



CITY OF FLAGSTAFF

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2025



FLAGSTAFF, ARIZONA



# *Annual Comprehensive Financial Report*

For Fiscal Year Ended  
June 30, 2025

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, 2025**

**Table of Contents**

	Page
<b>Introductory Section</b>	
Transmittal Letter .....	iii
GFOA Certificate of Achievement.....	xiii
Organizational Chart .....	xiv
List of Elected and Appointed Officials.....	xv
<b>Financial Section</b>	
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	5
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Position .....	19
Statement of Activities .....	20
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	22
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Activities.....	25
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	28
General Fund - Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.....	30
Highway User Revenue Fund – Statement of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual.....	31
Transportation Fund - Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual .....	32
Statement of Net Position – Proprietary Funds.....	34
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds.....	36
Statement of Cash Flows – Proprietary Funds .....	38
Notes to the Financial Statements.....	42
<b>Required Supplementary Information</b>	
Schedule of Proportionate Share of the Net Pension Liability.....	96
Schedule of Changes in Net Pension Liability and Related Ratios .....	98
Schedule of Changes in Net OPEB Asset, Liability and Related Ratios.....	102
Schedule of the City's Pension/OPEB Contributions.....	106
Notes to the Required Supplementary Information.....	108
<b>Combining Statements</b>	
Non-Major Funds – Other Governmental Funds .....	109
Combining Statements and Schedules:	
Combining Balance Sheet – Non-major Governmental Funds.....	112
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds.....	114

## Supplemental Information

Budgetary Comparison Schedules –Governmental Funds	
Housing and Community Services Fund .....	118
COVID Relief Fund.....	119
Library Fund.....	120
Bed Board Beverage Fund .....	121
Parking District Fund.....	122
Water Resource and Infrastructure Protection Fund.....	123
General Obligation Bond Fund.....	124
Secondary Property Tax Revenue Fund .....	125
Pension Bond Fund .....	126
Capital Projects Bond Construction Fund.....	127
Financial Data Submission Schedules	
Net Position Accounts.....	128
Revenue, Expenses and Changes in Fund Net Position Accounts .....	132
Revenue, Expenses and Changes in Fund Net Position Accounts- Public Housing - Consolidated.....	138

## Statistical Section

Net Position by Component .....	142
Changes in Net Position.....	144
Fund Balances, Governmental Funds .....	148
Changes in Fund Balances, Governmental Funds.....	150
Tax Revenue by Source, Governmental Funds.....	152
Intergovernmental Revenue by Source, Governmental Funds .....	154
Primary Limited Cash Value of Taxable Property .....	156
City Taxable Revenue for Major Categories.....	158
Direct and Overlapping Property Tax Rates.....	160
Principal Property Tax Payers.....	162
Property Tax Levies and Collections.....	163
Direct and Overlapping Sales Tax Rates.....	164
Ratios of Outstanding Debt by Type.....	166
Ratios of General Bonded Debt Outstanding.....	168
Direct and Overlapping Governmental Activities Debt.....	169
Legal Debt Margin Information .....	170
Pledged Revenue Coverage.....	173
Demographic and Economic Statistics .....	178
Principal Employers .....	180
Full-time Equivalent City Government by Function/Program.....	182
Operating Indicators by Function/Program.....	184
Capital Asset Statistics by Function/Program.....	188



# City of Flagstaff

December 22, 2025

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, 2025, 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, 2025.

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, 2025. 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 by size in the 48 contiguous states. The 2025 Arizona Department of Administration population of 81,447. 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, Trash and Recycling 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. On June 30, 2025, overall General Fund revenues, excluding leases, grants, contributions and other financing resources, were well above the adopted budget for the fiscal year, \$8.1 million over budget. The biggest contributors to the revenue growth were interest income, and the licenses and permits. Court fines and forfeitures was the only class 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 Northern Arizona Healthcare, W. L. Gore and Associates, Walmart, 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 27,184 students in 128 bachelor's degree programs and 15 areas of interest for master's 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. It is estimated that Flagstaff has 5.5 million day and overnight visitors annually. 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. For Fiscal Year (FY) 2024-25 The City currently had 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 transient lodging, 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 a slight increase of 0.5% compared to the prior fiscal year based on the modified accrual method. The average increase over the past five years is 7.5%. Every sales tax category except Telecommunications, Construction Contracting, Lodging less than 30 days and Retail had an increase over prior year. Retail, the largest category for sales tax, declined 0.2% (-\$32,835) and while local retail sales tax declined, the remote or marketplace retail has increased. The City of Flagstaff's Restaurants/Bars categories continued strong growth in FY 2024-2025 by 2.9%. Personal Property Rental grew by 11.7% (\$106,822) over prior year. 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 was extended by voters in the November 2024 election to authorize through June 30, 2043. Tourism is a major industry to the City of Flagstaff's local economy. Per Schedule 5, this tax category saw a modest 0.1% increase over the prior year based on the modified accrual method. This is after the prior four years of BBB taxes increased in FY 2020-21 through FY 2023-24 of 20.8%, 18.7%, 6.7%, and 1.9%, respectively. Flagstaff is seeing an impact of reduced international travel during this calendar year. The average increase over the past five years is 11.3%.

### **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 3.1% 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 during the November 2024 election to extend through June 30, 2040, and increase the rate effective July 1, 2025 from 0.295% to 0.500%. 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 revenues have seen its first year over year decrease in fourteen years with a decline of 8.5% in FY 2024-2025 related to the above shared revenues. State shared sales tax and auto lieu (vehicle registration) saw increase with a net increase of 4.3% (\$699,474). The decline is related to State income tax revenues which decreased by 19.0% (-\$3,822,730). State shared income taxes are based on two years prior of tax collection, so they generally meet budget expectations. The City of Flagstaff has anticipated this decrease which is directly related to legislative reductions to tax rates implemented a few years prior. We budgeted this 19% reduction in the FY 2024-25 budget as the tax cuts begin to have an impact. We have also budgeted for a 7.5% decline in FY 2025-26 revenues based on state collections.

*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 1.7%. We saw lower gas prices versus prior fiscal year which likely led to more fuel purchased.

Overall, these state shared revenues declined by 6.3% in FY 2024-2025 and a 3.3% increase when the large decrease in state shared income tax is excluded.

## **Primary Property Taxes**

Excluding new construction, total assessed valuations have increased 4.3% for tax year 2024, FY 2024-2025. Including new construction, total assessed valuations increased 5.3% 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 2025-2026 (tax year 2025) the City of Flagstaff did not adopt a rate that increased our levy by 2% the allowable limit. We are currently at 12% below the maximum allowable levy.

## **Budget Adjustments**

There was no budget adjustments required for the FY 2024-2025 budget.

## **Additional Information**

The FY 2025-2026 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 moderate increase in General Fund budgeted revenue in FY 2025-2026 (excluding grants, miscellaneous revenue, rents, and other financing sources) by 1.2% primarily related to our 1% sales tax, and our state shared sales tax and vehicle registrations. Through October 2025, sales tax revenues are 1% below prior year to date actuals mainly due to lodging under 30 days and personal property rentals. We are monitoring the declines in revenues frequently and providing updates to the City Manager. State shared sales tax and vehicle registrations are 10% and 4% above prior year actuals to date. State shared income taxes are 7% below prior year to date actuals. The reduction in state shared income taxes were planned

as part of the budget adoption due to change to the state income tax rates approved in prior years. The City of Flagstaff increased its overall staffing count by 4.95 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 decrease in student enrollment fall for the Flagstaff campus. Building permit revenues through October are down 50% year over year, but within the FY 2025-26 budget expectations. There may be impacts related to the increased cost of construction, higher interest rates, and Tariffs. There are still a variety development sectors that are active; residential, commercial, industrial, mixed use, and subdivisions. The City is partnering with several landowners south of I 40 to build a new road from the Airport to Fourth Street that will open up approximately 1,300 acres for development. The City operates a municipal airport which has one airline providing service. The airline provides daily service to Phoenix and Dallas. The City is actively seeking additional airline services for the airport.

Our latest public offering occurred in April 2024 for our General Obligation bond issues related to 1) wildfire suppression, stormwater flood mitigation, and wastewater treatment infrastructure and 2) creating rental and homeownership opportunities for residents of Flagstaff. Standard and Poor provided a rating of AA Positive and Moody's Rating provided a Aa1 rating. Both agencies showed an improvement to our ratings since the previous General Obligation bond issuance.

## **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, 2024, the Fire pension plan was 102.1% funded and the Police pension plans was 101.0% funded for Tier 1 and 2. During FY 2023-24 the City provided an additional \$3.2 million of a financial contribution to bring the Police plan back to fully funded.

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, and
- 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 \$16.3 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 2024-2025, 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, 2025. 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. 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. Water, Wastewater, Reclaimed Water, and Stormwater funds have a minimum fund balance at 25%.

Special Revenue and all other Enterprise Funds are to maintain a 10% fund balance, as calculated against ongoing revenues.

### **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.

During the summer of 2025, staff checked in with City Council and completed a community survey related to our Key Community Priorities and Objectives. Based on all the comment provided, there we no identified changes to the priorities or objectives that were approved November 2023.

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

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

#### **High Performing Governance**

- Serve the public by providing high quality customer service.
- Cultivate community communication engagement practices that are clear, consistent, and timely.
- Encourage public trust through transparency, accessibility, and use of the City's public participation policy.
- Maintain the organization's fiscal stability and through strong financial policies and best practices.
- Implement and communicate innovative and efficient local government programs, new ideas, and best practices.
- Be an inclusive employer of choice 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 and build upon the alternative response model, and other community partnerships to best serve the mental and behavioral health needs of the community.
- Provide public safety services with resources, staff, and training responsive to the community's needs.
- Promote physical and mental well-being through providing recreational opportunities, parks, open space, and active transportation options.
- Ensure the built environment is safe through the use of consistent standards as well as best practices for building and land use.

### **Inclusive and Engaged Community**

- Proactively foster community representation and civic engagement by enhancing opportunities for public involvement, in line with best practices.
- Advance social equity and social justice in Flagstaff by supporting social services.
- Facilitate and foster equity, diversity, and inclusivity, including support of trauma-informed policies and practices.
- Enhance the City's involvement in community, 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 plans that identify the community's future infrastructure needs and all associated costs.
- Provide, manage, and maintain effective infrastructure for multimodal and active 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 robust, diverse, and sustainable economy.
- 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 housing and development programs; improve partnerships with 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.
- Work with regional partners that provide equitable and inclusive educational and cultural opportunities for Flagstaff residents of all ages.
- Actively support attainable and affordable housing through the City's 10-Year Housing plan as well as other projects and opportunities.
- Support diverse employment opportunities and high-quality jobs.
- Achieve a well-maintained community through comprehensive and equitable code compliance and development.

## **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.
- Encourage the private sector's investment in environmental stewardship.
- Implement, maintain, and further the Carbon Neutrality Plan (CNP) 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, 2024. This was the 31<sup>st</sup> consecutive year that the City has achieved this prestigious award. In order to receive a Certificate of Achievement, the City had to publish an easily readable and efficiently organized 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 2024-2025 annual budget (31 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, and the dedicated staff in Finance and Budget 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,

A handwritten signature in blue ink that reads "Rick Tadder". The signature is written in a cursive, slightly slanted style.

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, 2024

*Christopher P. Morrill*

Executive Director/CEO



**City of Flagstaff, Arizona**  
**List of Elected and Appointed Officials**  
**June 30, 2025**

**Elected Officials**

Mayor ..... Becky Daggett  
Vice Mayor ..... Miranda Sweet  
Councilmember ..... Austin Aslan  
Councilmember ..... Khara House  
Councilmember ..... Lori Matthews  
Councilmember ..... David Spence  
Councilmember ..... Anthony Garcia

**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, 2025, 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 Transportation Fund, and the aggregate remaining fund information of the City of Flagstaff, Arizona, as of June 30, 2025, 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 to the financial statements, the City implemented the provisions of GASB Statement No. 101, Compensated Absences, for the year ended June 30, 2025. 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 19, 2025, 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 19, 2025



## 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, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii -xii of this report.

### Financial Highlights

- The City's total net position at the close of the most recent fiscal year is \$987.8 million.
- The government's total net position increased by \$70.2 million during the fiscal year. This is a result of an increase in net position in the governmental activities of \$45.0 million and an increase in net position in the business type activities of \$25.2 million.
- As of June 30, 2025, the City's governmental funds reported combined ending fund balances of \$281.8 million, a decrease of \$11.7 million in comparison to the prior fiscal year. Approximately 29.3% of this total amount \$82.7 million is unassigned fund balance available for spending at the government's discretion.
- As of June 30, 2025, total unassigned fund balance for the General Fund was \$82.7 million, or 96.3% of total General Fund expenditures (\$85.8 million).
- As of June 30, 2025, the City's proprietary funds reported combined total net position of \$479.7 million, and total unrestricted of \$66.0 million. The largest unrestricted component of net position is in the Water and Wastewater Fund (\$66.4 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	Fire	Airport
Cemetery	Fleet Management	Environmental Services
City Attorney	Human Resources	Housing Authority
City Council	Information Technology	Stormwater
City Engineering	Library	Wastewater
City Manager	Municipal Courts	Water
Communication and Civic Engagement	Parks	
Community Development	Police	
Economic Development	Recreation	
Facilities Maintenance	Risk Management	
Financial Services	Streets and Transportation	
	Tourism	

The Government-wide Financial Statements can be found on pages 19-21 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 112-115.

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 22-32 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 34-41 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 42-94 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 112-115.

## **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 96-108 and Other Supplemental Information on pages 118-140 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 \$987.8 million as of June 30, 2025.

Of the City's Net Position, 79.9% reflects its investment of \$789.1 million in capital assets (e.g., land, buildings and equipment), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

**Net Position**  
**June 30, 2025 and 2024 (in thousands of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2024-2025</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2023-2024</u>	<u>2024-2025</u>	<u>2023-2024</u>
Current and other assets	\$ 332,317	\$ 337,714	\$ 115,588	\$ 120,426	\$ 447,905	\$ 458,140
Capital assets	441,091	401,844	456,123	435,790	897,214	837,634
Total assets	<u>773,408</u>	<u>739,558</u>	<u>571,711</u>	<u>556,216</u>	<u>1,345,119</u>	<u>1,295,774</u>
Total deferred outflows of resources	16,224	20,514	3,122	2,521	19,346	23,035
Long-term liabilities	216,324	230,518	72,868	74,977	289,192	305,495
Other liabilities	45,207	44,446	14,080	20,163	59,287	64,609
Total liabilities	<u>261,531</u>	<u>274,964</u>	<u>86,948</u>	<u>95,140</u>	<u>348,479</u>	<u>370,104</u>
Total deferred inflows of resources	20,910	19,153	7,232	7,380	28,142	26,533
Net investment in capital assets	377,052	341,358	412,073	381,036	789,125	722,394
Restricted	184,178	192,440	1,650	1,539	185,828	193,979
Unrestricted	(54,039)	(67,843)	66,930	73,642	12,891	5,799
Total net position	<u>\$ 507,191</u>	<u>\$ 465,955</u>	<u>\$ 480,653</u>	<u>\$ 456,217</u>	<u>\$ 987,844</u>	<u>\$ 922,172</u>

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

A portion of the City's net position, \$185.8 million (18.8%), 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 1.6% \$5.4 million. The largest decrease was in restricted cash and investments, \$9.4 million related in the Capital Projects Bond Construction Fund and \$6.4 million related to debt service funds. Other decreases include accounts receivables, net \$3.0 million and internal balances \$6.1 million. These decreases were offset by increases in cash, investments and equivalents \$15.6 million and net pension assets caused by additional contributions and positive market returns. Capital assets, non-depreciable increased \$34.3 million due to several large capital projects were in progress during the fiscal year.

Deferred outflows of resources for the governmental activities have decreased \$4.3 million and is mainly related to the pension/OPEB related activity. Deferred inflows of resources for the governmental activities have increased \$1.8 million related to the pension/OPEB related deferred activity.

Capital assets of the governmental activities, funded through operations, debt proceeds, grants and contributions increased by 9.8% \$60.6 million due to several large capital outlays and capital contributions net of depreciation and amortization expense of \$17.0 million.

Governmental activities long-term liabilities decreased by 6.2% \$14.2 million mainly due to a \$14.0 million decrease in bonds, notes, subscription and lease payables and net pension liability \$3.2 million offset by a increase in compensated absences of \$1.7 million.

Total assets for business-type activities have increased by 2.8% \$15.5 million mainly due to an increase in capital assets \$20.3 million.

Total liabilities for business-type activities decreased by 8.6% \$8.2 million. Major changes include a decrease in bonds, notes, subscription and lease payable of \$3.6 million and accounts payable of \$5.0 million which was partially offset by increase in compensated absences of (\$295,000) and landfill closure liability (\$941,000).

Overall, the business-type net position has increased by 5.4% \$24.4 million due mainly to an increase of \$31.0 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 \$70.2 million during the current fiscal year. These increases are explained in the governmental and business-type activities discussion to follow.

	Governmental Activities		Business-type Activities		Total	
	2024-2025	2023-2024	2024-2025	2023-2024	2024-2025	2023-2024
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 16,265	\$ 12,595	\$ 62,112	\$ 57,448	\$ 78,377	\$ 70,043
Operating grants and contributions	12,542	12,066	13,208	18,077	25,750	30,143
Capital grants and contributions	16,675	18,497	18,003	32,130	34,678	50,627
General Revenues:	-	-	-	-	-	-
Property taxes	16,214	15,806	-	-	16,214	15,806
Sales taxes	83,993	83,502	-	-	83,993	83,502
State shared taxes	33,446	36,569	-	-	33,446	36,569
Investment earnings	15,429	12,632	3,810	4,191	19,239	16,823
Other	1,553	1,541	200	167	1,753	1,708
Total revenues	196,117	193,208	97,333	112,013	293,450	305,221
<b>Expenses</b>						
General government	35,222	31,282	-	-	35,222	31,282
Public safety	45,524	44,099	-	-	45,524	44,099
Public works	5,106	3,159	-	-	5,106	3,159
Economic and physical development	14,901	13,450	-	-	14,901	13,450
Culture and recreation	18,441	17,329	-	-	18,441	17,329
Highways and streets	23,649	23,302	-	-	23,649	23,302
Interest on long-term debt	5,442	4,238	-	-	5,442	4,238
Water	-	-	20,846	20,300	20,846	20,300
Wastewater	-	-	13,168	9,989	13,168	9,989
Stormwater	-	-	5,053	3,991	5,053	3,991
Environmental	-	-	18,161	16,813	18,161	16,813
Airport	-	-	6,017	7,495	6,017	7,495
Housing Authority	-	-	11,703	10,671	11,703	10,671
Total expenses	148,285	136,859	74,948	69,259	223,233	206,118
Increase in net position before contributions and transfers	47,832	56,349	22,385	42,754	70,217	99,103
Principal contributions to permanent fund	12	10	-	-	12	10
Transfers	(2,862)	(3,840)	2,862	3,840	-	-
Change in net position	44,982	52,519	25,247	46,594	70,229	99,113
Net position at beginning of year	465,955	356,824	456,217	987,844	922,172	1,344,668
Net effect of prior period adjustments	(3,746)	-	(811)	-	(4,557)	-
Net position at beginning of year (as restated)	462,209	413,436	455,406	409,623	917,615	823,059
Net position at end of year	\$ 507,191	\$ 465,955	\$ 480,653	\$ 456,217	\$ 987,844	\$ 922,172

### Governmental Activities

Governmental activities increased the City's net position by \$45.0 million. The key factors for this increase are as follows:

- Revenues exceeded expenses by \$47.8 million as compared to last year of \$56.3 million.
- Charges for services increased 29.1% (\$3.7 million) related primarily to increases in the building permit fees and permit fees.
- Operating grants and contributions increased 3.9% (\$476,000) due primarily increases in service partner contracts grants and county contribution for library operations.
- Capital grants and contributions decreased 9.9% (\$1.8 million) mainly due to developer and other partner contributions to transportation improvement projects in the prior year
- Property taxes increased 2.6% (\$408,000) mainly due to an increase in City secondary property taxes levied for debt service.
- City sales tax revenues increased by .6% (\$491,000) as sales tax

- State shared taxes had a 8.5% (\$3.1 million) decrease due mainly to decreases in state shared income tax due to implementation of flat tax.
- Investment earnings increased by 22.1% (\$2.8 million) due to unrealized investment gains.
- Expenses have increased by \$11.4 million (8.3%). The increase was across all functions. There were increases in general government (\$3.9 million), public safety (\$1.4 million), public works (\$2.0 million), economic and physical development (\$1.5 million), culture and recreation (\$1.1 million), highways and streets (\$347,000) and interest on long-term debt (\$1.2 million).

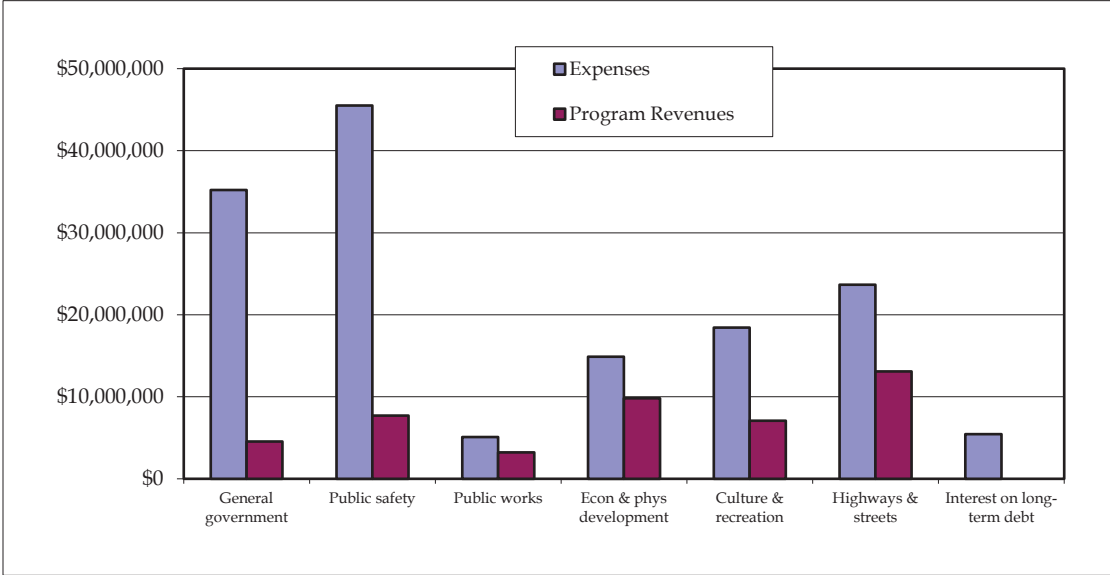
**Business-type Activities**

Business-type activities had a net position increase of \$25.2 million. The key factors for this increase include:

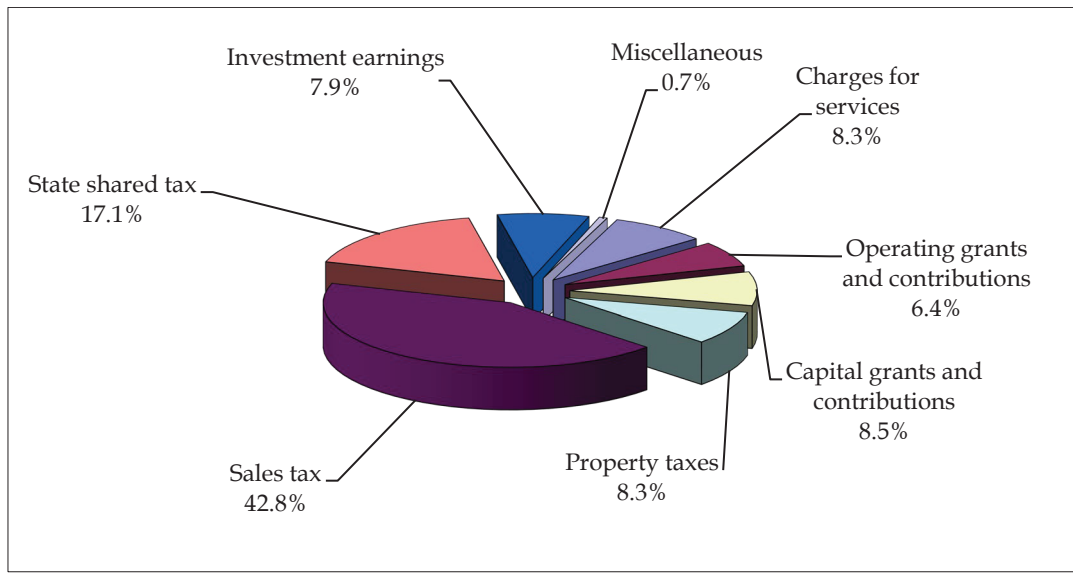
- Charges for service have increased by 8.1% (\$4.7 million). Funds with large increases include Water and Wastewater (\$2.5 million), Stormwater (\$800,000) and Environmental Services (\$582,000).
- Operating grants and contributions have decreased by 26.9% (\$4.9 million) due to decrease in Stormwater (\$5.1 million) and the Airport (\$2.7 million).
- Capital grants and contributions have decreased by 44.0% (\$14.1 million) due to decreases in utility capacity fees and developer contributed capital.
- Expenses have increased over the prior year by 8.2% (\$5.7 million). There were increases in Wastewater (\$3.2 million), Environmental Services (\$1.3 million), which was partially offset by a decrease in Airport (1.5 million).

The restatement of the beginning net assets for the fiscal year ending June 30, 2025 is due to a change in accounting principle with the implementation of GASB No. 101, Compensated Absence (Note I.E on page 53).

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



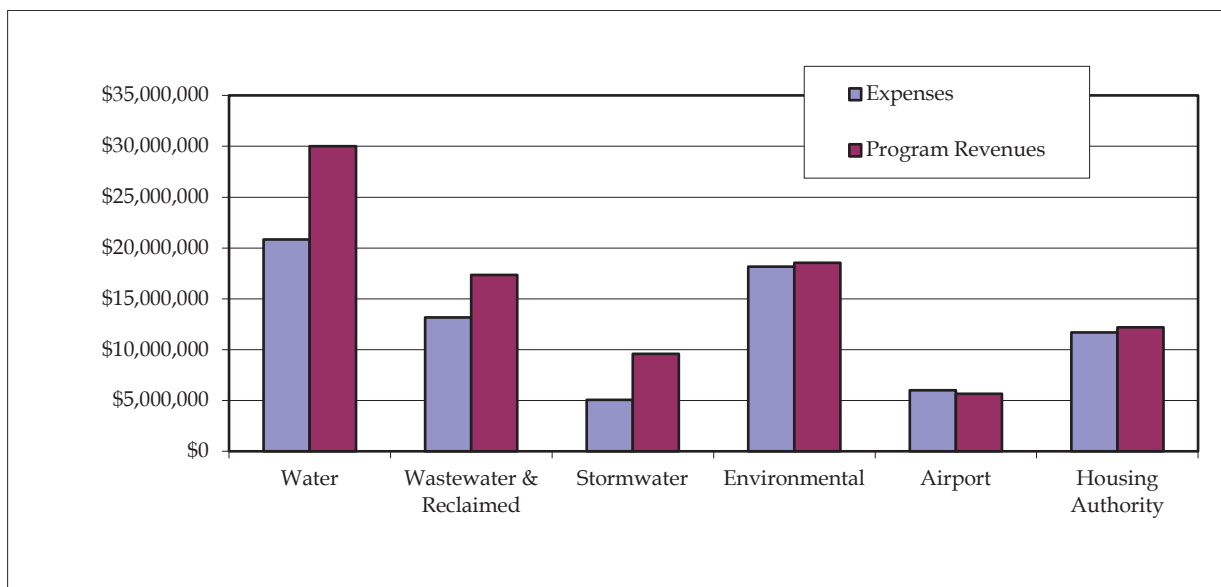
## Revenues by Source - Governmental Activities



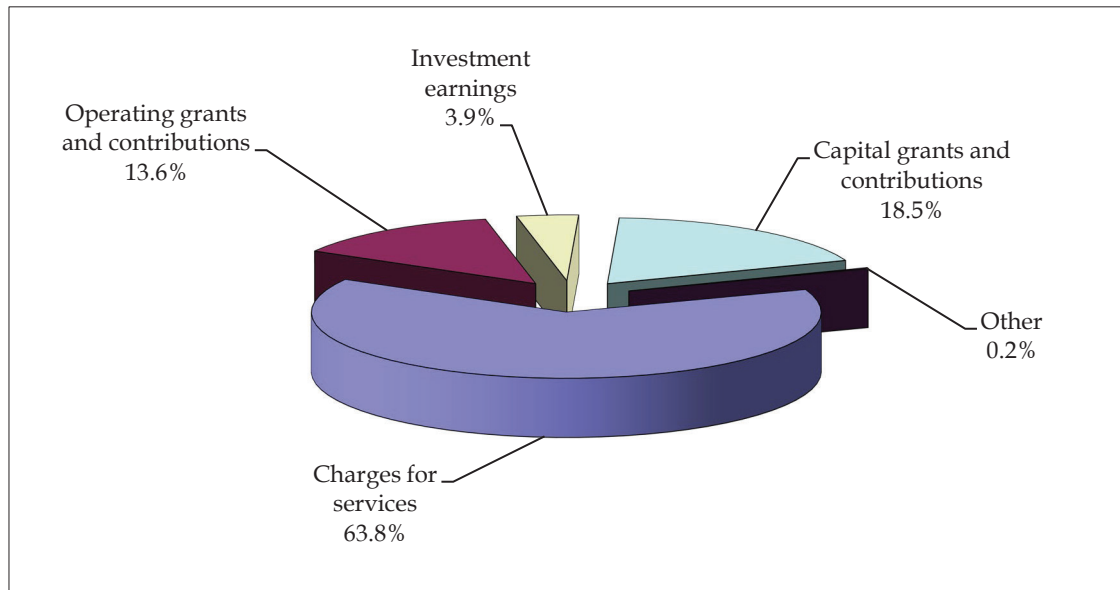
As shown, Public Safety is the largest function as measured by expense (\$45.5 million, 30.7%) followed by General Government (\$35.2 million, 23.8%) and Highways and Streets (\$23.6 million, 15.9%).

General revenues such as sales taxes, state shared taxes and property taxes are not shown by program but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, sales tax is the largest single source of funds (\$84.0million, 42.8%), followed by state shared tax (\$33.4 million, 17.1%) and capital grants and contributions (\$16.7 million, 8.5%). The top three revenues make up 68.4% of total revenues compared to last year's top three of 71.7%. The top three revenues last year were sales tax, state shared tax and capital grants and contributions.

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



## Revenues by Source – Business-type Activities



As shown, Water has expenses of \$20.8 million for the fiscal year, followed by Environmental Services with \$18.2 million, Wastewater and Reclaimed with \$13.2 million, Housing Authority with \$11.7 million, Airport with \$6.0 million and Stormwater with \$5.1 million. For the fiscal year, program revenue exceeded expenses for the Water, Wastewater and Reclaimed, Stormwater, Environmental Services and Housing Authority. Program expenses exceeded program revenue in the Airport. Water, Wastewater and Reclaimed, Stormwater, Environmental Services and Airport received most of their program revenues through charges for services (65.5%, 80.5%, 70.0%, 89.5% and 48.7% respectively). The Housing Authority funds receive most of their program revenue through operating grants and contributions (73.7%). Charges for services provided the largest share of revenues (66.6%) for all the business-type activities, followed by capital grants and contributions (19.3%) and operating grants and contributions (14.1%).

The expenses for the business-type activities increased (8.2%, \$5.7 million). There were increases in Wastewater (31.8%, \$3.2 million), Stormwater (26.6%, \$1.1 million), Environmental Services (8.0%, \$1.3 million), and the Housing Authority (9.7%, \$1.0 million) which was partially offset by a decrease in Airport (19.7%, \$1.5 million).

The garbage collection user fees rates were increased on January 3, 2023, Water & Wastewater user fees were last increased on September 1, 2024 and Stormwater user fees on January 1, 2025. Water, Wastewater, Stormwater, Environmental Services, Airport, and Housing Authority increased charges for service revenue at 4.2%, 13.8%, 13.4%, 3.6%, 23.8% and 12.7%, 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 \$281.8 million, an increase of \$11.7 million in comparison to the prior year. Approximately \$82.7 million of the total ending fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is (1) nonspendable \$3.9 million for prepaid items, inventory and perpetual care, (2) restricted \$180.9 million for special revenue funds, debt service, development fee projects, court improvements and operations, grant purposes, perpetual care and capital projects, and (3) assigned (\$14.4 million) for court services, capital reserves, housing, parking district and real estate.

