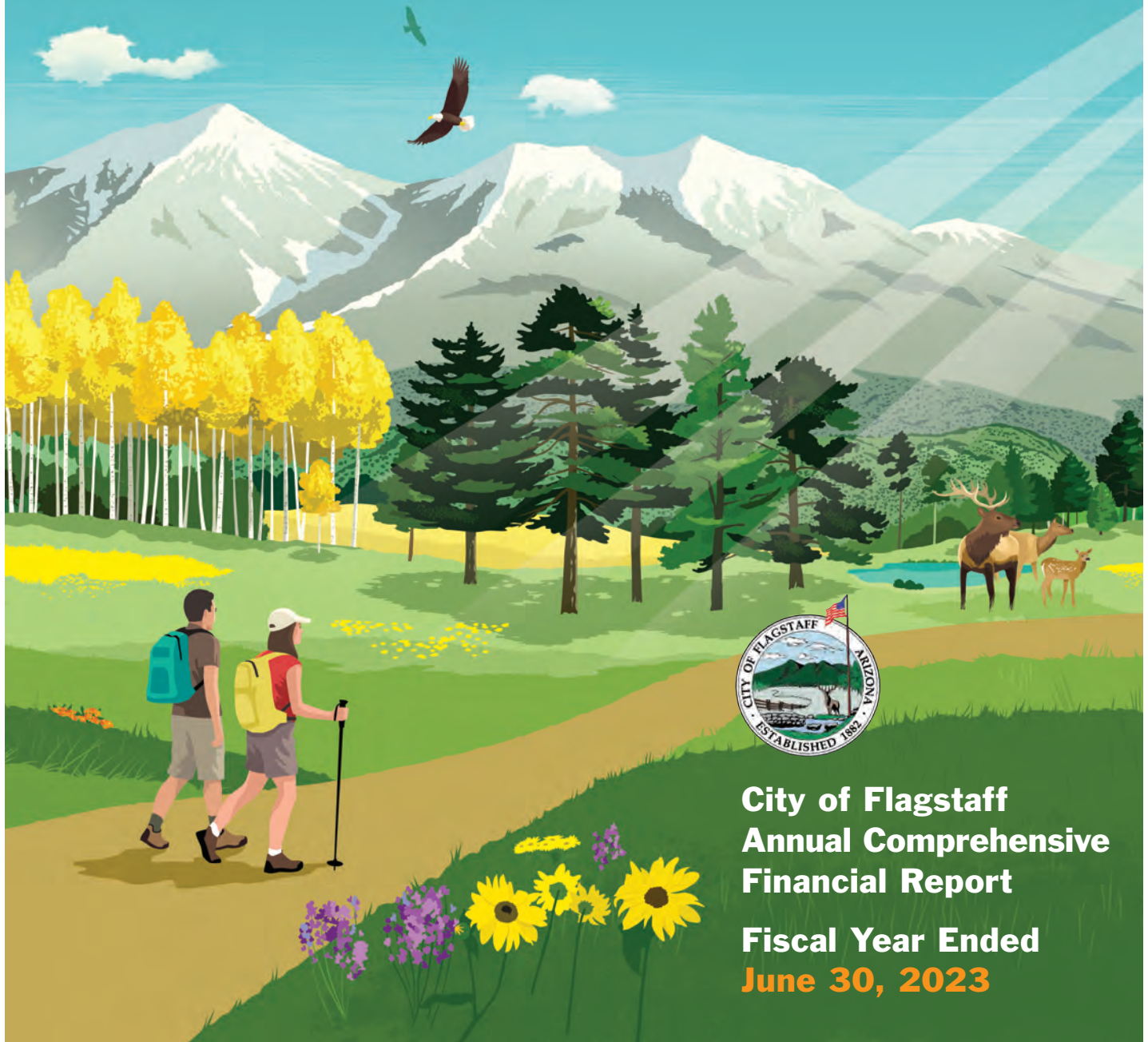


Yep, THAT'S FLAGSTAFF!



**City of Flagstaff
Annual Comprehensive
Financial Report
Fiscal Year Ended
June 30, 2023**

F L A G S T A F F , A R I Z O N A



Annual Comprehensive Financial Report

For Fiscal Year Ended
June 30, 2023

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, 2023

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City of Flagstaff

December 20, 2023

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

I am pleased to submit the Annual Comprehensive Financial Report for the City of Flagstaff, Arizona for the fiscal year ended June 30, 2023, 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, 2023.

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.

Heinfeld, Meech & Co., P.C., 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, 2023. 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 2023 Arizona Department of Administration population of 79,665. 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, 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

The City of Flagstaff continues to experience positive economic growth in our community. At June 30, 2023, overall General Fund revenues, excluding leases, grants, contributions and other financing resources, were well above the adopted budget for the fiscal year, \$7.0 million over budget. The biggest contributors to the revenue growth were retail sales, state shared sales tax and building permits. Court collections was the one category in the General Fund that did not meet budget.

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 28,194 students in 128 bachelor's degree programs and 16 areas of interest for 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.

Tourism is also a large employment sector. Based on a variety of data points, including our trusted partners at Arizona Office of Tourism, the Flagstaff tourism economy is at record levels of visitation and dollars spent. This statistic is despite the fact that international travel has yet to fully rebound for destinations like Flagstaff. The gap of international travel to Flagstaff has been closed by an increase in domestic customers traveling to our mountain town. 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.

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 taxable sales. 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 3.9% compared to the prior fiscal year based on the modified accrual method. The average increase over the past five years is 7.4%. Every sales tax category except Use Tax had an increase over prior year. Retail, the largest category for sales tax, grew just 1.8% (\$282,586). The City of Flagstaff's Hotels/Motels and Restaurants/Bars categories continued strong growth in FY 2022-2023 with 7% and 5% increases respectively. While the state is responsible for collections and auditing, the City continues to work with an external auditor to review tax collections and provide audits. The City continues to follow its' practice to not allocate 100% of 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, parks and 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 6.7% increase over the prior year based on the modified accrual method. This is the is after coming of two years of BBB taxes increased greater than 18%. The average increase over the past five years is 7.9%.

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 6.1% 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 except for census years. State shared sales tax revenues have increased for the thirteenth year in a row. For FY 2022-2023 there was a 6.0% growth in our share of these revenues. State income tax revenues increased by 42.2%. State shared income taxes are based on two years prior of tax collection, so they generally meet budget expectations. The City of Flagstaff anticipated this increase which was related to an extension of the income tax return due date from April to July in 2020 resulting in a large increase after a prior year decrease. State shared vehicle registration tax revenues increased by 5.0%.

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 1.6%. We saw higher gas prices which likely led to less fuel purchased.

Overall, these state shared revenues grew by 16.0% in FY 2022-2023 and 4.2% excluding the large increase in state shared income tax.

Property Taxes

Excluding new construction, total assessed valuations have increased 3.4% for tax year 2022, FY 2022-2023. With new construction, total assessed valuations increased 1.3% 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 2023-2024 (tax year 2023) the City of Flagstaff did not adopt a rate that increased our levy by 2% the allowable limit. We are currently at 8% below the maximum allowable levy.

Additional Information

The FY 2023-2024 budget was adopted based on conservative estimates due to an uncertain economy related to inflation and potential recession. At budget adoption the City of Flagstaff is anticipating seeing healthy increases in General Fund budgeted revenue in FY 2022-2023 (excluding grants, miscellaneous revenue, rents and other financing sources) by 12% primarily related to our 1% sales tax and our state shared income tax revenues. Through September 2023, sales tax revenues are 1.0% below prior year to date actuals and state shared sales taxes are 2.6% above prior year to date actuals. The City of Flagstaff increased its overall staffing count by 24.22 full-time equivalencies for the upcoming fiscal year.

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. NAU is reporting a small increase in student enrollment fall for the Flagstaff campus. The city has also seen six new student housing developments opened in the last five 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 which has one airline providing service at June 30, 2023. The airline provides daily service to Phoenix and Dallas. The airport and airlines were 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.

Our latest public offering occurred in June 2020 where 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

The City of Flagstaff has two separate public safety pension plans that are managed by the Public Safety Personnel Retirement System (PSPRS). While all the PSPRS plans are managed by the State, each plan within PSPRS stands alone by the City of Flagstaff and the employee groups. The two plans for the City of Flagstaff are the PSPRS-Fire and the PSPRS-Police. As of the latest Public Safety Personnel Retirement System (PSPRS) for the reporting period ending June 30, 2022, both Fire and Police pension plans are funded above 104% and 101% respectively.

During FY 2020-2021, the City issued \$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 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 has more than \$15.0 million in its contingency reserve fund to manage changes on our annual actuarial plans.

Annually the City of Flagstaff adopts a PSPRS Pension Funding Policy. The policy demonstrates how the City of Flagstaff will manage and fund our public safety pension plans and maintain plans that are funded at or greater than 100%. During fiscal year 2022-2023, pension returns met the anticipated 7.2% rate of return. Currently we anticipate our pension plans will be above 100% funded to the reporting period ending June 30, 2023. The report is expected to be released in December.

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 of Flagstaff adopted an Economic Recession Plan for the organization. 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.

Priority Based Budgeting

The City is using Priority Based Budgeting related to operational budget for City programs. 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 Key Community Priorities and Objectives for the City of Flagstaff most recently used:

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, 2022. This was the 29th 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 2022-2023 annual budget (29 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.

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, Martin Donohoe, Assistant Finance Manager, 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

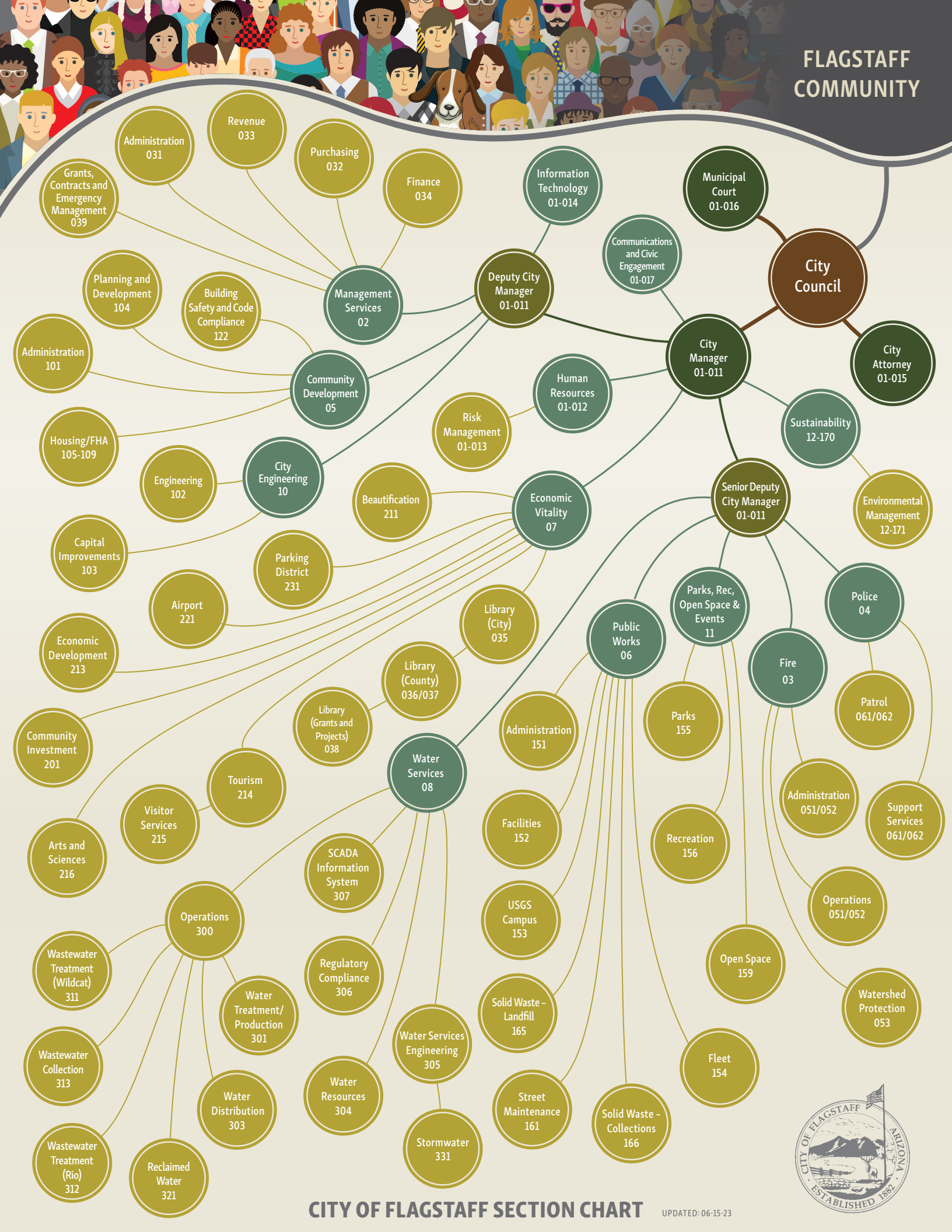
**City of Flagstaff
Arizona**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO



City of Flagstaff, Arizona
List of Elected and Appointed Officials
June 30, 2023

Elected Officials

Mayor Becky Daggett
Vice Mayor Austin Aslan
Councilmember Deborah Harris
Councilmember Khara House
Councilmember Lori Matthews
Councilmember Jim McCarthy
Councilmember Miranda Sweet

Appointed Officials

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

Independent Auditor's Report

Honorable Mayor and Members of the City Council
City of Flagstaff, Arizona

Report on Audit of Financial Statements

Opinions

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 City of Flagstaff, Arizona (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, the budgetary comparison information for the General Fund, Highway User Revenue Fund, the Transit Tax Fund, and the aggregate remaining fund information of the City of Flagstaff, Arizona, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of City of Flagstaff, Arizona, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1, the City implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, for the year ended June 30, 2023, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, net pension liability information, and other postemployment benefit plan information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 Fund Financial Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 Combining and Individual Fund Financial Statements and Schedules information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and Statistical Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on other work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2023, on our consideration of City of Flagstaff, Arizona's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 of Flagstaff, Arizona'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 City of Flagstaff, Arizona's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Flagstaff, Arizona
December 20, 2023



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, 2023. 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 –xi of this report.

Financial Highlights

- The City's total net position at the close of the most recent fiscal year is \$823.1 million.
- The government's total net position increased by \$60.9 million during the fiscal year. This is a result of an increase in net position in the governmental activities of \$53.8 million and an increase in net position in the business type activities of \$7.1 million.
- As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$229.9 million, an increase of \$22.4 million in comparison to the prior fiscal year. Approximately 27.5% of this total amount (\$63.2 million) is unassigned fund balance available for spending at the government's discretion.
- As of June 30, 2023, total unassigned fund balance for the General Fund was \$65.3 million, or 92.0% of total General Fund expenditures (\$70.9 million).
- As of June 30, 2023, the City's proprietary funds reported combined total net position of \$409.0 million, and total unrestricted of \$46.0 million. The largest unrestricted component of net position is in the Water and Wastewater Fund (\$53.5 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, Highway User Revenue Fund (HURF), and Transportation Tax Fund, which are all considered major funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of Combining Statements on pages 110-113.

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

The basic Governmental Fund Financial Statements can be found on pages 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 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.

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 40-92 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 110-113.

Other Information

In addition to the Basic Financial Statements and accompanying Notes to the Financial Statement, this report also presents certain Required Supplemental Information regarding the City's pension and other post-employment benefits as well as other Supplemental Information concerning the City's budgetary comparison of non-major governmental funds and financial data submission schedules. Required Supplemental Information can be found on pages 93-106 and Other Supplemental Information on pages 115-140 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 \$823.1 million as of June 30, 2023.

Of the City's Net Position, 83.6% reflects its investment of \$687.7 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, 2023 and 2022 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022
Current and other assets	\$ 268,402	\$ 272,061	\$ 93,900	\$ 93,224	\$ 362,302	\$ 365,285
Capital assets	381,820	361,731	393,525	389,465	775,345	751,196
Total assets	<u>650,222</u>	<u>633,792</u>	<u>487,425</u>	<u>482,689</u>	<u>1,137,647</u>	<u>1,116,481</u>
Total deferred outflows of resources	15,761	17,821	2,917	3,822	18,678	21,643
Long-term liabilities	207,114	213,485	61,778	61,582	268,892	275,067
Other liabilities	36,546	33,369	11,553	13,941	48,099	47,310
Total liabilities	<u>243,660</u>	<u>246,854</u>	<u>73,331</u>	<u>75,523</u>	<u>316,991</u>	<u>322,377</u>
Total deferred inflows of resources	8,887	43,444	7,388	11,673	16,275	55,117
Net investment in capital assets	326,644	302,991	361,088	351,090	687,732	654,081
Restricted	163,988	168,107	1,876	1,524	165,864	169,631
Unrestricted	(77,196)	(109,783)	46,659	46,701	(30,537)	(63,082)
Total net position	<u>\$ 413,436</u>	<u>\$ 361,315</u>	<u>\$ 409,623</u>	<u>\$ 399,315</u>	<u>\$ 823,059</u>	<u>\$ 760,630</u>

Total assets increased mainly due to the net change in capital assets, cash, investments and equivalents and Total liabilities decreased primarily due to decreases in bonds, notes and lease payables, and net OPEB liability.

A portion of the City's net position, \$165.7 million (20.1%), 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 decreased by 1.3% (\$3.7 million). The largest decrease was in net pension asset (\$28.5 million) for changes in actuarial assumptions and negative market returns. Other decreases include accounts receivable (\$4.3 million). These decreases are offset by cash, investments and equivalents increases of \$26.6 million with an increase in the general fund of \$6.0 million and transportation tax fund of \$11.1 million as well as prepaids items increases of \$1.3 million mainly due to prepayment for fire engine purchases. Capital assets, non-depreciable increased \$20.1 million due to several large capital projects were in progress during the fiscal year.

Deferred outflows of resources for the governmental activities have decreased \$2.1 million and is mainly related to the pension/OPEB related deferred outflows. Deferred inflows of resources for the governmental activities have decreased \$34.6 million related to the pension/OPEB related deferred inflows.

Capital assets of the governmental activities, funded through operations, debt proceeds, grants and contributions increased by 5.6% (\$20.1 million) due to several large capital outlays and capital contributions net of depreciation and amortization expense of \$15.2 million.

Governmental activities long-term liabilities decreased by 3.0% (\$6.4 million) mainly due to a \$14.2 million in bonds, notes, subscription and lease payables offset by an increase in net pension liability of \$6.9 million.

Total assets for business-type activities have increased by 1.0% (\$4.7 million) mainly due to an increase in capital assets (\$4.1 million).

Total liabilities for business-type activities decreased by 2.9% (\$2.2 million). Major changes include a decrease in bonds, notes, subscription and lease payable of (\$5.2 million) and accounts payable of (\$1.2 million) which was partially offset by increase in net pension liability of (\$2.5 million) and landfill post closure liability (\$2.9 million).

Overall, the business-type net position has increased by 1.8% (\$7.1 million) due mainly to an increase of \$10.0 million in net investment in capital assets. The changes are primarily in the stormwater and water and wastewater fund.

Analysis of Change in Net Position

The City's overall net position has increased by \$60.9 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, 2023 and 2022 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2022-2023	2021-2022	2022-2023	2021-2022	2022-2023	2021-2022
Revenues						
Program Revenues:						
Charges for services	\$ 12,524	\$ 14,242	\$ 54,104	\$ 54,634	\$ 66,628	\$ 68,876
Operating grants and contributions	8,457	19,527	11,907	9,120	20,364	28,647
Capital grants and contributions	16,130	11,457	8,520	3,997	24,650	15,454
General Revenues:						
Property taxes	15,343	14,943	-	-	15,343	14,943
Sales taxes	81,305	77,099	-	-	81,305	77,099
State shared taxes	30,874	25,466	-	-	30,874	25,466
Investment earnings	4,061	(5,379)	2,441	527	6,502	(4,852)
Other	741	1,595	199	212	940	1,807
Total revenues	<u>169,435</u>	<u>158,950</u>	<u>77,171</u>	<u>68,490</u>	<u>246,606</u>	<u>227,440</u>
Expenses						
General government	24,483	21,949	-	-	24,483	21,949
Public safety	37,169	37,540	-	-	37,169	37,540
Public works	2,390	1,158	-	-	2,390	1,158
Economic and physical development	11,687	10,083	-	-	11,687	10,083
Culture and recreation	15,847	14,373	-	-	15,847	14,373
Highways and streets	20,299	18,787	-	-	20,299	18,787
Interest on long-term debt	4,357	4,739	-	-	4,357	4,739
Water	-	-	21,614	18,451	21,614	18,451
Wastewater	-	-	10,300	9,239	10,300	9,239
Environmental	-	-	17,923	13,226	17,923	13,226
Airport	-	-	6,333	3,816	6,333	3,816
Housing Authority	-	-	9,600	7,594	9,600	7,594
Stormwater	-	-	3,716	5,532	3,716	5,532
Total expenses	<u>116,232</u>	<u>108,629</u>	<u>69,486</u>	<u>57,858</u>	<u>185,718</u>	<u>166,487</u>
Increase in net position before contributions and transfers	53,203	50,321	7,685	10,632	60,888	60,953
Principal contributions to permanent fund	12	13	-	20	12	33
Transfers	567	(880)	(567)	880	-	-
Change in net position	<u>53,782</u>	<u>49,454</u>	<u>7,118</u>	<u>11,532</u>	<u>60,900</u>	<u>60,986</u>
Net position at beginning of year (as restated)	359,654	311,861	402,505	387,783	762,159	699,644
Net position at end of year	<u>\$ 413,436</u>	<u>\$ 361,315</u>	<u>\$ 409,623</u>	<u>\$ 399,315</u>	<u>\$ 823,059</u>	<u>\$ 760,630</u>

Governmental Activities

Governmental activities increased the City's net position by \$53.8 million. The key factors for this increase are as follows:

- Revenues exceeded expenses by \$53.2 million as compared to last year of \$50.3 million.
- Charges for services decreased 12% (\$1.7 million) related primarily to decreases in the general fund licenses and permit fees.
- Operating grants and contributions decreased 56.7% (\$11.1 million) due primarily American Rescue Plan revenues of \$10.2 million in the prior year.
- Capital grants and contributions increased 40.8% (\$4.7 million) mainly due to developer and other partner contributions to transportation improvement projects.
- Property taxes increased 2.7% (\$400,000) mainly due to an increase in City secondary property taxes levied for debt service.

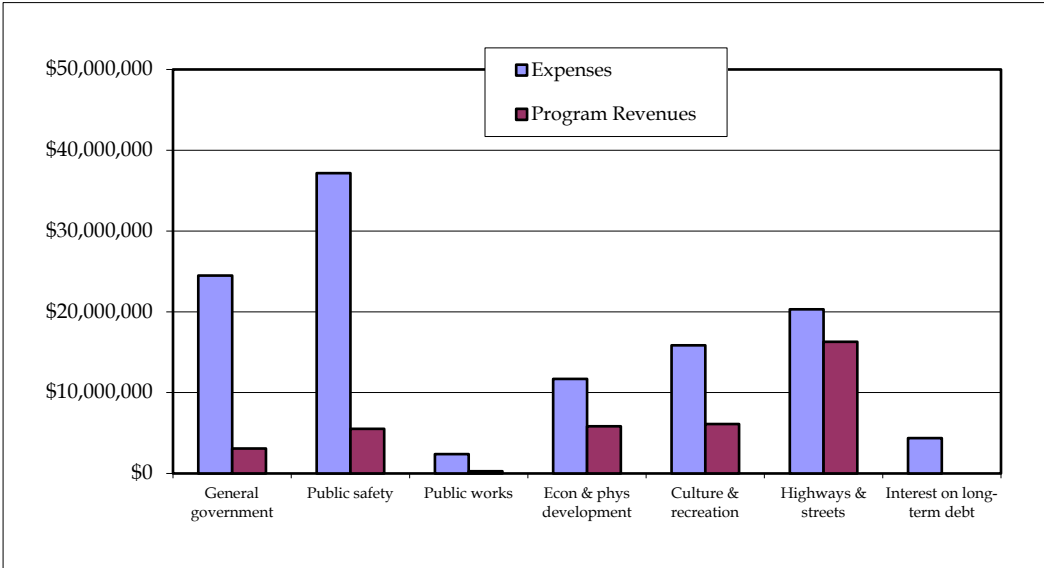
- City sales tax revenues increased by 2.7% (\$4.2 million) mainly due to increases in sales tax revenues related to increased consumer spending, thriving local businesses, and a robust economy fostering heightened commercial transactions.
- State shared taxes had a 21.2% (\$5.4 million) increase due mainly to increases in state shared income tax to timing of income tax return and economy recovery from the pandemic.
- Expenses have increased by \$7.6 million (7.0%). The increases were in general government (\$2.5 million), public works (\$1.2 million), economic and physical development (\$1.6 million), culture and recreation (\$1.5 million), and highways and streets (\$1.5 million). The decreases were public safety (\$371,000), and interest on long-term debt (\$382,000).

Business-type Activities

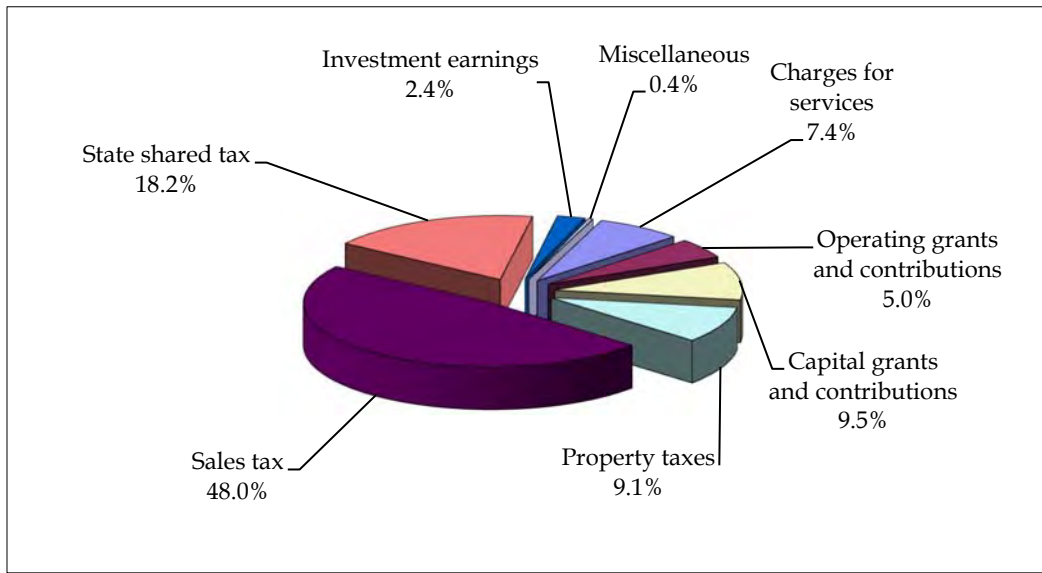
Business-type activities had a net position increase of \$7.1 million. The key factors for this increase include:

- Charges for service have decreased by 1.0% (\$530,000). Funds with large decreases include Airport (\$535,000) and Wastewater and reclaimed (\$489,000) partially offset by increases Stormwater (\$282,000) and Water (\$227,000).
- Operating grants and contributions have increased by 30.6% (\$2.8 million) due to increase in Airport (\$1.6 million) and The Housing Authority (\$1.1 million).
- Capital grants and contributions have increased by 113.2% (\$4.5 million) due to a increases in utility capacity fees and developer contributed capital.
- Expenses have increased over the prior year by 20.1% (\$11.6 million). There were increases in Environmental (\$4.7 million), Water (\$3.2 million), Airport (\$2.5 million), Housing Authority (\$2.0 million) and Wastewater (\$1.1 million) which was partially offset by a decrease in Stormwater (1.8 million).

Expenses and Program Revenues by Function - Governmental Activities



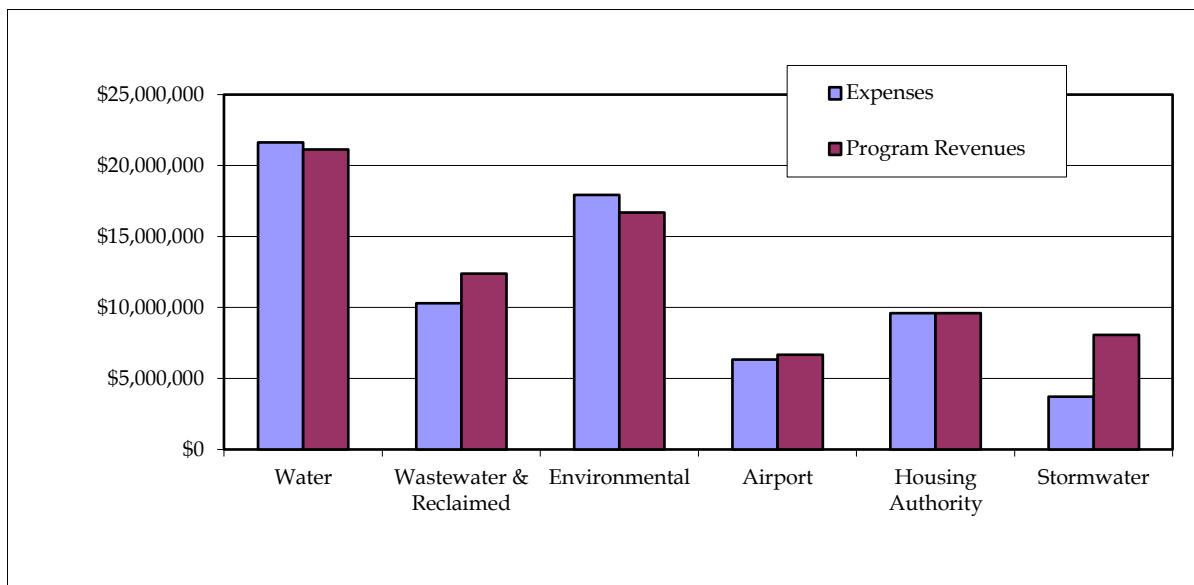
Revenues by Source - Governmental Activities



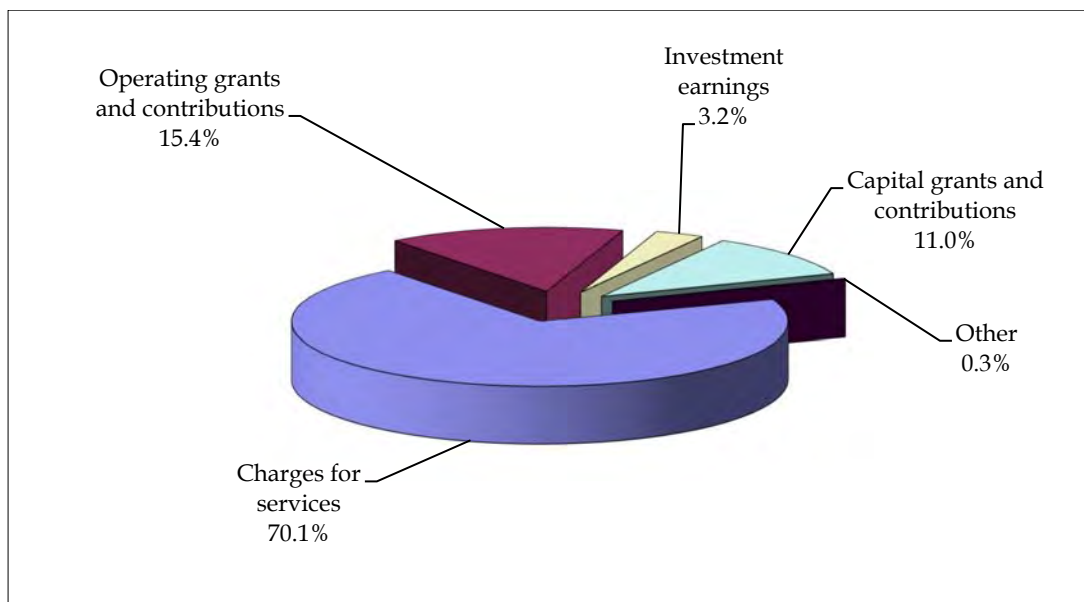
As shown, Public Safety is the largest function as measured by expense (\$37.2 million, 32.0%) followed by General Government (\$24.5 million, 21.1%) and Highways and Streets (\$20.3 million, 17.5%).

