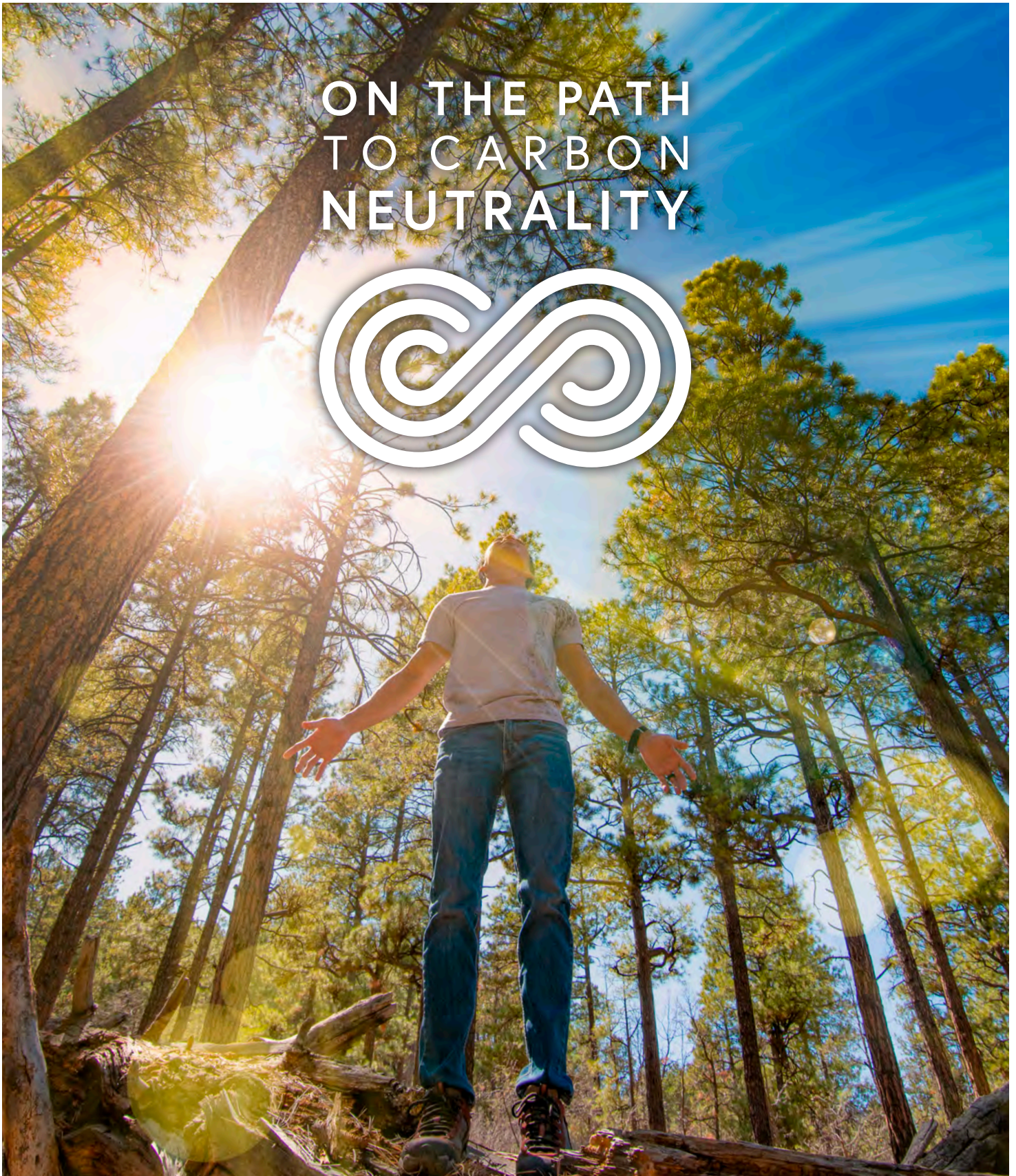


ON THE PATH TO CARBON NEUTRALITY



City of Flagstaff
Annual Comprehensive Financial Report
June 30, 2021





Annual Comprehensive Financial Report

For Fiscal Year Ended
June 30, 2021

City of Flagstaff, Arizona



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



City of Flagstaff
Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

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City of Flagstaff

December 16, 2021

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, 2021, 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, 2021.

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, 2021. 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 2020 United States Census shows a population of 76,831. 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 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

The City's Budget Team began developing an economic recession plan in the Fall of 2019 which was completed in March 2020. 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 - Assumes 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.

The City further developed a multi scenario-based revenue projection model for fiscal year (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. The City remained in the Significant Stage based on monthly revenue projections until March 2021 where the model demonstrated we should move to the Moderate Stage which was adopted by City Council on February 16, 2021. Then in April the Budget Team moved to the Alert/Minor Stage based on overall revenues showing less than a 2% loss estimated for FY 2020-2021. Results of revenues along with the measures the organization took under the recession plan has put the City in a much better position than anticipated at the beginning of the pandemic.

On June 30, 2021, overall General Fund revenues, excluding leases, grants, contributions and other financing resources, were well above the adopted budget for the fiscal year, over \$6 million over budget. The biggest contributors to the revenue growth were retail sales, state shared sales tax and building permits. The negative impacts related to the pandemic were seen in the parks and recreation fees and collections of fines.

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 Pet Care. Major public employers in the Flagstaff area include Northern Arizona University (NAU), 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 133 bachelor's degree programs and 10 graduate 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. Recent NAU enrollment data, November 2021, shows an enrollment loss of 1,066 students compared to the previous fall.

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 (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 17.5% compared to the prior fiscal year based on the modified accrual method. The average increase over the past five years is 7.8%. Every sales tax category except telecommunication and amusements had an increase over prior year. Part of this is contributed to a slow economy at the end of the prior fiscal year. Retail, the largest category for sales tax, saw a 2% increase (\$2.5 million) in revenue. Construction contracting and hotel/motel tax categories each saw 18% growth over prior year revenues. 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 20.8% increase over the prior year based on the modified accrual method. The average increase over the past five years is 5.6%. The large increase in BBB tax is a result of comparing to the prior year revenues where we saw a 10.1% decrease in the prior year. BBB tax revenues rebounded and marked a new high in revenues.

Transportation Taxes

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. Per Schedule 5, this tax category saw a 13.8% increase over the prior year based on the modified accrual method. The four components of this tax include transportation (0.426%), transit (0.295%), road repair and street safety (0.330%), and Butler/Route 66 overpass (0.230%). 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 and will expire June 30, 2041. Voters approved a road repair and street safety tax which is set to expire December 31, 2034. Voters approved a tax increase to construct a railroad overpass to connect Route 66 to Butler Avenue which expires June 30, 2039.

State Shared Revenues

Sales tax, income tax and vehicle registration tax: State shared revenues include a distribution of a portion of sales tax, income tax and vehicle registration tax collected by the State. A portion of the tax collections is distributed to cities and towns based on 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 eleventh year in a row. For FY 2020-2021 there was a 18% growth in our share of these revenues. This growth was very similar to the City's sales tax growth. State income tax revenues increased 12.1%. State shared income taxes are based on two years prior of tax collection, so they generally meet budget expectations. FY 2021-

2022 collections will decline primarily due to the extension of the income tax return due date from April to July in 2020. State shared vehicle registration tax revenues increased by 8.1%.

Highway user revenue (gas tax): 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 generally benefits from lower gas prices and higher public consumption. Highway user revenues increased by 8.1%. These revenues rebounded after a greatly impacted fourth quarter of FY 2019-2020 due to the pandemic.

Overall, these state shared revenues grew by 13.6% in FY 2020-2021.

Property Taxes

Excluding new construction, total assessed valuations have increased 5.6% for tax year 2020, FY 2020-2021. With new construction, total assessed valuations increased 6.6% 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 2021-2022 the City of Flagstaff did not adopt a rate that increased our levy by 2% the allowable limit. We are currently at 4% below the maximum allowable levy.

Additional Information

The FY 2021-2022 budget was adopted based on conservative estimates due to an uncertain economy and the continued impacts of the pandemic. At budget adoption, while revenue fluctuations continued in some areas, the City of Flagstaff anticipated seeing moderate increases in General Fund budgeted revenue in FY 2021-2022 (excluding grants and miscellaneous revenue) by less than 1.0%, which reflects increases in local and state revenues. Current projections show the General Fund revenues to exceed budget by 3%. The City of Flagstaff increased its overall staffing count by 24.97 full-time equivalencies for the upcoming fiscal year. This is the first year the City's authorized full-time equivalent staff level exceeded the previous high in 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. While NAU reported student enrollment loss this fall, five new student housing developments opened in the last three years. Development within the City continues to be very strong in every sector; residential, commercial, industrial, mixed use and subdivisions. There are twelve 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 over \$20 million in federal funding which will be used to cover annual operating costs of the airport and enhance COVID-19 protections over the next three to four years.

In June 2020, the City received 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.

Public Safety Personnel Pension Financing

During FY 2020-2021 the City took action related to our Public Safety Personnel Retirement System (PRPRS) Unfunded Actuarial Accrued Liability (UAAL) for our Police and Fire plans. Since 2003, the City's UAAL has grown and as of the June 30, 2019 actuarial report the balance was \$112 million, a debt owed by the City. The City has adopted several policies over the years and were providing over \$2 million in excess contributions annually. The policies helped to level off the growth in the UAAL but had little impact in reducing it. During 2020 staff began working with pension bond underwriters and our PSPRS administrative staff to determine how the City could address the pension funding. The team developed a plan and received 100% support of Council to issue pension debt to address our UAAL. On August 5, 2020, the City closed on \$131.0 million of Certificates of Participation debt to achieve 100% funded plans for police and fire personnel.

For the pension financing, the City was able to achieve several key objectives:

- 100% funding of the City's public safety pension plan
- Reduce annual debt payments substantially, thereby easing the burden on the City's General Fund
- Level off future payments (the previous pension actuarial schedule had significant increases in annual debt payments in future years)
- Set up a contingency reserve fund to mitigate the risks of changing markets and actuarial assumptions
- Pay off the debt in 20 years versus the original 28-year plan

The City created a Contingency Reserve Fund Policy which was adopted by ordinance. The policy provides formal direction on rules for investments, rules for reserve fund draws, rules for replenishment of the reserve funds and sizing of the reserve funds. The City now has in excess of \$14.0 million in its contingency reserve fund to manage changes on our annual actuarial plans.

Earlier this calendar year, the City requested an interim actuarial report from PSPRS. This report shows that the City achieved in excess of 103% funding for the police and fire pension plans. The City was the first agency in Arizona to complete a PSPRS pension financing and since that time dozens of other public safety pension employers have taken similar action to address their own UAALs.

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.

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 annual comprehensive financial report (ACFR) for the fiscal year ended June 30, 2020. This was the 27th 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 ACFR 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 ACFR 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 2020-2021 annual budget (27 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 2021, the City received the Achievement in Excellence in Procurement award for the tenth 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 report. 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, 2020

Christopher P. Morill

Executive Director/CEO

City of Flagstaff, Arizona
List of Elected and Appointed Officials
June 30, 2021

Elected Officials

MayorPaul Deasy
Vice Mayor Becky Daggett
Councilmember Austin Aslan
Councilmember Jim McCarthy
Councilmember Regina Salas
Councilmember Adam Shimoni
Councilmember Miranda Sweet

Appointed Officials

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





INDEPENDENT AUDITORS' REPORT

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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and respective 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

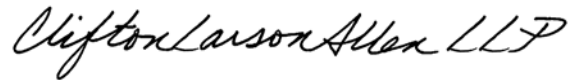
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, supplemental information and the introductory and statistical sections are presented 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 governmental funds, 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 16, 2021, 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 results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
December 16, 2021



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, 2021. 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 \$699.6 million.
- The government's total net position increased by \$50.2 million during the fiscal year. This is a result of an increase in net position in the governmental activities of \$30.6 million and an increase in net position in the business type activities of \$19.6 million.
- As of June 30, 2021, the City's governmental funds reported combined ending fund balances of \$178.9 million, an increase of \$39.0 million in comparison to the prior fiscal year. Approximately 31.5% of this total amount (\$56.4 million) is unassigned fund balance available for spending at the government's discretion.
- As of June 30, 2021, total unassigned fund balance for the General Fund was \$56.8 million, or 101.9% of total General Fund expenditures (\$55.7 million).
- As of June 30, 2021, the City's proprietary funds reported combined total net position of \$388.3 million, and total unrestricted of \$38.4 million. The largest unrestricted component of net position is in the Water and Wastewater Fund (\$46.7 million).

Overview of The Financial Statements

This discussion and analysis are 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 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, COVID Relief Fund, Highway User Revenue Fund (HURF), Transportation Tax Fund, Pension Bond Debt Service 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 102-105.

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 32-39 of this report. The non-major Proprietary Fund Finance Statements are found on pages 107-110.

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 40-87 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 102-110.

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 112-140 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 \$699.6 million as of June 30, 2021.

Of the City's Net Position, 91.6% reflects its investment of \$641.0 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, 2021 and 2020 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
Current and other assets	\$ 204,132	\$ 160,100	\$ 76,406	\$ 78,817	\$ 280,538	\$ 238,917
Capital assets	357,520	349,247	387,325	366,873	744,845	716,120
Total assets	<u>561,652</u>	<u>509,347</u>	<u>463,731</u>	<u>445,690</u>	<u>1,025,383</u>	<u>955,037</u>
Total deferred outflows of resources	139,121	29,404	3,521	2,738	142,642	32,142
Long-term liabilities	347,932	222,051	67,337	68,735	415,269	290,786
Other liabilities	36,103	26,905	10,918	9,031	47,021	35,936
Total liabilities	<u>384,035</u>	<u>248,956</u>	<u>78,255</u>	<u>77,766</u>	<u>462,290</u>	<u>326,722</u>
Total deferred inflows of resources	4,877	8,530	1,214	2,446	6,091	10,976
Net investment in capital assets	291,277	275,765	349,763	326,374	641,040	602,139
Restricted	115,108	90,040	123	-	115,231	90,040
Unrestricted	(94,524)	(84,540)	37,897	41,842	(56,627)	(42,698)
Total net position	<u>\$ 311,861</u>	<u>\$ 281,265</u>	<u>\$ 387,783</u>	<u>\$ 368,216</u>	<u>\$ 699,644</u>	<u>\$ 649,481</u>

Total assets increased mainly due to the net change in capital assets, cash, investments and equivalents and restricted cash and investments. Total liabilities increased primarily due to an increase in advanced revenue, bonds, notes and lease payables, OPEB liability and net pension liability.

A portion of the City's net position, \$115.2 million (16.5%), 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 reported positive balances in two categories of net position for governmental and all categories for business-type activities.

Current assets for governmental activities have increased by 27.5% (\$44.0 million). The largest increase was in cash, investments and equivalents (\$43.7 million) mainly due to an increase in the general fund of \$19.9 million, an advance payment of \$6.6 million in COVID relief funding and \$13.6 million in the transportation tax fund due to projects which were delayed. Capital assets, depreciable, net increased \$15.4 million due to several large capital projects being complete during the fiscal year. Restricted cash and investments increased \$5.6 million mainly due to pension bond reserves. These increases were offset by a reduction in intergovernmental receivables (\$6.7 million) and internal balances (\$2.0 million).

Deferred outflows of resources for the governmental activities have increased \$109.7 million and is mainly related to the pension/OPEB related deferred outflows. This increase is mainly due to the additional contribution to the Public Safety Personnel Retirement System (PSPRS) to payoff of the City's pension liability.

Capital assets of the governmental activities, funded through operations, debt proceeds, grants and contributions increased by 2.4% (\$8.3 million) due to several large capital outlays and capital contributions. Major capital outlays include the Courthouse (\$5.1 million), Road Repair and Street Safety projects (\$4.6 million) and the Fourth Street reconstruction (\$1.5 million).

Governmental activities long-term liabilities increased by 56.9% (\$126.2 million) mainly due to an increase in long-term debt (bonds, notes, leases) with the issuance \$131.0 million of certificates of participation, offset by regular scheduled debt service payments. In addition, there was an increase of \$7.1 million in pension liability. Other liabilities increased by 32.9% (\$8.8 million) primarily due to an increase in retainage

payable (\$0.5 million) as well as advanced revenue (\$6.7 million). Deferred inflows of resources for governmental activities decreased \$3.7 million related to pension/OPEB related deferred inflows.

Total assets for business-type activities have increased by 4.0% (\$18.0 million) mainly due to a decrease in internal balances (\$2.0 million), an increase in restricted cash and investments (\$1.6 million), and non-depreciable capital assets (\$21.8 million) offset by a decrease in cash, investments and equivalents (\$5.7 million).

Total liabilities for business-type activities increased by 0.6% (\$0.5 million). Major changes include an increase of net pension liability (\$2.3 million) and decrease in bonds, notes and leases payable (\$3.1 million).

Overall, the business-type net position has increased by 5.3% (\$19.6 million) due to an increase of \$23.4 million in net investment in capital assets and a decrease in unrestricted net assets of \$3.9 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 \$50.2 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, 2021 and 2020 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
Revenues						
Program Revenues:						
Charges for services	\$ 12,054	\$ 11,830	\$ 53,325	\$ 49,979	\$ 65,379	\$ 61,809
Operating grants and contributions	11,137	15,851	8,369	6,827	19,506	22,678
Capital grants and contributions	14,729	11,978	11,477	6,001	26,206	17,979
General Revenues:						
Property taxes	14,359	14,101	-	-	14,359	14,101
Sales taxes	69,893	60,666	-	-	69,893	60,666
State shared taxes	23,959	20,664	-	-	23,959	20,664
Investment earnings	(565)	5,415	545	1,160	(20)	6,575
Other	976	672	247	198	1,223	870
Total revenues	<u>146,542</u>	<u>141,177</u>	<u>73,963</u>	<u>64,165</u>	<u>220,505</u>	<u>205,342</u>
Expenses						
General government	17,978	18,404	-	-	17,978	18,404
Public safety	44,568	44,263	-	-	44,568	44,263
Public works	1,789	2,131	-	-	1,789	2,131
Economic and physical development	11,844	11,020	-	-	11,844	11,020
Culture and recreation	13,206	15,632	-	-	13,206	15,632
Highways and streets	19,487	17,417	-	-	19,487	17,417
Interest on long-term debt	4,009	2,076	-	-	4,009	2,076
Water	-	-	18,668	18,421	18,668	18,421
Wastewater	-	-	9,951	9,552	9,951	9,552
Reclaimed	-	-	603	494	603	494
Environmental	-	-	13,269	12,644	13,269	12,644
Airport	-	-	5,343	5,553	5,343	5,553
Housing Authority	-	-	8,032	7,688	8,032	7,688
Stormwater	-	-	1,595	1,431	1,595	1,431
Total expenses	<u>112,881</u>	<u>110,943</u>	<u>57,461</u>	<u>55,783</u>	<u>170,342</u>	<u>166,726</u>
Increase in net position before transfers	33,661	30,234	16,502	8,382	50,163	38,616
Transfers	(3,065)	(2,059)	3,065	2,059	-	-
Change in net position	<u>30,596</u>	<u>28,175</u>	<u>19,567</u>	<u>10,441</u>	<u>50,163</u>	<u>38,616</u>
Net position at beginning of year	281,265	253,090	368,216	357,775	649,481	610,865
Net position at end of year	<u>\$ 311,861</u>	<u>\$ 281,265</u>	<u>\$ 387,783</u>	<u>\$ 368,216</u>	<u>\$ 699,644</u>	<u>\$ 649,481</u>

Governmental Activities

Governmental activities increased the City's net position by \$30.6 million. The key factors for this increase are as follows:

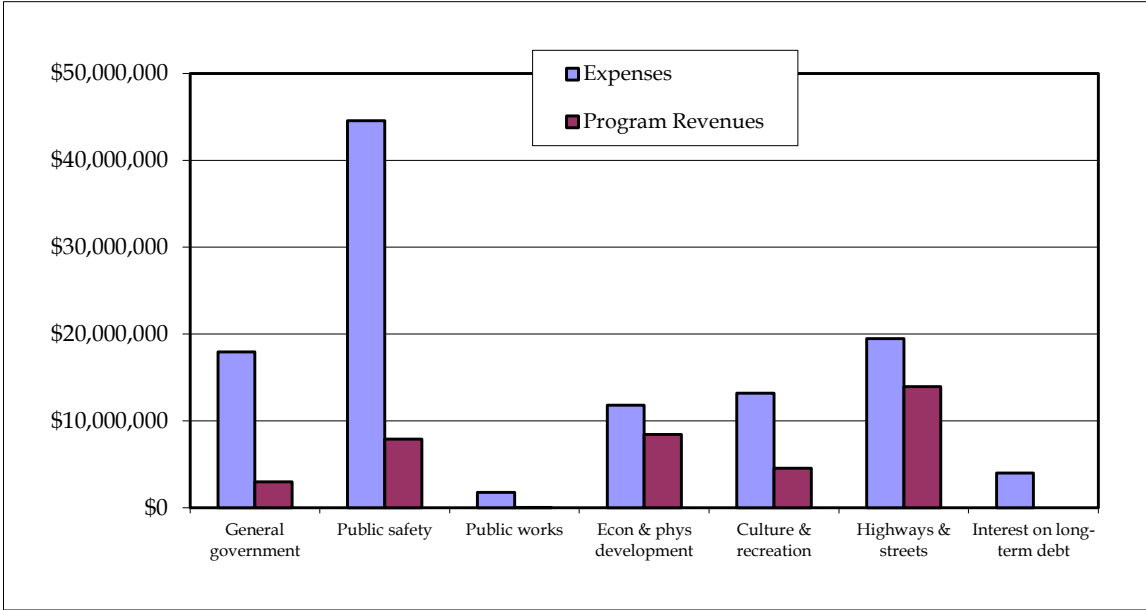
- Revenues exceeded expenses by \$33.7 million as compared to last year of \$30.2 million.
- Charges for services increased 1.9% (\$224,000) related primarily to an increase in building permits.
- Operating grants and contributions decreased 29.7% (\$4.7 million) due primarily to AZ Cares public safety grants received in the prior year.
- Capital grants and contributions increased 23.0% (\$2.8 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 1.8% (\$258,000) mainly due to an increase in City secondary property taxes levied for debt service.
- City sales tax revenues increased by 15.2% (\$9.2 million) mainly due to declines in sales tax revenues experienced in the prior year due to the global pandemic.
- State shared taxes had a 15.9% increase due mainly to increases in state sales tax and auto lieu tax.
- Expenses have increased by \$1.9 million (1.7%). The increases were in public safety (\$0.3 million), economic and physical development (\$0.8 million), highways and streets (\$2.1 million) and interest on long-term debt (\$1.9 million). The decreases were in general government (\$0.4 million), public works (\$0.34 million) and culture and recreation (\$2.4 million).

Business-type Activities

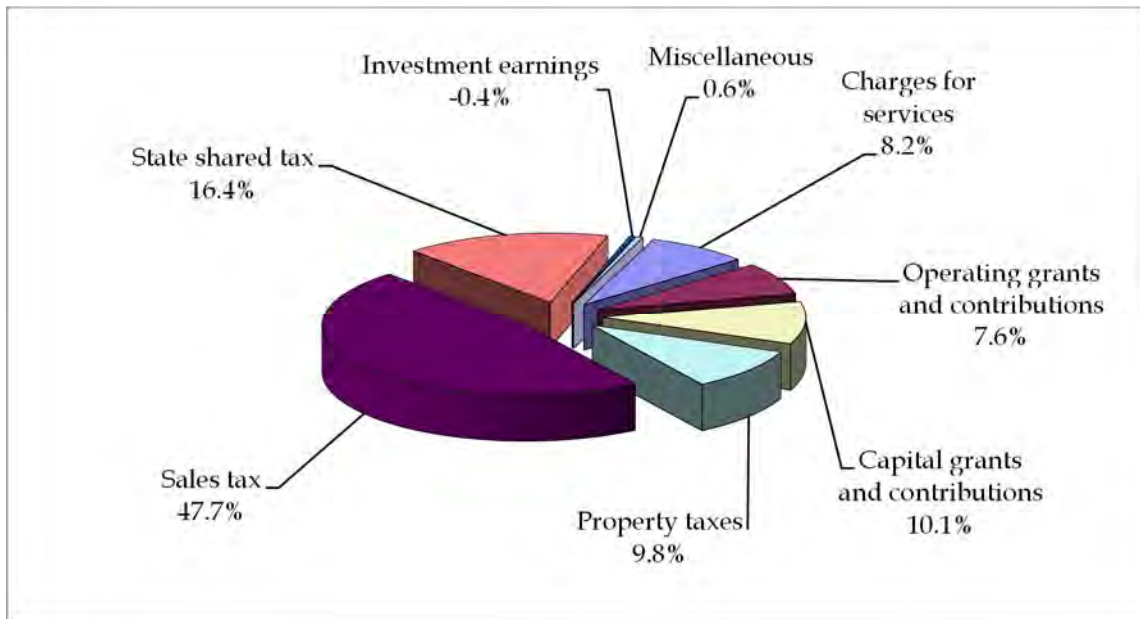
Business-type activities had a net position increase of \$19.6 million. The key factors for this increase include:

- Charges for service have increased by 6.7% (\$3.3 million). Funds with increases include Water and Wastewater (\$1.9 million) and Environmental Services (\$1.4 million).
- Operating grants and contributions have increased by 22.6% (\$1.5 million) due to the new Airport Cares operating grant.
- Capital grants and contributions have increased by 91.3% (\$5.5 million) due to an increase in utility capacity fees and developer contributed capital.
- Expenses have increased over the prior year by 3.0% (\$1.7 million). There were increases in the Water and Wastewater Fund (\$0.8 million), Housing Authority Fund (\$0.3 million), Stormwater (\$0.2 million) and Environmental Services (\$0.6 million).

Expenses and Program Revenues by Function - Governmental Activities



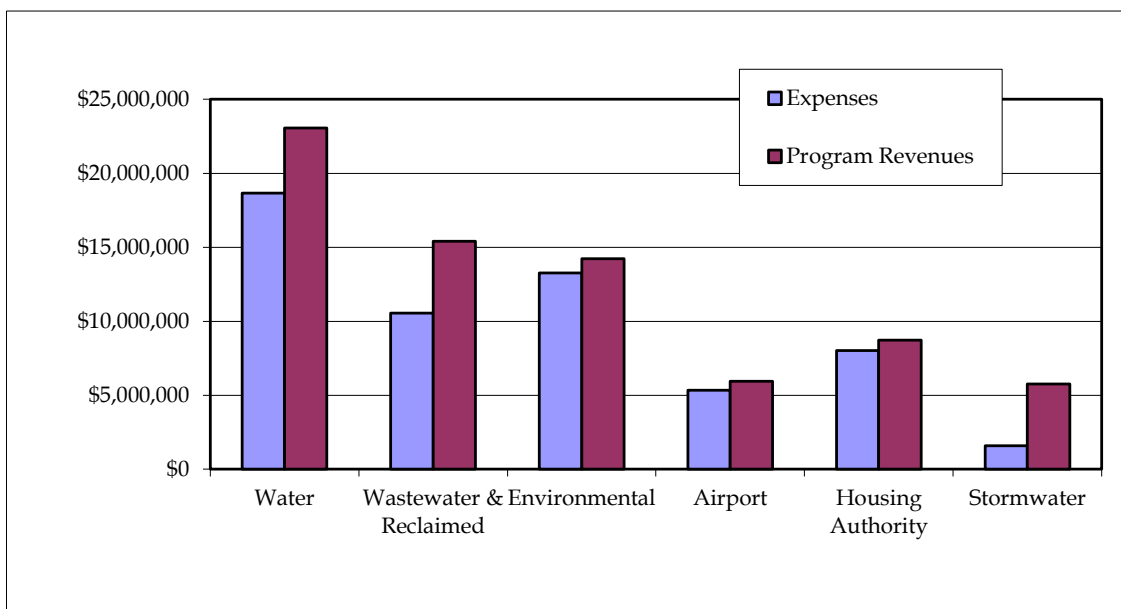
Revenues by Source - Governmental Activities



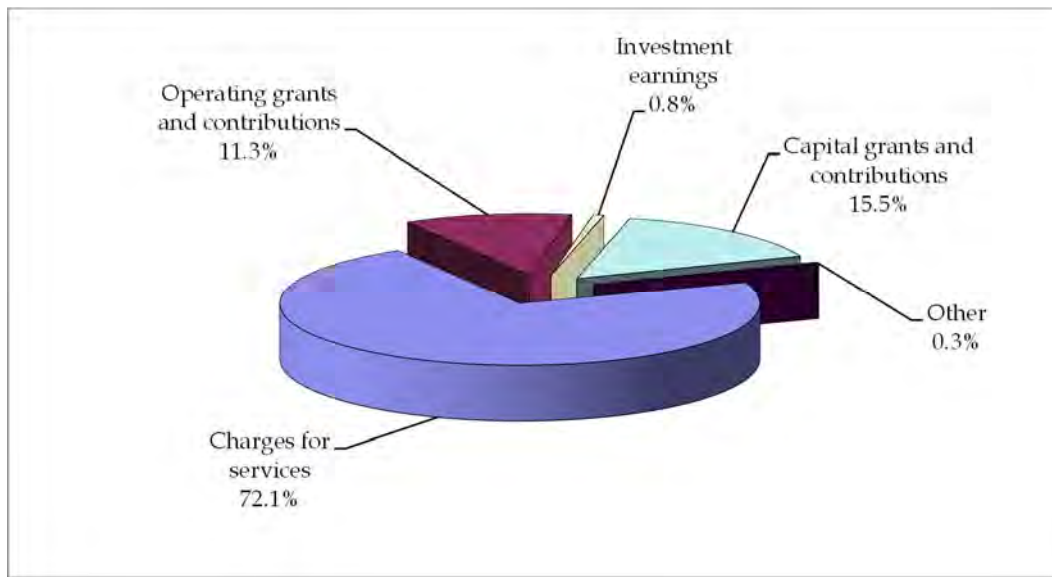
As shown, Public Safety is the largest function as measured by expense (\$44.6 million, 39.5%) followed by Highways and Streets (\$19.5 million, 17.3%) and General Government (\$18.0 million, 15.9%).