Revenues for governmental functions overall totaled \$194.3 million in the fiscal year ended June 30, 2025, which represents an increase of 4.4% or \$8.3 million from the prior fiscal year. Several revenue categories show increases over prior year including taxes, grants and entitlements, charges for services, licenses and permits, rents, contributions and investment earnings. These increases include taxes (.9%, \$898,000), grants and entitlements (20.2%, \$3.3 million), charges for services (24.1%, \$1.4 million), licenses and permits (45.9%, \$2.0 million), investment earnings (22.2%, \$2.7 million), and contributions (20.8% \$370,000). Licenses and permits increase due to increase in offsite permits for public infrastructure improvements. Investment earnings increase due to larger positive economic forces in the larger economy. The city recently received increased grant awards resulting in the increase in grants and entitlements. The major decreases in revenue categories include intergovernmental (5.8%, \$2.5 million), fines and forfeitures (8.2%, 64,000), and miscellaneous (25.6% \$246,000)

Expenditures for governmental functions (\$209.3 million) increased by 23.2% (\$39.4 million) from the prior fiscal year. The increase in expenditures is related capital expenditures (71.3%, \$25.9 million), general government (8.1%, \$2.5 million), culture and recreation (6.2%, \$977,000), economic and physical development (11.1%, \$1.4 million), and debt service - principal retirement (77.8%, \$9.4 million). Capital expenditures have risen due to several large transportation projects and stormwater infrastructure entered the construction phase, resulting in higher expenditure compared to the prior year. General government expenditures increased due to cost to support the transit services in the community. Debt service - principal retirement expenditures increased to current debt refunding and increasing debt service schedule.

In the fiscal year ended June 30, 2025, expenditures exceeded revenues for governmental functions by approximately \$15.0 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 \$82.7 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 96.3% of General Fund expenditures.

The total fund balance in the City's General Fund increased by \$6.7 million during the fiscal year as revenue increased 0.9% and expenditures increased 1.9%. Overall, the General Fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2025, of \$14.8 million. This is a decrease of approximately \$780,000 over the comparable figure from the prior year which resulted in revenue in excess of expenditures of \$15.6 million. This decrease from prior year was a result of increase in capital outlay expenditures of \$3.9 million. These increases in expenditures were partially offset by decreases in expenditures in public safety (\$1.1 million), and general government (\$2.0 million)

HURF Fund balance increased by \$1.0 million or 6.1%. Revenues decreased \$133,000 or 1.2% due mainly to a decrease in contributions. Expenditures increased \$1.6 million or 9.7% due to various street improvements and street operations. Other finance sources and uses decreased \$118,000 due to decrease in transfers in from Transportation Fund to support capital outlay within the HURF fund.

Transportation Fund balances decreased by \$13.1 million. Revenues increased \$308,000 due to increase contributions. Expenditures increased by \$16.1 million due to increases in general government \$4.5 million and \$14.4 million in capital outlay expenditures. Other financing uses increased \$5.6 million to fund

transportation projects in the HURF fund and Capital Projects fund. Capital outlay expenditures increased due several large property purchases for the Lone Tree Overpass project.

Nonmajor governmental fund balance decreased by \$6.3 million. This decrease in fund balance is primarily due to debt service payment of general obligation bonds and capital outlay expenditures in the Capital project fund for Spruce wash stormwater improvements.

### **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, Stormwater, Airport and Housing Authority. Environmental Service also deficit unrestricted balance due to increase in investment in capital improvements at the landfill. The Internal Service Fund, which is used to account for risk management and health insurance activities, had an unrestricted net position of \$11.8 million.

Revenues and transfers exceeded expenses and transfers out in the proprietary funds by \$25.4 million for the fiscal year ended June 30, 2025. Water and Wastewater, Stormwater, Environmental Services and the Housing Authority had growth in their net position for the fiscal year ended June 30, 2025. A major part of the overall increase was related to capital contributions related to internal sources and external sources (\$14.5 million), capital contributions from grants (\$8.2 million) and investment income (\$3.8 million). There was a decrease in internal and external sources over the prior year stem from a decrease in developer donations, in Water and Wastewater fund by \$4.6 million. Grant activity across all proprietary funds continues to be strong due to the award of new grants and the construction on existing grant-funded projects.

### **Budget Highlights**

The City's final budget was amended from the original budget which was approved by Council in June 2024, moving \$65,000 from non-departmental to general administration. The City looks at the budget to actual at the division level and no division exceeded its appropriation There were one revenue transfers that were greater than budgeted. A transfer from Transportation Tax fund and Capital Project Fund by \$36,000 due to the timing of a construction project.

The General Fund was 7.6% (\$6.8 million) over the final budgeted total revenues primarily due to intergovernmental (\$1.2 million), charges for services (\$1.2 million), licenses and permits (\$3.0 million) and investment earnings (\$2.1 million).

Expenditures are under budget in all divisions due to controlled spending and carryover of some capital projects. The divisions that are under budget by larger amounts are related to capital purchases or projects budgeted but not completed. Transfers in and transfer outs are less than budget as many transfers are based on the actual year end expenditure, except for the transfer noted above.

## Capital Assets and Debt Administration

### Capital Assets

The City's capital assets (net of accumulated depreciation) for governmental and business-type activities as of June 30, 2025, amount to \$897.2 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 7.1% (\$59.6 million). The following table reflects the capital assets at year end.

**Capital Assets, Net of Depreciation/Amortization**  
**June 30, 2025 and 2024 (in thousands of dollars)**

	Governmental Activities		Business-Type Activities		Total	
	2024-2025	2023-2024	2024-2025	2023-2024	2024-2025	2023-2024
Land and other non-depreciable assets	\$ 81,158	\$ 76,813	\$ 26,169	\$ 21,954	\$ 107,327	\$ 98,767
Buildings	82,959	84,372	35,641	37,311	118,600	121,683
Improvements	4,484	3,901	309,949	281,068	314,433	284,969
Machinery and equipment	21,507	18,569	24,017	23,272	45,524	41,841
Infrastructure	171,078	168,628	-	-	171,078	168,628
Construction in progress	78,942	48,987	59,742	72,174	138,684	121,161
Right to use subscription asset	574	544	-	11	574	555
Right to lease asset: buildings	389	30	-	-	389	30
Right to lease asset: land	-	-	605	-	605	-
Total	<u>\$ 441,091</u>	<u>\$ 401,844</u>	<u>\$ 456,123</u>	<u>\$ 435,790</u>	<u>\$ 897,214</u>	<u>\$ 837,634</u>

The largest net increases were in Construction-in-progress and Improvements. Construction-in-progress had a net increase of 14.5% (\$17.5 million) and improvements had a net increase of 10.3% (\$29.5 million). Major construction-in-progress includes the Beulah/University Realignment (\$7.5 million), Lone Tree Overpass (\$5.5 million), Spruce Wash suite of projects (\$13.8 million), and Lone Tree from Bulter to O'Leary (\$4.5 million). The increase in improvements is related to the following projects being completed Inner Basin Pipeline (\$16.2 million), Schultz Creek Highway 180 Culvert (\$7.1 million), Landfill Road improvements (\$6.0 million). The increase in machinery and equipment (\$3.7 million) is mainly due several vehicle purchases. Infrastructure increase (\$2.4 million) is due mainly the completion of several small capital projects. The decrease to buildings (\$3.1 million) is related to depreciation

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 60-61 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 \$225.0 million including bond premium and discount. Of this amount, \$50.4 million is general obligation bonds backed by the full faith and credit of the City, \$32.3 million is revenue bonds, \$111.7 million is for certificates of participation, \$493,000 is for subscriptions, and \$22.9 million are outstanding leases or loans for the Flagstaff Watershed Protection Project, Airport, water, wastewater and stormwater, and City-wide energy conservation improvements.

### Outstanding Debt (include bond premium & discount) June 30, 2025 and 2024 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2024-2025	2023-2024	2024-2025	2023-2024	2024-2025	2023-2024
General obligation debt	\$ 56,372	\$ 70,079	\$ -	\$ -	\$ 56,372	\$ 70,079
Revenue bonds	14,654	15,967	18,757	21,965	33,411	37,932
Other debt	108,560	114,621	3,259	3,366	111,819	117,987
Subscriptions	493	476	-	11	493	487
Lease/Loans	4,264	3,876	18,666	19,004	22,930	22,880
Total debt payable	<u>\$ 184,343</u>	<u>\$ 205,019</u>	<u>\$ 40,682</u>	<u>\$ 44,346</u>	<u>\$ 225,025</u>	<u>\$ 249,365</u>

During FY 2024-2025, the City entered into lease payables for \$1.1 million and subscription liabilities totaling \$802,000. The City also paid off \$3.6 million of general obligation bonds through current refinancing issued at the end of FY2023-2024. 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, 2025, is \$107.4 million in the 6% category and \$319.2 million in the 20% capacity. The allowable debt increased from prior year due to higher assessed valuations and decreasing debt balances. Additional information on the Debt Limitations and Capacities may be found in Schedule 16 in the Statistical Section of this report. During the year, the City maintained the following bond ratings:

Type	Standard & Poor's	Moody's Investor's Service
General Obligation Bonds	AA	Aa1
Revenue Bonds	AA-	Not Available

Additional information on the City's long-term debt can be found in Section III F on pages 63-73 of the Notes to the Financial Statements.

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

The Fiscal Year 2025-2026 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 35.1%.
- Building permits exceeded budget in fiscal year 2024-2025 by \$953,000. However, we remain conservative in our projections for FY 2024-2025 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 2025-2026 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 2025-2026 budget includes a comprehensive pay and benefit increases, new and positions related to capacity needs. As well as large infrastructure capital project and expenditures related to fulfilling the City’s housing needs.
  - Some of the larger items are \$81.6 million for transportation improvements, \$46.2 million programmed for water, wastewater and reclaimed capital equipment and improvements and \$25.4 million in Stormwater improvements.
- The total authorized positions increased by 5 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.
- New Water and Wastewater rates took effect September 1, 2024 and there will be annual increases for the next five years.
- In November 2022 Proposition 442 was passed. The funds from this bond measure are being invested into redeveloping City-owned housing and other existing buildings into affordable rental units, as well as incentivizing the private sector to include affordable rental housing into new developments. The City will also expand the homebuyer assistance program, inclusive of assistance for down payments and closing costs.

### **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, 2025**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash, investments and equivalents	\$ 237,789,682	\$ 77,197,688	\$ 314,987,370
Accounts receivable, net	14,449,783	7,642,000	22,091,783
Interest receivable	871,948	367,172	1,239,120
Intergovernmental receivable	5,706,111	3,927,486	9,633,597
Note receivable	234,800	-	234,800
Lease receivable	11,120,258	5,434,415	16,554,673
Internal balance	(821,525)	821,525	-
Deposits	-	8,763	8,763
Inventory	721,646	-	721,646
Prepaid items	2,775,957	96,966	2,872,923
Restricted cash and investments	53,983,749	19,955,149	73,938,898
Net OPEB asset	2,132,672	-	2,132,672
Net pension asset	3,351,374	136,667	3,488,041
Capital assets, non-depreciable	160,099,575	85,911,077	246,010,652
Capital assets, depreciable, net	280,991,758	370,211,804	651,203,562
<b>Total assets</b>	<b>773,407,788</b>	<b>571,710,712</b>	<b>1,345,118,500</b>
<b>Deferred Outflows of Resources</b>			
Deferred outflow related to advance refunding	-	76,377	76,377
Deferred outflows related to pensions/OPEB	16,224,212	3,046,176	19,270,388
<b>Total deferred outflows of resources</b>	<b>16,224,212</b>	<b>3,122,553</b>	<b>19,346,765</b>
<b>Liabilities</b>			
Accounts payable	15,738,904	5,427,840	21,166,744
Accrued payroll	1,700,484	381,722	2,082,206
Construction retainage payable	2,131,546	256,842	2,388,388
Interest payable	1,929,010	509,692	2,438,702
Advanced revenue	1,202,950	342,923	1,545,873
Deposits payable	1,060,545	1,725,092	2,785,637
Noncurrent liabilities:			
Due within one year:			
Compensated absences	5,591,907	1,139,255	6,731,162
Claims and judgements	220,490	-	220,490
Net OPEB liability	372,552	83,448	456,000
Bonds, notes, subscriptions and leases payable, net	15,258,991	4,213,268	19,472,259
Due in more than one year:			
Compensated absences	4,554,608	885,630	5,440,238
Claims and judgements	1,500,000	-	1,500,000
Landfill closure and post-closure care costs	-	22,099,305	22,099,305
Net OPEB liability	5,665,859	1,376,556	7,042,415
Net pension liability	35,519,409	12,038,461	47,557,870
Bonds, notes, subscriptions and leases payable, net	169,084,489	36,468,240	205,552,729
<b>Total liabilities</b>	<b>261,531,744</b>	<b>86,948,274</b>	<b>348,480,018</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows related to leases	10,845,941	5,255,000	16,100,941
Deferred inflows related to pensions/OPEB	10,063,642	1,976,950	12,040,592
<b>Total deferred inflows of resources</b>	<b>20,909,583</b>	<b>7,231,950</b>	<b>28,141,533</b>
<b>Net Position</b>			
Net investment in capital assets	377,051,754	412,072,768	789,124,522
Restricted for:			
Capital projects	103,367,028	-	103,367,028
Debt service	22,740,059	-	22,740,059
Pension and OPEB benefit	5,484,046	136,667	5,620,713
Specific programming	51,868,755	1,513,342	53,382,097
Perpetual care:			
Expendable	90,525	-	90,525
Nonexpendable	379,203	-	379,203
Unrestricted:	(53,790,697)	66,930,264	13,139,567
<b>Total Net Position</b>	<b>\$ 507,190,673</b>	<b>\$ 480,653,041</b>	<b>\$ 987,843,714</b>

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

City of Flagstaff, Arizona  
Statement of Activities  
Year Ended June 30, 2025

	Expenses	Indirect Expense Allocation	Program Revenues		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>					
Governmental activities:					
General government	\$ 35,222,033	\$ 1,515,599	\$ 2,846,129	\$ 1,706,993	\$ -
Public safety	45,523,939	(95,552)	2,196,062	4,175,306	1,353,581
Public works	5,106,473	359,741	-	40,350	3,185,962
Economic and physical development	14,901,079	700,249	8,174,015	1,309,125	342,353
Culture and recreation	18,440,767	(646,632)	1,578,338	5,310,086	182,323
Highways and streets	23,649,046	(1,833,405)	1,470,254	-	11,610,828
Interest on long-term debt	5,441,910	-	-	-	-
Total governmental activities	<u>148,285,247</u>	<u>-</u>	<u>16,264,798</u>	<u>12,541,860</u>	<u>16,675,047</u>
Business-type activities:					
Water	20,846,286		19,641,045	980,376	9,384,030
Wastewater and reclaimed	13,168,211		13,963,742	3,999	3,373,772
Stormwater	5,053,174		6,700,017	-	2,878,075
Environmental	18,161,197		16,601,225	812,637	1,138,705
Airport	6,016,593		2,759,828	2,437,572	464,563
Housing authority	11,702,679		2,446,088	8,973,225	763,766
Total business-type activities	<u>74,948,140</u>		<u>62,111,945</u>	<u>13,207,809</u>	<u>18,002,911</u>
<b>Total Primary Government</b>	<u>\$ 223,233,387</u>		<u>\$ 78,376,743</u>	<u>\$ 25,749,669</u>	<u>\$ 34,677,958</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 of year (previously presented)

Restatement

Net position - beginning of year (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**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (30,668,911)	\$ -	\$ (30,668,911)
(37,798,990)	-	(37,798,990)
(1,880,161)	-	(1,880,161)
(5,075,586)	-	(5,075,586)
(11,370,020)	-	(11,370,020)
(10,567,964)	-	(10,567,964)
(5,441,910)	-	(5,441,910)
<u>(102,803,542)</u>	<u>-</u>	<u>(102,803,542)</u>
-	9,159,165	9,159,165
-	4,173,302	4,173,302
-	4,524,918	4,524,918
-	391,370	391,370
-	(354,630)	(354,630)
-	480,400	480,400
<u>-</u>	<u>18,374,525</u>	<u>18,374,525</u>
<u>(102,803,542)</u>	<u>18,374,525</u>	<u>(84,429,017)</u>
7,192,248	-	7,192,248
9,021,441	-	9,021,441
83,992,978	-	83,992,978
33,446,193	-	33,446,193
15,429,178	3,810,351	19,239,529
1,421,081	191,592	1,612,673
12,340	-	12,340
131,714	8,250	139,964
<u>(2,861,477)</u>	<u>2,861,477</u>	<u>-</u>
<u>147,785,696</u>	<u>6,871,670</u>	<u>154,657,366</u>
44,982,154	25,246,195	70,228,349
<u>465,955,587</u>	<u>456,217,478</u>	<u>922,173,065</u>
(3,747,068)	(810,632)	(4,557,700)
<u>462,208,519</u>	<u>455,406,846</u>	<u>917,615,365</u>
<u>\$ 507,190,673</u>	<u>\$ 480,653,041</u>	<u>\$ 987,843,714</u>

**City of Flagstaff, Arizona**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2025**

	General Fund	Highway User Revenue Fund	Transportation Tax Fund
<b>Assets</b>			
Cash and investments	\$ 91,942,120	\$ 19,579,431	\$ 72,238,369
Accounts receivable, net	7,138,435	1,070,392	4,008,680
Interest receivable	330,920	42,757	298,927
Intergovernmental receivable	1,347,989	48,298	1,366,392
Notes receivable	-	-	-
Lease receivable	10,761,873	-	-
Interfund receivable	89,368	-	-
Inventory	528,267	-	-
Prepaid items	2,385,223	354,065	-
Restricted cash and investments	-	-	1,261,956
<b>Total assets</b>	<b>\$ 114,524,195</b>	<b>\$ 21,094,943</b>	<b>\$ 79,174,324</b>
<b>Liabilities, Deferred Inflows and Fund Balance</b>			
Liabilities:			
Accounts payable	\$ 3,874,890	\$ 2,618,075	\$ 4,686,834
Accrued payroll	1,486,995	51,536	-
Interest payable	-	-	-
Construction retainable payable	-	622,264	855,798
Advanced revenue	826,609	-	-
Guaranty and other deposits	1,060,545	-	-
<b>Total liabilities</b>	<b>7,249,039</b>	<b>3,291,875</b>	<b>5,542,632</b>
Deferred inflows of resources:			
Unavailable revenue - court fines	153,787	-	-
Unavailable revenue - property taxes	250,830	-	-
Unavailable revenue - notes receivable	-	-	-
Unavailable revenue - other revenue	-	-	-
Deferred inflows - leases	10,499,333	-	-
<b>Total deferred inflows of resources</b>	<b>10,903,950</b>	<b>-</b>	<b>-</b>
Fund balance:			
Nonspendable	2,913,490	354,065	-
Restricted	4,837,062	17,449,003	73,631,692
Assigned	5,968,270	-	-
Unassigned (deficit)	82,652,384	-	-
<b>Total fund balance</b>	<b>96,371,206</b>	<b>17,803,068</b>	<b>73,631,692</b>
<b>Total liabilities, deferred inflows and fund balance</b>	<b>\$ 114,524,195</b>	<b>\$ 21,094,943</b>	<b>\$ 79,174,324</b>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 41,371,173	\$ 225,131,093
2,173,990	14,391,497
158,911	831,515
2,943,432	5,706,111
234,800	234,800
358,385	11,120,258
-	89,368
193,379	721,646
36,669	2,775,957
52,721,793	53,983,749
<u>\$ 100,192,532</u>	<u>\$ 314,985,994</u>

\$ 4,314,328	\$ 15,494,127
161,953	1,700,484
148	148
653,484	2,131,546
373,013	1,199,622
-	1,060,545
<u>5,502,926</u>	<u>21,586,472</u>

-	153,787
-	250,830
234,800	234,800
69,743	69,743
346,608	10,845,941
<u>651,151</u>	<u>11,555,101</u>

609,251	3,876,806
84,964,665	180,882,422
8,464,539	14,432,809
-	82,652,384
<u>94,038,455</u>	<u>281,844,421</u>
<u>\$ 100,192,532</u>	<u>\$ 314,985,994</u>



**City of Flagstaff**  
**Reconciliation of the Balance Sheet**  
**to the Statement of Net Position**  
**Governmental Activities**  
**June 30, 2025**

Fund balances - total governmental funds balance sheet \$ 281,844,421

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	\$ 2,132,672	
Net pension asset	3,351,374	
Governmental capital assets	781,047,396	
Less: accumulated depreciation	<u>(339,956,063)</u>	446,575,379

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	16,224,212	
Deferred inflows related to pensions/OPEB	<u>(10,063,642)</u>	6,160,570

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	(33,765,848)	
EORP pension benefits	<u>(1,753,561)</u>	(35,519,409)

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	(177,081,908)	
Governmental interest payable	(1,928,862)	
Claims payable	(1,000,000)	
Bond discount	57,965	
Bond premium	(7,319,537)	
Other postemployment benefits	(6,038,411)	
Compensated absences	<u>(10,146,515)</u>	(203,457,268)

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

Promissory note and miscellaneous revenue	304,543	
Fines and forfeitures	153,787	
Property tax	<u>250,830</u>	709,160

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>10,877,820</u>
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Net position of governmental activities - statement of net position \$ 507,190,673

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, 2025**

	General Fund	Highway User Revenue Fund	Transportation Tax Fund
<b>Revenues:</b>			
Taxes	\$ 41,056,306	\$ -	\$ 37,648,371
Intergovernmental	35,433,874	-	-
Grants and entitlements	2,478,095	10,449,243	-
Charges for services	4,475,467	-	-
Licenses and permits	6,157,671	239,999	-
Fines and forfeitures	713,057	-	-
Rents	1,579,484	-	-
Investment earnings	7,153,993	513,737	3,335,520
Contributions	1,237,551	18,856	546,458
Miscellaneous	313,562	22,662	48,649
Total revenues	<u>100,599,060</u>	<u>11,244,497</u>	<u>41,578,998</u>
<b>Expenditures:</b>			
Current:			
General government	18,378,322	-	13,415,636
Public safety	39,598,668	-	-
Public works	2,456,932	-	-
Economic and physical development	7,107,006	-	-
Culture and recreation	8,912,131	-	-
Highways and streets	-	8,369,787	2,504,491
Debt service:			
Principal retirement	598,501	13,994	985,000
Interest and other charges	145,447	306	496,238
Capital outlay	8,607,690	9,195,049	24,216,610
Total expenditures	<u>85,804,697</u>	<u>17,579,136</u>	<u>41,617,975</u>
Excess (deficiency) of revenues over expenditures	<u>14,794,363</u>	<u>(6,334,639)</u>	<u>(38,977)</u>
<b>Other Financing Sources (Uses):</b>			
Loan issuance	-	-	-
Sale of capital assets	37,800	34,250	-
Lease financing	-	-	-
Subscription financing	666,188	-	-
Transfers in	4,197,410	7,335,760	-
Transfers out	(12,966,251)	(13,000)	(13,069,973)
Total other financing sources (uses)	<u>(8,064,853)</u>	<u>7,357,010</u>	<u>(13,069,973)</u>
Net change in fund balances	<u>6,729,510</u>	<u>1,022,371</u>	<u>(13,108,950)</u>
Fund balances, beginning of year	<u>89,641,696</u>	<u>16,780,697</u>	<u>86,740,642</u>
Fund balances, end of year	<u>\$ 96,371,206</u>	<u>\$ 17,803,068</u>	<u>\$ 73,631,692</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 21,510,294	\$ 100,214,971
5,006,337	40,440,211
6,627,807	19,555,145
2,607,085	7,082,552
1,820	6,399,490
-	713,057
498,814	2,078,298
3,978,927	14,982,177
347,097	2,149,962
331,361	716,234
<u>40,909,542</u>	<u>194,332,097</u>
1,438,185	33,232,143
1,462,016	41,060,684
60,547	2,517,479
7,380,831	14,487,837
7,849,370	16,761,501
1,081,557	11,955,835
20,038,476	21,635,971
4,745,311	5,387,302
20,258,145	62,277,494
<u>64,314,438</u>	<u>209,316,246</u>
<u>(23,404,896)</u>	<u>(14,984,149)</u>
450,147	450,147
-	72,050
518,267	518,267
135,329	801,517
31,505,948	43,039,118
<u>(15,537,584)</u>	<u>(41,586,808)</u>
<u>17,072,107</u>	<u>3,294,291</u>
<u>(6,332,789)</u>	<u>(11,689,858)</u>
<u>100,371,244</u>	<u>293,534,279</u>
<u>\$ 94,038,455</u>	<u>\$ 281,844,421</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, 2025**

Net change in fund balances - total governmental funds \$ (11,689,858)

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	\$ 62,277,494	
Less current year depreciation	<u>(16,963,048)</u>	45,314,446

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	1,235,284	
Net pension expense related to PSPRS	(2,156,619)	
Net pension expense related to EORP	(616,272)	
Claims and judgements	(1,000,000)	
Lease financing	(518,267)	
Non-capital related debt issued	(450,147)	
Subscription financing	(801,517)	
Compensated absences	(1,245,541)	
Other postemployment benefits	390,984	
Principal payments on debt	21,635,971	
Interest accrual on debt	(565,450)	
Bond premium/ discount amortization	<u>510,842</u>	16,419,268

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	(1,984,941)	
Donated capital assets	530,122	
Transfer of capital assets to business-type activities	(4,618,629)	
Transfer of capital assets from business-type activities	<u>304,842</u>	(5,768,606)

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)	(8,599)	
Notes receivable and miscellaneous	(3,067)	
Property tax	<u>(8,304)</u>	(19,970)

(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, 2025**

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	(424,974)	
Investment income	447,001	
Miscellaneous income	704,847	726,874
Change in net position of governmental activities - statement of activities		\$ 44,982,154

(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, 2025**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 40,586,400	\$ 40,586,400	\$ 41,295,730	\$ 709,330
Intergovernmental	34,254,018	34,254,018	35,433,874	1,179,856
Grants and entitlements	4,364,373	4,364,373	2,478,095	(1,886,278)
Charges for services	3,288,012	3,288,012	4,475,467	1,187,455
Licenses and permits	3,130,395	3,130,395	6,157,671	3,027,276
Fines and forfeitures	821,973	821,973	713,056	(108,917)
Rents	1,655,709	1,655,709	1,546,945	(108,764)
Investment earnings	1,013,489	1,013,489	3,086,605	2,073,116
Contributions	535,828	535,828	1,237,551	701,723
Miscellaneous	250,497	250,497	313,562	63,065
Total revenues	89,900,694	89,900,694	96,738,556	6,837,862
<b>Expenditures:</b>				
<b>Current:</b>				
General administration	19,633,599	19,698,599	16,870,072	2,828,527
Management services	6,886,150	6,886,150	5,342,474	1,543,676
Fire	22,176,319	22,176,319	18,070,425	4,105,894
Police	27,855,509	27,855,509	24,772,149	3,083,360
Community development	5,525,601	5,525,601	5,196,559	329,042
Public works	9,436,602	9,436,602	6,776,711	2,659,891
Economic vitality	253,451	253,451	138,133	115,318
Non-departmental	5,544,170	5,479,170	(3,536,395)	9,015,565
City engineering	2,354,908	2,354,908	2,185,748	169,160
Parks, recreation, open space and events	11,387,951	11,387,951	9,322,633	2,065,318
Contingency	2,514,000	2,514,000	-	2,514,000
Total expenditures	113,568,260	113,568,260	85,138,509	28,429,751
Excess (deficiency) of revenues over (under) expenditures	(23,667,566)	(23,667,566)	11,600,047	35,267,613
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	40,064	40,064	37,800	(2,264)
Transfers in	4,553,670	4,553,670	4,197,410	(356,260)
Transfers out	(17,483,252)	(17,483,252)	(12,966,251)	4,517,001
Total other financing sources (uses)	(12,889,518)	(12,889,518)	(8,731,041)	4,158,477
Net change in fund balances	(36,557,084)	(36,557,084)	2,869,006	39,426,090
Fund balances, beginning of year	79,090,423	79,090,423	88,118,943	9,028,520
Fund balances, end of year	\$ 42,533,339	\$ 42,533,339	\$ 90,987,949	\$ 48,454,610
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 2,869,006	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis			4,526,692	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			(666,188)	
Adjusted net change in fund balance - GAAP basis			\$ 6,729,510	

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, 2025**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Grants and entitlements	\$ 10,040,136	\$ 10,040,136	\$ 10,449,243	\$ 409,107
Investment earnings	197,000	197,000	513,737	316,737
Contributions	-	-	18,856	18,856
Licenses and permits	-	-	239,999	239,999
Miscellaneous	-	-	22,662	22,662
Total revenues	10,237,136	10,237,136	11,244,497	1,007,361
<b>Expenditures:</b>				
Current:				
Public works	11,927,325	11,927,325	9,006,622	2,920,703
Non-departmental	1,236,754	1,236,754	1,236,754	-
City engineering	9,879,044	9,879,044	7,335,760	2,543,284
Contingency	100,000	100,000	-	100,000
Total expenditures	23,143,123	23,143,123	17,579,136	5,563,987
Excess (deficiency) of revenues over (under) expenditures	(12,905,987)	(12,905,987)	(6,334,639)	6,571,348
<b>Other Financing Sources (Uses):</b>				
Sale of capital assets	-	-	34,250	34,250
Transfers in	9,879,044	9,879,044	7,335,760	(2,543,284)
Transfers out	(13,000)	(13,000)	(13,000)	-
Total other financing sources (uses)	9,866,044	9,866,044	7,357,010	(2,509,034)
Net change in fund balances	(3,039,943)	(3,039,943)	1,022,371	4,062,314
Fund balances, beginning of year	9,843,539	9,843,539	16,780,697	6,937,158
Fund balances, end of year	\$ 6,803,596	\$ 6,803,596	\$ 17,803,068	\$ 10,999,472

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, 2025**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 37,274,400	\$ 37,274,400	\$ 37,843,815	\$ 569,415
Grants and entitlements	1,100,000	1,100,000	-	(1,100,000)
Investment earnings	1,662,000	1,662,000	3,335,520	1,673,520
Rents	-	-	-	-
Contributions	724,441	724,441	546,458	(177,983)
Miscellaneous	-	-	48,649	48,649
Total revenues	<u>40,760,841</u>	<u>40,760,841</u>	<u>41,774,442</u>	<u>1,013,601</u>
<b>Expenditures:</b>				
Current:				
Public works	10,928,658	10,928,658	7,548,629	3,380,029
Non-departmental	17,043,144	17,043,144	15,315,992	1,727,152
City engineering	81,619,032	81,619,032	18,753,354	62,865,678
Total expenditures	<u>109,590,834</u>	<u>109,590,834</u>	<u>41,617,975</u>	<u>67,972,859</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(68,829,993)</u>	<u>(68,829,993)</u>	<u>156,467</u>	<u>68,986,460</u>
<b>Other Financing Sources (Uses):</b>				
Capital bonds issued	18,800,000	18,800,000	-	(18,800,000)
Transfers out	(18,297,723)	(18,297,723)	(13,069,973)	5,227,750
Total other financing sources (uses)	<u>502,277</u>	<u>502,277</u>	<u>(13,069,973)</u>	<u>(13,572,250)</u>
Net change in fund balances	<u>(68,327,716)</u>	<u>(68,327,716)</u>	<u>(12,913,506)</u>	<u>55,414,210</u>
Fund balances, beginning of year	<u>83,328,152</u>	<u>83,328,152</u>	<u>83,108,684</u>	<u>(219,468)</u>
Fund balances, end of year	<u>\$ 15,000,436</u>	<u>\$ 15,000,436</u>	<u>\$ 70,195,178</u>	<u>\$ 55,194,742</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ (12,913,506)	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis			<u>(195,444)</u>	
Adjusted net change in fund balance - GAAP basis			<u>\$ (13,108,950)</u>	

