

**TOWN OF SNOWFLAKE, ARIZONA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2018**

**TOWN OF SNOWFLAKE, ARIZONA**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2018**  
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## **INTRODUCTORY SECTION**

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December 8, 2018

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, 2017. The report was prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a licensed Certified Public Accountant.

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

Hinton Burdick, Certified Public Accountants, has issued an unqualified ("clean") opinion on the Town of Snowflake's financial statements for the year ended June 30, 2018. 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 5,800. 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, 2018, on August 8, 2017. The budget is prepared by fund, and department. Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the governing council and the legal level of budgetary control is at the department level.

## **Local Economy**

Major industries located within the government's boundaries or in close proximity include pork producers, electrical generation, and cannabis growing operations. Unemployment has remained steady at around 3.8%. The unemployment rate in the Town has fluctuated between 3.8% and 9.1% during the past ten years.

During the past five years, the Town's expenditures related to public safety have increased significantly. These expenditures have risen in a large part to the increases in employer contributions for the Public Safety Personnel Retirement System.

## **Capital Projects**

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

## **Long-term Financial Planning**

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

## **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Snowflake for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. This was the eleventh 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 unflinching support for maintaining the highest standards of professionalism in the management of the Town of Snowflake's finances.

Respectfully Submitted,

*Brian Richards*

Brian Richards, CPA, CPFO  
Town Manager/Finance Director





Government Finance Officers Association

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

Presented to

**Town of Snowflake  
Arizona**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

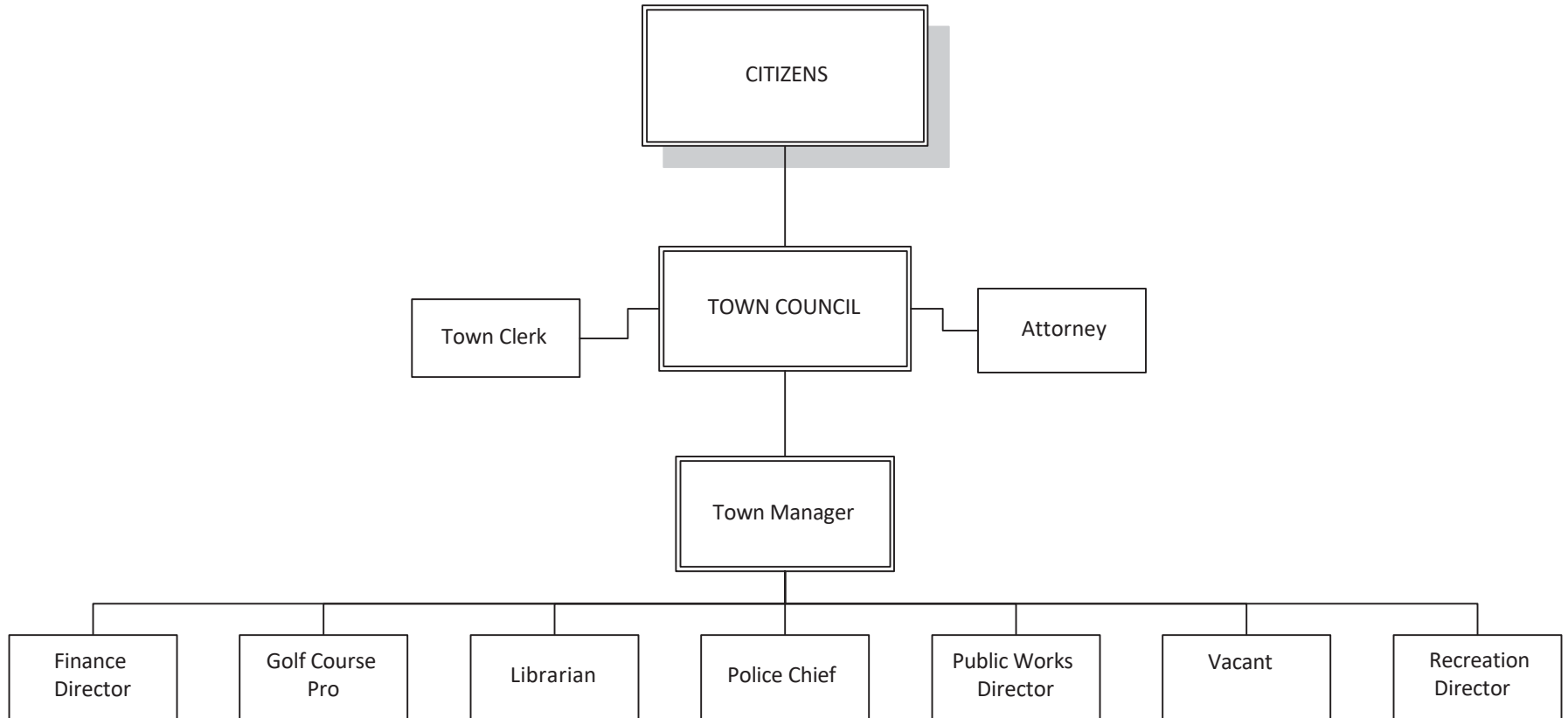
**June 30, 2017**

*Christopher P. Morvill*

Executive Director/CEO

# Town of Snowflake, Arizona

## Organization Chart



**Town of Snowflake, Arizona  
List of Elected and Appointed Officials  
June 30, 2018**

Elected Officials

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

Appointed Officials

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

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## **FINANCIAL SECTION**

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The Honorable Mayor and  
Town Council  
Snowflake, Arizona

## **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Snowflake, Arizona, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Snowflake, Arizona, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note 11 to the financial statements, in 2018, the Town adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension/OPEB liability, schedule of changes in the net pension/OPEB liability and related ratios, schedule of pension/OPEB contributions, and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standard generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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





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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2018, on our consideration of the Town of Snowflake, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Snowflake, Arizona's internal control over financial reporting and compliance.

*HintonBurdick, PLLC*

HintonBurdick Arizona, PLLC  
Flagstaff, Arizona  
December 8, 2018



## Management Discussion and Analysis

As management of the Town of Snowflake, we offer readers of the Town of Snowflake's statement this narrative overview and analysis of the financial activities of the Town of Snowflake for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information in the notes to the financial statements

### Financial Highlights

- The assets and deferred outflows of resources of the Town of Snowflake exceeded its liabilities at the close of the most recent fiscal year by \$12,052,411 (net position).
- The Town of Snowflake's total net position increased by \$1,063,468 during the current fiscal year due to an increase in overall revenues over the previous year.
- As of June 30, 2018, the Town's governmental funds reported combined ending fund balances of \$2,549,058, an increase of \$543,451, due to an increase in city sales tax revenues. Of the total ending fund balance, \$2,087,169 is unassigned and available for spending at the government's discretion.
- As of June 30, 2018, the total unassigned fund balance for the general fund was \$2,087,169, or 41.84% of total general fund expenditures (\$4,429,661).
- As of June 30, 2018, the Town's proprietary funds reported combined total net position of \$3,630,630.
- The Town's long-term debt decreased by \$645,418 during the current fiscal year.

### Overview of the Financial Statements

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

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

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

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

## Management Discussion and Analysis, continued

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 24-27 of this report.

## Management Discussion and Analysis, continued

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

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

The basic proprietary fund financial statements can be found on pages 28-30 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 31 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents require supplementary information concerning the Town of Snowflake's progress in funding its obligation to provide pension and OPEB benefits to its employees. Required supplementary information can be found on pages 62-71 of this report.

### Government-wide Financial Analysis

As previously noted, net position may serve as a useful indicator of a government's financial position over time. In the case of the Town of Snowflake, assets exceeded liabilities by \$12,052,411 at the close of the most recent fiscal year.

By and far the largest portion of the Town of Snowflake's net position (111 percent, \$13,410,953) reflects its investment in capital assets such as land, buildings, machinery, and equipment, less any related debt used to acquire those assets that are still outstanding. The Town of Snowflake uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town of Snowflake's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Snowflake's net position, \$747,546 (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$2,106,088.

## Management Discussion and Analysis, continued

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

The Town's net position increased by \$1,063,468 during the current fiscal year. This change is the result of normal operations of the Town.

### Statement of Net Position

	Governmental activities		Business-type activities		Combined Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
Current and other assets	\$ 3,059,499	\$ 2,216,916	\$ 980,981	\$ 1,043,544	\$ 4,040,480	\$ 3,260,460
Capital assets	11,651,931	11,648,906	5,745,792	5,792,226	17,397,723	17,441,132
Total assets	<u>14,711,430</u>	<u>13,865,822</u>	<u>6,726,773</u>	<u>6,835,770</u>	<u>21,438,203</u>	<u>20,701,592</u>
Deferred outflows of resources	860,557	1,002,910	66,595	152,400	927,152	1,155,310
Long-term liabilities outstanding	6,115,331	6,239,704	2,942,730	3,683,048	9,058,061	9,922,752
Other liabilities	474,928	242,502	151,028	179,056	625,956	421,558
Total liabilities	<u>6,590,259</u>	<u>6,482,206</u>	<u>3,093,758</u>	<u>3,862,104</u>	<u>9,684,017</u>	<u>10,344,310</u>
Deferred inflows of resources	559,947	368,742	68,980	154,907	628,927	523,649
Net position:						
Net investment in capital ass	10,052,079	9,821,620	3,358,874	2,987,324	13,410,953	12,808,944
Restricted	461,889	382,547	285,657	286,448	747,546	668,995
Unrestricted	<u>(2,092,187)</u>	<u>(2,186,383)</u>	<u>(13,901)</u>	<u>(302,613)</u>	<u>(2,106,088)</u>	<u>(2,488,996)</u>
Total net position	<u>\$ 8,421,781</u>	<u>\$ 8,017,784</u>	<u>\$ 3,630,630</u>	<u>\$ 2,971,159</u>	<u>\$ 12,052,411</u>	<u>\$ 10,988,943</u>

## Management Discussion and Analysis, continued

Changes in Net Position for the year ended June 30, 2018 are as follows:

	Governmental activities		Business-type activities		Combined Total	
	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 1,474,887	\$ 1,213,417	\$ 2,091,318	\$ 1,766,302	\$ 3,566,205	\$ 2,979,719
Operating grants and contributions	850,582	786,480	-	-	850,582	786,480
Capital grants and contributions	291,699	147,000	-	-	291,699	147,000
<b>General revenues:</b>						
Taxes	2,724,388	2,113,933	-	-	2,724,388	2,113,933
State revenue sharing	713,926	693,194	-	-	713,926	693,194
Other revenue/(expense)	41,327	93,225	3,964	2,343	45,291	95,568
<b>Total revenues</b>	<b>6,096,809</b>	<b>5,047,249</b>	<b>2,095,282</b>	<b>1,768,645</b>	<b>8,192,091</b>	<b>6,815,894</b>
<b>Expenses:</b>						
General government	741,030	900,201	-	-	741,030	900,201
Public safety	2,827,442	2,672,348	-	-	2,827,442	2,672,348
Public works/Streets	901,418	1,252,722	-	-	901,418	1,252,722
Culture and recreation	641,163	448,326	-	-	641,163	448,326
Interest on long-term debt	32,088	56,352	-	-	32,088	56,352
Water and wastewater	-	-	1,351,191	1,251,636	1,351,191	1,251,636
Golf Course	-	-	603,616	773,371	603,616	773,371
<b>Total expenses</b>	<b>5,143,141</b>	<b>5,329,949</b>	<b>1,954,807</b>	<b>2,025,007</b>	<b>7,097,948</b>	<b>7,354,956</b>
<b>Increase (Decrease) in net position</b>						
before transfers	953,668	(282,700)	140,475	(256,362)	1,094,143	(539,062)
Transfers	(518,916)	(365,357)	518,916	365,357	-	-
<b>Increase in net position</b>	<b>434,752</b>	<b>(648,057)</b>	<b>659,391</b>	<b>108,995</b>	<b>1,094,143</b>	<b>(539,062)</b>
Net position, beginning	8,017,784	8,665,841	2,971,159	2,862,164	10,988,943	11,528,005
Restatement adjustment	(30,755)	-	80	-	(30,675)	-
<b>Net position, ending</b>	<b>\$ 8,421,781</b>	<b>\$ 8,017,784</b>	<b>\$ 3,630,630</b>	<b>\$ 2,971,159</b>	<b>\$ 12,052,411</b>	<b>\$ 10,988,943</b>

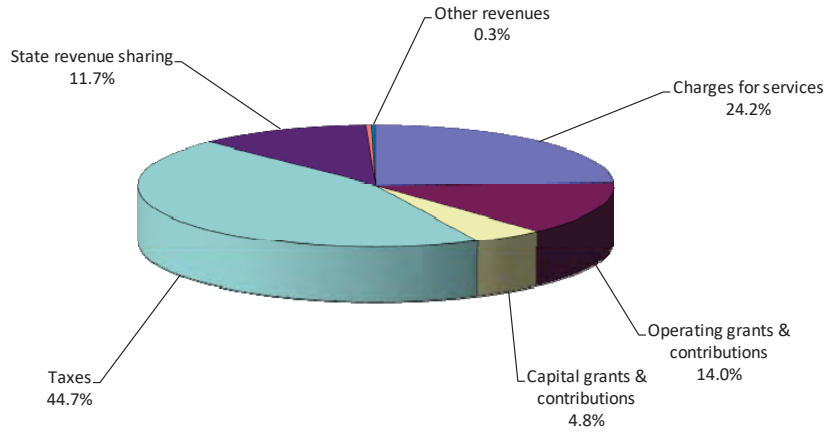
**Governmental activities** – Governmental activities increased the Town’s Net position by \$434,752. Key elements of this increase are as follows:

- Capital grants and contributions increased by \$144,699 (98.43 percent) during the year.
- Sales and other tax collections increased by \$610,455 (28.88 percent) during the year mainly due to a sales tax arrangement with the Town of Taylor.
- Public safety expenses increased by \$155,006 (5.80 percent) during the year, mainly due to an increase of pension costs.
- Recreation and park expenses increased by \$192,815 (43.01 percent) during the year.
- Public Works/Streets expenses decreased by \$371,392 (29.65 percent) during the year.

