

# 2020

## Flagstaff's Perseverance through the COVID-19 Crisis



City of Flagstaff  
Comprehensive Annual Financial Report  
2019-2020



# *Comprehensive Annual Financial Report*

For Fiscal Year Ended  
June 30, 2020

City of Flagstaff, Arizona



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



**City of Flagstaff**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2020**

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# City of Flagstaff

December 14, 2020

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, 2020, 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, 2020.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Flagstaff are protected from loss, theft or misuse and that adequate accounting data is 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, 2020. 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. The MD&A complements this letter of transmittal and should be read in conjunction with it.

## City of Flagstaff Profile

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 showed a population of 65,870. The Arizona Office of Economic Opportunity estimates the population as of July 1, 2020 at 76,338. 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 nation's 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 City Council policies and administering City operations. The City Manager, in turn, appoints City employees and division 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 the City of 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's health or safety as prescribed in Article 9, Section 20 of the State Constitution.

## **Local Economy**

### **Recession and COVID-19 Pandemic Impact on the Local Economy**

Through the first eight months of FY 2019-2020, the City had good growth in many of our major revenues. Like many communities throughout the country, Flagstaff experienced a shutdown of many of our community businesses and tourism activities beginning mid-March. The impacts continued through the end of the fiscal year and into the next fiscal year.

The City's Budget Team began developing an economic recession plan in the Fall of 2019 which was completed in March. The economic recession plan provides guidelines for managing the City's operational expenses during a time of economic downturn. The plan is broken down into five stages:

- Alert/Minor - An anticipated, unbudgeted, net reduction in available revenues up to 2%
- Moderate - A projected and unbudgeted reduction in revenues in excess of 2% but less than 5%
- Significant - A projected and unbudgeted reduction in revenues in excess of 5% but less than 10%
- Major - A projected and unbudgeted reduction in revenues in excess of 10% but less than 20%
- Crisis - This phase assumes that revenues have been almost entirely depleted, with reductions in excess of 20%

Under the direction of the Budget Team, the City immediately implemented the Moderate Stage of the plan on April 6, 2020. Council adopted the economic recession plan on April 21, 2020. As the City added focus on the impact of revenues related to the pandemic and economic downturn, April revenue projections for the General Fund projected a \$1.3 million decline for FY 2019-2020. The measures taken under the Moderate Phase made up for this level of revenue loss.

The City further developed a multi scenario-based revenue projection model for FY 2020-2021 to help determine the potential impacts the pandemic and recession could have on revenues.

- Scenario 1: Economy returns, but another COVID-19 surge brings additional impact; monthly revenues estimated at 70-100% for the first two months, with recovery, followed by similar reductions due to another COVID-19 outbreak
- Scenario 2: Economy is weak early, then recovers stronger – monthly revenues estimated at 70-100% for the first two months
- Scenario 3: Economy weak longer with a slow recovery – monthly tourism related revenues at 50% below prior year and slowly recover to only 90%, retail 5% down
- Scenario 4: Average of Scenario 1-3; becomes the basis for measuring against the recession plan

The projection model determined that the City may recognize revenue loss in levels of the Significant Stage of the recession plan. Staff presented the information to Council on May 26, 2020 and a resolution was adopted to move the City into the Significant Stage of the recession plan. Monthly the revenue projection model is updated and through October we are still determining we will continue in the Significant Stage. The actions taken in this stage are expected to help maintain the fiscal health of the organization.

At June 30, 2020, we recognized several revenue resources that were negatively impacted from the economic conditions. The fourth quarter sales taxes as compared to prior year saw major declines in the categories of hotels, motels and short-term rentals (62%), restaurants and bars (31%) and personal property rentals (22%). These sales tax declines were offset by increases in construction contracting (41%) and retail (17%). The City revenues from charges for services were down 35% in the fourth quarter due to the closure of all parks and recreation facilities during the pandemic. Construction remained very strong throughout the fiscal year with building permits exceeding \$3.3 million, compared to \$2.2 million in the prior fiscal year.

### **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, Walmart, Grand Canyon Railway and Nestle Purina PetCare. Major public employers in the Flagstaff area include Northern Arizona University, Flagstaff Unified School District, Coconino County, City of Flagstaff, U.S. Forest Service and Coconino Community College. Northern Arizona University, the largest employer in the City, has a major economic impact annually. It is the home of over 31,000 students in 171 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. We are monitoring the impacts the pandemic will have on our university and revenue related to this sector.

Tourism is also a large employment sector. Based on a 2017-2018 tourism study, the City sees over 5.5 million visitors a year, which is up nearly one million over the 2014-2015 study. 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. The lodging industry is one of the most impacted services during the current pandemic.

### **Transaction Privilege Taxes (Sales Taxes)**

Transaction Privilege Taxes are often referred to as Sales Taxes. Sales taxes are the largest revenue resource for the City of Flagstaff's General Fund. The City currently has a combined sales tax rate of 2.281%, excluding a tax on food for home consumption (groceries). There is an additional 2% sales tax rate that

applies only to hotels, restaurants and bars. This is also known as bed, board and beverage or "BBB" tax. 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. At the November 2020 election, voters approved the continuation of the sales tax through June 30, 2035. Per Schedule 5 in the statistical section, the 1% general city sales tax receipts saw an increase of a 9.8% compared to the prior fiscal year based on the modified accrual method. The average increase over the past four years is 4.5%. Retail, the largest category for sales tax, saw a 10% increase in revenue. One third of this increase is due to the ability to collect sales tax on out of state purchases beginning in October 2019. We saw increases in construction contracting, use tax and utilities categories while all other categories had decreases. While the state is responsible for collections and auditing, the City is looking to enhance our local sales tax awareness by improving reporting and increased analysis on our local businesses. 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 development, arts, beautification, recreation or tourism activities. The BBB tax also has a sunset clause and is currently authorized until 2028. Tourism is a major industry to the City of Flagstaff's local economy. Per Schedule 5, this tax category saw a 10.1% decrease over the prior year based on the modified accrual method. The average increase over the past four years is 1.5%. The BBB tax was one of the hardest hit revenue categories due to the reliance on the tourism industry. Post pandemic we do expect to see a strong return to these revenues.

### **Transportation Tax**

The Transportation Tax is a 1.281% sales tax on the same types of general sales; however, the tax is restricted in use to certain transportation projects. The six components of this tax include safety improvements, street improvements, 4th Street overpass, transit, road repair and street safety, and Butler/Route 66 overpass. 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 ten years and will expire June 30, 2030. Voters approved the extension of the transportation tax for roadway, pedestrian, bicycle and safety improvements during the November 2018 election and is set to expire June 30, 2041. Voters approved a road repair and street safety tax which is set to expire December 31, 2034. Additionally, voters approved a tax increase to construct a railroad overpass to connect Route 66 to Butler Avenue which was effective July 1, 2019 and expires June 30, 2039.

### **Road Repair and Street Safety Tax**

The Road Repair and Street Safety improvement tax is a 0.33% sales tax on the same types as 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. The population estimates are based on annual population estimates provided by the US Census Bureau with the exception of census years.

State shared sales tax revenues have increased for the tenth year in a row. For FY 2019-2020 there was a 5.4% growth in these revenues. State income tax revenues increased 9.7% and is the first year they exceeded pre-recessionary revenues. The State continues to implement reductions in corporate income tax liabilities, which are expected to have a neutral impact on these revenues through increased economic development.

Highway user revenue (gas tax) funds (HURF) increased by 0.5%. These revenues were impacted greatly in the fourth quarter of FY 2019-2020 due to the pandemic. These revenues are distributed based on a complex Arizona Department of Transportation formula, based in part on the amount of fuel purchased in the region. This is a per gallon tax. The City benefits from lower gas prices and higher public consumption. The State has implemented revenues shifts 'off the top' to fund other public safety and motor vehicle department needs, however, the sweeps have been eliminated over the past four fiscal years.

Overall, these three state shared revenues grew by 5.2% in FY 2019-2020.

### **Property Taxes**

Excluding new construction, total assessed valuations have increased 7.2% for tax year 2019, FY 2019-2020. With new construction, total assessed valuations increased 7.9% for the tax year. 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. 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. For FY 2020-2021 the City of Flagstaff did not adopted a rate that increased our levy by 2% the allowable limit. We are currently at 2% below the maximum allowable levy.

### **Additional Information**

The FY 2020-2021 budget was adopted based on pre-recessionary revenue growth. At the time, while revenue fluctuations continue in some areas, the City of Flagstaff continues to see an increase in General Fund budgeted revenue in FY 2020-2021 (excluding grants and miscellaneous revenue) by 2.1%, which reflects increases in local and state revenues. The City of Flagstaff increased its overall staffing count by 3.94 full-time equivalencies for the upcoming fiscal year. This is the sixth year the City has increased its position count since 2009, however authorized full-time equivalent staff level is 14.43 positions below 2009.

Flagstaff is a community that is striving in many areas including science and technology, education, real estate and development, arts and culture, tourism, outdoor activities, transportation and health. With strong student enrollment at Northern Arizona University, four new student housing developments opened in the last two years. There is currently one additional student housing project under construction. Development within the City continues to be very strong in every sector; residential, commercial, industrial, mixed use and subdivisions. There are ten subdivisions currently in various stages of development from preliminary plat review to construction. The City operates a municipal airport with two airlines providing service. One airline provides daily service to Phoenix and Dallas while the other airline provides daily service to Denver. The airport and airlines have been greatly impacted during the

pandemic. The City was fortunate to receive \$18.1 million in federal funding which will be used to cover annual operating costs of the airport over the next three to four years.

Due to its strong and healthy local economy, the City of Flagstaff has maintained a general obligation bond credit rating of Aa2 from Moody's Investor Service since 2010 and a credit rating of AA from Standard and Poor's since 2010. In June 2020, the City maintained an AA- stable rating for our certificates of participation bonds from Standards and Poor and Fitch Rating Agency in relation to issuing pension financing. The ability to maintain this rating during an economic recession demonstrates the strength of the City's financial planning including the development of the economic recession plan.

## **Long-Term Financial Planning**

The City's responsiveness to emerging economic challenges and its careful long-range planning have been key factors in the City of Flagstaff's fiscal health. The City of Flagstaff 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, financial policy planning and economic recession planning, all of which are further identified below.

### **Financial Resource Planning**

Strategic financial planning begins with determining the City of Flagstaff'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 the City 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 of Flagstaff is required to adopt an annual budget to meet State statutory requirements, the City of 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**

City of Flagstaff Capital Improvement Projects are planned for five or more years and analyzed using City of Flagstaff 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. City Council adopted a Water, Wastewater and Reclaimed Water policy that sets a goal of minimum fund balance at 25% and new rates were recently adopted to achieve this goal.

### **Economic Recession Planning**

The City Budget Team began developing an Economic Recession Plan for the organization in the Fall of 2019. The purpose of the plan is to help understand the indicator and impacts a reduction in revenues will have on the various funds of the City as well as understanding the roles of unrestricted fund balance and contingencies have in economic planning. The plan further develops remedial action to be taken based on the amount of revenues being impacted. There are five stages of the plan, Alert/Minor, Moderate, Significant, Major and Crisis. The plan was adopted by Council in April 2020.

### **Higher Performing Government**

During FY 2018-2019, staff introduced the concept of a Higher Performing Government to City Council. While we value that the City of Flagstaff is a high performer in many services we offer, this concept will help elevate the entire organization to perform at its highest levels.

In FY 2019-2020, the City implemented the first phase of our journey to a Higher Performing Government by approving a contract for Priority Based Budgeting. Priority Based Budgeting is a leading best practice in local governments and a powerful lever for change. ResourceX provides the software solution and powerful analytic tools to implement a Priority Based Budget using data and evidence to transparently and exponentially improve results for citizens and the community.

The underlying philosophy of priority-driven budgeting is about how a government entity should invest resources to meet its stated priorities. It helps us to better articulate why the services we offer exist, what is the price we pay for them, and, consequently, what value they offer citizens. The principles associated with this philosophy of budgeting are: to prioritize services, do the important things well, look at and evaluate past patterns of spending, spend within the organization's means, know the true cost of doing business, provide transparency of community priorities, provide transparency of service impacts and to be accountable for the results.

During multiple work sessions in the Fall of 2019, Council developed the Key Community Priorities for the City of Flagstaff and further defined how we achieve these priorities with a list of objectives for each priority. All City programs will be scored against these priorities and objectives to help determine how well the City programs align with the community's focus. The objectives were updated based on community surveys and input in the summer of 2020.

### **Key Community Priorities and Objectives**

Below are the current Key Community Priorities and Objectives for the City of Flagstaff:

#### **High Performing Governance**

- Serve the public by providing high quality customer service
- Foster community-wide clear and consistent communication strategies and products

- Encourage public trust through transparency, accessibility and use of the City’s public participation policy
- Enhance the organization’s fiscal stability and increase efficiency and effectiveness
- Implement innovative local government programs, new ideas and best practices; be recognized as a model for others to follow
- Be an employer of choice through inclusive recruitment and by providing employees with the necessary tools, training, support and compensation

### **Safe and Healthy Community**

- Enhance community engagement and strengthen relationships between the community and public safety services
- Support social services, community partners and housing opportunities
- Provide alternative responses, resources and programs, inclusive of mental health and other services
- Provide public safety services with resources, staff and training responsive to the community’s needs
- Promote physical health through providing recreation opportunities, parks, open space and multiple transportation options
- Ensure the built environment is safe through the use of consistent standards, rules and regulations, and land use practices

### **Inclusive and Engaged Community**

- Foster community pride and civic engagement by increasing opportunities for public involvement, in line with best practices and legal requirements
- Advance social equity and social justice in Flagstaff by supporting social services
- Facilitate and foster diversity and inclusivity, including support of anti-racist policies and practices
- Enhance community involvement, education and regional partnerships to strengthen the level of public trust
- Ensure City facilities, services, and programs are accessible for all residents and representative of Flagstaff’s diverse community
- Promote environmental justice and the fair distribution of environmental benefits

### **Sustainable, Innovative Infrastructure**

- Deliver outstanding services to residents through a healthy, well maintained infrastructure system
- Utilize existing long- range plan(s) that identify the community’s future infrastructure needs and all associated costs
- Provide effective management of and infrastructure for all modes of transportation
- Facilitate and develop carbon-neutral energy opportunities
- Support the community’s social infrastructure needs; assist those partner organizations that provide services the City does not

### **Robust Resilient Economy**

- Support and strengthen a more robust, diverse, and sustainable economy in ways that reflect community values and provides for affordable housing opportunities
- Maintain and enhance an equitable and effective business recruitment, retention, and expansion program throughout the community

- Enhance understanding between the development community, the City and Flagstaff residents
- Attract employers that provide high quality jobs and have a low impact on infrastructure and natural resources
- Enhance the community's workforce development programs and improve partnerships with higher education institutions and the private and public sectors
- Embrace and invest in responsible tourism opportunities to promote economic development

### **Livable Community**

- Create a welcoming community through partnerships, resilient neighborhoods, and civic engagement
- Provide amenities and activities that support a healthy lifestyle
- Support regional partners which provide equitable and inclusive educational opportunities for Flagstaff residents of all ages
- Actively support attainable and affordable housing through City projects and opportunities with developers
- Support diverse employment opportunities that provide residents with a living wage
- Achieve a well-maintained community through comprehensive and equitable code compliance, and development that is compatible with community values

### **Environmental Stewardship**

- Promote, protect and enhance a healthy, sustainable environment and its natural resources
- Engage community members through education and volunteer opportunities
- Implement sustainable building practices, enhance waste diversion programs, alternative energy programs and multi-modal transportation options
- Increase the private sector's participation in environmental stewardship efforts
- Implement, maintain and further the Climate Action and Adaptation Plan (CAAP) with awareness of social inequities
- Strengthen Flagstaff's resilience to climate change impacts on built, natural, economic, health, and social systems

### **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, 2019. This was the 26<sup>th</sup> 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 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 2019-2020 annual budget (also 26 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 2020, the City received the Achievement in Excellence in Procurement award for the ninth 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, Heidi Derryberry, Assistant Finance Director 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 divisions for their assistance in providing the data necessary to prepare this report. Credit also is due to the Mayor and 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/City Treasurer



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

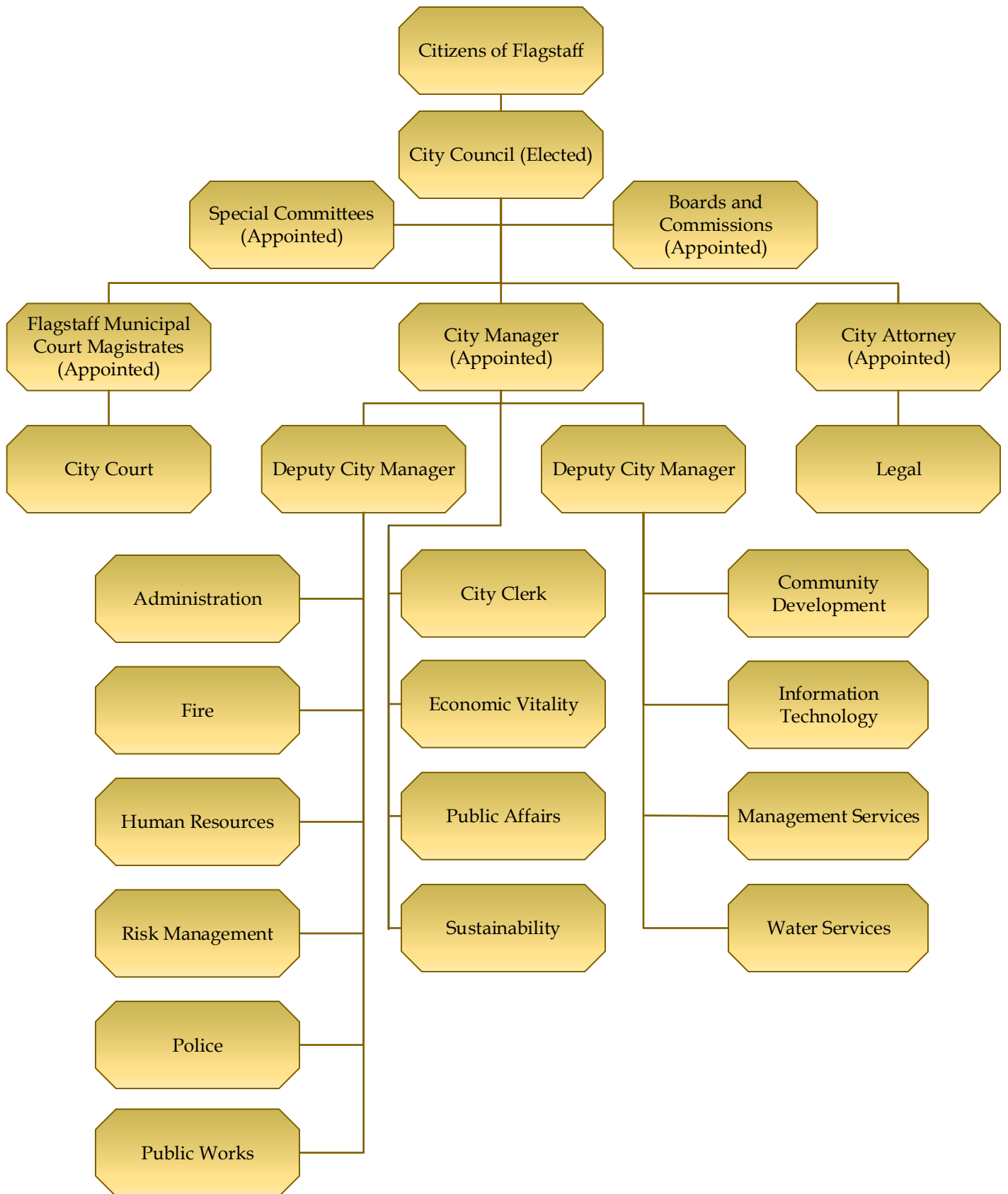
**City of Flagstaff  
Arizona**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morill*

Executive Director/CEO



**City of Flagstaff, Arizona**  
**List of Elected and Appointed Officials**  
**June 30, 2020**

**Elected Officials**

Mayor ..... Coral Evans  
Vice Mayor ..... Adam Shimoni  
Councilmember ..... Austin Aslan  
Councilmember ..... Jim McCarthy  
Councilmember ..... Charlie Odegaard  
Councilmember ..... Regina Salas  
Councilmember ..... Jamie Whelan

**Appointed Officials**

City Manager.....Greg Clifton  
City Attorney ..... Sterling Solomon  
City Treasurer ..... Rick Tadder  
City Clerk..... Stacy Saltzburg





## 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, 2020, 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, 2020, 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 14, 2020, 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.



**CliftonLarsonAllen LLP**

Phoenix, Arizona  
December 14, 2020



## 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, 2020. 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 –xii of this report.

### Financial Highlights

- The City's total net position at the close of the most recent fiscal year is \$649.5 million.
- The government's total net position increased by \$38.6 million during the fiscal year. This is a result of an increase in net position in the governmental activities of \$28.2 million and an increase in net position in the business type activities of \$10.4 million.
- As of June 30, 2020, the City's governmental funds reported combined ending fund balances of \$139.9 million, an increase of \$18.0 million in comparison to the prior fiscal year. Approximately 29.6% of this total amount (\$41.4 million) is unassigned fund balance available for spending at the government's discretion.
- As of June 30, 2020, total unassigned fund balance for the general fund was \$44.4 million, or 74.5% of total general fund expenditures (\$59.6 million).
- As of June 30, 2020, the City's proprietary funds reported combined total net position of \$368.8 million, and total unrestricted of \$42.5 million. The largest unrestricted component of net position is in the Water and Wastewater Fund (\$39.9 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 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 Government-wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The sections are demonstrated in the table on the following page.

Governmental Activities		Business-type Activities
Beautification	Human Resources	Airport
Cemetery	Information Services	Environmental Services
City Attorney	Library	Housing Authority
City Council	Municipal Courts	Stormwater
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 division 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 17-19 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 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, AZ Cares Public Safety Fund, Highway User Revenue Fund (HURF), Transportation Tax 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 99-103.

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 20-30 of this report.

### **Proprietary Funds**

Proprietary Funds are generally used to account for services for which the City charges customers – either outside customers, or divisions 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 major funds of the City except for the Airport and Housing Authority Funds.
- **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 31-38 of this report. The non-major Proprietary Fund Finance Statements are found on pages 105-108.

### **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 39-86 of this report.

### **Combining Statements**

The Combining Statements referred to earlier in connection with non-major governmental funds and proprietary funds are presented on pages 99-108.

### **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 109-136 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 \$649.5 million as of June 30, 2020.

Of the City's Net Position, 92.7% reflects its investment of \$602.1 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, 2020 and 2019 (in thousands of dollars)**

	Governmental Activities		Business-type Activities		Total	
	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019
Current and other assets	\$ 160,100	\$ 140,894	\$ 78,817	\$ 74,327	\$ 238,917	\$ 215,221
Capital assets	349,247	328,561	366,873	364,254	716,120	692,815
Total assets	<u>509,347</u>	<u>469,455</u>	<u>445,690</u>	<u>438,581</u>	<u>955,037</u>	<u>908,036</u>
Total deferred outflows of resources	29,404	29,471	2,738	3,407	32,142	32,878
Long-term liabilities	222,051	212,672	68,735	74,013	290,786	286,685
Other liabilities	26,905	25,910	9,031	8,153	35,936	34,063
Total liabilities	<u>248,956</u>	<u>238,582</u>	<u>77,766</u>	<u>82,166</u>	<u>326,722</u>	<u>320,748</u>
Total deferred inflows of resources	8,530	7,254	2,446	2,047	10,976	9,301
Net investment in capital assets	275,765	262,524	326,374	320,225	602,139	582,749
Restricted	90,040	81,804	-	-	90,040	81,804
Unrestricted	(84,540)	(91,238)	41,842	37,550	(42,698)	(53,688)
Total net position	<u>\$ 281,265</u>	<u>\$ 253,090</u>	<u>\$ 368,216</u>	<u>\$ 357,775</u>	<u>\$ 649,481</u>	<u>\$ 610,865</u>

Total assets increased mainly due to the net change in capital assets, intergovernmental receivables and restricted cash and investments. Total liabilities increased primarily due to an increase in bonds, notes and lease payables and net pension obligation.

A portion of the City's net position, \$90.0 million (13.9%), 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 can 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 and OPEB liability.

Current assets for governmental activities have increased by 13.6% (\$19.2 million). The largest increase was in non-depreciable capital assets (\$19.0 million) due to several large capital project currently in construction work in progress. Restricted cash and investments increased \$6.7 million due to unspent bond proceeds and other deposits and intergovernmental receivable increased \$7.2 million related to the AZ CARES public safety grant.

Deferred outflows of resources for the governmental activities have decreased \$0.1 million and is mainly related to the pension/OPEB related deferred outflows.

Capital assets of the governmental activities, funded through operations, debt proceeds, grants and contributions increased by 6.3% (\$20.7 million) due to several large capital outlays and capital contributions. Major capital outlays include the Fourth Street Bridge (\$9.3 million), Road Repair and Street Safety projects (\$7.4 million) and construction of the Municipal Court building (\$12.0 million).

Governmental activities long-term liabilities increased by 4.4% (\$9.4 million) mainly due to an increase in long-term debt (bonds, notes, leases) with the issuance \$11.1 million of general obligation bonds and \$3.8 million of certificates of participation, offset by regular scheduled debt service payments. In addition, there was an increase of \$3.7 million in net pension liability. Other liabilities increased by 3.8% (\$1.0 million) primarily due to an increase in deposits payable (\$2.7 million) as well as accrued payroll (\$.7 million) and construction retainage payable (\$.8 million) offset by a decrease in accounts payable (\$3.6 million).

Deferred inflows of resources for governmental activities increased \$1.3 million related to pension/OPEB related deferred inflows.

Total assets for business-type activities have increased by 1.6% (\$7.1 million) mainly due to an increase in cash and investments (\$3.4 million), intergovernmental receivable (\$2.2 million), and non-depreciable capital assets (\$3.1 million).

Total liabilities for business-type activities decreased by 5.4% (\$4.4 million). Major changes include a decrease in bonds, notes and leases payable (\$4.7 million).

Overall, the business-type net position has increased by 2.9% (\$10.4 million) due to a decrease of \$6.1 million in net investment in capital assets and an increase in unrestricted net assets of \$4.3 million. The changes are primarily in the Water and Wastewater Fund, and Stormwater Fund.

### Analysis of Change in Net Position

The City's overall net position has increased by \$38.6 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, 2020 and 2019 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 11,830	\$ 11,238	\$ 49,979	\$ 46,503	\$ 61,809	\$ 57,741
Operating grants and contributions	15,851	7,685	6,827	5,360	22,678	13,045
Capital grants and contributions	11,978	10,024	6,001	4,523	17,979	14,547
General Revenues:						
Property taxes	14,101	13,542	-	-	14,101	13,542
Sales taxes	60,666	52,515	-	-	60,666	52,515
State shared taxes	20,664	19,400	-	-	20,664	19,400
Investment earnings	5,415	5,098	1,160	1,077	6,575	6,175
Other	672	723	198	124	870	847
Total revenues	<u>141,177</u>	<u>120,225</u>	<u>64,165</u>	<u>57,587</u>	<u>205,342</u>	<u>177,812</u>
<b>Expenses</b>						
General government	18,404	20,429	-	-	18,404	20,429
Public safety	44,263	42,342	-	-	44,263	42,342
Public works	2,131	1,982	-	-	2,131	1,982
Economic and physical development	11,020	10,295	-	-	11,020	10,295
Culture and recreation	15,632	14,138	-	-	15,632	14,138
Highways and streets	17,417	19,316	-	-	17,417	19,316
Interest on long-term debt	2,076	2,164	-	-	2,076	2,164
Water	-	-	18,421	16,153	18,421	16,153
Wastewater	-	-	9,552	10,471	9,552	10,471
Reclaimed	-	-	494	521	494	521
Environmental	-	-	12,644	12,534	12,644	12,534
Airport	-	-	5,553	4,833	5,553	4,833
Housing Authority	-	-	7,688	7,241	7,688	7,241
Stormwater	-	-	1,431	1,401	1,431	1,401
Total expenses	<u>110,943</u>	<u>110,666</u>	<u>55,783</u>	<u>53,154</u>	<u>166,726</u>	<u>163,820</u>
Increase in net position before transfers	30,234	9,559	8,382	4,433	38,616	13,992
Transfers	(2,059)	(2,155)	2,059	2,155	-	-
Change in net position	<u>28,175</u>	<u>7,404</u>	<u>10,441</u>	<u>6,588</u>	<u>38,616</u>	<u>13,992</u>
Net position at beginning of year	253,090	245,686	357,775	351,187	610,865	596,873
Net position at end of year	<u>\$ 281,265</u>	<u>\$ 253,090</u>	<u>\$ 368,216</u>	<u>\$ 357,775</u>	<u>\$ 649,481</u>	<u>\$ 610,865</u>

### Governmental Activities

Governmental activities increased the City's net position by \$28.2 million. The key factors for this increase are as follows:

- Revenues exceeded expenses by \$30.2 million as compared to last year of \$9.6 million.

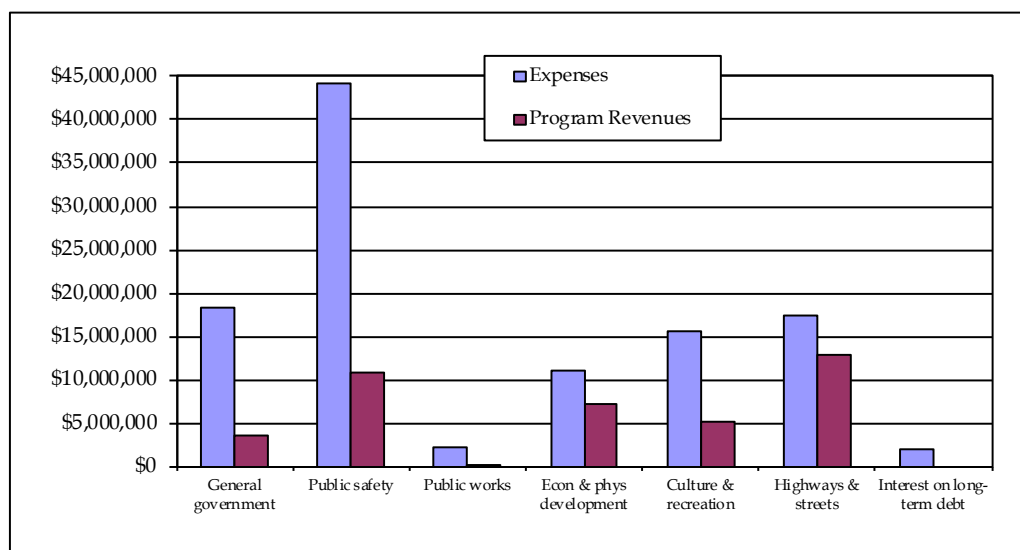
- Charges for services increased 5.3% (\$591,000) related primarily to an increase in building permits.
- Operating grants and contributions increased 106.3% (\$8.2 million) due primarily to new AZ Cares public safety grants.
- Capital grants and contributions increased 19.5% (\$2.0 million) mainly due to an increase in HURF revenues as well as an increase in capital asset contributions as compared to the previous year.
- Property taxes increased 4.1% (\$559,000) mainly due to an increase in City secondary property taxes levied for debt service.
- City sales tax revenues increased by 15.5% (\$8.2 million) due to a new transportation tax for the Lone Tree Overpass project and an increase in the use tax rate. Comparing actual revenues to budgeted revenues the City missed estimates by \$1.2 million. This was mainly due to declines in sales tax revenues related to hotel and restaurant and bar activities due to the pandemic at the end of the current fiscal year.
- State shared taxes had a 6.5% increase due mainly to increases in state urban revenue share (income taxes).
- Expenses have increased by \$0.3 million (0.3%). The major increases were in public safety (\$1.9 million), culture and recreation (\$1.5 million), economic and physical development (\$0.7 million) and public works (\$0.15 million). The decreases were in general government for \$2.0 million, highways and streets (\$1.9 million) and interest and long-term debt (\$0.1 million).

### Business-type Activities

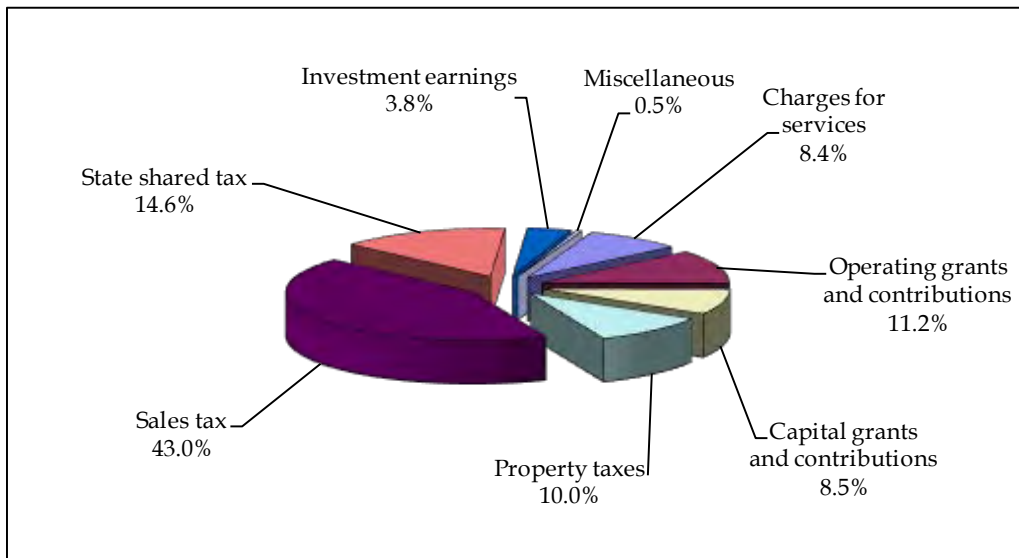
Business-type activities had a net position increase of \$10.4 million. The key factors for this increase include:

- Charges for service have increased by 7.5% (\$3.5 million). Funds with increases were Water (\$1.3 million), Wastewater and Reclaimed (\$0.3 million), Environmental Services (\$189,000), Housing Authority (\$195,000) and Stormwater (\$1.7 million).
- Operating grants and contributions have increased by 27.4% (\$1.5 million) due to the new Airport Cares operating grant.
- Capital grants and contributions have increased by 32.7% (\$1.5 million) due to an increase in utility capacity fees and developer contributed capital.
- Expenses have increased over the prior year by 4.9% (\$2.6 million). There were increases in the Water and Wastewater Fund (\$1.3 million), Airport (\$0.7 million) and Housing Authority Fund (\$0.4 million).