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 (\$69.9 million, 47.7%), followed by state shared tax (\$24.0 million, 16.4%) and capital grants and contributions (\$14.7 million, 10.1%). The top three revenues make up 74.2% of total revenues compared to last year's top three of 68.8%. The top three revenues last year were sales tax, state shared tax and operating grants and contributions.

Expenses and Program Revenues by Functions - Business-type Activities



Revenues by Source - Business-type Activities



As shown, Water has expenses of \$18.7 million for the fiscal year, followed by Environmental Services with \$13.3 million, Wastewater and Reclaimed with \$10.6 million, Housing Authority with \$8.0 million, Airport with \$5.3 million and Stormwater with \$1.6 million. For the fiscal year, program revenue exceeded expenses for the Water, Wastewater and Reclaimed, Environmental Services, Airport, Housing Authority and Stormwater Funds. Water, Wastewater and Reclaimed, Environmental Services, Stormwater and Airport Funds received most of their program revenues through charges for services (80.0%, 99.9%, 76.6% and 26.0% respectively). The Housing Authority Fund receives most of its program revenue through operating grants and contributions (65.4%). Charges for services provided the largest share of revenues (72.1%) for all the business-type activities, followed by capital grants and contributions (15.5%) and operating grants and contributions (11.3%).

The expenses for the business-type activities increased (3.0%, \$1.7 million). There were increases in Water (1.3%, \$0.2 million), Wastewater and Reclaimed (5.1%, \$0.5 million), Environmental Services (4.9%, \$0.6 million), Housing Authority (4.5%, \$0.3 million) and Stormwater (11.4%, \$0.2 million), offset by decreases in Airport (3.8%, \$0.2 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, Environmental Services, Housing Authority and Stormwater Funds increased charges for service revenue at 5.6%, 8.2%, 10.6%, 5.61% and 0.7%, respectively. Airport charges for service revenues decreased by 5.6% 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 \$178.9 million, an increase of \$39.0 million in comparison to the prior year. Approximately \$56.4 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 (\$0.7 million) for inventory and perpetual care, (2) restricted (\$113.4 million) for special revenue funds, debt service, development fee projects, court improvements and operations, grant purposes, perpetual care and capital projects, and (3) assigned (\$8.4 million) for court services, capital reserves, parking district and real estate.

Revenues for governmental functions overall totaled \$142.2 million in the fiscal year ended June 30, 2021, which represents an increase of 2.4% or \$3.3 million from the prior fiscal year. Several revenue categories show increases over prior year including taxes, intergovernmental, charges for services, licenses and permits, contributions and miscellaneous. These increases include taxes (12.6%, \$9.5 million), intergovernmental (13.3%, \$3.4 million), charges for services (1.9%, \$0.08 million), licenses and permits (3.9%, \$0.2 million), contributions (27.2%, \$0.3 million) and miscellaneous (74.5%, \$0.4 million). The increase in taxes is due to steady growth in our local economy. The major decreases in revenue categories include grants and entitlements (21.8%, \$4.2 million), fines and forfeitures (23.4%, \$0.3 million), rents (2.2%, \$32,000) and investment earnings (111.1%, \$6.0 million).

Expenditures for governmental functions (\$235.3 million) increased by 70.9% (\$97.6 million) from the prior fiscal year. Most of the increase in expenditures is related to public safety (283.3%, \$110.3 million) which is mainly due to an additional contribution to PSPRS to pay the City's pension liability, and highways and streets (22.1%, \$1.7 million). Debt service expenditures increased 31.1%. Operating expenditures increased (119.5%, \$108.0 million) which is related to decreases in general government, public works, economic and physical development and culture and recreation, partially offset by an increase in public safety and highways and streets.

In the fiscal year ended June 30, 2021, expenditures for governmental functions exceeded revenues by approximately \$93.2 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 \$56.8 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 101.9% of General Fund expenditures.

The total fund balance in the City's General Fund increased by \$12.4 million during the fiscal year as revenue increased 2.7% and expenditures decreased 6.5%. Overall, the General Fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2021, of \$16.9 million. This is an increase of approximately \$5.8 million over the comparable figure from the prior year which resulted in revenue in excess of expenditures of \$11.1 million.

The COVID Relief Fund accounts for the receipt and expenditures of the City's allocation of the Coronavirus Aid, Relief, and Economic Security Act (CARES) funding as well as the City's allocation of the American Rescue Plan Act (ARPA) funding. This fund has no fund balance and was not budgeted for as part of the FY 2020-2021 budget.

HURF Fund balance decreased by \$0.2 million or 2.0%. Revenues increased \$0.5 million or 5.9% due mainly to an increase in grants and entitlements. Expenditures decreased \$5.5 million or 34.4% due to various street improvements and capital projects including the Fourth Street bridge replacement in the prior fiscal year.

Transportation Fund balances increased by \$11.3 million. Revenues increased \$3.1 million due to taxes. Expenditures decreased \$1.1 million due to the timing of capital expenditures. Other financing sources and uses decreased \$7.3 million.

Pension Bonds Fund is a new fund that accounts for the consolidation of public safety pension requirements. This includes the accumulation of resources for, and the payment of, long-term obligation principal and interest. Total revenue and other financing sources totaled \$134.8 million which includes \$131.0 million of bond proceeds. The fund balance totals \$14.3 million.

Capital Projects Bond Construction Fund balance decreased by \$2.9 million. This fund has minimal revenues. Expenditures decreased \$6.9 million or 50.6% due to the completion of 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 and Environmental Services. The Stormwater Fund had a deficit unrestricted balance at year end due to beginning a major construction project prior to the issuance of the related debt. The Internal Service Fund, which is used to account for risk management and health insurance activities, had an unrestricted net position of \$4.7 million.

Revenues and transfers exceeded expenses and transfers out in the proprietary funds by \$19.5 million for the fiscal year ended June 30, 2021. Water and Wastewater, Stormwater, Environmental Services, Airport and Housing Authority had growth in their net position for the fiscal year ended June 30, 2021. A major part of the overall increase was related to capital contributions related to grants and external sources (\$12.2 million).

Budget Highlights

The City's final budget matches the original budget which was approved by Council in June 2020. The City looks at the budget to actual at the division level and no division exceeded its appropriation. There were two revenue transfers that were greater than budgeted. A General Fund transfer to the Pension Bond Fund (\$1.7 million) for debt service payment costs and a transfer to the Airport (\$1.9 million) for construction of the parking lot expansion.

The General Fund was 6.4% (\$4.5 million) over the final budgeted total revenues primarily due to taxes, intergovernmental, licenses and permits by \$3.5 million, \$2.3 million and \$2.3 million, respectively offset by grants and entitlements of \$3.2 million.

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. Transfers in are less than budget while transfers out were above budget as many transfers are based on the actual year end expenditure, except for the transfers noted above.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets (net of accumulated depreciation) for governmental and business-type activities as of June 30, 2021, amount to \$744.8 million. They include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The total net increase in capital assets for the current year was 4.0% (\$28.7 million). The following table reflects the capital assets at year end.

Capital Assets, Net of Depreciation
June 30, 2021 and 2020 (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
Land and other non-depreciable assets	\$ 68,421	\$ 67,846	\$ 15,453	\$ 15,387	\$ 83,874	\$ 83,233
Buildings	91,306	74,425	42,429	44,722	133,735	119,147
Improvements	4,000	5,787	259,399	259,377	263,399	265,164
Machinery and equipment	11,413	11,079	22,401	21,498	33,814	32,577
Infrastructure	157,746	157,785	-	-	157,746	157,785
Construction in progress	24,634	32,325	47,643	25,889	72,277	58,214
Total	<u>\$ 357,520</u>	<u>\$ 349,247</u>	<u>\$ 387,325</u>	<u>\$ 366,873</u>	<u>\$ 744,845</u>	<u>\$ 716,120</u>

Construction-in-progress had a net increase of 24.2% (\$14.1 million). Major completed construction-in-progress includes the completion of the Courthouse (\$19.8 million), Sheep Crossing trail (\$1.8 million), Industrial/Fanning (\$2.0 million), Woody Mountain clarifier (\$0.7 million), Fir Avenue water line replacement (\$0.8 million) and Industrial/Fanning (\$0.9 million). The increase to buildings (\$14.6 million) is related to depreciation offset by several additions including the Courthouse (\$19.8 million). The decrease in improvements (\$1.8 million) is related mainly to developer contributed capital less depreciation expense. Machinery and equipment increased by \$1.2 million mainly due to numerous vehicle and heavy equipment purchases. Infrastructure decrease (\$0.04 million) is related mainly to mill and overlay (\$2.0 million), and developer contributed infrastructure (\$4.0 million) offset by depreciation expense.

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 55-56 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 \$230.6 million. Of this amount, \$40.3 million is general obligation bonds backed by the full faith and credit of the City, \$41.2 million is revenue bonds, \$136.8 million is for certificates of participation, and \$12.3 million are outstanding leases or loans for the Flagstaff Watershed Protection Project, Airport, water and wastewater, and City-wide energy conservation improvements.

Outstanding Debt
June 30, 2021 and 2020 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2020-2021	2019-2020	2020-2021	2019-2020	2020-2021	2019-2020
General obligation debt	\$ 39,287	\$ 44,893	\$ 1,016	\$ 1,092	\$ 40,303	\$ 45,985
Revenue bonds	18,005	21,180	23,202	24,750	41,207	45,930
Other debt	133,115	3,845	3,705	3,795	136,820	7,640
Lease/Loans	4,264	1,363	8,044	9,431	12,308	10,794
Total debt payable	<u>\$ 194,671</u>	<u>\$ 71,281</u>	<u>\$ 35,967</u>	<u>\$ 39,068</u>	<u>\$ 230,638</u>	<u>\$ 110,349</u>

During FY 2020-2021, the City's total debt increased by a net \$120.3 million. The City issued \$131.0 million in general obligation bonds and \$3.1 million of loans for the Flagstaff Watershed Protection Project. 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 on June 30, 2021, is \$58.8 million in the 6% category and \$155.6 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:

Type	Standard & Poor's	Moody's Investor's Service	Fitch
General Obligation Bonds	AA	Aa2	Not Available
Revenue Bonds	AA-	Not Available	Not Available
Certificates of Participation	AA-	Not Available	AA-

Additional information on the City's long-term debt can be found in Section III F on pages 59-68 of the Notes to the Financial Statements.

Economic Factors and Next Year's Budget and Rates

The Fiscal Year 2021-2022 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 26.3%.
- Building permits exceeded budget in fiscal year 2020-2021 by \$1.8 million. However, we remain conservative in our projections for FY 2021-2022 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 2021-2022 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 2021-2022 budget includes a merit 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 \$67.9 million for transportation improvements, \$33.6 million programmed for water, wastewater and reclaimed capital equipment and improvements and \$14.7 million in Airport improvements.
- The total authorized positions increased by 24.97 full-time equivalent positions.
- 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. The City increased the primary property tax revenue by approximately \$62,000 in FY 2021-2022. 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.

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, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash, investments and equivalents	\$ 153,518,678	\$ 53,047,285	\$ 206,565,963
Accounts receivable, net	18,685,892	6,502,329	25,188,221
Interest receivable	228,451	97,430	325,881
Intergovernmental receivable	2,908,704	1,197,031	4,105,735
Note receivable	275,600	-	275,600
Internal balance	592,689	(592,689)	-
Deposits	-	8,763	8,763
Inventory	410,918	-	410,918
Prepaid items	-	433,077	433,077
Restricted cash and investments	26,284,978	15,712,858	41,997,836
Net OPEB asset	1,225,757	-	1,225,757
Capital assets, non-depreciable	93,055,106	63,096,258	156,151,364
Capital assets, depreciable, net	264,465,352	324,228,578	588,693,930
Total assets	<u>561,652,125</u>	<u>463,730,920</u>	<u>1,025,383,045</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions/OPEB	139,045,936	3,291,674	142,337,610
Deferred charge on debt refundings	74,667	229,129	303,796
Total deferred outflows of resources	<u>139,120,603</u>	<u>3,520,803</u>	<u>142,641,406</u>
Liabilities			
Accounts payable	5,070,298	2,833,374	7,903,672
Accrued payroll	2,863,825	627,521	3,491,346
Construction retainage payable	1,475,318	491,118	1,966,436
Interest payable	1,505,109	438,654	1,943,763
Advanced revenue	7,217,551	451,573	7,669,124
Deposits payable	1,318,601	1,367,765	2,686,366
Noncurrent liabilities:			
Due within one year:			
Compensated absences	2,115,159	470,337	2,585,496
Claims and judgements	36,928	-	36,928
Net OPEB liability	356,634	84,583	441,217
Bonds, notes and leases payable, net	14,143,881	4,152,978	18,296,859
Due in more than one year:			
Compensated absences	2,751,978	471,916	3,223,894
Claims and judgements	79,999	-	79,999
Landfill closure and post-closure care costs	-	15,967,513	15,967,513
Net OPEB liability	7,042,599	1,669,251	8,711,850
Net pension liability	151,799,874	17,455,464	169,255,338
Bonds, notes and leases payable, net	186,257,266	31,772,718	218,029,984
Total liabilities	<u>384,035,020</u>	<u>78,254,765</u>	<u>462,289,785</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions/OPEB	<u>4,876,977</u>	<u>1,213,845</u>	<u>6,090,822</u>
Net Position			
Net investment in capital assets	291,276,562	349,763,437	641,039,999
Restricted for:			
Capital projects	64,376,163	-	64,376,163
Debt service	19,996,866	-	19,996,866
Specific programming	30,359,003	123,252	30,482,255
Perpetual care:			
Expendable	43,521	-	43,521
Nonexpendable	332,373	-	332,373
Unrestricted:	(94,523,757)	37,896,424	(56,627,333)
Total Net Position	<u>\$ 311,860,731</u>	<u>\$ 387,783,113</u>	<u>\$ 699,643,844</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, 2021

	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government					
Governmental activities:					
General government	\$ 17,978,407	\$ 1,281,515	\$ 2,431,158	\$ 571,357	\$ -
Public safety	44,568,463	-	2,134,346	5,217,836	584,459
Public works	1,788,521	232,529	135	-	-
Economic and physical development	11,843,707	535,712	6,560,474	1,375,360	500,000
Culture and recreation	13,206,098	(511,504)	413,078	3,971,980	198,276
Highways and streets	19,486,590	(1,538,252)	514,833	-	13,446,159
Interest on long-term debt	4,009,038	-	-	-	-
Total governmental activities	<u>112,880,824</u>	<u>-</u>	<u>12,054,024</u>	<u>11,136,533</u>	<u>14,728,894</u>
Business-type activities:					
Water	18,668,402		18,463,575	-	4,609,388
Wastewater and reclaimed	10,554,029		12,321,969	-	3,089,016
Environmental	13,268,587		14,231,558	14,997	-
Airport	5,342,801		1,549,584	2,512,232	1,888,926
Housing authority	8,031,804		2,344,871	5,711,660	673,092
Stormwater	1,594,807		4,413,157	129,843	1,216,105
Total business-type activities	<u>57,460,430</u>		<u>53,324,714</u>	<u>8,368,732</u>	<u>11,476,527</u>
Total Primary Government	<u>\$ 170,341,254</u>		<u>\$ 65,378,738</u>	<u>\$ 19,505,265</u>	<u>\$ 26,205,421</u>

General revenues, contributions and transfers

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**

Governmental Activities	Business-type Activities	Total
\$ (16,257,407)	\$ -	\$ (16,257,407)
(36,631,822)	-	(36,631,822)
(2,020,915)	-	(2,020,915)
(3,943,585)	-	(3,943,585)
(8,111,260)	-	(8,111,260)
(3,987,346)	-	(3,987,346)
(4,009,038)	-	(4,009,038)
<u>(74,961,373)</u>	<u>-</u>	<u>(74,961,373)</u>
-	4,404,561	4,404,561
-	4,856,956	4,856,956
-	977,968	977,968
-	607,941	607,941
-	697,819	697,819
-	4,164,298	4,164,298
-	15,709,543	15,709,543
<u>\$ (74,961,373)</u>	<u>\$ 15,709,543</u>	<u>\$ (59,251,830)</u>
6,972,916	-	6,972,916
7,385,677	-	7,385,677
69,893,143	-	69,893,143
23,958,572	-	23,958,572
(564,917)	545,272	(19,645)
924,099	200,014	1,124,113
19,910	-	19,910
32,710	47,140	79,850
<u>(3,065,224)</u>	<u>3,065,224</u>	<u>-</u>
<u>105,556,886</u>	<u>3,857,650</u>	<u>109,414,536</u>
30,595,513	19,567,193	50,162,706
<u>281,265,218</u>	<u>368,215,920</u>	<u>649,481,138</u>
<u>\$ 311,860,731</u>	<u>\$ 387,783,113</u>	<u>\$ 699,643,844</u>

City of Flagstaff, Arizona
Balance Sheet
Governmental Funds
June 30, 2021

	General Fund	COVID Relief Fund	Highway User Revenue Fund
Assets			
Cash and investments	\$ 61,998,933	\$ 6,626,408	\$ 8,952,632
Accounts receivable, net	8,818,313	-	838,517
Interest receivable	101,006	-	11,360
Intergovernmental receivable	1,353,746	-	-
Notes receivable	-	-	-
Interfund receivable	50,508	-	-
Inventory	350,993	-	-
Restricted cash and investments	-	-	-
Total assets	\$ 72,673,499	\$ 6,626,408	\$ 9,802,509
Liabilities, Deferred Inflows and Fund Balance			
Liabilities:			
Accounts payable	\$ 2,859,954	\$ -	\$ 273,596
Accrued payroll and compensated absences	2,460,383	-	111,201
Construction retainable payable	18,617	-	197,213
Advanced revenue	543,309	6,626,408	-
Guaranty and other deposits	1,318,117	-	-
Total liabilities	7,200,380	6,626,408	582,010
Deferred inflows of resources:			
Unavailable revenue - court fines	149,421	-	-
Unavailable revenue - property taxes	243,821	-	-
Unavailable revenue - notes receivable	-	-	-
Unavailable revenue - other revenue	-	-	-
Total deferred inflows of resources	393,242	-	-
Fund balance:			
Nonspendable	350,993	-	-
Restricted	2,956,942	-	9,220,499
Assigned	4,954,453	-	-
Unassigned (deficit)	56,817,489	-	-
Total fund balance	65,079,877	-	9,220,499
Total liabilities, deferred inflows and fund balance	\$ 72,673,499	\$ 6,626,408	\$ 9,802,509

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

Transportation Tax Fund	Pension Bond Fund	Capital Projects Bond Construction	Nonmajor Governmental Funds	Total Governmental Funds
\$ 51,440,086	\$ 3,653	\$ 1,032,726	\$ 18,607,471	\$ 148,661,909
6,382,663	-	-	2,581,349	18,620,842
74,561	573	298	35,474	223,272
654,466	-	21,834	878,658	2,908,704
-	-	-	275,600	275,600
-	-	-	-	50,508
-	-	-	59,925	410,918
1,191,556	14,248,158	2,085,241	8,760,023	26,284,978
<u>\$ 59,743,332</u>	<u>\$ 14,252,384</u>	<u>\$ 3,140,099</u>	<u>\$ 31,198,500</u>	<u>\$ 197,436,731</u>
\$ 1,248,662	\$ -	\$ 58,007	\$ 477,278	\$ 4,917,497
-	-	17,155	275,086	2,863,825
464,640	-	794,848	-	1,475,318
-	-	-	42,988	7,212,705
484	-	-	-	1,318,601
<u>1,713,786</u>	<u>-</u>	<u>870,010</u>	<u>795,352</u>	<u>17,787,946</u>
-	-	-	-	149,421
-	-	-	-	243,821
-	-	-	275,600	275,600
-	-	-	81,568	81,568
-	-	-	357,168	750,410
-	-	-	392,298	743,291
58,029,546	14,252,384	2,735,096	26,238,137	113,432,604
-	-	-	3,415,545	8,369,998
-	-	(465,007)	-	56,352,482
<u>58,029,546</u>	<u>14,252,384</u>	<u>2,270,089</u>	<u>30,045,980</u>	<u>178,898,375</u>
<u>\$ 59,743,332</u>	<u>\$ 14,252,384</u>	<u>\$ 3,140,099</u>	<u>\$ 31,198,500</u>	<u>\$ 197,436,731</u>



City of Flagstaff
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Activities
June 30, 2021

Fund balances - total governmental funds balance sheet \$ 178,898,375

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	\$ 1,225,757	
Governmental capital assets	639,951,117	
Less: accumulated depreciation	<u>(282,430,659)</u>	358,746,215

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	139,045,936	
Deferred outflows related to debt refunding	74,667	
Deferred inflows related to pensions/OPEB	<u>(4,876,977)</u>	134,243,626

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	(36,962,792)	
PSPRS pension benefits	(113,342,181)	
EORP pension benefits	<u>(1,494,901)</u>	(151,799,874)

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	(194,670,553)	
Governmental interest payable	(1,505,109)	
Bond discount	116,093	
Bond premium	(5,846,687)	
Other postemployment benefits	(7,399,233)	
Compensated absences	<u>(4,867,137)</u>	(214,172,626)

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

Promissory note and miscellaneous revenue	357,168	
Fines and forfeitures	149,421	
Property tax	<u>243,821</u>	750,410

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>5,194,605</u>
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Net position of governmental activities - statement of net position \$ 311,860,731

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, 2021

	General Fund	COVID Relief Fund	Highway User Revenue Fund
Revenues:			
Taxes	\$ 35,652,728	\$ -	\$ -
Intergovernmental	25,162,689	-	-
Grants and entitlements	2,331,162	1,934,046	9,191,151
Charges for services	2,529,117	-	-
Licenses and permits	5,175,255	-	157,742
Fines and forfeitures	932,592	-	-
Rents	1,094,905	-	-
Investment earnings	(1,253,554)	-	53,877
Contributions	622,078	-	52,795
Miscellaneous	355,316	-	27,424
Total revenues	<u>72,602,288</u>	<u>1,934,046</u>	<u>9,482,989</u>
Expenditures:			
Current:			
General government	12,516,049	-	-
Public safety	30,010,082	1,934,046	-
Public works	1,213,180	-	-
Economic and physical development	5,332,052	-	-
Culture and recreation	5,321,084	-	-
Highways and streets	276,491	-	8,165,758
Debt service:			
Principal retirement	198,342	-	-
Interest and other charges	140,602	-	-
Capital outlay	738,862	-	2,343,624
Total expenditures	<u>55,746,744</u>	<u>1,934,046</u>	<u>10,509,382</u>
Excess (deficiency) of revenues over expenditures	<u>16,855,544</u>	<u>-</u>	<u>(1,026,393)</u>
Other Financing Sources (Uses):			
Sale of capital assets	27,705	-	15,100
Loan issuance	-	-	-
Bond issuance	-	-	-
Transfers in	3,369,672	-	938,745
Transfers out	(7,858,084)	-	(113,000)
Total other financing sources (uses)	<u>(4,460,707)</u>	<u>-</u>	<u>840,845</u>
Net change in fund balances	<u>12,394,837</u>	<u>-</u>	<u>(185,548)</u>
Fund balances, beginning of year	<u>52,685,040</u>	<u>-</u>	<u>9,406,047</u>
Fund balances, end of year	<u>\$ 65,079,877</u>	<u>\$ -</u>	<u>\$ 9,220,499</u>

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

<u>Transportation Tax Fund</u>	<u>Pension Bonds Fund</u>	<u>Capital Projects Bond Construction</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 31,546,550	\$ -	\$ -	\$ 17,040,604	\$ 84,239,882
-	-	-	3,837,589	29,000,278
-	-	276,005	1,440,143	15,172,507
-	-	-	1,719,175	4,248,292
-	-	-	3,575	5,336,572
-	-	-	-	932,592
-	-	-	347,855	1,442,760
399,283	12,445	10,763	179,599	(597,587)
265,911	-	-	595,762	1,536,546
8,156	-	-	475,893	866,789
<u>32,219,900</u>	<u>12,445</u>	<u>286,768</u>	<u>25,640,195</u>	<u>142,178,631</u>
3,871,504	-	491,011	-	16,878,564
-	116,760,061	120,377	363,568	149,188,134
-	-	-	-	1,213,180
-	-	22,265	5,164,857	10,519,174
1,458	-	-	5,734,802	11,057,344
536,010	-	-	520,073	9,498,332
3,020,000	1,630,000	-	5,857,200	10,705,542
675,550	2,188,453	-	1,808,249	4,812,854
<u>11,923,342</u>	<u>-</u>	<u>6,134,946</u>	<u>327,560</u>	<u>21,468,334</u>
<u>20,027,864</u>	<u>120,578,514</u>	<u>6,768,599</u>	<u>19,776,309</u>	<u>235,341,458</u>
<u>12,192,036</u>	<u>(120,566,069)</u>	<u>(6,481,831)</u>	<u>5,863,886</u>	<u>(93,162,827)</u>
-	-	-	-	42,805
-	-	3,094,937	-	3,094,937
-	131,000,000	-	-	131,000,000
34,130	3,818,453	474,395	9,175,205	17,810,600
(938,745)	-	(30,075)	(10,810,070)	(19,749,974)
<u>(904,615)</u>	<u>134,818,453</u>	<u>3,539,257</u>	<u>(1,634,865)</u>	<u>132,198,368</u>
<u>11,287,421</u>	<u>14,252,384</u>	<u>(2,942,574)</u>	<u>4,229,021</u>	<u>39,035,541</u>
<u>46,742,125</u>	<u>-</u>	<u>5,212,663</u>	<u>25,816,959</u>	<u>139,862,834</u>
<u>\$ 58,029,546</u>	<u>\$ 14,252,384</u>	<u>\$ 2,270,089</u>	<u>\$ 30,045,980</u>	<u>\$ 178,898,375</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, 2021

Net change in fund balances - total governmental funds \$ 39,035,541

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	\$ 21,468,334	
Less current year depreciation	<u>(15,405,083)</u>	6,063,251

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	(274,130)	
Net pension expense related to PSPRS	105,412,764	
Net pension expense related to EORP	(204,181)	
Capital related debt issued	(3,094,937)	
Non-capital related debt issued	(131,000,000)	
Compensated absences	(195,499)	
Other postemployment benefits	474,097	
Principal payments on debt	10,705,542	
Interest accrual on debt	168,945	
Refunding loss amortization	(96,004)	
Bond premium/discount amortization	<u>730,875</u>	(17,372,528)

The disposal or contribution of capital assets are not reflected in fund statements but are recorded as revenues or expenses in the statement of activities.