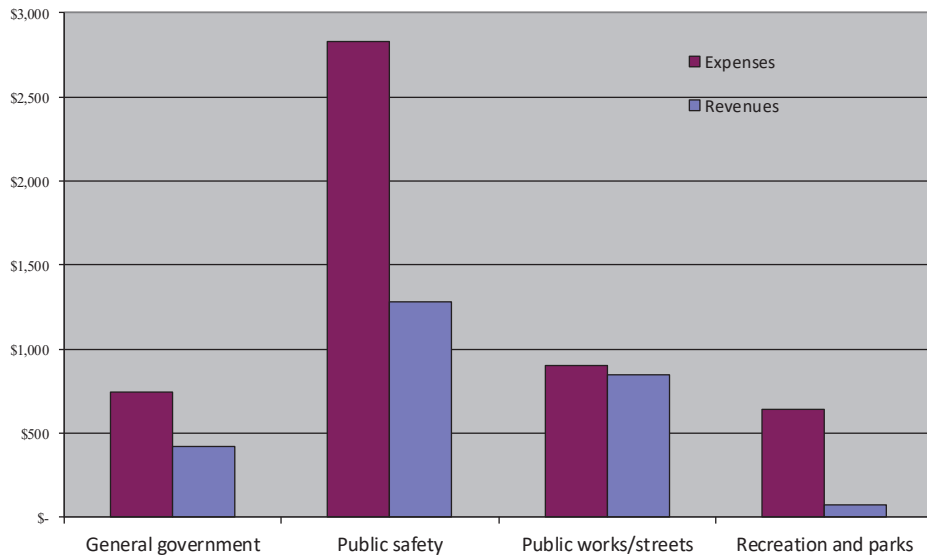
**Business-type activities** – Business-type activities increased the Town of Snowflake’s net position by \$659,391.

Management Discussion and Analysis, continued

Revenue By Source - Governmental Activities



Expenses and Program Revenues - Governmental Activities  
(in Thousands)



## Management Discussion and Analysis, continued

### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Town of Snowflake's governmental funds reported combined ending fund balances of \$2,549,058, an increase of 27 percent in comparison with the prior year. Approximately 82 percent constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for highways and streets (\$461,889).

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 \$2,087,169, with total fund balance reached being \$2,087,169. 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 41.84 percent of total general fund expenditures (\$4,988,259).

The fund balance of the Town of Snowflake's general fund increased by \$464,109 during the current fiscal year. Key factors relating to this change are as follows:

- General fund governmental revenues increased by \$1,610,515 (37 percent) during the year, mainly due to an increase in city sales tax collections, and a refinancing of debt; while expenditures increased by 1,077,514 (24.32 percent).

The fund balance for the Highway User Revenue Fund increased by \$79,342 to \$461,889, mainly due to revenues increasing by 8.8 percent and expenses decreasing by 10.30 percent, resulting from normal fluctuations in operations.

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

Unrestricted net position of the Utility fund at the end of the year amounted to a balance of \$161,148, and unrestricted net position of the Golf Course fund was a negative \$175,049. The main reason there is a deficit balance in unrestricted net position is due to the implementation of GASB 68, which required an accrual of net pension liability in the total amount of \$844,475 for both funds in fiscal year 2015. The deficits have carried forward from then, though they are decreasing. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Town of Snowflake's business-type activities.



## Management Discussion and Analysis, continued

### General Fund Budgetary Highlights

The overall general fund budget increased by 47.29% from the prior year due to the overall increase in anticipated revenues and the economic environment in which the Town operates.

### General Fund Budgetary Variances

Intergovernmental revenues received are lower than budgeted because of fewer grant related revenues awarded than expected. Local sales tax exceeded the budget by \$374,234.

### 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, 2018, amounts to \$17,397,723 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and infrastructure. The total net decrease in the Town of Snowflake's investment in capital assets for the current fiscal year was \$43,409.

The most significant capital asset additions for the year were the following:

- \$98,210 for a backhoe for the Golf Course Fund.
- \$194,914 for a splash park for the General Fund.
- \$284,732 for a handicap parking areas for the General Fund.
- \$170,096 for improvements to Rodeo Road for the General Fund.

Additional information on the Town of Snowflake's capital assets can be found in Note 5 on pages 42-43 of this report

*Long-term debt.* At the end of the current fiscal year, the Town of Snowflake had total debt outstanding of \$3,986,770. The entire amount of revenues bonds are secured by specified revenue sources.

The Town of Snowflake's total debt decreased by \$645,418 during the year, this decrease is attributed to principal payments on debt.

State statutes limit the amount of general obligation debt a governmental entity may issue. The debt limitations imposed on the Town by State statute are six percent and twenty percent of outstanding assessed valuation. The Town's available debt margin at June 30, 2018 is \$1.9 million at 6 percent and \$6.2 million at 20 percent.

Additional information on the Town of Snowflake's long-term debt can be found in Note 6 on pages 44-46.

## **Management Discussion and Analysis, continued**

### **Economic Factors and Next Year's Budgets and Rates**

The unemployment rate for the Town of Snowflake is currently around 3.4 percent. Inflationary trends in the region compare favorably to national indices. Sales taxes have increased in the recent year due to a general economic uptick.

All of these factors were considered in preparing the Town of Snowflake's budget for the 2019 fiscal year.

### **Requests for Information**

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

Finance Department  
Town of Snowflake  
Brian Richards, Finance Director  
81 W. 1st St. South  
Snowflake, AZ 85937  
Telephone: 928-536

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF SNOWFLAKE, ARIZONA**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,566,233	\$ 460,585	\$ 3,026,818
Receivables (net of allowance)	431,509	193,507	625,016
Inventory	-	18,377	18,377
Restricted cash	-	306,712	306,712
Net pension/OPEB asset	61,757	1,800	63,557
Capital assets (net of accumulated depreciation):			
Land	595,043	1,783,317	2,378,360
Buildings and improvements	2,861,918	2,826,494	5,688,412
Infrastructure/roads	7,568,563	-	7,568,563
Furniture, equipment and vehicles	626,407	1,135,981	1,762,388
Total assets	<u>14,711,430</u>	<u>6,726,773</u>	<u>21,438,203</u>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions/OPEB	860,557	66,595	927,152
Total deferred outflows of resources	<u>860,557</u>	<u>66,595</u>	<u>927,152</u>
<b>Liabilities</b>			
Accounts payable and other current liabilities	448,684	125,529	574,213
Interest payable	26,244	25,499	51,743
Noncurrent liabilities:			
Due within one year	335,127	448,546	783,673
Due in more than one year	1,378,517	1,970,724	3,349,241
Net pension/opeb liability	4,401,687	523,460	4,925,147
Total liabilities	<u>6,590,259</u>	<u>3,093,758</u>	<u>9,684,017</u>
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions/OPEB	559,947	68,980	628,927
Total deferred inflows of resources	<u>559,947</u>	<u>68,980</u>	<u>628,927</u>
<b>Net position</b>			
Net investment in capital assets	10,052,079	3,358,874	13,410,953
Restricted for:			
Public works/streets	461,889	-	461,889
Other purposes	-	285,657	285,657
Unrestricted	(2,092,187)	(13,901)	(2,106,088)
Total net position	<u>\$ 8,421,781</u>	<u>\$ 3,630,630</u>	<u>\$ 12,052,411</u>

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 741,030	\$ 418,358	\$ -	\$ -	\$ (322,672)	\$ -	\$ (322,672)
Public safety	2,827,442	986,591	-	291,699	(1,549,152)	-	(1,549,152)
Public works/streets	901,418	-	850,582	-	(50,836)	-	(50,836)
Recreation and parks	641,163	69,938	-	-	(571,225)	-	(571,225)
Interest on long-term debt	32,088	-	-	-	(32,088)	-	(32,088)
Total governmental activities	<u>5,143,141</u>	<u>1,474,887</u>	<u>850,582</u>	<u>291,699</u>	<u>(2,525,973)</u>	<u>-</u>	<u>(2,525,973)</u>
Business-type activities:							
Water and wastewater	1,351,191	1,773,851	-	-	-	422,660	422,660
Golf Course	603,616	317,467	-	-	-	(286,149)	(286,149)
Total business-type activities	<u>1,954,807</u>	<u>2,091,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,511</u>	<u>136,511</u>
Total primary government	<u>\$ 7,097,948</u>	<u>\$ 3,566,205</u>	<u>\$ 850,582</u>	<u>\$ 291,699</u>			
General revenues:							
Taxes:							
City sales tax					1,674,234	-	1,674,234
State sales tax					553,613	-	553,613
Franchise taxes					131,205	-	131,205
Auto lieu tax					365,336	-	365,336
Urban revenue sharing					713,926	-	713,926
Unrestricted investment earnings					24,240	3,964	28,204
Miscellaneous					17,087	-	17,087
Transfers					(518,916)	518,916	-
Total general revenues					<u>2,960,725</u>	<u>522,880</u>	<u>3,483,605</u>
Change in net position					434,752	659,391	1,094,143
Net position - beginning					8,017,784	2,971,159	10,988,943
Prior period adjustment					(30,755)	80	(30,675)
Net position - ending					<u>\$ 8,421,781</u>	<u>\$ 3,630,630</u>	<u>\$ 12,052,411</u>

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,047,040	\$ 519,193	\$ 2,566,233
Receivables:			
Other	25,000	-	25,000
Intergovernmental	251,382	124,307	375,689
Franchise	30,820	-	30,820
Total assets	<u>\$ 2,354,242</u>	<u>\$ 643,500</u>	<u>\$ 2,997,742</u>
<b>Liabilities</b>			
Accounts payable	\$ 180,434	\$ 170,711	\$ 351,145
Accrued wages and benefits	86,639	10,900	97,539
Total liabilities	<u>267,073</u>	<u>181,611</u>	<u>448,684</u>
<b>Fund balances</b>			
Restricted for:			
Public works/streets	-	461,889	461,889
Unassigned	2,087,169	-	2,087,169
Total fund balances	<u>2,087,169</u>	<u>461,889</u>	<u>2,549,058</u>
Total liabilities and fund balances	<u>\$ 2,354,242</u>	<u>\$ 643,500</u>	<u>\$ 2,997,742</u>

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2018**

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Total fund balances governmental funds \$ 2,549,058

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Governmental capital assets	24,068,486	
Accumulated depreciation	<u>(12,416,555)</u>	
		11,651,931

Net OPEB asset is not an available resource and, therefore is not reported in the funds. 61,757

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Bonds payable	(969,696)	
Compensated absences	(113,792)	
Capital leases	(630,156)	
Net pension/OPEB liability	<u>(4,401,687)</u>	
		(6,115,331)

Interest payable on long-term debt does not require current financial resources and therefore, is not reported as a liability in the governmental funds balance sheet. (26,244)

Deferred outflows and inflows of resources related to pensions/OPEB are applicable to future reporting periods and, therefore, are not reported in the funds:

Deferred outflows	860,557	
Deferred inflows	<u>(559,947)</u>	
		<u>300,610</u>

Net position of governmental activities \$ 8,421,781

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances - Governmental Funds**  
**For the Fiscal Year Ended June 30, 2018**

	<u>General</u>	<u>Highway Users Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Taxes	\$ 1,805,439	\$ -	\$ 1,805,439
Licenses, permits and fees	161,646	-	161,646
Intergovernmental revenue	2,892,369	850,582	3,742,951
Charges for services	61,314	-	61,314
Interest	19,142	5,098	24,240
Other revenues	301,218	-	301,218
Total revenues	<u>5,241,128</u>	<u>855,680</u>	<u>6,096,808</u>
<b>Expenditures</b>			
Current:			
General government	554,474	-	554,474
Public safety	2,403,061	-	2,403,061
Public works/streets	476,816	741,966	1,218,782
Recreation and parks	593,653	-	593,653
Debt service:			
Principal	826,813	30,778	857,591
Interest	33,442	3,594	37,036
Total expenditures	<u>4,888,259</u>	<u>776,338</u>	<u>5,664,597</u>
Excess of revenues over expenditures	<u>352,869</u>	<u>79,342</u>	<u>432,211</u>
<b>Other financing sources (uses)</b>			
Debt Proceeds	630,156	-	630,156
Transfers out	(518,916)	-	(518,916)
Total other financing sources (uses)	<u>111,240</u>	<u>-</u>	<u>111,240</u>
Net change in fund balances	464,109	79,342	543,451
Fund balances, beginning of year	<u>1,623,060</u>	<u>382,547</u>	<u>2,005,607</u>
Fund balances, end of year	<u>\$ 2,087,169</u>	<u>\$ 461,889</u>	<u>\$ 2,549,058</u>

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



**TOWN OF SNOWFLAKE, ARIZONA**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2018**

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

Net change in fund balances - total governmental funds		\$	543,451
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the difference between depreciation expense and capital outlay in the current</p>			
Capital outlay			633,537
Depreciation expense			<u>(630,512)</u>
			3,025
<p>Principal of long-term debt consumes and provides current financial resources of governmental funds, however, this does not have any effect on net position.</p>			
Debt Proceeds			(630,156)
Debt Payments			<u>857,590</u>
			227,434
<p>Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>			
			(10,560)
<p>Pension/OPEB contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the net pension/OPEB liability is measured a year before the Town's report date. Pension/OPEB expense, which is the change in the net pension/OPEB liability adjusted for changes in deferred outflows and inflows of resources related to pensions/OPEB, is reported in the Statement of Activities.</p>			
Pension/OPEB contributions			336,273
Pension/OPEB expense			<u>(669,820)</u>
			<u>(333,547)</u>
Change in net position of governmental activities		\$	<u><u>434,752</u></u>

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	<u>Utility Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 374,941	\$ 85,644	\$ 460,585
Receivables (net of allowance)	193,507	-	193,507
Inventory	-	18,377	18,377
Total current assets	<u>568,448</u>	<u>104,021</u>	<u>672,469</u>
Noncurrent assets:			
Restricted investments	306,712	-	306,712
Net pension/OPEB asset	1,080	720	1,800
Land	28,911	1,754,406	1,783,317
Buildings and improvements	7,160,618	671,519	7,832,137
Furniture, equipment and vehicles	1,047,924	425,976	1,473,900
Accumulated depreciation	<u>(4,713,656)</u>	<u>(629,906)</u>	<u>(5,343,562)</u>
Total noncurrent assets	<u>3,831,589</u>	<u>2,222,715</u>	<u>6,054,304</u>
Total assets	<u>4,400,037</u>	<u>2,326,736</u>	<u>6,726,773</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions/OPEB	<u>39,957</u>	<u>26,638</u>	<u>66,595</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	24,758	36,330	61,088
Accrued liabilities	22,263	18,931	41,194
Customer deposits	21,055	2,192	23,247
Accrued interest payable	18,100	7,399	25,499
Current portion of long-term debt	<u>308,144</u>	<u>140,402</u>	<u>448,546</u>
Total current liabilities	<u>394,320</u>	<u>205,254</u>	<u>599,574</u>
Noncurrent liabilities (net of current portion):			
Compensated absences	6,938	1,150	8,088
Bonds payable	1,449,022	333,853	1,782,875
Capital leases	-	179,761	179,761
Net pension/OPEB liability	<u>314,076</u>	<u>209,384</u>	<u>523,460</u>
Total noncurrent liabilities	<u>1,770,036</u>	<u>724,148</u>	<u>2,494,184</u>
Total liabilities	<u>2,164,356</u>	<u>929,402</u>	<u>3,093,758</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions/OPEB	<u>41,388</u>	<u>27,592</u>	<u>68,980</u>
<b>Net position</b>			
Net investment in capital assets	1,787,445	1,571,429	3,358,874
Restricted for debt service	285,657	-	285,657
Unrestricted	<u>161,148</u>	<u>(175,049)</u>	<u>(13,901)</u>
Total net position	<u>\$ 2,234,250</u>	<u>\$ 1,396,380</u>	<u>\$ 3,630,630</u>

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Statement Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Utility Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>
<b>Operating revenues</b>			
Metered water service	\$ 967,917	\$ -	\$ 967,917
Sewer service charges	642,212	-	642,212
Connection fees	91,034	-	91,034
Other fine and fees	72,688	-	72,688
Green fees	-	108,992	108,992
Cart fees	-	96,227	96,227
Membership dues	-	40,665	40,665
Other charges and fees	-	71,583	71,583
Total operating revenues	<u>1,773,851</u>	<u>317,467</u>	<u>2,091,318</u>
<b>Operating expenses</b>			
Cost of sales and services	551,305	285,868	837,173
Administration	561,893	234,082	795,975
Depreciation	<u>201,792</u>	<u>64,454</u>	<u>266,246</u>
Total operating expenses	<u>1,314,990</u>	<u>584,404</u>	<u>1,899,394</u>
Operating income (loss)	<u>458,861</u>	<u>(266,937)</u>	<u>191,924</u>
<b>Non-operating revenues (expenses)</b>			
Interest income	3,964	-	3,964
Interest expense	<u>(36,201)</u>	<u>(19,212)</u>	<u>(55,413)</u>
Total non-operating revenue (expense)	<u>(32,237)</u>	<u>(19,212)</u>	<u>(51,449)</u>
<b>Income (loss) before contributions and transfers</b>			
	<u>426,624</u>	<u>(286,149)</u>	<u>140,475</u>
Contributions and transfers:			
Transfers in	-	518,916	518,916
Total contributions & transfers	<u>-</u>	<u>518,916</u>	<u>518,916</u>
<b>Change in net position</b>			
	426,624	232,767	659,391
Net position, beginning of year	1,807,578	1,163,581	2,971,159
Restatement adjustment	<u>48</u>	<u>32</u>	<u>80</u>
<b>Net position, end of year</b>	<u>\$ 2,234,250</u>	<u>\$ 1,396,380</u>	<u>\$ 3,630,630</u>

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2018**

	<b>Utility Fund</b>	<b>Golf Course Fund</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers, service fees	\$ 1,743,604	\$ 245,884	\$ 1,989,488
Cash received from customers, other	-	71,583	71,583
Cash paid to suppliers	(603,389)	(275,002)	(878,391)
Cash paid to employees	(745,125)	(359,759)	(1,104,884)
Net cash flows from operating activities	<u>395,090</u>	<u>(317,294)</u>	<u>77,796</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers (to)/from other funds	-	518,916	518,916
Net cash flows from noncapital financing activities	<u>-</u>	<u>518,916</u>	<u>518,916</u>
<b>Cash flows from capital and related financing activities:</b>			
Purchase of capital assets	(171,141)	(48,671)	(219,812)
Principal paid on bonds	(282,330)	(80,080)	(362,410)
Principal paid on capital lease	-	(55,574)	(55,574)
Interest paid	(41,442)	(16,902)	(58,344)
Net cash flows from capital and related financing activities	<u>(494,913)</u>	<u>(201,227)</u>	<u>(696,140)</u>
<b>Cash flows from investing activities:</b>			
Interest on investments	3,964	-	3,964
Net cash flows from investing activities	<u>3,964</u>	<u>-</u>	<u>3,964</u>
Net change in cash and cash equivalents	(95,859)	395	(95,464)
Cash and cash equivalents, including restricted cash, beginning of year	<u>777,512</u>	<u>85,249</u>	<u>862,761</u>
<b>Cash and cash equivalents, including restricted cash, end of year</b>	<u><u>\$ 681,653</u></u>	<u><u>\$ 85,644</u></u>	<u><u>\$ 767,297</u></u>
Reconciliation of operating income to net cash flows from operating activities:			
Net operating income (loss)	\$ 458,861	\$ (266,937)	\$ 191,924
Adjustments to reconcile net income/(loss) to net cash provided by operating activities:			
Depreciation/amortization	201,792	64,454	266,246
Pension/OPEB expense	(26,533)	(17,688)	(44,221)
Employer pension/OPEB contributions	(159,046)	(113,608)	(272,654)
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	(30,247)	-	(30,247)
(Increase)/decrease in inventory	-	(854)	(854)
Increase/(decrease) in payables	(52,084)	11,720	(40,364)
Increase/(decrease) in accrued liabilities	2,347	5,619	7,966
Net cash flows from operating activities	<u><u>\$ 395,090</u></u>	<u><u>\$ (317,294)</u></u>	<u><u>\$ 77,796</u></u>

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1.           Summary of Significant Accounting Policies**

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**Description of government-wide financial statements**

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

**Reporting entity**

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

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

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

The accompanying financial statements include the Town of Snowflake, which is the primary government.

**Basis of presentation - government-wide financial statements**

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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

**Basis of presentation – fund financial statements**

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

The Town reports the following major governmental funds:

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

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

The Town reports the following major enterprise funds:

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

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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

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

**Measurement focus and basis of accounting**

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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

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

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

***Cash and cash equivalents***

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

***Investments***

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

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

***Inventories***

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



**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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***Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$5,000 and an estimated useful life of two years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

***Deferred outflows/inflows of resources***

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

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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***Pensions and Other Postemployment Benefits***

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the pension plan's fiduciary net position of the Arizona State Retirement System (ASRS) and Public Safety Personnel Retirement System (PSPRS) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by ASRS and PSPRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Net position flow assumption***

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

***Fund balance flow assumptions***

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

***Fund balance policies***

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1.           Summary of Significant Accounting Policies, Continued**

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

**Revenues and expenditures/expenses**

***Program revenues***

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

***Property taxes***

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

***Compensated Absences***

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 1. Summary of Significant Accounting Policies, Continued**

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***Proprietary funds operating and nonoperating revenues and expenses***

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water fund, sewer fund, building fund and EMS fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Tax Abatements**

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

**Use of Estimates**

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

***New Pronouncements***

For the year ended June 30, 2018, the City implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017*. GASB Statement No. 75 established standards for measuring and recognizing net assets and liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB. Implementation of these new Statements resulted in a restatement of beginning net position in the City's government-wide and proprietary fund financial statements (See Note 11).

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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

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

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

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**Note 3. Stewardship, Compliance, and Accountability**

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

**Budgets and budgetary accounting**

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

1. In accordance with Arizona Revised Statutes, the Town Manager submits a proposed budget for the fiscal year commencing the following July 1 to the Town Council. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain public comment.
3. Prior to the third Monday in August, the expenditure limitation for the Town is legally enacted through passage of an ordinance. To ensure compliance with the expenditure limitation, a uniform expenditure report must be filed with the State each year. This report, issued under a separate cover, reconciles total Town expenditures from the audited financial statements to total expenditures for reporting in accordance with the State's uniform expenditure reporting system (A.R.S. §41-1279.07).

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 3. Stewardship, Compliance, and Accountability, Continued**

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4. The Town follows a voter-approved alternative expenditure limitation that was adopted on March 8, 2011 and extended in August of 2016. This law does not permit the Town to spend more than budgeted revenues. The limitation is applied to the total of the combined funds. The Town complied with this law during the year.
5. Expenditures may not legally exceed the expenditure limitation of all fund types as a whole. For management purposes, the Town adopts a budget by department for the General Fund and in total by fund for other funds. The Town Manager, subject to Town Council approval, may, at any time, transfer any unencumbered appropriation balance or portion thereof within a department or activity. The adopted budget cannot be amended in any way without Town Council approval.
6. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds on essentially the same modified accrual basis of accounting used to record actual revenues and expenditures

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

**Expenditures over Appropriations**

Expenditures may not legally exceed budgeted appropriations at the department level. The individual Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual reports as listed in the table of contents present all of the departments which incurred an excess of expenditures/expenses over appropriations for the fiscal year ended June 30, 2018, if any.