### Expenses and Program Revenues by Function - Governmental Activities



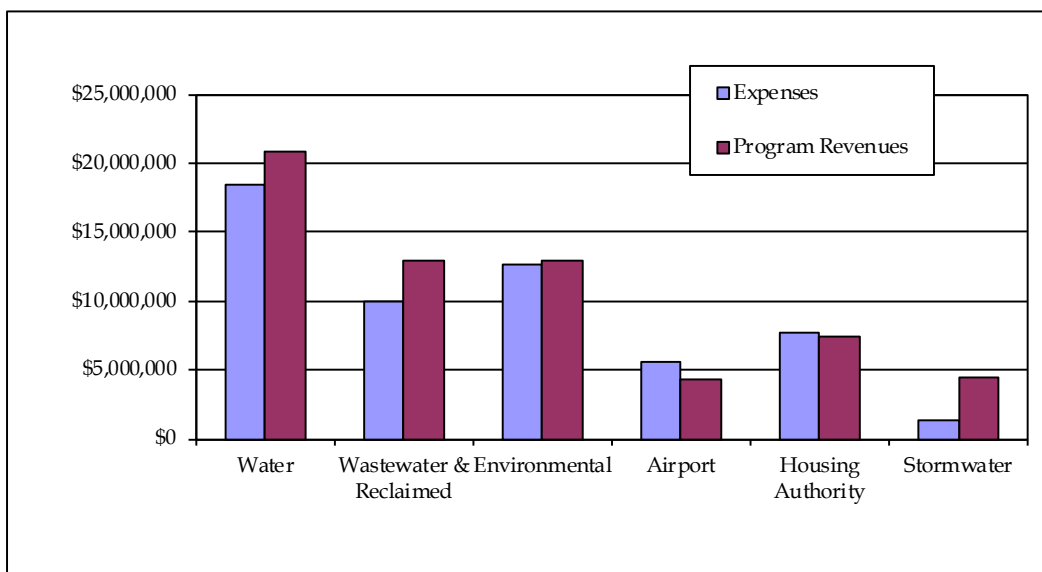
## Revenues by Source - Governmental Activities



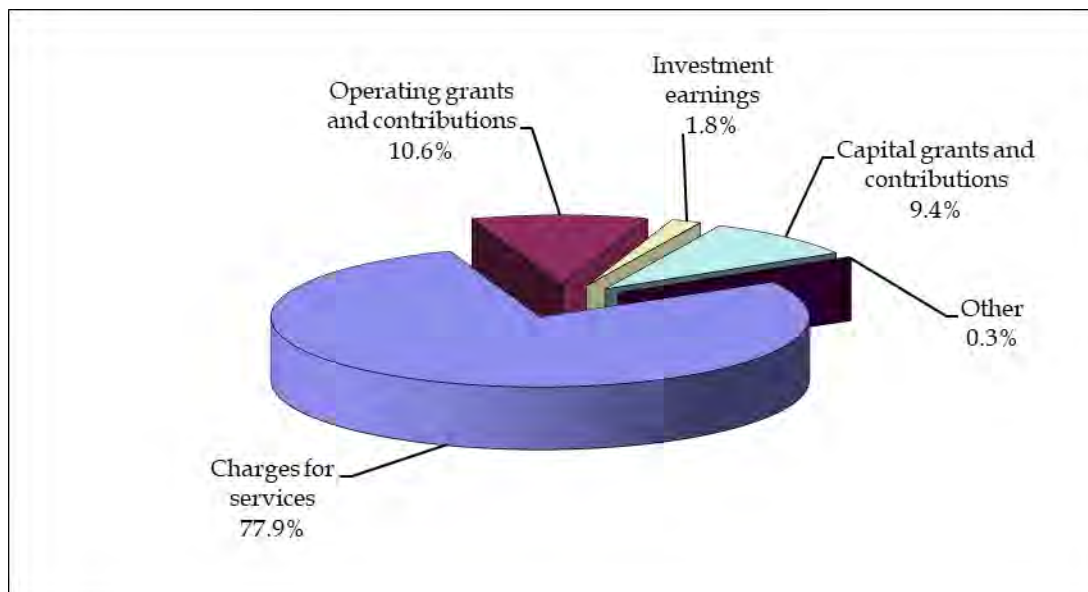
As shown, Public Safety is the largest function as measured by expense (\$44.3 million, 39.9%) followed by General Government (\$18.4 million, 16.6%) and Highways and Streets (\$17.4 million, 15.7%).

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 (\$60.7 million, 43.0%), followed by state shared tax (\$20.7 million, 14.6%) and operating grants and contributions (\$15.9 million, 11.2%). The top three revenues make up 68.8% of total revenues compared to last year's top three of 71.1%. The top three revenues last year were sales tax, state shared tax and property tax.

## Expenses and Program Revenues by Functions - Business-type Activities



## Revenues by Source - Business-type Activities



As shown, Water has expenses of \$18.4 million for the fiscal year, followed by Environmental Services with \$12.6 million, Wastewater with \$9.6 million, Housing Authority with \$7.7 million, Airport with \$5.6 million, Stormwater with \$1.4 million and Reclaimed with \$494,000. For the fiscal year, program revenue exceeded expenses for the Water, Wastewater and Reclaimed Fund, Environmental Services and Stormwater Fund. The Airport Fund and Housing Authority program expenses exceeded revenue mainly due to depreciation and amortization. Water, Wastewater and Reclaimed, Environmental Services, Stormwater and Airport Funds received most of their program revenues through charges for services (84.0%, 88.1%, 99.8%, 98.4%, and 38.1% respectively). The Housing Authority Fund receives most of its program revenue through operating grants and contributions (69.7%). Charges for services provided the largest share of revenues (77.9%) for all the business-type activities, followed by operating grants (10.6%) and capital grants and contributions (9.4%).

The expenses for the business-type activities increased (4.9%, \$2.6 million). There were increases in Water (14.0%, \$2.3 million), Environmental Services (0.9%, 110,000), Housing Authority (6.2%, \$447,000) and Airport (14.9%, \$720,000), offset by decreases in Wastewater (8.6%, \$0.9 million).

The water, wastewater and garbage collection user fees rate were increased on January 1, 2020, and Stormwater user fees were increased on July 1, 2019. Water, Wastewater and Reclaimed, Airport, Stormwater and Housing Authority Funds increased charges for service revenue at 7.8%, 2.3%, 1.5%, 62.1% and 9.6%, respectively. Airport charges for service revenues decreased by 5.7% 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. 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 \$139.9 million, an increase of \$18.0 million in comparison to the prior year. Approximately \$41.4 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 (\$916,700) for inventory and perpetual care, (2) restricted (\$89.4 million) for special revenue funds, debt service, development fee projects, court improvements and operations, grant purposes, perpetual care and capital projects, and (3) assigned (\$8.2 million) for court services, capital reserves, parking district and real estate.

Revenues for governmental functions overall totaled \$138.8 million in the fiscal year ended June 30, 2020 which represents an increase of 16.4% or \$19.6 million from the prior fiscal year. Several revenue categories show increases over prior year including intergovernmental, charges for services, fines and forfeitures and investment earnings. These increases include taxes (13.3%, \$8.8 million), intergovernmental (6.0%, \$1.4 million), grants and entitlements (68.8%, \$7.9 million), licenses and permits (53.8%, \$1.8 million), investment earnings (6.4%, \$325,000) and contributions (163.9%, \$750,000). The increase in taxes is due to steady growth in our local economy, a new transportation tax and increase in the use tax rate. The increase in grants and entitlements is mainly due to the new AZ Cares public safety personnel grant. The major decreases in revenue categories include charges for services (17.9%, \$907,000), fines and forfeitures (14.0%, \$199,000), rents (1.1%, \$17,000) and miscellaneous (30.3%, \$216,000).

Expenditures for governmental functions (\$137.7 million) increased by 17.1% (\$20.1 million) from the prior fiscal year. Most of the increase in expenditures is related to capital outlay expenditures (166.1%, \$22.2 million) and public safety (8.6%, \$3.1 million). Debt service expenditures decreased 12.0%. Operating expenditures also decreased (0.5%, \$469,000) which is related to decreases in general government, and highways and streets, partially offset by an increase in public safety, public works, economic and physical development, and culture and recreation.

In the fiscal year ended June 30, 2020 revenues exceeded governmental functions 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 \$44.4 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 74.5% of General Fund expenditures.

The total fund balance in the City's General Fund increased by \$13.0 million during the fiscal year as revenue increased 8.0% and expenditures decreased 4.8%. Overall, the General Fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2020 of \$11.1 million. This is an increase of approximately \$8.3 million over the comparable figure from the prior year which resulted in revenue in excess of expenditures of \$2.8 million.

AZ Cares public safety fund is new in the current fiscal year and accounts for the revenue and expenditures for the AZ Cares grant that the City received. This fund has no fund balance and was not budgeted for as part of the FY 2019-2020 budget.

HURF Fund balance increased by \$1.2 million or 15.2%. Revenues increased \$261,000 or 3.0% due mainly to increase in permits. Expenditures increased \$4.6 million or 39.9% due to various street improvements and capital projects including the Fourth Street bridge replacement.

Transportation Fund balances decreased by \$0.3 million. Revenues increased \$7.3 million due to a new transportation tax for the Lone Tree Overpass project. Expenditures increased \$5.3 million due to the timing of capital expenditures. Other financing sources and uses increased \$6.4 million.

Capital Projects Bond Construction Fund balance increased by \$3.9 million. This fund has minimal revenues. The major source of funds was the debt issuance for the Courthouse project. Expenditures increased \$8.1 million or 144% due to the construction of the Courthouse project.

## 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 \$4.0 million.

Revenues and transfers exceeded expenses and transfers out in the proprietary funds by \$10.4 million for the fiscal year ended June 30, 2020. Water and Wastewater, Environmental Services and Stormwater had growth in their net position for the fiscal year ended June 30, 2020. The Airport fund decrease of \$1.0 million was due to depreciation and amortization exceeding grant and other funding for capital replacements. The major part of the overall increase was related to capital contributions related to grants and external sources (\$7.9 million).

## Budget Highlights

The City's final budget matches the original budget which was approved by Council in June 2019. The City looks at the budget to actual at the division level and no division exceeded its appropriation. There was one revenue transfer that was greater than budgeted from the General Fund to the Environmental Services by \$10,000 related to climate action related costs. These transfers were noted and included in the budget documentation during the FY 2019-2020 budget process and adoption.

The General Fund was 1.5% (\$1.0 million) under the final budgeted total revenues primarily due to taxes, grants and entitlements and charges of services being under budget by \$0.4 million, \$3.3 million and \$0.3 million, respectively offset by intergovernmental (\$0.7 million) and licenses and permits (\$2.2 million). Licenses and permits exceeded budget due to conservative budget estimates and several large housing and senior living construction projects in FY 2019-2020. Grants and entitlements were under budget mainly due to the City not receiving several larger grants for Fire and Police and not receiving grants at budget.

Expenditures are under budget in all divisions due to controlled spending and carryover of some capital projects. 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 budget as many transfers are based on the actual year end expenditure, except for the transfer noted above.

## 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, 2020 amount to \$716.1 million. Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The total net increase in the City's capital assets for the current year was 3.4% (\$23.3 million). The following table reflects the capital assets at the end of the fiscal year.

**Capital Assets, Net of Depreciation**  
June 30, 2020 and 2019 (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019
Land and other non-depreciable assets	\$ 67,846	\$ 67,086	\$ 15,387	\$ 14,891	\$ 83,233	\$ 81,977
Buildings	74,425	76,354	44,722	46,957	119,147	123,311
Improvements	5,787	5,104	259,377	258,824	265,164	263,928
Machinery and equipment	11,079	9,908	21,498	20,253	32,577	30,161
Infrastructure	157,785	156,039	-	-	157,785	156,039
Construction in progress	32,325	14,070	25,889	23,329	58,214	37,399
<b>Total</b>	<b>\$ 349,247</b>	<b>\$ 328,561</b>	<b>\$ 366,873</b>	<b>\$ 364,254</b>	<b>\$ 716,120</b>	<b>\$ 692,815</b>

Construction-in-progress had a net increase of 55.7% (\$20.8 million). Major completed construction-in-progress includes the completion of the westside interceptor (\$1.7 million), Lone Tree transmission line (\$1.4 million), J Lively improvements (\$1.2 million) and Lockett Road improvements (\$3.7 million). Major construction in progress at June 30 includes Rio de Flag flood control project (\$19.2 million), Court Facility (\$14.1 million), Fourth Street bridge (\$9.4 million) and Red Gap pipeline (\$2.3 million). The decrease to buildings (\$4.1 million) is related to depreciation offset by several additions including Buffalo Park restrooms (\$368,000). The increase in improvements (\$1.2 million) is related mainly to developer contributed capital less depreciation expense. Machinery and equipment increased by \$2.4 million mainly due to numerous vehicle and heavy equipment purchases. Major additions include 32 vehicles and heavy equipment replacements. Infrastructure increase (\$1.7 million) is related mainly to mill and overlay (\$4.8 million) and developer contributed infrastructure (\$2.0 million).

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 III C on pages 54-55 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 \$110.3 million. Of this amount, \$46.0 million is general obligation bonds backed by the full faith and credit of the City, \$45.9 million is revenue bonds, \$7.6 million is for certificates of participation, and \$10.8 million are outstanding leases or loans for the Airport, water and wastewater, and City-wide energy conservation improvements.

**Outstanding Debt**  
June 30, 2020 and 2019 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2019-2020	2018-2019	2019-2020	2018-2019	2019-2020	2018-2019
General obligation debt	\$ 44,893	\$ 39,414	\$ 1,092	\$ 1,166	\$ 45,985	\$ 40,580
Revenue bonds	21,180	24,250	24,750	25,707	45,930	49,957
Other debt	3,845	575	3,795	3,880	7,640	4,455
Lease/Loans	1,363	1,594	9,431	12,998	10,794	14,592
Total debt payable	<u>\$ 71,281</u>	<u>\$ 65,833</u>	<u>\$ 39,068</u>	<u>\$ 43,751</u>	<u>\$ 110,349</u>	<u>\$ 109,584</u>

During FY 2019-2020, the City's total debt increased by a net \$0.8 million. The City issued \$11.1 million in general obligation bonds and \$3.9 million of certificates of participation for the Courthouse. All remaining debt decreases are due to annual scheduled 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, 2020 is \$55.5 million in the 6% category and \$139.2 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:

	<u>Moody's</u> <u>Investors Service</u>	<u>Standard &amp; Poor's</u>
General Obligation	Aa2	AA
Revenue Bonds	n/a	AA-

Additional information on the City's long-term debt can be found in Section III F on pages 58-67 of the Notes to the Financial Statements.

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

The Fiscal Year 2020-2021 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 22%. General sales tax revenues were under budget by \$0.4 million in FY 2019-2020 and are expected to be down 3% in FY 2020-2021.
- Building permits exceeded budget in fiscal year 2019-2020 by \$2.2 million. However, we remain conservative in our projections for FY 2020-2021 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 2020-2021 budget was the City's key community priorities related to high performing governance, safe and health community, inclusive and engaged community, sustainable, innovative infrastructure, robust resilient economy, livable community and environmental stewardship.
  - The FY 2020-2021 budget includes a COLA pay increase, new positions related to capacity needs, infrastructure and economic development funding and services to support the most vulnerable.
  - Some of the larger items are \$41.4 million for transportation improvements, \$7.8 million for Courthouse construction and \$28.0 million programmed for water and wastewater capital equipment and improvements.
- The total authorized positions increased by four positions.
- Public Safety pension (PSPRS) funding continues to be a major funding issue and the City chose to finance the unfunded net pension liability with certificates of participation debt.
- 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 6.6%. The City increased the primary property tax revenue by approximately \$60,000 in FY 2020-2021. The secondary property tax rates decreased to match the required debt service payments.
- 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 Flagstaff Watershed Protection Program which was approved by voters.

## **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 West Aspen Avenue  
Flagstaff, AZ 86001

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

City of Flagstaff, Arizona  
Statement of Net Position  
June 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash, investments and equivalents	\$ 109,807,689	\$ 58,770,890	\$ 168,578,579
Accounts receivable, net	15,332,235	5,850,700	21,182,935
Interest receivable	264,153	142,767	406,920
Intergovernmental receivable	9,563,100	2,391,736	11,954,836
Note receivable	285,800	-	285,800
Internal balance	2,562,418	(2,562,418)	-
Deposits	-	8,763	8,763
Inventory	318,478	-	318,478
Prepaid items	-	66,751	66,751
Restricted cash and investments	20,645,138	14,147,816	34,792,954
Net OPEB asset	1,320,973	-	1,320,973
Capital assets, non-depreciable	100,170,250	41,276,311	141,446,561
Capital assets, depreciable, net	249,076,796	325,596,890	574,673,686
Total assets	<u>509,347,030</u>	<u>445,690,206</u>	<u>955,037,236</u>
<b>Deferred Outflows of Resources</b>			
Deferred outflows related to pensions/OPEB	29,233,167	2,470,483	31,703,650
Deferred charge on debt refundings	170,671	267,317	437,988
Total deferred outflows of resources	<u>29,403,838</u>	<u>2,737,800</u>	<u>32,141,638</u>
<b>Liabilities</b>			
Accounts payable	5,715,171	2,656,543	8,371,714
Accrued payroll	2,503,610	514,033	3,017,643
Construction retainage payable	941,571	147,442	1,089,013
Interest payable	1,674,054	469,310	2,143,364
Advanced revenue	501,851	804,731	1,306,582
Deposits payable	3,723,656	1,229,638	4,953,294
Noncurrent liabilities:			
Due within one year:			
Compensated absences	2,036,451	399,054	2,435,505
Claims and judgements	2,493	-	2,493
Bonds, notes and leases payable, net	9,806,417	2,810,571	12,616,988
Due in more than one year:			
Compensated absences	2,635,187	444,384	3,079,571
Claims and judgements	241,898	-	241,898
Landfill closure and post-closure care costs	-	15,421,003	15,421,003
Net OPEB liability	6,507,531	1,542,349	8,049,880
Net pension liability	144,730,007	15,108,720	159,838,727
Bonds, notes and leases payable, net	67,936,210	36,218,420	104,154,630
Total liabilities	<u>248,956,107</u>	<u>77,766,198</u>	<u>326,722,305</u>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to pensions/OPEB	<u>8,529,543</u>	<u>2,445,888</u>	<u>10,975,431</u>
<b>Net Position</b>			
Net investment in capital assets	275,765,434	326,373,816	602,139,250
Restricted for:			
Capital projects	57,444,103	-	57,444,103
Debt service	7,876,090	-	7,876,090
Specific programming	24,367,138	-	24,367,138
Perpetual care:			
Expendable	40,340	-	40,340
Nonexpendable	312,463	-	312,463
Unrestricted:	(84,540,350)	41,842,104	(42,698,246)
<b>Total Net Position</b>	<u>\$ 281,265,218</u>	<u>\$ 368,215,920</u>	<u>\$ 649,481,138</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, 2020**

	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 18,404,198	\$ 1,269,168	\$ 2,418,517	\$ 1,237,695	\$ -
Public safety	44,262,923	-	665,670	9,579,149	517,354
Public works	2,130,869	183,139	1,198	463	-
Economic and physical development	11,019,964	510,510	6,152,909	1,149,826	-
Culture and recreation	15,631,659	(477,681)	1,264,523	3,799,170	-
Highways and streets	17,417,183	(1,485,136)	1,326,992	85,090	11,460,555
Interest on long-term debt	2,076,671	-	-	-	-
<b>Total governmental activities</b>	<b>110,943,467</b>	<b>-</b>	<b>11,829,809</b>	<b>15,851,393</b>	<b>11,977,909</b>
Business-type activities:					
Water	18,421,251		17,480,478	741	3,327,717
Wastewater and reclaimed	10,045,850		11,388,928	4,452	1,531,377
Environmental	12,643,566		12,863,428	21,403	-
Airport	5,553,096		1,641,859	1,589,656	1,080,590
Housing authority	7,687,704		2,220,494	5,175,961	26,246
Stormwater	1,431,353		4,383,791	34,785	34,831
<b>Total business-type activities</b>	<b>55,782,820</b>		<b>49,978,978</b>	<b>6,826,998</b>	<b>6,000,761</b>
<b>Total Primary Government</b>	<b>\$ 166,726,287</b>		<b>\$ 61,808,787</b>	<b>\$ 22,678,391</b>	<b>\$ 17,978,670</b>

General revenues:

- Property tax, levied for general purposes
- Property tax, levied for debt service
- Sales taxes
- State shared taxes - unrestricted
- Investment earnings
- Miscellaneous
- Principal contributions to permanent fund
- Gain on the disposal of capital assets
- 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**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (16,017,154)	\$ -	\$ (16,017,154)
(33,500,750)	-	(33,500,750)
(2,312,347)	-	(2,312,347)
(4,227,739)	-	(4,227,739)
(10,090,285)	-	(10,090,285)
(3,059,410)	-	(3,059,410)
(2,076,671)	-	(2,076,671)
<u>(71,284,356)</u>	<u>-</u>	<u>(71,284,356)</u>
-	2,387,685	2,387,685
-	2,878,907	2,878,907
-	241,265	241,265
-	(1,240,991)	(1,240,991)
-	(265,003)	(265,003)
-	3,022,054	3,022,054
-	7,023,917	7,023,917
<u>\$ (71,284,356)</u>	<u>\$ 7,023,917</u>	<u>\$ (64,260,439)</u>
6,865,160	-	6,865,160
7,235,559	-	7,235,559
60,666,358	-	60,666,358
20,664,280	-	20,664,280
5,415,354	1,159,898	6,575,252
578,352	197,825	776,177
17,590	-	17,590
76,017	-	76,017
(2,059,465)	2,059,465	-
<u>99,459,205</u>	<u>3,417,188</u>	<u>102,876,393</u>
28,174,849	10,441,105	38,615,954
253,090,369	357,774,815	610,865,184
<u>\$ 281,265,218</u>	<u>\$ 368,215,920</u>	<u>\$ 649,481,138</u>

**City of Flagstaff, Arizona**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	General Fund	AZ CARES Public Safety Fund	Highway User Revenue Fund
<b>Assets</b>			
Cash and investments	\$ 42,123,300	\$ 191	\$ 9,502,944
Accounts receivable, net	7,480,646	-	639,506
Interest receivable	90,521	-	7,982
Intergovernmental receivable	722,162	6,680,809	-
Notes receivable	-	-	-
Interfund receivable	10,970,745	-	-
Inventory	252,089	-	-
Restricted cash and investments	-	-	-
<b>Total assets</b>	<b>\$ 61,639,463</b>	<b>\$ 6,681,000</b>	<b>\$ 10,150,432</b>
<b>Liabilities, Deferred Inflows and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,297,459	\$ -	\$ 446,277
Accrued payroll and compensated absences	2,191,553	-	73,876
Construction retainable payable	-	-	224,232
Interfund payable	8,959	6,681,000	-
Advanced revenue	445,700	-	-
Guaranty and other deposits	3,723,172	-	-
<b>Total liabilities</b>	<b>8,666,843</b>	<b>6,681,000</b>	<b>744,385</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenue - court fines	55,613	-	-
Unavailable revenue - property taxes	231,967	-	-
Unavailable revenue - notes receivable	-	-	-
<b>Total deferred inflows of resources</b>	<b>287,580</b>	<b>-</b>	<b>-</b>
<b>Fund balance:</b>			
Nonspendable	252,089	-	-
Restricted	3,109,659	-	9,406,047
Assigned	4,936,669	-	-
Unassigned (deficit)	44,386,623	-	-
<b>Total fund balance</b>	<b>52,685,040</b>	<b>-</b>	<b>9,406,047</b>
<b>Total liabilities, deferred inflows and fund balance</b>	<b>\$ 61,639,463</b>	<b>\$ 6,681,000</b>	<b>\$ 10,150,432</b>

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

Transportation Tax Fund	Capital Projects Bond Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ 37,875,925	\$ 690	\$ 15,983,471	\$ 105,486,521
5,409,747	-	1,715,229	15,245,128
106,176	1,208	51,327	257,214
859,297	1,000,000	300,832	9,563,100
-	-	285,800	285,800
-	-	-	10,970,745
-	-	66,389	318,478
3,385,662	8,607,512	8,651,964	20,645,138
<u>\$ 47,636,807</u>	<u>\$ 9,609,410</u>	<u>\$ 27,055,012</u>	<u>\$ 162,772,124</u>
\$ 774,608	\$ 1,554,777	\$ 521,336	\$ 5,594,457
-	22,221	215,960	2,503,610
119,590	597,749	-	941,571
-	2,222,000	118,000	9,029,959
-	-	55,105	500,805
484	-	-	3,723,656
<u>894,682</u>	<u>4,396,747</u>	<u>910,401</u>	<u>22,294,058</u>
-	-	-	55,613
-	-	-	231,967
-	-	327,652	327,652
-	-	<u>327,652</u>	<u>615,232</u>
-	-	664,652	916,741
46,742,125	8,225,944	21,917,136	89,400,911
-	-	3,235,171	8,171,840
-	(3,013,281)	-	41,373,342
<u>46,742,125</u>	<u>5,212,663</u>	<u>25,816,959</u>	<u>139,862,834</u>
<u>\$ 47,636,807</u>	<u>\$ 9,609,410</u>	<u>\$ 27,055,012</u>	<u>\$ 162,772,124</u>



**City of Flagstaff**  
**Reconciliation of the Balance Sheet**  
**to the Statement of Net Position**  
**Governmental Activities**  
**June 30, 2020**

Fund balances - total governmental funds balance sheet \$ 139,862,834

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

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

Net OPEB asset	\$ 1,320,973	
Governmental capital assets	617,763,951	
Less: accumulated depreciation	<u>(268,516,905)</u>	350,568,019

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/OPEB	29,233,167	
Deferred outflows related to debt refunding	170,671	
Deferred inflows related to pensions/OPEB	<u>(8,529,543)</u>	20,874,295

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	(31,462,112)	
PSPRS pension benefits	(111,860,602)	
EORP pension benefits	<u>(1,407,293)</u>	(144,730,007)

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	(71,281,158)	
Governmental interest payable	(1,674,054)	
Bond discount	118,504	
Bond premium	(6,579,973)	
Other postemployment benefits	(6,507,531)	
Compensated absences	<u>(4,671,638)</u>	(90,595,850)

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

Promissory note and accounts receivable	327,652	
Fines and forfeitures	55,613	
Property tax	<u>231,967</u>	615,232

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>4,670,695</u>
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Net position of governmental activities - statement of net position \$ 281,265,218

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, 2020**

	General Fund	AZ CARES Public Safety Fund	Highway User Revenue Fund
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Taxes	\$ 31,841,128	\$ -	\$ -
Intergovernmental	21,873,456	-	-
Grants and entitlements	1,945,487	6,680,809	8,589,536
Charges for services	2,934,067	-	-
Licenses and permits	4,937,026	-	196,180
Fines and forfeitures	1,217,311	-	-
Rents	1,108,741	-	-
Investment earnings	4,147,386	-	84,573
Contributions	468,838	-	35,736
Miscellaneous	215,407	-	49,866
Total revenues	<u>70,688,847</u>	<u>6,680,809</u>	<u>8,955,891</u>
<b>Expenditures:</b>			
Current:			
General government	11,902,131	-	-
Public safety	32,244,420	6,680,809	-
Public works	1,471,491	-	-
Economic and physical development	5,124,483	-	-
Culture and recreation	6,717,496	-	-
Highways and streets	22,679	-	6,694,485
Debt service:			
Principal retirement	177,789	-	534,425
Interest and other charges	25,406	-	12,083
Capital outlay	1,914,118	-	8,778,548
Total expenditures	<u>59,600,013</u>	<u>6,680,809</u>	<u>16,019,541</u>
Excess (deficiency) of revenues over expenditures	<u>11,088,834</u>	<u>-</u>	<u>(7,063,650)</u>
<b>Other Financing Sources (Uses):</b>			
Bond premium	-	-	-
Sale of capital assets	307,013	-	-
Issuance of capital debt	360,373	-	-
Transfers in	3,702,539	-	8,320,038
Transfers out	(2,426,040)	-	(13,000)
Total other financing sources (uses)	<u>1,943,885</u>	<u>-</u>	<u>8,307,038</u>
Net change in fund balances	<u>13,032,719</u>	<u>-</u>	<u>1,243,388</u>
Fund balances, beginning of year	<u>39,652,321</u>	<u>-</u>	<u>8,162,659</u>
Fund balances, end of year	<u>\$ 52,685,040</u>	<u>\$ -</u>	<u>\$ 9,406,047</u>

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

Transportation Tax Fund	Capital Projects Bond Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ 27,719,686	\$ -	\$ 15,226,960	\$ 74,787,774
-	-	3,721,855	25,595,311
-	1,000,000	1,179,618	19,395,450
-	-	1,233,952	4,168,019
-	-	2,405	5,135,611
-	-	-	1,217,311
-	-	365,890	1,474,631
709,730	89,904	330,715	5,362,308
642,456	-	60,895	1,207,925
-	-	231,430	496,703
<u>29,071,872</u>	<u>1,089,904</u>	<u>22,353,720</u>	<u>138,841,043</u>
4,690,073	1,681,248	424	18,273,876
-	-	-	38,925,229
-	1,373	-	1,472,864
-	13,707	5,430,546	10,568,736
444,337	840	6,197,606	13,360,279
376,837	-	687,310	7,781,311
2,920,000	-	5,854,252	9,486,466
787,538	-	1,523,913	2,348,940
<u>11,958,247</u>	<u>11,991,222</u>	<u>880,663</u>	<u>35,522,798</u>
<u>21,177,032</u>	<u>13,688,390</u>	<u>20,574,714</u>	<u>137,740,499</u>
7,894,840	(12,598,486)	1,779,006	1,100,544
-	1,628,687	-	1,628,687
-	-	-	307,013
-	14,574,627	-	14,935,000
-	325,000	9,057,298	21,404,875
<u>(8,239,492)</u>	<u>-</u>	<u>(10,665,434)</u>	<u>(21,343,966)</u>
<u>(8,239,492)</u>	<u>16,528,314</u>	<u>(1,608,136)</u>	<u>16,931,609</u>
<u>(344,652)</u>	<u>3,929,828</u>	<u>170,870</u>	<u>18,032,153</u>
<u>47,086,777</u>	<u>1,282,835</u>	<u>25,646,089</u>	<u>121,830,681</u>
<u>\$ 46,742,125</u>	<u>\$ 5,212,663</u>	<u>\$ 25,816,959</u>	<u>\$ 139,862,834</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, 2020**

Net change in fund balances - total governmental funds \$ 18,032,153

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

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	\$ 35,522,798	
Less current year depreciation	<u>(14,747,071)</u>	20,775,727

Some resources/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.

Net pension expense related to ASRS	(279,236)	
Net pension expense related to PSPRS	(3,867,074)	
Net pension expense related to EORP	536,121	
Pension contribution for EORP	34,601	
Capital related debt issued	(14,935,000)	
Premium on debt issued	(1,628,687)	
Donated capital	2,277,885	
Compensated absences	(431,231)	
Other postemployment benefits	167,051	
Principal payments on debt	9,486,466	
Interest accrual on debt	(274,234)	
Refunding loss amortization	(161,308)	
Bond premium amortization	<u>707,811</u>	(8,366,835)

Providing long-term loans are reported as an expenditure 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 and accounts receivable	<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).

