

2017

FLAGSTAFF | ARIZONA

Empowering Flagstaff Families with Affordable Housing Options

City of Flagstaff
Comprehensive Annual
Financial Report

Fiscal Year Ended
June 30, 2017

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2017

City of Flagstaff, Arizona



**Prepared By:
Management Services Division
Finance and Budget Section**

City of Flagstaff
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2017

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City of Flagstaff

December 21, 2017

To the Honorable Mayor, City Council and Citizens of the City of Flagstaff, Arizona:

I am pleased to submit the Comprehensive Annual Financial Report for the City of Flagstaff, Arizona for the fiscal year ended June 30, 2017, as required by Article VI, Section 5 of the City Charter. This report is published to fulfill that requirement for the fiscal year ended June 30, 2017.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and that adequate accounting data are compiled to allow for the preparation of the basic financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Flagstaff's comprehensive framework of internal controls have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

CliftonLarsonAllen LLP, a firm of licensed certified public accountants, have issued an unmodified ("clean") opinion on the City of Flagstaff's financial statements for the year ended June 30, 2017. The independent auditors' report is located at the front of the financial section of this report.

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

CITY OF FLAGSTAFF PROFILE

The City of Flagstaff is located in Coconino County, Arizona at the intersection of Interstate 17 and Interstate 40. Flagstaff is the largest city in Northern Arizona and is the regional center and county seat for Coconino County, the second largest county in the 48 contiguous states. The 2010 United States Census shows a population of 65,870. The Arizona Department of Economic Security estimates the population for 2017 at 71,656. The City of Flagstaff became a town in 1894, incorporated as a city in 1928 and its boundaries currently encompass an area of approximately 66 square miles. Flagstaff is nestled at the base of the San Francisco Peaks and is surrounded by one of the largest ponderosa pine forests on earth. Flagstaff drew its name from a very tall pine tree made into a flagpole in 1876 to celebrate our nations' centennial. At nearly 7,000 feet, Flagstaff is one of the highest elevation cities in the United States.

The City of Flagstaff operates under a council-manager form of government as provided by its Charter. The Mayor is elected at large on a non-partisan ballot for a two-year term and six City Council members are elected at large on a non-partisan ballot for four-year terms. The City Council appoints the City Manager, who has full responsibility for carrying out Council policies and administering City operations. The City Manager, in turn, appoints City employees and department heads under service procedures specified by Charter.

The City of Flagstaff provides a full range of services including General Government, Police and Fire Protection, Environmental Services, Transportation, Library, Parks and Recreation, Airport, Water, Wastewater, Housing Authority, and Stormwater services.

The annual budget serves as the foundation for Flagstaff's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for all funds and entities related to the City of Flagstaff. All of these funds and entities are included in the basic financial statements. The City Manager submits to the City Council each spring a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. A public hearing is held prior to the budget's final adoption and tax levy in order to obtain taxpayer comments. The budget is legally enacted through the passage of a resolution and the tax levy is adopted by an ordinance. The resolution sets the limit for expenditures during the fiscal year. The legal level of control for the budget is the division level. Additional expenditures may be authorized for unanticipated and/or inadequately budgeted events threatening the public health or safety as prescribed in Article 9, Section 20 of the State Constitution.

LOCAL ECONOMY

Employment

Flagstaff is a governmental, educational, transportation, cultural and commercial center. Government is one of the largest employment sectors. Major private employers in the Flagstaff area include Flagstaff Medical Center, W. L. Gore and Associates, Joy Cone and Nestle Purina. Major public employers in the Flagstaff area include Northern Arizona University, Flagstaff Unified School District, Coconino County, City of Flagstaff, Coconino Community College and the U.S. Forest Service. Northern Arizona University, the largest employer in the City, has a major economic impact annually. It is the home of over 30,300 students in their 155 degree programs. In addition, NAU's year-round use of its campus facilities draws in tourists from throughout the world. Campus activities include a multitude of music, educational and athletic camps, as well as a broad variety of conferences from across the nation.

Tourism is also a large employer as the city sees over 4,600,000 visitors a year. Tourism is a year-round industry attracting skiers in the winter, vacationers in the summer and sightseers viewing the aspens turning gold in the fall. Non-city residents provide an estimated 50% of the sales tax revenues.

Sales Taxes

Sales taxes are the largest revenue resource for the City of Flagstaff. The City of Flagstaff collects four different sales taxes.

General Sales Tax - The first is a 1% tax on all general sales, except for food. This is a general purpose tax that benefits the General Fund. The City of Flagstaff is the only city left in the State of Arizona that has a sunset clause on the general sales tax. This tax must go before the voters every ten years and is currently authorized until November 2024. Overall local sales tax increases have been realized for seven years in a row. Per Schedule 5 in the Statistical Section, the 1% general city sales tax receipts have increased 10.9% from the prior fiscal year. A large part of this increase is related to the timing of collections from the state and the calculation of the 60-day accrual. The City continues to follow its' practice to not allocate 100% of construction and auto sales related sales tax revenues to ongoing budgetary needs due to the potential of fluctuation in recessionary periods.

Bed, Board and Beverage Tax - Bed, Board, and Beverage (BBB) tax collects an additional 2% for motel rooms/campgrounds, restaurants, and bars. This revenue is restricted in use to certain economic, arts, beautification, recreation, or tourism activities. The BBB tax also has a sunset clause and it is currently authorized until 2028. Tourism is a major industry to the City of Flagstaff's local economy. Per schedule

5, this tax category increased by 14.6% over prior year. In addition to a strong tourism market, the timing of collections from the state and the 60-day accrual had an impact.

Transportation Tax – The Transportation Tax is a 1.051% sales tax on the same types of general sales; however the tax is restricted in use to certain transportation projects. The four components of this tax include Safety Improvements, Street Improvements, 4th Street Overpass, and Transit. These transportation tax components, excluding transit, expire in 2020. Revenue trends are the same as the general sales tax. The transit component of the tax was approved by voters to extend for an additional 10 year and will expire in 2030. The City of Flagstaff will seek renewal of the remaining transportation taxes during the November 2018 election.

Road Repair and Street Safety Tax - The Road Repairs and Street Safety improvement tax is a 0.33% sales tax on the same types of the general sales tax. The proceeds from this tax are specifically dedicated to providing overdue maintenance including reconstructions on deteriorating city streets. This tax has a twenty-year life and the work program is anticipated to touch every City of Flagstaff owned street within the corporate boundary. Revenue trends are the same as the general sales tax.

State Shared Revenues

State shared revenues include a distribution of a portion of sales tax and income tax collected by the state. These distributions are made based on a city or town's relative share of population in comparison with all other cities and towns. For FY 2017, that state imposed legislative changes to the population component of the calculation and will use annual population estimates provided by the US Census Bureau.

State shared sales tax revenues have increased for the seventh year in a row. For FY 2017 there was a 3.3% growth in these revenues. State income tax revenues increased by 8.5%, however we are below the pre recessionary revenues by 6.0%. In FY 2017, the State offered a tax amnesty program which help increase the revenues this year. The State continues to implement reductions in corporate income tax liabilities, which expect to have a neutral impact on these revenues through increased economic development.

Highway user revenue (gas tax) funds (HURF) increased by 9.5% in FY 2017. This considerable increase matches our annual revenue peak in FY 2006. These revenues are distributed based on a complex Arizona Department of Transportation formula, based in part on the amount of fuel purchased in our region. The revenue decreases were initially due to the increased gas pricing resulting in lower sales. Recently we have seen lower gas prices, which increases the revenues collected. Additional decreases were due to the State shifting revenues 'off the top' to fund other public safety and motor vehicle department needs. As evidenced by the increase in BBB taxes and other statistical data, the City of Flagstaff remains a popular drive destination from Las Vegas, Los Angeles, and Phoenix.

Overall, these three state shared revenues grew by 7.3% in FY2017 and the State of Arizona projects continued growth.

Property Taxes

Excluding new construction, total assessed valuations have increased 1.4% for tax year 2016, fiscal year 2017. Next tax year, the City of Flagstaff will see a 5.5% increase in total assessed valuations. Even though the cities are statutorily allowed to set a primary property tax rate that would allow for 2% annual growth in levy (revenue) plus the additional levy generated from new construction, the City Council has established a policy of flat levy for existing properties. When the City of Flagstaff does not take advantage of the statutorily allowed 2% annual increase, it does not lose the ability to take the increase in the future. The City of Flagstaff has a capacity to increase the tax levy by 12% in tax year 2017. For the FY 2018 budget, City Council approved a 7% tax levy increase. The rate for the primary property tax is adjusted annually to generate a levy equal to the prior year, plus new construction.

Additional Information

While revenue fluctuations continue in some areas, the City of Flagstaff continues to see increase in General Fund budgeted revenue in FY 2018 (excluding grants and miscellaneous revenue) by 8.0%, which reflects increases in local and state revenues. The City of Flagstaff increased its overall staffing count by 31.2 full time equivalencies for the upcoming fiscal year. This is the fourth year the City has increased its position count since 2009, however authorized full-time equivalent staff level is 41.2 positions below 2009.

With strong student enrollment at Northern Arizona University, there were two new student housing developments opened in the fall of 2017 and there are currently two additional student housing projects currently under construction. Development within the City continues to be very strong in every sector; single family, multi-family, commercial and mixed use. With our strong tourism sector, we saw two new hotels open this summer and one more is under construction for about 300 new rooms. There are also 4 hotels in the planning stage for development. The housing market continues to strengthen as we have seen average housing prices increase 7% to \$378,000 in July 2017. The economic analysts for our local and state region continue to expect slow and steady growth over the next few years and add caution of a possible recession in the next three years. The City of Flagstaff will plan accordingly to ensure its financial position remains strong should a recession occur. The City of Flagstaff continues to work on bringing a second airline to the community.

Due to its strong and healthy local economy, the City of Flagstaff has maintained a credit rating of Aa2 from Moody's Investor Service since 2010 and a credit rating of AA from Standard and Poor's since 2010.

LONG-TERM FINANCIAL PLANNING

The City's responsiveness to emerging economic challenges and its careful long-range planning have been key factors in Flagstaff's fiscal health. The City continues to plan in a five to ten year horizon as economic conditions change. Some of these financial plan elements are financial resource planning, multi-year budget planning, strategic capital improvement project planning, and financial policy impacts, all of which are further identified below.

Financial Resource Planning – Strategic financial planning begins with determining the City's fiscal capacity based upon long-term financial forecasts of recurring available revenues. Financial forecasts coupled with financial trend analysis help preserve the fiscal well-being of Flagstaff. Strategic financial capacity planning is a critical element to reach long-term financial stability goals and to determine special financial needs for critical objectives of the City Council.

Multi-Year Budget Planning – Multi-year budget planning encompasses long-range operating expenditure plans (including the operating impacts of capital projects), which are linked to the community expectations and broad goals of the City Council. The multi-year approach provides a better opportunity for staff to change its financial paradigm from what do we need this year to how do we accomplish our service objectives over-time, given our financial capacity. While the City is required to adopt an annual budget to meet State statutory requirements, Flagstaff builds a financial plan for the next five years to help anticipate future impacts and ensure achievement of City objectives within limited or decreasing resources.

Strategic Capital Improvement Project Planning – Flagstaff Capital Improvement Projects are planned for five or more years and analyzed using City specific prioritization criteria. The operating cost impacts of projects are also planned and considered in developing future operating budget plans. Projects with significant operating impacts are carefully timed to avoid contingent liabilities, which future operating resources cannot meet. Pay-as-you-go funding sources are also conservatively estimated to avoid over-committing to capital construction using revenues that are not certain. To the extent debt financing is used and/or required, capital project plans are sized to conform to existing debt management policies.

Financial Policy Planning – The City of Flagstaff financial policies dictate minimum fund balance levels, as a percentage of operating revenues, for the General, Special Revenue, and Enterprise Funds. The General Fund is required to maintain a fund balance of 15% of ongoing revenues and special revenue and enterprise funds are to maintain a 10% fund balance, as calculated against ongoing revenues. The City has made a commitment to maintain General Fund balance at 20%, exceeding policy, to position the City better in times of economic decline. Council adopted a Water, Wastewater and Reclaimed Water policy that sets a goal of minimum fund at 25% and we recently adopted new rates to achieve this goal.

COUNCIL UPDATES GOALS AND OBJECTIVES

During FY 2017, the City Council updated their goals and objectives. These goals and objectives are used to help management and staff build work programs and develop budgets. Staff has developed matrices to help define and report on progress and are available on the City of Flagstaff website.

ECONOMIC DEVELOPMENT: Grow and strengthen a more equitable and resilient economy.

- Improve the small business experience when going through the City process.
- Support and enhance services to all businesses in the community.
- Complete the sale of the auto mall properties.
- Increase Eco and historic tourism in Flagstaff.
- Form an arts district and cultural arts facility.
- Market Parks and Recreation as accessible for all regardless of income.
- Promote internet connectivity throughout the community.

AFFORDABLE HOUSING: Support development and increase the inventory of public and private affordable housing for renters and home owners throughout the community.

- Increase the number of affordable rental units.
- Promote energy efficient rental units.
- Improve the distribution of affordable rental units throughout the community and neighborhoods.
- Seek private developer partnerships to increase affordable housing inventory in both rental and ownership units.
- Pursue financing strategies for affordable housing to create additional rental and ownership housing opportunities.
- Modify the building and zoning codes to encourage more affordable housing options.
- Adopt a primary property tax rate increased to the maximum allowed with additional funds dedicated to setting up robust city-managed rental housing units.
- Establish an Employer Assisted Housing Program.

SOCIAL JUSTICE: Advance social justice in our community.

- Increase communication and engagement with indigenous communities regarding City decisions.
- Strengthen and repair relationships with the indigenous and immigrant communities.
- Revisit the anti-camping ordinance.
- Sponsor and support state or federal legislation that restores and protects funding for social and other services to our population with special needs.
- Advocate for healthcare as a human right.

TRANSPORTATION AND OTHER PUBLIC INFRASTRUCTURE: Deliver quality community assets and continue to advocate and implement a highly performing multi-modal transportation system.

- Send a transportation tax renewal question to voters in November 2018 and earn majority voter support.
- Improve peak travel times between Snowbowl Road and the Interstate 17/40 corridors.
- Advocate for additional state and federal funding for state and federal roads.
- Facilitate infrastructure needed to develop private land.
- Develop a Downtown and Southside multimodal transportation plan.
- Promote Fourth street connection with John Wesley Powell Boulevard.
- Secure Fourth Street Bridge funded through Arizona Department of Transportation five-year Capital Improvement Program.
- Support the Regional Transportation Plan.
- Complete the Public Works Yard in the next two years.

- Complete the Intergovernmental Agreement with the County for a new courthouse and begin the design process.
- Evaluate water, wastewater and reclaimed water infrastructure capacity issues.
- Replace aging infrastructure.
- Support the airport with needed infrastructure upgrades in order to enhance our tenant and patron experience as well as additional airline attraction.

BUILDING AND ZONING/REGIONAL PLAN: Revise the zoning code to remove ambiguities, and ensure it is consistent with community values and the regional plan.

- Align building codes, zoning codes and regional plan.
- Adjust the codes to better reflect community values and the intent of the regional plan.
- Improve clarity and readability of existing building and zoning codes.
- Continue efforts to understand the impacts of student housing while supporting the housing type.
- Develop code changes to encourage more affordable housing.
- Complete and update neighborhood plans specific to Housing Urban Development consolidated plan and target neighborhoods within that plan.
- Continue the conversation about impact fees.

CLIMATE CHANGE: Take meaningful climate change action.

- Develop and implement a climate action plan.
- Become a 100% renewable energy city as an organization and a community.
- Achieve financial divestment from fossil fuels.
- Sponsor and support state or federal legislative action that combats climate change.
- Update energy code.

WATER CONSERVATION: Become a national leader in water conservation in all sectors.

- Develop a sustainable water budget.
- Enhance water conservation efforts.
- Encourage commercial and multi-housing sectors to participate in water conservation efforts.
- Secure long-term water resources.
- Prioritize reclaimed water uses.

ENVIRONMENTAL AND NATURAL RESOURCES: Actively manage and protect all environmental and natural resources.

- Aggressively support efforts for forest health.
- Preserve natural resources.
- Further develop sustainability and waste removal policies and programs.
- Align City policies and SLEDS committee recommendations.
- Continue to support the Four Forest Restoration Initiative (4FRI).

ADMINISTRATIVE GOALS

PERSONNEL: Attract and retain quality staff.

- Invest in employee training.
- Ensure adequate Public Safety staffing levels.
- Provide pay raises for all employees.
- Provide paid maternity and paternity leave.
- Expand the housing assistance program for all City staff.
- Enhance tuition reimbursement opportunities throughout the organization.
- Provide parking incentives for employees.
- Evaluate ways to pay down unfunded pension liabilities.

COMMUNITY OUTREACH: Enhance public transparency and accessibility.

- Create greater public access to Council meetings.
- Define the City's public communication program.
- Take a more proactive role in communicating issues and progress on Council Goals and Objectives.
- Develop a social media management plan.
- Build and enhance neighborhood services from the City.

TOWN & GOWN: Enhance relationships between the city and institutions of higher education.

- Establish a comprehensive internship program through Coconino Community College and Northern Arizona University.

CODE COMPLIANCE: Achieve comprehensive and equitable code compliance.

- Review current City Code to align with community expectations.
- Establish proactive enforcement of the City Code.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Flagstaff for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2016. This was the 23rd consecutive year that the City has achieved this prestigious award. In order to receive a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

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

The City also received the GFOA's Distinguished Budget Presentation Award for our fiscal year 2017 annual budget (also 23 years in a row). To qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

In addition, in 2017, the City received the Achievement in Excellence in Procurement award for the sixth year in a row by the National Purchasing Institute. This award program is designed to recognize organizational excellence in public procurement measuring innovation, professionalism, productivity, e-procurement, and leadership attributes.

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Management Services Division. A special note of appreciation is given to Brandi Suda, Finance Director, Robert Norton, Finance Manager and the dedicated staff in Finance for their efforts to prepare this year's CAFR. The hard work of staff brings together a document that consistently receives recognition of its quality. We wish to thank all government departments for their assistance in providing the data necessary to prepare this report. Credit also is due to the mayor and the Council for their support for maintaining the highest standards of professionalism in the management of the City of Flagstaff finances.

Respectfully submitted,



Rick Tadder

Management Services Director



Government Finance Officers Association

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

Presented to

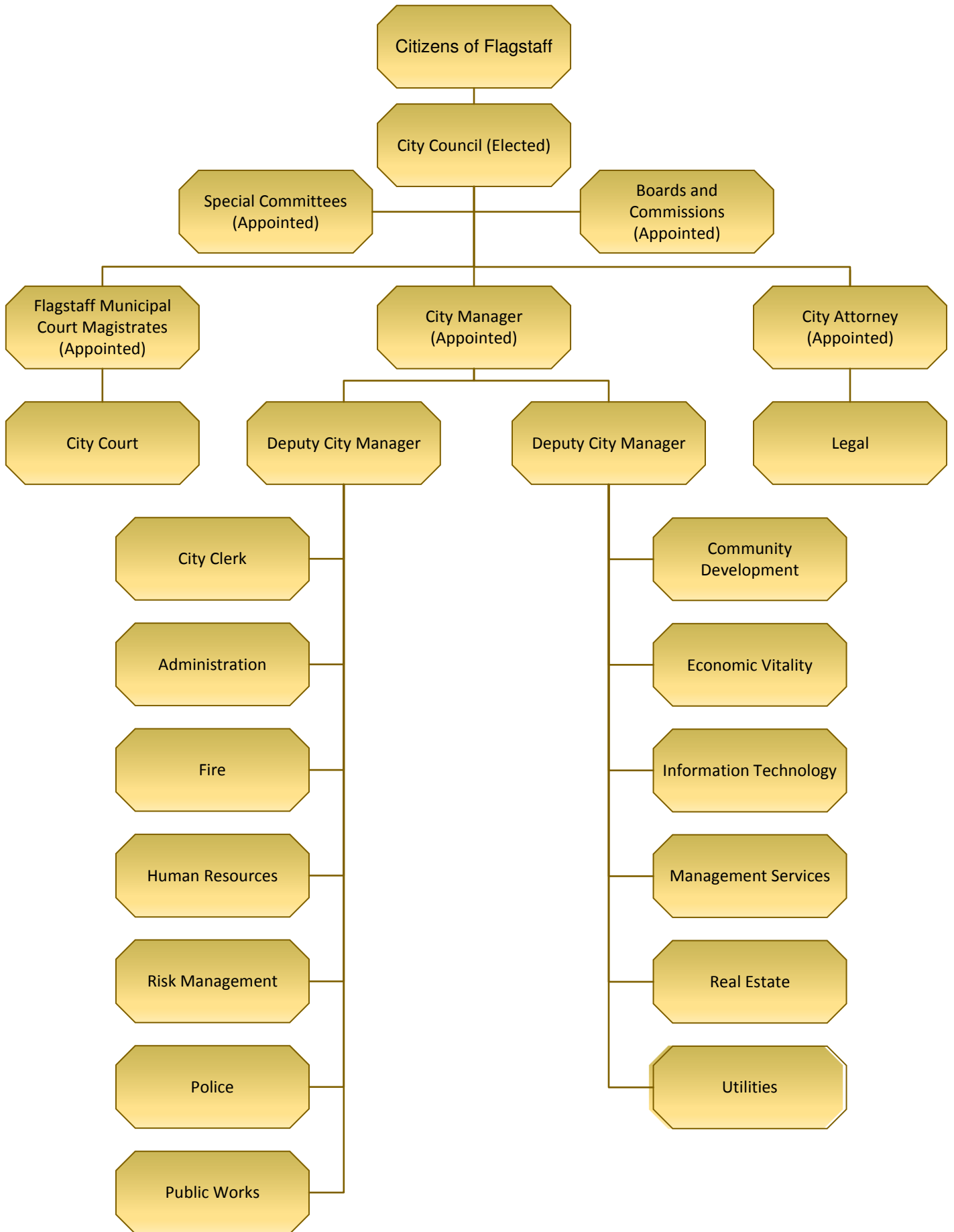
**City of Flagstaff
Arizona**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

City of Flagstaff



City of Flagstaff, Arizona
List of Elected and Appointed Officials
June 30, 2017

Elected Officials

Mayor	Coral Evans
Vice Mayor	Jamie Whelan
Councilmember	Celia Barotz
Councilmember	Jim McCarthy
Councilmember	Charlie Odegaard
Councilmember	Scott Overton
Councilmember	Eva Putzova

Appointed Officials

City Manager	Josh Copley
City Attorney	Sterling Solomon
City Treasurer	Rick Tadder
City Clerk	Elizabeth Burke



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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of City Council
City of Flagstaff, Arizona
Flagstaff, 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 City of Flagstaff, Arizona (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City'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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flagstaff, Arizona as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison schedules of the General Fund, Highway User Revenue Fund, and Transportation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, supplementary information and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the supplemental information (capital assets used in the operations of the government, budgetary comparison schedules for nonmajor governmental funds and the financial data submission schedules) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Phoenix, Arizona
December 21, 2017



Management Discussion and Analysis

As management of the City of Flagstaff (the City), we offer readers of the City's Financial Statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii –ix of this report.

FINANCIAL HIGHLIGHTS

- The City's total net position at the close of the most recent fiscal year is \$585.8 million.
- The government's total net position increased by \$15.7 million during the fiscal year. This is a result of an increase in net position in the governmental activities of \$3.9 million and an increase in net position in the business type activities of \$11.8 million.
- As of June 30, 2017, the City's governmental funds reported combined ending fund balances of \$121.9 million, an increase of \$29.6 million in comparison to the prior fiscal year. Approximately 22.7% of this total amount (\$27.7 million) is unassigned fund balance available for spending at the government's discretion.
- As of June 30, 2017, total unassigned fund balance for the general fund was \$30.4 million, or 55.1% of total general fund expenditures (\$55.1 million).
- As of June 30, 2017, the City's proprietary funds reported combined total net position of \$347.6 million, and total unrestricted of \$27.2 million. The largest unrestricted component of net position is in the Water and Wastewater Fund (\$22.1 million) and in the Environmental Services Fund (\$6.3 million).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) Government-wide Financial Statements, (2) Fund Financial Statements, and (3) Notes to the Financial Statements. This report also contains other Supplemental Information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, which equal net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City'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 the 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 such as revenues pertaining to uncollected taxes or expenses pertaining to earned but unused vacation leave.

Both of the Government-wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government 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 sections are demonstrated in the table below.

Government Activities		Business-type Activities
Beautification	Human Resources	Airport
Cemetery	Information Services	Environmental Services
City Attorney	Library	Housing Authority
City Council	Municipal Courts	Stormwater Operations
City Manager	Parks	Wastewater
Community Development	Police	Water
Economic Development	Recreation	
Facilities Maintenance	Risk Management	
Financial Services	Streets and Transportation	
Fire	Tourism	
Fleet Management		

The Government-wide Financial Statements include not only the City itself (known as the primary government), but also the Municipal Facilities Corporation (MFC). The MFC, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government as a blended component unit.

The Government-wide Financial Statements can be found on pages 21–23 of this report.

Fund Financial Statements

The Fund Financial Statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 City can be divided into two categories: **Governmental** Funds and **Proprietary** Funds.

Governmental Funds: Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the Government-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 City maintains several individual governmental funds organized according to their type (Special Revenue, Capital Projects, and Debt Service). 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, Highway User Revenue Fund, Transportation Fund, General Obligation Bond Fund and Capital Projects Bond Construction Fund, which are all considered major funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 110–113.

The City adopts an annual appropriated budget for its General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Enterprise Funds. A budgetary comparison statement has been provided for the General and Special Revenue major governmental funds to demonstrate compliance with the respective budgets.

The basic Governmental Fund Financial Statements can be found on pages 24–34 of this report.

Proprietary Funds: Proprietary Funds are generally used to account for services for which the City charges customers – either outside customers, or departments of the City. Proprietary Funds provide the same type of information shown in the Government-wide Financial Statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise Funds** are used to report the same function presented as business-type activities in the Government-wide Financial Statements. The City uses Enterprise Funds to account for Water and Wastewater, Airport, Environmental Services, Stormwater, and the Housing Authority. All are considered to be major funds of the City with the exception of the Housing Authority Fund.
- **Internal Service Funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses an Internal Service Fund to account for its workers compensation, health insurance, other risk related activity, including claims adjustment, and general liability and property insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-wide Financial Statements. The Internal Service Fund is combined into a single, aggregated presentation in the Proprietary Fund Statements.

The Basic Proprietary Fund Financial Statements can be found on pages 36–43 of this report.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the Financial Statements can be found on pages 44–99 of this report.

Combining statements

The Combining Statements referred to earlier in connection with non-major governmental funds are presented on pages 109–113.

Other information

In addition to the Basic Financial Statements and accompanying Notes to the Financial Statement, this report also presents certain other Supplemental Information concerning the City's capital asset activity, budgetary

comparison of other major and non-major governmental funds, and financial data submission schedules. Other Supplemental Information can be found on pages 116-136 of this report.

GOVERNMENT WIDE STATEMENTS FINANCIAL ANALYSIS

Analysis of Net Position

As noted earlier, Net Position may serve as a useful indicator of a government's financial position. For the City, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$585.8 million as of June 30, 2017.

Of the City's Net Position, 96.0% reflects its investment of \$562.9 million in capital assets (e.g. land, buildings, and equipment), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 liquidated for these liabilities.

Net Position						
June 30, 2017 and 2016 (in thousands of dollars)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 142,006	\$ 109,908	\$ 59,854	\$ 51,565	\$ 201,860	\$ 161,473
Capital assets	309,559	308,986	352,746	349,375	662,305	658,361
Total assets	<u>451,565</u>	<u>418,894</u>	<u>412,600</u>	<u>400,940</u>	<u>864,165</u>	<u>819,834</u>
Total deferred outflows of resources	<u>31,203</u>	<u>23,319</u>	<u>3,371</u>	<u>1,785</u>	<u>34,574</u>	<u>25,104</u>
Long-term liabilities	213,454	180,555	58,176	59,233	271,630	239,788
Other liabilities	25,220	21,293	9,141	7,177	34,361	28,470
Total liabilities	<u>238,674</u>	<u>201,848</u>	<u>67,317</u>	<u>66,410</u>	<u>305,991</u>	<u>268,258</u>
Total deferred inflows of resources	<u>5,206</u>	<u>5,408</u>	<u>1,784</u>	<u>1,229</u>	<u>6,990</u>	<u>6,637</u>
Net investment in capital assets	245,638	246,897	317,301	311,645	562,939	558,542
Restricted	86,072	60,982	3,142	2,903	89,214	63,885
Unrestricted	(92,822)	(72,922)	26,427	20,538	(66,395)	(52,384)
Total net position	<u>\$ 238,888</u>	<u>\$ 234,957</u>	<u>\$ 346,870</u>	<u>\$ 335,086</u>	<u>\$ 585,758</u>	<u>\$ 570,043</u>

Total assets increased mainly due to the net change of restricted and unrestricted cash and investments as well as increases to accounts receivable due to timing of sales tax receipts and intergovernmental receivable for airport grant. Total liabilities increased primarily due to increase in bonds, notes and lease payables and net pension obligation as well as increase in accounts payable and construction retainage payable due to large volume of construction at year end.

A portion of the City's net position, \$89.2 million (15.2%), represents resources that are subject to external restriction on how they may be used. The unrestricted component of net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in two of the three categories of net position for governmental activities, and in all three categories for business-type activities.

Governmental activities are reporting a negative unrestricted net position due to the recording of the City's net pension obligation.

Current assets for governmental activities have increased by 29.2% (\$32.1 million). The largest increase was in restricted cash and investments (\$15.6 million) along with \$6.1 million increase in unrestricted cash and investments.

Deferred outflows of resources for the governmental activities have increased \$7.9 million and is related to the pension related deferred outflows.

Capital assets of the governmental activities, funded through operations, debt proceeds, grants, and contributions, increased by .2% (\$572,000) due to capital outlays and capital contribution in excess of depreciation and deletions. Major capital outlays include the Road Repair and Street Safety projects (\$4.1 million) and construction of the Core Service Facility of \$3.4 million.

Governmental activities long-term liabilities increased by 18.2% (\$32.9 million) due to a \$28.5 million (including \$3.5 million in premiums) issuance of long term debt in FY2017. In addition, there was a net increase of \$16.7 million in net pension liability, net OPEB liability and compensated absences. Other liabilities increased by 18.4% (\$3.9 million) primarily due to the increase in the accounts payable and retainage payable (\$2.8 million) and claims and judgements (\$1.8 million) offset by decrease in current portion of debt (\$1.1 million).

Deferred inflows of resources for governmental activities decreased \$202,000 related to pension related deferred inflows.

Total assets for business-type activities have increased by 2.9% (\$11.7 million). The largest increase was for cash and cash equivalents (\$6.8 million). In addition, intergovernmental receivables increased \$5.8 million. The largest decrease was for internal balance (\$5.1 million).

Total liabilities for business type activities increased by 1.4% (\$0.9 million). Major changes include the decreases in bonds, notes and leases payable (\$3.0 million) and increase in net pension liability (\$1.3 million) and accounts and retainable payable of \$1.7 million

Overall, the business-type net position has increased by 3.5% (\$11.8 million) due to increases in unrestricted net position (\$5.8 million) related overall increase in operating and non-operating revenues and \$5.7 million increase in net investment in capital assets. The changes are primarily in the Water and Wastewater Fund, Airport Fund and Stormwater Fund.

Analysis of Change in Net Position

The City's overall net position has increased by \$15.7 million during the current fiscal year. These increases are explained in the governmental and business-type activities discussion to follow.

Changes in Net Position
For the Years Ended June 30, 2017 and 2016 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for services	\$ 9,723	\$ 9,291	\$ 43,672	\$ 41,293	\$ 53,395	\$ 50,584
Operating grants and contributions	7,724	7,727	4,954	4,776	12,678	12,503
Capital grants and contributions	8,774	11,806	13,162	4,340	21,936	16,146
General Revenues:						
Property taxes	11,674	11,341	-	-	11,674	11,341
Sales taxes	53,583	48,343	-	-	53,583	48,343
State shared taxes	18,140	17,080	-	-	18,140	17,080
Investment earnings	(447)	1,668	406	336	(41)	2,004
Other	1,130	1,420	377	376	1,507	1,796
Total revenues	<u>110,301</u>	<u>108,676</u>	<u>62,571</u>	<u>51,121</u>	<u>172,872</u>	<u>159,797</u>
Expenses						
General government	19,320	17,211	-	-	19,320	17,211
Public safety	42,090	34,711	-	-	42,090	34,711
Public works	1,896	1,650	-	-	1,896	1,650
Economic and physical development	9,833	10,259	-	-	9,833	10,259
Culture and recreation	13,564	12,975	-	-	13,564	12,975
Highways and streets	15,849	13,059	-	-	15,849	13,059
Interest on long-term debt	2,744	2,296	-	-	2,744	2,296
Water	-	-	15,454	14,674	15,454	14,674
Wastewater	-	-	11,150	10,491	11,150	10,491
Environmental	-	-	12,338	12,087	12,338	12,087
Airport	-	-	5,081	4,308	5,081	4,308
Housing Authority	-	-	6,658	6,126	6,658	6,126
Stormwater	-	-	1,180	1,246	1,180	1,246
Total expenses	<u>105,296</u>	<u>92,161</u>	<u>51,861</u>	<u>48,932</u>	<u>157,157</u>	<u>141,093</u>
Increase in net position before transfers	5,005	16,515	10,710	2,189	15,715	18,704
Transfers	(1,074)	121	1,074	(121)	-	-
Change in net position	3,931	16,636	11,784	2,068	15,715	18,704
Net position at beginning of year, as restated	234,957	218,321	335,086	333,018	570,043	551,339
Net position at end of year	<u>\$ 238,888</u>	<u>\$ 234,957</u>	<u>\$ 346,870</u>	<u>\$ 335,086</u>	<u>\$ 585,758</u>	<u>\$ 570,043</u>

Governmental activities

Governmental activities increased the City's net position by \$3.9 million. The key factors for this increase are as follows:

- Revenues exceeded expenses by \$5.0 million as compared to last years' of \$16.5 million.
- Capital grants and contributions had the largest decrease by dollars at \$3.0 million (25.7%). Economic and physical development decreased by \$0.7 million related to grant funded Accelerator project. Highway and street decreased \$2.1 million related to prior year developer capital contribution and transportation contributions.
- City sales tax revenues increased by 10.8% (\$5.2 million). Comparing actual revenues to budgeted revenues the city exceeded the estimates by \$6.1 million. The increase in the city general sales tax, the transportation taxes, and the Bed, Board, and Beverage sales taxes are \$1.9 million, \$2.2 million, and \$1.1 million respectively. The city has seen positive sales tax growth in the last six years.
- Charges for services increased 4.6% (\$0.4 million) related primarily to an increase in building and construction permits and fees due to the increase in construction in the community.
- Operating grants and contribution remained relatively unchanged over the prior year.

- State shared taxes had a 6.2% increase as the economy in the region and at the state level continues to grow at slow to moderate levels.
- Expenses have increased by \$13.1 million (14.2 %) due largely to the increase public safety pension costs. The major increases were in general government (\$2.1 million), public safety (\$7.4 million), and highways and streets (\$2.8 million). The only decrease was in economic and physical development for \$0.4 million.

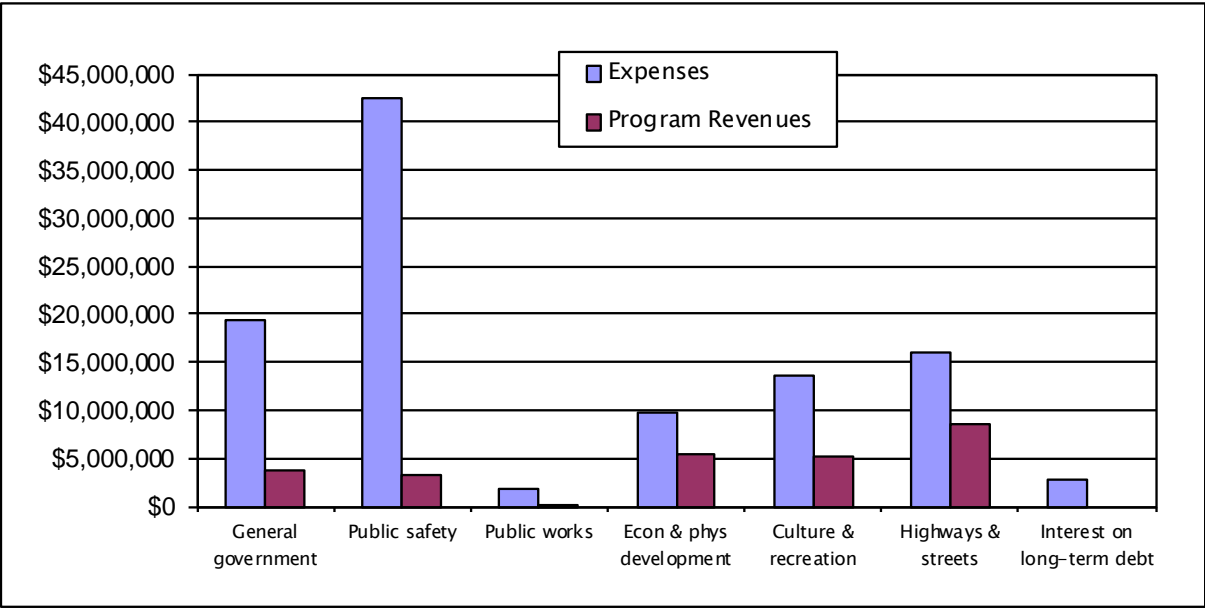
Business-type activities

Business type activity had a net position increase of \$11.8 million. The key factors for this increase include:

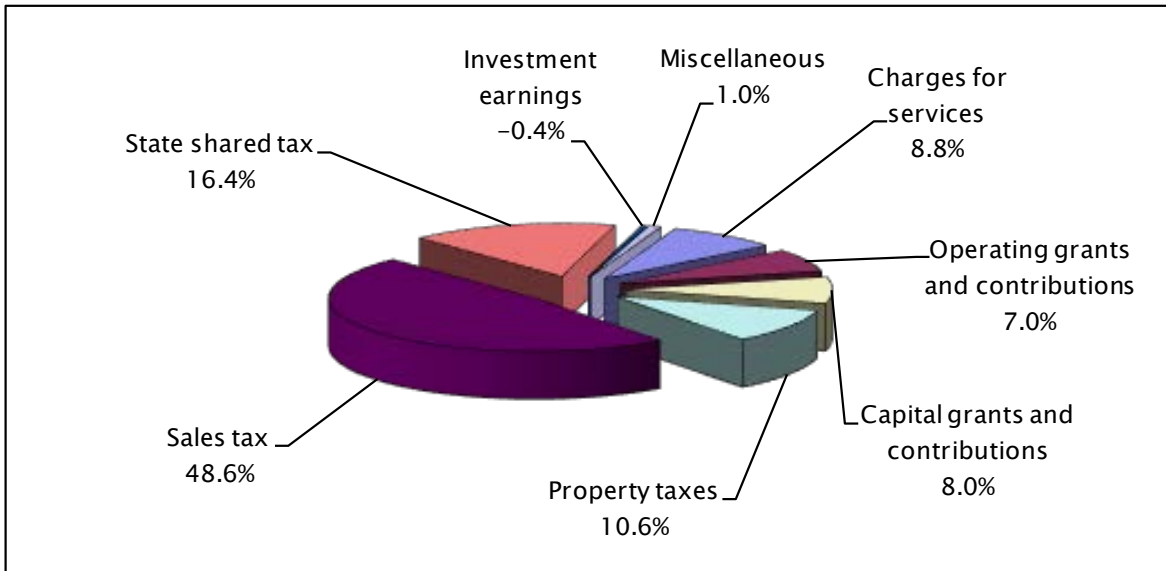
- Charges for service have increased by 5.8% (\$2.4 million). Funds with increases were Water (\$1.4 million), Wastewater (\$0.6 million), Environmental Services (\$290,000), Stormwater (\$100,000), and Housing Authority (\$150,000).
- Capital grants and contributions have increased by 203% (\$8.8 million) due to a large grant funded construction project at the Airport as well as an increase in utility capacity fees.
- Investment earnings are up slightly (\$70,000).
- Expenses have increased over the prior year by 6.0 % (\$2.9 million). There were increases in the Water Fund (\$0.8 million), Airport Fund (\$0.8 million), Wastewater (\$0.7 million), Housing Authority Fund (\$500,000), and Environmental Services Fund (\$250,000). There was a decrease in the Stormwater (\$65,000).