Gain/loss on disposal of capital assets	(798,567)	
Donated capital assets	4,134,578	
Transfer of capital assets to business-type activities	<u>(1,125,850)</u>	2,210,161

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)	93,808	
Notes receivable	29,516	
Property tax	<u>11,854</u>	135,178

(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, 2021

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	433,930	
Investment income	32,670	
Miscellaneous income	57,310	523,910
Change in net position of governmental activities - statement of activities		\$ 30,595,513

(concluded)

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

City of Flagstaff, Arizona
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2021

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 31,585,670	\$ 31,585,670	\$ 35,120,518	\$ 3,534,848
Intergovernmental	22,830,008	22,830,008	25,162,690	2,332,682
Grants and entitlements	5,571,482	5,571,482	2,331,162	(3,240,320)
Charges for services	3,280,813	3,280,813	2,529,117	(751,696)
Licenses and permits	2,886,264	2,886,264	5,175,255	2,288,991
Fines and forfeitures	1,458,855	1,458,855	932,592	(526,263)
Rents	1,402,602	1,402,602	1,094,905	(307,697)
Investment earnings	422,751	422,751	910,013	487,262
Contributions	10,406	10,406	622,078	611,672
Miscellaneous	315,101	315,101	355,316	40,215
Total revenues	<u>69,763,952</u>	<u>69,763,952</u>	<u>74,233,646</u>	<u>4,469,694</u>
Expenditures:				
Current:				
General administration	12,256,688	12,256,688	11,472,513	784,175
Management services	4,596,113	4,596,113	4,079,920	516,193
Fire	20,263,632	20,263,632	11,253,705	9,009,927
Police	25,655,337	25,655,337	19,294,268	6,361,069
Community development	6,030,172	6,030,172	5,261,889	768,283
Public works	11,618,249	11,618,249	7,508,220	4,110,029
Economic vitality	107,265	107,265	119,599	(12,334)
Non-departmental	(365,457)	(365,457)	(3,267,376)	2,901,919
Contingency	1,527,750	1,527,750	-	1,527,750
Total expenditures	<u>81,689,749</u>	<u>81,689,749</u>	<u>55,722,738</u>	<u>25,967,011</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,925,797)</u>	<u>(11,925,797)</u>	<u>18,510,908</u>	<u>30,436,705</u>
Other Financing Sources (Uses):				
Sale of capital assets	38,502	38,502	27,705	(10,797)
Transfers in	4,157,395	4,157,395	3,369,672	(787,723)
Transfers out	(4,461,427)	(4,461,427)	(7,858,084)	(3,396,657)
Total other financing sources (uses)	<u>(265,530)</u>	<u>(265,530)</u>	<u>(4,460,707)</u>	<u>(4,195,177)</u>
Net change in fund balances	<u>(12,191,327)</u>	<u>(12,191,327)</u>	<u>14,050,201</u>	<u>26,241,528</u>
Fund balances, beginning of year	<u>33,112,020</u>	<u>33,112,020</u>	<u>48,953,607</u>	<u>15,841,587</u>
Fund balances, end of year	<u>\$ 20,920,693</u>	<u>\$ 20,920,693</u>	<u>\$ 63,003,808</u>	<u>\$ 42,083,115</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 14,050,201	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis - 60-day sales tax accrual			(1,631,358)	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis - bad debt			(24,006)	
Adjusted net change in fund balance - GAAP basis			<u>\$ 12,394,837</u>	

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

City of Flagstaff, Arizona
Highway User Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2021

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Grants and entitlements	\$ 8,958,305	\$ 8,958,305	\$ 9,191,151	\$ 232,846
Investment earnings	18,000	18,000	53,877	35,877
Contributions	2,336,458	2,336,458	52,795	(2,283,663)
Licenses and permits	-	-	157,742	157,742
Miscellaneous	-	-	27,424	27,424
Total revenues	11,312,763	11,312,763	9,482,989	(1,829,774)
Expenditures:				
Current:				
Community development	14,215,534	14,215,534	938,745	13,276,789
Public works	15,108,075	15,108,075	8,423,233	6,684,842
Non-departmental	1,147,404	1,147,404	1,147,404	-
Contingency	100,000	100,000	-	100,000
	30,571,013	30,571,013	10,509,382	20,061,631
Excess (deficiency) of revenues over (under) expenditures	(19,258,250)	(19,258,250)	(1,026,393)	18,231,857
Other Financing Sources (Uses):				
Sale of capital assets	-	-	15,100	15,100
Transfers in	13,369,076	13,369,076	938,745	(12,430,331)
Transfers out	(113,000)	(113,000)	(113,000)	-
Total other financing sources (uses)	13,256,076	13,256,076	840,845	(12,415,231)
Net change in fund balances	(6,002,174)	(6,002,174)	(185,548)	5,816,626
Fund balances, beginning of year	9,378,913	9,378,913	9,406,047	27,134
Fund balances, end of year	\$ 3,376,739	\$ 3,376,739	\$ 9,220,499	\$ 5,843,760

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, 2021

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 26,058,162	\$ 26,058,162	30,757,597	\$ 4,699,435
Grants and entitlements	551,656	551,656	-	(551,656)
Investment earnings	189,000	189,000	399,283	210,283
Contributions	-	-	265,911	265,911
Miscellaneous	-	-	8,156	8,156
Total revenues	<u>26,798,818</u>	<u>26,798,818</u>	<u>31,430,947</u>	<u>4,632,129</u>
Expenditures:				
Current:				
Community development	27,798,821	27,798,821	10,215,225	17,583,596
Public works	1,144,319	1,144,319	2,021,619	(877,300)
Non-departmental	11,298,505	11,298,505	7,791,020	3,507,485
Total expenditures	<u>40,241,645</u>	<u>40,241,645</u>	<u>20,027,864</u>	<u>20,213,781</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,442,827)</u>	<u>(13,442,827)</u>	<u>11,403,083</u>	<u>(15,581,652)</u>
Other Financing Sources (Uses):				
Transfers in	37,778	37,778	34,130	(3,648)
Transfers out	<u>(13,369,076)</u>	<u>(13,369,076)</u>	<u>(938,745)</u>	<u>12,430,331</u>
Total other financing sources (uses)	<u>(13,331,298)</u>	<u>(13,331,298)</u>	<u>(904,615)</u>	<u>12,426,683</u>
Net change in fund balances	<u>(26,774,125)</u>	<u>(26,774,125)</u>	<u>10,498,468</u>	<u>(3,154,969)</u>
Fund balances, beginning of year	<u>40,395,344</u>	<u>40,395,344</u>	<u>46,742,125</u>	<u>6,346,781</u>
Fund balances, end of year	<u>\$ 13,621,219</u>	<u>\$ 13,621,219</u>	<u>\$ 57,240,593</u>	<u>\$ 3,191,812</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 10,498,468	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			788,953	
Adjusted net change in fund balance - GAAP basis			<u>\$ 11,287,421</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, 2021

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
Assets			
Current assets:			
Cash and investments	\$ 39,286,659	\$ 717	\$ 11,311,054
Receivable, net	4,417,189	477,073	1,401,480
Intergovernmental receivable	-	96,309	2,000
Interfund receivable	10,110,000	-	-
Prepaid items	-	-	-
Restricted cash and investments	3,231,781	-	156,747
Total current assets	<u>57,045,629</u>	<u>574,099</u>	<u>12,871,281</u>
Noncurrent assets:			
Restricted cash and investments	-	-	12,074,734
Refundable deposits	8,763	-	-
Capital assets, non-depreciable	19,948,080	37,799,404	2,138,318
Capital assets, depreciable, net	245,478,257	29,432,106	9,811,012
Total non-current assets	<u>265,435,100</u>	<u>67,231,510</u>	<u>24,024,064</u>
Total assets	<u>322,480,729</u>	<u>67,805,609</u>	<u>36,895,345</u>
Deferred outflows of resources:			
Deferred outflow related to advance refunding	229,129	-	-
Deferred outflows related to pension/OPEB	1,395,578	118,299	1,001,926
Total deferred outflows of resources	<u>1,624,707</u>	<u>118,299</u>	<u>1,001,926</u>
Liabilities			
Current liabilities:			
Accounts payable	1,921,167	276,860	312,200
Construction retainage payable	250,704	75,737	-
Interfund payable	-	10,110,000	-
Accrued payroll	297,960	15,698	194,381
Accrued compensated absences	217,416	13,902	100,928
Interest payable	376,907	-	61,747
Advanced revenue	340,980	-	25,042
Claims and judgements	-	-	-
Deposits payable	1,212,711	-	79,001
Bonds and lease payable, net	3,861,855	-	97,354
Total current liabilities	<u>8,479,700</u>	<u>10,492,197</u>	<u>870,653</u>
Noncurrent liabilities:			
Compensated absences	265,028	11,438	79,276
Net OPEB liability	768,470	74,248	578,593
Net pension liability	6,703,402	581,695	5,355,590
Claims and judgements	-	-	-
Landfill closure and post closure care costs	-	-	15,967,513
Capital lease payable	931,892	-	-
Bonds and notes payable, net	26,740,260	-	3,566,765
Total noncurrent liabilities	<u>35,409,052</u>	<u>667,381</u>	<u>25,547,737</u>
Total liabilities	<u>43,888,752</u>	<u>11,159,578</u>	<u>26,418,390</u>
Deferred inflows related to pension/OPEB	530,703	48,933	402,499
Total deferred inflows	<u>530,703</u>	<u>48,933</u>	<u>402,499</u>
Net Position			
Net investment in capital assets	232,965,312	66,898,083	8,180,075
Restricted for:			
Specific programming	-	-	-
Unrestricted (deficit)	46,720,669	(10,182,686)	2,896,307
Total net position	<u>\$ 279,685,981</u>	<u>\$ 56,715,397</u>	<u>\$ 11,076,382</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
\$ 2,448,855	\$ 53,047,285	\$ 4,856,769
304,017	6,599,759	70,229
1,098,722	1,197,031	-
-	10,110,000	-
433,077	433,077	-
-	3,388,528	-
<u>4,284,671</u>	<u>74,775,680</u>	<u>4,926,998</u>
249,596	12,324,330	-
-	8,763	-
3,210,456	63,096,258	-
39,507,203	324,228,578	-
<u>42,967,255</u>	<u>399,657,929</u>	-
<u>47,251,926</u>	<u>474,433,609</u>	<u>4,926,998</u>
-	229,129	-
775,871	3,291,674	-
<u>775,871</u>	<u>3,520,803</u>	-
323,147	2,833,374	152,801
164,677	491,118	-
50,508	10,160,508	-
119,482	627,521	-
138,091	470,337	-
-	438,654	-
85,551	451,573	4,846
-	-	36,928
76,053	1,367,765	-
193,769	4,152,978	-
<u>1,151,278</u>	<u>20,993,828</u>	<u>194,575</u>
116,174	471,916	-
332,523	1,753,834	-
4,814,777	17,455,464	-
-	-	79,999
-	15,967,513	-
533,801	1,465,693	-
-	30,307,025	-
<u>5,797,275</u>	<u>67,421,445</u>	<u>79,999</u>
<u>6,948,553</u>	<u>88,415,273</u>	<u>274,574</u>
231,710	1,213,845	-
<u>231,710</u>	<u>1,213,845</u>	-
41,719,967	349,763,437	-
123,252	123,252	-
(995,685)	38,438,605	4,652,424
<u>\$ 40,847,534</u>	<u>\$ 388,325,294</u>	<u>\$ 4,652,424</u>

(542,181)
\$ 387,783,113

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, 2021

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
Operating Revenues:			
Charges for services	\$ 30,785,544	\$ 4,413,157	\$ 14,231,558
Miscellaneous	199,594	-	13
Total operating revenues	<u>30,985,138</u>	<u>4,413,157</u>	<u>14,231,571</u>
Operating Expenses:			
Personnel services	6,140,824	565,113	4,564,767
Contractual services, materials and supplies	12,508,196	431,108	7,669,033
Insurance claims and expenses	-	-	-
Depreciation and amortization	9,188,527	600,765	918,346
Total operating expenses	<u>27,837,547</u>	<u>1,596,986</u>	<u>13,152,146</u>
Operating income (loss)	<u>3,147,591</u>	<u>2,816,171</u>	<u>1,079,425</u>
Non-Operating Revenues (Expenses):			
Interest and investment income	417,111	3,870	114,140
Grants and entitlements	-	129,843	14,997
Gain (loss) on disposal of capital asset	(605,911)	-	26,500
Passenger facility charges	-	-	-
Interest expense	(822,896)	-	(143,518)
Total non-operating revenues (expenses)	<u>(1,011,696)</u>	<u>133,713</u>	<u>12,119</u>
Income (loss) before capital contributions and transfers	<u>2,135,895</u>	<u>2,949,884</u>	<u>1,091,544</u>
Capital contributions related to grants	-	-	-
Capital contributions from external sources	7,698,404	1,216,105	-
Capital contributions from internal sources	209,133	916,717	-
Transfers in	6,281	-	264,337
Transfers out	(87,273)	(6,281)	-
Change in net position	<u>9,962,440</u>	<u>5,076,425</u>	<u>1,355,881</u>
Total net position, beginning of year	<u>269,723,541</u>	<u>51,638,972</u>	<u>9,720,501</u>
Total net position, end of year	<u>\$ 279,685,981</u>	<u>\$ 56,715,397</u>	<u>\$ 11,076,382</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>
\$ 3,894,455	\$ 53,324,714	\$ 9,480,372
407	200,014	57,310
<u>3,894,862</u>	<u>53,524,728</u>	<u>9,537,682</u>
3,067,669	14,338,373	-
7,398,808	28,007,145	-
-	-	8,966,991
<u>2,866,048</u>	<u>13,573,686</u>	<u>-</u>
<u>13,332,525</u>	<u>55,919,204</u>	<u>8,966,991</u>
<u>(9,437,663)</u>	<u>(2,394,476)</u>	<u>570,691</u>
10,151	545,272	32,670
8,223,892	8,368,732	-
20,640	(558,771)	-
380,617	380,617	-
<u>(48,352)</u>	<u>(1,014,766)</u>	<u>-</u>
<u>8,586,948</u>	<u>7,721,084</u>	<u>32,670</u>
<u>(850,715)</u>	<u>5,326,608</u>	<u>603,361</u>
2,181,401	2,181,401	-
-	8,914,509	-
-	1,125,850	-
1,884,501	2,155,119	-
<u>(122,191)</u>	<u>(215,745)</u>	<u>-</u>
<u>3,092,996</u>	<u>19,487,742</u>	<u>603,361</u>
<u>37,754,538</u>	<u>368,837,552</u>	<u>4,049,063</u>
<u>\$ 40,847,534</u>	<u>\$ 388,325,294</u>	<u>\$ 4,652,424</u>

Change in net position of business-type activities

79,451
\$ 19,567,193

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, 2021

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
Cash flows from operating activities:			
Receipts from customers	\$ 30,142,412	\$ 4,348,552	\$ 13,912,758
Interfund services provided	392,994	51,540	199,718
Other receipts	-	-	-
Payments to suppliers	(10,004,827)	(287,943)	(5,619,282)
Interfund services used	(64,376)	-	(3,289)
Interfund reimbursement used	(2,401,827)	(156,842)	(1,411,481)
Payments to employees	(6,053,579)	(579,127)	(4,413,946)
Net cash provided (used) by operating activities	<u>12,010,797</u>	<u>3,376,180</u>	<u>2,664,478</u>
Cash flows from noncapital financing activities:			
Transfer from other funds	(87,273)	(6,281)	264,337
Transfer to other funds	6,281	-	-
Interfund loans received (paid)	(10,110,000)	10,110,000	-
Net cash provided (used) by noncapital financing activities	<u>(10,190,992)</u>	<u>10,103,719</u>	<u>264,337</u>
Cash flows from capital and related financing activities:			
Receipts from grantors	-	68,212	25,553
Capital contributions	4,996,307	-	-
Acquisition and construction of capital assets	(7,392,727)	(16,409,191)	(1,342,418)
Principal payments on capital debt	(2,396,114)	-	(522,018)
Interest paid on capital debt	(815,793)	-	(144,868)
Proceeds from sales of capital assets	26,600	-	26,500
Net cash provided (used) by capital and related financing activities	<u>(5,581,727)</u>	<u>(16,340,979)</u>	<u>(1,957,251)</u>
Cash flows from investing activities:			
Interest received on investments	447,125	12,270	120,837
Net cash provided (used) by investing activities	<u>447,125</u>	<u>12,270</u>	<u>120,837</u>
Net increase (decrease) in cash and cash equivalents	<u>(3,314,797)</u>	<u>(2,848,810)</u>	<u>1,092,401</u>
Cash and cash equivalents at beginning of year	45,833,237	2,849,527	22,450,134
Cash and cash equivalents at end of year	<u>\$ 42,518,440</u>	<u>\$ 717</u>	<u>\$ 23,542,535</u>
Classified as:			
Cash, cash equivalents, and investments	\$ 39,286,659	\$ 717	\$ 11,311,054
Restricted cash and cash equivalents	3,231,781	-	12,231,481
Totals	<u>\$ 42,518,440</u>	<u>\$ 717</u>	<u>\$ 23,542,535</u>

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

Business-type Activities - Enterprise Funds		Governmental
Total Nonmajor	Total Business-	Activities
Proprietary Fund	type Funds	Internal
		Service Fund
\$ 3,613,481	\$ 52,017,203	\$ 9,558,360
-	644,252	-
380,617	380,617	-
(7,016,919)	(22,928,971)	(9,062,368)
(401,274)	(468,939)	-
(332,833)	(4,302,983)	-
(2,574,423)	(13,621,075)	-
<u>(6,331,351)</u>	<u>11,720,104</u>	<u>495,992</u>
1,884,501	2,055,284	-
(122,191)	(115,910)	-
(1,890,278)	(1,890,278)	-
<u>(127,968)</u>	<u>49,096</u>	<u>-</u>
9,469,672	9,563,437	-
2,181,401	7,177,708	-
(4,075,005)	(29,219,341)	-
(183,384)	(3,101,516)	-
(48,352)	(1,009,013)	-
17,255	70,355	-
<u>7,361,587</u>	<u>(16,518,370)</u>	<u>-</u>
10,375	590,607	39,609
<u>10,375</u>	<u>590,607</u>	<u>39,609</u>
912,643	(4,158,563)	535,601
<u>1,785,808</u>	<u>72,918,706</u>	<u>4,321,168</u>
<u>\$ 2,698,451</u>	<u>\$ 68,760,143</u>	<u>\$ 4,856,769</u>
\$ 2,448,855	\$ 53,047,285	\$ 4,856,769
249,596	15,712,858	-
<u>\$ 2,698,451</u>	<u>\$ 68,760,143</u>	<u>\$ 4,856,769</u>

(continued)

City of Flagstaff, Arizona
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2021

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 3,147,591	\$ 2,816,171	\$ 1,079,425
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	9,188,527	600,765	918,346
Landfill closure and post closure costs	-	-	546,510
Other receipts	-	-	-
(Increase) decrease in assets:			
Accounts receivable	(198,674)	(13,065)	(134,416)
Allowance for doubtful accounts	(100,000)	-	(17,000)
Prepaid items	-	-	-
(Increase) decrease in deferred pension outflows	(448,446)	(33,788)	(354,598)
(Increase) decrease in deferred OPEB outflows	(76,714)	(7,398)	(57,811)
Increase (decrease) in liabilities:			
Accounts payable	37,166	(13,677)	88,471
Accrued payroll, compensated absences	76,299	(18,110)	77,625
Net OPEB liability	92,668	8,937	69,832
Net pension liability	993,196	84,176	836,007
Deposits payable	127,868	-	11,579
Advanced revenue	(278,926)	-	20,742
Increase (decrease) in deferred pension inflows	(493,830)	(42,438)	(378,088)
Increase (decrease) in deferred OPEB inflows	(55,928)	(5,393)	(42,146)
Total adjustments	8,863,206	560,009	1,585,053
Net cash provided (used) by operating activities	\$ 12,010,797	\$ 3,376,180	\$ 2,664,478
Noncash investing, capital and financing activities:			
Capital assets acquired through contributions from developers	\$ 2,702,097	\$ 1,216,105	\$ -
Amortization of premium	1,779	-	-
Amortization of deferred amount on refunding	38,188	-	-
Loss on disposal of capital assets	(632,511)	-	-
Capital assets transferred from other funds	209,133	916,717	-
Total noncash investing, capital and financing activities	\$ 2,318,686	\$ 2,132,822	\$ -

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>
\$ (9,437,663)	\$ (2,394,476)	\$ 570,691
2,866,048	13,573,686	-
-	546,510	-
380,617	380,617	-
(185,087)	(531,242)	16,878
-	(117,000)	-
(366,326)	(366,326)	-
190,716	(646,116)	-
(33,152)	(175,075)	-
14,108	126,068	(95,377)
76,489	212,303	-
40,048	211,485	-
433,365	2,346,744	-
(1,320)	138,127	-
(94,974)	(353,158)	3,800
(196,754)	(1,111,110)	-
(17,466)	(120,933)	-
<u>3,106,312</u>	<u>14,114,580</u>	<u>(74,699)</u>
<u>\$ (6,331,351)</u>	<u>\$ 11,720,104</u>	<u>\$ 495,992</u>
\$ -	\$ 3,918,202	\$ -
-	1,779	-
-	38,188	-
-	(632,511)	-
-	1,125,850	-
<u>\$ -</u>	<u>\$ 4,451,508</u>	<u>\$ -</u>

(concluded)

City of Flagstaff, Arizona
Notes to the Financial Statements
June 30, 2021

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 its component entities for which the government is 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. 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 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 is 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:

- *COVID Relief Fund* which accounts for the receipt and expenditures of the City's allocation of the Coronavirus Aid, Relief, and Economic Security Act (CARES) funding as well as the City's allocation of the American Rescue Plan Act (ARPA) funding. Resources allocated to this fund must be used for specific purposes as outlined in the legislature.
- *Highway User Revenue Fund* which receives and expends the City's allocation of the Highway User Revenue money. Resources allocated to this fund come mainly from the State and must be used for street construction, reconstruction, and maintenance.
- *Transportation Tax Fund* accounts for the receipt and expenditures of the transportation tax money as authorized by voters on May 16, 2000. These resources are restricted to financing improvements in the areas of the 4th Street overpass project, safe to school/pedestrian and bike projects, traffic flow and safety improvements, transit service operations and enhancements and to repay the bonding related to the 4th Street overpass. In 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. The capital projects bond construction fund is presented as a major fund in the basic financial statements.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal and interest. The pension bond fund is presented as a major fund in the basic financial statements.

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 like 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 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, grants and aid 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 received. Only the portion of special assessment receivables due within the current fiscal period is 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 except for the internal service fund, perpetual care fund and COVID Relief 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 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 Investments 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 purchase's 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, special assessment liens, notes receivable and other revenues 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 are 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 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, 2021, are as follows:

	General Fund	Highway User Revenue Fund	Transportation Fund	Pension Bond Fund	Capital Projects Bond Construction	Other Governmental Funds	Total Governmental Funds
Fund balances:							
Nonspendable:							
Perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 332,373	\$ 332,373
Inventory	350,993	-	-	-	-	59,925	410,918
Restricted for:							
Notes receivable	-	-	-	-	-	275,600	275,600
Library branch services	-	-	-	-	-	898,814	898,814
Library programs externally directed	-	-	-	-	-	1,399,867	1,399,867
Court improvements and operations	222,128	-	-	-	-	-	222,128
Debt service	-	-	-	14,252,384	-	7,249,591	21,501,975
Street improvements	-	9,220,499	46,185,270	-	-	-	55,405,769
Transit	-	-	10,201,389	-	-	-	10,201,389
Public art	-	-	-	-	-	1,101,913	1,101,913
Parks operations	-	-	-	-	-	2,292,477	2,292,477
Economic development	-	-	-	-	-	671,617	671,617
Tourism	-	-	-	-	-	1,838,515	1,838,515
Perpetual care	-	-	-	-	-	43,521	43,521
Development fee projects	2,566,461	-	-	-	-	-	2,566,461
Other capital projects	32,915	-	1,642,887	-	2,735,096	9,651,158	14,062,056
Public safety	135,438	-	-	-	-	-	135,438
Water resource and infrastructure protection	-	-	-	-	-	815,064	815,064
Assigned to:							
Capital reserve	4,620,148	-	-	-	-	-	4,620,148
Real estate	334,305	-	-	-	-	-	334,305
Parking district	-	-	-	-	-	1,029,174	1,029,174
Library services	-	-	-	-	-	2,386,371	2,386,371
Unassigned:	56,817,489	-	-	-	(465,007)	-	56,352,482
Total fund balances	\$ 65,079,877	\$ 9,220,499	\$ 58,029,546	\$ 14,252,384	\$ 2,270,089	\$ 30,045,980	\$ 178,898,375

Deficit Fund Balance / Net Position

A deficit unassigned fund balance of \$465,007 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 \$323,655 and \$672,030 in the Airport and Housing Authority funds respectively due to their proportionate share of their allocated proportion of the City's net pension liability. Additionally, there is a deficit unrestricted net position of \$10,182,686 in the Stormwater fund due to beginning construction of capital improvements prior to the receipt of debt proceeds.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Budget Basis of Accounting

The City's accounting records for general government operations (general, special revenue, debt service and capital 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 several 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 and Proprietary 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, 2021, 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, investments and equivalents," and "restricted cash and investments."

Deposits

At June 30, 2021, the carrying amount of the City's deposits was \$109,662,884 and the bank balance was \$114,176,513. The \$4,513,629 difference represents deposits in transit, outstanding checks, and other reconciling items at June 30, 2021. There is an additional \$10,709,053 reported as restricted cash as it is held with paying or fiscal agent on June 30, 2021, for debt service payments due on July 1, 2021.

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 insured or collateralized at June 30, 2021.

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, 2021, the City's investments included the following:

Investment Type	Fair Value	Weighted Average Maturity (in years)
Federal agency notes	\$ 26,769,909	2.976
U.S. treasuries	83,944,384	2.468
State investment pool	13,782,500	0.180
Corporate notes	3,681,819	3.039
Total fair value of investments	\$ 128,178,612	

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, 2021, is as follows:

Investment Type	Fair Value	Moody's Rating	S&P Rating	Percent of Investments
Federal agency notes	\$ 26,769,909	AAA	AA+	20.88%
U.S. treasuries	83,944,384	AAA	AA+	65.50%
State investment pool	13,782,500	AAA	AAA f / S1+	10.75%
Corporate notes	3,681,819	AA1/ A1/ A2/ A3	AA+/AA/ A/ A-/BBB+	2.87%
Total	<u>\$ 128,178,612</u>			<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%. The City had investments at June 30, 2021, of 5 percent or more in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association. These investments were 6.83 percent and 8.69 percent, respectively, of the City's total investments.

At June 30, 2021, the City's cash and investments included the following:

Carrying amount of investments	\$ 128,178,612
Carrying amount of cash deposits	109,662,884
Cash on deposit with paying agent	10,709,053
Cash on hand	13,250
Total pooled cash and investments	<u>\$ 248,563,799</u>
Pooled cash, equivalents and investments - unrestricted	\$ 206,565,963
Restricted cash and investments	41,997,836
Total pooled cash and investments	<u>\$ 248,563,799</u>

Cash and cash equivalents at June 30, 2021, consisted of the following:

Investments included in cash and cash equivalents	\$ 115,014,204
Carrying amount of unrestricted city deposits	91,538,509
Cash on hand	13,250
Total cash, investments, and cash equivalents per statement of net position	<u>\$ 206,565,963</u>

Investment income comprises the following for the year ended June 30, 2021:

Net interest and dividends	\$ 1,749,691
Net increase (decrease) in the fair value of investments	(1,769,336)
Total net investment income per statement of activities	<u>\$ (19,645)</u>

Fair Value Measurement

The net decrease in the fair value of investments during fiscal year 2020-2021 was \$1,769,336. This amount considers all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at June 30, 2021, was \$2,163,567.

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
- 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, 2021, 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	\$ 26,769,909	\$ -	\$ 26,769,909	\$ -
U.S. treasuries	83,944,384	7,826,669	76,117,715	-
Corporate notes	3,681,819	-	3,681,819	-
Total investments by fair value level	114,396,112	7,826,669	106,569,443	-
External investment pools measured at fair value				
State Treasurer's Investment Pool	13,782,500			
Total investments	<u>\$ 128,178,612</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 \$1,049 and the total recovery to date is \$122,977.