Gain/loss on disposal of capital assets	(247,053)	
Transfer of capital assets to business-type activities	(2,262,548)	
Transfer of capital assets from business-type activities	<u>142,174</u>	(2,367,427)

(continued)

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

**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, 2020**

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 unavailable 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)	(165,763)	
Notes receivable	18,797	
Property tax	<u>(20,697)</u>	(167,663)

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 income assigned to governmental activities	163,196	
Investment income	53,046	
Miscellaneous income	<u>62,852</u>	279,094

Change in net position of governmental activities - statement of activities		<u><u>\$ 28,174,849</u></u>
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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, 2020**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 32,273,857	\$ 32,273,857	\$ 31,882,872	\$ (390,985)
Intergovernmental	21,129,105	21,129,105	21,873,456	744,351
Grants and entitlements	5,204,979	5,204,979	1,945,487	(3,259,492)
Charges for services	3,267,437	3,267,437	2,934,067	(333,370)
Licenses and permits	2,706,716	2,706,716	4,937,026	2,230,310
Fines and forfeitures	1,420,489	1,420,489	1,217,311	(203,178)
Rents	1,400,042	1,400,042	1,108,741	(291,301)
Investment earnings	371,837	371,837	573,712	201,875
Contributions	10,303	10,303	468,838	458,535
Miscellaneous	372,031	372,031	210,185	(161,846)
Total revenues	68,156,796	68,156,796	67,151,695	(1,005,101)
<b>Expenditures:</b>				
<b>Current:</b>				
General administration	8,662,671	8,662,671	8,096,585	566,086
Management services	7,807,177	7,807,177	6,706,121	1,101,056
Fire	19,209,375	19,209,375	13,840,367	5,369,008
Police	25,165,928	25,165,928	20,028,419	5,137,509
Community development	5,774,316	5,774,316	5,184,564	589,752
Public works	12,737,356	12,737,356	8,976,375	3,760,981
Economic vitality	223,614	223,614	140,309	83,305
Non-departmental	(1,006,010)	(1,006,010)	(3,178,446)	2,172,436
Contingency	1,662,750	1,662,750	-	1,662,750
Total expenditures	80,237,177	80,237,177	59,794,294	20,442,883
Excess (deficiency) of revenues over (under) expenditures	(12,080,381)	(12,080,381)	7,357,401	19,437,782
<b>Other Financing Sources (Uses):</b>				
Issuance of capital debt	-	-	360,373	360,373
Sale of capital assets	38,121	38,121	307,013	268,892
Transfers in	4,480,855	4,480,855	3,702,539	(778,316)
Transfers out	(4,658,738)	(4,658,738)	(2,426,040)	2,232,698
Total other financing sources (uses)	(139,762)	(139,762)	1,943,885	2,083,647
Net change in fund balances	(12,220,143)	(12,220,143)	9,301,286	21,521,429
Fund balances, beginning of year	32,512,644	32,512,644	39,652,321	7,139,677
Fund balances, end of year	\$ 20,292,501	\$ 20,292,501	\$ 48,953,607	\$ 28,661,106
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 9,301,286	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			3,537,152	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			194,281	
Adjusted net change in fund balance - GAAP basis			\$ 13,032,719	

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, 2020**

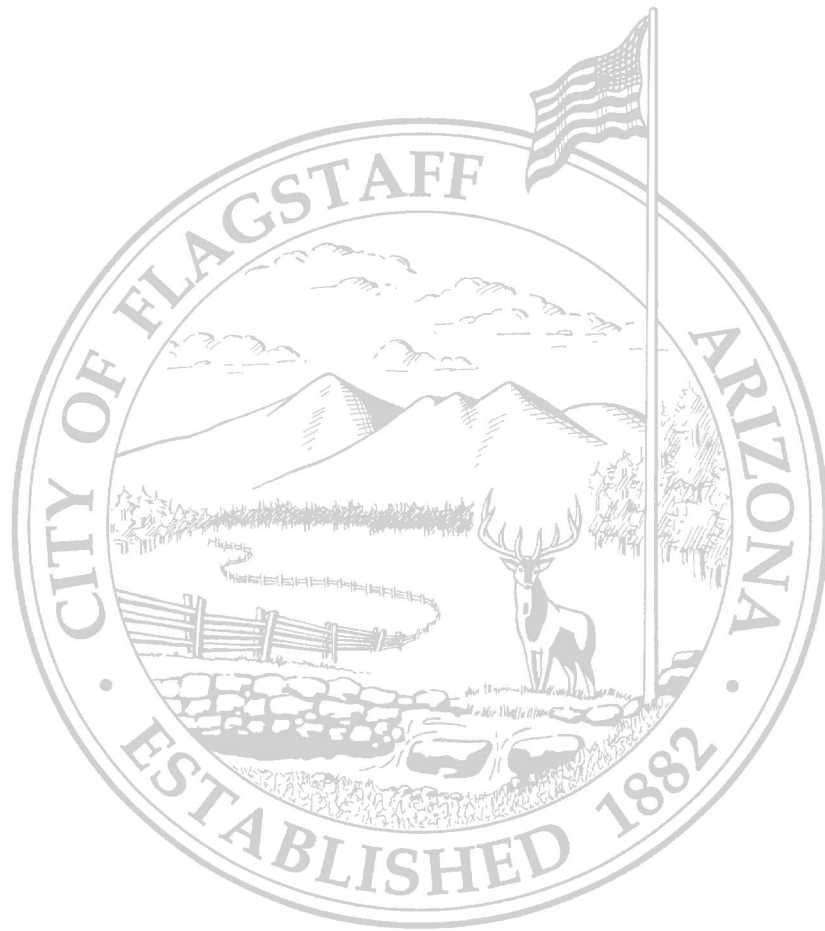
	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Grants and entitlements	\$ 8,619,609	\$ 8,619,609	\$ 8,589,536	\$ (30,073)
Investment earnings	15,000	15,000	84,573	69,573
Contributions	2,336,458	2,336,458	35,736	(2,300,722)
Licenses and permits	-	-	196,180	196,180
Miscellaneous	-	-	49,866	49,866
Total revenues	<u>10,971,067</u>	<u>10,971,067</u>	<u>8,955,891</u>	<u>(2,015,176)</u>
<b>Expenditures:</b>				
Current:				
Community development	21,782,613	21,782,613	7,556,484	14,226,129
Public works	14,626,315	14,626,315	7,419,964	7,206,351
Non-departmental	1,043,093	1,043,093	1,043,093	-
Contingency	100,000	100,000	-	100,000
	<u>37,552,021</u>	<u>37,552,021</u>	<u>16,019,541</u>	<u>21,532,480</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,580,954)</u>	<u>(26,580,954)</u>	<u>(7,063,650)</u>	<u>19,517,304</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	21,755,627	21,755,627	8,320,038	(13,435,589)
Transfers out	(263,000)	(263,000)	(13,000)	250,000
Total other financing sources (uses)	<u>21,492,627</u>	<u>21,492,627</u>	<u>8,307,038</u>	<u>(13,185,589)</u>
Net change in fund balances	<u>(5,088,327)</u>	<u>(5,088,327)</u>	<u>1,243,388</u>	<u>6,331,715</u>
Fund balances, beginning of year	<u>8,753,795</u>	<u>8,753,795</u>	<u>8,162,659</u>	<u>(591,136)</u>
Fund balances, end of year	<u>\$ 3,665,468</u>	<u>\$ 3,665,468</u>	<u>\$ 9,406,047</u>	<u>\$ 5,740,579</u>

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

**City of Flagstaff, Arizona**  
**Transportation Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Taxes	\$ 26,911,206	\$ 26,911,206	\$ 27,184,608	\$ 273,402
Investment earnings	216,000	216,000	709,730	493,730
Contributions	-	-	642,456	642,456
Total revenues	<u>27,127,206</u>	<u>27,127,206</u>	<u>28,536,794</u>	<u>1,409,588</u>
<b>Expenditures:</b>				
Current:				
Community development	22,170,669	22,170,669	7,677,088	14,493,581
Public works	4,827,707	4,827,707	4,855,596	(27,889)
Non-departmental	11,823,185	11,823,185	8,644,348	3,178,837
Total expenditures	<u>38,821,561</u>	<u>38,821,561</u>	<u>21,177,032</u>	<u>17,644,529</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,694,355)</u>	<u>(11,694,355)</u>	<u>7,359,762</u>	<u>(16,234,941)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(21,977,163)</u>	<u>(21,977,163)</u>	<u>(8,239,492)</u>	<u>13,737,671</u>
Total other financing sources (uses)	<u>(21,977,163)</u>	<u>(21,977,163)</u>	<u>(8,239,492)</u>	<u>13,737,671</u>
Net change in fund balances	<u>(33,671,518)</u>	<u>(33,671,518)</u>	<u>(879,730)</u>	<u>(2,497,270)</u>
Fund balances, beginning of year	<u>43,088,621</u>	<u>43,088,621</u>	<u>47,086,777</u>	<u>3,998,156</u>
Fund balances, end of year	<u>\$ 9,417,103</u>	<u>\$ 9,417,103</u>	<u>\$ 46,207,047</u>	<u>\$ 1,500,886</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ (879,730)	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			535,078	
Adjusted net change in fund balance - GAAP basis			<u>\$ (344,652)</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, 2020**

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 44,018,846	\$ 2,849,527	\$ 10,256,722
Receivable, net	4,148,529	472,408	1,256,761
Intergovernmental receivable	-	34,678	12,556
Interfund receivable	-	-	-
Prepaid items	-	-	-
Total current assets	<u>48,167,375</u>	<u>3,356,613</u>	<u>11,526,039</u>
Noncurrent assets:			
Restricted cash and investments	1,814,391	-	12,193,412
Refundable deposits	8,763	-	-
Capital assets, non-depreciable	16,827,305	21,307,768	2,023,209
Capital assets, depreciable, net	248,048,273	28,026,217	9,401,849
Total non-current assets	<u>266,698,732</u>	<u>49,333,985</u>	<u>23,618,470</u>
Total assets	<u>314,866,107</u>	<u>52,690,598</u>	<u>35,144,509</u>
Deferred outflows of resources:			
Deferred outflow related to advance refunding	267,317	-	-
Deferred outflows related to pension/OPEB	870,418	77,113	589,517
Total deferred outflows of resources	<u>1,137,735</u>	<u>77,113</u>	<u>589,517</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	1,995,160	334,260	123,529
Construction retainage payable	71,705	75,737	-
Interfund payable	-	-	-
Accrued payroll	240,212	22,920	141,824
Accrued compensated absences	208,768	18,766	86,723
Interest payable	406,213	-	63,097
Advanced revenue	619,906	-	4,300
Claims and judgements	-	-	-
Deposits payable	1,084,843	-	67,422
Bonds and lease payable, net	2,397,894	-	229,293
Total current liabilities	<u>7,024,701</u>	<u>451,683</u>	<u>716,188</u>
Noncurrent liabilities:			
Compensated absences	255,125	17,462	68,413
Net OPEB liability	675,802	65,311	508,761
Net pension liability	5,710,206	497,519	4,519,583
Claims and judgements	-	-	-
Landfill closure and post closure care costs	-	-	15,421,003
Capital lease payable	1,071,560	-	292,725
Bonds and notes payable, net	30,462,446	-	3,664,119
Total noncurrent liabilities	<u>38,175,139</u>	<u>580,292</u>	<u>24,474,604</u>
Total liabilities	<u>45,199,840</u>	<u>1,031,975</u>	<u>25,190,792</u>
Deferred inflows related to pension/OPEB	1,080,461	96,764	822,733
Total deferred inflows	<u>1,080,461</u>	<u>96,764</u>	<u>822,733</u>
<b>Net Position</b>			
Net investment in capital assets	229,855,370	48,956,835	7,233,985
Unrestricted (deficit)	39,868,171	2,682,137	2,486,516
Total net position	<u>\$ 269,723,541</u>	<u>\$ 51,638,972</u>	<u>\$ 9,720,501</u>

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

Business-type Activities - Enterprise Funds		Governmental Activities
Total Nonmajor Proprietary Funds	Total Business-type Funds	Internal Service Fund
\$ 1,645,795	\$ 58,770,890	\$ 4,321,168
115,769	5,993,467	94,046
2,344,502	2,391,736	-
8,959	8,959	-
66,751	66,751	-
<u>4,181,776</u>	<u>67,231,803</u>	<u>4,415,214</u>
140,013	14,147,816	-
-	8,763	-
1,118,029	41,276,311	-
40,120,551	325,596,890	-
<u>41,378,593</u>	<u>381,029,780</u>	<u>-</u>
<u>45,560,369</u>	<u>448,261,583</u>	<u>4,415,214</u>
-	267,317	-
933,435	2,470,483	-
<u>933,435</u>	<u>2,737,800</u>	<u>-</u>
203,594	2,656,543	120,714
-	147,442	-
1,949,745	1,949,745	-
109,077	514,033	-
84,797	399,054	-
-	469,310	-
180,525	804,731	1,046
-	-	2,493
77,373	1,229,638	-
183,384	2,810,571	-
<u>2,788,495</u>	<u>10,981,067</u>	<u>124,253</u>
103,384	444,384	-
292,475	1,542,349	-
4,381,412	15,108,720	-
-	-	241,898
-	15,421,003	-
727,570	2,091,855	-
-	34,126,565	-
<u>5,504,841</u>	<u>68,734,876</u>	<u>241,898</u>
<u>8,293,336</u>	<u>79,715,943</u>	<u>366,151</u>
445,930	2,445,888	-
<u>445,930</u>	<u>2,445,888</u>	<u>-</u>
40,327,626	326,373,816	-
(2,573,088)	42,463,736	4,049,063
<u>\$ 37,754,538</u>	<u>\$ 368,837,552</u>	<u>\$ 4,049,063</u>

(621,632)  
\$ 368,215,920

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

**City of Flagstaff, Arizona**  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2020**

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
<b>Operating Revenues:</b>			
Charges for services	\$ 28,869,406	\$ 4,383,791	\$ 12,863,428
Miscellaneous	195,818	-	1,787
Total operating revenues	<u>29,065,224</u>	<u>4,383,791</u>	<u>12,865,215</u>
<b>Operating Expenses:</b>			
Personnel services	6,246,395	539,725	4,332,769
Contractual services, materials and supplies	12,260,002	332,348	7,268,496
Insurance claims and expenses	-	-	-
Depreciation and amortization	9,024,668	579,159	887,965
Total operating expenses	<u>27,531,065</u>	<u>1,451,232</u>	<u>12,489,230</u>
Operating income (loss)	<u>1,534,159</u>	<u>2,932,559</u>	<u>375,985</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest and investment income	735,582	56,852	358,141
Grants and entitlements	5,193	34,785	21,403
Gain (loss) on disposal of capital asset	(132,301)	(4,936)	(4,937)
Passenger facility charges	-	-	-
Interest expense	(969,635)	-	(155,839)
Total non-operating revenues (expenses)	<u>(361,161)</u>	<u>86,701</u>	<u>218,768</u>
Income (loss) before capital contributions and transfers	<u>1,172,998</u>	<u>3,019,260</u>	<u>594,753</u>
Capital contributions related to grants	-	-	-
Capital contributions from external sources	4,859,094	34,831	-
Capital contributions from internal sources	1,707,302	555,246	-
Transfers in	7,680	-	225,797
Transfers out	(16,022)	(224,726)	(250,638)
Change in net position	<u>7,731,052</u>	<u>3,384,611</u>	<u>569,912</u>
Total net position, beginning of year	<u>261,992,489</u>	<u>48,254,361</u>	<u>9,150,589</u>
Total net position, end of year	<u>\$ 269,723,541</u>	<u>\$ 51,638,972</u>	<u>\$ 9,720,501</u>

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

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>
<u>Total Nonmajor Proprietary Funds</u>	<u>Total Business-type Funds</u>	<u>Internal Service Fund</u>
\$ 3,862,353	\$ 49,978,978	\$ 8,274,749
220	197,825	62,852
<u>3,862,573</u>	<u>50,176,803</u>	<u>8,337,601</u>
2,901,036	14,019,925	-
7,418,218	27,279,064	-
-	-	8,051,247
2,868,691	13,360,483	-
<u>13,187,945</u>	<u>54,659,472</u>	<u>8,051,247</u>
<u>(9,325,372)</u>	<u>(4,482,669)</u>	<u>286,354</u>
9,323	1,159,898	53,046
6,765,617	6,826,998	-
-	(142,174)	-
395,890	395,890	-
(58,180)	(1,183,654)	-
<u>7,112,650</u>	<u>7,056,958</u>	<u>53,046</u>
<u>(2,212,722)</u>	<u>2,574,289</u>	<u>339,400</u>
710,946	710,946	-
-	4,893,925	-
-	2,262,548	-
197,000	430,477	-
-	(491,386)	-
<u>(1,304,776)</u>	<u>10,380,799</u>	<u>339,400</u>
<u>39,059,314</u>	<u>358,456,753</u>	<u>3,709,663</u>
<u>\$ 37,754,538</u>	<u>\$ 368,837,552</u>	<u>\$ 4,049,063</u>

Change in net position of business-type activities

60,306  
\$ 10,441,105

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

**City of Flagstaff, Arizona**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2020**

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 28,579,239	\$ 4,174,953	\$ 12,840,324
Interfund services provided	347,186	45,532	176,439
Other receipts	-	-	-
Payments to suppliers	(9,685,192)	(169,321)	(5,370,027)
Interfund services used	(52,238)	-	(3,313)
Interfund reimbursement used	(2,339,191)	(167,229)	(1,450,919)
Payments to employees	(6,072,023)	(510,509)	(4,181,990)
Net cash provided (used) by operating activities	<u>10,777,781</u>	<u>3,373,426</u>	<u>2,010,514</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfer from other funds	7,680	-	225,797
Transfer to other funds	(16,022)	(224,726)	(250,638)
Interfund loans provided	-	-	-
Interfund loans received (paid)	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(8,342)</u>	<u>(224,726)</u>	<u>(24,841)</u>
<b>Cash flows from capital and related financing activities:</b>			
Receipts from grantors	5,193	3,389	46,015
Capital contributions	3,504,996	-	-
Acquisition and construction of capital assets	(6,957,039)	(3,521,526)	(609,887)
Principal payments on capital debt	(4,293,938)	-	(215,717)
Interest paid on capital debt	(881,912)	-	(158,138)
Net cash provided (used) by capital and related financing activities	<u>(8,622,700)</u>	<u>(3,518,137)</u>	<u>(937,727)</u>
<b>Cash flows from investing activities:</b>			
Interest received on investments	771,069	56,273	376,008
Net cash provided (used) by investing activities	<u>771,069</u>	<u>56,273</u>	<u>376,008</u>
Net increase (decrease) in cash and cash equivalents	<u>2,917,808</u>	<u>(313,164)</u>	<u>1,423,954</u>
Cash and cash equivalents at beginning of year	42,915,429	3,162,691	21,026,180
Cash and cash equivalents at end of year	<u>\$ 45,833,237</u>	<u>\$ 2,849,527</u>	<u>\$ 22,450,134</u>
<b>Classified as:</b>			
Cash, cash equivalents, and investments	\$ 44,018,846	\$ 2,849,527	\$ 10,256,722
Restricted cash and cash equivalents	1,814,391	-	12,193,412
Totals	<u>\$ 45,833,237</u>	<u>\$ 2,849,527</u>	<u>\$ 22,450,134</u>

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

Business-type Activities - Enterprise Funds		Governmental Activities
Total Nonmajor Proprietary Fund	Total Business-type Funds	Internal Service Fund
\$ 4,168,028	\$ 49,762,544	\$ 8,311,076
-	569,157	-
395,890	395,890	-
(6,844,510)	(22,069,050)	(8,772,329)
(391,836)	(447,387)	-
(302,576)	(4,259,915)	-
(2,840,370)	(13,604,892)	-
<u>(5,815,374)</u>	<u>10,346,347</u>	<u>(461,253)</u>
197,000	430,477	-
-	(491,386)	-
(8,959)	(8,959)	-
1,949,745	1,949,745	-
<u>2,137,786</u>	<u>1,879,877</u>	<u>-</u>
4,527,506	4,582,103	-
710,946	4,215,942	-
(1,304,943)	(12,393,395)	-
(173,556)	(4,683,211)	-
(58,180)	(1,098,230)	-
<u>3,701,773</u>	<u>(9,376,791)</u>	<u>-</u>
10,119	1,213,469	60,781
<u>10,119</u>	<u>1,213,469</u>	<u>60,781</u>
34,304	4,062,902	(400,472)
1,751,504	68,855,804	4,721,640
<u>\$ 1,785,808</u>	<u>\$ 72,918,706</u>	<u>\$ 4,321,168</u>
\$ 1,645,795	\$ 58,770,890	\$ 4,321,168
140,013	14,147,816	-
<u>\$ 1,785,808</u>	<u>\$ 72,918,706</u>	<u>\$ 4,321,168</u>

(continued)

**City of Flagstaff, Arizona**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2020**

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 1,534,159	\$ 2,932,559	\$ 375,985
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	9,024,668	579,159	887,965
Landfill closure and post closure costs	-	-	472,625
Other receipts	-	-	-
(Increase) decrease in assets:			
Accounts receivable	(211,491)	(166,306)	158,772
Allowance for doubtful accounts	(3,000)	3,000	(11,000)
Prepaid items	-	-	-
(Increase) decrease in deferred outflows	295,817	23,649	236,130
Increase (decrease) in liabilities:			
Accounts payable	183,381	(4,202)	(28,388)
Accrued payroll, compensated absences	120,745	25,834	34,068
OPEB	(132,324)	(12,760)	(99,715)
Pension expense (contribution)	(276,281)	(23,511)	(145,158)
Deposits payable	113,517	-	11,613
Advanced revenue	(37,825)	-	(7,837)
Increase (decrease) in deferred inflows	166,415	16,004	125,454
Total adjustments	9,243,622	440,867	1,634,529
Net cash provided (used) by operating activities	\$ 10,777,781	\$ 3,373,426	\$ 2,010,514
Noncash investing, capital and financing activities:			
Capital assets acquired through contributions from developers	\$ 1,354,098	\$ 34,831	\$ -
Amortization of premium	-	-	1,024
Amortization of deferred amount on refunding	38,189	-	-
Loss on disposal of capital assets	(132,301)	(4,936)	(4,937)
Capital assets transferred from other funds	1,707,302	555,246	-
Total noncash investing, capital and financing activities	\$ 2,967,288	\$ 585,141	\$ (3,913)

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

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental</u>
<u>Total</u>	<u>Total</u>	<u>Activities</u>
<u>Nonmajor</u>	<u>Business-type</u>	<u>Internal</u>
<u>Proprietary Funds</u>	<u>Funds</u>	<u>Service Fund</u>
\$ (9,325,372)	\$ (4,482,669)	\$ 286,354
2,868,691	13,360,483	-
-	472,625	-
395,890	395,890	-
138,666	(80,359)	(24,217)
(2,000)	(13,000)	-
(23,456)	(23,456)	-
75,898	631,494	-
(97,248)	53,543	(721,082)
(17,333)	163,314	-
(57,184)	(301,983)	-
(31,842)	(476,792)	-
1,570	126,700	-
167,219	121,557	(2,308)
91,127	399,000	-
<u>3,509,998</u>	<u>14,829,016</u>	<u>(747,607)</u>
<u>\$ (5,815,374)</u>	<u>\$ 10,346,347</u>	<u>\$ (461,253)</u>
\$ -	\$ 1,388,929	\$ -
-	1,024	-
-	38,189	-
-	(142,174)	-
-	2,262,548	-
<u>\$ -</u>	<u>\$ 3,548,516</u>	<u>\$ -</u>

(concluded)

**City of Flagstaff, Arizona**  
**Notes to the Financial Statements**  
**June 30, 2020**

**I. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

The City of Flagstaff (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 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.

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 reports no blended or 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 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. Interfund services provided and used are not eliminated in the process of consolidation.

Interdepartmental services performed by one division for another are credited to the performing division and charged to the receiving division 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 three special revenue funds that are presented as a major fund in the basic financial statements. They are the:

- *AZ CARES Public Safety Fund* which accounts for the receipt and expenditures of the City's allocation of the AZ CARES public safety funding. Resources allocated to this fund passed through from the State from the federal government and must be used for public safety related to the COVID-19 pandemic.
- *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 4<sup>th</sup> 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 4<sup>th</sup> Street overpass. In fiscal year 2015-2016, voters approved an additional transportation tax for road repair and street safety which is valid through 2035. In fiscal year 2016-2017, voters approved an extension of the transit tax to 2030. In fiscal year 2018-2019, voters approved an additional tax for the Lone Tree Overpass and extended the roadway, pedestrian, bicycle and safety improvements tax to 2040.

Capital Project 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, none of which are presented as major funds.

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 operations 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, three 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.
- *Stormwater Fund* accounts for the construction, operations and maintenance activities of the City stormwater system.
- *Environmental Services Fund* accounts for the operations of City refuse, management of the City landfill, recycling collection services and the management of sustainability programs.

Internal Service Fund accounts for the operations that provide services to other divisions 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 divisions 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 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 funds 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 division within individual funds. Division 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 sections 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, perpetual care fund and AZ CARES public safety 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 or as required supplementary information. The City has chosen to present these statements in the basic 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 III.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.

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.

### **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 acquisition 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.

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

### **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 and Other Postemployment Benefits**

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension and OPEB 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.

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.

### **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.

### **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.

### **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.

### **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.

### **Fund Balance**

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 such as inventories and the 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. Unassigned amounts are only reported in the general fund or as a negative amount in all other funds.

Consideration is made that restricted amounts are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes when 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 20% is suggested in the general fund and a 10% fund balance is suggested for special revenue and enterprise funds.

Governmental fund balances as of June 30, 2020 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	\$ -	\$ -	\$ -	\$ -	\$ 312,463	\$ 312,463
Notes receivable	-	-	-	-	285,800	285,800
Inventory	252,089	-	-	-	66,389	318,478
Restricted for:						
Library branch services	-	-	-	-	845,467	845,467
Library programs externally directed	-	-	-	-	1,268,352	1,268,352
Court improvements and operations	353,426	-	-	-	-	353,426
Debt service	-	-	2,284,676	-	7,265,468	9,550,144
Street improvements	-	9,406,047	34,811,902	-	-	44,217,949
Transit	-	-	6,859,808	-	-	6,859,808
Public art	-	-	-	-	994,880	994,880
Parks operations	-	-	-	-	1,408,262	1,408,262
Economic development	-	-	-	-	588,079	588,079
Tourism	-	-	-	-	1,255,455	1,255,455
Perpetual care	-	-	-	-	40,340	40,340
Development fee projects	2,714,854	-	-	-	-	2,714,854
Other capital projects	41,379	-	2,785,739	8,225,944	8,250,833	19,303,895
Assigned to:						
Capital reserve	4,602,364	-	-	-	-	4,602,364
Real estate	334,305	-	-	-	-	334,305
Parking district	-	-	-	-	1,390,727	1,390,727
Library services	-	-	-	-	1,844,444	1,844,444
Unassigned:	44,386,623	-	-	(3,013,281)	-	41,373,342
Total fund balances	<u>\$ 52,685,040</u>	<u>\$ 9,406,047</u>	<u>\$ 46,742,125</u>	<u>\$ 5,212,663</u>	<u>\$ 25,816,959</u>	<u>\$ 139,862,834</u>

### Deficit Fund Balance / Net Position

A deficit unassigned fund balance of \$3,013,281 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. There is a deficit unrestricted net position of \$1,626,942 and \$946,146 for in the Airport and Housing Authority funds respectively due to their proportionate share of their allocated proportion of the City's net pension liability.

## II. 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, divisions 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 expenses, 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 February and April 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, divisions 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 divisions.

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 if 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. As of June 30, 2020 there are no divisions with an excess of expenditures over appropriations.

## **III. 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, 2020, the carrying amount of the City's deposits was \$56,873,675 and the bank balance was \$59,411,055. The \$2,537,280 difference represents deposits in transit, outstanding checks and other reconciling items at June 30, 2020. There is an additional \$11,578,833 reported as restricted cash as it is held with paying or fiscal agent on June 30, 2020 for debt service payments due on July 1, 2020.

#### **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, 2020.

#### **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, 2020, 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	\$ 22,242,052	3.742
U.S. treasuries	86,701,149	2.534
State investment pool	20,291,151	0.130
Corporate notes	5,671,472	1.805
Total fair value of investments	<u>\$ 134,905,824</u>	

### Credit Risk

City resolution and Arizona 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, 2020 is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>	<u>S&amp;P Rating</u>	<u>Percent of Investments</u>
Federal agency notes	\$ 22,242,052	AAA	AA+	16.49%
U.S. treasuries	86,701,149	AAA	AA+	64.27%
State investment pool	20,291,151	AAA	AAA f / S1+	15.04%
Corporate notes	5,671,472	AA1/	AA+ / A- /	
Total	<u>\$ 134,905,824</u>	A1 / A2 / A3	A / BBB+	<u>100.00%</u>

### 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, 2020, the City's cash and investments included the following:

Carrying amount of investments	\$ 134,905,824
Carrying amount of cash deposits	56,873,675
Cash on deposit with paying agent	11,578,833
Cash on hand	13,201
Total pooled cash and investments	<u>\$ 203,371,533</u>
Pooled cash, equivalents and investments - unrestricted	\$ 168,578,579
Restricted cash and investments	34,792,954
Total pooled cash and investments	<u>\$ 203,371,533</u>

Cash and cash equivalents at June 30, 2020 consisted of the following:

Investments included in cash and cash equivalents	\$ 115,019,109
Carrying amount of unrestricted city deposits	53,546,269
Cash on hand	13,201
Total cash, investments, and cash equivalents per statement of net position	<u>\$ 168,578,579</u>

Investment income comprises the following for the year ended June 30, 2020:

Net interest and dividends	\$ 3,001,578
Net increase (decrease) in the fair value of investments	3,573,674
Total net investment income per statement of activities	<u>\$ 6,575,252</u>

### Fair Value Measurement

The net increase in the fair value of investments during fiscal year 2019-2020 was \$3,573,674. 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, 2020 was \$3,744,611.

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, 2020, categorized within the fair value hierarchy detailed above were as follows:

Investments by fair value level: Investment Type	Fair Value Measurements			
	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
Federal agency notes	\$ 22,242,052	\$ -	\$ 22,242,052	\$ -
U.S. treasuries	86,701,149	3,446,018	83,255,131	-
Corporate notes	5,671,472	-	5,671,472	-
Total investments by fair value level	114,614,673	3,446,018	111,168,655	-
External investment pools measured at fair value				
State Treasurer's Investment Pool	20,291,151			
Total investments	<u>\$ 134,905,824</u>			

The State Treasurer’s Pool is an external investment pool, the Local Government Investment Pool (Pool 5), with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The State Board of Investment provides oversight for the State Treasurer’s investment pools.

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.

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 \$1,630 and the total recovery to date is \$121,928.

## B. Receivables

Receivables as of June 30, 2020, including allowances for uncollectible accounts, are as follows:

Fund	Accounts	Interest	Intergov- ernmental	Notes Receivable	Total Receivables
<b>Governmental Activities</b>					
General fund	\$ 8,286,730	\$ 90,521	\$ 722,162	\$ -	\$ 9,099,413
AZ CARES public safety fund	-	-	6,680,809	-	6,680,809
Highway user revenue fund	639,506	7,982	-	-	647,488
Transportation fund	5,409,747	106,176	859,297	-	6,375,220
Capital projects bond fund	-	1,208	1,000,000	-	1,001,208
Other governmental funds	1,715,230	51,327	300,832	285,800	2,353,189
Less: allowance for uncollectibles	(806,085)	-	-	-	(806,085)
Total government funds	15,245,128	257,214	9,563,100	285,800	25,351,242
Internal services funds	87,107	6,939	-	-	94,046
Total governmental activities	15,332,235	264,153	9,563,100	285,800	25,445,288
<b>Business-type Activities</b>					
Water and Wastewater	4,143,049	107,480	-	-	4,250,529
Stormwater	470,720	8,688	34,678	-	514,086
Environmental services	1,258,932	24,829	12,556	-	1,296,317
Other proprietary funds	113,999	1,770	2,344,502	-	2,460,271
Less: allowance for uncollectibles	(136,000)	-	-	-	(136,000)
Total business-type activities	5,850,700	142,767	2,391,736	-	8,385,203
Total activities	\$ 21,182,935	\$ 406,920	\$ 11,954,836	\$ 285,800	\$ 33,830,491

## C. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, as of June 30, 2020 is as follows:

	Balance July 1, 2019	Increase	Decrease	Transfers In (Out)	Balance June 30, 2020
<b>Governmental activities:</b>					
Non-depreciable assets:					
Land	\$ 67,085,800	\$ 864,986	\$ (105,096)	\$ -	\$ 67,845,690
Construction-in-progress	14,069,964	26,972,459	(6,455,315)	(2,262,548)	32,324,560
Total non-depreciable assets	<u>81,155,764</u>	<u>27,837,445</u>	<u>(6,560,411)</u>	<u>(2,262,548)</u>	<u>100,170,250</u>
Depreciable assets:					
Buildings	105,569,711	375,854	(102,471)	-	105,843,094
Improvements	23,645,653	1,766,753	(199,642)	-	25,212,764
Machinery and equipment	36,088,030	2,976,912	(1,375,986)	(21,659)	37,667,297
Infrastructure	337,566,867	11,171,378	-	132,301	348,870,546
Total depreciable assets	<u>502,870,261</u>	<u>16,290,897</u>	<u>(1,678,099)</u>	<u>110,642</u>	<u>517,593,701</u>
Accumulated depreciation:					
Buildings	(29,215,508)	(2,294,218)	91,606	-	(31,418,120)
Improvements	(18,541,396)	(1,083,853)	199,642	-	(19,425,607)
Machinery and equipment	(26,180,570)	(1,809,849)	1,370,821	31,532	(26,588,066)
Infrastructure	(181,527,690)	(9,559,151)	1,729	-	(191,085,112)
Total accumulated depreciation	<u>(255,465,164)</u>	<u>(14,747,071)</u>	<u>1,663,798</u>	<u>31,532</u>	<u>(268,516,905)</u>
Governmental activities capital assets, net	<u>\$ 328,560,861</u>	<u>\$ 29,381,271</u>	<u>\$ (6,574,712)</u>	<u>\$ (2,120,374)</u>	<u>\$ 349,247,046</u>
				Less: associated debt	(71,281,158)
				Less: unamortized premium	(6,579,973)
				Plus: unamortized discount	118,504
				Plus: deferred amount on refunding	170,671
				Less: construction retainage	(717,339)
				Less: capital accounts payable	(2,227,210)
				Plus: non-capital related debt, series 2013	1,242,608
				Plus: unspent capital related debt, series 2016	1,971,999
				Plus: non-capital related debt, series 2016	1,511,400
				Plus: unspent capital related debt, series 2020	2,308,886
				Net investment in capital assets	<u>\$ 275,765,434</u>

	Balance July 1, 2019	Increases	Decreases	Transfers In (Out)	Balance June 30, 2020
<b>Business-type activities:</b>					
Non-depreciable assets:					
Land	\$ 14,891,150	\$ 495,631	\$ -	\$ -	\$ 15,386,781
Construction-in-progress	23,329,063	8,202,378	(5,509,610)	(132,301)	25,889,530
Total non-depreciable assets	<u>38,220,213</u>	<u>8,698,009</u>	<u>(5,509,610)</u>	<u>(132,301)</u>	<u>41,276,311</u>
Depreciable assets:					
Buildings	106,924,822	66,990	-	-	106,991,812
Improvements	431,600,629	7,130,182	-	2,262,548	440,993,359
Machinery and equipment	50,946,826	3,473,556	(299,196)	21,659	54,142,845
Total depreciable assets	<u>589,472,277</u>	<u>10,670,728</u>	<u>(299,196)</u>	<u>2,284,207</u>	<u>602,128,016</u>
Accumulated depreciation:					
Buildings	(59,968,062)	(2,302,130)	-	-	(62,270,192)
Improvements	(172,776,311)	(8,840,388)	-	-	(181,616,699)
Machinery and equipment	(30,693,935)	(2,217,965)	299,197	(31,532)	(32,644,235)
Total accumulated depreciation	<u>(263,438,308)</u>	<u>(13,360,483)</u>	<u>299,197</u>	<u>(31,532)</u>	<u>(276,531,126)</u>
Business-type activities capital assets, net	<u>\$ 364,254,182</u>	<u>\$ 6,008,254</u>	<u>\$ (5,509,609)</u>	<u>\$ 2,120,374</u>	366,873,201
				Less: associated debt	(39,068,093)
				Less: construction retainage	(147,442)
				Less: capital accounts payable	(1,335,732)
				Less: bond premium	(17,185)
				Plus: bond discount	56,287
				Net investment in capital assets	<u>\$ 326,361,036</u>

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

<b>Governmental Activities:</b>	
General government	\$ 530,012
Public safety	1,486,354
Public works	581,827
Economic and physical development	348,181
Culture and recreation	2,171,651
Highway and streets	9,629,046
Total depreciation expense - governmental activities	<u>\$ 14,747,071</u>

## D. Interfund Receivables, Payables, and Transfers

### Interfund Receivables and Payables

Net interfund receivables and payables between governmental activities and business-type activities of \$2,562,418 are included in the government-wide financial statements at June 30, 2020. The interfund balances at June 30, 2020 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, 2020 are expected to be repaid within one year.