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 (\$81.3 million, 48.0%), followed by state shared tax (\$30.9 million, 18.2%) and capital grants and contributions (\$16.1 million, 9.5%). The top three revenues make up 75.7% of total revenues compared to last year's top three of 76.8%. 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 \$21.6 million for the fiscal year, followed by Environmental Services with \$17.9 million, Wastewater and Reclaimed with \$10.3 million, Housing Authority with \$9.6 million, Airport with \$6.3 million and Stormwater with \$3.7 million. For the fiscal year, program revenue exceeded expenses for the Wastewater and Reclaimed, Stormwater, Airport, and Housing Authority Funds. Water, Wastewater and Reclaimed, Environmental Services and Stormwater received most of their program revenues through charges for services (83.5%, 95.7%, 84.1% and 91.8% respectively). The Airport and Housing Authority Fund receive most of their program revenue through operating grants and contributions (68.5%, and 71.7% respectively). Charges for services provided the largest share of revenues (72.6%) for all the business-type activities, followed by operating grants and contributions (16.0%) and capital grants and contributions (11.4%).

The expenses for the business-type activities increased (20.1%, \$11.6 million). There were increases in Environmental (35.5%, \$4.7 million), Water (17.1%, \$3.2 million), Airport (65.9%, \$2.5 million), Housing Authority (26.3%, \$2.0 million) and Wastewater (11.5%, \$1.1 million) which was partially offset by a decrease in Stormwater (32.8%, \$1.8 million).

The garbage collection user fees rates were increased on January 3, 2023, Water & Wastewater user fees were last increased on January 1, 2020 and Stormwater user fees on April 1 2023. Water, Stormwater, Housing Authority increased charges for service revenue at 1.3%, 6.3%, and 8.8%, respectively. Wastewater & Reclaimed, Environmental Services, and Airport charges for service revenues decreased by 4.0%, 1.4% and 21.0% over the prior year, respectively.

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 \$229.9 million, an increase of \$22.4 million in comparison to the prior year. Approximately \$63.2 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 (\$5.1 million) for prepaid items, inventory and perpetual care, (2) restricted (\$150.2 million) for special revenue funds, debt service, development fee projects, court improvements and operations, grant purposes, perpetual care and capital projects, and (3) assigned (\$11.4 million) for court services, capital reserves, parking district and real estate.

Revenues for governmental functions overall totaled \$168.0 million in the fiscal year ended June 30, 2023, which represents an increase of 6.2% or \$9.8 million from the prior fiscal year. Several revenue categories show increases over prior year including taxes, intergovernmental, contributions and investment earnings. These increases include taxes (5.0%, \$4.6 million), intergovernmental (20.0%, \$6.1 million), investment earnings (172.3%, \$9.3 million), and contributions (412.6%, \$4.1 million). The increase in taxes is due to steady growth in our local economy. The major decreases in revenue categories include grants and entitlements (48.7%, \$11.9 million), licenses and permits (29.8%, \$1.7 million), and miscellaneous (51.7%, \$741,000).

Expenditures for governmental functions (\$145.5 million) increased by 16.3% (\$20.4 million) from the prior fiscal year. The increase in expenditures is related capital expenditures (62.7%, \$12.0 million), general government (10.8%, \$2.3 million), public safety (6.5%, \$2.2 million), culture and recreation (8.6%, \$1.1 million), economic and physical development (10.2%, \$1.0 million), public works (84.2%, \$791,000), and highways and streets (6.8%, \$574,000), debt services expenditures (2.3%, \$440,000).

In the fiscal year ended June 30, 2023, revenues exceeded expenditures for governmental functions by approximately \$22.5 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 \$65.3 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 92% of General Fund expenditures.

The total fund balance in the City's General Fund increased by \$6.1 million during the fiscal year as revenue increased 14.8% and expenditures increased 15.5%. Overall, the General Fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2023, of \$13.6 million. This is a increase of approximately \$1.3 million over the comparable figure from the prior year which resulted in revenue in excess of expenditures of \$12.3 million. This increase from prior year was a result of increases in investment earnings of \$6.2 million and intergovernmental \$5.5 million resulting from continued growth in the economy and increases in state urban revenue share, respectively. These increases in revenue were partially offset by increases in expenditures in capital outlay (\$2.9 million), general government (\$2.4 million), and public safety (\$2.1 million).

HURF Fund balance increased by \$2.3 million or 20.2%. Revenues increased \$739,000 or 6.7% due mainly to an increase in contributions. Expenditures increased \$6.8 million or 68.1% due to various street improvements and capital projects. Other finance sources and uses increased \$5.5 million due to increase in transfers in from Transportation Fund to support capital outlay within the HURF fund.

Transportation Fund balances increased by \$11.3 million. Revenues increased \$5.8 million due to taxes, investment earnings and contributions. Expenditures remained relatively flat over the prior year. Other financing uses increased \$5.4 million to fund transportation projects in the HURF fund. Transportation taxes increased due to increased sales activity during the current year and an increase in interest rate and available cash accounts for increase in investment earnings.

Nonmajor governmental fund balance increased by \$2.7 million. There were large increases in the following BBB funds: park maintenance and operations (\$1.2 million), tourism (\$419,000), and public art (\$250,000).

Proprietary Funds

The City's Proprietary Funds provide the same type of information found in the Government-wide Financial Statements, but in more detail. At the end of the fiscal year, the unrestricted component of net position had positive balances for Water and Wastewater, Environmental Services, and Housing Authority. 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 and. Airport also had deficit unrestricted balance due to increase in investment in capital improvements at the Airport. The Internal Service Fund, which is used to account for risk management and health insurance activities, had an unrestricted net position of \$8.8 million.

Revenues and transfers exceeded expenses and transfers out in the proprietary funds by \$6.4 million for the fiscal year ended June 30, 2023. Water and Wastewater, Stormwater, Airport and Housing Authority had growth in their net position for the fiscal year ended June 30, 2023. A major part of the overall increase was related to capital contributions related to grants and external sources (\$8.5 million) which was partially offset by losses and impairments of capital assets totaling (\$3.0 million).

Budget Highlights

The City's final budget matches the original budget which was approved by Council in June 2022. The City looks at the budget to actual at the division level and no division exceeded its appropriation. There were five revenue transfers that were greater than budgeted. A General fund transfer from Economic Development (\$738,000), a Highway User Revenue Transfer from Safety Improvements (\$566,000), a Water transfer from Debt Services (\$857,000), Wastewater transfer from Stormwater (\$191,000) and Downtown mile transfer from Stormwater (\$444,000).

The General Fund was 12.7% (\$12.4 million) under the final budgeted total revenues primarily due to grants and entitlements (\$19.0 million) offset by taxes (\$3.4 million), intergovernmental revenues (\$1.7 million), and investment earnings (\$921,000).

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 more than budget while transfers out were less than 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, 2023, amount to \$775.3 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 3.2% (\$24.1 million). The following table reflects the capital assets at year end.

Capital Assets, Net of Depreciation/Amortization
June 30, 2023 and 2022 (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	<u>2022-2023</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2021-2022</u>
Land and other non-depreciable assets	\$ 74,266	\$ 68,859	\$ 19,965	\$ 16,048	\$ 94,231	\$ 84,907
Buildings	86,714	88,585	39,123	40,207	125,837	128,792
Improvements	4,019	4,392	258,676	260,261	262,695	264,653
Machinery and equipment	14,205	12,072	22,113	21,445	36,318	33,517
Infrastructure	152,937	154,117	-	-	152,937	154,117
Construction in progress	49,179	33,320	53,625	51,501	102,804	84,821
Right to use subscription asset	291	-	22	-	313	-
Right to lease asset: buildings	209	386	-	-	209	386
Right to lease asset: land	-	-	1	3	1	3
Total	<u>\$ 381,820</u>	<u>\$ 361,731</u>	<u>\$ 393,525</u>	<u>\$ 389,465</u>	<u>\$ 775,345</u>	<u>\$ 751,196</u>

Construction-in-progress had a net increase of 21.2% (\$18.0 million). Major construction-in-progress includes the Beulah/University Realignment (\$5.6 million), RR&SS Utility Replacement #4 Coconino Estates project (\$3.8 million), Lone Tree Overpass (\$3.7 million), and Lone Tree- Butler to Pine Knoll (\$1.3 million). The decrease to buildings (\$3.0 million) is related to depreciation. The decrease in improvements (\$2.0 million) is mainly due depreciation. Infrastructure decrease (\$1.2 million) is related mainly related to 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 57-58 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 \$203.3 million. Of this amount, \$27.9 million is general obligation bonds backed by the full faith and credit of the City, \$41.2 million is revenue bonds, \$123.9 million is for certificates of participation, \$283,000 is for subscriptions, and \$1.0 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, 2023 and 2022 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	<u>2022-2023</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2021-2022</u>
General obligation debt	\$ 30,742	\$ 36,972	\$ -	\$ 936	\$ 30,742	\$ 37,908
Revenue bonds	17,223	18,423	25,479	29,242	42,702	47,665
Other debt	120,607	127,019	3,469	3,569	124,076	130,588
Subscriptions	261	-	22	-	283	-
Lease/Loans	3,742	4,319	1,792	2,230	5,534	6,549
Total debt payable	<u>\$ 172,575</u>	<u>\$ 186,733</u>	<u>\$ 30,762</u>	<u>\$ 35,977</u>	<u>\$ 203,337</u>	<u>\$ 222,710</u>

During FY 2022-2023, the City's total debt decreased by a net \$19.4 million. Total debt increased \$283,000 during FY 2022-2023 are due mainly to the implementation of GASB 96 for subscriptions-based information technology agreement. All 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, 2023, is \$64.8 million in the 6% category and \$215.8 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
General Obligation Bonds	AA	Aa2
Revenue Bonds	AA-	Not Available
Certificates of Participation	AA-	Not Available

Additional information on the City's long-term debt can be found in Section III F on pages 61-71 of the Notes to the Financial Statements.

Economic Factors and Next Year's Budget and Rates

The Fiscal Year 2023-2024 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 20% of operating revenues. It is currently projected to be 32.6%.
- Building permits exceeded budget in fiscal year 2021-2022 by \$500,000. However, we remain conservative in our projections for FY 2023-2024 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 2023-2024 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 2023-2024 budget includes a comprehensive pay and benefit increase, new positions related to capacity needs, and infrastructure repairs.
 - Some of the larger items are \$92.3 million for transportation improvements, \$70.2 million programmed for water, wastewater and reclaimed capital equipment and improvements and \$40.0 million in Stormwater improvements.
- The total authorized positions increased by 24.2 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 an accelerated rate. The secondary property tax rates remained flat to match the required debt service payments.
- The City continues to pursue federal and state grant dollars to enhance the local economy.

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, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash, investments and equivalents	\$ 206,626,446	\$ 60,683,939	\$ 267,310,385
Accounts receivable, net	15,270,899	6,543,425	21,814,324
Interest receivable	627,654	252,740	880,394
Intergovernmental receivable	2,439,360	3,916,362	6,355,722
Note receivable	255,200	-	255,200
Lease receivable	3,304,943	6,190,359	9,495,302
Internal balance	2,602,242	(2,602,242)	-
Deposits	-	8,763	8,763
Inventory	593,840	-	593,840
Prepaid items	4,106,615	217,221	4,323,836
Restricted cash and investments	26,307,439	18,362,239	44,669,678
Net OPEB asset	1,715,272	-	1,715,272
Net pension asset	4,552,008	326,577	4,878,585
Capital assets, non-depreciable	123,445,451	73,590,096	197,035,547
Capital assets, depreciable, net	258,374,069	319,935,037	578,309,106
Total assets	650,221,438	487,424,516	1,137,645,954
Deferred Outflows of Resources			
Deferred outflow related to advance refunding	-	152,753	152,753
Deferred outflows related to pensions/OPEB	15,760,876	2,763,945	18,524,821
Total deferred outflows of resources	15,760,876	2,916,698	18,677,574
Liabilities			
Accounts payable	11,112,774	4,285,447	15,398,221
Accrued payroll	1,095,961	251,215	1,347,176
Construction retainage payable	1,184,297	222,781	1,407,078
Interest payable	1,399,939	363,303	1,763,242
Advanced revenue	3,466,058	305,500	3,771,558
Deposits payable	3,003,198	1,576,260	4,579,458
Noncurrent liabilities:			
Due within one year:			
Compensated absences	2,199,575	374,199	2,573,774
Claims and judgements	114,224	-	114,224
Net OPEB liability	378,687	89,405	468,092
Bonds, notes, subscriptions and leases payable, net	12,590,950	4,084,392	16,675,342
Due in more than one year:			
Compensated absences	2,783,390	400,473	3,183,863
Claims and judgements	125,000	-	125,000
Landfill closure and post-closure care costs	-	20,340,020	20,340,020
Net OPEB liability	7,558,300	1,784,469	9,342,769
Net pension liability	36,663,210	12,576,200	49,239,410
Bonds, notes, subscriptions and leases payable, net	159,983,841	26,677,117	186,660,958
Total liabilities	243,659,404	73,330,781	316,990,185
Deferred Inflows of Resources			
Deferred inflows related to leases	3,230,861	6,111,251	9,342,112
Deferred inflows related to pensions/OPEB	5,655,785	1,276,651	6,932,436
Total deferred inflows of resources	8,886,646	7,387,902	16,274,548
Net Position			
Net investment in capital assets	326,644,405	361,087,976	687,732,381
Restricted for:			
Capital projects	86,276,802	-	86,276,802
Debt service	21,118,883	-	21,118,883
Specific programming	56,178,667	1,875,729	58,054,396
Perpetual care:			
Expendable	55,989	-	55,989
Nonexpendable	357,193	-	357,193
Unrestricted:	(77,195,675)	46,658,826	(30,536,849)
Total Net Position	\$ 413,436,264	\$ 409,622,531	\$ 823,058,795

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

City of Flagstaff, Arizona
Statement of Activities
Year Ended June 30, 2023

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government					
Governmental activities:					
General government	\$ 24,482,695	\$ 1,499,758	\$ 2,260,868	\$ 660,429	\$ 160,910
Public safety	37,169,436	(78,968)	1,822,767	3,000,802	695,798
Public works	2,389,867	271,336	-	12,251	250,000
Economic and physical development	11,687,092	471,535	5,508,450	328,155	-
Culture and recreation	15,847,143	(534,744)	1,446,674	4,467,381	199,688
Highways and streets	20,298,481	(1,628,917)	1,472,794	-	14,823,768
Interest on long-term debt	4,356,878	-	-	-	-
Total governmental activities	<u>116,231,592</u>	<u>-</u>	<u>12,511,553</u>	<u>8,469,018</u>	<u>16,130,164</u>
Business-type activities:					
Water	21,614,190		17,649,831	-	3,476,946
Wastewater and reclaimed	10,299,517		11,856,017	-	531,364
Stormwater	3,716,379		4,738,735	452,205	2,882,565
Environmental	17,923,511		15,307,675	2,500	1,365,724
Airport	6,332,676		2,012,845	4,562,632	86,480
Housing authority	9,599,933		2,538,893	6,889,764	177,271
Total business-type activities	<u>69,486,206</u>		<u>54,103,996</u>	<u>11,907,101</u>	<u>8,520,350</u>
Total Primary Government	<u>\$ 185,717,798</u>		<u>\$ 66,615,549</u>	<u>\$ 20,376,119</u>	<u>\$ 24,650,514</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 (as restated)

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
\$ (21,400,488)	\$ -	\$ (21,400,488)
(31,650,069)	-	(31,650,069)
(2,127,616)	-	(2,127,616)
(5,850,487)	-	(5,850,487)
(9,733,400)	-	(9,733,400)
(4,001,919)	-	(4,001,919)
(4,356,878)	-	(4,356,878)
<u>(79,120,857)</u>	<u>-</u>	<u>(79,120,857)</u>
-	(487,413)	(487,413)
-	2,087,864	2,087,864
-	4,357,126	4,357,126
-	(1,247,612)	(1,247,612)
-	329,281	329,281
-	5,995	5,995
-	5,045,241	5,045,241
<u>(79,120,857)</u>	<u>5,045,241</u>	<u>(74,075,616)</u>
7,106,544	-	7,106,544
8,236,365	-	8,236,365
81,305,031	-	81,305,031
30,874,399	-	30,874,399
4,061,170	2,440,996	6,502,166
691,097	198,119	889,216
12,030	-	12,030
49,505	700	50,205
566,934	(566,934)	-
<u>132,903,075</u>	<u>2,072,881</u>	<u>134,975,956</u>
53,782,218	7,118,122	60,900,340
<u>359,654,046</u>	<u>402,504,409</u>	<u>762,158,455</u>
<u>\$ 413,436,264</u>	<u>\$ 409,622,531</u>	<u>\$ 823,058,795</u>

City of Flagstaff, Arizona
Balance Sheet
Governmental Funds
June 30, 2023

	General Fund	Highway User Revenue Fund	Transportation Tax Fund
Assets			
Cash and investments	\$ 73,358,744	\$ 14,895,513	\$ 74,371,616
Accounts receivable, net	6,964,690	978,684	4,913,068
Interest receivable	235,345	36,333	224,082
Intergovernmental receivable	1,119,207	-	1,108,958
Notes receivable	-	-	-
Lease receivable	2,858,842	-	-
Interfund receivable	3,246,895	-	-
Inventory	452,614	-	-
Prepaid items	4,093,102	-	-
Restricted cash and investments	-	-	1,225,656
Total assets	\$ 92,329,439	\$ 15,910,530	\$ 81,843,380
Liabilities, Deferred Inflows and Fund Balance			
Liabilities:			
Accounts payable	\$ 4,999,039	\$ 1,545,630	\$ 2,735,575
Accrued payroll	932,592	40,029	-
Construction retainable payable	-	378,674	641,022
Advanced revenue	578,747	-	485
Guaranty and other deposits	3,003,198	-	-
Total liabilities	9,513,576	1,964,333	3,377,082
Deferred inflows of resources:			
Unavailable revenue - court fines	152,295	-	-
Unavailable revenue - property taxes	267,483	-	-
Unavailable revenue - notes receivable	-	-	-
Unavailable revenue - other revenue	-	-	-
Deferred inflows - leases	2,791,688	-	-
Total deferred inflows of resources	3,211,466	-	-
Fund balance:			
Nonspendable	4,545,716	-	-
Restricted	4,249,634	13,946,197	78,466,298
Assigned	5,515,562	-	-
Unassigned (deficit)	65,293,485	-	-
Total fund balance	79,604,397	13,946,197	78,466,298
Total liabilities, deferred inflows and fund balance	\$ 92,329,439	\$ 15,910,530	\$ 81,843,380

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 34,800,622	\$ 197,426,495
2,361,907	15,218,349
115,790	611,550
211,195	2,439,360
255,200	255,200
446,101	3,304,943
-	3,246,895
141,226	593,840
13,513	4,106,615
25,081,783	26,307,439
<u>\$ 63,427,337</u>	<u>\$ 253,510,686</u>

\$ 1,572,283	\$ 10,852,527
123,340	1,095,961
164,601	1,184,297
2,882,539	3,461,771
-	3,003,198
<u>4,742,763</u>	<u>19,597,754</u>

-	152,295
-	267,483
255,200	255,200
95,715	95,715
439,173	3,230,861
<u>790,088</u>	<u>4,001,554</u>

511,932	5,057,648
53,585,424	150,247,553
5,844,695	11,360,257
(2,047,565)	63,245,920
<u>57,894,486</u>	<u>229,911,378</u>
<u>\$ 63,427,337</u>	<u>\$ 253,510,686</u>



City of Flagstaff
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Activities
June 30, 2023

Fund balances - total governmental funds balance sheet \$ 229,911,378

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	\$ 1,715,272	
Net pension asset	4,552,008	
Governmental capital assets	693,106,634	
Less: accumulated depreciation	<u>(311,287,114)</u>	388,086,800

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	15,760,876	
Deferred inflows related to pensions/OPEB	<u>(5,655,785)</u>	10,105,091

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

ASRS pension benefits	(35,174,458)	
EORP pension benefits	<u>(1,488,752)</u>	(36,663,210)

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 bonds, notes, subscriptions and leases payable	(168,087,706)	
Governmental interest payable	(1,399,939)	
Bond discount	116,093	
Bond premium	(4,603,178)	
Other postemployment benefits	(7,936,987)	
Compensated absences	<u>(4,982,965)</u>	(186,894,682)

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

Promissory note and miscellaneous revenue	350,915	
Fines and forfeitures	152,295	
Property tax	<u>267,483</u>	770,693

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>8,120,194</u>
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Net position of governmental activities - statement of net position \$ 413,436,264

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, 2023

	General Fund	Highway User Revenue Fund	Transportation Tax Fund
Revenues:			
Taxes	\$ 39,654,717	\$ -	\$ 36,523,305
Intergovernmental	32,236,115	-	-
Grants and entitlements	2,131,382	9,528,441	-
Charges for services	3,513,865	-	-
Licenses and permits	3,821,960	221,768	-
Fines and forfeitures	747,455	-	-
Rents	1,171,792	-	11,300
Investment earnings	311,347	305,731	1,804,721
Contributions	665,362	1,676,398	2,448,178
Miscellaneous	322,363	26,542	-
Total revenues	<u>84,576,358</u>	<u>11,758,880</u>	<u>40,787,504</u>
Expenditures:			
Current:			
General government	16,308,482	-	6,736,637
Public safety	34,437,718	-	-
Public works	1,729,983	-	-
Economic and physical development	5,918,766	-	-
Culture and recreation	7,727,353	-	309
Highways and streets	138,332	7,591,523	717,217
Debt service:			
Principal retirement	467,593	14,300	915,000
Interest and other charges	132,565	-	571,763
Capital outlay	4,085,170	7,794,031	14,641,121
Total expenditures	<u>70,945,962</u>	<u>15,399,854</u>	<u>23,582,047</u>
Excess (deficiency) of revenues over expenditures	<u>13,630,396</u>	<u>(3,640,974)</u>	<u>17,205,457</u>
Other Financing Sources (Uses):			
Sale of capital assets	41,452	4,050	-
Subscription financing	128,816	41,989	-
Loan issuance	-	-	-
Transfers in	3,628,470	5,950,824	-
Transfers out	(11,337,714)	(13,000)	(5,943,769)
Total other financing sources (uses)	<u>(7,538,976)</u>	<u>5,983,863</u>	<u>(5,943,769)</u>
Net change in fund balances	<u>6,091,420</u>	<u>2,342,889</u>	<u>11,261,688</u>
Fund balances, beginning of year (as restated)	<u>73,512,977</u>	<u>11,603,308</u>	<u>67,204,610</u>
Fund balances, end of year	<u>\$ 79,604,397</u>	<u>\$ 13,946,197</u>	<u>\$ 78,466,298</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 20,473,351	\$ 96,651,373
4,301,218	36,537,333
901,543	12,561,366
2,544,595	6,058,460
1,040	4,044,768
-	747,455
502,218	1,685,310
1,487,769	3,909,568
319,411	5,109,349
343,220	692,125
<u>30,874,365</u>	<u>167,997,107</u>
469,696	23,514,815
722,756	35,160,474
165	1,730,148
5,315,549	11,234,315
6,583,637	14,311,299
598,376	9,045,448
12,953,684	14,350,577
4,302,783	5,007,111
4,588,702	31,109,024
<u>35,535,348</u>	<u>145,463,211</u>
<u>(4,660,983)</u>	<u>22,533,896</u>
-	45,502
-	170,805
4,097	4,097
20,398,660	29,977,954
(13,086,189)	(30,380,672)
<u>7,316,568</u>	<u>(182,314)</u>
<u>2,655,585</u>	<u>22,351,582</u>
<u>55,238,901</u>	<u>207,559,796</u>
<u>\$ 57,894,486</u>	<u>\$ 229,911,378</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, 2022

Net change in fund balances - total governmental funds \$ 22,351,582

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	\$ 31,109,024	
Less current year depreciation	<u>(15,241,907)</u>	15,867,117

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	(288,541)	
Net pension expense related to PSPRS	(1,562,393)	
Net pension expense related to EORP	5,715	
Capital related debt issued	(4,097)	
Subscription financing	(170,805)	
Compensated absences	(48,197)	
Other postemployment benefits	78,931	
Principal payments on debt	14,350,577	
Interest accrual on debt	168,698	
Bond premium/discount amortization	<u>481,535</u>	13,011,423

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	(1,342,541)	
Donated capital assets	1,265,275	
Transfer of capital assets to business-type activities	(45,841)	
Transfer of capital assets from business-type activities	<u>1,015,493</u>	892,386

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)	(12,152)	
Notes receivable and miscellaneous	(25,947)	
Property tax	<u>(3,433)</u>	(41,532)

(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, 2022

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	1,510,294	
Investment income	151,602	
Miscellaneous income	39,346	1,701,242
Change in net position of governmental activities - statement of activities		\$ 53,782,218

(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, 2023

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 36,271,000	\$ 36,271,000	\$ 39,673,360	\$ 3,402,360
Intergovernmental	30,585,516	30,585,516	32,236,115	1,650,599
Grants and entitlements	21,165,319	21,165,319	2,131,382	(19,033,937)
Charges for services	2,764,530	2,764,530	3,513,865	749,335
Licenses and permits	2,927,380	2,927,380	3,821,960	894,580
Fines and forfeitures	1,429,499	1,429,499	747,455	(682,044)
Rents	1,654,569	1,654,569	1,181,958	(472,611)
Investment earnings	423,171	423,171	1,343,931	920,760
Contributions	535,615	535,615	665,362	129,747
Miscellaneous	286,169	286,169	322,363	36,194
Total revenues	<u>98,042,768</u>	<u>98,042,768</u>	<u>85,637,751</u>	<u>(12,405,017)</u>
Expenditures:				
Current:				
General administration	32,676,034	32,676,034	14,235,669	18,440,365
Management services	5,684,459	5,684,459	4,689,187	995,272
Fire	22,129,503	22,129,503	14,476,376	7,653,127
Police	24,025,033	24,025,033	22,420,299	1,604,734
Community development	5,019,306	5,019,306	4,408,905	610,401
Public works	5,157,021	5,157,021	2,657,863	2,499,158
Economic vitality	258,918	258,918	125,206	133,712
Non-departmental	8,145,818	8,145,818	(2,298,598)	10,444,416
City engineering	2,124,281	2,124,281	1,676,643	447,638
Parks, recreation, open space and events	13,381,360	13,381,360	8,465,518	4,915,842
Contingency	2,928,060	2,928,060	(39,922)	2,967,982
Total expenditures	<u>121,529,793</u>	<u>121,529,793</u>	<u>70,817,146</u>	<u>50,712,647</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(23,487,025)</u>	<u>(23,487,025)</u>	<u>14,820,605</u>	<u>38,307,630</u>
Other Financing Sources (Uses):				
Sale of capital assets	21,230	21,230	41,452	20,222
Proceeds from financing	1,300,000	1,300,000	-	(1,300,000)
Transfers in	5,664,338	5,664,338	3,628,470	(2,035,868)
Transfers out	(12,436,971)	(12,436,971)	(11,337,714)	1,099,257
Total other financing sources (uses)	<u>(5,451,403)</u>	<u>(5,451,403)</u>	<u>(7,667,792)</u>	<u>(2,216,389)</u>
Net change in fund balances	<u>(28,938,428)</u>	<u>(28,938,428)</u>	<u>7,152,813</u>	<u>36,091,241</u>
Fund balances, beginning of year	<u>62,133,123</u>	<u>62,133,123</u>	<u>74,585,609</u>	<u>12,452,486</u>
Fund balances, end of year	<u>\$ 33,194,695</u>	<u>\$ 33,194,695</u>	<u>\$ 81,738,422</u>	<u>\$ 48,543,727</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 7,152,813	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis			(932,577)	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			(128,816)	
Adjusted net change in fund balance - GAAP basis			<u>\$ 6,091,420</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, 2023