B. Receivables

Receivables as of June 30, 2021, including allowances for uncollectible accounts, are as follows:

Fund	Accounts	Interest	Intergov- ernmental	Notes Receivable	Total Receivables
Governmental Activities					
General fund	\$ 9,162,349	\$ 101,006	\$ 1,353,746	\$ -	\$ 10,617,101
Highway user revenue fund	838,517	11,360	-	-	849,877
Transportation fund	6,382,663	74,561	654,466	-	7,111,690
Pension bond fund	-	573	-	-	573
Capital projects bond fund	-	298	21,834	-	22,132
Other governmental funds	2,581,349	35,474	878,658	275,600	3,771,081
Less: allowance for uncollectibles	(344,036)	-	-	-	(344,036)
Total government funds	18,620,842	223,272	2,908,704	275,600	22,028,418
Internal services funds	65,050	5,179	-	-	70,229
Total governmental activities	18,685,892	228,451	2,908,704	275,600	22,098,647
Business-type Activities					
Water and wastewater	4,541,723	77,466	-	-	4,619,189
Stormwater	489,786	287	96,309	-	586,382
Environmental services	1,432,348	18,132	2,000	-	1,452,480
Other proprietary funds	346,304	1,545	1,098,722	-	1,446,571
Less: allowance for uncollectibles	(307,832)	-	-	-	(307,832)
Total business-type activities	6,502,329	97,430	1,197,031	-	7,796,790
Total activities	\$ 25,188,221	\$ 325,881	\$ 4,105,735	\$ 275,600	\$ 29,895,437

C. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, as of June 30, 2021, is as follows:

	Balance July 1, 2020	Increase	Decrease	Transfers In (Out)	Balance June 30, 2021
Governmental activities:					
Non-depreciable assets:					
Land & other non-depreciable asset: \$	67,845,690	\$ 587,331	\$ (12,338)	\$ -	\$ 68,420,683
Construction -in-progress	32,324,560	16,516,847	(23,081,134)	(1,125,850)	24,634,423
Total non-depreciable assets	100,170,250	17,104,178	(23,093,472)	(1,125,850)	93,055,106
Depreciable assets:					
Buildings	105,843,094	20,581,862	(1,542,397)	-	124,882,559
Improvements	25,212,764	147,836	(1,215,186)	-	24,145,414
Machinery and equipment	37,667,297	2,156,704	(710,142)	(18,093)	39,095,766
Infrastructure	348,870,546	9,901,726	-	-	358,772,272
Total depreciable assets	517,593,701	32,788,128	(3,467,725)	(18,093)	546,896,011
Accumulated depreciation:					
Buildings	(31,418,120)	(2,800,845)	642,693	-	(33,576,272)
Improvements	(19,425,607)	(844,554)	124,554	-	(20,145,607)
Machinery and equipment	(26,588,066)	(1,818,355)	705,989	18,093	(27,682,339)
Infrastructure	(191,085,112)	(9,941,329)	-	-	(201,026,441)
Total accumulated depreciation	(268,516,905)	(15,405,083)	1,473,236	18,093	(282,430,659)
Governmental activities capital assets, net	\$ 349,247,046	34,487,223	\$ (25,087,961)	\$ (1,125,850)	357,520,458
				Less: outstanding debt	(194,670,553)
				Less: unamortized premium	(5,846,687)
				Plus: unamortized discount	116,093
				Plus: deferred amount on refunding	74,667
				Less: construction retainage	(1,410,596)
				Less: capital accounts payable	(1,491,011)
				Plus: non-capital related debt, series 2013	1,105,155
				Plus: unspent capital related debt, series 2016	1,971,999
				Plus: non-capital related debt, series 2016	1,442,100
				Plus: non-capital related debt, series 2020	129,370,000
				Plus: non-capital related debt, series 2020	3,094,937
				Net investment in capital assets	\$ 291,276,562

	Balances July 1, 2020	Increases	Decreases	Transfers	Balance June 30, 2021
Business-type activities:					
Non-depreciable assets:					
Land	\$ 15,386,781	\$ 531,305	\$ (464,811)	\$ -	\$ 15,453,275
Construction-in-progress	25,889,530	24,441,468	(2,688,015)	-	47,642,983
Total non-depreciable assets	<u>41,276,311</u>	<u>24,972,773</u>	<u>(3,152,826)</u>	-	<u>63,096,258</u>
Depreciable assets:					
Buildings	106,991,812	-	(1,433)	-	106,990,379
Improvements	440,993,359	7,831,083	(478,794)	1,125,850	449,471,498
Machinery and equipment	54,142,845	3,422,968	(883,439)	18,093	56,700,467
Total depreciable assets	<u>602,128,016</u>	<u>11,254,051</u>	<u>(1,363,666)</u>	<u>1,143,943</u>	<u>613,162,344</u>
Accumulated depreciation:					
Buildings	(62,270,192)	(2,292,159)	1,270	-	(64,561,081)
Improvements	(181,616,699)	(8,788,678)	332,537	-	(190,072,840)
Machinery and equipment	(32,644,235)	(2,492,849)	855,332	(18,093)	(34,299,845)
Total accumulated depreciation	<u>(276,531,126)</u>	<u>(13,573,686)</u>	<u>1,189,139</u>	<u>(18,093)</u>	<u>(288,933,766)</u>
Business-type activities capital assets, net	<u>\$ 366,873,201</u>	<u>\$ 22,653,138</u>	<u>\$ (3,327,353)</u>	<u>\$ 1,125,850</u>	387,324,836
				Less: associated debt	(35,966,577)
				Less: construction retainage	(491,118)
				Less: capital accounts payable	(1,373,714)
				Less: bond premium	(15,406)
				Plus: bond discount	56,287
				Plus: deferred outflow related to refunding	229,129
				Net investment in capital assets	<u>\$ 349,763,437</u>

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

Governmental Activities:	
General government	\$ 829,336
Public safety	1,483,063
Public works	571,032
Economic and physical development	430,892
Culture and recreation	2,071,643
Highway and streets	10,019,117
Total depreciation expense - governmental activities	<u>\$ 15,405,083</u>

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

Business-Type Activities:	
Water and Wastewater	\$ 9,188,527
Stormwater	600,765
Airport	2,481,961
Environmental Services	918,346
Housing Authority	384,087
Total depreciation expense - business-type activities	<u>\$ 13,573,686</u>

D. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Net interfund receivables and payables between governmental activities and business-type activities of \$592,689 are included in the government-wide financial statements at June 30, 2021. The interfund balances at June 30, 2021, 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 on June 30, 2021, are expected to be repaid within one year.

The following interfund receivables and payables are included in the fund financial statements on June 30, 2021:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
General fund	\$ 50,508	\$ -
Total governmental activities	<u>50,508</u>	<u>-</u>
Business-type Activities:		
Water and wastewater fund	10,110,000	-
Stormwater fund	-	10,110,000
Other proprietary funds	-	50,508
Total business-type activities	<u>10,110,000</u>	<u>10,160,508</u>
Total governmental and business-type activities	<u>\$ 10,160,508</u>	<u>\$ 10,160,508</u>
Less: fund eliminations	(10,110,000)	
Adjustment for internal service fund elimination	<u>542,181</u>	
Total government-wide statement of net position	<u>\$ 592,689</u>	

Transfers

The net transfers of (\$3,065,224) from governmental activities to business-type activities on the government-wide statement of activities are primarily capital assets and operations. The transfer of \$474,395 from the general fund and HURF to the capital projects bond funds were for construction of the Courthouse, USGS facility, and the CORE Services facility, there were no other significant transfers during fiscal year 2020-2021 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, 2021:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Activities:		
General fund	\$ 7,858,084	\$ 3,369,672
Highway user revenue fund	113,000	938,745
Transportation fund	938,745	34,130
Pension bond fund	-	3,818,453
Capital projects bond construction	30,075	474,395
Nonmajor governmental funds	<u>10,810,070</u>	<u>9,175,205</u>
Total governmental activities	<u>19,749,974</u>	<u>17,810,600</u>
Business-type Activities:		
Water and wastewater fund	87,273	6,281
Stormwater fund	6,281	-
Environmental services fund	-	264,337
Nonmajor business-type funds	<u>122,191</u>	<u>1,884,501</u>
Total business-type activities	<u>215,745</u>	<u>2,155,119</u>
Total governmental and business-type activities	<u>\$ 19,965,719</u>	<u>\$ 19,965,719</u>
Less: fund eliminations	(21,905,093)	
Less: net capital assets transfer	<u>(1,125,850)</u>	
Total government-wide statement of activities	<u>\$ (3,065,224)</u>	

The business-type activities transferred no capital assets to governmental activities and the governmental activities transferred \$1,125,850 to business-type activities for a consolidated net total of \$1,125,850 in capital assets to the government wide financials. The BBB fund transferred \$3,116,335 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 \$938,745 to the highway user revenue fund for the transportation fund's portion of capital projects. The general fund transferred \$3,623,711, the water resource and infrastructure protection fund transferred \$72,551 and the airport fund transferred \$122,191 to the pension bond fund for debt service payments. The general fund transferred \$1,557,710 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 \$7,303,370 transfer from the secondary property tax revenue fund for payment of debt service.

E. Leases

Operating Lease Expenditures

The City leases library space under a non-cancellable operating lease. 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. Currently, the operating lease expenditures are \$107,676 for FY 2020-2021, increasing by 7.5% for one year, then increasing by another 2.5% for two years.

Future Minimum Rentals	
Year Ending June 30	East Flagstaff Library
2022	\$ 115,752
2023	118,645
2024	121,612
Total	<u>\$ 356,009</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, 2021, were \$249,017 (cancellable and non-cancellable), including the East Flagstaff Library.

Future Minimum Rentals

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 2020-2021 was \$1,442,760. 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, 2023, 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, 2023, 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 Future Minimum Rentals:

Year Ending June 30	Non-Cancellable USGS Building 3	Non-Cancellable USGS Building 6
2022	\$ 340,300	\$ 293,700
2023	342,820	293,700
2024	173,949	293,700
2025	-	293,700
2026	-	293,700
2027	-	24,474
	\$ 857,069	\$ 1,492,974

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 2020-2021 was \$1,479,190.

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, 2021:

Purpose	Amount
Governmental activities	\$ 37,081,582
Governmental activities - advance refunding	2,205,000
Business-type activities	1,015,318
Total general obligation debt outstanding	\$ 40,301,900

General obligation debt at June 30, 2021, 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. \$ 446,582

\$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. 6,735,000

\$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. 5,070,000

\$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. 2,205,000

\$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. 13,740,000

\$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 39,286,582

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. 1,015,318

Total business-type activities 1,015,318

Total General Obligation Debt \$ 40,301,900

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
2022	\$ 5,561,582	\$ 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	2,520,000	771,475	89,106	18,494
2027-2031	10,700,000	2,456,301	488,776	47,884
2032-2036	6,790,000	890,600	107,042	-
2037	1,135,000	22,699	-	-
	<u>\$ 39,286,582</u>	<u>\$ 8,779,134</u>	<u>\$ 1,015,318</u>	<u>\$ 167,193</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, 2021, was \$195,899,341 and \$58,769,802 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.

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 \$14,192,000 on June 30, 2021.

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 \$9,010,000 on June 30, 2021.

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, 2021:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 18,005,000
Business-type activities	9,010,000
Business-type activities - advance refunding	14,192,000
Total revenue bonds outstanding	<u>\$ 41,207,000</u>

Revenue bonds at June 30, 2021, 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.	\$ 1,985,000
\$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.	7,045,000
\$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.	8,975,000
Total governmental activities	<u>18,005,000</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.	14,192,000
\$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.	9,010,000
Total business-type activities	<u>23,202,000</u>
Total Revenue Bonds	<u>\$ 41,207,000</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
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	1,215,000	508,325	2,368,000	250,097
2027-2031	6,880,000	1,743,773	6,796,000	663,330
2032-2035	5,480,000	417,008	3,200,000	157,133
Total	<u>\$ 18,005,000</u>	<u>\$ 5,161,412</u>	<u>\$ 23,202,000</u>	<u>\$ 2,595,120</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 August 1, 2020, the City issued \$131,000,000 in capital lease certificates of participation, series 2020A for the payment of the Public Safety Personnel Retirement System unfunded accrued pension liability. 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, 2021:

Purpose	Amount
Governmental activities	\$ 133,115,000
Business-type activities	3,705,000
Total certificates of participation outstanding	<u>\$ 136,820,000</u>

Certificates of participation on June 30, 2021, 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.	\$ 3,745,000
\$131,000,000 Certificates of participation, series 2020A due in annual installments of \$1,630,000 to \$8,365,000, through May 1, 2040; interest at 0.701% to 2.48%. Public Safety Personnel Retirement System unfunded accrued pension liability.	129,370,000
Total governmental activities	<u>133,115,000</u>

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.	3,705,000
Total business-type activities	<u>3,705,000</u>
Total Certificates of Participation	<u>\$ 136,820,000</u>

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
2022	\$ 6,350,000	\$ 3,069,265	\$ 95,000	\$ 122,068
2023	6,400,000	3,016,093	95,000	119,219
2024	5,975,000	2,951,680	100,000	116,294
2025	6,050,000	2,876,928	105,000	113,219
2026	6,130,000	2,795,314	105,000	110,068
2027-2031	32,400,000	12,230,780	640,000	498,370
2032-2036	36,050,000	8,248,495	855,000	379,406
2037-2041	32,920,000	2,638,711	1,010,000	219,653
2042-2045	840,000	51,450	700,000	38,606
Total	<u>\$ 133,115,000</u>	<u>\$ 37,878,716</u>	<u>\$ 3,705,000</u>	<u>\$ 1,716,903</u>

The following is a summary of debt service requirements, including interest requirements, to maturity for long-term debt at June 30, 2021:

Fiscal Year	General Obligation Debt	Revenue Bonds	Certificates of Participation	Total
2021-2022	\$ 7,174,610	\$ 5,185,987	\$ 9,636,333	\$ 21,996,930
2022-2023	7,234,517	5,019,175	9,630,312	21,884,004
2023-2024	5,391,665	4,729,916	9,142,974	19,264,555
2024-2025	3,410,058	4,349,788	9,145,147	16,904,993
2025-2026	3,399,075	4,341,422	9,140,382	16,880,879
2026-2027	3,396,528	4,349,676	9,141,311	16,887,515
2027-2028	3,392,251	4,102,172	9,141,311	16,635,734
2028-2029	3,423,598	2,544,938	9,144,009	15,112,545
2029-2030	1,740,641	2,542,978	9,171,537	13,455,156
2030-2031	1,739,943	2,543,339	9,170,982	13,454,264
2031-2032	1,737,242	2,311,364	9,174,699	13,223,305
2032-2033	1,630,500	2,307,436	9,174,054	13,111,990
2033-2034	1,633,500	2,316,713	9,057,270	13,007,483
2034-2035	1,629,200	2,318,628	9,057,016	13,004,844
2035-2036	1,157,200	-	9,069,862	10,227,062
2036-2037	1,157,699	-	9,075,421	10,233,120
2037-2038	-	-	9,073,624	9,073,624
2038-2039	-	-	9,084,510	9,084,510
2039-2040	-	-	9,087,412	9,087,412
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	(8,946,327)	(7,756,532)	(39,595,619)	(56,298,478)
	<u>\$ 40,301,900</u>	<u>\$ 41,207,000</u>	<u>\$ 136,820,000</u>	<u>\$ 218,328,900</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, 2021, \$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, 2021, 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, 2021, all related debt has been issued. On November 8, 2016, voters approved \$12.0 million for a Courthouse Facility. As of June 30, 2021, all related debt has been issued.

Loans Payable - Direct Borrowings

The City of Flagstaff has various direct borrowing 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 from direct borrowings outstanding as of June 30, 2021:

<u>Purpose</u>	Amount
Governmental activities	\$ 3,094,937
Business-type activities	6,245,129
	<u>\$ 9,340,066</u>

Loan from direct borrowing payables on June 30, 2021, consist of the following individual financing options:

Governmental activities:

\$5,000,000 Water infrastructure finance authority due in annual installments of \$221,536 to \$309,391, through July 1, 2039; interest at 0.373%. Forest health and water supply protection project.	\$ 3,094,937
Total governmental activities	<u>3,094,937</u>

Business-type activities:

Water and wastewater:

\$8,500,000 Water infrastructure finance authority due in annual installments 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.	4,169,878
\$2,100,000 Water infrastructure finance authority due in annual installments 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.	1,104,693
\$232,500 Water infrastructure finance authority due in annual installments of \$10,374 to \$15,054 through July 1, 2029; interest at 2.905%. Well improvements.	121,149
\$594,950 Water infrastructure finance authority due in annual installments 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.	275,056
\$1,100,000 as amended 10/02/09, \$800,000 Water infrastructure finance authority due in annual installments of \$51,224 to \$70,168 through July 1, 2029; interest at 2.45%. Amount issued to date \$1,100,000. Local aquifer study.	574,353
Total water and wastewater	<u>6,245,129</u>
Total Loans Payable - Direct Borrowings	<u>\$ 9,340,066</u>

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 221,536	\$ 54,915	\$ 661,336	\$ 194,415
2023	225,685	50,818	684,507	170,417
2024	229,912	46,511	708,505	145,561
2025	234,218	42,124	733,361	119,816
2026	238,605	37,655	759,106	93,150
2027-2031	1,261,760	118,256	2,698,314	109,732
2032-2036	683,221	14,542	-	-
Total	\$ 3,094,937	\$ 364,821	\$ 6,245,129	\$ 833,091

Obligations under Capital Leases

Capital lease agreements related to governmental activities consist of renewable energy solar equipment of \$561,423 (net of accumulated depreciation), copy machine of \$26,722 (net of accumulated depreciation), and parking meter assets of \$580,889 (net of accumulated depreciation). Capital lease agreements related to business-type activities consist of airport hangars of \$727,570 (net of accumulated depreciation) and renewable energy solar equipment of \$1,071,560 (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
2022	\$ 230,773	\$ 400,476
2023	204,122	401,795
2024	204,839	403,164
2025	201,643	281,195
2026	195,088	152,812
2027-2029	245,753	359,275
Total future minimum lease payments	1,282,218	1,998,717
Less: interest costs	(113,184)	(199,587)
Present value of future minimum lease payments	\$ 1,169,034	\$ 1,799,130

Pledged Revenues

The City has pledged future water and wastewater utility revenues to repay Water Infrastructure Financing Authority loans and revenue bonds issued during the period of 2008-2020. 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, 2021, \$32,875,340 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, 2021, net revenue available for service of this debt was \$12,753,229. The debt principal and interest paid in fiscal year 2020-2021 equal \$2,833,439 (22.22% 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 \$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, 2021,

\$2,467,981 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2021, net revenues available for the service of this debt were \$19,379,382. The debt principal and interest paid in fiscal year 2020-2021 was \$246,588 (1.27% 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, 2021, \$20,698,431 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2021, net revenues available for service of the debt were \$6,589,410. The debt principal and interest paid in fiscal year 2020-2021 was \$1,483,388 (22.51% 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 from the General, Library, HURF, BBB, and Library funds.

Non-current liability activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 44,892,697	\$ -	\$ (5,606,115)	\$ 39,286,582	\$ 5,561,582
Revenue bonds	21,180,000	-	(3,175,000)	18,005,000	1,050,000
Certificates of participation	3,845,000	131,000,000	(1,730,000)	133,115,000	6,350,000
Total bonds payable	69,917,697	131,000,000	(10,511,115)	190,406,582	12,961,582
Loan payable - direct borrowing	-	3,094,937	-	3,094,937	221,536
Capital leases	1,363,461	-	(194,427)	1,169,034	198,789
Bond premium	6,579,973	-	(733,286)	5,846,687	761,974
Bond discount	(118,504)	2,411	-	(116,093)	-
Compensated absences	4,671,638	2,231,950	(2,036,451)	4,867,137	2,115,159
Other postemployment benefits	6,507,531	5,329,289	(4,437,587)	7,399,233	356,634
Net pension liability	144,730,007	37,381,812	(30,311,945)	151,799,874	-
Claims and judgements	244,391	195,890	(323,354)	116,927	36,928
Governmental activities long-term liability	<u>\$ 233,896,194</u>	<u>\$ 179,236,289</u>	<u>\$ (48,548,165)</u>	<u>\$ 364,584,318</u>	<u>\$ 16,652,602</u>
Business-type activities:					
Bonds payable:					
General obligation debt	\$ 1,091,795	\$ -	\$ (76,477)	\$ 1,015,318	\$ 78,851
Revenue bonds - direct placement	24,750,000	-	(1,548,000)	23,202,000	2,982,000
Certificates of participation	3,795,000	-	(90,000)	3,705,000	95,000
Total bonds payable	29,636,795	-	(1,714,477)	27,922,318	3,155,851
Water loan payable - direct borrowing	6,884,092	-	(638,963)	6,245,129	661,336
Capital lease payable	2,547,206	-	(748,076)	1,799,130	333,437
Total loan and leases payable	9,431,298	-	(1,387,039)	8,044,259	994,773
Bond premium	17,185	-	(1,779)	15,406	2,354
Bond discount	(56,287)	-	-	(56,287)	-
Compensated absences	843,438	497,869	(399,054)	942,253	470,337
Other postemployment benefits	1,542,349	1,263,921	(1,052,436)	1,753,834	84,583
Net pension liability	15,108,720	4,903,739	(2,556,995)	17,455,464	-
Landfill closure/postclosure	15,421,003	546,510	-	15,967,513	-
Business-type activities long-term liability	<u>\$ 71,944,501</u>	<u>\$ 7,212,039</u>	<u>\$ (7,111,780)</u>	<u>\$ 72,044,760</u>	<u>\$ 4,707,898</u>

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, 2021, have potential exposure to the City of approximately \$116,927 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>
2019-2020	216,089	301,491	273,189	244,391
2020-2021	244,391	195,890	323,354	116,927

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, 2021:

Capital Project Program Classification	Spent to Date	Remaining Commitment
Buildings	\$ 18,412,126	\$ 1,037,111
Streets	8,605,193	12,178,738
Water	6,963,688	2,662,878
Wastewater	209,473	862,080
Stormwater	5,005,985	1,059,985
Other land improvements	5,860,156	4,180,377
Total construction commitments	\$ 45,056,621	\$ 21,981,169

Outstanding Encumbrances at June 30, 2021:

Governmental Activities:	
General fund	\$ 1,297,224
HURF fund	8,968
Transportation fund	276,421
Capital projects bond fund	457,010
Other government funds	636,129
Total governmental activities	2,675,752
Business-type Activities:	
Water and wastewater fund	601,236
Stormwater fund	156,963
Environmental services fund	51,498
Airport fund	5,139
Total business-type activities	814,836
Total governmental and business-type activities	\$ 3,490,588

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 City'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.

<u>ASRS</u>	<u>PSPRS and EORP</u>
3300 N. Central Ave.	3010 E. Camelback Rd.
P.O. Box 33910	Suite 200
Phoenix, AZ 85067-3910	Phoenix, AZ 85016-4416
(602) 240-2200/ (800) 621-3778	(602) 255-5575
www.azasrs.gov	www.psprs.com

At June 30, 2021, 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, 2021:

Pension Plans	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
ASRS				
Governmental Activities	\$ 36,962,792	\$ 6,773,076	\$ 1,194,088	\$ 3,091,544
Business-type Activities	15,259,339	2,581,447	475,966	1,232,294
PSPRS - Police	54,534,763	60,784,778	88,067	6,825,090
PSPRS - Fire				
Governmental Activities	58,807,418	69,381,937	390,602	7,187,301
Business-type Activities	2,196,125	288,260	14,587	438,145
EORP	1,494,901	161,133	1,227	345,140
Total	\$ 169,255,338	\$ 139,970,631	\$ 2,164,537	\$ 19,119,514
OPEB Plans	Net OPEB Liability/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense/(Income)
OPEB				
Governmental Activities	\$ 7,399,233	\$ 1,779,208	\$ 3,049,748	\$ 318,792
Business-type Activities	1,753,834	421,967	723,292	75,607
PSPRS - Fire	(1,225,757)	165,804	153,245	(89,443)
Total	\$ 7,927,310	\$ 2,366,979	\$ 3,926,285	\$ 304,956

The City reported accrued employee benefits of \$2,452 for governmental activities and \$4,984 for business-type activities as related to outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2021.

The ASRS and PSPRS – Police OPEB plans 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 based on age, average monthly compensation, and served credit as follows:

ASRS	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years, and age equals 80 10 years, age 62 5 years, age 50* any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* any years, age 65
Final average salary is based on	Highest 36 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

In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.22% (12.04% retirement and 0.18% long-term disability) of the members' annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 12.22% (11.65% retirement, 0.39% for health insurance premium, and 0.18% 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 10.21% (10.14% for retirement 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, 2021, was \$3,845,197 inclusive of Housing Authority.

During fiscal year 2020-2021, the City paid for ASRS pension contributions 94% from governmental funds and 26% from enterprise funds.

Pension Liability

At June 30, 2021, the City reported a liability of \$52,222,131 for its proportionate share of the ASRS net pension liability. The net pension liability was measured as of June 30, 2020. 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, 2019, to the measurement date of June 30, 2020. The City's reported liability at June 30, 2021, increased by \$7,838,172 from the City's prior year liability of \$44,383,959 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, 2020. The City's proportion measured as June 30, 2020, was .3014%, which was a decrease of .0036% from its proportion measured as of June 30, 2019, 0.3050%.

Pension Expense and Deferred Outflows - Inflows of Resources

For the year ended June 30, 2021, the City recognized pension expense of \$4,323,838. At June 30, 2021, 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	\$ 472,440	\$ -
Net difference between projected and actual earnings on pension plan investments	5,036,886	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(1,670,054)
City contributions subsequent to the measurement date	3,845,197	-
Total	<u>\$ 9,354,523</u>	<u>\$ (1,670,054)</u>

The amounts reported as deferred outflows of resources related to ASRS pensions resulting from City contributions after the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2022. 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,	
2022	\$ (912,025)
2023	1,371,520
2024	1,821,895
2025	1,557,882
	<u>\$ 3,839,272</u>

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increases	2.7-7.2%
Inflation factor	2.3%
Permanent benefit increase	Included for pensions
Mortality rates	2017 SRA Scale U-MP
Healthcare cost trend rate	Not applicable

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.

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
Equity	50%	6.39%
Fixed income - credit	20%	5.44%
Fixed Income - interest rate sensitive	10%	0.22%
Real Estate	20%	5.85%
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	<u>\$ 71,413,056</u>	<u>\$ 52,222,131</u>	<u>\$ 36,179,504</u>

Pension Plan Fiduciary Net Position

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

Public Safety Personnel Retirement System (PSPRS)

Benefits Provided

The PSPRS provide retirement, health insurance premium supplement, disability, and survivor benefits. State statute established benefits terms. Retirement disability and survivor benefits are calculated based on age, average monthly compensation, and service credit, which can be found on the following page:

PSPRS	Initial Membership Date:	
	<u>Before January 1, 2012</u>	<u>On or after January 1, 2012 and before July 1, 2017</u>
Retirement and disability		
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
Benefit percent		
Normal retirement	50% less 2.0% for each year of credited service less than 20 years OR plus 2.0% to 2.5% for each year of credited service over 20 years, not to exceed 80%	1.5% to 2.5% per year of credited service, not to exceed 80%
Accidental disability	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 greater	
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	
Survivor benefit		
Retired members	80% to 100% of retired member's pension benefit	
Active members	80% to 100% of accidental disability retirement benefit or 100% of average monthly compensation if death was the result of injuries received on the job	

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.

The City has police and fire benefits, however the police benefits are not material and are therefore not presented.

Employees Covered by Benefit Terms

At June 30, 2021, the following employees were covered by the agent pension plans' benefit terms:

	Police Pension	Fire Pension	Fire OPEB
Inactive employees or beneficiaries currently receiving benefits	82	94	94
Inactive employees entitled to but not yet receiving benefits	35	17	9
Active employees	70	68	68
Total	<u>187</u>	<u>179</u>	<u>171</u>

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.

Contribution rates for the year ended June 30, 2021, 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% - 50.95%	N/A
PSPRS Fire	7.65% to 11.65%	83.03% - 88.79%	0.00%

In addition, the City was required by statute to contribute at the actuarially determined rate of 39.28 percent for the PSPRS Police and 74.76 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, 2021, were:

	City - Pension	City - Health Insurance Premium Benefit
PSPRS Police	\$ 55,900,990	N/A
PSPRS Fire	63,593,670	-

During fiscal year 2020-2021, the City paid for PSPRS pension and OPEB contributions for police with 100% general fund dollars and 95.0% from the general fund plus 5.0% from the airport fund as related to fire contributions.

Net Pension/OPEB (Asset) Liability

At June 30, 2021, the City reported net pension liability of \$54,534,763 and \$61,003,543 for police and fire respectively and a net asset for fire in the amount of \$1,225,757 related to OPEB. The net asset and net liabilities were measured as of June 30, 2020, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

Actuarial assumptions used in the June 30, 2020; valuation was based on the results of an actuarial experience study for the 5-year period ended June 30, 2017.

PSPRS

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.5% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.75% for pensions/not applicable for OPEB
Mortality rates	PubS-2010 tables
Healthcare cost trend rate	Not applicable

The long-term expected rate of return on PSPRS plan investments was determined to be 7.3 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		Long-Term Expected
Asset Class	Target	Real Geometric
	Allocation	Rate of Return
U.S. Public Equity	23%	4.93%
International Public Equity	15%	6.09%
Global Private Equity	18%	8.42%
Other Assets (Capital Appreciation)	7%	5.61%
Core Bonds	2%	0.22%
Private Credit	22%	5.31%
Diversifying Strategies	12%	3.22%
Cash - Mellon	1%	-0.60%
Total	100%	

Pension Discount Rates

At June 30, 2020, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.3 percent. 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 Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
		\$	\$
PSPRS - Police*			
Balances at June 30, 2020, as restated	84,860,189	31,559,245	53,300,944
Changes for the year:			
Service cost	1,135,219	-	1,135,219
Interest on the total pension liability	6,113,422	-	6,113,422
Differences between expected and actual experience in the measurement of the total pension liability	1,208,232	-	1,208,232
Contributions- employer	-	6,284,379	(6,284,379)
Contributions- employee	-	537,822	(537,822)
Changes of Assumptions	-	-	-
Benefit payments, including refunds of employee contributions	(4,499,790)	(4,499,790)	-
Net investment income	-	436,641	(436,641)
Administrative expense	-	(35,788)	35,788
Net changes	3,957,083	2,723,264	1,233,819
Balances at June 30, 2021	\$ 88,817,272	\$ 34,282,509	\$ 54,534,763

* The OPEB plan related to PSPRS - Police did not have significant financial impact and therefore is not reported.

	Increase (Decrease)					
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
		\$	\$	\$	\$	\$
PSPRS - Fire						
Balances at June 30, 2020, as restated	93,870,030	33,093,460	60,776,570	1,492,475	2,813,448	(1,320,973)
Changes for the year:						
Service cost	1,149,078	-	1,149,078	25,532	-	25,532
Interest on the total pension liability	6,733,345	-	6,733,345	108,941	-	108,941
Differences between expected and actual experience in the measurement of the pension liability	599,182	-	599,182	(6,882)	-	(6,882)
Contributions- employer	-	7,273,509	(7,273,509)	-	-	-
Contributions- employee	-	549,407	(549,407)	-	-	-
Changes of assumptions	-	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(5,563,021)	(5,563,021)	-	(91,651)	(91,651)	-
Net investment income	-	470,249	(470,249)	-	35,241	(35,241)
Administrative expense	-	(38,533)	38,533	-	(2,866)	2,866
Other changes	-	-	-	-	-	-
Net changes	2,918,584	2,691,611	226,973	35,940	(59,276)	95,216
Balances at June 30, 2021	\$ 96,788,614	\$ 35,785,071	\$ 61,003,543	\$ 1,528,415	\$ 2,754,172	\$ (1,225,757)

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	\$ 66,494,007	\$ 54,534,763	\$ 44,848,629
PSPRS - Fire			
Rate	6.30%	7.30%	8.30%
Net pension liability	\$ 73,227,444	\$ 61,003,543	\$ 50,950,805
Net OPEB asset	\$ (1,063,425)	\$ (1,225,757)	\$ (1,363,169)

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, 2021, the City recognized \$6,825,090 and \$7,625,446 pension expenses for police and fire, respectively and negative \$89,443 related to OPEB (Fire).