The following interfund receivables and payables are included in the fund financial statements at June 30, 2020:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Governmental Activities:</b>		
General fund	\$ 10,970,745	\$ 8,959
AZ CARES Public Safety fund	-	6,681,000
Capital projects	-	2,222,000
Nonmajor governmental funds	-	118,000
Total governmental activities	<u>10,970,745</u>	<u>9,029,959</u>
<b>Business-type Activities:</b>		
Nonmajor proprietary funds	<u>8,959</u>	<u>1,949,745</u>
Total business-type activities	<u>8,959</u>	<u>1,949,745</u>
Total governmental and business-type activities	<u>\$ 10,979,704</u>	<u>\$ 10,979,704</u>
Less: fund eliminations	(9,038,918)	
Adjustment for internal service fund elimination	<u>621,632</u>	
Total government-wide statement of net position	<u>\$ 2,562,418</u>	

### Transfers

The net transfers of (\$2,059,465) from governmental activities to business-type activities on the government-wide statement of activities are primarily capital assets and other operational. The transfer of \$325,000 from the general fund to the capital projects bond fund was for construction of the Courthouse, there were no other significant transfers during fiscal year 2019-2020 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, 2020:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
<b>Governmental Activities:</b>		
General fund	\$ 2,426,040	\$ 3,702,539
Highway user revenue fund	13,000	8,320,038
Transportation fund	8,239,492	-
Capital projects bond construction	-	325,000
Nonmajor governmental funds	10,665,434	9,057,298
Total governmental activities	<u>21,343,966</u>	<u>21,404,875</u>
<b>Business-type Activities:</b>		
Water and wastewater fund	16,022	7,680
Stormwater fund	224,726	-
Environmental services fund	250,638	225,797
Nonmajor business-type funds	-	197,000
Total business-type activities	<u>491,386</u>	<u>430,477</u>
Total governmental and business-type activities	<u>\$ 21,835,352</u>	<u>\$ 21,835,352</u>
Less: fund eliminations	(21,774,443)	
Less: net capital assets transfer	<u>(2,120,374)</u>	
Total government-wide statement of activities	<u>\$ (2,059,465)</u>	

The business-type activities transferred \$142,174 of capital assets to governmental activities and the governmental activities transferred \$2,262,548 to business-type activities for a consolidated net total of \$2,120,374 in capital assets to the government wide financials. The BBB fund transferred \$3,422,879 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 \$8,102,992 to the highway user revenue fund for the transportation fund's portion of capital projects and debt service expenditures. The general fund transferred \$1,596,313 to the library fund for the City's share of expenditures for the libraries within the City limits. The general obligation bond fund received a \$7,014,985 transfer from the secondary property tax revenue fund for payment of debt service.

## E. Leases

### Operating Lease Expenditures

The City leases library space under non-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 had an automatic renewal for an additional two years, terminating on June 30, 2019. On January 16, 2020 the agreement was renewed until June 20, 2024. If neither party sent a written notice of intent to terminate to the other party at least 180 days prior to the expiration of the initial term. At this time, the operating lease expenditures are \$100,163 for FY 2019-2020, increasing by 7.5% for two years, then increasing by another 2.5% for two years.

Operating Lease Expenditures	
Year Ending June 30	East Flagstaff Library
2020	\$ 100,163
2021	107,676
2022	115,752
2023	118,646
2024	121,612
Total	<u>\$ 563,849</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, 2020 were \$200,306 (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 2019-2020 was \$1,474,631. 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 USGS lease extension for Building 3 to December 31, 2021 was approved by City Council. 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, and has been extended to December 31, 2021 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 City Council for the 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 has been paid off in full, resulting in a decrease in lease payments from the USGS to the City of Flagstaff.

USGS Operating Lease Revenues:

Year Ending June 30	Non-Cancellable USGS Building 3	Non-Cancellable USGS Building 6
2020	\$ 334,675	\$ 294,751
2021	334,002	293,700
2022	167,001	293,700
2023	-	293,700
2024	-	293,700
2025	-	293,700
2026	-	293,700
2027	-	24,474
	\$ 835,678	\$ 2,081,425

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 2019-2020 was \$1,495,067.

## 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.

General obligation debt outstanding at June 30, 2020:

Purpose	Amount
Governmental activities	\$ 40,587,697
Governmental activities - advance refunding	4,305,000
Business-type activities	1,091,795
Total general obligation debt outstanding	\$ 45,984,492

General obligation debt at June 30, 2020 consist of the following individual issues:

Governmental activities:

\$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 2.4%. Construction related to public safety communication system. \$ 882,697

\$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. 1,465,000

\$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 4.000%. Construction related to forest initiative, streets and utility improvements and open space/Flagstaff Urban Trail System. 7,460,000

\$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. 5,345,000

\$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 3.0% to 5.0%. Construction related to recreation facilities, fire facilities and equipment and open space acquisition. 4,305,000

\$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 3.0% to 4.0%. Construction related to open space acquisition, core services maintenance facilities, and forest health and water supply protection project. 14,345,000

\$11,090,000 Capital projects, series 2020 due in annual installments of \$585,000 to \$4,175,000 through July 1, 2028; interest rate at 4.0% to 5.0%. Construction related to courthouse building and public safety communication systems. 11,090,000

Total governmental activities 44,892,697

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. 1,091,795

Total business-type activities 1,091,795

Total General Obligation Debt \$ 45,984,492

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
2021	\$ 5,606,115	\$ 1,674,054	\$ 76,477	\$ 31,515
2022	5,561,581	1,505,109	78,851	29,068
2023	5,875,000	1,251,675	81,298	26,544
2024	4,270,000	1,013,900	83,822	23,943
2025	2,435,000	867,375	86,423	21,260
2026-2030	11,930,000	2,884,976	474,061	63,056
2031-2035	6,990,000	1,166,200	210,863	3,322
2036-2037	2,225,001	89,899	-	-
	<u>\$ 44,892,697</u>	<u>\$ 10,453,188</u>	<u>\$ 1,091,795</u>	<u>\$ 198,708</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, 2020 was \$185,153,018 and \$55,545,905 for the 20 percent and 6 percent debt limits, respectively. Also, see Schedule 16 in the Statistical Section for related information.

**Revenue Bonds**

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.

In fiscal year 2004-2005, 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.

On July 20, 2016 the City issued \$8,930,000 in pledged revenue obligations, Series 2016 and on June 21, 2018 the City issued \$9,700,000 in pledged revenue obligations, Series 2018, 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.

On August 29, 2017 the City issued \$17,129,000 in direct placement utility revenue refunding obligations, Series 2017, for water and wastewater improvements. The City has pledged net revenues of the utility system for payment of all amounts due, and the repayment of these amounts are secured by a lien on and pledge of net revenues for the water and wastewater fund. Outstanding utility revenue refunding obligations are \$15,165,000 on June 30, 2020.

On June 20, 2019 the City issued \$9,585,000 in direct placement utility system revenue obligations, Series 2019, for water and wastewater improvements. The City has pledged net revenues of the utility system for payment of all amounts due, and the repayment of these amounts are secured by a lien on and pledge of net revenues for the water and wastewater fund. Outstanding utility revenue refunding obligations are \$9,585,000 on June 30, 2020.

The City's outstanding revenue refunding bonds and revenue bonds related to business-type activities contain a provision that whenever a purchase event of default shall have occurred and be continuing, the seller shall, but only if requested by the trustee, have the right to take any action permitted or required pursuant to this agreement and to take whatever other action at law or in equity as may appear necessary or desirable to collect the amounts then due and thereafter to become due on their scheduled payment dates or to enforce the performance and observance of any duty, covenant, obligation or agreement of the City hereunder, including, without limitation, appointment of a receiver of the system, however, under no circumstances may amounts due hereunder be accelerated.

Revenue bonds outstanding at June 30, 2020:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 19,015,000
Governmental activities - partial advance refunding	2,165,000
Business-type activities	9,585,000
Business-type activities - advance refunding	15,165,000
Total revenue bonds outstanding	<u>\$ 45,930,000</u>

Revenue bonds at June 30, 2020 consist of the following individual issues:

Governmental activities:

\$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.	\$ 2,140,000
\$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.	2,165,000
\$8,930,000 Road Repair Street Safety pledged 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.	7,535,000
\$9,700,000 Road Repair Street Safety pledged revenue bonds, series 2018 due in annual installments of \$360,000 to \$1,450,000 through July 1, 2034; interest at 2.0% to 4.25%. Repair of existing streets and roadways.	9,340,000
Total governmental activities	<u>21,180,000</u>

Business-type activities:

\$17,129,000 Utility revenue refunding obligations, series 2017 due in annual installments of \$957,000 to \$2,364,000 through July 1, 2027; interest at 1.99%. Water and wastewater improvements.	15,165,000
\$9,585,000 Utility revenue obligations, series 2019 due in annual installments of \$355,000 to \$835,000 through July 1, 2034; interest at 2.41%. Water and wastewater improvements.	9,585,000
Total business-type activities	<u>24,750,000</u>
Total Revenue Bonds	<u>\$ 45,930,000</u>

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Direct Placement	
	Principal	Interest	Principal	Interest
2021	\$ 3,175,000	\$ 763,814	\$ 1,548,000	\$ 516,172
2022	1,050,000	685,493	2,982,000	468,494
2023	1,085,000	647,476	2,879,000	407,699
2024	1,125,000	602,843	2,652,000	350,073
2025	1,170,000	556,494	2,325,000	298,294
2026-2030	6,610,000	2,014,736	8,429,000	827,450
2031-2035	6,965,000	654,370	3,935,000	243,110
Total	<u>\$ 21,180,000</u>	<u>\$ 5,925,226</u>	<u>\$ 24,750,000</u>	<u>\$ 3,111,292</u>

## Other Debt

### Certificates of Participation

On February 5, 2020 the City issued \$3,845,000 in capital lease certificates of participation, Series 2020 for the Courthouse Facility. 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.

On June 21, 2018 the City issued \$3,880,000 in capital lease certificates of participation, Series 2018 for the Core Services Facility. 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 Solid Waste.

Certificates of participation bonds outstanding at June 30, 2020:

Purpose	Amount
Governmental activities	\$ 3,845,000
Business-type activities	3,795,000
Total certificates of participation outstanding	\$ 7,640,000

Certificates of participation at June 30, 2020 consist of the following individual issues:

#### Governmental activities:

\$3,845,000 Certificates of participation, series 2020 due in annual installments of \$100,000 to \$220,000, through July 1, 2045; interest at 3.0% to 5.0%. Construction of courthouse building.	\$ 3,845,000
Total governmental activities	3,845,000

#### Business-type activities:

\$3,880,000 Certificates of participation, series 2018 due in annual installments of \$85,000 to \$240,000 through July 1, 2043; interest at 3.0% to 3.125%. Core Services facility.	3,795,000
Total business-type activities	3,795,000
Total Certificates of Participation	\$ 7,640,000

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 100,000	\$ 120,578	\$ 90,000	\$ 124,844
2022	105,000	118,875	95,000	122,068
2023	105,000	115,725	95,000	119,219
2024	110,000	112,500	100,000	116,294
2025	115,000	109,125	105,000	113,219
2026-2030	625,000	486,375	590,000	516,819
2031-2035	765,000	348,275	825,000	406,647
2036-2040	885,000	223,575	980,000	254,759
2041-2045	1,035,000	79,575	915,000	67,878
Total	\$ 3,845,000	\$ 1,714,603	\$ 3,795,000	\$ 1,841,747

The following is a summary of debt service requirements, including interest requirements, to maturity for long-term debt at June 30, 2020:

Fiscal Year	General Obligation Debt	Revenue Bonds	Certificates of Participation	Total
2020-2021	\$ 7,388,161	\$ 6,002,986	\$ 435,422	\$ 13,826,569
2021-2022	7,174,609	5,185,987	440,943	12,801,539
2022-2023	7,234,517	5,019,175	434,944	12,688,636
2023-2024	5,391,665	4,729,916	438,794	10,560,375
2024-2025	3,410,058	4,349,788	442,344	8,202,190
2025-2026	3,399,075	4,341,422	435,743	8,176,240
2026-2027	3,396,528	4,349,676	438,994	8,185,198
2027-2028	3,392,251	4,102,172	437,019	7,931,442
2028-2029	3,423,598	2,544,938	438,519	6,407,055
2029-2030	1,740,641	2,542,978	467,919	4,751,538
2030-2031	1,739,943	2,543,339	466,469	4,749,751
2031-2032	1,737,242	2,311,364	470,894	4,519,500
2032-2033	1,630,500	2,307,436	471,137	4,409,073
2033-2034	1,633,500	2,316,713	470,969	4,421,182
2034-2035	1,629,200	2,318,628	465,453	4,413,281
2035-2036	1,157,200	-	469,503	1,626,703
2036-2037	1,157,700	-	468,031	1,625,731
2037-2038	-	-	466,119	466,119
2038-2039	-	-	468,806	468,806
2039-2040	-	-	470,875	470,875
2040-2041	-	-	467,397	467,397
2041-2042	-	-	468,497	468,497
2042-2043	-	-	469,084	469,084
2043-2044	-	-	469,175	469,175
2043-2044	-	-	223,300	223,300
Less interest	(10,651,896)	(9,036,518)	(3,556,350)	(23,244,764)
	<u>\$ 45,984,492</u>	<u>\$ 45,930,000</u>	<u>\$ 7,640,000</u>	<u>\$ 99,554,492</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, 2020, \$2.8 million remains unissued for capital projects and \$.6 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, 2020, all related debt has been issued. On November 6, 2012, voters approved \$24.0 million for a Core Service Maintenance Facility and Forest Health and Watershed Protection. As of June 30, 2020, all related debt has been issued. On November 8, 2016, voters approved \$12.0 million for a Courthouse Facility. As of June 30, 2020, all related debt has been issued.

### 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.

Loans outstanding as of June 30, 2020:

Purpose	Amount
Business-type activities	\$ 6,884,090
	\$ 6,884,090

Loan payables at June 30, 2020 consist of the following individual financing options:

Business-type activities:

Water and wastewater:

\$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.	\$ 4,608,777
\$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.	1,209,666
\$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.	132,782
\$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.	302,080
\$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.	630,785
Total water and wastewater	6,884,090
Total Loans Payable	\$ 6,884,090

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2021	\$ 638,964	\$ 217,586
2022	661,335	194,415
2023	684,507	170,417
2024	708,505	145,561
2025	733,361	119,816
2026-2030	3,457,418	202,883
Total	\$ 6,884,090	\$ 1,050,678

### Obligations under Capital Leases

Capital lease agreements related to governmental activities consist of renewable energy solar equipment of \$631,866 (net of accumulated depreciation), copy machine of \$54,621 (net of accumulated depreciation), and parking meter assets of \$676,974 (net of accumulated depreciation). Capital lease agreements related to business-type activities consist of airport hangars of \$910,954 (net of accumulated depreciation), compactor \$430,239 (net of accumulated depreciation) and renewable energy solar equipment of \$1,206,013 (net of accumulated depreciation).

These lease agreements generally require annual payments and the lease terms vary from five 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.

Year Ending June 30	Governmental Activities	Business-type Activities
2021	\$ 232,592	\$ 559,093
2022	230,773	560,363
2023	204,122	557,555
2024	204,839	403,164
2025	201,643	281,195
2026-2029	440,840	512,085
Total future minimum lease payments	1,514,809	2,873,455
Less: interest costs	(151,348)	(326,249)
Present value of future minimum lease payments	<u>\$ 1,363,461</u>	<u>\$ 2,547,206</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, 2020, \$23,140,885 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, 2020, net revenue available for service of this debt was \$11,294,409. The debt principal and interest paid in fiscal year 2019-2020 equal \$4,706,726 (41.67% 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, 2020, \$2,165,000 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2020, net revenues available for service of the debt were \$39,661,897. The debt principal and interest paid in fiscal year 2019-2020 was \$2,216,725 (5.59% 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, 2020, \$2,140,000 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2020, net revenues available for the service of this debt were \$14,749,282. The debt principal and interest paid in fiscal year 2019-2020 was \$247,688 (1.68% 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 2016 and \$9,700,000 issued in 2018. The bonds were issued to construct street improvements and the ongoing preservation of street conditions inside the City limits. The bonds have a senior lien on the 0.33% excise tax revenues. At June 30, 2020, \$16,875,000 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2020, net revenues available for service of the debt were \$5,520,998. The debt interest paid in fiscal year 2019-2020 was \$1,486,663 (26.93% 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, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 39,413,590	\$ 11,090,000	\$ (5,610,893)	\$ 44,892,697	\$ 5,606,115
Revenue bonds	24,250,000	-	(3,070,000)	21,180,000	3,175,000
Certificates of participation	575,000	3,845,000	(575,000)	3,845,000	100,000
Total bonds payable	64,238,590	14,935,000	(9,255,893)	69,917,697	8,881,115
Capital leases	1,594,034	-	(230,573)	1,363,461	194,427
Bond premium	5,659,097	1,628,687	(707,811)	6,579,973	733,286
Bond discount	(118,504)	-	-	(118,504)	(2,411)
Compensated absences	4,240,407	2,241,313	(1,810,082)	4,671,638	2,036,451
Other postemployment benefits	7,780,823	3,389,554	(4,662,846)	6,507,531	-
Net pension liability	141,042,733	35,763,775	(32,076,501)	144,730,007	-
Claims and judgements	216,089	301,491	(273,189)	244,391	2,493
Governmental activities long-term liability	\$ 224,653,269	\$ 58,259,820	\$ (49,016,895)	\$ 233,896,194	\$ 11,845,361
<b>Business-type activities:</b>					
Bonds payable:					
General obligation debt	\$ 1,165,969	\$ -	\$ (74,174)	\$ 1,091,795	\$ 76,477
Revenue bonds - direct placement	25,707,000	-	(957,000)	24,750,000	1,548,000
Certificates of participation	3,880,000	-	(85,000)	3,795,000	90,000
Total bonds payable	30,752,969	-	(1,116,174)	29,636,795	1,714,477
Water loan payable	7,501,454	-	(617,362)	6,884,092	638,964
Wastewater loan payable	2,515,969	-	(2,515,969)	-	-
Capital lease payable	2,980,912	-	(433,706)	2,547,206	455,351
Total loan and leases payable	12,998,335	-	(3,567,037)	9,431,298	1,094,315
Bond premium	18,209	-	(1,024)	17,185	1,779
Bond discount	(56,287)	-	-	(56,287)	-
Compensated absences	701,522	469,525	(327,609)	843,438	399,054
Other postemployment benefits	1,844,332	803,880	(1,105,863)	1,542,349	-
Net pension liability	15,585,512	3,942,229	(4,419,021)	15,108,720	-
Landfill closure/postclosure	14,948,378	472,625	-	15,421,003	-
Business-type activities long-term liability	\$ 76,792,970	\$ 5,688,259	\$ (10,536,728)	\$ 71,944,501	\$ 3,209,625

## IV. 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, 2020 have potential exposure to the City of approximately \$244,391 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>
2018-2019	\$ 258,690	\$ 135,593	\$ 178,194	\$ 216,089
2019-2020	216,089	301,491	273,189	244,391

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.

The following table presents the City's construction commitments and encumbrances as of June 30, 2020:

Capital Project Program Classification	Spent to Date	Remaining Commitment
Buildings	\$ 13,745,210	\$ 5,575,301
Streets	7,443,365	7,649,683
Water	2,477,512	3,039,547
Wastewater	1,177,632	396,163
Stormwater	2,529,312	1,033,454
Other land improvements	314,691	1,360,495
Total Construction Commitments	\$ 27,687,722	\$ 19,054,643

Outstanding Encumbrances at June 30, 2020:

Governmental Activities:	
General fund	\$ 1,058,652
HURF fund	822,319
Capital projects bond fund	1,020,581
Nonmajor government funds	447,816
Total governmental activities	3,349,368
Business-type Activities:	
Water and wastewater fund	204,097
Stormwater fund	69,990
Environmental services fund	578,663
Airport fund	775,072
Total business-type activities	1,627,822
Total governmental and business-type activities	\$ 4,977,190

### C. Retirement, Pension and OPEB 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)* administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans 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. Employees who were PSPRS members before July 1, 2017, participate in the agent plans, and those who became PSPRS members on or after July 1, 2017, may participate in the Public Safety Personnel Defined Contribution Retirement Plan (PSPDCRP) or participate in the cost-sharing plans (PSPRS Tier 3 Risk Pool) which are not further disclosed because of their relative insignificance to the County's financial statements.

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](http://www.azasrs.gov)

PSPRS and EORP

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

At June 30, 2020, the City reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

Statement of Net Position and Statement of Activities as of June 30, 2020:

	Governmental Activities	Business-type Activities	Total
Net OPEB asset	\$ (1,320,973)	\$ -	\$ (1,320,973)
Net OPEB liabilities	6,507,531	1,542,349	8,049,880
Net pension liabilities	144,730,007	15,108,720	159,838,727
Deferred outflows of resources	29,233,167	2,470,483	31,703,650
Deferred inflows of resources	(8,529,543)	(2,445,888)	(10,975,431)
Pension /OPEB expense	17,708,388	1,600,969	19,309,357

The City reported accrued employee benefits of \$2,297 for governmental activities and \$4,662 for business-type activities as related to outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2020.

Several of the OPEB plans related to ASRS and PSPRS did not have significant financial impact and therefore were not reported.

## 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 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 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, 2020, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.11% (11.94% retirement and 0.17% long-term disability) of the members' annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 12.11% (11.45% retirement, 0.49% for health insurance premium, and 0.17% 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 10.41% (10.29% for retirement, 0.05% for health and 0.07% 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 the ASRS pension plan for the year ended June 30, 2020 was \$3,795,108 inclusive of Housing Authority.

During fiscal year 2019-2020, the City paid for ASRS pension contributions 74% from governmental funds and 26% from enterprise funds.

### Pension Liability

At June 30, 2020, the City reported a liability of \$44,383,959 for its proportionate share of the ASRS net pension liability. The net pension liability was measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019.

The City's reported liability at June 30, 2020 decreased by \$2,101,056 from the City's prior year liability of \$46,485,015 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 City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2019. The City's proportion measured as June 30, 2019, was .3050%, which was a decrease of .0283% from its proportion measured as of June 30, 2018, 0.3333%.

### Pension Expense and Deferred Outflows - Inflows of Resources

For the year ended June 30, 2020, the City recognized pension expense of \$4,299,348. At June 30, 2020, 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
Differences between expected and actual	\$ 801,808	\$ (8,345)
Changes of assumptions	187,612	(1,767,456)
Net difference between projected and actual earnings on pension plan investments	-	(997,598)
Changes in proportion and differences between City contributions and proportionate share of contributions	1,091,581	(2,754,702)
City contributions subsequent to the measurement date	3,795,108	-
Total	<u>\$ 5,876,109</u>	<u>\$ (5,528,101)</u>

The \$3,795,108 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 liability in the year ending June 30, 2021. 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,	
2021	\$ (1,035,492)
2022	(2,487,211)
2023	(191,581)
2024	267,184
	<u>\$ (3,447,100)</u>

### Actuarial Assumptions

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

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2% for pensions
Inflation factor	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP

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

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

Asset Class	Target Allocation	Geometric Real Rates of Return
Interest Rate Sensitive Bonds	10%	1.62%
Real Estate	20%	5.85%
Credit	20%	5.36%
Equity	50%	6.09%
Total	100%	

**Discount Rate**

The discount rate used to measure the ASRS total pension was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined 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 7.5 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:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 63,168,654	\$ 44,383,959	\$ 28,684,788

**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 based on age, average monthly compensation and service credit, which can be found on the following page:

PSPRS		On or after January 1, 2012 and before July 1, 2017
Initial Membership Date:	Before January 1, 2012	
Years of service and age required to receive benefit	20 years of service, any age  15 years of service, age 62	25 years of service or 15 years of credited service, age 52.5
Final average salary is based on	Highest 36 consecutive months of last 20 years	Highest 60 consecutive months of last 20 years
<b>Benefit percent</b>		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability	50% or normal retirement, whichever is greater	
Catastrophic disability	90% for the first 60 months then reduced to either 62.5% or normal retirement, whichever is	
Ordinary disability	Normal retirement calculated with actual years of credited service or 20 years of credited service, whichever is greater, multiplied by years of credited service (not to exceed 20 years) divided by 20	
<b>Survivor benefit</b>		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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

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

### Employees Covered by Benefit Terms

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

	PSPRS	
	Police	Fire
Inactive employees or beneficiaries currently receiving benefits	79	92
Inactive employees entitled to but not yet receiving benefits	39	18
Active employees	76	69
Total	194	179

## 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).

Contribution rates for the year ended June 30, 2020, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member - Pension	City - Pension	City - Health Insurance Premium Benefit
PSPRS Police	7.65% to 11.65%	47.81%	0.28%
PSPRS Fire	7.65% to 11.65%	83.03%	0.00%

In addition, the City was required by statute to contribute at the actuarially determined rate of 36.16 percent for the PSPRS Police and 69.05 percent for PSPRS Fire 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.

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

	Active member - Pension	City - Pension
PSPRS Police	\$ 507,448	\$ 6,331,039
PSPRS Fire	434,630	6,910,825

During fiscal year 2019-2020, the City paid for PSPRS pension and OPEB contributions for police with 100% general fund dollars and 93.4% from the general fund plus 6.6% from the airport fund as related to fire contributions.

## Net Pension/OPEB (Asset) Liability

At June 30, 2020, the City reported net pension liability of \$53,300,945 and \$60,746,530 for police and fire respectively and a net asset for fire in the amount of \$1,320,973 related to OPEB. The net asset and net liabilities were measured as of June 30, 2019, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

## Actuarial Assumptions

The total liabilities as of June 30, 2020 reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

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

	PSPRS		
	Police	Fire	OPEB Fire
Amortization method	Level percent-of-pay closed	Level percent-of-pay closed	Level percent-of-pay closed
Remaining amortization period-UAL	20 years	20 years	20 years
Remaining amortization period-excess	20 years	20 years	20 years
Asset valuation method	7-year smoothed market; 20% corridor	7-year smoothed market; 20% corridor	7-year smoothed market; 20% corridor
Actuarial assumptions			
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Investment rate of return	7.30%	7.30%	7.30%
Payroll growth	3.50%	3.50%	NA
Inflation	2.50%	2.50%	NA
Cost of living adjustments	1.75%	1.75%	NA
Mortality rates	PubS-2010 tables using Mp-2018 improvement scale with adjustments to match current experience		
Health Care Trend rate	NA	NA	NA

The long-term expected rate of return on PSPRS plan investments was determined to be 7.30 percent using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset Class	Target Allocation	Long-Term Expected Real Geometric Rate of Return
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
Real estate	10%	4.50%
GTS	12%	4.01%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
Private credit	16%	5.36%
U.S. equity	16%	4.75%
Total	100%	

### Pension Discount Rates

At June 30, 2019, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.30 percent, which was a decrease of 0.1 percent as the discount rate used as of June 30, 2018. 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 plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability/OPEB asset.

## Changes in the Net Pension/OPEB (Asset) Liability

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)
<b>PSPRS - Police</b>			
Balances at June 30, 2019, as restated	\$ 79,472,686	\$ 29,840,016	\$ 49,632,670
Changes for the year:			
Service cost	1,314,269	-	1,314,269
Interest on the total pension liability	5,830,298	-	5,830,298
Differences between expected and actual experience in the measurement of the total pension liability	590,373	-	590,373
Contributions- employer	-	3,441,524	(3,441,524)
Contributions- employee	-	550,585	(550,585)
Changes of Assumptions	1,650,864	-	1,650,864
Benefit payments, including refunds of employee contributions	(3,998,301)	(3,998,301)	-
Net investment income	-	1,756,930	(1,756,930)
Administrative expense	-	(31,510)	31,510
Net changes	5,387,503	1,719,228	3,668,275
Balances at June 30, 2020	\$ 84,860,189	\$ 31,559,244	\$ 53,300,945

	Increase (Decrease)					
	Total	Plan	Net	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (a) - (b)	OPEB Liability (a)	Fiduciary Net Position (b)	OPEB Asset (a) - (b)
<b>PSPRS - Fire</b>						
Balances at June 30, 2019, as restated	\$ 90,720,113	\$ 31,255,156	\$ 59,464,957	\$ 1,629,310	\$ 2,763,411	\$ (1,134,101)
Changes for the year:						
Service cost	1,229,846	-	1,229,846	16,484	-	16,484
Interest on the total pension liability	6,594,132	-	6,594,132	118,278	-	118,278
Differences between expected and actual experience in the measurement of the pension liability	(675,316)	-	(675,316)	(193,022)	-	(193,022)
Contributions- employer	-	5,315,168	(5,315,168)	-	-	-
Contributions- employee	-	435,225	(435,225)	-	-	-
Changes of assumptions	1,681,383	-	1,681,383	16,310	-	16,310
Benefit payments, including refunds of employee contributions	(5,680,128)	(5,680,128)	-	(94,885)	(94,885)	-
Net investment income	-	1,830,884	(1,830,884)	-	147,468	(147,468)
Administrative expense	-	(32,805)	32,805	-	(2,546)	2,546
Other changes	-	-	-	-	-	-
Net changes	3,149,917	1,868,344	1,281,573	(136,835)	50,037	(186,872)
Balances at June 30, 2020	\$ 93,870,030	\$ 33,123,500	\$ 60,746,530	\$ 1,492,475	\$ 2,813,448	\$ (1,320,973)

## Sensitivity of the City's Net Pension Liability and Net OPEB Asset to Changes in the Discount Rate

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

	1% Decrease	Current Discount Rate	1% Increase
PSPRS - Police			
Rate	6.30%	7.30%	8.30%
Net pension liability	\$ 64,738,857	\$ 53,300,945	\$ 44,036,965
PSPRS - Fire			
Rate	6.30%	7.30%	8.30%
Net pension liability	\$ 72,675,037	\$ 60,746,530	\$ 50,952,868
Net OPEB asset	\$ (1,161,257)	\$ (1,320,973)	\$ (1,456,067)

## Plan Fiduciary Net Position

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

## Expense

For the year ended June 30, 2020, the City recognized \$6,832,459 and \$8,379,338 pension expenses for police and fire, respectively and negative \$120,685 related to OPEB (Fire).

## Deferred Outflows/Inflows of Resources

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

	PSPRS - Police		PSPRS - Fire		PSPRS - Fire OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,153,662	\$ (202,261)	\$ 1,686,961	\$ (540,252)	\$ -	\$ (203,292)
Changes of assumptions	2,933,131	-	4,752,764	-	24,078	-
Net difference between projected and actual earnings on pension plan investments	171,422	-	229,473	-	7,114	-
City contributions subsequent to the measurement date	6,331,039	-	6,910,825	-	-	-
Total	<u>\$ 10,589,254</u>	<u>\$ (202,261)</u>	<u>\$ 13,580,023</u>	<u>\$ (540,252)</u>	<u>\$ 31,192</u>	<u>\$ (203,292)</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB 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, 2021. 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,	<u>PSPRS Police</u>	<u>PSPRS Fire</u>	<u>PSPRS OPEB Fire</u>
2021	\$ 1,726,923	\$ 2,528,320	\$ (56,811)
2022	1,249,183	1,973,860	(56,810)
2023	989,604	1,328,871	(33,627)
2024	90,244	297,895	(24,852)
	<u>\$ 4,055,954</u>	<u>\$ 6,128,946</u>	<u>\$ (172,100)</u>

### **PSPDCRP plan**

City sworn police officer or fire personnel who are not members of PSPRS participate in the PSPDCRP. The PSPDCRP is a defined contribution pension plan. The PSPRS Board of Trustees governs the PSPDCRP according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.1. Benefit terms, including contribution requirements, are established by State statute.

