

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF FLAGSTAFF, ARIZONA
FISCAL YEAR 2000-2001**



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VICE-MAYOR

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COUNCILMEMBER

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COUNCILMEMBER

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CITY MANAGER

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DEPUTY CITY MANAGER

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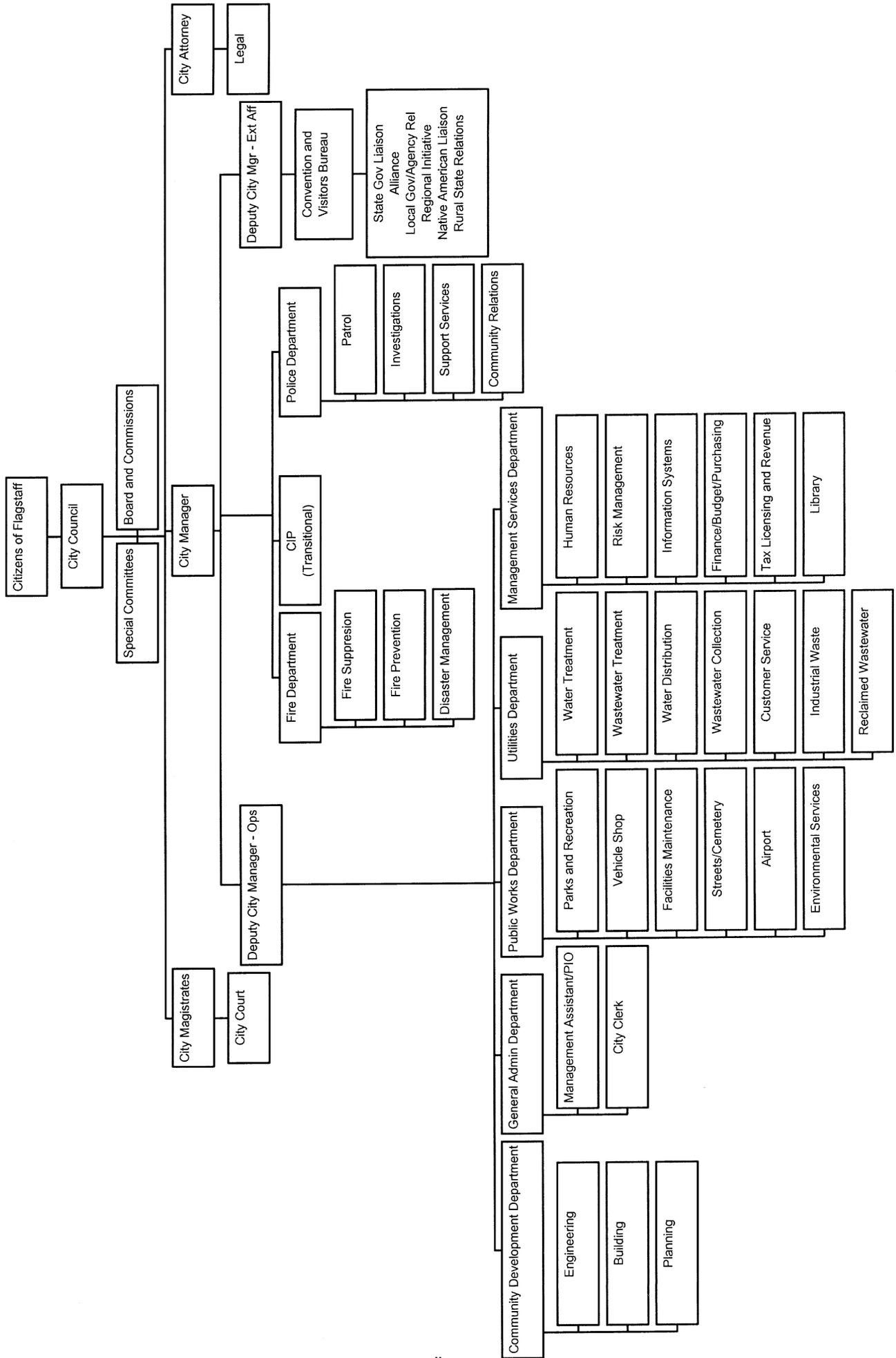
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City of Flagstaff



**INTRODUCTORY
SECTION**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF FLAGSTAFF

JUNE 30, 2001

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City of Flagstaff

January 10, 2002

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

The Comprehensive Annual Financial Report of the City of Flagstaff, Arizona, for the fiscal year ended June 30, 2001, is submitted for your review. The City's Finance Division prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe that the data, as presented, is accurate in all material aspects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes a list of principal officials, the City's organizational chart, and this transmittal letter. The financial section includes the general-purpose financial statements, the combining and individual fund and account group financial statements and schedules, and supporting schedules, as well as the auditors' report on the financial statements and schedules. The City has included supplemental financial information on debt service requirements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report represents management's report to its governing body, constituents, legislative and oversight bodies, and investors and creditors. Copies of this report will be sent to elected officials, City management personnel, bond rating agencies, and other agencies which have expressed an interest in Flagstaff's financial matters. Copies of this financial report will also be placed in the City library for use by the general public.

This report includes all funds and account groups of the City. The City provides a full range of services, including police and fire protection; sanitation services; the construction and maintenance of highways, streets and infrastructure; recreational activities and cultural events; and construction and maintenance of a water and sewer utility. In addition to general governmental activities, standards set by the Governmental Accounting Standards Board ("GASB") regarding the inclusion of certain entities based upon the significance of their operational or financial relationships with the City, require that the activities of the City of Flagstaff Municipal Facilities Corporation and the Greater Flagstaff Economic Council be included in the reporting entity.

Economic Condition and Outlook

Sales Tax receipts in fiscal year 2000-2001 showed a 2.9% increase. Retail sales, 73% of the sales tax base, increased 5.9%.

Bed, Board and Booze revenues showed a 2.8% increase, over the 1999-2000 activity.

Construction tax revenue decreased 2.3% from the previous year. Automobile tax receipts were down 11.4%. The large retail stores and taxable sales of building supplies to the end user rather than contractors accounted for almost all of the increase in sales tax revenue.

A new transportation tax was implemented in August 2000. The level of increase was 0.051% and the tax will be used to support transportation and transit expenditures. The tax generated approximately \$5.3 million in revenue for the fiscal year 2000-2001.

Major Initiatives, Service Efforts and Accomplishments

For the Year

Maintained or improved service levels to citizens.

Started an internal improvement process, the Organizational Development program.

Implemented changes to better address the needs in planning and constructing capital projects in the City, through expansion of the capital engineering division, reassignment of the division directly to the City Manager, and procedural changes.

Upgraded Public Safety technology for dispatch and patrol operations.

Completed the initial phase of a Stormwater Utility feasibility study, with a recommendation to proceed with implementation.

Acquired sensitive open space areas in new housing development, Lockett Park.

Completed negotiations for the acquisition of needed flood control and future park site, 101 acres.

Initial phase of organization study to increase productivity in the water and sewer utility completed.

Participated in the ICMA benchmarking program, strengthening the existing best practices program.

Continued water service development, including new wells and participation in pipeline study.

Cooperative arrangements implemented with Coconino County for dispatch, arraignments, after hour bond releases, building and site maintenance.

Parking ticket collection increased to 70% (from 40%) in FY 2000.

Litter Ordinance program implemented/enforced downtown.

Implementation of "Pride Squared" Block Watch, a program aligned with other block watches that works with gay and lesbian alliances in the community.

Prudent financial management allowed the City to proceed or continue with several critically important capital projects:

- Sunnyside infrastructure (multi-year).
- Rio de Flag--\$9,400,000
- Police radio (city-wide) and computer upgrades--\$1,400,000
- Butler/Enterprise intersection--\$7,300,000
- Facilities site acquisition and redevelopment--\$5,500,000

Completed the Countywide Library Automation program.

Established a Diversity Commission.

For the future

The focus to meet growing needs will be centered on evaluating and enhancing revenue resources. This will be accomplished through several different modalities that include but are not limited to:

- Impact fee analysis
- User fee analysis
- Establish cost allocation rates to charge administrative costs to grant funding per the guidelines created by the Office of Management and Budget (OMB) Circular A-87
- Departmental and financial review
- Implementation of the Stormwater Utility

Continued investment in the future of the community through Capital Improvement Projects totaling \$76 million in FY2002. Major projects include USGS facility, Airport taxiway, Butler/Enterprise intersection, recreational park development, and redevelopment in the Downtown and Eastside areas.

Remodeling of facilities as designated by the Department of Justice to come into full compliance with the Americans with Disabilities Act.

Implementation of the internal improvement processes which have included an Organizational Development Program, participation in the ICMA benchmarking study, and the development of city-wide goals established through Mayor/Council and City executive staff.

City Highlight

The Police Department is being highlighted in 2001 for its joint project with the Coconino County Sheriff's Office in the construction of a joint facility and the implementation of exchange of services. In 1998 Coconino County started a major facility improvement program. Two facilities slated for construction were the Jail and Sheriff operations. The City had previously received voter authorization to improve Police administrative offices. Discussions ensued about the possibility of building a joint facility and a decision to proceed was made. Additional discussions about redundancy of services were also held. Staff of both agencies openly discussed the pro and cons of consolidating various functions that each party independently provided. The City was also proceeding with a major upgrade to its communications and dispatch systems.