Deferred Outflows/Inflows of Resources

At June 30, 2021, 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	\$ 1,659,431	\$ (88,067)	\$ 1,427,314	\$ (405,189)	\$ -	\$ (153,245)
Changes of assumptions	1,659,500	-	3,006,492	-	17,175	-
Net difference between projected and actual earnings on pension plan investments	1,564,857	-	1,642,721	-	148,629	-
City contributions subsequent to the measurement date	55,900,990	-	63,593,670	-	-	-
Total	<u>\$ 60,784,778</u>	<u>\$ (88,067)</u>	<u>\$ 69,670,197</u>	<u>\$ (405,189)</u>	<u>\$ 165,804</u>	<u>\$ (153,245)</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from city contributions after the measurement date will be recognized as a reduction of the net pension and OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows, or resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	PSPRS Police	PSPRS Fire	PSPRS OPEB Fire
2022	\$ 1,941,370	\$ 2,528,987	\$ (24,848)
2023	1,681,791	1,883,998	(1,665)
2024	782,431	853,022	7,110
2025	390,129	405,331	31,962
	<u>\$ 4,795,721</u>	<u>\$ 5,671,338</u>	<u>\$ 12,559</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, 2021, 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, 2021, the City recognized pension expense of \$15,974.

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:

EORP	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012
Retirement and disability		
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	any years and age if disabled
	5 years, any age*	
	any years and age if disabled	
Final average salary is based on	Highest 36 consecutive months of last 10 years	Highest 60 consecutive months of last 10 years
Benefit percent		
Normal retirement	4% per year of service, not to exceed 80%	3% 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	37.5% with 5 to 10 years of service
	20% with less than 5 years of service	18.75% with less than 5 years of service
Survivor benefit		
Retired members	75% of retired member's benefit	50% of retired member's 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 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, 2021, 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 49.39 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, 2021, was \$101,660. The pension contributions were paid 100 percent from the General Fund.

Pension Liability

At June 30, 2021, 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 were as follows:

City's proportionate share of the EORP net pension liability	\$ 1,494,901
State's proportionate share of the EORP net pension liability associated with the City	<u>142,078</u>
Total	<u><u>\$ 1,636,979</u></u>

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date

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, 2020. The City's proportion measured as of June 30, 2020, and the change from its proportion measured at June 30, 2019, were 0.221479 and 0.009274, respectively.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2021, the City recognized pension expense for the EORP of \$345,140 and revenue of \$12,387 for the City's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>EORP</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (1,227)
Net difference between projected and actual earnings on pension plan investments	28,808	-
Changes in proportion and differences between City contributions and proportionate share of contributions	30,665	-
City contributions subsequent to the measurement date	101,660	-
Total	<u>\$ 161,133</u>	<u>\$ (1,227)</u>

The amounts reported as deferred outflows of resources related to EORP pensions resulting from City contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. 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	
2022	\$ 33,384
2023	9,285
2024	9,084
2025	6,493
	<u>\$ 58,246</u>

Actuarial Assumptions

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

EORP	
Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.30%
Wage inflation	3.75%
Price inflation	2.50%
Cost-of-living adjustment	1.75%
Mortality rates	PubG-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020 valuation was based on the results of an actuarial experience study for the five -year period ended June 30, 2017.

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 class are summarized in the following table:

EORP	Target	Long Term Expected
Asset Class	Allocation	Geometric Real Rate of Return
U.S. Public Equity	23%	4.93%
International Public Equity	15%	6.09%
Global Private Equity	18%	8.42%
Other Assets (Capital Appreciation)	7%	5.61%
Core Bonds	2%	0.22%
Private Credit	22%	5.31%
Diversifying Strategies	12%	3.22%
Cash - Mellon	1%	-0.60%
Total	<u>100%</u>	

Discount Rate

At June 30, 2020, the discount rate used to measure the EORP total pension liability was 7.3 percent. 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	\$ 1,705,371	\$ 1,494,901	\$ 1,314,943

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, 2021, 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, 2021, the City recognized pension expense of \$5,269.

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 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 July 1, 2019, OPEB plan membership consisted of the following:

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

OPEB Liability

At June 30, 2021, the City reported a net OPEB liability of \$9,153,067. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability were determined from the actuarial valuations as of June 30, 2020.

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2020, valuation was 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)
	<u>Total OPEB</u>
	<u>Liability</u>
OPEB	
Balances at June 30, 2020	<u>\$ 8,049,880</u>
Changes for the year:	
Service cost	480,223
Interest on the total pension liability	291,110
Changes of assumptions	760,916
Benefit payments, including refunds of employee contributions	<u>(429,062)</u>
Net changes	<u>1,103,187</u>
Balances at June 30, 2021	<u><u>\$ 9,153,067</u></u>

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	7.0% to 4.5% over 10 years

Discount Rate

At June 30, 2020, the discount rate used to measure the City's OPEB total liability was 2.21 percent, which was a decrease of 1.29 percent from the discount rate used as of June 30, 2019. Because the City is not prefunding the OPEB benefits, the discount rates used in this valuation for financial disclosure purposes as of June 30, 2020, and 2019 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 2.21% 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 (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
City's proportionate share of the net pension liability	<u>\$ 10,130,876</u>	<u>\$ 9,153,067</u>	<u>\$ 8,281,533</u>

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, 2020, 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>\$ 8,041,387</u>	<u>\$ 9,153,067</u>	<u>\$ 10,487,521</u>

*Current trend rates are 2.96% in 2021-2022, 7.00% to 2022-2023 and grade down to 4.5% over a 10- year period for medical and drug plan costs.

OPEB Expense and Deferred Outflows - Inflow of Resources

For the year ending June 30, 2021, the City recognized an OPEB expense of \$394,399. At June 30, 2021, 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	\$ 1,759,958	\$ (538,921)
Net difference between expected and actual experience in the total OPEB liability	-	(3,234,119)
City benefit payments subsequent to the measurement date	441,217	-
Total	<u>\$ 2,201,175</u>	<u>\$ (3,773,040)</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,	
2022	\$ (376,934)
2023	(376,934)
2024	(376,934)
2025	(376,934)
2026	(368,893)
Thereafter	(136,453)
	<u>\$ (2,013,082)</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 \$15,967,513 as of June 30, 2021, which is based on 81.113 percent usage of the landfill. The remaining \$3,717,900 will be accrued over the remaining life of the landfill, which is currently estimated to be six years.

The accrual for the closure and post closure care costs for fiscal year 2020-2021 is \$546,510. 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, 2021, the balance of the cash and investments held for those purposes is \$12,074,734. 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, \$19,685,413, 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, 2021. 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 following 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, 2021, the City abated assessed property taxes totaling \$55,550 under this program including the following Government Property Lease Excise Tax (GPLET) abatement agreements:

A 1.55 percent property tax abatement to Joy Cone manufacturing. The 2020 abatement amounted to \$55,550.



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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, 2021

	Reporting Fiscal Year (Measurement Date)			
	2020-2021 (2019-2020)	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)
Arizona State Retirement System				
Proportion of the net pension liability	0.301400%	0.305020%	0.333310%	0.312660%
Proportionate share of the net pension liability	\$ 52,222,131	\$ 44,383,959	\$ 46,485,015	\$ 48,706,334
Covered payroll	\$ 33,145,052	\$ 32,447,746	\$ 31,911,275	\$ 30,673,166
Proportionate share of the net pension liability as a percentage of its covered payroll	157.56%	136.79%	145.67%	158.79%
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%
EORP				
Proportion of the net pension liability	0.2214790%	0.2122050%	0.1689530%	0.2177500%
City's proportionate share of the net pension liability	\$ 1,494,901	\$ 1,407,293	\$ 1,064,634	\$ 2,653,363
State's proportionate share of the net pension liability associated with the City	142,078	132,271	182,419	550,687
Total	\$ 1,636,979	\$ 1,539,564	\$ 1,247,053	\$ 3,204,050
Covered payroll	\$ 187,000	\$ 184,269	\$ 180,000	\$ 194,354
City's proportionate share of the net pension liability as a percentage of its covered payroll	799.41%	763.72%	591.46%	1365.22%
Plan fiduciary net position as a percentage of the total pension liability	29.80%	30.14%	30.40%	19.70%

Reporting fiscal year 2013-2014 through 2011-2012 information is not available.

2016-2017 (2015-2016)	2015-2016 (2014-2015)	2014-2015 (2013-2014)
0.311530%	0.300450%	0.302625%
\$ 50,284,072	\$ 46,798,712	\$ 44,778,290
\$ 28,842,056	\$ 27,573,067	\$ 26,638,622
174.34%	169.73%	168.10%
67.06%	68.35%	69.49%
0.2097849%	0.1942242%	0.2500258%
\$ 1,981,949	\$ 1,517,768	\$ 1,676,603
409,221	473,166	514,062
\$ 2,391,170	\$ 1,990,934	\$ 2,190,665
\$ 189,999	\$ 157,579	\$ 204,400
1043.14%	963.18%	820.26%
23.42%	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, 2021

	Reporting Fiscal Year (Measurement Date)			
	2020-2021 (2019-2020)	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)
PSPRS Police				
Total pension liability				
Service cost	\$ 1,135,219	\$ 1,314,269	\$ 1,278,269	\$ 1,591,484
Interest on the total pension liability	6,113,422	5,830,298	5,476,675	5,131,739
Changes of benefit terms	-	-	-	924,114
Differences between expected and actual experience in the measurement of the pension liability	1,208,232	590,373	1,216,507	(293,545)
Changes of assumptions or other inputs	-	1,650,864	-	2,159,906
Benefit payments, including refunds of employee contributions	(4,499,790)	(3,998,301)	(3,737,501)	(3,804,819)
Net change in total pension liability	3,957,083	5,387,503	4,233,950	5,708,879
Total pension liability - beginning	84,860,189	79,472,686	75,238,736	69,529,857
Total pension liability - ending (a)	<u>\$ 88,817,272</u>	<u>\$ 84,860,189</u>	<u>\$ 79,472,686</u>	<u>\$ 75,238,736</u>
Plan fiduciary net position				
Contributions - employer	\$ 6,284,379	\$ 3,441,524	\$ 4,046,869	\$ 3,657,762
Contributions - employee	537,822	550,585	646,186	912,701
Net investment income	436,641	1,756,930	2,081,145	3,105,491
Benefit payments, including refunds of employee contributions	(4,499,790)	(3,998,301)	(3,737,501)	(3,804,819)
Hall/Parker Settlement	-	-	(922,190)	-
Pension plan administrative expenses	(35,788)	(31,510)	(32,374)	(27,878)
Other changes	-	-	328	(58,723)
Net change in plan fiduciary net position	2,723,264	1,719,228	2,082,463	3,784,534
Plan fiduciary net position - beginning (restated)	31,559,245	29,840,016	27,776,266	23,991,732
Plan fiduciary net position - ending (b)	<u>\$ 34,282,509</u>	<u>\$ 31,559,244</u>	<u>\$ 29,858,729</u>	<u>\$ 27,776,266</u>
Net pension liability - ending (a) - (b)	<u>\$ 54,534,763</u>	<u>\$ 53,300,945</u>	<u>\$ 49,613,957</u>	<u>\$ 47,462,470</u>
Plan fiduciary net position as a percentage of the total pension liability	38.60%	37.19%	37.57%	36.92%
Covered payroll	\$ 5,527,309	\$ 5,875,114	\$ 6,555,255	\$ 7,155,954
Net pension liability as a percentage of covered payroll	986.64%	907.23%	756.86%	663.26%

Reporting fiscal year 2013-2014 through 2011-2012 information is not available.

2016-2017 (2015-2016)	2015-2016 (2014-2015)	2014-2015 (2013-2014)
\$ 1,367,771	\$ 1,373,545	\$ 1,312,430
4,818,389	4,650,797	3,904,338
1,967,589	-	1,353,950
(111,993)	(346,202)	(671,478)
2,578,910	-	6,987,647
<u>(3,575,345)</u>	<u>(3,505,319)</u>	<u>(3,311,491)</u>
7,045,321	2,172,821	9,575,396
62,484,536	60,311,715	50,736,319
<u>\$ 69,529,857</u>	<u>\$ 62,484,536</u>	<u>\$ 60,311,715</u>
\$ 3,441,521	\$ 2,578,489	\$ 2,311,119
1,147,170	841,533	768,029
146,825	821,133	2,757,888
(3,575,345)	(3,505,319)	(3,311,491)
-	-	-
(21,527)	(20,411)	-
<u>(112,440)</u>	<u>(357,501)</u>	<u>(1,371,053)</u>
1,026,204	357,924	1,154,492
22,965,528	22,607,604	21,453,112
<u>\$ 23,991,732</u>	<u>\$ 22,965,528</u>	<u>\$ 22,607,604</u>
<u>\$ 45,538,125</u>	<u>\$ 39,519,008</u>	<u>\$ 37,704,111</u>
34.51%	36.75%	37.48%
\$ 7,318,199	\$ 7,526,730	\$ 7,425,908
622.26%	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, 2021

	Reporting Fiscal Year (Measurement Date)			
	2020-2021	2019-2020	2018-2019	2017-2018
	(2019-2020)	(2018-2019)	(2017-2018)	(2016-2017)
PSPRS Fire				
Total pension liability				
Service cost	\$ 1,149,078	\$ 1,229,846	\$ 1,232,288	\$ 1,376,479
Interest on the total pension liability	6,733,345	6,594,132	6,209,142	5,668,204
Changes of benefit terms	-	-	-	804,628
Differences between expected and actual experience in the measurement of the pension liability	599,182	(675,316)	2,491,418	193,670
Changes of assumptions or other inputs	-	1,681,383	-	5,454,472
Benefit payments, including refunds of employee contributions	(5,563,021)	(5,680,128)	(5,007,832)	(5,180,329)
Net change in total pension liability	2,918,584	3,149,917	4,925,016	8,317,124
Total pension liability - beginning	93,870,030	90,720,113	85,795,097	77,477,973
Total pension liability - ending (a)	<u>\$ 96,788,614</u>	<u>\$ 93,870,030</u>	<u>\$ 90,720,113</u>	<u>\$ 85,795,097</u>
Plan fiduciary net position				
Contributions - employer	\$ 7,273,509	\$ 5,315,168	\$ 4,950,022	\$ 4,239,954
Contributions - employee	549,407	435,225	565,220	703,312
Net investment income	470,249	1,830,884	2,181,684	3,290,746
Benefit payments, including refunds of employee contributions	(5,563,021)	(5,680,128)	(5,007,832)	(5,180,329)
Hall/Parker Settlement	-	-	(908,136)	-
Pension plan administrative expenses	(38,533)	(32,805)	(33,905)	(29,518)
Other changes	-	-	357	12,535
Net change in plan fiduciary net position	2,691,611	1,868,344	1,747,410	3,036,700
Plan fiduciary net position - beginning (restated)	33,093,460	31,255,156	29,508,064	26,471,364
Plan fiduciary net position - ending (b)	<u>\$ 35,785,071</u>	<u>\$ 33,123,500</u>	<u>\$ 31,255,474</u>	<u>\$ 29,508,064</u>
Net pension liability - ending (a) - (b)	<u>\$ 61,003,543</u>	<u>\$ 60,746,530</u>	<u>\$ 59,464,639</u>	<u>\$ 56,287,033</u>
Plan fiduciary net position as a percentage of the total pension liability				
	36.97%	35.29%	34.45%	34.39%
Covered payroll	\$ 5,239,842	\$ 5,299,696	\$ 5,683,984	\$ 5,650,572
Net pension liability as a percentage of covered payroll	1164.22%	1146.23%	1046.18%	996.13%

Reporting fiscal year 2013-2014 through 2011-2012 information is not available.

2016-2017 (2015-2016)	2015-2016 (2014-2015)	2014-2015 (2013-2014)
\$ 1,107,145	\$ 973,454	\$ 950,445
5,356,440	5,239,671	4,390,766
2,064,045	-	1,553,904
669,848	52,497	1,431,974
2,647,110	-	7,269,797
<u>(4,095,893)</u>	<u>(5,594,036)</u>	<u>(3,994,598)</u>
<u>7,748,695</u>	<u>671,586</u>	<u>11,602,288</u>
<u>69,729,278</u>	<u>69,057,692</u>	<u>57,455,404</u>
<u>\$ 77,477,973</u>	<u>\$ 69,729,278</u>	<u>\$ 69,057,692</u>
\$ 3,952,628	\$ 2,418,742	\$ 2,030,211
669,429	732,850	525,878
160,712	963,491	3,407,667
(4,095,893)	(5,594,036)	(3,994,598)
-	-	-
(23,526)	(23,873)	-
<u>(27,936)</u>	<u>48,864</u>	<u>(1,831,071)</u>
<u>635,414</u>	<u>(1,453,962)</u>	<u>138,087</u>
<u>25,835,950</u>	<u>27,289,912</u>	<u>27,151,825</u>
<u>\$ 26,471,364</u>	<u>\$ 25,835,950</u>	<u>\$ 27,289,912</u>
<u>\$ 51,006,609</u>	<u>\$ 43,893,328</u>	<u>\$ 41,767,780</u>
34.17%	37.05%	39.52%
\$ 5,491,792	\$ 4,847,679	\$ 4,788,197
928.78%	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 - PSFRS Fire
June 30, 2021

	Reporting Fiscal Year (Measurement Date)			
	2020-2021 (2019-2020)	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)
PSFRS Fire				
Total OPEB liability				
Service cost	\$ 25,532	\$ 16,484	\$ 18,757	\$ 19,777
Interest on the total OPEB liability	108,941	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	(6,882)	(193,022)	(31,819)	(61,082)
Changes of assumptions or other inputs	-	16,310	-	21,953
Benefit payments, including refunds of employee contributions	(91,651)	(94,885)	(89,633)	(91,188)
Net change in total OPEB liability	35,940	(136,835)	14,201	16,085
Total OPEB liability - beginning	1,492,475	1,629,310	1,615,109	1,599,024
Total OPEB liability - ending (a)	\$ 1,528,415	\$ 1,492,475	\$ 1,629,310	\$ 1,615,109
Plan fiduciary net position				
Contributions - employer	\$ -	\$ -	\$ (317)	\$ -
Net investment income	35,241	147,468	183,884	287,005
Benefit payments, including refunds of employee contributions	(91,651)	(94,885)	(89,633)	(91,188)
OPEB plan administrative expenses	(2,866)	(2,546)	(2,799)	(2,540)
Other changes	-	-	1	-
Net change in plan fiduciary net position	(59,276)	50,037	91,136	193,277
Plan fiduciary net position - beginning (restated)	2,813,448	2,763,411	2,671,958	2,478,681
Plan fiduciary net position - ending (b)	\$ 2,754,172	\$ 2,813,448	\$ 2,763,094	\$ 2,671,958
Net OPEB (asset) liability - ending (a) - (b)	\$ (1,225,757)	\$ (1,320,973)	\$ (1,133,784)	\$ (1,056,849)
Plan fiduciary net position as a percentage of the total OPEB liability	180.20%	188.51%	169.59%	165.44%
Covered payroll	\$ 5,239,842	\$ 5,299,696	\$ 5,683,984	\$ 5,650,572
Net OPEB (asset) liability as a percentage of covered payroll	-23.39%	-24.93%	-19.95%	-18.70%

Reporting fiscal year 2016-2017 through 2011-2012 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, 2021

	Reporting Fiscal Year (Measurement Date)			
	2020-2021 (2019-2020)	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)
City OPEB				
Total OPEB liability				
Service cost	\$ 480,223	\$ 482,750	\$ 580,616	\$ 612,124
Interest on the total OPEB liability	291,110	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	760,916	612,806	(844,549)	1,126,321
Benefit payments, including refunds of employee contributions	(429,062)	(455,699)	(411,713)	(155,812)
Net change in total OPEB liability	<u>1,103,187</u>	<u>(1,575,275)</u>	<u>(306,670)</u>	<u>(381,404)</u>
Total OPEB liability - beginning	8,049,880	9,625,155	9,931,825	10,313,229
Total OPEB liability - ending (a)	<u>\$ 9,153,067</u>	<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>	<u>-</u>
Net OPEB liability - ending (a) - (b)	<u>\$ 9,153,067</u>	<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%	0.00%
Covered payroll	\$ 50,086,352	\$ 48,357,183	\$ 48,357,183	\$ 44,717,801
Net pension liability as a percentage of covered payroll	18.27%	16.65%	19.90%	22.21%

Reporting fiscal year 2016-2017 through 2011-2012 information is not available.

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the City's Pension/OPEB* Contributions
June 30, 2021

	Reporting Fiscal Year			
	2020-2021	2019-2020	2018-2019	2017-2018
Arizona State Retirement System				
Statutorily required contributions	\$ 3,845,197	\$ 3,795,108	\$ 3,627,657	\$ 3,478,329
Contributions in relation to the statutorily required contribution	3,845,197	3,795,108	3,627,657	3,478,329
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 33,005,980</u>	<u>\$ 33,145,052</u>	<u>\$ 32,447,746</u>	<u>\$ 31,911,275</u>
Contributions as a percentage of covered payroll	11.65%	11.45%	11.18%	10.90%
Elected Officials Retirement Plan				
Statutorily required contributions	\$ 101,660	\$ 100,679	\$ 98,293	\$ 39,638
Contributions in relation to the statutorily required contribution	101,660	100,679	98,293	39,638
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 183,403</u>	<u>\$ 187,000</u>	<u>\$ 184,269</u>	<u>\$ 180,000</u>
Contributions as a percentage of covered payroll	55.43%	53.84%	53.34%	22.02%
PSPRS - Police**				
Statutorily required contributions	\$ 840,529	\$ 3,434,035	\$ 3,441,524	\$ 3,229,323
Contributions in relation to the statutorily required contribution	55,900,990	6,331,039	3,441,524	3,124,679
Contribution deficiency (excess)	<u>\$ (55,060,461)</u>	<u>\$ (2,897,004)</u>	<u>\$ -</u>	<u>\$ 104,644</u>
Covered payroll	<u>\$ 5,033,204</u>	<u>\$ 5,527,309</u>	<u>\$ 5,875,114</u>	<u>\$ 6,555,225</u>
Contributions as a percentage of covered payroll	1110.64%	114.54%	58.58%	47.67%
PSPRS - Fire**				
Statutorily required contributions	\$ 1,393,770	\$ 5,183,976	\$ 5,315,168	\$ 4,589,139
Contributions in relation to the statutorily required contribution	63,593,670	6,910,825	5,315,168	4,041,886
Contribution deficiency (excess)	<u>\$ (62,199,900)</u>	<u>\$ (1,726,849)</u>	<u>\$ -</u>	<u>\$ 547,253</u>
Covered payroll	<u>\$ 6,006,067</u>	<u>\$ 5,239,842</u>	<u>\$ 5,299,696</u>	<u>\$ 5,683,984</u>
Contributions as a percentage of covered payroll	1058.82%	131.89%	100.29%	71.11%

* The City had no OPEB contributions for the current or prior years.

** 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 2011-2012 information is not available.

2016-2017	2015-2016	2014-2015	2013-2014
\$ 3,357,591	\$ 3,168,876	\$ 3,002,707	\$ 2,837,013
<u>3,357,591</u>	<u>3,168,876</u>	<u>3,002,707</u>	<u>2,837,013</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 30,673,166</u>	<u>\$ 28,842,056</u>	<u>\$ 27,573,067</u>	<u>\$ 26,638,622</u>
10.95%	10.99%	10.89%	10.65%
\$ 40,588	\$ 39,815	\$ 37,483	\$ 50,732
<u>40,588</u>	<u>39,815</u>	<u>37,483</u>	<u>50,732</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 194,354</u>	<u>\$ 189,999</u>	<u>\$ 157,579</u>	<u>\$ 204,400</u>
20.88%	20.96%	23.79%	24.82%
\$ 3,275,134	\$ 3,401,213	\$ 2,578,489	\$ 2,311,119
<u>3,657,762</u>	<u>3,441,521</u>	<u>2,578,489</u>	<u>2,311,119</u>
<u>\$ (382,628)</u>	<u>\$ (40,308)</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 7,155,954</u>	<u>\$ 7,318,199</u>	<u>\$ 7,526,730</u>	<u>\$ 7,425,908</u>
51.11%	47.03%	34.26%	31.12%
\$ 4,239,954	\$ 3,952,628	\$ 2,418,742	\$ 2,030,211
<u>4,239,954</u>	<u>3,952,628</u>	<u>2,418,742</u>	<u>2,030,211</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 5,650,572</u>	<u>\$ 5,491,792</u>	<u>\$ 4,847,679</u>	<u>\$ 4,788,197</u>
75.04%	71.97%	49.89%	42.40%

City of Flagstaff, Arizona
Notes to the Required Supplementary Information
June 30, 2021

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, 2019
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	17 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years
Asset valuation method	7-year smoothed market; 80%/120% market corridor
Actuarial assumptions:	
Investment rate of return	In the 2019 actuarial valuation, the investment rate of return was 7.3%.
Projected salary increases	In the 2019 actuarial valuation, projected salary increases were 3.5%–7.5% for PSPRS
Wage growth	In the 2019 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 2019 actuarial valuation, changed to PubS-2010 mortality table with 75% of MP-2018 fully generational projection scales.

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. Information for subsequent years will be presented, when it is available to present ten years of information.

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.

Water Resource & Infrastructure Protection Fund

This fund accounts for the water resource and infrastructure protection fee and the related expenditures. These resources are restricted to support the Wildland Fire Management program.