**Highway User Revenue Funds**

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 4. Deposits and Investments**

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**Deposits**

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

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Town does not have a formal policy for custodial credit risk. At June 30, 2018 the carrying amount of the Town's deposits was \$1,301,417 and the bank balances were \$1,399,657. As of June 30, 2018, \$337,623 of the Town's bank balance was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the Town's name.

As of June 30, 2018, the Town had \$587,624 of cash held by BNY Mellon acting as a trust agent for debt service payments and \$600 held in petty cash.

**Investments**

The Town's investments include \$2,031,513 held in the Local Government Investment Pool 5 which has a Standard and Poor rating of AAA f/S1+. The Arizona State Treasurer's Office operates the Local Government Investment Pool (LGIP). The LGIP is available for investment of funds administered by any Arizona Public Treasurer.

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

**Interest rate risk**

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 4. Deposits and Investments, Continued**

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**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's policy for reducing its exposure to credit risk is to comply with State law (A.R.S. 35-323) which limits investment in commercial paper and corporate bonds to the top ratings issued by nationally recognized statistical rating organizations such as Standard & Poor's and Moody's Investor Services.

**Fair value measurements**

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

The Town has the following recurring fair value measurements as of June 30, 2018:

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

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**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 5. Capital Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Non-depreciable assets:				
Land	\$ 595,043	\$ -	\$ -	\$ 595,043
Total non-depreciable assets	<u>595,043</u>	<u>-</u>	<u>-</u>	<u>595,043</u>
Depreciable assets:				
Buildings and improvements	5,146,150	436,636	-	5,582,786
Machinery and equipment	3,900,636	26,805	(196,614)	3,730,827
Infrastructure	<u>13,989,734</u>	<u>170,096</u>	<u>-</u>	<u>14,159,830</u>
Total depreciable assets	<u>23,036,520</u>	<u>633,537</u>	<u>(196,614)</u>	<u>23,473,443</u>
Accumulated depreciation:				
Buildings	(2,609,883)	(110,985)	-	(2,720,868)
Machinery and equipment	(3,135,503)	(165,531)	196,614	(3,104,420)
Infrastructure	<u>(6,237,271)</u>	<u>(353,996)</u>	<u>-</u>	<u>(6,591,267)</u>
Total accumulated depreciation	<u>(11,982,657)</u>	<u>(630,512)</u>	<u>196,614</u>	<u>(12,416,555)</u>
Governmental activities capital assets, net	<u>\$ 11,648,906</u>	<u>\$ 3,025</u>	<u>\$ -</u>	<u>\$ 11,651,931</u>

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

<b>Governmental activities:</b>	
General government	\$ 166,628
Public safety	166,006
Highways and Streets	272,953
Recreations and parks	<u>24,925</u>
Total depreciation expense - governmental	<u>\$ 630,512</u>

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 5. Capital Assets, Continued**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Non-depreciable assets:				
Land	\$ 1,783,317	\$ -	\$ -	\$ 1,783,317
Total non-depreciable assets	<u>1,783,317</u>	<u>-</u>	<u>-</u>	<u>1,783,317</u>
Depreciable assets:				
Buildings and improvements	7,758,329	73,808	-	7,832,137
Machinery and equipment	<u>1,527,659</u>	<u>146,004</u>	<u>(199,763)</u>	<u>1,473,900</u>
Total depreciable assets	<u>9,285,988</u>	<u>219,812</u>	<u>(199,763)</u>	<u>9,306,037</u>
Accumulated depreciation:				
Buildings and improvements	(4,836,771)	(168,872)	-	(5,005,643)
Machinery and equipment	<u>(440,308)</u>	<u>(97,374)</u>	<u>199,763</u>	<u>(337,919)</u>
Total accumulated depreciation	<u>(5,277,079)</u>	<u>(266,246)</u>	<u>199,763</u>	<u>(5,343,562)</u>
Business-type activities capital assets, net	<u>\$ 5,792,226</u>	<u>\$ (46,434)</u>	<u>\$ -</u>	<u>\$ 5,745,792</u>

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

<b>Business-type activities:</b>	
Utility fund	\$ 201,792
Golf course fund	<u>64,454</u>
expense - business-type activities	<u>\$ 266,246</u>

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 6. Long-Term Liabilities**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bond Payable:					
Revenue bonds series 2013	\$ 1,157,286	\$ -	\$ (187,590)	\$ 969,696	\$ 187,571
Revenue bonds series 2007A	670,000	-	(670,000)	-	-
Capital leases	-	630,156	-	630,156	62,212
Net pension/OPEB liability	4,309,186	92,501	-	4,401,687	-
Compensated absences	103,232	94,143	(83,583)	113,792	85,344
Total long-term liabilities	<u>\$ 6,239,704</u>	<u>\$ 816,800</u>	<u>\$ (941,173)</u>	<u>\$ 6,115,331</u>	<u>\$ 335,127</u>
<b>Business-type activities:</b>					
Bond Payable:					
Revenue bonds series 2013	\$ 847,714	\$ -	\$ (137,410)	\$ 710,304	\$ 137,429
Revenue bonds utility 2013	1,665,000	-	(225,000)	1,440,000	230,000
Capital leases	292,188	-	(55,574)	236,614	56,853
Net pension/OPEB liability	838,493	-	(315,033)	523,460	-
Compensated absences	39,653	25,437	(32,738)	32,352	24,264
Total long-term liabilities	<u>\$ 3,683,048</u>	<u>\$ 25,437</u>	<u>\$ (765,755)</u>	<u>\$ 2,942,730</u>	<u>\$ 448,546</u>

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 6. Long-Term Liabilities, Continued**

The following is a listing of long-term debt and liabilities outstanding as of June 30, 2018:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
<b>Revenue Bonds:</b>		
\$2,255,000 Excise Tax Revenue Refunding Bonds, Series 2013, issued for refunding of 2003 Series revenue bonds, due in annual installments of \$95,423 to \$359,608; through July 1, 2023; interest at 2.09%	\$ 969,696	\$ 710,304
\$2,305,000 Utility System Revenue Refunding Bonds, Series 2013, for refunding of 2003 WIFA loan and water system improvements, due in annual installments of \$248,890 to \$255,289; through July 1, 2023; interest at 2.09%	-	1,440,000
Total revenue bonds outstanding	\$ 969,696	\$ 2,150,304

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

<b>Year Ended June 30,</b>	Governmental Activities		Business-Type Activities		Combined Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 187,571	\$ 16,110	\$ 367,429	\$ 37,092	\$ 555,000	\$ 53,202
2020	193,342	12,127	376,658	29,263	570,000	41,390
2021	193,342	8,143	376,658	21,433	570,000	29,576
2022	196,228	4,102	383,772	13,455	580,000	17,557
2023	199,213	(1)	390,787	5,330	590,000	5,329
2024-2028	-	-	255,000	2,665	255,000	2,665
Total	\$ 969,696	\$ 40,481	\$ 2,150,304	\$ 109,238	\$ 3,120,000	\$ 149,719

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 6. Long-Term Liabilities, Continued**

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

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
2019	\$ 79,142	\$ 63,124	\$ 142,266
2020	79,142	63,124	142,266
2021	79,142	63,124	142,266
2022	79,142	63,124	142,266
2023	79,142	-	79,142
2024-2027	<u>316,569</u>	<u>-</u>	<u>316,569</u>
Total remaining minimum lease payments	712,279	252,496	964,775
Less: amount representing interest:	<u>(82,123)</u>	<u>(15,882)</u>	<u>(98,005)</u>
Present value of remaining minimum lease payments:	<u>\$ 630,156</u>	<u>\$ 236,614</u>	<u>\$ 866,770</u>

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

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Machinery and Equipment	\$ -	\$ 292,188
Buildings	1,320,288	-
Less: Accumulated Depreciation	<u>(364,909)</u>	<u>(57,613)</u>
Total	<u>\$ 955,379</u>	<u>\$ 234,575</u>

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 7. Interfund Receivables, Payables, and Transfers**

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Residual balances outstanding between the governmental activities and the business-type activities are netted and reported in the government-wide financial statements as internal balances. The Town has no interfund receivables outstanding as of June 30, 2018.

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

For the year ended, June 30, 2018, the General fund made a transfer of \$518,916 to the Golf Course fund. Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds, in accordance with budgetary authorizations, including amounts provided as subsidies. The transfer of \$518,916 from the General Fund to the Golf Course fund was for budgetary reasons, and considered a subsidy.

**Note 8. Pensions and Other Postemployment Benefits**

The Town contributes to the Arizona State Retirement System and the Public Safety Personnel Retirement System plans described below. The plans are component units of the State of Arizona. At June 30, 2018, the Town reported the following aggregate amounts related to pensions and other postemployment benefits (OPEB) for all plans to which it contributes:

<u>Statement of Net Position and Statement of Activities</u>	<u>ASRS</u>	<u>PSPRS</u>	<u>Combined Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Net pensions/OPEB asset	\$ 7,201	\$ 56,355	\$ 63,556	\$ 61,757	\$ 1,800
Net pension/OPEB liabilities	2,093,838	2,831,308	4,925,146	4,401,687	523,460
Deferred outflows of resources	266,381	660,771	927,152	860,557	66,595
Deferred inflows of resources	275,918	353,009	628,927	559,948	68,980
Pension/OPEB expense	(16,236)	488,788	472,552	476,611	(4,059)

The Town reported \$376,436 of pension and OPEB contributions as expenditures in the governmental funds related to all plans to which it contributes.

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

**Arizona State Retirement System (ASRS)**

**Plan description** – Town employees not covered by the other pension plans describe below participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing multiple-employer defined benefit pension plan, a cost-sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

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

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

\* With actuarially reduced benefits.

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

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**Note 8. Pensions and Other Postemployment Benefits, Continued**

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

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

**Contributions** – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the fiscal year ended June 30, 2018, statute required active ASRS members were required by statute to contribute at the actuarially determined rate of 11.5 percent (11.34 percent for retirement and 0.16 percent for long-term disability) of the members' annual covered payroll, and the Town was required by statute to contribute at the actuarially determined rate of 11.5 percent (10.9 percent for retirement, 0.44 percent for health insurance premium benefit, and 0.16 percent for long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.49 percent (9.26 percent for retirement, 0.1 percent for health insurance premium benefit, and 0.13 percent for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill.

The Town's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2018 were \$152,270, \$6,147, and \$2,235, respectively.



**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

**Liability** – At June 30, 2018, the Town reported the following asset and liabilities for its proportionate share of the ASRS’ net pension/OPEB liability.

	<b>Net pension/OPEB (asset) liability</b>
Pension	\$ 2,089,017
Health insurance premium benefit	(7,202)
Long-term disability	4,821

The net asset and net liabilities were measured as of June 30, 2017. The total liability used to calculate the net asset and net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The Town's proportion of the net asset or net liability was based on the Town's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The Town's proportion measured as of June 30, 2017, and the change from its proportions measured as of June 30, 2016, were:

	Proportion June 30, 2016	Proportion June 30, 2017	Increase (decrease) from June 30, 2016
Pension	0.014040%	0.013410%	(0.0000630)
Health insurance premium benefit	0.013231%	0.013230%	(0.000001%)
Long-term disability	0.013301%	0.013300%	(0.000001%)

The net asset and net liabilities measured as of June 30, 2018, will reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016. The change in the Town’s net asset and net liabilities as a result of these changes is not known.