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



**City of Flagstaff, Arizona**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2025**

	Business-type Activities - Enterprise Funds			
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund	Airport Fund
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 65,475,084	\$ 3,737,671	\$ 4,609,728	\$ 1,061,823
Receivable, net	5,033,620	815,083	1,917,544	172,914
Intergovernmental receivable	2,980,676	90,237	246,317	502,202
Lease receivable	-	-	-	5,434,415
Prepaid items	-	-	-	-
Restricted cash and investments	3,223,134	269,750	160,822	1,336,043
Total current assets	<u>76,712,514</u>	<u>4,912,741</u>	<u>6,934,411</u>	<u>8,507,397</u>
Noncurrent assets:				
Restricted cash and investments	-	-	14,720,651	-
Refundable deposits	8,763	-	-	-
Net pension asset	-	-	-	136,667
Capital assets, non-depreciable	26,132,980	47,346,379	9,365,187	1,110,274
Capital assets, depreciable, net	266,179,294	47,412,650	17,281,923	36,989,689
Total non-current assets	<u>292,321,037</u>	<u>94,759,029</u>	<u>41,367,761</u>	<u>38,236,630</u>
Total assets	<u>369,033,551</u>	<u>99,671,770</u>	<u>48,302,172</u>	<u>46,744,027</u>
Deferred outflows of resources:				
Deferred outflow related to advance refunding	76,377	-	-	-
Deferred outflows related to pension/OPEB	1,210,972	146,346	879,962	506,821
Total deferred outflows of resources	<u>1,287,349</u>	<u>146,346</u>	<u>879,962</u>	<u>506,821</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	4,110,632	239,162	383,542	418,573
Construction retainage payable	203,062	53,780	-	-
Interfund payable	-	-	-	-
Accrued payroll	153,312	33,546	115,975	35,064
Accrued compensated absences	479,254	60,765	380,052	132,604
Interest payable	191,746	262,124	55,822	-
Advanced revenue	194,258	-	99,871	-
Claims and judgements	-	-	-	-
Deposits payable	1,559,354	-	91,252	2,459
Financed purchases	140,655	-	-	-
Net OPEB liability	39,216	3,648	29,184	5,928
Bonds, notes and leases payable, net	3,169,013	796,529	107,071	-
Total current liabilities	<u>10,240,502</u>	<u>1,449,554</u>	<u>1,262,769</u>	<u>594,628</u>
Noncurrent liabilities:				
Compensated absences	334,131	31,401	317,252	145,605
Net OPEB liability	605,649	56,339	450,715	91,551
Net pension liability	5,967,862	521,434	3,676,026	406,491
Claims and judgements	-	-	-	-
Landfill closure and post closure care costs	-	-	22,099,305	-
Financed purchases	346,449	-	-	-
Bonds, notes and leases payable, net	13,228,918	19,741,713	3,151,160	-
Total noncurrent liabilities	<u>20,483,009</u>	<u>20,350,887</u>	<u>29,694,458</u>	<u>643,647</u>
Total liabilities	<u>30,723,511</u>	<u>21,800,441</u>	<u>30,957,227</u>	<u>1,238,275</u>
Deferred inflows related to pension/OPEB	877,628	81,850	605,328	238,852
Deferred inflows related to leases	-	-	-	5,255,000
Total deferred inflows	<u>877,628</u>	<u>81,850</u>	<u>605,328</u>	<u>5,493,852</u>
<b>Net Position</b>				
Net investment in capital assets	272,283,411	74,065,449	23,376,543	38,042,860
Restricted for:				
Pension benefit	-	-	-	136,667
Specific programming	-	-	-	1,340,620
Unrestricted (deficit)	66,436,350	3,870,376	(5,756,964)	998,574
Total net position	<u>\$ 338,719,761</u>	<u>\$ 77,935,825</u>	<u>\$ 17,619,579</u>	<u>\$ 40,518,721</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	
\$ 2,313,382	\$ 77,197,688	\$ 12,658,589	
70,011	8,009,172	98,719	
108,054	3,927,486	-	
-	5,434,415	-	
96,966	96,966	-	
-	4,989,749	-	
<u>2,588,413</u>	<u>99,655,476</u>	<u>12,757,308</u>	
244,749	14,965,400	-	
-	8,763	-	
-	136,667	-	
1,956,257	85,911,077	-	
<u>2,348,248</u>	<u>370,211,804</u>	<u>-</u>	
<u>4,549,254</u>	<u>471,233,711</u>	<u>-</u>	
<u>7,137,667</u>	<u>570,889,187</u>	<u>12,757,308</u>	
-	76,377	-	
<u>302,075</u>	<u>3,046,176</u>	<u>-</u>	
<u>302,075</u>	<u>3,122,553</u>	<u>-</u>	
275,931	5,427,840	244,777	
-	256,842	-	
89,368	89,368	-	
43,825	381,722	-	
86,580	1,139,255	-	
-	509,692	-	
48,794	342,923	3,328	
-	-	220,490	
72,027	1,725,092	-	
-	140,655	-	
5,472	83,448	-	
-	4,072,613	-	
<u>621,997</u>	<u>14,169,450</u>	<u>468,595</u>	
57,241	885,630	-	
172,302	1,376,556	-	
1,466,648	12,038,461	-	
-	-	500,000	
-	22,099,305	-	
-	346,449	-	
-	36,121,791	-	
<u>1,696,191</u>	<u>72,868,192</u>	<u>500,000</u>	
<u>2,318,188</u>	<u>87,037,642</u>	<u>968,595</u>	
173,292	1,976,950	-	
-	5,255,000	-	
<u>173,292</u>	<u>7,231,950</u>	<u>-</u>	
4,304,505	412,072,768	-	
172,722	136,667	-	
471,035	1,513,342	-	
<u>4,948,262</u>	<u>66,019,371</u>	<u>11,788,713</u>	
<u>\$ 4,948,262</u>	<u>\$ 479,742,148</u>	<u>\$ 11,788,713</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

910,893  
\$ 480,653,041

City of Flagstaff, Arizona  
**Statement of Revenues, Expenses and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2025**

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
	Fund	Fund	Fund
<b>Operating Revenues:</b>			
Charges for services	\$ 33,604,787	\$ 6,700,017	\$ 16,601,225
Miscellaneous	114,096	1,800	41,061
Total operating revenues	33,718,883	6,701,817	16,642,286
<b>Operating Expenses:</b>			
Personnel services	7,490,926	1,068,058	6,432,212
Contractual services, materials and supplies	16,293,105	2,437,734	10,563,160
Pension and OPEB expense	(177,298)	(49,772)	(205,792)
Insurance claims and expenses	-	-	-
Depreciation and amortization	9,115,095	874,163	1,200,955
Total operating expenses	32,721,828	4,330,183	17,990,535
Operating income (loss)	997,055	2,371,634	(1,348,249)
<b>Non-Operating Revenues (Expenses):</b>			
Interest and investment income	2,431,565	316,839	865,742
Grants and entitlements	984,375	-	812,637
Gain (loss) on disposal of capital asset	(772,612)	(308,304)	(214,580)
Interest expense	(429,205)	(485,238)	(110,402)
Total non-operating revenues (expenses)	2,214,123	(476,703)	1,353,397
Income (loss) before capital contributions and transfers	3,211,178	1,894,931	5,148
Capital contributions related to grants	6,846,917	91,468	-
Capital contributions from external sources	5,910,885	2,786,607	1,138,705
Capital contributions from internal sources	3,087,567	1,531,062	-
Transfers in	510,147	705	683,640
Transfers out	(1,000,953)	(1,572,620)	(150,121)
Change in net position	18,565,741	4,732,153	1,677,372
Total net position, beginning (as previously presented)	320,425,475	73,248,364	16,291,971
Restatement	(271,455)	(44,692)	(349,764)
Total net position, beginning of year (as restated)	320,154,020	73,203,672	15,942,207
Total net position, end of year	\$ 338,719,761	\$ 77,935,825	\$ 17,619,579

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
\$ 2,759,828	\$ 2,446,088	\$ 62,111,945	\$ 11,340,282
34,635	-	191,592	704,847
<u>2,794,463</u>	<u>2,446,088</u>	<u>62,303,537</u>	<u>12,045,129</u>
1,587,049	1,502,647	18,080,892	-
1,988,560	9,789,221	41,071,780	-
229,042	(56,713)	(260,533)	-
-	-	-	11,941,236
2,195,387	467,524	13,853,124	-
<u>6,000,038</u>	<u>11,702,679</u>	<u>72,745,263</u>	<u>11,941,236</u>
(3,205,575)	(9,256,591)	(10,441,726)	103,893
177,418	18,787	3,810,351	447,001
2,437,572	8,973,225	13,207,809	-
-	-	(1,295,496)	-
(3,148)	-	(1,027,993)	-
<u>2,611,842</u>	<u>8,992,012</u>	<u>14,694,671</u>	<u>447,001</u>
(593,733)	(264,579)	4,252,945	550,894
464,563	763,766	8,166,714	-
-	-	9,836,197	-
-	-	4,618,629	-
336,168	-	1,530,660	-
(259,276)	-	(2,982,970)	-
<u>(52,278)</u>	<u>499,187</u>	<u>25,422,175</u>	<u>550,894</u>
40,715,720	4,449,075	455,130,605	11,237,819
(144,721)	-	(810,632)	-
<u>40,570,999</u>	<u>4,449,075</u>	<u>454,319,973</u>	<u>11,237,819</u>
\$ 40,518,721	\$ 4,948,262	\$ 479,742,148	\$ 11,788,713

Change in net position of business-type activities

(175,980)  
\$ 25,246,195

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, 2025**

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 33,343,569	\$ 6,581,240	\$ 16,325,666
Interfund services provided	489,529	64,200	248,777
Payments to suppliers	(13,701,259)	(1,861,104)	(8,128,274)
Interfund services used	(86,445)	-	(22,956)
Interfund reimbursement used	(2,816,439)	(354,434)	(1,779,544)
Payments to employees	(7,298,303)	(1,072,437)	(6,475,987)
Net cash provided (used) by operating activities	<u>9,930,652</u>	<u>3,357,465</u>	<u>167,682</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfer from other funds	(1,000,248)	-	683,640
Transfer to other funds	344,910	(1,407,383)	(150,121)
Interfund loans received (paid)	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(655,338)</u>	<u>(1,407,383)</u>	<u>533,519</u>
<b>Cash flows from capital and related financing activities:</b>			
Receipts from grantors	8,590,311	514,865	1,138,705
Capital contributions	5,108,772	91,468	640,043
Acquisition and construction of capital assets	(13,388,558)	(10,610,923)	(7,991,319)
Principal payments on capital debt	(3,290,206)	(775,553)	(105,000)
Interest paid on capital debt	(414,959)	(519,653)	(114,719)
Proceeds from sales of capital assets	8,250	-	-
Net cash provided (used) by capital and related financing activities	<u>(3,386,390)</u>	<u>(11,299,796)</u>	<u>(6,432,290)</u>
<b>Cash flows from investing activities:</b>			
Interest received on investments	2,431,565	353,575	899,386
Net cash provided (used) by investing activities	<u>2,431,565</u>	<u>353,575</u>	<u>899,386</u>
Net increase (decrease) in cash and cash equivalents	<u>8,320,489</u>	<u>(8,996,139)</u>	<u>(4,831,703)</u>
Cash and cash equivalents at beginning of year	<u>60,377,729</u>	<u>13,003,560</u>	<u>24,322,904</u>
Cash and cash equivalents at end of year	<u>\$ 68,698,218</u>	<u>\$ 4,007,421</u>	<u>\$ 19,491,201</u>
Classified as:			
Cash, cash equivalents, and investments	\$ 65,475,084	\$ 3,737,671	\$ 4,609,728
Restricted cash and cash equivalents	3,223,134	269,750	14,881,473
Totals	<u>\$ 68,698,218</u>	<u>\$ 4,007,421</u>	<u>\$ 19,491,201</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
\$ 2,750,552	\$ 2,458,565	\$ 61,459,592	\$ 12,556,293
-	-	802,506	-
(1,095,630)	(9,139,222)	(33,925,489)	(11,843,617)
(90,591)	(385,660)	(585,652)	-
(439,920)	-	(5,390,337)	-
(1,700,792)	(1,599,422)	(18,146,941)	-
<u>(576,381)</u>	<u>(8,665,739)</u>	<u>4,213,679</u>	<u>\$ 712,676</u>
336,168	-	19,560	-
(259,276)	-	(1,471,870)	-
<u>(6,100,000)</u>	<u>(164,124)</u>	<u>(6,264,124)</u>	<u>-</u>
<u>(6,023,108)</u>	<u>(164,124)</u>	<u>(7,716,434)</u>	<u>-</u>
7,634,630	8,944,152	26,822,663	-
464,563	763,766	7,068,612	-
(549,230)	(763,766)	(33,303,796)	-
(112,720)	-	(4,283,479)	-
(3,148)	-	(1,052,479)	-
-	-	8,250	-
<u>7,434,095</u>	<u>8,944,152</u>	<u>(4,740,229)</u>	<u>-</u>
177,418	18,787	3,880,731	447,001
<u>177,418</u>	<u>18,787</u>	<u>3,880,731</u>	<u>447,001</u>
1,012,024	133,076	(4,362,253)	1,159,677
<u>1,385,842</u>	<u>2,425,055</u>	<u>101,515,090</u>	<u>11,498,912</u>
<u>\$ 2,397,866</u>	<u>\$ 2,558,131</u>	<u>\$ 97,152,837</u>	<u>\$ 12,658,589</u>
\$ 1,061,823	\$ 2,313,382	\$ 77,197,688	\$ 12,658,589
1,336,043	244,749	19,955,149	-
<u>\$ 2,397,866</u>	<u>\$ 2,558,131</u>	<u>\$ 97,152,837</u>	<u>\$ 12,658,589</u>

(continued)

**City of Flagstaff, Arizona**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2025**

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 997,055	\$ 2,371,634	\$ (1,348,249)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	9,115,095	874,163	1,200,955
Landfill closure and post closure costs	-	-	941,472
(Increase) decrease in assets:			
Receivables	109,166	(56,377)	85,323
Allowance for doubtful accounts	(25,700)	-	(7,700)
Prepaid items	-	-	-
Net pension asset	-	-	-
(Increase) decrease in deferred pension outflows	(835,560)	3,812	(258,362)
(Increase) decrease in deferred OPEB outflows	505,647	(46,440)	30,503
Increase (decrease) in liabilities:			
Accounts payable	(311,038)	222,196	(514,878)
Accrued payroll, compensated absences	192,623	(4,379)	162,017
Net OPEB liability	36,721	3,416	27,327
Net pension liability	136,208	(8,708)	18,244
Deposits payable	69,275	-	2,588
Advanced revenue	(38,526)	-	(148,054)
Increase (decrease) in deferred pension inflows	78,270	(9,170)	49,861
Increase (decrease) in deferred OPEB inflows	(98,584)	7,318	(73,365)
Increase (decrease) in deferred lease inflows	-	-	-
Total adjustments	8,933,597	985,831	1,515,931
Net cash provided (used) by operating activities	\$ 9,930,652	\$ 3,357,465	\$ 167,682
Noncash investing, capital and financing activities:			
Capital assets acquired through contributions from developers	\$ 802,113	\$ 2,786,607	\$ -
Amortization of deferred amount on refunding	38,188	-	-
Loss on disposal of capital assets	(767,864)	-	-
Capital assets transferred to other funds	(5,453)	(250,751)	(214,580)
Capital assets transferred from other funds	3,252,804	1,531,767	-
Total noncash investing, capital and financing activities	\$ 3,319,788	\$ 4,067,623	\$ (214,580)

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
\$ (3,205,575)	\$ (9,256,591)	\$ (10,441,726)	\$ 103,893
2,195,387	467,524	13,853,124	-
-	-	941,472	-
191,873	(37,401)	292,584	509,459
-	20,656	(12,744)	-
-	11,160	11,160	-
(66,697)	-	(66,697)	-
6,196	(77,179)	(1,161,093)	-
26,124	5,719	521,553	-
362,419	253,179	11,878	97,619
47,646	(96,775)	301,132	-
5,551	5,124	78,139	-
(30,849)	3,537	118,432	-
-	(375)	71,488	-
-	29,597	(156,983)	1,705
93,463	19,842	232,266	-
33,865	(13,756)	(144,522)	-
(235,784)	-	(235,784)	-
<u>2,629,194</u>	<u>590,852</u>	<u>14,655,405</u>	<u>608,783</u>
<u>\$ (576,381)</u>	<u>\$ (8,665,739)</u>	<u>\$ 4,213,679</u>	<u>\$ 712,676</u>
\$ -	\$ -	\$ 3,588,720	\$ -
-	-	38,188	-
-	-	(767,864)	-
-	-	(470,784)	-
-	-	4,784,571	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,172,831</u>	<u>\$ -</u>

(concluded)

# **City of Flagstaff, Arizona**

## **Notes to the Financial Statements**

### **June 30, 2025**

## **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 resource's 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 4<sup>th</sup> Street overpass project, safe to school/pedestrian and bike projects, traffic flow and safety improvements, transit service operations and enhancements and to repay the bonding related to the 4<sup>th</sup> Street overpass. In fiscal year 2015-2016, voters approved an additional transportation tax for road repair and street safety which is valid through 2035. In fiscal year 2016-2017, voters approved an extension of the transit tax to 2030. In fiscal year 2018-2019, voters approved an additional tax for the

Lone Tree Overpass and extended the roadway, pedestrian, bicycle, and safety improvements tax to 2040.

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

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. 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; 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**

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled upon separation from employment. Based on the criteria listed, three types of leave qualify for liability recognition for compensated absences - vacation, compensated time off, and sick leave. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

### Vacation and Compensated Time Off

The City's policy permits employees to accumulate earned but unused vacation and compensated time off benefits, which are eligible for payment at the employee's current pay rate upon separation from employment.

### Sick Leave

The City's policy permits employees to accumulate accrued but unused sick leave up to six months of sick leave. Sick leave lapses when employees leave employment of the City unless the employee retires from service with Arizona State Retirement System or Public Safety Personnel Retirement System or has 20 years or more of services with the City. Employee eligible for sick leave paid out received a paid out for 50% of their hours at the employee's current pay rate upon separation from employment. An estimated value of sick leave that will be used by employees as time off in addition to an estimate value of sick leave paid out at retirement is included in the liability for compensated absences

## **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, 2025, are as follows:

	General Fund	Highway User Revenue Fund	Transportation Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:					
Nonspendable:					
Perpetual care	\$ -	\$ -	\$ -	\$ 379,203	\$ 379,203
Inventory and prepaids	2,913,490	354,065	-	230,048	3,497,603
Restricted for:					
Notes receivable	-	-	-	234,800	234,800
Library branch services	-	-	-	967,227	967,227
Library programs externally directed	-	-	-	2,973,966	2,973,966
Court improvements and operations	313,743	-	-	-	313,743
Debt service	-	-	-	24,669,069	24,669,069
Street improvements	-	17,449,003	63,631,558	-	81,080,561
Transit	-	-	10,000,134	-	10,000,134
Public art	-	-	-	1,574,617	1,574,617
Parks operations	-	-	-	7,959,555	7,959,555
Economic development	-	-	-	1,175,043	1,175,043
Tourism	-	-	-	3,238,952	3,238,952
Perpetual care	-	-	-	90,525	90,525
Development fee projects	4,523,319	-	-	-	4,523,319
Other capital projects	-	-	-	42,080,911	42,080,911
Assigned to:					
Capital reserve	5,559,512	-	-	-	5,559,512
Real estate	408,758	-	-	-	408,758
Housing development	-	-	-	1,000,563	1,000,563
Parking district	-	-	-	3,141,545	3,141,545
Water resource and infrastructure protection	-	-	-	1,868,598	1,868,598
Library services	-	-	-	2,453,833	2,453,833
Unassigned:	82,652,384	-	-	-	82,652,384
Total fund balances	<u>\$ 96,371,206</u>	<u>\$ 17,803,068</u>	<u>\$ 73,631,692</u>	<u>\$ 94,038,455</u>	<u>\$ 281,844,421</u>

### Deficit Fund Balance / Net Position

No governmental funds have a deficit fund balance at the end of fiscal year. There is a deficit unrestricted net position of \$5,576,964 in the Environmental Services Fund due to a recent focus on capital purchases and projects.

## E. Implementation of New Accounting Principles

During the year ended June 30, 2025, the City implemented the provisions of GASB Statement No. 101, Compensated Absences and GASB Statement No. 102, Certain Risk Disclosures. The objective of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. GASB Statement No. 102 requires governments to disclose if a concentration or constraint could lead to a substantial impact if a related event occurs to improve transparency and help financial statement users understand emerging challenges that could affect future performance.

With the implementation of GASB Statement No. 101, Compensated Absences, there were changes to the City's beginning balances reported in the financial statements:

	Fund Statements				Government Wide	
	Water and Wastewater Fund	Stormwater Fund	Environmental Services Fund	Airport Fund	Governmental Activities	Business-type Activities
Net position/fund balance as previously reported at June 30, 2024	\$ 320,425,475	\$ 73,248,364	\$ 16,291,971	\$ 40,715,720	\$ 465,955,587	\$ 456,217,478
Change in accounting principle:						
Compensated absences	<u>(271,455)</u>	<u>(44,692)</u>	<u>(349,764)</u>	<u>(144,721)</u>	<u>(3,747,068)</u>	<u>(810,632)</u>
Total prior period adjustment	<u>(271,455)</u>	<u>(44,692)</u>	<u>(349,764)</u>	<u>(144,721)</u>	<u>(3,747,068)</u>	<u>(810,632)</u>
Net position/fund balance as restated, July 1, 2024	<u>\$ 320,154,020</u>	<u>\$ 73,203,672</u>	<u>\$ 15,942,207</u>	<u>\$ 40,570,999</u>	<u>\$ 462,208,519</u>	<u>\$ 455,406,846</u>

## 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, 2025, 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, 2025, the carrying amount of the City's deposits was \$220,580,532 and the bank balance was \$223,195,039. The \$2,614,507 difference represents deposits in transit, outstanding checks, and other reconciling items on June 30, 2025. There is an additional \$12,670,513 reported as restricted cash as it is held with paying or fiscal agent on June 30, 2025, for debt service payments due on July 1, 2025.

#### **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, 2025.

#### **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, 2025, the City's investments included the following:

Investment Type	Fair Value	Weighted Average Maturity (in years)
Federal agency notes	\$ 2,610,624	0.015
U.S. treasuries	95,111,199	1.619
State investment pool	38,154,812	0.370
Corporate notes	19,785,128	0.333
Total fair value of investments	\$ 155,661,763	

### 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, 2025, is as follows:

Investment Type	Fair Value	Moody's Rating	S&P Rating	Percent of Investments
Federal agency notes	\$ 2,610,624	AA1	AA+	1.68%
U.S. treasuries	95,111,199	AA1	AA+	61.10%
State investment pool	38,154,812	NA	AAA f / S1+	24.51%
Corporate notes	19,785,128	Aaa/ Aa2/ Aa3/ A1/ A2/ Baa1/ Baa2/WR	AA+/ AA/ AA-/ A+/ A / A-/ BBB	12.71%
Total	\$ 155,661,763			100.00%

### Concentration of Credit Risk

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

At June 30, 2025, the City's cash and investments included the following:

Carrying amount of investments	\$ 155,661,763
Carrying amount of cash deposits	220,580,532
Cash on deposit with paying agent	12,670,513
Cash on hand	13,460
Total pooled cash and investments	<u>\$ 388,926,268</u>
Pooled cash, equivalents and investments - unrestricted	\$ 314,987,370
Restricted cash and investments	73,938,898
Total pooled cash and investments	<u>\$ 388,926,268</u>

Cash and cash equivalents at June 30, 2025, consisted of the following:

Investments included in cash and cash equivalents	\$ 117,506,951
Carrying amount of unrestricted city deposits	197,466,959
Cash on hand	13,460
Total cash, investments, and cash equivalents per statement of net position	<u>\$ 314,987,370</u>

Investment income comprises the following for the year ended June 30, 2025:

Net interest and dividends	\$ 15,566,504
Net increase (decrease) in the fair value of investments	3,673,025
Total net investment income per statement of activities	<u>\$ 19,239,529</u>

### **Fair Value Measurement**

The net increase in the fair value of investments during fiscal year 2024-2025 was \$3,673,025. This amount considers all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments held at June 30, 2025, was \$3,969,343.

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 on June 30, 2025, 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	\$ 2,610,624	\$ -	\$ 2,610,624	\$ -
U.S. treasuries	95,111,199	-	95,111,199	-
Corporate notes	19,785,128	-	19,785,128	-
Total investments by fair value level	117,506,951	-	117,506,951	-
External investment pools measured at fair value				
State Treasurer's Investment Pool	38,154,812			
Total investments	<u>\$ 155,661,763</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 \$225 and the total recovery to date is \$246,994.

## B. Receivables

Receivables as of June 30, 2025, including allowances for uncollectible accounts, are as follows:

Fund	Accounts	Interest	Intergov- ernmental	Leases Receivable	Notes Receivable	Total Receivables
<b>Governmental Activities</b>						
General fund	\$ 7,516,151	\$ 330,920	\$ 1,347,989	\$ 10,761,873	\$ -	\$ 19,956,933
Highway user revenue fund	1,070,392	42,757	48,298	-	-	1,161,447
Transportation fund	4,008,680	298,927	1,366,392	-	-	5,673,999
Other governmental funds	2,173,990	158,911	2,943,432	358,385	234,800	5,869,518
Less: allowance for uncollectibles	(377,716)	-	-	-	-	(377,716)
Total government funds	14,391,497	831,515	5,706,111	11,120,258	234,800	32,284,181
Internal services funds	58,286	40,433	-	-	-	98,719
Total governmental activities	14,449,783	871,948	5,706,111	11,120,258	234,800	32,382,900
<b>Business-type Activities</b>						
Water and wastewater	4,825,002	233,618	2,980,676	-	-	8,039,296
Stormwater	802,366	17,717	90,237	-	-	910,320
Environmental services	1,916,844	17,300	246,317	-	-	2,180,461
Airport	74,377	98,537	502,202	5,434,415	-	6,109,531
Other proprietary funds	182,087	-	108,054	-	-	290,141
Less: allowance for uncollectibles	(158,676)	-	-	-	-	(158,676)
Total business-type activities	7,642,000	367,172	3,927,486	5,434,415	-	17,371,073
Total activities	\$ 22,091,783	\$ 1,239,120	\$ 9,633,597	\$ 16,554,673	\$ 234,800	\$ 49,753,973

## C. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, as of June 30, 2025, is as follows:

	Balance July 1, 2024	Increases	Decreases	Transfers	Balance June 30, 2025
<b>Governmental activities:</b>					
Non-depreciable assets:					
Land & other non-depreciable assets	\$ 76,813,048	\$ 4,279,935	\$ -	\$ 64,924	81,157,907
Construction-in-progress	48,987,325	41,221,099	(6,658,652)	(4,608,104)	78,941,668
Total non-depreciable assets	<u>125,800,373</u>	<u>45,501,034</u>	<u>(6,658,652)</u>	<u>(4,543,180)</u>	<u>160,099,575</u>
Depreciable assets:					
Buildings	125,730,355	1,193,739	(192,497)	325,991	127,057,588
Improvements	25,543,965	992,958	(31,083)	-	26,505,840
Machinery and equipment	50,090,513	5,783,628	(2,902,318)	130,571	53,102,394
Infrastructure	399,758,809	12,707,364	-	61,030	412,527,203
Right to use subscription asset	904,352	801,517	(469,340)	-	1,236,529
Right to lease asset: buildings	211,930	518,267	(211,930)	-	518,267
Total depreciable assets	<u>602,239,924</u>	<u>21,997,473</u>	<u>(3,807,168)</u>	<u>517,592</u>	<u>620,947,821</u>
Accumulated depreciation/amortization:					
Buildings	(41,358,796)	(2,779,892)	192,496	(152,403)	(44,098,595)
Improvements	(21,642,875)	(405,080)	26,550	-	(22,021,405)
Machinery and equipment	(31,521,385)	(2,768,096)	2,830,005	(135,796)	(31,595,272)
Infrastructure	(231,130,873)	(10,317,904)	-	-	(241,448,777)
Right to use subscription asset	(360,614)	(532,210)	230,400	-	(662,424)
Right to lease asset: buildings	(181,654)	(159,866)	211,930	-	(129,590)
Total accumulated depreciation	<u>(326,196,197)</u>	<u>(16,963,048)</u>	<u>3,491,381</u>	<u>(288,199)</u>	<u>(339,956,063)</u>
Governmental activities capital assets, net	<u>\$ 401,844,100</u>	<u>\$ 50,535,459</u>	<u>\$ (6,974,439)</u>	<u>\$ (4,313,787)</u>	441,091,333
				Less: outstanding debt	(177,081,908)
				Less: unamortized premium	(7,319,537)
				Plus: unamortized discount	57,965
				Less: construction retainage	(2,131,546)
				Less: capital accounts payable	(7,953,544)
				Plus: non-capital related debt, series 2013	630,818
				Plus: unspent capital related debt, series 2016	1,852,689
				Plus: unspent capital related debt, series 2024	12,251,507
				Plus: non-capital related debt, series 2016	1,217,150
				Plus: non-capital related debt, series 2020	105,030,000
				Plus: non-capital related debt, series 2020	3,451,827
				Plus: non-capital related debt, series 2024	5,955,000
				Net investment in capital assets	<u>\$ 377,051,754</u>

	Balances July 1, 2024	Increases	Decreases	Transfers	Balance June 30, 2025
<b>Business-type activities:</b>					
Non-depreciable assets:					
Land	\$ 21,953,878	\$ 4,250,804	\$ -	\$ (35,692)	\$ 26,168,990
Construction-in-progress	72,174,183	19,954,611	(32,130,503)	(256,204)	59,742,087
Total non-depreciable assets	94,128,061	24,205,415	(32,130,503)	(291,896)	85,911,077
Depreciable assets:					
Buildings	108,264,375	225,060	-	(325,991)	108,163,444
Improvements	495,016,097	33,376,208	(11,960)	4,774,046	533,154,391
Machinery and equipment	64,692,447	3,593,231	(150,907)	(130,571)	68,004,200
Right to use subscription asset	32,300	-	-	-	32,300
Right to lease asset: land	-	621,817	-	-	621,817
Total depreciable assets	668,005,219	37,816,316	(162,867)	4,317,484	709,976,152
Accumulated depreciation/amortization:					
Buildings	(70,953,174)	(1,721,238)	-	152,403	(72,522,009)
Improvements	(213,948,463)	(9,269,090)	11,960	-	(223,205,593)
Machinery and equipment	(41,420,380)	(2,834,735)	131,838	135,796	(43,987,481)
Right to use subscription asset	(21,204)	(10,766)	-	-	(31,970)
Right to lease asset: land	-	(17,295)	-	-	(17,295)
Total accumulated depreciation	(326,343,221)	(13,853,124)	143,798	288,199	(339,764,348)
Business-type activities capital assets, net	\$ 435,790,059	\$ 48,168,607	\$ (32,149,572)	\$ 4,313,787	456,122,881
				Less: associated debt	(40,733,277)
				Less: construction retainage	(256,842)
				Less: capital accounts payable	(3,188,140)
				Less: bond premium	(4,518)
				Plus: bond discount	56,287
				Plus: deferred outflow related to refunding	76,377
				Net investment in capital assets	\$ 412,072,768

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

**Governmental Activities:**

General government	\$ 1,391,852
Public safety	1,889,317
Public works	743,298
Economic and physical development	488,235
Culture and recreation	1,832,746
Highway and streets	10,617,600
Total depreciation expense - governmental activities	<u>\$ 16,963,048</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	\$ 9,115,095
Stormwater	874,163
Airport	2,195,387
Environmental services	1,200,955
Housing authority	467,524
Total depreciation expense - business-type activities	<u>\$ 13,853,124</u>

## D. Interfund Receivables, Payables, and Transfers

### Interfund Receivables and Payables

Net interfund receivables and payables between governmental activities and business-type activities of \$821,525 are included in the government-wide financial statements on June 30, 2025. The interfund balances on June 30, 2025, 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, 2025, are expected to be repaid within one year.

The following interfund receivables and payables are included in the fund financial statements on June 30, 2025:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Governmental Activities:</b>		
General fund	\$ 89,368	\$ -
Total governmental activities	<u>89,368</u>	<u>-</u>
<b>Business-type Activities:</b>		
Housing authority fund	-	89,368
Total business-type activities	-	89,368
Total governmental and business-type activities	<u>\$ 89,368</u>	<u>\$ 89,368</u>
Adjustment for internal service fund elimination	<u>(910,893)</u>	
Total government-wide statement of net position	<u>\$ (821,525)</u>	

### Transfers

The net transfers of \$2,861,477 from governmental activities to business-type 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, 2025:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
<b>Governmental Activities:</b>		
General fund	\$ 12,966,251	\$ 4,197,410
Highway user revenue fund	13,000	7,335,760
Transportation fund	13,069,973	-
Nonmajor governmental funds	15,537,584	31,505,948
Total governmental activities	<u>41,586,808</u>	<u>43,039,118</u>
<b>Business-type Activities:</b>		
Water and wastewater fund	1,000,953	510,147
Stormwater fund	1,572,620	705
Environmental services fund	150,121	683,640
Airport fund	259,276	336,168
Total business-type activities	<u>2,982,970</u>	<u>1,530,660</u>
Total governmental and business-type activities	<u>\$ 44,569,778</u>	<u>\$ 44,569,778</u>
Less: fund eliminations	(43,117,468)	
Less: net capital assets transfer	<u>(4,313,787)</u>	
Total government-wide statement of activities	<u>\$ (2,861,477)</u>	

The business-type activities transferred \$304,842 of capital assets to governmental activities and the governmental activities transferred \$4,618,629 to business-type activities for a consolidated net total of \$4,313,787 in capital asset transfers to the government wide financials. The BBB fund transferred \$3,150,449 to the general fund to support general fund operations. The transportation fund transferred \$7,335,760 to the highway user revenue fund to support street capital projects. The general fund transferred \$8,210,409, the water resource and infrastructure protection fund transferred \$172,851 and the airport fund transferred \$259,276 to the pension bond fund for debt service payments. The general fund transferred \$1,897,414 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 \$11,817,522 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 2099 and provide for renewal options ranging from one year to five years. During the year ended June 30, 2025, the City recognized \$829,448 and \$78,058 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 2099 and provide for renewal options ranging from one year to ten years. During the year ended June 30, 2025, the City recognized \$24,996 and \$26,632 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 2085 and provide for renewal options ranging from one year to five years. During the year ended June 30, 2025, the City recognized \$65,711 and \$2,460 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 2085 and provide for renewal options ranging from one year to fifty-nine years. During the year ended June 30, 2025, the City recognized \$170,073 and \$117,773 in lease revenue and interest revenue, respectively, pursuant to these contracts.