The following two charts illustrate the City's governmental expenses by function and its revenues by source.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities

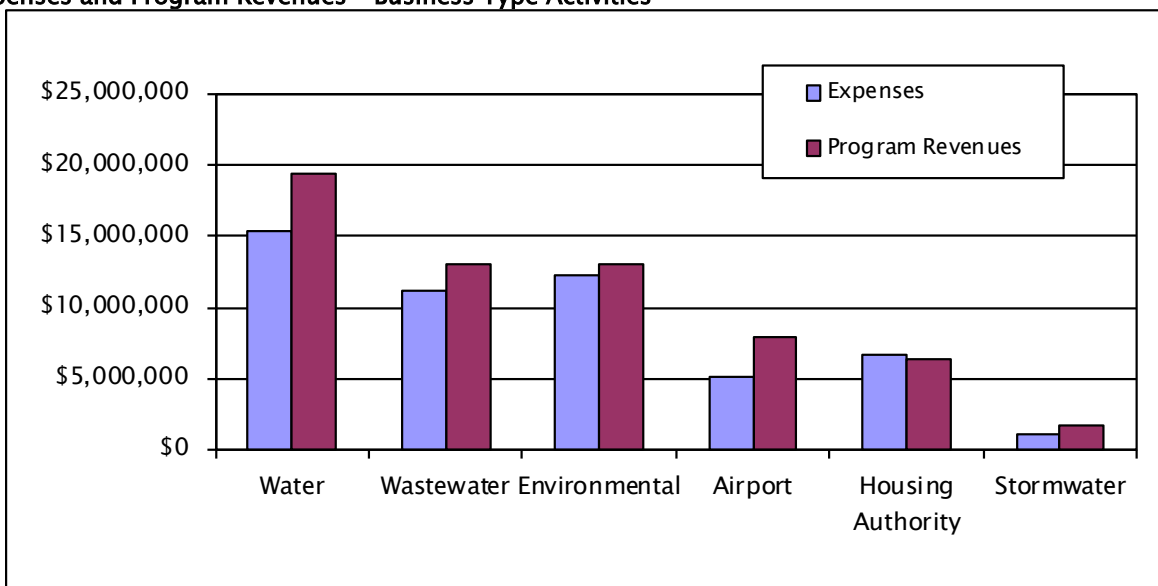


As shown, Public Safety is the largest function as measured by expense (\$42.1 million, 40.0%) followed by General Government (\$19.3 million, 18.3%), and Highways & Streets (\$15.9 million, 15 %).

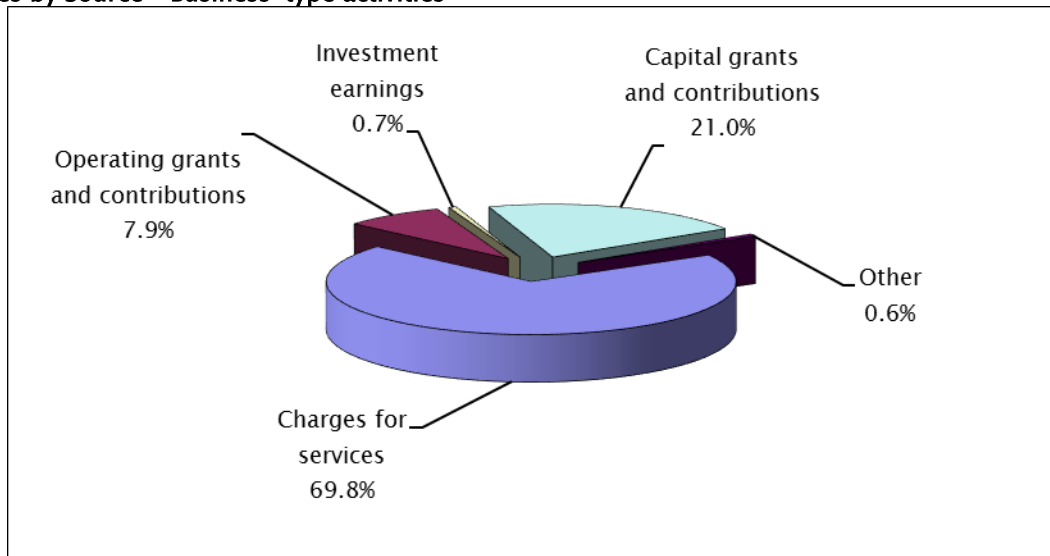
General revenues such as sales taxes, state shared taxes, and property taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, sales tax is the largest single source of funds (\$53.6 million, 48.6%), followed by state shared tax (\$18.1 million, 16.4%) and property taxes (\$11.7 million, 10.9%). The top three revenues make up 75.6% of total revenues compared to last year's top three of 71.4%. Last year, capital grants and entitlements was ranked third. With the decrease in capital grants in FY 2017, property taxes are now ranked third.

The following two charts illustrate the City's business type expenses by function and its revenues by source.

Expenses and Program Revenues – Business Type Activities



Revenues by Source – Business-type activities



As shown, Water has expenses of \$15.5 million for the fiscal year, followed by Environmental Services with \$12.3 million, Wastewater with \$11.1 million, Housing Authority with \$6.7 million, the Airport with \$5.1 million and Stormwater with \$1.2 million. For the fiscal year, program revenue exceeded expense for the Water and Wastewater Fund, Environmental Services Fund, Airport Fund and Stormwater Fund. The Housing Authority Fund's program expenses exceeded revenues mainly due to depreciation of capital assets and increased pension costs. Water, Wastewater, Environmental Services, and Stormwater Funds received the majority of their program revenues through charges for services (82.0%, 75.8%, 99.7%, and 96.2% respectively). The Housing Authority Fund receives the majority of its program revenue through operating grants and contributions (71.0%). The Airport Fund received much of its program revenue through capital grants and contributions (76.9%) due a very large federal grant. Charges for services provided the largest share of revenues (69.8%) for all of the business-type activities, followed by capital grants and contributions (21.0%).

The expenses for the business type activities increased (6.0%, \$2.9 million) as there were increases in Water (5.3%, \$780,000), Airport (18.0%, \$773,000), Wastewater (6.3%, \$659,000) Housing Authority (8.7%, \$532,000), and Environmental Services (2.1%, \$251,000), and offset by decreases in Stormwater (5.2%, \$66,000).

The water and wastewater user fees rate were increased on January 1, 2017. Water, Wastewater, Environmental Services, Stormwater and Housing Authority Funds increased charges for service revenue at 9.5%, 5.9%, 2.2%, 6.9% and 10.3%, respectively. Airport's charges for service revenues decreased by 6.2% over the prior year.

Financial Analysis of the City's Funds

As noted earlier, the City uses Fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's Governmental Funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental Funds reported by the City include the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.

At the end of the fiscal year, the City's Governmental Funds reported combined ending fund balances of \$121.9 million, an increase of \$29.6 million in comparison with the prior year. Approximately \$27.7 million of the total ending fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is (1) nonspendable (\$652,000) for inventory and perpetual care, (2) restricted (\$83.5 million) for special revenue funds, debt service, development fee projects, court improvements and operations, grant purposes, perpetual care, and capital projects, and (3) assigned (\$10.1 million) for court services, capital reserves, Parking District and real estate.

Revenues for governmental functions overall totaled \$110.0 million in the fiscal year ended June 30, 2017 which represents a decrease of 1.0% or \$1.1 million from the prior fiscal year. Several revenue categories show increases over prior year including taxes, intergovernmental, charges for services and rents. These increases include taxes (9.3%, \$5.5 million), intergovernmental (5.4%, \$1.1 million), charges for services (18.5%, \$538,000) and rents (6.4%, \$109,000). The increase in taxes and intergovernmental is due to steady growth in our local and state economy. The major decrease in revenue categories include special assessments (95.7%, \$4.5 million), investment earnings (129.1%, \$2.1 million) and contributions (55.7%, \$1.1 million). The special assessments experienced a significant decrease because the prior year include an usually large additional special assessment payment. Investment earnings decreased due to a large unrealized loss on investment related to federal rate increase in June 2017 and contributions decreased due to a large one-time transportation contribution in the prior fiscal year.

Expenditures for governmental functions (\$109.0 million) increased by 4.4% (\$4.6 million) from the prior fiscal year. Most of the increase in expenditures is related to highway and street expenditures (42.7%, \$2.5 million), general government (14.4%, \$2.1 million) and debt service expenditures (7.7% \$1.2 million). Operation expenditures also increased (7.6%, \$5.5 million) which is related to increases in general government, public safety, public works, culture and recreation, and highway and streets, and partially offset by decreases in economic and physical development.

In the fiscal year ended June 30, 2017 revenues for governmental functions exceeded expenditures by approximately \$1.1 million.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$30.4 million. As a measure of liquidity, it may be useful to compare total unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance represents 55.1% of General Fund expenditures.

The total fund balance in the City's General Fund increased by \$1.5 million during the fiscal year as revenue increased 2.0% and expenditures increased 1.8%. Overall, the General Fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2017 of \$4.2 million. This is an increase of approximately \$200,000 over the comparable figure from the prior year which resulted in revenue in excess of expenditures of \$4.0 million.

The Highway User Revenue Fund balance decreased by \$400,000. Revenues decreased \$330,000 primarily due to transportation contributions and property sales in the prior year. Expenditures increased by \$1.4 million or 15.0% overall with a large increase in operations of \$2.6 million and decreases in capital expenditures of \$1.2 million. Debt service payments remained level this year. Net transfers decreased by \$1.8 million over the prior year. Both the decrease in capital expenditures and transfers is related to the timing of construction projects. Operating expenditure increases are due to a large increase in street chip sealing project.

Transportation Fund balances increased by \$17.4 million or 94.1%. Revenues increased \$2.2 million due to continued growth in the local economy. Expenditures decreased \$2.7 million again due to the timing of the capital expenditures. Other financing sources and uses increased \$11.5 million due largely to the issuances of \$8.9 million in revenue bonds.

General Obligation Bond Debt Service Fund became a major fund in fiscal year 2017. There are no revenues in this fund. Expenditures and transfers increased 95.3% or \$6.4 million due a large defeasance of general obligation bonds.

Capital Projects Bond Construction Fund balance increased by \$15.3 million. This fund has minimal revenues. The major source of funds is bond proceeds (principal and premium) of \$18.3 million for the core service facility, forest restoration and open space and trail land acquisition. Expenditures increased \$3.8 million or 223.5% as the construction of core service facility began in fiscal year 2017.

Proprietary funds

The City's Proprietary Funds provide the same type of information found in the Government-wide Financial Statements, but in more detail. At the end of the fiscal year, the unrestricted component of net position had positive balances for Water and Wastewater, Environmental Services, and Stormwater. The Internal Service Fund, which is used to account for risk management and health insurance activities, had an unrestricted net position of \$3.3 million.

Revenues and transfers exceeded expenses and transfers out in the proprietary funds by \$11.9 million for the fiscal year ended June 30, 2017. All funds, except the Housing Authority Fund, had positive growth in their net position for the fiscal year ended June 30, 2017. The Housing Authority Fund decrease of \$180,000 was due to depreciation exceeding grant and other funding for capital replacements. The major part of the increase was related to capital grants and contributions (\$15.4 million).

Budget Highlights

The City's final budget matches the original budget which was approved by Council in June, 2016. The City looks at the budget to actual at the division level and no division exceeded its appropriation. There were two revenue transfers that were not budgeted and two transfers that exceeded budget. One transfer was made from the Water and wastewater fund to the General Fund (\$15,000) to reimburse their share of capital project software and the other was \$400,000 from Transportation fund to Water fund for the Leroux construction project. The transfer from Secondary Property tax fund to G.O. bond debt service fund exceeded budget by \$4.5 million due to an unplanned general obligation debt defeasance of \$6.0 million. The other transfer that exceeded budget was between General Fund and Airport and exceed budgeted transfer by \$666,000. This overage is partially due to a change in the allowable indirect on federal grants and timing of the airport runway construction project. All of these transfers were noted and included in the budget documentation during the FY2018 budget process and adoption.

The General Fund was less than 1.3% (\$0.8 million) over the final budgeted total revenues primarily due to intergovernmental revenues, which exceeded budget by \$0.8 million and licenses and permits by \$0.9 million and was offset by grants and entitlements and fines and forfeitures being under budget by \$0.5 million and \$1.9 million, respectively. License and permit exceeded budget due to conservative budget estimates and several large commercial construction projects in fiscal year 2017. Some of the reasons for grants and entitlements being under budget are due to the City not receiving several larger grants for Fire and Police or not receiving at the level budgeted including the Assistance to Firefighters, Wildland Urban Interface, DUI Enforcement and Gang Task Force grants.

Expenditures are under budget in all divisions except for Economic Vitality due to controlled spending and carryover of some capital projects. Economic Vitality expenditures over budget are due to a brownfield grant not being budgeted. The divisions that are under budget by larger amounts are related to capital purchases or projects budgeted but not completed. Both transfers-in and transfers-out are less than budgeted as many transfers are based on the actual year end expenditure, most significant of which is the budgeted transfer from the General Fund to the Stormwater Fund of \$1.9 million for the Rio de Flag Flood Control Project, of which only \$111,925 actually transferred at year end.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2017 amount to \$662.3 million. Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The total increase in the City's capital assets for the current year was 0.6% (\$3.9 million). The following table reflects the capital assets at the end of the fiscal year

Capital Assets, Net of Depreciation
June 30, 2017 and 2016 (in thousands of dollars)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land and other non-depreciable assets	\$ 65,690	\$ 64,882	\$ 14,639	\$ 14,120	\$ 80,329	\$ 79,002
Buildings	59,486	60,731	46,323	48,168	105,809	108,899
Improvements	5,980	6,743	248,770	246,272	254,750	253,015
Machinery and equipment	10,022	9,865	19,291	19,265	29,313	29,130
Infrastructure	156,366	158,631	-	-	156,366	158,631
Construction in progress	12,016	8,134	23,722	21,550	35,738	29,684
Total	<u>\$ 309,560</u>	<u>\$ 308,986</u>	<u>\$ 352,745</u>	<u>\$ 349,375</u>	<u>\$ 662,305</u>	<u>\$ 658,361</u>

Construction-in-progress had a net increase of 20.4% (\$6.1 million). Major completed construction-in-progress includes the completion of the West & Arrowhead Drive (\$4.7 million), Leroux street & watermains (\$2.5 million) and Brannen Homes Watermains (\$1.9 million). Major construction in progress at June 30 includes the Rio de Flag Drainage Project (\$14.5 million), Core Services Facility (\$3.5 million) Red Gap Pipeline (\$1.9 million), Runway Improvements (\$2.2 million) and Zuni Drive Improvements (\$1.2 million). The decrease to buildings (\$3.1 million) is related to depreciation less the completion of minor building improvement projects being completed. The increase in improvements (\$1.7 million) is related to depreciation less the completion of Leroux project (\$2.5 million) and Brannen Homes watermains (\$1.9 million) and developer contributed capital. Machinery and equipment increased by \$200,000 mainly due to numerous vehicle and heavy equipment purchases offset by depreciation. Major additions include 23

vehicles and heavy equipment replacements (\$3.5 million). Infrastructure decrease (\$2.3 million) is related to depreciation less West & Arrowhead Drive (\$4.7 million) and contributed capital.

For Government-wide Financial Statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund Financial Statements record capital asset purchases as expenditures. Please refer to Note IV C on pages 65–66 of the Notes to the Financial Statements for further information regarding capital assets.

Long Term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding of \$108.7 million. Of this amount, \$49.8 million is general obligation bonds backed by the full faith and credit of the City, \$2.1 million is improvement district bonds, \$19.7 million is revenue bonds, \$1.7 million is for certificates of participation, and \$35.4 million are outstanding leases or loans for the airport, water and wastewater, and city-wide energy conservation improvements.

Outstanding Debt June 30, 2017 and 2016 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation debt	\$ 48,521	\$ 43,817	\$ 1,308	\$ 1,375	\$ 49,829	\$ 45,192
Special assessment bonds	2,120	2,215	-	-	2,120	2,215
Revenue bonds	19,690	12,750	-	-	19,690	12,750
Other debt	1,655	2,170	-	-	1,655	2,170
Lease/Loans	2,029	1,049	33,330	36,289	35,359	37,338
Total debt payable	\$ 74,015	\$ 62,001	\$ 34,638	\$ 37,664	\$ 108,653	\$ 99,665

During fiscal year 2017, the City's total bonded debt increased by \$9.0 million. The City issued \$8.9 in revenue bonds for Road Repair/Street Safety projects and \$16.1 million in general obligation debt for core services facility, forest restoration and open space and trail land acquisition projects. The city also defeased an additional \$6.0 million in general obligation debt during the year. All remaining debt decreases are due to annual schedule debt service payments.

The State constitution imposes certain debt limitations on the City of six percent (6%) and twenty percent (20%) of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2017 is \$42.1 million in the 6% category and \$90.7 million in the 20% capacity. The allowable debt increased from prior year due to higher assessed valuations and decreasing debt balances. Additional information on the Debt Limitations and Capacities may be found in Schedule 16 in the Statistical Section of this report.

During the year, the City maintained the following bond ratings:

**City of Flagstaff Bonded Debt Ratings
As of June 30, 2017**

	Moody's Investors Service	Standard & Poor's
General Obligation	Aa2	AA
Revenue Bonds	n/a	AA-

Additional information on the City's long-term debt can be found in Section IV F on pages 69-78 of the Notes to the Financial Statements.

Economic Factors and Next Year's Budget and Rates

The Fiscal Year 2017/2018 budget preparation was influenced by the following factors:

- The City's General Fund budget was approved with no structural deficit in ongoing expenditures exceeding ongoing revenues.
- Unrestricted fund balance in the General Fund continues to be above the fiscal policy of 15% of operating revenues. It is currently projected to be 25%. General sales tax revenues exceeded budget by \$2.4 million in FY 2017 and are expected grow 3% in FY 2018 due to small to moderate growth in the local economy.
- Building permits exceeded budget by \$0.8 million. However, we remain conservative in our projections for FY 2018 as we rely on these types of revenues as a one-time impact rather than an ongoing source of funding.
- The focus of the FY 2018 budget was for Council Priorities related to economic development, affordable housing, social justice, transportation and other public infrastructure building and zoning/regional plan, climate change, water conservation, environmental and natural resources, personnel, community outreach, town and gown and code compliance.
 - The FY 2018 budget includes a three year plan to transition to market based pay for all employees, new positions related to capacity needs, infrastructure and economic development funding and services to support the most vulnerable.
 - Some of the larger items are \$21.2 million for road repair & street safety road improvements, \$24.7 million for the construction of Core Services Facility, \$12.5 million for Courthouse construction and \$4.1 million programmed for the Airport runway overlay construction.
- The total authorized positions increased by 31.2 positions.
- Public Safety pension (PSPRS) funding continues to be major funding issue. Public Safety pension required contributions to be increased over \$1.9 million (26%) in FY 2018 due to required pension contribution rate increases.
- The City continues to monitor the State legislature to be aware of potential budget impacts on cities.
- Property assessments continue to increase at a slow, steady rate. Primary assessed values increased by an average of 5.5%. The City adjusted the tax rate on primary property tax to maintain revenue levels. The secondary property tax rates remain flat.
- The City continues to pursue federal and state grant dollars to enhance the local economy.
- The City continues implementation of the electronic information sharing technology to facilitate transparency in service provision.

- The City will continue to work on the development of the new Core Maintenance Facility which was approved by voters.
- The City will continue to work on the Flagstaff Watershed Protection Program which was approved by voters.
- An updated Utilities Rate Study was completed in FY 2017 and new rates were adopted in FY 2018.
- User fee studies relating to the services provided by Community Development, Recreation and Fire was completed and adopted in FY 2017 and new fees were effective in FY2018.

Requests for Information

The Financial Report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact:

City of Flagstaff
Finance Section
211 W. Aspen Ave
Flagstaff, AZ 86001

Main (928) 213-2000
Arizona Relay 7-1-1



City of Flagstaff, Arizona
Statement of Net Position
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash, investments and equivalents	\$ 88,896,540	\$ 39,813,404	\$ 128,709,944
Accounts receivable, net	14,957,643	5,876,315	20,833,958
Interest receivable Intergovernmental receivable	217,798 2,121,288	85,898 6,155,532	303,696 8,276,820
Special assessments receivable	2,021,951	-	2,021,951
Note receivable	316,400	-	316,400
Internal balance	5,760,139	(5,760,139)	-
Deposits	-	8,763	8,763
Inventory	391,981	-	391,981
Prepaid items	-	39,789	39,789
Restricted cash and investments	27,323,181	13,634,163	40,957,344
Capital assets, non-depreciable	77,705,639	38,361,233	116,066,872
Capital assets, depreciable, net	231,852,903	314,385,010	546,237,913
Total assets	<u>451,565,463</u>	<u>412,599,968</u>	<u>864,165,431</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	30,548,285	3,370,806	33,919,091
Deferred charge on debt refundings	654,595	-	654,595
Total deferred outflows of resources	<u>31,202,880</u>	<u>3,370,806</u>	<u>34,573,686</u>
LIABILITIES			
Accounts payable	8,170,549	2,529,299	10,699,848
Accrued payroll	2,164,838	417,754	2,582,592
Construction retainage payable	534,731	806,881	1,341,612
Interest payable	1,306,035	552,977	1,859,012
Advanced revenue	719,038	805,293	1,524,331
Deposits payable	1,414,580	838,062	2,252,642
Noncurrent liabilities:			
Due within one year:			
Compensated absences	1,778,803	337,148	2,115,951
Claims and judgements	1,824,169	-	1,824,169
Special assessment debt, government commitment	101,868	-	101,868
Bonds, notes and leases payable, net	7,206,426	2,853,785	10,060,211
Due in more than one year:			
Compensated absences	2,473,817	431,562	2,905,379
Claims and judgements	107,836	-	107,836
Landfill closure and postclosure care costs	-	8,475,779	8,475,779
Net OPEB obligation	5,610,335	1,267,239	6,877,574
Net pension liability	132,593,865	16,216,890	148,810,755
Special assessment debt, government commitment	2,046,157	-	2,046,157
Bonds, notes and leases payable, net	70,621,491	31,784,356	102,405,847
Total liabilities	<u>238,674,538</u>	<u>67,317,025</u>	<u>305,991,563</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	<u>5,205,862</u>	<u>1,783,393</u>	<u>6,989,255</u>
NET POSITION			
Net investment in capital assets	245,638,486	317,301,221	562,939,707
Restricted for:			
Capital projects	52,930,319	3,142,245	56,072,564
Debt service	11,844,811	-	11,844,811
Specific programming	21,010,733	-	21,010,733
Perpetual care:			
Expendable	25,703	-	25,703
Nonexpendable	260,023	-	260,023
Unrestricted	(92,822,132)	26,426,890	(66,395,242)
Total net position	<u>\$ 238,887,943</u>	<u>\$ 346,870,356</u>	<u>\$ 585,758,299</u>

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

City of Flagstaff, Arizona
Statement of Activities
Year Ended June 30, 2017

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government					
Governmental activities:					
General government	\$ 19,320,158	\$ (1,247,334)	\$ 3,143,969	\$ 496,277	\$ 103,782
Public safety	42,090,228	-	832,352	2,095,630	431,810
Public works	1,895,576	(148,664)	740	-	-
Economic and physical development	9,833,154	(419,580)	3,785,805	1,443,094	106,130
Culture and recreation	13,563,829	444,724	1,785,874	3,348,330	-
Highways and streets	15,849,094	1,370,854	173,960	340,604	8,132,424
Interest on long-term debt	2,743,633	-	-	-	-
Total governmental activities	<u>105,295,672</u>	<u>-</u>	<u>9,722,700</u>	<u>7,723,935</u>	<u>8,774,146</u>
Business-type activities:					
Water	15,454,108		15,973,118	-	3,514,170
Wastewater	11,150,309		9,943,603	-	3,171,950
Environmental	12,337,663		13,047,045	36,527	-
Airport	5,080,905		1,503,945	338,747	6,151,499
Housing authority	6,657,398		1,605,422	4,574,068	266,362
Stormwater	1,180,230		1,598,913	4,277	58,249
Total business-type activities	<u>51,860,613</u>		<u>43,672,046</u>	<u>4,953,619</u>	<u>13,162,230</u>
Total primary government	<u>\$ 157,156,285</u>		<u>\$ 53,394,746</u>	<u>\$ 12,677,554</u>	<u>\$ 21,936,376</u>

General revenues:
Property tax, levied for general purposes
Property tax, levied for debt service
Sales taxes
State shared sales taxes - unrestricted
Investment earnings
Miscellaneous
Contributions to permanent fund
Transfers in (out)
Total general revenues, contributions and transfers
Change in net position
Net position - beginning
Net position - ending

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

Net (Expenses) Revenues and Changes in Net Position

Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (14,328,796)	\$ -	\$ (14,328,796)
(38,730,436)	-	(38,730,436)
(1,746,172)	-	(1,746,172)
(4,078,545)	-	(4,078,545)
(8,874,349)	-	(8,874,349)
(8,572,960)	-	(8,572,960)
(2,743,633)	-	(2,743,633)
<u>(79,074,891)</u>	<u>-</u>	<u>(79,074,891)</u>
-	4,033,180	4,033,180
-	1,965,244	1,965,244
-	745,909	745,909
-	2,913,286	2,913,286
-	(211,546)	(211,546)
-	481,209	481,209
-	<u>9,927,282</u>	<u>9,927,282</u>
<u>\$ (79,074,891)</u>	<u>\$ 9,927,282</u>	<u>\$ (69,147,609)</u>
5,758,319	-	5,758,319
5,916,234	-	5,916,234
53,582,850	-	53,582,850
18,139,582	-	18,139,582
(447,324)	406,101	(41,223)
1,123,129	377,316	1,500,445
6,950	-	6,950
<u>(1,073,585)</u>	<u>1,073,585</u>	<u>-</u>
<u>83,006,155</u>	<u>1,857,002</u>	<u>84,863,157</u>
3,931,264	11,784,284	15,715,548
<u>234,956,679</u>	<u>335,086,072</u>	<u>570,042,751</u>
<u>\$ 238,887,943</u>	<u>\$ 346,870,356</u>	<u>\$ 585,758,299</u>

**City of Flagstaff, Arizona
Balance Sheet
Governmental Funds
June 30, 2017**

	General Fund	Highway User Revenue Fund	Transportation Tax Fund
ASSETS			
Cash and investments	\$ 32,447,914	\$ 7,519,592	\$ 29,809,139
Accounts receivable, net	7,834,581	884,738	4,097,999
Interest receivable	85,863	11,632	67,519
Intergovernmental receivable	253,687	-	1,199,682
Interfund receivable	6,500,000	-	-
Special assessments receivable	-	-	-
Notes receivable	-	-	-
Inventory	342,576	-	-
Restricted cash and investments	-	-	2,731,880
Total assets	\$ 47,464,621	\$ 8,415,962	\$ 37,906,219
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 2,721,641	\$ 878,652	\$ 1,657,148
Accrued payroll and compensated absences	1,913,840	61,025	-
Retainable payable	46,472	115,415	184,419
Interfund payable	20,697	-	-
Advanced revenue	362,951	-	73,133
Guaranty and other deposits	1,414,580	-	-
Total liabilities	6,480,181	1,055,092	1,914,700
Deferred inflows of resources:			
Unavailable revenue – court fines	321,590	-	-
Unavailable revenue – property taxes	198,069	-	-
Unavailable revenue – special assessments	-	-	-
Unavailable revenue – notes receivable	-	-	-
Total deferred inflows of resources	519,659	-	-
Fund balances:			
Nonspendable	342,576	-	-
Restricted	1,750,086	7,360,870	35,991,519
Assigned	8,011,051	-	-
Unassigned (deficit)	30,361,068	-	-
Total fund balances	40,464,781	7,360,870	35,991,519
Total liabilities, deferred inflows and fund balances	\$ 47,464,621	\$ 8,415,962	\$ 37,906,219

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

General Obligation Bond Fund	Capital Projects Bond Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 22,815	\$ 15,519,606	\$ 85,319,066
-	-	2,087,116	14,904,434
-	1,864	44,034	210,912
-	40,748	627,171	2,121,288
-	-	-	6,500,000
-	-	2,021,951	2,021,951
-	-	316,400	316,400
-	-	49,405	391,981
-	17,210,489	7,380,812	27,323,181
<u>\$ -</u>	<u>\$ 17,275,916</u>	<u>\$ 28,046,495</u>	<u>\$ 139,109,213</u>
\$ -	\$ 1,595,024	\$ 1,138,550	\$ 7,991,015
-	21,218	168,755	2,164,838
-	147,868	40,557	534,731
-	1,250,000	250,000	1,520,697
-	-	282,784	718,868
-	-	-	1,414,580
<u>-</u>	<u>3,014,110</u>	<u>1,880,646</u>	<u>14,344,729</u>
-	-	-	321,590
-	-	-	198,069
-	-	2,021,526	2,021,526
<u>-</u>	<u>-</u>	<u>316,400</u>	<u>316,400</u>
<u>-</u>	<u>-</u>	<u>2,337,926</u>	<u>2,857,585</u>
-	-	309,428	652,004
-	16,931,361	21,439,804	83,473,640
-	-	2,078,968	10,090,019
-	(2,669,555)	(277)	27,691,236
<u>-</u>	<u>14,261,806</u>	<u>23,827,923</u>	<u>121,906,899</u>
<u>\$ -</u>	<u>\$ 17,275,916</u>	<u>\$ 28,046,495</u>	<u>\$ 139,109,213</u>



**City of Flagstaff
Reconciliation of the Balance Sheet
To the Statement of Net Position
Governmental Activities
June 30, 2017**

Fund balances – total governmental funds balance sheet \$ 121,906,899

Amounts reported for governmental activities in the statements of net position are different because (also see note II. A.):

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

Governmental capital assets	539,743,698	
Less: accumulated depreciation	<u>(230,185,156)</u>	309,558,542

Deferred outflows and inflows of resources related to pensions and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the governmental funds.

Deferred outflows related to pensions	30,548,285	
Deferred outflows related to debt refunding	654,595	
Deferred inflows related to pensions	<u>(5,205,862)</u>	25,997,018

For purposes of measuring the net pension liability, the long-term liabilities are not due and payable in the current period and, therefore, are not reported as a liability in the governmental funds.

ASRS pension benefits	(35,903,419)	
PSPRS pension benefits	(94,708,497)	
EORP pension benefits	<u>(1,981,949)</u>	(132,593,865)

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bond and lease payable	(74,014,522)	
Governmental interest payable	(1,306,035)	
Bond discount	68,443	
Bond premium	(6,029,863)	
Other postemployment benefits	(5,610,335)	
Claims and judgements	(1,808,834)	
Compensated absences	<u>(4,252,620)</u>	(92,953,766)

Certain revenues are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.

Promissory note	316,400	
Fines and forfeitures	321,590	
Property tax	<u>198,069</u>	836,059

Unavailable revenue for long-term special assessments is shown on the governmental fund balance sheet, but is reflected on the statement of net position

Special assessments	<u>2,021,526</u>	2,021,526
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The internal service fund is used by management to charge the cost of self insurance programs to individual funds.

The assets and liabilities of the internal service fund that are reported with governmental activities.		<u>4,115,530</u>
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Net position of governmental activities – statement of net position \$ 238,887,943

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

City of Flagstaff, Arizona
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2017

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Transportation Tax Fund</u>
REVENUES:			
Taxes	\$ 29,377,513	\$ -	\$ 21,328,076
Intergovernmental	19,294,534	-	-
Grants and entitlements	1,209,967	7,982,504	-
Special assessments	-	-	-
Charges for services	3,454,567	-	-
Licenses and permits	2,839,407	173,960	-
Fines and forfeitures	1,430,686	-	-
Rents	1,602,727	-	-
Investment earnings	(1,081,720)	46,269	249,507
Contributions	421,444	340,604	-
Miscellaneous	719,684	-	-
Total revenues	<u>59,268,809</u>	<u>8,543,337</u>	<u>21,577,583</u>
EXPENDITURES:			
Current:			
General government	9,899,937	-	4,972,939
Public safety	30,849,989	-	-
Public works	1,472,485	-	-
Economic and physical development	4,807,862	-	-
Culture and recreation	6,329,040	-	6,622
Highways and streets	35,663	7,870,968	358,911
Debt service:			
Principal retirement	138,775	478,659	1,855,000
Interest and other charges	38,381	67,079	506,500
Capital outlay	1,491,866	2,645,434	4,232,113
Total expenditures	<u>55,063,998</u>	<u>11,062,140</u>	<u>11,932,085</u>
Excess (deficiency) of revenues over expenditures	<u>4,204,811</u>	<u>(2,518,803)</u>	<u>9,645,498</u>
OTHER FINANCING SOURCES (USES):			
Issuance of capital debt	133,531	-	8,930,000
Bond premium	-	-	1,214,732
Transfers in	2,753,444	2,129,581	-
Transfers out	(5,546,718)	(13,000)	(2,343,943)
Total other financing sources (uses)	<u>(2,659,743)</u>	<u>2,116,581</u>	<u>7,800,789</u>
Net change in fund balances	<u>1,545,068</u>	<u>(402,222)</u>	<u>17,446,287</u>
Fund balances, beginning of year	<u>38,919,713</u>	<u>7,763,092</u>	<u>18,545,232</u>
Fund balances, end of year	<u>\$ 40,464,781</u>	<u>\$ 7,360,870</u>	<u>\$ 35,991,519</u>

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

General Obligation Bond Fund	Capital Projects Bond Construction	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 14,557,844	\$ 65,263,433
-	-	3,210,071	22,504,605
-	315,071	1,342,596	10,850,138
-	-	202,243	202,243
-	-	-	3,454,567
-	-	-	3,013,367
-	-	-	1,430,686
-	-	202,730	1,805,457
-	119,958	189,296	(476,690)
-	-	107,436	869,484
-	300	403,145	1,123,129
<u>-</u>	<u>435,329</u>	<u>20,215,361</u>	<u>110,040,419</u>
-	1,779,714	-	16,652,590
-	-	-	30,849,989
-	-	-	1,472,485
-	30,619	4,151,192	8,989,673
-	-	5,518,849	11,854,511
-	-	178,067	8,443,609
11,401,644	-	280,826	14,154,904
1,689,220	-	233,441	2,534,621
-	3,742,849	1,890,633	14,002,895
<u>13,090,864</u>	<u>5,553,182</u>	<u>12,253,008</u>	<u>108,955,277</u>
<u>(13,090,864)</u>	<u>(5,117,853)</u>	<u>7,962,353</u>	<u>1,085,142</u>
79,300	16,025,700	1,000,000	26,168,531
-	2,286,081	-	3,500,813
13,011,564	2,113,225	2,300,509	22,308,323
-	(195)	(15,566,014)	(23,469,870)
<u>13,090,864</u>	<u>20,424,811</u>	<u>(12,265,505)</u>	<u>28,507,797</u>
<u>-</u>	<u>15,306,958</u>	<u>(4,303,152)</u>	<u>29,592,939</u>
<u>-</u>	<u>(1,045,152)</u>	<u>28,131,075</u>	<u>92,313,960</u>
<u>\$ -</u>	<u>\$ 14,261,806</u>	<u>\$ 23,827,923</u>	<u>\$ 121,906,899</u>

City of Flagstaff
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2017

Net change in fund balances – total governmental funds \$ 29,592,939

Amounts reported for governmental activities in the statements of activities are different because (also see note II. B.):

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

Expenditures for capital assets	14,002,895	
Less current year depreciation	<u>(13,587,540)</u>	415,355

Some items reported in the governmental funds are not sources and uses of current financial resources and therefore are not reported as revenues or expenses in the statement of activities. These items include:

Net pension expense related to ASRS	76,860	
Net pension expense related to PSPRS	(7,298,330)	
Net pension expense related to EORP	(404,738)	
Pension contribution for EORP	91,204	
Claims and judgements	(1,808,834)	
Capital-related debt issued	(26,168,531)	
Premium on debt issued	(3,500,813)	
Donated capital	225,400	
Compensated absences	(278,868)	
Other postemployment benefits	(668,233)	
Principal payments on debt	14,154,904	
Interest accrual on debt	(209,012)	
Refunding loss amortization	(161,308)	
Bond premium amortization	<u>324,560</u>	(25,625,739)

Providing long-term loans are reported as an expenditures in the governmental funds but are reported as notes receivable on the statement of net position. However, other expenditures that are unrecognized in the governmental funds because they do not provide current financial resources due to unavailability are recognized in the statement of activities.

Available portion of promissory note	<u>(10,200)</u>	(10,200)
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Certain transactions related to capital assets in the governmental funds reflect proceeds. However, in the statement of activities these transactions reflect net gain (loss).

Loss on disposal of capital assets	(155,996)	
Transfer of capital assets to business-type activities	(2,210,943)	
Transfer of capital assets from business-type activities	<u>2,298,905</u>	(68,034)

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

(continued)

CITY OF FLAGSTAFF
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Certain revenues in the governmental funds that provide current financial resources are not included in the statement of activities because they were recognized in a prior period. However, other revenues that are unearned in the governmental funds because they do not provide current financial resources due to unavailability are recognized in the statement of activities.

Court (Fines and forfeitures)	18,623	
Special assessments	(98,461)	
Property tax	(6,030)	(85,868)

Internal service funds are used by management to charge the costs of certain activities, such as the City's self-insurance program to individual funds. The following activities of the internal service fund is reported with governmental activities.