**Expense** – For the year ended June 30, 2018, the Town recognized pension and OPEB expense:

	<b>Pension/OPEB Expense</b>
Pension	\$ (23,019)
Health insurance premium benefit	4,212
Long-term disability	2,571

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

Deferred outflows/inflows of resources – At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Pension		Health Insurance Premium Benefit		Long-term disability	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 62,640	\$ -	\$ -	\$ -	\$ -
Changes of assumptions or other inputs	90,731	62,465	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	14,998	-	-	8,110	-	721
Changes in proportion and differences between contributions and proportionate share of contributions	-	141,972	-	10	-	-
Contributions subsequent to the measurement date	152,270	-	6,147	-	2,235	-
Total	<u>\$ 257,999</u>	<u>\$ 267,077</u>	<u>\$ 6,147</u>	<u>\$ 8,120</u>	<u>\$ 2,235</u>	<u>\$ 721</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pension and OPEB will be recognized as expense as follows:

Year Ended	Pension		Health Insurance Premium Benefit		Long-term disability	
June 30						
2019	\$	(175,901)	\$	(2,030)	\$	(180)
2020		43,425		(2,030)		(180)
2021		19,181		(2,030)		(180)
2022		(48,053)		(2,030)		(181)
Thereafter		-		-		-

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

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

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75% for pensions/not applicable for OPEB
Inflation	3%
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	1994 GAM Scale BB
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity	58%	6.73%
Fixed income	25%	3.70%
Real estate	10%	4.25%
Multi-asset	5%	3.41%
Commodities	2%	3.84%
Totals	100%	

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

**Discount Rate** – The discount rate used to measure the ASRS total pension liability was 8.00 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

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

Proportionate share of the	1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
Net pension liability	\$ 2,681,289	\$ 2,089,017	\$ 1,594,122
Net insurance premium benefit liability (asset)	11,961	(7,202)	(23,488)
Net long-term disability liability	5,765	4,821	4,021

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

**Public Safety Personnel Retirement System (PSPRS)**

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

The PSPRS issues a publicly available financial report that includes financial statements and required supplementary information for PSPRS. The reports are available on the PSPRS website at [www.psprs.com](http://www.psprs.com).

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

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

	<b>Initial Membership Date Before January 1, 2012</b>	<b>Initial Membership Date On or After January 1, 2012</b>
<b>Retirement and Disability</b>		
Years of service and age required to receive benefit	20 years any age 15 years age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
Benefit percent		
Normal Retirement	50% less 4.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	2.5% per year of credited service, not to exceed 80%
Accidental Disability Retirement	50% or normal retirement, whichever is greater	
Catastrophic Disability Retirement	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is greater	
Ordinary Disability Retirement	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor Benefit</b>		
Retired Members	80% to 100% of retired member's pension benefit	
Active Members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

Retirement and survivor benefits are subject to automatic cost-of-living adjustments. The adjustments are based on inflation. In addition, the Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effect on the plan. PSPRS also provides temporary disability benefits of 50 percent of the member's compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the member and dependents.

**Employees covered by benefit terms** – At June 30, 2018, the following employees were covered by the agent pension plans' benefit terms:

<b>PSPRS - Police</b>	Pension	Health
Inactive employees or beneficiaries currently receiving benefits	7	7
Inactive employees entitled to but not yet receiving benefits	1	0
Active employees	12	12
Total	20	19

**Contributions and annual OPEB cost** – State Statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. Contribution rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member - Pension	City - Pension	City-Health insurance premium
PSPRS Police	11.65 - 7.65%	42.06%	0.14%
PSPRS Tier 3 risk pool	9.94%	9.68%	0.26%

Also, statute required the Town to contribute at the actuarially determined rate of 26.96% of the annual covered payroll of Town police employees who were PSPRS Tier 3 Risk Pool members, in addition to the Town's required contributions to the PSPRS Tier 3 Risk Pool for the Town police employees.

In addition, statute required the Town to contribute at the actuarially determined rate of 26.96% for police of annual covered payroll of retired members who worked for the Town in positions that an employee who contributes to the PSPRS would typically fill.

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

The Town's contributions to the plans for the year ended June 30, 2018, were: For the agent plans, the Town's contributions to the pension plan and annual OPEB cost and contributions for the health insurance premium benefit for the year ended June 30, 2018, were:

<b>PSPRS - Police</b>	Pension	Health insurance premium benefit
PSPRS	\$ 214,625	\$ 1,159
PSPRS Tier 3 risk pool	-	-

During the fiscal year 2018, the Town paid for PSPRS pension and OPEB contributions 100% from the general fund.

**Liability** – At June 30, 2018, the Town reported the following assets and liabilities.

	Net pension (asset) liability	Net OPEB (asset) liability
PSPRS Police	\$ 2,831,308	\$ (56,355)

The net pension liability was measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011.

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

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

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal
Investment rate of return	7.40%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price Inflation	2.5% for pensions/not applicable for OPEB
Permanent benefit increase	Included for pensions/not applicable for OPEB
Mortality rates	RP-2014 tables using MP-2016 improvement scale with adjustments to match current experience.
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.4 using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Short Term Inv.	2.00%	0.75%
Absolute return	2.00%	3.75%
Risk parity	4.00%	5.00%
Fixed Income	5.00%	1.25%
Real assets	9.00%	4.52%
GTAA	10.00%	3.96%
Private Credit	12.00%	6.75%
Real estate	10.00%	3.75%
Credit opp.	16.00%	5.83%
Non-U.S. equity	14.00%	8.70%
U.S. equity	16.00%	7.60%
<b>Total</b>	<u>100.00%</u>	



**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

**Discount Rate** – At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liability was 7.40 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**Changes in the Net Pension/OPEB Liability**

	Pension			Health insurance premium benefit		
	Increase (decrease)			Increase (decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2017	\$ 4,918,126	\$ 2,036,644	\$ 2,881,482	\$ 95,355	\$ 126,351	\$ (30,996)
Changes for the year:						
Service cost	144,165		144,165	3,359	-	3,359
Interest on total pension/OPEB liability	364,499		364,499	7,227	-	7,227
Changes of benefit terms	68,049		68,049	1,092	-	1,092
Difference between expected and actual experience in the measurement of the pension/OPEB	(298,156)		(298,156)	(17,569)	-	(17,569)
Changes of assumptions	172,738		172,738	(4,792)	-	(4,792)
Contributions - employer		258,290	(258,290)	-	-	-
Contributions - employee		71,283	(71,283)	-	-	-
Net investment income		244,971	(244,971)	-	14,807	(14,807)
Benefit payments, including refunds of employee contributions	(260,445)	(260,445)	-	(1,338)	-	(1,338)
Plan administrative expenses		(2,568)	2,568	-	(1,338)	1,338
Other changes*		(70,507)	70,507	-	(131)	131
Net changes	190,850	241,024	(50,174)	(12,021)	13,338	(25,359)
Balances at June 30, 2018	\$ 5,108,976	\$ 2,277,668	\$ 2,831,308	\$ 83,334	\$ 139,689	\$ (56,355)

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

**Sensitivity of the proportionate share of the net pension liability to changes in the discount rate** – The following table presents the Town's net pension/OPEB (assets) liabilities calculated using the discount rate of 7.4%, as well as what the Town's net pension/OPEB (assets) liabilities would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
<b>PSPRS-Police</b>			
Net pension (asset) / liability	\$ 3,517,374	\$ 2,831,308	\$ 2,274,550
Net OPEB (asset)/ liability	(44,359)	(56,355)	(66,200)

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 8. Pensions and Other Postemployment Benefits, Continued**

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

**Expense** – For the year ended June 30, 2018, the Town recognized the following pension and OPEB expense:

	Pension expense	OPEB expense
PSPRS Police	\$ 490,856	\$ (2,068)

**Deferred outflows/inflows of resources** – For the fiscal year ended June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pension and OPEB from the following sources:

PSPRS - Police	Pension		Health Insurance Premium Benefit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,224	\$ 329,718	\$ -	\$ 14,914
Changes in assumptions	396,648	-	-	4,068
Net difference between projected and actual earnings on pension/OPEB plan investments	27,115	-	-	4,309
Contributions subsequent to the measurement date	214,625	-	1,159	-
Total	\$ 659,612	\$ 329,718	\$ 1,159	\$ 23,291

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from Town contributions subsequent to the measurement date will be recognized as an increase in the net asset or a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

Year Ended June 30	PSPRS - Police	
	Pension	Health Insurance Premium Benefit
2019	\$ 64,952	\$ (4,456)
2020	84,244	(4,456)
2021	17,689	(4,456)
2022	(25,698)	(4,457)
2023	(19,900)	(3,379)
Thereafter	(6,018)	(2,087)

**TOWN OF SNOWFLAKE, ARIZONA**  
**Notes to the Financial Statements**  
**June 30, 2018**

**Note 9. Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The Town’s insurance protection is provided by the Arizona Municipal Risk Retention Pool, of which the Town is a participating member. The limit for basic coverage is for \$3,000,000 per occurrence on a claims made basis. No significant reduction in insurance coverage occurred during the year and no settlements exceeded insurance coverage during any of the past three fiscal years.

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

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

**Note 10. Commitments and Contingencies**

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

**Note 11. Change in Accounting Principle**

As mentioned in Note 1 to the financial statements, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*. This resulted in a restatement of beginning net position as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water Fund</u>	<u>Golf Fund</u>
Restatement adjustment - implementation of GASB 75:				
Net OPEB liability (measurement date as of June 30, 2016)	\$ (37,452)	\$ (2,152)	\$ (1,291)	\$ (861)
Deferred outflows - contributions made during fiscal year 2017	6,697	2,232	1,339	893
Total Restatement Adjustment	<u>\$ (30,755)</u>	<u>\$ 80</u>	<u>\$ 48</u>	<u>\$ 32</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**TOWN OF SNOWFLAKE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of the Proportionate Share of the Net Pension Liability**  
**June 30, 2018**

<b>ASRS - Pension</b>	<b>Reporting Fiscal Year (Measurement Date)</b>			
	<b>2018 (2017)</b>	<b>2017 (2016)</b>	<b>2016 (2015)</b>	<b>2015 (2014)</b>
Proportion of the net pension liability (asset)	0.013410%	0.014040%	0.015150%	0.015425%
Proportionate share of the net pension liability (asset)	\$ 2,089,017	\$ 2,266,197	\$ 2,359,735	\$ 2,282,364
Covered payroll	\$ 1,257,910	\$ 1,240,073	\$ 1,385,444	\$ 1,375,190
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	166.07%	182.75%	170.32%	165.97%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net OPEB Liability**  
**June 30, 2018**

<b>ASRS - Health insurance premium benefit</b>	<b>Reporting Fiscal Year</b>	
	<b>(Measurement Date)</b>	
	<b>2018</b>	<b>2017</b>
	<b>(2017)</b>	<b>(2016)</b>
Proportion of the net OPEB (asset)	0.013230%	0.013231%
Proportionate share of the net OPEB (asset)	\$ (7,202)	\$ 3,826
Covered payroll	\$ 1,257,910	\$ 1,240,073
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	-0.57%	0.31%
Plan fiduciary net position as a percentage of the total OPEB liability	103.57%	98.02%

<b>ASRS - Long-term disability</b>	<b>Reporting Fiscal Year</b>	
	<b>(Measurement Date)</b>	
	<b>2018</b>	<b>2017</b>
	<b>(2017)</b>	<b>(2016)</b>
Proportion of the net OPEB (asset)	0.013300%	0.013301%
Proportionate share of the net OPEB (asset)	\$ 4,821	\$ 4,780
Covered payroll	\$ 1,257,910	\$ 1,240,073
Proportionate share of the net OPEB (asset) as a percentage of its covered payroll	0.38%	0.39%
Plan fiduciary net position as a percentage of the total OPEB liability	84.44%	85.17%

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

See accompanying notes to pension/OPEB plan schedules.

**TOWN OF SNOWFLAKE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net Pension Liability and Related Ratios**  
**June 30, 2018**

PSPRS Police - Pension	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
<b>Total pension liability</b>				
Service cost	\$ 144,165	\$ 130,874	\$ 132,212	\$ 138,501
Interest on total pension liability	364,499	344,208	325,750	280,167
Changes of benefit terms	68,049	160,648	-	82,250
Difference between expected and actual experience of the total net pension liability	(298,156)	(83,711)	42,947	(70,662)
Changes of assumptions	172,738	177,123	-	397,088
Benefit payments, including refunds of employee contributions	(260,445)	(260,793)	(269,427)	(217,608)
<b>Net change in total pension liability</b>	190,850	468,349	231,482	609,736
<b>Total pension liability - beginning</b>	4,918,126	4,449,777	4,218,295	3,608,559
<b>Total pension liability - ending (a)</b>	<u>\$ 5,108,976</u>	<u>\$ 4,918,126</u>	<u>\$ 4,449,777</u>	<u>\$ 4,218,295</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 258,290	\$ 222,768	\$ 189,537	\$ 171,514
Contributions - employee	71,283	74,644	85,034	74,324
Net investment income	244,971	11,743	72,784	234,045
Benefit payments, including refunds of employee contributions	(260,445)	(260,793)	(269,427)	(217,608)
Other (net transfer)	(73,075)	(30,410)	(13,918)	(92,067)
<b>Net change in plan fiduciary net position</b>	241,024	17,952	64,010	170,208
<b>Plan fiduciary net position - beginning</b>	2,036,644	2,018,692	1,954,682	1,784,474
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 2,277,668</u>	<u>\$ 2,036,644</u>	<u>\$ 2,018,692</u>	<u>\$ 1,954,682</u>
<b>Net pension liability - ending (a) - (b)</b>	<u>\$ 2,831,308</u>	<u>\$ 2,881,482</u>	<u>\$ 2,431,085</u>	<u>\$ 2,263,613</u>
Plan fiduciary net position as a percentage of the total pension liability	44.58%	41.41%	45.37%	46.34%
Covered payroll	\$ 633,694	\$ 675,307	\$ 601,000	\$ 687,610
Net pension liability as a percentage of covered payroll	446.79%	426.69%	404.51%	329.20%

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

See accompanying notes to pension/OPEB plan schedules.