## **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, 2025:

Purpose	Amount
Governmental activities	\$ 50,410,000
Total general obligation debt outstanding	\$ 50,410,000

General obligation debt on June 30, 2025, consists 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.	\$ 3,615,000
\$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.	325,000
\$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.	11,065,000
\$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.	2,575,000
\$26,875,000 Capital projects, series 2024A due in annual installments of \$100,000 to \$2,525,000 through July 1, 2043; interest rate at 5.0%. Construction related to the Spruce Wash stormwater projects, wastewater projects and fire equipment purchases.	26,875,000
\$10,000,000 Housing projects, series 2024B due in annual installments of \$2,685,000 to \$7,315,000 through July 1, 2025; interest rate at 5.5% to 6.0%. Housing incentives and related projects.	2,685,000
\$3,305,000 Refunding bonds, series 2024C due in annual installments of \$35,000 to \$435,000 through July 1, 2034; interest rate at 5.0%. Construction related to parks and recreation facilities improvements and land purchase for open space/Flagstaff Urban Trail System.	3,270,000
Total governmental activities	50,410,000
Total General Obligation Debt	\$ 50,410,000

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2026	\$ 6,365,000	\$ 2,182,425
2027	4,700,000	1,922,450
2028	2,775,000	1,767,800
2029	2,950,000	1,658,200
2030	1,685,000	1,563,775
2031-2035	11,460,000	6,381,225
2036-2040	10,600,000	3,774,274
2041-2044	9,875,000	993,126
	<u>\$ 50,410,000</u>	<u>\$ 20,243,275</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, 2025, was \$319,150,273 and \$107,377,582 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.

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.

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.

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.

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 on June 30, 2025:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 13,575,000
Business-type activities	10,182,000
Business-type activities - advance refunding	8,575,000
Total revenue bonds outstanding	<u>\$ 32,332,000</u>

Revenue bonds on June 30, 2025, 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.	\$ 1,290,000
\$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.	4,920,000
\$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.	7,365,000
Total governmental activities	<u>13,575,000</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.	5,609,000
\$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.	6,755,000
\$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.	3,427,000
\$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.	2,966,000
Total business-type activities	<u>18,757,000</u>
Total Revenue Bonds	<u>\$ 32,332,000</u>

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Direct Placement	
			Principal	Interest
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	1,375,000	349,438	1,676,000	202,897
2030	1,430,000	294,529	1,101,000	168,447
2031-2035	6,965,000	654,370	5,283,000	454,869
2036-2038	-	-	898,000	36,363
Total	<u>\$ 13,575,000</u>	<u>\$ 2,669,106</u>	<u>\$ 18,757,000</u>	<u>\$ 1,857,449</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 on June 30, 2025:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 108,340,000
Business-type activities	3,310,000
Total certificates of participation outstanding	<u>\$ 111,650,000</u>

Certificates of participation on June 30, 2025, 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.	\$ 3,310,000
\$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.	105,030,000
Total governmental activities	<u>108,340,000</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.	3,310,000
Total business-type activities	<u>3,310,000</u>
Total Certificates of Participation	<u>\$ 111,650,000</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	6,470,000	2,458,840	115,000	100,169
2030	6,605,000	2,320,343	150,000	96,194
2031-2035	35,220,000	9,182,374	825,000	406,647
2036-2040	40,305,000	3,851,069	980,000	254,759
2041-2045	1,035,000	79,575	915,000	67,878
Total	<u>\$ 108,340,000</u>	<u>\$ 25,964,749</u>	<u>\$ 3,310,000</u>	<u>\$ 1,246,103</u>

The following is a summary of debt service requirements, including interest requirements, to maturity for long-term debt at June 30, 2025:

Fiscal Year	General Obligation Debt	Revenue Bonds	Certificates of Participation	Total
2024-2025	8,547,425	5,400,307	9,140,382	23,088,114
2025-2026	6,622,450	5,408,332	9,141,311	21,172,093
2026-2027	4,542,800	5,161,003	9,141,311	18,845,114
2027-2028	4,608,200	3,603,335	9,144,009	17,355,544
2028-2029	3,248,775	2,993,976	9,171,537	15,414,288
2029-2030	3,363,425	2,855,890	9,170,982	15,390,297
2030-2031	3,692,925	2,623,000	9,174,699	15,490,624
2031-2032	3,645,675	2,618,983	9,174,054	15,438,712
2032-2033	3,595,825	2,628,971	9,057,270	15,282,066
2033-2034	3,543,375	2,630,395	9,057,016	15,230,786
2034-2035	3,044,700	312,078	9,069,862	12,426,640
2035-2036	2,995,199	311,188	9,075,421	12,381,808
2036-2037	2,884,375	311,097	9,073,624	12,269,096
2037-2038	2,778,125	-	9,084,510	11,862,635
2038-2039	2,671,875	-	9,087,411	11,759,286
2039-2040	2,882,500	-	467,397	3,349,897
2040-2041	2,760,000	-	468,497	3,228,497
2041-2042	2,637,500	-	469,084	3,106,584
2042-2043	2,588,126	-	469,175	3,057,301
2043-2044	-	-	223,300	223,300
Less interest	(20,243,275)	(4,526,555)	(27,210,852)	(51,980,682)
	<u>\$ 50,410,000</u>	<u>\$ 32,332,000</u>	<u>\$ 111,650,000</u>	<u>\$ 194,392,000</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, 2025, \$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, 2025, 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, 2025, all related debt has been issued. On November 8, 2016, voters approved \$12.0 million for a Courthouse Facility. As of June 30, 2025, 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, 2025, \$27.3 million and \$10.0 million respectively 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, 2025:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 3,451,827
Business-type activities	17,605,865
	<u>\$ 21,057,692</u>

Loan from direct borrowing payables on June 30, 2025, consist of the following individual financing options:

Governmental activities:

\$5,000,000 Water infrastructure finance authority due in annual installments of \$221,536 to \$309,391, through July 1, 2039; interest at 0.373%. Forest health and water supply protection project.	\$ 3,451,827
Total governmental activities	<u>3,451,827</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.	160,168
\$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.	334,455
\$20,000,000 Water infrastructure finance authority due in annual installments of \$1,053,308.59 to \$1,121,353.92 through July 1, 2047; interest at 2.686%. Stormwater infrastructure improvements.	17,111,242
Total business-type activities:	<u>17,605,865</u>
Total Loans Payable - Direct Borrowings	<u>\$ 21,057,692</u>

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

<u>Year Ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 238,605	\$ 37,655	\$ 666,724	\$ 475,212
2027	243,074	33,103	684,409	457,057
2028	247,627	28,464	702,565	438,419
2029	252,265	23,740	721,202	419,288
2030	256,990	18,926	740,334	399,646
2031-2035	1,358,982	28,565	3,448,665	1,725,247
2036-2040	854,284	-	3,937,378	1,223,407
2041-2045	-	-	4,495,346	650,449
2046-2048	-	-	2,209,242	81,937
Total	<u>\$ 3,451,827</u>	<u>\$ 170,453</u>	<u>\$ 17,605,865</u>	<u>\$ 5,870,662</u>

### Obligations under Purchase Financing

Purchase financing agreements related to governmental activities consist of renewable energy solar equipment of \$255,211 (net of accumulated depreciation) and parking meter assets of \$167,652 (net of accumulated depreciation). Finance purchase agreements related to business-type activities consist of renewable energy solar equipment of \$487,104 (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
2026	195,088	152,812
2027	135,009	147,915
2028	74,851	142,865
2029	35,890	68,495
Total future minimum lease payments	440,838	512,087
Less: interest costs	(17,975)	(24,983)
Present value of future minimum lease payments	<u>\$ 422,863</u>	<u>\$ 487,104</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.

At June 30, 2025, the City, as lessee, had long-term, non-cancelable lease agreements within various governmental funds for buildings and open space. Lease terms ranging from 42 to 228 months. One lease expired in 2025. The City is required to make fixed monthly payments ranging from \$5,000 to \$10,894. As of June 30, 2025, the right-to-use asset had a value ranging from \$0 to \$518,267, with accumulated amortization between \$0 and \$129,590.

In the Water and Wastewater Fund, the City, as lessee, entered long-term, non-cancelable lease agreements for land. Under the terms of the agreement, the City was required to make annual fixed payments of \$43,967. As of June 30, 2025, the right-to-use asset associated with this lease had a value of \$621,817, with accumulated amortization between \$0 and \$17,295.

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

Lease Payable Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2026	\$ 129,222	\$ 1,509	\$ 25,818	\$ 19,389
2027	129,814	918	26,696	18,511
2028	130,408	323	27,604	17,603
2029	-	-	28,542	16,664
2030	-	-	29,513	15,694
2031 - 2035	-	-	154,074	62,876
2036 - 2040	-	-	166,849	36,475
2041 - 2044	-	-	114,212	7,781
	<u>\$ 389,444</u>	<u>\$ 2,750</u>	<u>\$ 573,308</u>	<u>\$ 194,993</u>

### Subscription-Based Information Technology Arrangements

The City recognizes subscription liabilities with an initial, individual value of \$50,000 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 2028. The City is required to make annual payments ranging from \$8,514 to \$351,036. The value of the right to use assets as of June 30, 2025, of ranged from \$17,754 to \$666,180 with accumulated amortization ranging from \$14,922 to \$336,731.

Year Ending June 30	Governmental Activities	
	Principal	Interest
2026	\$ 434,455	\$ 14,962
2027	28,474	997
2028	29,845	510
	<u>\$ 492,774</u>	<u>\$ 16,469</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. On June 30, 2025, \$44,090,976 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, 2025, net revenue available for service of this debt was \$16,106,351. The debt principal and interest paid in fiscal year 2024-2025 equal \$4,525,233 (28.1% 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, 2025, \$1,476,725 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2025, net revenues available for the service of this debt were \$27,803,412. The debt principal and interest paid in fiscal year 2024-2025 was \$247,881 (0.89% 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, 2025, \$14,767,381 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2025, net revenues available for service of the debt were \$8,221,803. The debt principal and interest paid in fiscal year 2024-2025 was \$1,478,613 (17.98% 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, 2025, was as follows:

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 63,760,000	\$ -	\$ (13,350,000)	\$ 50,410,000	\$ 6,365,000
Revenue bonds	14,745,000	-	(1,170,000)	13,575,000	1,215,000
Certificates of participation	114,390,000	-	(6,050,000)	108,340,000	6,130,000
Total bonds payable	<u>192,895,000</u>	<u>-</u>	<u>(20,570,000)</u>	<u>172,325,000</u>	<u>13,710,000</u>
Loan payable - direct borrowing	3,235,898	450,147	(234,218)	3,451,827	238,605
Financed purchases	608,736	-	(185,873)	422,863	184,655
Bond premium	7,830,379	-	(510,842)	7,319,537	562,055
Bond discount	(57,965)	-	-	(57,965)	-
Leases payable	30,859	518,267	(159,682)	389,444	129,222
Subscription liability	476,062	801,517	(784,805)	492,774	434,454
Compensated absences	8,900,974	1,245,541	-	10,146,515	5,591,907
Other postemployment benefits	5,689,573	6,427,034	(6,078,196)	6,038,411	372,552
Net pension liability	38,673,174	8,298,094	(11,451,859)	35,519,409	-
Claims and judgements	630,546	1,609,636	(519,692)	1,720,490	220,490
Governmental activities long-term liability	<u>\$ 258,913,236</u>	<u>\$ 19,350,236</u>	<u>\$ (40,495,167)</u>	<u>\$ 237,768,305</u>	<u>\$ 21,443,940</u>
<b>Business-type activities:</b>					
Bonds payable:					
Revenue bonds - direct placement	\$ 21,965,000	\$ -	\$ (3,208,000)	\$ 18,757,000	\$ 3,273,000
Certificates of participation	3,415,000	-	(105,000)	3,310,000	105,000
Total bonds payable	<u>25,380,000</u>	<u>-</u>	<u>(3,313,000)</u>	<u>22,067,000</u>	<u>3,378,000</u>
Water loan payable - direct borrowing	18,255,359	-	(649,494)	17,605,865	666,724
Financed purchases	748,814	-	(261,710)	487,104	140,655
Total loan and leases payable	<u>19,004,173</u>	<u>-</u>	<u>(911,204)</u>	<u>18,092,969</u>	<u>807,379</u>
Bond premium	7,260	-	(2,742)	4,518	2,071
Bond discount	(56,287)	-	-	(56,287)	-
Subscription liability	10,765	-	(10,765)	-	-
Lease liability	-	617,275	(43,967)	573,308	25,818
Compensated absences	1,729,834	295,051	-	2,024,885	1,139,255
Other postemployment benefits	1,381,865	1,439,595	(1,361,456)	1,460,004	83,448
Net pension liability	11,920,029	2,584,959	(2,466,527)	12,038,461	-
Landfill closure/post closure	21,157,833	941,472	-	22,099,305	-
Business-type activities long-term liability	<u>\$ 80,535,472</u>	<u>\$ 5,878,352</u>	<u>\$ (8,109,661)</u>	<u>\$ 78,304,163</u>	<u>\$ 5,435,971</u>

## IV. Other Information

### A. Risk Management

The City is exposed to various risks of loss related to torts and public officials' errors and omissions. The City purchases commercial insurance to cover these losses. However, \$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, 2025, have potential exposure to the City of approximately \$1,720,490 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>
2023-2024	\$ 239,224	\$ 634,480	\$ 243,158	\$ 630,546
2024-2025	630,546	1,609,636	519,692	1,720,490

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, 2025:

Capital Project Program Classification	Spent to Date	Remaining Commitment
Buildings	\$ 199,609	\$ 131,241
Streets	32,106,428	36,975,895
Water	32,942,311	3,632,748
Wastewater	1,739,795	1,351,278
Reclaim water	172,236	124,298
Stormwater	29,177,077	18,969,202
Airport	395,416	354,319
Other land improvements	12,966,199	3,578,815
Total construction commitments	\$ 109,699,071	\$ 65,117,796

Outstanding Encumbrances at June 30, 2025:

Governmental Activities:	
General fund	\$ 9,517,582
HURF fund	5,020
Transportation fund	43,441
Other government funds	2,855,832
Total governmental activities	12,421,875
Business-type Activities:	
Water, wastewater, and reclaim fund	988,333
Stormwater fund	714,587
Environmental services fund	654,443
Airport fund	1,298,246
Housing Authority	1,573,697
Total business-type activities	5,229,306
Total governmental and business-type activities	\$ 17,651,181

### 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 9-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 for elected officials and judges who were members of the plan on December 31, 2013. The EORP pension and OPEB plans were closed to new members as of January 1, 2014. The PSPRS Board of Trustees governs the EORP according to the provisions of A.R.S. Title 38, Chapter 5, Article 3.

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

ASRS

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

PSPRS and EORP

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

At June 30, 2025, the City reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

<b>Pension Plans</b>	<b>Net Pension Liability/(Asset)</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Pension Expense</b>
<b>ASRS</b>				
Governmental activities	\$ 33,765,848	\$ 6,349,359	\$ 2,570,577	\$ 2,740,820
Business-type activities	12,038,461	2,317,356	919,078	979,946
PSPRS - Police	(1,815,786)	2,679,824	1,670,023	2,824,866
<b>PSPRS - Fire</b>				
Governmental activities	(1,535,588)	5,421,822	1,566,763	1,929,729
Business-type activities	(136,667)	373,008	139,446	171,751
EORP	1,753,561	175,920	18,489	829,677
<b>Total</b>	<b>\$ 44,069,829</b>	<b>\$ 17,317,289</b>	<b>\$ 6,884,376</b>	<b>\$ 9,476,789</b>

<b>OPEB Plans</b>	<b>Net OPEB Liability/(Asset)</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>OPEB Expense/(Income)</b>
<b>OPEB</b>				
Governmental activities	\$ 6,038,411	\$ 1,588,509	\$ 4,100,292	\$ 174,237
Business-type activities	1,460,004	355,812	918,426	39,027
PSPRS - Fire	(2,132,672)	8,778	137,498	(192,669)
<b>Total</b>	<b>\$ 5,365,743</b>	<b>\$ 1,953,099</b>	<b>\$ 5,156,216</b>	<b>\$ 20,595</b>

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

\*With actuarially reduced benefits.

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, 2025, statute required active ASRS members to contribute at the actuarially determined rate of 12.27% (12.12% retirement and 0.15% long-term disability) of the members' annual covered payroll and statute required the City to contribute at the actuarially determined rate of 12.27% (12.05% retirement, 0.07% for health insurance premium, and 0.15% long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 10.19% (10.14% for retirement and 0.05% for long-term disability) of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the ASRS would typically fill. The City's contributions to the ASRS pension plan for the year ended June 30, 2025, were \$5,449,902, inclusive of Housing Authority.

During fiscal year 2024-2025, the City paid for ASRS pension contributions 73% from governmental funds and 27% from enterprise funds.

### **Pension Liability**

At June 30, 2025, the City reported a liability of \$45,804,309 for its proportionate share of the ASRS net pension liability. The net pension liability was measured as of June 30, 2024. 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, 2023, to the measurement date of June 30, 2024.

The City's reported liability at June 30, 2025, increased by \$486,544 from the City's prior year liability of \$45,317,755 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, 2024. The City's proportion measured as June 30, 2024, was 0.2863%, which was a .0062% increase from its proportion measured as of June 30, 2023, 0.2801%.

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

For the year ended June 30, 2025, the City recognized pension expense of \$3,720,766. At June 30, 2025, 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	\$ 2,556,754	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(2,925,106)
Changes in proportion and differences between City contributions and proportionate share of contributions	660,059	(564,549)
City contributions subsequent to the measurement date	5,449,902	-
Total	<u>\$ 8,666,715</u>	<u>\$ (3,489,655)</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, 2026. 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	
2026	\$ (1,548,899)
2027	2,553,290
2028	(740,441)
2029	(536,792)
2030	-
Thereafter	-
	<u>\$ (272,842)</u>

### Actuarial Assumptions

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

#### ASRS

Actuarial valuation date	June 30, 2023
Actuarial roll forward date	June 30, 2024
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, 2023, valuation were 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. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>ASRS</b>		Long-Term Expected
Asset Class	Target Allocation	Geometric Real Rates of Return
Public Equity	44%	4.48%
Credit	23%	4.40%
Real Estate	17%	6.05%
Private Equity	10%	6.11%
Interest Rate Sensitive	6%	-0.45%
Total	<u>100%</u>	

### Discount Rate

At June 30, 2024, 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 based on 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 payments 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 (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

ASRS	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
City's proportionate share of the net pension liability	<u>\$ 70,135,763</u>	<u>\$ 45,804,309</u>	<u>\$ 25,526,166</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 provides 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:**

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

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$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, 2025, the following employees were covered by the agent pension plans’ benefit terms:

	<b>PSPRS</b>		
	<b>Police Pension</b>	<b>Fire Pension</b>	<b>Fire OPEB</b>
Inactive employees or beneficiaries currently receiving benefits	96	102	102
Inactive employees entitled to but not yet receiving benefits	34	18	10
Active employees	40	61	61
<b>Total</b>	<b>170</b>	<b>181</b>	<b>173</b>

**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, 2025, are indicated below. Rates are a percentage of active members' annual covered payroll.

	Active member - Pension	City - Pension	City - Health Insurance Premium Benefit*
PSPRS Police	7.65%	11.70%	N/A
PSPRS Fire	7.65%	12.42%	0.00%

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

In addition, statute required the City to contribute at the actuarially determined rate of 8.0 percent for the PSPRS Police and 8.0 percent for PSPRS Fire of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the PSPRS would typically fill.

The City's contributions to the plans for the year ended June 30, 2025, were:

	City - Pension	City - Health Insurance Premium Benefit
PSPRS Police	\$ 843,423	N/A
PSPRS Fire	1,662,810	-

During fiscal year 2025, the City paid for PSPRS pension and OPEB contributions for police contributions with 100% general fund dollars, and for fire contributions 96.1% from the general fund plus 3.9% from the airport fund.

### Net Pension/OPEB (Asset) Liability

At June 30, 2025, the City reported the following assets:

	Net Pension (Asset) Liability	Net OPEB (Asset) Liability
PSPRS Police	\$ (1,815,786)	N/A
PSPRS Fire	(1,672,255)	(2,132,672)

The net pensions assets were measured as of June 30, 2024, and the total liability used to calculate the net asset was determined by an actuarial valuation as of that date.

### Actuarial Assumptions

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

## PSPRS

Actuarial valuation date	June 30, 2024
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

Actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

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		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Public Equity	24%	3.62%
International Public Equity	16%	4.47%
Global Private Equity	27%	7.05%
Core Bonds	6%	2.44%
Private Credit	20%	6.24%
Diversifying Strategies	5%	3.15%
Cash - Mellon	2%	0.89%
Total	<u>100%</u>	

## Pension Discount Rates

At June 30, 2024, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.2 percent. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/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)
<b>PSPRS - Police*</b>			
Balances at June 30, 2024	\$ 105,917,396	\$ 101,577,092	\$ 4,340,304
Changes for the year:			
Service cost	1,000,867	-	1,000,867
Interest on the total pension liability	7,505,769	-	7,505,769
Differences between expected and actual experience in the measurement of the total pension liability	(457,921)	-	(457,921)
Contributions- employer	-	3,718,819	(3,718,819)
Contributions- employee	-	374,834	(374,834)
Benefit payments, including refunds of employee contributions	(5,342,945)	(5,342,945)	-
Net investment income	-	10,163,643	(10,163,643)
Administrative expense	-	(52,491)	52,491
Tiers 1 & 2 adjustment	-	-	-
Net changes	2,705,770	8,861,860	(6,156,090)
Balances at June 30, 2025	\$ 108,623,166	\$ 110,438,952	\$ (1,815,786)

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

	Increase (Decrease)					
	Total	Plan	Net	Total	Plan	Net
	Pension Liability (a)	Fiduciary Net Position (b)	Pension Liability (Asset) (a) - (b)	OPEB Liability (a)	Fiduciary Net Position (b)	OPEB Asset (a) - (b)
<b>PSPRS - Fire</b>						
Balances at June 30, 2024	\$ 112,347,871	\$ 113,204,040	\$ (856,169)	\$ 1,506,606	\$ 3,354,521	\$ (1,847,915)
Changes for the year:						
Service cost	1,344,392	-	1,344,392	24,785	-	24,785
Interest on the total pension liability	7,979,817	-	7,979,817	107,203	-	107,203
Differences between expected and actual experience in the measurement of the pension liability	2,758,025	-	2,758,025	(80,121)	-	(80,121)
Contributions- employer	-	1,043,249	(1,043,249)	-	-	-
Contributions- employee	-	520,974	(520,974)	-	-	-
Benefit payments, including refunds of employee contributions	(5,722,931)	(5,722,931)	-	(84,923)	(84,923)	-
Net investment income	-	11,382,044	(11,382,044)	-	337,905	(337,905)
Administrative expense	-	(47,947)	47,947	-	(1,281)	1,281
Net changes	6,359,303	7,175,389	(816,086)	(33,056)	251,701	(284,757)
Balances at June 30, 2025	\$ 118,707,174	\$ 120,379,429	\$ (1,672,255)	\$ 1,473,550	\$ 3,606,222	\$ (2,132,672)

## 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 (assets) liabilities calculated using the discount rate of 7.2 percent, 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 (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS - Police			
Rate	6.20%	7.20%	8.20%
Net pension liability (asset)	\$ 12,822,429	\$ (1,815,786)	\$ (13,695,777)
PSPRS - Fire			
Rate	6.20%	7.20%	8.20%
Net pension liability (asset)	\$ 13,585,900	\$ (1,672,255)	\$ (14,211,224)
Net OPEB asset	\$ (1,975,093)	\$ (2,132,672)	\$ (2,266,109)

## 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, 2025, the City recognized the following pension and OPEB expenses:

	Pension Expense	OPEB Expense
PSPRS Police	\$ 2,824,866	N/A
PSPRS Fire	2,101,480	(192,669)

## Deferred Outflows/Inflows of Resources

At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	PSPRS - Police		PSPRS - Fire		PSPRS - Fire OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,836,401	\$ (228,961)	\$ 3,766,287	\$ -	\$ -	\$ (89,825)
Changes of assumptions	-	-	365,733	-	8,778	-
Net difference between projected and actual earnings on pension plan investments	-	(1,441,062)	-	(1,706,209)	-	(47,673)
City contributions subsequent to the measurement date	843,423	-	1,662,810	-	-	-
Total	<u>\$ 2,679,824</u>	<u>\$ (1,670,023)</u>	<u>\$ 5,794,830</u>	<u>\$ (1,706,209)</u>	<u>\$ 8,778</u>	<u>\$ (137,498)</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 in the net asset or a reduction of the net liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB 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>
2026	\$ (278,476)	\$ 175,626	\$ (93,024)
2027	1,703,950	3,705,266	27,119
2028	(679,705)	(778,522)	(42,918)
2029	(579,391)	(676,559)	(19,897)
	<u>\$ 166,378</u>	<u>\$ 2,425,811</u>	<u>\$ (128,720)</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, 2025, 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, 2025, the City recognized pension expense of \$53,568.

## 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
<b>Retirement and disability</b>		
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
<b>Benefit percent</b>		
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 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 37.5% with 5 to 10 years of service 18.75% with less than 5 years of service
<b>Survivor benefit</b>		
Retired members	75% of retired member's benefit	50% of retired member's benefit
Active members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

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

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

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 8 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 7 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

### 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 and designates a portion of certain court fees for the EORP. For the year ended June 30, 2025, 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 70.44 percent of all active EORP members' annual covered payroll. Also, statute required the City to contribute 58.32 percent to EORP of the annual covered payroll of elected officials and judges

who were ASRS members and 46.62 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 and EODCRS for these elected officials and judges. In addition, statute required the City to contribute 52.62 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.

During fiscal year 2025, the City's contribution to the plan was \$175,920. The pension contributions were paid 100 percent from the General Fund.

**Pension Liability**

At June 30, 2025, 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 share of the net liability, the related State support, and the total portion of the net pension liability that was associated with the City were as follows:

City's proportionate share of the EORP net pension liability	\$ 1,753,561
State's proportionate share of the EORP net pension liability associated with the City	121,006
Total	<u><u>\$ 1,874,567</u></u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The City's proportion of the net pension liability was based on the City's required contribution to the pension plan relative to the total of all participating employers' required contributions for the year ended June 30, 2024. The City's proportion measured as of June 30, 2024, and the change from its proportion measured at June 30, 2023, were 0.149206% and 0.071307%, respectively.

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

For the year ended June 30, 2025, the City recognized pension expense for EORP of \$841,220 and revenue of \$11,543 for the City's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>EORP</u>	<u>Resources</u>	<u>Resources</u>
Net difference between projected and actual investment earning	\$ -	\$ (18,489)
City contributions subsequent to the measurement date	175,920	-
Total	<u><u>\$ 175,920</u></u>	<u><u>\$ (18,489)</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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized as expenses as follows:

Year ending June 30,	
2026	\$ (16,999)
2027	13,944
2028	(8,564)
2029	(6,870)
	<u>\$ (18,489)</u>

### Actuarial Assumptions

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

#### EORP

Actuarial valuation date	June 30, 2024
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, 2024 valuation was based on the results of an actuarial experience study for the 5-year period ended June 30, 2021.

The long-term expected rate of return on EORP pension plan investments was determined to be 7.2 percent using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Real Return Geometric Basis
U.S. Public Equity	24%	3.62%
International Public Equity	16%	4.47%
Global Private Equity	27%	7.05%
Core Bonds	6%	2.44%
Private Credit	20%	6.24%
Diversifying Strategies	5%	3.15%
Cash - Mellon	2%	0.89%
Total	<u>100%</u>	

### Discount Rate

At June 30, 2024, the discount rate used to measure the EORP total pension liability was 7.2 percent, with no change from the prior year. 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 (6.2 percent) or 1 percentage point higher (8.2 percent) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
EORP Rate	6.20%	7.20%	8.20%
Net pension liability	\$ 2,038,915	\$ 1,753,561	\$ 1,508,482

**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, 2025, 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, 2025, the City recognized pension expense of \$9,378.

**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, 2023, OPEB plan membership consisted of the following:

Retirees currently receiving health benefits	42
Active members	<u>739</u>
Total	<u>781</u>

### OPEB Liability

At June 30, 2025, the City reported a net OPEB liability of \$7,498,415. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability was determined from the actuarial valuations as of June 30, 2024.

### Actuarial Assumptions

The actuarial assumptions used in the June 30, 2023 valuation were based on an experience study for ASRS for the period from July 1, 2015, through June 30, 2020, and from PSPRS for the period from July 1, 2016, through June 30, 2021.

### Change in Net OPEB Liability

	<u>Increase (Decrease)</u>
	Total OPEB Liability
<b>OPEB</b>	
Balances at June 30, 2024	<u>\$ 7,071,438</u>
Changes for the year:	
Service cost	883,294
Interest on the total pension liability	282,208
Changes of assumptions	(292,525)
Benefit payments, including refunds of employee contributions	(446,000)
Net changes	<u>426,977</u>
Balances at June 30, 2025	<u><u>\$ 7,498,415</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, 2024
Actuarial cost method	Entry age normal
Mortality rates	PubG-2010 tables
Healthcare cost trend rate	Not applicable

### Discount Rate

### Discount Rate

At June 30, 2025, the discount rate used to measure the City's OPEB total liability was 3.93 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, 2023, and 2024 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 3.93% 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 (2.93%)	Current Discount Rate (3.93%)	1% Increase (4.93%)
City's proportionate share of the OPEB liability	\$ 8,330,000	\$ 7,498,415	\$ 6,766,000

### 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, 2024, 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	\$ 6,593,000	\$ 7,498,415	\$ 8,579,000

\*Current trend rates are 7.75% in 2023-2024, and then trends are reduced 0.30% each year through 2033-2034, and 0.10% thereafter until reaching the ultimate trend rate of 4.00% for medical and drug plan costs.

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

For the year ending June 30, 2025, the City recognized an OPEB expense of \$213,264. At June 30, 2024, 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
Net difference between expected and actual experience in the total OPEB liability	\$ -	\$ (3,310,467)
Changes of assumptions	1,488,321	(1,708,251)
City benefit payments subsequent to the measurement date	456,000	-
Total	<u>\$ 1,944,321</u>	<u>\$ (5,018,718)</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,	
2026	\$ (944,199)
2027	(751,568)
2028	(577,726)
2029	(533,085)
2030	(662,911)
Thereafter	(60,908)
	<u>\$ (3,530,397)</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 \$22,099,305 as of June 30, 2025, which is based on 87.30% percent usage of the landfill. The remaining \$3,214,806 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 2024-2025 is \$941,472. 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, 2025, the balance of the cash and investments held for those purposes is \$14,031,152. 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, \$25,314,110 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, 2025. 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.