Net allocated (loss) assigned to governmental activities	(316,555)	
Investment income	29,366	(287,189)

Change in net position of governmental activities – statement of activities		\$ 3,931,264
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The notes to the financial statements are an integral part of this statement

(concluded)

City of Flagstaff, Arizona
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 26,889,786	\$ 26,889,786	\$ 27,381,052	\$ 491,266
Intergovernmental	18,484,079	18,484,079	19,294,533	810,454
Grants and entitlements	1,689,169	1,689,169	1,209,967	(479,202)
Charges for services	2,985,550	2,985,550	3,454,568	469,018
Licenses and permits	1,921,680	1,921,680	2,839,407	917,727
Fines and forfeitures	3,298,980	3,298,980	1,430,686	(1,868,294)
Rents	1,699,209	1,699,209	1,602,727	(96,482)
Investment earnings	262,000	262,000	337,691	75,691
Contributions	10,000	10,000	421,444	411,444
Miscellaneous	261,300	261,300	284,211	22,911
Total revenues	<u>57,501,753</u>	<u>57,501,753</u>	<u>58,256,286</u>	<u>754,533</u>
EXPENDITURES:				
Current:				
General administration	10,973,306	10,973,306	10,029,414	943,892
Management services	3,822,504	3,822,504	3,534,678	287,826
Fire	12,607,477	12,607,477	12,436,424	171,053
Police	20,277,258	20,277,258	19,029,721	1,247,537
Community development	4,637,447	4,637,447	4,170,022	467,425
Public works	11,289,893	11,289,893	8,712,542	2,577,351
Economic vitality	175,166	175,166	304,568	(129,402)
Non-departmental	(869,318)	(869,318)	(3,193,806)	2,324,488
Contingency	600,000	600,000	-	600,000
Total expenditures	<u>63,513,733</u>	<u>63,513,733</u>	<u>55,023,563</u>	<u>8,490,170</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,011,980)</u>	<u>(6,011,980)</u>	<u>3,232,723</u>	<u>9,244,703</u>
OTHER FINANCING SOURCES (USES):				
Issuance of capital debt	-	-	133,531	133,531
Sale of capital assets	20,000	20,000	-	(20,000)
Transfers in	3,213,434	3,213,434	2,753,444	(459,990)
Transfers out	(7,095,020)	(7,095,020)	(5,546,718)	1,548,302
Total other financing sources (uses)	<u>(3,861,586)</u>	<u>(3,861,586)</u>	<u>(2,659,743)</u>	<u>1,201,843</u>
Net change in fund balances	<u>(9,873,566)</u>	<u>(9,873,566)</u>	<u>572,980</u>	<u>10,446,546</u>
Fund balances , beginning of year	<u>23,975,214</u>	<u>23,975,214</u>	<u>38,919,713</u>	<u>-</u>
Fund balances, end of year	<u>\$ 14,101,648</u>	<u>\$ 14,101,648</u>	<u>\$ 39,492,693</u>	<u>\$ 10,446,546</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 572,980	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			1,012,523	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			(40,435)	
Adjusted net change in fund balance – GAAP basis			<u>\$ 1,545,068</u>	

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

City of Flagstaff, Arizona
Highway User Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants and entitlements	\$ 7,149,600	\$ 7,149,600	\$ 7,982,504	\$ 832,904
Investment earnings	6,000	6,000	46,269	40,269
Miscellaneous	-	-	173,960	173,960
Total revenues	<u>7,155,600</u>	<u>7,155,600</u>	<u>8,202,733</u>	<u>1,047,133</u>
EXPENDITURES:				
Current:				
Community development	8,039,191	8,039,191	1,389,096	6,650,095
Public works	11,819,145	11,819,145	8,716,221	3,102,924
Non-departmental	956,823	956,823	956,823	-
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>20,915,159</u>	<u>20,915,159</u>	<u>11,062,140</u>	<u>9,853,019</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,759,559)</u>	<u>(13,759,559)</u>	<u>(2,859,407)</u>	<u>10,900,152</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	8,917,839	8,917,839	2,129,581	(6,788,258)
Transfers out	(13,000)	(13,000)	(13,000)	-
Total other financing sources (uses)	<u>8,904,839</u>	<u>8,904,839</u>	<u>2,116,581</u>	<u>(6,788,258)</u>
Net change in fund balances budgetary basis	<u>(4,854,720)</u>	<u>(4,854,720)</u>	<u>(742,826)</u>	<u>4,111,894</u>
Fund balances, beginning of year	<u>6,105,914</u>	<u>6,105,914</u>	<u>7,763,092</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,251,194</u>	<u>\$ 1,251,194</u>	<u>\$ 7,020,266</u>	<u>\$ 4,111,894</u>

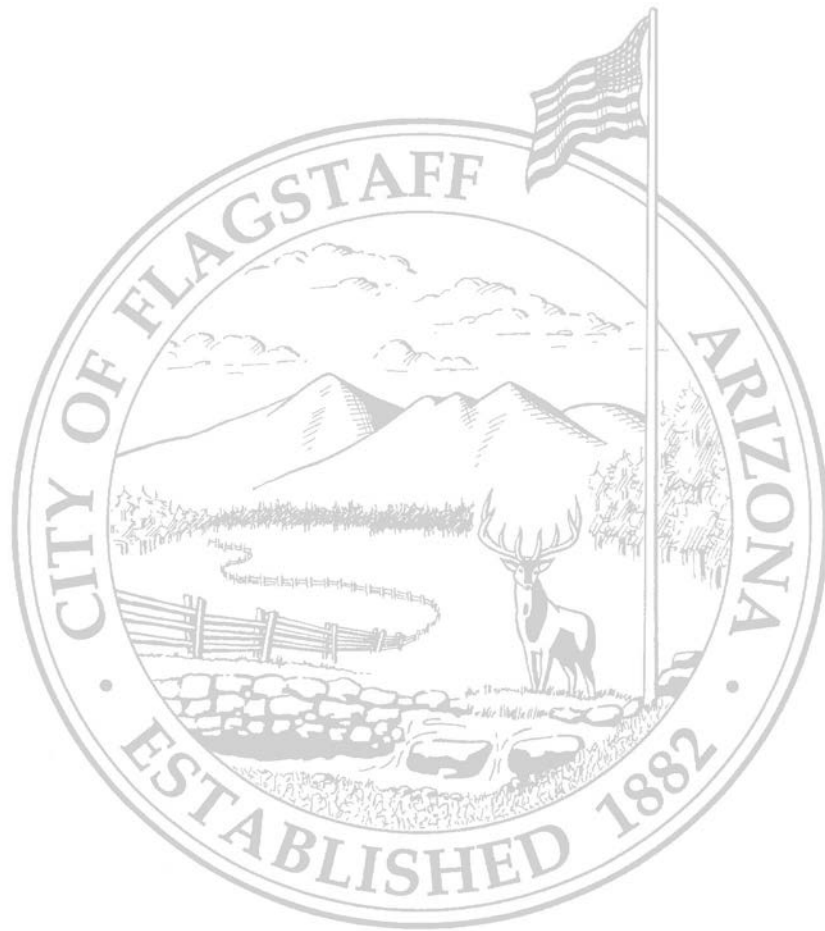
The notes to the financial statements are an integral part of this statement

Adjustment of budgetary basis to GAAP basis net change in fund balances	\$ (742,826)
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.	340,604
Adjusted net change in fund balance – GAAP basis	<u>\$ (402,222)</u>

City of Flagstaff, Arizona
Transportation Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 18,912,924	\$ 18,912,924	\$ 19,376,033	\$ 463,109
Grants and entitlements	392,970	392,970	-	(392,970)
Investment earnings	162,000	162,000	249,507	87,507
Total revenues	<u>19,467,894</u>	<u>19,467,894</u>	<u>19,625,540</u>	<u>157,646</u>
EXPENDITURES:				
Current:				
Community development	14,360,122	14,360,122	2,895,849	11,464,273
Public works	3,700,000	3,700,000	1,457,797	2,242,203
Non-departmental	9,602,491	9,602,491	7,578,439	2,024,052
Total expenditures	<u>27,662,613</u>	<u>27,662,613</u>	<u>11,932,085</u>	<u>15,730,528</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,194,719)</u>	<u>(8,194,719)</u>	<u>7,693,455</u>	<u>15,888,174</u>
OTHER FINANCING SOURCES (USES):				
Capital bonds issued		-	8,930,000	8,930,000
Bond premium	-	-	1,214,732	1,214,732
Sale of capital assets		-	-	-
Transfers out	(8,612,205)	(8,612,205)	(2,343,943)	6,268,262
Total other financing sources (uses)	<u>(8,612,205)</u>	<u>(8,612,205)</u>	<u>7,800,789</u>	<u>16,412,994</u>
Net change in fund balances	<u>(16,806,924)</u>	<u>(16,806,924)</u>	<u>15,494,244</u>	<u>32,301,168</u>
Fund balances, beginning of year	<u>25,574,611</u>	<u>25,574,611</u>	<u>18,545,232</u>	<u>-</u>
Fund balances, end of year	<u>\$ 8,767,687</u>	<u>\$ 8,767,687</u>	<u>\$ 34,039,476</u>	<u>\$ 32,301,168</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 15,494,244	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			1,952,043	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			-	
Adjusted net change in fund balance – GAAP basis			<u>\$ 17,446,287</u>	

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



City of Flagstaff, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-type Activities – Enterprise Funds		
	Water and Wastewater Fund	Environmental Services Fund	Airport Fund
ASSETS			
Current assets:			
Cash and investments	\$ 28,715,071	\$ 8,298,187	\$ 49,944
Receivable, net	4,191,448	1,488,662	32,913
Interfund receivables	-	-	-
Intergovernmental receivable	-	5,587	6,037,652
Prepaid items	-	-	-
Total current assets	<u>32,906,519</u>	<u>9,792,436</u>	<u>6,120,509</u>
Noncurrent assets:			
Restricted cash and investments	1,593,915	12,040,248	-
Refundable deposits	8,763	-	-
Capital assets, non-depreciable	17,230,406	2,023,209	2,356,460
Capital assets, depreciable, net	237,874,763	7,539,623	39,181,891
Total non-current assets	<u>256,707,847</u>	<u>21,603,080</u>	<u>41,538,351</u>
Total assets	<u>289,614,366</u>	<u>31,395,516</u>	<u>47,658,860</u>
Deferred outflows of resources			
Deferred outflows related to pension	1,328,140	992,507	504,066
Total assets and deferred outflows of resources	<u>290,942,506</u>	<u>32,388,023</u>	<u>48,162,926</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,776,563	159,878	318,002
Construction retainage payable	115,195	-	654,545
Accrued payroll	185,203	130,861	30,301
Accrued compensated absences	157,148	87,975	23,514
Interest payable	552,977	-	-
Advanced revenue	733,634	24,295	-
Claims and judgements	-	-	-
Interfund payable	-	-	5,000,000
Deposits payable	720,796	41,292	2,459
Bonds and lease payable, net – current	2,698,334	-	155,451
Total current liabilities	<u>6,939,850</u>	<u>444,301</u>	<u>6,184,272</u>
Noncurrent liabilities:			
Compensated absences	181,087	88,043	16,557
Net OPEB obligation	564,196	428,734	72,304
Net pension liability	6,445,953	4,953,637	2,086,792
Claims and judgements	-	-	-
Landfill closure and postclosure care costs	-	8,475,779	-
Capital lease payable	1,460,046	-	1,248,764
Bonds and notes payable, net	29,075,546	-	-
Total noncurrent liabilities	<u>37,726,828</u>	<u>13,946,193</u>	<u>3,424,417</u>
Total liabilities	<u>44,666,678</u>	<u>14,390,494</u>	<u>9,608,689</u>
Deferred inflows related to pension	800,961	613,236	31,289
Total deferred inflows and liabilities	<u>45,467,639</u>	<u>15,003,730</u>	<u>9,639,978</u>
NET POSITION			
Net investment in capital assets	221,756,048	9,562,832	39,479,591
Restricted:			
Capital projects	1,593,915	1,548,330	-
Unrestricted (deficit)	22,124,904	6,273,131	(956,643)
Total net position	<u>\$ 245,474,867</u>	<u>\$ 17,384,293</u>	<u>\$ 38,522,948</u>

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

Business-type Activities – Enterprise Funds			Governmental Activities
Stormwater Fund	Housing Authority	Total	Internal Service Fund
\$ 1,697,375	\$ 1,052,827	\$ 39,813,404	\$ 3,577,474
221,082	28,108	5,962,213	60,095
-	20,697	20,697	6,775
4,277	108,016	6,155,532	-
-	39,789	39,789	-
<u>1,922,734</u>	<u>1,249,437</u>	<u>51,991,635</u>	<u>3,644,344</u>
-	-	13,634,163	-
-	-	8,763	-
15,305,123	1,446,035	38,361,233	-
26,448,365	3,340,368	314,385,010	-
41,753,488	4,786,403	366,389,169	-
43,676,222	6,035,840	418,380,804	3,644,344
109,165	436,928	3,370,806	-
<u>43,785,387</u>	<u>6,472,768</u>	<u>421,751,610</u>	<u>3,644,344</u>
59,290	215,566	2,529,299	179,534
37,141	-	806,881	-
17,807	53,582	417,754	-
11,095	57,416	337,148	-
-	-	552,977	-
30,564	16,800	805,293	170
-	-	-	15,335
-	6,775	5,006,775	-
-	73,515	838,062	-
-	-	2,853,785	-
<u>155,897</u>	<u>423,654</u>	<u>14,147,974</u>	<u>195,039</u>
10,325	135,550	431,562	-
56,141	145,864	1,267,239	-
558,990	2,171,518	16,216,890	-
-	-	-	107,836
-	-	8,475,779	-
-	-	2,708,810	-
-	-	29,075,546	-
<u>625,456</u>	<u>2,452,932</u>	<u>58,175,826</u>	<u>107,836</u>
<u>781,353</u>	<u>2,876,586</u>	<u>72,323,800</u>	<u>302,875</u>
68,833	269,074	1,783,393	-
<u>850,186</u>	<u>3,145,660</u>	<u>74,107,193</u>	<u>302,875</u>
41,716,347	4,786,403	317,301,221	-
-	-	3,142,245	-
1,218,854	(1,459,295)	27,200,951	3,341,469
<u>\$ 42,935,201</u>	<u>\$ 3,327,108</u>	<u>\$ 347,644,417</u>	<u>\$ 3,341,469</u>

Some amounts reported for business-type activities in the statement of net position are different because certain internal service fund assets and liabilities are included with business-type activities

(774,061)
\$ 346,870,356

City of Flagstaff, Arizona
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2017

	Business-type Activities – Enterprise Funds		
	Water and Wastewater Fund	Environmental Services Fund	Airport Fund
OPERATING REVENUES:			
Charges for services	\$ 25,916,721	\$ 13,047,045	\$ 1,503,945
Miscellaneous	100,039	8,290	-
Total operating revenues	<u>26,016,760</u>	<u>13,055,335</u>	<u>1,503,945</u>
OPERATING EXPENSES:			
Personnel services	5,390,460	4,375,161	1,051,318
Contractual services, materials and supplies	11,411,655	6,951,654	1,448,153
Insurance claims and expenses	-	-	-
Depreciation and amortization	8,632,388	972,183	2,480,354
Total operating expenses	<u>25,434,503</u>	<u>12,298,998</u>	<u>4,979,825</u>
Operating income (loss)	<u>582,257</u>	<u>756,337</u>	<u>(3,475,880)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest and investment income	234,193	155,377	3,685
Grants and entitlements		36,527	338,747
Gain (loss) on disposal of capital asset	(2,298,906)		-
Passenger facility charges	-	-	263,063
Interest expense	(1,086,626)	-	(85,183)
Total non-operating revenues (expenses)	<u>(3,151,339)</u>	<u>191,904</u>	<u>520,312</u>
Income (loss) before capital contributions and transfers	<u>(2,569,082)</u>	<u>948,241</u>	<u>(2,955,568)</u>
Capital contributions related to grants	-	-	6,151,499
Capital contributions from external sources	7,731,083	-	-
Transfers in	405,550	195	1,051,161
Transfers out	(14,999)	(224,494)	-
Change in net position	<u>5,552,552</u>	<u>723,942</u>	<u>4,247,092</u>
Total net position, beginning of year	<u>239,922,315</u>	<u>16,660,351</u>	<u>34,275,856</u>
Total net position, end of year	<u>\$ 245,474,867</u>	<u>\$ 17,384,293</u>	<u>\$ 38,522,948</u>

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

Business-type Activities – Enterprise Funds			Governmental Activities
Stormwater Fund	Housing Authority	Total	Internal Service Fund
\$ 1,598,913	\$ 1,605,422	\$ 43,672,046	\$ 6,331,073
-	5,924	114,253	-
<u>1,598,913</u>	<u>1,611,346</u>	<u>43,786,299</u>	<u>6,331,073</u>
413,810	1,634,724	12,865,473	-
219,845	4,554,646	24,585,953	-
-	-	-	6,789,189
542,864	468,028	13,095,817	-
<u>1,176,519</u>	<u>6,657,398</u>	<u>50,547,243</u>	<u>6,789,189</u>
<u>422,394</u>	<u>(5,046,052)</u>	<u>(6,760,944)</u>	<u>(458,116)</u>
12,846	-	406,101	29,366
4,277	4,574,068	4,953,619	-
-	-	(2,298,906)	-
-	-	263,063	-
-	-	(1,171,809)	-
<u>17,123</u>	<u>4,574,068</u>	<u>2,152,068</u>	<u>29,366</u>
<u>439,517</u>	<u>(471,984)</u>	<u>(4,608,876)</u>	<u>(428,750)</u>
-	266,362	6,417,861	-
1,224,230	-	8,955,313	-
111,925	28,897	1,597,728	-
(196,688)	-	(436,181)	-
<u>1,578,984</u>	<u>(176,725)</u>	<u>11,925,845</u>	<u>(428,750)</u>
<u>41,356,217</u>	<u>3,503,833</u>	<u>335,718,572</u>	<u>3,770,219</u>
<u>\$ 42,935,201</u>	<u>\$ 3,327,108</u>	<u>\$ 347,644,417</u>	<u>\$ 3,341,469</u>

Some amounts reported for business-type activities on the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities

Change in net position of business-type activities (141,561)
\$ 11,784,284

City of Flagstaff, Arizona
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

Business-type Activities – Enterprise Funds

	Water and Wastewater Fund	Environmental Services Fund	Airport Fund
Cash flows from operating activities:			
Receipts from customers	\$ 25,921,615	\$ 12,697,026	\$ 1,565,094
Interfund services provided	282,124	146,139	-
Other receipts	-	-	263,063
Payments to suppliers	(8,199,803)	(5,340,905)	(818,306)
Interfund services used	(43,055)	(4,429)	(33,080)
Interfund reimbursement used	(2,332,543)	(1,299,691)	(353,170)
Payments to employees	(5,261,712)	(4,236,874)	(822,921)
Net cash provided (used) by operating activities	<u>10,366,626</u>	<u>1,961,266</u>	<u>(199,320)</u>
Cash flows from noncapital financing activities:			
Transfer from other funds	405,550	195	1,051,161
Transfer to other funds	(14,999)	(224,494)	-
Interfund loans provided	-	-	-
Interfund loans received	-	-	5,000,000
Net cash provided (used) by noncapital financing activities	<u>390,551</u>	<u>(224,299)</u>	<u>6,051,161</u>
Cash flows from capital and related financing activities:			
Receipts from grantors	48,358	31,256	505,501
Capital contributions	5,082,535	-	-
Acquisition and construction of capital assets	(4,923,707)	(2,002,923)	(6,450,985)
Principal payments on capital debt	(2,852,433)	-	(174,028)
Interest paid on capital debt	(1,135,704)	-	(85,183)
Net cash provided (used) by capital and related financing activities	<u>(3,780,951)</u>	<u>(1,971,667)</u>	<u>(6,204,695)</u>
Cash flows from investing activities:			
Interest received on investments	289,948	157,843	5,519
Net cash provided (used) by investing activities	<u>289,948</u>	<u>157,843</u>	<u>5,519</u>
Net increase (decrease) in cash and cash equivalents	<u>7,266,174</u>	<u>(76,857)</u>	<u>(347,335)</u>
Cash and cash equivalents at beginning of year	<u>23,042,812</u>	<u>20,415,292</u>	<u>397,279</u>
Cash and cash equivalents at end of year	<u>\$ 30,308,986</u>	<u>\$ 20,338,435</u>	<u>\$ 49,944</u>
Classified as:			
Cash, cash equivalents, and investments	\$ 28,715,071	\$ 8,298,187	\$ 49,944
Restricted cash and cash equivalents	1,593,915	12,040,248	-
Totals	<u>\$ 30,308,986</u>	<u>\$ 20,338,435</u>	<u>\$ 49,944</u>

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

Business-type Activities – Enterprise Funds			Governmental Activities
Stormwater Fund	Housing Authority	Total	Internal Service Fund
\$ 1,545,888	\$ 1,604,505	\$ 43,334,128	\$ 6,328,295
36,117	-	464,380	-
-	5,924	268,987	-
(150,037)	(4,314,293)	(18,823,344)	(6,939,452)
-	(204,287)	(284,851)	-
(114,248)	-	(4,099,652)	-
(391,114)	(1,582,960)	(12,295,581)	-
<u>926,606</u>	<u>(4,491,111)</u>	<u>8,564,067</u>	<u>(611,157)</u>
111,925	28,897	1,597,728	-
(196,688)	-	(436,181)	-
-	(8,945)	(8,945)	(6,775)
-	6,775	5,006,775	-
<u>(84,763)</u>	<u>26,727</u>	<u>6,159,377</u>	<u>(6,775)</u>
120,000	4,551,482	5,256,597	-
-	266,362	5,348,897	-
(567,560)	(256,313)	(14,201,488)	-
-	-	(3,026,461)	-
-	-	(1,220,887)	-
<u>(447,560)</u>	<u>4,561,531</u>	<u>(7,843,342)</u>	<u>-</u>
11,994	-	465,304	30,725
<u>11,994</u>	<u>-</u>	<u>465,304</u>	<u>30,725</u>
406,277	97,147	7,345,406	(587,207)
1,291,098	955,680	46,102,161	4,164,681
<u>\$ 1,697,375</u>	<u>\$ 1,052,827</u>	<u>\$ 53,447,567</u>	<u>\$ 3,577,474</u>
\$ 1,697,375	\$ 1,052,827	\$ 39,813,404	\$ 3,577,474
-	-	13,634,163	-
<u>\$ 1,697,375</u>	<u>\$ 1,052,827</u>	<u>\$ 53,447,567</u>	<u>\$ 3,577,474</u>

(continued)

City of Flagstaff, Arizona
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2017

Business-type Activities – Enterprise Funds

	Water and Wastewater Fund	Environmental Services Fund	Airport Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 582,257	\$ 756,337	\$ (3,475,880)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	8,632,388	972,183	2,480,354
Landfill closure and postclosure costs	-	320,104	-
Other receipts	-	-	263,063
(Increase) decrease in assets:			
Accounts receivable	(152,880)	(209,057)	63,211
Allowance for doubtful accounts	-	-	14,000
Prepaid items	-	-	-
Increase (decrease) in liabilities:			
Accounts payable	836,254	(13,475)	229,597
Accrued payroll, compensated absences	48,365	56,701	14,900
OPEB	69,233	48,700	8,563
Pension expense (contribution)	11,150	32,886	204,934
Deposits payable	136,825	12,355	(30)
Advanced revenue	203,034	(15,468)	(2,032)
Total adjustments	<u>9,784,369</u>	<u>1,204,929</u>	<u>3,276,560</u>
Net cash provided (used) by operating activities	<u>\$ 10,366,626</u>	<u>\$ 1,961,266</u>	<u>\$ (199,320)</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through contributions from developers	\$ 1,603,586	\$ -	\$ -
Loss on disposal of capital assets	(2,298,905)	-	-
Capital assets transferred from other funds	1,044,962	-	-
Total noncash investing, capital and financing activities	<u>\$ 349,643</u>	<u>\$ -</u>	<u>\$ -</u>

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

Business-type Activities – Enterprise Funds			Governmental Activities
Stormwater Fund	Housing Authority	Total	Internal Service Fund
\$ 422,394	\$ (5,046,052)	\$ (6,760,944)	\$ (458,116)
542,864	468,028	13,095,817	-
-	-	320,104	-
-	-	263,063	-
(16,908)	2,569	(313,065)	(1,952)
-	(11,110)	2,890	-
-	16,339	16,339	-
(44,440)	19,727	1,027,663	(150,263)
11,511	17,318	148,795	-
5,255	21,454	153,205	-
5,930	12,992	267,892	-
-	148	149,298	-
-	7,476	193,010	(826)
<u>504,212</u>	<u>554,941</u>	<u>15,325,011</u>	<u>(153,041)</u>
<u>\$ 926,606</u>	<u>\$ (4,491,111)</u>	<u>\$ 8,564,067</u>	<u>\$ (611,157)</u>
\$ 58,249	\$ -	\$ 1,661,835	\$ -
-	-	(2,298,905)	-
<u>1,165,981</u>	<u>-</u>	<u>2,210,943</u>	<u>-</u>
<u>\$ 1,224,230</u>	<u>\$ -</u>	<u>\$ 1,573,873</u>	<u>\$ -</u>

(concluded)

City of Flagstaff, Arizona
Notes to the Financial Statement
June 30, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

The City of Flagstaff (the City) was incorporated as a town in 1894 and as a city in 1928. The current City Charter was approved June 29, 1998. The Charter provides for the Council-Manager form of government and the authority to provide municipal services, as limited by the State Constitution.

The accounting policies of the City of Flagstaff conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the year ended June 30, 2017, the City adopted the provisions of GASB Statement No. 77 *Tax Abatement Disclosures and* GASB Statement No. 86 *Certain Debt Extinguishment Issues*. GASB Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The disclosures required by this Statement encompass tax abatements resulting from both (a) agreements that are entered into by the reporting government and (b) agreements that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement should be applied to all state and local governments subject to such tax abatement agreement. GASB Statement No. 86 establishes standards of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with only existing resources—that is, resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the purpose of extinguishing debt. This Statement also amends accounting and financial reporting requirements for prepaid insurance associated with debt that is extinguished, whether through a legal extinguishment or through an insubstance defeasance, regardless of how the cash and other monetary assets were acquired. Finally, this Statement establishes an additional disclosure requirement related to debt that is defeased in substance, regardless of how the cash and other monetary assets were acquired. The requirements of this Statement apply to financial statements of all state and local governments.

The City of Flagstaff is a municipal corporation governed by an elected Mayor and six-member council. The accompanying financial statements include the City and all of its component entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the Government Wide Statement of Net Position and Activities to emphasize they are legally separate from the government. The City of Flagstaff has no discretely presented component units.

Related Organizations: The City of Flagstaff officials are also responsible for appointing board members of other organizations. However, as the City's control is limited to making the appointments and there is not a significant operational nor a significant financial relationship between these organizations and the City, they are not included as part of these financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (statement of net position and statement of activities) report on the City and its component units as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are supported by fees and charges for services.

The government-wide statement of activities demonstrates the degree to which the direct expenses of the various functions and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt and depreciation expense on assets shared by multiple functions are not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other revenues not identifiable with particular functions or segments are included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

Interdepartmental services performed by one department for another are credited to the performing department and charged to the receiving department to reflect the accurate costs of programs. These indirect costs have been eliminated as part of the program expenses reported for the various functional activities. The rates used are intended to reflect full costs in accordance with generally accepted cost accounting principles and are part of the fund statements. Interfund services provided and used are eliminated in the process of consolidation.

The government-wide statement of net position reports all financial and capital resources of the government. It is displayed in a format of assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in the net position. The portion of unspent related debt proceeds or deferred inflows of resources at the end of the reporting period is not included in the calculation of net investment in capital assets; instead that portion of the debt or deferred inflows of resources is included in the same net position component as the unspent amount. Restricted net position occurs when a constraint is placed on its use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, is shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Also part of the basic financial statements are fund financial statements for governmental funds and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although the reporting model sets forth minimum criteria for determination of major funds (a percentage of assets and deferred outflows, liabilities and deferred inflows, revenues, or

expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds, which the City has not elected. Other non-major funds are combined in a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. 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 recorded as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. This is the traditional basis of accounting for governmental funds. This presentation is deemed most appropriate to 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the City's actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary fund financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds may be eliminated in the consolidation for the government-wide financial statements, but are included in the fund columns in the proprietary fund financial statements. The net costs/income of the internal service fund is also partially allocated to the business-type activities column on the government-wide financial statements.

On the proprietary fund financial statements, operating revenues are those that flow directly from the operations of that activity, i.e. charges to customers or users who purchase or use the goods or services of that activity. Operating expenses are those that are incurred to provide those goods or services. Non-operating revenues and expenses represent items like investment income, interest expense, and other items that do not fit in any other category and are not a result of the direct operations of the activity.

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

The City uses the following fund categories:

Governmental Fund Types

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

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

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

- *Highway User Revenue Fund*, which receives and expends the City's allocation of the Highway User Revenue money. Resources allocated to this fund come mainly from the State and must be used for street construction, reconstruction and maintenance.
- *Transportation Tax Fund* accounts for the receipt and expenditures of the transportation tax money as authorized by voters on May 16, 2000. These resources are restricted to financing improvements in the areas of the 4th Street overpass project, safe to school/pedestrian and bike projects, traffic flow and safety improvements, transit service operations and enhancements, and to repay the bonding related to the 4th Street overpass. In FY 2015, voters approved an additional transportation tax for road repair and street safety which is valid through 2035. In FY 2016, voters approved an extension of the transit tax to 2030.

Capital Projects Funds are used to account for major capital acquisition and construction separate from ongoing operating activities. Resources for capital projects typically result from the issuance of general obligation or other government debt.

- *Capital Projects Bond Construction Fund*, accounts for major capital acquisition and construction projects which are funded mainly with general obligation or other governmental debt.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal and interest.

- *General Obligation Bond Fund*, which is used to account for the accumulation of resources for, and the payments of, general long-term obligation principal and interest.

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. Resources are generated from ongoing plot sales with a portion allocated to perpetuity.

Proprietary Fund Types

Proprietary Funds are used to account for the City's ongoing organizations and activities, which are similar to those found in the private sector and where cost recovery and the determination of net income is useful

or necessary for sound fiscal management. The measurement focus is based upon determination of net income, changes in net position, net position, and cash flows.

Enterprise Funds are used to account for operations that provide services to the general public for a fee. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs. The City has five enterprise funds, all of which are presented as major funds in the basic financial statements.

- *Water and Wastewater Fund* accounts for the City water pumping, treatment and distribution systems and the City wastewater collection and treatment systems.
- *Environmental Services Fund* accounts for the operations of City refuse, management of the City landfill, recycling collection services and the management of sustainability programs.
- *Airport Fund* accounts for the construction, operations and maintenance of the City airport.
- *Stormwater Fund* accounts for the construction, operations and maintenance activities of the City stormwater system.
- *Housing Authority Fund* accounts for low income rental assistance along with federal housing programs such as low income public housing and voucher programs that enhance this funds ability to provide services.

Internal Service Fund accounts for the operations that provide services to other departments of the government on a cost-reimbursement basis, thus the internal service fund is presented with the proprietary fund financial statements. The internal service fund represents the self-insurance services provided to other departments and accounts for the risk management function of the City as well as maintaining the costs of the City's liability insurance and any claims paid under the City's self-insurance program. These costs are allocated to all operational activities of the City.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus whereby only current assets plus deferred outflows of resources, equals current liabilities plus deferred inflows of resources, plus fund balance. Operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net change in fund balances.

Enterprise funds are accounted for on a flow of economic resources measurement focus whereby all assets plus deferred outflows of resources, less liabilities and deferred inflows of resources associated with the operation of these funds, equals net position, as presented on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The modified accrual basis of accounting is used by governmental funds. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues,

except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period.

Expenditures are generally recorded when the related fund liability is incurred, as under accrual accounting. Principal and interest on general long-term debt are recorded as fund liabilities when due. However, debt service expenditures, as well as, expenditures related to compensated absences, claims and judgments are recorded only to the extent they have matured.

Revenues susceptible to accrual include property tax, privilege license tax, highway user tax, state shared sales tax, vehicle license tax, and interest earned on investments. Licenses and permits, charges for services, fines and forfeitures, parks and recreation charges and miscellaneous revenues are recorded when received in cash since they are generally not measurable until actually received. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

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

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

Budgets and Budgetary Accounting

The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements.

- The maximum legal expenditure permitted for the year is the total budget as adopted. The expenditure appropriations in the adopted budget are maintained in the City's financial system by department within individual funds. Department appropriations may be amended during the year, within administrative guidelines and adopted Council policies.
- The initial budget for the fiscal year may be amended during the year in a legally permissible manner.
- The City Manager is generally authorized to transfer budgeted amounts within any specific section's expenditure appropriation. Any budget revisions requiring a transfer between divisions must be approved by the City Council. City manager, human resources, and information technology are example sections of the general administration division.
- All unencumbered expenditure appropriations expire at the end of the fiscal year.
- Encumbered amounts are re-budgeted in the following year as deemed appropriate and necessary after review by the Budget Committee. Budgetary carry forwards are approved by the City Council as part of the budget adoption process.
- All funds of the City have legally adopted budgets with the exception of the internal service fund and perpetual care fund. Formal integration of these budgets into the City's financial systems is employed as a management control device during the year for all funds.

The City prepares its annual budget on a modified cash basis, which differs from GAAP. GASB Statement No. 34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the annual financial statements. These statements must display original budget, amended budget and actual results on a budgetary basis at the legal level of budgetary control. The City's legal level of budgetary control is at the division level; however the City's financial statements are presented at the functional level of detail. Budgetary comparisons provided in the basic financial section are presented for the general fund and major special revenue funds at the division level; these are presented as statements. The supplemental section provides budgetary comparisons for non-major special revenue funds, capital projects funds and debt service funds at the same functional level of detail used in financial statements presentation; these are presented as schedules.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Investments

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

State statutes authorize the government to invest in the State's Local Government Investment Pool (LGIP), obligations of the U.S. Treasury, commercial paper and repurchase agreements. Investment Income from pooled cash and investments is allocated monthly based on the percentage of a fund's average daily equity in pooled cash and investments to the total average daily-pooled equity in pooled cash and investments. Investments are stated at fair value based on quoted market prices. The City also has an investment policy. Details of the City's investment policy can be found in Note IV.A.

The LGIP is a part of the State of Arizona Treasurer's office. The State Board of Deposit provides oversight for the State Treasurer's pools, and the LGIP Advisory Committee provides consultation and advice to the Treasurer. Investments in the State of Arizona LGIP are stated at fair value, which also approximates the value of the investment upon withdrawal.

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

Receivables and Payables

Accounts receivable and taxes receivable are shown net of an allowance for uncollectible accounts. The City's property tax is levied each year on or before the third Monday in August based on the previous January 1, full cash value as determined by the Coconino County Assessor. Levies are due and payable in two installments on September 1 and March 1. First half installments become delinquent on November 1; second half installments become delinquent on May 1. Interest at the rate of 12% per annum accrues following delinquent dates. Coconino County bills and collects all property taxes, at no charge to the taxing entities. A lien against property assessed attaches on the first day of January preceding assessment and levy thereon.

Under Arizona tax laws there are two property tax levies: primary and secondary. Primary property taxes are not restricted as to use and are used to finance the general operations of the City. Secondary property taxes are restricted for general obligation bonded debt service. The secondary property tax levy is recorded as revenue in a debt service fund and transferred to the Water and Wastewater Fund and the General Obligation Bond Fund. Secondary property taxes are restricted for general obligation bonded debt service. The secondary property tax levy is recorded as revenue in a debt service fund and transferred to the Water and Wastewater

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is classified as interfund receivables and payables. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balance.

Deferred Outflows of Resources

When a consumption of net position/fund balance applies to a future period it should not be recognized as an outflow of resources, expense or expenditure until that time. Advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Inventory and Prepaids

Inventory is valued at cost, which approximates market, using the weighted average cost method. Inventory consists of expendable supplies held for consumption and is charged to expenditure accounts as consumed. Prepayments of the governmental funds, which are prepared using the modified accrual basis of accounting, are recorded under the purchases method, and are therefore recorded as expenditures when purchased. Within the government-wide statements, which are prepared using the accrual basis of accounting, prepayments are recorded as assets and amortized over the life of the related agreement. Prepaid items contain payments made to vendors applicable to future accounting periods in both the government-wide and proprietary fund financial statements. The cost of a prepaid item is recorded as an expense when consumed rather than purchased.

Restricted Assets

Certain debt proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet or statement of net position, because they are maintained in trust accounts and their use is limited by applicable debt covenants. Typically, restricted assets, committed assets and assigned assets are used prior to using unassigned assets when both are available for the same purpose.

Grant Revenue

The City recognizes grant revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the City before the eligibility requirements are met are reported as advance revenues. Some grants and contributions consist of capital assets or resources that are restricted to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the City.

Deferred Inflows of Resources

Revenues and other governmental fund financial resources are recognized in the accounting period in which they become both measurable and available. When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government reports a deferred inflow of resources until such time as the revenue becomes available. Revenue related to property tax and special assessment liens are recorded in governmental funds but the revenue is not available in the current period so it is reported as a deferred inflow of resources.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis

as they are reported by the plans. 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.

Capital Assets

Capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated (unless the modified approach is used) in the government-wide financial statements. The City has chosen not to apply the modified approach to any networks or subsystems of infrastructure assets. No long-term assets or depreciation are shown in the governmental fund financial statements.

Capital assets, including public domain infrastructure (i.e., roads, bridges, curbs and gutters, streets and sidewalks, and other assets that are immovable and of value only to the City) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 (\$25,000 for capital improvement projects and infrastructure assets) and an estimated useful life greater than three years. Such assets are recorded at historical cost or estimated historical cost if actual amounts are unknown. Donated capital assets are recorded at estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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, if material.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives (land and construction-in-progress are not depreciated):

<u>Assets</u>	<u>Useful life (years)</u>
Buildings	10–50
Improvements	10–20
Machinery and Equipment	5–25
Infrastructure	25–75

Compensated Absences

Vacation and sick leave is granted to all regular and part-time permanent employees. The annual amount of vacation time accrued varies depending on classification and years of service. Accumulated vacation leave vests and the City is obligated to make payment if the employee terminates. Sick leave accrues at rates based on the full time equivalency status of each employee. Sick leave is vested with 20 years of service. Sick leave is payable upon termination (if vested) or retirement, up to 50 percent (not more than 520 hours) of accumulated sick leave.

For the governmental fund financial statements, the current payroll and current portion of the compensated absences are recorded as a current liability of the applicable funds. Long-term liabilities of governmental funds are not shown on the fund financial statements. For the government-wide financial statements, as well as the proprietary fund financial statements, all of the accrued liabilities for compensated absences are recorded as a liability.

Other Postemployment Benefits

Retirees are allowed to participate in the same healthcare plan as active employees and pay the same

premium for this benefit which results in an implicit rate subsidy. Even though the City makes no direct payments on behalf of the retirees the City is required to report this implicit cost for active employees who will be able to continue to purchase health insurance once they retire.

To recognize the cost of other postemployment benefits (OPEB) for healthcare over the active service life of the employee rather than on a pay-as-you-go basis, the net OPEB obligation includes the amortized future cost of the unfunded actuarial accrued liability. In the government-wide statements, and proprietary fund types in the fund financial statements, the net OPEB obligations are reported as long-term liabilities in the statement of net position.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are amortized over the life of the bonds using a method which approximates the effective interest method.

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

Interfund Transactions

Interfund transactions, consisting of services performed for other funds or costs billed to other funds are treated as expenditures in the fund receiving the services and as a reimbursement reducing expenditures in the fund performing the services. Exceptions include water sales, sewer charges, and environmental service charges that are recorded as revenue in the enterprise funds and expenses or expenditures in the department receiving the service. In addition, transfers are made between funds to shift resources from a fund legally authorized to receive revenue to a fund authorized to expend the revenue.

Fund Balance

In the fund financial statements, restricted fund balance is defined as that portion of fund balance that can be spent only for the specific purposes stipulated by constitution, external resource or through enabling legislation. Committed fund balance includes amounts constrained to specific purposes determined by a formal action of the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint; this action would represent a city ordinance. Assigned fund balance amounts are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. Intent can be expressed by the City Council or by the budget committee with final review completed during the annual budget process; the City has no formal policy in place. Assigned fund balance represents the remaining amount that is not restricted or committed in governmental funds other than the general fund, which is classified as unassigned. Nonspendable fund balance represents amounts that are required to be maintained intact, such as inventories, and nonexpendable portion of permanent funds.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount 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 expenses during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

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

Reconciliation of Governmental funds Balance Sheet and the government-wide Statement of Net Position:

	Total Governmental Funds	Capital Assets (1)	Long-Term Assets – Liabilities (2)	Internal Service Fund (3)	Reclass and Eliminations (4)	Statement of Net Position Totals
Assets						
Cash and cash equivalents	\$ 85,319,066	\$ –	\$ –	\$ 3,577,474	\$ –	\$ 88,896,540
Cash with fiscal agents						–
Accounts receivable, net	14,904,434	–	–	53,209	–	14,957,643
Interest receivable	210,912	–	–	6,886	–	217,798
Intergovernmental receivables	2,121,288	–	–	–	–	2,121,288
Note Receivable	316,400	–	–	–	–	316,400
Special assessments receivable	2,021,951	–	–	–	–	2,021,951
Interfund receivable	6,500,000	–	–	780,836	(1,520,697)	5,760,139
Inventory	391,981	–	–	–	–	391,981
Restricted cash and cash equivalents	27,323,181	–	–	–	–	27,323,181
Capital assets	–	309,558,542	–	–	–	309,558,542
Total assets	139,109,213	309,558,542	–	4,418,405	(1,520,697)	451,565,463
Deferred Outflows of Resources						
Deferred pension	–	–	30,548,285	–	–	30,548,285
Deferred loss on bond refunding	–	–	654,595	–	–	654,595
Total deferred outflows of resources	–	–	31,202,880	–	–	31,202,880
Total Assets and Deferred Outflows of Resources	\$ 139,109,213	\$ 309,558,542	\$ 31,202,880	\$ 4,418,405	\$ (1,520,697)	\$ 482,768,343
Liabilities						
Accounts and retainage payable	\$ 8,525,746	\$ –	\$ –	\$ 179,534	\$ –	\$ 8,705,280
Accrued payroll & compensated absences	2,164,838	–	–	–	–	2,164,838
Interest payable	–	–	1,306,035	–	–	1,306,035
Interfund payable	1,520,697	–	–	–	(1,520,697)	–
Advanced revenue	718,868	–	–	170	–	719,038
Guaranty and other deposits	1,414,580	–	–	–	–	1,414,580
Unamortized bond premium	–	–	6,029,863	–	–	6,029,863
Unamortized bond discount	–	–	(68,443)	–	–	(68,443)
Compensated absences	–	–	4,252,620	–	–	4,252,620
Claims and judgements	–	–	1,808,834	123,171	–	1,932,005
Other postemployment benefits	–	–	5,610,335	–	–	5,610,335
Net pension liability	–	–	132,593,865	–	–	132,593,865
Unmatured long-term debt	–	–	74,014,522	–	–	74,014,522
Total liabilities	14,344,729	–	225,547,631	302,875	(1,520,697)	238,674,538
Deferred inflows of resources						
Unavailable revenue – court fines	321,590	–	(321,590)	–	–	–
Unavailable revenue – note receivable	316,400	–	(316,400)	–	–	–
Unavailable revenue – property taxes	198,069	–	(198,069)	–	–	–
Unavailable revenue – special assessments	2,021,526	–	(2,021,526)	–	–	–
Deferred inflow related to pension	–	–	5,205,862	–	–	5,205,862
Total deferred inflows of resources	2,857,585	–	2,348,277	–	–	5,205,862
Fund Balance – Net Position						
Fund balance/Net Position	121,906,899	309,558,542	(196,693,028)	4,115,530	–	238,887,943
Total liabilities, deferred inflows and fund balance-net position	\$ 139,109,213	\$ 309,558,542	\$ 31,202,880	\$ 4,418,405	\$ (1,520,697)	\$ 482,768,343

- (1) Capital assets (land, buildings, equipment, etc.) used in governmental activities are purchased or constructed with the costs of those assets reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net position includes those capital assets among the assets of the City as a whole and amortizes the cost over the life of the asset as depreciation expense.

