)	\$ 706,289	\$ 1,433,062	\$ 1,127,016	\$ (797,493)	\$ 298,147
Business-type activities	90,932	21,331	149,834	107,654	350,130	272,086	1,240,477	(349,310)
Total primary government	<u>\$ 403,440</u>	<u>\$ 254,949</u>	<u>\$ (457,487)</u>	<u>\$ 813,943</u>	<u>\$ 1,783,192</u>	<u>\$ 1,399,102</u>	<u>\$ 442,984</u>	<u>\$ (51,163)</u>

The Adoption of GASB Statement No. 34, precludes trend information from being presented for years previous to 2004.

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
2011	\$ 381,877	\$ 1,127,115	\$ 123,838	\$ 613,039	\$ 256,076	\$ 480,336
2010	362,157	933,781	121,399	602,502	256,954	637,160
2009	392,644	1,183,389	121,073	652,684	279,662	738,459
2008	453,546	1,396,429	117,921	721,047	294,464	694,504
2007	469,059	1,506,977	134,254	761,936	294,625	560,299
2006	474,828	1,361,579	106,541	750,655	284,637	466,959
2005	413,176	994,601	103,673	743,956	255,242	409,997
2004	375,221	944,832	93,789	725,708	247,409	402,155
2003	348,807	933,959	68,294	627,114	234,994	474,683
2002	343,690	1,043,134	74,176	616,912	215,283	467,335

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

	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General fund										
Non-Spendable	\$ 202,541	\$ 205,257	\$ 205,779	\$ 210,206	\$ 1,255,124	\$ 246,549	\$ 241,923	\$ 1,740,338	\$ 1,328,999	\$ 1,029,173
Unassigned	2,048,220	1,900,337	2,100,426	2,760,031	2,564,559	1,743,204	1,020,451	622,486	1,654,521	706,036
Total general fund	<u>\$ 2,250,761</u>	<u>\$ 2,105,594</u>	<u>\$ 2,306,205</u>	<u>\$ 2,970,237</u>	<u>\$ 3,819,683</u>	<u>\$ 1,989,753</u>	<u>\$ 1,262,374</u>	<u>\$ 2,362,824</u>	<u>\$ 2,983,520</u>	<u>\$ 1,735,209</u>
All other governmental funds										
Non-Spendable	\$ 149,420	\$ 114,635	\$ 225,166	\$ -	\$ -	\$ 255,147	\$ 129,410	\$ -	\$ -	\$ -
Unassigned, reported in:										
Special Revenue Funds	-	20,793	12,093	276,318	89,549	(3,145)	53,047	(170,751)	(332,424)	(342,139)
Total all other governmental funds	<u>\$ 149,420</u>	<u>\$ 135,428</u>	<u>\$ 237,259</u>	<u>\$ 276,318</u>	<u>\$ 89,549</u>	<u>\$ 252,002</u>	<u>\$ 182,457</u>	<u>\$ (170,751)</u>	<u>\$ (332,424)</u>	<u>\$ (342,139)</u>

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

	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues										
Local sales tax	\$ 1,127,115	\$ 933,781	\$ 1,183,389	\$ 1,396,429	\$ 1,506,977	\$ 1,361,579	\$ 994,601	\$ 944,832	\$ 933,959	\$ 1,043,134
State sales tax	381,877	362,157	392,644	453,546	469,059	474,828	413,176	375,221	348,807	343,690
Motor fuel tax	613,039	602,502	652,684	721,047	761,936	750,655	743,956	725,709	803,369	616,912
Franchise tax	123,838	121,399	121,073	117,921	134,254	106,541	103,673	93,789	68,294	74,175
Licenses and permits	15,013	32,608	55,869	88,030	183,665	182,725	98,757	81,534	60,402	50,030
Intergovernmental	1,423,898	1,659,258	1,211,895	1,409,830	1,413,163	987,212	924,560	1,429,957	1,213,242	1,276,341
Charges for services	998,285	988,860	988,860	988,022	957,783	789,271	733,332	89,130	82,359	72,755
Investment earnings	3,143	9,403	2,993	129,148	82,535	52,679	10,449	2,594	4,725	15,040
Miscellaneous	183,954	56,039	110,308	44,388	213,272	66,286	129,828	148,539	172,932	273,322
Total revenues	4,870,162	4,766,007	4,719,715	5,348,361	5,722,644	4,771,776	4,152,332	3,891,305	3,688,089	3,765,399
Expenditures										
General government	1,013,868	1,065,648	1,474,031	1,227,551	1,393,282	1,055,676	1,039,616	1,117,005	934,351	833,851
Public safety	1,798,774	1,786,493	1,909,056	1,759,164	1,428,732	1,246,398	1,240,189	1,142,502	1,058,751	976,298
Highways and streets	512,589	436,947	600,332	487,940	426,485	397,493	337,681	435,640	481,685	1,064,506
Economic development	-	-	-	-	-	-	-	10,395	-	-
Recreation and parks	466,140	467,220	497,233	502,817	426,664	368,361	438,791	430,631	375,987	335,462
Capital outlay	444,525	851,104	366,703	1,678,265	1,124,696	628,551	306,680	501,098	514,246	1,341,928
Debt service										
Principal	155,427	152,541	146,771	113,884	98,114	40,400	-	-	170,679	188,460
Interest	133,704	140,054	146,155	147,826	109,224	111,447	115,436	156,787	82,775	91,988
Total expenditures	4,525,027	4,900,007	5,140,281	5,917,447	5,007,197	3,848,326	3,478,393	3,794,058	3,618,474	4,832,493
Excess of revenue over (under) expenditures	345,135	(134,000)	(420,566)	(569,086)	715,447	923,450	673,939	97,247	69,615	(1,067,094)