## Required Supplementary Information

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	<u>Page</u>
Schedule of the City's Proportional Share of the Net Pension Liability	
Cost-Sharing Pension Plans	96
Schedule of the Changes in Net Pension Liability and Related Ratios	
Agent Pension Plans - PSPRS Police	98
Agent Pension Plans - PSPRS Fire	100
Schedule of the Changes in Net OPEB Liability (Asset) and Related Ratios	
PSPRS - Fire	102
City OPEB	104
Schedule of The City's Pension / OPEB Contributions	106
Notes to the Required Supplementary Information	108

**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, 2025**

	Reporting Fiscal Year (Measurement Date)		
	2024-2025 (2023-2024)	2023-2024 (2022-2023)	2022-2023 (2021-2022)
<b>Arizona State Retirement System</b>			
Proportion of the net pension liability	0.286250%	0.280060%	0.292550%
Proportionate share of the net pension liability	\$ 45,804,309	\$ 45,317,755	\$ 47,750,657
Covered payroll	\$ 39,574,231	\$ 36,779,135	\$ 34,944,558
Proportionate share of the net pension liability as a percentage of its covered payroll	115.74%	123.22%	136.65%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%
<b>EORP</b>			
Proportion of the net pension liability	0.2935580%	0.1492060%	0.2205134%
City's proportionate share of the net pension liability	\$ 1,753,561	\$ 935,144	\$ 1,488,752
State's proportionate share of the net pension liability associated with the City	121,006	98,082	144,956
Total	\$ 1,874,567	\$ 1,033,226	\$ 1,633,708
Covered payroll	\$ 288,482	\$ 249,693	\$ 190,640
City's proportionate share of the net pension liability as a percentage of its covered payroll	607.86%	374.52%	780.92%
Plan fiduciary net position as a percentage of the total pension liability	42.22%	38.63%	32.01%

	2021-2022 (2020-2021)	2020-2021 (2019-2020)	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)	2016-2017 (2015-2016)	2015-2016 (2014-2015)
	0.292590%	0.301400%	0.305020%	0.333310%	0.312660%	0.311530%	0.300450%
\$	38,445,027	\$ 52,222,131	\$ 44,383,959	\$ 46,485,015	\$ 48,706,334	\$ 50,284,072	\$ 46,798,712
\$	33,005,980	\$ 33,145,052	\$ 32,447,746	\$ 31,911,275	\$ 30,673,166	\$ 28,842,056	\$ 27,573,067
	116.48%	157.56%	136.79%	145.67%	158.79%	174.34%	169.73%
	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%
	0.2293840%	0.2214790%	0.2122050%	0.1689530%	0.2177500%	0.2097849%	0.1942242%
\$	1,395,946	\$ 1,494,901	\$ 1,407,293	\$ 1,064,634	\$ 2,653,363	\$ 1,981,949	\$ 1,517,768
	140,315	142,078	132,271	182,419	550,687	409,221	473,166
\$	1,536,261	\$ 1,636,979	\$ 1,539,564	\$ 1,247,053	\$ 3,204,050	\$ 2,391,170	\$ 1,990,934
\$	183,403	\$ 187,000	\$ 184,269	\$ 180,000	\$ 194,354	\$ 189,999	\$ 157,579
	761.14%	799.41%	763.72%	591.46%	1365.22%	1043.14%	963.18%
	36.28%	29.80%	30.14%	30.40%	19.70%	23.42%	28.32%

**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, 2025**

	Reporting Fiscal Year (Measurement Date)			
	2024-2025 (2023-2024)	2023-2024 (2022-2023)	2022-2023 (2021-2022)	2021-2022 (2020-2021)
<b>PSPRS Police</b>				
Total pension liability				
Service cost	\$ 1,000,867	\$ 983,298	\$ 889,355	\$ 1,035,271
Interest on the total pension liability	7,505,769	6,943,201	6,533,446	6,358,327
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	(457,921)	5,509,203	3,340,871	516,872
Changes of assumptions or other inputs	-	-	1,658,296	-
Benefit payments, including refunds of employee contributions	(5,342,945)	(5,936,699)	(5,226,958)	(5,504,359)
Net change in total pension liability	2,705,770	7,499,003	7,195,010	2,406,111
Total pension liability - beginning	105,917,396	98,418,393	91,223,383	88,817,272
Total pension liability - ending (a)	<u>\$ 108,623,166</u>	<u>\$ 105,917,396</u>	<u>\$ 98,418,393</u>	<u>\$ 91,223,383</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 3,718,819	\$ 440,717	\$ 731,520	\$ 56,134,692
Contributions - employee	374,834	419,273	478,668	477,435
Net investment income	10,163,643	7,467,048	(4,212,399)	22,313,817
Benefit payments, including refunds of employee contributions	(5,342,945)	(5,936,699)	(5,226,958)	(5,504,359)
Hall/Parker settlement	-	-	-	-
Pension plan administrative expenses	(52,491)	(39,941)	(76,105)	(97,741)
Other changes	-	(74,385)	-	-
Net change in plan fiduciary net position	8,861,860	2,276,013	(8,305,274)	73,323,844
Plan fiduciary net position - beginning (restated)	101,577,092	99,301,079	107,606,353	34,282,509
Plan fiduciary net position - ending (b)	<u>\$ 110,438,952</u>	<u>\$ 101,577,092</u>	<u>\$ 99,301,079</u>	<u>\$ 107,606,353</u>
Net pension liability - ending (a) - (b)	<u>\$ (1,815,786)</u>	<u>\$ 4,340,304</u>	<u>\$ (882,686)</u>	<u>\$ (16,382,970)</u>
Plan fiduciary net position as a percentage of the total pension liability	101.67%	95.90%	100.90%	117.96%
Covered payroll	\$ 4,974,832	\$ 5,305,714	\$ 5,210,182	\$ 4,584,510
Net pension liability as a percentage of covered payroll	-36.50%	81.80%	-16.94%	-357.35%

2020-2021 (2019-2020)	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)	2016-2017 (2015-2016)	2015-2016 (2014-2015)
\$ 1,135,219	\$ 1,314,269	\$ 1,278,269	\$ 1,591,484	\$ 1,367,771	\$ 1,373,545
6,113,422	5,830,298	5,476,675	5,131,739	4,818,389	4,650,797
-	-	-	924,114	1,967,589	-
1,208,232	590,373	1,216,507	(293,545)	(111,993)	(346,202)
-	1,650,864	-	2,159,906	2,578,910	-
(4,499,790)	(3,998,301)	(3,737,501)	(3,804,819)	(3,575,345)	(3,505,319)
3,957,083	5,387,503	4,233,950	5,708,879	7,045,321	2,172,821
84,860,189	79,472,686	75,238,736	69,529,857	62,484,536	60,311,715
<u>\$ 88,817,272</u>	<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>
\$ 6,284,379	\$ 3,441,524	\$ 4,046,869	\$ 3,657,762	\$ 3,441,521	\$ 2,578,489
537,822	550,585	646,186	912,701	1,147,170	841,533
436,641	1,756,930	2,081,145	3,105,491	146,825	821,133
(4,499,790)	(3,998,301)	(3,737,501)	(3,804,819)	(3,575,345)	(3,505,319)
-	-	(922,190)	-	-	-
(35,788)	(31,510)	(32,374)	(27,878)	(21,527)	(20,411)
-	-	328	(58,723)	(112,440)	(357,501)
2,723,264	1,719,228	2,082,463	3,784,534	1,026,204	357,924
31,559,245	29,840,016	27,776,266	23,991,732	22,965,528	22,607,604
<u>\$ 34,282,509</u>	<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>\$ 54,534,763</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>
38.60%	37.19%	37.57%	36.92%	34.51%	36.75%
\$ 5,527,309	\$ 5,875,114	\$ 6,555,255	\$ 7,155,954	\$ 7,318,199	\$ 7,526,730
986.64%	907.23%	756.86%	663.26%	622.26%	525.05%

**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, 2025**

	Reporting Fiscal Year (Measurement Date)			
	2024-2025 (2023-2024)	2023-2024 (2022-2023)	2022-2023 (2021-2022)	2021-2022 (2020-2021)
<b>PSPRS Fire</b>				
Total pension liability				
Service cost	\$ 1,344,392	\$ 1,344,621	\$ 1,240,372	\$ 1,139,137
Interest on the total pension liability	7,979,817	7,532,321	7,324,012	6,941,055
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience in the measurement of the pension liability	2,758,025	3,663,449	383,514	2,674,365
Changes of assumptions or other inputs	-	-	1,462,932	-
Benefit payments, including refunds of employee contributions	(5,722,931)	(6,926,932)	(5,529,964)	(5,689,625)
Net change in total pension liability	6,359,303	5,613,459	4,880,866	5,064,932
Total pension liability - beginning	112,347,871	106,734,412	101,853,546	96,788,614
Total pension liability - ending (a)	<u>\$ 118,707,174</u>	<u>\$ 112,347,871</u>	<u>\$ 106,734,412</u>	<u>\$ 101,853,546</u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 1,043,249	\$ 707,847	\$ 1,495,998	\$ 63,705,770
Contributions - employee	520,974	510,666	649,496	496,467
Net investment income	11,382,044	8,275,543	(4,690,568)	24,700,340
Benefit payments, including refunds of employee contributions	(5,722,931)	(6,926,932)	(5,529,964)	(5,689,625)
Hall/Parker settlement	-	-	-	-
Pension plan administrative expenses	(47,947)	(37,479)	(84,748)	(107,926)
Other changes	-	(55,916)	-	-
Net change in plan fiduciary net position	7,175,389	2,473,729	(8,159,786)	83,105,026
Plan fiduciary net position - beginning (restated)	113,204,040	110,730,311	118,890,097	35,785,071
Plan fiduciary net position - ending (b)	<u>\$ 120,379,429</u>	<u>\$ 113,204,040</u>	<u>\$ 110,730,311</u>	<u>\$ 118,890,097</u>
Net pension liability - ending (a) - (b)	<u>\$ (1,672,255)</u>	<u>\$ (856,169)</u>	<u>\$ (3,995,899)</u>	<u>\$ (17,036,551)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>				
	101.41%	100.76%	103.74%	116.73%
Covered payroll	\$ 6,636,975	\$ 6,277,670	\$ 6,109,308	\$ 5,646,127
Net pension liability as a percentage of covered payroll	-25.20%	-13.64%	-65.41%	-301.74%

2020-2021 (2019-2020)	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)	2016-2017 (2015-2016)	2015-2016 (2014-2015)
\$ 1,149,078	\$ 1,229,846	\$ 1,232,288	\$ 1,376,479	\$ 1,107,145	\$ 973,454
6,733,345	6,594,132	6,209,142	5,668,204	5,356,440	5,239,671
-	-	-	804,628	2,064,045	-
599,182	(675,316)	2,491,418	193,670	669,848	52,497
-	1,681,383	-	5,454,472	2,647,110	-
(5,563,021)	(5,680,128)	(5,007,832)	(5,180,329)	(4,095,893)	(5,594,036)
2,918,584	3,149,917	4,925,016	8,317,124	7,748,695	671,586
93,870,030	90,720,113	85,795,097	77,477,973	69,729,278	69,057,692
\$ 96,788,614	\$ 93,870,030	\$ 90,720,113	\$ 85,795,097	\$ 77,477,973	\$ 69,729,278
\$ 7,273,509	\$ 5,315,168	\$ 4,950,022	\$ 4,239,954	\$ 3,952,628	\$ 2,418,742
549,407	435,225	565,220	703,312	669,429	732,850
470,249	1,830,884	2,181,684	3,290,746	160,712	963,491
(5,563,021)	(5,680,128)	(5,007,832)	(5,180,329)	(4,095,893)	(5,594,036)
-	-	(908,136)	-	-	-
(38,533)	(32,805)	(33,905)	(29,518)	(23,526)	(23,873)
-	-	357	12,535	(27,936)	48,864
2,691,611	1,868,344	1,747,410	3,036,700	635,414	(1,453,962)
33,093,460	31,255,156	29,508,064	26,471,364	25,835,950	27,289,912
\$ 35,785,071	\$ 33,123,500	\$ 31,255,474	\$ 29,508,064	\$ 26,471,364	\$ 25,835,950
\$ 61,003,543	\$ 60,746,530	\$ 59,464,639	\$ 56,287,033	\$ 51,006,609	\$ 43,893,328
36.97%	35.29%	34.45%	34.39%	34.17%	37.05%
\$ 5,239,842	\$ 5,299,696	\$ 5,683,984	\$ 5,650,572	\$ 5,491,792	\$ 4,847,679
1164.22%	1146.23%	1046.18%	996.13%	928.78%	905.45%

**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, 2025**

	Reporting Fiscal Year (Measurement Date)		
	2024-2025 (2023-2024)	2023-2024 (2022-2023)	2022-2023 (2021-2022)
<b>PSPRS Fire</b>			
Total OPEB liability			
Service cost	\$ 24,785	\$ 26,224	\$ 24,892
Interest on the total OPEB liability	107,203	105,368	105,768
Changes of benefit terms	-	-	-
Differences between expected and actual experience in the measurement of the OPEB liability	(80,121)	(23,504)	(71,930)
Changes of assumptions or other inputs	-	-	35,113
Benefit payments, including refunds of employee contributions	(84,923)	(77,397)	(83,819)
Net change in total OPEB liability	(33,056)	30,691	10,024
Total OPEB liability - beginning	1,506,606	1,475,915	1,465,891
Total OPEB liability - ending (a)	<u>\$ 1,473,550</u>	<u>\$ 1,506,606</u>	<u>\$ 1,475,915</u>
Plan fiduciary net position			
Contributions - employer	\$ -	\$ -	\$ -
Net investment income	337,905	241,890	(133,704)
Benefit payments, including refunds of employee contributions	(84,923)	(77,397)	(83,819)
OPEB plan administrative expenses	(1,281)	(1,159)	(2,380)
Other changes	-	-	-
Net change in plan fiduciary net position	251,701	163,334	(219,903)
Plan fiduciary net position - beginning (restated)	3,354,521	3,191,187	3,411,090
Plan fiduciary net position - ending (b)	<u>\$ 3,606,222</u>	<u>\$ 3,354,521</u>	<u>\$ 3,191,187</u>
Net OPEB (asset) liability - ending (a) - (b)	<u>\$ (2,132,672)</u>	<u>\$ (1,847,915)</u>	<u>\$ (1,715,272)</u>
Plan fiduciary net position as a percentage of the total OPEB liability	244.73%	222.65%	216.22%
Covered payroll	\$ 6,636,975	\$ 6,277,670	\$ 6,109,308
Net OPEB (asset) liability as a percentage of covered payroll	-32.13%	-29.44%	-28.08%

Reporting for fiscal year 2015-2016 & 2016-2017 information is not available.

	2021-2022 (2020-2021)	2020-2021 (2019-2020)	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)
\$	25,482	\$ 25,532	\$ 16,484	\$ 18,757	\$ 19,777
	110,067	108,941	118,278	116,896	117,249
	-	-	-	-	9,376
	(105,821)	(6,882)	(193,022)	(31,819)	(61,082)
	-	-	16,310	-	21,953
	(92,252)	(91,651)	(94,885)	(89,633)	(91,188)
	(62,524)	35,940	(136,835)	14,201	16,085
	1,528,415	1,492,475	1,629,310	1,615,109	1,599,024
\$	<u>1,465,891</u>	<u>\$ 1,528,415</u>	<u>\$ 1,492,475</u>	<u>\$ 1,629,310</u>	<u>\$ 1,615,109</u>
\$	-	\$ -	\$ -	\$ (317)	\$ -
	752,263	35,241	147,468	183,884	287,005
	(92,252)	(91,651)	(94,885)	(89,633)	(91,188)
	(3,093)	(2,866)	(2,546)	(2,799)	(2,540)
	-	-	-	1	-
	656,918	(59,276)	50,037	91,136	193,277
	2,754,172	2,813,448	2,763,411	2,671,958	2,478,681
\$	<u>3,411,090</u>	<u>\$ 2,754,172</u>	<u>\$ 2,813,448</u>	<u>\$ 2,763,094</u>	<u>\$ 2,671,958</u>
\$	<u>(1,945,199)</u>	<u>\$ (1,225,757)</u>	<u>\$ (1,320,973)</u>	<u>\$ (1,133,784)</u>	<u>\$ (1,056,849)</u>
	232.70%	180.20%	188.51%	169.59%	165.44%
\$	5,646,127	\$ 5,239,842	\$ 5,299,696	\$ 5,683,984	\$ 5,650,572
	-34.45%	-23.39%	-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, 2025

	Reporting Fiscal Year (Measurement Date)		
	2024-2025 (2023-2024)	2023-2024 (2022-2023)	2022-2023 (2021-2022)
<b>City OPEB</b>			
Total OPEB liability			
Service cost	\$ 883,294	\$ 852,189	\$ 754,126
Interest on the total OPEB liability	282,208	368,778	250,207
Differences between expected and actual experience in the measurement of the OPEB liability	-	(3,182,919)	-
Changes of assumptions or other inputs	(292,525)	(286,278)	(1,783,242)
Benefit payments, including refunds of employee contributions	(446,000)	(491,193)	(476,937)
Net change in total OPEB liability	426,977	(2,739,423)	(1,255,846)
Total OPEB liability - beginning	7,071,438	9,810,861	11,066,707
Total OPEB liability - ending (a)	\$ 7,498,415	\$ 7,071,438	\$ 9,810,861
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)	\$ 7,498,415	\$ 7,071,438	\$ 9,810,861
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 62,849,310	\$ 57,682,107	\$ 53,668,201
Net pension liability as a percentage of covered payroll	11.93%	12.26%	18.28%

Reporting for fiscal year 2015-2016 and 2016-2017 information is not available.

2021-2022 (2020-2021)	2020-2021 (2019-2020)	2019-2020 (2018-2019)	2018-2019 (2017-2018)	2017-2018 (2016-2017)
\$ 585,601 210,376	\$ 480,223 291,110	\$ 482,750 382,358	\$ 580,616 368,976	\$ 612,124 309,152
(115,937) 1,674,818	- 760,916	(2,597,490) 612,806	- (844,549)	(2,273,189) 1,126,321
(441,218)	(429,062)	(455,699)	(411,713)	(155,812)
1,913,640	1,103,187	(1,575,275)	(306,670)	(381,404)
9,153,067	8,049,880	9,625,155	9,931,825	10,313,229
<u>\$ 11,066,707</u>	<u>\$ 9,153,067</u>	<u>\$ 8,049,880</u>	<u>\$ 9,625,155</u>	<u>\$ 9,931,825</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 11,066,707</u>	<u>\$ 9,153,067</u>	<u>\$ 8,049,880</u>	<u>\$ 9,625,155</u>	<u>\$ 9,931,825</u>
0.00%	0.00%	0.00%	0.00%	0.00%
\$ 50,035,257	\$ 50,086,352	\$ 48,357,183	\$ 48,357,183	\$ 44,717,801
22.12%	18.27%	16.65%	19.90%	22.21%

**City of Flagstaff, Arizona**  
**Required Supplementary Information**  
**Schedule of the City's Pension/OPEB\* Contributions**  
**June 30, 2025**

	Reporting Fiscal Year			
	2024-2025	2023-2024	2022-2023	2021-2022
<b>Arizona State Retirement System</b>				
Statutorily required contributions	\$ 5,449,902	\$ 4,819,605	\$ 4,384,073	\$ 4,196,842
Contributions in relation to the statutorily required contribution	5,449,902	4,819,605	4,384,073	4,196,842
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 45,227,401</u>	<u>\$ 39,574,231</u>	<u>\$ 36,779,135</u>	<u>\$ 34,944,558</u>
Contributions as a percentage of covered payroll	12.05%	12.18%	11.92%	12.01%
<b>Elected Officials Retirement Plan</b>				
Statutorily required contributions	\$ 175,920	\$ 189,898	\$ 148,865	\$ 98,572
Contributions in relation to the statutorily required contribution	175,920	189,898	148,865	98,572
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 333,689</u>	<u>\$ 288,482</u>	<u>\$ 249,693</u>	<u>\$ 190,640</u>
Contributions as a percentage of covered payroll	52.72%	65.83%	59.62%	51.71%
<b>PSPRS - Police**</b>				
Statutorily required contributions	\$ 622,813	\$ 518,819	\$ 431,360	\$ 555,741
Contributions in relation to the statutorily required contribution	843,421	3,718,819	440,717	731,520
Contribution deficiency (excess)	<u>\$ (220,608)</u>	<u>\$ (3,200,000)</u>	<u>\$ (9,357)</u>	<u>\$ (175,779)</u>
Covered payroll	<u>\$ 5,413,490</u>	<u>\$ 4,974,832</u>	<u>\$ 5,305,714</u>	<u>\$ 5,210,182</u>
Contributions as a percentage of covered payroll	15.58%	74.75%	8.31%	14.04%
<b>PSPRS - Fire**</b>				
Statutorily required contributions	\$ 897,822	\$ 1,043,249	\$ 627,231	\$ 880,217
Contributions in relation to the statutorily required contribution	1,662,810	1,043,249	707,847	1,495,998
Contribution deficiency (excess)	<u>\$ (764,988)</u>	<u>\$ -</u>	<u>\$ (80,616)</u>	<u>\$ (615,781)</u>
Covered payroll	<u>\$ 7,366,177</u>	<u>\$ 6,636,975</u>	<u>\$ 6,277,670</u>	<u>\$ 6,109,308</u>
Contributions as a percentage of covered payroll	22.57%	15.72%	11.28%	24.49%

\* 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.

2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016
\$ 3,845,197	\$ 3,795,108	\$ 3,627,657	\$ 3,478,329	\$ 3,357,591	\$ 3,168,876
<u>3,845,197</u>	<u>3,795,108</u>	<u>3,627,657</u>	<u>3,478,329</u>	<u>3,357,591</u>	<u>3,168,876</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 33,005,980</u>	<u>\$ 33,145,052</u>	<u>\$ 32,447,746</u>	<u>\$ 31,911,275</u>	<u>\$ 30,673,166</u>	<u>\$ 28,842,056</u>
11.65%	11.45%	11.18%	10.90%	10.95%	10.99%
\$ 101,660	\$ 100,679	\$ 98,293	\$ 39,638	\$ 40,588	\$ 39,815
<u>101,660</u>	<u>100,679</u>	<u>98,293</u>	<u>39,638</u>	<u>40,588</u>	<u>39,815</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 183,403</u>	<u>\$ 187,000</u>	<u>\$ 184,269</u>	<u>\$ 180,000</u>	<u>\$ 194,354</u>	<u>\$ 189,999</u>
55.43%	53.84%	53.34%	22.02%	20.88%	20.96%
\$ 1,074,231	\$ 3,434,035	\$ 3,441,524	\$ 3,229,323	\$ 3,275,134	\$ 3,401,213
<u>56,134,692</u>	<u>6,331,039</u>	<u>3,441,524</u>	<u>3,124,679</u>	<u>3,657,762</u>	<u>3,441,521</u>
<u>\$ (55,060,461)</u>	<u>\$ (2,897,004)</u>	<u>\$ -</u>	<u>\$ 104,644</u>	<u>\$ (382,628)</u>	<u>\$ (40,308)</u>
<u>\$ 4,584,510</u>	<u>\$ 5,527,309</u>	<u>\$ 5,875,114</u>	<u>\$ 6,555,225</u>	<u>\$ 7,155,954</u>	<u>\$ 7,318,199</u>
1224.44%	114.54%	58.58%	47.67%	51.11%	47.03%
\$ 1,505,870	\$ 5,183,976	\$ 5,315,168	\$ 4,589,139	\$ 4,239,954	\$ 3,952,628
<u>63,705,770</u>	<u>6,910,825</u>	<u>5,315,168</u>	<u>4,041,886</u>	<u>4,239,954</u>	<u>3,952,628</u>
<u>\$ (62,199,900)</u>	<u>\$ (1,726,849)</u>	<u>\$ -</u>	<u>\$ 547,253</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 5,646,127</u>	<u>\$ 5,239,842</u>	<u>\$ 5,299,696</u>	<u>\$ 5,683,984</u>	<u>\$ 5,650,572</u>	<u>\$ 5,491,792</u>
1128.31%	131.89%	100.29%	71.11%	75.04%	71.97%

**City of Flagstaff, Arizona**  
**Notes to the Required Supplementary Information**  
**June 30, 2025**

**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, 2023
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Any positive UAAL (assets less than liabilities) is amortized using a layered approach beginning with the June 30, 2020 valuation, with new amounts determined according to a Level Dollar method over a closed period of 15 years (phased into from current period of at most 30 years). Initial layer from June 30, 2019 valuation continues to be amortized according to a Level Percentage of Payroll method.
Asset valuation method	7-year smoothed market; 20% corridor around market value
Actuarial assumptions:	
Investment rate of return	In the 2023 actuarial valuation, the investment rate of return was 7.2%.
Projected salary increases	Experience-based table of rates that is specific to the type of eligibility condition. These rates are based on a 2022 experience study using actual plan experience.
Wage growth	In the 2023 actuarial valuation, wage growth was 2.0%
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 1.85% for this valuation.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. These rates are based on a 2022 experience study using actual plan experience.
Mortality	In the 2023 actuarial valuation, changed to PubS-2010 mortality table with 85% of MP-2021 fully generational projection scales.

**II. Information Prior to Measurement Date**

Information prior to the measurement date (June 30, 2017) for OPEB is not available. Information for subsequent years will be presented, when it is available to present ten years of information.

**III. Trust OPEB Assets**

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.

## **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, 2025**

	Special Revenue Funds				
	Housing & Community Services Fund	COVID Relief Fund	Library Fund	BBB Fund	Parking District Fund
<b>Assets</b>					
Cash and investments	\$ 3,151,633	\$ 593,422	\$ 2,047,920	\$ 25,478,963	\$ 3,197,567
Accounts receivable, net	95,337	-	415,780	1,501,005	1,380
Interest receivable	5,075	-	14,747	89,771	10,799
Intergovernmental receivable	96,673	-	2,376	8,125	-
Notes receivable	234,800	-	-	-	-
Lease receivable	-	-	-	358,385	-
Prepaid items	-	-	-	36,669	-
Inventory	-	-	-	193,379	-
Restricted cash and investments	-	-	4,189,665	219,475	-
Total assets	<u>\$ 3,583,518</u>	<u>\$ 593,422</u>	<u>\$ 6,670,488</u>	<u>\$ 27,885,772</u>	<u>\$ 3,209,746</u>
<b>Liabilities, Deferred Inflows and Fund Balance</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 65,708	\$ 237,061	\$ 172,584	\$ 712,875	\$ 59,812
Accrued payroll	2,032	-	86,078	50,053	8,389
Interest payable	-	-	148	-	-
Construction retainage payable	-	-	-	55,225	-
Advanced revenue	-	356,361	16,652	-	-
Total liabilities	<u>67,740</u>	<u>593,422</u>	<u>275,462</u>	<u>818,153</u>	<u>68,201</u>
<b>Deferred inflows of resources:</b>					
Unavailable revenue - notes receivable	234,800	-	-	-	-
Unavailable revenue - other revenue	69,743	-	-	-	-
Deferred inflows - leases	-	-	-	346,608	-
Total deferred inflows of resources	<u>304,543</u>	<u>-</u>	<u>-</u>	<u>346,608</u>	<u>-</u>
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Perpetual care	-	-	-	-	-
Prepays	-	-	-	36,669	-
Inventory	-	-	-	193,379	-
<b>Restricted for:</b>					
Notes receivable	234,800	-	-	-	-
Library branch services	-	-	967,227	-	-
Library programs board directed	-	-	2,973,966	-	-
Debt service	-	-	-	-	-
Public art	-	-	-	1,574,617	-
Economic development	-	-	-	1,175,043	-
Tourism	-	-	-	3,238,952	-
Park maintenance and operations	-	-	-	7,959,555	-
Other capital projects	1,975,872	-	-	12,542,796	-
Perpetual care	-	-	-	-	-
<b>Assigned to:</b>					
Parking district	-	-	-	-	3,141,545
Library services	-	-	2,453,833	-	-
Water resource and infrastructure protection	-	-	-	-	-
Housing development	1,000,563	-	-	-	-
<b>Unassigned (deficit):</b>					
Total fund balance	<u>3,211,235</u>	<u>-</u>	<u>6,395,026</u>	<u>26,721,011</u>	<u>3,141,545</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,583,518</u>	<u>\$ 593,422</u>	<u>\$ 6,670,488</u>	<u>\$ 27,885,772</u>	<u>\$ 3,209,746</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	
\$ 1,504,926	\$ -	\$ 834,301	\$ -	\$ 4,473,994	\$ 88,447	\$ 41,371,173
159,988	-	-	-	-	500	2,173,990
5,752	-	20,531	4,303	6,355	1,578	158,911
273,014	-	-	-	2,563,244	-	2,943,432
-	-	-	-	-	-	234,800
-	-	-	-	-	-	358,385
-	-	-	-	-	-	36,669
-	-	-	-	-	-	193,379
-	-	7,535,375	16,274,559	24,123,516	379,203	52,721,793
<u>\$ 1,943,680</u>	<u>\$ -</u>	<u>\$ 8,390,207</u>	<u>\$ 16,278,862</u>	<u>\$ 31,167,109</u>	<u>\$ 469,728</u>	<u>\$ 100,192,532</u>
\$ 60,223	\$ -	\$ -	\$ -	\$ 3,006,065	\$ -	\$ 4,314,328
14,859	-	-	-	542	-	161,953
-	-	-	-	-	-	148
-	-	-	-	598,259	-	653,484
-	-	-	-	-	-	373,013
<u>75,082</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,604,866</u>	<u>-</u>	<u>5,502,926</u>
-	-	-	-	-	-	234,800
-	-	-	-	-	-	69,743
-	-	-	-	-	-	346,608
-	-	-	-	-	-	651,151
-	-	-	-	-	379,203	379,203
-	-	-	-	-	-	36,669
-	-	-	-	-	-	193,379
-	-	-	-	-	-	234,800
-	-	-	-	-	-	967,227
-	-	-	-	-	-	2,973,966
-	-	8,390,207	16,278,862	-	-	24,669,069
-	-	-	-	-	-	1,574,617
-	-	-	-	-	-	1,175,043
-	-	-	-	-	-	3,238,952
-	-	-	-	-	-	7,959,555
-	-	-	-	27,562,243	-	42,080,911
-	-	-	-	-	90,525	90,525
-	-	-	-	-	-	3,141,545
-	-	-	-	-	-	2,453,833
1,868,598	-	-	-	-	-	1,868,598
-	-	-	-	-	-	1,000,563
-	-	-	-	-	-	-
<u>1,868,598</u>	<u>-</u>	<u>8,390,207</u>	<u>16,278,862</u>	<u>27,562,243</u>	<u>469,728</u>	<u>94,038,455</u>
<u>\$ 1,943,680</u>	<u>\$ -</u>	<u>\$ 8,390,207</u>	<u>\$ 16,278,862</u>	<u>\$ 31,167,109</u>	<u>\$ 469,728</u>	<u>\$ 100,192,532</u>

**City of Flagstaff, Arizona**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2025**

	Special Revenue Funds				
	Housing & Community Services Fund	COVID Relief Fund	Library Fund	BBB Fund	Parking District Fund
<b>Revenues:</b>					
Taxes	\$ -	\$ -	\$ -	\$ 12,488,853	\$ -
Intergovernmental	-	-	4,994,444	1,893	-
Grants and entitlements	1,374,270	1,410,061	32,713	85,920	-
Charges for services	-	-	-	165,005	1,230,255
Licenses and permits	-	-	-	1,820	-
Rents	15,150	-	-	483,664	-
Investment earnings	65,277	-	176,762	968,118	108,310
Contributions	42,461	-	43,824	-	248,472
Miscellaneous	247,473	-	72,224	4,529	441
Total revenues	<u>1,744,631</u>	<u>1,410,061</u>	<u>5,319,967</u>	<u>14,199,802</u>	<u>1,587,478</u>
<b>Expenditures:</b>					
Current:					
General government	-	1,410,061	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Economic and physical development	2,134,467	-	-	5,144,941	-
Culture and recreation	-	-	6,065,275	1,757,920	-
Highways and streets	-	-	-	378,176	703,381
Debt service:					
Principal retirement	-	-	128,825	190,863	199,570
Interest and other charges	-	-	2,056	63,356	10,253
Capital outlay	342,353	-	518,267	2,499,722	135,329
Total expenditures	<u>2,476,820</u>	<u>1,410,061</u>	<u>6,714,423</u>	<u>10,034,978</u>	<u>1,048,533</u>
Excess (deficiency) of revenues over expenditures	<u>(732,189)</u>	<u>-</u>	<u>(1,394,456)</u>	<u>4,164,824</u>	<u>538,945</u>
<b>Other Financing Sources (Uses):</b>					
Loan issuance	-	-	-	-	-
Lease financing	-	-	518,267	-	-
Subscription financing	-	-	-	-	135,329
Transfers in	1,600,000	-	2,009,414	278,286	-
Transfers out	-	-	(24,192)	(3,523,019)	-
Total other financing sources (uses)	<u>1,600,000</u>	<u>-</u>	<u>2,503,489</u>	<u>(3,244,733)</u>	<u>135,329</u>
Net change in fund balance	<u>867,811</u>	<u>-</u>	<u>1,109,033</u>	<u>920,091</u>	<u>674,274</u>
Fund balances, beginning of year	<u>2,343,424</u>	<u>-</u>	<u>5,285,993</u>	<u>25,800,920</u>	<u>2,467,271</u>
Fund balance, end of year	<u>\$ 3,211,235</u>	<u>\$ -</u>	<u>\$ 6,395,026</u>	<u>\$ 26,721,011</u>	<u>\$ 3,141,545</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	
\$ -	\$ -	\$ 9,021,441	\$ -	\$ -	\$ -	\$ 21,510,294
10,000	-	-	-	-	-	5,006,337
529,792	-	-	-	3,195,051	-	6,627,807
1,211,825	-	-	-	-	-	2,607,085
-	-	-	-	-	-	1,820
-	-	-	-	-	-	498,814
61,815	47,587	110,521	806,471	1,616,730	17,336	3,978,927
-	-	-	-	-	12,340	347,097
920	5,774	-	-	-	-	331,361
<u>1,814,352</u>	<u>53,361</u>	<u>9,131,962</u>	<u>806,471</u>	<u>4,811,781</u>	<u>29,676</u>	<u>40,909,542</u>
-	-	-	-	28,124	-	1,438,185
1,412,554	-	-	-	49,462	-	1,462,016
-	-	-	-	60,547	-	60,547
-	-	-	-	101,423	-	7,380,831
-	-	-	-	26,175	-	7,849,370
-	-	-	-	-	-	1,081,557
-	13,584,218	-	5,935,000	-	-	20,038,476
-	1,900,592	-	2,769,054	-	-	4,745,311
31,404	-	-	-	16,731,070	-	20,258,145
<u>1,443,958</u>	<u>15,484,810</u>	<u>-</u>	<u>8,704,054</u>	<u>16,996,801</u>	<u>-</u>	<u>64,314,438</u>
-	-	-	-	-	-	-
<u>370,394</u>	<u>(15,431,449)</u>	<u>9,131,962</u>	<u>(7,897,583)</u>	<u>(12,185,020)</u>	<u>29,676</u>	<u>(23,404,896)</u>
-	-	-	-	450,147	-	450,147
-	-	-	-	-	-	518,267
-	-	-	-	-	-	135,329
-	11,817,522	-	8,642,536	7,158,190	-	31,505,948
(172,851)	-	(11,817,522)	-	-	-	(15,537,584)
<u>(172,851)</u>	<u>11,817,522</u>	<u>(11,817,522)</u>	<u>8,642,536</u>	<u>7,608,337</u>	<u>-</u>	<u>17,072,107</u>
<u>197,543</u>	<u>(3,613,927)</u>	<u>(2,685,560)</u>	<u>744,953</u>	<u>(4,576,683)</u>	<u>29,676</u>	<u>(6,332,789)</u>
<u>1,671,055</u>	<u>3,613,927</u>	<u>11,075,767</u>	<u>15,533,909</u>	<u>32,138,926</u>	<u>440,052</u>	<u>100,371,244</u>
<u>\$ 1,868,598</u>	<u>\$ -</u>	<u>\$ 8,390,207</u>	<u>\$ 16,278,862</u>	<u>\$ 27,562,243</u>	<u>\$ 469,728</u>	<u>\$ 94,038,455</u>