For the year ended June 30, 2020, active PSPDCRP members were required by statute to contribute at least 9 percent of the members' annual covered payroll, and the City was required by statute to contribute 9 percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the earnings on those contributions. Employees vest in a portion of the City's contributions each year as set forth in statute. The plan retains nonvested City contributions when forfeited because of employment terminations. For the year ended June 30, 2020, the City recognized pension expense of \$11,071

### **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 based on age, average yearly compensation, and service credit as follows:

<b>EORP</b>	<u>Before December 31, 2011</u>	<u>On or after January 1, 2012</u>
<b>Initial Membership Date:</b>		
Years of service and age required to receive benefit	20 years, any age	10 years, age 62
	10 years, age 62	5 years, age 65
	5 years, age 65	
	5 years, any age*	
	Any years and age if disabled	Any years and age if disabled
<b>Benefit percent</b>		
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	75% with 10 or more years of service
	40% with 5 to 10 years of service	38% with 5 to 10 years of service
	20% with less than 5 years of service	19% with less than 5 years of service
<b>Survivor benefit</b>		
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 inflation. 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 2043-2044 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, 2020, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the City to contribute at the actuarially rate of 61.43 percent of all active EORP members' annual covered payroll. Also, statute required the City to contribute 49.49 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 55.43 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the City's required contributions to ASRS, ACR and EODCRS for these elected officials and judges. In addition, statute required the City to contribute 39.72 percent of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the EORP would typically fill.

The City's contribution to the plan for the year ended June 30, 2020 was \$100,679. The pension contributions were paid 100 percent from the General Fund.

### Pension Liability

At June 30, 2020, 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	\$ 1,407,293
State's proportionate share of the EORP net pension liability associated with the City	<u>132,271</u>
Total	<u><u>\$ 1,539,564</u></u>

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2019, reflect statutory changes in benefit terms for automatic cost-of-living adjustments reflect changes of actuarial assumptions to decrease the investment rate of return from 7.4 percent to 7.3 percent and update the mortality rates.

The City's proportion of the net pension liability was based on the City's required contribution to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2019. The City's proportion measured as of June 30, 2019, and the change from its proportion measured at June 30, 2018 was 0.212205 and 0.04325, respectively.

### Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2020, the City recognized negative pension expense for the EORP of \$479,440 and revenue of \$34,601 for the City's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,376	\$ (1,335)
Changes of assumptions	4,424	(39,992)
Net difference between projected and actual earnings on pension plan investments	9,574	-
Changes in proportion and differences between City contributions and proportionate share of contributions	193,098	(21,345)
City contributions subsequent to the measurement date	100,679	-
Total	\$ 339,151	\$ (62,672)

The \$100,679 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, 2021. 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	
2021	\$ 173,086
2022	(2,442)
2023	2,674
2024	2,482
	\$ 175,800

### Actuarial Assumptions

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

	EORP
As of actuarial valuation date:	6/30/2019
Active members pension contributions	\$ 2,695
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.30%
Projected salary increases	3.75%
Inflation	2.50%
Assumed future benefit increase	1.75% of benefit
Mortality rates	PUBG-2010 Mortality Tables with MP-2018 Improvement scale with adjustments to match current experience

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

The long-term expected rate of return on EORP pension plan investments was determined to be 7.30 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 estimates of geometric real rates of return for each major asset call are summarized in the following table:

EORP Asset Class	Target Allocation	Long Term Expected Geometric Real Rate of Return
Short term investments	2%	0.25%
Risk parity	4%	4.01%
Fixed income	5%	3.00%
Real assets	9%	6.75%
Real estate	10%	4.50%
GTS	12%	4.01%
Private equity	12%	8.40%
Non-U.S. equity	14%	5.00%
Private credit	16%	5.36%
U.S. equity	16%	4.75%
Total	<u>100%</u>	

### Discount Rate

At June 30, 2019, the discount rate used to measure the EORP total pension liability was 7.3 percent which was a decrease of 0.1 from the discount rates used as of June 30, 2018. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the actuarially determined rates, and State contributions will be made as currently required by statute. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### 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 7.3 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	6.30%	7.30%	8.30%
Net pension liability	\$ 1,611,562	\$ 1,407,293	\$ 1,233,311

### Pension Plan Fiduciary Net Position

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

### EODCRS plan

Elected officials who are not members of EORP or ASRS participate in the EODCRS and the Elected Officials Defined Contribution Retirement System Disability Program (EODCDP). The EODCRS is a defined contribution pension plan. The EODCDP is a cost-sharing multiple-employer defined benefit disability (OPEB) plan for EODCRS members. The PSPRS Board of Trustees governs the EODCRS and EODCDP according to the provisions of A.R.S. Title 38, Chapter 5, Articles 3.1 and 3.2. Benefit terms, including contribution requirements, are established by State statute. The EODCDP is not further disclosed because of its relative insignificance to the City's financial statements.

For the year ended June 30, 2020, active EODCRS members were required by statute to contribute 8 percent of the members' annual covered payroll, and the City was required by statute to contribute 6 percent of active members' annual covered payroll to an individual employee account. Employees are immediately vested in their own contributions and the City's contributions to the individual employee account and the earnings on those contributions. For the year ended June 30, 2020, the City recognized pension expense of \$5,940.

## **The City Postemployment Healthcare Plan**

### **Plan Description**

The City of Flagstaff provides post-retirement healthcare insurance benefits for its retirees as a single employer defined benefit OPEB plan which is administered through Northern Arizona Public Employee Benefit Trust (NAPEBT).

### **Benefits Provided**

Eligible retirees and their beneficiaries up to the age of 65 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. 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.

### **Plan Membership**

As of June 30, 2019, OPEB plan membership consisted of the following:

Retirees currently receiving health benefits	64
Active members	<u>691</u>
Total	755

### **OPEB Liability**

At June 30, 2020, the City reported a net OPEB liability of \$8,049,880. The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability were determined from the actuarial valuations as of June 30, 2019.

### **Actuarial Assumptions**

The actuarial assumptions used in the June 30, 2019 valuation were based on an experience study for ASRS for the period from July 1, 2011 through June 30, 2016.

## Change in Net OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
<b>OPEB</b>	
Balances at June 30, 2019	\$ 9,625,155
Changes for the year:	
Service cost	482,750
Interest on the total pension liability	382,358
Differences between expected and actual experience in the measurement of the total pension liability	(2,597,490)
Changes of assumptions	612,806
Benefit payments, including refunds of employee contributions	(455,699)
Net changes	(1,575,275)
Balances at June 30, 2020	\$ 8,049,880

The City has chosen not to fund this plan; therefore, the total OPEB liability is the net OPEB liability.

### Actuarial Methods and Assumptions

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

Actuarial valuation date	June 30, 2019
Actuarial cost method	Entry level, level percent of salary
Mortality rates	RP-2014 tables
Healthcare cost trend rate	7.25% to 4.5% over 11 years

### Discount Rate

At June 30, 2019, the discount rate used to measure the City's OPEB total liability was 3.5 percent, which was a decrease of .37 percent from the discount rate used as of June 30, 2018. Because the City is not prefunding the OPEB benefits, the discount rates used in this valuation for financial disclosure purposes as of June 30, 2019 and 2018 are based on the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

### Sensitivity of the City's Total OPEB Liability to Changes in the Discount Rate

The following table presents the City's OPEB liability calculated using the discount rate of 3.5% as well as what the City's OPEB 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 (2.5%)	Current Discount Rate (3.5%)	1% Increase (4.5%)
City's proportionate share of the net pension liability	\$ 8,891,006	\$ 8,049,880	\$ 7,304,409

### Sensitivity of the City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City as of June 30, 2019, as well as what the City's total OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease	Current Discount Rate *	1% Increase
City's proportionate share of the net pension liability	<u>\$ 7,129,178</u>	<u>\$ 8,049,880</u>	<u>\$ 9,148,781</u>

\*Current trend rates are 5.79% in 2020/2021 and 7.25% in 2021/2022 and grade down to 4.5% over an 11-year period for medical and drug plan costs.

### OPEB Expense and Deferred Outflows - Inflow of Resources

For the year ending June 30, 2020, the City recognized an OPEB expense of \$398,337. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 1,287,921	\$ (640,797)
Net difference between expected and actual experience in the total OPEB liability	-	(3,798,056)
Total	<u>\$ 1,287,921</u>	<u>\$ (4,438,853)</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB liability will be recognized in the OPEB expense as follows:

Year ending June 30,	
2021	\$ (466,771)
2022	(466,771)
2023	(466,771)
2024	(466,771)
2025	(466,771)
Thereafter	(817,077)
	<u>\$ (3,150,932)</u>

### D. Landfill Closure and Post Closure 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 post closure 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 post closure 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 post closure care costs has a balance of \$15,421,003 as of June 30, 2020, which is based on 79.897 percent usage of the landfill. The remaining \$3,880,175 will be accrued over the remaining life of the landfill, which is currently estimated to be seven years.

The accrual for the closure and post closure care costs for fiscal year 2019-2020 is \$472,625. Based on current estimates for landfill closure and post closure 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 post closure care costs; at June 30, 2020 the balance of the investments held for those purposes is \$11,683,639. 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 post closure care, \$19,301,177, 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, 2020. However, the actual cost of closure and post closure 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 post closure 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.

## **E. 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, 2020, the City abated assessed property taxes totaling \$47,970 under this program including the following Government Property Lease Excise Tax (GPLET) abatement agreements:

A 1.63 percent property tax abatement to Joy Cone manufacturing. The 2019 abatement amounted to \$47,970.

## **F. Subsequent Events**

The City issued \$131,000,000 in Certificates of Participation on August 5, 2020 to 100% fund the City PSPRS unfunded pension liability.



## 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, 2020**

	Reporting Fiscal Year (Measurement Date)			
	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)	2016-2017 (2015-2016)
<b>Arizona State Retirement System</b>				
Proportion of the net pension liability	0.305020%	0.333310%	0.312660%	0.311530%
Proportionate share of the net pension liability	\$ 44,383,959	\$ 46,485,015	\$ 48,706,334	\$ 50,284,072
Covered payroll	\$ 32,447,746	\$ 31,911,275	\$ 30,673,166	\$ 28,842,056
Proportionate share of the net pension liability as a percentage of its covered payroll	136.79%	145.67%	158.79%	174.34%
Plan fiduciary net position as a percentage of the total pension liability	73.24%	73.40%	69.92%	67.06%
<b>EORP</b>				
Proportion of the net pension liability	0.2122050%	0.1689530%	0.2177500%	0.2097849%
City's proportionate share of the net pension liability	\$ 1,407,293	\$ 1,064,634	\$ 2,653,363	\$ 1,981,949
State's proportionate share of the net pension liability associated with the City	132,271	182,419	550,687	409,221
Total	\$ 1,539,564	\$ 1,247,053	\$ 3,204,050	\$ 2,391,170
Covered payroll	\$ 184,269	\$ 180,000	\$ 194,354	\$ 189,999
City's proportionate share of the net pension liability as a percentage of its covered payroll	763.72%	591.46%	1365.22%	1043.14%
Plan fiduciary net position as a percentage of the total pension liability	30.14%	30.40%	19.70%	23.42%

Reporting fiscal year 2013-2014 through 2010-2011 information is not available.

2015-2016		2014-2015	
(2014-2015)		(2013-2014)	
	0.300450%		0.302625%
\$	46,798,712	\$	44,778,290
\$	27,573,067	\$	26,638,622
	169.73%		168.10%
	68.35%		69.49%
	0.1942242%		0.2500258%
\$	1,517,768	\$	1,676,603
	473,166		514,062
\$	1,990,934	\$	2,190,665
\$	157,579	\$	204,400
	963.18%		820.26%
	28.32%		31.91%

**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, 2020**

	Reporting Fiscal Year (Measurement Date)			
	2019-2020	2018-2019	2017-2018	2016-2017
	(2018-2019)	(2017-2018)	(2016-2017)	(2015-2016)
<b>PSPRS Police</b>				
Total pension liability				
Service cost	\$ 1,314,269	\$ 1,278,269	\$ 1,591,484	\$ 1,367,771
Interest on the total pension liability	5,830,298	5,476,675	5,131,739	4,818,389
Changes of benefit terms	-	-	924,114	1,967,589
Differences between expected and actual experience in the measurement of the pension liability	590,373	1,216,507	(293,545)	(111,993)
Changes of assumptions or other inputs	1,650,864	-	2,159,906	2,578,910
Benefit payments, including refunds of employee contributions	(3,998,301)	(3,737,501)	(3,804,819)	(3,575,345)
Net change in total pension liability	5,387,503	4,233,950	5,708,879	7,045,321
Total pension liability - beginning	79,472,686	75,238,736	69,529,857	62,484,536
Total pension liability - ending (a)	<u>\$ 84,860,189</u>	<u>\$ 79,472,686</u>	<u>\$ 75,238,736</u>	<u>\$ 69,529,857</u>
Plan fiduciary net position				
Contributions - employer	\$ 3,441,524	\$ 4,046,869	\$ 3,657,762	\$ 3,441,521
Contributions - employee	550,585	646,186	912,701	1,147,170
Net investment income	1,756,930	2,081,145	3,105,491	146,825
Benefit payments, including refunds of employee contributions	(3,998,301)	(3,737,501)	(3,804,819)	(3,575,345)
Hall/Parker Settlement	-	(922,190)	-	-
Pension plan administrative expenses	(31,510)	(32,374)	(27,878)	(21,527)
Other changes	-	328	(58,723)	(112,440)
Net change in plan fiduciary net position	1,719,228	2,082,463	3,784,534	1,026,204
Plan fiduciary net position - beginning	29,840,016	27,776,266	23,991,732	22,965,528
Plan fiduciary net position - ending (b)	<u>\$ 31,559,244</u>	<u>\$ 29,858,729</u>	<u>\$ 27,776,266</u>	<u>\$ 23,991,732</u>
Net pension liability - ending (a) - (b)	<u>\$ 53,300,945</u>	<u>\$ 49,613,957</u>	<u>\$ 47,462,470</u>	<u>\$ 45,538,125</u>
Plan fiduciary net position as a percentage of the total pension liability	37.19%	37.57%	36.92%	34.51%
Covered payroll	\$ 5,875,114	\$ 6,555,255	\$ 7,155,954	\$ 7,318,199
Net pension liability as a percentage of covered payroll	907.23%	756.86%	663.26%	622.26%

Reporting fiscal year 2013-2014 through 2010-2011 information is not available.

<u>2015-2016</u>		<u>2014-2015</u>	
<u>(2014-2015)</u>		<u>(2013-2014)</u>	
\$	1,373,545	\$	1,312,430
	4,650,797		3,904,338
	-		1,353,950
	(346,202)		(671,478)
	-		6,987,647
	<u>(3,505,319)</u>		<u>(3,311,491)</u>
	2,172,821		9,575,396
	60,311,715		50,736,319
\$	<u>62,484,536</u>	\$	<u>60,311,715</u>
\$	2,578,489	\$	2,311,119
	841,533		768,029
	821,133		2,757,888
	(3,505,319)		(3,311,491)
	-		-
	(20,411)		-
	<u>(357,501)</u>		<u>(1,371,053)</u>
	357,924		1,154,492
	22,607,604		21,453,112
\$	<u>22,965,528</u>	\$	<u>22,607,604</u>
\$	<u>39,519,008</u>	\$	<u>37,704,111</u>
	36.75%		37.48%
\$	7,526,730	\$	7,425,908
	525.05%		507.74%

**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, 2020**

	Reporting Fiscal Year (Measurement Date)			
	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)	2016-2017 (2015-2016)
<b>PSPRS Fire</b>				
Total pension liability				
Service cost	\$ 1,229,846	\$ 1,232,288	\$ 1,376,479	\$ 1,107,145
Interest on the total pension liability	6,594,132	6,209,142	5,668,204	5,356,440
Changes of benefit terms	-	-	804,628	2,064,045
Differences between expected and actual experience in the measurement of the pension liability	(675,316)	2,491,418	193,670	669,848
Changes of assumptions or other inputs	1,681,383	-	5,454,472	2,647,110
Benefit payments, including refunds of employee contributions	(5,680,128)	(5,007,832)	(5,180,329)	(4,095,893)
Net change in total pension liability	3,149,917	4,925,016	8,317,124	7,748,695
Total pension liability - beginning	90,720,113	85,795,097	77,477,973	69,729,278
Total pension liability - ending (a)	<u>\$ 93,870,030</u>	<u>\$ 90,720,113</u>	<u>\$ 85,795,097</u>	<u>\$ 77,477,973</u>
Plan fiduciary net position				
Contributions - employer	\$ 5,315,168	\$ 4,950,022	\$ 4,239,954	\$ 3,952,628
Contributions - employee	435,225	565,220	703,312	669,429
Net investment income	1,830,884	2,181,684	3,290,746	160,712
Benefit payments, including refunds of employee contributions	(5,680,128)	(5,007,832)	(5,180,329)	(4,095,893)
Hall/Parker Settlement	-	(908,136)	-	-
Pension plan administrative expenses	(32,805)	(33,905)	(29,518)	(23,526)
Other changes	-	357	12,535	(27,936)
Net change in plan fiduciary net position	1,868,344	1,747,410	3,036,700	635,414
Plan fiduciary net position - beginning	31,255,156	29,508,064	26,471,364	25,835,950
Plan fiduciary net position - ending (b)	<u>\$ 33,123,500</u>	<u>\$ 31,255,474</u>	<u>\$ 29,508,064</u>	<u>\$ 26,471,364</u>
Net pension liability - ending (a) - (b)	<u>\$ 60,746,530</u>	<u>\$ 59,464,639</u>	<u>\$ 56,287,033</u>	<u>\$ 51,006,609</u>
Plan fiduciary net position as a percentage of the total pension liability				
	35.29%	34.45%	34.39%	34.17%
Covered payroll	\$ 5,299,696	\$ 5,683,984	\$ 5,650,572	\$ 5,491,792
Net pension liability as a percentage of covered payroll	1146.23%	1046.18%	996.13%	928.78%

Reporting fiscal year 2013-2014 through 2010-2011 information is not available.

<u>2015-2016</u>		<u>2014-2015</u>	
<u>(2014-2015)</u>		<u>(2013-2014)</u>	
\$	973,454	\$	950,445
	5,239,671		4,390,766
	-		1,553,904
	52,497		1,431,974
	-		7,269,797
	<u>(5,594,036)</u>		<u>(3,994,598)</u>
	<u>671,586</u>		<u>11,602,288</u>
	<u>69,057,692</u>		<u>57,455,404</u>
\$	<u>69,729,278</u>	\$	<u>69,057,692</u>
\$	2,418,742	\$	2,030,211
	732,850		525,878
	963,491		3,407,667
	(5,594,036)		(3,994,598)
	-		-
	(23,873)		-
	<u>48,864</u>		<u>(1,831,071)</u>
	<u>(1,453,962)</u>		<u>138,087</u>
	<u>27,289,912</u>		<u>27,151,825</u>
\$	<u>25,835,950</u>	\$	<u>27,289,912</u>
\$	<u>43,893,328</u>	\$	<u>41,767,780</u>
	37.05%		39.52%
\$	4,847,679	\$	4,788,197
	905.45%		872.31%

City of Flagstaff, Arizona  
Required Supplementary Information  
Schedule of the Changes in Net OPEB Asset and Related Ratios  
Agent OPEB Plans - PSPRS Fire  
June 30, 2020

	Reporting Fiscal Year (Measurement Date)		
	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)
<b>PSPRS Fire</b>			
Total OPEB liability			
Service cost	\$ 16,484	\$ 18,757	\$ 19,777
Interest on the total OPEB liability	118,278	116,896	117,249
Changes of benefit terms	-	-	9,376
Differences between expected and actual experience in the measurement of the OPEB liability	(193,022)	(31,819)	(61,082)
Changes of assumptions or other inputs	16,310	-	21,953
Benefit payments, including refunds of employee contributions	(94,885)	(89,633)	(91,188)
Net change in total OPEB liability	(136,835)	14,201	16,085
Total OPEB liability - beginning	1,629,310	1,615,109	1,599,024
Total OPEB liability - ending (a)	\$ 1,492,475	\$ 1,629,310	\$ 1,615,109
<b>Plan fiduciary net position</b>			
Contributions - employer	\$ -	\$ (317)	\$ -
Net investment income	147,468	183,884	287,005
Benefit payments, including refunds of employee contributions	(94,885)	(89,633)	(91,188)
OPEB plan administrative expenses	(2,546)	(2,799)	(2,540)
Other changes	-	1	-
Net change in plan fiduciary net position	50,037	91,136	193,277
Plan fiduciary net position - beginning	2,763,411	2,671,958	2,478,681
Plan fiduciary net position - ending (b)	\$ 2,813,448	\$ 2,763,094	\$ 2,671,958
Net OPEB (asset) liability - ending (a) - (b)	\$ (1,320,973)	\$ (1,133,784)	\$ (1,056,849)
Plan fiduciary net position as a percentage of the total OPEB liability	188.51%	169.59%	165.44%
Covered payroll	\$ 5,299,696	\$ 5,683,984	\$ 5,650,572
Net OPEB (asset) liability as a percentage of covered payroll	-24.93%	-19.95%	-18.70%

Reporting fiscal year 2016-2017 through 2010-2011 information is not available.

City of Flagstaff, Arizona  
Required Supplementary Information  
Schedule of the Changes in Net OPEB Liability and Related Ratios  
Single Employer OPEB Plans - City OPEB  
June 30, 2020

	Reporting Fiscal Year (Measurement Date)		
	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)
<b>City OPEB</b>			
Total OPEB liability			
Service cost	\$ 482,750	\$ 580,616	\$ 612,124
Interest on the total OPEB liability	382,358	368,976	309,152
Differences between expected and actual experience in the measurement of the OPEB liability	(2,597,490)	-	(2,273,189)
Changes of assumptions or other inputs	612,806	(844,549)	1,126,321
Benefit payments, including refunds of employee contributions	(455,699)	(411,713)	(155,812)
Net change in total OPEB liability	<u>(1,575,275)</u>	<u>(306,670)</u>	<u>(381,404)</u>
Total OPEB liability - beginning	9,625,155	9,931,825	10,313,229
Total OPEB liability - ending (a)	<u>\$ 8,049,880</u>	<u>\$ 9,625,155</u>	<u>\$ 9,931,825</u>
Plan fiduciary net position			
Net change in plan fiduciary net position	\$ -	\$ -	\$ -
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 8,049,880</u>	<u>\$ 9,625,155</u>	<u>\$ 9,931,825</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ 48,357,183	\$ 48,357,183	\$ 44,717,801
Net pension liability as a percentage of covered payroll	16.65%	19.90%	22.21%

Reporting fiscal year 2016-2017 through 2010-2011 information is not available.

**City of Flagstaff, Arizona**  
**Required Supplementary Information**  
**Schedule of the City's Pension/OPEB Contributions**  
**June 30, 2020**

	Reporting Fiscal Year			
	2019-2020	2018-2019	2017-2018	2016-2017
<b>Arizona State Retirement System</b>				
Statutorily required contributions	\$ 3,795,108	\$ 3,627,657	\$ 3,478,329	\$ 3,357,591
Contributions in relation to the statutorily required contribution	3,795,108	3,627,657	3,478,329	3,357,591
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 33,145,052</u>	<u>\$ 32,447,746</u>	<u>\$ 31,911,275</u>	<u>\$ 30,673,166</u>
Contributions as a percentage of covered payroll	11.45%	11.18%	10.90%	10.95%
<b>Elected Officials Retirement Plan</b>				
Statutorily required contributions	\$ 100,679	\$ 98,293	\$ 39,638	\$ 40,588
Contributions in relation to the statutorily required contribution	100,679	98,293	39,638	40,588
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 187,000</u>	<u>\$ 184,269</u>	<u>\$ 180,000</u>	<u>\$ 194,354</u>
Contributions as a percentage of covered payroll	53.84%	53.34%	22.02%	20.88%
<b>PSPRS - Police*</b>				
Statutorily required contributions	\$ 3,434,035	\$ 3,441,524	\$ 3,229,323	\$ 3,275,134
Contributions in relation to the statutorily required contribution	5,082,584	4,689,979	3,124,679	3,657,762
Contribution deficiency (excess)	<u>\$ (1,648,549)</u>	<u>\$ (1,248,455)</u>	<u>\$ 104,644</u>	<u>\$ (382,628)</u>
Covered payroll	<u>\$ 5,469,840</u>	<u>\$ 5,875,114</u>	<u>\$ 6,555,225</u>	<u>\$ 7,155,954</u>
Contributions as a percentage of covered payroll	92.92%	79.83%	47.67%	51.11%
<b>PSPRS - Fire*</b>				
Statutorily required contributions	\$ 5,183,976	\$ 5,315,168	\$ 4,589,139	\$ 4,239,954
Contributions in relation to the statutorily required contribution	6,255,638	5,970,355	4,041,886	4,239,954
Contribution deficiency (excess)	<u>\$ (1,071,662)</u>	<u>\$ (655,187)</u>	<u>\$ 547,253</u>	<u>\$ -</u>
Covered payroll	<u>\$ 5,336,356</u>	<u>\$ 5,299,696</u>	<u>\$ 5,683,984</u>	<u>\$ 5,650,572</u>
Contributions as a percentage of covered payroll	117.23%	112.65%	71.11%	75.04%

\* For contributions for 2017-2018, the City chose to use credits with PSPRS for the Hall Parker Settlement refunds related to excess contributions in prior years.

Reporting Fiscal year 2012-2013 through 2010-11 information is not available.

2015-2016	2014-2015	2013-2014
\$ 3,168,876	\$ 3,002,707	\$ 2,837,013
3,168,876	3,002,707	2,837,013
\$ -	\$ -	\$ -
\$ 28,842,056	\$ 27,573,067	\$ 26,638,622
10.99%	10.89%	10.65%
\$ 39,815	\$ 37,483	\$ 50,732
39,815	37,483	50,732
\$ -	\$ -	\$ -
\$ 189,999	\$ 157,579	\$ 204,400
20.96%	23.79%	24.82%
\$ 3,401,213	\$ 2,578,489	\$ 2,311,119
3,441,521	2,578,489	2,311,119
\$ (40,308)	\$ -	\$ -
\$ 7,318,199	\$ 7,526,730	\$ 7,425,908
47.03%	34.26%	31.12%
\$ 3,952,628	\$ 2,418,742	\$ 2,030,211
3,952,628	2,418,742	2,030,211
\$ -	\$ -	\$ -
\$ 5,491,792	\$ 4,847,679	\$ 4,788,197
71.97%	49.89%	42.40%

## 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, 2018
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed for unfunded, open for excess.
Remaining amortization period	18 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 2018 actuarial valuation, the investment rate of return was 7.4%.
Projected salary increases	In the 2018 actuarial valuation, projected salary increases were 3.5%–7.5% for PSPRS
Wage growth	In the 2018 actuarial valuation, wage growth was 3.5%
Permanent Benefit Increases	The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. We have assumed that to be 1.75% for this valuation.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	In the 2018 actuarial valuation, changed to RP-2014 mortality table with 75% of MP-2016 fully generational projection scales. RP-2000 mortality table (adjusted by 105% for both males and females).

## II. Factors That Affect the Identification of Trends

Beginning in fiscal year 2013-2014, 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 2013-2014, 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) for pension and (June 30, 2017) for OPEB are 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.

#### **Housing and Community Services Fund**

This fund was established in fiscal year 1996-1997 to account for the funding received for the Community Development Block Grant program and affordable housing activities.

#### **Metropolitan Planning Organization Fund**

This fund was established in fiscal year 1996-1997 to account for funding derived from the City's status as a Metropolitan Planning Organization.

#### **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.

#### **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.

#### **General Obligation Bond Fund**

This fund is used to account for the accumulation of resources for, and the payments of, general long-term obligation principal and interest.

#### **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 Funds**

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 Fund**

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

**City of Flagstaff, Arizona**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2020**

	Special Revenue Funds			
	Housing & Community Services Fund	Metropolitan Planning Organization Fund	Library Fund	BBB Fund
<b>Assets</b>				
Cash and investments	\$ 930,172	\$ 185	\$ 2,023,817	\$ 10,295,825
Accounts receivable, net	50,752	-	162,891	1,495,051
Interest receivable	2,532	-	8,482	25,386
Intergovernmental receivable	112,752	183,280	4,800	-
Notes receivable	285,800	-	-	-
Inventory	-	-	-	66,389
Restricted cash and investments	-	-	2,113,818	202,305
<b>Total assets</b>	<b>\$ 1,382,008</b>	<b>\$ 183,465</b>	<b>\$ 4,313,808</b>	<b>\$ 12,084,956</b>
<b>Liabilities, Deferred Inflows and Fund Balance</b>				
Liabilities:				
Accounts payable	\$ 4,112	\$ 13,722	\$ 184,914	\$ 245,035
Accrued payroll and compensated absences	3,222	17,613	115,526	71,375
Interfund payable	-	118,000	-	-
Advanced revenue	-	-	55,105	-
<b>Total liabilities</b>	<b>7,334</b>	<b>149,335</b>	<b>355,545</b>	<b>316,410</b>
Deferred inflows of resources:				
Unavailable revenue - notes receivable	327,652	-	-	-
<b>Total deferred inflows of resources</b>	<b>327,652</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balances:				
Nonspendable:				
Perpetual care	-	-	-	-
Notes receivable	285,800	-	-	-
Inventory	-	-	-	66,389
Restricted for:				
Library branch services	-	-	845,467	-
Library programs board directed	-	-	1,268,352	-
Debt service	-	-	-	-
Public art	-	-	-	994,880
Economic development	-	-	-	588,079
Tourism	-	-	-	1,255,455
Park maintenance and operations	-	-	-	1,408,262
Other capital projects	761,222	34,130	-	7,455,481
Perpetual care	-	-	-	-
Assigned to:				
Parking district	-	-	-	-
Library services	-	-	1,844,444	-
<b>Total fund balance</b>	<b>1,047,022</b>	<b>34,130</b>	<b>3,958,263</b>	<b>11,768,546</b>
<b>Total liabilities, deferred inflows and fund balance</b>	<b>\$ 1,382,008</b>	<b>\$ 183,465</b>	<b>\$ 4,313,808</b>	<b>\$ 12,084,956</b>

Parking District Fund	Debt Service Funds			Permanent Fund	Total Nonmajor Governmental Funds
	General Obligation Bond Fund	Secondary Property Tax Revenue Fund	Special Assessment Bond Fund	Perpetual Care Fund	
\$ 1,462,308	\$ -	\$ 1,109,094	\$ 122,549	\$ 39,521	\$ 15,983,471
6,535	-	-	-	-	1,715,229
3,661	-	10,170	277	819	51,327
-	-	-	-	-	300,832
-	-	-	-	-	285,800
-	-	-	-	-	66,389
-	-	6,023,378	-	312,463	8,651,964
<u>\$ 1,472,504</u>	<u>\$ -</u>	<u>\$ 7,142,642</u>	<u>\$ 122,826</u>	<u>\$ 352,803</u>	<u>\$ 27,055,012</u>
\$ 73,553	\$ -	\$ -	\$ -	\$ -	\$ 521,336
8,224	-	-	-	-	215,960
-	-	-	-	-	118,000
-	-	-	-	-	55,105
<u>81,777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>910,401</u>
-	-	-	-	-	327,652
-	-	-	-	-	327,652
-	-	-	-	312,463	312,463
-	-	-	-	-	285,800
-	-	-	-	-	66,389
-	-	-	-	-	845,467
-	-	-	-	-	1,268,352
-	-	7,142,642	122,826	-	7,265,468
-	-	-	-	-	994,880
-	-	-	-	-	588,079
-	-	-	-	-	1,255,455
-	-	-	-	-	1,408,262
-	-	-	-	-	8,250,833
-	-	-	-	40,340	40,340
1,390,727	-	-	-	-	1,390,727
-	-	-	-	-	1,844,444
<u>1,390,727</u>	<u>-</u>	<u>7,142,642</u>	<u>122,826</u>	<u>352,803</u>	<u>25,816,959</u>
<u>\$ 1,472,504</u>	<u>\$ -</u>	<u>\$ 7,142,642</u>	<u>\$ 122,826</u>	<u>\$ 352,803</u>	<u>\$ 27,055,012</u>

**City of Flagstaff, Arizona**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2020**

	Special Revenue Funds			
	Housing & Community Services Fund	Metropolitan Planning Organization Fund	Library Fund	BBB Fund
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ 7,991,402
Intergovernmental	-	-	3,721,855	-
Grants and entitlements	427,841	710,759	40,873	113
Licenses and permits	-	-	-	2,405
Charges for services	-	-	-	103,140
Rents	10,570	-	-	355,320
Investment earnings	16,567	-	61,635	178,304
Contributions	10,200	-	33,105	-
Miscellaneous	185,064	-	31,168	15,129
Total revenues	650,242	710,759	3,888,636	8,645,813
<b>Expenditures:</b>				
Current:				
General government	-	-	-	-
Economic and physical development	791,405	825,764	-	3,813,377
Culture and recreation	-	-	5,619,014	578,592
Highways and streets	-	-	-	16,560
Debt service:				
Principal retirement	-	-	-	150,000
Interest and other charges	-	-	-	98,154
Capital outlay	-	-	-	841,414
Total expenditures	791,405	825,764	5,619,014	5,498,097
Excess (deficiency) of revenues over expenditures	(141,163)	(115,005)	(1,730,378)	3,147,716
<b>Other Financing Sources (Uses):</b>				
Transfers in	35,000	136,500	1,662,813	208,000
Transfers out	-	-	-	(3,554,099)
Total other financing sources (uses)	35,000	136,500	1,662,813	(3,346,099)
Net change in fund balance	(106,163)	21,495	(67,565)	(198,383)
Fund balance, beginning of year	1,153,185	12,635	4,025,828	11,966,929
Fund balance, end of year	\$ 1,047,022	\$ 34,130	\$ 3,958,263	\$ 11,768,546

	Debt Service Funds			Permanent Fund	
Parking District Fund	General Obligation Bond Fund	Secondary Property Tax Revenue Fund	Special Assessment Bond Fund	Perpetual Care Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 7,235,558	\$ -	\$ -	\$ 15,226,960
-	-	-	-	-	3,721,855
32	-	-	-	-	1,179,618
-	-	-	-	-	2,405
1,130,812	-	-	-	-	1,233,952
-	-	-	-	-	365,890
24,277	-	42,403	1,860	5,669	330,715
-	-	-	-	17,590	60,895
69	-	-	-	-	231,430
<u>1,155,190</u>	<u>-</u>	<u>7,277,961</u>	<u>1,860</u>	<u>23,259</u>	<u>22,353,720</u>
-	-	-	424	-	424
-	-	-	-	-	5,430,546
-	-	-	-	-	6,197,606
670,750	-	-	-	-	687,310
93,358	5,610,894	-	-	-	5,854,252
21,668	1,404,091	-	-	-	1,523,913
39,249	-	-	-	-	880,663
<u>825,025</u>	<u>7,014,985</u>	<u>-</u>	<u>424</u>	<u>-</u>	<u>20,574,714</u>
<u>330,165</u>	<u>(7,014,985)</u>	<u>7,277,961</u>	<u>1,436</u>	<u>23,259</u>	<u>1,779,006</u>
-	7,014,985	-	-	-	9,057,298
(96,350)	-	(7,014,985)	-	-	(10,665,434)
<u>(96,350)</u>	<u>7,014,985</u>	<u>(7,014,985)</u>	<u>-</u>	<u>-</u>	<u>(1,608,136)</u>
<u>233,815</u>	<u>-</u>	<u>262,976</u>	<u>1,436</u>	<u>23,259</u>	<u>170,870</u>
<u>1,156,912</u>	<u>-</u>	<u>6,879,666</u>	<u>121,390</u>	<u>329,544</u>	<u>25,646,089</u>
<u>\$ 1,390,727</u>	<u>\$ -</u>	<u>\$ 7,142,642</u>	<u>\$ 122,826</u>	<u>\$ 352,803</u>	<u>\$ 25,816,959</u>

## **Non-Major Funds Other Proprietary Funds**

### **Enterprise Funds**

Enterprise Funds are used to account for operations that provide services to the general public for a fee.