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, 2021

	Special Revenue Funds				
	Housing & Community Services Fund	Metropolitan Planning Organization Fund	Library Fund	BBB Fund	Parking District Fund
Assets					
Cash and investments	\$ 663,258	\$ -	\$ 2,569,394	\$ 12,297,620	\$ 1,047,346
Accounts receivable, net	98,428	-	92,712	2,218,967	2,635
Interest receivable	1,658	-	6,506	17,488	1,719
Intergovernmental receivable	872,761	-	1,894	-	-
Notes receivable	275,600	-	-	-	-
Inventory	-	-	-	59,925	-
Restricted cash and investments	-	-	2,298,681	209,244	-
Total assets	<u>\$ 1,911,705</u>	<u>\$ -</u>	<u>\$ 4,969,187</u>	<u>\$ 14,803,244</u>	<u>\$ 1,051,700</u>
Liabilities, Deferred Inflows and Fund Balance					
Liabilities:					
Accounts payable	\$ 70,630	\$ -	\$ 87,630	\$ 308,127	\$ 9,847
Accrued payroll and compensated absences	3,942	-	153,517	83,877	12,679
Advanced revenue	-	-	42,988	-	-
Total liabilities	<u>74,572</u>	<u>-</u>	<u>284,135</u>	<u>392,004</u>	<u>22,526</u>
Deferred inflows of resources:					
Unavailable revenue - notes receivable	275,600	-	-	-	-
Unavailable revenue - other revenue	81,568	-	-	-	-
Total deferred inflows of resources	<u>357,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable:					
Perpetual care	-	-	-	-	-
Inventory	-	-	-	59,925	-
Restricted for:					
Notes receivable	275,600	-	-	-	-
Library branch services	-	-	898,814	-	-
Library programs board directed	-	-	1,399,867	-	-
Debt service	-	-	-	-	-
Public art	-	-	-	1,101,913	-
Economic development	-	-	-	2,292,477	-
Tourism	-	-	-	671,617	-
Park maintenance and operations	-	-	-	1,838,515	-
Other capital projects	1,204,365	-	-	8,446,793	-
Perpetual care	-	-	-	-	-
Water resource and infrastructure protection	-	-	-	-	-
Assigned to:					
Parking district	-	-	-	-	1,029,174
Library services	-	-	2,386,371	-	-
Total fund balance	<u>1,479,965</u>	<u>-</u>	<u>4,685,052</u>	<u>14,411,240</u>	<u>1,029,174</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,911,705</u>	<u>\$ -</u>	<u>\$ 4,969,187</u>	<u>\$ 14,803,244</u>	<u>\$ 1,051,700</u>

Water Resource & Infrastructure Protection 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		
\$ 663,796	\$ -	\$ 1,323,108	\$ -	\$ 42,949	\$ 18,607,471	
168,607	-	-	-	-	2,581,349	
773	-	6,758	-	572	35,474	
4,003	-	-	-	-	878,658	
-	-	-	-	-	275,600	
-	-	-	-	-	59,925	
-	-	5,919,725	-	332,373	8,760,023	
<u>\$ 837,179</u>	<u>\$ -</u>	<u>\$ 7,249,591</u>	<u>\$ -</u>	<u>\$ 375,894</u>	<u>\$ 31,198,500</u>	
\$ 1,044	\$ -	\$ -	\$ -	\$ -	\$ 477,278	
21,071	-	-	-	-	275,086	
-	-	-	-	-	42,988	
<u>22,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>795,352</u>	
-	-	-	-	-	275,600	
-	-	-	-	-	81,568	
-	-	-	-	-	357,168	
-	-	-	-	332,373	332,373	
-	-	-	-	-	59,925	
-	-	-	-	-	275,600	
-	-	-	-	-	898,814	
-	-	-	-	-	1,399,867	
-	-	7,249,591	-	-	7,249,591	
-	-	-	-	-	1,101,913	
-	-	-	-	-	2,292,477	
-	-	-	-	-	671,617	
-	-	-	-	-	1,838,515	
-	-	-	-	-	9,651,158	
-	-	-	-	43,521	43,521	
815,064	-	-	-	-	815,064	
-	-	-	-	-	1,029,174	
-	-	-	-	-	2,386,371	
<u>815,064</u>	<u>-</u>	<u>7,249,591</u>	<u>-</u>	<u>375,894</u>	<u>30,045,980</u>	
<u>\$ 837,179</u>	<u>\$ -</u>	<u>\$ 7,249,591</u>	<u>\$ -</u>	<u>\$ 375,894</u>	<u>\$ 31,198,500</u>	

City of Flagstaff, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2021

	Special Revenue Funds				
	Housing & Community Services Fund	Metropolitan Planning Organization Fund	Library Fund	BBB Fund	Parking District Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ 9,654,927	\$ -
Intergovernmental	-	-	3,837,589	-	-
Grants and entitlements	1,365,160	-	66,120	-	-
Licenses and permits	-	-	-	3,575	-
Charges for services	-	-	-	121,910	357,090
Rents	11,070	-	-	336,785	-
Investment earnings	8,827	-	35,779	94,026	10,836
Contributions	510,200	-	65,652	-	-
Miscellaneous	471,958	-	513	2,286	1,136
Total revenues	<u>2,367,215</u>	<u>-</u>	<u>4,005,653</u>	<u>10,213,509</u>	<u>369,062</u>
Expenditures:					
Current:					
Public safety	-	-	-	-	-
Economic and physical development	1,934,272	-	-	3,230,585	-
Culture and recreation	-	-	4,739,107	995,695	-
Highways and streets	-	-	-	832	519,241
Debt service:					
Principal retirement	-	-	-	155,000	96,085
Interest and other charges	-	-	-	92,054	18,940
Capital outlay	-	-	164,592	162,968	-
Total expenditures	<u>1,934,272</u>	<u>-</u>	<u>4,903,699</u>	<u>4,637,134</u>	<u>634,266</u>
Excess (deficiency) of revenues over expenditures	<u>432,943</u>	<u>-</u>	<u>(898,046)</u>	<u>5,576,375</u>	<u>(265,204)</u>
Other Financing Sources (Uses):					
Transfers in	-	-	1,624,835	247,000	-
Transfers out	-	(34,130)	-	(3,180,681)	(96,349)
Total other financing sources (uses)	<u>-</u>	<u>(34,130)</u>	<u>1,624,835</u>	<u>(2,933,681)</u>	<u>(96,349)</u>
Net change in fund balance	<u>432,943</u>	<u>(34,130)</u>	<u>726,789</u>	<u>2,642,694</u>	<u>(361,553)</u>
Fund balance, beginning of year	<u>1,047,022</u>	<u>34,130</u>	<u>3,958,263</u>	<u>11,768,546</u>	<u>1,390,727</u>
Fund balance, end of year	<u>\$ 1,479,965</u>	<u>\$ -</u>	<u>\$ 4,685,052</u>	<u>\$ 14,411,240</u>	<u>\$ 1,029,174</u>

Water Resource & Infrastructure Protection 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	
\$ -	\$ -	\$ 7,385,677	\$ -	\$ -	\$ 17,040,604
-	-	-	-	-	3,837,589
8,863	-	-	-	-	1,440,143
-	-	-	-	-	3,575
1,240,175	-	-	-	-	1,719,175
-	-	-	-	-	347,855
2,145	-	24,642	163	3,181	179,599
-	-	-	-	19,910	595,762
-	-	-	-	-	475,893
<u>1,251,183</u>	<u>-</u>	<u>7,410,319</u>	<u>163</u>	<u>23,091</u>	<u>25,640,195</u>
363,568	-	-	-	-	363,568
-	-	-	-	-	5,164,857
-	-	-	-	-	5,734,802
-	-	-	-	-	520,073
-	5,606,115	-	-	-	5,857,200
-	1,697,255	-	-	-	1,808,249
-	-	-	-	-	327,560
<u>363,568</u>	<u>7,303,370</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,776,309</u>
<u>887,615</u>	<u>(7,303,370)</u>	<u>7,410,319</u>	<u>163</u>	<u>23,091</u>	<u>5,863,886</u>
-	7,303,370	-	-	-	9,175,205
<u>(72,551)</u>	<u>-</u>	<u>(7,303,370)</u>	<u>(122,989)</u>	<u>-</u>	<u>(10,810,070)</u>
<u>(72,551)</u>	<u>7,303,370</u>	<u>(7,303,370)</u>	<u>(122,989)</u>	<u>-</u>	<u>(1,634,865)</u>
<u>815,064</u>	<u>-</u>	<u>106,949</u>	<u>(122,826)</u>	<u>23,091</u>	<u>4,229,021</u>
<u>-</u>	<u>-</u>	<u>7,142,642</u>	<u>122,826</u>	<u>352,803</u>	<u>25,816,959</u>
<u>\$ 815,064</u>	<u>\$ -</u>	<u>\$ 7,249,591</u>	<u>\$ -</u>	<u>\$ 375,894</u>	<u>\$ 30,045,980</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, 2021

	Business-type Activities - Enterprise Fund		
	Airport Fund	Housing Authority	Total Nonmajor Proprietary Fund
Assets			
Current assets:			
Cash and investments	\$ 770,764	\$ 1,678,091	\$ 2,448,855
Receivable, net	221,769	82,248	304,017
Intergovernmental receivables	1,080,706	18,016	1,098,722
Prepaid items	-	433,077	433,077
Total current assets	<u>2,073,239</u>	<u>2,211,432</u>	<u>4,284,671</u>
Noncurrent assets:			
Restricted cash and investments	-	249,596	249,596
Capital assets, non-depreciable	2,288,506	921,950	3,210,456
Capital assets, depreciable, net	36,265,384	3,241,819	39,507,203
Total non-current assets	<u>38,553,890</u>	<u>4,413,365</u>	<u>42,967,255</u>
Total assets	<u>40,627,129</u>	<u>6,624,797</u>	<u>47,251,926</u>
Deferred outflows - pension/OPEB	361,471	414,400	775,871
Total deferred outflows	<u>361,471</u>	<u>414,400</u>	<u>775,871</u>
Liabilities			
Current liabilities:			
Accounts payable	122,181	200,966	323,147
Construction retainage payable	164,677	-	164,677
Interfund payable	-	50,508	50,508
Accrued payroll	56,993	62,489	119,482
Accrued compensated absences	45,268	92,823	138,091
Advanced revenue	-	85,551	85,551
Deposits payable	2,459	73,594	76,053
Bonds and lease payable - current	193,769	-	193,769
Total current liabilities	<u>585,347</u>	<u>565,931</u>	<u>1,151,278</u>
Noncurrent liabilities:			
Compensated absences	29,995	86,179	116,174
Net OPEB liability	91,537	240,986	332,523
Net pension liability	2,454,710	2,360,067	4,814,777
Capital lease payable	533,801	-	533,801
Total noncurrent liabilities	<u>3,110,043</u>	<u>2,687,232</u>	<u>5,797,275</u>
Total liabilities	<u>3,695,390</u>	<u>3,253,163</u>	<u>6,948,553</u>
Deferred inflows - pension/OPEB	60,667	171,043	231,710
Total deferred inflows	<u>60,667</u>	<u>171,043</u>	<u>231,710</u>
Net Position			
Net investment in capital assets	37,556,198	4,163,769	41,719,967
Restricted for:			
Specific programming	-	123,252	123,252
Unrestricted (deficit)	(323,655)	(672,030)	(995,685)
Total net position	<u>\$ 37,232,543</u>	<u>\$ 3,614,991</u>	<u>\$ 40,847,534</u>

City of Flagstaff, Arizona
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Proprietary Fund
Year Ended June 30, 2021

	Business-type Activities - Enterprise Fund		
	Airport Fund	Housing Authority	Total Nonmajor Proprietary Fund
Operating Revenues:			
Charges for services	\$ 1,549,584	\$ 2,344,871	\$ 3,894,455
Miscellaneous	407	-	407
Total operating revenues	<u>1,549,991</u>	<u>2,344,871</u>	<u>3,894,862</u>
Operating Expenses:			
Personnel services	1,521,832	1,545,837	3,067,669
Contractual services, materials and supplies	1,296,928	6,101,880	7,398,808
Depreciation and amortization	2,481,961	384,087	2,866,048
Total operating expenses	<u>5,300,721</u>	<u>8,031,804</u>	<u>13,332,525</u>
Operating income (loss)	<u>(3,750,730)</u>	<u>(5,686,933)</u>	<u>(9,437,663)</u>
Non-operating Revenues (Expenses):			
Interest and investment income	8,090	2,061	10,151
Grants and entitlements	2,512,232	5,711,660	8,223,892
Gain (loss) on disposal of capital asset	-	20,640	20,640
Passenger facility charges	380,617	-	380,617
Interest expense	(48,352)	-	(48,352)
Total non-operating revenues (expenses)	<u>2,852,587</u>	<u>5,734,361</u>	<u>8,586,948</u>
Income (loss) before capital contributions and transfers	<u>(898,143)</u>	<u>47,428</u>	<u>(850,715)</u>
Capital contributions related to grants	1,508,309	673,092	2,181,401
Transfers in	1,884,501	-	1,884,501
Transfers out	(122,191)	-	(122,191)
Change in net position	<u>2,372,476</u>	<u>720,520</u>	<u>3,092,996</u>
Total net position, beginning of year	<u>34,860,067</u>	<u>2,894,471</u>	<u>37,754,538</u>
Total net position, end of year	<u>\$ 37,232,543</u>	<u>\$ 3,614,991</u>	<u>\$ 40,847,534</u>

City of Flagstaff, Arizona
Combining Statement of Cash Flows
Nonmajor Proprietary Fund
Year Ended June 30, 2021

	Business-type Activities - Enterprise Fund		
	Airport Fund	Housing Authority	Total Nonmajor Proprietary Fund
Cash flows from operating activities:			
Receipts from customers	\$ 1,338,497	\$ 2,274,984	\$ 3,613,481
Other receipts	380,617	-	380,617
Payments to suppliers	(929,593)	(6,087,326)	(7,016,919)
Interfund services used	(65,999)	(335,275)	(401,274)
Interfund reimbursement used	(332,833)	-	(332,833)
Payments to employees	(1,140,717)	(1,433,706)	(2,574,423)
Net cash provided (used) by operating activities	<u>(750,028)</u>	<u>(5,581,323)</u>	<u>(6,331,351)</u>
Cash flows from noncapital financing activities:			
Transfer to other funds	(122,191)	-	(122,191)
Transfer from other funds	1,884,501	-	1,884,501
Interfund loans received (paid)	(1,845,000)	(45,278)	(1,890,278)
Net cash provided (used) by noncapital financing activities	<u>(82,690)</u>	<u>(45,278)</u>	<u>(127,968)</u>
Cash flows from capital and related financing activities:			
Receipts from grantors	3,685,369	5,784,303	9,469,672
Capital contributions	1,508,309	673,092	2,181,401
Acquisition and construction of capital assets	(3,367,766)	(707,239)	(4,075,005)
Principal payments on capital debt	(183,384)	-	(183,384)
Interest paid on capital debt	(48,352)	-	(48,352)
Proceeds from sales of capital assets	-	17,255	17,255
Net cash provided (used) by capital financing activities	<u>1,594,176</u>	<u>5,767,411</u>	<u>7,361,587</u>
Cash flows from investing activities:			
Interest received on investments	8,314	2,061	10,375
Net cash provided (used) by investing activities	<u>8,314</u>	<u>2,061</u>	<u>10,375</u>
Net increase (decrease) in cash and cash equivalents	<u>769,772</u>	<u>142,871</u>	<u>912,643</u>
Cash and cash equivalents at beginning of year	992	1,784,816	1,785,808
Cash and cash equivalents at end of year	<u>\$ 770,764</u>	<u>\$ 1,927,687</u>	<u>\$ 2,698,451</u>
Classified as:			
Cash, cash equivalents, and investments	\$ 770,764	\$ 1,678,091	\$ 2,448,855
Restricted cash and cash equivalents	-	249,596	249,596
Totals	<u>\$ 770,764</u>	<u>\$ 1,927,687</u>	<u>\$ 2,698,451</u>

(continued)

Combining Statement of Cash Flows
Nonmajor Proprietary Fund
Year Ended June 30, 2021

	Business-type Activities - Enterprise Fund		
	Airport Fund	Housing Authority Fund	Total Nonmajor Proprietary Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (3,750,730)	\$ (5,686,933)	\$ (9,437,663)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	2,481,961	384,087	2,866,048
Other receipts	380,617	-	380,617
(Increase) decrease in assets:			
Accounts receivable	(121,301)	(63,786)	(185,087)
Prepaid items	-	(366,326)	(366,326)
(Increase) decrease in deferred pension outflows	342,855	(152,139)	190,716
(Increase) decrease in deferred OPEB outflows	(9,133)	(24,019)	(33,152)
Increase (decrease) in liabilities:			
Accounts payable	(31,497)	45,605	14,108
Accrued payroll, compensated absences	19,152	57,337	76,489
Net OPEB liability	11,033	29,015	40,048
Net pension liability	48,021	385,344	433,365
Deposits payable	(70)	(1,250)	(1,320)
Advanced revenue	(90,123)	(4,851)	(94,974)
Increase (decrease) in deferred pension inflows	(24,154)	(172,600)	(196,754)
Increase (decrease) in deferred OPEB inflows	(6,659)	(10,807)	(17,466)
Total adjustments	<u>3,000,702</u>	<u>105,610</u>	<u>3,106,312</u>
Net cash provided (used) by operating activities	<u>\$ (750,028)</u>	<u>\$ (5,581,323)</u>	<u>\$ (6,331,351)</u>
Noncash investing, capital and financing activities:			
None			

(concluded)

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City of Flagstaff, Arizona
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2021

Program	Land	Buildings	Improvements
General government	\$ 3,694,610	\$ 33,225,150	\$ 2,975,160
Public safety	3,936,522	27,151,960	113,946
Public works	3,338,900	22,439,826	307,810
Economic and physical development	932,354	13,836,950	254,590
Culture and recreation	24,151,772	24,439,303	17,946,040
Highway and streets	32,366,525	3,789,370	2,547,868
Subtotal	<u>68,420,683</u>	<u>124,882,559</u>	<u>24,145,414</u>
Less: accumulated depreciation	-	(33,576,272)	(20,145,607)
Total governmental funds capital assets	<u>\$ 68,420,683</u>	<u>\$ 91,306,287</u>	<u>\$ 3,999,807</u>

Machinery and Equipment	Construction In Progress	Infrastructure	Total
\$ 1,652,955	\$ 14,160	\$ 219,751	\$ 41,781,786
18,424,154	-	-	49,626,582
1,615,892	598,547	1,117,224	29,418,199
1,828,031	111,828	899,774	17,863,527
4,144,927	997,701	12,739,207	84,418,950
11,429,807	22,912,187	343,796,316	416,842,073
39,095,766	24,634,423	358,772,272	639,951,117
(27,682,339)	-	(201,026,441)	(282,430,659)
<u>\$ 11,413,427</u>	<u>\$ 24,634,423</u>	<u>\$ 157,745,831</u>	<u>\$ 357,520,458</u>

City of Flagstaff, Arizona
 Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes By Function and Activity
 June 30, 2021

Program	Balance July 1, 2020	Additions	Retirements	Transfers In (out)	Balance June 30, 2021
General government	\$ 36,944,511	\$ 5,417,910	\$ (556,750)	\$ (23,885)	\$ 41,781,787
Public safety	49,633,599	127,051	(134,068)	-	49,626,582
Public works	28,605,166	813,033	-	-	29,418,199
Economic and physical development	19,173,186	-	(1,309,659)	-	17,863,527
Culture and recreation	83,310,351	1,752,790	(271,325)	(372,866)	84,418,950
Highway and streets	400,097,138	17,492,128	(1)	(747,192)	416,842,073
Total	<u>\$ 617,763,951</u>	<u>\$ 25,602,912</u>	<u>\$ (2,271,803)</u>	<u>\$ (1,143,943)</u>	<u>\$ 639,951,118</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, 2021

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants and entitlements	\$ 2,259,953	\$ 2,259,953	\$ 1,365,160	\$ (894,793)
Rent	-	-	11,070	11,070
Contributions	-	-	510,200	510,200
Investment earnings	4,000	4,000	8,827	4,827
Miscellaneous	-	-	471,958	471,958
Total revenues	<u>2,263,953</u>	<u>2,263,953</u>	<u>2,367,215</u>	<u>103,262</u>
Expenditures:				
Current:				
Economic and physical development	2,935,545	2,935,545	1,934,272	1,001,273
Total expenditures	<u>2,935,545</u>	<u>2,935,545</u>	<u>1,934,272</u>	<u>1,001,273</u>
Net change in fund balances	<u>(671,592)</u>	<u>(671,592)</u>	<u>432,943</u>	<u>1,104,535</u>
Fund balances, beginning of year	<u>830,901</u>	<u>830,901</u>	<u>1,036,822</u>	<u>205,921</u>
Fund balances, end of year	<u>\$ 159,309</u>	<u>\$ 159,309</u>	<u>\$ 1,469,765</u>	<u>\$ 1,310,456</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, 2021

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Other Financing Sources (Uses):				
Transfers out	\$ (37,778)	\$ (37,778)	\$ (34,130)	\$ 3,648
Total other financing sources (uses)	<u>(37,778)</u>	<u>(37,778)</u>	<u>(34,130)</u>	<u>3,648</u>
Net change in fund balances	<u>(37,778)</u>	<u>(37,778)</u>	<u>(34,130)</u>	<u>3,648</u>
Fund balances, beginning of year	<u>37,778</u>	<u>37,778</u>	<u>34,130</u>	<u>(3,648)</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Flagstaff, Arizona
Library Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2021

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,738,235	\$ 3,738,235	\$ 3,837,589	\$ 99,354
Grants and entitlements	55,000	55,000	66,120	11,120
Investment earnings	67,158	67,158	35,779	(31,379)
Contributions	-	-	65,652	65,652
Miscellaneous	41,000	41,000	513	(40,487)
Total revenues	<u>3,901,393</u>	<u>3,901,393</u>	<u>4,005,653</u>	<u>104,260</u>
Expenditures:				
Current:				
Culture and recreation	6,338,298	6,338,298	4,739,107	1,599,191
Capital outlay	1,020,390	1,020,390	164,592	855,798
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>7,458,688</u>	<u>7,458,688</u>	<u>4,903,699</u>	<u>2,554,989</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,557,295)</u>	<u>(3,557,295)</u>	<u>(898,046)</u>	<u>2,659,249</u>
Other Financing Sources (Uses):				
Transfers in	1,636,911	1,636,911	1,624,835	(12,076)
Total other financing sources (uses)	<u>1,636,911</u>	<u>1,636,911</u>	<u>1,624,835</u>	<u>(12,076)</u>
Net change in fund balances	<u>(1,920,384)</u>	<u>(1,920,384)</u>	<u>726,789</u>	<u>2,647,173</u>
Fund balances, beginning of year	<u>3,524,630</u>	<u>3,524,630</u>	<u>3,958,263</u>	<u>433,633</u>
Fund balances, end of year	<u>\$ 1,604,246</u>	<u>\$ 1,604,246</u>	<u>\$ 4,685,052</u>	<u>\$ 3,080,806</u>

City of Flagstaff, Arizona
BBB Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2021

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 9,327,501	\$ 9,327,501	\$ 9,051,526	\$ (275,975)
Charges for services	119,893	119,893	121,910	2,017
Licenses and permits	-	-	3,575	3,575
Rents	433,578	433,578	336,785	(96,793)
Investment earnings	60,267	60,267	94,026	33,759
Miscellaneous	-	-	2,286	2,286
Total revenues	<u>9,941,239</u>	<u>9,941,239</u>	<u>9,610,108</u>	<u>(331,131)</u>
Expenditures:				
Current:				
Economic and physical development	4,429,718	4,429,718	3,230,585	1,199,133
Culture and recreation	1,070,796	1,070,796	995,695	75,101
Highways and streets	-	-	832	(832)
Debt service:				
Principal retirement	155,000	155,000	155,000	-
Interest and other charges	92,088	92,088	92,054	34
Capital outlay	4,989,409	4,989,409	162,968	4,826,441
Contingency	115,000	115,000	-	115,000
Total expenditures	<u>10,852,011</u>	<u>10,852,011</u>	<u>4,637,134</u>	<u>6,214,877</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(910,772)</u>	<u>(910,772)</u>	<u>4,972,974</u>	<u>5,883,746</u>
Other Financing Sources (Uses):				
Transfers in	247,000	247,000	247,000	-
Transfers out	<u>(3,536,837)</u>	<u>(3,536,837)</u>	<u>(3,180,681)</u>	<u>356,156</u>
Total other financing sources (uses)	<u>(3,289,837)</u>	<u>(3,289,837)</u>	<u>(2,933,681)</u>	<u>356,156</u>
Net change in fund balances	<u>(4,200,609)</u>	<u>(4,200,609)</u>	<u>2,039,293</u>	<u>6,239,902</u>
Fund balances, beginning of year	<u>10,918,637</u>	<u>10,918,637</u>	<u>12,277,844</u>	<u>1,359,207</u>
Fund balances, end of year	<u>\$ 6,718,028</u>	<u>\$ 6,718,028</u>	<u>\$ 14,317,137</u>	<u>\$ 7,599,109</u>
Adjustment from budgetary basis to GAAP basis net change in fund balances			\$ 2,039,293	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			<u>603,401</u>	
Adjusted net change in fund balance - GAAP basis			<u>\$ 2,642,694</u>	

City of Flagstaff, Arizona
Parking District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2021

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for service	\$ 1,254,378	\$ 1,254,378	\$ 357,090	\$ (897,288)
Investment earnings	23,100	23,100	10,836	(12,264)
Miscellaneous	-	-	1,136	1,136
Total revenues	<u>1,277,478</u>	<u>1,277,478</u>	<u>369,062</u>	<u>(908,416)</u>
Expenditures:				
Current:				
Highways and streets	825,086	825,086	519,241	305,845
Debt service:				
Principal retirement	96,085	96,085	96,085	-
Interest and other charges	15,941	15,941	18,940	(2,999)
Contingency	30,000	30,000	-	30,000
Capital outlay	874,191	874,191	-	874,191
Total expenditures	<u>1,841,303</u>	<u>1,841,303</u>	<u>634,266</u>	<u>1,207,037</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(563,825)</u>	<u>(563,825)</u>	<u>(265,204)</u>	<u>298,621</u>
Other Financing Sources (Uses):				
Transfers out	(96,349)	(96,349)	(96,349)	-
Total other financing sources (uses)	<u>(96,349)</u>	<u>(96,349)</u>	<u>(96,349)</u>	<u>-</u>
Net change in fund balances	<u>(660,174)</u>	<u>(660,174)</u>	<u>(361,553)</u>	<u>298,621</u>
Fund balances, beginning of year	<u>1,537,480</u>	<u>1,537,480</u>	<u>1,390,727</u>	<u>(146,753)</u>
Fund balances, end of year	<u>\$ 877,306</u>	<u>\$ 877,306</u>	<u>\$ 1,029,174</u>	<u>\$ 151,868</u>

City of Flagstaff, Arizona
Water Resource & Infrastructure Protection Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2021

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Grants and entitlements	\$ -	\$ -	\$ 8,863	\$ (8,863)
Charges for services	1,120,000	1,120,000	1,240,175	(120,175)
Investment earnings	-	-	2,145	(2,145)
Total revenues	<u>1,120,000</u>	<u>1,120,000</u>	<u>1,251,183</u>	<u>(131,183)</u>
Expenditures:				
Public safety	<u>1,038,121</u>	<u>1,038,121</u>	<u>363,568</u>	<u>674,553</u>
Total expenditures	<u>1,038,121</u>	<u>1,038,121</u>	<u>363,568</u>	<u>674,553</u>
Excess (deficiency) of revenues over (under) expenditures	<u>81,879</u>	<u>81,879</u>	<u>887,615</u>	<u>805,736</u>
Other Financing Sources (Uses):				
Transfers out	-	-	(72,551)	(72,551)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(72,551)</u>	<u>(72,551)</u>
Net change in fund balances	<u>81,879</u>	<u>81,879</u>	<u>815,064</u>	<u>733,185</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 81,879</u>	<u>\$ 81,879</u>	<u>\$ 815,064</u>	<u>\$ 733,185</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, 2021

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Expenditures:				
Debt service:				
Principal retirement	\$ 5,606,115	\$ 5,606,115	\$ 5,606,115	\$ -
Interest and other charges	1,772,221	1,772,221	1,697,255	74,966
Total expenditures	<u>7,378,336</u>	<u>7,378,336</u>	<u>7,303,370</u>	<u>74,966</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,378,336)</u>	<u>(7,378,336)</u>	<u>(7,303,370)</u>	<u>74,966</u>
Other Financing Sources (Uses):				
Transfers in	<u>7,378,336</u>	<u>7,378,336</u>	<u>7,303,370</u>	<u>(74,966)</u>
Total other financing sources (uses)	<u>7,378,336</u>	<u>7,378,336</u>	<u>7,303,370</u>	<u>(74,966)</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, 2021

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 7,406,121	\$ 7,406,121	\$ 7,385,677	\$ (20,444)
Investment earnings	10,000	10,000	24,642	14,642
Total revenues	7,416,121	7,416,121	7,410,319	(5,802)
Expenditures:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	7,416,121	7,416,121	7,410,319	(5,802)
Other Financing Sources (Uses):				
Transfers out	(7,378,336)	(7,378,336)	(7,303,370)	74,966
Total other financing sources (uses)	(7,378,336)	(7,378,336)	(7,303,370)	74,966
Net change in fund balances	37,785	37,785	106,949	69,164
Fund balances, beginning of year	7,161,388	7,161,388	7,142,642	(18,746)
Fund balances, end of year	\$ 7,199,173	\$ 7,199,173	\$ 7,249,591	\$ 50,418

City of Flagstaff, Arizona
Pension Bond Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2021

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 4,527	\$ 4,527
Total revenues	<u>-</u>	<u>-</u>	<u>4,527</u>	<u>4,527</u>
Expenditures:				
Current:				
Non-departmental	122,002,500	122,002,500	120,578,514	1,423,986
Total expenditures	<u>122,002,500</u>	<u>122,002,500</u>	<u>120,578,514</u>	<u>1,423,986</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(122,002,500)</u>	<u>(122,002,500)</u>	<u>(120,573,987)</u>	<u>1,428,513</u>
Other Financing Sources (Uses):				
Bond issuance	130,000,000	130,000,000	131,000,000	1,000,000
Transfers in	2,002,500	2,002,500	3,818,453	1,815,953
Total other financing sources (uses)	<u>132,002,500</u>	<u>132,002,500</u>	<u>134,818,453</u>	<u>2,815,953</u>
Net change in fund balances	<u>10,000,000</u>	<u>10,000,000</u>	<u>14,244,466</u>	<u>4,244,466</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 10,000,000</u>	<u>\$ 10,000,000</u>	<u>\$ 14,244,466</u>	<u>\$ 4,244,466</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 14,244,466	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			<u>7,918</u>	
Adjusted net change in fund balance - GAAP basis			<u>\$ 14,252,384</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, 2021

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ -	\$ -	\$ 163	\$ 163
Total revenues	<u>-</u>	<u>-</u>	<u>163</u>	<u>163</u>
Expenditures:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>163</u>	<u>163</u>
Other Financing Sources (Uses):				
Transfers out	(122,509)	(122,509)	(122,989)	(480)
Total other financing sources (uses)	<u>(122,509)</u>	<u>(122,509)</u>	<u>(122,989)</u>	<u>(480)</u>
Fund balances, beginning of year	<u>122,509</u>	<u>122,509</u>	<u>122,826</u>	<u>317</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

City of Flagstaff, Arizona
Capital Projects Bond Construction
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2021

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Grants and entitlements	\$ 889,000	\$ 889,000	\$ 276,005	\$ (612,995)
Investment earnings	3,000	3,000	10,763	7,763
Miscellaneous	2,000,000	2,000,000	-	(2,000,000)
Total revenues	<u>2,892,000</u>	<u>2,892,000</u>	<u>286,768</u>	<u>(2,605,232)</u>
Expenditures:				
Current:				
General government	1,667,115	1,667,115	491,011	1,176,104
Public safety	210,000	210,000	120,377	89,623
Economic and physical development	-	-	22,265	(22,265)
Capital outlay	18,469,066	18,469,066	6,134,946	12,334,120
Total expenditures	<u>20,346,181</u>	<u>20,346,181</u>	<u>6,768,599</u>	<u>13,577,582</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(17,454,181)</u>	<u>(17,454,181)</u>	<u>(6,481,831)</u>	<u>10,972,350</u>
Other Financing Sources (Uses):				
Loan issuance	10,000,000	10,000,000	3,094,937	(6,905,063)
Transfers in	637,938	637,938	474,395	(163,543.00)
Transfers out	(30,075)	(30,075)	(30,075)	-
Total other financing sources (uses)	<u>10,607,863</u>	<u>10,607,863</u>	<u>3,539,257</u>	<u>(7,068,606)</u>
Net change in fund balances	<u>(6,846,318)</u>	<u>(6,846,318)</u>	<u>(2,942,574)</u>	<u>3,903,744</u>
Fund balances, beginning of year	<u>6,846,318</u>	<u>6,846,318</u>	<u>5,212,663</u>	<u>(1,633,655)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,270,089</u>	<u>\$ 2,270,089</u>