Costs of capital assets	\$ 539,743,698
Accumulated depreciation	(230,185,156)
	<u>309,558,542</u>

- (2) Certain receivables are reported as unavailable in the governmental funds, but are earned in the statement of net position.

Promissory note forgivable	\$ 316,400
Court receivables	321,590
	<u>637,990</u>

Certain deferred outflows and inflows of resources are applicable to future periods and, therefore, not recognized in the governmental funds, but are reported in the statement of net position.

Deferred outflows related to pensions	\$ 30,548,285
Deferred loss on bond refunding	654,595
Deferred inflows related to pensions	(5,205,862)
	<u>25,997,018</u>

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

Governmental bond and lease payable	\$ 74,014,522
Governmental interest payable	1,306,035
Compensated absences	4,252,620
Other postemployment benefits	5,610,335
Net pension liability	132,593,865
Claims and judgements	1,808,834
Unamortized bond premium	6,029,863
Unamortized bond discount	(68,443)
	<u>225,547,631</u>

Revenue for the long-term special assessment receivables and property tax shown on the governmental fund statements is not reflected on the statements of net position.

Special assessment	\$ 2,021,526
Property tax	198,069
	<u>2,219,595</u>

- (3) Internal service funds are used by management to charge the costs self insurance to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position, but are not included on the governmental fund balance sheet.

ISF net position	<u>\$ 4,115,530</u>
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- (4) Certain interfund transactions between governmental activities and between business-type activities are eliminated in the consolidation of those activities for the statement of net position.

Interfund receivables	\$ 1,520,697
Interfund payables	(1,520,697)
	<u>-</u>

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

Reconciliation of Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities:

	Total Governmental Funds	Capital Related Items (1)	Long-Term Revenues/ Expenses (2)	Internal Service Fund (3)	Adjustments and Eliminations (4)	Statement of Activities Totals
Revenues and Other Sources						
Taxes	\$ 65,263,433	\$ -	\$ (6,030)	\$ -	\$ 18,139,582	\$ 83,396,985
Intergovernmental	22,504,605	-	-	-	(10,157,078)	12,347,527
Grants and entitlements	10,850,138	-	-	-	(7,982,504)	2,867,634
Special assessments	202,243	-	(98,461)	-	-	103,782
Charges for services	3,454,567	-	-	-	-	3,454,567
Licenses and permits	3,013,367	-	-	-	-	3,013,367
Fines and forfeitures	1,430,686	-	18,623	-	-	1,449,309
Rent	1,805,457	-	-	-	-	1,805,457
Investment earnings	(476,690)	-	-	29,366	-	(447,324)
Contributions	869,484	225,400	91,204	-	-	1,186,088
Miscellaneous	1,123,129	-	-	-	-	1,123,129
Total revenue	110,040,419	225,400	5,336	29,366	-	110,300,521
Expenditures/Expenses						
General governmental	16,652,590	662,551	701,612	56,071	1,247,334	19,320,158
Public safety	30,849,989	1,595,444	9,517,347	127,448	-	42,090,228
Public works	1,472,485	226,319	42,611	5,497	148,664	1,895,576
Economic and physical development	8,989,673	339,404	54,994	29,503	419,580	9,833,154
Culture and recreation	11,854,511	1,968,010	142,099	43,933	(444,724)	13,563,829
Highways and streets	8,443,609	8,951,808	(229,572)	54,103	(1,370,854)	15,849,094
Principal retirement	14,154,904	-	(14,154,904)	-	-	-
Interest and other charges	2,534,621	-	209,012	-	-	2,743,633
Capital outlay	14,002,895	(14,002,895)	-	-	-	-
Total expenditures/expenses	108,955,277	(259,359)	(3,716,801)	316,555	-	105,295,672
OTHER FINANCING SOURCES (USES):						
Bond premium	3,500,813	-	(3,500,813)	-	-	-
Issuance of capital debt	26,168,531	-	(26,168,531)	-	-	-
Transfers in	22,308,323	-	-	-	87,962	22,396,285
Transfers out	(23,469,870)	-	-	-	-	(23,469,870)
Total other financing sources (uses)	28,507,797	-	(29,669,344)	-	87,962	(1,073,585)
Net change for the year	\$ 29,592,939	\$ 484,759	\$ (25,947,207)	\$ (287,189)	\$ 87,962	\$ 3,931,264

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

Capital outlay	\$ 14,002,895
Depreciation expense	(13,587,540)
Disposal of capital assets	(155,996)
Donated capital assets	225,400
	<u>484,759</u>

(2) Special assessment principal payments received are reported as revenue on the governmental fund statements, but are reductions to the outstanding special assessment debt for government-wide reporting. Property tax revenue not received within 30 days of year end are unearned for governmental fund reporting, but are not for government-wide reporting.

Special assessment received	\$ (98,461)
Property tax	(6,030)
Fines & forfeitures	18,623
	<u>(85,868)</u>

When bonds are issued the proceeds and related premiums are reported as an other financing sources (uses) in the governmental funds. However, the bond premium and any loss on bond refunding are amortized (expensed) over the life of the bonds.

Bond premium new issuance	\$ (3,500,813)
Bond premium amortization	324,560
Amortization of refunding loss on debt	(161,308)
	<u>(3,337,561)</u>

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

Delivery of forgivable promissory note	\$ (10,200)
Issuance of capital debt	(26,168,531)
Accrual of long-term compensated absences	(278,868)
Accrual of bond interest	(209,012)
Pension contributions	10,116,333
Pension benefits earned net of employee contributions	(17,651,337)
Claims and judgements	(1,808,834)
Accrual of other postemployment benefits	(668,233)
	<u>(36,678,682)</u>

Repayment of long-term debt is reported as an expenditure in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the long-term liabilities in the statement of net position and do not result in an expense in the statement of activities

Principal payments on long-term debt	<u>\$ 14,154,904</u>
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(3) Internal service funds are used by management to charge the costs of self insurance to the individual funds. The adjustments for internal service funds "close" those funds by charging the additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.

Revenue	\$ 29,366
Expenditures	(316,555)
	<u>(287,189)</u>

(4) Certain interfund transactions between governmental activities and between business-type activities are eliminated in the consolidation of those activities for the statement of net position.

Transfer of capital assets to business-type activities	\$ (2,210,943)
Transfer of capital assets from business-type activities	2,298,905
	<u>87,962</u>

Fund Balance Classification

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of nonspendable, restricted, committed, assigned, and unassigned designate the relative strength of the constraints placed on how the amounts can be spent. Classification of fund balances imposed by the reporting government, whether by administrative policy or legislative action of the City Council, are shown in aggregate on the government fund financial statements, but not on the proprietary statement of net position. Restricted net position on the government-wide financial statements reflects restrictions imposed by external sources.

Nonspendable fund balance represents amounts that are nonspendable such as inventories and nonexpendable portion of permanent funds. Restricted fund balances represent constraints placed on the use of resources imposed externally by creditors, grantors, contributors, or laws and regulations of other governments. Resources imposed by constitutional provisions of enabling legislation that allows the ability to levy, charge, or mandate payment of resources are also classified as restricted. Committed fund balance includes amounts that can be used only for the specific purposes determined by adoption of a city ordinance by the City Council, the government's highest level of decision-making authority. A formal action would also be required to modify or rescind an established commitment as related to the adopted city ordinance. Assigned fund balance amounts are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. Assigned fund balance is expressed by the direction of the City Council and budget committee as part of the annual budgeting process. Authority to assign amounts used for specific purposes is confirmed as part of the annual budgeting process, the City has no formal policy that establishes this practice. Unassigned fund balance represents the remaining amount that is not restricted, committed, nonspendable nor assigned in the general fund.

Consideration is made that restricted amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes which both restricted and unrestricted fund balance is available. Also, committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in unrestricted fund balance classification could be used. Absent of a minimum fund balance policy, the City, through the budgeting process, establishes a minimum fund balance level to maintain as part of that process. A minimum balance of 15% is suggested in the general fund and a 10% fund balance is suggested for special revenue and enterprise funds.

Deficit Fund Balance

A deficit unassigned fund balance of \$277 exists in the Flagstaff Metropolitan Planning Organization (FMPO) Other Governmental Funds due to the timing and receipt of other contributions on a cost reimbursement basis. A deficit unassigned fund balance of \$2,669,555 exists in the Capital Projects fund. The deficit is a result of beginning construction of bonded projects prior to the receipt of proceeds. A loan from other funds, will be reported in the next period.

Governmental fund balances as of June 30, 2017 are as follows:

	General Fund	Highway User Revenue Fund	Transportation Fund	Capital Projects Bond Construction	Other Governmental Funds	Total Governmental Funds
Fund balances:						
Nonspendable:						
Perpetual care	\$ -	\$ -	\$ -	\$ -	\$ 260,023	\$ 260,023
Debt service	-	-	-	-	-	-
Inventory	342,576	-	-	-	49,405	391,981
Restricted for:						
Library branch services	-	-	-	-	1,057,514	1,057,514
Library programs externally directed	-	-	-	-	750,794	750,794
Court improvements and operations	105,725	-	-	-	-	105,725
Debt service	-	-	3,099,263	-	6,724,022	9,823,285
Regional planning	-	-	-	-	-	-
Street improvements	-	7,360,870	23,970,730	-	-	31,331,600
Transit	-	-	5,600,189	-	-	5,600,189
Public art	-	-	-	-	776,432	776,432
Parks operations	-	-	-	-	2,575,996	2,575,996
Economic Development	-	-	-	-	1,759,202	1,759,202
Tourism	-	-	-	-	1,024,011	1,024,011
Perpetual care	-	-	-	-	25,703	25,703
Development fee projects	1,583,303	-	-	-	-	1,583,303
Other capital projects	61,058	-	3,321,337	16,931,361	6,746,130	27,059,886
Assigned to:						
Capital reserve	6,879,681	-	-	-	-	6,879,681
Real estate	1,131,370	-	-	-	-	1,131,370
Parking district	-	-	-	-	313,673	313,673
Library services	-	-	-	-	1,765,295	1,765,295
Unassigned:	30,361,068	-	-	(2,669,555)	(277)	27,691,236
Total fund balances	<u>\$ 40,464,781</u>	<u>\$ 7,360,870</u>	<u>\$ 35,991,519</u>	<u>\$ 14,261,806</u>	<u>\$ 23,827,923</u>	<u>\$ 121,906,899</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budget Basis of Accounting

The City's accounting records for general government operations (general, special revenue and debt service funds) are essentially maintained on a basis consistent with Generally Accepted Accounting Principles (GAAP) except for 60 days sales tax accrual, unrealized gain or loss on investments and allowance for doubtful accounts. Measurable revenues are recorded when they become available to finance expenditures in the current fiscal year. "Available" is defined as: collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on debt, are recognized in the accounting period in which the liability arises. State statute allows for encumbrances to be recognized for a 60-day period following the end of the prior fiscal year as uses of prior year appropriations. To ensure that appropriations do not lapse, departments are directed to re-budget for all items delivered after June 30.

For the enterprise funds, the annual budget is prepared on a basis that differs from GAAP because state law requires capital purchases and debt service payments to be budgeted as expenses, and bond proceeds and grants that are to be utilized are to be budgeted as revenues.

The accounting and budgeting systems for the City are in accordance with Generally Accepted Accounting Principles (GAAP) format, with minimal variances between the two systems. Budget basis for enterprise funds differ primarily due to state laws. The major differences are as follows:

- Encumbrances (contractual commitments) are considered the equivalent of expenditures. Encumbrances at year-end for goods or services which are not received prior to the end of the fiscal year are cancelled.
- Fund balances reserved for inventory and bonded debt are not included in the budget.
- Certain expenditures, such as depreciation, compensated absences and landfill closure and post closure accruals, are not included in the budget.
- Enterprise funds budget capital expenditures and debt service payments as expenses.
- Enterprise funds budget bond proceeds as revenues.

The City will utilize a number of different fund types to segregate the financial activity within the City either due to regulatory reasons or as designated internally. The fund classifications are Governmental funds, Proprietary funds and Fiduciary funds.

Review and Approval

Issues presented during the review and approval period include discussion topics of the Council during the various retreats. These retreats were held in January and February to give City staff the opportunity to present major discussion points to Council and the public. The goal is for Council to make policy decisions and direct staff in preparing the budget. This provides adequate time for the Council to gather input on major budget issues prior to preparation of the budget. The City Council holds Study Sessions in April. The Council reviews and discusses the issue papers included in the Budget Review Book as well as all personnel recommendations, capital equipment recommendations and the capital improvement plan. The Council arrives at a consensus for all decisions needed. The Study Sessions provide the opportunity for City management, departments and the public to offer information and recommendations to the City Council.

The proposed budget is presented to Council for tentative adoption on or before the third Tuesday in June. Two public hearings are held on the content of the budget. State law requires the operating budget to be all-inclusive. Therefore, the budget includes provisions for contingent revenues, e.g., passenger facility charges, and expenditures that cannot be accurately determined when the budget is adopted, e.g., grants. The Resolution adopting the annual budget requires Council authorization for any expenditure from contingencies, as well as transfer of budget authority between departments.

The City operates under the State Expenditure Limitation with a one-time adjustment to the base. The adjustment provided for an increase to the base limit to allow for the expenditure of funds resulting from the addition of a 2% Bed, Board and Beverage Tax. Flagstaff is not a Home Rule city. Alternative Home Rule Expenditure Control municipalities require voter approval every four years.

The adopted budget reflects the total funds appropriated. Certain exclusions are allowed by the state (e.g., bond proceeds, debt service and grants) in computing the Expenditure Limitation and this total cannot be exceeded.

Budget authority can be transferred between line items within a section. At year-end, division budgets are reviewed and budget authority is transferred from contingencies by Resolution, if between divisions, as necessary. Council can also amend total appropriations for a division during the year by Resolution as long as there is a corresponding increase/decrease in another division so that the expenditure limitation is not exceeded.

B. Excess of Expenditures over Appropriations

Expenditure appropriations are adopted in the budget at the division level. For presentation purposes, we have elected to show any deficits at the division level within funds. In the General Fund, Economic Vitality exceeded appropriations by \$129,402. This deficit was funded by available fund balances in the General Fund. The deficit was mainly the result of an unbudgeted grant.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the government-wide Statement of Net Position as "Cash and cash equivalents," "Investments," and "Restricted cash and investments."

Deposits

At June 30, 2017, the carrying amount of the City's deposits was \$40,821,616 and the bank balance was \$44,577,408. The \$3,755,792 difference represents deposits in transit, outstanding checks, and other reconciling items at June 30, 2017. There is an additional \$8,044,361 reported as restricted cash as it is held with paying or fiscal agent on June 30, 2017 for debt service payments due on July 1, 2017 and capital lease proceeds.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Statutes and the City's investment policy require collateral for demand deposits, certificates of deposit, and repurchase agreements at 102 percent of all deposits not covered by federal depository insurance. All investments are either registered in the City's name or are held by a third party in the City's name. All deposits were collateralized at June 30, 2017.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy matches maturities with cash flow dates, unless matched to a specific requirement the City may not invest more than 25 percent of the portfolio for a period greater than three years or any portion of the portfolio for a period greater than 10 years.

At June 30, 2017, the City's investments included the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Federal agency notes	\$ 38,651,732	1.838
Municipal obligations	600,006	0.000
U.S. treasuries	46,759,203	3.394
State investment pool	27,723,459	0.100
Corporate notes	7,052,781	2.297
Total fair value of investments	<u>\$ 120,787,181</u>	
Portfolio weighted average maturity		2.059

Credit Risk

City resolution and State Statutes authorized the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, repurchase agreements, SEC registered money market accounts, certificates of deposit within the top three ratings by a nationally recognized rating agency, and the State of Arizona Local Government Investment Pool (LGIP).

The credit quality ratings of investments as described by nationally recognized Standard and Poor's and Moody's rating service as of June 30, 2017 is as follows:

Investment Type	Fair Value	Moody's Rating	S&P Rating	% of Investment:
Federal agency notes	\$ 38,651,732	AAA	AA+	31.99
Municipal obligations	600,006	AAA	AAA	0.50
U.S. treasuries	46,759,203	AAA	AA+	38.71
State investment pool	27,723,459	N/A	AAA f / S1+	22.95
Corporate notes	7,052,781	A1 / A2 / A3	AA- / A+ / A- / A / BBB+	5.84
Total	<u>\$ 120,787,181</u>			100%

Concentration of Credit Risk

The City's investment policy establishes that its investment portfolio, to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or specific class of securities shall not exceed the following. Fully insured or collateralized CD's no more than 25%, US agency securities 100%, State, county, school district and other district municipal bonds or debt with an A rating or better no more than 25%, repurchase agreements 100%, and local government investment pool 100%.

At June 30, 2017, the City's cash and investments included the following:

Carrying amount of investments	\$ 120,787,181
Carrying amount of cash deposits	40,821,616
Cash on deposit with paying agent	8,044,361
Cash on hand	14,130
Total pooled cash and investments	<u>\$ 169,667,288</u>

Pooled cash, equivalents and investments – unrestricted	\$ 128,709,944
Restricted cash and investments	40,957,344
Total pooled cash and investments	<u>\$ 169,667,288</u>

Cash and cash equivalents at June 30, 2017 consisted of the following:

Investments included in cash and cash equivalents	\$ 93,555,320
Carrying amount of unrestricted city deposits	35,140,494
Cash on hand	14,130
Total cash, investments, and cash equivalents per statement of net position	<u>\$ 128,709,944</u>

Investment income comprises the following for the year ended June 30, 2017:

Net interest and dividends	\$ 1,378,188
Net increase (decrease) in the fair value of investments	(1,419,411)
Total net investment income per statement of activities	<u>\$ (41,223)</u>

Fair Value Measurement

The net decrease in the fair value of investments during fiscal year 2016–2017 was \$1,419,411. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain (loss) on investments held at June 30, 2017 was (\$1,556,393).

In determining fair value, the City uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Fair value measurements framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Fair value measurements define levels within the hierarchy based on the reliability of inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
 Level 2 – Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The City's investments at June 30, 2017, categorized within the fair value hierarchy detailed above were as follows:

Investments by fair value level Investment Type	Fair Value Measurements Using			
	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
Federal agency notes	\$ 38,651,732	\$ -	\$ 38,651,732	\$ -
Municipal obligations	600,006	-	600,006	-
U.S. treasuries	46,759,203	46,759,203	-	-
Corporate notes	7,052,781	-	7,052,781	-
Total Investments by fair value level	<u>\$ 93,063,722</u>	<u>\$ 46,759,203</u>	<u>\$ 46,304,519</u>	<u>\$ -</u>

**External investment pools
measured at fair value**

State Treasurer's Investment Pool	<u>\$ 27,723,459</u>
Total Investments measured at fair value	<u>\$ 27,723,459</u>
Total Investments	<u><u>\$ 120,787,181</u></u>

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares. The State Board of Investment provides oversight for the State Treasurer's investment pools.

In previous years, the City recognized a decrease in fair value of \$1,473,712 consisting of the City's share of a loss on an investment within the Local Government Investment Pool. The State and numerous other bondholders filed suit against the principals, underwriters, trustees, accountants, and others in May 2003. The case is presently pending litigation. There have been several distributions since June 2006. The distributions include payments from the trustee and settlement proceeds received from pending litigation. The City did not receive a distribution this year and the total recovery to date is \$1,126,225.

In previous years, the City recognized a decrease in fair value of \$289,104 consisting of the City's share of a loss on an investment within the Local Government Investment Pool relating to Lehman Brothers Chapter 11 filing. The State has filed claims on behalf of the LGIP investors. The City received a distribution this year in the amount of \$7,820 and the total recovery to date is \$117,612.

B. Receivables

Receivables as of June 30, 2017, including allowances for uncollectible accounts, are as follows:

Fund	Accounts	Interest	Intergov- ernmental	Special Assessments	Notes Receivable	Total Receivables
Governmental Activities						
General fund	\$ 8,716,591	\$ 85,863	\$ 253,687	\$ -	\$ -	\$ 9,056,141
Highway user revenue fund	884,738	11,632	-	-	-	896,370
Transportation fund	4,172,999	67,519	1,199,682	-	-	5,440,200
Capital projects bond fund	-	1,864	40,748	-	-	42,612
Other governmental funds	2,112,617	44,034	627,171	2,021,951	316,400	5,122,173
Less: allowance for uncollectibles	(982,511)	-	-	-	-	(982,511)
Total government funds	14,904,434	210,912	2,121,288	2,021,951	316,400	19,574,985
Internal services funds	53,209	6,886	-	-	-	60,095
Total governmental activities	14,957,643	217,798	2,121,288	2,021,951	316,400	19,635,080
Business-Type Activities						
Water and Wastewater	4,237,310	61,138	-	-	-	4,298,448
Environmental services	1,500,766	20,896	5,587	-	-	1,527,249
Airport	47,528	348	6,037,652	-	-	6,085,528
Stormwater	221,603	3,516	4,277	-	-	229,396
Flagstaff housing authority	28,108	-	108,016	-	-	136,124
Less: allowance for uncollectibles	(159,000)	-	-	-	-	(159,000)
Total business-type activities	5,876,315	85,898	6,155,532	-	-	12,117,745
Total activities	\$ 20,833,958	\$ 303,696	\$ 8,276,820	\$ 2,021,951	\$ 316,400	\$ 31,752,825

C. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, as of June 30, 2017 is as follows:

	Balance July 1, 2016	Increase	Decrease	Transfers In (out)	Balance June 30, 2017
Governmental activities:					
Non-depreciable assets:					
Land	\$ 64,882,123	\$ 807,696	\$ -	\$ -	\$ 65,689,819
Construction –in–progress	8,133,544	9,530,415	(3,437,196)	(2,210,943)	12,015,820
Total non-depreciable assets	73,015,667	10,338,111	(3,437,196)	(2,210,943)	77,705,639
Depreciable assets:					
Buildings	83,951,140	590,556	-	-	84,541,696
Improvements	22,461,454	199,320	-	-	22,660,774
Machinery and equipment	33,449,573	1,907,646	(315,524)	-	35,041,695
Infrastructure	312,972,558	4,522,431	-	2,298,905	319,793,894
Total depreciable assets	452,834,725	7,219,953	(315,524)	2,298,905	462,038,059
Accumulated depreciation:					
Buildings	(23,220,558)	(1,835,531)	-	-	(25,056,089)
Improvements	(15,718,405)	(962,666)	-	-	(16,681,071)
Machinery and equipment	(23,584,220)	(1,702,399)	266,955	-	(25,019,664)
Infrastructure	(154,341,388)	(9,086,944)	-	-	(163,428,332)
Total accumulated depreciation	(216,864,571)	(13,587,540)	266,955	-	(230,185,156)
Governmental activities capital assets, net	<u>\$ 308,985,821</u>	<u>\$ 3,970,524</u>	<u>\$ (3,485,765)</u>	<u>\$ 87,962</u>	309,558,542
				Less: associated debt	(74,014,522)
				Less: unamortized premium	(6,029,863)
				Plus: unamortized discount	68,443
				Less: construction retainage	(534,731)
				Plus: unamortized loss on current refunding	654,595
				Plus: non-capital related debt, series 2013	1,720,800
				Plus: unspent capital related debt, series 2016	12,511,322
				Plus: non-capital related debt, series 2016	1,703,900
				Net investment in capital assets	<u>\$ 245,638,486</u>

	Balance July 1, 2016	Increases	Decreases	Transfers In (out)	Balance June 30, 2017
Business-type activities:					
Non-depreciable assets:					
Land	\$ 14,119,715	\$ 519,120	\$ -	\$ -	\$ 14,638,835
Construction –in–progress	21,549,595	12,229,060	(7,757,352)	(2,298,905)	23,722,398
Total non-depreciable assets	<u>35,669,310</u>	<u>12,748,180</u>	<u>(7,757,352)</u>	<u>(2,298,905)</u>	<u>38,361,233</u>
Depreciable assets:					
Buildings	100,803,144	461,770	-	-	101,264,914
Improvements	394,337,056	8,493,274	-	2,210,943	405,041,273
Machinery and equipment	45,571,055	2,609,136	-	-	48,180,191
Total depreciable assets	<u>540,711,255</u>	<u>11,564,180</u>	<u>-</u>	<u>2,210,943</u>	<u>554,486,378</u>
Accumulated depreciation:					
Buildings	(52,634,869)	(2,306,623)	-	-	(54,941,492)
Improvements	(148,064,944)	(8,206,239)	-	-	(156,271,183)
Machinery and equipment	(26,305,738)	(2,582,955)	-	-	(28,888,693)
Total accumulated depreciation	<u>(227,005,551)</u>	<u>(13,095,817)</u>	<u>-</u>	<u>-</u>	<u>(240,101,368)</u>
Business-type activities capital assets, net	<u>\$ 349,375,014</u>	<u>\$ 11,216,543</u>	<u>\$ (7,757,352)</u>	<u>\$ (87,962)</u>	352,746,243
				Less: associated debt	(34,638,141)
				Less: construction retainage	(806,881)
				Net investment in capital assets	<u>\$ 317,301,221</u>

Depreciation expense was charged to the governmental functions in the government-wide financial statements as follows:

Governmental Activities:	
General government	\$ 506,555
Public safety	1,595,444
Public works	226,319
Economic and physical development	339,404
Culture and recreation	1,968,010
Highway and streets	8,951,808
Total depreciation expense – governmental activities	<u>\$ 13,587,540</u>

D. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables

Net interfund receivables and payables between governmental activities and business-type activities of \$5,760,139 are included in the government-wide financial statements at June 30, 2017. The interfund balances at June 30, 2017 are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to bond sales or grant reimbursements. All interfund balances outstanding at June 30, 2017 are expected to be repaid within one year.

The following interfund receivables and payables are included in the fund financial statements at June 30, 2017:

Fund	Interfund Receivables	Interfund Payables
Governmental Activities:		
General fund	\$ 6,500,000	\$ 20,697
Capital Projects bond Construction fund	-	250,000
Other governmental funds	-	1,250,000
Internal service funds	6,775	-
Total governmental activities	<u>6,506,775</u>	<u>1,520,697</u>
Business-Type Activities:		
Airport Fund	-	5,000,000
Housing authority fund	20,697	6,775
Total business-type activities	<u>20,697</u>	<u>5,006,775</u>
Total governmental and business-type activities	<u>\$ 6,527,472</u>	<u>\$ 6,527,472</u>
Less: fund eliminations	(1,541,394)	
Adjustment for internal service fund elimination	<u>774,061</u>	
Total government-wide statement of net position	<u>\$ 5,760,139</u>	

Transfers

The net transfers of \$1,073,585 from governmental activities to business-type activities on the government-wide statement of activities are primarily capital assets and other operational. The transfer of \$2,113,225 from the general fund to the Capital Projects Bond fund was for construction of the Courthouse project, there were no other significant transfers during fiscal year 2017 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer. The following transfers are reflected in the fund financial statements for the year ended June 30, 2017:

Fund	Transfers out	Transfers In
Governmental Activities:		
General fund	\$ 5,546,718	\$ 2,753,444
Highway user revenue fund	13,000	2,129,581
Transportation fund	2,343,943	-
General Obligation Bond Fund	-	13,011,564
Capital Projects Bond Construction	195	2,113,225
Other governmental funds	15,566,014	2,300,509
Total governmental funds	<u>23,469,870</u>	<u>22,308,323</u>
Internal service fund	-	-
Total governmental activities	<u>23,469,870</u>	<u>22,308,323</u>
Business-Type Activities:		
Water and Wastewater fund	14,999	405,550
Environmental services fund	224,494	195
Airport fund	-	1,051,161
Stormwater fund	196,688	111,925
Other business-type fund	-	28,897
Total business-type activities	<u>436,181</u>	<u>1,597,728</u>
Total governmental and business-type activities	<u>\$ 23,906,051</u>	<u>\$ 23,906,051</u>
Less: fund eliminations	(22,744,504)	
Less: net capital assets transfer	<u>(87,962)</u>	
Total government-wide statement of activities	<u>\$ 1,073,585</u>	

The Water and Wastewater (business-type activities) fund transferred \$2,298,905 of capital assets to the governmental activities and the governmental activities transferred \$2,210,943 from business activities to government activities for a consolidated net total of \$87,962 in Capital Assets to the Government wide financials. The BBB fund transferred \$2,517,950 to the General fund for its share of the operating cost of the services performed by General fund divisions and sections. The Transportation fund transferred \$1,921,443 to the Highway user revenue fund for the transportation fund's portion of capital projects and debt service expenditures. The General fund transferred \$1,641,611 to the Library fund for City share of expenditures for the libraries within the City limits. The General Obligation Bond Fund received a \$13,011,564 transfer from the Secondary Property Tax Revenue fund for payment of debt service.

E. Leases

Operating Leases Expenditures

The City leases library spaces under both non-cancellable and cancellable operating leases. The non-cancellable lease is for the East Flagstaff Library. The initial intergovernmental agreement was dated September 10, 2002, and was amended on September 8, 2008, to reflect an ending date of June 30, 2017. The agreement has automatic renewal for an additional two years, terminating on June 30, 2019, if neither party send a written notice of intent to terminate to the other party at least 60 days prior to the expiration of the initial term. Either party may terminate the lease at any time for any reason or no reason, without penalty, upon 180 days written notice. Fiscal year 2017 lease expense for the library was \$92,563. The schedule below for future minimum lease expenses reflects the change in the rental rate as of June 30, 2018.

Operating Lease Expenditures

Year Ending June 30	East Flagstaff Library
2018	\$ 94,322
2019	94,322
Total	<u>\$ 281,207</u>

In addition, the City has entered into several operating lease agreements, with cancellation provisions, for the purpose of leasing office space and land. Lease expenditures for these items for the period ending June 30, 2017 were \$181,788 (Cancelable and Non-cancelable), including the East Flagstaff Library.

Operating Lease Revenues

The City leases several City-owned buildings under cancellable and non-cancellable agreements. Certain leases contain provisions for future rate increases based on changes in the consumer Price Index. Total revenue for fiscal year 2017 was \$1,722,525. The City currently has three leases with non-cancellable terms as well as future cancellable terms that are for the USGS buildings 3, 4/5, and 6, which are guaranteed thru the dates indicated below. The table on the following page represents the future minimum lease receivable from the lease with non-cancellable terms. The amounts shown include revenue related to the asset and the operational expenses.

The terms for the USGS Lease for Buildings 4/5 had the first two years firm, and the remaining lease, from January 1, 2017 to December 31, 2019, on a month-to-month basis with a required Thirty (30) day notice for cancellation. The USGS Lease renewal for Building 6 was taken to Council for Lease effective date of August 01, 2017. The terms were approved for the Twenty (20) year lease, of which Ten (10) years are firm and Ten (10) years are month-to-month, with a Sixty (60) day notice of lease cancellation required for the month-to-month portion of the lease. The debt for Building 6 was paid off in full, resulting in a decrease in lease payments from the USGS to the City of Flagstaff. The Lease for Building 3 is on a month-to-month basis through December 31, 2019.

Operating Lease Revenue

Year Ending June 30	Non-Cancellable USGS Building 3	Non-Cancellable USGS Building 6
2017 – Actual	\$ 176,400	\$ 336,039
2018	-	293,692
2019	-	293,692
2020	-	293,692
2021	-	293,692
2022	-	293,692
2023	-	293,692
2024	-	293,692
2025	-	293,692
2026	-	293,692
2027	-	24,474
	<u>\$ 176,400</u>	<u>\$ 3,003,741</u>

In addition, the Airport Fund has several leases under cancellable agreements. The leases are for terminal space, hangars, shades, tie downs, ground leases, rental car agencies and a cafe. Lease revenue in the airport fund for fiscal year 2017 was \$1,347,378.

F. Long-Term Debt

General Obligation Debt

The City of Flagstaff issues general obligation debt to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities.

General obligation debt are direct obligations and pledge the full faith and credit of the government. The water and wastewater general obligation debt is a water infrastructure and finance authority note backed by the ultimate taxing power and general revenues of the City; however, the debt is carried as a liability of the water and wastewater fund to reflect the intention of the City to retire those bonds from resources in the water and wastewater funds.

On August 9th, 2016, the City issued \$16,105,000 in GO bonds, series 2016, related to capital projects approved by voters for Core Services Facility, Open Space and Forest Initiative Projects as authorized by the voters at special bond elections held in the City on May 18, 2004 and November 6, 2012.

On December 7th, 2016 the City used existing cash resources to defease \$5,960,000 of the July 1, 2017, July 1, 2022 and July 1, 2023 maturities of the General Obligation Bonds (Projects of 2004), Series A (2006).

General obligation debt outstanding at June 30, 2017:

Purpose	Amount
Governmental activities	\$ 40,250,666
Governmental activities – advance refunding	8,270,000
Business-type activities	1,307,687
Total general obligation debt outstanding	<u>\$ 49,828,353</u>

General obligation debt at June 30, 2017 consist of the following individual issues:

General Obligation Debt

Governmental activities:

\$8,270,000 Capital projects, series 2014B partial refunding of series 2006 due in annual installments of \$1,940,000 to \$2,205,000 through July 1, 2021; interest rate at 3.00% to 5.00%. Construction related to recreation facilities, fire facilities and equipment, and open space acquisition.	\$ 8,270,000
\$12,845,000 Capital projects, series 2011 due in annual installments of \$335,000 to \$2,320,000 through July 1, 2020; interest rate at 1.0% to 4.0%. Construction related to fire facilities, streets and utility improvements, and public safety communication system.	6,315,000
\$3,952,287 Public safety communications, series 2011 due in annual installments of \$289,956 to \$446,582 through July 1, 2021; interest rate at 2.40%. Construction related to public safety communication system.	2,130,666
\$11,460,000 Capital projects, series 2013 due in annual installments of \$560,000 to \$950,000 through July 1, 2028; interest rate at 1.625% to 4.0%. Construction related to forest initiative, streets and utility improvements, and open space/Flagstaff Urban Trail System.	9,560,000
\$6,600,000 Capital projects, series 2014A due in annual installments of \$200,000 to \$460,000 through July 1, 2034; interest rate at 1.5% to 5.0%. Construction related to parks and recreation facilities improvements and land purchase for open space/Flagstaff Urban Trail System.	6,140,000
\$16,105,000 Capital projects, series 2016 due in annual installments of \$565,000 to \$1,090,000 through July 1, 2036; interest rate at 3.00% to 4.0%. Construction related to open space acquisition, core services maintenance facilities, and forest health and water supply protection project.	16,105,000
Total governmental activities	<u>48,520,666</u>

Business-type activities:

\$1,633,933 Water infrastructure finance authority, due in annual installments of \$61,745 to \$107,043 through July 1, 2031; interest at 3.104%. Original amount \$1,833,828 less deobligated amount of \$199,895. Red Gap Wells.	1,307,687
Total business-type activities	<u>1,307,687</u>
Total General Obligation Debt	<u>\$ 49,828,353</u>

Annual debt service requirements to maturity for general obligation debt are as follows:

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2018	\$ 3,621,164	\$ 1,709,856	\$ 69,775	\$ 38,425
2019	5,485,912	1,583,766	71,941	36,192
2020	5,610,894	1,399,820	74,174	33,889
2021	5,606,115	1,200,539	76,477	31,515
2022	4,306,581	1,013,584	78,851	29,068
2023-2027	9,230,000	3,761,562	432,521	105,884
2028-2032	8,075,000	2,017,488	503,948	32,241
2033-2037	6,585,000	623,100	-	-
Total	<u>\$ 48,520,666</u>	<u>\$ 13,309,715</u>	<u>\$ 1,307,687</u>	<u>\$ 307,214</u>

Statutory Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, wastewater, electric, parks and open space, streets and public safety purposes may not exceed 20 percent of the City of Flagstaff's net secondary assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6 percent of the City's net secondary assessed valuation.

The City's computation of legal debt margins available for creation of additional debt at June 30, 2017 was \$90,725,235 and \$42,166,076 for the 20 percent and 6 percent debt limits, respectively. Also, see Schedule 16 in the Statistical Section for related information.

Special Assessment Bonds

Proceeds from special assessment bonds are used for improvements such as paving, sidewalks and sewers. Payments made by the assessed property owners are pledged as collateral. In the event of default by a property owner, the lien created by the assessment is sold at public auction and the proceeds are used to offset the defaulted assessment. If there is no purchase at the public auction, the City is required to buy the property with funds appropriated from the General Fund.

Special assessment bonds outstanding at June 30, 2017:

Purpose	Amount
Governmental activities	<u>\$ 2,120,000</u>

Special assessment bonds payable at June 30, 2017 consist of the following individual issues:

Special Assessment Bonds

Governmental activities:

\$8,900,000 Improvement district bonds, due in annual installments of \$95,000 to \$195,000, through January 1, 2032; interest at 5.0%. Aspen Place at the Sawmill district improvements.	\$ 2,120,000
Total Special Assessment Bonds	<u>\$ 2,120,000</u>

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 100,000	\$ 106,000
2019	105,000	101,000
2020	110,000	95,750
2021	115,000	90,250
2022	115,000	84,500
2023-2027	690,000	328,500
2028-2032	885,000	137,000
Total	<u>\$ 2,120,000</u>	<u>\$ 943,000</u>

Revenue Bonds

On July 20, 2016 the City issued \$8,930,000 in pledged revenue obligations, Series 2016, for Road Repair/Street Safety Projects. The payments will be payable from and secured by a lien on Excise Tax Revenues. "Excise Tax Revenues" are revenues from the restricted transaction privilege tax of 0.33% (\$0.0033) approved at an election held in and for the City on November 4, 2014 (the "Election"), which will expire on December 31, 2034 (the "Road Repair/Street Safety Rate"). The Election authorized bonds payable from the Road Repair/Street Safety Rate in an amount not to exceed \$20,000,000.

Highway User Revenue Fund (HURF) bonds are issued specifically for the purpose of constructing street and highway projects. These bonds are repaid out of HURF by gas tax revenues collected by the State of Arizona and distributed to cities and towns based on a formula of population and gas sales within each county.

In fiscal year 2004, the MFC issued \$25 million in bonds for the construction of the Fourth Street Overpass on land owned by the City. The City will make lease payments equal to the debt service on both issues and will obtain legal title upon payment in full of the bonds. The City has collateralized the contracts payable to the MFC by a pledge of the City's state shared revenues which are comprised of sales and income taxes imposed and collected by the State and distributed to counties and municipal governments pursuant to law and State revenue sharing which the City presently or in the future receives from the State and which are not earmarked by the State for a contrary or inconsistent purpose.

Greater Arizona Development Authority revenue bonds are issued specifically for the purpose of constructing public infrastructure projects. These bonds have state shared revenue pledged as a repayment revenue stream. These bonds funded the Business Incubator building.

Revenue bonds outstanding at June 30, 2017:

Purpose	Amount
Governmental activities	\$ 9,650,000
Governmental activities - partial advance refunding	10,040,000
Total revenue bonds outstanding	<u>\$ 19,690,000</u>

Revenue bonds at June 30, 2017 consist of the following individual issues:

Governmental activities:

\$12,530,000 Fourth Street pledged revenue refunding bonds, series 2012 due in annual installments of \$695,000 to \$2,165,000 through July 1, 2020; interest at 3.0% to 5.0%. Street and bridge infrastructure.	\$ 8,185,000
\$3,370,000 Greater Arizona Development Authority revenue bonds, series 2010A, due in annual installments of \$50,000 to \$240,000 through August 1, 2030; interest at 2.0% to 4.625%. Business incubator construction.	2,575,000
\$8,930,000 Road Repair Street Safety pledged revenue refunding bonds, series 2016 due in annual installments of \$450,000 to \$735,000 through July 1, 2032; interest at 2.0% to 4.0%. Repair of existing streets and roadways.	8,930,000
Total governmental activities	<u><u>\$ 19,690,000</u></u>

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 2,535,000	\$ 735,813
2019	2,605,000	631,113
2020	2,710,000	525,013
2021	2,810,000	416,826
2022	675,000	351,481
2023-2027	3,720,000	1,348,237
2028-2032	4,310,000	502,161
2033	325,000	6,500
Total	<u><u>\$ 19,690,000</u></u>	<u><u>\$ 4,517,144</u></u>

Other Debt

Certificates of Participation

Capital lease certificates of participation series 2009 were issued to complete various street overlay projects and to finance fire operating equipment. Principal and interest on the bonds are payable from capital lease payments and are not considered general obligations of the City. They are appropriated along with all other expenditures of the general government.