The end result was the decision to consolidate records, dispatch, warrants and facility maintenance. The County assumed warrants and facilities responsibilities and the City agreed to provide dispatch and records. The consolidations were determined to be the most effective and efficient for both agencies. More specifically the dispatch and records upgrade allowed the Sheriff's department to get the advantage of the current computer and software technology the City was implementing.

Through many negotiations of the specifics of service level expectations, definitions of activity levels and cost sharing schedules the services were consolidated over several months after the initial move to the facility in January 2001. County dispatch staff were transferred over and became employees of the City and all were retrained on the new software. Protocols were agreed upon for both parties and successful consolidation of operations has occurred.

The elected officials, management and especially the police and sheriff's staff must be commended for their diligence and success with both the physical and operational consolidations.

Financial Information

Internal Control

In developing the City's accounting system, consideration is given to the adequacy of internal accounting controls. These internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Single Audit

As a recipient of Federal, State, and County financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management and the internal audit staff of the City.

As part of the City's single audit, tests are made to determine the adequacy of the internal control structure, including that portion related to Federal financial assistance programs, as well as to determine that the City has complied with applicable laws and regulations. The results of the City's single audit for the fiscal year ended June 30, 2001, provided no instances of material weaknesses in the internal control structure or significant violations of applicable laws and regulations.

Budgetary System

The City also maintains budgetary controls. The objective of these controls is to ensure compliance with budgetary and legal provisions embodied in the annual appropriated budget approved by the City Council. In addition to maintaining budgetary control via a formal appropriation, the City maintains an encumbrance accounting system. Encumbrances are made against appropriations upon the release of a purchase order. Encumbered appropriations are reappropriated at the end of each fiscal year.

The City is subject to both legal and expenditure limitations as set out in the State Constitution. The City cannot adopt a budget that exceeds the expenditure limitation determined annually by the State of Arizona's Economic Estimates Commission. This limitation is based on 1979-80 actual expenditures, adjusted to reflect interim population and cost of living changes. Certain items are specifically exempted, including bond sale proceeds; debt service payments and other long-term obligations; interest earnings; a portion of Highway User Tax revenues; Federal and State grants; and monies received pursuant to intergovernmental agreements.

On March 1, 1988, as provided by State statute, the voters of Flagstaff approved a permanent base adjustment of \$1,900,000 to the 1979-80 base amount used in determining the annual expenditure limitation. The permanent increase was for the expenditure of the newly authorized Bed, Board and Booze Tax which was also approved in the March, 1988 election.

The City's budget process involves input from Division heads, Department heads, Administration, the City Council and the public. Annual budgets are adopted for all funds by department and division with the legal level of control for State budgetary purposes at the department level. Throughout the year budgetary control is maintained through the use of monthly management reports that compare actual or encumbered expenditures and revenues against the budgeted amounts. These reports are utilized to continuously monitor and manage budgets throughout the year.

General Governmental Revenues

Revenues of the governmental funds totaled \$61,452,447 in fiscal year 2000-2001; an increase of 7.0% over the fiscal year ended June 30, 2000.

The following schedule represents a summary of the general fund, special revenue funds, debt service funds, and capital project funds revenues for the fiscal year ended June 30, 2001, and the amount and percentage of increases and decreases in relation to prior year revenues.

<u>Revenue Sources</u>	<u>Actual Revenues</u>	<u>Percent of Total</u>	<u>Increase (Decrease) Dollar Amount</u>	<u>Percentage Change From 1999-2000</u>
Taxes	\$ 28,340,957	46.2%	\$ 6,143,824	27.7%
Licenses and permits	1,318,450	2.1	(5,890)	-0.4
Intergovernmental	26,203,650	42.6	(574,467)	-2.1
Charges for services	1,025,625	1.7	(4,624)	-0.4
Fines and forfeiture	993,585	1.6	155,890	18.6
Special assessments	269,794	0.4	93,931	53.4
Miscellaneous revenues	<u>3,300,386</u>	<u>5.4</u>	<u>(1,767,530)</u>	-34.9
Total revenues	\$ <u>61,452,447</u>	<u>100.0%</u>	\$ <u>4,041,134</u>	7.0

The increase in taxes was the result of a new tax to support transportation and transit expenditures. The transportation tax was implemented in August of 2000, (a .051% increase) resulting in approximately \$5.3 million in receipts in FY 2001. Intergovernmental revenue was down overall due to a decrease in contributions by the County, their share of the new joint facility, which mostly occurred in FY 2000. State sales tax showed weakening towards the end of the year, however State income tax, Highway fuel receipts and library receipts showed significant increases.

Fines and forfeitures showed a marked increase due to increased activity that was reflected in all fees associated with the City Court. These included defensive driving, parking and fines.

Miscellaneous revenues decreased significantly from two one-time events that occurred in FY 2000 and not in FY2001: A write off of \$1.2 million of landfill fees previously charged to the Koch Field soil remediation project, and receipt of \$720,000 in bond monies for a special improvement district to construct sewer lines.

General Governmental Expenditures

The following schedule presents a summary of general, special revenue, debt service, and capital project funds for the fiscal year ended June 30, 2001 and the amount and percentage of increase and decrease in relation to prior year expenditures.

Function	Actual Expenditures	Percent of Total	Increase (Decrease) Dollar Amount	Percentage Change From 1999-2000
Current Operations:				
General government	\$ 4,533,882	8.6	777,999	20.7
Parks and recreation	4,154,546	7.9	667,638	19.1
Public safety	15,480,047	29.6	1,946,171	14.4
Public works	1,066,174	2.0	338,410	46.5
Cemetery	163,550	0.3	14,570	9.8
Community development	3,667,942	7.0	1,449,138	65.3
Health & social services	1,040,414	2.0	41,992	4.2
Criminal justice	1,145,454	2.2	123,803	12.1
Highway & streets	7,735,150	14.7	693,042	9.8
Library	3,066,958	5.8	957,401	45.4
Real Estate Proceeds	373,183	0.7	(1,061,802)	-74.0
Beautification	252,837	0.5	(463,659)	-64.7
Economic development	400,846	0.8	66,614	19.9
Tourism	1,253,786	2.4	122,814	10.9
Arts and Science	326,264	0.6	(28,391)	-8.0
Recreation	107,599	0.2	(1,527,310)	-93.4
Community Redevelopment	1,181,494	2.2	424,150	56.0
Contingencies	200,663	0.4	139,151	226.2
Subtotal	46,150,789	87.9	4,681,731	11.3
Capital projects	2,165,989	4.1	(6,590,376)	-75.3
Debt service	4,206,920	8.0	325,054	8.4
Total	\$ 52,523,698	100.0%	\$ (1,583,591)	-2.9%

General government increased due to the purchase of new dispatch equipment for the Police/Sheriff consolidation and upgrade of services. Increases in operating and capital expenditures in both Parks and Recreation account for the change in that function. Public Safety increased various operating expenses as a result of the move into a new facility and dispatch software upgrades. The City had to install temporary facilities for USGS, a lessee of City facilities, impacting the public works expenditures. Highway and Streets saw a slight decrease in capital project expenditures; however the implementation of a new transit system impacted this function.

The Beautification, Recreation, and Community Redevelopment areas are all capital project functions that did not incur the same levels of capital investment as in the past with the exception of redevelopment which instituted an aggressive land acquisition program for affordable housing. Capital project activity decreased due to the completion of the improvement district sewerline and the construction expenditures at the joint Police/Sheriff facility slowed down as completion of the facility neared.

Fund Balance

Fund balances reflect the accumulated excess of revenues and other financing sources over expenditures and other financing uses for general government functions. Unencumbered appropriations lapse at the close of the fiscal year and revert to unreserved fund balance. Encumbered amounts are reported as reservations of fund balance.

Fund	Fund Balances		
	June 30, 2001	June 30, 2000	Increase (Decrease)
General	\$ 19,420,953	17,553,766	1,867,187
Special Revenue	24,317,465	17,263,742	7,053,723
Debt Service	419,259	493,733	(74,474)
Capital Projects	5,154,410	1,286,878	3,867,532
Total	\$ 49,312,087	36,598,119	12,713,968

The General Fund increased as a result of the strong economy with local sales taxes and state shared sales taxes exceeding budgetary expectations and increased interest earnings. The additional increase in fund balance is attributable to capital items in various functions that were carried over and re-budgeted in the next year. The Special Revenue Fund balance is a compilation of numerous changes in the eleven funds however the Capital Fund, Highway User Revenue Fund, Beautification, Recreation, and Transportation funds experienced increases primarily due to carry over of monies on projects, for a total of \$6.7 million. The fund balance increase for Capital Projects was due to the sale of bonds in the last month of the fiscal year of \$4.7 million

Enterprise Operations

The City's enterprise operations are three separate and distinct activities; the Water and Wastewater Utility, the Airport and the Environmental Services operations that include residential, commercial and landfill services. Enterprise funds are used to account for operations (a) that are financed and operated

in a manner similar to proprietary (private business) enterprises where the intent is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis is to be financed or recovered primarily through user charges, or (b) it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The following schedule presents current year income or loss before operating transfers for the Enterprise funds:

<u>Fund</u>	<u>2000-2001</u>	<u>Increase/ (Decrease) from 1999-2000</u>	<u>Percent of Increase/ (Decrease)</u>
Water and Wastewater	\$ 3,462,919	(501,154)	-12.6
Airport	(1,844,523)	(129,004)	-7.5
Environmental Services	661,512	(1,333,180)	-66.8
Total	\$ <u>2,279,908</u>	<u>(1,963,338)</u>	-46.3

The decrease in Water and Wastewater income was a result of increased operating expenditure in both water and wastewater. The increase in operating expenses was primarily due to the change in the City capitalization threshold (increased from \$1,000 to \$5,000). The loss in the Airport Fund is in operations, primarily due to increased support expenditures associated with increased capital investments. The Environmental Services Fund experienced a \$1.3 million dollar loss in landfill revenues, resulting from the opening of a transfer station by Waste Management. Waste Management is transporting their waste to their own landfill in the region.