Town of Snowflake, Arizona
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

continued

	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Other financing sources (uses)										
Transfers in	\$ 120,793	\$ 80,000	\$ 50,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 40,000	\$ 30,000	\$ -	\$ -
Transfers (out)	(306,769)	(252,728)	(332,525)	(193,591)	(222,970)	(226,526)	(1,459,834)	-	-	-
Sales of capital assets	-	-	-	-	-	-	-	-	-	-
Proceeds from lease purchases	-	-	-	-	-	-	-	-	-	628,000
Bonds issued	-	-	-	-	1,075,000	-	-	-	2,435,878	-
Payment of debt from refunding	-	-	-	-	-	-	-	(576,542)	(1,183,452)	-
Sales of capital assets	-	4,286	-	-	-	-	-	-	-	-
Issuance costs for bonds issued	-	-	-	-	-	-	-	-	(53,936)	-
Total other financing sources (uses)	(185,976)	(168,442)	(282,525)	(93,591)	952,030	(126,526)	(1,419,834)	(546,542)	1,198,490	628,000
Net change in fund balances	\$ 159,159	\$ (302,442)	\$ (703,091)	\$ (662,677)	\$ 1,667,477	\$ 796,924	\$ (745,895)	\$ (449,295)	\$ 1,268,105	\$ (439,094)
Debt service as a percentage of noncapital expenditures	6.83%	6.35%	6.04%	4.63%	4.32%	4.11%	3.43%	4.31%	7.53%	6.16%

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

	Fiscal Year									
	2011		2010		2009		2008		2007	
	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total
Mining	\$ 15,043	1.3%	\$ 11,618	1.2%	\$ 32,679	2.8%	\$ 19,869	1.4%	\$ 13,347	0.9%
Communication and Utilities	198,160	17.6%	203,721	21.8%	166,221	14.0%	181,065	13.0%	181,065	12.0%
Construction	108,580	9.6%	86,067	9.2%	125,595	10.6%	236,074	16.9%	247,001	16.4%
Manufacturing	16,504	1.5%	13,438	1.4%	62,039	5.2%	33,191	2.4%	35,320	2.3%
Retail	558,868	49.6%	405,779	43.5%	568,499	48.0%	656,080	47.0%	702,980	46.6%
Real Estate Leasing	29,311	2.6%	29,480	3.2%	33,072	2.8%	34,617	2.5%	43,570	2.9%
Restaurant and Bar	81,900	7.3%	76,612	8.2%	76,929	6.5%	86,714	6.2%	96,825	6.4%
Accommodation	36,098	3.2%	29,312	3.1%	37,783	3.2%	44,813	3.2%	41,759	2.8%
Services	77,135	6.8%	71,740	7.7%	75,220	6.4%	83,808	6.0%	87,311	5.8%
Other	5,516	0.5%	6,014	0.6%	5,352	0.5%	20,198	1.4%	57,799	3.8%
Total	<u>\$ 1,127,115</u>	<u>100.0%</u>	<u>\$ 933,781</u>	<u>100.0%</u>	<u>\$ 1,183,389</u>	<u>100.0%</u>	<u>\$ 1,396,429</u>	<u>100.0%</u>	<u>\$ 1,506,977</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. Information prior to 2007 is not available.

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

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income ⁽¹⁾	Per Capita ⁽²⁾
	General Obligation Bonds	Revenue Bonds	Capital Leases	Revenue Bonds	Capital Leases			
2011	\$ -	\$ 2,814,363	\$ -	\$ 3,417,235	\$ -	\$ 6,231,598	8.32%	\$ 1,115
2010	-	2,970,363	-	3,651,827	-	6,622,190	8.65%	1,198
2009	-	3,122,905	-	3,879,805	-	7,002,710	8.94%	1,258
2008	-	3,269,676	-	4,098,653	-	7,368,329	10.87%	1,411
2007	-	3,383,560	-	4,306,072	-	7,689,632	11.55%	1,484
2006	-	2,406,674	-	4,513,839	-	6,920,513	11.01%	1,402
2005	-	2,477,527	-	4,543,439	-	7,020,966	11.57%	1,464
2004	-	2,477,527	-	4,670,320	-	7,147,847	12.22%	1,516
2003	-	2,462,300	539,693	4,777,700	-	7,779,693	13.74%	1,655
2002	-	-	1,785,336	2,679,773	1,645,866	6,110,975	11.25%	1,334