City of Flagstaff, Arizona
Financial Data Submission Summary
Net Position Accounts
Year Ended June 30, 2021

	Public Housing 14.850 & 14.872	Public Housing CARES Act 14.PHC	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Assets:					
Current Assets:					
Cash:					
Cash - Unrestricted	\$ 1,418,404	\$ -	\$ -	\$ 140,869	\$ 90,563
Cash - Other Restricted	-	-	98,280	-	24,972
Cash - Tenant Security Deposits	75,594	-	-	-	-
Cash - Restricted - Payment of Current Liabilities	-	-	-	-	-
Total Cash	<u>1,493,998</u>	<u>-</u>	<u>98,280</u>	<u>140,869</u>	<u>115,535</u>
Accounts Receivables:					
Accounts Receivable - PHA Projects	-	-	-	-	-
Accounts Receivable - HUD Other Projects	18,016	-	-	-	-
Accounts Receivable - Other Government	-	-	-	-	-
Accounts Receivable - Miscellaneous	25,665	-	-	27,224	6,473
Accounts Receivable - Tenants	30,933	-	-	-	15,955
Allowance for Doubtful Accounts - Tenants	(7,435)	-	-	-	(15,955)
Allowance for Doubtful Accounts - Other	-	-	-	-	(612)
Fraud Recovery	19,831	-	-	-	-
Allowance for Doubtful Accounts - Fraud	(19,831)	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-
Total Receivables, Net	<u>67,179</u>	<u>-</u>	<u>-</u>	<u>27,224</u>	<u>5,861</u>
Current investments					
Investments - Unrestricted	-	-	-	-	-
Investments - Restricted	-	-	-	-	-
Investments - Restricted for Payment of Current Liability	-	-	-	-	-
Prepaid Expenses and Other Assets	57,846	-	-	2,273	372,958
Inventories	-	-	-	-	-
Allowance for Obsolete Inventories	-	-	-	-	-
Inter Program Due From	5,549	-	-	-	1,322
Assets Held for Sale	-	-	-	-	-
Total Current Assets	<u>1,624,572</u>	<u>-</u>	<u>98,280</u>	<u>170,366</u>	<u>495,676</u>
Noncurrent Assets:					
Capital Assets:					
Land	921,950	-	-	-	-
Buildings	10,993,285	-	-	-	-
Furniture, Equipment & Machinery - Dwellings	1,008,349	-	-	-	-
Furniture, Equipment & Machinery - Administration	451,930	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Accumulated Depreciation	(9,211,745)	-	-	-	-
Construction in Progress	-	-	-	-	-
Total Capital Assets, Net	<u>4,163,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Notes receivable - Noncurrent	-	-	-	-	-
Other Assets	-	-	-	-	-
Total Non-Current Assets	<u>4,163,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Outflow of Resources	257,640	-	-	89,304	67,456
Total Assets and Deferred Outflow of Resources	<u>\$ 6,045,981</u>	<u>\$ -</u>	<u>\$ 98,280</u>	<u>\$ 259,670</u>	<u>\$ 563,132</u>

HCV CARES Act 14.HCC	Emergency Housing Voucher 14.EHV	Moderate Rehabilitation 14.856	Elimination	Total
\$ -	\$ 10,742	\$ 17,513	\$ -	\$ 1,678,091
-	50,750	-	-	174,002
-	-	-	-	75,594
-	-	-	-	-
-	61,492	17,513	-	1,927,687
-	-	-	-	-
-	-	-	-	18,016
-	-	-	-	-
-	-	-	-	59,362
-	-	-	-	46,888
-	-	-	-	(23,390)
-	-	-	-	(612)
-	-	-	-	19,831
-	-	-	-	(19,831)
-	-	-	-	-
-	-	-	-	100,264
-	-	-	-	-
-	-	-	-	-
-	-	-	-	433,077
-	-	-	-	-
-	-	-	-	-
-	-	-	(6,871)	-
-	-	-	-	-
-	61,492	17,513	(6,871)	2,461,028
-	-	-	-	921,950
-	-	-	-	10,993,285
-	-	-	-	1,008,349
-	-	-	-	451,930
-	-	-	-	-
-	-	-	-	(9,211,745)
-	-	-	-	-
-	-	-	-	4,163,769
-	-	-	-	-
-	-	-	-	-
-	-	-	-	4,163,769
-	-	-	-	414,400
\$ -	\$ 61,492	\$ 17,513	\$ (6,871)	\$ 7,039,197

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Net Position Accounts
Year Ended June 30, 2021

	Public Housing 14.850 & 14.872	Public Housing CARES Act 14.PHC	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Liabilities and Net Position:					
Liabilities:					
Current Liabilities:					
Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable <= 90 Days	115,715	-	-	15,968	14,325
Accrued Wage/Payroll Taxes Payable	40,495	-	-	12,643	9,351
Accrued Compensated Absences	86,854	-	-	-	5,969
Accrued Contingency Liability	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-
Accounts Payable - HUD PHA Programs	-	-	-	-	4,978
Account Payable - PHA Projects	-	-	-	-	-
Accounts Payable - Other Government	91,521	-	-	-	-
Tenant Security Deposits	73,594	-	-	-	-
Unearned Revenues	34,801	-	-	-	-
Current Portion of L-T Debt - Capital	-	-	-	-	-
Current Portion of L-T Debt - Operating	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Accrued Liabilities - Other	-	-	-	-	-
Inter Program - Due To	-	-	1,577	-	3,630
Total Current Liabilities	442,980	-	1,577	28,611	38,253
Noncurrent Liabilities					
Long-term Debt, Net of Current - Capital	-	-	-	-	-
Long-term Debt, Net of Current - Operating	-	-	-	-	-
Non-current Liabilities - Other	-	-	-	-	-
Accrued Compensated Absences	81,682	-	-	-	4,497
Accrued Pension and OPEB Liabilities	1,748,707	-	-	519,871	332,475
Total Non-Current Liabilities	1,830,389	-	-	519,871	336,972
Total Liabilities	2,273,369	-	1,577	548,482	375,225
Deferred Inflow of Resources	118,781	-	-	38,491	13,771
Net Position:					
Net Investment in Capital Assets	4,163,769	-	-	-	-
Restricted Net Position	-	-	98,280	-	24,972
Unrestricted Net Position	(509,938)	-	(1,577)	(327,303)	149,164
Total Equity/Net Position	3,653,831	-	96,703	(327,303)	174,136
Total Liabilities, Deferred Inflows of Resources and Equity/ Net Position	\$ 6,045,981	\$ -	\$ 98,280	\$ 259,670	\$ 563,132

HCV CARES Act 14.HCC	Emergency Housing Voucher 14.EHV	Moderate Rehabilitation 14.856	Elimination	Total
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	146,008
-	-	-	-	62,489
-	-	-	-	92,823
-	-	-	-	-
-	-	-	-	-
-	-	8,967	-	13,945
-	-	-	-	-
-	-	-	-	91,521
-	-	-	-	73,594
-	50,750	-	-	85,551
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,664	-	(6,871)	-
-	52,414	8,967	(6,871)	565,931
-	-	-	-	-
-	-	-	-	-
-	-	-	-	86,179
-	-	-	-	2,601,053
-	-	-	-	2,687,232
-	52,414	8,967	(6,871)	3,253,163
-	-	-	-	171,043
-	-	-	-	4,163,769
-	-	-	-	123,252
-	9,078	8,546	-	(672,030)
-	9,078	8,546	-	3,614,991
\$ -	\$ 61,492	\$ 17,513	\$ (6,871)	\$ 7,039,197

(concluded)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2021

	Public Housing 14.850 & 14.872	Public Housing CARES Act 14.PHC	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Revenues:					
Net Tenant Rental Revenue	\$ 1,296,455	\$ -	\$ -	\$ -	\$ -
Tenant Revenue - Other	12,203	-	-	-	-
Total Tenant Revenue	1,308,658	-	-	-	-
HUD PHA Operating Grants	850,231	71,487	98,280	-	4,447,838
Capital Grants	673,092	-	-	-	-
Management Fee	-	-	-	-	-
Asset Management Fee	-	-	-	-	-
Bookkeeping Fee	-	-	-	-	-
Front Line Service Fee	-	-	-	-	-
Other Fees	-	-	-	-	-
Other Government Grants	-	-	-	-	-
Investment Income - Unrestricted	1,506	-	-	-	555
Mortgage Interest Income	-	-	-	-	-
Proceeds -Disposition of Assets Held for Sale	-	-	-	-	-
Cost of Sale of Assets	-	-	-	-	-
Fraud Recovery	30,917	-	-	-	25,416
Other Revenue	7,702	-	-	413,867	558,024
Gain or Loss on Sale of Capital Assets	20,640	-	-	-	-
Investment Income - Restricted	-	-	-	-	-
Total Revenue	2,892,746	71,487	98,280	413,867	5,031,833
Expenses:					
Administrative					
Administrative Salaries	479,979	4,499	1,058	104,051	109,119
Auditing Fees	6,846	-	-	-	978
Management Fee	-	-	-	-	-
Bookkeeping Fee	-	-	-	-	-
Advertising and Marketing	1,986	44	-	163	25
Employee Benefit - Administrative	263,127	1,342	519	91,901	44,958
Office Expenses	56,693	6,203	-	20,382	15,784
Legal Expense	1,678	-	-	-	-
Travel	3,541	-	-	78	1,141
Allocated Overhead	-	-	-	-	-
Other	6,819	696	-	2,317	290
Total Administrative	820,669	12,784	1,577	218,892	172,295
Tenant Services					
Asset Management Fee	-	-	-	-	-
Tenant Services - Salaries	-	-	-	-	-
Relocation Costs	-	-	-	-	-
Employee Benefit - Tenant Services	-	-	-	-	-
Tenant Services - Other	-	-	-	-	-
Total Tenant Services	-	-	-	-	-

HCV CARES Act 14.HCC	Emergency Housing Voucher 14.EHV	Moderate Rehabilitation 14.856	Elimination	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,296,455
-	-	-	-	12,203
-	-	-	-	1,308,658
143,583	11,600	88,641	-	5,711,660
-	-	-	-	673,092
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	2,061
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	287	-	56,620
-	-	-	-	979,593
-	-	-	-	20,640
-	-	-	-	-
143,583	11,600	88,928	-	8,752,324
80,545	1,693	-	-	780,944
-	-	1,086	-	8,910
-	-	-	-	-
-	-	-	-	-
187	-	-	-	2,405
23,952	829	-	-	426,628
32,284	-	-	-	131,346
-	-	-	-	1,678
198	-	-	-	4,958
-	-	-	-	-
552	-	11,852	-	22,526
137,718	2,522	12,938	-	1,379,395
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2021

	Public Housing 14.850 & 14.872	Public Housing CARES Act 14.PHC	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Utilities					
Water	189,197	-	-	-	-
Electricity	18,590	-	-	1,090	-
Gas	99,668	-	-	313	-
Fuel	-	-	-	-	-
Labor	-	-	-	-	-
Sewer	79,327	-	-	-	-
Employee Benefit - Utilities	-	-	-	-	-
Other Utilities Expense	-	-	-	-	-
Total Utilities	386,782	-	-	1,403	-
Ordinary Maintenance and Operations					
Labor	378,835	-	-	166,120	-
Materials and Other	65,404	57,218	-	3,135	-
Ordinary Maintenance and Operations Contracts	151,878	1,448	-	591	-
Employee Benefit Contributions - Ordinary Maintenance	-	-	-	-	-
Total Maintenance	596,117	58,666	-	169,846	-
Protective Services					
Protective Services - Labor	-	-	-	-	-
Protective Services - Other Contract Costs	34,759	-	-	10,461	-
Protective Services - Other	-	-	-	-	-
Employee Benefit - Protective Services	-	-	-	-	-
Total Protective Services	34,759	-	-	10,461	-
General Expense					
Property Insurance	70,905	-	-	-	-
Liability Insurance	10,796	-	-	-	-
Workmen's Compensation	7,715	37	-	3,395	987
All Other Insurance	1,945	-	-	1,720	575
Total insurance Premiums	91,361	37	-	5,115	1,562
Other General Expenses	-	-	-	-	24
Compensated Absences	-	-	-	-	-
Payments in Lieu of Taxes	91,521	-	-	-	-
Bad debt - Tenant Rents	4,102	-	-	-	-
Bad debt - Mortgages	-	-	-	-	-
Bad debt - Other	2,862	-	-	-	-
Severance Expense	-	-	-	-	-
Total General Expenses	98,485	-	-	-	24
Financial Expenses					
Interest Expense - Mortgage Payable	-	-	-	-	-
Interest on Notes Payable (Short & Long Term)	-	-	-	-	-
Amortization of Bond Issue Costs	-	-	-	-	-
Total Financial Expenses	-	-	-	-	-
Total Operating Expenses	2,028,173	71,487	1,577	405,717	173,881
Excess of Operating Revenue over Operating Expenses	864,573	-	96,703	8,150	4,857,952

HCV CARES Act 14.HCC	Emergency Housing Voucher 14.EHV	Moderate Rehabilitation 14.856	Elimination	Total
-	-	-	-	189,197
-	-	-	-	19,680
-	-	-	-	99,981
-	-	-	-	-
-	-	-	-	-
-	-	-	-	79,327
-	-	-	-	-
-	-	-	-	-
-	-	-	-	388,185
-	-	-	-	-
-	-	-	-	544,955
-	-	-	-	125,757
-	-	-	-	153,917
-	-	-	-	-
-	-	-	-	824,629
-	-	-	-	-
-	-	-	-	-
-	-	-	-	45,220
-	-	-	-	-
-	-	-	-	-
-	-	-	-	45,220
-	-	-	-	70,905
-	-	-	-	10,796
701	-	-	-	12,835
3,264	-	-	-	7,504
3,965	-	-	-	102,040
1,900	-	-	-	1,924
-	-	-	-	-
-	-	-	-	91,521
-	-	-	-	4,102
-	-	-	-	-
-	-	-	-	2,862
-	-	-	-	-
1,900	-	-	-	100,409
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
143,583	2,522	12,938	-	2,839,878
-	9,078	75,990	-	5,912,446

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2021

	Public Housing 14.850 & 14.872	Public Housing CARES Act 14.PHC	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Other Expenses					
Extraordinary Maintenance	34,819	-	-	-	-
Casualty Losses - Non-capitalized	-	-	-	-	-
Housing Assistance Payments	-	-	-	-	4,161,653
HAP Portability-In	-	-	-	-	525,346
Depreciation Expense	384,087	-	-	-	-
Fraud Losses	10,031	-	-	-	-
Capital Outlays - Governmental Funds	-	-	-	-	-
Debt Principal Payment - Governmental Funds	-	-	-	-	-
Dwelling Units Rent Expense	-	-	-	-	-
Total Other Expense	<u>428,937</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,686,999</u>
 Total Expenses	<u>2,457,110</u>	<u>71,487</u>	<u>1,577</u>	<u>405,717</u>	<u>4,860,880</u>
Other Financing Sources (Uses)					
Operating Transfer In	120,000	-	-	-	-
Operating Transfer Out	(120,000)	-	-	-	-
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>	<u>-</u>
Excess (Deficiency) of Total Revenue Over (Under)					
Total Expenses	<u>435,636</u>	<u>-</u>	<u>96,703</u>	<u>8,150</u>	<u>170,953</u>
Beginning Net Position	<u>3,218,195</u>	<u>-</u>	<u>-</u>	<u>(335,453)</u>	<u>3,183</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>\$ 3,653,831</u>	<u>\$ -</u>	<u>\$ 96,703</u>	<u>\$ (327,303)</u>	<u>\$ 174,136</u>

City of Flagstaff, Arizona
 Financial Data Submission Summary
 Revenue, Expense, and Changes in Fund Net Position Accounts
 Year Ended June 30, 2021

	Public Housing 14.850 & 14.872	Public Housing CARES Act 14.PHC	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Administrative Fee Equity	\$ -	\$ -		\$ -	\$ 149,164
Housing Assistance Payments Equity	-	-	-	-	24,972
Unit Months Available	3,180	-	-	-	5,268
Number of Unit Months Leased	3,131	-	-	-	4,913
Excess Cash	963,666	-	-	-	-
Land Purchases	234,285	-	-	-	-
Building Purchases	361,478	-	-	-	-
Furniture & Equipment - Dwelling Purchases	77,329	-	-	-	-
Furniture & Equipment - Administrative Purchases	34,147	-	-	-	-
Leasehold Improvements Purchases	-	-	-	-	-
Infrastructure Purchases	-	-	-	-	-
CFFP Debt Service Payments	-	-	-	-	-
Replacement Housing Factor Funds	-	-	-	-	-

HCV CARES Act 14.HCC	Emergency Housing Voucher 14.EHV	Moderate Rehabilitation 14.856	Elimination	Total
\$ -	\$ -	\$ -	\$ -	\$ 149,164
-	-	-	-	24,972
-	-	144	-	8,592
-	-	129	-	8,173
-	-	-	-	963,666
-	-	-	-	234,285
-	-	-	-	361,478
-	-	-	-	77,329
-	-	-	-	34,147
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Public Housing - Consolidated
Year Ended June 30, 2021

	Operating Fund Program	Capital Fund Grants	Other Project Total
Revenues:			
Net Tenant Rental Revenue	\$ 1,296,455	\$ -	\$ 1,296,455
Tenant Revenue - Other	12,203	-	12,203
Total Tenant Revenue	1,308,658	-	1,308,658
HUD PHA Operating Grants	588,200	262,031	850,231
Capital Grants	-	673,092	673,092
Management Fee	-	-	-
Asset Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Front Line Service Fee	-	-	-
Other Fees	-	-	-
Other Government Grants	-	-	-
Investment Income - Unrestricted	1,506	-	1,506
Mortgage Interest Income	-	-	-
Fraud Recovery	30,917	-	30,917
Other Revenue	7,702	-	7,702
Gain or Loss on Sale of Capital Assets	20,640	-	20,640
Investment Income - Restricted	-	-	-
Total Revenue	1,957,623	935,123	2,892,746
Expenses:			
Administrative			
Administrative Salaries	442,798	37,181	479,979
Auditing Fees	5,758	1,088	6,846
Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Advertising and Marketing	1,141	845	1,986
Employee Benefit - Administrative	253,210	9,917	263,127
Office Expenses	56,693	-	56,693
Legal Expense	1,678	-	1,678
Travel	830	2,711	3,541
Allocated Overhead	-	-	-
Other	6,819	-	6,819
Total Administrative	768,927	51,742	820,669
Tenant Services			
Tenant Services - Salaries	-	-	-
Relocation Costs	-	-	-
Employee Benefit - Tenant Services	-	-	-
Tenant Services - Other	-	-	-
Total Tenant Services	-	-	-
Utilities			
Water	189,197	-	189,197
Electricity	18,590	-	18,590
Gas	99,668	-	99,668
Sewer	79,327	-	79,327
Employee Benefit - Utilities	-	-	-
Other Utilities Expense	-	-	-
Total Utilities	386,782	-	386,782

(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, 2021

	Operating Fund Program	Capital Fund Grants	Other Project Total
Ordinary Maintenance and Operations			
Labor	376,900	1,935	378,835
Materials and Other	47,511	17,893	65,404
Contracts	116,555	35,323	151,878
Employee Benefit Contributions	-	-	-
Total Maintenance	<u>540,966</u>	<u>55,151</u>	<u>596,117</u>
Protective Services			
Protective Services - Labor	-	-	-
Protective Services - Other Contract Costs	34,759	-	34,759
Protective Services - Other	-	-	-
Employee Benefit - Protective Services	-	-	-
Total Protective Services	<u>34,759</u>	<u>-</u>	<u>34,759</u>
General Expense			
Property Insurance	70,905	-	70,905
Liability Insurance	10,796	-	10,796
Workmen's Compensation	7,396	319	7,715
All Other Insurance	1,945	-	1,945
Total insurance Premiums	<u>91,042</u>	<u>319</u>	<u>91,361</u>
Other General Expenses			
Compensated Absences	-	-	-
Payments in Lieu of Taxes	91,521	-	91,521
Bad debt - Tenant Rents	4,102	-	4,102
Bad debt - Mortgages	-	-	-
Bad debt - Other	2,862	-	2,862
Severance Expense	-	-	-
Total Other General Expenses	<u>98,485</u>	<u>-</u>	<u>98,485</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>1,920,961</u>	<u>107,212</u>	<u>2,028,173</u>
Excess of Operating Revenue over Operating Expenses	<u>36,662</u>	<u>827,911</u>	<u>864,573</u>
Other Expenses			
Extraordinary Maintenance	-	34,819	34,819
Casualty Losses - Non-capitalized	-	-	-
Housing Assistance Payments	-	-	-
HAP Portability-In	-	-	-
Depreciation Expense	384,087	-	384,087
Fraud Losses	10,031	-	10,031
Total Other Expense	<u>394,118</u>	<u>34,819</u>	<u>428,937</u>
Total Expenses	<u>2,315,079</u>	<u>142,031</u>	<u>2,457,110</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, 2021

	Operating Fund Program	Capital Fund Grants	Other Project Total
Other Financing Sources (Uses)			
Operating Transfer In	120,000	-	120,000
Operating transfer Out	-	(120,000)	(120,000)
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)	120,000	(120,000)	-
Excess (Deficiency) of Total Revenue Over (Under)			
Total Expenses	(237,456)	673,092	435,636
Beginning Net Position			
	3,218,195	-	3,218,195
Required Annual Debt Principal Payments	-	-	-
Prior Period Adjustments, Equity Transfers and Correction of Errors	673,092	(673,092)	-
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	\$ 3,653,831	\$ -	\$ 3,653,831
Administrative Fee Equity	-	-	-
Housing Assistance Payments Equity	-	-	-
Unit Months Available	3,180	-	3,180
Number of Unit Months Leased	3,131	-	3,131
Excess Cash	963,666	-	963,666
Land Purchases	-	234,285	234,285
Building Purchases	-	361,478	361,478
Furniture & Equipment - Dwelling Purchases	-	77,329	77,329
Furniture & Equipment - Administrative Purchases	34,147	-	34,147
Leasehold Improvements Purchases	-	-	-
Infrastructure Purchases	-	-	-
CFFP Debt Service Payments	-	-	-
Replacement Housing Factor Funds	-	-	-

(concluded)

Statistical Section

This part of the City of Flagstaff's annual comprehensive 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	142
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	148
These schedules contain information to help the reader assess the City's most significant local revenue source, sales tax.	
Debt Capacity	151
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	166
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	169
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 annual comprehensive financial reports for the relevant year.

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

	2011-2012	2012-2013	2013-2014	2014-2015 ⁽¹⁾	2015-2016	2016-2017	2017-2018 ⁽²⁾	2018-2019	2019-2020	2020-2021
Governmental activities										
Net investment in capital assets	\$ 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	\$291,276,562
Restricted	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	115,107,926
Unrestricted	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)	(94,523,757)
Total governmental activities net position	\$ 291,101,609	\$ 298,835,261	\$ 308,284,790	\$ 218,320,781	\$ 234,956,679	\$ 238,887,943	\$245,685,928	\$253,090,369	\$281,265,218	\$ 311,860,731
Business-type activities										
Net investment in capital assets	\$ 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	\$ 349,763,437
Restricted	2,805,002	2,694,262	2,492,562	2,664,263	2,903,553	3,142,245	-	-	-	123,252
Unrestricted	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	37,896,424
Total business-type activities and net position	\$ 331,192,298	\$ 336,451,012	\$ 344,173,830	\$ 333,018,211	\$ 335,086,072	\$ 346,870,356	\$ 351,186,808	\$ 357,774,815	\$ 368,215,920	\$ 387,783,113
Primary government										
Net investment in capital assets	\$ 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	\$ 641,039,999
Restricted	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	115,231,178
Unrestricted	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)	(56,627,333)
Total primary government net position	\$ 622,293,907	\$ 635,286,273	\$ 652,458,620	\$ 551,338,992	\$ 570,042,751	\$ 585,758,299	\$ 596,872,736	\$ 610,865,184	\$ 649,481,138	\$ 699,643,844

(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 ACFR.

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

	Fiscal Year									
	<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>	<u>2020-2021</u>
Expenses										
Governmental activities:										
General government	\$ 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	\$ 17,978,407
Public safety	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	44,568,463
Public works	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	1,788,521
Economic and physical development	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	11,843,707
Culture and recreation	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	13,206,098
Highways and streets	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	19,486,590
Interest on long-term debt	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	4,009,038
Total governmental activities expense	<u>79,544,593</u>	<u>80,318,169</u>	<u>83,619,164</u>	<u>97,519,389</u>	<u>92,160,461</u>	<u>105,295,672</u>	<u>106,711,277</u>	<u>110,665,792</u>	<u>110,943,467</u>	<u>112,880,824</u>
Business-type activities:										
Water	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	18,668,402
Wastewater and reclaimed	-	-	-	10,879,594	10,490,816	11,150,309	11,055,308	10,992,004	10,045,850	10,554,029
Environmental	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	13,268,587
Airport	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	5,342,801
Housing authority	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	8,031,804
Stormwater	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	1,594,807
Total business-type activities expense	<u>42,332,291</u>	<u>46,650,101</u>	<u>47,789,629</u>	<u>49,067,696</u>	<u>48,931,394</u>	<u>51,860,613</u>	<u>57,351,373</u>	<u>53,153,742</u>	<u>55,782,820</u>	<u>57,460,430</u>
Total primary government expense	<u>\$ 121,876,884</u>	<u>\$ 126,968,270</u>	<u>\$ 131,408,793</u>	<u>\$ 146,587,085</u>	<u>\$ 141,091,855</u>	<u>\$ 157,156,285</u>	<u>\$ 164,062,650</u>	<u>\$ 163,819,534</u>	<u>\$ 166,726,287</u>	<u>\$ 170,341,254</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 2,431,158
Public safety	1,611,109	1,491,842	628,038	879,755	647,910	832,352	888,558	885,484	665,670	2,134,346
Public works	1,551,419	1,611,306	1,215	520	605	740	940	6,160	1,198	135
Economic and physical development	53,747	52,386	903,233	2,329,258	3,767,060	3,785,805	4,334,694	4,284,343	6,152,909	6,560,474
Culture and recreation	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	413,078
Highways and streets	-	-	-	-	-	173,960	1,346,238	1,547,532	1,326,992	514,833
Operating grants and contributions	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	11,136,533
Capital grants and contributions	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	14,728,894
Total governmental activities program revenues	<u>27,651,557</u>	<u>26,296,855</u>	<u>29,432,776</u>	<u>27,585,302</u>	<u>28,823,561</u>	<u>26,220,781</u>	<u>29,419,140</u>	<u>28,947,284</u>	<u>39,659,111</u>	<u>37,919,451</u>
Business-type activities:										
Charges for services:										
Water	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	18,463,575
Wastewater and reclaimed	-	-	-	8,907,760	9,387,949	9,943,603	10,594,304	11,137,492	11,388,928	12,321,969
Environmental	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	14,231,558
Airport	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	1,549,584
Housing authority	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	2,344,871
Stormwater	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	4,413,157
Operating grants and contributions	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	8,368,732
Capital grants and contributions	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	11,476,527
Total business-type activities program revenues	<u>48,791,925</u>	<u>50,072,033</u>	<u>51,753,564</u>	<u>49,111,893</u>	<u>50,408,174</u>	<u>61,787,895</u>	<u>60,124,904</u>	<u>56,385,736</u>	<u>62,806,737</u>	<u>73,169,973</u>
Total primary government program revenues	<u>\$ 76,443,482</u>	<u>\$ 76,368,888</u>	<u>\$ 81,186,340</u>	<u>\$ 76,697,195</u>	<u>\$ 79,231,735</u>	<u>\$ 88,008,676</u>	<u>\$ 89,544,044</u>	<u>\$ 85,333,020</u>	<u>\$ 102,465,848</u>	<u>\$ 111,089,424</u>

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

	Fiscal Year									
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (74,961,373)
Business-type activities	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	15,709,543
Total primary government net expense	<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>	<u>\$ (59,251,830)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 14,358,593
Sales taxes	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	69,893,143
State shared sales taxes - unrestricted	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	23,958,572
Investment earnings	322,126	(396,124)	749,038	1,179,131	1,668,431	(447,324)	(477,888)	5,097,974	5,415,354	(564,917)
Miscellaneous	510,695	1,285,289	1,813,164	645,571	1,404,390	1,123,129	2,059,029	692,049	578,352	924,099
Gain on sale of capital assets	-	18,173	241,231	65,201	-	-	121,321	4,626	76,017	32,710
Contributions to permanent fund	15,474	23,935	18,700	16,821	15,470	6,950	8,490	26,460	17,590	19,910
Transfers in (out)	(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)	(3,065,224)
Total governmental activities	<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>	<u>105,556,886</u>
Business-type activities:										
Investment earnings	118,247	194,306	213,335	303,863	336,685	406,101	588,404	1,077,312	1,159,898	545,272
Miscellaneous	173,313	581,015	567,079	1,119,502	375,716	377,316	270,192	123,601	197,825	200,014
Gain (loss) on sale of capital assets	-	243,700	73,916	493,358	-	-	122,837	-	-	47,140
Transfers in (out)	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	3,065,224
Total business-type activities	<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>	<u>3,857,650</u>
Total primary government	<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>	<u>\$ 109,414,536</u>
Change in Net Position										
Governmental activities	\$ 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	\$ 30,595,513
Business-type activities	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	19,567,193
Total primary government	<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>	<u>\$ 50,162,706</u>

Source: From Statement of Activities prepared for ACFR.