Pension Trust Fund Operations

The operations of the Firemen's Pension Trust Fund remained very stable in FY2001. The 7% revenue increase is directly related to higher interest earnings in the fund. The fund continues a relatively stable distribution of benefits to qualified participants.

Debt Administration

At June 30, 2001 the City had outstanding debt issues of \$57,609,570, net of cash deposited with fiscal agents for July 1, 2001 bond maturities. The breakdown was:

	<u>Balance June 30, 2001</u>
General Obligation-Tax supported	\$ 9,120,000
General Obligation-Water and Wastewater	24,612,570
Street and Highway	17,760,000
Special Assessment Bonds	1,417,000
Other	<u>4,700,000</u>
Total	\$ <u>57,609,570</u>

The City received authorization from the voters on November 6, 1990 to issue \$40,700,000 in bonds for water and sewer improvements, and on November 5, 1996 authorization to issue \$8,200,000 in bonds for Recreation. The 1990 election authorized the City Council to use the water and sewer bond authorization as either general obligation bonds, water and sewer revenue bonds or water and sewer revenue bonds with a pledge of the City's full faith and credit. Current bond ratings for the City of Flagstaff are: General Obligation - Moody's Investor Service AAa3, Standard and Poor's A+; Water and Sewer Revenue Bonds - Moody's Investor Service A-1, and Standard and Poor's A; Street and Highway Revenue Bonds - Moody's Investor Service A-1, and Standard and Poor's A+. The general obligation rating from Moody's was an upgrade for the City.

The ratio of general obligation bonded debt, supported by the City's General Fund, to secondary assessed valuation and the amount of bonded debt per capita are standard indicators of a City's debt position and debt burden. The following is a summary of selected indicators at June 30, 2001:

	Amount	Ratio of Debt to Secondary Assessed Value	Debt Per Capita
Net Direct Bonded Debt	\$ 33,732,570	8.3%	\$ 584.62
Estimated Overlapping Debt	32,200,585	7.9	558.07
Net Direct and Estimated Overlapping Debt	\$ 65,933,155	16.2%	\$ 1,142.69

Authorized but unissued bonds as of the date of this report consist of \$6,775,760 of water and sewer bonds, and \$4,200,000 in general obligation bonds for recreation facilities.

Under Arizona law, cities can issue general obligation bonds for purposes of water, sewer, artificial light, open space, parks, playgrounds and recreational facilities up to an amount not exceeding 20% of the secondary assessed valuation and general obligation bonds for all purposes other than those listed up to an amount not exceeding 6% of the secondary assessed valuation.

At June 30, 2001, the 20% debt limitation was \$81,718,547, providing a debt margin of \$54,675,977 and the 6% debt limitation was \$24,515,564, providing a debt margin of \$17,825,564 based on the 2000 assessed values.

Cash Management

The City's investment policy is to invest all temporarily idle cash in investments authorized by City resolution or State statute at the highest available interest rate while emphasizing safety of principal and liquidity. Excess funds were primarily invested in the State Treasurer's Local Government Investment Pool with additional amounts invested in obligations of the U.S. Treasury and its agencies, demand deposits and repurchase agreements. The City utilizes a pooled cash concept in order to invest greater amounts of cash at one time, thus increasing the yield. The average yield for pooled investments for the 2001 fiscal year was 6.13%.

Risk Management

In August of 1986, the Mayor and Council approved the establishment of a self-insurance program. This program is a limited program for worker's compensation, liability, health and unemployment insurance and claim revenues. Budgeted premiums are paid by the originating fund to the self-insurance fund. For liability insurance the City maintains a \$25,000 self-insured retention amount and purchases commercial insurance for claims in excess of coverage. All claims, legal fees and premiums are then paid from the fund. At June 30, 2001, the self-insurance fund had a fund balance of \$5.4 million.

The City of Flagstaff participates in a risk sharing pool for employee health care, through 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.

Other Information

Independent Audit

The City Charter requires an annual audit by independent certified public accountants. The accounting firm of Nordstrom and Associates, has been selected by the City Council. The auditor's report on the general purpose financial statements and combining individual fund and account group statements and schedules is included in the financial section of this report.

In addition to this report, the auditors were also contracted to perform the single audit of the City's Federal Grant Programs. This audit was designed to meet the requirements of the Federal Single Audit Act of 1984, and Single Audit Act Amendment of 1996 and the related OMB Circular A-133. Due to the size and complexity of the City's financial system, the single audit report is issued separately from this financial report. Copies are available upon request.

Awards

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, Arizona, for its comprehensive annual financial report for the fiscal year ended June 30, 2000. This was the eighth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principals and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirement and we are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's award for Distinguished Budget Presentation for our 2000-2001 annual budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient as a Policy Document, a Financial Plan, and an Operation Guide and as a Communication Device.

Acknowledgements

I want to thank the Finance staff for their efforts in preparing this report and City Departments and Divisions for their cooperation and assistance throughout the year. I would also like to thank the Mayor, members of the City Council, the Audit Committee and City Manager for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner. The cooperative assistance of our independent auditor, Nordstrom and Associates, also contributed significantly to this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mary Jo Jenkins", with a long horizontal flourish extending to the right.

Mary Jo Jenkins
Financial Services Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Flagstaff,
Arizona

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Samuel A. Brown
President

Jeffrey L. Esser
Executive Director

**FINANCIAL
SECTION**

Bruce J. Nordstrom, CPA
Godfrey C. Loper Jr., CPA
Marjorie T. McClanahan, CPA
Timothy D. Hansen, CPA



MEMBERS
American Institute of
Certified Public Accountants
Arizona Society of Certified
Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of City of Flagstaff, Arizona (the City), as of and for the year ended June 30, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of Greater Flagstaff Economic Council, a discretely presented component unit of the City. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the financial statements insofar as it relates to the amounts included for Greater Flagstaff Economic Council, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City, as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund types and the net assets and changes in net assets of its firemen's pension trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Our audit was made for the purpose of forming an opinion on the general purpose financial statements of the City taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the City. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The information included in the introductory and statistical sections listed in the table of contents has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on such information.

In accordance with *Government Auditing Standards* we have issued our report dated September 13, 2001 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Nordstrom & Associates, P.C.

**Flagstaff, Arizona
September 13, 2001**



City of Flagstaff
 Combined Balance Sheet-All Fund Types,
 Account Groups and Discretely Presented
 Component Unit
 June 30, 2001

	Governmental Fund Types			Proprietary Fund Types		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Assets and Other Debits						
Assets:						
Cash and Cash Equivalents	\$ 19,718,351	22,452,534	419,323	1,931,419	24,789,435	5,417,328
Cash with Fiscal Agent	--	1,900,066	1,346,927	--	--	--
Receivable from Sale of Property	--	143,238	--	--	--	--
Intergovernmental Receivable	18,289	--	--	--	--	--
Accounts Receivable (Net)	1,473,171	1,203,355	--	850,939	3,146,720	29,805
Interest Receivable	180,689	140,384	--	--	225,261	59,381
Sales Tax Receivable	2,021,037	669,155	--	--	--	--
Bond Proceeds Receivable	--	--	--	2,445,000	--	--
Grants Receivable	274,709	342,387	--	--	1,427,922	--
Special Assessments Receivable	--	--	1,255,186	--	--	--
Interfund Receivable	--	910,000	--	--	--	94,897
Restricted Assets:						
Cash and Cash Equivalents	92,243	218,473	--	--	7,792,043	--
Interest Receivable	--	--	--	--	28,424	--
Accounts Receivable (Net)	--	209,273	--	--	--	--
Inventory	212,379	--	--	--	314,192	--
Contractor Performance Bonds	583,597	--	--	--	--	--
Fixed Assets (Net of Applicable Accumulated Depreciation)	--	--	--	--	187,513,762	--
Miscellaneous Assets	--	--	--	--	--	--
Other Debits:						
Amount Available in Debt Service Fund	--	--	--	--	--	--
Amount to be Provided for General Long-term Debt Group	--	--	--	--	--	--
Total Assets and Other Debits	\$ 24,574,465	28,188,865	3,021,436	5,227,358	225,237,759	5,601,411

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

Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit Greater Flagstaff Economic Council	Total Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-term Debt			
Trust					
226,593	--	--	74,954,983	326,685	75,281,668
--	--	--	3,246,993	--	3,246,993
--	--	--	143,238	--	143,238
--	--	--	18,289	--	18,289
--	--	--	6,703,990	85,954	6,789,944
--	--	--	605,715	--	605,715
--	--	--	2,690,192	--	2,690,192
--	--	--	2,445,000	--	2,445,000
--	--	--	2,045,018	--	2,045,018
--	--	--	1,255,186	--	1,255,186
--	--	--	1,004,897	--	1,004,897
--	--	--	8,102,759	--	8,102,759
--	--	--	28,424	--	28,424
--	--	--	209,273	--	209,273
--	--	--	526,571	--	526,571
--	--	--	583,597	--	583,597
--	68,069,352	--	255,583,114	10,204	255,593,318
--	--	--	--	2,113	2,113
--	--	419,259	419,259	--	419,259
--	--	31,428,512	31,428,512	--	31,428,512
<u>226,593</u>	<u>68,069,352</u>	<u>31,847,771</u>	<u>391,995,010</u>	<u>424,956</u>	<u>392,419,966</u>