### **Airport Fund**

This fund accounts for the construction, operations and maintenance of the City airport.

### **Housing Authority Fund**

This 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.

**City of Flagstaff, Arizona**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Fund**  
**June 30, 2020**

	Business-type Activities - Enterprise Fund		
	Airport Fund	Housing Authority	Total Nonmajor Proprietary Fund
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 992	\$ 1,644,803	\$ 1,645,795
Receivable, net	100,692	15,077	115,769
Intergovernmental receivables	2,253,843	90,659	2,344,502
Interfund receivable	-	8,959	8,959
Prepaid items	-	66,751	66,751
Total current assets	<u>2,355,527</u>	<u>1,826,249</u>	<u>4,181,776</u>
Noncurrent assets:			
Restricted cash and investments	-	140,013	140,013
Capital assets, non-depreciable	196,079	921,950	1,118,029
Capital assets, depreciable, net	37,201,884	2,918,667	40,120,551
Total non-current assets	<u>37,397,963</u>	<u>3,980,630</u>	<u>41,378,593</u>
Total assets	<u>39,753,490</u>	<u>5,806,879</u>	<u>45,560,369</u>
Deferred outflows - pension/OPEB	695,193	238,242	933,435
Total deferred outflows	<u>695,193</u>	<u>238,242</u>	<u>933,435</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	48,233	155,361	203,594
Interfund payable	1,845,000	104,745	1,949,745
Accrued payroll	47,694	61,383	109,077
Accrued compensated absences	39,349	45,448	84,797
Advanced revenue	90,123	90,402	180,525
Deposits payable	2,529	74,844	77,373
Bonds and lease payable - current	183,384	-	183,384
Total current liabilities	<u>2,256,312</u>	<u>532,183</u>	<u>2,788,495</u>
Noncurrent liabilities:			
Compensated absences	26,061	77,323	103,384
Net OPEB liability	80,504	211,971	292,475
Net pension liability	2,406,689	1,974,723	4,381,412
Capital lease payable	727,570	-	727,570
Total noncurrent liabilities	<u>3,240,824</u>	<u>2,264,017</u>	<u>5,504,841</u>
Total liabilities	<u>5,497,136</u>	<u>2,796,200</u>	<u>8,293,336</u>
Deferred inflows - pension/OPEB	91,480	354,450	445,930
Total deferred inflows	<u>91,480</u>	<u>354,450</u>	<u>445,930</u>
<b>Net Position</b>			
Net investment in capital assets	36,474,228	3,840,617	40,314,845
Unrestricted (deficit)	(1,614,161)	(946,146)	(2,560,307)
Total net position	<u>\$ 34,860,067</u>	<u>\$ 2,894,471</u>	<u>\$ 37,754,538</u>

**City of Flagstaff, Arizona**  
**Combining Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Nonmajor Proprietary Fund**  
**Year Ended June 30, 2020**

	Business-type Activities - Enterprise Fund		
	Airport Fund	Housing Authority	Total Nonmajor Proprietary Fund
<b>Operating Revenues:</b>			
Charges for services	\$ 1,641,859	\$ 2,220,494	\$ 3,862,353
Miscellaneous	220	-	220
Total operating revenues	<u>1,642,079</u>	<u>2,220,494</u>	<u>3,862,573</u>
Personnel services	1,387,509	1,513,527	2,901,036
Contractual services, materials and supplies	1,662,056	5,756,162	7,418,218
Depreciation and amortization	2,450,676	418,015	2,868,691
Total operating expenses	<u>5,500,241</u>	<u>7,687,704</u>	<u>13,187,945</u>
Operating income (loss)	<u>(3,858,162)</u>	<u>(5,467,210)</u>	<u>(9,325,372)</u>
<b>Non-operating Revenues (Expenses):</b>			
Interest and investment income	9,323	-	9,323
Grants and entitlements	1,589,656	5,175,961	6,765,617
Passenger facility charges	395,890	-	395,890
Interest expense	(58,180)	-	(58,180)
Total non-operating revenues (expenses)	<u>1,936,689</u>	<u>5,175,961</u>	<u>7,112,650</u>
Income (loss) before capital contributions and transfers	<u>(1,921,473)</u>	<u>(291,249)</u>	<u>(2,212,722)</u>
Capital contributions related to grants	684,700	26,246	710,946
Transfers in	197,000	-	197,000
Change in net position	<u>(1,039,773)</u>	<u>(265,003)</u>	<u>(1,304,776)</u>
Total net position, beginning of year	<u>35,899,840</u>	<u>3,159,474</u>	<u>39,059,314</u>
Total net position, end of year	<u>\$ 34,860,067</u>	<u>\$ 2,894,471</u>	<u>\$ 37,754,538</u>

**City of Flagstaff, Arizona**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Fund**  
**Year Ended June 30, 2020**

	Business-type Activities - Enterprise Fund		
	Airport Fund	Housing Authority	Total Nonmajor Proprietary Fund
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 1,847,709	\$ 2,320,319	\$ 4,168,028
Other receipts	395,890	-	395,890
Payments to suppliers	(1,401,693)	(5,442,817)	(6,844,510)
Interfund services used	(65,496)	(326,340)	(391,836)
Interfund reimbursement used	(302,576)	-	(302,576)
Payments to employees	(1,352,697)	(1,487,673)	(2,840,370)
Net cash provided (used) by operating activities	<u>(878,863)</u>	<u>(4,936,511)</u>	<u>(5,815,374)</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfer from other funds	197,000	-	197,000
Interfund loans provided	-	(8,959)	(8,959)
Interfund loans received	1,845,000	104,745	1,949,745
Net cash provided (used) by noncapital financing activities	<u>2,042,000</u>	<u>95,786</u>	<u>2,137,786</u>
<b>Cash flows from capital and related financing activities:</b>			
Receipts from grantors	(596,564)	5,124,070	4,527,506
Capital contributions	684,700	26,246	710,946
Acquisition and construction of capital assets	(1,278,697)	(26,246)	(1,304,943)
Principal payments on capital debt	(173,556)	-	(173,556)
Interest paid on capital debt	(58,180)	-	(58,180)
Net cash provided (used) by capital financing activities	<u>(1,422,297)</u>	<u>5,124,070</u>	<u>3,701,773</u>
<b>Cash flows from investing activities:</b>			
Interest received on investments	10,119	-	10,119
Net cash provided (used) by investing activities	<u>10,119</u>	<u>-</u>	<u>10,119</u>
Net increase (decrease) in cash and cash equivalents	<u>(249,041)</u>	<u>283,345</u>	<u>34,304</u>
Cash and cash equivalents at beginning of year	250,033	1,501,471	1,751,504
Cash and cash equivalents at end of year	<u>\$ 992</u>	<u>\$ 1,784,816</u>	<u>\$ 1,785,808</u>
<b>Classified as:</b>			
Cash, cash equivalents, and investments	\$ 992	\$ 1,644,803	\$ 1,645,795
Restricted cash and cash equivalents	-	140,013	140,013
Totals	<u>\$ 992</u>	<u>\$ 1,784,816</u>	<u>\$ 1,785,808</u>

(continued)

**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Fund**  
**Year Ended June 30, 2020**

	Business-type Activities - Enterprise Fund		
	Airport Fund	Housing Authority Fund	Total Nonmajor Proprietary Fund
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (3,858,162)	\$ (5,467,210)	\$ (9,325,372)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	2,450,676	418,015	2,868,691
Other receipts	395,890	-	395,890
(Increase) decrease in assets:			
Accounts receivable	117,437	21,229	138,666
Allowance for doubtful accounts	(2,000)	-	(2,000)
Prepaid items	-	(23,456)	(23,456)
(Increase) decrease in deferred outflows	(50,464)	126,362	75,898
Increase (decrease) in liabilities:			
Accounts payable	(107,709)	10,461	(97,248)
Accrued payroll, compensated absences	26,631	(43,964)	(17,333)
OPEB	(15,754)	(41,430)	(57,184)
Pension	35,470	(67,312)	(31,842)
Deposits payable	70	1,500	1,570
Advanced revenue	90,123	77,096	167,219
Increase (decrease) in deferred inflows	38,929	52,198	91,127
Total adjustments	2,979,299	530,699	3,509,998
Net cash provided (used) by operating activities	\$ (878,863)	\$ (4,936,511)	\$ (5,815,374)
Noncash investing, capital and financing activities:			
None			

(concluded)

## Other Supplementary Information

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**City of Flagstaff, Arizona**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Function and Activity**  
**June 30, 2020**

Program	Land	Buildings	Improvements
General government	\$ 3,706,947	\$ 14,104,827	\$ 2,975,160
Public safety	3,936,522	27,151,960	113,946
Public works	3,338,900	22,203,888	307,810
Economic and physical development	932,355	15,137,462	254,590
Culture and recreation	24,099,472	23,455,587	19,078,487
Highway and streets	31,831,494	3,789,370	2,482,771
Subtotal	<u>67,845,690</u>	<u>105,843,094</u>	<u>25,212,764</u>
Less: accumulated depreciation	-	(31,418,120)	(19,425,607)
Total governmental funds capital assets	<u>\$ 67,845,690</u>	<u>\$ 74,424,974</u>	<u>\$ 5,787,157</u>

Machinery and Equipment	Construction In Progress	Infrastructure	Total
\$ 1,935,050	\$ 14,222,527	\$ -	\$ 36,944,511
18,425,610	5,561	-	49,633,599
1,602,920	34,424	1,117,224	28,605,166
757,652	111,828	899,774	18,093,661
5,012,339	1,673,928	11,023,556	84,343,369
9,933,726	16,276,292	335,829,992	400,143,645
<u>37,667,297</u>	<u>32,324,560</u>	<u>348,870,546</u>	<u>617,763,951</u>
(26,588,066)	-	(191,085,112)	(268,516,905)
<u>\$ 11,079,231</u>	<u>\$ 32,324,560</u>	<u>\$ 157,785,434</u>	<u>\$ 349,247,046</u>

City of Flagstaff, Arizona  
 Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes By Function and Activity  
 June 30, 2020

Program	Balance July 1, 2019	Additions	Retirements	Transfers In (out)	Balance June 30, 2020
General government	\$ 25,022,492	\$ 12,059,644	\$ (115,305)	\$ (22,320)	\$ 36,944,511
Public safety	48,351,513	1,543,993	(261,907)	-	49,633,599
Public works	28,758,128	49,835	(228,591)	25,794	28,605,166
Economic and physical development	18,211,680	111,574	(163,485)	(66,108)	18,093,661
Culture and recreation	83,849,715	1,159,250	(594,340)	(71,256)	84,343,369
Highway and streets	379,832,497	22,876,387	(547,223)	(2,018,016)	400,143,645
Total	<u>\$ 584,026,025</u>	<u>\$ 37,800,683</u>	<u>\$ (1,910,851)</u>	<u>\$ (2,151,906)</u>	<u>\$ 617,763,951</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, 2020**

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Grants and entitlements	\$ 2,073,899	\$ 2,073,899	\$ 427,841	\$ (1,646,058)
Rent	-	-	10,570	10,570
Investment earnings	-	-	16,567	16,567
Miscellaneous	-	-	185,064	185,064
Total revenues	<u>2,073,899</u>	<u>2,073,899</u>	<u>640,042</u>	<u>(1,433,857)</u>
<b>Expenditures:</b>				
Current:				
Economic and physical development	3,040,249	3,040,249	791,405	2,248,844
Total expenditures	<u>3,040,249</u>	<u>3,040,249</u>	<u>791,405</u>	<u>2,248,844</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(966,350)</u>	<u>(966,350)</u>	<u>(151,363)</u>	<u>814,987</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	142,000	142,000	35,000	107,000
Total other financing sources (uses)	<u>142,000</u>	<u>142,000</u>	<u>35,000</u>	<u>107,000</u>
Net change in fund balances	<u>(824,350)</u>	<u>(824,350)</u>	<u>(116,363)</u>	<u>921,987</u>
Fund balances, beginning of year	<u>992,693</u>	<u>992,693</u>	<u>1,153,185</u>	<u>160,492</u>
Fund balances, end of year	<u>\$ 168,343</u>	<u>\$ 168,343</u>	<u>\$ 1,036,822</u>	<u>\$ 1,082,479</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ (116,363)	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			<u>10,200</u>	
Adjusted net change in fund balance - GAAP basis			<u>\$ (106,163)</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, 2020**

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Grants and entitlements	\$ 1,150,886	\$ 1,150,886	\$ 710,759	\$ (440,127)
Intergovernmental	505,000	505,000	-	(505,000)
Total revenues	<u>1,655,886</u>	<u>1,655,886</u>	<u>710,759</u>	<u>(945,127)</u>
<b>Expenditures:</b>				
Current:				
Economic and physical development	1,433,876	1,433,876	825,764	608,112
Contingency	500,000	500,000	-	500,000
Total expenditures	<u>1,933,876</u>	<u>1,933,876</u>	<u>825,764</u>	<u>1,108,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(277,990)</u>	<u>(277,990)</u>	<u>(115,005)</u>	<u>162,985</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	419,500	419,500	136,500	(283,000)
Total other financing sources (uses)	<u>419,500</u>	<u>419,500</u>	<u>136,500</u>	<u>(283,000)</u>
Net change in fund balances	<u>141,510</u>	<u>141,510</u>	<u>21,495</u>	<u>(120,015)</u>
Fund balances, beginning of year	<u>6,785</u>	<u>6,785</u>	<u>12,635</u>	<u>5,850</u>
Fund balances, end of year	<u>\$ 148,295</u>	<u>\$ 148,295</u>	<u>\$ 34,130</u>	<u>\$ (114,165)</u>

**City of Flagstaff, Arizona**  
**Library Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 3,888,971	\$ 3,888,971	\$ 3,721,855	\$ (167,116)
Grants and entitlements	55,000	55,000	40,873	(14,127)
Investment earnings	38,381	38,381	61,635	23,254
Contributions	-	-	33,105	33,105
Miscellaneous	41,000	41,000	31,168	(9,832)
Total revenues	<u>4,023,352</u>	<u>4,023,352</u>	<u>3,888,636</u>	<u>(134,716)</u>
<b>Expenditures:</b>				
Current:				
Culture and recreation	6,752,432	6,752,432	5,619,014	1,133,418
Capital outlay	1,088,390	1,088,390	-	1,088,390
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>7,940,822</u>	<u>7,940,822</u>	<u>5,619,014</u>	<u>2,321,808</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,917,470)</u>	<u>(3,917,470)</u>	<u>(1,730,378)</u>	<u>2,187,092</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,662,813	1,662,813	1,662,813	-
Total other financing sources (uses)	<u>1,662,813</u>	<u>1,662,813</u>	<u>1,662,813</u>	<u>-</u>
Net change in fund balances	<u>(2,254,657)</u>	<u>(2,254,657)</u>	<u>(67,565)</u>	<u>2,187,092</u>
Fund balances, beginning of year	<u>3,450,200</u>	<u>3,450,200</u>	<u>4,025,828</u>	<u>575,628</u>
Fund balances, end of year	<u>\$ 1,195,543</u>	<u>\$ 1,195,543</u>	<u>\$ 3,958,263</u>	<u>\$ 2,762,720</u>

**City of Flagstaff, Arizona**  
**BBB Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2020**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 9,225,000	\$ 9,225,000	\$ 8,500,700	\$ (724,300)
Grants and entitlements	-	-	113	113
Charges for services	89,227	89,227	103,140	13,913
Licenses and permits	-	-	2,405	2,405
Rents	444,884	444,884	355,320	(89,564)
Investment earnings	52,430	52,430	178,304	125,874
Miscellaneous	13,800	13,800	15,129	1,329
Total revenues	<u>9,825,341</u>	<u>9,825,341</u>	<u>9,155,111</u>	<u>(670,230)</u>
<b>Expenditures:</b>				
Current:				
Economic and physical development	4,342,925	4,342,925	3,813,377	529,548
Culture and recreation	811,600	811,600	578,592	233,008
Highways and streets	-	-	16,560	(16,560)
Debt service:				
Principal retirement	150,000	150,000	150,000	-
Interest and other charges	99,188	99,188	98,154	1,034
Capital outlay	5,169,054	5,169,054	841,414	4,327,640
Contingency	160,000	160,000	-	160,000
Total expenditures	<u>10,732,767</u>	<u>10,732,767</u>	<u>5,498,097</u>	<u>5,234,670</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(907,426)</u>	<u>(907,426)</u>	<u>3,657,014</u>	<u>4,564,440</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	208,000	208,000	208,000	-
Transfers out	(4,303,947)	(4,303,947)	(3,554,099)	749,848
Total other financing sources (uses)	<u>(4,095,947)</u>	<u>(4,095,947)</u>	<u>(3,346,099)</u>	<u>749,848</u>
Net change in fund balances	<u>(5,003,373)</u>	<u>(5,003,373)</u>	<u>310,915</u>	<u>5,314,288</u>
Fund balances, beginning of year	<u>9,627,587</u>	<u>9,627,587</u>	<u>11,966,929</u>	<u>2,339,342</u>
Fund balances, end of year	<u>\$ 4,624,214</u>	<u>\$ 4,624,214</u>	<u>\$ 12,277,844</u>	<u>\$ 7,653,630</u>
Adjustment from budgetary basis to GAAP basis net change in fund balances			\$ 310,915	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			<u>(509,298)</u>	
Adjusted net change in fund balance - GAAP basis			<u>\$ (198,383)</u>	

**City of Flagstaff, Arizona**  
**Parking District Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2020**

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for service	\$ 1,466,434	\$ 1,466,434	\$ 1,130,812	\$ (335,622)
Grants	-	-	32	32
Investment earnings	14,000	14,000	24,277	10,277
Miscellaneous	-	-	69	69
Total revenues	<u>1,480,434</u>	<u>1,480,434</u>	<u>1,155,190</u>	<u>(325,244)</u>
<b>Expenditures:</b>				
Current:				
Highways and streets	906,677	906,677	670,750	235,927
Debt service:				
Principal retirement	93,358	93,358	93,358	-
Interest and other charges	21,668	21,668	21,668	-
Contingency	30,000	30,000	-	30,000
Capital outlay	726,148	726,148	39,249	686,899
Total expenditures	<u>1,777,851</u>	<u>1,777,851</u>	<u>825,025</u>	<u>952,826</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(297,417)</u>	<u>(297,417)</u>	<u>330,165</u>	<u>627,582</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(96,350)</u>	<u>(96,350)</u>	<u>(96,350)</u>	<u>-</u>
Total other financing sources (uses)	<u>(96,350)</u>	<u>(96,350)</u>	<u>(96,350)</u>	<u>-</u>
Net change in fund balances	<u>(393,767)</u>	<u>(393,767)</u>	<u>233,815</u>	<u>627,582</u>
Fund balances, beginning of year	<u>935,686</u>	<u>935,686</u>	<u>1,156,912</u>	<u>221,226</u>
Fund balances, end of year	<u>\$ 541,919</u>	<u>\$ 541,919</u>	<u>\$ 1,390,727</u>	<u>\$ 848,808</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, 2020**

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Expenditures:</b>				
Debt service:				
Principal retirement	\$ 6,305,227	\$ 6,305,227	\$ 5,610,894	\$ 694,333
Interest and other charges	1,409,820	1,409,820	1,404,091	5,729
Total expenditures	<u>7,715,047</u>	<u>7,715,047</u>	<u>7,014,985</u>	<u>700,062</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,715,047)</u>	<u>(7,715,047)</u>	<u>(7,014,985)</u>	<u>700,062</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>7,715,047</u>	<u>7,715,047</u>	<u>7,014,985</u>	<u>(700,062)</u>
Total other financing sources (uses)	<u>7,715,047</u>	<u>7,715,047</u>	<u>7,014,985</u>	<u>(700,062)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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, 2020**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 7,268,436	\$ 7,268,436	\$ 7,235,558	\$ (32,878)
Investment earnings	34,000	34,000	42,403	8,403
Total revenues	<u>7,302,436</u>	<u>7,302,436</u>	<u>7,277,961</u>	<u>(24,475)</u>
<b>Expenditures:</b>				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>7,302,436</u>	<u>7,302,436</u>	<u>7,277,961</u>	<u>(24,475)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(7,715,047)</u>	<u>(7,715,047)</u>	<u>(7,014,985)</u>	<u>700,062</u>
Total other financing sources (uses)	<u>(7,715,047)</u>	<u>(7,715,047)</u>	<u>(7,014,985)</u>	<u>700,062</u>
Net change in fund balances	<u>(412,611)</u>	<u>(412,611)</u>	<u>262,976</u>	<u>675,587</u>
Fund balances, beginning of year	<u>6,831,341</u>	<u>6,831,341</u>	<u>6,879,666</u>	<u>48,325</u>
Fund balances, end of year	<u><u>\$ 6,418,730</u></u>	<u><u>\$ 6,418,730</u></u>	<u><u>\$ 7,142,642</u></u>	<u><u>\$ 723,912</u></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, 2020**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Investment earnings	\$ 1,000	\$ 1,000	\$ 1,860	\$ 860
Total revenues	<u>1,000</u>	<u>1,000</u>	<u>1,860</u>	<u>860</u>
<b>Expenditures:</b>				
General governmental	-	-	424	-
Total expenditures	<u>-</u>	<u>-</u>	<u>424</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,000</u>	<u>1,000</u>	<u>1,436</u>	<u>860</u>
Fund balances, beginning of year	<u>114,060</u>	<u>121,390</u>	<u>121,390</u>	<u>-</u>
Fund balances, end of year	<u>\$ 115,060</u>	<u>\$ 122,390</u>	<u>\$ 122,826</u>	<u>\$ 860</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, 2020**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Grants and entitlements	\$ 189,000	\$ 189,000	\$ 1,000,000	\$ 811,000
Investment earnings	10,000	10,000	89,904	79,904
Total revenues	<u>199,000</u>	<u>199,000</u>	<u>1,089,904</u>	<u>890,904</u>
<b>Expenditures:</b>				
Current:				
General government	6,357,188	6,357,188	1,681,248	4,675,940
Public works	-	-	1,373	(1,373)
Economic and physical development	-	-	13,707	(13,707)
Culture and recreation	-	-	840	(840)
Capital outlay	29,896,721	29,896,721	11,991,222	17,905,499
Total expenditures	<u>36,253,909</u>	<u>36,253,909</u>	<u>13,688,390</u>	<u>22,565,519</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,054,909)</u>	<u>(36,054,909)</u>	<u>(12,598,486)</u>	<u>23,456,423</u>
<b>Other Financing Sources (Uses):</b>				
Bonds issued	28,000,000	28,000,000	16,203,314	(11,796,686)
Transfers in	575,000	575,000	325,000	(250,000.00)
Total other financing sources (uses)	<u>28,575,000</u>	<u>28,575,000</u>	<u>16,528,314</u>	<u>(12,046,686)</u>
Net change in fund balances	<u>(7,479,909)</u>	<u>(7,479,909)</u>	<u>3,929,828</u>	<u>11,409,737</u>
Fund balances, beginning of year	<u>7,723,947</u>	<u>7,723,947</u>	<u>1,282,835</u>	<u>(6,441,112)</u>
Fund balances, end of year	<u>\$ 244,038</u>	<u>\$ 244,038</u>	<u>\$ 5,212,663</u>	<u>\$ 4,968,625</u>

**City of Flagstaff, Arizona**  
**Financial Data Submission Summary**  
**Net Position Accounts**  
**Year Ended June 30, 2020**

	Public Housing 14.850 & 14.872	Public Housing CARES Act 14.PHC	Housing Choice Vouchers 14.871	HCV CARES Act 14.HCC
<b>Assets:</b>				
<b>Current Assets:</b>				
<b>Cash:</b>				
Cash - Unrestricted	\$ 1,160,282	\$ -	\$ 336,684	\$ -
Cash - Other Restricted	-	-	-	64,982
Cash - Tenant Security Deposits	74,844	-	-	-
Cash - Restricted - Payment of Current Liabilities	-	-	-	187
<b>Total Cash</b>	<b>1,235,126</b>	<b>-</b>	<b>336,684</b>	<b>65,169</b>
<b>Accounts Receivables:</b>				
Accounts Receivable - PHA Projects	-	-	-	-
Accounts Receivable - HUD Other Projects	81,077	4,144	-	-
Accounts Receivable - Other Government	14,397	-	-	-
Accounts Receivable - Miscellaneous	-	-	2,289	-
Accounts Receivable - Tenants	7,257	-	-	-
Allowance for Doubtful Accounts - Tenants	(1,061)	-	-	-
Allowance for Doubtful Accounts - Other	-	-	(94)	-
Fraud Recovery	9,799	-	-	-
Allowance for Doubtful Accounts - Fraud	(9,799)	-	-	-
Accrued Interest Receivable	-	-	-	-
<b>Total Receivables, Net</b>	<b>101,670</b>	<b>4,144</b>	<b>2,195</b>	<b>-</b>
<b>Current investments</b>				
Investments - Unrestricted	-	-	-	-
Investments - Restricted	-	-	-	-
Investments - Restricted for Payment of Current Liability	-	-	-	-
Prepaid Expenses and Other Assets	63,913	-	395	-
Inventories	-	-	-	-
Allowance for Obsolete Inventories	-	-	-	-
Inter Program Due From	186	-	23	-
Assets Held for Sale	-	-	-	-
<b>Total Current Assets</b>	<b>1,400,895</b>	<b>4,144</b>	<b>339,297</b>	<b>65,169</b>
<b>Noncurrent Assets:</b>				
<b>Capital Assets:</b>				
Land	921,950	-	-	-
Buildings	10,397,522	-	-	-
Furniture, Equipment & Machinery - Dwellings	931,021	-	-	-
Furniture, Equipment & Machinery - Administration	516,947	-	-	-
Leasehold Improvements	-	-	-	-
Accumulated Depreciation	(8,926,823)	-	-	-
Construction in Progress	-	-	-	-
<b>Total Capital Assets, Net</b>	<b>3,840,617</b>	<b>-</b>	<b>-</b>	<b>-</b>
Notes receivable - Noncurrent	-	-	-	-
Other Assets	-	-	-	-
<b>Total Non-Current Assets</b>	<b>3,840,617</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deferred Outflow of Resources	146,910	-	40,490	-
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 5,388,422</b>	<b>\$ 4,144</b>	<b>\$ 379,787</b>	<b>\$ 65,169</b>

Business Activities	Moderate Rehabilitation 14,856	Elimination	Total
\$ 147,837	\$ -	\$ -	\$ 1,644,803
-	-	-	64,982
-	-	-	74,844
-	-	-	187
<u>147,837</u>	<u>-</u>	<u>-</u>	<u>1,784,816</u>
-	-	-	-
-	-	-	85,221
-	-	-	14,397
6,686	-	-	8,975
-	-	-	7,257
-	-	-	(1,061)
-	-	-	(94)
-	-	-	9,799
-	-	-	(9,799)
-	-	-	-
<u>6,686</u>	<u>-</u>	<u>-</u>	<u>114,695</u>
-	-	-	-
-	-	-	-
-	-	-	-
2,443	-	-	66,751
-	-	-	-
-	-	-	-
-	17,572	(17,781)	-
-	-	-	-
<u>156,966</u>	<u>17,572</u>	<u>(17,781)</u>	<u>1,966,262</u>
-	-	-	921,950
-	-	-	10,397,522
-	-	-	931,021
-	-	-	516,947
-	-	-	-
-	-	-	(8,926,823)
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,840,617</u>
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,840,617</u>
50,842	-	-	238,242
<u>\$ 207,808</u>	<u>\$ 17,572</u>	<u>\$ (17,781)</u>	<u>\$ 6,045,121</u>

(continued)

**City of Flagstaff, Arizona**  
**Financial Data Submission Summary**  
**Net Position Accounts**  
**Year Ended June 30, 2020**

	Public Housing 14.850 & 14.872	Public Housing CARES Act 14.PHC	Housing Choice Vouchers 14.871	HCV CARES Act 14.HCC
<b>Liabilities and Net Position:</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
Bank Overdraft	\$ -	\$ -	\$ -	\$ -
Accounts Payable <= 90 Days	135,860	374	3,346	187
Accrued Wage/Payroll Taxes Payable	38,944	-	10,071	-
Accrued Compensated Absences	35,325	-	10,123	-
Accrued Interest Payable	-	-	-	-
Accounts Payable - HUD PHA Programs	-	3,770	-	-
Account Payable - PHA Projects	-	-	-	-
Accounts Payable - Other Government	69,949	-	17,091	-
Tenant Security Deposits	74,844	-	-	-
Unearned Revenues	25,420	-	-	64,982
Current Portion of L-T Debt - Capital	-	-	-	-
Current Portion of L-T Debt - Operating	-	-	-	-
Other Current Liabilities	-	-	-	-
Accrued Liabilities - Other	-	-	-	-
Inter Program - Due To	74	-	16,733	-
<b>Total Current Liabilities</b>	<b>380,416</b>	<b>4,144</b>	<b>57,364</b>	<b>65,169</b>
<b>Noncurrent Liabilities</b>				
Long-term Debt, Net of Current - Capital	-	-	-	-
Long-term Debt, Net of Current - Operating	-	-	-	-
Non-current Liabilities - Other	-	-	-	-
Accrued Compensated Absences	68,768	-	8,555	-
Accrued Pension and OPEB Liabilities	1,486,498	-	268,761	-
<b>Total Non-Current Liabilities</b>	<b>1,555,266</b>	<b>-</b>	<b>277,316</b>	<b>-</b>
<b>Total Liabilities</b>	<b>1,935,682</b>	<b>4,144</b>	<b>334,680</b>	<b>65,169</b>
Deferred Inflow of Resources	234,545	-	41,924	-
<b>Net Position:</b>				
Net Investment in Capital Assets	3,840,617	-	-	-
Restricted Net Position	-	-	-	-
Unrestricted Net Position	(622,422)	-	3,183	-
<b>Total Equity/Net Position</b>	<b>3,218,195</b>	<b>-</b>	<b>3,183</b>	<b>-</b>
<b>Total Liabilities, Deferred Inflows of Resources and Equity/ Net Position</b>	<b>\$ 5,388,422</b>	<b>\$ 4,144</b>	<b>\$ 379,787</b>	<b>\$ 65,169</b>

Business Activities	Moderate Rehabilitation 14,856	Elimination	Total
\$ -	\$ -	\$ -	\$ -
153	-	-	139,920
12,368	-	-	61,383
-	-	-	45,448
-	-	-	-
-	8,514	-	12,284
-	-	-	-
20,862	-	-	107,902
-	-	-	74,844
-	-	-	90,402
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
462	512	(17,781)	-
<u>33,845</u>	<u>9,026</u>	<u>(17,781)</u>	<u>532,183</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	77,323
431,435	-	-	2,186,694
<u>431,435</u>	<u>-</u>	<u>-</u>	<u>2,264,017</u>
<u>465,280</u>	<u>9,026</u>	<u>(17,781)</u>	<u>2,796,200</u>
77,981	-	-	354,450
-	-	-	3,840,617
-	-	-	-
(335,453)	8,546	-	(946,146)
<u>(335,453)</u>	<u>8,546</u>	<u>-</u>	<u>2,894,471</u>
<u>\$ 207,808</u>	<u>\$ 17,572</u>	<u>\$ (17,781)</u>	<u>\$ 6,045,121</u>

(concluded)

**City of Flagstaff, Arizona**  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Position Accounts**  
**Year Ended June 30, 2020**

	Public Housing 14.850 & 14.872	Public Housing CARES Act 14.PHC	Housing Choice Vouchers 14.871	HCV CARES Act 14.HCC
<b>Revenues:</b>				
Net Tenant Rental Revenue	\$ 1,359,670	\$ -	\$ -	\$ -
Tenant Revenue - Other	12,786	-	-	-
<b>Total Tenant Revenue</b>	<b>1,372,456</b>	<b>-</b>	<b>-</b>	<b>-</b>
HUD PHA Operating Grants	638,278	4,144	4,440,554	426
Capital Grants	26,246	-	-	-
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	14,196	-	20,128	-
Other Revenue	5,648	-	449,233	-
Gain or Loss on Sale of Capital Assets	-	-	-	-
Investment Income - Restricted	-	-	-	-
<b>Total Revenue</b>	<b>2,056,824</b>	<b>4,144</b>	<b>4,909,915</b>	<b>426</b>
<b>Expenses:</b>				
<b>Administrative</b>				
Administrative Salaries	391,097	-	164,418	-
Auditing Fees	5,100	-	2,050	-
Management Fee	-	-	-	-
Bookkeeping Fee	-	-	-	-
Advertising and Marketing	630	-	315	-
Employee Benefit - Administrative	277,330	-	69,759	-
Office Expenses	60,083	1,101	28,509	426
Legal Expense	3,777	-	-	-
Travel	38,477	-	3,428	-
Allocated Overhead	-	-	-	-
Other	20,286	-	32,114	-
<b>Total Administrative</b>	<b>796,780</b>	<b>1,101</b>	<b>300,593</b>	<b>426</b>
<b>Tenant Services</b>				
Asset Management Fee	-	-	-	-
Tenant Services - Salaries	-	-	-	-
Relocation Costs	-	-	-	-
Employee Benefit - Tenant Services	-	-	-	-
Tenant Services - Other	12	-	-	-
<b>Total Tenant Services</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>