## Other Supplementary Information

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	<u>Page</u>
Budgetary Comparison Schedules - Governmental Funds	
Housing and Community Services Fund	118
COVID Relief Fund	119
Library Fund	120
BBB Fund	121
Parking District Fund	122
Water Resource & Infrastructure Protection Fund	123
General Obligation Bond Fund	124
Secondary Property Tax Revenue Fund	125
Pension Bond Fund	126
Capital Project Bond Construction Fund	127
Financial Data Submission Schedules	
Net Position Accounts	128
Revenue, Expenses, and Changes in Fund Net Position Accounts	132
Revenue, Expenses, and Changes in Fund Net Position Accounts- Public Housing-Consolidated	138

**City of Flagstaff, Arizona**  
**Housing & Community Service Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2025**

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Grants and entitlements	\$ 2,484,946	\$ 2,484,946	\$ 1,374,270	\$ (1,110,676)
Rent	-	-	15,150	15,150
Contributions	-	-	42,461	42,461
Investment earnings	28,914	28,914	65,277	36,363
Miscellaneous	-	-	247,473	247,473
Total revenues	<u>2,513,860</u>	<u>2,513,860</u>	<u>1,744,631</u>	<u>(769,229)</u>
<b>Expenditures:</b>				
Current:				
Community development	5,853,536	5,853,536	2,476,820	3,376,716
Total expenditures	<u>5,853,536</u>	<u>5,853,536</u>	<u>2,476,820</u>	<u>3,376,716</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,339,676)</u>	<u>(3,339,676)</u>	<u>(732,189)</u>	<u>2,607,487</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,600,000	1,600,000	1,600,000	-
Total other financing sources (uses)	<u>1,600,000</u>	<u>1,600,000</u>	<u>1,600,000</u>	<u>-</u>
Net change in fund balances	<u>(1,739,676)</u>	<u>(1,739,676)</u>	<u>867,811</u>	<u>2,607,487</u>
Fund balances, beginning of year	<u>1,903,727</u>	<u>1,903,727</u>	<u>2,343,424</u>	<u>439,697</u>
Fund balances, end of year	<u>\$ 164,051</u>	<u>\$ 164,051</u>	<u>\$ 3,211,235</u>	<u>\$ 3,047,184</u>

**City of Flagstaff, Arizona**  
**COVID Relief Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2025**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Grants and entitlements	\$ 2,091,210	\$ 2,091,210	\$ 1,410,061	\$ (681,149)
Total revenues	<u>2,091,210</u>	<u>2,091,210</u>	<u>1,410,061</u>	<u>(681,149)</u>
<b>Expenditures:</b>				
Current:				
Non-departmental	2,091,210	2,091,210	1,410,061	681,149
Total expenditures	<u>2,091,210</u>	<u>2,091,210</u>	<u>1,410,061</u>	<u>681,149</u>
Excess (deficiency) of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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**  
**Library Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2025**

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Intergovernmental	\$ 4,484,037	\$ 4,484,037	\$ 4,994,444	\$ 510,407
Grants and entitlements	50,000	50,000	32,713	(17,287)
Investment earnings	34,299	34,299	176,762	142,463
Contributions	-	-	43,824	43,824
Miscellaneous	26,843	26,843	72,224	45,381
Total revenues	<u>4,595,179</u>	<u>4,595,179</u>	<u>5,319,967</u>	<u>724,788</u>
<b>Expenditures:</b>				
Current:				
Economic vitality	9,051,071	9,051,071	6,196,007	2,855,064
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>9,151,071</u>	<u>9,151,071</u>	<u>6,196,007</u>	<u>2,955,064</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,555,892)</u>	<u>(4,555,892)</u>	<u>(876,040)</u>	<u>3,679,852</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	3,016,491	3,016,491	2,009,414	(1,007,077)
Transfers out	(24,192)	(24,192)	(24,192)	-
Total other financing sources (uses)	<u>2,992,299</u>	<u>2,992,299</u>	<u>1,985,222</u>	<u>(1,007,077)</u>
Net change in fund balances	<u>(1,563,593)</u>	<u>(1,563,593)</u>	<u>1,109,182</u>	<u>2,672,775</u>
Fund balances, beginning of year	<u>4,389,043</u>	<u>4,389,043</u>	<u>5,285,993</u>	<u>896,950</u>
Fund balances, end of year	<u>\$ 2,825,450</u>	<u>\$ 2,825,450</u>	<u>\$ 6,395,175</u>	<u>\$ 3,569,725</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 1,109,182	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			518,267	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			(518,416)	
Adjusted net change in fund balance - GAAP basis			<u>\$ 1,109,033</u>	

**City of Flagstaff, Arizona**  
**BBB Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2025**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 12,490,300	\$ 12,490,300	\$ 12,565,682	\$ 75,382
Grants and entitlements	350,000	350,000	87,813	(262,187)
Charges for services	128,369	128,369	165,005	36,636
Licenses and permits	-	-	1,820	1,820
Rents	429,280	429,280	483,866	54,586
Investment earnings	395,298	395,298	961,483	566,185
Contributions	-	-	-	-
Miscellaneous	-	-	4,529	4,529
Total revenues	<u>13,793,247</u>	<u>13,793,247</u>	<u>14,270,198</u>	<u>476,951</u>
<b>Expenditures:</b>				
Current:				
Economic vitality	13,723,168	13,723,168	8,895,074	4,828,094
Parks, recreation, open space and events	2,520,400	2,520,400	1,139,904	1,380,496
Contingency	240,000	240,000	-	240,000
Total expenditures	<u>16,483,568</u>	<u>16,483,568</u>	<u>10,034,978</u>	<u>6,448,590</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,690,321)</u>	<u>(2,690,321)</u>	<u>4,235,220</u>	<u>6,925,541</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	278,286	278,286	278,286	-
Transfers out	(3,879,279)	(3,879,279)	(3,523,019)	356,260
Total other financing sources (uses)	<u>(3,600,993)</u>	<u>(3,600,993)</u>	<u>(3,244,733)</u>	<u>356,260</u>
Net change in fund balances	<u>(6,291,314)</u>	<u>(6,291,314)</u>	<u>990,487</u>	<u>7,281,801</u>
Fund balances, beginning of year	<u>20,755,314</u>	<u>20,755,314</u>	<u>24,594,767</u>	<u>3,839,453</u>
Fund balances, end of year	<u>\$ 14,464,000</u>	<u>\$ 14,464,000</u>	<u>\$ 25,585,254</u>	<u>\$ 11,121,254</u>
Adjustment from budgetary basis to GAAP basis net change in fund balances			\$ 990,487	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			<u>(70,396)</u>	
Adjusted net change in fund balance - GAAP basis			<u>\$ 920,091</u>	

**City of Flagstaff, Arizona**  
**Parking District Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2025**

	<u>Budget</u>		Actual Amounts Budgetary Basis	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Charges for service	\$ 1,268,023	\$ 1,268,023	\$ 1,230,255	\$ (37,768)
Investment earnings	45,500	45,500	108,300	62,800
Miscellaneous	-	-	248,913	248,913
Total revenues	<u>1,313,523</u>	<u>1,313,523</u>	<u>1,587,468</u>	<u>273,945</u>
<b>Expenditures:</b>				
Current:				
Economic vitality	2,355,046	2,355,046	912,934	1,442,112
Contingency	30,000	30,000	-	30,000
Total expenditures	<u>2,385,046</u>	<u>2,385,046</u>	<u>912,934</u>	<u>1,472,112</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,071,523)</u>	<u>(1,071,523)</u>	<u>674,534</u>	<u>1,746,057</u>
Net change in fund balances	<u>(1,071,523)</u>	<u>(1,071,523)</u>	<u>674,534</u>	<u>1,746,057</u>
Fund balances, beginning of year	<u>2,272,752</u>	<u>2,272,752</u>	<u>2,467,003</u>	<u>194,251</u>
Fund balances, end of year	<u><u>\$ 1,201,229</u></u>	<u><u>\$ 1,201,229</u></u>	<u><u>\$ 3,141,537</u></u>	<u><u>\$ 1,940,308</u></u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 674,534	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			135,339	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			(135,599)	
Adjusted net change in fund balance - GAAP basis			<u><u>\$ 674,274</u></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, 2025**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Grants and entitlements	\$ 3,077,200	\$ 3,077,200	\$ 529,792	\$ (2,547,408)
Charges for services	1,263,658	1,263,658	1,222,945	(40,713)
Investment earnings	32,139	32,139	61,815	29,676
Miscellaneous	-	-	920	\$ 920
Total revenues	4,372,997	4,372,997	1,815,472	(2,557,525)
<b>Expenditures:</b>				
Current:				
Fire	4,143,641	4,143,641	1,443,958	2,699,683
Total expenditures	4,143,641	4,143,641	1,443,958	2,699,683
Excess (deficiency) of revenues over (under) expenditures	229,356	229,356	371,514	142,158
<b>Other Financing Sources (Uses):</b>				
Transfers out	(174,106)	(174,106)	(172,851)	1,255
Total other financing sources (uses)	(174,106)	(174,106)	(172,851)	1,255
Net change in fund balances	55,250	55,250	198,663	143,413
Fund balances, beginning of year	1,606,960	1,606,960	1,580,725	(26,235)
Fund balances, end of year	\$ 1,662,210	\$ 1,662,210	\$ 1,779,388	\$ 117,178
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 198,663	
The City budgets for certain revenues on the cash basis, rather than on the modified accrual basis			(1,120)	
Adjusted net change in fund balance - GAAP basis			\$ 197,543	

City of Flagstaff, Arizona  
General Obligation Bond Fund  
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual  
Year Ended June 30, 2025

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Investment earnings	\$ -	\$ -	\$ 47,587	\$ 47,587
Miscellaneous	-	-	5,774	5,774
Total revenues	<u>-</u>	<u>-</u>	<u>53,361</u>	<u>53,361</u>
<b>Expenditures:</b>				
Current:				
Non-departmental	11,085,460	11,085,460	15,484,810	(4,399,350)
Total expenditures	<u>11,085,460</u>	<u>11,085,460</u>	<u>15,484,810</u>	<u>(4,399,350)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(11,085,460)</u>	<u>(11,085,460)</u>	<u>(15,431,449)</u>	<u>(4,345,989)</u>
<b>Other Financing Sources (Uses):</b>				
Refunding bonds issued	-	-	-	-
Bond premium	-	-	-	-
Transfers in	11,085,460	11,085,460	11,817,522	732,062
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>11,085,460</u>	<u>11,085,460</u>	<u>11,817,522</u>	<u>732,062</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(3,613,927)</u>	<u>(3,613,927)</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>3,613,927</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,613,927)</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, 2025**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 9,091,154	\$ 9,091,154	\$ 9,021,441	\$ (69,713)
Investment earnings	109,000	109,000	110,521	1,521
Total revenues	9,200,154	9,200,154	9,131,962	(68,192)
<b>Expenditures:</b>				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	9,200,154	9,200,154	9,131,962	(68,192)
<b>Other Financing Sources (Uses):</b>				
Transfers out	(11,085,460)	(11,085,460)	(11,817,522)	(732,062)
Total other financing sources (uses)	(11,085,460)	(11,085,460)	(11,817,522)	(732,062)
Net change in fund balances	(1,885,306)	(1,885,306)	(2,685,560)	(800,254)
Fund balances, beginning of year	10,921,592	10,921,592	11,075,767	154,175
Fund balances, end of year	\$ 9,036,286	\$ 9,036,286	\$ 8,390,207	\$ (646,079)

**City of Flagstaff, Arizona**  
**Pension Bond Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2025**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Investment earnings	\$ 156,000	\$ 156,000	\$ 806,471	\$ 650,471
Total revenues	156,000	156,000	806,471	650,471
<b>Expenditures:</b>				
Current:				
Non-departmental	8,705,303	8,705,303	8,704,054	1,249
Total expenditures	8,705,303	8,705,303	8,704,054	1,249
Excess (deficiency) of revenues over (under) expenditures	(8,549,303)	(8,549,303)	(7,897,583)	651,720
<b>Other Financing Sources (Uses):</b>				
Transfers in	8,705,303	8,705,303	8,642,536	(62,767)
Total other financing sources (uses)	8,705,303	8,705,303	8,642,536	(62,767)
Net change in fund balances	156,000	156,000	744,953	588,953
Fund balances, beginning of year	15,560,390	15,560,390	15,533,909	(26,481)
Fund balances, end of year	\$ 15,716,390	\$ 15,716,390	\$ 16,278,862	\$ 562,472

**City of Flagstaff, Arizona**  
**Capital Projects Bond Construction**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**Year Ended June 30, 2025**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
<b>Revenues:</b>				
Grants and entitlements	\$ 12,960,672	\$ 12,960,672	\$ 3,195,051	\$ (9,765,621)
Investment earnings	19,000	19,000	1,616,730	1,597,730
Contributions	1,552,114	1,552,114	-	(1,552,114)
Total revenues	14,531,786	14,531,786	4,811,781	(9,720,005)
<b>Expenditures:</b>				
Current:				
Community development	11,005,555	11,005,555	101,344	10,904,211
Fire	2,295,000	2,295,000	-	2,295,000
Water services	32,473,867	32,473,867	15,588,271	16,885,596
Non-departmental	20,643,534	20,643,534	1,307,186	19,336,348
Total expenditures	66,417,956	66,417,956	16,996,801	49,421,155
Excess (deficiency) of revenues over (under) expenditures	(51,886,170)	(51,886,170)	(12,185,020)	39,701,150
<b>Other Financing Sources (Uses):</b>				
Bond issuance	32,832,035	32,832,035	450,147	(32,381,888)
Sale of capital assets	2,000,000	2,000,000	-	(2,000,000)
Transfers in	13,044,840	13,044,840	7,158,190	(5,886,650)
Total other financing sources (uses)	47,876,875	47,876,875	7,608,337	(40,268,538)
Net change in fund balances	(4,009,295)	(4,009,295)	(4,576,683)	(567,388)
Fund balances, beginning of year	4,009,295	4,009,295	32,138,926	28,129,631
Fund balances, end of year	\$ -	\$ -	\$ 27,562,243	\$ 27,562,243

**City of Flagstaff, Arizona**  
**Financial Data Submission Summary**  
**Net Position Accounts**  
**Year Ended June 30, 2025**

	Public Housing 14.850 & 14.872	Businesss Activities	14.879 Mainstream Vouchers	Housing Choice Vouchers 14.871	Emergency Housing Voucher 14.EHV
<b>Assets:</b>					
<b>Current Assets:</b>					
<b>Cash:</b>					
Cash - Unrestricted	\$ 2,009,870	\$ 55,302	\$ 14,762	\$ 229,360	\$ (2,661)
Cash - Other Restricted	-	-	65,450	-	107,272
Cash - Tenant Security Deposits	72,027	-	-	-	-
Cash - Restricted - Payment of Current Liabilities	-	-	-	-	-
<b>Total Cash</b>	<b>2,081,897</b>	<b>55,302</b>	<b>80,212</b>	<b>229,360</b>	<b>104,611</b>
<b>Accounts Receivables:</b>					
Accounts Receivable - PHA Projects	-	-	-	43,969	-
Accounts Receivable - HUD Other Projects	-	-	-	108,054	-
Accounts Receivable - Other Government	-	-	-	-	-
Accounts Receivable - Miscellaneous	-	-	-	-	-
Accounts Receivable - Tenants	53,038	-	-	-	-
Allowance for Doubtful Accounts - Tenants	(44,421)	-	-	-	-
Allowance for Doubtful Accounts - Other	-	-	-	-	-
Fraud Recovery	-	-	-	29,016	-
Allowance for Doubtful Accounts - Fraud	-	-	-	(11,591)	-
Accrued Interest Receivable	-	-	-	-	-
<b>Total Receivables, Net of Allowances for Doubtful Accts</b>	<b>8,617</b>	<b>-</b>	<b>-</b>	<b>169,448</b>	<b>-</b>
<b>Current investments</b>					
Investments - Unrestricted	-	-	-	-	-
Investments - Restricted	-	-	-	-	-
Investments - Restricted for Payment of Current Liability	-	-	-	-	-
Prepaid Expenses and Other Assets	90,855	-	-	6,111	-
Inventories	-	-	-	-	-
Allowance for Obsolete Inventories	-	-	-	-	-
Inter Program Due From	-	-	-	-	-
Assets Held for Sale	-	-	-	-	-
<b>Total Current Assets</b>	<b>2,181,369</b>	<b>55,302</b>	<b>80,212</b>	<b>404,919</b>	<b>104,611</b>
<b>Noncurrent Assets:</b>					
<b>Capital Assets:</b>					
Land	921,950	-	-	-	-
Buildings	11,913,217	-	-	-	-
Furniture, Equipment & Machinery - Dwellings	1,008,349	-	-	-	-
Furniture, Equipment & Machinery - Administration	511,526	-	-	-	-
Leasehold Improvements	-	-	-	-	-
Accumulated Depreciation	(11,084,844)	-	-	-	-
Construction in Progress	1,034,307	-	-	-	-
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>4,304,505</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Grants Receivable - Non Current	-	-	-	-	-
Other Assets	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>4,304,505</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Deferred Outflow of Resources	211,414	26,327	-	64,334	-
<b>Total Assets and Deferred Outflow of Resources</b>	<b>\$ 6,697,288</b>	<b>\$ 81,629</b>	<b>\$ 80,212</b>	<b>\$ 469,253</b>	<b>\$ 104,611</b>

Moderate Rehabilitation 14.856	Subtotal	Elimination	Total
\$ 6,749	\$ 2,313,382	\$ -	\$ 2,313,382
-	172,722	-	172,722
-	72,027	-	72,027
-	-	-	-
6,749	2,558,131	-	2,558,131
-	43,969	-	43,969
-	108,054	-	108,054
-	-	-	-
-	-	-	-
-	53,038	-	53,038
-	(44,421)	-	(44,421)
-	-	-	-
-	29,016	-	29,016
-	(11,591)	-	(11,591)
-	-	-	-
-	178,065	-	178,065
-	-	-	-
-	-	-	-
-	-	-	-
-	96,966	-	96,966
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
6,749	2,833,162	-	2,833,162
-	921,950	-	921,950
-	11,913,217	-	11,913,217
-	1,008,349	-	1,008,349
-	511,526	-	511,526
-	-	-	-
-	(11,084,844)	-	(11,084,844)
-	1,034,307	-	1,034,307
-	4,304,505	-	4,304,505
-	-	-	-
-	-	-	-
-	4,304,505	-	4,304,505
-	302,075	-	302,075
\$ 6,749	\$ 7,439,742	\$ -	\$ 7,439,742

(continued)

**City of Flagstaff, Arizona**  
**Financial Data Submission Summary**  
**Net Position Accounts**  
**Year Ended June 30, 2025**

	Public Housing 14.850 & 14.872	Businesss Activities	14.879 Mainstream Vouchers	Housing Choice Vouchers 14.871	Emergency Housing Voucher 14.EHV
<b>Liabilities and Net Position:</b>					
<b>Liabilities:</b>					
<b>Current Liabilities:</b>					
Bank Overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable <= 90 Days	178,165	1,610	2,940	28,226	2,581
Accounts Payable >90 Days Past Due	-	-	-	-	-
Accrued Wage/Payroll Taxes Payable	29,530	6,666	(942)	6,692	1,879
Accrued Compensated Absences - Current Portion	85,317	-	-	1,263	-
Accrued Interest Payable	-	-	-	-	-
Accounts Payable - HUD PHA Programs	-	-	-	-	-
Account Payable - PHA Projects	-	-	-	-	-
Accounts Payable - Other Government	151,777	-	-	-	-
Tenant Security Deposits	72,027	-	-	-	-
Unearned Revenue	48,794	-	-	-	-
Current Portion of L-T Debt - Capital	-	-	-	-	-
Current Portion of L-T Debt - Operating	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-
Accrued Liabilities - Other	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>565,610</b>	<b>8,276</b>	<b>1,998</b>	<b>36,181</b>	<b>4,460</b>
<b>Noncurrent Liabilities</b>					
Long-term Debt, Net of Current - Capital	-	-	-	-	-
Long-term Debt, Net of Current - Operating	-	-	-	-	-
Non-current Liabilities - Other	-	-	-	-	-
Accrued Compensated Absences - Non Current	53,451	-	-	3,790	-
Loan Liability - Non Current	-	-	-	-	-
Accrued Pension and OPEB Liabilities	1,203,616	86,871	-	353,935	-
<b>Total Non-Current Liabilities</b>	<b>1,257,067</b>	<b>86,871</b>	<b>-</b>	<b>357,725</b>	<b>-</b>
<b>Total Liabilities</b>	<b>1,822,677</b>	<b>95,147</b>	<b>1,998</b>	<b>393,906</b>	<b>4,460</b>
Deferred Inflow of Resources	125,348	10,210	-	37,734	-
<b>Net Position:</b>					
Net Investment in Capital Assets	4,304,505	-	-	-	-
Restricted Net Position	-	-	65,450	-	107,272
Unrestricted Net Position	444,758	(23,728)	12,764	37,613	(7,121)
Unreserved, Undesignated Fund Balance	-	-	-	-	-
<b>Total Equity - Net Assets / Position</b>	<b>4,749,263</b>	<b>(23,728)</b>	<b>78,214</b>	<b>37,613</b>	<b>100,151</b>
<b>Total Liabilities, Deferred Inflows of Resources and Equity/ Net Position</b>	<b>\$ 6,697,288</b>	<b>\$ 81,629</b>	<b>\$ 80,212</b>	<b>\$ 469,253</b>	<b>\$ 104,611</b>

Moderate Rehabilitation 14.856		Subtotal	Elimination	Total
\$	-	\$ -	\$ -	-
	-	213,522	-	213,522
	-	-	-	-
	-	43,825	-	43,825
	-	86,580	-	86,580
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	151,777	-	151,777
	-	72,027	-	72,027
	-	48,794	-	48,794
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	616,525	-	616,525
	-	-	-	-
	-	-	-	-
	-	-	-	-
	-	57,241	-	57,241
	-	-	-	-
	-	1,644,422	-	1,644,422
	-	1,701,663	-	1,701,663
	-	-	-	-
	-	2,318,188	-	2,318,188
	-	173,292	-	173,292
	-	4,304,505	-	4,304,505
	-	172,722	-	172,722
	6,749	471,035	-	471,035
	-	-	-	-
	6,749	4,948,262	-	4,948,262
\$	6,749	\$ 7,439,742	\$ -	\$ 7,439,742

(concluded)

**City of Flagstaff, Arizona**  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Position Accounts**  
**Year Ended June 30, 2025**

	Public Housing 14.850 & 14.872	Business Activities	14.879 Mainstream Vouchers	Housing Choice Vouchers 14.871	Emergency Housing Voucher 14.EHV
<b>Revenues:</b>					
Net Tenant Rental Revenue	\$ 1,940,374	\$ -	\$ -	\$ -	\$ -
Tenant Revenue - Other	32,368	-	-	-	-
<b>Total Tenant Revenue</b>	<b>1,972,742</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
HUD PHA Operating Grants	798,848	-	410,685	7,179,805	488,682
Capital Grants	763,766	-	-	-	-
Management Fee	-	-	-	-	-
Asset Management Fee	-	-	-	-	-
Bookkeeping Fee	-	-	-	-	-
Front Line Service Fee	-	-	-	-	-
Other Fees	-	43,926	-	-	-
<b>Total Fee Revenue</b>	<b>-</b>	<b>43,926</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other Government Grants	-	-	-	-	-
Investment Income - Unrestricted	16,246	-	-	2,541	-
Mortgage Interest Income	-	-	-	-	-
Proceeds -Disposition of Assets Held for Sale	-	-	-	-	-
Cost of Sale of Assets	-	-	-	-	-
Fraud Recovery	-	-	-	30,539	1,625
Other Revenue	-	1	2,081	393,149	2,025
Gain or Loss on Sale of Capital Assets	-	-	-	-	-
Investment Income - Restricted	-	-	-	-	-
<b>Total Revenue</b>	<b>3,551,602</b>	<b>43,927</b>	<b>412,766</b>	<b>7,606,034</b>	<b>492,332</b>
<b>Expenses:</b>					
<b>Administrative</b>					
Administrative Salaries	565,971	31,175	7,834	272,041	20,509
Auditing Fees	7,715	-	-	3,858	-
Management Fee	-	-	-	-	-
Bookkeeping Fee	-	-	-	-	-
Advertising and Marketing	1,151	-	-	187	-
Employee Benefit Contributions - Administrative	285,944	9,416	8,040	77,481	20,094
Office Expenses	77,369	14,771	1,829	31,537	2,013
Legal Expense	6,085	-	-	-	-
Travel	-	-	-	-	-
Allocated Overhead	-	-	-	-	-
Other	48,829	-	-	45,911	583
<b>Total Administrative</b>	<b>993,064</b>	<b>55,362</b>	<b>17,703</b>	<b>431,015</b>	<b>43,199</b>
<b>Tenant Services</b>					
Asset Management Fee	-	-	-	-	-
Tenant Services - Salaries	-	-	-	-	-
Relocation Costs	3,529	-	-	-	-
Employee Benefit - Tenant Services	-	-	-	-	-
Tenant Services - Other	591	-	-	-	377
<b>Total Tenant Services</b>	<b>4,120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>377</b>
<b>Utilities</b>					
Water	198,689	-	-	-	-
Electricity	23,918	-	-	-	-
Gas	110,376	-	-	-	-
Fuel	-	-	-	-	-
Labor	-	-	-	-	-
Sewer	103,789	-	-	-	-
Employee Benefit - Utilities	-	-	-	-	-
Other Utilities Expense	-	-	-	-	-
<b>Total Utilities</b>	<b>436,772</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ordinary Maintenance and Operations</b>					
Ordinary Maintenance and Operations - Labor	550,838	-	-	-	-
Ordinary Maintenance and Operations - Materials and	126,383	-	-	-	-
Ordinary Maintenance and Operations Contracts	216,268	-	-	-	-
Employee Benefit Contributions - Ordinary Maintenance	-	-	-	-	-
<b>Total Maintenance</b>	<b>893,489</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Moderate Rehabilitation 14.856	Elimination	Total
\$ -	\$ -	\$ 1,940,374
-	-	32,368
-	-	1,972,742
95,205	-	8,973,225
-	-	763,766
-	-	-
-	-	-
-	-	-
-	-	-
-	-	43,926
-	-	43,926
-	-	-
-	-	18,787
-	-	-
-	-	-
-	-	-
-	-	32,164
-	-	397,256
-	-	-
-	-	-
95,205	-	12,201,866
-	-	897,530
-	-	11,573
-	-	-
-	-	-
-	-	1,338
-	-	400,975
-	-	127,519
-	-	6,085
-	-	-
-	-	-
13,725	-	109,048
13,725	-	1,554,068
-	-	-
-	-	-
-	-	3,529
-	-	-
-	-	968
-	-	4,497
-	-	-
-	-	198,689
-	-	23,918
-	-	110,376
-	-	-
-	-	-
-	-	103,789
-	-	-
-	-	-
-	-	436,772
-	-	-
-	-	550,838
-	-	126,383
-	-	216,268
-	-	-
-	-	893,489

**City of Flagstaff, Arizona**  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Position Accounts**  
**Year Ended June 30, 2025**

	Public Housing 14.850 & 14.872	Business Activities	14.879 Mainstream Vouchers	Housing Choice Vouchers 14.871	Emergency Housing Voucher 14.EHV
Protective Services					
Protective Services - Labor	-	-	-	-	-
Protective Services - Other Contract Costs	15,000	-	-	-	-
Protective Services - Other	-	-	-	-	-
Employee Benefit - Protective Services	-	-	-	-	-
Total Protective Services	15,000	-	-	-	-
General Expense					
Property Insurance	124,085	-	-	-	-
Liability Insurance	9,755	-	-	8,773	-
Workmen's Compensation	-	-	-	-	-
All Other Insurance	12,675	457	121	8,343	142
Total insurance Premiums	146,515	457	121	17,116	142
Other General Expenses	3,226	-	1,468	5,025	-
Compensated Absences	-	-	-	-	-
Payments in Lieu of Taxes	161,112	-	-	-	-
Bad debt - Tenant Rents	27,134	-	-	-	-
Bad debt - Mortgages	-	-	-	-	-
Bad debt - Other	-	-	1,510	14,581	153
Severance Expense	-	-	-	-	-
Total General Expenses	191,472	-	2,978	19,606	153
Financial Expenses					
Interest Expense - Mortgage Payable	-	-	-	-	-
Interest on Notes Payable (Short & Long Term)	-	-	-	-	-
Amortization of Bond Issue Costs	-	-	-	-	-
Total Financial Expenses	-	-	-	-	-
Total Operating Expenses	2,680,432	55,819	20,802	467,737	43,871
Excess of Operating Revenue over Operating Expenses	871,170	(11,892)	391,964	7,138,297	448,461
Other Expenses					
Extraordinary Maintenance	-	-	-	-	-
Casualty Losses - Non-capitalized	-	-	-	-	-
Housing Assistance Payments	-	-	378,788	6,699,570	453,428
HAP Portability-In	-	-	-	346,252	-
Depreciation Expense	467,524	-	-	-	-
Fraud Losses	-	-	-	-	-
Capital Outlays - Governmental Funds	-	-	-	-	-
Debt Principal Payment - Governmental Funds	-	-	-	-	-
Dwelling Units Rent Expense	-	-	-	-	-
Total Other Expense	467,524	-	378,788	7,045,822	453,428
Total Expenses	3,147,956	55,819	399,590	7,513,559	497,299
Other Financing Sources (Uses)					
Operating Transfer In	-	-	-	-	-
Operating Transfer Out	-	-	-	-	-
Operating Transfers from/to Primary Government	-	-	-	-	-
Operating Transfers from/to Component Unit	-	-	-	-	-
Proceeds from Notes, Loans and Bonds	-	-	-	-	-
Proceeds from Property Sales	-	-	-	-	-
Extraordinary Items, Net Gain/Loss	-	-	-	-	-
Special Items (Net Gain/Loss)	-	-	-	-	-
Inter Project Excess Cash Transfer In	-	-	-	-	-
Inter Project Excess Cash Transfer Out	-	-	-	-	-
Transfers between Program and Project - In	-	-	-	-	-
Transfers between Project and Program - Out	-	-	-	-	-
Transfer of Funds	-	-	-	-	-
Transfer of Equity	-	-	-	-	-
Prior Period Adjustments	-	-	-	-	-
Total Other financing Sources (Uses)	-	-	-	-	-
Excess (Deficiency) of Total Revenue Over (Under)					
Total Expenses	403,646	(11,892)	13,176	92,475	(4,967)



City of Flagstaff, Arizona  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Position Accounts**  
**Year Ended June 30, 2025**

	Public Housing 14.850 & 14.872	Business Activities	14.879 Mainstream Vouchers	Housing Choice Vouchers 14.871	Emergency Housing Voucher 14.EHV
Beginning Net Position	4,345,617	(11,836)	65,038	(54,862)	105,118
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 - Dwell	-	-	-	-	-
Changes in Allowance for Doubtful Accounts - Other	-	-	-	-	-
Ending Net Position	<u>\$ 4,749,263</u>	<u>\$ (23,728)</u>	<u>\$ 78,214</u>	<u>\$ 37,613</u>	<u>\$ 100,151</u>
Administrative Fee Equity	\$ -	\$ -	\$ -	\$ -	\$ -
Housing Assistance Payments Equity	-	-	-	-	-
Unit Months Available	-	-	-	-	-
Number of Unit Months Leased	-	-	-	-	-
Excess Cash	-	-	-	-	-
Land Purchases	-	-	-	-	-
Building Purchases	237,295	-	-	-	-
Furniture & Equipment - Dwelling Purchases	-	-	-	-	-
Furniture & Equipment - Administrative Purchases	-	-	-	-	-
Leasehold Improvements Purchases	-	-	-	-	-
Infrastructure Purchases	-	-	-	-	-
CFFP Debt Service Payments	-	-	-	-	-
Replacement Housing Factor Funds	-	-	-	-	-

Moderate Rehabilitation	Elimination	Total
14,856	-	4,449,075
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ 6,749</u>	<u>\$ -</u>	<u>\$ 4,948,262</u>

\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	237,295
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