(Continued)

City of Flagstaff
Combined Balance Sheet-All Fund Types,
Account Groups and Discretely Presented
Component Unit
June 30, 2001

	Governmental Fund Types			Proprietary Fund Types		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Liabilities, Equity and Other Credits						
Liabilities:						
Accounts Payable	\$ 1,996,415	1,182,994	--	--	1,260,462	215,874
Accrued Wages and Payroll Taxes	792,882	89,411	--	--	239,529	--
Current Bonds and Capital Leases Payable	--	1,420,000	1,085,000	--	--	--
Interest Payable	--	480,066	261,991	--	--	--
Payable from Restricted Assets:						
Interest Payable	--	--	--	--	327,194	--
General Obligation Bonds	--	--	--	--	1,720,000	--
Customer Deposits	--	--	--	--	522,513	--
Landfill Closure and Post-Closure Liability	--	--	--	--	3,275,256	--
Deferred Revenue	--	319,456	--	--	--	--
Grant Revenue in Advance	92,243	108,290	--	--	--	--
Guaranty and Other Deposits	1,664,731	--	--	--	99,916	--
Insurance Payable	--	--	--	--	--	19,754
Capital Lease Payable	--	--	--	--	90,424	--
Interfund Payable	--	60,000	--	--	944,897	--
Deferred Revenue	607,241	143,238	1,255,186	--	152,277	--
Bonds Payable (Less Current Portion):						
General Obligation Bonds	--	--	--	--	26,637,570	--
Revenue Bonds	--	--	--	--	--	--
Special Assessment Bonds	--	--	--	--	--	--
Arbitrage Liability	--	67,945	--	72,948	101,726	--
Loans Payable	--	--	--	--	4,353,622	--
Landfill Closure and Post-Closure Liability	--	--	--	--	7,702,592	--
Total Liabilities	5,153,512	3,871,400	2,602,177	72,948	47,427,978	235,628
Equity and Other Credits:						
Contributed Capital	--	--	--	--	98,424,424	--
Investment in Fixed Assets	--	--	--	--	--	--
Retained Earnings:						
Reserved for:						
Renewal and Replacement	--	--	--	--	1,593,915	--
Airport Construction	--	--	--	--	381,589	--
Unreserved	--	--	--	--	77,409,853	5,365,783
Fund Balances:						
Reserved for Inventory	212,379	--	--	--	--	--
Reserved for Capital Projects	--	--	--	5,154,410	--	--
Reserved for Debt Service	--	--	419,259	--	--	--
Reserved for Employee's Pension Benefits	--	--	--	--	--	--
Unreserved	19,208,574	24,317,465	--	--	--	--
Total Retained Earnings/Fund Balance	19,420,953	24,317,465	419,259	5,154,410	79,385,357	5,365,783
Total Equity and Other Credits	19,420,953	24,317,465	419,259	5,154,410	177,809,781	5,365,783
Total Liabilities, Equity and Other Credits	\$ 24,574,465	28,188,865	3,021,436	5,227,358	225,237,759	5,601,411

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

Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit Greater Flagstaff Economic Council	Total Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-term Debt			
Trust					
--	--	--	4,655,745	80,152	4,735,897
--	--	875,771	1,997,593	6,598	2,004,191
--	--	--	2,505,000	--	2,505,000
--	--	--	742,057	--	742,057
--	--	--	327,194	--	327,194
--	--	--	1,720,000	--	1,720,000
--	--	--	522,513	--	522,513
--	--	--	3,275,256	--	3,275,256
--	--	--	319,456	--	319,456
--	--	--	200,533	--	200,533
--	--	--	1,764,647	--	1,764,647
--	--	--	19,754	--	19,754
--	--	--	90,424	--	90,424
--	--	--	1,004,897	--	1,004,897
--	--	--	2,157,942	--	2,157,942
--	--	11,795,000	38,432,570	--	38,432,570
--	--	17,760,000	17,760,000	--	17,760,000
--	--	1,417,000	1,417,000	--	1,417,000
--	--	--	242,619	--	242,619
--	--	--	4,353,622	--	4,353,622
--	--	--	7,702,592	--	7,702,592
--	--	31,847,771	91,211,414	86,750	91,298,164
--	--	--	98,424,424	--	98,424,424
--	68,069,352	--	68,069,352	10,204	68,079,556
--	--	--	1,593,915	--	1,593,915
--	--	--	381,589	--	381,589
--	--	--	82,775,636	--	82,775,636
--	--	--	212,379	--	212,379
--	--	--	5,154,410	--	5,154,410
--	--	--	419,259	--	419,259
226,593	--	--	226,593	--	226,593
--	--	--	43,526,039	328,002	43,854,041
226,593	--	--	134,289,820	328,002	134,617,822
226,593	68,069,352	--	300,783,596	338,206	301,121,802
226,593	68,069,352	31,847,771	391,995,010	424,956	392,419,966

City of Flagstaff
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types and Discretely Presented Component Unit
 For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types				Total Primary Government (Memorandum Only)	Component Unit Greater Flagstaff Economic Council	Total Reporting Entity (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects			
Revenues:							
Taxes	\$ 15,353,792	9,091,062	3,896,103	--	28,340,957	--	28,340,957
Licenses and Permits	1,318,450	--	--	--	1,318,450	--	1,318,450
Intergovernmental Revenue	14,151,140	11,472,269	--	580,241	26,203,650	--	26,203,650
Charges for Services	1,025,625	--	--	--	1,025,625	--	1,025,625
Fines and Forfeitures	993,585	--	--	--	993,585	--	993,585
Special Assessments	--	--	269,794	--	269,794	--	269,794
Miscellaneous Revenues	1,595,609	1,432,511	115,329	156,937	3,300,386	27,091	3,327,477
Contributions	--	--	--	--	--	519,617	519,617
Memberships	--	--	--	--	--	37,363	37,363
Total Revenues	34,438,201	21,995,842	4,281,226	737,178	61,452,447	584,071	62,036,518
Expenditures:							
Current:							
General Government	4,533,882	--	--	--	4,533,882	--	4,533,882
Parks and Recreation	4,154,546	--	--	--	4,154,546	--	4,154,546
Public Safety	15,480,047	--	--	--	15,480,047	--	15,480,047
Public Works	1,066,174	--	--	--	1,066,174	--	1,066,174
Cemetery	163,550	--	--	--	163,550	--	163,550
Community Development	3,667,942	--	--	--	3,667,942	--	3,667,942
Contributions to Other Agencies	1,040,414	--	--	--	1,040,414	--	1,040,414
Criminal Justice	1,145,454	--	--	--	1,145,454	--	1,145,454
Highways and Streets	--	7,735,150	--	--	7,735,150	--	7,735,150
Library	--	3,066,958	--	--	3,066,958	--	3,066,958
Real Estate Proceeds	--	373,183	--	--	373,183	--	373,183
Beautification	--	252,837	--	--	252,837	--	252,837
Economic Development	--	400,846	--	--	400,846	517,769	918,615
Tourism	--	1,253,786	--	--	1,253,786	--	1,253,786
Arts and Science	--	326,264	--	--	326,264	--	326,264
Recreation	--	107,599	--	--	107,599	--	107,599
Community Redevelopment	--	1,181,494	--	--	1,181,494	--	1,181,494
Contingencies	200,663	--	--	--	200,663	--	200,663
Capital Outlays	--	--	--	2,165,989	2,165,989	--	2,165,989
Debt Service:							
Principal Retirement	--	1,420,000	1,288,000	--	2,708,000	--	2,708,000
Interest and Fiscal Charges	--	962,019	536,901	--	1,498,920	--	1,498,920
Total Expenditures	31,452,672	17,080,136	1,824,901	2,165,989	52,523,698	517,769	53,041,467

(Continued)

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

City of Flagstaff
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types and Discretely Presented Component Unit
 For the Fiscal Year Ended June 30, 2001

	Governmental Fund Types				Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		Greater Flagstaff Economic Council	
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 2,985,529	4,915,706	2,456,325	(1,428,811)	8,928,749	66,302	8,995,051
Other Financing Sources (Uses):							
Operating Transfers - In	4,660,073	4,221,727	1,538,255	821,000	11,241,055	--	11,241,055
Bond Proceeds	--	--	--	4,475,343	4,475,343	--	4,475,343
Operating Transfers - Out	(5,778,415)	(2,083,710)	(4,069,054)	--	(11,931,179)	--	(11,931,179)
Total Other Financing Sources (Uses)	(1,118,342)	2,138,017	(2,530,799)	5,296,343	3,785,219	--	3,785,219
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,867,187	7,053,723	(74,474)	3,867,532	12,713,968	66,302	12,780,270
Fund Balances at Beginning of Year	17,553,766	17,263,742	493,733	1,286,878	36,598,119	261,700	36,859,819
Fund Balances at End of Year	<u>\$ 19,420,953</u>	<u>24,317,465</u>	<u>419,259</u>	<u>5,154,410</u>	<u>49,312,087</u>	<u>328,002</u>	<u>49,640,089</u>