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants and entitlements	\$ 9,539,036	\$ 9,539,036	\$ 9,528,441	\$ (10,595)
Investment earnings	55,000	55,000	305,731	250,731
Contributions	3,440,000	3,440,000	1,676,398	(1,763,602)
Licenses and permits	-	-	221,768	221,768
Miscellaneous	-	-	26,542	26,542
Total revenues	<u>13,034,036</u>	<u>13,034,036</u>	<u>11,758,880</u>	<u>(1,275,156)</u>
Expenditures:				
Current:				
Public works	14,189,046	14,189,046	6,620,740	7,568,306
Non-departmental	1,292,913	1,292,913	1,292,913	-
City engineering	23,305,593	23,305,593	7,444,212	15,861,381
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>38,887,552</u>	<u>38,887,552</u>	<u>15,357,865</u>	<u>23,529,687</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(25,853,516)</u>	<u>(25,853,516)</u>	<u>(3,598,985)</u>	<u>22,254,531</u>
Other Financing Sources (Uses):				
Sale of capital assets	-	-	4,050	(4,050)
Transfers in	21,355,593	21,355,593	5,950,824	15,404,769
Transfers out	(13,000)	(13,000)	(13,000)	-
Total other financing sources (uses)	<u>21,342,593</u>	<u>21,342,593</u>	<u>5,941,874</u>	<u>15,400,719</u>
Net change in fund balances	<u>(4,510,923)</u>	<u>(4,510,923)</u>	<u>2,342,889</u>	<u>6,853,812</u>
Fund balances, beginning of year	<u>10,929,928</u>	<u>10,929,928</u>	<u>11,603,308</u>	<u>673,380</u>
Fund balances, end of year	<u>\$ 6,419,005</u>	<u>\$ 6,419,005</u>	<u>\$ 13,946,197</u>	<u>\$ 7,527,192</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 2,342,889	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis			41,989	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			(41,989)	
Adjusted net change in fund balance - GAAP basis			<u>\$ 2,342,889</u>	

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

City of Flagstaff, Arizona
Transportation Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 32,213,900	\$ 32,213,900	\$ 36,123,899	\$ 3,909,999
Grants and entitlements	6,285,699	6,285,699	-	(6,285,699)
Investment earnings	258,000	258,000	1,804,721	1,546,721
Rents	-	-	11,300	11,300
Contributions	546,458	546,458	2,448,178	1,901,720
Total revenues	39,304,057	39,304,057	40,388,098	1,084,041
Expenditures:				
Current:				
Community development	-	-	11,960	(11,960)
Public works	5,055,742	5,055,742	4,052,161	1,003,581
Non-departmental	14,607,288	14,607,288	8,223,405	6,383,883
City engineering	58,298,166	58,298,166	11,294,521	47,003,645
Total expenditures	77,961,196	77,961,196	23,582,047	54,379,149
Excess (deficiency) of revenues over (under) expenditures	(38,657,139)	(38,657,139)	16,806,051	55,463,190
Other Financing Sources (Uses):				
Capital bonds issued	17,200,000	17,200,000	-	(17,200,000)
Transfers in	1,797,301	1,797,301	-	(1,797,301)
Transfers out	(23,152,894)	(23,152,894)	(5,943,769)	17,209,125
Total other financing sources (uses)	(4,155,593)	(4,155,593)	(5,943,769)	(1,788,176)
Net change in fund balances	(42,812,732)	(42,812,732)	10,862,282	53,675,014
Fund balances, beginning of year	63,283,654	63,283,654	68,408,377	5,124,723
Fund balances, end of year	\$ 20,470,922	\$ 20,470,922	\$ 79,270,659	\$ 58,799,737
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 10,862,282	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis			399,406	
Adjusted net change in fund balance - GAAP basis			\$ 11,261,688	

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, 2023

Business-type Activities - Enterprise Funds

	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund	Airport Fund
Assets				
Current assets:				
Cash and investments	\$ 44,787,255	\$ 74,489	\$ 13,550,787	\$ 9,865
Receivable, net	4,270,688	565,890	1,553,078	250,115
Intergovernmental receivable	643,492	140,965	-	2,873,278
Lease receivable	-	-	-	6,190,359
Interfund receivable	10,100,000	-	-	-
Prepaid items	-	-	-	113,921
Restricted cash and investments	3,543,272	264,504	158,897	1,259,685
Total current assets	<u>63,344,707</u>	<u>1,045,848</u>	<u>15,262,762</u>	<u>10,697,223</u>
Noncurrent assets:				
Restricted cash and investments	-	-	13,009,724	-
Refundable deposits	8,763	-	-	-
Net pension asset	-	-	-	326,577
Capital assets, non-depreciable	27,918,654	39,782,829	4,540,951	425,712
Capital assets, depreciable, net	234,818,702	34,395,031	10,534,534	36,914,504
Total non-current assets	<u>262,746,119</u>	<u>74,177,860</u>	<u>28,085,209</u>	<u>37,666,793</u>
Total assets	<u>326,090,826</u>	<u>75,223,708</u>	<u>43,347,971</u>	<u>48,364,016</u>
Deferred outflows of resources:				
Deferred outflow related to advance refunding	152,753	-	-	-
Deferred outflows related to pension/OPEB	1,127,666	120,392	802,562	417,497
Total deferred outflows of resources	<u>1,280,419</u>	<u>120,392</u>	<u>802,562</u>	<u>417,497</u>
Liabilities				
Current liabilities:				
Accounts payable	1,889,974	766,944	1,124,210	342,962
Construction retainage payable	158,803	-	63,978	-
Interfund payable	-	10,100,000	-	3,000,000
Accrued payroll	102,137	10,857	76,477	20,288
Accrued compensated absences	179,956	18,401	90,328	40,029
Interest payable	252,902	51,504	58,897	-
Advanced revenue	272,900	-	1,738	-
Claims and judgements	-	-	-	-
Subscription liability	10,535	-	-	-
Deposits payable	1,418,080	-	81,002	2,459
Financed purchases	150,712	-	-	216,337
Bonds, notes and leases payable, net	3,393,808	213,000	100,000	-
Total current liabilities	<u>7,829,807</u>	<u>11,160,706</u>	<u>1,596,630</u>	<u>3,622,075</u>
Noncurrent liabilities:				
Compensated absences	210,674	16,124	84,257	27,663
Net OPEB liability	843,734	78,487	627,895	127,541
Net pension liability	6,103,084	570,598	3,887,891	467,472
Claims and judgements	-	-	-	-
Landfill closure and post closure care costs	-	-	20,340,020	-
Subscription liability	10,765	-	-	-
Financed purchases	636,094	-	-	112,720
Bonds, notes and leases payable, net	18,903,501	3,645,000	3,369,037	-
Total noncurrent liabilities	<u>26,707,852</u>	<u>4,310,209</u>	<u>28,309,100</u>	<u>735,396</u>
Total liabilities	<u>34,537,659</u>	<u>15,470,915</u>	<u>29,905,730</u>	<u>4,357,471</u>
Deferred inflows related to pension/OPEB	568,081	52,946	399,604	119,380
Deferred inflows related to leases	-	-	-	6,111,251
Total deferred inflows	<u>568,081</u>	<u>52,946</u>	<u>399,604</u>	<u>6,230,631</u>
Net Position				
Net investment in capital assets	238,786,817	69,930,873	11,390,256	36,785,814
Restricted for:				
Specific programming	-	-	-	1,588,743
Unrestricted (deficit)	53,478,688	(10,110,634)	2,454,943	(181,146)
Total net position	<u>\$ 292,265,505</u>	<u>\$ 59,820,239</u>	<u>\$ 13,845,199</u>	<u>\$ 38,193,411</u>

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

Business-type Activities - Enterprise Funds		Governmental Activities
Nonmajor Enterprise Fund - Housing Authority	Total Business-type Funds	Internal Service Fund
\$ 2,261,543	\$ 60,683,939	\$ 9,199,951
156,394	6,796,165	68,654
258,627	3,916,362	-
-	6,190,359	-
-	10,100,000	-
103,300	217,221	-
-	5,226,358	-
<u>2,779,864</u>	<u>93,130,404</u>	<u>9,268,605</u>
126,157	13,135,881	-
-	8,763	-
-	326,577	-
921,950	73,590,096	-
<u>3,272,266</u>	<u>319,935,037</u>	<u>-</u>
<u>4,320,373</u>	<u>406,996,354</u>	<u>-</u>
<u>7,100,237</u>	<u>500,126,758</u>	<u>9,268,605</u>
-	152,753	-
295,828	2,763,945	-
<u>295,828</u>	<u>2,916,698</u>	<u>-</u>
161,357	4,285,447	260,247
-	222,781	-
246,895	13,346,895	-
41,456	251,215	-
45,485	374,199	-
-	363,303	-
30,862	305,500	4,287
-	-	114,224
-	10,535	-
74,719	1,576,260	-
-	367,049	-
-	3,706,808	-
<u>600,774</u>	<u>24,809,992</u>	<u>378,758</u>
61,755	400,473	-
196,217	1,873,874	-
1,547,155	12,576,200	-
-	-	125,000
-	20,340,020	-
-	10,765	-
-	748,814	-
-	25,917,538	-
<u>1,805,127</u>	<u>61,867,684</u>	<u>125,000</u>
<u>2,405,901</u>	<u>86,677,676</u>	<u>503,758</u>
136,640	1,276,651	-
-	6,111,251	-
<u>136,640</u>	<u>7,387,902</u>	<u>-</u>
4,194,216	361,087,976	-
286,986	1,875,729	-
372,322	46,014,173	8,764,847
<u>\$ 4,853,524</u>	<u>\$ 408,977,878</u>	<u>\$ 8,764,847</u>

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

644,653
\$ 409,622,531

City of Flagstaff, Arizona
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2023

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
Operating Revenues:			
Charges for services	\$ 29,505,848	\$ 4,738,735	\$ 15,307,675
Miscellaneous	195,694	-	2,425
Total operating revenues	<u>29,701,542</u>	<u>4,738,735</u>	<u>15,310,100</u>
Operating Expenses:			
Personnel services	6,427,560	752,376	5,235,447
Contractual services, materials and supplies	13,969,044	2,141,732	11,974,766
Pension and OPEB expense	119,576	(7,165)	14,430
Insurance claims and expenses	-	-	-
Depreciation and amortization	9,339,701	714,788	857,989
Total operating expenses	<u>29,855,881</u>	<u>3,601,731</u>	<u>18,082,632</u>
Operating income (loss)	<u>(154,339)</u>	<u>1,137,004</u>	<u>(2,772,532)</u>
Non-Operating Revenues (Expenses):			
Interest and investment income	1,452,412	-	843,671
Grants and entitlements	-	452,205	2,500
Gain (loss) on disposal of capital asset	(885,522)	(191,201)	700
Gain (loss) on impairment of capital asset	(1,863,378)	-	-
Passenger facility charges	-	-	-
Interest expense	(573,653)	(104,009)	(116,566)
Total non-operating revenues (expenses)	<u>(1,870,141)</u>	<u>156,995</u>	<u>730,305</u>
Income (loss) before capital contributions and transfers	<u>(2,024,480)</u>	<u>1,293,999</u>	<u>(2,042,227)</u>
Capital contributions related to grants	699,650	2,743,224	-
Capital contributions from external sources	3,308,660	139,341	1,365,724
Capital contributions from internal sources	19,554	26,287	-
Transfers in	1,167,916	25,717	263,646
Transfers out	(25,717)	(755,119)	-
Change in net position	<u>3,145,583</u>	<u>3,473,449</u>	<u>(412,857)</u>
Total net position, beginning of year (as restated)	<u>289,119,922</u>	<u>56,346,790</u>	<u>14,258,056</u>
Total net position, end of year	<u>\$ 292,265,505</u>	<u>\$ 59,820,239</u>	<u>\$ 13,845,199</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities
Airport Fund	Nonmajor Enterprise Fund - Housing Authority	Total Business-type Funds	Internal Service Fund
\$ 2,012,845	\$ 2,538,893	\$ 54,103,996	\$ 11,881,051
-	-	198,119	39,346
<u>2,012,845</u>	<u>2,538,893</u>	<u>54,302,115</u>	<u>11,920,397</u>
1,456,324	1,546,508	15,418,215	-
2,705,024	7,631,320	38,421,886	-
28,820	(59,366)	96,295	-
-	-	-	9,597,830
<u>2,157,963</u>	<u>481,471</u>	<u>13,551,912</u>	<u>-</u>
<u>6,348,131</u>	<u>9,599,933</u>	<u>67,488,308</u>	<u>9,597,830</u>
<u>(4,335,286)</u>	<u>(7,061,040)</u>	<u>(13,186,193)</u>	<u>2,322,567</u>
128,567	16,346	2,440,996	151,602
4,562,136	6,889,764	11,906,605	-
(24,996)	-	(1,101,019)	-
-	-	(1,863,378)	-
496	-	496	-
<u>(26,993)</u>	<u>-</u>	<u>(821,221)</u>	<u>-</u>
<u>4,639,210</u>	<u>6,906,110</u>	<u>10,562,479</u>	<u>151,602</u>
303,924	(154,930)	(2,623,714)	2,474,169
86,480	177,271	3,706,625	-
-	-	4,813,725	-
-	-	45,841	-
-	-	1,457,279	-
<u>(273,725)</u>	<u>-</u>	<u>(1,054,561)</u>	<u>-</u>
<u>116,679</u>	<u>22,341</u>	<u>6,345,195</u>	<u>2,474,169</u>
<u>38,076,732</u>	<u>4,831,183</u>	<u>402,632,683</u>	<u>6,290,678</u>
<u>\$ 38,193,411</u>	<u>\$ 4,853,524</u>	<u>\$ 408,977,878</u>	<u>\$ 8,764,847</u>

Change in net position of business-type activities

772,927
\$ 7,118,122

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, 2023

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water and Wastewater Fund</u>	<u>Stormwater Fund</u>	<u>Environmental Services Fund</u>
Cash flows from operating activities:			
Receipts from customers	\$ 29,344,585	\$ 4,575,181	\$ 15,118,352
Interfund services provided	380,422	49,891	193,329
Passenger facility charges	-	-	-
Payments to suppliers	(10,973,544)	(3,594,015)	(6,603,469)
Interfund services used	(76,410)	-	(13,030)
Interfund reimbursement used	(2,668,541)	(268,511)	(1,648,938)
Payments to employees	(6,675,968)	(765,964)	(5,354,556)
Net cash provided (used) by operating activities	<u>9,330,544</u>	<u>(3,418)</u>	<u>1,691,688</u>
Cash flows from noncapital financing activities:			
Transfer from other funds	-	(485,124)	263,646
Transfer to other funds	897,921	-	-
Interfund loans received (paid)	(3,700,000)	3,700,000	-
Net cash provided (used) by noncapital financing activities	<u>(2,802,079)</u>	<u>3,214,876</u>	<u>263,646</u>
Cash flows from capital and related financing activities:			
Receipts from grantors	94,958	532,172	2,500
Capital contributions	2,578,699	2,743,224	-
Acquisition and construction of capital assets	(6,239,315)	(6,265,600)	(1,814,826)
Principal payments on capital debt	(4,712,356)	(234,000)	(95,374)
Interest paid on capital debt	(544,461)	(67,680)	(120,345)
Proceeds from sales of capital assets	-	166,177	700
Net cash provided (used) by capital and related financing activities	<u>(8,822,475)</u>	<u>(3,125,707)</u>	<u>(2,027,345)</u>
Cash flows from investing activities:			
Interest received on investments	1,336,746	6	813,298
Net cash provided (used) by investing activities	<u>1,336,746</u>	<u>6</u>	<u>813,298</u>
Net increase (decrease) in cash and cash equivalents	<u>(957,264)</u>	<u>85,757</u>	<u>741,287</u>
Cash and cash equivalents at beginning of year	49,287,791	253,236	25,978,121
Cash and cash equivalents at end of year	<u>\$ 48,330,527</u>	<u>\$ 338,993</u>	<u>\$ 26,719,408</u>
Classified as:			
Cash, cash equivalents, and investments	\$ 44,787,255	\$ 74,489	\$ 13,550,787
Restricted cash and cash equivalents	3,543,272	264,504	13,168,621
Totals	<u>\$ 48,330,527</u>	<u>\$ 338,993</u>	<u>\$ 26,719,408</u>

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

Business-type Activities - Enterprise Funds			Governmental
Nonmajor			Activities
Airport Fund	Enterprise Fund - Housing Authority	Total Business- type Funds	Internal Service Fund
\$ 1,984,642	\$ 2,491,903	\$ 53,514,663	\$ 11,911,310
-	-	623,642	-
496	-	496	-
(2,505,912)	(7,333,615)	(31,010,555)	(9,470,628)
(79,870)	(356,442)	(525,752)	-
(420,406)	-	(5,006,396)	-
(1,523,411)	(1,586,810)	(15,906,709)	-
<u>(2,544,461)</u>	<u>(6,784,964)</u>	<u>1,689,389</u>	<u>2,440,682</u>
-	-	(221,478.00)	-
(273,725)	-	624,196	-
1,600,000	167,598	1,767,598	-
<u>1,326,275</u>	<u>167,598</u>	<u>2,170,316</u>	<u>-</u>
4,058,899	6,685,736	11,374,265	-
86,480	177,271	5,585,674	-
(1,567,364)	(177,271)	(16,064,376)	-
(204,744)	-	(5,246,474)	-
(26,993)	-	(759,479)	-
-	-	166,877	-
<u>2,346,278</u>	<u>6,685,736</u>	<u>(4,943,513)</u>	<u>-</u>
125,137	16,346	2,291,533	151,602
<u>125,137</u>	<u>16,346</u>	<u>2,291,533</u>	<u>151,602</u>
1,253,229	84,716	1,207,725	2,592,284
16,321	2,302,984	77,838,453	6,607,667
<u>\$ 1,269,550</u>	<u>\$ 2,387,700</u>	<u>\$ 79,046,178</u>	<u>\$ 9,199,951</u>
\$ 9,865	\$ 2,261,543	\$ 60,683,939	\$ 9,199,951
1,259,685	126,157	18,362,239	-
<u>\$ 1,269,550</u>	<u>\$ 2,387,700</u>	<u>\$ 79,046,178</u>	<u>\$ 9,199,951</u>

City of Flagstaff, Arizona
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2023

	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)	\$ (154,339)	\$ 1,137,004	\$ (2,772,532)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	9,339,701	714,788	857,989
Landfill closure and post closure costs	-	-	2,939,498
Other receipts	-	-	-
(Increase) decrease in assets:			
Receivables	(218)	(107,163)	(17,879)
Allowance for doubtful accounts	(46,000)	(6,500)	14,800
Prepaid items	(2)	-	-
Refundable deposits	-	-	-
Net pension asset	-	-	-
(Increase) decrease in deferred pension outflows	393,149	19,993	609,353
(Increase) decrease in deferred OPEB outflows	17,764	4,306	(398,256)
Increase (decrease) in liabilities:			
Accounts payable	250,551	(1,720,794)	769,831
Accrued payroll, compensated absences	(248,410)	(13,588)	(119,109)
Net OPEB liability	(85,483)	(11,261)	(71,831)
Net pension liability	1,189,367	111,198	757,671
Deposits payable	99,863	-	3,000
Advanced revenue	(30,180)	-	1,660
Increase (decrease) in deferred pension inflows	(1,477,602)	(138,146)	(941,287)
Increase (decrease) in deferred OPEB inflows	82,383	6,745	58,780
Increase (decrease) in deferred lease inflows	-	-	-
Total adjustments	<u>9,484,883</u>	<u>(1,140,422)</u>	<u>4,464,220</u>
Net cash provided (used) by operating activities	<u>\$ 9,330,544</u>	<u>\$ (3,418)</u>	<u>\$ 1,691,688</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through contributions from developers	\$ 729,961	\$ 139,341	\$ 1,365,724
Amortization of deferred amount on refunding	38,188	-	-
Loss on disposal of capital assets	(1,863,378)	-	-
Capital assets transferred to other funds	(911,239)	-	-
Capital assets transferred from other funds	289,549	181,975	-
Total noncash investing, capital and financing activities	<u>\$ (1,716,919)</u>	<u>\$ 321,316</u>	<u>\$ 1,365,724</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities
Airport Fund	Nonmajor Enterprise Fund - Housing Authority	Total Business-type Funds	Internal Service Fund
\$ (4,335,286)	\$ (7,061,040)	\$ (13,186,193)	\$ 2,322,567
2,157,963	481,471	13,551,912	-
-	-	2,939,498	-
496	-	496	-
216,088	(49,967)	40,861	(10,835)
-	(6,867)	(44,567)	-
(113,921)	(29,711)	(143,634)	-
-	-	-	-
1,065,796	-	1,065,796	-
454,586	79,864	1,556,945	-
(345,161)	31,487	(689,860)	-
(187,243)	(29,026)	(916,681)	127,202
(67,087)	(40,303)	(488,497)	-
16,868	(95,098)	(246,805)	-
91,101	301,511	2,450,848	-
-	400	103,263	-
-	9,444	(19,076)	1,748
(1,341,655)	(379,837)	(4,278,527)	-
87,285	2,708	237,901	-
(244,291)	-	(244,291)	-
<u>1,790,825</u>	<u>276,076</u>	<u>14,875,582</u>	<u>118,115</u>
<u>\$ (2,544,461)</u>	<u>\$ (6,784,964)</u>	<u>\$ 1,689,389</u>	<u>\$ 2,440,682</u>
\$ -	\$ -	\$ 2,235,026	\$ -
-	-	38,188	-
-	-	(1,863,378)	-
-	-	(911,239)	-
-	-	471,524	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (29,879)</u>	<u>\$ -</u>

(concluded)

City of Flagstaff, Arizona

Notes to the Financial Statements

June 30, 2023

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. 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. Other non-major funds are combined in a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

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

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

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

statements, a reconciliation is provided immediately following each fund statement. These reconciliations explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

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

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

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

The City uses the following fund categories:

Governmental Fund Types

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

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

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

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

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

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

Proprietary Fund Types

Proprietary Funds are used to account for the City's ongoing 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, four 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.
- *Airport Fund* accounts for the construction and operations activities of the City's Airport.

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. 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.

As lessor, the City recognizes a lease receivable at the inception of the lease agreement other than short-term leases and as lessee, the City recognizes a lease payable at the inception of the lease agreement.

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 assets/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 are recorded under the consumption method where assets are recording and amortized over the life of the related agreement. Prepaid items contain payments made to vendors applicable to future accounting periods. 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/amortized (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/amortized 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

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

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, 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.

Lease-related amounts are recognized at the inception of leases in which the City is the lessor. The deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

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, prepaid items 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, 2023, are as follows:

	General Fund	Highway User Revenue Fund	Transportation Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:					
Nonspendable:					
Perpetual care	\$ -	\$ -	\$ -	\$ 357,193	\$ 357,193
Inventory and prepaids	4,545,716	-	-	154,739	4,700,455
Restricted for:					
Notes receivable	-	-	-	255,200	255,200
Library branch services	-	-	-	902,752	902,752
Library programs externally directed	-	-	-	1,868,407	1,868,407
Court improvements and operations	282,368	-	-	-	282,368
Debt service	-	-	-	22,518,822	22,518,822
Street improvements	-	13,946,197	64,471,551	-	78,417,748
Transit	-	-	13,994,747	-	13,994,747
Public art	-	-	-	1,658,417	1,658,417
Parks operations	-	-	-	5,578,482	5,578,482
Economic development	-	-	-	1,264,278	1,264,278
Tourism	-	-	-	3,459,609	3,459,609
Perpetual care	-	-	-	55,989	55,989
Development fee projects	3,967,266	-	-	-	3,967,266
Other capital projects	-	-	-	16,023,468	16,023,468
Assigned to:					
Capital reserve	5,137,670	-	-	-	5,137,670
Real estate	377,892	-	-	-	377,892
Parking district	-	-	-	2,131,270	2,131,270
Water resource and infrastructure protection	-	-	-	1,525,915	1,525,915
Library services	-	-	-	2,187,510	2,187,510
Unassigned:	65,293,485	-	-	(2,047,565)	63,245,920
Total fund balances	<u>\$ 79,604,397</u>	<u>\$ 13,946,197</u>	<u>\$ 78,466,298</u>	<u>\$ 57,894,486</u>	<u>\$ 229,911,378</u>

Deficit Fund Balance / Net Position

A deficit unassigned fund balance of \$2,047,565 exists in the Capital Projects Fund. The deficit is a result of beginning construction of bonded projects prior to the receipt of proceeds. Additionally, there is a deficit unrestricted net position of \$10,110,634 in the Stormwater fund due to beginning construction of capital improvements prior to the receipt of debt proceeds and \$181,146 in the Airport Fund due to a recent focus on capital purchases and projects.

E. Implementation of New Accounting Principles

During the year ended June 30, 2023, the City implemented the provisions of GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This statement increases the usefulness of the financial statements by addressing issues related to public-private and public-public partnership arrangements (PPPs). This statement also requires a government to disclose essential information about the arrangement. The City's analysis of PPPs in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

For the year ended June 30, 2023, the City implemented the provisions of GASB Statement No. 96, Subscription-Based Information Technology Arrangements, which (1) defines a subscription-based information technology arrangement (SBITA); (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. As a result, the City's financial statements have been modified to reflect the implementation of this new standard.

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, 2023, 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

On June 30, 2023, the carrying amount of the City's deposits was \$177,518,900 and the bank balance was \$181,261,359. The \$3,742,459 difference represents deposits in transit, outstanding checks, and other reconciling items on June 30, 2023. There is an additional \$10,231,003 reported as restricted cash as it is held with paying or fiscal agent on June 30, 2023, for debt service payments due on July 1, 2023.

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, 2023.

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.

On June 30, 2023, the City's investments included the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Federal agency notes	\$ 18,468,645	0.178
U.S. treasuries	78,361,711	1.448
State investment pool	14,671,458	0.140
Corporate notes	12,715,496	0.175
Total fair value of investments	<u>\$ 124,217,310</u>	

Credit Risk

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

The credit quality ratings of investments as described by nationally recognized Standard and Poor's and Moody's rating service as of June 30, 2023, is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>	<u>S&P Rating</u>	<u>Percent of Investments</u>
Federal agency notes	\$ 18,468,645	AAA	AA+	14.87%
U.S. treasuries	78,361,711	AAA	AA+	63.08%
State investment pool	14,671,458	AAA	AAA f / S1+	11.81%
Corporate notes	12,715,496	AAA/ AA2/ AA3 A1/ A2/ A3	AA+/ AA/ AA-/ A+/ A+/ A / A-/ BBB+	10.24%
Total	<u>\$ 124,217,310</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, 2023, of 5 percent or more in Federal National Mortgage Association. These investments were 5.78 percent of the City's total investments.

At June 30, 2023, the City's cash and investments included the following:

Carrying amount of investments	\$ 124,217,310
Carrying amount of cash deposits	177,518,900
Cash on deposit with paying agent	10,231,003
Cash on hand	12,850
Total pooled cash and investments	<u>\$ 311,980,063</u>
Pooled cash, equivalents and investments - unrestricted	\$ 267,310,385
Restricted cash and investments	44,669,678
Total pooled cash and investments	<u>\$ 311,980,063</u>

Cash and cash equivalents at June 30, 2023, consisted of the following:

Investments included in cash and cash equivalents	\$ 109,841,534
Carrying amount of unrestricted city deposits	157,456,001
Cash on hand	12,850
Total cash, investments, and cash equivalents per statement of net position	<u>\$ 267,310,385</u>

Investment income comprises the following for the year ended June 30, 2023:

Net interest and dividends	\$ 8,192,870
Net increase (decrease) in the fair value of investments	(1,690,704)
Total net investment income per statement of activities	<u>\$ 6,502,166</u>

Fair Value Measurement

The net decrease in the fair value of investments during fiscal year 2022-2023 was \$1,690,704. 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, 2023, was \$1,076,168.

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, 2023, 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	\$ 18,468,645	\$ -	\$ 18,468,645	\$ -
U.S. treasuries	78,361,711	15,294,638	63,067,073	-
Corporate notes	12,715,496	-	12,715,496	-
Total investments by fair value level	109,545,852	15,294,638	94,251,214	-
External investment pools measured at fair value				
State Treasurer's Investment Pool	14,671,458			
Total investments	<u>\$ 124,217,310</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 \$89 and the total recovery to date is \$123,429.

B. Receivables

Receivables as of June 30, 2023, including allowances for uncollectible accounts, are as follows:

Fund	Accounts	Interest	Intergov- ernmental	Leases Receivable	Notes Receivable	Total Receivables
Governmental Activities						
General fund	\$ 7,257,869	\$ 235,345	\$ 1,119,207	\$ 2,858,842	\$ -	\$ 11,471,263
Highway user revenue fund	978,684	36,333	-	-	-	1,015,017
Transportation fund	4,913,068	224,082	1,108,958	-	-	6,246,108
Other governmental funds	2,363,107	115,790	211,195	446,101	255,200	3,391,393
Less: allowance for uncollectibles	(294,379)	-	-	-	-	(294,379)
Total government funds	15,218,349	611,550	2,439,360	3,304,943	255,200	21,829,402
Internal services funds	52,550	16,104	-	-	-	68,654
Total governmental activities	15,270,899	627,654	2,439,360	3,304,943	255,200	21,898,056
Business-type Activities						
Water and wastewater	4,147,861	172,827	643,492	-	-	4,964,180
Stormwater	569,390	-	140,965	-	-	710,355
Environmental services	1,525,122	43,656	-	-	-	1,568,778
Airport	213,858	36,257	2,873,278	6,190,359	-	9,313,752
Other proprietary funds	220,337	-	258,627	-	-	478,964
Less: allowance for uncollectibles	(133,143)	-	-	-	-	(133,143)
Total business-type activities	6,543,425	252,740	3,916,362	6,190,359	-	16,902,886
Total activities	\$ 21,814,324	\$ 880,394	\$ 6,355,722	\$ 9,495,302	\$ 255,200	\$ 38,800,942

C. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, as of June 30, 2023, is as follows:

	Balance July 1, 2022*	Increase	Decrease	Transfers In (Out)	Balance June 30, 2023
Governmental activities:					
Non-depreciable assets:					
Land & other non-depreciable assets	\$ 71,688,998	\$ 2,725,302	\$ (148,113)	\$ -	\$ 74,266,187
Construction-in-progress	33,319,754	21,029,694	(5,124,343)	(45,841)	49,179,264
Total non-depreciable assets	105,008,752	23,754,996	(5,272,456)	(45,841)	123,445,451
Depreciable assets:					
Buildings	124,389,558	895,273	-	-	125,284,831
Improvements	25,196,643	45,557	-	55,572	25,297,772
Machinery and equipment	40,739,852	3,793,491	(761,522)	382,021	44,153,842
Infrastructure	365,048,271	7,681,420	-	960,044	373,689,735
Right to use subscription asset	498,651	170,805	-	-	669,456
Right to lease asset: buildings	565,547	-	-	-	565,547
Total depreciable assets	556,438,522	12,586,546	(761,522)	1,397,637	569,661,183
Accumulated depreciation/amortization:					
Buildings	(35,804,569)	(2,767,121)	1,237	-	(38,570,453)
Improvements	(20,804,785)	(473,618)	-	(123)	(21,278,526)
Machinery and equipment	(28,668,317)	(1,621,773)	722,957	(382,021)	(29,949,154)
Infrastructure	(210,931,162)	(9,821,812)	-	-	(220,752,974)
Right to use subscription asset	-	(379,159)	-	-	(379,159)
Right to lease asset: buildings	(178,424)	(178,424)	-	-	(356,848)
Total accumulated depreciation	(296,387,257)	(15,241,907)	724,194	(382,144)	(311,287,114)
Governmental activities capital assets, net	\$ 365,060,017	\$ 21,099,635	\$ (5,309,784)	\$ 969,652	381,819,520

* The beginning balance was restated due to the understatement of capital assets. See note G.