(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, 2025

	Operating Fund Program	Capital Fund Grants	Other Project Total
Revenues:			
Net Tenant Rental Revenue	\$ 1,940,374	\$ -	\$ 1,940,374
Tenant Revenue - Other	32,368	-	32,368
Total Tenant Revenue	<u>1,972,742</u>	<u>-</u>	<u>1,972,742</u>
HUD PHA Operating Grants	798,848	-	798,848
Capital Grants	-	763,766	763,766
Management Fee	-	-	-
Asset Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Front Line Service Fee	-	-	-
Other Fees	-	-	-
Other Government Grants	-	-	-
Investment Income - Unrestricted	16,246	-	16,246
Mortgage Interest Income	-	-	-
Fraud Recovery	-	-	-
Other Revenue	-	-	-
Gain or Loss on Sale of Capital Assets	-	-	-
Investment Income - Restricted	-	-	-
Total Revenue	<u>2,787,836</u>	<u>763,766</u>	<u>3,551,602</u>
Expenses:			
Administrative			
Administrative Salaries	565,971	-	565,971
Auditing Fees	7,715	-	7,715
Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Advertising and Marketing	1,151	-	1,151
Employee Benefit contributions - Administrative	285,944	-	285,944
Office Expenses	77,369	-	77,369
Legal Expense	6,085	-	6,085
Travel	-	-	-
Allocated Overhead	-	-	-
Other	48,829	-	48,829
Total Administrative	<u>993,064</u>	<u>-</u>	<u>993,064</u>
Tenant Services			
Tenant Services - Salaries	-	-	-
Relocation Costs	3,529	-	3,529
Employee Benefit - Tenant Services	-	-	-
Tenant Services - Other	591	-	591
Total Tenant Services	<u>4,120</u>	<u>-</u>	<u>4,120</u>
Utilities			
Water	198,689	-	198,689
Electricity	23,918	-	23,918
Gas	110,376	-	110,376
Sewer	103,789	-	103,789
Employee Benefit - Utilities	-	-	-
Other Utilities Expense	-	-	-
Total Utilities	<u>436,772</u>	<u>-</u>	<u>436,772</u>
Ordinary Maintenance and Operations			
Ordinary Maintenance and Operations - Labor	550,838	-	550,838
Ordinary Maintenance and Operations - Materials and Other	126,383	-	126,383
Ordinary Maintenance and Operations Contracts	216,268	-	216,268
Employee Benefit Contributions - Ordinary Maintenance	-	-	-
Total Maintenance	<u>893,489</u>	<u>-</u>	<u>893,489</u>
Protective Services			
Protective Services - Labor	-	-	-
Protective Services - Other Contract Costs	15,000	-	15,000
Protective Services - Other	-	-	-
Employee Benefit - Protective Services	-	-	-
Total Protective Services	<u>15,000</u>	<u>-</u>	<u>15,000</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, 2025

	Operating Fund Program	Capital Fund Grants	Other Project Total
General Expense			
Property Insurance	124,085	-	124,085
Liability Insurance	9,755	-	9,755
Workmen's Compensation	-	-	-
All Other Insurance	12,675	-	12,675
Total insurance Premiums	<u>146,515</u>	<u>-</u>	<u>146,515</u>
Other General Expenses			
Other General Expenses	3,226	-	3,226
Compensated Absences	-	-	-
Payments in Lieu of Taxes	161,112	-	161,112
Bad debt - Tenant Rents	27,134	-	27,134
Bad debt - Mortgages	-	-	-
Bad debt - Other	-	-	-
Severance Expense	-	-	-
Total Other General Expenses	<u>191,472</u>	<u>-</u>	<u>191,472</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>2,680,432</u>	<u>-</u>	<u>2,680,432</u>
Excess of Operating Revenue over Operating Expenses	<u>107,404</u>	<u>763,766</u>	<u>871,170</u>
Other Expenses			
Extraordinary Maintenance	-	-	-
Casualty Losses - Non-capitalized	-	-	-
Housing Assistance Payments	-	-	-
HAP Portability-In	-	-	-
Depreciation Expense	467,524	-	467,524
Fraud Losses	-	-	-
Total Other Expense	<u>467,524</u>	<u>-</u>	<u>467,524</u>
Total Expenses	<u>3,147,956</u>	<u>-</u>	<u>3,147,956</u>
Other Financing Sources (Uses)			
Operating Transfer In	-	-	-
Operating transfer Out	-	-	-
Operating Transfers from/to Primary Government	-	-	-
Operating Transfers from/to Component Unit	-	-	-
Proceeds from Notes, Loans and Bonds	-	-	-
Proceeds from Property Sales	-	-	-
Extraordinary Items, Net Gain/Loss	-	-	-
Special Items (Net Gain/Loss)	-	-	-
Inter Project Excess Cash Transfer In	-	-	-
Inter Project Excess Cash Transfer Out	-	-	-
Transfers between Program and Project - In	-	-	-
Transfers between Project and Program - Out	-	-	-
Transfer of Funds	-	-	-
Transfer of Equity	-	-	-
Prior Period Adjustments	-	-	-
Total Other financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Total Revenue Over (Under)			
Total Expenses	<u>(360,120)</u>	<u>763,766</u>	<u>403,646</u>
Beginning Net Position	<u>4,054,512</u>	<u>291,105</u>	<u>4,345,617</u>
Required Annual Debt Principal Payments	-	-	-
Prior Period Adjustments, Equity Transfers and Correction o	-	-	-
Changes in Compensated Absence Balance	-	-	-
Changes in Contingent Liability Balance	-	-	-
Changes in Unrecognized Pension Transition Liability	-	-	-
Changes in Special Term/Severance Benefits Liability	-	-	-
Changes in Allowance for Doubtful Accounts - Dwelling	-	-	-
Rents	-	-	-
Changes in Allowance for Doubtful Accounts - Other	-	-	-
Ending Net Position	<u>\$ 3,694,392</u>	<u>\$ 1,054,871</u>	<u>\$ 4,749,263</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, 2025**

	Operating Fund Program	Capital Fund Grants	Other Project Total
Administrative Fee Equity	\$ -	\$ -	\$ -
Housing Assistance Payments Equity	-	-	-
Unit Months Available	-	-	-
Number of Unit Months Leased	-	-	-
Excess Cash	-	-	-
Land Purchases	-	-	-
Building Purchases	237,295	-	237,295
Furniture & Equipment - Dwelling Purchases	-	-	-
Furniture & Equipment - Administrative Purchases	-	-	-
Leasehold Improvements Purchases	-	-	-
Infrastructure Purchases	-	-	-
CFFP Debt Service Payments	-	-	-
Replacement Housing Factor Funds	-	-	-

(concluded)

## Statistical Section

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This part of the City of Flagstaff's 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	152
These schedules contain information to help the reader assess the City's most significant local revenue source, sales tax.	
Debt Capacity	166
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	178
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	182
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)*

	<b>Fiscal Year</b>			
	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018<sup>(1)</sup></u>	<u>2018-2019</u>
<b>Governmental activities</b>				
Net investment in capital assets	\$ 246,897,365	\$ 245,638,486	\$ 251,337,203	\$ 262,523,967
Restricted	60,981,953	86,071,589	86,287,362	81,804,376
Unrestricted	(72,922,639)	(92,822,132)	(91,938,637)	(91,237,974)
<b>Total governmental activities net position</b>	<u>\$ 234,956,679</u>	<u>\$ 238,887,943</u>	<u>\$ 245,685,928</u>	<u>\$ 253,090,369</u>
<b>Business-type activities</b>				
Net investment in capital assets	\$ 311,644,865	\$ 317,301,221	\$ 327,068,826	\$ 320,224,485
Restricted	2,903,553	3,142,245	-	-
Unrestricted	20,537,654	26,426,890	24,117,982	37,550,330
<b>Total business-type activities and net position</b>	<u>\$ 335,086,072</u>	<u>\$ 346,870,356</u>	<u>\$ 351,186,808</u>	<u>\$ 357,774,815</u>
<b>Primary government</b>				
Net investment in capital assets	\$ 558,542,230	\$ 562,939,707	\$ 578,406,029	\$ 582,748,452
Restricted	63,885,506	89,213,834	86,287,362	81,804,376
Unrestricted	(52,384,985)	(66,395,242)	(67,820,655)	(53,687,644)
<b>Total primary government net position</b>	<u>\$ 570,042,751</u>	<u>\$ 585,758,299</u>	<u>\$ 596,872,736</u>	<u>\$ 610,865,184</u>

- (1) In fiscal year 2017-2018, beginning net position was restated due to the implementation of GASB Statement No. 75  
(2) In fiscal year 2022-2023, beginning net position was restated due to prior period corrections  
(3) In fiscal year 2024-2025, beginning net position was restated due implementation of GASB Statement No. 101

**Fiscal Year**

2019-2020	2020-2021	2021-2022	2022-2023 <sup>(2)</sup>	2023-2024	2024-2025 <sup>(3)</sup>
\$ 275,765,434	\$ 291,276,562	\$ 302,991,379	\$ 326,644,405	\$ 341,358,359	\$ 377,051,754
90,040,134	115,107,926	168,106,887	163,987,534	192,439,916	183,929,616
(84,540,350)	(94,523,757)	(109,783,078)	(77,195,675)	(67,842,688)	(53,790,697)
<u>\$ 281,265,218</u>	<u>\$ 311,860,731</u>	<u>\$ 361,315,188</u>	<u>\$ 413,436,264</u>	<u>\$ 465,955,587</u>	<u>\$ 507,190,673</u>
\$ 326,373,816	\$ 349,763,437	\$ 351,090,227	\$ 361,087,976	\$ 381,036,456	\$ 412,072,768
-	123,252	1,523,968	1,875,729	1,538,778	1,650,009
41,842,104	37,896,424	46,701,183	46,658,826	73,642,244	66,930,264
<u>\$ 368,215,920</u>	<u>\$ 387,783,113</u>	<u>\$ 399,315,378</u>	<u>\$ 409,622,531</u>	<u>\$ 456,217,478</u>	<u>\$ 480,653,041</u>
\$ 602,139,250	\$ 641,039,999	\$ 654,081,606	\$ 687,732,381	\$ 722,394,815	\$ 789,124,522
90,040,134	115,231,178	169,630,855	165,863,263	193,978,694	185,579,625
(42,698,246)	(56,627,333)	(63,081,895)	(30,536,849)	5,799,556	13,139,567
<u>\$ 649,481,138</u>	<u>\$ 699,643,844</u>	<u>\$ 760,630,566</u>	<u>\$ 823,058,795</u>	<u>\$ 922,173,065</u>	<u>\$ 987,843,714</u>

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

	<b>Fiscal Year</b>			
	2015-2016	2016-2017	2017-2018	2018-2019
<b>Expenses</b>				
Governmental activities:				
General government	\$ 17,210,187	\$ 19,320,158	\$ 20,893,077	\$ 20,428,990
Public safety	34,711,251	42,090,228	39,801,651	42,341,569
Public works	1,650,323	1,895,576	1,477,756	1,982,339
Economic and physical development	10,259,240	9,833,154	10,401,134	10,295,023
Culture and recreation	12,974,830	13,563,829	14,521,931	14,138,231
Highways and streets	13,059,212	15,849,094	16,992,461	19,316,189
Interest on long-term debt	2,295,418	2,743,633	2,623,267	2,163,451
Total governmental activities expense	<u>92,160,461</u>	<u>105,295,672</u>	<u>106,711,277</u>	<u>110,665,792</u>
Business-type activities:				
Water	14,674,337	15,454,108	15,173,129	16,152,593
Wastewater and reclaimed	10,490,816	11,150,309	11,055,308	10,992,004
Environmental	12,087,144	12,337,663	17,913,116	12,533,960
Airport	4,307,615	5,080,905	4,790,967	4,833,095
Housing authority	6,125,950	6,657,398	6,981,632	7,241,036
Stormwater	1,245,532	1,180,230	1,437,221	1,401,054
Total business-type activities expense	<u>48,931,394</u>	<u>51,860,613</u>	<u>57,351,373</u>	<u>53,153,742</u>
Total primary government expense	<u>\$ 141,091,855</u>	<u>\$ 157,156,285</u>	<u>\$ 164,062,650</u>	<u>\$ 163,819,534</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 3,241,987	\$ 3,143,969	\$ 2,685,942	\$ 2,759,870
Public safety	647,910	832,352	888,558	885,484
Public works	605	740	940	6,160
Economic and physical development	3,767,060	3,785,805	4,334,694	4,284,343
Culture and recreation	1,633,338	1,785,874	1,845,794	1,754,950
Highways and streets	-	173,960	1,346,238	1,547,532
Operating grants and contributions	7,726,612	7,723,935	7,220,425	7,685,026
Capital grants and contributions	11,806,049	8,774,146	11,096,549	10,023,919
Total governmental activities program revenues	<u>28,823,561</u>	<u>26,220,781</u>	<u>29,419,140</u>	<u>28,947,284</u>
Business-type activities:				
Charges for services:				
Water	14,589,041	15,973,118	16,156,035	16,219,453
Wastewater and reclaimed	9,387,949	9,943,603	10,594,304	11,137,492
Environmental	12,760,747	13,047,045	12,891,528	12,674,791
Airport	1,603,852	1,503,945	1,624,593	1,741,470
Housing authority	1,455,715	1,605,422	1,824,876	2,025,923
Stormwater	1,495,296	1,598,913	2,109,364	2,704,123
Operating grants and contributions	4,775,797	4,953,619	4,806,729	5,359,352
Capital grants and contributions	4,339,777	13,162,230	10,117,475	4,523,132
Total business-type activities program revenues	<u>50,408,174</u>	<u>61,787,895</u>	<u>60,124,904</u>	<u>56,385,736</u>
Total primary government program revenues	<u>\$ 79,231,735</u>	<u>\$ 88,008,676</u>	<u>\$ 89,544,044</u>	<u>\$ 85,333,020</u>

**Fiscal Year**

2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
\$ 18,404,198	\$ 17,978,407	\$ 21,949,232	\$ 24,482,695	\$ 31,281,674	\$ 35,222,033
44,262,923	44,568,463	37,540,112	37,169,436	44,099,384	45,523,939
2,130,869	1,788,521	1,157,825	2,389,867	3,159,548	5,106,473
11,019,964	11,843,707	10,082,513	11,687,092	13,449,562	14,901,079
15,631,659	13,206,098	14,373,497	15,847,143	17,328,795	18,440,767
17,417,183	19,486,590	18,787,236	20,298,481	23,301,753	23,649,046
2,076,671	4,009,038	4,738,717	4,356,878	4,237,900	5,441,910
<u>110,943,467</u>	<u>112,880,824</u>	<u>108,629,132</u>	<u>116,231,592</u>	<u>136,858,616</u>	<u>148,285,247</u>
18,421,251	18,668,402	18,450,588	21,614,190	20,299,718	20,846,286
10,045,850	10,554,029	9,239,327	10,299,517	9,988,444	13,168,211
12,643,566	13,268,587	13,226,083	17,923,511	16,812,868	18,161,197
5,553,096	5,342,801	3,816,045	6,332,676	7,495,903	6,016,593
7,687,704	8,031,804	7,593,877	9,599,933	10,671,194	11,702,679
1,431,353	1,594,807	5,531,725	3,716,379	3,990,868	5,053,174
<u>55,782,820</u>	<u>57,460,430</u>	<u>57,857,645</u>	<u>69,486,206</u>	<u>69,258,995</u>	<u>74,948,140</u>
<u>\$ 166,726,287</u>	<u>\$ 170,341,254</u>	<u>\$ 166,486,777</u>	<u>\$ 185,717,798</u>	<u>\$ 206,117,611</u>	<u>\$ 223,233,387</u>
\$ 2,418,517	\$ 2,431,158	\$ 2,307,704	\$ 2,260,868	\$ 2,596,385	\$ 2,846,129
665,670	2,134,346	2,321,251	1,822,767	1,934,360	2,196,062
1,198	135	-	-	-	-
6,152,909	6,560,474	7,018,630	5,508,450	5,189,305	8,174,015
1,264,523	413,078	1,071,489	1,446,674	1,504,553	1,578,338
1,326,992	514,833	1,522,627	1,485,082	1,370,540	1,470,254
15,851,393	11,136,533	19,526,671	8,456,730	12,065,582	12,541,860
11,977,909	14,728,894	11,456,613	16,130,164	18,497,768	16,675,047
<u>39,659,111</u>	<u>37,919,451</u>	<u>45,224,985</u>	<u>37,110,735</u>	<u>43,158,493</u>	<u>45,481,705</u>
17,480,478	18,463,575	17,422,686	17,649,831	18,847,200	19,641,045
11,388,928	12,321,969	12,344,602	11,856,017	12,273,995	13,963,742
12,863,428	14,231,558	15,528,266	15,307,675	16,019,244	6,700,017
1,641,859	1,549,584	2,547,919	2,012,845	2,228,864	16,601,225
2,220,494	2,344,871	2,333,587	2,538,893	2,171,135	2,759,828
4,383,791	4,413,157	4,456,851	4,738,735	5,907,117	2,446,088
6,826,998	8,368,732	9,120,361	11,907,101	18,077,493	13,207,809
6,000,761	11,476,527	3,996,971	8,520,350	32,130,828	18,002,911
<u>62,806,737</u>	<u>73,169,973</u>	<u>67,751,243</u>	<u>74,531,447</u>	<u>107,655,876</u>	<u>93,322,665</u>
<u>\$ 102,465,848</u>	<u>\$ 111,089,424</u>	<u>\$ 112,976,228</u>	<u>\$ 111,642,182</u>	<u>\$ 150,814,369</u>	<u>\$ 138,804,370</u>

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

	<b>Fiscal Year</b>			
	2015-2016	2016-2017	2017-2018	2018-2019
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (63,336,900)	\$ (79,074,891)	\$ (77,292,137)	\$ (81,718,508)
Business-type activities	1,476,780	9,927,282	2,773,531	3,231,994
Total primary government net expense	<u>\$ (61,860,120)</u>	<u>\$ (69,147,609)</u>	<u>\$ (74,518,606)</u>	<u>\$ (78,486,514)</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 11,339,774	\$ 11,674,553	\$ 12,482,546	\$ 13,541,400
Sales taxes	48,343,259	53,582,850	53,833,727	52,515,201
State shared sales taxes - unrestricted	17,080,154	18,139,582	19,024,571	19,400,339
Investment earnings	1,668,431	(447,324)	(477,888)	5,097,974
Miscellaneous	1,404,390	1,123,129	2,059,029	692,049
Gain on sale of capital assets	-	-	121,321	4,626
Contributions to permanent fund	15,470	6,950	8,490	26,460
Transfers in (out)	121,320	(1,073,585)	(1,240,613)	(2,155,100)
Total governmental activities	<u>79,972,798</u>	<u>83,006,155</u>	<u>85,811,183</u>	<u>89,122,949</u>
Business-type activities:				
Investment earnings	336,685	406,101	588,404	1,077,312
Miscellaneous	375,716	377,316	270,192	123,601
Gain (loss) on sale of capital assets	-	-	122,837	-
Transfers in (out)	(121,320)	1,073,585	1,240,613	2,155,100
Total business-type activities	<u>591,081</u>	<u>1,857,002</u>	<u>2,222,046</u>	<u>3,356,013</u>
Total primary government	<u>\$ 80,563,879</u>	<u>\$ 84,863,157</u>	<u>\$ 88,033,229</u>	<u>\$ 92,478,962</u>
<b>Change in Net Position</b>				
Governmental activities	\$ 16,635,898	\$ 3,931,264	\$ 8,519,046	\$ 7,404,441
Business-type activities	2,067,861	11,784,284	4,995,577	6,588,007
Total primary government	<u>\$ 18,703,759</u>	<u>\$ 15,715,548</u>	<u>\$ 13,514,623</u>	<u>\$ 13,992,448</u>

Source: From Statement of Activities prepared for ACFR.

**Fiscal Year**

2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
\$ (71,284,356)	\$ (74,961,373)	\$ (63,404,147)	\$ (79,120,857)	\$ (93,700,123)	\$ (102,803,542)
7,023,917	15,709,543	9,893,598	5,045,241	38,396,881	18,374,525
<u>\$ (64,260,439)</u>	<u>\$ (59,251,830)</u>	<u>\$ (53,510,549)</u>	<u>\$ (74,075,616)</u>	<u>\$ (55,303,242)</u>	<u>\$ (84,429,017)</u>
\$ 14,100,719	\$ 14,358,593	\$ 14,943,139	\$ 15,342,909	\$ 15,806,237	\$ 16,213,689
60,666,358	69,893,143	77,098,861	81,305,031	83,501,974	83,992,978
20,664,280	23,958,572	25,466,219	30,874,399	36,569,450	33,446,193
5,415,354	(564,917)	(5,379,619)	4,061,170	12,631,789	15,429,178
578,352	924,099	1,574,470	691,097	1,488,996	1,421,081
76,017	32,710	12,790	49,505	51,664	131,714
17,590	19,910	23,000	12,030	9,670	12,340
(2,059,465)	(3,065,224)	(880,256)	566,934	(3,840,334)	(2,861,477)
<u>99,459,205</u>	<u>105,556,886</u>	<u>112,858,604</u>	<u>132,903,075</u>	<u>146,219,446</u>	<u>147,785,696</u>
1,159,898	545,272	526,570	2,440,996	4,190,611	3,810,351
197,825	200,014	148,041	198,119	141,271	191,592
-	47,140	83,800	700	25,850	8,250
2,059,465	3,065,224	880,256	(566,934)	3,840,334	2,861,477
<u>3,417,188</u>	<u>3,857,650</u>	<u>1,638,667</u>	<u>2,072,881</u>	<u>8,198,066</u>	<u>6,871,670</u>
<u>\$ 102,876,393</u>	<u>\$ 109,414,536</u>	<u>\$ 114,497,271</u>	<u>\$ 134,975,956</u>	<u>\$ 154,417,512</u>	<u>\$ 154,657,366</u>
\$ 28,174,849	\$ 30,595,513	\$ 49,454,457	\$ 53,782,218	\$ 52,519,323	\$ 44,982,154
10,441,105	19,567,193	11,532,265	7,118,122	46,594,947	25,246,195
<u>\$ 38,615,954</u>	<u>\$ 50,162,706</u>	<u>\$ 60,986,722</u>	<u>\$ 60,900,340</u>	<u>\$ 99,114,270</u>	<u>\$ 70,228,349</u>

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

	<b>Fiscal Year</b>			
	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
General Fund				
Nonspendable	\$ 335,134	\$ 342,576	\$ 371,817	\$ 265,682
Restricted	2,255,454	1,750,086	2,338,644	2,646,337
Assigned	8,903,561	8,011,051	6,879,808	5,527,570
Unassigned	27,425,564	30,361,068	27,458,215	31,212,732
Total general fund	<u>\$ 38,919,713</u>	<u>\$ 40,464,781</u>	<u>\$ 37,048,484</u>	<u>\$ 39,652,321</u>
All Other Governmental Funds				
Nonspendable	\$ 8,379,744	\$ 309,428	\$ 318,437	\$ 664,118
Restricted	47,948,587	81,723,554	82,267,232	78,490,415
Assigned	-	2,078,968	1,864,086	3,101,098
Unassigned	(2,934,084)	(2,669,832)	(70,068)	(77,271)
Total all other governmental funds	<u>\$ 53,394,247</u>	<u>\$ 81,442,118</u>	<u>\$ 84,379,687</u>	<u>\$ 82,178,360</u>

**Fiscal Year**

2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
\$ 252,089	\$ 350,993	\$ 3,277,832	\$ 4,545,716	\$ 5,120,574	\$ 2,913,490
3,109,659	2,956,942	3,690,261	4,249,634	3,458,460	4,837,062
4,936,669	4,954,453	5,379,329	5,515,562	5,696,818	5,968,270
44,386,623	56,817,489	62,880,985	65,293,485	75,365,844	82,652,384
<u>\$ 52,685,040</u>	<u>\$ 65,079,877</u>	<u>\$ 75,228,407</u>	<u>\$ 79,604,397</u>	<u>\$ 89,641,696</u>	<u>\$ 96,371,206</u>
\$ 664,652	\$ 392,298	\$ 518,817	\$ 511,932	\$ 529,629	\$ 963,316
86,291,252	110,475,662	132,668,193	145,997,919	197,571,968	176,045,360
3,235,171	3,415,545	4,237,469	5,844,695	6,211,290	8,464,539
(3,013,281)	(465,007)	(580,869)	(2,047,565)	(420,304)	-
<u>\$ 87,177,794</u>	<u>\$ 113,818,498</u>	<u>\$ 136,843,610</u>	<u>\$ 150,306,981</u>	<u>\$ 203,892,583</u>	<u>\$ 185,473,215</u>

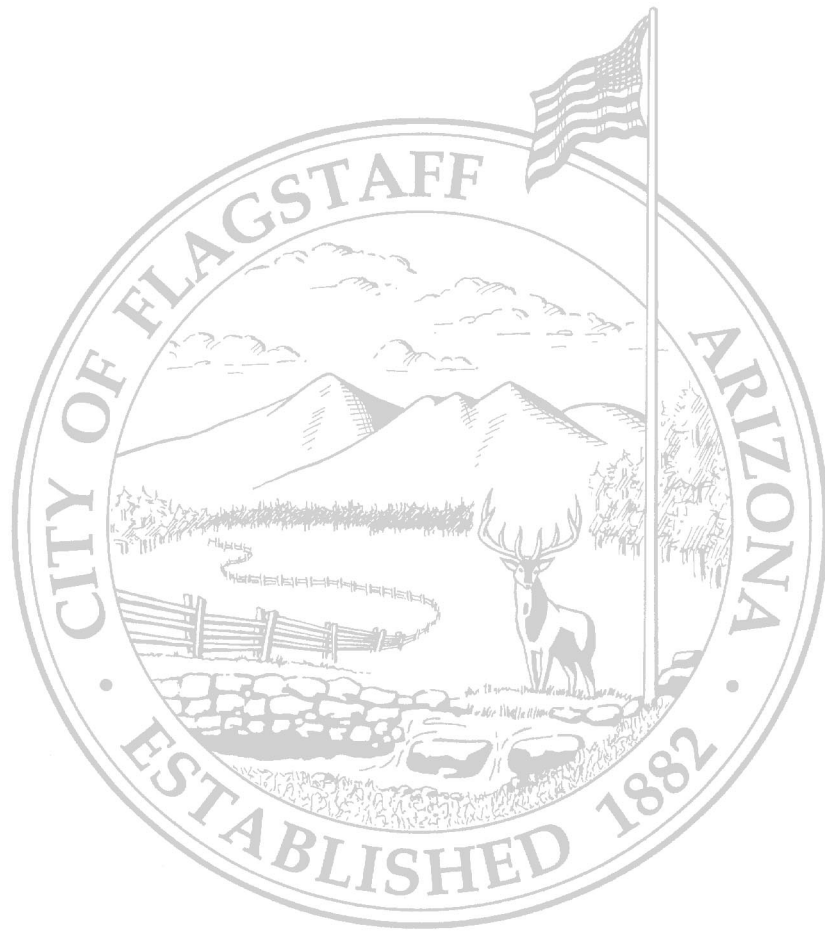
Schedule 4  
City of Flagstaff  
Changes in Fund Balances, Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	<b>Fiscal Year</b>			
	2015-2016	2016-2017	2017-2018	2018-2019
<b>Revenues:</b>				
Taxes	\$ 59,711,556	\$ 65,263,433	\$ 66,323,666	\$ 65,994,613
Intergovernmental	21,355,708	22,504,605	23,382,237	24,156,065
Grants and entitlements	11,023,491	10,850,138	11,536,639	11,492,794
Charges for services	4,747,237	3,454,567	4,470,735	5,074,859
Special assessments	2,916,164	202,243	2,031,111	-
Licenses and permits	3,153,135	3,013,367	3,794,725	3,338,493
Fines and forfeitures	1,524,856	1,430,686	1,350,689	1,416,062
Rents	1,696,070	1,805,457	1,493,712	1,491,859
Investment earnings	1,636,650	(476,690)	(506,658)	5,037,413
Contributions	1,962,364	869,484	634,077	457,752
Miscellaneous	1,404,390	1,123,129	2,015,501	712,452
Total revenues	<u>111,131,621</u>	<u>110,040,419</u>	<u>116,526,434</u>	<u>119,172,362</u>
<b>Expenditures:</b>				
General government	14,561,513	16,652,590	19,536,579	20,981,728
Public safety	30,074,183	30,849,989	32,472,034	35,849,066
Public works	1,207,776	1,472,485	1,254,865	1,471,557
Economic and physical development	9,530,781	8,989,673	10,136,274	10,244,779
Culture and recreation	11,441,848	11,854,511	12,629,499	12,169,197
Highways and streets	5,916,632	8,443,609	7,504,589	10,135,258
Debt service:				
Principal retirement	12,980,269	14,154,904	6,998,627	10,883,271
Interest and other charges	2,520,596	2,534,621	2,679,888	2,560,775
Capital outlay	16,090,690	14,002,895	40,661,963	13,351,467
Total expenditures	<u>104,324,288</u>	<u>108,955,277</u>	<u>133,874,318</u>	<u>117,647,098</u>
Excess of revenues over (under) expenditures	6,807,333	1,085,142	(17,347,884)	1,525,264
<b>Other Financing Sources (Uses):</b>				
Refunding bonds issued	-	-	-	-
Loan issuance	-	-	-	-
Bond issuance	204,956	26,168,531	9,700,000	-
Bond premium	-	3,500,813	449,519	-
Sale of capital assets	5,325	-	121,200	20,995
Lease financing	-	-	-	-
Subscription financing	-	-	-	-
Transfers in	15,891,921	22,308,323	27,563,166	15,966,592
Transfers out	(15,231,349)	(23,469,870)	(20,964,729)	(17,110,341)
Total other financing sources (uses)	<u>870,853</u>	<u>28,507,797</u>	<u>16,869,156</u>	<u>(1,122,754)</u>
Net change in fund balances	<u>\$ 7,678,186</u>	<u>\$ 29,592,939</u>	<u>\$ (478,728)</u>	<u>\$ 402,510</u>
Debt service as a percentage of non capital expenditures	17.57%	17.58%	10.38%	12.89%

<b>Fiscal Year</b>					
<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
\$ 74,787,774	\$ 84,239,882	\$ 92,014,905	\$ 96,651,373	\$ 99,316,560	\$ 100,214,971
25,595,311	29,000,278	30,456,912	36,537,333	42,908,370	40,440,211
19,395,450	15,172,507	24,480,250	12,561,366	16,265,599	19,555,145
4,168,019	4,248,292	6,077,766	6,058,460	5,705,464	7,082,552
-	-	-	-	-	-
5,135,611	5,336,572	5,760,170	4,044,768	4,384,936	6,399,490
1,217,311	932,592	789,819	747,455	776,922	713,057
1,474,631	1,442,760	1,576,849	1,685,310	1,717,730	2,078,298
5,362,308	(597,587)	(5,363,261)	3,909,568	12,262,268	14,982,177
1,207,925	1,536,546	996,751	5,109,349	1,780,055	2,149,962
496,703	866,789	1,433,062	692,125	962,313	716,234
<u>138,841,043</u>	<u>142,178,631</u>	<u>158,223,223</u>	<u>167,997,107</u>	<u>186,080,217</u>	<u>194,332,097</u>
18,273,876	16,878,564	21,222,146	23,514,815	30,731,019	33,232,143
38,925,229	149,188,134	33,004,281	35,160,474	41,825,933	41,060,684
1,472,864	1,213,180	939,484	1,730,148	2,473,780	2,517,479
10,568,736	10,519,174	10,195,237	11,234,315	13,038,942	14,487,837
13,360,279	11,057,344	13,181,208	14,311,299	15,784,921	16,761,501
7,781,311	9,498,332	8,471,610	9,045,448	12,816,653	11,955,835
9,486,466	10,705,542	13,555,652	14,350,577	12,204,811	21,635,971
2,348,940	4,812,854	5,362,495	5,007,111	4,732,699	5,387,302
35,522,798	21,468,334	19,117,039	31,109,024	36,352,058	62,277,494
<u>137,740,499</u>	<u>235,341,458</u>	<u>125,049,152</u>	<u>145,463,211</u>	<u>169,960,816</u>	<u>209,316,246</u>
1,100,544	(93,162,827)	33,174,071	22,533,896	16,119,401	(14,984,149)
-	-	-	-	3,305,000	-
-	3,094,937	84,282	4,097	729,715	450,147
14,935,000	131,000,000	-	-	36,785,000	-
1,628,687	-	-	-	3,743,601	-
307,013	42,805	23,140	45,502	39,000	72,050
-	-	-	-	-	518,267
-	-	-	170,805	453,945	801,517
21,404,875	17,810,600	38,437,815	29,977,954	30,526,431	43,039,118
<u>(21,343,966)</u>	<u>(19,749,974)</u>	<u>(38,545,666)</u>	<u>(30,380,672)</u>	<u>(28,169,192)</u>	<u>(41,586,808)</u>
<u>16,931,609</u>	<u>132,198,368</u>	<u>(429)</u>	<u>(182,314)</u>	<u>47,413,500</u>	<u>3,294,291</u>
<u>\$ 18,032,153</u>	<u>\$ 39,035,541</u>	<u>\$ 33,173,642</u>	<u>\$ 22,351,582</u>	<u>\$ 63,532,901</u>	<u>\$ (11,689,858)</u>
11.58%	7.26%	17.86%	16.93%	12.68%	18.38%

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

Fiscal Year	General Property Tax	Secondary Property Tax	Franchise and Other Taxes	City Sales Tax	Bed, Board and Booze Tax	Transportation Tax	Total
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
2023-2024	7,188	8,627	2,487	30,897	12,473	37,645	99,317
2024-2025	7,201	9,021	2,789	31,066	12,489	37,649	100,215
Change 2016-2025	27.45%	57.74%	8.65%	62.73%	65.66%	96.63%	67.83%