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

City of Flagstaff
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types
 Budget and Actual
 For the Fiscal Year Ended June 30, 2001

	General Fund			Special Revenue Funds		
	Budget	Actual	Variance	Budget	Actual	Variance
Revenues:						
Taxes	\$ 14,706,708	15,353,792	647,084	8,677,749	9,091,062	413,313
Licenses and Permits	1,371,273	1,318,450	(52,823)	--	--	--
Intergovernmental Revenue	13,755,917	14,151,140	395,223	14,969,967	11,472,269	(3,497,698)
Charges for Services	1,258,040	1,025,625	(232,415)	--	--	--
Fines and Forfeitures	937,942	993,585	55,643	--	--	--
Special Assessments	--	--	--	--	--	--
Miscellaneous Revenues	936,298	1,595,609	659,311	1,384,048	1,432,511	48,463
Total Revenues	32,966,178	34,438,201	1,472,023	25,031,764	21,995,842	(3,035,922)
Expenditures:						
Current:						
General Government	8,289,749	4,533,882	3,755,867	--	--	--
Parks and Recreation	4,648,794	4,154,546	494,248	--	--	--
Public Safety	16,206,421	15,480,047	726,374	--	--	--
Public Works	1,436,511	1,066,174	370,337	--	--	--
Cemetery	201,336	163,550	37,786	--	--	--
Community Development	7,575,164	3,667,942	3,907,222	--	--	--
Contributions to Other Agencies	1,214,205	1,040,414	173,791	--	--	--
Criminal Justice	1,180,237	1,145,454	34,783	--	--	--
Highways and Streets	--	--	--	20,236,939	7,735,150	12,501,789
Library	--	--	--	3,910,610	3,066,958	843,652
Real Estate Proceeds	--	--	--	950,000	373,183	576,817
Beautification	--	--	--	2,160,962	252,837	1,908,125
Economic Development	--	--	--	425,180	400,846	24,334
Tourism	--	--	--	1,576,009	1,253,786	322,223
Arts and Science	--	--	--	362,192	326,264	35,928
Recreation	--	--	--	4,356,814	107,599	4,249,215
Community Redevelopment	--	--	--	1,903,586	1,181,494	722,092
Contingencies	645,000	200,663	444,337	--	--	--
Capital Outlays	--	--	--	--	--	--
Debt Service:						
Principal Retirement	--	--	--	1,420,000	1,420,000	--
Interest and Fiscal Charges	--	--	--	963,933	962,019	1,914
Total Expenditures	41,397,417	31,452,672	9,944,745	38,266,225	17,080,136	21,186,089
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,431,239)	2,985,529	11,416,768	(13,234,461)	4,915,706	18,150,167
Other Financing Sources (Uses):						
Operating Transfers - In	4,684,112	4,660,073	(24,039)	4,519,391	4,221,727	(297,664)
Bond Proceeds	--	--	--	3,100,000	--	(3,100,000)
Copy Center Reserve	115,000	--	(115,000)	--	--	--
Operating Transfers- Out	(5,520,415)	(5,778,415)	(258,000)	(2,606,913)	(2,083,710)	523,203
Total Other Financing Sources (Uses)	(721,303)	(1,118,342)	(397,039)	5,012,478	2,138,017	(2,874,461)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,152,542)	1,867,187	11,019,729	(8,221,983)	7,053,723	15,275,706
Fund Balances at Beginning of Year	14,511,505	17,553,766	3,042,261	16,170,985	17,263,742	1,092,757
Fund Balances at End of Year	\$ 5,358,963	19,420,953	14,061,990	7,949,002	24,317,465	16,368,463

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

Debt Service Funds			Capital Projects Funds		
Budget	Actual	Variance	Budget	Actual	Variance
3,937,930	3,896,103	(41,827)	--	--	--
--	--	--	--	--	--
--	--	--	1,111,749	580,241	(531,508)
--	--	--	--	--	--
190,676	269,794	79,118	--	--	--
101,127	115,329	14,202	33,971	156,937	122,966
<u>4,229,733</u>	<u>4,281,226</u>	<u>51,493</u>	<u>1,145,720</u>	<u>737,178</u>	<u>(408,542)</u>
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	7,024,172	2,165,989	4,858,183
1,288,000	1,288,000	--	--	--	--
<u>738,072</u>	<u>536,901</u>	<u>201,171</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>2,026,072</u>	<u>1,824,901</u>	<u>201,171</u>	<u>7,024,172</u>	<u>2,165,989</u>	<u>4,858,183</u>
<u>2,203,661</u>	<u>2,456,325</u>	<u>252,664</u>	<u>(5,878,452)</u>	<u>(1,428,811)</u>	<u>4,449,641</u>
1,739,755	1,538,255	(201,500)	--	821,000	821,000
--	--	--	4,700,000	4,475,343	(224,657)
--	--	--	--	--	--
<u>(4,048,417)</u>	<u>(4,069,054)</u>	<u>(20,637)</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>(2,308,662)</u>	<u>(2,530,799)</u>	<u>(222,137)</u>	<u>4,700,000</u>	<u>5,296,343</u>	<u>596,343</u>
(105,001)	(74,474)	30,527	(1,178,452)	3,867,532	5,045,984
<u>514,755</u>	<u>493,733</u>	<u>(21,022)</u>	<u>1,178,452</u>	<u>1,286,878</u>	<u>108,426</u>
<u>409,754</u>	<u>419,259</u>	<u>9,505</u>	<u>--</u>	<u>5,154,410</u>	<u>5,154,410</u>

City of Flagstaff
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Totals for the Fiscal Year Ended June 30, 2000)

	Proprietary Fund Types		Total Memorandum Only	
	Enterprise	Internal Service	2001	2000
Operating Revenues:				
Water Revenues	\$ 10,560,317	--	10,560,317	9,998,028
Sewer Revenues	6,468,407	--	6,468,407	6,312,763
Airport Revenues	804,056	--	804,056	822,723
Environmental Services Revenues	5,144,988	--	5,144,988	6,409,920
Intergovernmental Revenue	--	--	--	14,597
City Contribution	--	4,019,335	4,019,335	3,686,067
Miscellaneous Revenues	9,867	1,089	10,956	125,651
Total Operating Revenues	22,987,635	4,020,424	27,008,059	27,369,749
Operating Expenses				
Staff Support and Services	2,905,766	--	2,905,766	2,607,830
Administration	496,247	--	496,247	473,346
Water	4,574,334	--	4,574,334	3,508,624
Wastewater	2,909,411	--	2,909,411	2,580,713
Airport	770,650	--	770,650	721,549
Environmental Services	3,730,844	--	3,730,844	3,803,575
Employee Benefit Insurance	--	3,626,754	3,626,754	2,949,840
Other Insurance	--	832,886	832,886	533,795
	15,387,252	4,459,640	19,846,892	17,179,272
Depreciation	6,685,318	--	6,685,318	6,597,540
Total Operating Expenses	22,072,570	4,459,640	26,532,210	23,776,812
Operating Income (Loss)	915,065	(439,216)	475,849	3,592,937
Non-Operating Revenues (Expenses):				
Interest Income	1,831,262	324,339	2,155,601	1,996,939
Interest Expense and Fiscal Charges	(1,733,528)	--	(1,733,528)	(1,938,103)
Water and Sewer Buy-Ins	1,261,030	--	1,261,030	1,135,467
Net Gain (Loss) on Disposal of Fixed Assets	14,103	--	14,103	5,981
Miscellaneous	(8,024)	--	(8,024)	3,998
Total Non-Operating Revenues (Expenses)	1,364,843	324,339	1,689,182	1,204,282

(Continued)

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

City of Flagstaff
 Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances
 All Proprietary Fund Types - Continued
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Totals for the Fiscal Year Ended June 30, 2000)

	<u>Proprietary Fund Types</u>		<u>Total Memorandum Only</u>	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>2001</u>	<u>2000</u>
Income (Loss) Before Operating Transfers	\$ 2,279,908	(114,877)	2,165,031	4,797,219
Operating Transfers In (Out):				
Operating Transfers - In from:				
Secondary Property Tax Revenue Fund	2,625,000	--	2,625,000	2,622,480
General Fund	845,688	--	845,688	529,131
Economic Development Fund	--	--	--	--
Beautification	29,247	--	29,247	38,520
Operating Transfers - Out to:				
General Fund	(2,809,811)	--	(2,809,811)	(2,824,986)
Net Operating Transfers In (Out)	690,124	--	690,124	365,145
Net Income (Loss)	2,970,032	(114,877)	2,855,155	5,162,364
Add Back Depreciation on Fixed Assets Acquired with Capital Grants	1,517,557	--	1,517,557	1,486,979
Increase (Decrease) in Retained Earnings	4,487,589	(114,877)	4,372,712	6,649,343
Retained Earnings (Deficit) July 1	74,897,768	5,480,660	80,378,428	73,729,085
Retained Earnings (Deficit) June 30	<u>\$ 79,385,357</u>	<u>5,365,783</u>	<u>84,751,140</u>	<u>80,378,428</u>

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

City of Flagstaff
 Combined Statement of Cash Flows
 All Proprietary Fund Types
 For the Fiscal Year Ended June 30, 2001