Less: outstanding debt	(168,087,706)
Less: unamortized premium	(4,603,178)
Plus: unamortized discount	116,093
Less: construction retainage	(1,184,297)
Less: capital accounts payable	(5,207,701)
Plus: non-capital related debt, series 2013	912,635
Plus: unspent capital related debt, series 2016	1,942,894
Plus: non-capital related debt, series 2016	1,370,050
Plus: non-capital related debt, series 2020	116,830,000
Plus: non-capital related debt, series 2020	2,736,095
Net investment in capital assets	<u>\$ 326,644,405</u>

	Balances July 1, 2022*	Increases	Decreases	Transfers	Balance June 30, 2023
Business-type activities:					
Non-depreciable assets:					
Land	\$ 19,236,549	\$ 754,035	\$ (24,997)	\$ -	\$ 19,965,587
Construction-in-progress	51,500,749	7,696,128	(4,316,612)	(1,255,756)	53,624,509
Total non-depreciable assets	70,737,298	8,450,163	(4,341,609)	(1,255,756)	73,590,096
Depreciable assets:					
Buildings	107,047,917	1,217,200	(14,000)	-	108,251,117
Improvements	458,966,185	8,525,071	(3,514,822)	285,981	464,262,415
Machinery and equipment	58,012,014	3,372,517	(150,927)	(382,021)	60,851,583
Right to use subscription asset	-	32,300	-	-	32,300
Right to lease asset: land	6,412	-	-	-	6,412
Total depreciable assets	624,032,528	13,147,088	(3,679,749)	(96,040)	633,403,827
Accumulated depreciation/amortization:					
Buildings	(66,840,922)	(2,301,260)	14,000	-	(69,128,182)
Improvements	(198,705,109)	(8,533,117)	1,651,443	123	(205,586,660)
Machinery and equipment	(36,566,708)	(2,704,444)	150,927	382,021	(38,738,204)
Right to use subscription asset	-	(10,438)	-	-	(10,438)
Right to lease asset: land	(2,653)	(2,653)	-	-	(5,306)
Total accumulated depreciation	(302,115,392)	(13,551,912)	1,816,370	382,144	(313,468,790)
Business-type activities capital assets, net	\$ 392,654,434	\$ 8,045,339	\$ (6,204,988)	\$ (969,652)	393,525,133

* The beginning balance was restated due to the understatement of capital assets. See note G.

Less: associated debt	(30,807,472)
Less: construction retainage	(222,781)
Less: capital accounts payable	(1,605,620)
Less: bond premium	(10,324)
Plus: bond discount	56,287
Plus: deferred outflow related to refunding	152,753
Net investment in capital assets	<u>\$ 361,087,976</u>

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

Governmental Activities:

General government	\$ 1,128,514
Public safety	1,267,092
Public works	565,828
Economic and physical development	434,409
Culture and recreation	1,664,599
Highway and streets	10,181,465
Total depreciation expense - governmental activities	<u>\$ 15,241,907</u>

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

Business-Type Activities:

Water and wastewater	\$ 9,339,701
Stormwater	714,788
Airport	2,157,963
Environmental services	857,989
Housing authority	481,471
Total depreciation expense - business-type activities	<u>\$ 13,551,912</u>

D. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Net interfund receivables and payables between governmental activities and business-type activities of \$2,602,242 are included in the government-wide financial statements on June 30, 2023. The interfund balances on June 30, 2023, 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, 2023, are expected to be repaid within one year.

The following interfund receivables and payables are included in the fund financial statements on June 30, 2023:

Fund	Interfund Receivables	Interfund Payables
Governmental Activities:		
General fund	\$ 3,246,895	\$ -
Total governmental activities	3,246,895	-
Business-type Activities:		
Water and wastewater fund	10,100,000	-
Airport fund	-	3,000,000
Stormwater fund	-	10,100,000
Housing authority fund	-	246,895
Total business-type activities	10,100,000	13,346,895
Total governmental and business-type activities	\$ 13,346,895	\$ 13,346,895
Less: fund eliminations	(10,100,000)	
Adjustment for internal service fund elimination	(644,653)	
Total government-wide statement of net position	\$ 2,602,242	

Transfers

The net transfers of \$566,934 from business-type activities to governmental activities on the government-wide statement of activities are primarily capital assets and operations. The following transfers are reflected in the fund financial statements for the year ended June 30, 2023:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Activities:		
General fund	\$ 11,337,714	\$ 3,628,470
Highway user revenue fund	13,000	5,950,824
Transportation fund	5,943,769	-
Nonmajor governmental funds	13,086,189	20,398,660
Total governmental activities	<u>30,380,672</u>	<u>29,977,954</u>
Business-type Activities:		
Water and wastewater fund	25,717	1,167,916
Stormwater fund	755,119	25,717
Environmental services fund	-	263,646
Airport fund	273,725	-
Total business-type activities	<u>1,054,561</u>	<u>1,457,279</u>
Total governmental and business-type activities	<u>\$ 31,435,233</u>	<u>\$ 31,435,233</u>
Less: fund eliminations	(31,837,951)	
Less: net capital assets transfer	<u>969,652</u>	
Total government-wide statement of activities	<u>\$ 566,934</u>	

The business-type activities transferred \$1,015,493 of capital assets to governmental activities and the governmental activities transferred \$45,841 to business-type activities for a consolidated net total of \$969,652 in capital assets to the government wide financials. The BBB fund transferred \$2,877,956 to the general fund to support general fund operations. The transportation fund transferred \$5,943,769 to the highway user revenue fund to support highway user fund operations. The general fund transferred \$8,667,957, the water resource and infrastructure protection fund transferred \$182,483 and the airport fund transferred \$273,725 to the pension bond fund for debt service payments. The general fund transferred \$1,726,313 to the library fund for the City's share of expenditures for the libraries within the City limits. The general obligation bond fund received a \$8,263,950 transfer from the secondary property tax revenue fund for payment of debt service.

E. Lease Receivable

Under this statement, a lessor is required to recognize a lease receivable and a deferred inflow of resources. The discount methodology is the city's incremental borrowing rate. For additional information, refer to the disclosures below.

Governmental Activities

The City, acting as lessor, leases building and office space under long-term, non-cancelable lease agreements. The leases expire at various dates through 2038 and provide for renewal options ranging from one year to five years. During the year ended June 30, 2023, the City recognized \$546,904 and \$24,830 in lease revenue and interest revenue, respectively, pursuant to these contracts.

The City, acting as lessor, leases land under long-term, non-cancelable lease agreements. The leases expire at various dates through 2080 and provide for renewal options ranging from one year to ten years. During

the year ended June 30, 2023, the City recognized \$24,996 and \$24,631 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Proprietary/Business-Type Activities

The City, acting as lessor, leases building and office space under long-term, non-cancelable lease agreements. The leases expire at various dates through 2032 and provide for renewal options ranging from one year to five years. During the year ended June 30, 2023, the City recognized \$446,477 and \$4,841 in lease revenue and interest revenue, respectively, pursuant to these contracts.

The City, acting as lessor, leases land under long-term, non-cancelable lease agreements. The leases expire at various dates through 2086 and provide for renewal options ranging from one year to fifty-nine years. During the year ended June 30, 2023, the City recognized \$170,074 and \$92,703 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 325,524	\$ 46,733	\$ 534,719	\$ 93,429
2025	123,607	44,934	196,047	91,078
2026	117,735	43,338	198,672	89,008
2027	120,182	41,719	192,445	86,906
2028	122,681	40,064	137,605	84,871
2029 - 2033	651,255	174,233	525,090	397,558
2034 - 2038	448,539	132,501	420,000	360,983
2039 - 2043	49,025	117,056	473,054	323,218
2044 - 2048	71,715	111,951	530,805	280,756
2049 - 2053	98,332	104,752	593,667	233,182
2054 - 2058	129,421	95,100	662,094	180,044
2059 - 2063	165,601	82,590	223,415	138,080
2064 - 2068	207,566	66,757	264,545	117,335
2069 - 2073	256,097	47,078	308,133	92,944
2074 - 2078	312,074	22,956	353,880	64,862
2079 - 2083	105,589	1,437	410,729	32,307
2084 - 2085	-	-	165,459	2,717
	<u>\$ 3,304,943</u>	<u>\$ 1,173,199</u>	<u>\$ 6,190,359</u>	<u>\$ 2,669,278</u>

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, 2023:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 27,850,000
Total general obligation debt outstanding	<u>\$ 27,850,000</u>

General obligation debt at June 30, 2023, consist of the following individual issues:

Governmental activities:

\$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.	\$ 5,230,000
\$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.	4,505,000
\$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.	12,455,000
\$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.	5,660,000
Total governmental activities	<u>27,850,000</u>
Total General Obligation Debt	<u>\$ 27,850,000</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 4,270,000	\$ 1,013,900
2025	2,435,000	867,375
2026	2,520,000	771,475
2027	2,615,000	674,013
2028	2,710,000	574,825
2029-2033	8,110,000	1,733,163
2034-2037	5,190,000	387,599
	<u>\$ 27,850,000</u>	<u>\$ 6,022,350</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, 2023, was \$215,845,039 and \$64,753,512 for the 20 percent and 6 percent debt limits, respectively.

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 \$9,511,000 on June 30, 2023.

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 \$7,830,000 on June 30, 2023.

On May 11, 2022, the City issued \$4,092,000 in direct placement utility system revenue obligation, Series 2022, for stormwater 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 stormwater fund. Outstanding utility system revenue obligations are \$3,858,000 on June 30, 2023.

On May 11, 2022, the City issued \$4,930,000 in direct placement utility system revenue refunding obligation, Series 2022, for water 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 drinking water fund. Outstanding utility system revenue refunding obligations are \$4,280,000 on June 30, 2023.

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, 2023:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 15,870,000
Business-type activities	11,688,000
Business-type activities - advance refunding	13,791,000
Total revenue bonds outstanding	<u>\$ 41,349,000</u>

Revenue bonds at June 30, 2023, 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.	\$ 1,650,000
\$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.	6,020,000
\$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.	8,200,000
Total governmental activities	<u>15,870,000</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.	9,511,000
\$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.	7,830,000
\$4,092,000 Utility system revenue obligation, series 2022 due in annual installments of \$213,000 to \$307,000 through July 1, 2037; interest at 2.67%. Stormwater improvements.	3,858,000
\$4,930,000 Utility system revenue refunding obligation, series 2022 due in annual installments of \$137,000 to \$734,000 through July 1, 2029; interest at 2.49%. Water improvements.	4,280,000
Total business-type activities	<u>25,479,000</u>
Total Revenue Bonds	<u>\$ 41,349,000</u>

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

Year Ending June 30	Direct Placement			
	Principal	Interest	Principal	Interest
2024	\$ 1,125,000	\$ 602,844	\$ 3,514,000	\$ 548,730
2025	1,170,000	556,494	3,208,000	474,838
2026	1,215,000	508,325	3,273,000	403,982
2027	1,270,000	457,763	3,349,000	331,569
2028	1,320,000	404,681	3,177,000	259,322
2029-2033	6,925,000	1,198,003	5,849,000	723,181
2034-2038	2,845,000	100,334	3,109,000	139,396
Total	<u>\$ 15,870,000</u>	<u>\$ 3,828,444</u>	<u>\$ 25,479,000</u>	<u>\$ 2,881,018</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, 2023:

Purpose	Amount
Governmental activities	\$ 120,365,000
Business-type activities	3,515,000
Total certificates of participation outstanding	<u>\$ 123,880,000</u>

Certificates of participation on June 30, 2023, 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.	\$ 3,535,000
\$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.	116,830,000
Total governmental activities	<u>120,365,000</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.	3,515,000
Total business-type activities	<u>3,515,000</u>
Total Certificates of Participation	<u>\$ 123,880,000</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
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	6,230,000	2,694,467	110,000	106,844
2028	6,345,000	2,582,767	110,000	103,544
2029-2033	33,810,000	10,823,893	745,000	456,388
2034-2038	37,930,000	6,168,068	915,000	320,125
2039-2043	17,460,000	887,116	1,085,000	144,784
2044-2045	435,000	13,125	240,000	4,350
Total	<u>\$ 120,365,000</u>	<u>\$ 31,793,358</u>	<u>\$ 3,515,000</u>	<u>\$ 1,475,616</u>

The following is a summary of debt service requirements, including interest requirements, to maturity for long-term debt at June 30, 2023:

Fiscal Year	General Obligation Debt	Revenue Bonds	Certificates of Participation	Total
2022-2023	\$ 5,283,900	\$ 5,790,574	\$ 9,142,974	\$ 20,217,448
2023-2024	3,302,375	5,409,332	9,145,147	17,856,854
2024-2025	3,291,475	5,400,307	9,140,382	17,832,164
2025-2026	3,289,013	5,408,332	9,141,311	17,838,656
2026-2027	3,284,825	5,161,003	9,141,311	17,587,139
2027-2028	3,316,263	3,603,335	9,144,009	16,063,607
2028-2029	1,633,400	2,993,976	9,171,537	13,798,913
2029-2030	1,632,800	2,855,890	9,170,982	13,659,672
2030-2031	1,630,200	2,623,000	9,174,699	13,427,899
2031-2032	1,630,500	2,618,983	9,174,054	13,423,537
2032-2033	1,633,500	2,628,971	9,057,270	13,319,741
2033-2034	1,629,200	2,630,395	9,057,016	13,316,611
2034-2035	1,157,200	312,078	9,069,862	10,539,140
2035-2036	1,157,699	311,188	9,075,421	10,544,308
2036-2037	-	311,098	9,073,624	9,384,722
2037-2038	-	-	9,084,510	9,084,510
2038-2039	-	-	9,087,412	9,087,412
2039-2040	-	-	467,397	467,397
2040-2041	-	-	468,497	468,497
2041-2042	-	-	469,084	469,084
2042-2043	-	-	469,175	469,175
2043-2044	-	-	223,300	223,300
Less interest	(6,022,350)	(6,709,462)	(33,268,974)	(46,000,786)
	<u>\$ 27,850,000</u>	<u>\$ 41,349,000</u>	<u>\$ 123,880,000</u>	<u>\$ 193,079,000</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, \$46.6 million for future water rights and production, and \$61.2 million for various facility capital projects. As of June 30, 2023, \$2.8 million remains unissued for capital projects, all related debt has been issued for future water rights and production, and \$57.8 million remains unissued for facility capital projects. On November 2, 2010, voters approved \$21.2 million for public safety communication system and various street and utilities improvements. As of June 30, 2023, 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, 2023, all related debt has been issued. On November 8, 2016, voters approved \$12.0 million for a Courthouse Facility. As of June 30, 2023, all related debt has been issued. On November 8, 2022, voters approved \$57.3 million for wildfire suppression, stormwater flood mitigation and wastewater treatment infrastructure as well as \$20.0 million for creating rental and homeownership opportunities for residents of Flagstaff. As of June 30, 2023, all authorized debt remains unissued.

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, 2023:

<u>Purpose</u>	Amount
Governmental activities	\$ 2,736,095
Business-type activities	676,309
	<u>\$ 3,412,404</u>

Loan from direct borrowing payables on June 30, 2023, 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.	\$ 2,736,095
Total governmental activities	<u>2,736,095</u>

Business-type activities:

\$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.	219,002
\$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.	457,307
Total business-type activities:	<u>676,309</u>
Total Loans Payable - Direct Borrowings	<u>\$ 3,412,404</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
2024	\$ 229,912	\$ 46,511	\$ 89,744	\$ 14,371
2025	234,218	42,124	91,942	12,118
2026	238,605	37,655	94,195	9,810
2027	243,074	33,103	96,502	7,446
2028	247,627	28,464	98,867	5,024
2029-2033	1,309,469	69,654	205,059	2,543
2034-2038	233,190	1,577	-	-
Total	<u>\$ 2,736,095</u>	<u>\$ 259,088</u>	<u>\$ 676,309</u>	<u>\$ 51,312</u>

Obligations under Purchase Financing

Purchase financing agreements related to governmental activities consist of renewable energy solar equipment of \$412,233 (net of accumulated depreciation) and parking meter assets of \$380,218 (net of accumulated depreciation). Finance purchase agreements related to business-type activities consist of airport hangars of \$329,058 (net of accumulated depreciation) and renewable energy solar equipment of \$786,806 (net of accumulated depreciation).

These purchase financing agreements generally require annual payments, and the lease terms vary from five to twenty-one years. The lease agreements qualify as finance purchases 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
2024	\$ 204,840	\$ 403,163
2025	201,643	281,195
2026	195,088	152,812
2027	135,009	147,915
2028	74,851	142,865
2029	35,892	68,497
Total future minimum lease payments	847,323	1,196,447
Less: interest costs	(54,872)	(80,583)
Present value of future minimum lease payments	<u>\$ 792,451</u>	<u>\$ 1,115,864</u>

Leases Payable

Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The discount methodology used is the city's incremental borrowing rate. For additional information, refer to the disclosures below.

In various governmental funds, the City, acting as lessee, leased buildings and open space under long-term, non-cancelable lease agreements. The leases expire at various dates through 2025 provide for renewal options ranging from one year to two years. The City is required to make monthly fixed payments ranging from \$5,000 to \$9,646. The value of the right to use assets as of June 30, 2023 of ranged from \$211,929 to \$353,618 with accumulated amortization ranging from \$121,102 to \$235,745.

In the water and wastewater fund, the City, acting as lessee, leased land under long-term, non-cancelable lease agreements. The leases expire in 2024. The City is required to make annual fixed payments of \$4,016. The value of the right to use asset as of June 30, 2023 of \$6,412 with accumulated amortization of \$5,306.

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2024	\$ 182,817	\$ 594
2025	30,860	42
	<u>\$ 213,677</u>	<u>\$ 636</u>

Subscription-Based Information Technology Arrangements

The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more. The City uses its estimated incremental borrowing rate to measure subscription liabilities unless it can readily determine the interest rate implicit in the arrangement. The City’s estimated incremental borrowing rate is calculated as described above.

In various governmental funds, the subscriptions expire at various dates through 2025. The City is required to make annual payments ranging from \$12,000 to \$81,406. The value of the right to use assets as of June 30, 2023, of ranged from \$5,160 to \$113,815 with accumulated amortization ranging from \$3,050 to \$74,555.

In the water and wastewater funds, the subscriptions expire at various dates through 2025. The City is required to make annual payments totaling \$60,050. The value of the right to use asset as of June 30, 2023, is \$32,300 with accumulated amortization of \$10,438.

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 166,234	\$ 4,667	\$ 10,535	\$ 465
2025	94,249	1,977	10,765	235
	<u>\$ 260,483</u>	<u>\$ 6,644</u>	<u>\$ 21,300</u>	<u>\$ 700</u>

Pledged Revenues

The City has pledged future water, wastewater and stormwater utility revenues to repay Water Infrastructure Financing Authority loans and revenue bonds issued during the period of 2010-2022. The various bonds were issued for the purchase or construction of various water infrastructure including wells, water distribution lines, wastewater collection lines, treatment plant improvements and stormwater drainage improvements. At June 30, 2023, \$29,087,639 remains outstanding to be repaid by future water, wastewater and stormwater 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, 2023, net revenue available for service of this debt was \$12,451,343. The debt principal and interest paid in fiscal year 2022-2023 equal \$4,402,152 (35.35% 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, 2023, \$1,970,138 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2023, net revenues available for the service of this debt were \$25,737,656. The debt principal and interest paid in fiscal year 2022-2023 was \$247,863 (0.96% 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, 2023, \$17,728,306 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2023, net revenues available for service of the debt were \$7,402,548. The debt principal and interest paid in fiscal year 2022-2023 was \$1,484,613 (20.06% 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 have been made from the General, Library, HURF, BBB, and Library funds.

Non-current liability activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 33,725,000	\$ -	\$ (5,875,000)	\$ 27,850,000	\$ 4,270,000
Revenue bonds	16,955,000	-	(1,085,000)	15,870,000	1,125,000
Certificates of participation	126,765,000	-	(6,400,000)	120,365,000	5,975,000
Total bonds payable	177,445,000	-	(13,360,000)	164,085,000	11,370,000
Loan payable - direct borrowing	2,957,683	4,097	(225,685)	2,736,095	229,912
Financed purchases	970,245	-	(177,794)	792,451	183,715
Bond premium	5,084,713	-	(481,535)	4,603,178	458,272
Bond discount	(116,093)	-	-	(116,093)	-
Leases payable	391,802	-	(178,125)	213,677	182,817
Subscription liability	498,651	170,805	(408,973)	260,483	166,234
Compensated absences	4,934,768	2,196,699	(2,148,502)	4,982,965	2,199,575
Other postemployment benefits	8,946,028	5,070,536	(6,079,577)	7,936,987	378,687
Net pension liability	29,715,621	15,570,885	(8,623,296)	36,663,210	-
Claims and judgements	188,647	147,610	(97,033)	239,224	114,224
Governmental activities long-term liability	\$ 231,017,065	\$ 23,160,632	\$ (31,780,520)	\$ 222,397,177	\$ 15,283,436
Business-type activities:					
Bonds payable:					
General obligation debt	\$ 936,467	\$ -	\$ (936,467)	\$ -	\$ -
Revenue bonds - direct placement	29,242,000	-	(3,763,000)	25,479,000	3,514,000
Certificates of participation	3,610,000	-	(95,000)	3,515,000	100,000
Total bonds payable	33,788,467	-	(4,794,467)	28,994,000	3,614,000
Water loan payable - direct borrowing	763,906	-	(87,597)	676,309	89,744
Financed purchases	1,465,693	-	(349,830)	1,115,863	367,049
Total loan and leases payable	2,229,599	-	(437,427)	1,792,172	456,793
Bond premium	13,052	-	(2,728)	10,324	3,064
Bond discount	(56,287)	-	-	(56,287)	-
Leases payable	3,206	-	(3,206)	-	-
Subscription liability	-	32,300	(11,000)	21,300	10,535
Compensated absences	846,629	19,471	(91,428)	774,672	374,199
Other postemployment benefits	2,120,679	1,198,295	(1,445,100)	1,873,874	89,405
Net pension liability	10,125,352	5,473,733	(3,022,885)	12,576,200	-
Landfill closure/postclosure	17,400,522	2,939,498	-	20,340,020	-
Business-type activities long-term liability	\$ 66,471,219	\$ 9,663,297	\$ (9,808,241)	\$ 66,326,275	\$ 4,547,996

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, \$100,000 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, 2023, have potential exposure to the City of approximately \$239,224 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>
2020-2022	\$ 116,927	\$ 318,778	\$ 247,058	\$ 188,647
2022-2023	188,647	147,610	97,033	239,224

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.

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, 2023:

Capital Project Program Classification	Spent to Date	Remaining Commitment
Buildings	\$ 342,063	\$ 8,336
Streets	26,943,462	21,579,542
Water	4,875,862	6,408,319
Wastewater	510,521	2,985,781
Reclaim water	207,576	122,689
Stormwater	5,711,902	2,239,613
Airport	2,033,804	1,175,891
Other land improvements	7,100,345	7,268,209
Total construction commitments	<u>\$ 47,725,535</u>	<u>\$ 41,788,380</u>

Outstanding Encumbrances at June 30, 2023:

Governmental Activities:	
General fund	\$ 3,987,034
HURF fund	322,519
Transportation fund	504,995
Other government funds	1,217,733
Total governmental activities	<u>6,032,281</u>
Business-type Activities:	
Water, wastewater, and reclaim fund	2,120,949
Stormwater fund	468,363
Environmental services fund	1,559,455
Airport fund	1,706,776
Total business-type activities	<u>5,855,543</u>
Total governmental and business-type activities	<u>\$ 11,887,824</u>

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.

ASRS

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

PSPRS and EORP

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

At June 30, 2023, the City reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

Pension Plans	Net Pension Liability/Asset	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
ASRS				
Governmental activities	\$ 35,174,458	\$ 5,259,500	\$ 1,245,480	\$ 3,491,947
Business-type activities	12,576,200	1,901,394	445,308	1,248,502
PSPRS - Police	(882,686)	4,335,301	364,476	1,587,160
PSPRS - Fire				
Governmental activities	(3,669,322)	3,555,791	557,519	973,876
Business-type activities	(326,577)	302,993	49,621	91,439
EORP	1,488,752	162,309	28,729	143,150
Total	\$ 44,360,825	\$ 15,517,288	\$ 2,691,133	\$ 7,536,074

OPEB Plans	Net OPEB Liability/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense/(Income)
OPEB				
Governmental activities	\$ 7,936,987	\$ 2,370,077	\$ 3,311,070	\$ 484,924
Business-type activities	1,873,874	559,558	781,722	106,100
PSPRS - Fire	(1,715,272)	77,898	148,511	(185,168)
Total	\$ 8,095,589	\$ 3,007,533	\$ 4,241,303	\$ 405,856

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:

	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	30 years, age 55
	10 years, age 62	25 years, age 60
	5 years, age 50*	10 years, age 62
	any years, age 65	5 years, age 50*
		any years, age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

*With actuarially reduced benefits.

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

Contributions

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, 2023, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.17% (12.03% retirement and 0.14% long-term disability) of the members' annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 12.17% (11.92% retirement, 0.11% for health insurance premium, and 0.14% long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.68% (9.62% for retirement and 0.06% 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, 2023, was \$4,384.073 inclusive of Housing Authority.

During fiscal year 2022-2023, the City paid for ASRS pension contributions 73% from governmental funds and 27% from enterprise funds.

Pension Liability

At June 30, 2023, the City reported a liability of \$47,750,658 for its proportionate share of the ASRS net pension liability. The net pension liability was measured as of June 30, 2022. 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, 2021, to the measurement date of June 30, 2022. The City's reported liability at June 30, 2023, increased by \$9,305,631 from the City's prior year liability of \$38,445,027 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, 2022. The City's proportion measured as June 30, 2022, was 0.2926%, which was no change from its proportion measured as of June 30, 2022, 0.2926%.

Pension Expense and Deferred Outflows - Inflows of Resources

For the year ended June 30, 2023, the City recognized pension expense of \$4,740,449. At June 30, 2023, 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	\$ 406,864	\$ -
Net difference between projected and actual earnings on pension plan investments	2,369,957	(1,257,799)
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(432,989)
City contributions subsequent to the measurement date	4,384,073	-
Total	<u>\$ 7,160,894</u>	<u>\$ (1,690,788)</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, 2023. 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,	
2024	\$ 1,832,481
2025	(575,779)
2026	(2,183,834)
2027	2,013,166
	<u>\$ 1,086,034</u>

Actuarial Assumptions

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

ASRS

Actuarial valuation date	June 30, 2021
Actuarial roll forward date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increases	2.9-8.4%
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, 2021 valuation was based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0 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%	3.90%
Fixed income - credit	20%	5.30%
Fixed income - interest rate sensitive	10%	-0.20%
Real Estate	20%	6.00%
Total	100%	

Discount Rate

The discount rate used to measure the ASRS total pension was 7.0 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 7.0 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 (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	<u>\$ 70,454,676</u>	<u>\$ 47,750,658</u>	<u>\$ 28,819,054</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:**

	Initial Membership Date:	
	Before January 1, 2012	On or after January 1, 2012 and before July 1, 2017
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 years	
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, 2023, 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	90	96	96
Inactive employees entitled to but not yet receiving benefits	34	17	8
Active employees	51	66	66
Total	175	179	170

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, 2023, are indicated below. Rates are a percentage of active members' annual covered payroll.

	<u>Active member - Pension</u>	<u>City - Pension</u>	<u>City - Health Insurance Premium Benefit*</u>
PSPRS Police	7.65%	8.00%	N/A
PSPRS Fire	7.65% - 10.65%	8.35% - 12.35%	0.00%

In addition, the City was required by statute to contribute at the actuarially determined rate of 8.00 percent for the PSPRS Police and 8.00 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, 2023, were:

	<u>City - Pension</u>	<u>City - Health Insurance Premium Benefit</u>
PSPRS Police	\$ 442,029	N/A
PSPRS Fire	650,693	-

During fiscal year 2022-2023, the City paid for PSPRS pension and OPEB contributions for police with 100% general fund dollars and 92.0% from the general fund plus 8.0% from the airport fund as related to fire contributions.

Net Pension/OPEB (Asset) Liability

At June 30, 2023, the City reported net pension asset of \$882,686 and \$3,995,899 for police and fire respectively and a net asset for fire in the amount of \$1,715,272 related to OPEB. The net asset were measured as of June 30, 2022, and the total liability used to calculate the net asset was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, changing the wage inflation from 3.5 percent to a range of 3.0 - 6.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

Actuarial Assumptions

Actuarial assumptions used in the June 30, 2022; valuation was based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

PSPRS

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
Wage inflation	3.0-6.25% for pensions/not applicable for OPEB
Price inflation	2.5% for pensions/not applicable for OPEB
Cost-of-living adjustment	1.85% 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 7.2 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
Asset Class	Allocation	Rate of Return
U.S. Public Equity	24%	3.49%
International Public Equity	16%	4.47%
Global Private Equity	20%	7.18%
Other Assets (Capital Appreciation)	7%	4.83%
Core Bonds	2%	0.45%
Private Credit	20%	5.10%
Diversifying Strategies	10%	2.68%
Cash - Mellon	1%	-0.35%
Total	100%	

Pension Discount Rates

At June 30, 2022, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent which was a decrease of 0.1 from the discount rate used as of June 30, 2021. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability/OPEB asset.