Certificates of participation bonds outstanding at June 30, 2017:

<u>Purpose</u>	
Governmental activities	<u><u>\$ 1,655,000</u></u>

Certificates of participation at June 30, 2017 consist of the following individual issues:

Governmental activities:

\$4,690,000 Certificates of participation, series 2009 due in annual installments of \$515,000 to \$575,000, through October 1, 2019; interest at 3.3137%. Roadway overlay improvements and fire equipment. \$ 1,655,000

Total Certificates of Participation \$ 1,655,000

Annual debt service requirements to maturity for certificates of participation debt are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2018	\$ 530,000	\$ 52,900
2019	550,000	33,313
2020	575,000	11,500
Total	<u>\$ 1,655,000</u>	<u>\$ 97,713</u>

The following is a summary of debt service requirements, including interest requirements, to maturity for long-term debt at June 30, 2017:

Fiscal Year	General Obligation Debt	Special Assessment Bonds	Revenue Bonds	Certificates of Participation	Total
2018	\$ 5,439,220	\$ 206,000	\$ 3,270,813	\$ 582,900	\$ 9,498,933
2019	7,177,811	206,000	3,236,113	583,313	11,203,237
2020	7,118,777	205,750	3,235,013	586,500	11,146,040
2021	6,914,646	205,250	3,226,826	-	10,346,722
2022	5,428,084	199,500	1,026,481	-	6,654,065
2023	2,703,742	203,750	1,013,962	-	3,921,454
2024	2,702,765	202,500	1,015,531	-	3,920,796
2025	2,710,358	201,000	1,015,881	-	3,927,239
2026	2,708,075	204,250	1,010,113	-	3,922,438
2027	2,705,027	207,000	1,012,750	-	3,924,777
2028	2,701,251	204,250	1,013,569	-	3,919,070
2029	2,709,597	206,250	1,012,925	-	3,928,772
2030	1,740,640	202,750	1,010,817	-	2,954,207
2031	1,739,944	204,000	1,012,150	-	2,956,094
2032	1,737,245	204,750	762,700	-	2,704,695
2033	1,630,500	-	331,500	-	1,962,000
2034	1,633,500	-	-	-	1,633,500
2035	1,629,200	-	-	-	1,629,200
2036	1,157,200	-	-	-	1,157,200
2037	1,157,700	-	-	-	1,157,700
Less interest	(13,616,929)	(943,000)	(4,517,144)	(97,713)	(19,174,786)
	<u>\$ 49,828,353</u>	<u>\$ 2,120,000</u>	<u>\$ 19,690,000</u>	<u>\$ 1,655,000</u>	<u>\$ 73,293,353</u>

Authorized and Issued Debt

The voters of the City authorize capital projects and the related debt mechanism to finance these capital projects. On May 18, 2004, voters approved \$47.4 million for various capital projects and \$46.6 million for future water rights and production. As of June 30, 2017, \$.4 million remains unissued for capital projects and \$.8 million remains unissued for future water rights and production. On November 2, 2010, voters approved \$21.2 million for public safety communication system and various street and utilities improvements. As of June 30, 2017 \$.4 million remains unissued. On November 6, 2012, voters approved \$14.0 million for a Core Service Maintenance Facility and \$10.0 million for Forest Health and Watershed Protection. As of June 30, 2017, \$6.0 million remains unissued for the Forest Health and Watershed Protection. On November 8, 2016, voters approved \$12.0 million for a Courthouse Facility. As of June 30, 2017, \$12.0 million remains unissued for the Courthouse facility.

Loans Payable

The City of Flagstaff has various loan agreements with the Water and Wastewater Infrastructure Finance Authority (WIFA) of Arizona Revolving Fund Loan Program for the acquisition and construction of water and wastewater facilities and obtaining water rights. The Airport has an agreement with the Arizona Department of Transportation which provides financing for the construction of fourteen T hangars at the City Airport.

Loans outstanding as of June 30, 2017:

<u>Purpose</u>	<u>Amount</u>
Business-type activities	<u>\$ 30,346,243</u>

Loan payables at June 30, 2017 consist of the following individual financing options:

Water and wastewater:

\$7,900,000 Water infrastructure finance authority due in annual installments of \$380,000 to \$525,000 through July 1, 2026; interest at 3.28%. Water infrastructure acquisition.	\$ 4,545,000
\$23,100,000 Wastewater infrastructure finance authority due in annual installment of \$1,114,667, to \$1,629,449 through July 1, 2027; interest at 3.512%. Sewer treatment plant improvements.	15,172,742
\$8,500,000 Water infrastructure finance authority due in annual installment of \$377,927 to \$591,940 through July 1, 2028; interest at 3.810%, as adjusted on 12/7/12. Water production improvements and acquisition.	5,831,166
\$2,100,000 Water infrastructure finance authority due in annual installment of \$92,862 to \$138,320 through July 1, 2029; interest at 3.113%. Amount issued to date \$1,550,712. Remaining available \$594,288. Water feasibility study.	912,792
\$232,500 Water infrastructure finance authority due in annual installment of \$10,374 to \$15,054 through July 1, 2029; interest at 2.905%. Well improvements.	165,749
\$594,950 Water infrastructure finance authority due in annual installment of \$24,531 to \$33,603 through July 1, 2029; interest at 2.45%. Original amount issued \$1,000,000, amount deobligated \$405,050. Well infrastructure improvements.	379,340
\$1,100,000 as amended 10/02/09, \$800,000 Water infrastructure finance authority due in annual installment of \$51,224 to \$70,168 through July 1, 2029; interest at 2.45%. Amount issued to date \$1,100,000. Local aquifer study.	792,113
\$6,775,760 Water Infrastructure Finance Authority due in annual installments of \$375,127 to \$462,398 through July 1, 2022, interest at 3.548%. Water and sewer improvements.	2,547,341
Total water and wastewater	<u>30,346,243</u>
Total Loans Payable	<u>\$ 30,346,243</u>

Annual debt service requirements to maturity for loan payables are as follows:

Year Ending June 30	Business-type Activities	
	Principal	Interest
2018	\$ 2,508,609	\$ 987,633
2019	2,598,050	897,278
2020	2,690,121	803,708
2021	2,779,915	706,990
2022	2,877,528	606,860
2023-2027	13,752,593	1,581,306
2028-2031	3,139,426	44,203
Total	<u>\$ 30,346,243</u>	<u>\$ 5,627,978</u>

Obligations under Capital Leases

Capital lease agreements related to governmental activities consist of renewable energy solar equipment assets of \$824,764 (net of accumulated depreciation), heart monitors of \$163,965 (net of accumulated depreciation), copy machine of \$131,305 (net of accumulated depreciation), and parking meter assets of \$741,256. Capital lease agreements related to business-type activities consist of a co-generator at the Wildcat Wastewater Treatment Plant of \$775,816 (net of accumulated depreciation), airport hangars of \$1,985,426 (net of accumulated depreciation) and renewable energy solar equipment of \$1,457,457 (net of accumulated depreciation). These lease agreements generally require annual payments and the lease terms vary from ten to twenty-one years. The lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of their future minimum lease payments as of the date of inception.

Fiscal Year Ending June 30, 2017	Governmental Activities	Business-type Activities
2018	\$ 273,438	\$ 395,681
2019	276,012	396,809
2020	276,629	397,986
2021	232,592	399,206
2022	230,773	400,475
2023-2027	940,701	1,386,882
2028-2029	110,743	211,359
Total future minimum lease payments	2,340,888	3,588,398
Less: interest costs	(312,032)	(604,187)
Present value of future minimum lease payments	<u>\$ 2,028,856</u>	<u>\$ 2,984,211</u>

Pledged Revenues

The City has pledged future water and wastewater utility revenues to repay Water Infrastructure Financing Authority loans issued during the period of 1992-2015. The various bonds were issued for the purchase or construction of various water or wastewater infrastructure including wells, water distribution lines, wastewater collection lines and treatment plant improvements. At June 30, 2017, \$31,653,930 remains outstanding to be repaid by future water and wastewater revenues, if such revenues prove insufficient, the remainder will be repaid as a general obligation of the City. For the fiscal year ended June 30, 2017, net revenue available for service of this debt was \$9,448,838. The debt principal and interest paid in fiscal year 2017 equal \$3,052,608 (32.31% of available pledged net revenues). For additional information on pledged revenues related to revenue bonds, refer to Schedule 17 in the Statistical Section of this report.

The City has pledged certain revenues for the repayment of \$25,000,000 in Municipal Facility Corporation bonds issued in 2004. The bonds were issued to construct transportation infrastructure. The bonds have a senior lien on the 0.16% transportation sales tax and a secondary lien on the excise taxes and state shared revenues not specifically reserved by law or other regulation to be expended for other purposes. On March 21, 2012 a partial advance refunding of \$12,530,000 was completed on the 2004 bonds and replaced with

pledged revenue refunding bonds series 2012, holding the 2004 bonds senior. At June 30, 2017, \$8,185,000 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2017, net revenues available for service of the debt were \$33,419,449. The debt principal and interest paid in fiscal year 2017 was \$2,225,875 (6.66% of available pledged net revenues). For additional information on pledged revenues for MFC transportation bonds, refer to Schedule 17 in the Statistical Section of this report.

The City has pledged certain revenues for the repayment of \$3,370,000 Greater Arizona Development Authority (GADA) revenue bonds issued in 2011 for the construction of a business incubator facility at the U.S. Geological Survey Campus. The bonds are secured by a pledge of the City's state shared revenues not specifically reserved by law or other regulation to be expended for other purposes. At June 30, 2017, \$2,575,000 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2017, net revenues available for the service of this debt were \$12,572,785. The debt principal and interest paid in fiscal year 2017 was \$249,788 (1.99% of available pledged net revenues). For additional information on pledged revenues for GADA revenue bonds, refer to Schedule 17 in the Statistical Section of this report.

The City has pledged certain revenues for the repayment of \$8,930,000 in Road Repair/Street Safety pledged revenue obligation bonds issued in 2017. The bonds were issued to construct street improvements and the ongoing preservation of street conditions inside the City limit. The bonds have a senior lien on the 0.33% excise tax revenues. At June 30, 2017, \$8,930,000 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2017, net revenues available for service of the debt were \$6,665,630. The debt interest paid in fiscal year 2017 was \$133,125 (2.00% of available pledged net revenues). For additional information on pledged revenues for the bonds, refer to Schedule 17 in the Statistical Section of this report.

Changes in Long-term Liabilities

Liquidation of compensated absences, other postemployment benefits and net pension liability for governmental funds has been made out of the General, Library, HURF, BBB, Library and FMPO funds.

Non-current liability activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 43,817,310	\$ 16,105,000	\$ (11,401,644)	\$ 48,520,666	\$ 3,621,164
Special assessment bonds	2,215,000	-	(95,000)	2,120,000	100,000
Revenue bonds	12,750,000	8,930,000	(1,990,000)	19,690,000	2,535,000
Certificates of participation	2,170,000	-	(515,000)	1,655,000	530,000
Total bonds payable	60,952,310	25,035,000	(14,001,644)	71,985,666	6,786,164
Capital leases	1,048,585	1,133,531	(153,260)	2,028,856	214,446
Bond premium	2,853,610	3,500,813	(324,560)	6,029,863	307,684
Bond discount	(68,443)	-	-	(68,443)	-
Compensated absences	3,973,752	1,946,027	(1,667,159)	4,252,620	1,778,803
Other postemployment benefits	4,942,102	668,233	-	5,610,335	-
Net pension liability	116,811,023	43,705,817	(27,922,975)	132,593,865	-
Claims and judgements	206,877	1,983,679	(258,551)	1,932,005	1,824,169
Governmental activity long-term liability	\$ 190,719,816	\$ 77,973,100	\$ (44,328,149)	\$ 224,364,767	\$ 10,911,266
Business-type activities:					
Bonds payable:					
General obligation debt	\$ 1,375,362	\$ -	\$ (67,675)	\$ 1,307,687	\$ 69,775
Water loan payable	16,485,547	-	(1,312,046)	15,173,501	1,354,800
Wastewater loan payable	16,287,404	-	(1,114,662)	15,172,742	1,153,809
Airport loan payable	26,909	-	(26,909)	-	-
Capital lease payable	3,489,380	-	(505,169)	2,984,211	275,401
Total loan and leases payable	36,289,240	-	(2,958,786)	33,330,454	2,784,010
Compensated absences	722,160	361,831	(315,281)	768,710	337,148
Other postemployment benefits	1,114,034	153,205	-	1,267,239	-
Net pension liability	14,917,793	4,812,258	(3,513,161)	16,216,890	-
Landfill closure/postclosure	8,155,675	320,104	-	8,475,779	-
Business-type activity long-term liability	\$ 62,574,264	\$ 5,647,398	\$ (6,854,903)	\$ 61,366,759	\$ 3,190,933

V. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts and public officials' errors and omissions. The City purchases commercial insurance to cover these losses. However, \$75,000 of each claim resulting in a loss is retained by the City. The City provides for the self-insurance retention in the internal service fund. Outstanding claims as of June 30, 2017 have potential exposure to the City of approximately \$123,171 based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City uses an application of historical experience to determine claims payable. However, due to the preliminary status of the claims, no determination can be made as to the likelihood, if any, of an unfavorable outcome. The net position of the Internal Service Fund is designated for future losses related to the self-insurance retention. Settled claims have not exceeded commercial coverage in the last three fiscal years.

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2014-15	\$ 219,695	\$ 194,064	\$ 135,939	\$ 277,820
2015-16	277,820	205,242	276,185	206,877
2016-17	206,877	174,845	258,551	123,171

The City of Flagstaff participates in a risk sharing pool for employee health care, through the Northern Arizona Public Employees Trust, a public entity risk pool. Members do not bear any risk of loss. The overall experience rating of the trust determines premium charges.

B. Commitments and contingent liabilities

The city is involved in litigation arising in the ordinary course of its operations. The City believes that its ultimate liability, if any, in connection with these matters will not have a material adverse effect on the City's financial position, changes in financial position, or liquidity. See schedule 23 in the statistical section for further information related to the City's insurance coverage.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

As a result of the Arizona Supreme Court ruling in the Hall and Parker cases against the Arizona Public Safety Personnel Retirement System (PSPRS), the City has recorded a current liability for claims of excess contributions and interest in the amount of \$1,808,834 to the governmental claims and judgments line item on the government-wide statement of net position. The City is responsible for refunding EORP and PRPRS employees for any employee excess contributions since 2011 however, the City is allowed to take a credit against future PSPRS contributions for those refunds. These refunds were paid out in August and September of 2017.

The following table presents the City's construction commitments and encumbrances as of June 30, 2017:

Construction Commitments as of June 30, 2017

Capital Project Program Classification	Spent to date	Remaining Commitment
Buildings	\$ 4,369,267	\$ 9,080,517
Communication	-	-
Streets	7,810,522	13,001,315
Water	3,786,446	3,497,186
Wastewater	1,056,983	2,687,437
Stormwater	410,444	1,915,204
Airport runway	7,064,898	2,181,149
Other land improvements	971,568	839,185
Total Construction Commitments	\$ 25,470,128	\$ 33,201,993

Outstanding Encumbrances at June 30, 2017

Governmental Activities:	
General fund	\$ 913,915
Highway users revenue fund	155,146
Transportation fund	58,013
Capital projects bond fund	654,350
Other government funds	567,823
Total governmental activities	2,349,247
Business – Type Activities:	
Water and wastewater fund	349,680
Environmental services fund	769,407
Airport fund	164,622
Stormwater fund	45,407
Total business-type activities	1,329,116
Total governmental and business-type activities	\$ 3,678,363

C. Retirement and pension plans

All full-time employees of the City are covered by one of three pension plans. The Arizona State Retirement system is for the benefit of the employees of the state and certain other governmental jurisdictions. All full-time City employees, except sworn fire and police personnel, are included in the Arizona State Retirement System. Sworn police and fire personnel participate in the Public Safety Retirement System. In addition, the Mayor and City Council members are covered by the State's Elected Officials Plan.

Plan Descriptions – The City contributes to the three plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor, and health insurance premium benefits. The plans are component units of the State of Arizona.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, and Article 2 and 2.1.

The *Public Safety Personnel Retirement System* (PSPRS) is an agent multiple-employer defined benefit pension plan and an agent multiple-employer defined benefit health insurance premium benefit (OPEB) plan

that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a 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.

The *Elected Officials Retirement Plan* (EORP) is a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB) plan that covers elected officials and judges of certain state and local governments who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The EORP is governed by Board of Trustees of the PSPRS according to the provisions of A.S.R. Title 38, Chapter 5, and Article 3.

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

ASRS

3300 N. Central Ave.
P.O. Box 33910
Phoenix, AZ 85067-3910
(602) 240-2200/(800) 621-3778
www.azasrs.gov

PSPRS and EORP

3010 E. Camelback Rd., Suite 200
Phoenix, AZ 85016-4416
(602) 255-5575
www.psprs.com

At June 30, 2017, the City reported the following aggregate amounts related to pensions for all plans to which it contributes:

Statement of Net Position and Statement of Activities as of June 30, 2017

	Governmental Activities	Business-Type Activities	Total
Net pension liabilities	\$ 132,593,865	\$ 16,216,890	\$ 148,810,755
Deferred outflows of resources	30,548,285	3,370,806	33,919,091
Deferred inflows of resources	(5,205,862)	(1,783,393)	(6,989,255)
Pension expense	17,847,481	1,354,278	19,201,759

The City reported accrued employee benefits of \$11,809 for governmental activities and \$13,627 for business-type activities as related to outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2017.

Arizona State Retirement System (ASRS)

Funding Policy – The Arizona State Legislature establishes and may amend active plan members' and the City's contribution rates.

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

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

*With actuarially reduced benefits

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. 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 members' 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 members' account balance that includes the members' contribution and employer's contributions, plus interest earned.

Contributions – For the year ended June 30, 2017, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.48% (11.34% retirement and 0.14% long-term disability) of the members' annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 11.48% (10.78% retirement, 0.56% for health insurance premium, and 0.14% 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 9.47% (9.17% for retirement, 0.21% for health and 0.09% for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS. The City's contributions to ASRS for the years ended June 30, 2017, 2016, and 2015 were \$3,552,895, \$3,344,492, and \$3,229,757 respectively, inclusive of Housing Authority. The City contribution for the current and two preceding years, all of which were equal to the required contributions, were as follows:

	<u>Retirement</u>	<u>Health Benefit</u>	<u>Long-term Disability</u>
6/30/2017	\$ 3,357,591	\$ 152,268	\$ 43,036
6/30/2016	\$ 3,168,876	\$ 140,778	\$ 34,838
6/30/2015	3,002,707	161,281	65,769

During fiscal year 2017, the City paid for ASRS pension and related OPEB contributions (health benefit) 73% from governmental funds and 27% from enterprise funds.

Pension Liability

- At June 30, 2017, the City reported a liability of \$50,284,072 for its proportionate share of the ASRS net pension liability. The net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2015, to the measurement date of June 30, 2016. The total pension liability as of June 30, 2016, reflects a change in actuarial assumption for a decrease in loads for future potential permanent benefit increases.

The City's reported liability at June 30, 2017 increased by \$3,485,360 from the City's prior year liability of \$46,798,712 due to changes in the ASRS net pension liability and the City's proportionate share of that liability. The ASRS publicly available financial report provided details on the change in the net pension liability.

The City's proportion of the net pension liability was based on the actuarially determined amount provided by the system. The City's proportion measured as June 30, 2016, was .3115%, which was an increase of .0110% from its proportion measured as of June 30, 2015, 0.3005%.

Pension Expense and Deferred Outflows – Inflows of Resources

For the year ended June 30, 2017, the City recognized pension expense of \$3,339,180. At June 30, 2017, the city reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>\$</u>	<u>\$</u>
Differences between expected and actual	305,573	(3,459,179)
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	5,449,120	(2,660,429)
Changes in proportion and differences between city contributions and proportionate share of contributions	1,365,391	(137,898)
City contributions subsequent to the measurement date	3,357,591	-
Total	<u>\$ 10,477,675</u>	<u>\$ (6,257,506)</u>

The \$3,357,591 reported as deferred outflows of resources related to ASRS pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30,	
2018	\$ (1,800,041)
2019	(1,199,652)
2020	2,334,355
2021	1,527,916
	<u>\$ 862,578</u>

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2015
Actuarial roll forward date	June 30, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3–6.75%
Inflation factor	3%
Permanent benefit increase	Included
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2015, 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 8.75 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Arithmetic Real Rates of Return</u>
Commodities	2%	3.84%
Multi	5%	3.41%
Real Estate	10%	4.25%
Fixed Income	25%	3.70%
Equity	58%	6.73%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the ASRS pension liability was 8 percent, which is less than the long–term expected rate of return of 8.75 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 as determined by the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long–term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate

The following table presents the City’s proportionate shares of the net pension liability calculated using the discount rate of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	<u>1% Decrease (7%)</u>	<u>Current Discount Rate (8%)</u>	<u>1% Increase (9%)</u>
City's proportionate share of the net pension liability	<u>\$ 64,116,010</u>	<u>\$ 50,284,072</u>	<u>\$ 39,193,881</u>

Pension Plan Fiduciary Net Position

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

Public Safety Personnel Retirement System (PSPRS)

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

EORP

<u>Initial Membership Date:</u>	<u>Before December 31, 2011</u>	<u>On or after January 1, 2012</u>
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 months of last 10 years	Highest 60 months of last 10 years
Benefit percent		
Normal retirement	4% per year of service, not to exceed 80%	3.0% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 38% with 5 to 10 years of service 19% with less than 5 years of service
Survivor benefit		
Retired members	75% of retired member's pension benefit	50% of retired member's pension benefit
Active members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%

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

Employees covered by Benefit Terms

At June 30, 2017, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS	
	Police	Fire
Inactive employees or beneficiaries currently receiving benefits	68	87
Inactive employees entitled to but not yet receiving benefits	30	18
Active employees	105	78
Total	203	183

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 PSPRS 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. Benefit and contribution provisions are established by state law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38-843).

Annual Pension Cost – The City's pension cost for the agent plans for the year ended June 30, 2016, the date of the most recent actuarial valuation, and related information follow.

	PSPRS	
	Police	Fire
Contribution rates FY16-2017:		
Pension	44.66	70.05
Health insurance (OPEB)	0.17	0.00
Combined city	44.83%	70.05%
Active plan members, after July 20, 2011	11.65%	11.65%
Active plan members, on or before July 19, 2011	7.65%	7.65%
As of actuarial valuation date:	6/30/2016	6/30/2016
Required Contributions	\$ 3,266,194	\$ 4,107,600
Pension contributions made	\$ 3,648,822	\$ 4,107,600
Annual OPEB costs – Health Insurance	\$ 13,889	\$ -
OPEB contributions made	\$ 13,889	\$ -
Active members pension contributions	\$ 915,285	\$ 657,210

*Actuary estimates payroll while the City reports on actual payroll

In addition, the City was required by statute to contribute at the actuarially determined rate of 19.65 percent for the PSPRS of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the PSPRS.

During fiscal year 2017, the City paid for PSPRS pension and OPEB contributions for police with 100% general fund dollars and 94.6% from the general fund plus 5.4% from the airport fund as related to fire contributions.

Pension Liability

At June 30, 2017, the City reported net pension liability of \$45,538,125 and \$51,006,609 for police and fire respectively. The net pension liabilities were measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Pension Actuarial Assumptions

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.

- In May 2016 voters approved Proposition 124 that authorized certain statutory adjustments to PSPRS' automatic cost-of-living adjustments. The statutory adjustments changed the basis for cost-of-living adjustments from excess investment earnings to the change in the consumer price index, limited to a maximum annual increase of 2 percent.
- Laws 2016, Chapter 2, changed the benefit formula and contribution requirements for members hired on or after July 1, 2017.
- The investment rate of return actuarial assumption was decreased from 7.85 percent to 7.50 percent for PSPRS and CORP plans.

The net pension liabilities measured as of June 30, 2017, 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 County's net pension liabilities as a result of these changes is not known.

	PSPRS	
	Police	Fire
Amortization method	Level percent-of-pay closed	Level percent-of-pay closed
Remaining amortization period-UAL	22 years	22 years
Remaining amortization period-excess	20 years	20 years
Asset valuation method	7-year smoothed market; 20% corridor	7-year smoothed market; 20% corridor
Actuarial assumptions:		
Actuarial cost method	Entry age normal	Entry age normal
Discount rate	7.50%	7.50%
Projected salary increases	4.0% – 8.0%	4.0% – 8.0%
Inflation	4.00%	4.00%
Permanent benefit increase	Included	Included
Mortality rates	RP-2000 mortality table (adjusted by 105% for both males and females)	

The long-term expected rate of return on PSPRS pension plan investments was determined to be 7.50 percent using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

PSPRS Asset Class	Target Allocation	Long-Term Expected Real Arithmetic Rate of Return
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100%</u>	

Pension Discount Rates

At June 30, 2016, the discount rate used to measure the PSPRS total pension liabilities was 7.50 percent, which was a decrease of 0.15 from the discount rate used as of June 30, 2015. The projection of cash flows used to determine the discount rates 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 the actuarially determined contribution rate and the member rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total	Plan	Net
Pension Liability	Fiduciary	Net Postion	Pension Liability
(a)	(b)	(a) - (b)	
PSPRS – Police			
Balances at June 30, 2016	<u>\$ 62,484,536</u>	<u>\$ 22,965,528</u>	<u>\$ 39,519,008</u>
Changes for the year:			
Service cost	1,367,771	-	1,367,771
Interest on the total pension liability	4,818,389	-	4,818,389
Changes of benefit terms	1,967,589	-	1,967,589
Differences between expected and actual experience in the measurement of the total pension liability	(111,993)	-	(111,993)
Contributions– employer	-	3,441,521	(3,441,521)
Contributions– employee	-	1,147,170	(1,147,170)
Changes of Assumptions	2,578,910	-	2,578,910
Benefit payments, including refunds of employee	(3,575,345)	(3,575,345)	-
Net investment income	-	146,825	(146,825)
Administrative expense	-	(21,527)	21,527
Other changes		(112,440)	112,440
Net changes	<u>7,045,321</u>	<u>1,026,204</u>	<u>6,019,117</u>
Balances at June 30, 2017	<u><u>\$ 69,529,857</u></u>	<u><u>\$ 23,991,732</u></u>	<u><u>\$ 45,538,125</u></u>

	Increase (Decrease)		
	Total	Plan	Net
	Pension	Fiduciary	Pension
	Liability	Net Position	Liability
PSPRS – Fire	(a)	(b)	(a) – (b)
Balances at June 30, 2016	<u>\$ 69,729,278</u>	<u>\$ 25,835,950</u>	<u>\$ 43,893,328</u>
Changes for the year:			
Service cost	1,107,145	-	1,107,145
Interest on the total pension liability	5,356,440	-	5,356,440
Changes of benefit terms	2,064,045	-	2,064,045
Differences between expected and actual experience in the measurement of the pension liability	669,848	-	669,848
Contributions- employer	-	3,952,628	(3,952,628)
Contributions- employee	-	669,429	(669,429)
Changes of assumptions	2,647,110	-	2,647,110
Benefit payments, including refunds of employee contributions	(4,095,893)	(4,095,893)	-
Net investment income	-	160,712	(160,712)
Administrative expense	-	(23,526)	23,526
Other changes	-	(27,936)	27,936
Net changes	<u>7,748,695</u>	<u>635,414</u>	<u>7,113,281</u>
Balances at June 30, 2017	<u><u>\$ 77,477,973</u></u>	<u><u>\$ 26,471,364</u></u>	<u><u>\$ 51,006,609</u></u>

Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate

The following table presents the City's net pension liabilities calculated using the discount rates noted above as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS – Police			
Rate	6.50%	7.50%	8.50%
Net pension liability	\$ 54,652,637	\$ 45,538,125	\$ 38,061,697
PSPRS – Fire			
Rate	6.50%	7.50%	8.50%
Net pension liability	\$ 60,259,939	\$ 51,006,609	\$ 43,316,207

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Pension Expense

For the year ended June 30, 2017, the City recognized \$7,087,398 and \$8,314,337 pension expense related to police and fire, respectively.

Pension Deferred Outflows/Inflows of Resources

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension deferred outflows/Inflows of resources

	PSPRS – Police		PSPRS – Fire	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (634,188)	\$ 1,254,285	\$ -
Changes of assumptions	5,432,914	-	5,573,810	-
Net difference between projected and actual earnings on pension plan investments	1,458,915	-	1,597,332	-
City contributions subsequent to the measurement date	3,648,822	-	4,107,600	-
Total	\$ 10,540,651	\$ (634,188)	\$ 12,533,027	\$ -

The amounts reported as deferred outflows of resources related to pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	PSPRS Police	PSPRS Fire
2018	\$ 1,784,162	\$ 2,451,428
2019	1,784,160	2,451,428
2020	1,688,397	2,147,605
2021	739,330	964,713
2022	261,592	410,253
	\$ 6,257,641	\$ 8,425,427

Agent Plan OPEB Trend Information

The table below presents the annual OPEB cost information for the health insurance premium benefit for the current and 2 preceding years:

Plan	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
PSRS – Police – Health Insurance			
6/30/2017	\$ 13,889	100%	\$ -0-
6/30/2016	\$ 2,414	100%	\$ -0-
6/30/2015	67,477	100%	-0-
PSRS – Fire – Health Insurance			
6/30/2017	\$ -	100%	\$ -0-
6/30/2016	\$ -	100%	\$ -0-
6/30/2015	96,788	100%	-0-

Agent Plan OPEB Actuarial Assumptions

Actuarial valuations involve estimates of the reported amounts' value and assumptions about the probability

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

Projections of benefits are based on (1) the plans as understood by the City and plans' members and include the types of benefits in force at the valuation date, and (2) the pattern of sharing benefit costs between the City and plans' members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The significant actuarial methods and assumptions used are the same for all PSPRS plans and related benefits (unless noted), and the actuarial methods and assumptions used to establish the fiscal year 2016 contribution requirements are as follows:

PSPRS OPEB Contribution Requirements

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial liability, open for excess
Remaining amortization period	21 years for unfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7 year smoothed market value; 80%/120 % market
Actuarial assumptions:	
Investment rate of return	7.85%
Projected salary increases	4.0% – 8.0%
Wage growth	4%

PSPRS OPEB Funded Status

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent closed for unfunded actuarial liability, open for excess
Remaining amortization period	20 years for unfunded actuarial accrued liability, 20 years for overfunded
Asset valuation method	7 year smoothed market value; 80%/120 % market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.0% – 8.0%
Wage growth	4%

Agent Plan OPEB Funded Status

The following table presents the funded status of the health insurance premium benefit plans as of the most recent valuation date, 6/30/2016.

	<u>Police</u>	<u>Fire</u>
Actuarial value of plan assets	\$ 1,500,199	\$ 2,688,016
Actuarial accrued liability (AAL)	<u>1,341,133</u>	<u>1,599,024</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ (159,066)</u>	<u>\$ (1,088,992)</u>
Funded ratio (actuarial value of plan assets/AAL)	111.9%	168.1%
Covered payroll	\$ 7,318,199	\$ 5,491,792
Unfunded actuarial accrued liability as a percentage of covered payroll	0.0%	0.0%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Elected Officials' Retirement Plan (EORP)

Benefits Provided

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

EORP		
Initial Membership Date:	Before December 31, 2011	On or after January 1, 2012
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 months of last 10 years	Highest 60 months of last 10 years
Benefit percent		
Normal retirement	4% per year of service, not to exceed 80%	3.0% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 38% with 5 to 10 years of service 19% with less than 5 years of service
Survivor benefit		
Retired members	75% of retired member's pension benefit	50% of retired member's pension benefit
Active members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

* With reduced benefits of 0.25% for each month early retirement precedes the member's normal retirement age, with a maximum reduction of 30%

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earning. In addition, the State Legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's effects on the plan.

Contributions

State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability. For the year ended June 30, 2017, active EORP members were required by statute to contribute 13.00% of the members' annual covered payroll. Statute required active EORP members with an initial membership date after July 19, 2011, to contribute 13 percent of the members' annual covered payroll and the County to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute required the County to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 17.50 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the County's required contributions to ASRS, ACR and EODCRS for these elected officials and judges. And the City was required contribute a designated portion of certain court fees and 23.5 percent (23.50% for retirement and 0.0% for health insurance premium benefit) of active EORP members' annual covered payroll. In addition, the City was required to contribute the actuarially determined rate of 12.16% for members who meet certain criteria. The City's contribution to the pension plan for the year ended June 30, 2017, and 2 preceding years for OPEB, all of which were equal to the required contributions, were as follows.

Plan	Annual OPEB Cost	Percentage of Annual Cost Contributed	Net OPEB Obligation
EORP – Health Insurance			
6/30/2017	\$ -	100%	\$ -0-
6/30/2016	-	100%	-0-
6/30/2015	3,467	100%	-0-

Pension Liability

At June 30, 2017, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the city recognized as its proportionate liability that was associated with the City was as follows:

City's proportionate share of the EORP net pension liability	\$ 1,981,949
State's proportionate share of the EORP net pension liability associated with the city	<u>409,221</u>
Total	<u><u>\$ 2,391,170</u></u>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City Liability reported at June 30, 2017, increased by \$464,181 from the City's prior year liability of \$1,517,768 due to changes in the EORP's net pension liability and the City's proportionate share of the liability. The EORP's publicly available financial report provides details on the change in the net pension liability.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2017, the City recognized pension expense for the EORP of \$460,844 and revenue of \$109,201 for the City's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>EORP</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (37,271)
Changes of assumptions	222,524	-
Net difference between projected and actual earnings on pension plan investments	45,912	-
Changes in proportion and differences between city contributions and proportionate share of contributions	58,714	(60,290)
City contributions subsequent to the measurement date	<u>40,588</u>	<u>-</u>
Total	<u><u>\$ 367,738</u></u>	<u><u>\$ (97,561)</u></u>

The \$40,588 reported as deferred outflows of resources related to EORP pensions resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2018	\$ 137,206
2019	66,502
2020	16,683
2021	9,198
2022	-
Thereafter	-
	<u><u>\$ 229,589</u></u>

Actuarial Assumptions

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

	<u>EORP</u>
Contribution rates FY16–2017:	
City	23.50%
Plan members	13.00%
Actuarial valuation date	June 30, 2016
Net pension liability	
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	4.25%
Inflation	4.00%
Permanent benefit increase	included
Mortality rates	RP–2000 mortality table projected to 2025 with projection scale

The long-term expected rate of return on EORP pension plan investments was determined to be 7.50 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 expenses and inflation) are developed for each major asset class. The target allocation and best estimated of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>EORP</u> <u>Asset Class</u>	<u>Target</u> <u>Allocation</u>	<u>Long Term Expected</u> <u>Arithmetic Real Rate of Return</u>
Short term investments	2%	0.75%
Absolute return	5%	4.11%
Risk parity	4%	5.13%
Fixed income	7%	2.92%
Real assets	8%	4.77%
GTAA	10%	4.38%
Private equity	11%	9.50%
Real estate	10%	4.48%
Credit opportunities	13%	7.08%
Non-U.S. equity	14%	8.25%
U.S. equity	16%	6.23%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the EORP total pension liability was 3.68 percent which was a decrease of 1.8 percent from the prior valuation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plans' fiduciary net position was projected to be insufficient to make all projected future benefit payments of current plan member. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.50 percent was applied to period of projected benefit payments through the year ended June 30, 2027. A municipal bond rate of 2.85 percent obtained from the 20-year Bond Buyer Index, as published by the Federal Reserve as of June 30, 2016, was applied to period of projected benefit payments after June 30, 2027.

Sensitivity of the City’s Proportionate Share of the EORP Net Pension Liability to Changes in the Discount Rate

The following table presents the city’s proportionate share of the net pension liability calculated using the discount rate of 3.68 percent, as well as what the city’s proportionate share to the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
EORP Rate	2.68%	3.68%	4.68%
Net pension liability	\$ 2,307,087	\$ 1,981,949	\$ 1,710,542

Pension Plan Fiduciary Net Position

Detailed information about the pension plans’ fiduciary net position is available in the separately issued EORP financial report.

D. Other Post Employment Benefits (OPEB) Plan

Postemployment Healthcare Plan

Plan description. The City of Flagstaff provides post-retirement healthcare insurance benefits for its retirees as an agent multiple-employer plan which is administered through Northern Arizona Public Employee Benefit Trust (NAPEBT). NAPEBT provides benefits to eligible retirees through the same plan as active city employees and their beneficiaries up to the age of 65; because retirees are able to participate in the same plan and pay the same rates as active employees, an implicit rate subsidy exists through the duration of the coverage. Substantially, all of the City’s employees may become eligible for those benefits when they qualify for retirement. To be eligible a retiree must qualify to receive retirement benefits from the Arizona State Retirement System and elect coverage at date of retirement. NAPEBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on their website: <http://www.napebt.com/about.htm>. As of June 30, 2017, there were 81 retirees who elected coverage.

Funding Policy. The contribution requirements of plan members and the city are established and may be amended by the NAPEBT board. Eligible retirees up to the age of 65 have the option to participate in the healthcare plan that is currently offered to active employees and must pay 100% of the premium less any reimbursement from the Arizona State Retirement System, currently, a monthly stipend of \$150 for single coverage and \$260 for family coverage.

The City has elected to not fund the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. For fiscal year 2017, the City’s annual required contribution of \$1,076,520 is 2.3% of covered payroll. The City’s implicit subsidy contribution, determined as the excess of retiree medical costs over retiree contributions, was \$155,812 during fiscal year 2017.

Annual OPEB Cost and Net OPEB Obligation. For 2017, the City's annual OPEB cost (expense) of \$977,250 was equal to the ARC, as adjusted by any ARC adjustments (\$371,796), and interest on the net OPEB obligation of \$276,526. On June 30, 2017, the net increase in NOO for governmental activities was \$668,234 and for business-type activities was \$153,204. The City annual OPEB costs for the current year and the related information for the plan as follows for June 30, 2017:

Annual required contribution	\$ 1,076,520
Interest on net OPEB obligation	272,526
Adjustment to annual required contribution	<u>(371,796)</u>
Annual OPEB cost	977,250
Contributions made	<u>(155,812)</u>
Increase in net OPEB obligation	821,438
Net OPEB obligation – beginning of year	<u>6,056,136</u>
Net OPEB obligation – end of year	<u><u>\$ 6,877,574</u></u>

The City's annual OPEB cost; inclusive of Housing Authority, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and two preceding years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2017	\$ 977,250	\$ 155,812	15.9%	\$ 6,877,574
6/30/2016	989,264	256,335	25.9%	6,056,136
6/30/2015	972,644	182,941	18.8%	5,323,207

Funded Status and Funding Progress. The funded status of the plan as of July 1, 2015 (Latest actuarial data available) is as follows:

Actuarial value of plan assets	\$ -
Actuarial accrued liability (AAL)	<u>9,362,006</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 9,362,006</u></u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	\$ 44,365,337
Unfunded actuarial accrued liability as a percentage of covered payroll	21.1%

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term

volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the entry age level dollar actuarial cost method, which uses the member's hire date as the entry age, represents the actuarial cost method used. The actuarial assumptions included a 4.5 percent investment rate of return with no inflation rate factor and no projected salary increases factor, due to level dollar valuation used. Healthcare cost trend rate of 7.0 percent initially, reduced by decrements to an ultimate rate of five percent over eight years. The remaining amortization period at July 1, 2015, was 30 years, open, level dollar payment. The City has elected to perform biennial actuary valuations.

E. Landfill closure and postclosure care cost

State and federal laws and regulations require the City to place a final cover on its Cinderlake landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The City reports a portion of these closures and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The estimated liability for landfill closure and postclosure care costs has a balance of \$8,475,779 as of June 30, 2017, which is based on 78.8590 percent usage of the landfill. The remaining \$2,272,255 will be accrued over the remaining life of the landfill, which is currently estimated to be 9 years.

The accrual for the closure and postclosure care costs for fiscal year 2017 is \$320,104. Based on current estimates for landfill closure and postclosure care costs, the City is setting aside legally restricted funds to ensure sufficient funds will be available to meet these requirements. The City makes annual contributions to finance closure and postclosure care costs; at June 30, 2017 the balance of the investments held for those purposes is \$10,512,970. The investments are reported as restricted cash and investments in the City's Environmental Service Fund, and are held by the State of Arizona Local Government Investment Pool.

The estimated total current cost of the landfill closure and postclosure care, \$10,748,034, is based on the amount that would be paid if all equipment, facilities, and services required to care, monitor and maintain the landfill were acquired as of June 30, 2017. However, the actual cost of closure and postclosure care may be higher or lower due to other factors such as; inflation, changes in technology, or changes in landfill laws and regulations.

According to state and federal laws and regulations, the City must comply with the local government financial test requirements that assure the City can meet the cost of landfill closure, post-closure and corrective action when needed. The City, which has pledged its full faith and credit to meet state financial responsibility requirements, is in compliance with these requirements.

In March of 1999, the City purchased 343.9 acres of land from the U.S. Forest Service. This land is adjacent to the existing landfill and will be used to open additional cells as needed. As these cells are utilized, additional liabilities for closure and postclosure care requirements will be accrued. The City applied existing policy to the Environmental services fund increasing its' expenditures as City residential and commercial collection programs are now charged for landfill fees.