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

	Fiscal Year									
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
General Fund										
Nonspendable	\$ 359,923	\$ 390,882	\$ 440,644	\$ 323,792	\$ 335,134	\$ 342,576	\$ 371,817	\$ 265,682	\$ 252,089	\$ 350,993
Restricted	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	2,956,942
Committed	282,888	386,518	-	-	-	-	-	-	-	-
Assigned	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	4,954,453
Unassigned	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	56,817,489
Total general fund	<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>	<u>\$ 65,079,877</u>
All Other Governmental Funds										
Nonspendable	\$ 219,564	\$ 247,436	\$ 271,477	\$ 293,238	\$ 8,379,744	\$ 309,428	\$ 318,437	\$ 664,118	\$ 664,652	\$ 392,298
Restricted	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	110,475,662
Assigned	-	-	-	-	-	2,078,968	1,864,086	3,101,098	3,235,171	3,415,545
Unassigned	-	-	-	(282,178)	(2,934,084)	(2,669,832)	(70,068)	(77,271)	(3,013,281)	(465,007)
Total all other governmental funds	<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>	<u>\$ 113,818,498</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									
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Revenues:										
Taxes	\$ 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	\$ 84,239,882
Intergovernmental	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	29,000,278
Grants and entitlements	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	15,172,507
Charges for services	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	4,248,292
Special assessments	8,286,453	722,733	2,734,095	1,857,884	2,916,164	202,243	2,031,111	-	-	-
Licenses and permits	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	5,336,572
Fines and forfeitures	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	932,592
Rents	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	1,442,760
Investment earnings	296,241	(429,656)	722,878	1,145,686	1,636,650	(476,690)	(506,658)	5,037,413	5,362,308	(597,587)
Contributions	390,253	252,377	541,340	368,057	1,962,364	869,484	634,077	457,752	1,207,925	1,536,546
Miscellaneous	492,971	1,261,507	1,813,164	645,571	1,404,390	1,123,129	2,015,501	712,452	496,703	866,789
Total revenues	<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>	<u>142,178,631</u>
Expenditures:										
General governmental	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	16,878,564
Public safety	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	149,188,134
Public works	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	1,213,180
Economic and physical development	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	10,519,174
Culture and recreation	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	11,057,344
Highways and streets	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	9,498,332
Debt service:										
Principal retirement	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	10,705,542
Interest and other charges	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	4,812,854
Capital outlay	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	21,468,334
Total expenditures	<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>	<u>235,341,458</u>
Excess of revenues over (under) expenditures	(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	(93,162,827)
Other Financing Sources (Uses):										
Proceeds of refunding bonds	13,924,136	-	8,270,000	-	-	-	-	-	-	-
Loan issuance	-	-	-	-	-	-	-	-	-	3,094,937
Bond issuance	16,797,287	12,474,557	6,600,000	-	204,956	26,168,531	9,700,000	-	14,935,000	131,000,000
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	-
Sale of capital assets	43,890	49,750	727,996	3,013,051	5,325	-	121,200	20,995	307,013	42,805
Transfers in	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	17,810,600
Transfers out	(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)	(19,749,974)
Total other financing sources (uses)	<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>	<u>132,198,368</u>
Net change in fund balances	<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>	<u>\$ 39,035,541</u>
Debt service as a percentage of non capital expenditures	21.34%	12.52%	14.57%	13.48%	17.57%	17.58%	10.38%	12.89%	11.58%	7.26%

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>
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
2020-2021	6,961	7,386	2,156	26,535	9,655	31,547	84,240
Change 2012-2021	27.19%	10.19%	-8.18%	78.09%	71.61%	199.68%	84.83%

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	Federal Grants	State Grants & Other State	County LEAF IGA	County Library District Funding	Other	Total
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
2020-2021	9,037,429	10,723,977	4,197,164	9,191,151	4,583,681	1,178,620	1,003,560	3,837,589	419,614	44,172,785

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

Fiscal Year	Centrally Valued Property	Commercial Property	Vacant, Agricultural, and Government Property	Residential Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
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	1.6300
2020-2021	35,070,782	287,022,502	127,406,770	625,128,467	95,131,815	979,496,706	1.5510

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)

	2011-2012	2012-2013*	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Construction	\$ 150,868	\$ 164,971	\$ 169,933	\$ 191,297	\$ 176,741	\$ 184,381	\$ 266,900	\$ 188,160	\$ 199,152	\$ 235,259
Building Materials	62,665	-	-	-	-	-	-	-	-	-
Restaurants and Bars	277,954	206,617	218,790	243,560	251,654	260,364	281,133	289,846	282,089	293,283
Hotel/Motel	-	88,924	95,263	108,913	120,995	131,310	146,306	152,568	135,330	159,293
Retail and Auto Sales	678,671	779,109	801,799	852,696	946,522	955,737	1,037,300	1,001,331	1,134,082	1,393,663
Other	154,497	196,534	200,109	213,248	246,500	269,232	274,981	286,815	361,541	406,871
Utilities	116,273	92,968	103,895	109,578	108,474	104,115	107,164	107,320	103,512	104,871
Total	<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>	<u>\$ 2,593,240</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									
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Total City	1.5283	1.5497	1.6795	1.6784	1.6600	1.6487	1.6599	1.6700	1.6299	1.5510
Primary		0.7131	0.8429	0.8418	0.8234	0.8121	0.8233	0.8334	0.7933	0.7510
Secondary		0.8366	0.8366	0.8366	0.8366	0.8366	0.8366	0.8366	0.8366	0.8000
School District	4.9458	4.8712	5.1939	5.1867	5.4555	5.5681	5.1816	5.1475	5.1174	4.9676
Maintenance		3.6182	3.9803	3.7886	4.0824	4.2405	4.0143	3.8173	3.7092	3.5832
Adjacent Ways		0.0459	0.0096	0.0259	0.0216	0.0284	0.0392	0.0000	0.0000	0.0361
15% M&O Override		0.6126	0.7061	0.7138	0.7265	0.737	0.7120	0.7070	0.6672	0.6387
Capital Override		0.1833	0.0000	0.0357	0.1735	0.1219	0.0000	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	0.5478
Desegregation		0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.1843	0.1719	0.1618
Community College	0.4734	0.4927	0.5879	0.6056	0.6105	0.6214	0.6142	0.5959	0.4592	0.4490
Maintenance		0.3875	0.4636	0.4788	0.4864	0.4909	0.4816	0.4741	0.4592	0.4490
Bond		0.1052	0.1243	0.1268	0.1241	0.1305	0.1326	0.1218	0.0000	0.0000
County	0.7656	0.7847	0.9022	0.9202	0.9291	0.9344	0.9234	0.9145	0.8969	0.8849
General Fund		0.4480	0.5466	0.5646	0.5735	0.5788	0.5678	0.5589	0.5413	0.5293
Library District		0.2367	0.2556	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	0.1000
Total	7.7131	7.6983	8.3635	8.3909	8.6551	8.7726	8.3791	8.3279	8.1034	7.8525

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

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

Taxpayer *	2020-2021			2010-2011		
	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	\$ 21,200,032	1	2.29%	\$ 15,448,320	1	1.76%
W L Gore & Associates	20,054,525	2	2.17%	14,307,506	2	1.63%
Nestle Purina PetCare Co.	8,744,641	3	0.94%	4,634,404	5	0.53%
Standared at Flagstaff LLC	8,352,817	4	0.90%	-		0.00%
CCC-Flagstaff LLC	7,315,207	5	0.79%	-		0.00%
Unisource Energy Corporation	5,932,996	6	0.64%	-		0.00%
Little America Hotels & Resorts Inc.	5,098,617	7	0.55%	-		0.00%
Village at Aspen Place LLC	4,673,311	8	0.50%	-		0.00%
Core Campus Flagstaff LLC	4,596,188	9	0.50%	-		0.00%
Wal-Mart Stores	4,088,183	10	0.44%	-		0.00%
MMV DEVCO LLC	3,400,641	11	0.37%	-		0.00%
Cypress Flagstaff Mall LP	3,197,472	12	0.35%	-		0.00%
Ridget at Clear Creek Apts. LLC	3,117,506	13	0.34%	-		0.00%
WCW Mountain Trail LP	3,107,425	14	0.34%	-		0.00%
Elevation Flagstaff AZ LLC	3,003,426	15	0.32%	-		0.00%
BNSF Railway Company	2,747,587	16	0.30%	-		0.00%
Total Principal Taxpayers	<u>\$ 108,630,574</u>		<u>11.74%</u>	<u>\$ 34,390,230</u>		<u>3.92%</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
2011-2012	\$ 11,993,022	\$ 11,635,211	97.0%	\$ 308,409	\$ 11,943,620	99.6%
2012-2013	11,834,969	11,553,471	97.6%	254,471	11,807,942	99.8%
2013-2014	11,039,655	10,778,695	97.6%	234,634	11,013,329	99.8%
2014-2015	11,199,924	11,002,896	98.2%	162,354	11,165,250	99.7%
2015-2016	11,344,815	11,156,213	98.3%	158,069	11,305,158	99.7%
2016-2017	11,708,122	11,500,020	98.2%	165,236	11,665,256	99.6%
2017-2018	12,459,025	12,297,839	98.7%	148,398	12,446,237	99.9%
2018-2019	13,527,514	13,311,900	98.4%	152,925	13,464,825	99.5%
2019-2020	14,158,001	13,834,856	97.7%	258,558	14,093,414	99.5%
2020-2021	14,367,679	14,129,497	98.3%	-	14,129,497	98.3%

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

Fiscal Year	City			State of Arizona	Coconino County	Total
	General Sales Tax	Bed, Board & Beverage	Transportation			
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%
2020-2021	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	Loan Payable	Municipal Facility Corporation Bonds	COP Capital Leases	General Obligation Debt	Revenue Bonds	Term Loan Payable	COP Capital Leases				
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	
2020-2021	43,232	-	19,525	3,095	-	134,549	1,016	23,202	6,245	5,463	236,327	3.0%	3,046	

* - 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					
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	
2020-2021	39,287	1,015	(7,250)	33,052	3.4%	426	

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	\$ 70,745,000	83.24%	\$ 58,889,705
City direct debt			<u>197,306</u>
Total direct and overlapping debt			<u><u>59,087,011</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									
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
20% Debt Limit:										
Debt limit equal to 20% of assessed valuation	\$ 172,808	\$ 158,274	\$ 153,053	\$ 134,139	\$ 142,501	\$ 151,716	\$ 167,935	\$ 173,761	\$ 185,153	\$ 195,899
Total net debt applicable to 20% limit	<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>	<u>40,302</u>
Legal debt margin (Available borrowing capacity)	<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>	<u>\$ 155,597</u>
Total net debt applicable to the 20% limit as a percentage of legal debt margin	31.95%	44.56%	56.71%	60.11%	46.43%	48.90%	37.88%	30.47%	33.04%	25.90%
6% Debt Limit:										
Debt limit equal to 6% of assessed valuation	\$ 51,842	\$ 47,482	\$ 45,916	\$ 40,242	\$ 42,750	\$ 45,515	\$ 50,380	\$ 52,128	\$ 55,546	\$ 58,770
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>\$ 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>	<u>\$ 58,770</u>
Total net debt applicable to the 6% limit as a percentage of legal debt margin	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 2020-2021

Net Secondary Assessed Value as of June 30, 2021	\$ 979,496,706
<hr/>	
<u>20% Limitation</u>	
Debt Limit of 20% of Assessed Value	\$ 195,899,341
Debt applicable to limit:	
General Obligation Bonds	40,301,900
<hr/>	
Legal 20% debt margin (Available borrowing capacity)	\$ 155,597,441
<hr/>	
<u>6% Limitation</u>	
Debt Limit of 6% of Assessed Value	\$ 58,769,802
Debt applicable to limit:	
General Obligation Bonds	-
<hr/>	
Legal 6% debt margin (Available borrowing capacity)	\$ 58,769,802
<hr/>	

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	
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	4,164,505	542,221	4,706,726	2.40
2020-2021	31,402,249	18,649,020	12,753,229	2,186,964	646,475	2,833,439	4.50

(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	
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	
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	
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.
- (3) All bonds were paid off in FY 2019-2020, therefore future years are not presented above.

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	
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
2020-2021	19,379,382	155,000	91,588	246,588	78.59

(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
2020-2021	6,589,410	855,000	628,388	1,483,388	4.44

(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
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	7,057,376	49,189	26.6 *	90.6% *	41.8% *	11,873	4.20%
2020	76,338	7,410,245 *	49,878 *	26.6 *	90.6% *	41.8% *	11,825	4.60%
2021	77,590	7,780,757 *	50,576 *	25.2	94.1%	47.1%	12,515	6.20%

(*) 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/2020 US Census

Education Level - 2010 US Census/2020 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>2021</u>			<u>2012</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	4,394	(1)	1	8.81%	2,571	1	4.66%
W.L. Gore & Associates	2,500	(1)	2	5.01%	1,950	3	3.53%
Flagstaff Medical Center	2,450	(1)	3	4.91%	2,200	2	3.99%
Flagstaff Unified School District	1,295	(1)	4	2.60%	1,375	4	2.49%
Coconino County	1,188	(1)	5	2.38%	1,200	5	2.18%
City of Flagstaff	932	(2,3)	6	1.87%	657	6	1.19%
Arizona Snowbowl	704	(1)	7	1.41%			
North Country Healthcare	531	(1)	8	1.06%			
Coconino Community College	330	(1)	9	0.66%			
Nestle Purina	323	(1)	10	0.65%	240	10	0.44%
US Forest Service	239	(1)	11	0.48%			
Little America Hotel	230	(1)	12	0.46%			
Guidance Center	199	(1)	13	0.40%			
Walmart - Woodland Village	180	(1)	14	0.36%	630	7	1.14%
Joy Cone	177	(1)	15	0.35%			
Fry's Foods	170	(1)	16	0.34%			
Peaks Senior Living Center	162	(1)	17	0.32%			
Lowell Observatory	135	(1)	18	0.27%			
Hozhoni Foundation	115	(1)	19	0.23%			
Prent Thermoforming	75	(1)	20	0.15%			
Walgreens Distribution Center (Closed 2015)	-				407	8	0.74%
Total	16,329			32.72%	11,230		20.36%
2020 & 2010 U.S. Census Labor Force	49,900	Estimated			55,170		

Source:

- (1) Community Investment Section - Economic Vitality
- (2) City of Flagstaff Human Resources
- (3) Includes all positions reflected by FTE hours in Schedule 20

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

Function/Program	Fiscal Year									
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
General Government										
Management services	84.55	85.00	86.00	87.25	91.00	97.25	99.57	99.25	103.50	105.50
Capital management	8.00	7.00	7.00	8.00	8.00	8.00	9.00	9.00	9.00	9.00
City Court	25.18	24.18	24.35	25.35	26.35	29.35	29.35	29.55	29.55	29.55
Public Safety										
Police	172.00	171.00	169.00	169.00	167.00	167.00	173.00	176.00	176.00	177.00
Fire	85.00	85.00	85.00	87.00	88.00	89.00	95.00	94.00	94.00	94.00
Public Works	26.50	26.00	25.00	25.00	25.50	25.50	27.50	27.50	29.50	30.50
Economic and physical development										
Building	39.20	39.20	41.50	43.98	44.98	45.50	48.98	50.50	54.00	55.00
Planning	22.88	21.88	20.88	13.88	14.88	19.88	21.88	24.88	25.80	19.75
Tourism	12.49	12.49	12.93	13.93	13.93	14.15	15.15	15.15	16.15	17.15
Culture and recreation										
Library	51.40	51.40	51.40	52.30	53.43	54.49	55.38	55.08	55.32	55.32
Parks, recreation, and beautification	88.81	84.88	86.03	85.50	90.13	91.69	93.54	94.50	93.85	93.85
Highways and Streets	36.31	34.97	35.52	35.52	33.02	32.02	33.02	33.02	31.52	32.27
Water and wastewater	61.50	61.50	62.00	64.00	66.00	67.00	71.00	73.46	74.42	76.16
Environmental services	59.60	58.50	55.43	55.00	56.25	57.00	57.00	56.00	54.49	55.49
Airport	9.50	9.50	9.50	9.50	9.50	9.50	9.50	11.50	14.50	12.75
Stormwater	6.00	6.00	5.50	4.50	4.50	5.50	5.50	5.50	5.00	7.00
Flagstaff Housing Authority	23.50	24.00	22.00	22.00	21.60	21.28	21.28	21.28	21.80	21.80
Total	812.42	802.50	799.04	801.71	814.07	834.10	865.65	876.17	888.40	892.09

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(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									
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Court										
Criminal Filings	8,857	8,695	8,375	7,273	6,924	7,208	6,364	5,819	7,105	6,752
Traffic filings	9,217	8,340	7,726	8,428	8,190	6,437	6,068	5,315	5,933	4,817
Non-Criminal / Other	547	477	468	554	1,357	4,668	2,250	1,579	1,750	1,486
Purchasing										
Credit card rebates received	\$ 33,923	\$ 34,395	\$ 48,128	\$ 72,037	\$ 94,873	\$ 104,522	\$ 111,281	\$ 114,462	\$ 110,582	\$ 92,204
Fire										
Emergency incidents	7,438	8,023	8,730	9,432	12,775	12,700	14,415	14,626	14,958	15,951
Fire incidents	213	185	177	184	168	190	218	314	153	163
Other calls	2,226	2,298	2,532	2,654	742	3,017	3,296	3,036	3,676	3,695
Inspections assigned	1,468	1,411	1,340	2,341	2,217	1,775	1,775	1,730	1,730	502
Plan Reviews	535	559	512	659	639	743	945	965	960	537
Fuel Management										
Plan Assessment (Acres)	N/A	N/A	N/A	2,300	1,500	1,723	667	345	723	1,013
Site Marking (Acres)	128	284	511	70	555	921	586	79	73	50
Site Thinning (Acres)	197	276	541	820	700	1,381	1,135	1,877	642	140
Prescription Burn (Acres)	697	540	778	333	650	948	860	759	288	745
Police										
Felony reports	2,940	2,910	2,564	2,511	2,769	2,945	2,908	2,881	2,863	2,858
Misdemeanor reports	11,253	11,040	10,383	8,980	9,553	9,531	9,045	8,776	9,222	7,907
Domestic violence incidents	1,961	2,023	1,688	1,550	1,541	1,513	1,478	1,661	1,857	1,908
Non-crime reports	9,886	9,841	7,174	6,036	6,660	6,604	6,070	6,756	7,258	6,637
Accident reports	2,574	2,568	2,180	2,590	2,985	2,926	2,803	2,828	2,519	2,418
Calls dispatched to Police/Sheriff	57,188	60,003	56,373	58,590	62,228	65,566	62,597	61,230	60,479	73,852
Calls dispatched to Fire	13,320	11,497	11,464	11,777	13,565	14,497	14,550	14,749	15,529	23,568

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

Function/Program	Fiscal Year									
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Streets										
Potholes repaired	1,877	2,054	3,605	1,174	1,437	2,367	2,127	886	296	153
Airport										
Fuel Flowage (Gallons Sold)	526,406	490,401	544,028	566,387	603,382	588,506	645,367	855,383	1,267,517	1,295,326
Enplanements	62,872	60,190	61,691	62,578	69,485	65,887	74,707	87,993	111,035	86,544
Refuse collection										
Refuse collected (Landfill tonnage)	137,815	145,793	144,411	143,528	143,639	145,960	109,776	91,105	91,941	104,971
Recyclables collected (total tons)	8,101	8,388	8,343	8,340	12,191	9,452	9,198	9,140	8,285	7,454
Community Development										
Permit Valuation	\$ 85,638,067	\$ 58,089,290	\$ 95,467,771	\$ 93,918,660	\$ 177,068,294	\$ 217,767,173	\$ 149,723,688	\$ 167,323,988	\$ 235,395,255	(1)
Library										
Visits	739,706	715,033	687,735	673,246	660,974	662,838	660,030	617,813	444,396	9,268
Circulation	1,182,956	1,164,789	1,117,652	1,002,125	1,055,176	1,001,074	929,333	954,071	555,361	293,503
Tourism										
Revenue Per Available Room	\$ 50.94	\$ 54.61	\$ 59.99	\$ 69.19	\$ 74.14	\$ 76.06	\$ 75.49	\$ 75.64	\$ 59.72	\$ 75.39

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

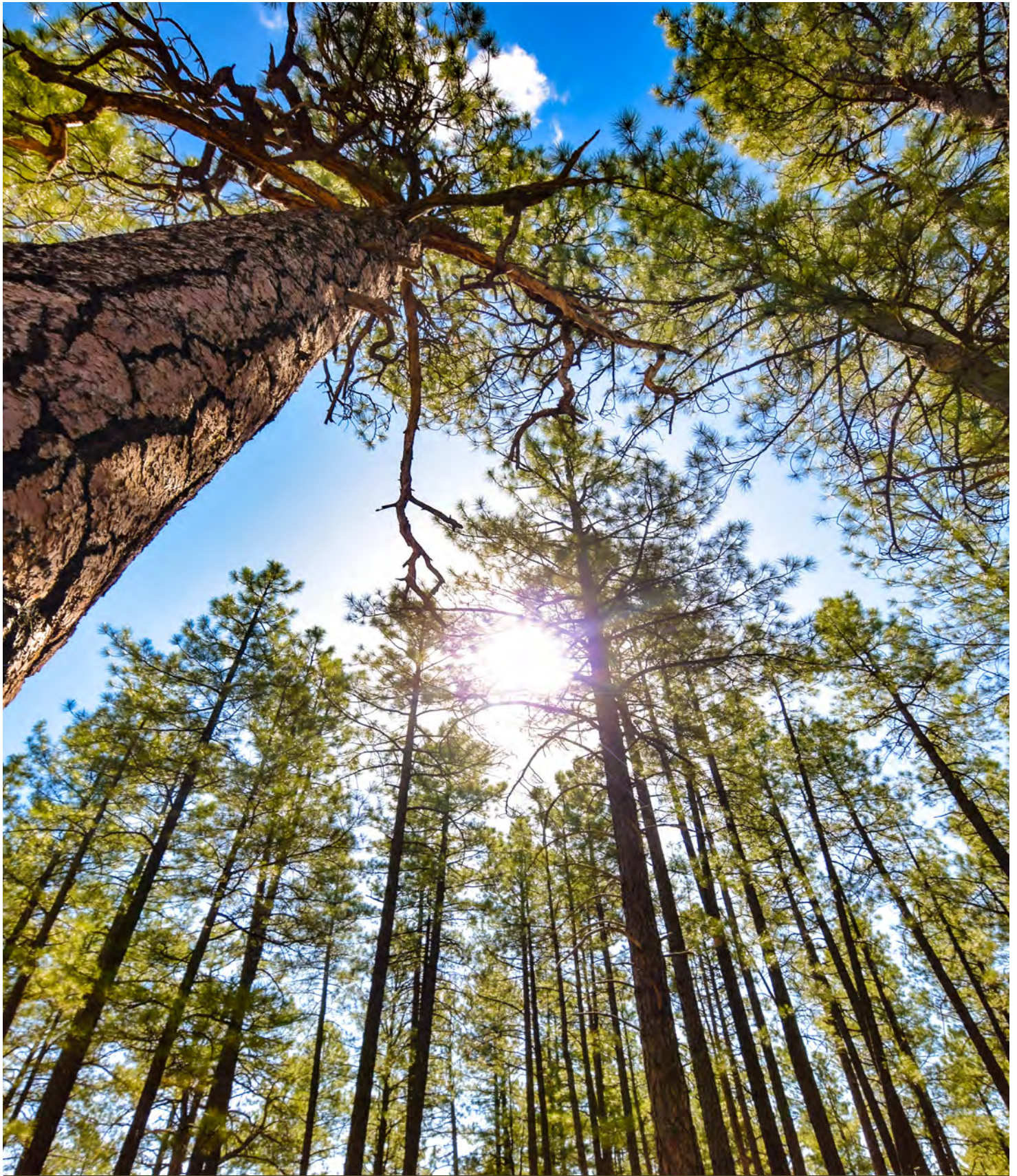
Function/Program	Fiscal Year									
	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Public Safety										
Police patrol units (Includes Motorcycle units)	37	37	37	37	39	39	39	40	43	43
Number of fire hydrants	3,179	3,242	3,242	3,254	3,254	3,257	3,263	3,350	3,397	3,397
Number of fire stations	7	6	6	6	6	6	6	6	6	7
Culture and recreation										
Number of developed parks	23	23	23	23	23	23	23	23	23	24
Number of undeveloped parks	4	4	4	4	5	5	5	5	5	5
Park acreage	680	710	710	736	741	741	741	741	741	741
Flagstaff Urban Trail System - Miles	53	55	55	55	56	56	56	59	59	59
Recreational Buildings	4	4	4	4	4	4	4	4	5	5
Highways and Streets										
Miles of streets, alleys, and sidewalks	814	814	844	844	844	844	844	844	1,018	1,018
Number of street lights	3,466	3,466	3,466	3,466	3,466	3,502	3,502	3,502	3,929	3,951
Water and wastewater										
Miles of sewer	271	274	274	276	276	294	294	294	374	350
Number of manholes	7,308	7,403	7,403	7,493	7,493	7,514	7,514	7,662	7,734	7,734
Total active water accounts	19,020	20,107	19,961	19,934	20,717	20,327	21,483	21,023	21,154	21,156
Average gallon water usage per household per month	5,339	6,326	5,022	4,562	3,901	4,867	4,153	4,170	4,297	4,745
Airport										
Fixed base operators	1	1	1	1	1	1	1	1	1	1
Locally based aircraft	125	209	134	134	132	132	117	117	112	112
Tiedowns	11	11	11	11	12	12	12	12	18	18
Enclosed hangars	61	61	61	61	61	61	61	61	61	62
Open hangars	48	48	48	48	36	44	44	44	48	48

Schedule 23
City of Flagstaff
Insurance Summary
Effective July 1, 2020 to June 30, 2021

Coverage	Limit of Liability
Liability Insurance:	
General Liability*	\$ 2,000,000 / per occurrence
(Includes 2 skateboard parks, bike freestyle park, EMT's)	\$ 6,000,000 / aggregate
Products-Completed Operations	\$ 2,000,000
Each Claim - Occurrence/Offense	\$ 250,000 / per occurrence
	\$ 500,000 / aggregate
Each Claim - Wrongful Act	\$ 250,000 / per occurrence
	\$ 500,000 / aggregate
Medical Payments	\$ 25,000 / \$5,000 deductible
Back Wages	\$ 50,000 / \$25,000 deductible
Fire Damage	\$ 300,000
Land Use Liability	\$ 1,000,000
Organic Pathogens	\$ 100,000 / \$25,000 deductible
Pollution Liability	\$ 100,000 / \$25,000 deductible
Aggregate Deductible	\$ 250,000 / per occurrence
	\$ 500,000 / aggregate
No-Fault Sewer Backup	\$ 5,000 / \$2,500 deductible
Sewer Backup	\$ 1,000,000
Property Insurance:	
Property Deductible	\$100,000 deductible
Municipal Mobile Equipment	\$ 10,015,346 / \$10,000 deductible
Miscellaneous Equipment	\$ 284,882 / \$10,000 deductible
EDP	\$ 1,988,500 / \$10,000 deductible
Fine Arts	\$ 78,700 / \$10,000 deductible

Coverage	Limit of Liability
Auto Insurance:	
Liability	\$ 2,000,000 / \$100,000 deductible
Physical Damage Comprehensive	\$5,000 deductible
Physical Damage Collision	\$5,000 deductible
Hired & Non-Owned	\$ 2,000,000
Auto Extension	
Rental Reimbursement	\$ 3,000
Roadside Assistance	\$ 200
Towing	\$ 250
Trip Interruption	\$ 600
Crime:	
Blanket Public Employees and Treasurer	\$ 1,000,000
Dishonesty Bond Including Faithful Performance of Duty	
Employee Theft - Per Loss	\$ 1,000,000 / \$5,000 deductible
Forgery	\$ 1,000,000
Theft - Inside, Money & Securities	\$ 100,000 / \$250 deductible
Theft - Inside, Robbery	\$ 100,000 / \$250 deductible
Theft - Outside, Money & Securities	\$ 100,000 / \$250 deductible
Computer Fraud	\$ 1,000,000 / \$250 deductible
Funds Transfer Fraud	\$ 1,000,000 / \$250 deductible
Money Orders/Counterfeit	\$ 100,000 / \$250 deductible
Cyber Coverage Aggregate	\$ 2,000,000 / \$50,000 deductible
Municipal Property Extension	\$ 250,000





CITY OF FLAGSTAFF

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flagstaff.az.gov