	Enterprise	Internal Service	Total Memorandum Only
Cash Flows From Operating Activities			
Cash Received From Customers and Users	\$ 23,211,712	4,012,232	27,223,944
Cash Payments to Suppliers of Goods and Services	(6,772,150)	(4,360,329)	(11,132,479)
Cash Payments to Employees for Services	(7,419,452)	--	(7,419,452)
Operating Grants Received	600	--	600
Decrease in Customer Deposits	(32,059)	--	(32,059)
Miscellaneous Operating Revenue (Expense)	9,987	1,089	11,076
Net Cash Provided (Used) by Operating Activities	8,998,638	(347,008)	8,651,630
Cash Flows From Non-Capital Financing Activities			
Operating Transfers In From Other Funds	3,408,000	--	3,408,000
Increase in Interfund Payable	450,000	--	450,000
Operating Transfers Out to Other Funds	(2,717,876)	--	(2,717,876)
Change in Guarantees	16,405	--	16,405
Net Cash Provided (Used) by Non-Capital Financing Activities	1,156,529	--	1,156,529
Cash Flows From Capital and Related Financing Activities			
Capital Grants Received	972,028	--	972,028
Capital Contributed by Contractors	1,261,030	--	1,261,030
Bonds			
Principal Payments	(3,631,891)	--	(3,631,891)
Interest Payments and Related Expenses	(2,231,985)	--	(2,231,985)
Proceeds From Sale of Capital Assets	14,102	--	14,102
Principal on Loans Receivable	175,094	--	175,094
Acquisition and Construction of Capital Assets	(8,341,409)	--	(8,341,409)
Increase in Arbitrage Liability	24,138	--	24,138
Principal Paid on ADEQ Loan	(280,077)	--	(280,077)
Capital Lease			
Principal Payments	(25,586)	--	(25,586)
Interest Payments	(9,053)	--	(9,053)
Capital Loan			
Principal Payments	(22,416)	--	(22,416)
Interest Payments	(32,533)	--	(32,533)
Increase in Deferred Revenue	152,277	--	152,277
Net Cash Provided (Used) by Capital and Related Financing Activities	(11,976,281)	--	(11,976,281)
Cash Flows From Investing Activities			
Interest From State Investment Pool	1,993,562	339,292	2,332,854
Net Cash From Investing Activities	1,993,562	339,292	2,332,854
Net Increase (Decrease) in Cash	172,448	(7,716)	164,732
Cash Balance at Beginning of Year	32,409,030	5,425,044	37,834,074
Cash Balance at End of Year	<u>\$ 32,581,478</u>	<u>5,417,328</u>	<u>37,998,806</u>

(Continued)

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

City of Flagstaff
Combined Statement of Cash Flows
All Proprietary Fund Types
For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Total Memorandum Only</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income	<u>\$ 915,065</u>	<u>(439,216)</u>	<u>475,849</u>
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	6,685,318	--	6,685,318
Changes in Assets and Liabilities			
(Increase) Decrease in Accounts Receivable	225,658	(7,103)	218,555
(Increase) Decrease in Inventory	(3,194)	--	(3,194)
Increase (Decrease) in Accounts Payable	580,999	99,311	680,310
Increase (Decrease) in Accrued Payroll and Payroll Taxes	18,344	--	18,344
Increase (Decrease) in Customer Deposits	(32,059)	--	(32,059)
Increase (Decrease) in Landfill Closure and Post-Closure Liability	599,501	--	599,501
Miscellaneous Revenues (Expenses)	9,006	--	9,006
Total Adjustments	<u>8,083,573</u>	<u>92,208</u>	<u>8,175,781</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,998,638</u>	<u>(347,008)</u>	<u>8,651,630</u>
Non-Cash Investing, Capital, and Financing Activities			
Developers Contributing Assets to Governmental Entity	<u>\$ 4,600,090</u>	<u>--</u>	<u>4,600,090</u>
Cash and Cash Equivalents			
Unrestricted	\$ 24,789,435	5,417,328	30,206,763
Restricted	7,792,043	--	7,792,043
Cash Balance June 30	<u>\$ 32,581,478</u>	<u>5,417,328</u>	<u>37,998,806</u>

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

Exhibit A-6

City of Flagstaff
Firemen's Pension Trust Fund
Statement of Plan Net Assets
June 30, 2001
(With Comparative Totals as of June 30, 2000)

	2001	2000
Assets:		
Cash and Cash Equivalents	\$ 226,593	\$ 221,678
Total Assets	226,593	221,678
Liabilities:		
Total Liabilities	--	--
Net Assets Held in Trust for Pension Benefits (The Funding Status and Progress is presented on page 44 and 45.)	\$ 226,593	\$ 221,678

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

City of Flagstaff
 Firemen's Pension Trust Fund
 Statement of Changes in Plan Net Assets
 For the Year Ended June 30, 2001
 (With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	<u>2001</u>	<u>2000</u>
Additions:		
Investment Income:		
Interest Income	\$ 13,620	\$ 12,877
Other Income	95	--
Total Additions	<u>13,715</u>	<u>12,877</u>
Deductions:		
Distributions to Participants	<u>8,800</u>	<u>9,600</u>
Total Deductions	<u>8,800</u>	<u>9,600</u>
Net Increase (Decrease) in Net Assets	4,915	3,277
Net Assets Held in Trust for Pension Benefits:		
Beginning of Year	<u>221,678</u>	<u>218,401</u>
End of Year	<u>\$ 226,593</u>	<u>\$ 221,678</u>

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



The notes to the Financial Statements include a summary of significant accounting policies and other disclosures considered necessary for a clear understanding of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

CITY OF FLAGSTAFF

Notes to Financial Statements

Year Ended June 30, 2001

I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Flagstaff was incorporated as a town in 1894 and as a city in 1928. The current City Charter was approved April 10, 1984. The Charter provides for the Council-Manager form of government and the authority to provide municipal services, as limited by the State Constitution.

The accounting policies of the City of Flagstaff conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

A Reporting Entity

The City of Flagstaff (the City) is a municipal corporation governed by an elected mayor and six-member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The discretely presented component unit is reported in a separate column in the combined financial statement to emphasize it is legally separate from the government. The discretely presented component unit year-end is June 30.

Blended Component Unit. The Municipal Facilities Corporation (MFC) is a non-profit corporation created by the City for the purpose of constructing, acquiring and equipping municipal facilities. For financial reporting purposes, transactions of the MFC are included as if it were part of the City's operations. For fiscal year 2001 the MFC issued \$4.7 million in bonds for the construction of a new United States Geological Survey (USGS) facility on land owned by the City. The City will make lease payments equal to the debt service and will obtain legal title upon payment in full of the bonds.

Discretely Presented Component Unit. The Greater Flagstaff Economic Council (GFEC) is responsible for planning and encouraging economic growth within the City of Flagstaff's jurisdiction. GFEC has an eighteen member Board of Directors, of which the Mayor and Vice Mayor are Directors who can directly or indirectly appoint two additional Directors. The remaining members of the Board are voted on by GFEC members. The Greater Flagstaff Economic Council is fiscally dependent upon the City of Flagstaff; in 2001 the City provided over 65% of GFEC's revenues. GFEC is presented as a governmental fund type. Complete financial statements for the Greater Flagstaff Economic Council may be obtained at the entity's office: 1300 South Milton #125, Flagstaff, AZ 86001.

Related Organizations. The City of Flagstaff's officials are also responsible for appointing members of the board 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 Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the City are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues and expenditures, or expenses, as appropriate. The City uses the following fund types and account groups:

Governmental Funds are used to account for the City's general government activities. Governmental fund types use the flow of current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recorded when susceptible to accrual, i.e., 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. Expenditures are recorded when the fund liability is incurred, except for unmatured interest on general long term debt which is recognized when due, and certain compensated absences and claims and judgements which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Utility franchise taxes, transaction privilege taxes, property taxes, state revenue sharing, state and city sales tax, grant revenues earned, investment earnings and auto lieu taxes are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Special assessments are recognized as revenue only to the extent that individual installments are considered current assets. Annual installments not currently receivable are reflected as deferred revenue. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

General Fund - The General Fund is the general operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - These funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The revenue sources are local property taxes levied specifically for debt service and collections from property owners on special assessment districts.

Capital Projects Funds - These funds account for the construction of major capital projects not being financed by proprietary or non-expendable trust funds.

Proprietary Funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The City's Proprietary Funds apply all applicable Governmental Accounting Standards Board (GASB) Statements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Enterprise Funds - The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. They are designed to accumulate the total cost of providing a particular service and to indicate the extent to which user charges imposed upon service consumers are sufficient to cover these costs.

Internal Service Fund - This fund accounts for activities and services performed for other organizational units within the City. Charges to other City divisions are made to support these activities. The only internal service fund of the City is its Self-Insurance Fund.

Fiduciary Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Pension Trust - The Firemen's Pension Fund is a pension trust fund that is used to account for the activity of the City's single-employer retirement system. This fund is accounted for on the same basis as a proprietary fund, using the same measurement focus and basis of accounting.

Account Groups are used to establish accounting control and accountability for certain of the City's fixed assets and general long-term debt.

General Fixed Assets Account Group is used to account for all fixed assets of the City other than those accounted for in proprietary or trust funds.

General Long-Term Debt Account Group is used to account for all long-term debt and certain other liabilities that are not specific liabilities of proprietary or trust funds.