F. Tax Abatement

The City enters into property tax abatement agreements with local businesses under the state of Arizona Government Property Lease Excise Tax (GPLETs). Under the law enacted in 1996, Arizona's cities, towns, counties, and county stadium districts (government lessors) are allowed to lease property they own to private parties (lessees) for nongovernmental use and collect an excise tax. Because the property is owned by the City, it is exempt from property taxes. The abatements may be granted to any business located within or promising to relocate to the City to encourage continued provision of stable good paying employment opportunities for the City's residents. The City believes that its efforts will perpetuate the City's overall economic health and demonstrate the City's attractiveness as a place to do business.

For the fiscal year ended June 30, 2017, the City abated assessed property taxes totaling \$113,773 (net of \$8,262 in lease payments) under this program including the following Government Property Lease Excise Tax (GPLET) abatement agreements:

A 1.6487 percent property tax abatement to Ralston Purina manufacturing. The 2016 abatement amounted to \$36,632.

A 1.6487 percent property tax abatement to Joy Cone manufacturing. The 2016 abatement amounted to \$77,141.

G. Subsequent Events

On August 29, 2017, the City issued \$17.1 million of Utility System Revenue Refunding Obligations, Series 2017 to refund all remaining outstanding amounts of the Loan and Bond Purchase Agreement, dated as of August 23, 2002, between the City and WIFA and the Loan Agreement, dated September 21, 2006, between the City and WIFA (the amounts thereof being refunded with proceeds of the Obligation, the "Current Refunded Obligations"), (b) advance refund in advance of maturity amounts remaining unpaid for 2021 through and including 2027 of the Loan Agreement, dated June 29, 2007, between the City and WIFA (the amounts thereof being refunded with proceeds of the Obligation, the "Advance Refunded Obligation" and, together with the Current Refunded Obligations, the "Refunded Obligations") and (c) pay the costs of execution and delivery of the Obligation (the "Costs of Issuance").



Required Supplementary Information

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City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Cost-Sharing Pension Plans
June 30, 2017

	Measurement Date*				
	2016	2015	2014	2013 through 2007	
Arizona State Retirement System					
Proportion of the net pension liability	0.311530%	0.300450%	0.302625%		Information
Proportionate share of the net pension liability	\$ 50,284,072	\$ 46,798,712	\$ 44,778,290		not
Covered payroll	\$ 28,842,056	\$ 27,573,067	\$ 26,638,622		available
Proportionate share of the net pension liability as a percentage of its covered payroll	174.34%	169.73%	168.09%		-
Plan fiduciary net position as a percentage of the total pension liability	67.06%	68.35%	69.49%		-
EORP					
Proportion of the net pension liability	0.1942242%	0.1942242%	0.2500258%		Information
City's Proportionate share of the net pension liability	\$ 1,981,949	\$ 1,517,768	\$ 1,676,603		not
State's Proportionate Share of the net pension liability associated with the City	409,221	473,166	514,062		available
Total	\$ 2,391,170	\$ 1,990,934	\$ 2,190,665		-
Covered payroll	\$ 189,999	\$ 157,579	\$ 204,400		-
City's Proportionate share of the net pension liability as a percentage of its covered payroll	1043.14%	963.18%	820.26%		-
Plan fiduciary net position as a percentage of the total pension liability	23.42%	28.32%	31.91%		-

* Measurement date is one year prior to reporting date and is the latest information available at the time of report issuance

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the Changes in Net Pension Liability and Related Ratios
Agent Pension Plans – PSPRS Police
June 30, 2017

	Reporting Fiscal Year (Measurement Date)*			
	2016	2015	2014	2013 through 2006
PSPRS Police				
Total pension liability				
Service cost	\$ 1,367,771	\$ 1,373,545	\$ 1,312,430	Information not available
Interest on the total pension liability	4,818,389	4,650,797	3,904,338	
Changes of benefit terms differences between expected and actual experience	1,967,589	-	1,353,950	
in the measurement of the pension liability	(111,993)	(346,202)	(671,478)	
changes of assumptions or other inputs	2,578,910	-	6,987,647	
Benefit payments, including refunds of employee contributions	<u>(3,575,345)</u>	<u>(3,505,319)</u>	<u>(3,311,491)</u>	
Net change in total pension liability	7,045,321	2,172,821	9,575,396	
Total pension liability – beginning	<u>62,484,536</u>	<u>60,311,715</u>	<u>50,736,319</u>	
Total pension liability – ending (a)	<u>\$ 69,529,857</u>	<u>\$ 62,484,536</u>	<u>\$ 60,311,715</u>	
Plan Fiduciary net position				
Contributions – employer	\$ 3,441,521	\$ 2,578,489	\$ 2,311,119	
Contributions – employee	1,147,170	841,533	768,029	
Net investment income	146,825	821,133	2,757,888	
Benefit payments, including refunds of employee contributions	(3,575,345)	(3,505,319)	(3,311,491)	
Pension plan administrative expenses	(21,527)	(20,411)	-	
Other changes	(112,440)	(357,501)	(1,371,053)	
Net change in plan fiduciary net position	1,026,204	357,924	1,154,492	
Plan fiduciary net position – beginning	22,965,528	22,607,604	21,453,112	
Plan fiduciary net position – ending (b)	<u>\$ 23,991,732</u>	<u>\$ 22,965,528</u>	<u>\$ 22,607,604</u>	
Net pension liability – ending (a) – (b)	<u>\$ 45,538,125</u>	<u>\$ 39,519,008</u>	<u>\$ 37,704,111</u>	
Plan fiduciary net position as a percentage of the total pension liability	34.51%	36.75%	37.48%	
Covered payroll	\$ 7,318,199	\$ 7,526,730	\$ 7,425,908	
Net pension liability as a percentage of covered payroll	622.26%	525.05%	507.74%	

* Measurement date is one year prior to reporting date and is the latest information available at the time of report issuance

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the Changes in Net Pension Liability and Related Ratios
Agent Pension Plans – PSPRS Fire
June 30, 2017

	Reporting Fiscal Year (Measurement Date)*			
	2016	2015	2014	2013 through 2006
PSPRS Fire				
Total pension liability				Information not available
Service cost	\$ 1,107,145	\$ 973,454	\$ 950,445	
Interest on the total pension liability	5,356,440	5,239,671	4,390,766	
Changes of benefit terms	2,064,045	-	1,553,904	
differences between expected and actual experience				
in the measurement of the pension liability	669,848	52,497	1,431,974	
changes of assumptions or other inputs	2,647,110	-	7,269,797	
Benefit payments, including refunds of employee contributions	(4,095,893)	(5,594,036)	(3,994,598)	
Net change in total pension liability	<u>7,748,695</u>	<u>671,586</u>	<u>11,602,288</u>	
Total pension liability – beginning	<u>69,729,278</u>	<u>69,057,692</u>	<u>57,455,404</u>	
Total pension liability – ending (a)	<u>\$ 77,477,973</u>	<u>\$ 69,729,278</u>	<u>\$ 69,057,692</u>	
Plan Fiduciary net position				
Contributions – employer	\$ 3,952,628	\$ 2,418,742	\$ 2,030,211	
Contributions – employee	669,429	732,850	525,878	
Net investment income	160,712	963,491	3,407,667	
Benefit payments, including refunds of employee contributions	(4,095,893)	(5,594,036)	(3,994,598)	
Pension plan administrative expenses	(23,526)	(23,873)	-	
Other changes	(27,936)	48,864	(1,831,071)	
Net change in plan fiduciary net position	<u>635,414</u>	<u>(1,453,962)</u>	<u>138,087</u>	
Plan fiduciary net position – beginning	<u>25,835,950</u>	<u>27,289,912</u>	<u>27,151,825</u>	
Plan fiduciary net position – ending (b)	<u>\$ 26,471,364</u>	<u>\$ 25,835,950</u>	<u>\$ 27,289,912</u>	
Net pension liability – ending (a) – (b)	<u>\$ 51,006,609</u>	<u>\$ 43,893,328</u>	<u>\$ 41,767,780</u>	
Plan fiduciary net position as a percentage of the total pension liability	34.17%	37.05%	39.52%	
Covered payroll	\$ 5,491,792	\$ 4,847,679	\$ 4,788,197	
Net pension liability as a percentage of covered payroll	928.78%	905.45%	872.31%	

* Measurement date is one year prior to reporting date and is the latest information available at the time of report issuance

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the City's Pension Contributions
June 30, 2017

	Reporting Fiscal Year				2013 through 2007
	2017	2016	2015	2014	
Arizona State Retirement System					
Statutorily required contributions	\$ 3,357,591	\$ 3,168,876	\$ 3,002,707	\$ 2,837,013	Information
Contributions in relation to the statutorily required contribution	<u>3,357,591</u>	<u>3,168,876</u>	<u>3,002,707</u>	<u>2,837,013</u>	not
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	available
Covered payroll	\$ 30,673,166	\$ 28,842,056	\$ 27,573,067	\$ 26,638,622	
Contributions as a percentage of covered payroll	10.95%	10.99%	10.89%	10.65%	
Elected Officials Retirement Plan					
Statutorily required contributions	\$ 40,588	\$ 39,815	\$ 37,483	\$ 50,732	Information
Contributions in relation to the statutorily required contribution	<u>40,588</u>	<u>39,815</u>	<u>37,483</u>	<u>50,732</u>	not
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	available
Covered payroll	\$ 194,354	\$ 189,999	\$ 157,579	\$ 204,400	
Contributions as a percentage of covered payroll	20.88%	20.96%	23.79%	24.82%	
PSPRS – Police					
Statutorily required contributions	\$ 3,266,194	\$ 3,401,213	\$ 2,578,489	\$ 2,311,119	Information
Contributions in relation to the statutorily required contribution	<u>3,648,822</u>	<u>3,441,521</u>	<u>2,578,489</u>	<u>2,311,119</u>	not
Contribution deficiency (excess)	<u>\$ (382,628)</u>	<u>\$ (40,308)</u>	<u>\$ -</u>	<u>\$ -</u>	available
Covered payroll	\$ 7,856,526	\$ 7,318,199	\$ 7,526,730	\$ 7,425,908	
Contributions as a percentage of covered payroll	46.44%	47.03%	34.26%	31.12%	
PSPRS – Fire					
Statutorily required contributions	\$ 4,107,600	\$ 3,952,628	\$ 2,418,742	\$ 2,030,211	Information
Contributions in relation to the statutorily required contribution	<u>4,107,600</u>	<u>3,952,628</u>	<u>2,418,742</u>	<u>1,784,136</u>	not
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,075</u>	available
Covered payroll	\$ 5,641,290	\$ 5,491,792	\$ 4,847,679	\$ 4,788,197	
Contributions as a percentage of covered payroll	72.81%	71.97%	49.89%	37.26%	

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of Agent Other Post-Employment Benefits Plan's Funding Progress
June 30, 2017

	(1) Actuarial Value of Assets	(2) Actuarial Liability (AAL) Entry Age	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
PSRS – Police Health Insurance						
6/30/2016	\$ 1,500,199	\$ 1,341,133	111.9%	\$ (159,066)	\$ 7,318,199	0.0%
6/30/2015	1,479,701	1,273,131	116.2%	(206,570)	7,526,730	0.0%
6/30/2014	1,383,853	1,103,593	125.4%	(280,260)	7,425,910	0.0%
PSRS – Fire Health Insurance						
6/30/2016	2,688,016	1,599,024	168.1%	(1,088,992)	5,491,792	0.0%
6/30/2015	2,620,900	1,599,792	163.8%	(1,021,108)	4,847,679	0.0%
6/30/2014	2,489,925	1,554,131	160.2%	(935,794)	4,788,198	0.0%

Note: 06/30/16 was the most recent actuarial study available

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of Other Post-Employment Benefits Plan's Funding Progress
June 30, 2017

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
7/1/2015	-	\$ 9,362,006	0.0%	\$ 9,362,006	\$ 44,365,337	21.1%
7/1/2013	-	9,905,500	0.0%	9,808,514	33,304,177	29.5%
7/1/2011	-	9,808,514	0.0%	9,808,514	31,191,746	31.4%

CITY OF FLAGSTAFF, ARIZONA
Notes to the Required Supplementary Information
June 30, 2017

I. ACTUARIALLY DETERMINED CONTRIBUTION RATES

Actuarial 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 valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed for unfunded, open for excess
Remaining amortization period	21 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable
Asset valuation method	7-year smoothed market; 80%/120% market
Actuarial assumptions:	
Investment rate of return	In the 2013 actuarial valuation, the investment rate of return was decreased from 8.0% to 7.85%
Projected salary increases	In the 2014 actuarial valuation, projected salary increases were decreased from 4.5%-8.5% to 4.0%-8.0% for PSPRS and from 4.5%-7.75% to 4.0%-7.25% for CORP. In the 2013 actuarial valuation, projected salary increases were decreased from 5.0%-9.0% to 4.5%-8.5% for PSPRS and from 5.0%-8.25% to 4.5%-7.75% for CORP.
Wage growth	In the 2014 actuarial valuation, wage growth was decreased from 4.5% to 4.0% for PSPRS and CORP. In the 2013 actuarial valuation, wage growth was decreased from 5.0% to 4.5% for PSPRS and CORP.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 – June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females)

II. FACTORS THAT AFFECT THE IDENTIFICATION OF TRENDS

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

III. INFORMATION PRIOR TO MEASUREMENT DATE

Information prior to the measurement date (June 30, 2014) was not available.

NON-MAJOR FUNDS OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, charter provision or ordinance to finance particular functions or activities.

Library Fund

The City Library is financed through City sales tax allocations, State and County grants and individual contributions. Funds provided must be used for library activities such as cultural and educational programs and technical services.

Bed, Board and Beverage Tax Fund

This fund accounts for the Bed, Board and Beverage tax revenues as approved by voters in the 2010 general election and related expenditures. These resources are restricted for use in the areas of Beautification, Economic Development, Tourism, Arts & Science, and Recreation.

Housing and Community Services Fund

This fund was established in fiscal year 1997 to account for the funding received for the Community Development Block Grant program and affordable housing activities.

Metropolitan Planning Organization

This fund was established in fiscal year 1997 to account for funding derived from the City's status as a Metropolitan Planning Organization.

Parking District Fund

This fund was established to comprehensively manage the public parking in downtown Flagstaff and the surrounding neighborhood.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Secondary Property Tax Revenue Fund

This fund is used to account for secondary property tax revenues. Monies received by this fund are legally restricted to payment of general obligation debt.

Special Assessment Bond Fund

This fund accounts for the accumulation of resources for and the payment of principal, interest and related costs for all improvement district bonds issued by the City and repaid by the special assessment district.

Permanent Fund

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care

This fund accounts for the perpetual care of the City's cemetery.

City of Flagstaff, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2017

	Special Revenue Funds			
	Library Fund	BBB Fund	Housing & Community Services Fund	Metropolitan Planning Organization Fund
ASSETS				
Cash and investments	\$ 1,940,037	\$ 9,674,569	\$ 1,452,137	\$ 3,110
Accounts receivable, net	141,431	1,945,505	180	-
Interest receivable	7,517	21,023	3,159	-
Intergovernmental receivable	1,843	-	445,167	180,161
Special assessments receivable	-	-	-	-
Notes receivable	-	-	316,400	-
Inventory	-	49,405	-	-
Restricted cash and investments	1,808,308	196,044	-	-
Total assets	<u>\$ 3,899,136</u>	<u>\$ 11,886,546</u>	<u>\$ 2,217,043</u>	<u>\$ 183,271</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 151,529	\$ 228,256	\$ 260,667	\$ 24,145
Accrued payroll and compensated absences	111,272	45,521	2,559	9,403
Construction retainage payable	-	27,207	-	-
Interfund payable	-	-	-	150,000
Advanced revenue	62,732	5,430	214,622	-
Total liabilities	<u>325,533</u>	<u>306,414</u>	<u>477,848</u>	<u>183,548</u>
Deferred inflows of resources:				
Unavailable revenue – special assessments	-	-	-	-
Unavailable revenue – notes receivable	-	-	316,400	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>316,400</u>	<u>-</u>
Fund balances:				
Nonspendable:				
Perpetual care	-	-	-	-
Inventory	-	49,405	-	-
Restricted for:				
Library branch services	1,057,514	-	-	-
Library programs board directed	750,794	-	-	-
Debt service	-	196,044	-	-
Public art	-	776,432	-	-
Economic Development	-	1,759,202	-	-
Tourism	-	1,024,011	-	-
Park maintenance and operations	-	2,575,996	-	-
Other capital projects	-	5,199,042	1,422,795	-
Perpetual care	-	-	-	-
Assigned to:				
Parking district	-	-	-	-
Library services	1,765,295	-	-	-
Unassigned (deficit):	-	-	-	(277)
Total fund balances	<u>3,573,603</u>	<u>11,580,132</u>	<u>1,422,795</u>	<u>(277)</u>
Total liabilities and fund balances	<u>\$ 3,899,136</u>	<u>\$ 11,886,546</u>	<u>\$ 2,217,043</u>	<u>\$ 183,271</u>

Parking District	Debt Service Funds		Permanent Fund	Total Other Governmental Funds
	Secondary Property Tax Revenue Fund	Special Assessment Bond Fund	Perpetual Care	
\$ 24,930	\$ 2,089,260	\$ 310,481	\$ 25,082	\$ 15,519,606
-	-	-	-	2,087,116
339	10,967	408	621	44,034
-	-	-	-	627,171
-	-	2,021,951	-	2,021,951
-	-	-	-	316,400
-	-	-	-	49,405
1,000,000	4,063,437	53,000	260,023	7,380,812
<u>\$ 1,025,269</u>	<u>\$ 6,163,664</u>	<u>\$ 2,385,840</u>	<u>\$ 285,726</u>	<u>\$ 28,046,495</u>
\$ 473,953	\$ -	\$ -	\$ -	\$ 1,138,550
-	-	-	-	168,755
13,350	-	-	-	40,557
100,000	-	-	-	250,000
-	-	-	-	282,784
<u>587,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,880,646</u>
-	-	2,021,526	-	2,021,526
-	-	-	-	316,400
<u>-</u>	<u>-</u>	<u>2,021,526</u>	<u>-</u>	<u>2,337,926</u>
-	-	-	260,023	260,023
-	-	-	-	49,405
-	-	-	-	-
-	-	-	-	1,057,514
-	-	-	-	750,794
-	6,163,664	364,314	-	6,724,022
-	-	-	-	776,432
-	-	-	-	1,759,202
-	-	-	-	1,024,011
-	-	-	-	2,575,996
124,293	-	-	-	6,746,130
-	-	-	25,703	25,703
313,673	-	-	-	313,673
-	-	-	-	1,765,295
-	-	-	-	(277)
<u>437,966</u>	<u>6,163,664</u>	<u>364,314</u>	<u>285,726</u>	<u>23,827,923</u>
<u>\$ 1,025,269</u>	<u>\$ 6,163,664</u>	<u>\$ 2,385,840</u>	<u>\$ 285,726</u>	<u>\$ 28,046,495</u>

City of Flagstaff, Arizona
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2017

	Special Revenue Funds			
	Library Fund	BBB Fund	Housing & Community Services Fund	Metropolitan Planning Organization Fund
REVENUES:				
Taxes	\$ -	\$ 8,641,610	\$ -	\$ -
Intergovernmental	3,210,071	-	-	-
Grants and entitlements	97,124	-	851,995	393,477
Special assessments	-	-	-	-
Rents	-	193,855	8,875	-
Investment earnings	32,720	82,749	12,560	-
Contributions	38,906	448	61,132	-
Miscellaneous	51,462	124,245	227,438	-
Total revenues	<u>3,430,283</u>	<u>9,042,907</u>	<u>1,162,000</u>	<u>393,477</u>
EXPENDITURES:				
Current:				
Economic and physical development	-	2,734,200	983,445	433,547
Culture and recreation	4,851,606	667,243	-	-
Highways and streets	-	28,329	-	-
Debt service:				
Principal retirement	-	135,000	-	-
Interest and other charges	-	115,254	-	-
Capital outlay	244,044	905,333	-	-
Total expenditures	<u>5,095,650</u>	<u>4,585,359</u>	<u>983,445</u>	<u>433,547</u>
Excess (deficiency) of revenues over expenditures	<u>(1,665,367)</u>	<u>4,457,548</u>	<u>178,555</u>	<u>(40,070)</u>
OTHER FINANCING SOURCES (USES):				
Issuance of capital debt	-	-	-	-
Transfers in	1,641,611	251,000	-	22,500
Transfers out	-	(2,554,450)	-	-
Total other financing sources (uses)	<u>1,641,611</u>	<u>(2,303,450)</u>	<u>-</u>	<u>22,500</u>
Net change in fund balances	<u>(23,756)</u>	<u>2,154,098</u>	<u>178,555</u>	<u>(17,570)</u>
Fund balances, beginning of year	<u>3,597,359</u>	<u>9,426,034</u>	<u>1,244,240</u>	<u>17,293</u>
Fund balances, end of year	<u>\$ 3,573,603</u>	<u>\$ 11,580,132</u>	<u>\$ 1,422,795</u>	<u>\$ (277)</u>

Parking District	Debt Service Funds		Permanent Fund	Total Other Governmental Funds
	Secondary Property Tax Revenue Fund	Special Assessment Bond Fund	Perpetual Care	
\$ -	\$ 5,916,234	\$ -	\$ -	\$ 14,557,844
-	-	-	-	3,210,071
-	-	-	-	1,342,596
-	-	202,243	-	202,243
-	-	-	-	202,730
1,075	55,483	2,163	2,546	189,296
-	-	-	6,950	107,436
-	-	-	-	403,145
<u>1,075</u>	<u>5,971,717</u>	<u>204,406</u>	<u>9,496</u>	<u>20,215,361</u>
-	-	-	-	4,151,192
-	-	-	-	5,518,849
149,738	-	-	-	178,067
-	-	-	-	-
50,826	-	95,000	-	280,826
6,687	-	111,500	-	233,441
741,256	-	-	-	1,890,633
<u>948,507</u>	<u>-</u>	<u>206,500</u>	<u>-</u>	<u>12,253,008</u>
<u>(947,432)</u>	<u>5,971,717</u>	<u>(2,094)</u>	<u>9,496</u>	<u>7,962,353</u>
1,000,000	-	-	-	1,000,000
385,398	-	-	-	2,300,509
-	(13,011,564)	-	-	(15,566,014)
<u>1,385,398</u>	<u>(13,011,564)</u>	<u>-</u>	<u>-</u>	<u>(12,265,505)</u>
<u>437,966</u>	<u>(7,039,847)</u>	<u>(2,094)</u>	<u>9,496</u>	<u>(4,303,152)</u>
-	13,203,511	366,408	276,230	28,131,075
<u>\$ 437,966</u>	<u>\$ 6,163,664</u>	<u>\$ 364,314</u>	<u>\$ 285,726</u>	<u>\$ 23,827,923</u>



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City of Flagstaff, Arizona
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2017

Program	Land	Buildings	Improvements
General government	\$ 3,820,349	\$ 14,104,827	\$ 2,975,159
Public safety	3,905,768	27,151,960	113,946
Public works	112,182	5,343,042	221,973
Economic and physical development	127,253	15,137,462	95,128
Culture and recreation	24,744,888	22,702,096	16,975,134
Highway and streets	32,979,379	102,309	2,279,434
Subtotal	65,689,819	84,541,696	22,660,774
Less: accumulated depreciation	-	(25,056,089)	(16,681,071)
Total governmental funds capital assets	<u>\$ 65,689,819</u>	<u>\$ 59,485,607</u>	<u>\$ 5,979,703</u>

Machinery and Equipment	Construction In Progress	Infrastructure	Total
\$ 1,568,409	\$ 103,569	\$ -	\$ 22,572,313
17,507,654	-	-	48,679,328
1,518,223	3,510,448	1,117,225	11,823,093
753,732	212,893	865,220	17,191,688
4,284,543	876,568	10,666,859	80,250,088
9,409,134	7,312,342	307,144,590	359,227,188
35,041,695	12,015,820	319,793,894	539,743,698
(25,019,664)	-	(163,428,332)	(230,185,156)
<u>\$ 10,022,031</u>	<u>\$ 12,015,820</u>	<u>\$ 156,365,562</u>	<u>\$ 309,558,542</u>

City of Flagstaff, Arizona
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes By Function and Activity
 June 30, 2017

Program	Balance July 1, 2016	Additions	Retirements	Transfers In (out)	Balance June 30, 2017
General government	\$ 22,037,837	\$ 641,903	\$ (107,427)	\$ -	\$ 22,572,313
Public safety	48,058,300	707,873	(86,845)	-	48,679,328
Public works	8,290,364	3,532,729	-	-	11,823,093
Economic and physical development	17,130,564	85,483	(24,359)	-	17,191,688
Culture and recreation	78,901,266	1,348,822	-	-	80,250,088
Highway and streets	351,432,061	7,911,485	(204,320)	87,962	359,227,188
Total	<u>\$ 525,850,392</u>	<u>\$ 14,228,295</u>	<u>\$ (422,951)</u>	<u>\$ 87,962</u>	<u>\$ 539,743,698</u>

City of Flagstaff, Arizona
Library Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES:				
Intergovernmental	\$ 4,465,820	\$ 4,465,820	\$ 3,210,071	\$ (1,255,749)
Grants and entitlements	25,000	25,000	97,124	72,124
Investment earnings	37,812	37,812	32,720	(5,092)
Miscellaneous	41,000	41,000	51,462	10,462
Total revenues	<u>4,569,632</u>	<u>4,569,632</u>	<u>3,391,377</u>	<u>(1,178,255)</u>
EXPENDITURES:				
Current:				
Culture and recreation	6,450,179	6,450,179	4,851,606	1,598,573
Capital outlay	680,125	680,125	244,044	436,081
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>7,230,304</u>	<u>7,230,304</u>	<u>5,095,650</u>	<u>2,134,654</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,660,672)</u>	<u>(2,660,672)</u>	<u>(1,704,273)</u>	<u>956,399</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,641,611	1,641,611	1,641,611	-
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>1,641,611</u>	<u>1,641,611</u>	<u>1,641,611</u>	<u>-</u>
Net change in fund balances	<u>(1,019,061)</u>	<u>(1,019,061)</u>	<u>(62,662)</u>	<u>956,399</u>
Fund balances, beginning of year	<u>1,475,171</u>	<u>1,475,171</u>	<u>3,597,359</u>	<u>-</u>
Fund balances, end of year	<u>\$ 456,110</u>	<u>\$ 456,110</u>	<u>\$ 3,534,697</u>	<u>\$ 956,399</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ (62,662)	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			<u>38,906</u>	
Adjusted net change in fund balance – GAAP basis			<u>\$ (23,756)</u>	

City of Flagstaff, Arizona
BBB Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 7,373,000	\$ 7,373,000	\$ 7,787,913	\$ 414,913
Grants and entitlements	-	-	-	-
Rents	168,948	168,948	193,855	24,907
Investment earnings	50,000	50,000	82,749	32,749
Miscellaneous	100,094	100,094	124,245	24,151
Total revenues	<u>7,692,042</u>	<u>7,692,042</u>	<u>8,188,762</u>	<u>496,720</u>
EXPENDITURES:				
Current:				
Economic and physical development	3,081,860	3,081,860	2,734,200	347,660
Culture and recreation	877,048	877,048	667,243	209,805
Highways and streets	-	-	42,576	(42,576)
Debt service:				
Principal retirement	135,000	135,000	135,000	-
Interest and other charges	122,143	122,143	115,254	6,889
Capital Outlay	5,866,477	5,866,477	891,086	4,975,391
Contingency	115,000	115,000	-	115,000
Total expenditures	<u>10,197,528</u>	<u>10,197,528</u>	<u>4,585,359</u>	<u>5,612,169</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,505,486)</u>	<u>(2,505,486)</u>	<u>3,603,403</u>	<u>6,108,889</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	251,000	251,000	251,000	-
Transfers out	(2,980,094)	(2,980,094)	(2,554,450)	425,644
Total other financing sources (uses)	<u>(2,729,094)</u>	<u>(2,729,094)</u>	<u>(2,303,450)</u>	<u>425,644</u>
Net change in fund balances	<u>(5,234,580)</u>	<u>(5,234,580)</u>	<u>1,299,953</u>	<u>6,534,533</u>
Fund balances, beginning of year	<u>8,213,309</u>	<u>8,213,309</u>	<u>9,426,034</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,978,729</u>	<u>\$ 2,978,729</u>	<u>\$ 10,725,987</u>	<u>\$ 6,534,533</u>
Adjustment from budgetary basis to GAAP basis net change in fund balances			\$ 1,299,953	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			854,145	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			-	
Adjusted net change in fund balance – GAAP basis			<u>\$ 2,154,098</u>	

City of Flagstaff, Arizona
Housing & Community Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants and entitlements	\$ 2,088,291	\$ 2,088,291	\$ 851,995	\$ (1,236,296)
Intergovernmental	-	-	-	-
Rent	-	-	8,875	8,875
Investment earnings	-	-	12,560	12,560
Miscellaneous	19,022	19,022	227,438	208,416
Total revenues	<u>2,107,313</u>	<u>2,107,313</u>	<u>1,100,868</u>	<u>(1,006,445)</u>
EXPENDITURES:				
Current:				
Economic and physical development	3,209,061	3,209,061	983,445	2,225,616
Total expenditures	<u>3,209,061</u>	<u>3,209,061</u>	<u>983,445</u>	<u>2,225,616</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,101,748)</u>	<u>(1,101,748)</u>	<u>117,423</u>	<u>1,219,171</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	(50,000)	(50,000)	-	50,000
Total other financing sources (uses)	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>	<u>50,000</u>
Net change in fund balances	<u>(1,151,748)</u>	<u>(1,151,748)</u>	<u>117,423</u>	<u>1,269,171</u>
Fund balances, beginning of year	<u>1,390,028</u>	<u>1,390,028</u>	<u>1,244,240</u>	<u>-</u>
Fund balances, end of year	<u>\$ 238,280</u>	<u>\$ 238,280</u>	<u>\$ 1,361,663</u>	<u>\$ 1,269,171</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 117,423	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			<u>61,132</u>	
Adjusted net change in fund balance – GAAP basis			<u>\$ 178,555</u>	

City of Flagstaff, Arizona
Metropolitan Planning Organization Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants and entitlements	\$ 1,111,116	\$ 1,111,116	\$ 393,477	\$ (717,639)
Intergovernmental	5,000	5,000	-	(5,000)
Total revenues	<u>1,116,116</u>	<u>1,116,116</u>	<u>393,477</u>	<u>(722,639)</u>
EXPENDITURES:				
Current:				
Economic and physical development	638,616	638,616	433,547	205,069
Contingency	500,000	500,000	-	500,000
Total expenditures	<u>1,138,616</u>	<u>1,138,616</u>	<u>433,547</u>	<u>705,069</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,500)</u>	<u>(22,500)</u>	<u>(40,070)</u>	<u>(17,570)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	22,500	22,500	22,500	-
Total other financing sources (uses)	<u>22,500</u>	<u>22,500</u>	<u>22,500</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(17,570)</u>	<u>(17,570)</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>17,293</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (277)</u>	<u>\$ (17,570)</u>

City of Flagstaff, Arizona
Parking District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for service	\$ 556,760	\$ 556,760	\$ -	\$ (556,760)
Investment Earnings	-	-	1,075	1,075
Total revenues	<u>556,760</u>	<u>556,760</u>	<u>1,075</u>	<u>(555,685)</u>
EXPENDITURES:				
Current:				
Highways and streets	1,364,690	1,364,690	890,994	473,696
Debt service:				
Principal retirement	90,000	90,000	50,826	39,174
Interest and other charges	-	-	6,687	(6,687)
Contingency	<u>47,108</u>	<u>47,108</u>	<u>-</u>	<u>47,108</u>
Total expenditures	<u>1,501,798</u>	<u>1,501,798</u>	<u>948,507</u>	<u>553,291</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(945,038)</u>	<u>(945,038)</u>	<u>(947,432)</u>	<u>(2,394)</u>
OTHER FINANCING SOURCES (USES):				
Bonds issued	880,000	880,000	1,000,000	120,000
Transfers in	<u>385,398</u>	<u>385,398</u>	<u>385,398</u>	<u>-</u>
Total other financing sources (uses)	<u>1,265,398</u>	<u>1,265,398</u>	<u>1,385,398</u>	<u>120,000</u>
Net change in fund balances	<u>320,360</u>	<u>320,360</u>	<u>437,966</u>	<u>117,606</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 320,360</u>	<u>\$ 320,360</u>	<u>\$ 437,966</u>	<u>\$ 117,606</u>

City of Flagstaff, Arizona
General Obligation Bond Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES:				
Miscellaneous	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Principal retirement	\$ 5,859,144	\$ 5,859,144	\$ 11,401,644	\$ 5,542,500
Interest and other charges	2,668,767	2,668,767	1,689,220	(979,547)
Total expenditures	8,527,911	8,527,911	13,090,864	4,562,953
Excess (deficiency) of revenues over (under) expenditures	(8,527,911)	(8,527,911)	(13,090,864)	(4,562,953)
OTHER FINANCING SOURCES (USES):				
Bond premium	-	-	79,300	79,300
Transfers in	8,527,911	8,527,911	13,011,564	4,483,653
Total other financing sources (uses)	8,527,911	8,527,911	13,090,864	4,562,953
Net change in fund balances	-	-	-	-
Budgetary fund balances, beginning of year	-	-	-	-
Budgetary fund balances, end of year	\$ -	\$ -	\$ -	\$ -

City of Flagstaff, Arizona
Secondary Property Tax Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 5,879,357	\$ 5,879,357	\$ 5,916,234	\$ 36,877
Investment earnings	75,000	75,000	55,483	(19,517)
Total revenues	<u>5,954,357</u>	<u>5,954,357</u>	<u>5,971,717</u>	<u>17,360</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(8,527,911)	(8,527,911)	(13,011,564)	(4,483,653)
Total other financing sources (uses)	<u>(8,527,911)</u>	<u>(8,527,911)</u>	<u>(13,011,564)</u>	<u>(4,483,653)</u>
Net change in fund balances	<u>(2,573,554)</u>	<u>(2,573,554)</u>	<u>(7,039,847)</u>	<u>(4,466,293)</u>
Fund balances, beginning of year	<u>12,466,195</u>	<u>12,466,195</u>	<u>13,203,511</u>	<u>-</u>
Fund balances, end of year	<u>\$ 9,892,641</u>	<u>\$ 9,892,641</u>	<u>\$ 6,163,664</u>	<u>\$ (4,466,293)</u>

City of Flagstaff, Arizona
Special Assessment Bond Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES:				
Special assessments	\$ 205,750	\$ 205,750	\$ 202,243	\$ (3,507)
Investment earnings	900	900	2,163	1,263
Total revenues	<u>206,650</u>	<u>206,650</u>	<u>204,406</u>	<u>(2,244)</u>
EXPENDITURES:				
Debt service:				
Principal retirement	95,000	95,000	95,000	-
Interest and other charges	116,350	116,350	111,500	4,850
Total expenditures	<u>211,350</u>	<u>211,350</u>	<u>206,500</u>	<u>4,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,700)</u>	<u>(4,700)</u>	<u>(2,094)</u>	<u>2,606</u>
Fund balances, beginning of year	<u>328,866</u>	<u>328,866</u>	<u>366,408</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 324,166</u></u>	<u><u>\$ 324,166</u></u>	<u><u>\$ 364,314</u></u>	<u><u>\$ 2,606</u></u>

City of Flagstaff, Arizona
Capital Projects Bond Construction
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Year Ended June 30, 2017

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES:				
Grants and entitlements	\$ 280,000	\$ 280,000	\$ 315,071	\$ 35,071
Intergovernmental	-	-	-	-
Investment earnings	6,440	6,440	119,958	113,518
Miscellaneous	2,790,000	2,790,000	300	(2,789,700)
Total revenues	<u>3,076,440</u>	<u>3,076,440</u>	<u>435,329</u>	<u>(2,641,111)</u>
EXPENDITURES:				
Current:				
General governmental	2,440,000	2,440,000	1,758,544	681,456
Public safety	-	-	21,170	(21,170)
Public works	-	-	250,416	(250,416)
Culture and recreation	14,992	14,992	79,717	(64,725)
Capital outlay	40,754,312	40,754,312	3,443,335	37,310,977
Total expenditures	<u>43,209,304</u>	<u>43,209,304</u>	<u>5,553,182</u>	<u>37,656,122</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(40,132,864)</u>	<u>(40,132,864)</u>	<u>(5,117,853)</u>	<u>35,015,011</u>
OTHER FINANCING SOURCES (USES):				
Bonds issued	28,200,000	28,200,000	16,025,700	(12,174,300)
Bond premium	-	-	2,286,081	2,286,081
Sale of capital assets	-	-	-	-
Transfers in	2,520,000	2,520,000	2,113,225	(406,775)
Transfers out	-	-	(195)	(195)
Total other financing sources (uses)	<u>30,720,000</u>	<u>30,720,000</u>	<u>20,424,811</u>	<u>(10,295,189)</u>
Net change in fund balances	<u>(9,412,864)</u>	<u>(9,412,864)</u>	<u>15,306,958</u>	<u>24,719,822</u>
Fund balances, beginning of year	<u>6,433,783</u>	<u>6,433,783</u>	<u>(1,045,152)</u>	<u>-</u>
Fund balances, end of year	<u>\$ (2,979,081)</u>	<u>\$ (2,979,081)</u>	<u>\$ 14,261,806</u>	<u>\$ 24,719,822</u>

CITY OF FLAGSTAFF, ARIZONA
Financial Data Submission Summary
Net Position Accounts
Year Ended June 30, 2017

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab- ilitation 14.856	Elimination	Total
Assets:						
Current Assets:						
Cash:						
Cash – Unrestricted	\$ 630,540	\$ 54,988	\$ 108,519	\$ 6,636	\$ -	\$ 800,683
Cash – Other Restricted	-	178,629	-	-	-	178,629
Cash – Tenant Security Deposits	73,515	-	-	-	-	73,515
Total Cash	\$ 704,055	\$ 233,617	\$ 108,519	\$ 6,636	\$ -	\$ 1,052,827
Accounts Receivables:						
Accounts Receivable – PHA Projects	-	-	-	-	-	-
Accounts Receivable – HUD Other Projects	91,432	10,630	-	5,954	-	108,016
Accounts Receivable – Other Government	-	28,897	-	-	-	28,897
Accounts Receivable – Miscellaneous	256	1,039	40,270	-	-	41,565
Accounts Receivable – Tenants	8,137	-	-	-	-	8,137
Allowance for Doubtful Accounts – Tenants	(2,490)	-	-	-	-	(2,490)
Allowance for Doubtful Accounts – Other	-	-	(27,304)	-	-	(27,304)
Fraud Recovery	32,313	-	-	-	-	32,313
Allowance for Doubtful Accounts – Fraud	(32,313)	-	-	-	-	(32,313)
Accrued Interest Receivable	-	-	-	-	-	-
Total Receivables, Net	97,335	40,566	12,966	5,954	-	156,821
Current investments						
Investments – Unrestricted	-	-	-	-	-	-
Investments – Restricted	-	-	-	-	-	-
Prepaid Expenses and Other Assets	36,448	343	2,998	-	-	39,789
Inventories	-	-	-	-	-	-
Allowance for Obsolete Inventories	-	-	-	-	-	-
Inter Program Due From	-	-	-	-	-	-
Assets Held for Sale	-	-	-	-	-	-
Total Current Assets	837,838	274,526	124,483	12,590	-	1,249,437
Noncurrent Assets:						
Capital Assets:						
Land	1,446,035	-	-	-	-	1,446,035
Buildings	9,521,431	-	-	-	-	9,521,431
Furniture, Equipment & Machinery – Dwellings	887,236	-	-	-	-	887,236
Furniture, Equipment & Machinery – Administration	507,549	-	-	-	-	507,549
Leasehold Improvements	-	-	-	-	-	-
Accumulated Depreciation	(7,575,848)	-	-	-	-	(7,575,848)
Construction in Progress	-	-	-	-	-	-
Total Capital Assets, Net	4,786,403	-	-	-	-	4,786,403
Notes receivable – Noncurrent	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total Non-Current Assets	4,786,403	-	-	-	-	4,786,403
Deferred Outflow of Resources	276,764	71,681	88,483	-	-	436,928
Total Assets and Deferred Outflow of Resources	5,901,005	346,207	212,966	12,590	-	6,472,768

(continued)

CITY OF FLAGSTAFF, ARIZONA
Financial Data Submission Summary
Net Position Accounts
Year Ended June 30, 2017