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

<u>Fiscal Year</u>	<u>State Sales Tax</u>	<u>State Income Tax</u>	<u>County Auto In-Lieu Tax</u>	<u>Highway User Tax</u>	<u>Federal Grants</u>
2015-2016	6,238,827	7,930,739	2,910,589	7,292,355	2,867,675
2016-2017	6,445,302	8,603,145	3,091,134	7,982,504	2,129,657
2017-2018	6,868,398	8,850,877	3,305,297	8,206,025	2,269,467
2018-2019	7,256,536	8,716,163	3,427,640	8,463,878	2,093,085
2019-2020	7,649,078	9,564,616	3,450,585	8,504,478	9,724,980
2020-2021	9,037,429	10,723,977	4,197,164	9,191,151	4,583,681
2021-2022	11,264,581	10,075,723	4,125,915	9,386,281	12,026,821
2022-2023	11,938,137	14,604,933	4,331,329	9,540,729	1,678,730
2023-2024	12,040,345	20,114,712	4,414,392	10,276,958	3,090,832
2024-2025	12,373,042	16,291,982	4,781,169	10,449,243	7,160,424

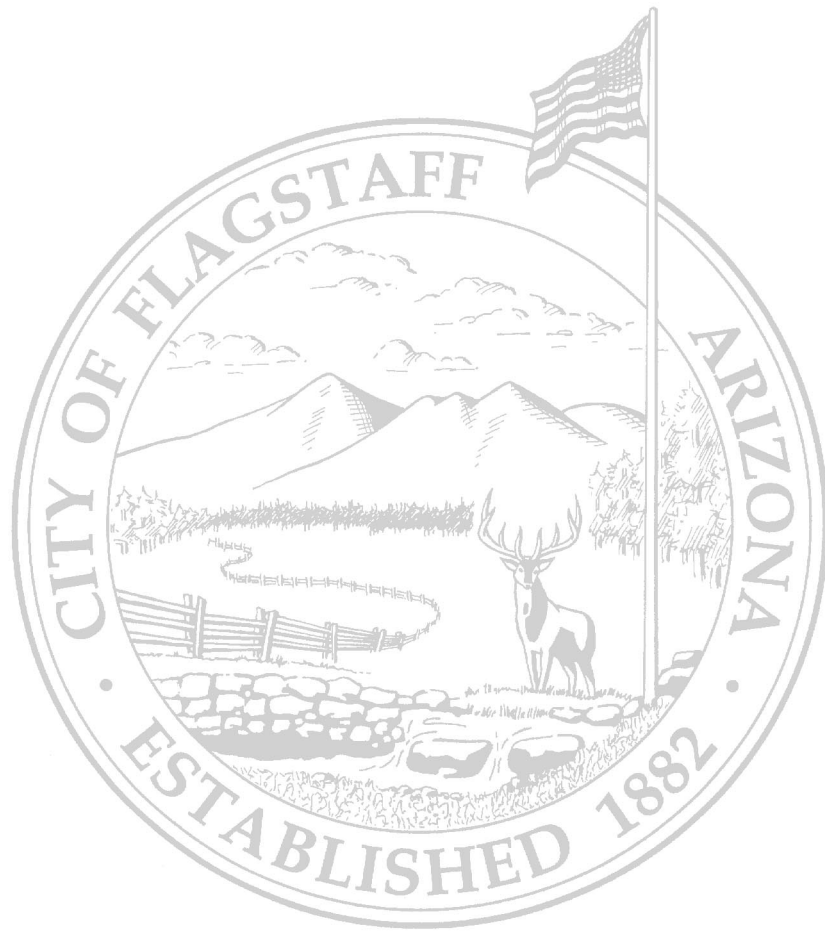
<u>State Grants &amp; Other State</u>	<u>County LEAF IGA</u>	<u>County Library District Funding</u>	<u>Other</u>	<u>Total</u>
863,461	902,472	3,088,137	284,944	32,379,199
737,977	943,955	3,210,071	210,998	33,354,743
1,173,691	855,094	3,307,497	82,530	34,918,876
935,832	942,929	3,536,147	276,649	35,648,859
1,003,118	974,153	3,721,854	397,899	44,990,761
1,178,620	1,003,560	3,837,589	419,614	44,172,785
2,831,003	955,240	3,708,383	563,215	54,937,162
1,133,609	993,092	4,301,218	576,922	49,098,699
2,631,433	1,130,238	4,522,848	952,211	59,173,969
1,748,161	1,219,957	4,994,444	976,934	59,995,356

Schedule 7  
City of Flagstaff  
Primary Limited 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
2015-2016	30,001,651	213,936,440	118,870,069	407,295,824	85,375,654	684,728,330	1.6600
2016-2017	29,490,371	210,941,591	115,626,316	431,150,697	84,441,034	702,767,941	1.6487
2017-2018	30,300,264	227,822,946	118,921,886	459,321,914	86,748,769	749,618,241	1.6599
2018-2019	33,970,672	242,751,472	116,942,479	494,641,965	83,469,737	804,836,851	1.6700
2019-2020	33,818,400	261,374,313	118,307,041	540,204,785	84,897,892	868,806,647	1.6299
2020-2021	33,985,335	275,149,838	122,861,079	583,857,312	90,088,474	925,765,090	1.5510
2021-2022	35,070,782	287,022,502	127,406,770	625,128,467	95,131,815	979,496,706	1.5186
2022-2023	36,112,626	286,818,683	134,226,219	669,816,599	102,096,631	1,024,877,496	1.4954
2023-2024	36,214,516	298,703,756	141,151,498	708,963,134	105,807,708	1,079,225,196	1.4634
2024-2025	35,394,168	304,122,929	143,351,511	761,475,352	107,949,723	1,136,394,237	1.4363

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)*

	<b>Fiscal Year</b>			
	2015-2016	2016-2017	2017-2018	2018-2019
Construction	\$ 176,741	\$ 184,381	\$ 266,900	\$ 188,160
Restaurants and bars	251,654	260,364	281,133	289,846
Hotel/motel	120,995	131,310	146,306	152,568
Retail and auto sales	946,522	955,737	1,037,300	1,001,331
Other	246,500	269,232	274,981	286,815
Utilities	108,474	104,115	107,164	107,320
Total	<u>\$ 1,850,886</u>	<u>\$ 1,905,139</u>	<u>\$ 2,113,784</u>	<u>\$ 2,026,040</u>

Notes:

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

**Fiscal Year**

2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
\$ 199,152	\$ 235,259	\$ 241,236	\$ 265,898	\$ 321,733	\$ 315,362
282,089	293,283	364,907	390,363	406,768	418,758
135,330	159,293	207,396	216,741	217,261	209,526
1,134,082	1,393,663	1,535,849	1,564,107	1,605,247	1,601,607
361,541	406,871	423,798	449,181	373,207	453,694
103,512	104,871	114,060	125,228	127,129	131,078
<u>\$ 2,215,706</u>	<u>\$ 2,593,240</u>	<u>\$ 2,887,246</u>	<u>\$ 3,011,518</u>	<u>\$ 3,051,345</u>	<u>\$ 3,130,025</u>

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

	Fiscal Year			
	2015-2016	2016-2017	2017-2018	2018-2019
Total City	1.6600	1.6487	1.6599	1.6700
Primary	0.8234	0.8121	0.8233	0.8334
Secondary	0.8366	0.8366	0.8366	0.8366
School District	5.4555	5.5681	5.1816	5.1475
Primary	4.0824	4.2405	4.0143	3.8173
Dropout Prevention	0.0000	0.0000	0.0000	0.0000
Desegregation	0.0000	0.0000	0.0000	0.1843
Adjacent Ways	0.0216	0.0284	0.0392	0.0000
M&O Override	0.7265	0.737	0.7120	0.7070
Capital Override	0.1735	0.1219	0.0000	0.0000
Class B Bond	0.4515	0.4403	0.4161	0.4389
Community College	0.6105	0.6214	0.6142	0.5959
Maintenance	0.4864	0.4909	0.4816	0.4741
Bond	0.1241	0.1305	0.1326	0.1218
County	0.9291	0.9344	0.9234	0.9145
General Fund	0.5735	0.5788	0.5678	0.5589
Library District	0.2556	0.2556	0.2556	0.2556
Flood Control	0.0000	0.0000	0.0000	0.0000
Public Health Services	0.0000	0.0000	0.0000	0.0000
Fire District Assistance	0.1000	0.1000	0.1000	0.1000
Total	8.6551	8.7726	8.3791	8.3279

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

**Fiscal Year**

2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
1.6299	1.5510	1.5186	1.4954	1.4634	1.4363
0.7933	0.7510	0.7186	0.6954	0.6634	0.6363
0.8366	0.8000	0.8000	0.8000	0.8000	0.8000
5.1174	4.9676	4.8236	4.7759	4.8443	4.6932
3.7092	3.5832	3.4548	3.5812	3.4679	3.3346
0.0000	0.0000	0.0000	0.0000	0.0072	0.0068
0.1719	0.1618	0.1535	0.1461	0.1391	0.1318
0.0000	0.0361	0.0366	0.0326	0.0310	0.0530
0.6672	0.6387	0.5793	0.5397	0.6013	0.5689
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.5691	0.5478	0.5994	0.4763	0.5978	0.5981
0.4592	0.4490	0.4394	0.5209	0.6056	0.6870
0.4592	0.4490	0.4394	0.5209	0.6056	0.6870
0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
0.8969	0.8849	0.8736	1.6250	1.6265	1.6400
0.5413	0.5293	0.5180	0.5094	0.5009	0.4944
0.2556	0.2556	0.2556	0.2656	0.2756	0.2956
0.0000	0.0000	0.0000	0.5000	0.5000	0.5000
0.0000	0.0000	0.0000	0.2500	0.2500	0.2500
0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
8.1034	7.8525	7.6552	8.4172	8.5398	8.4565

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

Taxpayer *	2024-2025			2014-2015		
	Total Assessed Value	Rank	As a Percentage of the City Total Limited Assessed Valuation	Total Assessed Value	Rank	As a Percentage of the City Total Limited Assessed Valuation
Arizona Public Service Company	\$ 22,136,890	1	1.95%	\$ 18,056,955	1	2.53%
W L Gore & Associates	17,637,014	2	1.55%	13,856,962	2	1.94%
Standard at Flagstaff LLC	10,157,781	3	0.89%			0.00%
SO Fremont Station Owner LLC	8,839,728	4	0.78%			0.00%
Nestle Purina PetCare Co.	8,812,948	5	0.78%	4,001,669	3	0.56%
CA Student Living Flagstaff Holdings, LLC	7,110,792	6	0.63%			0.00%
CORE Flagstaff Sawmill LLC	6,719,738	7	0.59%			0.00%
MDL Flagstaff Owner LLD	6,294,751	8	0.55%			0.00%
Unisource Energy Corporation	6,389,332	9	0.56%	2,583,775	8	0.36%
NNC VAP DE LLC	5,688,063	10	0.50%			0.00%
Core Campus Flagstaff LLC	5,573,426	11	0.49%			0.00%
Little America Hotels & Resorts Inc.	5,555,922	12	0.49%	3,338,504	6	0.47%
Ridge at Clear Creek Apts. LLC	3,789,349	13	0.33%	2,326,331	11	0.33%
WCW Mountain Trail LP	3,777,094	14	0.33%			0.00%
Buffalo Park Housing Partners LLC	3,658,553	15	0.32%			0.00%
Elevation Flagstaff AZ LLC	3,619,817	16	0.32%	2,208,475	12	0.31%
Total Principal Taxpayers	<u>\$ 125,761,198</u>		<u>11.06%</u>	<u>\$ 46,372,671</u>		<u>6.50%</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
2015-2016	11,344,815	11,156,213	98.3%	149,781	11,305,994	99.7%
2016-2017	11,708,122	11,500,020	98.2%	166,499	11,666,519	99.6%
2017-2018	12,459,025	12,297,839	98.7%	151,244	12,449,083	99.9%
2018-2019	13,527,514	13,311,900	98.4%	157,264	13,469,164	99.6%
2019-2020	14,158,001	13,834,856	97.7%	265,490	14,100,346	99.6%
2020-2021	14,367,679	14,129,497	98.3%	204,732	14,334,229	99.8%
2021-2022	14,845,646	14,639,562	98.6%	189,827	14,829,389	99.9%
2022-2023	15,393,949	15,199,190	98.7%	175,786	15,374,976	99.9%
2023-2024	15,763,665	15,582,985	98.9%	133,742	15,716,727	99.7%
2024-2025	16,314,486	16,030,406	98.3%	-	16,030,406	98.3%

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

Fiscal Year	City			State of Arizona	Coconino County	Total
	General Sales Tax	Bed, Board & Beverage	Transportation			
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%
2023-2024	1.0000%	2.0000%	1.2810%	5.6000%	1.3000%	11.1810%
2024-2025	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)*

<b>Governmental Activities</b>							
Fiscal Year	General Obligation Bonds (1)	Special Assessment Bonds	Revenue Bonds (1)	Loan Payable	COP Other (1)	Leases Payable	Subscription Liability
2015-2016	\$ 45,820	\$ 2,245	\$ 13,495	\$ -	\$ 3,226	\$ -	\$ -
2016-2017	52,695	2,148	21,468	-	3,689	-	-
2017-2018	48,934	2,046	28,895	-	2,944	-	-
2018-2019	43,122	-	26,081	-	2,170	-	-
2019-2020	49,479	-	22,779	-	5,485	-	-
2020-2021	43,232	-	19,525	3,095	134,549	-	-
2021-2022	36,972	-	18,423	2,958	128,380	-	-
2022-2023	30,742	-	17,223	2,736	121,874	-	-
2023-2024	70,078	-	15,968	3,236	115,230	31	476
2024-2025	56,372	-	14,654	3,452	108,983	389	493

(1) Presented net of original issuance discounts and premium

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.  
These amounts are presented on the accrual basis of accounting.

**Business-Type Activities**

	General Obligation Debt	Revenue Bonds	Term Loan Payable	COP Other (1)	Leases Payable	Subscription Liability	Total Primary Government	Percentage of Personal Income	Per Capita
\$	1,375	\$ -	\$ 32,800	\$ 3,489	\$ -	\$ -	\$ 102,450	1.9%	\$ 1,476
	1,308	-	30,346	2,984	-	-	114,638	1.9%	1,600
	1,238	17,129	11,787	6,551	-	-	119,524	2.0%	1,638
	1,166	25,707	10,017	6,823	-	-	115,086	1.8%	1,540
	1,092	24,750	6,884	6,303	-	-	116,772	1.6%	1,530
	1,016	23,202	6,245	5,463	-	-	236,327	3.0%	3,046
	936	29,242	764	5,036	-	-	222,711	2.7%	2,870
	-	25,479	676	4,606	-	-	203,336	2.2%	2,522
	-	21,965	18,255	4,115	11	-	249,365	2.7%	3,095
	-	18,757	17,606	3,746	-	573	225,025	2.3%	2,763

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					
2015-2016	\$ 43,817	\$ 1,375	\$ (13,204)	\$ 31,988	4.7%	453	
2016-2017	48,520	1,308	(6,164)	43,664	6.2%	609	
2017-2018	44,900	1,238	(7,149)	38,989	5.2%	534	
2018-2019	39,414	1,166	(6,880)	33,700	4.2%	451	
2019-2020	44,893	1,092	(7,143)	38,842	4.5%	509	
2020-2021	39,287	1,015	(7,250)	33,052	3.6%	426	
2021-2022	33,725	936	(7,722)	26,939	2.8%	342	
2022-2023	27,850	-	(7,774)	20,076	2.0%	252	
2023-2024	63,760	-	(11,076)	52,684	4.9%	654	
2023-2024	50,410	-	(8,390)	42,020	3.7%	516	

Note: These amounts are presented on the accrual basis of accounting.

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes Flagstaff Unified School District	\$ 107,065	66.26%	\$ 70,939
City direct debt			<u>183,461</u>
Total direct and overlapping debt			<u>\$ 254,400</u>

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

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

\* For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

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

	<b>Fiscal Year</b>			
	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
<b>20% Debt Limit:</b>				
Debt limit equal to 20% of assessed valuation	\$ 142,502	\$ 151,716	\$ 167,935	\$ 185,430
Total net debt applicable to 20% limit	<u>45,193</u>	<u>49,828</u>	<u>46,137</u>	<u>40,579</u>
Legal debt margin (Available borrowing capacity)	<u>\$ 97,309</u>	<u>\$ 101,888</u>	<u>\$ 121,798</u>	<u>\$ 144,851</u>
Total net debt applicable to the 20% limit as a percentage of legal debt margin	46.44%	48.90%	37.88%	28.01%
<b>6% Debt Limit:</b>				
Debt limit equal to 6% of assessed valuation	\$ 42,750	\$ 45,515	\$ 50,620	\$ 55,629
Total net debt applicable to 6% limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin (Available borrowing capacity)	<u>\$ 42,750</u>	<u>\$ 45,515</u>	<u>\$ 50,620</u>	<u>\$ 55,629</u>
Total net debt applicable to the 6% limit as a percentage of legal debt margin	0.00%	0.00%	0.00%	0.00%

<b>Fiscal Year</b>					
<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022</u>	<u>2022-2023</u>	<u>2023-2024</u>	<u>2024-2025</u>
\$ 202,027	\$ 224,621	\$ 237,483	\$ 245,643	\$ 297,158	\$ 366,875
<u>45,985</u>	<u>40,302</u>	<u>34,661</u>	<u>27,850</u>	<u>53,760</u>	<u>47,725</u>
<u>\$ 156,042</u>	<u>\$ 184,319</u>	<u>\$ 202,822</u>	<u>\$ 217,793</u>	<u>\$ 243,398</u>	<u>\$ 319,150</u>
29.47%	21.87%	17.09%	12.79%	22.09%	14.95%
\$ 60,608	\$ 67,386	\$ 71,245	\$ 73,693	\$ 89,147	\$ 110,063
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>2,685</u>
<u>\$ 60,608</u>	<u>\$ 67,386</u>	<u>\$ 71,245</u>	<u>\$ 73,693</u>	<u>\$ 79,147</u>	<u>\$ 107,378</u>
0.00%	0.00%	0.00%	0.00%	12.63%	2.50%

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

**Legal Debt Margin Calculation for Fiscal Year 2024-2025**

Net Secondary Assessed Value as of June 30, 2025	<u>\$ 1,834,376,367</u>
<u>20% Limitation</u>	
Debt Limit of 20% of Assessed Value	\$ 366,875,273
Debt applicable to limit:	
General Obligation Bonds	<u>47,725,000</u>
Legal 20% debt margin (Available borrowing capacity)	<u>\$ 319,150,273</u>
 <u>6% Limitation</u>	
Debt Limit of 6% of Assessed Value	\$ 110,062,582
Debt applicable to limit:	
General Obligation Bonds	<u>2,685,000</u>
Legal 6% debt margin (Available borrowing capacity)	<u>\$ 107,377,582</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	
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
2023-2024	39,907,863	23,840,673	16,067,190	4,146,713	613,985	4,760,698	3.37
2024-2025	43,169,104	27,062,753	16,106,351	3,857,494	667,738	4,525,232	3.56

- (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	
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	
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
- (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	
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
2023-2024	31,317,104	175,000	70,531	245,531	127.55
2024-2025	27,803,412	185,000	62,881	247,881	112.16

- (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
2023-2024	8,217,428	950,000	532,313	1,482,313	5.54
2024-2025	8,221,803	985,000	493,613	1,478,613	5.56

(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
2016	70,643	5,489,486	38,958	25.2	90.6% *
2017	71,656	6,360,600	45,076	25.1	90.6% *
2018	72,961	6,506,300	45,545	25.2	90.6% *
2019	74,736	7,057,376	49,454	25.2	90.6% *
2020	76,338	7,837,473	54,008	24.9	90.6% *
2021	77,590	8,255,426	56,914	25.8	94.1% *
2022	78,743	8,489,905	58,933	25.9	94.1% *
2023	79,665	8,914,400 *	59,758 *	25.9 *	94.1% *
2024	80,566	9,360,120 *	60,595 *	25.9 *	94.1% *
2025	81,447 *	9,828,126 *	61,443 *	26.0 *	96.4% *

(\*) Estimated

(1) Reflects Coconino County Personal Income

**Sources:**

Population - Arizona Department of Administration - Employment and Population Statistics/AZ Commerce Authority

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/ censusreporter.org (margin of error 10% of total value)

School Enrollment - National Center for Education Statistics

Unemployment - Federal Reserve Bank of St Louis

Education Level - Percent Bachelor's Degree or Higher	School Enrollment	Unemployment Rate
41.8% *	12,505	6.18%
41.8% *	11,910	4.70%
41.8% *	11,991	4.40%
41.8% *	11,873	4.20%
41.8% *	11,825	4.60%
47.1% *	12,515	6.20%
47.1% *	12,152	4.40%
47.1% *	12,184	4.80%
47.1% *	12,409	3.70%
51.1% *	11,932	4.50%

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

Employer	2025			2016		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Northern Arizona University	3,436	1	4.22%	2,815	1	5.10%
Northern Arizona Healthcare**	2,928	2	3.59%	2,350	2	4.26%
W.L. Gore & Associates	2,900	3	3.56%	2,200	3	3.99%
Flagstaff Unified School District	1,189	4	1.46%	1,436	4	2.60%
Coconino County	931	5	1.14%	1,294	5	2.35%
City of Flagstaff	972	6	1.19%	872	6	1.58%
BNSF Railway	650	7	0.80%			
Walmart	470	8	0.58%	630	7	1.14%
Nestle Purina PetCare	356	9	0.44%	240	10	0.44%
Restoration Forest Products	275	10	0.34%			
Grand Canyon Railway				421	8	0.76%
SCA Tissue				279	9	0.51%
<b>Total</b>	<b>14,107</b>		<b>17.32%</b>	<b>12,537</b>		<b>22.73%</b>
2020 & 2010 U.S. Census Labor Force	81,447	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

\*\*Formerly known as Flagstaff Medical Center

Note: Non-municipal figures were derived from company websites and/or from Datanyze; Causeiq.com



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

Function/Program	Fiscal Year			
	2015-2016	2016-2017	2017-2018	2018-2019
General government				
Administrative services	91.00	97.25	99.57	99.25
Capital management	8.00	8.00	9.00	9.00
City court	26.35	29.35	29.35	29.55
Public safety				
Fire	88.00	89.00	95.00	94.00
Police	167.00	167.00	173.00	176.00
Public works	25.50	25.50	27.50	27.50
Economic and physical development				
Building	44.98	45.50	48.98	50.50
Planning	14.88	19.88	21.88	24.88
Tourism	13.93	14.15	15.15	15.15
Culture and recreation				
Library	53.43	54.49	55.38	55.08
Parks, recreation, and open space	90.13	91.69	93.54	94.50
Highways and streets	33.02	32.02	33.02	33.02
Water and wastewater	66.00	67.00	71.00	73.46
Environmental services	56.25	57.00	57.00	56.00
Airport	9.50	9.50	9.50	11.50
Stormwater	4.50	5.50	5.50	5.50
Flagstaff housing authority	21.60	21.28	21.28	21.28
Total	814.07	834.10	865.65	876.17

**Fiscal Year**

2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
103.50	105.50	110.50	114.50	120.00	121.00
9.00	9.00	9.00	9.00	9.00	9.00
29.55	29.55	29.55	29.55	29.55	29.75
94.00	94.00	108.00	107.00	108.00	108.00
176.00	177.00	177.00	178.00	181.00	184.48
29.50	30.50	30.50	32.50	34.50	34.50
54.00	55.00	55.48	55.48	57.48	57.48
25.80	20.00	20.00	21.00	22.00	22.00
16.15	17.15	17.15	17.15	17.15	18.55
55.32	55.28	55.76	55.76	58.88	57.57
93.85	94.85	94.85	96.84	95.56	95.12
31.52	32.27	35.27	37.27	37.27	37.27
74.42	76.16	78.20	80.20	82.20	84.20
54.49	54.49	55.50	57.00	60.49	61.89
14.50	13.50	14.50	14.50	15.50	15.50
5.00	7.00	5.00	5.00	9.00	9.00
21.80	22.00	24.00	24.00	24.00	24.00
888.40	893.25	920.26	934.75	961.58	969.31

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

Function/Program	Fiscal Year			
	2015-2016	2016-2017	2017-2018	2018-2019
<b>Court</b>				
Criminal filings	6,924	7,208	6,364	5,819
Traffic filings	8,190	6,437	6,068	5,315
Non-criminal/other	1,357	4,668	2,250	1,579
Protective orders *	-	-	-	-
<b>Purchasing</b>				
Credit card rebates received	\$ 94,873	\$ 104,522	\$ 111,281	\$ 114,462
<b>Fire</b>				
Incidents	12,775	12,700	14,415	14,626
Fire	168	190	218	314
Other	742	3,017	3,296	3,036
Emergency medical services	-	-	-	-
Inspections assigned	2,217	1,775	1,775	1,730
Plan reviews	639	743	945	965
<b>Fuel Management</b>				
Plan assessment (acres)	1,500	1,723	667	345
Site marking (acres)	555	921	586	79
Site thinning (acres)	700	1,381	1,135	1,877
Prescription burn (acres)	650	948	860	759
<b>Police</b>				
Felony reports	2,769	2,945	2,908	2,881
Misdemeanor reports	9,553	9,531	9,045	8,776
Domestic violence incidents	1,541	1,513	1,478	1,661
Non-crime reports	6,660	6,604	6,070	6,756
Accident reports	2,985	2,926	2,803	2,828
Calls dispatched to police/sheriff	62,228	65,566	62,597	61,230
Calls dispatched to fire	13,565	14,497	14,550	14,749

**Fiscal Year**

	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
	7,105	6,752	5,582	4,711	4,133	6,192
	5,933	4,817	4,843	3,314	2,562	2,802
	1,750	1,486	-	396	1,242	1,586
	-	-	73	121	90	111
\$	110,582	\$ 92,204	\$ 114,620	\$ 126,318	\$ 127,223	\$ 131,142
	14,958	15,951	14,459	15,348	17,067	18,073
	153	163	161	146	212	199
	3,676	3,695	3,730	5,810	7,217	6,845
	-	-	-	9,392	9,638	11,029
	1,730	502	672	639	888	780
	960	537	824	767	820	929
	723	1,013	N/A	N/A	N/A	N/A
	73	50	65	60	120	234
	642	140	1,805	2,606	1,193	3,640
	288	745	2,767	6,206	6,725	8,273
	2,863	2,858	2,589	2,293	2,650	2,642
	9,222	7,907	7,850	7,131	7,817	7,959
	1,857	1,908	1,905	1,632	1,755	1,795
	7,258	6,637	7,310	6,586	6,368	4,663
	2,519	2,418	2,706	2,514	2,121	2,157
	60,479	73,852	55,563	52,003	53,451	53,131
	15,529	23,568	18,257	18,491	20,447	21,226

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

Function/Program	Fiscal Year			
	2015-2016	2016-2017	2017-2018	2018-2019
Streets				
Potholes repaired	1,437	2,367	2,127	886
Airport				
Fuel flowage (gallons sold)	603,382	588,506	645,367	855,383
Enplanements	69,485	65,887	74,707	87,993
Refuse collection				
Refuse collected (landfill tonnage)	143,639	145,960	109,776	91,105
Recyclables collected (total tons)	12,191	9,452	9,198	9,140
Community Development				
Permit valuation	\$ 177,068,294	\$ 217,767,173	\$ 149,723,688	\$ 167,323,988
Library				
Visits	660,974	662,838	660,030	617,813
Circulation	1,055,176	1,001,074	929,333	954,071
Tourism				
Revenue per available room	\$ 74.14	\$ 76.06	\$ 75.49	\$ 75.64

**Sources:** Various City divisions

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

**Fiscal Year**

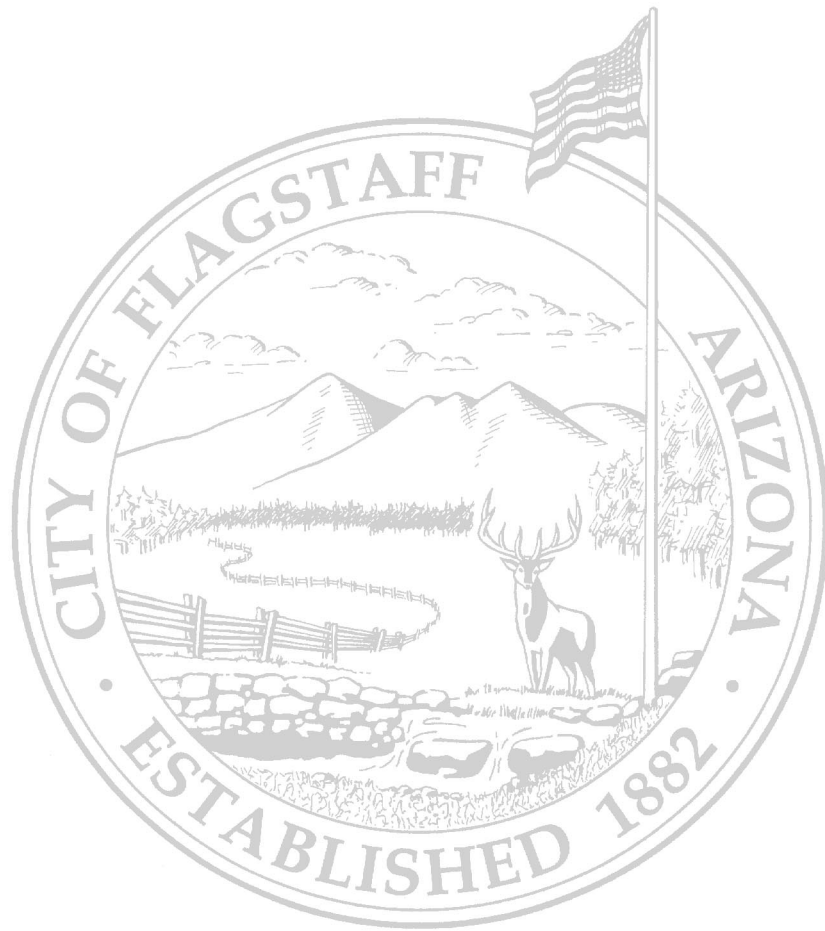
2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
296	153	2,200	1,200	1,332	330
1,267,517	1,295,326	1,495,211	1,151,856	1,066,404	1,155,634
111,035	86,544	109,065	82,415	72,337	80,772
91,941	104,971	105,586	105,280	112,955	125,191
8,285	7,454	7,571	6,773	6,236	5,136
\$ 235,395,255	\$ 201,190,867	\$ 240,674,099	\$ 228,247,709	\$ 307,065,566	(1)
444,396	9,268	223,630	380,615	428,374	474,007
555,361	293,503	703,032	817,581	893,805	851,699
\$ 59.72	\$ 75.39	\$ 93.25	\$ 90.12	\$ 89.05	\$ 85.56

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

<u>Function/Program</u>	<b>Fiscal Year</b>			
	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>
<b>Public Safety</b>				
Police patrol units (includes motorcycle units)	39	39	39	40
Number of fire hydrants	3,254	3,257	3,263	3,350
Number of fire stations	6	6	6	6
<b>Culture and recreation</b>				
Number of developed parks	23	23	23	23
Number of undeveloped parks	5	5	5	5
Park acreage	741	741	741	741
Flagstaff urban trail system - miles	56	56	56	59
Recreational buildings	4	4	4	4
<b>Highways and streets</b>				
Miles of streets, alleys, and sidewalks	844	844	844	844
Number of street lights	3,466	3,502	3,502	3,502
<b>Water and wastewater</b>				
Miles of sewer	276	294	294	294
Number of manholes	7,493	7,514	7,514	7,662
Total active water accounts	20,717	20,327	21,483	21,023
Average gallon water usage per household per month	3,901	4,867	4,153	4,170
<b>Airport</b>				
Fixed base operators	1	1	1	1
Locally based aircraft	132	132	117	117
Tiedowns	12	12	12	12
Enclosed hangars	61	61	61	61
Open hangars	36	44	44	44

**Fiscal Year**

2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
43	43	43	43	43	45
3,397	3,397	3,401	3,401	3,432	3,581
6	7	7	7	7	7
23	24	24	24	24	26
5	5	5	5	5	2
741	741	741	741	741	734
59	59	59	59	59	59
5	5	5	5	5	5
1,018	1,018	1,037	1,037	1,037	1,037
3,929	3,951	3,937	3,937	3,937	3,937
374	350	286	286	285	296
7,734	7,734	7,737	7,738	7,977	8,105
21,154	21,156	23,362	23,362	21,835	21,568
4,297	4,745	4,680	4,680	4,123	6,807
1	1	1	1	1	1
112	112	112	112	112	112
18	18	18	18	18	18
61	62	62	62	63	63
48	48	48	48	48	48





## LAND ACKNOWLEDGMENT

The City of Flagstaff humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.



**CITY OF FLAGSTAFF**  
**211 W. ASPEN AVE.**  
**FLAGSTAFF, ARIZONA 86001**

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