Changes in the Net Pension/OPEB (Asset) Liability

	Increase (Decrease)		
	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a) - (b)
PSPRS - Police*			
Balances at June 30, 2022,	\$ 91,223,383	\$ 107,606,353	\$ (16,382,970)
Changes for the year:			
Service cost	889,355	-	889,355
Interest on the total pension liability	6,533,446	-	6,533,446
Differences between expected and actual experience in the measurement of the total pension liability	3,340,871	-	3,340,871
Contributions- employer	-	731,520	(731,520)
Contributions- employee	-	478,668	(478,668)
Changes of Assumptions	1,658,296	-	1,658,296
Benefit payments, including refunds of employee contributions	(5,226,958)	(5,226,958)	-
Net investment income	-	(4,212,399)	4,212,399
Administrative expense	-	(76,105)	76,105
Net changes	<u>7,195,010</u>	<u>(8,305,274)</u>	<u>15,500,284</u>
Balances at June 30, 2022	<u>\$ 98,418,393</u>	<u>\$ 99,301,079</u>	<u>\$ (882,686)</u>

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

	Total	Plan	Net	Total	Plan	Net
	Pension	Fiduciary	Pension	OPEB	Fiduciary	OPEB
	Liability (a)	Net Position (b)	Liability (Asset) (a) - (b)	Liability (a)	Net Position (b)	Asset (a) - (b)
PSPRS - Fire						
Balances at June 30, 2022	\$ 101,853,546	\$ 118,890,097	\$ (17,036,551)	\$ 1,465,891	\$ 3,411,090	\$ (1,945,199)
Changes for the year:						
Service cost	1,240,372	-	1,240,372	24,892	-	24,892
Interest on the total pension liability	7,324,012	-	7,324,012	105,768	-	105,768
Differences between expected and actual experience in the measurement of the pension liability	383,514	-	383,514	(71,930)	-	(71,930)
Contributions- employer	-	1,495,998	(1,495,998)	-	-	-
Contributions- employee	-	649,496	(649,496)	-	-	-
Changes of assumptions	1,462,932	-	1,462,932	35,113	-	35,113
Benefit payments, including refunds of employee contributions	(5,529,964)	(5,529,964)	-	(83,819)	(83,819)	-
Net investment income	-	(4,690,568)	4,690,568	-	(133,704)	133,704
Administrative expense	-	(84,748)	84,748	-	(2,380)	2,380
Net changes	<u>4,880,866</u>	<u>(8,159,786)</u>	<u>13,040,652</u>	<u>10,024</u>	<u>(219,903)</u>	<u>229,927</u>
Balances at June 30, 2023	<u>\$ 106,734,412</u>	<u>\$ 110,730,311</u>	<u>\$ (3,995,899)</u>	<u>\$ 1,475,915</u>	<u>\$ 3,191,187</u>	<u>\$ (1,715,272)</u>

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	6.20%	7.20%	8.20%
Net pension liability	\$ 12,562,834	\$ (882,686)	\$ (11,779,248)
PSPRS - Fire			
Rate	6.20%	7.20%	8.20%
Net pension liability	\$ (1,557,812)	\$ (1,715,272)	\$ (1,848,655)
Net OPEB asset	\$ 9,570,726	\$ (3,995,899)	\$ (15,154,893)

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, 2023, the City recognized \$1,587,160 and \$1,065,315 pension expenses for police and fire, respectively and negative \$185,168 related to OPEB (Fire).

Deferred Outflows/Inflows of Resources

At June 30, 2023, 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	\$ 2,787,742	\$ -	\$ 1,774,615	\$ (135,063)	\$ -	\$ (148,511)
Changes of assumptions	1,105,530	-	1,433,476	-	29,703	-
Net difference between projected and actual earnings on pension plan investments	-	(364,476)	-	(472,077)	48,195	-
City contributions subsequent to the measurement date	442,029	-	650,693	-	-	-
Total	<u>\$ 4,335,301</u>	<u>\$ (364,476)</u>	<u>\$ 3,858,784</u>	<u>\$ (607,140)</u>	<u>\$ 77,898</u>	<u>\$ (148,511)</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 an increase of the net pension and OPEB asset in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows, or resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	<u>PSPRS Police</u>	<u>PSPRS Fire</u>	<u>PSPRS OPEB Fire</u>
2024	\$ 1,371,827	\$ 640,557	\$ (63,575)
2025	979,525	192,866	(38,723)
2026	(1,206,211)	(881,056)	(44,230)
2027	2,383,655	2,648,584	75,915
	<u>\$ 3,528,796</u>	<u>\$ 2,600,951</u>	<u>\$ (70,613)</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, 2023, 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, 2023, the City recognized pension expense of \$38,678.

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 5 years, age 65 5 years, any age* any years and age if disabled	10 years, age 62 5 years, age 65 any years and age if disabled
Final average salary is based on	Highest 36 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 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, 2023, 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 70.42 percent of all active EORP members' annual covered payroll. Also, statute required the City to contribute 58.39 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 64.42 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 48.58 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, 2023, was \$148,865. The pension contributions were paid 100 percent from the General Fund.

Pension Liability

At June 30, 2023, 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	\$ 1,488,752
State's proportionate share of the EORP net pension liability associated with the City	144,956
Total	<u><u>\$ 1,633,708</u></u>

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The total liabilities as of June 30, 2022, reflect changes of actuarial assumptions, including decreasing the investment rate of return from 7.3 percent to 7.2 percent, decreasing the wage inflation from 3.75 percent to 3.25 percent, and increasing the cost-of-living adjustment from 1.75 percent to 1.85 percent.

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, 2022. The City's proportion measured as of June 30, 2022, and the change from its proportion measured at June 30, 2021, were 0.220513% and 0.008871%, respectively.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023, the City recognized pension expense for the EORP of \$159,837 and revenue of \$16,687 for the City's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Pension deferred outflows/Inflows of resources

<u>EORP</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 13,444	\$ -
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(28,729)
City contributions subsequent to the measurement date	148,865	-
Total	<u><u>\$ 162,309</u></u>	<u><u>\$ (28,729)</u></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, 2024. 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	
2024	\$ (26,022)
2025	129
2026	(6,337)
2027	16,945
	<u><u>\$ (15,285)</u></u>

Actuarial Assumptions

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

EORP

Actuarial valuation date	June 30, 2022
Actuarial cost method	Entry age normal
Investment rate of return	7.20%
Wage inflation	3.25%
Price inflation	2.50%
Cost-of-living adjustment	1.85%
Mortality rates	PubG-2010 tables
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2022 valuation was based on the results of an actuarial experience study for the five -year period ended June 30, 2021.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.20 percent using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset call are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Geometric Real Rate of Return
U.S. Public Equity	24%	3.49%
International Public Equity	16%	4.47%
Global Private Equity	20%	7.18%
Other Assets (Capital Appreciation)	7%	4.83%
Core Bonds	2%	0.01%
Private Credit	20%	5.10%
Diversifying Strategies	10%	2.68%
Cash - Mellon	1%	-0.35%
Total	100%	

Discount Rate

At June 30, 2022, the discount rate used to measure the EORP total pension liability was 7.2 percent was a decrease. 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 7.2 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	6.20%	7.20%	8.20%
Net pension liability	\$ 1,699,620	\$ 1,488,752	\$ 1,308,130

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, 2023, 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, 2022, the City recognized pension expense of \$5,886.

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). No assets are accumulated in a trust that meets the criteria in GASB No. 75, paragraph four, to pay the benefits for the single-employer defined benefit OPEB plan.

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, 2021, OPEB plan membership consisted of the following:

Retirees currently receiving health benefits	54
Active members	<u>664</u>
Total	718

OPEB Liability

At June 30, 2023, the City reported a net OPEB liability of \$9,810,861. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability were determined from the actuarial valuations as of June 30, 2021.

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2021, valuation was based on an experience studies for ASRS for the period from July 1, 2015 through June 30, 2020 and from PSPRS for the period from July 1, 2015, through June 30, 2020.

Change in Net OPEB Liability

	<u>Increase (Decrease)</u>
	Total OPEB
OPEB	Liability
Balances at June 30, 2022	<u>\$ 11,066,707</u>
Changes for the year:	
Service cost	754,126
Interest on the total pension liability	250,207
Changes of assumptions	(1,783,242)
Benefit payments, including refunds of employee contributions	<u>(476,937)</u>
Net changes	<u>(1,255,846)</u>
Balances at June 30, 2023	<u><u>\$ 9,810,861</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, 2021
Actuarial cost method	Entry level, level percent of salary
Mortality rates	MP-2020 tables
Healthcare cost trend rate	8.25% to 4.5% over 10 years

Discount Rate

At June 30, 2022, the discount rate used to measure the City's OPEB total liability was 3.54 percent. Because the City is not prefunding the OPEB benefits, the discount rates used in this valuation for financial disclosure purposes as of June 30, 2021, and 2022 are based on the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The following table presents the City's OPEB liability calculated using the discount rate of 3.54% as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
City's proportionate share of the OPEB liability	<u>\$ 10,870,420</u>	<u>\$ 9,810,861</u>	<u>\$ 8,876,686</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, 2022, 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 OPEB liability	<u>\$ 8,625,813</u>	<u>\$ 9,810,861</u>	<u>\$ 11,221,312</u>

*Current trend rates are 5.00% in 2022-2023, 5.45% to 2023-2024, and 7.00% 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, 2023, the City recognized an OPEB expense of \$591,021. At June 30, 2023, 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	\$ 2,461,548	\$ (1,897,986)
Net difference between expected and actual experience in the total OPEB liability	-	(2,194,806)
City benefit payments subsequent to the measurement date	468,087	-
Total	<u>\$ 2,929,635</u>	<u>\$ (4,092,792)</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,	
2024	\$ (413,312)
2025	(413,312)
2026	(405,271)
2027	(212,636)
2028	(38,793)
Thereafter	(147,920)
	<u>\$ (1,631,244)</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 Cinder Lake 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 \$20,340,020 as of June 30, 2023, which is based on 84.54% percent usage of the landfill. The remaining \$3,719,753 will be accrued over the remaining life of the landfill, which is currently estimated to be five years.

The accrual for the closure and post closure care costs for fiscal year 2022-2023 is \$2,939,498. 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, 2023, the balance of the cash and investments held for those purposes is \$12,498,950. 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, \$24,059,773, 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, 2023. 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, 2023, the City abated assessed property taxes totaling \$49,028 under this program including the following Government Property Lease Excise Tax (GPLET) abatement agreements:

A 1.52 percent property tax abatement to Joy Cone manufacturing. The 2021 abatement amounted to \$49,028.

F. Subsequent Events

During July, August and September of 2023, the City received \$17,074,736 in draws from two of its Water Infrastructure Finance Authority loans payable.

G. Adjustments to and restatements of beginning balances

The city has two identified errors that necessitated a correction. The first correction related to the calculation of the 60-day sales tax resulting in an overstatement of revenue and accounts receivable of \$4,491,295 in the prior year. This correction was prompted by newly available information. The error in question pertained to the accurate estimation of our sales tax receivable over a 60-day period, and it has now been rectified to reflect the correct figures. The newly available information revealed discrepancies in the previous calculations, stemming from methodological oversights. As a result, the previously reported sales tax was inaccurately stated in the prior year. The second adjustment is a discovery that easement and right of way dedication that are recorded at the time of the final plat were not being properly recorded as capital assets resulting in an understatement of capital assets. The city has retroactively calculated the estimated value of those dedications as of the date of final plat and adjusted the capital assets balances accordingly.

	Fund Statements					Government Wide	
	General Fund	Transportation Tax Fund	BBB Fund	Water and Wastewater Fund	Stormwater Fund	Governmental Activities	Business-type Activities
Net position/fund balance as previously reported at June 30, 2022	\$ 75,208,499	\$ 69,236,532	\$ 20,345,414	\$ 286,625,519	\$ 55,652,162	\$ 361,315,188	\$ 399,315,378
Prior period adjustments:							
60 day sales tax recalculation	(1,695,522)	(2,031,922)	(763,851)	-	-	(4,491,295)	-
Right of way and easement adjustment	-	-	-	2,494,403	694,628	2,830,153	3,189,031
Total prior period adjustment	<u>(1,695,522)</u>	<u>(2,031,922)</u>	<u>(763,851)</u>	<u>2,494,403</u>	<u>694,628</u>	<u>(1,661,142)</u>	<u>3,189,031</u>
Net position/fund balance as restated, July 1, 2022	<u>\$ 73,512,977</u>	<u>\$ 67,204,610</u>	<u>\$ 19,581,563</u>	<u>\$ 289,119,922</u>	<u>\$ 56,346,790</u>	<u>\$ 359,654,046</u>	<u>\$ 402,504,409</u>

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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, 2023

	Reporting Fiscal Year (Measurement Date)		
	2022-2023	2021-2022	2020-2021
	(2021-2022)	(2020-2021)	(2019-2020)
Arizona State Retirement System			
Proportion of the net pension liability	0.292550%	0.292590%	0.301400%
Proportionate share of the net pension liability	\$ 47,750,657	\$ 38,445,027	\$ 52,222,131
Covered payroll	\$ 34,944,558	\$ 33,005,980	\$ 33,145,052
Proportionate share of the net pension liability as a percentage of its covered payroll	136.65%	116.48%	157.56%
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%
EORP			
Proportion of the net pension liability	0.2205134%	0.2293840%	0.2214790%
City's proportionate share of the net pension liability	\$ 1,488,752	\$ 1,395,946	\$ 1,494,901
State's proportionate share of the net pension liability associated with the City	144,956	140,315	142,078
Total	\$ 1,633,708	\$ 1,536,261	\$ 1,636,979
Covered payroll	\$ 190,640	\$ 183,403	\$ 187,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	780.92%	761.14%	799.41%
Plan fiduciary net position as a percentage of the total pension liability	32.01%	36.28%	29.80%

Reporting fiscal year 2013-2014 information is not available.

2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)	2016-2017 (2015-2016)	2015-2016 (2014-2015)	2014-2015 (2013-2014)
0.305020%	0.333310%	0.312660%	0.311530%	0.300450%	0.302625%
\$ 44,383,959	\$ 46,485,015	\$ 48,706,334	\$ 50,284,072	\$ 46,798,712	\$ 44,778,290
\$ 32,447,746	\$ 31,911,275	\$ 28,842,056	\$ 27,573,067	\$ 26,638,622	\$ 26,638,622
136.79%	145.67%	168.87%	182.37%	175.68%	168.10%
73.24%	73.40%	69.92%	67.06%	68.35%	69.49%
0.2122050%	0.1689530%	0.2177500%	0.2097849%	0.1942242%	0.2500258%
\$ 1,407,293	\$ 1,064,634	\$ 2,653,363	\$ 1,981,949	\$ 1,517,768	\$ 1,676,603
132,271	182,419	550,687	409,221	473,166	514,062
\$ 1,539,564	\$ 1,247,053	\$ 2,391,170	\$ 2,391,170	\$ 1,990,934	\$ 2,190,665
\$ 184,269	\$ 180,000	\$ 194,354	\$ 189,999	\$ 157,579	\$ 204,400
763.72%	591.46%	1365.22%	1043.14%	963.18%	820.26%
30.14%	30.40%	19.70%	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, 2023

	Reporting Fiscal Year (Measurement Date)		
	2022-2023 (2021-2022)	2021-2022 (2020-2021)	2020-2021 (2019-2020)
PSPRS Police			
Total pension liability			
Service cost	\$ 889,355	\$ 1,035,271	\$ 1,135,219
Interest on the total pension liability	6,533,446	6,358,327	6,113,422
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	3,340,871	516,872	1,208,232
Changes of assumptions or other inputs	1,658,296	-	-
Benefit payments, including refunds of employee contributions	(5,226,958)	(5,504,359)	(4,499,790)
Net change in total pension liability	7,195,010	2,406,111	3,957,083
Total pension liability - beginning	91,223,383	88,817,272	84,860,189
Total pension liability - ending (a)	<u>\$ 98,418,393</u>	<u>\$ 91,223,383</u>	<u>\$ 88,817,272</u>
Plan fiduciary net position			
Contributions - employer	\$ 731,520	\$ 56,134,692	\$ 6,284,379
Contributions - employee	478,668	477,435	537,822
Net investment income	(4,212,399)	22,313,817	436,641
Benefit payments, including refunds of employee contributions	(5,226,958)	(5,504,359)	(4,499,790)
Hall/Parker Settlement	-	-	-
Pension plan administrative expenses	(76,105)	(97,741)	(35,788)
Other changes	-	-	-
Net change in plan fiduciary net position	(8,305,274)	73,323,844	2,723,264
Plan fiduciary net position - beginning (restated)	107,606,353	34,282,509	31,559,245
Plan fiduciary net position - ending (b)	<u>\$ 99,301,079</u>	<u>\$ 107,606,353</u>	<u>\$ 34,282,509</u>
Net pension liability - ending (a) - (b)	<u>\$ (882,686)</u>	<u>\$ (16,382,970)</u>	<u>\$ 54,534,763</u>
Plan fiduciary net position as a percentage of the total pension liability	100.90%	117.96%	38.60%
Covered payroll	\$ 5,210,182	\$ 4,584,510	\$ 5,527,309
Net pension liability as a percentage of covered payroll	-16.94%	-357.35%	986.64%

Reporting fiscal year 2013-2014 information is not available.

2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)	2016-2017 (2015-2016)	2015-2016 (2014-2015)	2014-2015 (2013-2014)
\$ 1,314,269	\$ 1,278,269	\$ 1,591,484	\$ 1,367,771	\$ 1,373,545	\$ 1,312,430
5,830,298	5,476,675	5,131,739	4,818,389	4,650,797	3,904,338
-	-	924,114	1,967,589	-	1,353,950
590,373	1,216,507	(293,545)	(111,993)	(346,202)	(671,478)
1,650,864	-	2,159,906	2,578,910	-	6,987,647
(3,998,301)	(3,737,501)	(3,804,819)	(3,575,345)	(3,505,319)	(3,311,491)
5,387,503	4,233,950	5,708,879	7,045,321	2,172,821	9,575,396
79,472,686	75,238,736	69,529,857	62,484,536	60,311,715	50,736,319
<u>\$ 84,860,189</u>	<u>\$ 79,472,686</u>	<u>\$ 75,238,736</u>	<u>\$ 69,529,857</u>	<u>\$ 62,484,536</u>	<u>\$ 60,311,715</u>
\$ 3,441,524	\$ 4,046,869	\$ 3,657,762	\$ 3,441,521	\$ 2,578,489	\$ 2,311,119
550,585	646,186	912,701	1,147,170	841,533	768,029
1,756,930	2,081,145	3,105,491	146,825	821,133	2,757,888
(3,998,301)	(3,737,501)	(3,804,819)	(3,575,345)	(3,505,319)	(3,311,491)
-	(922,190)	-	-	-	-
(31,510)	(32,374)	(27,878)	(21,527)	(20,411)	-
-	328	(58,723)	(112,440)	(357,501)	(1,371,053)
1,719,228	2,082,463	3,784,534	1,026,204	357,924	1,154,492
29,840,016	27,776,266	23,991,732	22,965,528	22,607,604	21,453,112
<u>\$ 31,559,244</u>	<u>\$ 29,858,729</u>	<u>\$ 27,776,266</u>	<u>\$ 23,991,732</u>	<u>\$ 22,965,528</u>	<u>\$ 22,607,604</u>
<u>\$ 53,300,945</u>	<u>\$ 49,613,957</u>	<u>\$ 47,462,470</u>	<u>\$ 45,538,125</u>	<u>\$ 39,519,008</u>	<u>\$ 37,704,111</u>
37.19%	37.57%	36.92%	34.51%	36.75%	37.48%
\$ 5,875,114	\$ 6,555,255	\$ 7,155,954	\$ 7,318,199	\$ 7,526,730	\$ 7,425,908
907.23%	756.86%	663.26%	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, 2023

	Reporting Fiscal Year		
	(Measurement Date)		
	2022-2023 (2021-2022)	2021-2022 (2020-2021)	2020-2021 (2019-2020)
PSPRS Fire			
Total pension liability			
Service cost	\$ 1,240,372	\$ 1,139,137	\$ 1,149,078
Interest on the total pension liability	7,324,012	6,941,055	6,733,345
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	383,514	2,674,365	599,182
Changes of assumptions or other inputs	1,462,932	-	-
Benefit payments, including refunds of employee contributions	(5,529,964)	(5,689,625)	(5,563,021)
Net change in total pension liability	<u>4,880,866</u>	<u>5,064,932</u>	<u>2,918,584</u>
Total pension liability - beginning	<u>101,853,546</u>	<u>96,788,614</u>	<u>93,870,030</u>
Total pension liability - ending (a)	<u>\$ 106,734,412</u>	<u>\$ 101,853,546</u>	<u>\$ 96,788,614</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,495,998	\$ 63,705,770	\$ 7,273,509
Contributions - employee	649,496	496,467	549,407
Net investment income	(4,690,568)	24,700,340	470,249
Benefit payments, including refunds of employee contributions	(5,529,964)	(5,689,625)	(5,563,021)
Hall/Parker Settlement	-	-	-
Pension plan administrative expenses	(84,748)	(107,926)	(38,533)
Other changes	-	-	-
Net change in plan fiduciary net position	<u>(8,159,786)</u>	<u>83,105,026</u>	<u>2,691,611</u>
Plan fiduciary net position - beginning (restated)	<u>118,890,097</u>	<u>35,785,071</u>	<u>33,093,460</u>
Plan fiduciary net position - ending (b)	<u>\$ 110,730,311</u>	<u>\$ 118,890,097</u>	<u>\$ 35,785,071</u>
Net pension liability - ending (a) - (b)	<u>\$ (3,995,899)</u>	<u>\$ (17,036,551)</u>	<u>\$ 61,003,543</u>
Plan fiduciary net position as a percentage of the total pension liability	103.74%	116.73%	36.97%
Covered payroll	\$ 6,109,308	\$ 5,646,127	\$ 5,239,842
Net pension liability as a percentage of covered payroll	-65.41%	-301.74%	1164.22%

Reporting fiscal year 2013-2014 information is not available.

2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)	2016-2017 (2015-2016)	2015-2016 (2014-2015)	2014-2015 (2013-2014)
\$ 1,229,846	\$ 1,232,288	\$ 1,376,479	\$ 1,107,145	\$ 973,454	\$ 950,445
6,594,132	6,209,142	5,668,204	5,356,440	5,239,671	4,390,766
-	-	804,628	2,064,045	-	1,553,904
(675,316)	2,491,418	193,670	669,848	52,497	1,431,974
1,681,383	-	5,454,472	2,647,110	-	7,269,797
<u>(5,680,128)</u>	<u>(5,007,832)</u>	<u>(5,180,329)</u>	<u>(4,095,893)</u>	<u>(5,594,036)</u>	<u>(3,994,598)</u>
<u>3,149,917</u>	<u>4,925,016</u>	<u>8,317,124</u>	<u>7,748,695</u>	<u>671,586</u>	<u>11,602,288</u>
<u>90,720,113</u>	<u>85,795,097</u>	<u>77,477,973</u>	<u>69,729,278</u>	<u>69,057,692</u>	<u>57,455,404</u>
<u>\$ 93,870,030</u>	<u>\$ 90,720,113</u>	<u>\$ 85,795,097</u>	<u>\$ 77,477,973</u>	<u>\$ 69,729,278</u>	<u>\$ 69,057,692</u>
\$ 5,315,168	\$ 4,950,022	\$ 4,239,954	\$ 3,952,628	\$ 2,418,742	\$ 2,030,211
435,225	565,220	703,312	669,429	732,850	525,878
1,830,884	2,181,684	3,290,746	160,712	963,491	3,407,667
(5,680,128)	(5,007,832)	(5,180,329)	(4,095,893)	(5,594,036)	(3,994,598)
-	(908,136)	-	-	-	-
(32,805)	(33,905)	(29,518)	(23,526)	(23,873)	-
-	357	12,535	(27,936)	48,864	(1,831,071)
<u>1,868,344</u>	<u>1,747,410</u>	<u>3,036,700</u>	<u>635,414</u>	<u>(1,453,962)</u>	<u>138,087</u>
<u>31,255,156</u>	<u>29,508,064</u>	<u>26,471,364</u>	<u>25,835,950</u>	<u>27,289,912</u>	<u>27,151,825</u>
<u>\$ 33,123,500</u>	<u>\$ 31,255,474</u>	<u>\$ 29,508,064</u>	<u>\$ 26,471,364</u>	<u>\$ 25,835,950</u>	<u>\$ 27,289,912</u>
<u>\$ 60,746,530</u>	<u>\$ 59,464,639</u>	<u>\$ 56,287,033</u>	<u>\$ 51,006,609</u>	<u>\$ 43,893,328</u>	<u>\$ 41,767,780</u>
35.29%	34.45%	34.39%	34.17%	37.05%	39.52%
\$ 5,299,696	\$ 5,683,984	\$ 5,650,572	\$ 5,491,792	\$ 4,847,679	\$ 4,788,197
1146.23%	1046.18%	996.13%	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 - PSPRS Fire
June 30, 2023

	Reporting Fiscal Year		
	(Measurement Date)		
	2022-2023 (2021-2022)	2021-2022 (2020-2021)	2020-2021 (2019-2020)
PSPRS Fire			
Total OPEB liability			
Service cost	\$ 24,892	\$ 25,482	\$ 25,532
Interest on the total OPEB liability	105,768	110,067	108,941
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the OPEB liability	(71,930)	(105,821)	(6,882)
Changes of assumptions or other inputs	35,113	-	-
Benefit payments, including refunds of employee contributions	(83,819)	(92,252)	(91,651)
Net change in total OPEB liability	<u>10,024</u>	<u>(62,524)</u>	<u>35,940</u>
Total OPEB liability - beginning	<u>1,465,891</u>	<u>1,528,415</u>	<u>1,492,475</u>
Total OPEB liability - ending (a)	<u>\$ 1,475,915</u>	<u>\$ 1,465,891</u>	<u>\$ 1,528,415</u>
Plan fiduciary net position			
Contributions - employer	\$ -	\$ -	\$ -
Net investment income	(133,704)	752,263	35,241
Benefit payments, including refunds of employee contributions	(83,819)	(92,252)	(91,651)
OPEB plan administrative expenses	(2,380)	(3,093)	(2,866)
Other changes	-	-	-
Net change in plan fiduciary net position	<u>(219,903)</u>	<u>656,918</u>	<u>(59,276)</u>
Plan fiduciary net position - beginning (restated)	<u>3,411,090</u>	<u>2,754,172</u>	<u>2,813,448</u>
Plan fiduciary net position - ending (b)	<u>\$ 3,191,187</u>	<u>\$ 3,411,090</u>	<u>\$ 2,754,172</u>
Net OPEB (asset) liability - ending (a) - (b)	<u>\$ (1,715,272)</u>	<u>\$ (1,945,199)</u>	<u>\$ (1,225,757)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	216.22%	232.70%	180.20%
Covered payroll	\$ 6,109,308	\$ 5,646,127	\$ 5,239,842
Net OPEB (asset) liability as a percentage of covered payroll	-28.08%	-34.45%	-23.39%

Reporting fiscal year 2016-2017 through 2013-2014 information is not available.

2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)
\$ 16,484	\$ 18,757	\$ 19,777
118,278	116,896	117,249
-	-	9,376
(193,022)	(31,819)	(61,082)
16,310	-	21,953
(94,885)	(89,633)	(91,188)
(136,835)	14,201	16,085
1,629,310	1,615,109	1,599,024
<u>\$ 1,492,475</u>	<u>\$ 1,629,310</u>	<u>\$ 1,615,109</u>
\$ -	\$ (317)	\$ -
147,468	183,884	287,005
(94,885)	(89,633)	(91,188)
(2,546)	(2,799)	(2,540)
-	1	-
50,037	91,136	193,277
2,763,411	2,671,958	2,478,681
<u>\$ 2,813,448</u>	<u>\$ 2,763,094</u>	<u>\$ 2,671,958</u>
<u>\$ (1,320,973)</u>	<u>\$ (1,133,784)</u>	<u>\$ (1,056,849)</u>
188.51%	169.59%	165.44%
\$ 5,299,696	\$ 5,683,984	\$ 5,650,572
-24.93%	-19.95%	-18.70%

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, 2023

	Reporting Fiscal Year		
	(Measurement Date)		
	2022-2023 (2021-2022)	2021-2022 (2020-2021)	2020-2021 (2019-2020)
City OPEB			
Total OPEB liability			
Service cost	\$ 754,126	\$ 585,601	\$ 480,223
Interest on the total OPEB liability	250,207	210,376	291,110
Differences between expected and actual experience in the measurement of the OPEB liability	-	(115,937)	-
Changes of assumptions or other inputs	(1,783,242)	1,674,818	760,916
Benefit payments, including refunds of employee contributions	(476,937)	(441,218)	(429,062)
Net change in total OPEB liability	(1,255,846)	1,913,640	1,103,187
Total OPEB liability - beginning	11,066,707	9,153,067	8,049,880
Total OPEB liability - ending (a)	\$ 9,810,861	\$ 11,066,707	\$ 9,153,067
Plan fiduciary net position			
Net change in plan fiduciary net position	\$ -	\$ -	\$ -
Plan fiduciary net position - beginning	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -
Net OPEB liability - ending (a) - (b)	\$ 9,810,861	\$ 11,066,707	\$ 9,153,067
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered payroll	\$ 53,668,201	\$ 50,035,257	\$ 50,086,352
Net pension liability as a percentage of covered payroll	18.28%	22.12%	18.27%

Reporting fiscal year 2016-2017 through 2013-2014 information is not available.