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab- ilitation 14.856	Elimination	Total
Liabilities and Net Position:						
Liabilities:						
Current Liabilities:						
Bank Overdraft	-	-	-	-	-	-
Accounts Payable <= 90 Days	138,135	4,499	2,682	-	-	145,316
Accrued Wage/Payroll Taxes Payable	33,093	9,296	11,192	-	-	53,581
Accrued Compensated Absences	45,008	11,241	1,168	-	-	57,417
Accrued Interest Payable	-	-	-	-	-	-
Accounts Payable - HUD PHA Programs	-	-	-	-	-	-
Account Payable - PHA Projects	-	-	-	-	-	-
Accounts Payable - Other Government	77,025	-	-	-	-	77,025
Tenant Security Deposits	73,515	-	-	-	-	73,515
Unearned Revenues	16,800	-	-	-	-	16,800
Current Portion of L-T Debt - Capital	-	-	-	-	-	-
Current Portion of L-T Debt - Operating	-	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-	-
Accrued Liabilities - Other	-	-	-	-	-	-
Inter Program - Due To	-	-	-	-	-	-
Total Current Liabilities	383,576	25,036	15,042	-	-	423,654
Noncurrent Liabilities						
Long-term Debt, Net of Current - Capital	-	-	-	-	-	-
Long-term Debt, Net of Current - Operating	-	-	-	-	-	-
Non-current Liabilities - Other	-	-	-	-	-	-
Accrued Compensated Absences	104,450	28,832	2,268	-	-	135,550
Accrued Pension and OPEB Liabilities	1,575,322	286,131	455,929	-	-	2,317,382
Total Non-Current Liabilities	1,679,772	314,963	458,197	-	-	2,452,932
Total Liabilities	2,063,348	339,999	473,239	-	-	2,876,586
Deferred Inflow of Resources	186,360	31,286	51,428	-	-	269,074
Net Position:						
Net Investment in Capital Assets	4,786,403	-	-	-	-	4,786,403
Restricted Net Position	-	178,629	-	-	-	178,629
Unrestricted Net Position	(1,135,106)	(203,707)	(311,701)	12,590	-	(1,637,924)
Total Equity/Net Position	3,651,297	(25,078)	(311,701)	12,590	-	3,327,108
Total Liabilities, Deferred Inflows of Resources and Equity/Net Position	\$ 5,901,005	\$ 346,207	\$ 212,966	\$ 12,590	\$ -	\$ 6,472,768

(concluded)

CITY OF FLAGSTAFF, ARIZONA
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2017

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab- ilitation 14.856	Elimination	Total
Revenues:						
Net Tenant Rental Revenue	\$ 1,131,032	\$ -	\$ -	\$ -	\$ -	\$ 1,131,032
Tenant Revenue – Other	22,487	-	-	-	-	22,487
Total Tenant Revenue	1,153,519	-	-	-	-	1,153,519
HUD PHA Operating Grants	720,175	3,779,240	-	84,704	-	4,584,119
Capital Grants	256,311	-	-	-	-	256,311
Management Fee	-	-	-	-	-	-
Asset Management Fee	-	-	-	-	-	-
Bookkeeping Fee	-	-	-	-	-	-
Front Line Service Fee	-	-	-	-	-	-
Other Fees	-	-	-	-	-	-
Other Government Grants	-	-	-	-	-	-
Investment Income – Unrestricted	-	-	-	-	-	-
Mortgage Interest Income	-	-	-	-	-	-
Proceeds –Disposition of Assets Held for Sale	-	-	-	-	-	-
Cost of Sale of Assets	-	-	-	-	-	-
Fraud Recovery	17,055	6,588	-	-	-	23,643
Other Revenue	4,545	57,115	375,818	-	-	437,478
Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-
Investment Income – Restricted	-	-	-	-	-	-
Total Revenue	2,151,605	3,842,943	375,818	84,704	-	6,455,070
Expenses:						
Administrative						
Administrative Salaries	418,588	203,881	118,109	-	-	740,578
Auditing Fees	4,139	6,824	500	224	-	11,687
Management Fee	-	-	-	-	-	-
Bookkeeping Fee	-	-	-	-	-	-
Advertising and Marketing	516	129	129	-	-	774
Employee Benefit – Administrative	145,848	68,633	81,422	-	-	295,903
Office Expenses	79,462	30,924	9,917	-	-	120,303
Legal Expense	19,782	588	447	-	-	20,817
Travel	15,226	11,082	2,863	-	-	29,171
Allocated Overhead	-	-	-	-	-	-
Other	5,507	879	2,085	10,704	-	19,175
Total Administrative	689,068	322,940	215,472	10,928	-	1,238,408
Tenant Services						
Asset Management Fee	-	-	-	-	-	-
Tenant Services – Salaries	-	-	-	-	-	-
Relocation Costs	-	-	-	-	-	-
Employee Benefit – Tenant Services	-	-	-	-	-	-
Tenant Services – Other	448	-	-	-	-	448
Total Tenant Services	448	-	-	-	-	448
Utilities						
Water	137,506	-	2,787	-	-	140,293
Electricity	20,145	-	2,759	-	-	22,904
Gas	128,320	-	1,102	-	-	129,422
Fuel	-	-	-	-	-	-
Labor	-	-	-	-	-	-
Sewer	55,388	-	1,833	-	-	57,221
Employee Benefit – Utilities	-	-	-	-	-	-
Other Utilities Expense	-	-	-	-	-	-
Total Utilities	341,359	-	8,481	-	-	349,840

CITY OF FLAGSTAFF, ARIZONA
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2017

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab- ilitation 14.856	Elimination	Total
(continued)						
Ordinary Maintenance and Operations						
Labor	335,735	-	126,858	-	-	462,593
Materials and Other	40,947	-	771	-	-	41,718
Ordinary Maintenance and Operations Contracts	105,406	-	2,657	-	-	108,063
Employee Benefit Contributions – Ordinary Maintenance	107,903	-	-	-	-	107,903
Total Maintenance	<u>589,991</u>	<u>-</u>	<u>130,286</u>	<u>-</u>	<u>-</u>	<u>720,277</u>
Protective Services						
Protective Services – Labor	-	-	-	-	-	-
Protective Services – Other Contract Costs	23,211	-	6,989	-	-	30,200
Protective Services – Other	-	-	-	-	-	-
Employee Benefit – Protective Services	-	-	-	-	-	-
Total Protective Services	<u>23,211</u>	<u>-</u>	<u>6,989</u>	<u>-</u>	<u>-</u>	<u>30,200</u>
General Expense						
Property Insurance	54,346	53	-	-	-	54,399
Liability Insurance	18,551	1,117	-	-	-	19,668
Workmen's Compensation	11,960	3,327	4,015	-	-	19,302
All Other Insurance	6,775	2,465	127	-	-	9,367
Total insurance Premiums	<u>91,632</u>	<u>6,962</u>	<u>4,142</u>	<u>-</u>	<u>-</u>	<u>102,736</u>
Other General Expenses	13,441	9,481	4,391	-	-	27,313
Compensated Absences	4,898	1,142	253	-	-	6,293
Payments in Lieu of Taxes	77,025	-	-	-	-	77,025
Bad debt – Tenant Rents	13,254	-	-	-	-	13,254
Bad debt – Mortgages	-	-	-	-	-	-
Bad debt – Other	14,295	-	-	-	-	14,295
Severance Expense	-	-	-	-	-	-
Total General Expenses	<u>122,913</u>	<u>10,623</u>	<u>4,644</u>	<u>-</u>	<u>-</u>	<u>138,180</u>
Financial Expenses						
Interest Expense – Mortgage Payable	-	-	-	-	-	-
Interest on Notes Payable (Short & Long Term)	-	-	-	-	-	-
Amortization of Bond Issue Costs	-	-	-	-	-	-
Total Financial Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>1,858,622</u>	<u>340,525</u>	<u>370,014</u>	<u>10,928</u>	<u>-</u>	<u>2,580,089</u>
Excess of Operating Revenue over Operating Expenses	<u>292,983</u>	<u>3,502,418</u>	<u>5,804</u>	<u>73,776</u>	<u>-</u>	<u>3,874,981</u>
(continued)						
Other Expenses						
Extraordinary Maintenance	-	-	-	-	-	-
Casualty Losses – Non-capitalized	-	-	-	-	-	-
Housing Assistance Payments	-	3,483,439	-	73,818	-	3,557,257
HAP Portability-In	-	44,247	-	-	-	44,247
Depreciation Expense	468,028	-	-	-	-	468,028
Fraud Losses	11,072	-	-	-	-	11,072
Capital Outlays – Governmental Funds	-	-	-	-	-	-
Debt Principal Payment – Governmental Funds	-	-	-	-	-	-
Dwelling Units Rent Expense	-	-	-	-	-	-
Total Other Expense	<u>479,100</u>	<u>3,527,686</u>	<u>-</u>	<u>73,818</u>	<u>-</u>	<u>4,080,604</u>
Total Expenses	<u>2,337,722</u>	<u>3,868,211</u>	<u>370,014</u>	<u>84,746</u>	<u>-</u>	<u>6,660,693</u>

CITY OF FLAGSTAFF, ARIZONA
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2017

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab- ilitation 14.856	Elimination	Total
Other Financing Sources (Uses)						
Operating Transfer In	73,793	-	-	-	-	73,793
Operating transfer Out	(73,793)	-	-	-	-	(73,793)
Operating Transfers from/to Primary Government	-	28,897	-	-	-	28,897
Operating Transfers from/to Component Unit	-	-	-	-	-	-
Proceeds from Notes, Loans and Bonds	-	-	-	-	-	-
Proceeds from Property Sales	-	-	-	-	-	-
Extraordinary Items, Net Gain/Loss	-	-	-	-	-	-
Special Items (Net Gain/Loss)	-	-	-	-	-	-
Inter Project Excess Cash Transfer In	-	-	-	-	-	-
Inter Project Excess Cash Transfer Out	-	-	-	-	-	-
Transfers between Program and Project - In	-	-	-	-	-	-
Transfers between Project and Program - Out	-	-	-	-	-	-
Transfer of Funds	-	-	-	-	-	-
Transfer of Equity	-	-	-	-	-	-
Prior Period Adjustments	-	-	-	-	-	-
Total Other financing Sources (Uses)	-	28,897	-	-	-	28,897
Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(186,117)	3,629	5,804	(42)	-	(176,726)
Beginning Net Position	3,837,414	(317,505)	(28,707)	12,632	-	3,503,834
Required Annual Debt Principal Payments	-	-	-	-	-	-
Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	-
Changes in Compensated Absence Balance	-	-	-	-	-	-
Changes in Contingent Liability Balance	-	-	-	-	-	-
Changes in Unrecognized Pension Transition Liability	-	-	-	-	-	-
Changes in Special Term/Severance Benefits Liability	-	-	-	-	-	-
Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-	-
Changes in Allowance for Doubtful Accounts - Other	-	-	-	-	-	-
Ending Net Position	\$ 3,651,297	\$ (313,876)	\$ (22,903)	\$ 12,590	\$ -	\$ 3,327,108
Administrative Fee Equity	\$ -	\$ (203,707)	\$ -	\$ -	\$ -	\$ (203,707)
Housing Assistance Payments Equity		\$ 178,629				\$ 178,629
Unit Months Available	3,180	5,148		144		8,472
Number of Unit Months Leased	3,127	4,893		144		8,164
Excess Cash	\$ 266,148					\$ 266,148
Land Purchases						\$ -
Building Purchases	\$ 45,238					\$ 45,238
Furniture & Equipment - Dwelling Purchases						\$ -
Furniture & Equipment - Administrative Purchases	\$ 10,419					\$ 10,419
Leasehold Improvements Purchases	\$ -					\$ -
Infrastructure Purchases	\$ 211,073					\$ 211,073
CFFP Debt Service Payments	\$ -					\$ -
Replacement Housing Factor Funds	\$ -					\$ -

(concluded)



CITY OF FLAGSTAFF, ARIZONA
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Public Housing – Consolidated
Year Ended June 30, 2017

	Operating Fund Program	Capital Fund Grants	Other Project Total
Revenues:			
Net Tenant Rental Revenue	\$ 1,131,032		\$ 1,131,032
Tenant Revenue – Other	22,487		\$ 22,487
Total Tenant Revenue	1,153,519	-	1,153,519
HUD PHA Operating Grants	607,758	112,417	720,175
Capital Grants		256,311	256,311
Management Fee			-
Asset Management Fee			-
Bookkeeping Fee			-
Front Line Service Fee			-
Other Fees			-
Other Government Grants			-
Investment Income – Unrestricted			-
Mortgage Interest Income			-
Fraud Recovery	17,055		17,055
Other Revenue	4,545		4,545
Gain or Loss on Sale of Capital Assets	-		-
Investment Income – Restricted			-
Total Revenue	1,782,877	368,728	2,151,605
Expenses:			
Administrative			
Administrative Salaries	\$409,536	9,052	418,588
Auditing Fees	\$4,139		4,139
Management Fee			
Bookkeeping Fee			
Advertising and Marketing	\$516		516
Employee Benefit – Administrative	\$143,424	2,424	145,848
Office Expenses	\$57,079	22,383	79,462
Legal Expense	\$19,782		19,782
Travel	\$10,610	4,616	15,226
Allocated Overhead			
Other	\$5,507		5,507
Total Administrative	650,593	38,475	689,068
Tenant Services			
Tenant Services – Salaries			-
Relocation Costs			-
Employee Benefit – Tenant Services			-
Tenant Services – Other	448		448
Total Tenant Services	448	-	448
Utilities			
Water	\$137,506		137,506
Electricity	\$20,145		20,145
Gas	\$128,320		128,320
Sewer	\$55,388		55,388
Employee Benefit – Utilities			-
Other Utilities Expense			-
Total Utilities	341,359	-	341,359
		(continued)	
Ordinary Maintenance and Operations			
Labor	335,735		335,735

CITY OF FLAGSTAFF, ARIZONA
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Public Housing – Consolidated
Year Ended June 30, 2017

	Operating Fund Program	Capital Fund Grants	Other Project Total
Materials and Other	40,947	-	40,947
Contracts	105,406	-	105,406
Employee Benefit Contributions	107,903	-	107,903
Total Maintenance	589,991	-	589,991
Protective Services			
Protective Services – Labor	-	-	-
Protective Services – Other Contract Costs	23,211	-	23,211
Protective Services – Other	-	-	-
Employee Benefit – Protective Services	-	-	-
Total Protective Services	23,211	-	23,211
General Expense			
Property Insurance	\$54,346	-	54,346
Liability Insurance	\$18,551	-	18,551
Workmen's Compensation	\$11,811	149	11,960
All Other Insurance	\$6,775	-	6,775
Total insurance Premiums	91,483	149	91,632
Other General Expenses	13,441	-	13,441
Compensated Absences	4,898	-	4,898
Payments in Lieu of Taxes	77,025	-	77,025
Bad debt – Tenant Rents	13,254	-	13,254
Bad debt – Mortgages	-	-	-
Bad debt – Other	14,295	-	14,295
Severance Expense	-	-	-
Total Other General Expenses	122,913	-	122,913
Financial Expenses			
Interest Expense – Mortgage Payable	-	-	-
Amortization of Bond Issue Costs	-	-	-
Total Financial Expenses	-	-	-
Total Operating Expenses	1,819,998	38,624	1,858,622
Excess of Operating Revenue over Operating Expenses	(37,121)	330,104	292,983
(continued)			
Other Expenses			
Extraordinary Maintenance	-	-	-
Casualty Losses – Non-capitalized	-	-	-
Housing Assistance Payments	-	-	-
HAP Portability-In	-	-	-
Depreciation Expense	468,028	-	468,028
Fraud Losses	11,072	-	11,072
Total Other Expense	479,100	-	479,100
Total Expenses	2,299,098	38,624	2,337,722
Other Financing Sources (Uses)			
Operating Transfer In	73,793	-	73,793
Operating transfer Out	-	(73,793)	(73,793)
Operating Transfers from/to Primary Government	-	-	-
Operating Transfers from/to Component Unit	-	-	-

CITY OF FLAGSTAFF, ARIZONA
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Public Housing – Consolidated
Year Ended June 30, 2017

	Operating Fund Program	Capital Fund Grants	Other Project Total
Proceeds from Notes, Loans and Bonds	-	-	-
Proceeds from Property Sales	-	-	-
Extraordinary Items, Net Gain/Loss	-	-	-
Special Items (Net Gain/Loss)	-	-	-
Inter Project Excess Cash Transfer In	-	-	-
Inter Project Excess Cash Transfer Out	-	-	-
Transfers between Program and Project – In	-	-	-
Transfers between Project and Program – Out	-	-	-
Transfer of Funds	-	-	-
Transfer of Equity	-	-	-
Prior Period Adjustments	-	-	-
Total Other financing Sources (Uses)	<u>73,793</u>	<u>(73,793)</u>	<u>-</u>
Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>(442,428)</u>	<u>256,311</u>	<u>(186,117)</u>
Beginning Net Position	<u>3,837,414</u>	<u>-</u>	<u>3,837,414</u>
Required Annual Debt Principal Payments	-	-	-
Prior Period Adjustments, Equity Transfers and Correction of Errors	256,311	(256,311)	-
Changes in Compensated Absence Balance	-	-	-
Changes in Contingent Liability Balance	-	-	-
Changes in Unrecognized Pension Transition Liability	-	-	-
Changes in Special Term/Severance Benefits Liability	-	-	-
Changes in Allowance for Doubtful Accounts – Dwelling Rents	-	-	-
Changes in Allowance for Doubtful Accounts – Other	-	-	-
Ending Net Position	<u>3,394,986</u>	<u>256,311</u>	<u>3,651,297</u>
Administrative Fee Equity	-	-	-
Housing Assistance Payments Equity	-	-	-
Unit Months Available	3,180	-	3,180
Number of Unit Months Leased	3,127	-	3,127
Excess Cash	266,148	-	266,148
Land Purchases	-	-	-
Building Purchases	-	45,238	45,238
Furniture & Equipment – Dwelling Purchases	-	-	-
Furniture & Equipment – Administrative Purchases	-	-	-
Leasehold Improvements Purchases	-	-	-
Infrastructure Purchases	-	211,073	-
CFFP Debt Service Payments	-	-	-
Replacement Housing Factor Funds	-	-	-

(concluded)

Statistical Section

This part of the City of Flagstaff's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<u>Contents:</u>	<u>Page</u>
Financial Trends	138
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	146
These schedules contain information to help the reader assess the city's most significant local revenue source, sales tax.	
Debt Capacity	152
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	164
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	
Operating Information	166
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

Schedule 1
City of Flagstaff
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 214,268,448	\$ 215,672,933	\$ 213,762,870	\$ 217,879,986	\$ 219,112,469	\$ 222,690,985	\$ 227,347,151	\$ 230,658,509	\$ 246,897,365	\$245,638,486
Restricted	14,875,852	7,975,269	18,213,829	23,971,870	34,679,441	43,856,244	43,761,156	53,192,347	60,981,953	86,071,589
Unrestricted	39,248,151	34,766,602	49,463,587	42,863,692	37,309,699	32,288,032	37,176,483	(65,530,075)	(72,922,639)	(92,822,132)
Total governmental activities net position	<u>\$ 268,392,451</u> (3)	<u>\$ 258,414,804</u> (4)	<u>\$ 281,440,286</u>	<u>\$ 284,715,548</u>	<u>\$ 291,101,609</u>	<u>\$ 298,835,261</u>	<u>\$ 308,284,790</u>	<u>\$ 218,320,781</u>	<u>\$ 234,956,679</u>	<u>\$ 238,887,943</u>
Business-type activities										
Net investment in capital assets	\$ 276,783,163	\$ 291,707,810	\$ 302,784,152	\$ 303,113,402	\$ 304,418,393	\$ 304,560,897	\$ 310,552,949	\$ 311,963,433	\$ 311,644,865	\$ 317,301,221
Restricted	1,593,915	1,593,915	2,209,327	3,003,129	2,805,002	2,694,262	2,492,562	2,664,263	2,903,553	3,142,245
Unrestricted	16,250,436	11,547,792	10,895,855	17,190,191	23,968,903	29,195,853	31,128,319	18,390,515	20,537,654	26,426,890
Total business-type activities and net position	<u>\$ 294,627,514</u>	<u>\$ 304,849,517</u>	<u>\$ 315,889,334</u>	<u>\$ 323,306,722</u>	<u>\$ 331,192,298</u>	<u>\$ 336,451,012</u>	<u>\$ 344,173,830</u>	<u>\$ 333,018,211</u>	<u>\$ 335,086,072</u>	<u>\$ 346,870,356</u>
Primary government										
Net investment in capital assets	\$ 491,051,611	\$ 507,380,743	\$ 516,547,022	\$ 520,993,388	\$ 523,530,862	\$ 527,251,882	\$ 537,900,100	\$ 542,621,942	\$ 558,542,230	\$ 562,939,707
Restricted	16,469,767	9,569,184	20,423,156	26,974,999	37,484,442	46,550,506	46,253,718	55,856,610	63,885,506	89,213,834
Unrestricted	55,498,587	46,314,394	60,359,442	60,053,883	61,278,603	61,483,885	68,304,802	(47,139,560)	(52,384,985)	(66,395,242)
Total primary government net position	<u>\$ 563,019,965</u>	<u>\$ 563,264,321</u>	<u>\$ 597,329,620</u>	<u>\$ 608,022,270</u>	<u>\$ 622,293,907</u>	<u>\$ 635,286,273</u>	<u>\$ 652,458,620</u>	<u>\$ 551,338,992</u>	<u>\$ 570,042,751</u>	<u>\$ 585,758,299</u>

(3) FY 2008 change in calculations within categories due to calculation error. No net change to total net position.

(4) FY 2009 restated for change due to accounting error



Schedule 2
City of Flagstaff
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 11,271,031	\$ 10,913,187	\$ 8,238,178	\$ 7,850,954	\$ 9,406,406	\$ 10,442,808	\$ 10,732,510	\$ 17,625,846	\$ 17,210,187	\$ 19,320,158
Public safety	27,030,331	29,287,433	26,592,968	25,987,193	27,175,720	27,269,325	28,730,111	35,255,450	34,711,251	42,090,228
Public works	1,894,089	2,109,221	1,502,626	1,754,033	1,615,941	1,718,767	1,573,541	1,664,308	1,650,323	1,895,576
Economic and physical development	10,556,175	10,346,982	8,827,578	8,474,776	9,639,003	9,210,500	9,018,496	9,343,417	10,259,240	9,833,154
Culture and recreation	11,607,116	13,120,917	12,507,679	12,854,824	12,434,695	13,342,588	12,919,475	12,511,424	12,974,830	13,563,829
Highways and streets	15,515,643	19,297,615	17,856,121	19,275,381	16,328,771	15,431,985	17,698,346	18,174,944	13,059,212	15,849,094
Interest on long-term debt	2,916,380	3,651,521	3,918,110	3,370,918	2,944,057	2,902,196	2,946,685	2,944,000	2,295,418	2,743,633
Total governmental activities expense	<u>80,790,765</u>	<u>88,726,876</u>	<u>79,443,260</u>	<u>79,568,079</u>	<u>79,544,593</u>	<u>80,318,169</u>	<u>83,619,164</u>	<u>97,519,389</u>	<u>92,160,461</u>	<u>105,295,672</u>
Business-type activities:										
Water	23,420,282	22,802,316	21,731,286	21,491,239	22,708,636	22,568,661	24,366,128	14,307,902	14,674,337	15,454,108
Wastewater								10,879,594	10,490,816	11,150,309
Environmental	11,423,164	11,782,540	11,091,078	11,610,370	7,828,286	11,671,366	11,637,566	12,071,509	12,087,144	12,337,663
Airport	3,608,322	4,197,447	4,273,609	4,584,733	4,268,099	5,226,977	4,118,280	4,540,208	4,307,615	5,080,905
Housing Authority	-	-	-	5,811,922	6,165,612	5,986,508	6,090,790	6,084,019	6,125,950	6,657,398
Stormwater	1,160,604	1,203,436	1,258,072	1,121,555	1,361,658	1,196,589	1,576,865	1,184,464	1,245,532	1,180,230
Total business-type activities expense	<u>39,612,372</u>	<u>39,985,739</u>	<u>38,354,045</u>	<u>44,619,819</u>	<u>42,332,291</u>	<u>46,650,101</u>	<u>47,789,629</u>	<u>49,067,696</u>	<u>48,931,394</u>	<u>51,860,613</u>
Total primary government expense	<u>\$ 120,403,137</u>	<u>\$ 128,712,615</u>	<u>\$ 117,797,305</u>	<u>\$ 124,187,898</u>	<u>\$ 121,876,884</u>	<u>\$ 126,968,270</u>	<u>\$ 131,408,793</u>	<u>\$ 146,587,085</u>	<u>\$ 141,091,855</u>	<u>\$ 157,156,285</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,746,890	\$ 3,099,884	\$ 3,285,242	\$ 2,646,424	\$ 3,364,479	\$ 3,448,665	\$ 4,568,438	\$ 3,091,342	\$ 3,241,987	\$ 3,143,969
Public safety	1,227,979	1,451,405	1,283,697	1,144,636	1,611,109	1,491,842	628,038	879,755	647,910	832,352
Public works	1,483,275	1,350,832	1,471,550	1,537,188	1,551,419	1,611,306	1,215	520	605	740
Economic and physical development	315,462	369,987	291,211	162,715	53,747	52,386	903,233	2,329,258	3,767,060	3,785,805
Culture and recreation	762,410	1,559,617	1,420,094	1,442,901	1,455,067	1,507,855	1,656,628	1,605,120	1,633,338	1,785,874
Highways and streets	-	-	-	-	-	-	-	-	-	173,960
Operating grants and contributions	3,320,597	5,990,756	6,654,978	7,965,474	7,414,767	6,866,279	7,071,557	6,670,678	7,726,612	7,723,935
Capital grants and contributions	16,324,928	9,880,762	36,949,681	9,226,778	12,200,969	11,318,522	14,603,667	13,008,629	11,806,049	8,774,146
Total governmental activities program revenues	<u>27,181,541</u>	<u>23,703,243</u>	<u>51,356,453</u>	<u>24,126,116</u>	<u>27,651,557</u>	<u>26,296,855</u>	<u>29,432,776</u>	<u>27,585,302</u>	<u>28,823,561</u>	<u>26,220,781</u>

Schedule 2 (continued)
City of Flagstaff
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

Business-type activities:

Charges for services:											
Water	17,947,605	17,328,927	17,539,873	18,781,751	19,937,196	22,629,862	23,432,153	14,043,177	14,589,041	15,973,118	
Wastewater	-	-	-	-	-	-	-	8,907,760	9,387,949	9,943,603	
Environmental	10,813,177	11,545,472	11,329,336	12,010,554	12,030,990	12,000,124	12,490,237	12,646,619	12,760,747	13,047,045	
Airport	1,207,831	1,187,105	1,359,029	1,388,076	1,492,559	1,486,247	1,504,703	1,528,202	1,603,852	1,503,945	
Housing Authority	-	-	-	1,437,841	1,299,987	994,123	974,184	1,027,945	1,455,715	1,605,422	
Stormwater	1,137,402	1,247,878	1,358,438	1,456,894	1,446,602	1,455,405	1,465,522	1,466,347	1,495,296	1,598,913	
Operating grants and contributions	67,651	10,966	120,054	5,090,475	4,624,234	4,884,129	4,051,236	4,742,685	4,775,797	4,953,619	
Capital grants and contributions	12,242,567	8,744,216	6,790,709	4,220,708	7,960,357	6,622,143	7,835,529	4,749,158	4,339,777	13,162,230	
Total business-type activities program revenues	<u>43,416,233</u>	<u>40,064,564</u>	<u>38,497,439</u>	<u>44,386,299</u>	<u>48,791,925</u>	<u>50,072,033</u>	<u>51,753,564</u>	<u>49,111,893</u>	<u>50,408,174</u>	<u>61,787,895</u>	
Total primary government program revenues	<u>\$ 70,597,774</u>	<u>\$ 63,767,807</u>	<u>\$ 89,853,892</u>	<u>\$ 68,512,415</u>	<u>\$ 76,443,482</u>	<u>\$ 76,368,888</u>	<u>\$ 81,186,340</u>	<u>\$ 76,697,195</u>	<u>\$ 79,231,735</u>	<u>\$ 88,008,676</u>	

Net (Expense)/Revenue

Governmental activities	\$ (53,609,224)	\$ (65,023,633)	\$ (28,086,807)	\$ (55,441,963)	\$ (51,893,036)	\$ (54,021,314)	\$ (54,186,388)	\$ (69,934,087)	\$ (63,336,900)	\$ (79,074,891)
Business-type activities	3,803,861	78,825	143,394	(233,520)	6,459,634	3,421,932	3,963,935	44,197	1,476,780	9,927,282
Total primary government net expense	<u>\$ (49,805,363)</u>	<u>\$ (64,944,808)</u>	<u>\$ (27,943,413)</u>	<u>\$ (55,675,483)</u>	<u>\$ (45,433,402)</u>	<u>\$ (50,599,382)</u>	<u>\$ (50,222,453)</u>	<u>\$ (69,889,890)</u>	<u>\$ (61,860,120)</u>	<u>\$ (69,147,609)</u>

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes										
Property taxes	\$ 13,664,791	\$ 12,262,185	\$ 12,798,495	\$ 12,645,717	\$ 11,974,341	\$ 11,821,650	\$ 11,044,817	\$ 11,211,038	\$ 11,339,774	\$ 11,674,553
Sales taxes	33,129,731	31,420,047	30,429,840	31,355,882	33,401,021	35,188,913	37,675,638	42,539,371	48,343,259	53,582,850
State shared sales taxes - unrestricted	16,992,017	16,628,652	14,880,073	13,148,252	13,189,822	14,630,891	15,666,968	16,683,665	17,080,154	18,139,582
Investment earnings	3,903,839	1,465,731	449,394	246,093	322,126	(396,124)	749,038	1,179,131	1,668,431	(447,324)
Miscellaneous	819,325	381,984	228,969	1,741,338	510,695	1,285,289	1,813,164	645,571	1,404,390	1,123,129
Gain on sale of capital assets	2,160,339	-	2,831,308	744,957	-	18,173	241,231	65,201	-	-
Contributions to permanent fund	16,200	13,325	19,136	24,950	15,474	23,935	18,700	16,821	15,470	6,950
Transfers in (out)	(3,590,153)	(9,651,500)	(10,524,926)	(1,189,964)	(1,134,382)	(817,761)	(2,908,700)	(1,407,710)	121,320	(1,073,585)
Total governmental activities	<u>67,096,089</u>	<u>52,520,424</u>	<u>51,112,289</u>	<u>58,717,225</u>	<u>58,279,097</u>	<u>61,754,966</u>	<u>64,300,856</u>	<u>70,933,088</u>	<u>79,972,798</u>	<u>83,006,155</u>

Business-type activities:

Investment earnings	964,237	206,154	111,251	107,543	118,247	194,306	213,335	303,863	336,685	406,101
Miscellaneous	127,423	166,158	194,547	150,129	173,313	581,015	567,079	1,119,502	375,716	377,316
Gain (loss) on sale of capital assets	78,248	119,366	79,467	47,818	-	243,700	73,916	493,358	-	-
Transfers in (out)	3,590,153	9,651,500	10,524,926	1,189,964	1,134,382	817,761	2,908,700	1,407,710	(121,320)	1,073,585
Total business-type activities	<u>4,760,061</u>	<u>10,143,178</u>	<u>10,910,191</u>	<u>1,495,454</u>	<u>1,425,942</u>	<u>1,836,782</u>	<u>3,763,030</u>	<u>3,324,433</u>	<u>591,081</u>	<u>1,857,002</u>
Total primary government	<u>\$ 71,856,150</u>	<u>\$ 62,663,602</u>	<u>\$ 62,022,480</u>	<u>\$ 60,212,679</u>	<u>\$ 59,705,039</u>	<u>\$ 63,591,748</u>	<u>\$ 68,063,886</u>	<u>\$ 74,257,521</u>	<u>\$ 80,563,879</u>	<u>\$ 84,863,157</u>

Change in Net Position

Governmental activities	\$ 13,486,865	\$ (12,503,209)	\$ 23,025,482	\$ 3,275,262	\$ 6,386,061	\$ 7,733,652	\$ 10,114,468	\$ 999,001	\$ 16,635,898	\$ 3,931,264
Business-type activities	8,563,922	10,222,003	11,053,585	1,261,934	7,885,576	5,258,714	7,726,965	3,368,630	2,067,861	11,784,284
Total primary government	<u>\$ 22,050,787</u>	<u>\$ (2,281,206)</u>	<u>\$ 34,079,067</u>	<u>\$ 4,537,196</u>	<u>\$ 14,271,637</u>	<u>\$ 12,992,366</u>	<u>\$ 17,841,433</u>	<u>\$ 4,367,631</u>	<u>\$ 18,703,759</u>	<u>\$ 15,715,548</u>

Schedule 3
City of Flagstaff
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2008	2009	2010*	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$ 308,979	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	27,492,853	-	-	-	-	-	-	-	-	-
Nonspendable	-	280,376	376,728	427,267	359,923	390,882	440,644	323,792	335,134	342,576
Restricted	-	106,144	785,720	796,345	758,303	800,953	1,698,333	1,951,220	2,255,454	1,750,086
Committed	-	-	86,568	85,119	282,888	386,518	-	-	-	-
Assigned	-	-	8,595,100	6,882,947	7,075,902	7,335,230	8,063,998	8,192,178	8,903,561	8,011,051
Unassigned	-	22,203,764	13,412,219	15,160,509	17,203,207	19,410,597	21,559,814	23,153,900	27,425,564	30,361,068
Total general fund	\$ 27,801,832	\$ 22,590,284	\$ 23,256,335	\$ 23,352,187	\$ 25,680,223	\$ 28,324,180	\$ 31,762,789	\$ 33,621,090	\$ 38,919,713	\$ 40,464,781
All Other Governmental Funds										
Reserved	20,611,579	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	16,498,123	-	-	-	-	-	-	-	-	-
Capital project funds	(763,744)	-	-	-	-	-	-	-	-	-
Permanent fund	9,916	-	-	-	-	-	-	-	-	-
Nonspendable	-	216,878	206,678	214,333	219,564	247,436	271,477	293,238	8,379,744	309,428
Restricted	-	4,299,450	19,720,079	23,012,954	33,743,091	42,466,792	48,320,324	51,003,624	47,948,587	81,723,554
Committed	-	-	2,228,605	-	-	-	-	-	-	-
Assigned	-	8,955,106	651,650	-	-	-	-	-	-	2,078,968
Unassigned	-	-	-	(2,863,781)	-	-	-	(282,178)	(2,934,084)	(2,669,832)
Total all other governmental funds	\$ 36,355,874	\$ 13,471,434	\$ 22,807,012	\$ 20,363,506	\$ 33,962,655	\$ 42,714,228	\$ 48,591,801	\$ 51,014,684	\$ 53,394,247	\$ 81,442,118

(1) FY2007 : As restated for accounting error related to the accrual of state shared revenues

* FY2010 : Implementation of GASB-54 Fund Balance Classification

Schedule 4
City of Flagstaff
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES:										
Taxes	\$ 43,964,317	\$ 43,555,388	\$ 43,200,268	\$ 43,799,128	\$ 45,577,128	\$ 47,084,446	\$ 48,806,758	\$ 53,725,196	\$ 59,711,556	\$ 65,263,433
Intergovernmental	20,425,088	21,364,739	19,450,213	17,488,021	17,230,696	18,713,646	19,584,399	20,549,000	21,355,708	22,504,605
Grants and entitlements	13,556,680	9,609,508	11,172,862	10,583,483	9,721,569	11,369,392	15,313,742	13,483,604	11,023,491	10,850,138
Charges for services	2,704,333	3,324,838	3,057,423	2,926,237	3,220,137	3,237,728	2,894,898	2,986,151	4,747,237	3,454,567
Special assessments	2,449	2,382	1,510,217	701,447	8,286,453	722,733	2,734,095	1,857,884	2,916,164	202,243
Licenses and permits	1,815,062	1,377,580	1,441,874	739,040	1,681,874	1,656,135	1,952,731	1,866,792	3,153,135	3,013,367
Fines and forfeitures	1,336,146	1,517,558	1,636,157	1,673,306	1,601,044	1,540,989	1,428,401	1,389,663	1,524,856	1,430,686
Rents	1,496,858	1,421,772	1,588,214	1,617,912	1,605,166	1,667,562	1,651,032	1,660,635	1,696,070	1,805,457
Investment earnings	3,731,116	1,366,931	413,594	224,363	296,241	(429,656)	722,878	1,145,686	1,636,650	(476,690)
Contributions	1,308,938	1,328,524	544,393	166,417	390,253	252,377	541,340	368,057	1,962,364	869,484
Miscellaneous	819,325	381,984	228,969	1,719,608	492,971	1,261,507	1,813,164	645,571	1,404,390	1,123,129
Total revenues	<u>91,160,312</u>	<u>85,251,204</u>	<u>84,244,184</u>	<u>81,638,962</u>	<u>90,103,532</u>	<u>87,076,859</u>	<u>97,443,438</u>	<u>99,678,239</u>	<u>111,131,621</u>	<u>110,040,419</u>
EXPENDITURES:										
General governmental	10,229,814	9,848,252	7,926,726	7,113,922	7,453,963	8,480,086	9,041,946	14,974,692	14,561,513	16,652,590
Public safety	25,696,174	27,374,083	25,159,777	24,476,615	25,301,495	25,099,149	26,567,511	27,583,880	30,074,183	30,849,989
Public works	1,617,311	1,645,703	1,360,447	1,299,027	1,146,692	1,219,324	1,031,983	1,216,083	1,207,776	1,472,485
Economic and physical development	10,335,964	9,991,927	8,601,808	8,202,024	8,584,826	8,296,367	8,212,772	8,506,794	9,530,781	8,989,673
Culture and recreation	10,267,649	12,158,087	10,615,754	10,782,848	10,576,877	11,292,517	11,446,096	11,029,832	11,441,848	11,854,511
Highways and streets	8,505,722	11,187,402	9,313,158	10,612,033	9,593,074	9,039,032	10,621,311	8,035,221	5,916,632	8,443,609
Debt service:										
Principal retirement	5,046,398	5,034,991	6,065,522	6,761,179	13,654,681	6,175,303	8,287,457	8,313,298	12,980,269	14,154,904
Interest and other charges	3,020,927	3,750,657	3,996,963	3,451,706	3,346,253	2,902,196	3,126,469	2,798,182	2,520,596	2,534,621
Capital outlay	46,465,549	30,796,072	12,446,280	11,785,480	11,951,834	16,656,392	24,062,755	16,944,654	16,090,690	14,002,895
Total expenditures	<u>121,185,508</u>	<u>111,787,174</u>	<u>85,486,435</u>	<u>84,484,834</u>	<u>91,609,695</u>	<u>89,160,366</u>	<u>102,398,300</u>	<u>99,402,636</u>	<u>104,324,288</u>	<u>108,955,277</u>
Excess of revenues over (under) expenditures	(30,025,196)	(26,535,970)	(1,242,251)	(2,845,872)	(1,506,163)	(2,083,507)	(4,954,862)	275,603	6,807,333	1,085,142
OTHER FINANCING SOURCES (USES):										
Proceeds of refunding bonds	-	-	-	-	13,924,136	-	8,270,000	-	-	-
Issuance of capital debt	-	-	8,330,000	-	16,797,287	12,474,557	6,600,000	-	204,956	26,168,531
Payment to bond refunding escrow agent	-	-	-	-	(15,394,336)	-	(9,382,710)	-	-	-
Lease issued	-	109,352	-	-	-	-	-	-	-	-
Bond premium	-	-	58,370	-	2,264,386	542,689	1,317,667	-	-	3,500,813
Insurance recoveries	-	-	1,920,000	1,058,985	-	-	-	-	-	-
Sale of capital assets	2,176,808	63,894	1,084,211	45,655	43,890	49,750	727,996	3,013,051	5,325	-
Transfers in	17,181,576	21,626,308	15,224,243	13,661,630	14,872,935	12,870,788	12,102,855	17,376,813	15,891,921	22,308,323
Transfers out	(20,085,809)	(23,359,573)	(18,525,100)	(14,268,052)	(15,074,950)	(12,458,747)	(11,659,441)	(16,384,283)	(15,231,349)	(23,469,870)
Total other financing sources (uses)	<u>(727,425)</u>	<u>(1,560,019)</u>	<u>8,091,724</u>	<u>498,218</u>	<u>17,433,348</u>	<u>13,479,037</u>	<u>7,976,367</u>	<u>4,005,581</u>	<u>870,853</u>	<u>28,507,797</u>
Net change in fund balances	<u>\$ (30,752,621)</u>	<u>\$ (28,095,989)</u>	<u>\$ 6,849,473</u>	<u>\$ (2,347,654)</u>	<u>\$ 15,927,185</u>	<u>\$ 11,395,530</u>	<u>\$ 3,021,505</u>	<u>\$ 4,281,184</u>	<u>\$ 7,678,186</u>	<u>\$ 29,592,939</u>
Debt service as a percentage of non capital expenditures	10.80%	10.85%	13.78%	14.05%	21.34%	12.52%	14.57%	13.48%	17.57%	17.58%

Schedule 5
City of Flagstaff
Tax Revenue by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)

Fiscal Year	General Property Tax	Secondary Property Tax	Franchise and Other Taxes	City Sales Tax	Bed, Board and Booze Tax	Transportation Tax	Total
2008	4,616	6,219	2,189	16,150	5,187	9,605	43,966
2009	4,882	7,254	2,246	14,384	5,052	10,035	43,853
2010	5,150	7,620	2,133	13,595	5,074	9,628	43,200
2011	5,259	7,184	2,339	13,893	5,259	9,865	43,799
2012	5,473	6,703	2,348	14,900	5,626	10,527	45,577
2013	5,472	6,423	2,303	15,760	5,911	11,215	47,084
2014	5,571	5,560	2,487	17,042	6,310	11,837	48,807
2015	5,597	5,586	2,467	17,845	7,022	15,208	53,725
2016	5,650	5,719	2,567	19,090	7,539	19,147	59,712
2017	5,764	5,916	2,439	21,174	8,642	21,328	65,263
Change 2008-2017	24.87%	-4.87%	11.42%	31.11%	66.61%	122.05%	48.44%

Schedule 6
City of Flagstaff
Intergovernmental Revenue by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	State Sales Tax	State Income Tax	County Auto In-Lieu Tax	Highway User Tax	Local Transportation Assistance	State HB 2565	Federal Grants	State Grants & Other State	County LEAF IGA	County Library District Funding	Other	Total
2008	5,623,144	8,610,567	2,758,307	7,422,359	225,965	58,782	4,868,431	981,142	668,153	3,559,362	-	34,776,212
2009	4,868,072	9,149,290	2,611,289	6,412,329	251,536	-	1,711,609	1,234,065	897,337	4,125,223	32,795	31,293,545
2010	4,490,087	7,899,626	2,490,360	6,429,355	156,218	-	3,885,697	701,592	757,241	3,762,831	50,068	30,623,075
2011	4,711,821	5,955,305	2,481,126	6,300,885	-	-	3,181,076	1,101,522	744,070	3,531,607	64,092	28,071,504
2012	5,147,101	5,559,476	2,483,245	5,576,167	-	-	3,544,253	601,149	759,606	3,163,052	118,216	26,952,265
2013	5,391,580	6,728,479	2,510,832	6,007,741	-	-	2,105,827	3,255,824	791,906	3,214,133	76,716	30,083,038
2014	5,733,507	7,342,048	2,591,413	6,168,102	-	-	2,281,211	6,864,429	793,898	3,063,343	60,190	34,898,141
2015	6,019,776	7,973,971	2,689,916	6,884,173	-	-	4,993,449	1,605,982	800,478	2,969,669	95,190	34,032,604
2016	6,238,827	7,930,739	2,910,589	7,292,355	-	-	2,867,675	863,461	902,472	3,088,137	284,944	32,379,199
2017	6,445,302	8,603,145	3,091,134	7,982,504	-	-	2,129,657	737,977	943,955	3,210,071	210,998	33,354,743

Schedule 7
City of Flagstaff
Full Cash Value of Taxable Property
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Centrally Valued Property	Commercial Property	Vacant, Agricultural, and Government Property	Residential Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2008	28,051,846	261,009,908	125,377,258	398,783,838	62,684,483	750,538,367	1.5519
2009	28,940,765	281,348,845	140,117,313	500,150,890	71,775,990	878,781,823	1.5519
2010	27,478,520	286,101,952	151,630,088	529,950,871	78,819,714	916,341,717	1.4913
2011	25,750,042	274,992,074	146,079,309	502,351,037	85,132,993	864,039,469	1.4845
2012	26,651,155	265,230,915	133,909,755	447,421,001	81,844,375	791,368,451	1.5283
2013	28,837,059	255,823,684	124,373,673	436,787,954	80,555,433	765,266,937	1.5497
2014	28,918,422	215,081,441	123,988,197	389,760,175	87,055,619	670,692,616	1.6795
2015	30,046,573	217,466,880	123,834,908	429,223,625	88,064,490	712,507,496	1.6784
2016	29,641,213	225,831,427	124,316,511	467,023,686	88,231,085	758,581,752	1.6600
2017	30,661,448	248,007,081	129,081,114	522,745,630	90,820,473	839,674,800	1.6487

Source: State of Arizona Department of Revenue, State and County Abstract of the Assessment Roll

Note: A portion of city property is reassessed every year. Property is assessed at actual value, therefore, the assessed values are equal to actual value. Tax rates are per \$100 of assessed value.