C Assets, Liabilities and Equity

1. Deposits and Investments

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

State statutes authorized the government to invest in the State's Local Government Investment Pool, in obligations of the U.S. Treasury, commercial paper and repurchase agreements.

Investments are stated at fair value.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "interfund receivable/payables."

All trade and property tax receivables are shown net of an allowance for uncollectibles.

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 Enterprise Fund, the Highway Users Revenue Fund, the Airport Enterprise Fund and the Library General Obligation Bond Fund. General Obligation bonds are serviced by each of these funds. For fiscal year 2000-2001, primary and secondary property tax collections amounted to \$2,853,091 and \$3,896,103 respectively.

Property taxes are recognized on the modified accrual basis, i.e. when both measurable and available. Property taxes receivable at June 30, 2001 represents delinquent amounts.

3. Inventory

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.

4. Restricted Assets/Liabilities

In accordance with applicable covenants of Enterprise Fund Bond Issues, Mayor and Council Resolutions, or other agreements, appropriate assets and liabilities have been restricted.

5. Fixed Assets

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at historical cost in the general fixed assets account group. Contributed fixed assets are recorded at fair value at date of acquisition. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized in the general fixed asset account group.

It is the City's policy not to capitalize public domain ("infrastructure") general fixed assets such as roads, bridges, streets and similar items in the general fixed assets account group.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not included in the general fixed assets account group or capitalized in the proprietary funds.

Property, plant and equipment in the proprietary funds are stated at historical cost; or, if donated, at fair value at the date of donation. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	40-50 years
Improvements	20-75 years
Machinery and equipment	5-10 years

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

6. Compensated Absences

City employees are granted vacation and sick leave in varying amounts under the City's personnel ordinance. In the event of termination, an employee is reimbursed for accumulated vacation. In accordance with Governmental Accounting Standards Board Statement 16, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*, the City has provided for the current portion of accrued vacation benefits in the governmental funds to be paid out of current resources. A long-term liability of \$875,771 is recorded in the General Long-Term Debt Account Group for the accrued vacation benefits to be funded by future operations. Proprietary Fund types accrue vacation benefits in the period they are earned.

Sick leave benefits provide for ordinary sick pay and are not vested with the employee and, therefore, are not accrued. Such accumulated sick leave benefits totaled \$5,248,590 at June 30, 2001.

7. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

8. Long-term Obligations

The City reports long-term debt of governmental funds at face value in the General Long-Term Debt Account Group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the General Long-Term Debt Account Group. According to Arizona Revised Statute 48-557, if there is a deficiency in the funds collected from special assessments, the General Fund will furnish an amount sufficient to meet the obligation of the bonds payable and reimburse itself when funds are subsequently received. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate funds.

For governmental fund types, bond premiums and discounts, as well as issuance costs are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

9. Fund Equity

Reservations of fund balance and retained earnings are limited to outside third-party restrictions and legal restrictions imposed by City ordinances. The proprietary fund's contributed capital represents equity acquired

through capital grants and capital contributions from developers, customers or other funds. Reservations of fund balance and retained earnings represent amounts that are not appropriable or are legally restricted.

10. Memorandum Only -- Total Columns

Total columns on the general purposed financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis and do not represent consolidated financial information. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles.

11. Comparative Data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the City's cash flows and operations.

12. Transactions Between Funds

Transactions that would be treated as revenues, expenditures or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures or expenses in the funds involved. These transactions are considered quasi-external transactions. Transactions which constitute reimbursements to a fund for expenditures or expenses initially made from that fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Other transfers are treated as operating transfers and are included in the results of operations of both governmental and proprietary funds.

13. Rebateable Arbitrage

Rebateable Arbitrage is treated as a reduction of revenue and recorded as a liability in the appropriate fund.

II STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. Annual budgets for the enterprise funds are prepared on a basis which differs from GAAP because state law requires capital purchases and debt service payments to be budgeted as expenses, bond proceeds and grants that are to be utilized to be budgeted as revenues and amortization and depreciation are not budgeted. All funds except the Internal Service Fund are budgeted. The Internal Service Fund requires no budget by state law and, therefore, no comparison of budget to actual is presented in the financial statements. All annual appropriations lapse at fiscal year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the City Manager submits to the City Council a proposed budget for the fiscal year beginning the following July 1. The operating budget includes proposed expenditures and the means of financing them.

Two public hearings are held to obtain taxpayer comments.

Prior to or immediately following July 1, the budget is adopted through passage of a resolution.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. With the approval of the City Council, the City Manager may make transfers out of a contingency appropriation into a department's budget. The total departmental budgeted amounts are not changed without Council approval. Council approved certain transfers from the contingency budgeted amounts to various departments on June 19, 2001; however, these transfers were not material in relation to the original department appropriations.

Encumbrance accounting is employed by the City. Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control. Encumbrances outstanding at year-end for goods or services which were not received prior to the end of the fiscal year are canceled.

The following table compares actual to budget for expenditures/expenses at the department level for year ended June 30, 2001:

	<u>Actual</u>	<u>Budget</u>
Management Services	\$ 5,824,346	6,776,942
General Administration	3,714,347	4,226,748
Community Development	8,441,644	19,407,469
Fire	6,264,281	6,487,798
Non-Departmental	13,004,748	18,435,879
Police	9,215,768	9,718,623
Public Works	21,464,159	49,297,121
Utilities	<u>15,973,612</u>	<u>23,623,056</u>
Total	<u>\$ 83,902,905</u>	<u>137,973,636</u>

B Budgetary Basis of Accounting

The City's adopted budget for all governmental funds is prepared on a basis consistent with generally accepted accounting principles (GAAP).

C Excess of Expenditures over Appropriations

There were no instances of excess expenditures over appropriations.

D Deficit Fund Equity

The Airport Enterprise Fund has a \$3,755,548 deficit in unreserved retained earnings. The City has taken \$6,162,787 of depreciation in the last five years that has contributed to these deficits.

III DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds except the Deferred Compensation Fund. Each fund type's portion of this pool is included on the combined balance sheet in "Cash and Cash Equivalents". The following summarizes the various deposits and investments of the City:

Deposits: At year-end, the book value of the City's deposits was \$7,357,119 and the bank balance was \$9,500,162. The \$2,143,043 difference represents deposits in transit, outstanding checks and other reconciling items at June 30, 2001. Of the bank balance, \$3,825,101 was covered by federal depository insurance or by collateral held by the City's agent in the City's name, and \$5,675,061 was covered by collateral held in the fiscal agent's trust department but not in the City's name. The trust department pledges a pool of collateral against all trust deposits it holds.

At year-end, the book value of deposits for GFEC, a discretely presented component unit, was \$326,685 which was covered by federal depository insurance or by collateral held by the entity's agent in GFEC's name.

Investments: City resolution and State Statutes authorize the City to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, repurchase agreements, money market accounts, certificates of deposit and the State of Arizona Local Government Investment Pool (LGIP). The LGIP is a part of the State Treasurer's office. The State Board of Deposit provides oversight for the State Treasurer's pools, and the LGIP Advisory Committee provides consultation and advice to the Treasurer. The fair value of the participant's position in the pool approximates the value of that participants' pool shares. Those shares are not identified with specific investments and are not subject to custodial credit risk. All other investments were insured or registered in the City's name, or were held by the City or its agent in the City's name. It is the City's policy generally to hold investments until maturity. The fair value of the investments is based on quoted market values. The City has no investments held by a counterparty's trust department or agent. The City is in compliance with the provisions of Statement No. 31 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which require certain investments to be reported at fair value rather than at cost.

The City's investments are categorized as follows to give an indication of the level of risk assumed at year-end:

- Category 1 Investments that are insured or registered or for which the securities are held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City's name.

Investments as of June 30, 2001:

	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government Securities	\$ 3,703,264	-	-	3,703,264	3,703,264
Local Government Securities	115,170	-	-	115,170	115,170
Municipal Securities	97,000	-	-	97,000	97,000
	<u>\$ 3,915,434</u>	<u>-</u>	<u>-</u>	<u>3,915,434</u>	<u>3,915,434</u>
Investments-Not Categorized:					
State of Arizona Investment Pool				72,777,182	72,777,182
AMFP Investment Pool				2,255,000	2,255,000
Total Investments				<u>\$ 78,947,616</u>	<u>78,947,616</u>

Cash and Investments:

Reconciliation of Exhibit A-1 to Note III.A

Exhibit A-1

	Amount
Cash and cash equivalents	\$ 74,954,983
Restricted Cash:	
Cash with fiscal agent	3,246,993
Other restricted cash	8,102,759
Total	<u>\$ 86,304,735</u>
Deposits	\$ 7,357,119
Investments	<u>78,947,616</u>
Total	<u>\$ 86,304,735</u>

The Pension Trust Fund owns less than one percent of the investments.