2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)
\$ 482,750	\$ 580,616	\$ 612,124
382,358	368,976	309,152
(2,597,490)	-	(2,273,189)
612,806	(844,549)	1,126,321
(455,699)	(411,713)	(155,812)
(1,575,275)	(306,670)	(381,404)
9,625,155	9,931,825	10,313,229
<u>\$ 8,049,880</u>	<u>\$ 9,625,155</u>	<u>\$ 9,931,825</u>
\$ -	\$ -	\$ -
-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 8,049,880</u>	<u>\$ 9,625,155</u>	<u>\$ 9,931,825</u>
0.00%	0.00%	0.00%
\$ 48,357,183	\$ 48,357,183	\$ 44,717,801
16.65%	19.90%	22.21%

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the City's Pension/OPEB* Contributions
June 30, 2023

	Reporting Fiscal Year			
	2022-2023	2021-2022	2020-2021	2019-2020
Arizona State Retirement System				
Statutorily required contributions	\$ 4,384,073	\$ 4,196,842	\$ 3,845,197	\$ 3,795,108
Contributions in relation to the statutorily required contribution	4,384,073	4,196,842	3,845,197	3,795,108
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 36,779,135</u>	<u>\$ 34,944,558</u>	<u>\$ 33,005,980</u>	<u>\$ 33,145,052</u>
Contributions as a percentage of covered payroll	11.92%	12.01%	11.65%	11.45%
Elected Officials Retirement Plan				
Statutorily required contributions	\$ 148,865	\$ 98,572	\$ 101,660	\$ 100,679
Contributions in relation to the statutorily required contribution	148,865	98,572	101,660	100,679
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 249,693</u>	<u>\$ 190,640</u>	<u>\$ 183,403</u>	<u>\$ 187,000</u>
Contributions as a percentage of covered payroll	59.62%	51.71%	55.43%	53.84%
PSPRS - Police**				
Statutorily required contributions	\$ 432,672	\$ 555,741	\$ 1,074,231	\$ 3,434,035
Contributions in relation to the statutorily required contribution	442,029	731,520	56,134,692	6,331,039
Contribution deficiency (excess)	<u>\$ (9,357)</u>	<u>\$ (175,779)</u>	<u>\$ (55,060,461)</u>	<u>\$ (2,897,004)</u>
Covered payroll	<u>\$ 5,458,896</u>	<u>\$ 5,210,182</u>	<u>\$ 4,584,510</u>	<u>\$ 5,527,309</u>
Contributions as a percentage of covered payroll	8.10%	14.04%	1224.44%	114.54%
PSPRS - Fire**				
Statutorily required contributions	\$ 570,077	\$ 880,217	\$ 1,505,870	\$ 5,183,976
Contributions in relation to the statutorily required contribution	650,693	1,495,998	63,705,770	6,910,825
Contribution deficiency (excess)	<u>\$ (80,616)</u>	<u>\$ (615,781)</u>	<u>\$ (62,199,900)</u>	<u>\$ (1,726,849)</u>
Covered payroll	<u>\$ 6,837,863</u>	<u>\$ 6,109,308</u>	<u>\$ 5,646,127</u>	<u>\$ 5,239,842</u>
Contributions as a percentage of covered payroll	9.52%	24.49%	1128.31%	131.89%

* 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.

2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014
\$ 3,627,657	\$ 3,478,329	\$ 3,357,591	\$ 3,168,876	\$ 3,002,707	\$ 2,837,013
<u>3,627,657</u>	<u>3,478,329</u>	<u>3,357,591</u>	<u>3,168,876</u>	<u>3,002,707</u>	<u>2,837,013</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 32,447,746</u>	<u>\$ 31,911,275</u>	<u>\$ 30,673,166</u>	<u>\$ 28,842,056</u>	<u>\$ 27,573,067</u>	<u>\$ 26,638,622</u>
11.18%	10.90%	10.95%	10.99%	10.89%	10.65%
\$ 98,293	\$ 39,638	\$ 40,588	\$ 39,815	\$ 37,483	\$ 50,732
<u>98,293</u>	<u>39,638</u>	<u>40,588</u>	<u>39,815</u>	<u>37,483</u>	<u>50,732</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ 184,269</u>	<u>\$ 180,000</u>	<u>\$ 194,354</u>	<u>\$ 189,999</u>	<u>\$ 157,579</u>	<u>\$ 204,400</u>
53.34%	22.02%	20.88%	20.96%	23.79%	24.82%
\$ 3,441,524	\$ 3,229,323	\$ 3,275,134	\$ 3,401,213	\$ 2,578,489	\$ 2,311,119
<u>3,441,524</u>	<u>3,124,679</u>	<u>3,657,762</u>	<u>3,441,521</u>	<u>2,578,489</u>	<u>2,311,119</u>
\$ -	\$ 104,644	\$ (382,628)	\$ (40,308)	\$ -	\$ -
<u>\$ 5,875,114</u>	<u>\$ 6,555,225</u>	<u>\$ 7,155,954</u>	<u>\$ 7,318,199</u>	<u>\$ 7,526,730</u>	<u>\$ 7,425,908</u>
58.58%	47.67%	51.11%	47.03%	34.26%	31.12%
\$ 5,315,168	\$ 4,589,139	\$ 4,239,954	\$ 3,952,628	\$ 2,418,742	\$ 2,030,211
<u>5,315,168</u>	<u>4,041,886</u>	<u>4,239,954</u>	<u>3,952,628</u>	<u>2,418,742</u>	<u>2,030,211</u>
\$ -	\$ 547,253	\$ -	\$ -	\$ -	\$ -
<u>\$ 5,299,696</u>	<u>\$ 5,683,984</u>	<u>\$ 5,650,572</u>	<u>\$ 5,491,792</u>	<u>\$ 4,847,679</u>	<u>\$ 4,788,197</u>
100.29%	71.11%	75.04%	71.97%	49.89%	42.40%

City of Flagstaff, Arizona
Notes to the Required Supplementary Information
June 30, 2023

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, 2021
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 2021 actuarial valuation, the investment rate of return was 7.3%.
Projected salary increases	In the 2021 actuarial valuation, projected salary increases were 3.5%–7.5% for PSPRS
Wage growth	In the 2021 actuarial valuation, wage growth was 3.0%
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 2017 valuation pursuant to an experience study of the period July 1, 2012 - June 30, 2016.
Mortality	In the 2023 actuarial valuation, changed to PubS-2010 mortality table with 75% of MP-2020 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, 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.

COVID Relief Fund

This fund was established to account 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.

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.

Pension Bond Fund

This fund accounts for the accumulation of resources for and the payment of principal, interest and related costs for Pension Bond issued in fiscal year 2020-2021.

Capital Project Funds

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 Project Bond Construction Fund

This fund accounts for major capital acquisition and construction projects which are funded mainly with general obligation or other governmental debt.

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, 2023

	Special Revenue Funds				
	Housing & Community Services Fund	COVID Relief Fund	Library Fund	BBB Fund	Parking District Fund
Assets					
Cash and investments	\$ 2,413,899	\$ 2,698,118	\$ 2,129,874	\$ 20,923,346	\$ 2,054,743
Accounts receivable, net	115,575	-	361,198	1,655,024	82,596
Interest receivable	7,402	-	12,587	64,870	5,929
Intergovernmental receivable	47,894	-	17,795	29,047	-
Notes receivable	255,200	-	-	-	-
Lease receivable	-	-	-	421,351	24,750
Prepaid items	-	-	-	13,513	-
Inventory	-	-	-	141,226	-
Restricted cash and investments	-	-	2,771,159	212,023	-
Total assets	<u>\$ 2,839,970</u>	<u>\$ 2,698,118</u>	<u>\$ 5,292,613</u>	<u>\$ 23,460,400</u>	<u>\$ 2,168,018</u>
Liabilities, Deferred Inflows and Fund Balance					
Liabilities:					
Accounts payable	\$ 54,116	\$ 2,101	\$ 166,757	\$ 764,338	\$ 7,702
Accrued payroll	1,545	-	58,917	45,723	5,014
Construction retainage payable	-	-	66,726	47,875	-
Advanced revenue	-	2,696,017	41,544	144,978	-
Total liabilities	<u>55,661</u>	<u>2,698,118</u>	<u>333,944</u>	<u>1,002,914</u>	<u>12,716</u>
Deferred inflows of resources:					
Unavailable revenue - notes receivable	255,200	-	-	-	-
Unavailable revenue - other revenue	95,715	-	-	-	-
Deferred inflows - leases	-	-	-	415,141	24,032
Total deferred inflows of resources	<u>350,915</u>	<u>-</u>	<u>-</u>	<u>415,141</u>	<u>24,032</u>
Fund balances:					
Nonspendable:					
Perpetual care	-	-	-	-	-
Prepays	-	-	-	13,513	-
Inventory	-	-	-	141,226	-
Restricted for:					
Notes receivable	255,200	-	-	-	-
Library branch services	-	-	902,752	-	-
Library programs board directed	-	-	1,868,407	-	-
Debt service	-	-	-	-	-
Public art	-	-	-	1,658,417	-
Economic development	-	-	-	1,264,278	-
Tourism	-	-	-	3,459,609	-
Park maintenance and operations	-	-	-	5,578,482	-
Other capital projects	2,178,194	-	-	9,926,820	-
Perpetual care	-	-	-	-	-
Assigned to:					
Parking district	-	-	-	-	2,131,270
Library services	-	-	2,187,510	-	-
Water resource and infrastructure protection	-	-	-	-	-
Unassigned (deficit):					
Total fund balance	<u>2,433,394</u>	<u>-</u>	<u>4,958,669</u>	<u>22,042,345</u>	<u>2,131,270</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 2,839,970</u>	<u>\$ 2,698,118</u>	<u>\$ 5,292,613</u>	<u>\$ 23,460,400</u>	<u>\$ 2,168,018</u>

Water Resource & Infrastructure Protection Fund	Debt Service Funds			Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
	General Obligation Bond Fund	Secondary Property Tax Revenue Fund	Pension Bond Fund	Capital Projects Bond Construction	Perpetual Care Fund	
\$ 1,381,400	\$ -	\$ 2,930,508	\$ -	\$ 213,930	\$ 54,804	\$ 34,800,622
147,514	-	-	-	-	-	2,361,907
4,380	-	16,715	2,698	24	1,185	115,790
5,006	-	-	-	111,453	-	211,195
-	-	-	-	-	-	255,200
-	-	-	-	-	-	446,101
-	-	-	-	-	-	13,513
-	-	-	-	-	-	141,226
-	-	4,826,650	14,742,251	2,172,507	357,193	25,081,783
<u>\$ 1,538,300</u>	<u>\$ -</u>	<u>\$ 7,773,873</u>	<u>\$ 14,744,949</u>	<u>\$ 2,497,914</u>	<u>\$ 413,182</u>	<u>\$ 63,427,337</u>
\$ 244	\$ -	\$ -	\$ -	\$ 577,025	\$ -	\$ 1,572,283
12,141	-	-	-	-	-	123,340
-	-	-	-	50,000	-	164,601
-	-	-	-	-	-	2,882,539
<u>12,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>627,025</u>	<u>-</u>	<u>4,742,763</u>
-	-	-	-	-	-	255,200
-	-	-	-	-	-	95,715
-	-	-	-	-	-	439,173
-	-	-	-	-	-	790,088
-	-	-	-	-	357,193	357,193
-	-	-	-	-	-	13,513
-	-	-	-	-	-	141,226
-	-	-	-	-	-	255,200
-	-	-	-	-	-	902,752
-	-	-	-	-	-	1,868,407
-	-	7,773,873	14,744,949	-	-	22,518,822
-	-	-	-	-	-	1,658,417
-	-	-	-	-	-	1,264,278
-	-	-	-	-	-	3,459,609
-	-	-	-	-	-	5,578,482
-	-	-	-	3,918,454	-	16,023,468
-	-	-	-	-	55,989	55,989
-	-	-	-	-	-	2,131,270
-	-	-	-	-	-	2,187,510
1,525,915	-	-	-	-	-	1,525,915
-	-	-	-	(2,047,565)	-	(2,047,565)
<u>1,525,915</u>	<u>-</u>	<u>7,773,873</u>	<u>14,744,949</u>	<u>1,870,889</u>	<u>413,182</u>	<u>57,894,486</u>
<u>\$ 1,538,300</u>	<u>\$ -</u>	<u>\$ 7,773,873</u>	<u>\$ 14,744,949</u>	<u>\$ 2,497,914</u>	<u>\$ 413,182</u>	<u>\$ 63,427,337</u>

City of Flagstaff, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2023

	Special Revenue Funds				
	Housing & Community Services Fund	COVID Relief Fund	Library Fund	BBB Fund	Parking District Fund
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ 12,236,987	\$ -
Intergovernmental	-	-	4,301,218	-	-
Grants and entitlements	61,041	338,108	76,153	224,068	-
Licenses and permits	-	-	-	1,040	-
Charges for services	-	-	-	96,213	1,263,314
Rents	13,260	-	-	461,139	27,819
Investment earnings	61,292	-	109,949	521,421	48,787
Contributions	10,200	-	47,181	-	-
Miscellaneous	314,032	-	25,740	2,805	643
Total revenues	<u>459,825</u>	<u>338,108</u>	<u>4,560,241</u>	<u>13,543,673</u>	<u>1,340,563</u>
Expenditures:					
Current:					
General government	-	338,108	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Economic and physical development	835,236	-	-	4,472,255	-
Culture and recreation	-	-	5,416,120	1,165,904	-
Highways and streets	-	-	-	337	598,039
Debt service:					
Principal retirement	-	-	117,798	171,943	268,258
Interest and other charges	-	-	846	78,344	14,621
Capital outlay	-	-	655,108	1,665,568	-
Total expenditures	<u>835,236</u>	<u>338,108</u>	<u>6,189,872</u>	<u>7,554,351</u>	<u>880,918</u>
Excess (deficiency) of revenues over expenditures	<u>(375,411)</u>	<u>-</u>	<u>(1,629,631)</u>	<u>5,989,322</u>	<u>459,645</u>
Other Financing Sources (Uses):					
Loan issuance	-	-	-	-	-
Transfers in	518,310	-	1,792,813	247,000	-
Transfers out	-	-	-	(3,775,540)	-
Total other financing sources (uses)	<u>518,310</u>	<u>-</u>	<u>1,792,813</u>	<u>(3,528,540)</u>	<u>-</u>
Net change in fund balance	<u>142,899</u>	<u>-</u>	<u>163,182</u>	<u>2,460,782</u>	<u>459,645</u>
Fund balances, beginning of year (as restated)	<u>2,290,495</u>	<u>-</u>	<u>4,795,487</u>	<u>19,581,563</u>	<u>1,671,625</u>
Fund balance, end of year	<u>\$ 2,433,394</u>	<u>\$ -</u>	<u>\$ 4,958,669</u>	<u>\$ 22,042,345</u>	<u>\$ 2,131,270</u>

Water Resource & Infrastructure Protection Fund	Debt Service Funds			Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
	General Obligation Bond Fund	Secondary Property Tax Revenue Fund	Pension Bond Fund	Capital Projects Bond Construction	Perpetual Care Fund	
\$ -	\$ -	\$ 8,236,364	\$ -	\$ -	\$ -	\$ 20,473,351
-	-	-	-	-	-	4,301,218
20,536	-	-	-	181,637	-	901,543
-	-	-	-	-	-	1,040
1,185,068	-	-	-	-	-	2,544,595
-	-	-	-	-	-	502,218
35,253	-	79,165	539,005	82,717	10,180	1,487,769
-	-	-	-	250,000	12,030	319,411
-	-	-	-	-	-	343,220
<u>1,240,857</u>	<u>-</u>	<u>8,315,529</u>	<u>539,005</u>	<u>514,354</u>	<u>22,210</u>	<u>30,874,365</u>
-	-	-	-	131,588	-	469,696
722,756	-	-	-	-	-	722,756
-	-	-	-	165	-	165
-	-	-	-	8,058	-	5,315,549
-	-	-	-	1,613	-	6,583,637
-	-	-	-	-	-	598,376
-	6,100,685	-	6,295,000	-	-	12,953,684
-	1,306,104	-	2,902,868	-	-	4,302,783
-	-	-	-	2,268,026	-	4,588,702
<u>722,756</u>	<u>7,406,789</u>	<u>-</u>	<u>9,197,868</u>	<u>2,409,450</u>	<u>-</u>	<u>35,535,348</u>
518,101	(7,406,789)	8,315,529	(8,658,863)	(1,895,096)	22,210	(4,660,983)
-	-	-	-	4,097	-	4,097
-	8,263,950	-	9,124,165	452,422	-	20,398,660
(182,483)	(857,161)	(8,263,950)	-	(7,055)	-	(13,086,189)
<u>(182,483)</u>	<u>7,406,789</u>	<u>(8,263,950)</u>	<u>9,124,165</u>	<u>449,464</u>	<u>-</u>	<u>7,316,568</u>
335,618	-	51,579	465,302	(1,445,632)	22,210	2,655,585
1,190,297	-	7,722,294	14,279,647	3,316,521	390,972	55,238,901
<u>\$ 1,525,915</u>	<u>\$ -</u>	<u>\$ 7,773,873</u>	<u>\$ 14,744,949</u>	<u>\$ 1,870,889</u>	<u>\$ 413,182</u>	<u>\$ 57,894,486</u>



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City of Flagstaff, Arizona
Housing & Community Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Grants and entitlements	\$ 3,333,991	\$ 3,333,991	\$ 61,041	\$ (3,272,950)
Rent	-	-	13,260	13,260
Contributions	-	-	10,200	10,200
Investment earnings	4,000	4,000	61,292	57,292
Miscellaneous	-	-	314,032	314,032
Total revenues	3,337,991	3,337,991	459,825	(2,878,166)
Expenditures:				
Current:				
Economic and physical development	5,959,270	5,959,270	835,236	5,124,034
Total expenditures	5,959,270	5,959,270	835,236	5,124,034
Excess (deficiency) of revenues over (under) expenditures	(2,621,279)	(2,621,279)	(375,411)	2,245,868
Other Financing Sources (Uses):				
Transfers in	518,669	518,669	518,310	359
Total other financing sources (uses)	518,669	518,669	518,310	359
Net change in fund balances	(2,102,610)	(2,102,610)	142,899	2,246,227
Fund balances, beginning of year	2,285,572	2,285,572	2,290,495	4,923
Fund balances, end of year	\$ 182,962	\$ 182,962	\$ 2,433,394	\$ 2,251,150

City of Flagstaff, Arizona
COVID Relief Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants and entitlements	\$ -	\$ -	\$ 338,108	\$ 338,108
Total revenues	<u>-</u>	<u>-</u>	<u>338,108</u>	<u>338,108</u>
Expenditures:				
Current:				
General government	3,118,516	3,118,516	338,108	2,780,408
Total expenditures	<u>3,118,516</u>	<u>3,118,516</u>	<u>338,108</u>	<u>2,780,408</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,118,516)</u>	<u>(3,118,516)</u>	<u>-</u>	<u>3,118,516</u>
Net change in fund balances	<u>(3,118,516)</u>	<u>(3,118,516)</u>	<u>-</u>	<u>3,118,516</u>
Fund balances, beginning of year	<u>3,118,516</u>	<u>3,118,516</u>	<u>-</u>	<u>(3,118,516)</u>
Fund balances, end of year	<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, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 4,006,938	\$ 4,006,938	\$ 4,301,218	\$ 294,280
Grants and entitlements	100,000	100,000	76,153	(23,847)
Investment earnings	39,727	39,727	109,949	70,222
Contributions	-	-	47,181	47,181
Miscellaneous	41,000	41,000	25,740	(15,260)
Total revenues	4,187,665	4,187,665	4,560,241	372,576
Expenditures:				
Current:				
Culture and recreation	6,038,413	6,038,413	5,534,764	503,649
Capital outlay	1,670,390	1,670,390	655,108	1,015,282
Contingency	100,000	100,000	-	100,000
Total expenditures	7,808,803	7,808,803	6,189,872	1,618,931
Excess (deficiency) of revenues over (under) expenditures	(3,621,138)	(3,621,138)	(1,629,631)	1,991,507
Other Financing Sources (Uses):				
Transfers in	1,792,813	1,792,813	1,792,813	-
Total other financing sources (uses)	1,792,813	1,792,813	1,792,813	-
Net change in fund balances	(1,828,325)	(1,828,325)	163,182	1,991,507
Fund balances, beginning of year	3,764,301	3,764,301	4,795,487	1,031,186
Fund balances, end of year	\$ 1,935,976	\$ 1,935,976	\$ 4,958,669	\$ 3,022,693

City of Flagstaff, Arizona
BBB Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 10,149,100	\$ 10,149,100	\$ 12,142,089	\$ 1,992,989
Grants and entitlements	300,000	300,000	224,068	(75,932)
Charges for services	125,840	125,840	79,073	(46,767)
Licenses and permits	-	-	1,040	1,040
Rents	419,286	419,286	472,653	53,367
Investment earnings	74,271	74,271	523,321	449,050
Miscellaneous	-	-	2,805	2,805
Total revenues	<u>11,068,497</u>	<u>11,068,497</u>	<u>13,445,049</u>	<u>2,376,552</u>
Expenditures:				
Current:				
Economic and physical development	4,688,316	4,688,316	4,467,685	220,631
Culture and recreation	1,396,194	1,396,194	1,165,904	230,290
Highways and streets	-	-	337	(337)
Debt service:				
Principal retirement	170,000	170,000	170,000	-
Interest and other charges	78,363	78,363	78,330	33
Capital outlay	7,806,984	7,806,984	1,665,568	6,141,416
Contingency	240,000	240,000	6,527	233,473
Total expenditures	<u>14,379,857</u>	<u>14,379,857</u>	<u>7,554,351</u>	<u>6,825,506</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,311,360)</u>	<u>(3,311,360)</u>	<u>5,890,698</u>	<u>9,202,058</u>
Other Financing Sources (Uses):				
Transfers in	247,000	247,000	247,000	-
Transfers out	(3,611,408)	(3,611,408)	(3,775,540)	(164,132)
Total other financing sources (uses)	<u>(3,364,408)</u>	<u>(3,364,408)</u>	<u>(3,528,540)</u>	<u>(164,132)</u>
Net change in fund balances	<u>(6,675,768)</u>	<u>(6,675,768)</u>	<u>2,362,158</u>	<u>9,037,926</u>
Fund balances, beginning of year	<u>13,449,890</u>	<u>13,449,890</u>	<u>19,889,734</u>	<u>6,439,844</u>
Fund balances, end of year	<u>\$ 6,774,122</u>	<u>\$ 6,774,122</u>	<u>\$ 22,251,892</u>	<u>\$ 15,477,770</u>
Adjustment from budgetary basis to GAAP basis net change in fund balances			\$ 2,362,158	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			98,624	
Adjusted net change in fund balance - GAAP basis			<u>\$ 2,460,782</u>	

City of Flagstaff, Arizona
Parking District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Charges for service	\$ 1,225,907	\$ 1,225,907	\$ 1,263,314	\$ 37,407
Investment earnings	24,000	24,000	48,536	24,536
Miscellaneous	-	-	643	643
Total revenues	<u>1,249,907</u>	<u>1,249,907</u>	<u>1,312,493</u>	<u>62,586</u>
Expenditures:				
Current:				
Highways and streets	908,586	908,586	736,976	171,610
Debt service:				
Principal retirement	101,780	101,780	101,780	-
Interest and other charges	13,245	13,245	13,245	-
Capital outlay	1,392,790	1,392,790	-	1,392,790
Contingency	30,000	30,000	-	30,000
Total expenditures	<u>2,446,401</u>	<u>2,446,401</u>	<u>852,001</u>	<u>1,594,400</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,196,494)</u>	<u>(1,196,494)</u>	<u>460,492</u>	<u>1,656,986</u>
Net change in fund balances	<u>(1,196,494)</u>	<u>(1,196,494)</u>	<u>460,492</u>	<u>1,656,986</u>
Fund balances, beginning of year	<u>1,600,826</u>	<u>1,600,826</u>	<u>1,670,051</u>	<u>69,225</u>
Fund balances, end of year	<u>\$ 404,332</u>	<u>\$ 404,332</u>	<u>\$ 2,130,543</u>	<u>\$ 1,726,211</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 460,492	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			28,070	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			(28,917)	
Adjusted net change in fund balance - GAAP basis			<u>\$ 459,645</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, 2023

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants and entitlements	\$ 1,200,000	\$ 1,200,000	\$ 20,536	\$ (1,179,464)
Charges for services	1,277,380	1,277,380	1,186,818	(90,562)
Investment earnings	5,000	5,000	35,253	30,253
Total revenues	<u>2,482,380</u>	<u>2,482,380</u>	<u>1,242,607</u>	<u>(1,239,773)</u>
Expenditures:				
Current:				
Public safety	2,253,868	2,253,868	722,756	1,531,112
Total expenditures	<u>2,253,868</u>	<u>2,253,868</u>	<u>722,756</u>	<u>1,531,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>228,512</u>	<u>228,512</u>	<u>519,851</u>	<u>291,339</u>
Other Financing Sources (Uses):				
Transfers out	(183,957)	(183,957)	(182,483)	1,474
Total other financing sources (uses)	<u>(183,957)</u>	<u>(183,957)</u>	<u>(182,483)</u>	<u>1,474</u>
Net change in fund balances	<u>44,555</u>	<u>44,555</u>	<u>337,368</u>	<u>292,813</u>
Fund balances, beginning of year	<u>927,627</u>	<u>927,627</u>	<u>1,188,927</u>	<u>261,300</u>
Fund balances, end of year	<u>\$ 972,182</u>	<u>\$ 972,182</u>	<u>\$ 1,526,295</u>	<u>\$ 554,113</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 337,368	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			(1,750)	
Adjusted net change in fund balance - GAAP basis			<u>\$ 335,618</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, 2023

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
Expenditures:				
Debt service:				
Principal retirement	\$ 6,955,855	\$ 6,955,855	\$ 6,100,685	\$ 855,170
Interest and other charges	1,346,653	1,346,653	1,306,105	40,548
Total expenditures	<u>8,302,508</u>	<u>8,302,508</u>	<u>7,406,790</u>	<u>895,718</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,302,508)</u>	<u>(8,302,508)</u>	<u>(7,406,790)</u>	<u>895,718</u>
Other Financing Sources (Uses):				
Transfers in	8,302,508	8,302,508	8,263,951	(38,557)
Transfers out	-	-	(857,161)	(857,161)
Total other financing sources (uses)	<u>8,302,508</u>	<u>8,302,508</u>	<u>7,406,790</u>	<u>(895,718)</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, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 8,206,714	\$ 8,206,714	\$ 8,236,364	\$ 29,650
Investment earnings	39,000	39,000	79,165	40,165
Total revenues	8,245,714	8,245,714	8,315,529	69,815
Expenditures:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	8,245,714	8,245,714	8,315,529	69,815
Other Financing Sources (Uses):				
Transfers out	(8,302,508)	(8,302,508)	(8,263,950)	38,558
Total other financing sources (uses)	(8,302,508)	(8,302,508)	(8,263,950)	38,558
Net change in fund balances	(56,794)	(56,794)	51,579	108,373
Fund balances, beginning of year	7,733,163	7,733,163	7,722,294	(10,869)
Fund balances, end of year	\$ 7,676,369	\$ 7,676,369	\$ 7,773,873	\$ 97,504

City of Flagstaff, Arizona
Pension Bond Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Investment earnings	\$ 72,000	\$ 72,000	\$ 539,005	\$ 467,005
Total revenues	72,000	72,000	539,005	467,005
Expenditures:				
Debt service:				
Principal retirement	6,295,000	6,295,000	6,295,000	-
Interest and other charges	2,902,868	2,902,868	2,902,868	-
Total expenditures	9,197,868	9,197,868	9,197,868	-
Excess (deficiency) of revenues over (under) expenditures	(9,125,868)	(9,125,868)	(8,658,863)	467,005
Other Financing Sources (Uses):				
Transfers in	9,197,868	9,197,868	9,124,165	(73,703)
Total other financing sources (uses)	9,197,868	9,197,868	9,124,165	(73,703)
Net change in fund balances	72,000	72,000	465,302	393,302
Fund balances, beginning of year	14,323,384	14,323,384	14,279,647	(43,737)
Fund balances, end of year	\$ 14,395,384	\$ 14,395,384	\$ 14,744,949	\$ 349,565

City of Flagstaff, Arizona
Capital Projects Bond Construction
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2023

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Grants and entitlements	\$ 260,013	\$ 260,013	\$ 181,637	\$ (78,376)
Investment earnings	-	-	82,717	82,717
Miscellaneous	2,000,000	2,000,000	-	(2,000,000)
Contributions	-	-	250,000	250,000
Total revenues	<u>2,260,013</u>	<u>2,260,013</u>	<u>514,354</u>	<u>(1,745,659)</u>
Expenditures:				
Current:				
General government	2,563,721	2,563,721	131,588	2,432,133
Public works	-	-	165	(165)
Economic and physical development	-	-	8,058	(8,058)
Culture and recreation	-	-	1,613	(1,613)
Capital outlay	46,544,346	46,544,346	2,268,026	44,276,320
Total expenditures	<u>49,108,067</u>	<u>49,108,067</u>	<u>2,409,450</u>	<u>46,698,617</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(46,848,054)</u>	<u>(46,848,054)</u>	<u>(1,895,096)</u>	<u>44,952,958</u>
Other Financing Sources (Uses):				
Loan issuance	42,303,708	42,303,708	4,097	(42,299,611)
Transfers in	210,500	210,500	452,422	241,922
Transfers out	-	-	(7,055)	(7,055)
Total other financing sources (uses)	<u>42,514,208</u>	<u>42,514,208</u>	<u>449,464</u>	<u>(42,064,744)</u>
Net change in fund balances	<u>(4,333,846)</u>	<u>(4,333,846)</u>	<u>(1,445,632)</u>	<u>2,888,214</u>
Fund balances, beginning of year	<u>4,333,846</u>	<u>4,333,846</u>	<u>3,316,521</u>	<u>(1,017,325)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,870,889</u>	<u>\$ 1,870,889</u>

City of Flagstaff, Arizona
Financial Data Submission Summary
Net Position Accounts
Year Ended June 30, 2023