Business Activities	Moderate Rehabilitation 14.856	Elimination	Total
\$ -	\$ -	\$ -	\$ 1,359,670
-	-	-	12,786
-	-	-	1,372,456
-	92,559	-	\$ 5,175,961
-	-	-	26,246
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	1,738	-	36,062
357,095	-	-	811,976
-	-	-	-
-	-	-	-
357,095	94,297	-	7,422,701
100,068	-	-	655,583
500	1,000	-	8,650
-	-	-	-
-	-	-	-
-	-	-	945
87,478	-	-	434,567
11,004	24	-	101,147
542	-	-	4,319
6,576	-	-	48,481
-	-	-	-
2,822	11,304	-	66,526
208,990	12,328	-	1,320,218
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	12
-	-	-	12

(continued)

**City of Flagstaff, Arizona**  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Position Accounts**  
**Year Ended June 30, 2020**

	Public Housing 14.850 & 14.872	Public Housing CARES Act 14.PHC	Housing Choice Vouchers 14.871	HCV CARES Act 14.HCC
<b>Utilities</b>				
Water	189,571	-	-	-
Electricity	18,086	-	-	-
Gas	79,620	-	-	-
Fuel	-	-	-	-
Labor	-	-	-	-
Sewer	74,818	-	-	-
Employee Benefit - Utilities	-	-	-	-
Other Utilities Expense	-	-	-	-
<b>Total Utilities</b>	<b>362,095</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ordinary Maintenance and Operations</b>				
Labor	433,285	3,043	-	-
Materials and Other	82,585	-	-	-
Ordinary Maintenance and Operations Contracts	131,764	-	-	-
Employee Benefit Contributions - Ordinary Maintenance	-	-	-	-
<b>Total Maintenance</b>	<b>647,634</b>	<b>3,043</b>	<b>-</b>	<b>-</b>
<b>Protective Services</b>				
Protective Services - Labor	-	-	-	-
Protective Services - Other Contract Costs	11,536	-	1,725	-
Protective Services - Other	-	-	-	-
Employee Benefit - Protective Services	-	-	-	-
<b>Total Protective Services</b>	<b>11,536</b>	<b>-</b>	<b>1,725</b>	<b>-</b>
<b>General Expense</b>				
Property Insurance	57,139	-	-	-
Liability Insurance	21,845	-	-	-
Workmen's Compensation	8,723	-	1,592	-
All Other Insurance	8,242	-	3,720	-
Total insurance Premiums	95,949	-	5,312	-
Other General Expenses	-	-	5,226	-
Compensated Absences	-	-	-	-
Payments in Lieu of Taxes	101,529	-	-	-
Bad debt - Tenant Rents	2,360	-	-	-
Bad debt - Mortgages	-	-	-	-
Bad debt - Other	-	-	-	-
Severance Expense	-	-	-	-
<b>Total General Expenses</b>	<b>103,889</b>	<b>-</b>	<b>5,226</b>	<b>-</b>
<b>Financial Expenses</b>				
Interest Expense - Mortgage Payable	-	-	-	-
Interest on Notes Payable (Short & Long Term)	-	-	-	-
Amortization of Bond Issue Costs	-	-	-	-
<b>Total Financial Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Operating Expenses</b>	<b>2,017,895</b>	<b>4,144</b>	<b>312,856</b>	<b>426</b>
<b>Excess of Operating Revenue over Operating Expenses</b>	<b>38,929</b>	<b>-</b>	<b>4,597,059</b>	<b>-</b>

Business Activities	Moderate Rehabilitation 14.856	Elimination	Total
-	-	-	189,571
1,221	-	-	19,307
-	-	-	79,620
-	-	-	-
-	-	-	-
-	-	-	74,818
-	-	-	-
-	-	-	-
1,221	-	-	363,316
145,977	-	-	582,305
7,789	-	-	90,374
1,088	-	-	132,852
-	-	-	-
154,854	-	-	805,531
-	-	-	-
1,739	-	-	15,000
-	-	-	-
-	-	-	-
1,739	-	-	15,000
-	-	-	57,139
-	-	-	21,845
2,807	-	-	13,122
-	-	-	11,962
2,807	-	-	104,068
-	-	-	-
-	-	-	5,226
-	-	-	-
-	-	-	101,529
-	-	-	2,360
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	109,115
-	-	-	-
-	-	-	-
-	-	-	-
369,611	12,328	-	2,717,260
(12,516)	81,969	-	4,705,441

(continued)

**City of Flagstaff, Arizona**  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Position Accounts**  
**Year Ended June 30, 2020**

	Public Housing 14.850 & 14.872	Public Housing CARES Act 14.PHC	Housing Choice Vouchers 14.871	HCV CARES Act 14.HCC
Other Expenses				
Extraordinary Maintenance	14,139	-	-	-
Casualty Losses - Non-capitalized	-	-	-	-
Housing Assistance Payments	-	-	4,039,171	-
HAP Portability-In	-	-	418,163	-
Depreciation Expense	418,015	-	-	-
Fraud Losses	-	-	-	-
Capital Outlays - Governmental Funds	-	-	-	-
Debt Principal Payment - Governmental Funds	-	-	-	-
Dwelling Units Rent Expense	-	-	-	-
Total Other Expense	<u>432,154</u>	<u>-</u>	<u>4,457,334</u>	<u>-</u>
 Total Expenses	<u>2,450,049</u>	<u>4,144</u>	<u>4,770,190</u>	<u>426</u>
Other Financing Sources (Uses)				
Operating Transfer In	-	-	-	-
Operating Transfer Out	-	-	-	-
Operating Transfers from/to Primary Government	-	-	-	-
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)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Total Revenue Over (Under)				
Total Expenses	<u>(393,225)</u>	<u>-</u>	<u>139,725</u>	<u>-</u>
Beginning Net Position	<u>3,611,420</u>	<u>-</u>	<u>(136,542)</u>	<u>-</u>
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	<u>\$ 3,218,195</u>	<u>\$ -</u>	<u>\$ 3,183</u>	<u>\$ -</u>



**City of Flagstaff, Arizona**  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Position Accounts**  
**Year Ended June 30, 2020**

	Public Housing 14.850 & 14.872	Public Housing CARES Act 14.PHC	Housing Choice Vouchers 14.871	HCV CARES Act 14.HCC
Administrative Fee Equity	\$ -	\$ -	\$ (59,169)	\$ -
Housing Assistance Payments Equity	-	-	62,352	-
Unit Months Available	3,180	-	5,268	-
Number of Unit Months Leased	3,099	-	4,975	-
Excess Cash	795,054	-	-	-
Land Purchases	-	-	-	-
Building Purchases	26,245	-	-	-
Furniture & Equipment - Dwelling Purchases	-	-	-	-
Furniture & Equipment - Administrative Purchases	-	-	-	-
Leasehold Improvements Purchases	-	-	-	-
Infrastructure Purchases	-	-	-	-
CFFP Debt Service Payments	-	-	-	-
Replacement Housing Factor Funds	-	-	-	-

Business Activities	Moderate Rehabilitation 14.856	Elimination	Total
\$ -	\$ -	\$ -	\$ (59,169)
-	-	-	62,352
-	144	-	8,592
-	134	-	8,208
-	-	-	795,054
-	-	-	-
-	-	-	26,245
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

(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, 2020**

	Operating Fund Program	Capital Fund Grants	Other Project Total
Revenues:			
Net Tenant Rental Revenue	\$ 1,359,670	\$ -	\$ 1,359,670
Tenant Revenue - Other	12,786	-	12,786
Total Tenant Revenue	<u>1,372,456</u>	<u>-</u>	<u>1,372,456</u>
HUD PHA Operating Grants	544,409	93,869	638,278
Capital Grants	-	26,246	26,246
Management Fee	-	-	-
Asset Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Front Line Service Fee	-	-	-
Other Fees	-	-	-
Other Government Grants	-	-	-
Investment Income - Unrestricted	-	-	-
Mortgage Interest Income	-	-	-
Fraud Recovery	14,196	-	14,196
Other Revenue	5,648	-	5,648
Gain or Loss on Sale of Capital Assets	-	-	-
Investment Income - Restricted	-	-	-
Total Revenue	<u>1,936,709</u>	<u>120,115</u>	<u>2,056,824</u>
Expenses:			
Administrative			
Administrative Salaries	366,675	24,422	391,097
Auditing Fees	4,100	1,000	5,100
Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Advertising and Marketing	630	-	630
Employee Benefit - Administrative	270,988	6,342	277,330
Office Expenses	60,083	-	60,083
Legal Expense	3,777	-	3,777
Travel	13,113	25,364	38,477
Allocated Overhead	-	-	-
Other	5,827	14,459	20,286
Total Administrative	<u>725,193</u>	<u>71,587</u>	<u>796,780</u>
Tenant Services			
Tenant Services - Salaries	-	-	-
Relocation Costs	-	-	-
Employee Benefit - Tenant Services	-	-	-
Tenant Services - Other	12	-	12
Total Tenant Services	<u>12</u>	<u>-</u>	<u>12</u>
Utilities			
Water	189,571	-	189,571
Electricity	18,086	-	18,086
Gas	79,620	-	79,620
Sewer	74,818	-	74,818
Employee Benefit - Utilities	-	-	-
Other Utilities Expense	-	-	-
Total Utilities	<u>362,095</u>	<u>-</u>	<u>362,095</u>

(continued)

**City of Flagstaff, Arizona**  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Position Accounts**  
**Public Housing - Consolidated**  
**Year Ended June 30, 2020**

	Operating Fund Program	Capital Fund Grants	Other Project Total
Ordinary Maintenance and Operations			
Labor	433,285	-	433,285
Materials and Other	82,585	-	82,585
Contracts	123,838	7,926	131,764
Employee Benefit Contributions	-	-	-
Total Maintenance	<u>639,708</u>	<u>7,926</u>	<u>647,634</u>
Protective Services			
Protective Services - Labor	-	-	-
Protective Services - Other Contract Costs	11,536	-	11,536
Protective Services - Other	-	-	-
Employee Benefit - Protective Services	-	-	-
Total Protective Services	<u>11,536</u>	<u>-</u>	<u>11,536</u>
General Expense			
Property Insurance	57,139	-	57,139
Liability Insurance	21,845	-	21,845
Workmen's Compensation	8,506	217	8,723
All Other Insurance	8,242	-	8,242
Total insurance Premiums	<u>95,732</u>	<u>217</u>	<u>95,949</u>
Other General Expenses			
Compensated Absences	-	-	-
Payments in Lieu of Taxes	101,529	-	101,529
Bad debt - Tenant Rents	2,360	-	2,360
Bad debt - Mortgages	-	-	-
Bad debt - Other	-	-	-
Severance Expense	-	-	-
Total Other General Expenses	<u>103,889</u>	<u>-</u>	<u>103,889</u>
Financial Expenses			
Interest Expense - Mortgage Payable	-	-	-
Amortization of Bond Issue Costs	-	-	-
Total Financial Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>1,938,165</u>	<u>79,730</u>	<u>2,017,895</u>
Excess of Operating Revenue over Operating Expenses	<u>(1,456)</u>	<u>40,385</u>	<u>38,929</u>
Other Expenses			
Extraordinary Maintenance	-	14,139	14,139
Casualty Losses - Non-capitalized	-	-	-
Housing Assistance Payments	-	-	-
HAP Portability-In	-	-	-
Depreciation Expense	418,015	-	418,015
Fraud Losses	-	-	-
Total Other Expense	<u>418,015</u>	<u>14,139</u>	<u>432,154</u>
Total Expenses	<u>2,356,180</u>	<u>93,869</u>	<u>2,450,049</u>

(continued)

City of Flagstaff, Arizona  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Position Accounts**  
**Public Housing - Consolidated**  
**Year Ended June 30, 2020**

	Operating Fund Program	Capital Fund Grants	Other Project Total
Other Financing Sources (Uses)			
Operating Transfer In	-	-	-
Operating transfer Out	-	-	-
Operating Transfers from/to Primary Government	-	-	-
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)	-	-	-
Excess (Deficiency) of Total Revenue Over (Under)			
Total Expenses	(419,471)	26,246	(393,225)
Beginning Net Position	3,611,420	-	3,611,420
Required Annual Debt Principal Payments	-	-	-
Prior Period Adjustments, Equity Transfers and Correction of Errors	26,245	(26,245)	-
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	\$ 3,218,194	\$ 1	\$ 3,218,195
Administrative Fee Equity	\$ -	\$ -	\$ -
Housing Assistance Payments Equity	-	-	-
Unit Months Available	3,180	-	3,180
Number of Unit Months Leased	3,099	-	3,099
Excess Cash	795,054	-	795,054
Land Purchases	-	-	-
Building Purchases	-	26,245	26,245
Furniture & Equipment - Dwelling Purchases	-	-	-
Furniture & Equipment - Administrative Purchases	-	-	-
Leasehold Improvements Purchases	-	-	-
Infrastructure Purchases	-	-	-
CFFP Debt Service Payments	-	-	-
Replacement Housing Factor Funds	-	-	-

(concluded)

## Statistical Section

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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	140
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	149
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	158
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	164
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									
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015 <sup>(1)</sup>	2015-2016	2016-2017	2017-2018 <sup>(2)</sup>	2018-2019	2019-2020
<b>Governmental activities</b>										
Net investment in capital assets	\$ 217,879,986	\$ 219,112,469	\$ 222,690,985	\$ 227,347,151	\$ 230,658,509	\$ 246,897,365	\$ 245,638,486	\$ 251,337,203	\$ 262,523,967	\$ 275,765,434
Restricted	23,971,870	34,679,441	43,856,244	43,761,156	53,192,347	60,981,953	86,071,589	86,287,362	81,804,376	90,040,134
Unrestricted	42,863,692	37,309,699	32,288,032	37,176,483	(65,530,075)	(72,922,639)	(92,822,132)	(91,938,637)	(91,237,974)	(84,540,350)
<b>Total governmental activities net position</b>	<b>\$ 284,715,548</b>	<b>\$ 291,101,609</b>	<b>\$ 298,835,261</b>	<b>\$ 308,284,790</b>	<b>\$ 218,320,781</b>	<b>\$ 234,956,679</b>	<b>\$ 238,887,943</b>	<b>\$ 245,685,928</b>	<b>\$ 253,090,369</b>	<b>\$ 281,265,218</b>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 303,113,402	\$ 304,418,393	\$ 304,560,897	\$ 310,552,949	\$ 311,963,433	\$ 311,644,865	\$ 317,301,221	\$ 327,068,826	\$ 320,224,485	\$ 326,373,816
Restricted	3,003,129	2,805,002	2,694,262	2,492,562	2,664,263	2,903,553	3,142,245	-	-	-
Unrestricted	17,190,191	23,968,903	29,195,853	31,128,319	18,390,515	20,537,654	26,426,890	24,117,982	37,550,330	41,842,104
<b>Total business-type activities and net position</b>	<b>\$ 323,306,722</b>	<b>\$ 331,192,298</b>	<b>\$ 336,451,012</b>	<b>\$ 344,173,830</b>	<b>\$ 333,018,211</b>	<b>\$ 335,086,072</b>	<b>\$ 346,870,356</b>	<b>\$ 351,186,808</b>	<b>\$ 357,774,815</b>	<b>\$ 368,215,920</b>
<b>Primary government</b>										
Net investment in capital assets	\$ 520,993,388	\$ 523,530,862	\$ 527,251,882	\$ 537,900,100	\$ 542,621,942	\$ 558,542,230	\$ 562,939,707	\$ 578,406,029	\$ 582,748,452	\$ 602,139,250
Restricted	26,974,999	37,484,442	46,550,506	46,253,718	55,856,610	63,885,506	89,213,834	86,287,362	81,804,376	90,040,134
Unrestricted	60,053,883	61,278,603	61,483,885	68,304,802	(47,139,560)	(52,384,985)	(66,395,242)	(67,820,655)	(53,687,644)	(42,698,246)
<b>Total primary government net position</b>	<b>\$ 608,022,270</b>	<b>\$ 622,293,907</b>	<b>\$ 635,286,273</b>	<b>\$ 652,458,620</b>	<b>\$ 551,338,992</b>	<b>\$ 570,042,751</b>	<b>\$ 585,758,299</b>	<b>\$ 596,872,736</b>	<b>\$ 610,865,184</b>	<b>\$ 649,481,138</b>

(1) In fiscal year 2014-2015, beginning net position was restated due to the implementation of GASB Statement No. 68

(2) In fiscal year 2017-2018, beginning net position was restated due to the implementation of GASB Statement No. 75

Source: Statement of Net Position prepared for the CAFR.

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

	Fiscal Year									
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
<b>Expenses</b>										
<b>Governmental activities:</b>										
General government	\$ 7,850,954	\$ 9,406,406	\$ 10,442,808	\$ 10,732,510	\$ 17,625,846	\$ 17,210,187	\$ 19,320,158	\$ 20,893,077	\$ 20,428,990	\$ 18,404,198
Public safety	25,987,193	27,175,720	27,269,325	28,730,111	35,255,450	34,711,251	42,090,228	39,801,651	42,341,569	44,262,923
Public works	1,754,033	1,615,941	1,718,767	1,573,541	1,664,308	1,650,323	1,895,576	1,477,756	1,982,339	2,130,869
Economic and physical development	8,474,776	9,639,003	9,210,500	9,018,496	9,343,417	10,259,240	9,833,154	10,401,134	10,295,023	11,019,964
Culture and recreation	12,854,824	12,434,695	13,342,588	12,919,475	12,511,424	12,974,830	13,563,829	14,521,931	14,138,231	15,631,659
Highways and streets	19,275,381	16,328,771	15,431,985	17,698,346	18,174,944	13,059,212	15,849,094	16,992,461	19,316,189	17,417,183
Interest on long-term debt	3,370,918	2,944,057	2,902,196	2,946,685	2,944,000	2,295,418	2,743,633	2,623,267	2,163,451	2,076,671
<b>Total governmental activities expense</b>	<b>79,568,079</b>	<b>79,544,593</b>	<b>80,318,169</b>	<b>83,619,164</b>	<b>97,519,389</b>	<b>92,160,461</b>	<b>105,295,672</b>	<b>106,711,277</b>	<b>110,665,792</b>	<b>110,943,467</b>
<b>Business-type activities:</b>										
Water	21,491,239	22,708,636	22,568,661	24,366,128	14,307,902	14,674,337	15,454,108	15,173,129	16,152,593	18,421,251
Wastewater and reclaimed	-	-	-	-	10,879,594	10,490,816	11,150,309	11,055,308	10,992,004	10,045,850
Environmental	11,610,370	7,828,286	11,671,366	11,637,566	12,071,509	12,087,144	12,337,663	17,913,116	12,533,960	12,643,566
Airport	4,584,733	4,268,099	5,226,977	4,118,280	4,540,208	4,307,615	5,080,905	4,790,967	4,833,095	5,553,096
Housing authority	5,811,922	6,165,612	5,986,508	6,090,790	6,084,019	6,125,950	6,657,398	6,981,632	7,241,036	7,687,704
Stormwater	1,121,555	1,361,658	1,196,589	1,576,865	1,184,464	1,245,532	1,180,230	1,437,221	1,401,054	1,431,353
<b>Total business-type activities expense</b>	<b>44,619,819</b>	<b>42,332,291</b>	<b>46,650,101</b>	<b>47,789,629</b>	<b>49,067,696</b>	<b>48,931,394</b>	<b>51,860,613</b>	<b>57,351,373</b>	<b>53,153,742</b>	<b>55,782,820</b>
<b>Total primary government expense</b>	<b>\$ 124,187,898</b>	<b>\$ 121,876,884</b>	<b>\$ 126,968,270</b>	<b>\$ 131,408,793</b>	<b>\$ 146,587,085</b>	<b>\$ 141,091,855</b>	<b>\$ 157,156,285</b>	<b>\$ 164,062,650</b>	<b>\$ 163,819,534</b>	<b>\$ 166,726,287</b>
<b>Program Revenues</b>										
<b>Governmental activities:</b>										
<b>Charges for services:</b>										
General government	\$ 2,646,424	\$ 3,364,479	\$ 3,448,665	\$ 4,568,438	\$ 3,091,342	\$ 3,241,987	\$ 3,143,969	\$ 2,685,942	\$ 2,759,870	\$ 2,418,517
Public safety	1,144,636	1,611,109	1,491,842	628,038	879,755	647,910	832,352	888,558	885,484	665,670
Public works	1,537,188	1,551,419	1,611,306	1,215	520	605	740	940	6,160	1,198
Economic and physical development	162,715	53,747	52,386	903,233	2,329,258	3,767,060	3,785,805	4,334,694	4,284,343	6,152,909
Culture and recreation	1,442,901	1,455,067	1,507,855	1,656,628	1,605,120	1,633,338	1,785,874	1,845,794	1,754,950	1,264,523
Highways and streets	-	-	-	-	-	-	173,960	1,346,238	1,547,532	1,326,992
Operating grants and contributions	7,965,474	7,414,767	6,866,279	7,071,557	6,670,678	7,726,612	7,723,935	7,220,425	7,685,026	15,851,393
Capital grants and contributions	9,226,778	12,200,969	11,318,522	14,603,667	13,008,629	11,806,049	8,774,146	11,096,549	10,023,919	11,977,909
<b>Total governmental activities program revenues</b>	<b>24,126,116</b>	<b>27,651,557</b>	<b>26,296,855</b>	<b>29,432,776</b>	<b>27,585,302</b>	<b>28,823,561</b>	<b>26,220,781</b>	<b>29,419,140</b>	<b>28,947,284</b>	<b>39,659,111</b>
<b>Business-type activities:</b>										
<b>Charges for services:</b>										
Water	18,781,751	19,937,196	22,629,862	23,432,153	14,043,177	14,589,041	15,973,118	16,156,035	16,219,453	17,480,478
Wastewater and reclaimed	-	-	-	-	8,907,760	9,387,949	9,943,603	10,594,304	11,137,492	11,388,928
Environmental	12,010,554	12,030,990	12,000,124	12,490,237	12,646,619	12,760,747	13,047,045	12,891,528	12,674,791	12,863,428
Airport	1,388,076	1,492,559	1,486,247	1,504,703	1,528,202	1,603,852	1,503,945	1,624,593	1,741,470	1,641,859
Housing authority	1,437,841	1,299,987	994,123	974,184	1,027,945	1,455,715	1,605,422	1,824,876	2,025,923	2,220,494
Stormwater	1,456,894	1,446,602	1,455,405	1,465,522	1,466,347	1,495,296	1,598,913	2,109,364	2,704,123	4,383,791
Operating grants and contributions	5,090,475	4,624,234	4,884,129	4,051,236	4,742,685	4,775,797	4,953,619	4,806,729	5,359,352	6,826,998
Capital grants and contributions	4,220,708	7,960,357	6,622,143	7,835,529	4,749,158	4,339,777	13,162,230	10,117,475	4,523,132	6,000,761
<b>Total business-type activities program revenues</b>	<b>44,386,299</b>	<b>48,791,925</b>	<b>50,072,033</b>	<b>51,753,564</b>	<b>49,111,893</b>	<b>50,408,174</b>	<b>61,787,895</b>	<b>60,124,904</b>	<b>56,385,736</b>	<b>62,806,737</b>
<b>Total primary government program revenues</b>	<b>\$ 68,512,415</b>	<b>\$ 76,443,482</b>	<b>\$ 76,368,888</b>	<b>\$ 81,186,340</b>	<b>\$ 76,697,195</b>	<b>\$ 79,231,735</b>	<b>\$ 88,008,676</b>	<b>\$ 89,544,044</b>	<b>\$ 85,333,020</b>	<b>\$ 102,465,848</b>

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

	Fiscal Year									
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (55,441,963)	\$ (51,893,036)	\$ (54,021,314)	\$ (54,186,388)	\$ (69,934,087)	\$ (63,336,900)	\$ (79,074,891)	\$ (77,292,137)	\$ (81,718,508)	\$ (71,284,356)
Business-type activities	(233,520)	6,459,634	3,421,932	3,963,935	44,197	1,476,780	9,927,282	2,773,531	3,231,994	7,023,917
Total primary government net expense	<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>	<u>\$ (74,518,606)</u>	<u>\$ (78,486,514)</u>	<u>\$ (64,260,439)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	\$ 12,645,717	\$ 11,974,341	\$ 11,821,650	\$ 11,044,817	\$ 11,211,038	\$ 11,339,774	\$ 11,674,553	\$ 12,482,546	\$ 13,541,400	\$ 14,100,719
Sales taxes	31,355,882	33,401,021	35,188,913	37,675,638	42,539,371	48,343,259	53,582,850	53,833,727	52,515,201	60,666,358
State shared sales taxes - unrestricted	13,148,252	13,189,822	14,630,891	15,666,968	16,683,665	17,080,154	18,139,582	19,024,571	19,400,339	20,664,280
Investment earnings	246,093	322,126	(396,124)	749,038	1,179,131	1,668,431	(447,324)	(477,888)	5,097,974	5,415,354
Miscellaneous	1,741,338	510,695	1,285,289	1,813,164	645,571	1,404,390	1,123,129	2,059,029	692,049	578,352
Gain on sale of capital assets	744,957	-	18,173	241,231	65,201	-	-	121,321	4,626	76,017
Contributions to permanent fund	24,950	15,474	23,935	18,700	16,821	15,470	6,950	8,490	26,460	17,590
Transfers in (out)	(1,189,964)	(1,134,382)	(817,761)	(2,908,700)	(1,407,710)	121,320	(1,073,585)	(1,240,613)	(2,155,100)	(2,059,465)
Total governmental activities	<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>	<u>85,811,183</u>	<u>89,122,949</u>	<u>99,459,205</u>
Business-type activities:										
Investment earnings	107,543	118,247	194,306	213,335	303,863	336,685	406,101	588,404	1,077,312	1,159,898
Miscellaneous	150,129	173,313	581,015	567,079	1,119,502	375,716	377,316	270,192	123,601	197,825
Gain (loss) on sale of capital assets	47,818	-	243,700	73,916	493,358	-	-	122,837	-	-
Transfers in (out)	1,189,964	1,134,382	817,761	2,908,700	1,407,710	(121,320)	1,073,585	1,240,613	2,155,100	2,059,465
Total business-type activities	<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>	<u>2,222,046</u>	<u>3,356,013</u>	<u>3,417,188</u>
Total primary government	<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>	<u>\$ 88,033,229</u>	<u>\$ 92,478,962</u>	<u>\$ 102,876,393</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 3,275,262	\$ 6,386,061	\$ 7,733,652	\$ 10,114,468	\$ 999,001	\$ 16,635,898	\$ 3,931,264	\$ 8,519,046	\$ 7,404,441	\$ 28,174,849
Business-type activities	1,261,934	7,885,576	5,258,714	7,726,965	3,368,630	2,067,861	11,784,284	4,995,577	6,588,007	10,441,105
Total primary government	<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>	<u>\$ 13,514,623</u>	<u>\$ 13,992,448</u>	<u>\$ 38,615,954</u>

Source: From Statement of Activities prepared for CAFR.

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

	Fiscal Year									
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
General Fund										
Nonspendable	\$ 427,267	\$ 359,923	\$ 390,882	\$ 440,644	\$ 323,792	\$ 335,134	\$ 342,576	\$ 371,817	\$ 265,682	\$ 252,089
Restricted	796,345	758,303	800,953	1,698,333	1,951,220	2,255,454	1,750,086	2,338,644	2,646,337	3,109,659
Committed	85,119	282,888	386,518	-	-	-	-	-	-	-
Assigned	6,882,947	7,075,902	7,335,230	8,063,998	8,192,178	8,903,561	8,011,051	6,879,808	5,527,570	4,936,669
Unassigned	15,160,509	17,203,207	19,410,597	21,559,814	23,153,900	27,425,564	30,361,068	27,458,215	31,212,732	44,386,623
Total general fund	<u>\$ 23,352,187</u>	<u>\$ 25,680,223</u>	<u>\$ 28,324,180</u>	<u>\$ 31,762,789</u>	<u>\$ 33,621,090</u>	<u>\$ 38,919,713</u>	<u>\$ 40,464,781</u>	<u>\$ 37,048,484</u>	<u>\$ 39,652,321</u>	<u>\$ 52,685,040</u>
All Other Governmental Funds										
Nonspendable	\$ 214,333	\$ 219,564	\$ 247,436	\$ 271,477	\$ 293,238	\$ 8,379,744	\$ 309,428	\$ 318,437	\$ 664,118	\$ 664,652
Restricted	23,012,954	33,743,091	42,466,792	48,320,324	51,003,624	47,948,587	81,723,554	82,267,232	78,490,415	86,291,252
Assigned	-	-	-	-	-	-	2,078,968	1,864,086	3,101,098	3,235,171
Unassigned	(2,863,781)	-	-	-	(282,178)	(2,934,084)	(2,669,832)	(70,068)	(77,271)	(3,013,281)
Total all other governmental funds	<u>\$ 20,363,506</u>	<u>\$ 33,962,655</u>	<u>\$ 42,714,228</u>	<u>\$ 48,591,801</u>	<u>\$ 51,014,684</u>	<u>\$ 53,394,247</u>	<u>\$ 81,442,118</u>	<u>\$ 84,379,687</u>	<u>\$ 82,178,360</u>	<u>\$ 87,177,794</u>

\*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)

	Fiscal Year									
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
<b>Revenues:</b>										
Taxes	\$ 43,799,128	\$ 45,577,128	\$ 47,084,446	\$ 48,806,758	\$ 53,725,196	\$ 59,711,556	\$ 65,263,433	\$ 66,323,666	\$ 65,994,613	\$ 74,787,774
Intergovernmental	17,488,021	17,230,696	18,713,646	19,584,399	20,549,000	21,355,708	22,504,605	23,382,237	24,156,065	25,595,311
Grants and entitlements	10,583,483	9,721,569	11,369,392	15,313,742	13,483,604	11,023,491	10,850,138	11,536,639	11,492,794	19,395,450
Charges for services	2,926,237	3,220,137	3,237,728	2,894,898	2,986,151	4,747,237	3,454,567	4,470,735	5,074,859	4,168,019
Special assessments	701,447	8,286,453	722,733	2,734,095	1,857,884	2,916,164	202,243	2,031,111	-	-
Licenses and permits	739,040	1,681,874	1,656,135	1,952,731	1,866,792	3,153,135	3,013,367	3,794,725	3,338,493	5,135,611
Fines and forfeitures	1,673,306	1,601,044	1,540,989	1,428,401	1,389,663	1,524,856	1,430,686	1,350,689	1,416,062	1,217,311
Rents	1,617,912	1,605,166	1,667,562	1,651,032	1,660,635	1,696,070	1,805,457	1,493,712	1,491,859	1,474,631
Investment earnings	224,363	296,241	(429,656)	722,878	1,145,686	1,636,650	(476,690)	(506,658)	5,037,413	5,362,308
Contributions	166,417	390,253	252,377	541,340	368,057	1,962,364	869,484	634,077	457,752	1,207,925
Miscellaneous	1,719,608	492,971	1,261,507	1,813,164	645,571	1,404,390	1,123,129	2,015,501	712,452	496,703
Total revenues	<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>	<u>116,526,434</u>	<u>119,172,362</u>	<u>138,841,043</u>
<b>Expenditures:</b>										
General governmental	7,113,922	7,453,963	8,480,086	9,041,946	14,974,692	14,561,513	16,652,590	19,536,579	20,981,728	18,273,876
Public safety	24,476,615	25,301,495	25,099,149	26,567,511	27,583,880	30,074,183	30,849,989	32,472,034	35,849,066	38,925,229
Public works	1,299,027	1,146,692	1,219,324	1,031,983	1,216,083	1,207,776	1,472,485	1,254,865	1,471,557	1,472,864
Economic and physical development	8,202,024	8,584,826	8,296,367	8,212,772	8,506,794	9,530,781	8,989,673	10,136,274	10,244,779	10,568,736
Culture and recreation	10,782,848	10,576,877	11,292,517	11,446,096	11,029,832	11,441,848	11,854,511	12,629,499	12,169,197	13,360,279
Highways and streets	10,612,033	9,593,074	9,039,032	10,621,311	8,035,221	5,916,632	8,443,609	7,504,589	10,135,258	7,781,311
Debt service:										
Principal retirement	6,761,179	13,654,681	6,175,303	8,287,457	8,313,298	12,980,269	14,154,904	6,998,627	10,883,271	9,486,466
Interest and other charges	3,451,706	3,346,253	2,902,196	3,126,469	2,798,182	2,520,596	2,534,621	2,679,888	2,560,775	2,348,940
Capital outlay	11,785,480	11,951,834	16,656,392	24,062,755	16,944,654	16,090,690	14,002,895	40,661,963	13,351,467	35,522,798
Total expenditures	<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>	<u>133,874,318</u>	<u>117,647,098</u>	<u>137,740,499</u>
Excess of revenues over (under) expenditures	(2,845,872)	(1,506,163)	(2,083,507)	(4,954,862)	275,603	6,807,333	1,085,142	(17,347,884)	1,525,264	1,100,544
<b>Other Financing Sources (Uses):</b>										
Proceeds of refunding bonds	-	13,924,136	-	8,270,000	-	-	-	-	-	-
Issuance of capital debt	-	16,797,287	12,474,557	6,600,000	-	204,956	26,168,531	9,700,000	-	14,935,000
Payment to bond refunding escrow agent	-	(15,394,336)	-	(9,382,710)	-	-	-	-	-	-
Bond premium	-	2,264,386	542,689	1,317,667	-	-	3,500,813	449,519	-	1,628,687
Insurance recoveries	1,058,985	-	-	-	-	-	-	-	-	-
Sale of capital assets	45,655	43,890	49,750	727,996	3,013,051	5,325	-	121,200	20,995	307,013
Transfers in	13,661,630	14,872,935	12,870,788	12,102,855	17,376,813	15,891,921	22,308,323	27,563,166	15,966,592	21,404,875
Transfers out	(14,268,052)	(15,074,950)	(12,458,747)	(11,659,441)	(16,384,283)	(15,231,349)	(23,469,870)	(20,964,729)	(17,110,341)	(21,343,966)
Total other financing sources (uses)	<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>	<u>16,869,156</u>	<u>(1,122,754)</u>	<u>16,931,609</u>
Net change in fund balances	<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>	<u>\$ (478,728)</u>	<u>\$ 402,510</u>	<u>\$ 18,032,153</u>
Debt service as a percentage of non capital expenditures	14.05%	21.34%	12.52%	14.57%	13.48%	17.57%	17.58%	10.38%	12.89%	11.58%