**TOWN OF SNOWFLAKE, ARIZONA**  
**Required Supplementary Information**  
**Schedule of Changes in the Net OPEB Liability and Related Ratios**  
**June 30, 2018**

<b>PSPRS Police</b>	<b>Reporting Fiscal Year</b>	
<b>Health Insurance Premium Benefit</b>	<b>(Measurement Date)</b>	
	<b>2018</b>	
	<b>(2017)</b>	
<b>Total OPEB liability</b>		
Service cost	\$	3,359
Interest on total OPEB liability		7,227
Changes of benefit terms		1,092
Difference between expected and actual experience of the total net OPEB liability		(17,569)
Changes of assumptions or other inputs		(4,792)
Benefit payments		(1,338)
<b>Net change in total OPEB liability</b>		(12,021)
<b>Total OPEB liability - beginning</b>		95,355
<b>Total OPEB liability - ending (a)</b>	\$	83,334
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$	-
Net investment income		14,807
Benefit payments		
Administrative expense		(1,338)
Other changes		(131)
<b>Net change in plan fiduciary net position</b>		13,338
<b>Plan fiduciary net position - beginning</b>		126,351
<b>Plan fiduciary net position - ending (b)</b>	\$	139,689
 <b>Net OPEB liability - ending (a) - (b)</b>	\$	(56,355)
 Plan fiduciary net position as a percentage of the total OPEB liability		167.63%
 Covered payroll	\$	633,694
 Net OPEB (asset) liability as a percentage of covered payroll		-8.89%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the pension schedule above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.



**TOWN OF SNOWFLAKE, ARIZONA**  
**Required Supplementary Information**  
**Schedules of Pension/OPEB Contributions**  
**June 30, 2018**

**ASRS - Pension**

	Reporting Fiscal Year				
	2018	2017	2016	2015	2014
Contractually required contribution	\$ 152,270	\$ 140,986	\$ 142,647	\$ 151,953	\$ 148,778
Contributions in relation to the contractually required contribution	(152,270)	(140,986)	(142,647)	(151,953)	(148,778)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,396,971	\$ 1,257,910	\$ 1,551,184	\$ 1,240,073	\$ 1,385,444
Contributions as a percentage of covered payroll	10.90%	11.21%	9.20%	12.25%	10.74%

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

See accompanying notes to pension/OPEB plan schedules.

**TOWN OF SNOWFLAKE, ARIZONA**  
**Required Supplementary Information**  
**Schedules of Pension/OPEB Contributions**  
**June 30, 2018**

**ASRS - Health insurance premium benefit**

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

**ASRS - Long-term disability**

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

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedules above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

**TOWN OF SNOWFLAKE, ARIZONA**  
**Required Supplementary Information**  
**Schedules of Pension/OPEB Contributions**  
**June 30, 2018**

<b>PSPRS Police-Pensions</b>	<b>Reporting Fiscal Year</b>				
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 214,625	\$ 258,290	\$ 222,768	\$ 189,537	\$ 171,514
Contributions in relation to the actuarially determined contribution	\$ (214,625)	\$ (258,290)	\$ (222,768)	\$ (189,537)	\$ (171,514)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 681,923	\$ 633,694	\$ 675,307	\$ 601,000	\$ 687,610
Contributions as a percentage of covered payroll	31.47%	40.76%	32.99%	31.54%	24.94%

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

<b>PSPRS Police Health Insurance Premium Benefit</b>	<b>Reporting Fiscal Year</b>	
	<b>2018</b>	<b>2017</b>
Actuarially determined contribution	\$ 1,159	\$ -
Contributions in relation to the actuarially determined contribution	\$ (1,159)	\$ -
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 681,923	\$ 633,694
Contributions as a percentage of covered payroll	0.17%	0.00%

Note: In accordance with GASB 75, employers will need to disclose a 10-year history for the OPEB schedules above. Additional information will be displayed as it becomes available.

See accompanying notes to pension/OPEB plan schedules.

**TOWN OF SNOWFLAKE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension Plan Schedules**  
**June 30, 2018**

**Note 1. Actuarially Determined Contribution Rates**

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

Actuarial cost method	Entry Age Normal
Amortization Method	Level Percent of Pay, Closed
Remaining Amortization Period	20 years for underfunded liabilities; 20 years for excess
Asset valuation method	7-Year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%. In the 2013 actuarial valuation, the investment rate of return decreased from 8.0% to 7.85%.
Projected salary increases	In the 2014 actuarial valuation, the projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0%. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5%.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0%. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5%.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table (adjusted by 105% for both males and females)

**TOWN OF SNOWFLAKE, ARIZONA**  
**Required Supplementary Information**  
**Notes to Pension Plan Schedules**  
**June 30, 2018**

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**Note 2.            Factors that Affect Trends**

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Arizona courts have ruled that provisions of a 2011 law that changed the mechanism for funding permanent pension benefit increases and increased employee pension contribution rates were unconstitutional or a breach of contract because those provisions apply to individuals who were members as of the law's effective date. As a result, the PSPRS changed benefit terms to reflect the prior mechanism for funding permanent benefit increases for those members and revised actuarial assumptions to explicitly value future permanent benefit increases. PSPRS also reduced those members' employee contribution rates. These changes are reflected in the plans' pension liabilities for fiscal year 2015 (measurement date 2014) for members who were retired as of the law's effective date and fiscal year 2018 (measurement date 2017) for members who retired or will retire after the law's effective date. These changes also increased the PSPRS required pension contributions beginning in fiscal year 2016 for members who were retired as of the law's effective date. These changes will increase the PSPRS required contributions beginning in fiscal year 2019 for members who retired or will retire after the law's effective date.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULES**

**MAJOR GOVERNMENTAL FUNDS:**

**General Fund – Detail Budget-and-Actual**

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

**Special Revenue Funds**

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

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

**TOWN OF SNOWFLAKE, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
<b>REVENUES:</b>				
Local sales tax	\$ 1,300,000	\$ 1,300,000	\$ 1,674,234	\$ 374,234
Franchise tax	119,000	119,000	131,205	12,205
Permits and fees	137,000	137,000	161,646	24,646
Intergovernmental	3,400,789	3,400,789	2,892,369	(508,420)
Charges for services	66,000	66,000	61,314	(4,686)
Interest	6,500	6,500	19,142	12,642
Miscellaneous and contingencies	1,026,100	1,026,100	301,218	(724,882)
Total revenues	<u>6,055,389</u>	<u>6,055,389</u>	<u>5,241,128</u>	<u>(814,261)</u>
<b>EXPENDITURES:</b>				
<b>General government:</b>				
Council	37,000	37,000	31,349	5,651
Administration	304,350	304,350	180,466	123,884
Town clerk	63,500	63,500	53,849	9,651
Magistrate	5,200	5,200	4,781	419
Planning and zoning	36,680	36,680	33,000	3,680
Building maintenance	130,500	130,500	94,762	35,738
Attorney	50,000	50,000	45,244	4,756
Contingency	249,304	249,304	111,023	138,281
Total general government	<u>876,534</u>	<u>876,534</u>	<u>554,474</u>	<u>322,060</u>
<b>Public safety:</b>				
Law enforcement	2,197,500	2,197,500	2,058,199	139,301
Fire	348,878	348,878	344,862	4,016
Total public safety	<u>2,546,378</u>	<u>2,546,378</u>	<u>2,403,061</u>	<u>143,317</u>
<b>Public works/streets:</b>				
Community improvements	1,250,000	1,250,000	436,637	813,363
Engineer	20,000	20,000	40,179	(20,179)
Total public works/streets	<u>1,270,000</u>	<u>1,270,000</u>	<u>476,816</u>	<u>793,184</u>
<b>Recreation and parks:</b>				
Library	196,550	196,550	187,921	8,629
Parks and recreation, activity	454,200	454,200	405,732	48,468
Total culture and recreation	<u>650,750</u>	<u>650,750</u>	<u>593,653</u>	<u>57,097</u>
<b>Debt Service:</b>				
Principal	842,506	842,506	826,813	15,693
Interest	46,150	46,150	33,442	12,708
Total debt service	<u>888,656</u>	<u>888,656</u>	<u>860,255</u>	<u>28,401</u>
Total expenditures	<u>6,232,318</u>	<u>6,232,318</u>	<u>4,888,259</u>	<u>1,344,059</u>

(continued)

**TOWN OF SNOWFLAKE, ARIZONA**  
**GENERAL FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Continued)**  
**For the Fiscal Year Ended June 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess (deficiency) of revenues over (under) expenditures	(176,929)	(176,929)	352,869	529,798
<b>OTHER FINANCING SOURCES (USES):</b>				
Debt Proceeds	-	-	630,156	630,156
Transfers in	100,000	100,000	-	(100,000)
Transfers out	(385,150)	(385,150)	(518,916)	(133,766)
Total other financing sources (uses)	(285,150)	(285,150)	111,240	396,390
Net change in fund balance	(462,079)	(462,079)	464,109	926,188
Fund balance, beginning of year	1,623,060	1,623,060	1,623,060	-
Fund balance, end of year	<u>\$ 1,160,981</u>	<u>\$ 1,160,981</u>	<u>\$ 2,087,169</u>	<u>\$ 926,188</u>



**TOWN OF SNOWFLAKE, ARIZONA**  
**HIGHWAY USER REVENUE SPECIAL REVENUE FUND**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual**  
**For the Fiscal Year Ended June 30, 2018**

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental revenue:				
Highway user revenues	\$ 826,108	\$ 826,108	\$ 800,582	\$ (25,526)
Grants and contributions	200,000	200,000	50,000	(150,000)
Total intergovernmental	1,026,108	1,026,108	850,582	(175,526)
Other revenue:				
Interest income	-	-	5,098	5,098
Total revenue	1,026,108	1,026,108	855,680	(170,428)
<b>EXPENDITURES:</b>				
Public works:				
Salaries	155,000	155,000	167,937	(12,937)
Employee benefits	77,000	77,000	78,163	(1,163)
Services, supplies, and other	715,008	715,008	495,866	219,142
Total public works	947,008	947,008	741,966	205,042
Debt service				
Principal	30,800	30,800	30,778	22
Interest	3,300	3,300	3,594	(294)
Total debt service	34,100	34,100	34,372	(272)
Capital outlay				
	25,000	25,000	-	25,000
Total expenditures	1,006,108	1,006,108	776,338	229,770
Excess (deficiency) of revenues over (under) expenditures				
	20,000	20,000	79,342	59,342
Other Financing Sources (Uses):				
Transfers out	(20,000)	(20,000)	-	20,000
Total Other Financing Sources (Uses)	(20,000)	(20,000)	-	20,000
Net change in fund balance				
	-	-	79,342	79,342
Fund balance, beginning of year				
	382,547	382,547	382,547	-
Fund balance, end of year				
	\$ 382,547	\$ 382,547	\$ 461,889	\$ 79,342

## STATISTICAL SECTION

This part of the Town of Snowflake's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, no disclosures, and required supplementary information says about the government's overall financial health.