	Public Housing 14.850 & 14.872	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871	Emergency Housing Voucher 14.EHV
Assets:					
Current Assets:					
Cash:					
Cash - Unrestricted	\$ 1,800,553	\$ -	\$ 39,485	\$ 436,288	\$ -
Cash - Other Restricted	-	-	-	-	-
Cash - Tenant Security Deposits	74,719	-	-	-	-
Cash - Restricted - Payment of Current Liabilities	-	-	-	-	-
Total Cash	1,875,272	-	39,485	436,288	-
Accounts Receivables:					
Accounts Receivable - PHA Projects	-	-	-	-	-
Accounts Receivable - HUD Other Projects	54,813	76,330	-	36,430	91,054
Accounts Receivable - Other Government	-	-	-	-	-
Accounts Receivable - Miscellaneous	1,459	317	48,476	48,622	18,309
Accounts Receivable - Tenants	24,646	5,982	-	819	-
Allowance for Doubtful Accounts - Tenants	(5,641)	-	-	-	-
Allowance for Doubtful Accounts - Other	-	-	-	-	-
Fraud Recovery	53,063	-	-	18,647	-
Allowance for Doubtful Accounts - Fraud	(53,063)	-	-	(5,242)	-
Accrued Interest Receivable	-	-	-	-	-
Total Receivables, Net	75,277	82,629	48,476	99,276	109,363
Current investments					
Investments - Unrestricted	-	-	-	-	-
Investments - Restricted	-	-	-	-	-
Investments - Restricted for Payment of Current Liability	-	-	-	-	-
Prepaid Expenses and Other Assets	95,467	-	2,182	5,651	-
Inventories	-	-	-	-	-
Allowance for Obsolete Inventories	-	-	-	-	-
Inter Program Due From	-	-	93,057	61,963	-
Assets Held for Sale	-	-	-	-	-
Total Current Assets	2,046,016	82,629	183,200	603,178	109,363
Noncurrent Assets:					
Capital Assets:					
Land	921,950	-	-	-	-
Buildings	11,892,653	-	-	-	-
Furniture, Equipment & Machinery - Dwellings	1,008,349	-	-	-	-
Furniture, Equipment & Machinery - Administration	511,526	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Accumulated Depreciation	(10,140,262)	-	-	-	-
Construction in Progress	-	-	-	-	-
Total Capital Assets, Net	4,194,216	-	-	-	-
Notes receivable - Noncurrent	-	-	-	-	-
Other Assets	-	-	-	-	-
Total Non-Current Assets	4,194,216	-	-	-	-
Deferred Outflow of Resources	178,533	-	51,975	65,320	-
Total Assets and Deferred Outflow of Resources	\$ 6,418,765	\$ 82,629	\$ 235,175	\$ 668,498	\$ 109,363

	Moderate Rehabilitation 14.856	Elimination	Total
\$	36,655	\$ -	\$ 2,312,981
	-	-	-
	-	-	74,719
	-	-	-
	36,655	-	2,387,700
	-	-	-
	-	-	258,627
	-	-	-
	-	-	117,183
	-	-	31,447
	-	-	(5,641)
	-	-	-
	-	-	71,710
	-	-	(58,305)
	-	-	-
	-	-	415,021
	-	-	-
	-	-	-
	-	-	-
	-	-	103,300
	-	-	-
	-	-	-
	-	(155,020)	-
	-	-	-
	36,655	(155,020)	2,906,021
	-	-	921,950
	-	-	11,892,653
	-	-	1,008,349
	-	-	511,526
	-	-	-
	-	-	(10,140,262)
	-	-	-
	-	-	4,194,216
	-	-	-
	-	-	-
	-	-	4,194,216
	-	-	295,828
\$	36,655	\$ (155,020)	\$ 7,396,065

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Net Position Accounts
Year Ended June 30, 2023

	Public Housing 14.850 & 14.872	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871	Emergency Housing Voucher 14.EHV
Liabilities and Net Position:					
Liabilities:					
Current Liabilities:					
Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable <= 90 Days	204,728	3,144	22,634	32,445	3,074
Accrued Wage/Payroll Taxes Payable	26,928	965	5,344	7,270	949
Accrued Compensated Absences	36,012	-	-	9,473	-
Accrued Interest Payable	-	-	-	-	-
Accounts Payable - HUD PHA Programs	-	-	-	5,043	-
Account Payable - PHA Projects	-	-	-	-	-
Accounts Payable - Other Government	109,556	-	-	-	-
Tenant Security Deposits	74,719	-	-	-	-
Unearned Revenues	30,862	-	-	-	-
Current Portion of L-T Debt - Capital	-	-	-	-	-
Current Portion of L-T Debt - Operating	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Accrued Liabilities - Other	-	-	-	-	-
Inter Program - Due To	86,681	12,611	-	13,011	42,236
Total Current Liabilities	569,486	16,720	27,978	67,242	46,259
Noncurrent Liabilities					
Long-term Debt, Net of Current - Capital	-	-	-	-	-
Long-term Debt, Net of Current - Operating	-	-	-	-	-
Non-current Liabilities - Other	-	-	-	-	-
Accrued Compensated Absences	55,104	-	-	6,651	-
Accrued Pension and OPEB Liabilities	1,073,728	-	273,987	395,657	-
Total Non-Current Liabilities	1,128,832	-	273,987	402,308	-
Total Liabilities	1,698,318	16,720	301,965	469,550	46,259
Deferred Inflow of Resources	82,024	-	30,890	23,726	-
Net Position:					
Net Investment in Capital Assets	4,194,216	-	-	-	-
Restricted Net Position	-	-	-	151,684	63,104
Unrestricted Net Position	444,207	65,909	(97,680)	23,538	-
Total Equity/Net Position	4,638,423	65,909	(97,680)	175,222	63,104
Total Liabilities, Deferred Inflows of Resources and Equity/ Net Position	\$ 6,418,765	\$ 82,629	\$ 235,175	\$ 668,498	\$ 109,363

Moderate Rehabilitation 14,856	Elimination	Total
\$ -	\$ -	\$ -
-	-	266,025
-	-	41,456
-	-	45,485
-	-	-
27,628	-	32,671
-	-	-
-	-	109,556
-	-	74,719
-	-	30,862
-	-	-
-	-	-
-	-	-
-	-	-
481	(155,020)	-
<u>28,109</u>	<u>(155,020)</u>	<u>600,774</u>
-	-	-
-	-	-
-	-	-
-	-	61,755
-	-	1,743,372
-	-	1,805,127
<u>28,109</u>	<u>(155,020)</u>	<u>2,405,901</u>
-	-	136,640
-	-	4,194,216
-	-	214,788
8,546	-	444,520
<u>8,546</u>	<u>-</u>	<u>4,853,524</u>
<u>\$ 36,655</u>	<u>\$ (155,020)</u>	<u>\$ 7,396,065</u>

(concluded)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2023

	Public Housing 14.850 & 14.872	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Revenues:				
Net Tenant Rental Revenue	\$ 1,681,990	\$ -	\$ -	\$ -
Tenant Revenue - Other	536	-	-	-
Total Tenant Revenue	1,682,526	-	-	-
HUD PHA Operating Grants	864,910	167,749	-	5,339,024
Capital Grants	177,271	-	-	-
Management Fee	-	-	-	-
Asset Management Fee	-	-	-	-
Bookkeeping Fee	-	-	-	-
Front Line Service Fee	-	-	-	-
Other Fees	-	-	-	-
Total Fee Revenue	-	-	-	-
Other Government Grants	-	-	-	-
Investment Income - Unrestricted	12,378	-	-	3,968
Mortgage Interest Income	-	-	-	-
Proceeds -Disposition of Assets Held for Sale	-	-	-	-
Cost of Sale of Assets	-	-	-	-
Fraud Recovery	33,165	-	-	22,768
Other Revenue	-	-	343,213	443,244
Gain or Loss on Sale of Capital Assets	-	-	-	-
Investment Income - Restricted	-	-	-	-
Total Revenue	2,770,250	167,749	343,213	5,809,004
Expenses:				
Administrative				
Administrative Salaries	487,631	5,047	154,087	298,705
Auditing Fees	23,375	-	-	11,687
Management Fee	-	-	-	-
Bookkeeping Fee	-	-	-	-
Advertising and Marketing	-	-	-	-
Employee Benefit Contributions - Administrative	130,832	182	(2,600)	319,203
Office Expenses	148,283	1,418	17,555	54,222
Legal Expense	2,046	-	-	-
Travel	38,761	-	10,878	21,367
Allocated Overhead	-	-	-	-
Other	7,059	-	967	2,876
Total Administrative	837,987	6,647	180,887	708,060
Tenant Services				
Asset Management Fee	-	-	-	-
Tenant Services - Salaries	-	-	-	-
Relocation Costs	-	-	-	-
Employee Benefit - Tenant Services	-	-	-	-
Tenant Services - Other	3,313	-	368	-
Total Tenant Services	3,313	-	368	-

Emergency Housing Voucher 14.EHV	Moderate Rehabilitation 14.856	Elimination	Total
\$ -	\$ -	\$ -	\$ 1,681,990
-	-	-	536
-	-	-	1,682,526
428,449	89,632	-	\$ 6,889,764
-	-	-	177,271
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	55,933
13,977	-	-	800,434
-	-	-	-
-	-	-	-
442,426	89,632	-	9,622,274
23,517	-	-	968,987
-	-	-	35,062
-	13,424	-	13,424
-	-	-	-
-	-	-	-
8,900	-	-	456,517
1,396	-	-	222,874
-	-	-	2,046
3,464	-	-	74,470
-	-	-	-
-	-	-	10,902
37,277	13,424	-	1,784,282
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
29,285	-	-	32,966
29,285	-	-	32,966

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2023

	Public Housing 14.850 & 14.872	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Utilities				
Water	188,705	-	-	-
Electricity	19,866	-	1,237	-
Gas	152,801	-	-	-
Fuel	-	-	-	-
Labor	-	-	-	-
Sewer	92,181	-	-	-
Employee Benefit - Utilities	-	-	-	-
Other Utilities Expense	-	-	-	-
Total Utilities	<u>453,553</u>	<u>-</u>	<u>1,237</u>	<u>-</u>
Ordinary Maintenance and Operations				
Ordinary Maintenance and Operations - Labor	534,677	-	73,180	-
Ordinary Maintenance and Operations - Materials and Other	88,446	-	3,515	-
Ordinary Maintenance and Operations Contracts	150,014	-	3,974	-
Employee Benefit Contributions - Ordinary Maintenance	166	-	-	-
Total Maintenance	<u>773,303</u>	<u>-</u>	<u>80,669</u>	<u>-</u>
Protective Services				
Protective Services - Labor	-	-	-	-
Protective Services - Other Contract Costs	30,000	-	-	-
Protective Services - Other	-	-	-	-
Employee Benefit - Protective Services	-	-	-	-
Total Protective Services	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
General Expense				
Property Insurance	90,548	-	-	(401)
Liability Insurance	8,614	-	-	8,257
Workmen's Compensation	9,224	320	2,700	2,892
All Other Insurance	-	-	-	3,848
Total insurance Premiums	<u>108,386</u>	<u>320</u>	<u>2,700</u>	<u>14,596</u>
Other General Expenses	(40,916)	-	(13,662)	(7,916)
Compensated Absences	-	-	-	-
Payments in Lieu of Taxes	109,556	-	-	-
Bad debt - Tenant Rents	10,519	-	-	(11,907)
Bad debt - Mortgages	-	-	-	-
Bad debt - Other	-	-	-	-
Severance Expense	-	-	-	-
Total General Expenses	<u>79,159</u>	<u>-</u>	<u>(13,662)</u>	<u>(19,823)</u>
Financial Expenses				
Interest Expense - Mortgage Payable	-	-	-	-
Interest on Notes Payable (Short & Long Term)	-	-	-	-
Amortization of Bond Issue Costs	-	-	-	-
Total Financial Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>2,285,701</u>	<u>6,967</u>	<u>252,199</u>	<u>702,833</u>
Excess of Operating Revenue over Operating Expenses	<u>484,549</u>	<u>160,782</u>	<u>91,014</u>	<u>5,106,171</u>

Emergency Housing Voucher 14.EHV	Moderate Rehabilitation 14.856	Elimination	Total
-	-	-	188,705
-	-	-	21,103
-	-	-	152,801
-	-	-	-
-	-	-	-
-	-	-	92,181
-	-	-	-
-	-	-	-
-	-	-	454,790
-	-	-	-
-	-	-	607,857
-	-	-	91,961
-	-	-	153,988
-	-	-	166
-	-	-	853,972
-	-	-	-
-	-	-	30,000
-	-	-	-
-	-	-	-
-	-	-	30,000
-	-	-	-
-	-	-	90,147
-	-	-	16,871
355	-	-	15,491
-	-	-	3,848
355	-	-	126,357
-	-	-	-
-	-	-	(62,494)
-	-	-	-
-	-	-	109,556
-	-	-	(1,388)
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	45,674
-	-	-	-
-	-	-	-
-	-	-	-
66,917	13,424	-	3,328,041
375,509	76,208	-	6,294,233

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2023

	Public Housing 14.850 & 14.872	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Other Expenses				
Extraordinary Maintenance	2,338	-	850	-
Casualty Losses - Non-capitalized	-	-	-	-
Housing Assistance Payments	-	153,176	-	4,782,747
HAP Portability-In	-	-	-	411,328
Depreciation Expense	481,471	-	-	-
Fraud Losses	-	-	-	59
Capital Outlays - Governmental Funds	-	-	-	-
Debt Principal Payment - Governmental Funds	-	-	-	-
Dwelling Units Rent Expense	-	-	-	-
Total Other Expense	<u>483,809</u>	<u>153,176</u>	<u>850</u>	<u>5,194,134</u>
 Total Expenses	<u>2,769,510</u>	<u>160,143</u>	<u>253,049</u>	<u>5,896,967</u>
Other Financing Sources (Uses)				
Operating Transfer In	140,000	-	-	-
Operating Transfer Out	(140,000)	-	-	-
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>
Excess (Deficiency) of Total Revenue Over (Under)				
Total Expenses	<u>740</u>	<u>7,606</u>	<u>90,164</u>	<u>(87,963)</u>
Beginning Net Position	<u>4,637,683</u>	<u>58,303</u>	<u>(187,844)</u>	<u>263,185</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>\$ 4,638,423</u>	<u>\$ 65,909</u>	<u>\$ (97,680)</u>	<u>\$ 175,222</u>
	-	-	-	-

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2023

	Public Housing 14.850 & 14.872	Mainstream CARES Act 14.MSC	Business Activities	Housing Choice Vouchers 14.871
Administrative Fee Equity	\$ -	\$ -	\$ -	\$ 110,393
Housing Assistance Payments Equity	-	-	-	64,829
Unit Months Available	3,180	480	-	5,268
Number of Unit Months Leased	3,138	155	-	4,943
Excess Cash	1,197,412	-	-	-
Land Purchases	-	-	-	-
Building Purchases	-	-	-	-
Furniture & Equipment - Dwelling Purchases	-	-	-	-
Furniture & Equipment - Administrative Purchases	-	-	-	-
Leasehold Improvements Purchases	-	-	-	-
Infrastructure Purchases	-	-	-	-
CFFP Debt Service Payments	-	-	-	-
Replacement Housing Factor Funds	-	-	-	-

Emergency Housing Voucher 14.EHV	Moderate Rehabilitation 14.856	Elimination	Total
\$ -	\$ -	\$ -	\$ 110,393
-	-	-	64,829
348	144	-	9,420
290	127	-	8,653
-	-	-	1,197,412
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

(concluded)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Public Housing - Consolidated
Year Ended June 30, 2023

	Operating Fund Program	Capital Fund Grants	Other Project Total
Revenues:			
Net Tenant Rental Revenue	\$ 1,681,990	\$ -	\$ 1,681,990
Tenant Revenue - Other	536	-	536
Total Tenant Revenue	<u>1,682,526</u>	<u>-</u>	<u>1,682,526</u>
HUD PHA Operating Grants	643,023	221,887	864,910
Capital Grants	-	177,271	177,271
Management Fee	-	-	-
Asset Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Front Line Service Fee	-	-	-
Other Fees	-	-	-
Other Government Grants	-	-	-
Investment Income - Unrestricted	12,378	-	12,378
Mortgage Interest Income	-	-	-
Fraud Recovery	33,165	-	33,165
Other Revenue	-	-	-
Gain or Loss on Sale of Capital Assets	-	-	-
Investment Income - Restricted	-	-	-
Total Revenue	<u>2,371,092</u>	<u>399,158</u>	<u>2,770,250</u>
Expenses:			
Administrative			
Administrative Salaries	439,499	48,132	487,631
Auditing Fees	23,375	-	23,375
Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Advertising and Marketing	-	-	-
Employee Benefit contributions - Administrative	113,802	17,030	130,832
Office Expenses	136,601	11,682	148,283
Legal Expense	2,046	-	2,046
Travel	35,485	3,276	38,761
Allocated Overhead	-	-	-
Other	6,831	228	7,059
Total Administrative	<u>757,639</u>	<u>80,348</u>	<u>837,987</u>
Tenant Services			
Tenant Services - Salaries	-	-	-
Relocation Costs	-	-	-
Employee Benefit - Tenant Services	-	-	-
Tenant Services - Other	3,313	-	3,313
Total Tenant Services	<u>3,313</u>	<u>-</u>	<u>3,313</u>
Utilities			
Water	188,705	-	188,705
Electricity	19,866	-	19,866
Gas	152,801	-	152,801
Sewer	92,181	-	92,181
Employee Benefit - Utilities	-	-	-
Other Utilities Expense	-	-	-
Total Utilities	<u>453,553</u>	<u>-</u>	<u>453,553</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, 2023

	Operating Fund Program	Capital Fund Grants	Other Project Total
Ordinary Maintenance and Operations			
Labor	534,677	-	534,677
Materials and Other	88,446	-	88,446
Contracts	149,170	844	150,014
Employee Benefit Contributions	166	-	166
Total Maintenance	<u>772,459</u>	<u>844</u>	<u>773,303</u>
Protective Services			
Protective Services - Labor	-	-	-
Protective Services - Other Contract Costs	30,000	-	30,000
Protective Services - Other	-	-	-
Employee Benefit - Protective Services	-	-	-
Total Protective Services	<u>30,000</u>	<u>-</u>	<u>30,000</u>
General Expense			
Property Insurance	90,548	-	90,548
Liability Insurance	8,614	-	8,614
Workmen's Compensation	8,529	695	9,224
All Other Insurance	-	-	-
Total insurance Premiums	<u>107,691</u>	<u>695</u>	<u>108,386</u>
Other General Expenses			
Other General Expenses	(40,916)	-	(40,916)
Compensated Absences	-	-	-
Payments in Lieu of Taxes	109,556	-	109,556
Bad debt - Tenant Rents	10,519	-	10,519
Bad debt - Mortgages	-	-	-
Bad debt - Other	-	-	-
Severance Expense	-	-	-
Total Other General Expenses	<u>79,159</u>	<u>-</u>	<u>79,159</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>2,203,814</u>	<u>81,887</u>	<u>2,285,701</u>
Excess of Operating Revenue over Operating Expenses	<u>167,278</u>	<u>317,271</u>	<u>484,549</u>
Other Expenses			
Extraordinary Maintenance	2,338	-	2,338
Casualty Losses - Non-capitalized	-	-	-
Housing Assistance Payments	-	-	-
HAP Portability-In	-	-	-
Depreciation Expense	481,471	-	481,471
Fraud Losses	-	-	-
Total Other Expense	<u>483,809</u>	<u>-</u>	<u>483,809</u>
Total Expenses	<u>2,687,623</u>	<u>81,887</u>	<u>2,769,510</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, 2023

	Operating Fund Program	Capital Fund Grants	Other Project Total
Other Financing Sources (Uses)			
Operating Transfer In	140,000	-	140,000
Operating transfer Out	-	(140,000)	(140,000)
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>140,000</u>	<u>(140,000)</u>	<u>-</u>
Excess (Deficiency) of Total Revenue Over (Under)			
Total Expenses	<u>(176,531)</u>	<u>177,271</u>	<u>740</u>
Beginning Net Position	<u>4,637,683</u>	<u>-</u>	<u>4,637,683</u>
Required Annual Debt Principal Payments	-	-	-
Prior Period Adjustments, Equity Transfers and Correction of Errors	177,271	(177,271)	-
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>\$ 4,638,423</u>	<u>\$ -</u>	<u>\$ 4,638,423</u>
Administrative Fee Equity	\$ -	\$ -	\$ -
Housing Assistance Payments Equity	-	-	-
Unit Months Available	3,180	-	3,180
Number of Unit Months Leased	3,138	-	3,138
Excess Cash	1,197,412	-	1,197,412
Land Purchases	-	-	-
Building Purchases	-	-	-
Furniture & Equipment - Dwelling Purchases	-	-	-
Furniture & Equipment - Administrative Purchases	-	-	-
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	165
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	168
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)

	Fiscal Year									
	2013-2014	2014-2015 ⁽¹⁾	2015-2016	2016-2017	2017-2018 ⁽²⁾	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023 ⁽³⁾
Governmental activities										
Net investment in capital assets	\$ 227,347,151	\$ 230,658,509	\$ 246,897,365	\$ 245,638,486	\$ 251,337,203	\$ 262,523,967	\$ 275,765,434	\$ 291,276,562	\$ 302,991,379	\$ 326,644,405
Restricted	43,761,156	53,192,347	60,981,953	86,071,589	86,287,362	81,804,376	90,040,134	115,107,926	168,106,887	163,987,534
Unrestricted	37,176,483	(65,530,075)	(72,922,639)	(92,822,132)	(91,938,637)	(91,237,974)	(84,540,350)	(94,523,757)	(109,783,078)	(77,195,675)
Total governmental activities net position	<u>\$ 308,284,790</u>	<u>\$ 218,320,781</u>	<u>\$ 234,956,679</u>	<u>\$ 238,887,943</u>	<u>\$ 245,685,928</u>	<u>\$ 253,090,369</u>	<u>\$ 281,265,218</u>	<u>\$ 311,860,731</u>	<u>\$ 361,315,188</u>	<u>\$ 413,436,264</u>
Business-type activities										
Net investment in capital assets	\$ 310,552,949	\$ 311,963,433	\$ 311,644,865	\$ 317,301,221	\$ 327,068,826	\$ 320,224,485	\$ 326,373,816	\$ 349,763,437	\$ 351,090,227	\$ 361,087,976
Restricted	2,492,562	2,664,263	2,903,553	3,142,245	-	-	-	123,252	1,523,968	1,875,729
Unrestricted	31,128,319	18,390,515	20,537,654	26,426,890	24,117,982	37,550,330	41,842,104	37,896,424	46,701,183	46,658,826
Total business-type activities and net position	<u>\$ 344,173,830</u>	<u>\$ 333,018,211</u>	<u>\$ 335,086,072</u>	<u>\$ 346,870,356</u>	<u>\$ 351,186,808</u>	<u>\$ 357,774,815</u>	<u>\$ 368,215,920</u>	<u>\$ 387,783,113</u>	<u>\$ 399,315,378</u>	<u>\$ 409,622,531</u>
Primary government										
Net investment in capital assets	\$ 537,900,100	\$ 542,621,942	\$ 558,542,230	\$ 562,939,707	\$ 578,406,029	\$ 582,748,452	\$ 602,139,250	\$ 641,039,999	\$ 654,081,606	\$ 687,732,381
Restricted	46,253,718	55,856,610	63,885,506	89,213,834	86,287,362	81,804,376	90,040,134	115,231,178	169,630,855	165,863,263
Unrestricted	68,304,802	(47,139,560)	(52,384,985)	(66,395,242)	(67,820,655)	(53,687,644)	(42,698,246)	(56,627,333)	(63,081,895)	(30,536,849)
Total primary government net position	<u>\$ 652,458,620</u>	<u>\$ 551,338,992</u>	<u>\$ 570,042,751</u>	<u>\$ 585,758,299</u>	<u>\$ 596,872,736</u>	<u>\$ 610,865,184</u>	<u>\$ 649,481,138</u>	<u>\$ 699,643,844</u>	<u>\$ 760,630,566</u>	<u>\$ 823,058,795</u>

(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

(3) In fiscal year 2022-2023, beginning net position was restated due to prior period corrections

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									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Expenses										
Governmental activities:										
General government	\$ 10,732,510	\$ 17,625,846	\$ 17,210,187	\$ 19,320,158	\$ 20,893,077	\$ 20,428,990	\$ 18,404,198	\$ 17,978,407	\$ 21,949,232	\$ 24,482,695
Public safety	28,730,111	35,255,450	34,711,251	42,090,228	39,801,651	42,341,569	44,262,923	44,568,463	37,540,112	37,169,436
Public works	1,573,541	1,664,308	1,650,323	1,895,576	1,477,756	1,982,339	2,130,869	1,788,521	1,157,825	2,389,867
Economic and physical development	9,018,496	9,343,417	10,259,240	9,833,154	10,401,134	10,295,023	11,019,964	11,843,707	10,082,513	11,687,092
Culture and recreation	12,919,475	12,511,424	12,974,830	13,563,829	14,521,931	14,138,231	15,631,659	13,206,098	14,373,497	15,847,143
Highways and streets	17,698,346	18,174,944	13,059,212	15,849,094	16,992,461	19,316,189	17,417,183	19,486,590	18,787,236	20,298,481
Interest on long-term debt	2,946,685	2,944,000	2,295,418	2,743,633	2,623,267	2,163,451	2,076,671	4,009,038	4,738,717	4,356,878
Total governmental activities expense	<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>	<u>108,629,132</u>	<u>116,231,592</u>
Business-type activities:										
Water	24,366,128	14,307,902	14,674,337	15,454,108	15,173,129	16,152,593	18,421,251	18,668,402	18,450,588	21,614,190
Wastewater and reclaimed	-	10,879,594	10,490,816	11,150,309	11,055,308	10,992,004	10,045,850	10,554,029	9,239,327	10,299,517
Environmental	11,637,566	12,071,509	12,087,144	12,337,663	17,913,116	12,533,960	12,643,566	13,268,587	13,226,083	17,923,511
Airport	4,118,280	4,540,208	4,307,615	5,080,905	4,790,967	4,833,095	5,553,096	5,342,801	3,816,045	6,332,676
Housing authority	6,090,790	6,084,019	6,125,950	6,657,398	6,981,632	7,241,036	7,687,704	8,031,804	7,593,877	9,599,933
Stormwater	1,576,865	1,184,464	1,245,532	1,180,230	1,437,221	1,401,054	1,431,353	1,594,807	5,531,725	3,716,379
Total business-type activities expense	<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>	<u>57,857,645</u>	<u>69,486,206</u>
Total primary government expense	<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>	<u>\$ 166,486,777</u>	<u>\$ 185,717,798</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 4,568,438	\$ 3,091,342	\$ 3,241,987	\$ 3,143,969	\$ 2,685,942	\$ 2,759,870	\$ 2,418,517	\$ 2,431,158	\$ 2,307,704	\$ 2,260,868
Public safety	628,038	879,755	647,910	832,352	888,558	885,484	665,670	2,134,346	2,321,251	1,822,767
Public works	1,215	520	605	740	940	6,160	1,198	135	-	-
Economic and physical development	903,233	2,329,258	3,767,060	3,785,805	4,334,694	4,284,343	6,152,909	6,560,474	7,018,630	5,508,450
Culture and recreation	1,656,628	1,605,120	1,633,338	1,785,874	1,845,794	1,754,950	1,264,523	413,078	1,071,489	1,446,674
Highways and streets	-	-	-	173,960	1,346,238	1,547,532	1,326,992	514,833	1,522,627	1,485,082
Operating grants and contributions	7,071,557	6,670,678	7,726,612	7,723,935	7,220,425	7,685,026	15,851,393	11,136,533	19,526,671	8,456,730
Capital grants and contributions	14,603,667	13,008,629	11,806,049	8,774,146	11,096,549	10,023,919	11,977,909	14,728,894	11,456,613	16,130,164
Total governmental activities program revenues	<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>	<u>45,224,985</u>	<u>37,110,735</u>
Business-type activities:										
Charges for services:										
Water	23,432,153	14,043,177	14,589,041	15,973,118	16,156,035	16,219,453	17,480,478	18,463,575	17,422,686	17,649,831
Wastewater and reclaimed	-	8,907,760	9,387,949	9,943,603	10,594,304	11,137,492	11,388,928	12,321,969	12,344,602	11,856,017
Environmental	12,490,237	12,646,619	12,760,747	13,047,045	12,891,528	12,674,791	12,863,428	14,231,558	15,528,266	15,307,675
Airport	1,504,703	1,528,202	1,603,852	1,503,945	1,624,593	1,741,470	1,641,859	1,549,584	2,547,919	2,012,845
Housing authority	974,184	1,027,945	1,455,715	1,605,422	1,824,876	2,025,923	2,220,494	2,344,871	2,333,587	2,538,893
Stormwater	1,465,522	1,466,347	1,495,296	1,598,913	2,109,364	2,704,123	4,383,791	4,413,157	4,456,851	4,738,735
Operating grants and contributions	4,051,236	4,742,685	4,775,797	4,953,619	4,806,729	5,359,352	6,826,998	8,368,732	9,120,361	11,907,101
Capital grants and contributions	7,835,529	4,749,158	4,339,777	13,162,230	10,117,475	4,523,132	6,000,761	11,476,527	3,996,971	8,520,350
Total business-type activities program revenues	<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>	<u>67,751,243</u>	<u>74,531,447</u>
Total primary government program revenues	<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>	<u>\$ 112,976,228</u>	<u>\$ 111,642,182</u>