Schedule 8
City of Flagstaff
City Taxable Revenue for Major Categories
Last Ten Fiscal Years
(dollars in thousands)

	2008	2009	2010	2011	2012	2013*	2014	2015	2016	2017
Construction	\$ 263,386	\$ 181,245	\$ 150,239	\$ 166,894	\$ 150,868	\$ 164,971	\$ 169,933	\$ 191,297	\$ 176,741	\$ 184,381
Building Materials	75,493	66,641	60,143	61,781	62,665	-	-	-	-	-
Restaurants and Bars	255,578	250,555	251,271	261,384	277,954	206,617	218,790	243,560	251,654	260,364
Hotel/Motel	-	-	-	-	-	88,924	95,263	108,913	120,995	131,310
Retail and Auto Sales	738,087	660,848	632,571	644,142	678,671	779,109	801,799	852,696	946,522	955,737
Other	163,463	155,193	152,042	151,461	154,497	196,534	200,109	213,248	246,500	269,232
Utilities	71,299	69,175	66,392	63,784	116,273	92,968	103,895	109,578	108,474	104,115
TOTAL	\$ 1,567,306	\$ 1,383,657	\$ 1,312,658	\$ 1,349,446	\$ 1,440,928	\$ 1,529,123	\$ 1,589,789	\$ 1,719,292	\$ 1,850,886	\$ 1,905,139

*NOTES: FY13 reflects a change in tax categories reported to proactively reflect possible New State Sales Tax Codes

a) Building Materials is no longer tracked individually, now is tracked as part of Retail

b) Prior to FY13, Hotel/Motel was included with Restaurant and Bars

Schedule 9
City of Flagstaff
Direct and Overlapping Property Tax Rates,
Last Ten Fiscal Years
(rate per \$100 of assessed value)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total City	1.5519	1.5519	1.4913	1.4845	1.5283	1.5497	1.6795	1.6784	1.6600	1.6487
Primary						0.7131	0.8429	0.8418	0.8234	0.8121
Secondary						0.8366	0.8366	0.8366	0.8366	0.8366
School District	4.7713	4.8334	3.8860	4.6772	4.9458	4.8712	5.1939	5.1867	5.4555	5.5681
Maintenance						3.6182	3.9803	3.7886	4.0824	4.2405
Adjacent Ways						0.0459	0.0096	0.0259	0.0216	0.0284
15% M&O Override						0.6126	0.7061	0.7138	0.7265	0.737
Capital Override						0.1833	0.0000	0.0357	0.1735	0.1219
Class B Bond						0.4112	0.4979	0.6227	0.4515	0.4403
Community College	0.4865	0.4643	0.4267	0.4308	0.4734	0.4927	0.5879	0.6056	0.6105	0.6214
Maintenance						0.3875	0.4636	0.4788	0.4864	0.4909
Bond						0.1052	0.1243	0.1268	0.1241	0.1305
County	0.7588	0.7603	0.7244	0.7245	0.7656	0.7847	0.9022	0.9202	0.9291	0.9344
General Fund						0.4480	0.5466	0.5646	0.5735	0.5788
Library District						0.2367	0.2556	0.2556	0.2556	0.2556
Fire District Assistance						0.1000	0.1000	0.1000	0.1000	0.1000
Total	7.5685	7.6099	6.5284	7.3170	7.7131	7.6983	8.3635	8.3909	8.6551	8.7726

Note: Tax rates are per \$100 assessed valuation.

Schedule 10
City of Flagstaff
Principal Property Tax Payers
Current Year and Ten Years Ago

Taxpayer *	2017			2007		
	Total Assessed Value	Rank	As a Percentage of the City Total Secondary Assessed Valuation	Total Assessed Value	Rank	As a Percentage of the City Total Secondary Assessed Valuation
Arizona Public Service Company	\$ 19,003,634	1	2.26%	\$ 13,254,392	1	1.77%
W L Gore & Associates	17,807,019	2	2.12%	12,589,351	2	1.68%
Village at Aspen Place LLC	3,779,594	3	0.45%			
Little America Hotels & Resorts Inc	3,673,455	4	0.44%	3,844,773	8	0.51%
Wal-Mart Stores	3,523,203	5	0.42%			
Nestle Purina PetCare Company	3,189,296	6	0.38%	4,642,491	5	0.62%
Qwest Corporation	3,058,025	7	0.36%	9,023,179	3	1.20%
Cypress Flagstaff Mall LP	2,916,742	8	0.35%			
Unisource Energy Corporation	2,875,509	9	0.34%	2,940,469	9	0.39%
VP Flagstaff Mall LLC	2,735,941	10	0.33%			
RRIM Ridge Holdings LLC	2,564,780	11	0.31%			
Elevation Flagstaff AZ LLC	2,434,844	12	0.29%			
BNSF Railway Company	2,277,831	13	0.27%			
Campus Crest at Flagstaff LLC	1,956,098	14	0.23%			
Flagstaff Medical Center Inc	1,940,693	15	0.23%	3,360,975	10	0.45%
Hopi Tribe Economic Development Corp.	1,825,763	16	0.22%			
Total Principal Taxpayers	\$ 75,562,427		9.00%	\$ 49,655,630		6.62%

Schedule 11
City of Flagstaff
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	10,935,835	10,728,465	98.1%	223,024	10,951,489	100.1%
2009	12,253,760	11,934,997	97.4%	309,259	12,244,256	99.9%
2010	12,750,836	12,477,413	97.9%	289,241	12,766,654	100.1%
2011	12,497,535	12,113,128	96.9%	474,221	12,587,349	100.7%
2012	12,015,988	11,635,211	96.8%	301,611	11,936,822	99.3%
2013	11,828,399	11,553,471	97.7%	315,972	11,869,443	100.3%
2014	11,050,626	10,778,695	97.5%	148,592	10,927,287	98.9%
2015	11,172,785	11,002,896	98.5%	160,381	11,163,277	99.9%
2016	11,355,520	11,156,213	98.2%	152,167	11,156,213	98.2%
2017	11,586,535	11,500,020	99.3%	-	11,500,020	99.3%

Schedule 12
 City of Flagstaff
 Direct and Overlapping Sales Tax Rates
 Last Ten Fiscal Years

Fiscal Year	City			State of Arizona	Coconino County	Total
	General Sales Tax	Bed, Board & Beverage	Transportation			
2008	1.0000%	2.0000%	0.6010%	5.6000%	1.1250%	10.3260%
2009	1.0000%	2.0000%	0.7210%	5.6000%	1.1250%	10.4460%
2010	1.0000%	2.0000%	0.7210%	6.6000%	1.1250%	11.4460%
2011	1.0000%	2.0000%	0.7210%	6.6000%	1.1250%	11.4460%
2012	1.0000%	2.0000%	0.7210%	6.6000%	1.1250%	11.4460%
2013	1.0000%	2.0000%	0.7210%	6.6000%	1.1250%	11.4460%
2014	1.0000%	2.0000%	0.7210%	5.6000%	1.1250%	10.4460%
2015	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2016	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2017	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%

Source: City of Flagstaff – Sales Tax / Business Licenses
<http://www.flagstaff.az.gov/index.aspx?nid=53>

Schedule 13
City of Flagstaff
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities					Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	Municipal Facility Corporation Bonds	COP Capital Leases	General Obligation Debt	Revenue Bonds	Term Loan Payable	Capital Leases			
2008	29,350	19,257	6,325	23,000	2,728	10,515	5,212	32,275	4,227	132,889	3.8%	2,142.33
2009	27,645	19,169	4,865	21,625	2,430	7,460	4,918	37,006	3,960	129,078	3.4%	2,010.56
2010	25,865	18,615	6,665	19,890	6,964	5,690	4,614	36,257	3,679	128,239	3.4%	1,982.27
2011	24,015	18,130	4,930	18,095	1,542	3,830	4,299	37,491	3,384	115,716	3.1%	1,766.06
2012	38,449	11,365	15,615	3,205	5,200	3,125	3,972	35,689	3,075	119,695	2.7%	1,817.14
2013	48,134	11,055	16,328	1,260	5,335	1,748	3,634	33,873	4,686	126,053	2.8%	1,913.66
2014	55,571 *	8,639	16,603	1,260	4,400	1,752	3,635	33,873	4,431	130,164	2.8%	1,976.07
2015	50,857	6,737	15,781	860	3,625	1,441	3,285	31,909	3,972	118,467	2.4%	1,755.01
2016	45,820	2,245	13,495	-	3,226	1,375		32,800	3,489	102,450	1.9%	1,476.42
2017	52,695	2,148	21,468	-	3,689	1,308		30,346	2,984	114,638	1.9%	1,599.84

* - As restated due to refunding loss

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements. See Schedule 18 for personal income and population data.

These amounts are presented on the accrual basis of accounting.

Schedule 14
City of Flagstaff
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	General Bonded Debt Outstanding		Restricted for General Obligation Bonds	Total	Percentage of Actual Taxable Value of Property	(a)	Per Capita	(b)
	Governmental Activities General Obligation Bonds	Business-Type Activities General Obligation Bonds						
2008	29,350	10,515	(2,433)	37,432	5.0%		603.45	
2009	27,645	7,460	(2,573)	32,532	3.7%		506.73	
2010	25,865	5,690	(3,408)	28,147	3.1%		435.09	
2011	24,015	3,830	(6,234)	21,611	2.5%		329.83	
2012	38,449	3,125	(6,234)	35,340	4.5%		536.51	
2013	47,035	1,752	(8,821)	39,966	5.2%		606.74	
2014	53,340	1,752	(13,822)	41,270	6.2%		626.54	
2015	48,920	1,441	(14,091)	36,270	5.1%		537.32	
2016	43,817	1,375	(13,204)	31,988	4.2%		460.98	
2017	48,520	1,308	(6,164)	43,664	5.2%		609.36	

a: See Schedule 7 for property value data
b: Population data can be found in Schedule 18

These amounts are presented on the accrual basis of accounting.

Schedule 15
 City of Flagstaff
 Direct and Overlapping Governmental Activities Debt
(dollars in thousands, except per capita)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Flagstaff Unified School District	\$ 35,575	65.68%	23,365
Other debt			
Coconino County Special Assessments	30	0.00%	-
Subtotal, overlapping debt			23,365
City direct debt			<u>80,000</u>
Total direct and overlapping debt			<u><u>\$ 103,365</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Coconino Finance Department. Debt outstanding data provided by each governmental unit.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Flagstaff. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

* For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used for Coconino County's revenue bonds and certificates of participation.



Schedule 16
City of Flagstaff
Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

20% Debt Limit

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit equal to 20% of assessed valuation	\$ 175,756	\$ 183,268	\$ 172,808	\$ 158,274	\$ 153,055	\$ 132,213	\$ 134,139	\$ 142,501	\$ 136,946	\$ 140,554
Total net debt applicable to 20% limit	<u>39,514</u>	<u>35,105</u>	<u>35,105</u>	<u>27,845</u>	<u>41,841</u>	<u>48,788</u>	<u>55,388</u>	<u>50,361</u>	<u>45,193</u>	<u>49,828</u>
Legal debt margin (Available borrowing capacity)	<u>\$ 136,242</u>	<u>\$ 148,163</u>	<u>\$ 137,703</u>	<u>\$ 130,429</u>	<u>\$ 111,214</u>	<u>\$ 83,425</u>	<u>\$ 78,751</u>	<u>\$ 92,140</u>	<u>\$ 91,753</u>	<u>\$ 90,725</u>
Total net debt applicable to the 20% limit as a percentage of debt limit	29.00%	23.69%	25.49%	21.35%	37.62%	58.48%	70.33%	54.66%	49.25%	54.92%

6% Debt Limit

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Debt limit equal to 6% of assessed valuation	\$ 52,727	\$ 54,981	\$ 51,842	\$ 47,482	\$ 45,917	\$ 39,664	\$ 40,242	\$ 42,750	\$ 41,084	\$ 42,166
Total net debt applicable to 6% limit	<u>351</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin (Available borrowing capacity)	<u>\$ 52,376</u>	<u>\$ 54,981</u>	<u>\$ 51,842</u>	<u>\$ 47,482</u>	<u>\$ 45,917</u>	<u>\$ 39,664</u>	<u>\$ 40,242</u>	<u>\$ 42,750</u>	<u>\$ 41,084</u>	<u>\$ 42,166</u>
Total net debt applicable to the 6% limit as a percentage of debt limit	0.67%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Schedule 16 (continued)
City of Flagstaff
Legal Debt Margin Information

Legal Debt Margin Calculation for Fiscal Year 2017

Net Secondary Assessed Value as of June 30, 2017 \$ 702,767,941

.

20% Limitation

Debt Limit of 20% of Assessed Value \$ 140,553,588

Debt applicable to limit:

General Obligation Bonds 49,828,353

Legal 20% debt margin (Available borrowing capacity) \$ 90,725,235

6% Limitation

Debt Limit of 6% of Assessed Value \$ 42,166,076

Debt applicable to limit:

General Obligation Bonds -

Legal 6% debt margin (Available borrowing capacity) \$ 42,166,076

Schedule 17
City of Flagstaff
Pledged Revenue Coverage
Last Ten Fiscal Years

Water and Sewer Revenue Bonds

Fiscal Year	Gross Revenues (1)	Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal (3)	Interest (4)	Total	
2008	18,380,351	16,229,816	2,150,535	283,832	194,969	478,801	4.49
2009	17,459,105	14,633,986	2,825,119	2,130,093	1,287,569	3,417,662	0.83
2010	17,585,198	11,758,135	5,827,063	2,356,705	1,483,072	3,839,777	1.52
2011	18,824,260	11,663,208	7,161,052	2,443,196	1,475,327	3,918,523	1.83
2012	19,996,116	12,655,773	7,340,343	2,540,658	1,449,842	3,990,500	1.84
2013	22,846,487	12,810,177	10,036,310	2,252,132	807,256	3,059,388	3.28
2014	23,642,792	14,739,788	8,903,004	2,252,132	785,567	3,037,699	2.93
2015	23,453,378	15,345,504	8,107,874	2,328,839	741,086	3,069,925	2.64
2016	24,234,384	15,140,298	9,094,086	2,342,259	672,497	3,014,756	3.02
2017	26,250,953	16,802,115	9,448,838	2,426,708	1,056,403	3,052,608	3.10

- (1) Includes total operating revenues and investment income of the water and wastewater fund.
- (2) Includes total operating expenses of the water and wastewater fund less depreciation.
- (3) Includes principal for water and sewer revenue bonds, water infrastructure finance authority (WIFA).
- (4) Bond interest payments only. Does not include amortization of loss on refunding, capitalized interest, agent fees or amortization of bond issuance costs that are included in interest expense on the statement of revenues, expenses, and changes in net position.

Schedule 17 (continued)
 City of Flagstaff
 Pledged Revenue Coverage
 Last Ten Fiscal Years

Highway User Revenue Bonds

Fiscal Year	Highway User Tax Revenue	Debt Service Requirements			Coverage
		Principal (1)	Interest (2)	Total	
2008	7,422,359	1,400,000	411,385	1,811,385	4.10
2009	6,412,329	1,460,000	344,010	1,804,010	3.55
2010	6,429,355	1,520,000	280,135	1,800,135	3.57
2011	6,300,885	1,620,000	190,455	1,810,455	3.48
2012	5,576,167	1,725,000	94,875	1,819,875	3.06
2013	6,007,741	-	-	-	-
2014	6,168,102	-	-	-	-
2015	6,884,173	-	-	-	-
2016	7,292,355	-	-	-	-
2017	7,982,504	-	-	-	-

(1) Includes 1992 Jr. Lien and Series 2003 Refunding.

(2) Bond interest payments only. Does not include agent fees that are included in interest expense on the statement of revenues, expenses, and changes in fund balances.

Schedule 17 (continued)
 City of Flagstaff
 Pledged Revenue Coverage
 Last Nine Fiscal Years

**Municipal Facility Corporation Bonds
 MFC Debt other than Transportation**

Fiscal Year	Revenue (1)	Debt Service Requirements			Coverage
		Principal (2)	Interest (3)	Total	
2008	13,771,313	310,000	152,398	462,398	29.78
2009	13,557,828	320,000	139,534	459,534	29.50
2010	11,929,099	335,000	125,614	460,614	25.90
2011	10,206,755	350,000	110,371	460,371	22.17
2012	10,247,131	365,000	94,446	459,446	22.30
2013	11,657,403	385,000	77,656	462,656	25.20
2014	12,621,802	385,000	68,753	453,753	27.82
2015	13,543,397	400,000	50,350	450,350	30.07
2016	13,286,939	860,000	22,627	882,627	15.05
2017	-	-	-	-	-

- (1) State sales tax, state income tax less debt service requirements for MFC debt other than transportation.
- (2) MFC 1992 Refunding series 12 2001 – USGS projects.
- (3) Bond interest payments only. Does not include agent fees that are included in interest expense on the statement of revenues, expenses, and changes in fund balances.

Schedule 17 (continued)
 City of Flagstaff
 Pledged Revenue Coverage
 Last Ten Fiscal Years

**Municipal Facility Corporation Bonds As Parital Refunded with Pledged Revenue Bonds
 Transportation MFC Debt**

Fiscal Year	Revenue (1)	Debt Service Requirements			Coverage
		Principal (2)	Interest	Total	
2008	41,483,415	1,005,000	942,100	1,947,100	21.31
2009	38,586,144	1,055,000	891,850	1,946,850	19.82
2010	35,708,503	1,400,000	860,200	2,260,200	15.80
2011	33,777,368	1,445,000	814,700	2,259,700	14.95
2012	25,880,472	1,500,000	574,838	2,074,838	12.47
2013	27,255,501	1,560,000	542,575	2,102,575	12.96
2014	29,928,813	1,560,000	511,375	2,071,375	14.45
2015	31,266,313	695,000	469,750	1,164,750	26.84
2016	33,176,241	1,795,000	432,400	2,227,400	14.89
2017	33,419,449	1,855,000	370,875	2,225,875	15.01

(1) Pledged revenues on the Municipal Facility Corporation Bonds include the city base rate sales tax, transportation sales tax, franchise sales tax, licenses and permits, charges for services, fine and forfeits, other revenue, state sales tax, and state revenue sharing. Less the debt service requirements for transportation MFC bonds. Refunding Series 2012 excludes state revenue sharing income and sales tax

(2) MFC revenue bond series 2004 Fourth Street, partial advance refunding pledged revenue series 2012

Schedule 17 (continued)
 City of Flagstaff
 Pledged Revenue Coverage
 Last Seven Fiscal Years

**Greater Arizona Development Authority
 Revenue Bonds**

Fiscal Year (1)	Revenue (2)	Debt Service Requirements			Coverage
		Principal (3)	Interest	Total	
2011	7,169,310	115,000	135,938	250,938	28.57
2012	7,657,621	120,000	133,638	253,638	30.19
2013	9,340,790	120,000	130,037	250,037	37.36
2014	10,302,188	120,000	128,237	248,237	41.50
2015	12,129,085	125,000	124,562	249,562	48.60
2016	10,809,451	130,000	120,088	250,088	43.22
2017	12,572,785	135,000	114,788	249,788	50.33

- (1) New Issue no trend information available, prior to fiscal year 2010
- (2) Pledged revenues on the Greater Arizona Development Authority Bonds include the state revenue sharing. Less the debt service .
- (3) GADA infrastructure revenue bond series 2010A

Schedule 17 (continued)
 City of Flagstaff
 Pledged Revenue Coverage
 Last Fiscal Year

**Road Street Repair and Safety
 Revenue Bonds**

Fiscal Year (1)	Revenue (2)	Debt Service Requirements			Coverage
		Principal (3)	Interest	Total	
2017	6,665,630	-	133,125	133,125	50.07

- (1) New Issue no trend information available, prior to fiscal year 2017
- (2) Pledged revenues on the Road Repair/Street Safety obligations include Excise tax revenues.
 Excise Tax Revenues are revenues from the restricted transaction privilege tax of 0.33% (\$0.0033) approved at an election held in and for the City on November 4, 2014 (the "Election"), which will expire on December 31, 2034 (the "Road Repair/Street Safety Rate").

Schedule 18
City of Flagstaff
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population	Personal Income (thousands of dollars)	(1)	Per Capita Personal Income	Median Age	Education Level – Percent High School Grad or Higher	Education Level – Percent Bachelor's Degree or Higher	School Enrollment	Unemployment Rate
2007	62,030	3,472,652		38,119	26.8	89.8%	39.4%	13,453	3.40%
2008	64,200	3,767,194		39,934	26.8	89.8%	39.4%	13,040	4.60%
2009	64,693	3,767,194		37,100	26.8	89.8%	39.4%	12,910	7.50%
2010	65,522	3,767,194		37,629	26.8	89.8%	39.4%	12,600	7.70%
2011	65,870	4,481,137		42,317	26.6	90.6%	41.8%	11,839	8.90%
2012	65,870	4,481,137		48,371	26.6 *	90.6% *	41.8% *	10,623	9.20%
2013	65,870	4,620,811		47,363	26.6 *	90.6% *	41.8% *	10,623	8.10%
2014	67,502	4,906,294		51,809	26.6 *	90.6% *	41.8% *	10,623	6.90%
2015	69,391	5,399,899		52,509	26.6 *	90.6% *	41.8% *	11,766	6.48%
2016	70,643	5,669,894 *		53,244 *	26.6 *	90.6% *	41.8% *	12,505	6.18%
2017	71,656	5,953,389 *		53,990 *	26.6 *	90.6% *	41.8% *	11,910	4.70%

(*) Estimated

(1) Reflects Coconino County Personal Income

Sources:

Population – Arizona Department of Administration--Employment and Population Statistics

Personal Income – Economic Research Federal Reserve Bank of St. Louis for Coconino County

Per Capita Income – Economic Research Federal Reserve Bank of St. Louis

Median Age – 2010 US Census

Education Level – 2010 US Census

School Enrollment – National Center for Education Statistics

Unemployment – Arizona Department of Administration – Office of Employment and Population Statistics

Schedule 19
City of Flagstaff
Principle Employers
Current Year and Nine Years Prior

Employer	2017 (2)			2008 (1)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Flagstaff Medical Center	3,500 (2)	1	22.55%	2,104	2	6.83%
Northern Arizona University	2,571 (6)	2	16.56%	2,497	1	8.10%
W.L. Gore & Associates	1,800 (2)	3	11.59%	1,800	3	5.84%
Flagstaff Unified School District	1,785 (2)	4	11.50%	1,436	4	4.66%
Coconino County	1,200 (6)	5	7.73%	1,294	5	4.20%
City of Flagstaff (3)	994 (2)	6	6.40%	876	6	2.84%
Walmart	630 (6)	7	4.06%	338	10	1.10%
Grand Canyon Railway	500 (7)	8	3.22%	450	8	1.46%
Nestle Purina PetCare	315 (2)	9	2.03%			
Coconino Community College	300 (2)	10	1.93%	400	9	1.30%
Little America Hotel	290 (2)	11	1.87%			
Pepsi-Cola Bottling	281 (2)	12	1.81%			
North Country Healthcare	252 (2)	13	1.62%			
Guidance Center	219 (6)	14	1.41%			
US Forest Service	200 (6)	15	1.29%			
Hozhoni Foundation	170 (6)	16	1.10%			
Peaks Senior Living Center	140 (6)	17	0.90%			
Joy Cone	134 (6)	18	0.86%			
Essity (Formerly SCA Tissue)	123 (2)	19	0.79%			n/a
Raddisson Woodlands Hotel	120 (6)	20	0.77%			
Dell Systems	Merged 2017 (5)					
Walgreens Distribution Center	Closed 2015			468	7	1.52%
Total	15,524		100.00%	11,663		37.84%
2010 & 2000 U.S. Census Labor Force		Estimated		30,822	Estimated	

Source:

- (2) Economic Collaborative of Northern Arizona
- (3) Includes part-time employees excluded from Sched. 20
- (5) Dell Systems merged with Flagstaff Medical Center

Schedule 20
City of Flagstaff
Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years

Function/Program	2008	2009	2010 (1)	2011 (2)	2012	2013	2014	2015	2016	2017
General Government										
Management services	87.39	89.14	86.75	86.50	84.55	85.00	86.00	87.25	91.00	97.25
Capital management	13.50	13.50	11.00	11.00	8.00	7.00	7.00	8.00	8.00	8.00
City Court	27.63	29.63	25.88	25.18	25.18	24.18	24.35	25.35	26.35	29.35
Public Safety										
Police	174.00	181.00	168.00	168.00	172.00	171.00	169.00	169.00	167.00	167.00
Fire	101.75	101.75	99.00	92.00	85.00	85.00	85.00	87.00	88.00	89.00
Public Works	31.00	31.00	29.00	26.50	26.50	26.00	25.00	25.00	25.50	25.50
Economic and physical development										
Building	58.50	57.50	47.20	41.00	39.20	39.20	41.50	43.98	44.98	45.50
Planning	20.88	24.88	24.38	22.88	22.88	21.88	20.88	13.88	14.88	19.88
Tourism	16.75	16.75	15.75	13.25	12.49	12.49	12.93	13.93	13.93	14.15
Culture and recreation										
Library	47.14	53.77	50.77	50.77	51.40	51.40	51.40	52.30	53.43	54.49
Parks, recreation, and beautification	98.23	99.69	87.86	86.86	88.81	84.88	86.03	85.50	90.13	91.69
Highways and Streets	40.56	41.06	36.31	36.31	36.31	34.97	35.52	35.52	33.02	32.02
Water and wastewater	80.25	81.75	64.50	62.50	61.50	61.50	62.00	64.00	66.00	67.00
Environmental services	61.60	68.10	65.58	63.58	59.60	58.50	55.43	55.00	56.25	57.00
Airport	10.50	10.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Stormwater	6.50	6.50	6.00	6.00	6.00	6.00	5.50	4.50	4.50	5.50
Flagstaff Housing Authority	-	-	-	23.50	23.50	24.00	22.00	22.00	21.60	21.28
Total	876.18	906.52	827.48	825.33	812.42	802.50	799.04	801.71	814.07	834.10

(1) City-wide reorganization affected distribution of employees. Customer Service moved from Water/Wastewater to Management Services.

(2) In fiscal year 2011, the city began reporting the Housing Authority in the financial statements.

Schedule 21
City of Flagstaff
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Court										
Criminal Filings	11,659	9,330	9,326	8,531	8,857	8,695	8,375	7,273	6,924	7,208
Traffic filings	10,665	10,639	13,471	12,010	9,217	8,340	7,726	8,428	8,190	6,437
Non-Criminal / Other	744	445	468	370	547	477	468	554	1,357	4,668
Purchasing										
Credit card rebates received	-	23,348	21,677	31,878	33,923	34,395	48,128	72,037	94,873	104,522
Fire										
Emergency incidents	7,616	7,550	6,668	7,274	7,438	8,023	8,730	9,432	12,775	12,700
Fires incidents	267	263	247	175	213	185	177	184	168	190
Other calls	1,573	2,151	1,906	2,378	2,226	2,298	2,532	2,654	742	3,017
Inspections assigned	1,981	1,794	572	1,174	1,468	1,411	1,340	2,341	2,217	1,775
Plan Reviews	1,284	1,250	401	528	535	559	512	659	639	743
Fuel Management										
Plan Assessment (Acres)	400	-	-	N/A*	N/A*	N/A*	N/A*	2,300	1,500	1,723
Site Marking (Acres)	178	224	294	586	128	284	511	70	555	921
Site Thinning (Acres)	902	761	376	809	197	276	541	820	700	1,381
Prescription Burn (Acres)	1,070	1,190	551	342	697	540	778	333	650	948
Police										
Felony reports	3,978	3,661	3,073	2,973	2,940	2,910	2,564	2,511	2,769	2,945
Misdemeanor reports	13,413	12,939	12,293	11,786	11,253	11,040	10,383	8,980	9,553	9,531
Domestic violence incidents	1,573	1,470	1,953	1,923	1,961	2,023	1,688	1,550	1,541	1,513
Non-crime reports	11,043	10,996	9,480	9,827	9,886	9,841	7,174	6,036	6,660	6,604
Accident reports	3,322	2,917	2,776	2,735	2,574	2,568	2,180	2,590	2,985	2,926
Calls dispatched to Police/Sheriff	73,364	70,908	61,175	57,899	57,188	60,003	56,373	58,590	62,228	65,566
Calls dispatched to Fire	11,907	12,527	11,011	11,130	13,320	11,497	11,464	11,777	13,565	14,497
Calls dispatched to Medical	-	-	-	-	-	-	-	-	-	-

Schedule 21 (continued)
 City of Flagstaff
 Operating Indicators by Function/Program
 Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Streets										
Potholes repaired	4,032	4,373	3,256	1,498	1,877	2,054	3,605	1,174	1,437	2,367
Airport										
Fuel Flowage (Gallons Sold)	651,814	627,202	651,373	850,327	526,406	490,401	544,028	566,387	603,382	588,506
Enplanements	44,088	65,418	68,296	63,407	62,872	60,190	61,691	62,578	69,485	65,887
Refuse collection										
Refuse collected (Landfill tonnage)	157,792	142,409	121,529	138,703	137,815	145,793	144,411	143,528	143,639	145,960
Recyclables collected (total tons)	10,472	9,842	10,610	8,869	8,101	8,388	8,343	8,340	12,191	9,452
Community Development										
Residential Permit Valuation	(1) \$ 25,278,055	\$ 31,498,803	\$ 9,314,074	\$ 8,472,938	\$ 65,299,515	\$ 43,609,942	\$ 75,489,761	\$ 61,522,426	(1)	(1)
Commercial Permit Valuation	(1) \$ 27,199,698	\$ 18,594,665	\$ 13,395,325	\$ 17,703,762	\$ 20,338,552	\$ 14,479,348	\$ 19,978,010	\$ 32,396,234	(1)	(1)
Library										
Visits	680,253	738,603	743,169	763,928	739,706	715,033	687,735	673,246	660,974	662,838
Circulation	782,908	887,887	979,962	1,029,062	1,182,956	1,164,789	1,117,652	1,002,125	1,055,176	1,001,074
Tourism										
Revenue Per Available Room (RevPar)	\$ 60.52	\$ 43.21	\$ 43.05	\$ 45.26	\$ 50.94	\$ 54.61	\$ 59.99	\$ 69.19	\$ 74.14	\$ 76.06

Sources: Various city departments

(1) This information is gathered and reported on a calendar year basis versus a fiscal year basis for all other measurements
 * Records no longer tracked

Schedule 22
City of Flagstaff
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Police patrol units (Includes Motorcycle units)	34	34	35	37	37	37	37	37	39	39
Number of fire hydrants	3,148	3,150	3,143	3,176	3,179	3,242	3,242	3,254	3,254	3,257
Numer of fire stations	6	7	7	7	7	6	6	6	6	7
Culture and recreation										
Number of developed parks	26	26	26	24	23	23	23	23	23	23
Number of undeveloped parks	4	4	4	5	4	4	4	4	5	5
Park acreage	712	712	712	735	680	710	710	736	741	741
Flagstaff Urban Trail System – Miles	48	51	51	53	53	55	55	55	56	56
Recreational Buildings	6	6	6	4	4	4	4	4	4	4
Highways and Streets										
Miles of streets, alleys, and sidewalks (1)	690	695	813	814	814	814	844	844	844	844
Number of street lights	3,201	3,220	3,350	3,466	3,466	3,466	3,466	3,466	3,466	3,502
Water and wastewater										
Miles of sewer (2)	265	270	270	271	271	274	274	276	276	297
Number of manholes	7,107	7,261	7,261	7,308	7,308	7,403	7,403	7,493	7,493	7,514
Total active water accounts	18,849	18,371	19,042	22,092	19,020	20,107	19,961	19,934	20,717	20,327
Average gallon water usage per household per month	5,456	5,010	5,123	5,107	5,339	6,326	5,022	4,562	3,901	4,867
Airport										
Fixed base operators	1	1	1	1	1	1	1	1	1	1
Locally based aircraft	134	134	120	122	125	209	134	134	132	132
Tiedowns	11	11	14	11	11	11	11	11	12	12
Enclosed hangars	61	61	61	61	61	61	61	61	61	61
Open hangars	48	48	48	48	48	48	48	48	36	44

(1) In Fiscal Year 2008, transition made from street miles to lane miles. This more accurately reflects the level of service required to maintain the surfaces.

(2) Database Correction

Coverage	Limit of Liability
Liability Insurance:	
General Liability*	\$ 1,000,000 / per occurrence
(Includes 2 skateboard parks, bike freestyle park, EMT's)	\$ 2,000,000 / aggregate
Law Enforcement Liability*	\$ 1,000,000 / each wrongful act
	\$ 1,000,000 / aggregate
Auto Liability	\$ 1,000,000 / each accident
Auto Physical Damage	Varies per veh. / \$1000/comprehensive / \$5000/collision deductible
Public Entity Management Liability*	\$ 1,000,000 / each wrongful act
(Claims Made Retro Date 6-1-95)	\$ 1,000,000 / aggregate
Employment Practices Liability*	\$ 5,000,000 / each wrongful act
(Claims Made Retro Date 6-1-95)	\$ 5,000,000 / aggregate
Employee Benefits Liability*	\$ 1,000,000 / each employee
(Claims Made)	\$ 3,000,000 / aggregate
Limited Abuse or Molestation Liability	\$ 1,000,000 / each offense
	\$ 1,000,000 / aggregate
* Liability Claims are Subject to a \$75,000 Self Insurance Retention	
Public Entity Cyber Liability	\$ 1,000,000 / each wrongful act
(Claims Made Retro Date 6-1-09)	\$ 1,000,000 / aggregate
(\$5,000 deductible each wrongful act)	
Employer's Liability	\$ 1,000,000 / each accident
	\$ 1,000,000 / disease employee
	\$ 1,000,000 / disease policy limit
Worker's Compensation	Statutory
Umbrella/Excess #1 - GL, Auto, Law Enforcement, Employer's Liability	
Public Entity Management, Employee Benefits	\$ 20,000,000 / each occurrence
10,000 retained limit (ded)	\$ 20,000,000 / general aggregate
(Excludes Airport, Housing Authority, Employment related practices, Failure to Supply Services, Mold, Terrorism , Asbestos, Lead, Condemnation, Sexual Abuse)	
Aviation:	
General Liability	\$ 40,000,000 / each occurrence
Products/Completed Operations	\$ 40,000,000 / aggregate
Personal Injury, Advertising & Malpractice	\$ 40,000,000 / aggregate
Hangar Keepers Liability	\$ 40,000,000 / each aircraft
	\$ 40,000,000 / each occurrence

Coverage	Limit of Liability
Property Insurance:	
Blanket Buildings and Personal Property	\$ 222,844,448 / \$25,000 deductible
Boiler and Machinery	included / \$25,000 deductible
Flood Zones B and C	\$ 10,000,000 / \$50,000 deductible
Earthquakes	Varies per Prop. Deduct. / \$50,000 deductible
Business Income/Extra Expense	\$ 1,000,000 / 24 hours
Flood Zone A Properties	\$ 242,000 / building
Municipal Court	\$ 122,700 / contents
Deductible	Based on fixed dollar amt / and % of loss
Contractors Equipment (actual cash value)	\$250,000 per item / \$5,000 deductible \$5,000,000 aggregate / \$5,000 deductible
Bookmobile book collection	\$ 250,000 / \$25,000 deductible
Employee Hand Tools	included / \$25,000 deductible
Computer Equipment and Peripherals	included / \$25,000 deductible
Data and Media	included / \$25,000 deductible
	\$ 250,000 / \$25,000 deductible
Fine Arts & exhibition floater	\$ 500,000 / \$25,000 deductible
City Hall, Visitor Center, Airport Terminal	
Crime:	
Blanket Public Employees and Treasurer	\$ 1,000,000 / \$5,000 deductible
Dishonesty Bond Including Faithful Performance of Duty	
Computer & Funds Transfer Fraud	\$ 1,000,000 / \$5,000 deductible
Theft, Disappearance, & Destruction	
(Inside and Outside)	\$ 1,000,000 / \$5,000 deductible
Forgery or Alteration	\$ 1,000,000 / \$5,000 deductible
Money Orders & Counterfeit,	\$ 1,000,000 / \$5,000 deductible
Credit, Debit or Charge Card forgery	\$ 1,000,000 / \$5,000 deductible
International Travel - Executive Assistance	\$ 1,500,000 / Medical Assistance
	\$ 250,000 / Accidental death
Kidnap and Ransom Worldwide	\$ 250,000 / Each Loss
(some countries excluded)	



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