	Contents	Page
<b>Financial Trends</b>		
	<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>	
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	<b>Changes in Net Position</b>	78-79
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<b>Revenue Capacity</b>		
	<i>These schedules contain information to help the reader assess the Town's most significant local revenue sources.</i>	
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	<b>Governmental Activities Tax Revenues by Source</b>	84
<b>Debt Capacity</b>		
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<b>Operating Information</b>		
	<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	
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**Town of Snowflake, Arizona**  
**Net Position by Component**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(Unaudited)

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Governmental activities</b>										
Net investment in capital assets	\$ 10,052,079	\$ 9,821,620	\$ 10,117,910	\$ 9,631,282	\$ 9,055,294	\$ 8,972,640	\$ 8,284,922	\$ 7,655,966	\$ 7,508,330	\$ 6,945,750
Restricted	461,889	382,547	450,154	409,799	399,860	379,571	338,262	362,984	293,160	403,720
Unrestricted	(2,092,187)	(2,186,383)	(1,902,223)	(2,419,786)	1,058,167	1,447,821	2,035,693	1,908,498	1,813,450	2,031,852
Total governmental activities net position	\$ 8,421,781	\$ 8,017,784	\$ 8,665,841	\$ 7,621,295	\$ 10,513,321	\$ 10,800,032	\$ 10,658,877	\$ 9,927,448	\$ 9,614,940	\$ 9,381,322
<b>Business-Type activities</b>										
Net investment in capital assets	\$ 3,358,874	\$ 2,987,324	\$ 2,919,902	\$ 2,882,183	\$ 2,702,536	\$ 2,724,998	\$ 2,673,941	\$ 2,397,253	\$ 2,370,950	\$ 2,184,603
Restricted	285,657	286,448	256,137	236,945	260,167	610,810	610,810	747,123	656,248	565,400
Unrestricted	(13,901)	(302,613)	(313,875)	(515,089)	499,388	178,443	32,535	141,949	168,195	424,059
Total business-type activities net position	\$ 3,630,630	\$ 2,971,159	\$ 2,862,164	\$ 2,604,039	\$ 3,462,091	\$ 3,514,251	\$ 3,317,286	\$ 3,286,325	\$ 3,195,393	\$ 3,174,062
<b>Primary government</b>										
Net investment in capital assets	\$ 13,410,953	\$ 12,808,944	\$ 13,037,812	\$ 12,513,465	\$ 11,757,830	\$ 11,697,638	\$ 10,958,863	\$ 10,053,219	\$ 9,879,280	\$ 9,130,353
Restricted	747,546	668,995	706,291	646,744	660,027	990,381	949,072	1,110,107	949,408	969,120
Unrestricted	(2,106,088)	(2,488,996)	(2,216,098)	(2,934,875)	1,557,555	1,626,264	2,068,228	2,050,447	1,981,645	2,455,911
Total primary government net position	\$ 12,052,411	\$ 10,988,943	\$ 11,528,005	\$ 10,225,334	\$ 13,975,412	\$ 14,314,283	\$ 13,976,163	\$ 13,213,773	\$ 12,810,333	\$ 12,555,384

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Expenses</b>										
Governmental activities:										
General government	\$ 741,030	\$ 900,201	\$ 631,965	\$ 1,542,753	\$ 1,152,065	\$ 1,206,701	\$ 1,061,303	\$ 1,159,761	\$ 1,208,734	\$ 1,605,940
Public safety	2,827,442	2,672,348	2,327,719	2,080,498	2,245,703	2,122,500	1,872,380	1,858,543	1,851,500	1,954,856
Public works/streets	901,418	1,252,722	1,361,718	844,341	736,137	722,752	620,565	691,815	635,067	783,645
Recreation and parks	641,163	448,326	612,740	417,642	482,477	480,047	540,833	527,855	528,592	553,915
Interest on long-term debt	32,088	56,352	60,025	62,981	75,071	120,376	127,256	133,704	140,054	146,155
Total governmental activities expenses	5,143,141	5,329,949	4,994,167	4,948,215	4,691,453	4,652,376	4,222,337	4,371,678	4,363,947	5,044,511
Business-type activities:										
Water and sewer	1,351,191	1,251,636	1,210,343	1,353,699	1,457,208	1,251,985	1,195,945	1,224,999	1,302,245	1,233,194
Golf course	603,616	773,371	516,876	557,523	607,426	621,585	617,653	554,555	570,994	627,625
Total business-type activities expenses	1,954,807	2,025,007	1,727,219	1,911,222	2,064,634	1,873,570	1,813,598	1,779,554	1,873,239	1,860,819
Total Expenses	\$ 7,097,948	\$ 7,354,956	\$ 6,721,386	\$ 6,859,437	\$ 6,756,087	\$ 6,525,946	\$ 6,035,935	\$ 6,151,232	\$ 6,237,186	\$ 6,905,330
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 418,358	\$ 230,051	\$ 259,877	\$ 166,707	\$ 172,899	\$ 165,662	\$ 142,725	\$ 148,494	\$ 173,982	\$ 184,073
Public safety	986,591	886,269	857,493	890,479	908,548	960,752	746,717	736,068	713,533	755,291
Recreation and parks	69,938	97,097	86,286	72,055	77,053	100,424	130,180	128,736	134,514	105,365
Operating grants and contributions	850,582	786,480	880,962	698,167	650,967	1,392	673,992	717,624	736,307	799,342
Capital grants and contributions	291,699	147,000	1,307,791	871,969	312,095	651,551	806,026	582,901	630,778	47,116
Total governmental activities program revenues	2,617,168	2,146,897	3,392,409	2,699,377	2,121,562	1,879,781	2,499,640	2,313,823	2,389,114	1,891,187
Business -type activities:										
Charges for services:										
Water and sewer	\$ 1,773,851	\$ 1,507,560	\$ 1,431,358	\$ 1,467,601	\$ 1,440,990	\$ 1,496,251	\$ 1,383,891	\$ 1,353,669	\$ 1,372,481	\$ 1,343,856
Golf course	317,467	258,742	250,479	283,151	276,590	354,765	364,682	329,795	346,229	384,272
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Capital grants and contributions	-	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	2,091,318	1,766,302	1,681,837	1,750,752	1,717,580	1,851,016	1,748,573	1,683,464	1,718,710	1,728,128
Total primary government program revenues	\$ 4,708,486	\$ 3,913,199	\$ 5,074,246	\$ 4,450,129	\$ 3,839,142	\$ 3,730,797	\$ 4,248,213	\$ 3,997,287	\$ 4,107,824	\$ 3,619,315
Net/(expense) revenue										
Governmental activities	\$ (2,525,973)	\$ (3,183,052)	\$ (1,601,758)	\$ (2,248,838)	\$ (2,569,891)	\$ (2,772,595)	\$ (1,722,697)	\$ (1,908,514)	\$ (1,982,564)	\$ (2,472,760)
Business-type activities	136,511	(258,705)	(45,382)	(160,470)	(347,054)	(22,554)	(65,025)	(130,134)	(60,844)	(145,111)
Total primary government net expense	\$ (2,389,462)	\$ (3,441,757)	\$ (1,647,140)	\$ (2,409,308)	\$ (2,916,945)	\$ (2,795,149)	\$ (1,787,722)	\$ (2,038,648)	\$ (2,043,408)	\$ (2,617,871)

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>General Revenues</b>										
Governmental activities:										
Taxes										
City sales taxes	\$ 1,674,234	\$ 1,170,233	\$ 1,163,487	\$ 1,046,222	\$ 993,577	\$ 1,039,145	\$ 1,060,338	\$ 1,127,115	\$ 933,781	\$ 1,183,389
State sales taxes	553,613	507,828	527,763	510,863	486,569	457,552	436,804	381,877	362,157	392,644
Franchise taxes	131,205	111,316	119,958	124,221	121,282	123,360	130,017	123,838	121,399	121,073
Auto lieu taxes	365,336	324,556	319,808	295,826	285,566	274,622	291,394	256,076	256,954	279,662
Urban revenue sharing	713,926	693,194	673,035	676,704	623,076	1,237,678	471,801	480,336	637,160	738,459
Unrestricted investment earnings	24,240	-	-	-	4,993	2,918	2,780	3,143	9,403	2,993
Miscellaneous	17,087	93,225	90,151	39,423	61,938	44,305	154,198	183,954	56,039	110,308
Sales of capital assets	-	-	-	-	-	-	-	-	4,286	-
Transfers	(518,916)	(365,357)	(247,896)	(147,412)	(293,821)	(215,138)	(93,206)	(185,976)	(172,728)	(282,525)
Total governmental activities	<u>\$ 2,960,725</u>	<u>\$ 2,534,995</u>	<u>\$ 2,646,306</u>	<u>\$ 2,545,847</u>	<u>\$ 2,283,180</u>	<u>\$ 2,964,442</u>	<u>\$ 2,454,126</u>	<u>\$ 2,370,363</u>	<u>\$ 2,208,451</u>	<u>\$ 2,546,003</u>
Business-type activities:										
Investment earnings	\$ 3,964	\$ 2,343	\$ 1,520	\$ 3,303	\$ 1,073	\$ 4,381	\$ 2,780	\$ 1,046	\$ 3,132	\$ -
Transfers	518,916	365,357	247,896	147,412	293,821	215,138	93,206	185,976	172,728	282,525
Total business-type activities	<u>522,880</u>	<u>367,700</u>	<u>249,416</u>	<u>150,715</u>	<u>294,894</u>	<u>219,519</u>	<u>95,986</u>	<u>187,022</u>	<u>175,860</u>	<u>282,525</u>
Total primary government	<u><u>3,483,605</u></u>	<u><u>2,902,695</u></u>	<u><u>2,895,722</u></u>	<u><u>2,696,562</u></u>	<u><u>2,578,074</u></u>	<u><u>3,183,961</u></u>	<u><u>2,550,112</u></u>	<u><u>2,557,385</u></u>	<u><u>2,384,311</u></u>	<u><u>2,828,528</u></u>
<b>Change in Net Position</b>										
Governmental activities	\$ 434,752	\$ (648,057)	\$ 1,044,548	\$ 297,009	\$ (286,711)	\$ 191,847	\$ 731,429	\$ 647,666	\$ 299,937	\$ (607,321)
Business-type activities	659,391	108,995	204,034	(9,755)	(52,160)	196,965	30,961	121,997	45,726	149,834
Total change in Net Position	<u>\$ 1,094,143</u>	<u>\$ (539,062)</u>	<u>\$ 1,248,582</u>	<u>\$ 287,254</u>	<u>\$ (338,871)</u>	<u>\$ 388,812</u>	<u>\$ 762,390</u>	<u>\$ 769,663</u>	<u>\$ 345,663</u>	<u>\$ (457,487)</u>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General fund										
Non-Spendable	\$ -	\$ -	\$ -	\$ 27,447	\$ 561,612	\$ 6,433	\$ 380,338	\$ 202,541	\$ 205,257	\$ 205,779
Restricted	-	-	-	270	99,794	178,525	178,525	-	-	-
Unassigned	2,087,169	1,623,060	1,691,952	1,037,617	664,703	1,598,451	1,798,697	2,048,220	1,900,337	2,100,426
<b>Total general fund</b>	<b>\$ 2,087,169</b>	<b>\$ 1,623,060</b>	<b>\$ 1,691,952</b>	<b>\$ 1,065,334</b>	<b>\$ 1,326,109</b>	<b>\$ 1,783,409</b>	<b>\$ 2,357,560</b>	<b>\$ 2,250,761</b>	<b>\$ 2,105,594</b>	<b>\$ 2,306,205</b>
All other governmental funds										
Non-Spendable	\$ -	\$ -	\$ 11,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	461,889	382,547	450,154	409,529	300,066	201,046	159,737	149,420	114,635	225,166
Unassigned, reported in: Special Revenue Funds	-	-	-	-	-	-	-	-	20,793	12,093
<b>Total all other governmental funds</b>	<b>\$ 461,889</b>	<b>\$ 382,547</b>	<b>\$ 461,554</b>	<b>\$ 409,529</b>	<b>\$ 300,066</b>	<b>\$ 201,046</b>	<b>\$ 159,737</b>	<b>\$ 149,420</b>	<b>\$ 135,428</b>	<b>\$ 237,259</b>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Revenues</b>										
Local sales tax	\$ 1,674,234	\$ 1,170,233	\$ 1,163,487	\$ 1,046,222	\$ 993,577	\$ 1,039,145	\$ 1,060,338	\$ 1,127,115	\$ 933,781	\$ 1,183,389
State sales tax	553,613	507,828	527,763	510,863	486,569	457,552	436,804	381,877	362,157	392,644
Motor fuel tax	850,582	786,480	880,962	698,167	646,059	614,387	560,452	613,039	602,502	652,684
Franchise tax	131,205	111,316	119,958	124,221	121,282	123,360	130,017	123,838	121,399	121,073
Licenses and permits	161,646	69,654	39,532	31,493	21,099	31,143	15,111	15,013	32,608	55,869
Intergovernmental	1,370,961	1,164,750	2,300,633	1,891,405	1,245,291	1,550,856	1,682,761	1,423,898	1,659,258	1,211,895
Charges for services	1,313,240	1,116,363	1,076,655	1,050,842	1,054,733	1,195,695	1,004,511	998,285	988,860	988,860
Investment earnings	19,142	-	-	-	4,993	2,918	2,780	3,143	9,403	2,993
Miscellaneous	22,185	120,625	90,151	39,421	126,296	44,305	154,198	183,954	56,039	110,308
<b>Total revenues</b>	<b>6,096,808</b>	<b>5,047,249</b>	<b>6,199,141</b>	<b>5,392,634</b>	<b>4,699,899</b>	<b>5,059,361</b>	<b>5,046,972</b>	<b>4,870,162</b>	<b>4,766,007</b>	<b>4,719,715</b>
<b>Expenditures</b>										
Current:										
General government	554,474	751,757	504,011	1,314,150	990,186	1,100,970	911,708	1,013,868	1,065,648	1,474,031
Public safety	2,403,061	2,197,854	1,990,361	1,769,931	1,968,181	1,952,548	1,823,809	1,798,774	1,786,493	1,909,056
Public works/streets	1,218,782	1,078,102	993,157	559,667	461,585	419,911	413,611	512,589	436,947	600,332
Recreation and parks	593,653	609,146	566,824	418,693	466,594	474,147	473,462	466,140	467,220	497,233
Debt service:										
Principal	227,435	136,580	78,860	73,860	174,382	171,969	161,199	155,427	152,541	146,771
Interest	37,036	56,352	60,262	62,981	75,071	120,376	127,256	133,704	140,054	146,155
Capital outlay	-	-	1,110,557	1,197,252	436,225	1,137,144	925,605	444,525	851,104	366,703
<b>Total expenditures</b>	<b>5,034,441</b>	<b>4,829,791</b>	<b>5,304,032</b>	<b>5,396,534</b>	<b>4,572,224</b>	<b>5,377,065</b>	<b>4,836,650</b>	<b>4,525,027</b>	<b>4,900,007</b>	<b>5,140,281</b>
<b>Excess (Deficiency) of Revenues over expenditures</b>	<b>\$ 1,062,367</b>	<b>\$ 217,458</b>	<b>\$ 895,109</b>	<b>\$ (3,900)</b>	<b>\$ 127,675</b>	<b>\$ (317,704)</b>	<b>\$ 210,322</b>	<b>\$ 345,135</b>	<b>\$ (134,000)</b>	<b>\$ (420,566)</b>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Other financing sources (uses)</b>										
Transfers in	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 120,793	\$ 80,000	\$ 50,000
Transfers (out)	(518,916)	(465,357)	(347,896)	(247,412)	(393,821)	(315,138)	(193,206)	(306,769)	(252,728)	(332,525)
Proceeds from refinancing	630,156	-	-	-	1,301,586	-	-	-	-	-
Payment of debt from refinancing	(630,156)	-	-	-	(1,493,720)	-	-	-	-	-
Sales of capital assets	-	-	-	-	-	-	-	-	4,286	-
Total other financing sources (uses)	(518,916)	(365,357)	(247,896)	(147,412)	(485,955)	(215,138)	(93,206)	(185,976)	(168,442)	(282,525)
Net change in fund balances	<u>\$ 543,451</u>	<u>\$ (147,899)</u>	<u>\$ 647,213</u>	<u>\$ (151,312)</u>	<u>\$ (358,280)</u>	<u>\$ (532,842)</u>	<u>\$ 117,116</u>	<u>\$ 159,159</u>	<u>\$ (302,442)</u>	<u>\$ (703,091)</u>
Debt service as a percentage of noncapital expenditures	5.25%	3.32%	3.32%	3.26%	6.03%	6.90%	7.38%	7.09%	7.23%	6.14%