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

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Net (Expense)/Revenue										
Governmental activities	\$ (54,186,388)	\$ (69,934,087)	\$ (63,336,900)	\$ (79,074,891)	\$ (77,292,137)	\$ (81,718,508)	\$ (71,284,356)	\$ (74,961,373)	\$ (63,404,147)	\$ (79,120,857)
Business-type activities	3,963,935	44,197	1,476,780	9,927,282	2,773,531	3,231,994	7,023,917	15,709,543	9,893,598	5,045,241
Total primary government net expense	<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>	<u>\$ (53,510,549)</u>	<u>\$ (74,075,616)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 11,044,817	\$ 11,211,038	\$ 11,339,774	\$ 11,674,553	\$ 12,482,546	\$ 13,541,400	\$ 14,100,719	\$ 14,358,593	\$ 14,943,139	\$ 15,342,909
Sales taxes	37,675,638	42,539,371	48,343,259	53,582,850	53,833,727	52,515,201	60,666,358	69,893,143	77,098,861	81,305,031
State shared sales taxes - unrestricted	15,666,968	16,683,665	17,080,154	18,139,582	19,024,571	19,400,339	20,664,280	23,958,572	25,466,219	30,874,399
Investment earnings	749,038	1,179,131	1,668,431	(447,324)	(477,888)	5,097,974	5,415,354	(564,917)	(5,379,619)	4,061,170
Miscellaneous	1,813,164	645,571	1,404,390	1,123,129	2,059,029	692,049	578,352	924,099	1,574,470	691,097
Gain on sale of capital assets	241,231	65,201	-	-	121,321	4,626	76,017	32,710	12,790	49,505
Contributions to permanent fund	18,700	16,821	15,470	6,950	8,490	26,460	17,590	19,910	23,000	12,030
Transfers in (out)	(2,908,700)	(1,407,710)	121,320	(1,073,585)	(1,240,613)	(2,155,100)	(2,059,465)	(3,065,224)	(880,256)	566,934
Total governmental activities	<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>	<u>112,858,604</u>	<u>132,903,075</u>
Business-type activities:										
Investment earnings	213,335	303,863	336,685	406,101	588,404	1,077,312	1,159,898	545,272	526,570	2,440,996
Miscellaneous	567,079	1,119,502	375,716	377,316	270,192	123,601	197,825	200,014	148,041	198,119
Gain (loss) on sale of capital assets	73,916	493,358	-	-	122,837	-	-	47,140	83,800	700
Transfers in (out)	2,908,700	1,407,710	(121,320)	1,073,585	1,240,613	2,155,100	2,059,465	3,065,224	880,256	(566,934)
Total business-type activities	<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>	<u>1,638,667</u>	<u>2,072,881</u>
Total primary government	<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>	<u>\$ 114,497,271</u>	<u>\$ 134,975,956</u>
Change in Net Position										
Governmental activities	\$ 10,114,468	\$ 999,001	\$ 16,635,898	\$ 3,931,264	\$ 8,519,046	\$ 7,404,441	\$ 28,174,849	\$ 30,595,513	\$ 49,454,457	\$ 53,782,218
Business-type activities	7,726,965	3,368,630	2,067,861	11,784,284	4,995,577	6,588,007	10,441,105	19,567,193	11,532,265	7,118,122
Total primary government	<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>	<u>\$ 60,986,722</u>	<u>\$ 60,900,340</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									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
General Fund										
Nonspendable	\$ 440,644	\$ 323,792	\$ 335,134	\$ 342,576	\$ 371,817	\$ 265,682	\$ 252,089	\$ 350,993	\$ 3,277,832	\$ 4,545,716
Restricted	1,698,333	1,951,220	2,255,454	1,750,086	2,338,644	2,646,337	3,109,659	2,956,942	3,690,261	4,249,634
Assigned	8,063,998	8,192,178	8,903,561	8,011,051	6,879,808	5,527,570	4,936,669	4,954,453	5,379,329	5,515,562
Unassigned	21,559,814	23,153,900	27,425,564	30,361,068	27,458,215	31,212,732	44,386,623	56,817,489	62,880,985	65,293,485
Total general fund	\$ 31,762,789	\$ 33,621,090	\$ 38,919,713	\$ 40,464,781	\$ 37,048,484	\$ 39,652,321	\$ 52,685,040	\$ 65,079,877	\$ 75,228,407	\$ 79,604,397
All Other Governmental Funds										
Nonspendable	\$ 271,477	\$ 293,238	\$ 8,379,744	\$ 309,428	\$ 318,437	\$ 664,118	\$ 664,652	\$ 392,298	\$ 518,817	\$ 511,932
Restricted	48,320,324	51,003,624	47,948,587	81,723,554	82,267,232	78,490,415	86,291,252	110,475,662	132,668,193	145,997,919
Assigned	-	-	-	2,078,968	1,864,086	3,101,098	3,235,171	3,415,545	4,237,469	5,844,695
Unassigned	-	(282,178)	(2,934,084)	(2,669,832)	(70,068)	(77,271)	(3,013,281)	(465,007)	(580,869)	(2,047,565)
Total all other governmental funds	\$ 48,591,801	\$ 51,014,684	\$ 53,394,247	\$ 81,442,118	\$ 84,379,687	\$ 82,178,360	\$ 87,177,794	\$ 113,818,498	\$ 136,843,610	\$ 150,306,981

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

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Revenues:										
Taxes	\$ 48,806,758	\$ 53,725,196	\$ 59,711,556	\$ 65,263,433	\$ 66,323,666	\$ 65,994,613	\$ 74,787,774	\$ 84,239,882	\$ 92,014,905	\$ 96,651,373
Intergovernmental	19,584,399	20,549,000	21,355,708	22,504,605	23,382,237	24,156,065	25,595,311	29,000,278	30,456,912	36,537,333
Grants and entitlements	15,313,742	13,483,604	11,023,491	10,850,138	11,536,639	11,492,794	19,395,450	15,172,507	24,480,250	12,561,366
Charges for services	2,894,898	2,986,151	4,747,237	3,454,567	4,470,735	5,074,859	4,168,019	4,248,292	6,077,766	6,058,460
Special assessments	2,734,095	1,857,884	2,916,164	202,243	2,031,111	-	-	-	-	-
Licenses and permits	1,952,731	1,866,792	3,153,135	3,013,367	3,794,725	3,338,493	5,135,611	5,336,572	5,760,170	4,044,768
Fines and forfeitures	1,428,401	1,389,663	1,524,856	1,430,686	1,350,689	1,416,062	1,217,311	932,592	789,819	747,455
Rents	1,651,032	1,660,635	1,696,070	1,805,457	1,493,712	1,491,859	1,474,631	1,442,760	1,576,849	1,685,310
Investment earnings	722,878	1,145,686	1,636,650	(476,690)	(506,658)	5,037,413	5,362,308	(597,587)	(5,363,261)	3,909,568
Contributions	541,340	368,057	1,962,364	869,484	634,077	457,752	1,207,925	1,536,546	996,751	5,109,349
Miscellaneous	1,813,164	645,571	1,404,390	1,123,129	2,015,501	712,452	496,703	866,789	1,433,062	692,125
Total revenues	<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>	<u>158,223,223</u>	<u>167,997,107</u>
Expenditures:										
General government	9,041,946	14,974,692	14,561,513	16,652,590	19,536,579	20,981,728	18,273,876	16,878,564	21,222,146	23,514,815
Public safety	26,567,511	27,583,880	30,074,183	30,849,989	32,472,034	35,849,066	38,925,229	149,188,134	33,004,281	35,160,474
Public works	1,031,983	1,216,083	1,207,776	1,472,485	1,254,865	1,471,557	1,472,864	1,213,180	939,484	1,730,148
Economic and physical development	8,212,772	8,506,794	9,530,781	8,989,673	10,136,274	10,244,779	10,568,736	10,519,174	10,195,237	11,234,315
Culture and recreation	11,446,096	11,029,832	11,441,848	11,854,511	12,629,499	12,169,197	13,360,279	11,057,344	13,181,208	14,311,299
Highways and streets	10,621,311	8,035,221	5,916,632	8,443,609	7,504,589	10,135,258	7,781,311	9,498,332	8,471,610	9,045,448
Debt service:										
Principal retirement	8,287,457	8,313,298	12,980,269	14,154,904	6,998,627	10,883,271	9,486,466	10,705,542	13,555,652	14,350,577
Interest and other charges	3,126,469	2,798,182	2,520,596	2,534,621	2,679,888	2,560,775	2,348,940	4,812,854	5,362,495	5,007,111
Capital outlay	24,062,755	16,944,654	16,090,690	14,002,895	40,661,963	13,351,467	35,522,798	21,468,334	19,117,039	31,109,024
Total expenditures	<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>	<u>125,049,152</u>	<u>145,463,211</u>
Excess of revenues over (under) expenditures	(4,954,862)	275,603	6,807,333	1,085,142	(17,347,884)	1,525,264	1,100,544	(93,162,827)	33,174,071	22,533,896
Other Financing Sources (Uses):										
Proceeds of refunding bonds	8,270,000	-	-	-	-	-	-	-	-	-
Loan issuance	-	-	-	-	-	-	-	3,094,937	84,282	4,097
Bond issuance	6,600,000	-	204,956	26,168,531	9,700,000	-	14,935,000	131,000,000	-	-
Payment to bond refunding escrow agent	(9,382,710)	-	-	-	-	-	-	-	-	-
Bond premium	1,317,667	-	-	3,500,813	449,519	-	1,628,687	-	-	-
Sale of capital assets	727,996	3,013,051	5,325	-	121,200	20,995	307,013	42,805	23,140	45,502
Subscription financing	-	-	-	-	-	-	-	-	-	170,805
Transfers in	12,102,855	17,376,813	15,891,921	22,308,323	27,563,166	15,966,592	21,404,875	17,810,600	38,437,815	29,977,954
Transfers out	(11,659,441)	(16,384,283)	(15,231,349)	(23,469,870)	(20,964,729)	(17,110,341)	(21,343,966)	(19,749,974)	(38,545,666)	(30,380,672)
Total other financing sources (uses)	<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>	<u>(429)</u>	<u>(182,314)</u>
Net change in fund balances	<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>	<u>\$ 33,173,642</u>	<u>\$ 22,351,582</u>
Debt service as a percentage of non capital expenditures	14.57%	13.48%	17.57%	17.58%	10.38%	12.89%	11.58%	7.26%	17.86%	16.93%

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>
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
2021-2022	7,112	7,804	2,387	28,833	11,465	34,414	92,015
2022-2023	7,110	8,236	2,594	29,951	12,237	36,523	96,651
Change 2014-2023	27.63%	48.13%	4.30%	75.75%	93.93%	208.55%	98.03%

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
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
2021-2022	11,264,581	10,075,723	4,125,915	9,386,281	12,026,821	2,831,003	955,240	3,708,383	563,215	54,937,162
2022-2023	11,938,137	14,604,933	4,331,329	9,540,729	1,678,730	1,133,609	993,092	4,301,218	576,922	49,098,699

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
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
2021-2022	36,112,626	286,818,683	134,226,219	669,816,599	102,096,631	1,024,877,496	1.5186
2022-2023	36,214,516	298,703,756	141,151,498	708,963,134	105,807,708	1,079,225,196	1.4954

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

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

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

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Construction	\$ 169,933	\$ 191,297	\$ 176,741	\$ 184,381	\$ 266,900	\$ 188,160	\$ 199,152	\$ 235,259	\$ 241,236	\$ 265,898
Restaurants and bars	218,790	243,560	251,654	260,364	281,133	289,846	282,089	293,283	364,907	390,363
Hotel/motel	95,263	108,913	120,995	131,310	146,306	152,568	135,330	159,293	207,396	216,741
Retail and auto sales	801,799	852,696	946,522	955,737	1,037,300	1,001,331	1,134,082	1,393,663	1,535,849	1,564,107
Other	200,109	213,248	246,500	269,232	274,981	286,815	361,541	406,871	423,798	449,181
Utilities	103,895	109,578	108,474	104,115	107,164	107,320	103,512	104,871	114,060	125,228
Total	\$ 1,589,789	\$ 1,719,292	\$ 1,850,886	\$ 1,905,139	\$ 2,113,784	\$ 2,026,040	\$ 2,215,706	\$ 2,593,240	\$ 2,887,246	\$ 3,011,518

Notes:

(1) Data is based on collections versus the accrual basis.

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

	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Total City	1.6795	1.6784	1.6600	1.6487	1.6599	1.6700	1.6299	1.5510	1.5186	1.4954
Primary	0.8429	0.8418	0.8234	0.8121	0.8233	0.8334	0.7933	0.7510	0.7186	0.6954
Secondary	0.8366	0.8366	0.8366	0.8366	0.8366	0.8366	0.8366	0.8000	0.8000	0.8000
School District	5.1939	5.1867	5.4555	5.5681	5.1816	5.1475	5.1174	4.9676	4.8236	4.7759
Maintenance	3.9803	3.7886	4.0824	4.2405	4.0143	3.8173	3.7092	3.5832	3.4548	3.5812
Adjacent Ways	0.0096	0.0259	0.0216	0.0284	0.0392	0.0000	0.0000	0.0361	0.0366	0.0326
15% M&O Override	0.7061	0.7138	0.7265	0.737	0.7120	0.7070	0.6672	0.6387	0.5793	0.5397
Capital Override	0.0000	0.0357	0.1735	0.1219	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Class B Bond	0.4979	0.6227	0.4515	0.4403	0.4161	0.4389	0.5691	0.5478	0.5994	0.4763
Desegregation	0.0000	0.0000	0.0000	0.0000	0.0000	0.1843	0.1719	0.1618	0.1535	0.1461
Community College	0.5879	0.6056	0.6105	0.6214	0.6142	0.5959	0.4592	0.4490	0.4394	0.5209
Maintenance	0.4636	0.4788	0.4864	0.4909	0.4816	0.4741	0.4592	0.4490	0.4394	0.5209
Bond	0.1243	0.1268	0.1241	0.1305	0.1326	0.1218	0.0000	0.0000	0.0000	0.0000
County	0.9022	0.9202	0.9291	0.9344	0.9234	0.9145	0.8969	0.8849	0.8736	0.8750
General Fund	0.5466	0.5646	0.5735	0.5788	0.5678	0.5589	0.5413	0.5293	0.5180	0.5094
Library District	0.2556	0.2556	0.2556	0.2556	0.2556	0.2556	0.2556	0.2556	0.2556	0.2656
Fire District Assistance	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Total	8.3635	8.3909	8.6551	8.7726	8.3791	8.3279	8.1034	7.8525	7.6552	7.6672

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

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

Taxpayer *	2022-2023			2012-2013		
	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	\$ 23,183,581	1	2.15%	\$ 17,147,023	1	2.24%
W L Gore & Associates	19,398,631	2	1.80%	12,851,171	2	1.68%
Nestle Purina PetCare Co.	9,994,728	3	0.93%	4,603,873	3	0.60%
Standard at Flagstaff LLC	9,189,812	4	0.85%	-		0.00%
CCC-Flagstaff LLC	8,032,889	5	0.74%	-		0.00%
CA Student Living Flagstaff Holdings, LLC	6,449,075	6	0.60%	-		0.00%
Unisource Energy Corporation	6,001,272	7	0.56%	2,422,510	7	0.32%
Little America Hotels & Resorts Inc.	5,315,286	8	0.49%	-		0.00%
NNC VAP DE LLC	5,161,572	9	0.48%	-		0.00%
Core Campus Flagstaff LLC	5,059,221	10	0.47%	-		0.00%
Wal-Mart Stores	4,131,472	11	0.38%	3,546,846	5	0.46%
Ridge at Clear Creek Apts. LLC	3,437,051	12	0.32%	2,247,343	10	0.29%
WCW Mountain Trail LP	3,425,936	13	0.32%	-		0.00%
Buffalo Park Housing Partners LLC	3,139,104	14	0.29%	-		0.00%
Elevation Flagstaff AZ LLC	3,298,232	15	0.31%	-		0.00%
Cypress Flagstaff Mall LP	2,939,569	16	0.27%	-		0.00%
Total Principal Taxpayers	<u>\$ 118,157,431</u>		<u>10.96%</u>	<u>\$ 42,818,766</u>		<u>5.59%</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
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%	197,175	14,326,672	99.7%
2021-2022	14,845,646	14,639,562	98.6%	190,002	14,829,564	99.9%
2022-2023	15,393,949	15,199,190	98.7%	-	15,199,190	98.7%

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

Fiscal Year	City			State of Arizona	Coconino County	Total
	General Sales Tax	Bed, Board & Beverage	Transportation			
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%
2021-2022	1.0000%	2.0000%	1.2810%	5.6000%	1.3000%	11.1810%
2022-2023	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 Leases Other	General Obligation Debt	Revenue Bonds	Term Loan Payable	COP Leases Other					
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		
2021-2022	36,972	-	18,423	2,958	-	128,380	936	29,242	764	5,036	222,711	2.7%	2,870		
2022-2023	30,742	-	17,223	2,736	-	120,607	-	25,479	676	3,469	200,932	2.2%	2,522		

* 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					
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	
2021-2022	33,725	936	(7,722)	26,939	2.6%	342	
2022-2023	27,850	-	(7,774)	20,076	1.9%	252	

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>	Debt Outstanding ⁽¹⁾	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Flagstaff Unified School District	\$ 76,240	72.44%	\$ 55,226
City direct debt			<u>171,308</u>
Total direct and overlapping debt			<u><u>\$ 226,534</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.

(1) Prior year number reported above, information not available as of 11/28/2023

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									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
20% Debt Limit:										
Debt limit equal to 20% of assessed valuation	\$ 153,053	\$ 134,139	\$ 142,501	\$ 151,716	\$ 167,935	\$ 173,761	\$ 185,153	\$ 195,899	\$ 204,975	\$ 215,845
Total net debt applicable to 20% limit	<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>	<u>34,661</u>	<u>27,850</u>
Legal debt margin (Available borrowing capacity)	<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>	<u>\$ 170,314</u>	<u>\$ 187,995</u>
Total net debt applicable to the 20% limit as a percentage of legal debt margin	56.71%	60.11%	46.44%	48.90%	37.87%	30.47%	33.04%	25.90%	20.35%	14.81%
6% Debt Limit:										
Debt limit equal to 6% of assessed valuation	\$ 45,916	\$ 40,242	\$ 42,750	\$ 45,515	\$ 50,380	\$ 52,128	\$ 55,546	\$ 58,770	\$ 61,493	\$ 64,754
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>\$ 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>	<u>\$ 61,493</u>	<u>\$ 64,754</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 2022-2023

Net Secondary Assessed Value as of June 30, 2023	<u>\$ 1,079,225,196</u>
<u>20% Limitation</u>	
Debt Limit of 20% of Assessed Value	\$ 215,845,039
Debt applicable to limit:	
General Obligation Bonds	<u>27,850,000</u>
Legal 20% debt margin (Available borrowing capacity)	<u>\$ 187,995,039</u>
<u>6% Limitation</u>	
Debt Limit of 6% of Assessed Value	\$ 64,753,512
Debt applicable to limit:	
General Obligation Bonds	<u>-</u>
Legal 6% debt margin (Available borrowing capacity)	<u>\$ 64,753,512</u>

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

Water, Wastewater and Stormwater Revenue Bonds

Fiscal Year	Gross Revenues (1)	Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal (3)	Interest (4)	Total	
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
2021-2022	34,681,062	22,693,243	11,987,819	8,463,222	623,352	9,086,574	1.32
2022-2023	35,892,689	23,441,346	12,451,343	3,850,598	551,555	4,402,153	2.83

(1) Includes total operating revenues and investment income of the water, wastewater and stormwater funds.

(2) Includes total operating expenses of the water, wastewater and stormwater funds less depreciation.

(3) Includes principal for water, wastewater and stormwater 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

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

Fiscal Year (4)	Revenue (1)	Debt Service Requirements			Coverage
		Principal (2)	Interest (3)	Total	
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	
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	
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
2021-2022	20,644,070	165,000	84,981	249,981	82.58
2022-2023	25,737,656	170,000	77,863	247,863	103.84

(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
2021-2022	7,437,340	885,000	600,513	1,485,513	5.01
2022-2023	7,402,548	915,000	569,613	1,484,613	4.99

(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
2014	67,502	\$ 4,906,294	\$ 51,809	25.9	90.6% *	41.8% *	10,623	6.90%
2015	69,391	5,399,899	52,509	25.6	90.6% *	41.8% *	11,766	6.48%
2016	70,643	5,489,486	38,958	25.2	90.6% *	41.8% *	12,505	6.18%
2017	71,656	6,360,600	45,076	25.1	90.6% *	41.8% *	11,910	4.70%
2018	72,961	6,506,300	45,545	25.2	90.6% *	41.8% *	11,991	4.40%
2019	74,736	7,057,376	49,454	25.2	90.6% *	41.8% *	11,873	4.20%
2020	76,338	7,837,473	54,008	24.9	90.6% *	41.8% *	11,825	4.60%
2021	77,590	8,255,426	56,914	25.8	94.1% *	47.1% *	12,515	6.20%
2022	78,743	8,668,197 *	57,711 *	25.8 *	94.1% *	47.1% *	12,152	4.40%
2023	79,665	9,101,607 *	58,519 *	25.8 *	94.1% *	47.1% *	12,184	4.80%

(*) 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 for Coconino County
- 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>2023</u>			<u>2014</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	5.69%	2,815	1	5.10%
W.L. Gore & Associates	2,500	2	3.24%	2,200	3	3.99%
Flagstaff Medical Center	2,487 *	3	3.22%	2,300	2	4.17%
Flagstaff Unified School District	1,283	4	1.66%	1,436	4	2.60%
Coconino County	1,185	5	1.53%	1,294	5	2.35%
City of Flagstaff	996	6	1.29%	872	6	1.58%
Arizona Snowbowl	700	7	0.91%			
Little America Hotel	245	8	0.32%			
Coconino Community College	335	9	0.43%			
Nestle Purina	323	10	0.42%			
Walmart				630	7	1.14%
Grand Canyon Railway				421	8	0.76%
SCA Tissue				279	9	0.51%
Dell Systems				250	10	0.45%
Total	14,448		18.72%	12,497		22.65%
2020 & 2010 U.S. Census Labor Force	77,200	Estimated		55,170		

Source:

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

* Flagstaff location(s) only

Note: Non-municipal figures were derived from company websites and/or from Datanyze

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

Function/Program	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
General government										
Administrative services	86.00	87.25	91.00	97.25	99.57	99.25	103.50	105.50	110.50	114.50
Capital management	7.00	8.00	8.00	8.00	9.00	9.00	9.00	9.00	9.00	9.00
City court	24.35	25.35	26.35	29.35	29.35	29.55	29.55	29.55	29.55	29.55
Public safety										
Police	169.00	169.00	167.00	167.00	173.00	176.00	176.00	177.00	177.00	178.00
Fire	85.00	87.00	88.00	89.00	95.00	94.00	94.00	94.00	108.00	107.00
Public works	25.00	25.00	25.50	25.50	27.50	27.50	29.50	30.50	30.50	32.50
Economic and physical development										
Building	41.50	43.98	44.98	45.50	48.98	50.50	54.00	55.00	55.48	55.48
Planning	20.88	13.88	14.88	19.88	21.88	24.88	25.80	19.75	20.00	21.00
Tourism	12.93	13.93	13.93	14.15	15.15	15.15	16.15	17.15	17.15	17.15
Culture and recreation										
Library	51.40	52.30	53.43	54.49	55.38	55.08	55.32	55.32	55.76	55.76
Parks, recreation, and open space	86.03	85.50	90.13	91.69	93.54	94.50	93.85	93.85	94.85	96.84
Highways and streets	35.52	35.52	33.02	32.02	33.02	33.02	31.52	32.27	35.27	37.27
Water and wastewater	62.00	64.00	66.00	67.00	71.00	73.46	74.42	76.16	78.20	80.20
Environmental services	55.43	55.00	56.25	57.00	57.00	56.00	54.49	55.49	55.50	57.00
Airport	9.50	9.50	9.50	9.50	9.50	11.50	14.50	12.75	14.50	14.50
Stormwater	5.50	4.50	4.50	5.50	5.50	5.50	5.00	7.00	5.00	5.00
Flagstaff housing authority	22.00	22.00	21.60	21.28	21.28	21.28	21.80	21.80	24.00	24.00
Total	799.04	801.71	814.07	834.10	865.65	876.17	888.40	892.09	920.26	934.75

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

Function/Program	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Court										
Criminal filings	8,375	7,273	6,924	7,208	6,364	5,819	7,105	6,752	5,582	4,711
Traffic filings	7,726	8,428	8,190	6,437	6,068	5,315	5,933	4,817	4,843	3,314
Non-criminal/other	468	554	1,357	4,668	2,250	1,579	1,750	1,486	-	396
Protective orders *	-	-	-	-	-	-	-	-	73	121
Purchasing										
Credit card rebates received	\$ 48,128	\$ 72,037	\$ 94,873	\$ 104,522	\$ 111,281	\$ 114,462	\$ 110,582	\$ 92,204	\$ 114,620	\$ 126,318
Fire										
Incidents	8,730	9,432	12,775	12,700	14,415	14,626	14,958	15,951	14,459	15,348
Fire	177	184	168	190	218	314	153	163	161	146
Other	2,532	2,654	742	3,017	3,296	3,036	3,676	3,695	3,730	5,810
Emergency medical services	-	-	-	-	-	-	-	-	-	9,392
Inspections assigned	1,340	2,341	2,217	1,775	1,775	1,730	1,730	502	672	639
Plan reviews	512	659	639	743	945	965	960	537	824	767
Fuel Management										
Plan assessment (acres)	N/A	2,300	1,500	1,723	667	345	723	1,013	N/A	N/A
Site marking (acres)	511	70	555	921	586	79	73	50	65	60
Site thinning (acres)	541	820	700	1,381	1,135	1,877	642	140	1,805	2,606
Prescription burn (acres)	778	333	650	948	860	759	288	745	2,767	6,206
Police										
Felony reports	2,564	2,511	2,769	2,945	2,908	2,881	2,863	2,858	2,589	2,293
Misdemeanor reports	10,383	8,980	9,553	9,531	9,045	8,776	9,222	7,907	7,850	7,131
Domestic violence incidents	1,688	1,550	1,541	1,513	1,478	1,661	1,857	1,908	1,905	1,632
Non-crime reports	7,174	6,036	6,660	6,604	6,070	6,756	7,258	6,637	7,310	6,586
Accident reports	2,180	2,590	2,985	2,926	2,803	2,828	2,519	2,418	2,706	2,514
Calls dispatched to police/sheriff	56,373	58,590	62,228	65,566	62,597	61,230	60,479	73,852	55,563	52,003
Calls dispatched to fire	11,464	11,777	13,565	14,497	14,550	14,749	15,529	23,568	18,257	18,491

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

Function/Program	Fiscal Year									
	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023
Streets										
Potholes repaired	3,605	1,174	1,437	2,367	2,127	886	296	153	2,200	1,200
Airport										
Fuel flowage (gallons sold)	544,028	566,387	603,382	588,506	645,367	855,383	1,267,517	1,295,326	1,495,211	1,151,856
Enplanements	61,691	62,578	69,485	65,887	74,707	87,993	111,035	86,544	114,508	86,803
Refuse collection										
Refuse collected (landfill tonnage)	144,411	143,528	143,639	145,960	109,776	91,105	91,941	104,971	105,586	105,280
Recyclables collected (total tons)	8,343	8,340	12,191	9,452	9,198	9,140	8,285	7,454	7,571	6,773
Community Development										
Permit valuation	\$ 95,467,771	\$ 93,918,660	\$ 177,068,294	\$ 217,767,173	\$ 149,723,688	\$ 167,323,988	\$ 235,395,255	\$ 201,190,867	\$ 240,674,099	(1)
Library										
Visits	687,735	673,246	660,974	662,838	660,030	617,813	444,396	9,268	223,630	380,615
Circulation	1,117,652	1,002,125	1,055,176	1,001,074	929,333	954,071	555,361	293,503	703,032	817,581
Tourism										
Revenue per available room	\$ 59.99	\$ 69.19	\$ 74.14	\$ 76.06	\$ 75.49	\$ 75.64	\$ 59.72	\$ 75.39	\$ 93.25	\$ 90.12

Sources: Various City divisions

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

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>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>	<u>2021-2022</u>	<u>2022-2023</u>
Public Safety										
Police patrol units (includes motorcycle units)	37	37	39	39	39	40	43	43	43	43
Number of fire hydrants	3,242	3,254	3,254	3,257	3,263	3,350	3,397	3,397	3,401	3,401
Number of fire stations	6	6	6	6	6	6	6	7	7	7
Culture and recreation										
Number of developed parks	23	23	23	23	23	23	23	24	24	24
Number of undeveloped parks	4	4	5	5	5	5	5	5	5	5
Park acreage	710	736	741	741	741	741	741	741	741	741
Flagstaff urban trail system - miles	55	55	56	56	56	59	59	59	59	59
Recreational buildings	4	4	4	4	4	4	5	5	5	5
Highways and streets										
Miles of streets, alleys, and sidewalks	844	844	844	844	844	844	1,018	1,018	1,037	1,037
Number of street lights	3,466	3,466	3,466	3,502	3,502	3,502	3,929	3,951	3,937	3,937
Water and wastewater										
Miles of sewer	274	276	276	294	294	294	374	350	286	286
Number of manholes	7,403	7,493	7,493	7,514	7,514	7,662	7,734	7,734	7,737	7,738
Total active water accounts	19,961	19,934	20,717	20,327	21,483	21,023	21,154	21,156	23,362	23,362
Average gallon water usage per household per month	5,022	4,562	3,901	4,867	4,153	4,170	4,297	4,745	4,680	4,680
Airport										
Fixed base operators	1	1	1	1	1	1	1	1	1	1
Locally based aircraft	134	134	132	132	117	117	112	112	112	112
Tiedowns	11	11	12	12	12	12	18	18	18	18
Enclosed hangars	61	61	61	61	61	61	61	62	62	62
Open hangars	48	48	36	44	44	44	48	48	48	48

Schedule 23
City of Flagstaff
Insurance Summary
Effective July 1, 2022 to June 30, 2023

Coverage	Limit of Liability
Liability Insurance:	
General Liability*	\$ 2,000,000 / per occurrence
(Includes two skateboard parks, bike freestyle park, emergency medical technicians)	\$ 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 each person
Back Wages	\$ 50,000 / \$25,000 each claim
Fire Damage	\$ 300,000 any one premises
Land Use Liability	\$ 1,000,000 aggregate
Organic Pathogens	\$ 100,000 / \$25,000 each claim
Pollution Liability	\$ 100,000 / \$25,000 each claimant
Aggregate Deductible	\$ 250,000 / per occurrence
	\$ 500,000 / aggregate
No-Fault Sewer Backup	\$ 5,000 / \$2,500 each claim
Sewer Backup	\$ 1,000,000
Property Insurance:	
Property Deductible	\$100,000 deductible
Municipal Mobile Equipment	\$ 10,532,131 / \$10,000 deductible
Rented or Leased Mobile or Misc	\$ 500,000 \$500 deductible
Miscellaneous Equipment	\$ 284,882 \$10,000 deductible
Electronic Data Processing	\$ 1,988,500 / \$10,000 deductible
Fine Arts	\$ 50,000 / \$250 deductible
Signs	\$ 50,000 \$0 deductible
Accounts Receivable	\$ 50,000 / \$0 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 and 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 / \$0 deductible
Forgery	\$ 1,000,000 \$0 deductible
Theft - Inside, Money and Securities	\$ 100,000 / \$250 deductible
Theft - Inside, Robbery	\$ 100,000 / \$250 deductible
Theft - Outside, Money and 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
Faithful Performance Bond	\$ 1,000,000 \$0 deductible
Cyber Coverage Aggregate	\$ 2,000,000 / \$50,000 deductible
Municipal Property Extension	\$ 250,000





CITY OF FLAGSTAFF
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