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

<u>Fiscal Year</u>	<u>General Property Tax</u>	<u>Secondary Property Tax</u>	<u>Franchise and Other Taxes</u>	<u>City Sales Tax</u>	<u>Bed, Board and Booze Tax</u>	<u>Transportation Tax</u>	<u>Total</u>
2010-2011	\$ 5,259	\$ 7,184	\$ 2,339	\$ 13,893	\$ 5,259	\$ 9,865	\$ 43,799
2011-2012	5,473	6,703	2,348	14,900	5,626	10,527	45,577
2012-2013	5,472	6,423	2,303	15,760	5,911	11,215	47,084
2013-2014	5,571	5,560	2,487	17,042	6,310	11,837	48,807
2014-2015	5,597	5,586	2,467	17,845	7,022	15,208	53,725
2015-2016	5,650	5,719	2,567	19,090	7,539	19,147	59,712
2016-2017	5,764	5,916	2,439	21,174	8,642	21,328	65,263
2017-2018	6,206	6,284	2,504	21,128	8,602	21,600	66,324
2018-2019	6,732	6,748	2,231	20,508	8,893	20,883	65,995
2019-2020	6,886	7,236	2,367	22,588	7,991	27,720	74,788
Change 2011-2020	30.94%	0.72%	1.20%	62.59%	51.95%	180.99%	70.75%

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	Federal Grants	State Grants & Other State	County LEAF IGA	County Library District Funding	Other	Total
2010-2011	\$ 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
2011-2012	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
2012-2013	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
2013-2014	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
2014-2015	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
2015-2016	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
2016-2017	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
2017-2018	6,868,398	8,850,877	3,305,297	8,206,025	-	2,269,467	1,173,691	855,094	3,307,497	82,530	34,918,876
2018-2019	7,256,536	8,716,163	3,427,640	8,463,878	-	2,093,085	935,832	942,929	3,536,147	276,649	35,648,859
2019-2020	7,649,078	9,564,616	3,450,585	8,504,478	-	9,724,980	1,003,118	974,153	3,721,854	397,899	44,990,761

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

<u>Fiscal Year</u>	<u>Centrally Valued Property</u>	<u>Commercial Property</u>	<u>Vacant, Agricultural, and Government Property</u>	<u>Residential Property</u>	<u>Less: Tax-exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2010-2011	27,478,520	286,101,952	151,630,088	529,950,871	78,819,714	916,341,717	1.4845
2011-2012	25,750,042	274,992,074	146,079,309	502,351,037	85,132,993	864,039,469	1.5283
2012-2013	26,651,155	265,230,915	133,909,755	447,421,001	81,844,375	791,368,451	1.5497
2013-2014	28,837,059	255,823,684	124,373,673	436,787,954	80,555,433	765,266,937	1.6795
2014-2015	28,918,422	215,081,441	123,988,197	389,760,175	87,055,619	670,692,616	1.6784
2015-2016	30,046,573	217,466,880	123,834,908	429,223,625	88,064,490	712,507,496	1.6600
2016-2017	29,641,213	225,831,427	124,316,511	467,023,686	88,231,085	758,581,752	1.6487
2017-2018	30,661,448	248,007,081	129,081,114	522,745,630	90,820,473	839,674,800	1.6599
2018-2019	33,818,400	261,374,313	118,307,041	540,204,785	84,897,892	868,806,647	1.6700
2019-2020	33,985,335	275,149,838	122,861,079	583,857,312	90,088,474	925,765,090	1.6700

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)

	Fiscal Year									
	2010-2011	2011-2012	2012-2013*	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Construction	\$ 166,894	\$ 150,868	\$ 164,971	\$ 169,933	\$ 191,297	\$ 176,741	\$ 184,381	\$ 266,900	\$ 188,160	\$ 199,152
Building Materials	61,781	62,665	-	-	-	-	-	-	-	-
Restaurants and Bars	261,384	277,954	206,617	218,790	243,560	251,654	260,364	281,133	289,846	282,089
Hotel/Motel	-	-	88,924	95,263	108,913	120,995	131,310	146,306	152,568	135,330
Retail and Auto Sales	644,142	678,671	779,109	801,799	852,696	946,522	955,737	1,037,300	1,001,331	1,134,082
Other	151,461	154,497	196,534	200,109	213,248	246,500	269,232	274,981	286,815	361,541
Utilities	63,784	116,273	92,968	103,895	109,578	108,474	104,115	107,164	107,320	103,512
Total	<u>\$ 1,349,446</u>	<u>\$ 1,440,928</u>	<u>\$ 1,529,123</u>	<u>\$ 1,589,789</u>	<u>\$ 1,719,292</u>	<u>\$ 1,850,886</u>	<u>\$ 1,905,139</u>	<u>\$ 2,113,784</u>	<u>\$ 2,026,040</u>	<u>\$ 2,215,706</u>

Notes:

- (1) Data is based on collections versus the accrual basis.
- (2) FY 2012-2013 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 FY 2012-2013, 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									
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Total City	1.4845	1.5283	1.5497	1.6795	1.6784	1.6600	1.6487	1.6599	1.6700	1.6299
Primary			0.7131	0.8429	0.8418	0.8234	0.8121	0.8233	0.8334	0.7933
Secondary			0.8366	0.8366	0.8366	0.8366	0.8366	0.8366	0.8366	0.8366
School District	4.6772	4.9458	4.8712	5.1939	5.1867	5.4555	5.5681	5.1816	5.1475	5.1174
Maintenance			3.6182	3.9803	3.7886	4.0824	4.2405	4.0143	3.8173	3.7092
Adjacent Ways			0.0459	0.0096	0.0259	0.0216	0.0284	0.0392	0.0000	0.0000
15% M&O Override			0.6126	0.7061	0.7138	0.7265	0.737	0.7120	0.7070	0.6672
Capital Override			0.1833	0.0000	0.0357	0.1735	0.1219	0.0000	0.0000	0.0000
Class B Bond			0.4112	0.4979	0.6227	0.4515	0.4403	0.4161	0.4389	0.5691
Desegregation			0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.1843	0.1719
Community College	0.4308	0.4734	0.4927	0.5879	0.6056	0.6105	0.6214	0.6142	0.5959	0.4592
Maintenance			0.3875	0.4636	0.4788	0.4864	0.4909	0.4816	0.4741	0.4592
Bond			0.1052	0.1243	0.1268	0.1241	0.1305	0.1326	0.1218	0.0000
County	0.7245	0.7656	0.7847	0.9022	0.9202	0.9291	0.9344	0.9234	0.9145	0.8969
General Fund			0.4480	0.5466	0.5646	0.5735	0.5788	0.5678	0.5589	0.5413
Library District			0.2367	0.2556	0.2556	0.2556	0.2556	0.2556	0.2556	0.2556
Fire District Assistance			0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Total	7.3170	7.7131	7.6983	8.3635	8.3909	8.6551	8.7726	8.3791	8.3279	8.1034

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

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

Taxpayer *	2019-2020			2009-2010		
	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	\$ 20,873,021	1	2.25%	\$ 15,448,320	1	1.76%
W L Gore & Associates	20,196,587	2	2.18%	13,302,574	2	1.51%
Nestle Purina PetCare Co.	8,101,160	3	0.88%	4,750,171	4	0.54%
Standared at Flagstaff LLC	7,964,260	4	0.86%	-		0.00%
CCC-Flagstaff LLC	7,128,129	5	0.77%	-		0.00%
Unisource Energy Corporation	5,313,529	6	0.57%	2,351,052	12	0.27%
Little America Hotels & Resorts Inc.	4,878,433	7	0.53%	2,462,141	9	0.28%
Village at Aspen Place LLC	4,468,807	8	0.48%	-		0.00%
Core Campus Flagstaff LLC	4,377,882	9	0.47%	-		0.00%
Wal-Mart Stores	3,907,359	10	0.42%	-		0.00%
Cypress Flagstaff Mall LP	3,011,142	11	0.33%	3,608,680	5	0.41%
Mountainside MAR LLC	2,977,012	12	0.32%	-		0.00%
Ridget at Clear Creek Apts. LLC	2,969,054	13	0.32%	-		0.00%
Elevation Flagstaff AZ LLC	2,865,782	14	0.31%	-		0.00%
VP Flagstaff Mall LLC	2,858,500	15	0.31%	-		0.00%
BNSF Railway Company	2,575,201	16	0.28%	-		0.00%
Total Principal Taxpayers	<u>\$ 104,465,858</u>		<u>11.28%</u>	<u>\$ 41,922,938</u>		<u>4.77%</u>

Source: Coconino County Assessor Office

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
2010-2011	12,497,535	12,113,128	96.9%	474,221	12,587,349	100.7%
2011-2012	12,015,988	11,635,211	96.8%	305,133	11,940,344	99.4%
2012-2013	11,828,399	11,553,471	97.7%	319,605	11,873,076	100.4%
2013-2014	11,050,626	10,778,695	97.5%	151,631	10,930,326	98.9%
2014-2015	11,172,785	11,002,896	98.5%	163,135	11,166,031	99.9%
2015-2016	11,355,520	11,156,213	98.2%	157,669	11,313,882	99.6%
2016-2017	11,586,535	11,500,020	99.3%	163,631	11,663,651	100.7%
2017-2018	12,442,918	12,297,839	98.8%	143,995	12,297,501	98.8%
2018-2019	13,440,775	13,311,900	99.0%	149,378	13,461,278	100.2%
2019-2020	14,160,679	13,834,856	97.7%	-	13,834,856	97.7%

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			
2010-2011	1.0000%	2.0000%	0.7210%	6.6000%	1.1250%	11.4460%
2011-2012	1.0000%	2.0000%	0.7210%	6.6000%	1.1250%	11.4460%
2012-2013	1.0000%	2.0000%	0.7210%	6.6000%	1.1250%	11.4460%
2013-2014	1.0000%	2.0000%	0.7210%	5.6000%	1.1250%	10.4460%
2014-2015	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2015-2016	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2016-2017	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2017-2018	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2018-2019	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2019-2020	1.0000%	2.0000%	1.2810%	5.6000%	1.3000%	11.1810%

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	COP Capital Leases				
2010-2011	\$ 24,015	\$ 18,130	\$ 4,930	\$ 18,095	\$ 1,542	\$ 3,830	\$ 4,299	\$ 37,491	\$ 3,384	\$ 115,716	3.1%	\$ 1,766	
2011-2012	38,449	11,365	15,615	3,205	5,200	3,125	3,972	35,689	3,075	119,695	2.7%	1,817	
2012-2013	48,134	11,055	16,328	1,260	5,335	1,748	3,634	33,873	4,686	126,053	2.8%	1,914	
2013-2014	55,571 *	8,639	16,603	1,260	4,400	1,752	3,635	33,873	4,431	130,164	2.8%	1,976	
2014-2015	50,857	6,737	15,781	860	3,625	1,441	3,285	31,909	3,972	118,467	2.4%	1,755	
2015-2016	45,820	2,245	13,495	-	3,226	1,375	-	32,800	3,489	102,450	1.9%	1,476	
2016-2017	52,695	2,148	21,468	-	3,689	1,308	-	30,346	2,984	114,638	1.9%	1,600	
2017-2018	48,934	2,046	28,895	-	2,944	1,238	17,129	11,787	6,551	119,524	2.0%	1,638	
2018-2019	43,122	-	26,081	-	2,170	1,166	25,707	10,017	6,823	115,086	1.8%	1,540	
2019-2020	49,479	-	22,779	-	5,485	1,092	24,750	6,884	6,303	116,772	1.6%	1,530	

\* - As restated due to refunding loss

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Note: 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	Per Capita
	Governmental Activities General Obligation Bonds	Business-Type Activities General Obligation Bonds					
2010-2011	\$ 38,449	\$ 3,125	\$ (6,234)	\$ 35,340	2.5%	\$ 330	
2011-2012	48,134	1,748	(6,234)	43,648	4.5%	537	
2012-2013	47,035	1,752	(8,821)	39,966	5.2%	607	
2013-2014	53,340	1,752	(13,822)	41,270	6.2%	627	
2014-2015	48,920	1,441	(14,091)	36,270	5.1%	537	
2015-2016	43,817	1,375	(13,204)	31,988	4.2%	461	
2016-2017	48,520	1,308	(6,164)	43,664	5.2%	609	
2017-2018	44,900	1,238	(7,149)	38,989	4.6%	534	
2018-2019	39,414	1,166	(6,880)	33,700	3.9%	451	
2019-2020	44,893	1,092	(7,143)	38,842	4.2%	509	

Note: 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	\$ 62,443,400	66.89%	\$ 41,768,581
City direct debt			<u>77,743</u>
Total direct and overlapping debt			<u><u>41,846,324</u></u>

Source: 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.

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

	Fiscal Year									
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
20% Debt Limit:										
Debt limit equal to 20% of assessed valuation	\$ 183,268	\$ 172,808	\$ 158,274	\$ 153,053	\$ 134,139	\$ 142,501	\$ 151,716	\$ 167,935	\$ 173,761	\$ 185,153
Total net debt applicable to 20% limit	<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>	<u>46,137</u>	<u>40,579</u>	<u>45,985</u>
Legal debt margin (Available borrowing capacity)	<u>\$ 155,423</u>	<u>\$ 130,967</u>	<u>\$ 109,486</u>	<u>\$ 97,665</u>	<u>\$ 83,778</u>	<u>\$ 97,308</u>	<u>\$ 101,888</u>	<u>\$ 121,798</u>	<u>\$ 133,182</u>	<u>\$ 139,168</u>
Total net debt applicable to the 20% limit as a percentage of debt limit	17.92%	31.95%	44.56%	56.71%	60.11%	46.43%	48.90%	37.88%	30.47%	33.04%
6% Debt Limit:										
Debt limit equal to 6% of assessed valuation	\$ 54,981	\$ 51,842	\$ 47,482	\$ 45,916	\$ 40,242	\$ 42,750	\$ 45,515	\$ 50,380	\$ 52,128	\$ 55,546
Total net debt applicable to 6% limit	<u>-</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>\$ 54,981</u>	<u>\$ 51,842</u>	<u>\$ 47,482</u>	<u>\$ 45,916</u>	<u>\$ 40,242</u>	<u>\$ 42,750</u>	<u>\$ 45,515</u>	<u>\$ 50,380</u>	<u>\$ 52,128</u>	<u>\$ 55,546</u>
Total net debt applicable to the 6% limit as a percentage of debt limit	0.00%	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 2019-2020**

Net Secondary Assessed Value as of June 30, 2020	<u>\$ 925,765,090</u>
<u>20% Limitation</u>	
Debt Limit of 20% of Assessed Value	\$ 185,153,018
Debt applicable to limit: General Obligation Bonds	<u>45,984,492</u>
Legal 20% debt margin (Available borrowing capacity)	<u>\$ 139,168,526</u>
<u>6% Limitation</u>	
Debt Limit of 6% of Assessed Value	\$ 55,545,905
Debt applicable to limit: General Obligation Bonds	<u>-</u>
Legal 6% debt margin (Available borrowing capacity)	<u>\$ 55,545,905</u>

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	
2010-2011	\$ 18,824,260	\$ 11,663,208	\$ 7,161,052	\$ 2,443,196	\$ 1,475,327	\$ 3,918,523	1.83
2011-2012	19,996,116	12,655,773	7,340,343	2,540,658	1,449,842	3,990,500	1.84
2012-2013	22,846,487	12,810,177	10,036,310	2,252,132	807,256	3,059,388	3.28
2013-2014	23,642,792	14,739,788	8,903,004	2,252,132	785,567	3,037,699	2.93
2014-2015	23,453,378	15,345,504	8,107,874	2,328,839	741,086	3,069,925	2.64
2015-2016	24,234,384	15,140,298	9,094,086	2,342,259	672,497	3,014,756	3.02
2016-2017	26,250,953	16,802,115	9,448,838	2,426,708	625,900	3,052,608	3.10
2017-2018	27,335,107	16,297,564	11,037,543	2,578,384	612,561	3,190,945	3.46
2018-2019	28,073,873	17,396,844	10,677,029	2,869,777	592,563	3,462,340	3.08
2019-2020	29,800,806	18,506,397	11,294,409	4,164,506	542,221	4,706,727	2.40

- (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, 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 (3)	Highway User Tax Revenue	Debt Service Requirements			Coverage
		Principal (1)	Interest (2)	Total	
2010-2011	\$ 6,300,885	\$ 1,620,000	\$ 190,455	\$ 1,810,455	3.48
2011-2012	5,576,167	1,725,000	94,875	1,819,875	3.06

(1) Includes 1992 Junior Lien bonds and Series 2003 Refunding bonds.

(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.

(3) All bonds were paid off in FY 2011-2012, therefore future years are not presented above.

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

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

Fiscal Year (4)	Revenue (1)	Debt Service Requirements			Coverage
		Principal (2)	Interest (3)	Total	
2010-2011	\$ 10,206,755	\$ 350,000	\$ 110,371	\$ 460,371	22.17
2011-2012	10,247,131	365,000	94,446	459,446	22.30
2012-2013	11,657,403	385,000	77,656	462,656	25.20
2013-2014	12,621,802	385,000	68,753	453,753	27.82
2014-2015	13,543,397	400,000	50,350	450,350	30.07
2015-2016	13,286,939	860,000	22,627	882,627	15.05

- (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.
- (4) All bonds were paid off in FY 2015-2016, therefore future years are not presented above.

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

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

Fiscal Year	Revenue (1)	Debt Service Requirements			Coverage
		Principal (2)	Interest	Total	
2010-2011	\$ 33,777,368	\$ 1,445,000	\$ 814,700	\$ 2,259,700	14.95
2011-2012	25,880,472	1,500,000	574,838	2,074,838	12.47
2012-2013	27,255,501	1,560,000	542,575	2,102,575	12.96
2013-2014	29,928,813	1,560,000	511,375	2,071,375	14.45
2014-2015	31,266,313	695,000	469,750	1,164,750	26.84
2015-2016	33,176,241	1,795,000	432,400	2,227,400	14.89
2016-2017	33,419,449	1,855,000	370,875	2,225,875	15.01
2017-2018	33,215,273	1,920,000	293,775	2,213,775	15.00
2018-2019	36,683,941	2,010,000	208,525	2,218,525	16.54
2019-2020	39,661,897	2,090,000	126,725	2,216,725	17.89

(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 Nine Fiscal Years

**Greater Arizona Development Authority Revenue Bonds**

Fiscal Year	Revenue (1)	Debt Service Requirements			Coverage
		Principal (2)	Interest	Total	
2010-2011	\$ 7,169,310	\$ 115,000	\$ 135,938	\$ 250,938	28.57
2011-2012	7,657,621	120,000	133,638	253,638	30.19
2012-2013	9,340,790	120,000	130,037	250,037	37.36
2013-2014	10,302,188	120,000	128,237	248,237	41.50
2014-2015	12,129,085	125,000	124,562	249,562	48.60
2015-2016	10,809,451	130,000	120,088	250,088	43.22
2016-2017	12,572,785	135,000	114,788	249,788	50.33
2017-2018	13,256,213	140,000	109,288	249,288	53.18
2018-2019	13,505,586	145,000	103,588	248,588	54.33
2019-2020	14,749,282	150,000	97,688	247,688	59.55

(1) Pledged revenues on the Greater Arizona Development Authority Bonds include the state revenue sharing less the debt service .  
 (2) GADA infrastructure revenue bond series 2010A.

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

**Road Street Repair and Safety Revenue Bonds**

Fiscal Year (1)	Revenue (2)	Debt Service Requirements			Coverage
		Principal (3)	Interest	Total	
2016-2017	\$ 6,665,630	\$ -	\$ 133,125	\$ 133,125	50.07
2017-2018	6,445,644	475,000	332,750	807,750	7.98
2018-2019	5,598,205	450,000	508,822	958,822	5.84
2019-2020	5,520,998	830,000	656,663	1,486,663	3.71

(1) New issue no trend information available prior to fiscal year 2016-2017.

(2) Pledged revenues on the Road Repair/Street Safety obligations include excise tax revenues less the debt service. Excise tax revenues are revenues from the restricted transaction privilege tax of 0.33% approved at an election held in and for the City on November 4, 2014, which will expire on December 31, 2034.

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
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	5,489,486	38,958	26.6 *	90.6% *	41.8% *	12,505	6.18%
2017	71,656	6,360,600	45,076	26.6 *	90.6% *	41.8% *	11,910	4.70%
2018	72,961	6,506,300	45,545	26.6 *	90.6% *	41.8% *	11,991	4.40%
2019	74,736	6,831,615 *	46,183 *	26.6 *	90.6% *	41.8% *	11,873	4.20%
2020	76,338	7,173,196 *	46,829 *	26.6 *	90.6% *	41.8% *	11,825	4.60%

(\*) 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

<u>Employer</u>	<u>2020</u>			<u>2011</u>			
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	
Northern Arizona University	4,878	(1)	1	9.06%	2,497	1	4.53%
Flagstaff Medical Center	2,505	(1)	2	4.65%	2,104	2	3.81%
W.L. Gore & Associates	2,500	(1)	3	4.64%	1,900	3	3.44%
Flagstaff Unified School District	1,825	(1)	4	3.39%	1,436	4	2.60%
Coconino County	1,236	(1)	5	2.30%	1,294	5	2.35%
City of Flagstaff	965	(2,3)	6	1.79%	872	6	1.58%
Walmart	552	(1)	7	1.03%	628	7	1.14%
Grand Canyon Railway	500	(4)	8	0.93%	421	9	0.76%
Coconino Community College	340	(1)	9	0.63%			0.00%
Nestle Purina PetCare	303	(1)	10	0.56%	230	10	0.42%
North Country Healthcare	273	(1)	11	0.51%			
US Forest Service	240	(1)	12	0.45%			
Little America Hotel	209	(1)	13	0.39%			
Guidance Center	205	(1)	14	0.38%			
Fry's Foods	200	(1)	15	0.37%			
Nackard Companies	184	(1)	17	0.34%			
Peaks Senior Living Center	164	(1)	18	0.30%			
Joy Cone	145	(1)	19	0.27%			
Hozhoni Foundation	133	(1)	16	0.25%			
Lowell Observatory	130	(1)	20	0.24%			
Walgreens Distribution Center (Closed 2015)	-				468	8	0.85%
<b>Total</b>	<b>17,487</b>			<b>32.49%</b>	<b>11,850</b>		<b>21.48%</b>
2010 & 2000 U.S. Census Labor Force	53,823	Estimated			55,170		

**Source:**

- (1) Economic Collaborative of Northern Arizona: (<http://www.chooseflagstaff.com/key-industry-sectors>)
- (2) City of Flagstaff Human Resources
- (3) Includes all positions reflected by FTE hours in Schedule 20
- (4) [www.thetrain.com](http://www.thetrain.com)

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

Function/Program	Fiscal Year									
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
General Government										
Management services	86.50	84.55	85.00	86.00	87.25	91.00	97.25	99.57	99.25	103.50
Capital management	11.00	8.00	7.00	7.00	8.00	8.00	8.00	9.00	9.00	9.00
City Court	25.18	25.18	24.18	24.35	25.35	26.35	29.35	29.35	29.55	29.55
Public Safety										
Police	168.00	172.00	171.00	169.00	169.00	167.00	167.00	173.00	176.00	176.00
Fire	92.00	85.00	85.00	85.00	87.00	88.00	89.00	95.00	94.00	94.00
Public Works	26.50	26.50	26.00	25.00	25.00	25.50	25.50	27.50	27.50	29.50
Economic and physical development										
Building	41.00	39.20	39.20	41.50	43.98	44.98	45.50	48.98	50.50	54.00
Planning	22.88	22.88	21.88	20.88	13.88	14.88	19.88	21.88	24.88	25.80
Tourism	13.25	12.49	12.49	12.93	13.93	13.93	14.15	15.15	15.15	16.15
Culture and recreation										
Library	50.77	51.40	51.40	51.40	52.30	53.43	54.49	55.38	55.08	55.32
Parks, recreation, and beautification	86.86	88.81	84.88	86.03	85.50	90.13	91.69	93.54	94.50	93.85
Highways and Streets	36.31	36.31	34.97	35.52	35.52	33.02	32.02	33.02	33.02	31.52
Water and wastewater	62.50	61.50	61.50	62.00	64.00	66.00	67.00	71.00	73.46	74.42
Environmental services	63.58	59.60	58.50	55.43	55.00	56.25	57.00	57.00	56.00	54.49
Airport	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	11.50	14.50
Stormwater	6.00	6.00	6.00	5.50	4.50	4.50	5.50	5.50	5.50	5.00
Flagstaff Housing Authority	23.50	23.50	24.00	22.00	22.00	21.60	21.28	21.28	21.28	21.80
<b>Total</b>	<b>825.33</b>	<b>812.42</b>	<b>802.50</b>	<b>799.04</b>	<b>801.71</b>	<b>814.07</b>	<b>834.10</b>	<b>865.65</b>	<b>876.17</b>	<b>888.40</b>

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

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

Function/Program	Fiscal Year									
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Court										
Criminal Filings	8,531	8,857	8,695	8,375	7,273	6,924	7,208	6,364	5,819	7,105
Traffic filings	12,010	9,217	8,340	7,726	8,428	8,190	6,437	6,068	5,315	5,933
Non-Criminal / Other	370	547	477	468	554	1,357	4,668	2,250	1,579	1,750
Purchasing										
Credit card rebates received	\$ 31,878	\$ 33,923	\$ 34,395	\$ 48,128	\$ 72,037	\$ 94,873	\$ 104,522	\$ 111,281	\$ 114,462	\$ 110,582
Fire										
Emergency incidents	7,274	7,438	8,023	8,730	9,432	12,775	12,700	14,415	14,626	14,958
Fire incidents	175	213	185	177	184	168	190	218	314	153
Other calls	2,378	2,226	2,298	2,532	2,654	742	3,017	3,296	3,036	3,676
Inspections assigned	1,174	1,468	1,411	1,340	2,341	2,217	1,775	1,775	1,730	1,730
Plan Reviews	528	535	559	512	659	639	743	945	965	960
Fuel Management										
Plan Assessment (Acres)	N/A	N/A	N/A	N/A	2,300	1,500	1,723	667	345	723
Site Marking (Acres)	586	128	284	511	70	555	921	586	79	73
Site Thinning (Acres)	809	197	276	541	820	700	1,381	1,135	1,877	642
Prescription Burn (Acres)	342	697	540	778	333	650	948	860	759	288
Police										
Felony reports	2,973	2,940	2,910	2,564	2,511	2,769	2,945	2,908	2,881	2,863
Misdemeanor reports	11,786	11,253	11,040	10,383	8,980	9,553	9,531	9,045	8,776	9,222
Domestic violence incidents	1,923	1,961	2,023	1,688	1,550	1,541	1,513	1,478	1,661	1,857
Non-crime reports	9,827	9,886	9,841	7,174	6,036	6,660	6,604	6,070	6,756	7,258
Accident reports	2,735	2,574	2,568	2,180	2,590	2,985	2,926	2,803	2,828	2,519
Calls dispatched to Police/Sheriff	57,899	57,188	60,003	56,373	58,590	62,228	65,566	62,597	61,230	60,479
Calls dispatched to Fire	11,130	13,320	11,497	11,464	11,777	13,565	14,497	14,550	14,749	15,529

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

Function/Program	Fiscal Year									
	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
Streets										
Potholes repaired	1,498	1,877	2,054	3,605	1,174	1,437	2,367	2,127	886	296
Airport										
Fuel Flowage (Gallons Sold)	850,327	526,406	490,401	544,028	566,387	603,382	588,506	645,367	855,383	1,267,517
Enplanements	63,407	62,872	60,190	61,691	62,578	69,485	65,887	74,707	87,993	111,035
Refuse collection										
Refuse collected (Landfill tonnage)	138,703	137,815	145,793	144,411	143,528	143,639	145,960	109,776	91,105	91,941
Recyclables collected (total tons)	8,869	8,101	8,388	8,343	8,340	12,191	9,452	9,198	9,140	8,285
Community Development										
Permit Valuation	\$ 26,176,700	\$ 85,638,067	\$ 58,089,290	\$ 95,467,771	\$ 93,918,660	\$ 177,068,294	\$ 217,767,173	\$ 149,723,688	\$ 167,323,988	(1)
Library										
Visits	763,928	739,706	715,033	687,735	673,246	660,974	662,838	660,030	617,813	444,396
Circulation	1,029,062	1,182,956	1,164,789	1,117,652	1,002,125	1,055,176	1,001,074	929,333	954,071	555,361
Tourism										
Revenue Per Available Room	\$ 45.26	\$ 50.94	\$ 54.61	\$ 59.99	\$ 69.19	\$ 74.14	\$ 76.06	\$ 75.49	\$ 75.64	\$ 59.72

Sources: Various City divisions

(1) This information is tracked on a calendar year basis.

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2010-2011</u>	<u>2011-2012</u>	<u>2012-2013</u>	<u>2013-2014</u>	<u>2014-2015</u>	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>
Public Safety										
Police patrol units (Includes Motorcycle units)	37	37	37	37	37	39	39	39	40	43
Number of fire hydrants	3,176	3,179	3,242	3,242	3,254	3,254	3,257	3,263	3,350	3,397
Number of fire stations	7	7	6	6	6	6	6	6	6	6
Culture and recreation										
Number of developed parks	24	23	23	23	23	23	23	23	23	23
Number of undeveloped parks	5	4	4	4	4	5	5	5	5	5
Park acreage	735	680	710	710	736	741	741	741	741	741
Flagstaff Urban Trail System - Miles	53	53	55	55	55	56	56	56	59	59
Recreational Buildings	4	4	4	4	4	4	4	4	4	5
Highways and Streets										
Miles of streets, alleys, and sidewalks	814	814	814	844	844	844	844	844	844	1,018
Number of street lights	3,466	3,466	3,466	3,466	3,466	3,466	3,502	3,502	3,502	3,929
Water and wastewater										
Miles of sewer	271	271	274	274	276	276	294	294	294	374
Number of manholes	7,308	7,308	7,403	7,403	7,493	7,493	7,514	7,514	7,662	7,734
Total active water accounts	22,092	19,020	20,107	19,961	19,934	20,717	20,327	21,483	21,023	15,805
Average gallon water usage per household per month	5,107	5,339	6,326	5,022	4,562	3,901	4,867	4,153	4,170	4,297
Airport										
Fixed base operators	1	1	1	1	1	1	1	1	1	1
Locally based aircraft	122	125	209	134	134	132	132	117	117	112
Tiedowns	11	11	11	11	11	12	12	12	12	18
Enclosed hangars	61	61	61	61	61	61	61	61	61	61
Open hangars	48	48	48	48	48	36	44	44	44	48

Schedule 23  
City of Flagstaff  
Insurance Summary  
Effective July 1, 2019 to June 30, 2020

Coverage	Limit of Liability
<b>Liability Insurance:</b>	
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
<b>Umbrella/Excess #1 - GL, Auto, Law Enforcement, Employer's Liability</b>	
Public Entity Management, Employee Benefit	\$ 20,000,000 / each occurrence
	\$ 20,000,000 / general aggregate
	\$10,000 retained limit (ded)
	(Excludes Airport, Housing Authority, Employment related practices, Failure to Supply Services, Mold, Terrorism, Asbestos, Lead, Condemnation, Sexual Abuse)
<b>Aviation:</b>	
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
<b>Property Insurance:</b>	
Blanket Buildings and Personal Property	\$ 235,000,000 / \$25,000 deductible
Boiler and Machinery	\$ 125,000,000 / \$50,000 deductible
Flood Zones B and C	\$ 10,000,000 / \$100,000 deductible
Earthquakes	Varies per Prop. Deduct. / \$100,000 deductible
Business Income/Extra Expense	\$ 10,000,000 / \$50,000 deductible
Flood Zone X Properties	\$ 350,000 / building
2500 N 1st St	\$ 50,000 / contents
Deductible	\$ 1,250 / building deductible
	\$ 1,250 / contents deductible
Contractors Equipment (actual cash value)	\$250,000 per item / \$5,000 deductible
	\$5,000,000 aggregate /
Bookmobile book collection	\$ 250,000 / \$5,000 deductible
Employee Hand Tools	included / \$50,000 deductible
Computer Equipment and Peripherals	included / \$50,000 deductible
Data and Media	included / \$50,000 deductible
	\$ 250,000 / \$50,000 deductible
Fine Arts & exhibition floater	\$ 500,000 / \$25,000 deductible
City Hall, Visitor Center, Airport Terminal	
<b>Crime:</b>	
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)	





## City of Flagstaff

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[flagstaff.az.gov](http://flagstaff.az.gov)