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

	Fiscal Year									
	2018		2017		2016		2015		2014	
	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total	Collections	% of Total
Mining	\$ -	0.0%	\$ 58,411	3.5%	\$ 69,623	4.2%	\$ 7,886	0.8%	\$ 6,050	0.6%
Communication and Utilities	202,970	12.1%	178,655	10.7%	167,496	10.0%	164,261	15.7%	167,070	16.8%
Construction	185,691	11.1%	137,140	8.2%	111,145	6.6%	90,801	8.7%	76,019	7.7%
Manufacturing	384	0.0%	9,045	0.5%	10,188	0.6%	13,182	1.3%	16,156	1.6%
Retail	1,059,359	63.3%	499,949	29.9%	532,592	31.8%	508,016	48.6%	459,649	46.3%
Real Estate Leasing	44,935	2.7%	29,405	1.8%	30,655	1.8%	32,125	3.1%	35,096	3.5%
Restaurant and Bar	165,004	9.9%	156,844	9.4%	138,799	8.3%	117,549	11.2%	98,714	9.9%
Accommodation	10,899	0.7%	19,033	1.1%	21,155	1.3%	22,252	2.1%	29,618	3.0%
Services	1,176	0.1%	61,877	3.7%	60,874	3.6%	67,782	6.5%	84,939	8.5%
Other	3,816	0.2%	19,874	1.2%	20,960	1.3%	22,368	2.1%	20,266	2.0%
Total	<u>\$ 1,674,234</u>	<u>100.0%</u>	<u>\$ 1,170,233</u>	<u>69.9%</u>	<u>\$ 1,163,487</u>	<u>69.5%</u>	<u>\$ 1,046,222</u>	<u>100.0%</u>	<u>\$ 993,577</u>	<u>100.0%</u>

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

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

Fiscal Year	State Shared Sales Tax	City Sales Tax	Franchise Tax	Motor Fuel Tax	Vehicle License Tax	State Shared Income Tax
2018	\$ 553,613	\$ 1,674,234	\$ 131,205	\$ 850,582	\$ 365,336	\$ 713,926
2017	507,828	1,170,233	111,316	786,480	324,556	693,194
2016	527,763	1,163,487	119,958	742,799	319,808	673,035
2015	510,863	1,046,222	124,221	698,167	295,826	676,704
2014	486,569	993,577	121,282	646,059	285,566	623,076
2013	457,552	1,039,145	123,360	614,387	274,622	571,006
2012	436,804	1,060,338	130,017	560,452	291,394	471,800
2011	381,877	1,127,115	123,838	613,039	256,076	480,336
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

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

Fiscal Year	Governmental Activities			Business-Type Activities		Total Debt Primary Government	Percentage of Personal Income (1)	Debt Per Capita (2)
	General Obligation Bonds	Revenue Bonds	Capital Leases	Revenue Bonds	Capital Leases			
2018	\$ -	\$ 969,696	\$ 630,156	\$ 2,150,304	\$ 236,614	\$ 3,986,770	3.69%	\$ 687
2017	-	1,827,286	-	2,512,714	292,188	4,340,000	3.96%	738
2016	-	1,963,866	-	2,796,134	-	4,760,000	4.56%	829
2015	-	2,042,726	-	3,032,274	-	5,075,000	5.07%	899
2014	-	2,116,586	-	3,258,414	-	5,375,000	5.46%	953
2013	-	2,481,769	-	2,917,713	-	5,399,482	5.78%	970
2012	-	2,653,738	-	3,172,018	-	5,825,756	6.99%	1,043
2011	-	2,814,363	-	3,417,235	-	6,231,598	7.27%	1,115
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

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

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

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Secondary assessed valuation	\$ 33,977,800	\$ 31,525,347	\$ 28,207,167	\$ 28,357,451	\$ 28,586,860	\$ 31,688,491	\$ 35,550,051	\$ 38,904,372	\$ 42,659,655	\$ 40,601,288
Debt limit @ 20%	6,795,560	6,305,069	5,641,433	5,671,490	5,717,372	6,337,698	7,110,010	7,780,874	8,531,931	8,120,258
Debt limit @ 6%	2,038,668	1,891,521	1,692,430	1,701,447	1,715,212	1,901,309	2,133,003	2,334,262	2,559,579	2,436,077
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin @ 20%	6,795,560	6,305,069	5,641,433	5,671,490	5,717,372	6,337,698	7,110,010	7,780,874	8,531,931	8,120,258
Legal debt margin @ 6%	2,038,668	1,891,521	1,692,430	1,701,447	1,715,212	1,901,309	2,133,003	2,334,262	2,559,579	2,436,077

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, 2018, were secured by sales taxes, and pledged excise tax revenues, rather than property taxes.

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

<b>Fiscal Year</b>	<b>Estimated Population</b>	<b>Median Household Income</b>	<b>Per Capita Personal Income</b>	<b>Total Personal Income</b>	<b>Unemployment Rate</b>	<b>Public School Enrollment</b>
2018	5,800	\$ 49,191	\$ 18,650	\$ 108,170,000	3.8%	2,900
2017	5,882	49,018	18,653	109,716,946	5.1%	2,750
2016	5,644	60,215	17,727	100,051,188	5.6%	2,505
2015	5,641	53,021	17,439	98,373,399	6.5%	2,553
2014	5,564	53,384	16,796	93,452,944	8.5%	2,412
2013	5,587	38,050	14,923	83,374,801	8.7%	2,436
2012	5,590	42,374	15,324	85,661,160	9.1%	2,494
2011	5,528	37,439	13,850	76,562,800	9.1%	2,494
2010	5,565	38,262	14,080	78,355,200	8.6%	2,471
2009	5,221	37,439	12,985	67,794,685	5.4%	2,487

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

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

<u>Employers</u>	<u>2018</u>		<u>2008*</u>	
	<u>Employees</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Percentage of Total Employment</u>
Summit Regional Medical Center	900	3.60%		
Navajo County	650	2.60%		
Wal-Mart	235	0.94%		
Arizona Public Service	290	1.16%		
Salt River Project	280	1.12%		
Snowflake Unified School District	230	0.92%		
Copperstate Farms	220	0.88%		
Smithfield	210	0.84%		
Northland Pioneer College	110	0.44%		
Total	<u>3,125</u>	<u>12.50%</u>	<u>-</u>	<u>-</u>
Total Employment	<u>25,000</u>			

Source: Estimates of various employers and sources.

\* 2008 Information not available

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

	Full Time Equivalent Employees									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General government	9	9	9	9	10	10	10	10	11	11
Public safety										
Police										
Officers	14	14	14	14	14	14	14	14	14	15
Civilians	7	7	7	7	7	7	7	7	7	7
Fire										
Full-time	0	0	0	1	1	1	1	1	1	1
Volunteers	0	0	0	15	15	15	15	15	15	15
Highways and streets	5	4	5	5	4.5	4.5	4	4	4	4
Recreation and parks	4	4	4	4	4	4	4	4	5	5
Utility fund	6	6	6	6	5.5	5.5	5	5	6	6
Golf Course	6	6	5	4	4	4	4	4	4	4
Total	51	50	50	65	65	65	64	64	67	68

Source: Various departments

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public safety										
Police calls for service	15,150	13,400	11,125	16,985	17,875	19,505	18,520	17,625	15,480	14,489
Fire calls for service	-	-	-	330	385	400	415	320	305	274
Highways and streets										
Street miles resurfaced	6.00	10.00	21.00	0.50	2.50	0.50	0.10	0.50	0.60	0.40
Recreation and parks										
Participants	3,250	3,600	4,250	4,105	3,750	4,400	4,700	4,720	4,510	4,250
Water and wastewater										
Water connects	25	15	10	6	3	2	3	1	2	14
Sewer connects	15	6	3	-	1	-	1	1	1	7
Golf course										
Rounds of golf	15,155	13,000	14,110	16,510	17,460	21,230	22,800	20,130	21,110	23,439

Source: Various departments



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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Highways and streets										
Streetlights	417	415	415	415	415	415	415	415	415	415
Lift stations	7	7	7	7	7	7	7	7	7	7
Signalized intersections	1	1	1	1	1	1	1	1	1	1
Recreation and parks										
Park areas	3	3	3	3	3	3	3	3	3	3
Pools	-	-	-	-	-	1	1	1	1	1
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

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**OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS**

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

The Honorable Mayor and  
Town Council  
Town of Snowflake, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Snowflake, Arizona, as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Snowflake, Arizona's basic financial statements and have issued our report thereon dated December 8, 2018.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

*HintonBurdick, PLLC*

HintonBurdick Arizona, PLLC  
Flagstaff, Arizona  
December 8, 2018





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

The Honorable Mayor and  
Town Council  
Town of Snowflake, Arizona

We have audited the basic financial statements of the Town of Snowflake, Arizona for the fiscal year ended June 30, 2018, and have issued our report thereon dated December 8, 2018. Our audit also included test work on the Town of Snowflake's compliance with selected requirements identified in the State of Arizona Revised Statutes and the Arizona State Constitution including, but not limited to, Title 28, Chapter 18, Article 2.

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

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

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Town of Snowflake complied, in all material respects, with the requirements identified above for the fiscal year ended June 30, 2018.

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

HintonBurdick Arizona, PLLC  
Flagstaff, Arizona  
December 8, 2018