(1) See the schedule of Demographic and Economic Statistics on page 71 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									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Secondary assessed valuation	\$ 38,904,372	\$ 42,659,655	\$ 40,601,288	\$ 40,419,848	\$ 34,144,796	\$ 26,124,914	\$ 24,970,807	\$ 20,328,476	\$ 18,626,854	\$ 15,990,625
Debt limit @ 20%	7,780,874	8,531,931	8,120,258	8,083,970	6,828,959	5,224,983	4,994,161	4,065,695	3,725,371	3,198,125
Debt limit @ 6%	2,334,262	2,559,579	2,436,077	2,425,191	2,048,688	1,567,495	1,498,248	1,219,709	1,117,611	959,438
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin @ 20%	7,780,874	8,531,931	8,120,258	8,083,970	6,828,959	5,224,983	4,994,161	4,065,695	3,725,371	3,198,125
Legal debt margin @ 6%	2,334,262	2,559,579	2,436,077	2,425,191	2,048,688	1,567,495	1,498,248	1,219,709	1,117,611	959,438

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, 2011, 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
2011	5,590	\$ 38,110	\$ 13,391	\$ 74,855,690	15.70%	2,420
2010	5,528	37,439	13,850	76,562,800	14.50%	2,500
2009	5,565	38,262	14,080	78,355,200	14.20%	2,461
2008	5,221	37,439	12,985	67,794,685	9.40%	2,630
2007	5,180	34,110	12,854	66,583,720	6.20%	2,535
2006	4,935	32,650	12,740	62,871,900	7.30%	2,610
2005	4,795	31,155	12,650	60,656,750	8.70%	2,585
2004	4,715	30,855	12,410	58,513,150	8.40%	2,580
2003	4,700	30,041	12,050	56,635,000	8.50%	2,589
2002	4,580	28,312	11,855	54,295,900	8.40%	2,608

Source: US Census Bureau, Arizona Department of Economic Security, and US Department of Commerce

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

Employers	2011 Employees	2004 Employees
Navajo County	685	625
Catalyst Paper	425	500
Summit Regional Health Care	500	450
Snowflake Unified School District #5	180	180
Cholla Power Plant	415	400
Eurofresh	150	100
Northland Pioneer College	125	125
PFFJ, inc.	100	100
Town of Snowflake	55	58
Brimhall Sand and Rock	40	60

The 2004 year is presented with the current year because the Town adopted GASB 34 in 2004, and is a comparable base year.

Source: Estimates of various employers

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

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

	<u>Full Time Equivalent Employees</u>									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General government	10	11	11	11	12	10	10	9	9	9
Public safety										
Police										
Officers	14	14	15	15	15	12	12	12	12	12
Civilians	7	7	7	7	7	7	7	7	7	7
Fire										
Full-time	1	1	1	1	1	1	1			
Volunteers	15	15	15	16	18	12	12	12	12	12
Highways and streets	4	4	4	4	4	4	4	4	4	4
Recreation and parks	4	5	5	5	5	5	5	5	5	5
Utility fund	5	6	6	6	6	6	6	5	5	5
Golf Course	4	4	4	4	4	4	4	4	4	4
Total	64	67	68	69	72	61	61	58	58	58

Source: Various departments

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

	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Public safety										
Police calls for service	17,625	15,480	14,489	14,210	13,855	13,641	12,899	13,746	13,895	14,110
Fire calls for service	320	305	274	222	286	266	251	287	295	231
Highways and streets										
Street miles resurfaced	0.50	0.60	0.40	0.20	2.30	1.65	1.10	1.05	0.95	3.55
Recreation and parks										
Participants	4,720	4,510	4,250	4,110	4,055	3,990	4,130	4,080	4,260	4,210
Water and wastewater										
Water connects	1	2	14	40	98	85	80	91	55	36
Sewer connects	1	1	7	28	62	60	75	32	25	19
Golf course										
Rounds of golf	20,130	21,110	23,439	24,098	23,255	24,110	21,655	22,841	23,989	22,110

Source: Various departments

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

	Fiscal Year									
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	1	1	1	1	1	1
Highways and streets										
Streetlights	415	415	415	415	415	415	400	380	380	380
Lift stations	7	7	7	7	7	7	7	7	7	7
Signalized intersections	1	1	1	1	1	1	1			
Recreation and parks										
Park areas	3	3	3	3	3	3	3	3	3	3
Pools	1	1	1	1	1	1	1	1	1	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