B Receivables

Receivables as of year-end, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Fund Types				Proprietary Fund Types		Total
	General	Special	Debt	Capital	Enterprise	Internal	
		Revenue	Service	Projects		Service	
Receivables:							
Sale of Property	\$ -	143,238	-	-	-	-	143,238
Intergovernmental	18,289	-	-	-	-	-	18,289
Accounts	1,773,171	1,203,355	-	850,939	3,222,120	29,805	7,079,390
Interest	180,689	140,384	-	-	225,261	59,381	605,715
Sales Tax	2,021,037	669,155	-	-	-	-	2,690,192
Grants	274,709	342,387	-	-	1,427,922	-	2,045,018
Special Assessments	-	-	1,255,186	-	-	-	1,255,186
Bond Proceeds	-	-	-	2,445,000	-	-	2,445,000
Interfund	-	910,000	-	-	-	94,897	1,004,897
Restricted:							
Accounts	-	209,273	-	-	-	-	209,273
Interest	-	-	-	-	28,424	-	28,424
Gross Receivable	4,267,895	3,617,792	1,255,186	3,295,939	4,903,727	184,083	17,524,622
Less: Allowance for Uncollectibles	(300,000)	-	-	-	(75,400)	-	(375,400)
Net Total Receivables	<u>\$ 3,967,895</u>	<u>3,617,792</u>	<u>1,255,186</u>	<u>3,295,939</u>	<u>4,828,327</u>	<u>184,083</u>	<u>17,149,222</u>

C Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2001 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Highway User Fund	Metropolitan Planning Org.	\$ 60,000
Highway User Fund	Airport Fund	850,000
Internal Service Fund	Airport Fund	94,897
		<u>\$ 1,004,897</u>

D Fixed Assets

A summary of changes in general fixed assets follows:

	June 30, 2000	Additions	Deletions	Transfers	June 30, 2001
Land	\$ 5,618,012	-	-	-	5,618,012
Buildings	20,594,195	13,000	-	-	20,607,195
Improvements	9,880,096	173,258	-	-	10,053,354
Machinery & Equipment	19,874,082	2,985,063	-	-	22,859,145
Construction in Progress	7,776,669	1,154,977	-	-	8,931,646
	<u>\$ 63,743,054</u>	<u>4,326,298</u>	<u>-</u>	<u>-</u>	<u>68,069,352</u>

Transfers from the enterprise funds to General Fund are included with the additions. Completed Construction in Progress is included in the transfers.

Construction in Progress is comprised of the following:

	Balance as of
	June 30, 2001
Police Station Remodel	\$ 8,407,892
USGS 1997 Bond Building	279,429
Park Enhancements	244,325
	<u>\$ 8,931,646</u>

A summary of enterprise funds property, plant and equipment as of June 30, 2001 follows:

	Water and Wastewater	Airport	Environmental Services	Total
Land	\$ 384,567	113,365	1,849,428	2,347,360
Buildings	59,701,560	5,951,202	300,690	65,953,452
Improvements	157,495,000	26,933,324	976,529	185,404,853
Machinery & Equipment	5,899,115	1,801,383	7,115,328	14,815,826
Construction in Progress	742,619	1,717,050	1,523,356	3,983,025
Less accumulated depreciation	<u>(65,075,695)</u>	<u>(15,080,264)</u>	<u>(4,834,795)</u>	<u>(84,990,754)</u>
	<u>\$ 159,147,166</u>	<u>21,436,060</u>	<u>6,930,536</u>	<u>187,513,762</u>

The summary of changes in fixed assets for the component unit is as follows:

	<u>June 30, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2001</u>
Improvements other than building	\$ 1,208	-	-	1,208
Machinery & Equipment	61,647	2,254	-	63,901
Total	62,855	<u>2,254</u>	<u>-</u>	65,109
Less Accumulative Depreciation	<u>(48,380)</u>			<u>(54,905)</u>
	<u>\$ 14,475</u>			<u>10,204</u>

E Leases

The City has a number of lease purchase agreements, all of which have been capitalized in the appropriate fund or account group.

<u>Item Purchased</u>	<u>Fund of Source of Funding</u>	<u>Account Group Where Capitalized</u>	<u>Capitalized Cost</u>
Construct T-hangars & shades	Airport Fund	Airport	\$ 285,218
		Total	285,218
		Less Accumulated Depreciation and Amortization	<u>(82,808)</u>
		Net total	<u>\$ 202,410</u>

Future minimum payments under capital leases are as follows:

<u>Fiscal Year</u>	<u>Airport Fixed Assets</u>
2002	\$ 34,639
2003	34,640
2004	<u>34,640</u>
Minimum lease payments	103,919
Less: Interest	<u>(13,495)</u>
Present Value of Minimum payments	<u>\$ 90,424</u>

At June 30, 2001, the City was in compliance with the terms of all capital lease agreements. Current portion represents lease payments due on July 1, 2001.

The City has no non-cancelable operating leases.

F Long-term Obligations

Following is a summary of changes in the general long-term debt account group:

	General Obligation	Capital Lease Obligations	Assessments with Governmental Commitment	Accrued Vacation Benefits	Street Construction Revenue	Other Debt	Total
Balance June 30, 2000	\$ 8,180,000	306,645	1,620,000	854,099	19,180,000	-	30,140,744
Additions	-	-	-	21,672	-	4,700,000	4,721,672
Reductions	<u>(1,085,000)</u>	<u>(306,645)</u>	<u>(203,000)</u>	<u>-</u>	<u>(1,420,000)</u>	<u>-</u>	<u>(3,014,645)</u>
Balance June 30, 2001	<u>\$ 7,095,000</u>	<u>-</u>	<u>1,417,000</u>	<u>875,771</u>	<u>17,760,000</u>	<u>4,700,000</u>	<u>31,847,771</u>

The above amounts have been reduced by deposits made to the City's fiscal agents for the July 1, 2001 maturities. The total general long-term debt of the City is \$31,847,771. Additionally, the proceeds from the "Other Debt" bond sale totaled \$4.7 million, however \$224,657 was applied to the outstanding accounts receivable in the Capital Projects Fund resulting in recording \$4,475,343 in Bond proceeds.

Special Assessment Bonds

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

Loan Payable

In July, 1992 the City of Flagstaff entered into a loan agreement with the Wastewater Management Authority of Arizona for the purpose of constructing reclaimed water lines for the new reclaimed water plant. The \$6,000,000 loan is scheduled to be paid in annual installments over twenty years with an interest rate of 3.402%. The unpaid principal amount of the loan at June 30, 2001 is \$3,786,788.

In September 1999, the City of Flagstaff entered into a loan agreement with Arizona Department of Transportation Aeronautics Division for the purpose of constructing a 14 unit T-hangar and a 12-unit shade hangar. The \$600,000 loan is scheduled to be paid in quarterly installments over 17 years with an interest rate of 5.60%. The unpaid principal amount of the loan at June 30, 2001 is \$566,835.

Landfill Closure Liability

The Environmental Services Fund currently operates one landfill, the Cinderlake Landfill. Federal and state regulations require that environmental damage caused by landfills be mitigated and that action be taken to prevent future damage. Closure costs, which include the capping of the landfill with soil and installing such items as drainage and monitoring systems, and postclosure cost estimates are based on a study made by an independent consultant and are subject to change due to inflation, technology changes and applicable legal or regulatory requirements.

Total closure and postclosure costs for the Cinderlake Landfill, which is still operating, are currently estimated to be \$13,768,930, all of which represents future expenses. \$10,977,848 has been recorded as a liability and restricted liability in the accompanying financial statements representing costs associated with the cumulative capacity used to date (80% of the total landfill capacity used as of June 30, 2001). The remaining \$2,791,082 will be accrued over the remaining life of the landfill, which is currently estimated to be 9 years. The accrual for these closure and postclosure costs for fiscal year 2001 was \$599,501. Based on current estimates for closure and post-closure landfill costs, the City is setting aside legally restricted funds to insure sufficient funds will be available to meet these requirements. The City makes annual contributions to finance closure and postclosure costs. At June 30, 2001 the balance of the investments held for those purposes is \$3,275,256. These investments are reported as restricted cash and investments in the City's Environmental Services Fund, and are held by the State of Arizona's Local Government Investment Pool.

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, postclosure and corrective action when needed. The City, which has pledged its full faith and credit to meet state financial responsibility requirements, is in compliance with these requirements.

In March of 1999, the City purchased 343.9 acres of land from the Forest Service. This land is adjacent to the existing landfill and will be used to open additional cells as needed. As these cells are utilized, additional liabilities for closure and postclosure requirements will be accrued.

Bonds Payable - Excluding Refunded Debt

The following is a summary of bond transactions of the City for the year ended June 30, 2001:

	General Obligation	Water and Wastewater General Obligation	Airport General Obligation	Special Assessments	Street Construction Revenue	Other Debt	Total
Bonds Payable June 30, 2000	\$ 8,915,000	29,589,461	2,400,000	1,620,000	20,555,000	-	63,079,461
New Liability	-	13,883,109	2,025,000	-	-	4,700,000	20,608,109
Bonds retired or refunded	<u>(735,000)</u>	<u>(17,335,000)</u>	<u>(2,205,000)</u>	<u>(203,000)</u>	<u>(1,375,000)</u>	<u>-</u>	<u>(21,853,000)</u>
Total bonds payable June 30, 2001	8,180,000	26,137,570	2,220,000	1,417,000	19,180,000	4,700,000	61,834,570
Debt to be retired July 1, 2001	<u>1,085,000</u>	<u>1,525,000</u>	<u>195,000</u>	<u>-</u>	<u>1,420,000</u>	<u>-</u>	<u>4,225,000</u>
Long-term bonds payable June 30, 2001	<u>\$ 7,095,000</u>	<u>24,612,570</u>	<u>2,025,000</u>	<u>1,417,000</u>	<u>17,760,000</u>	<u>4,700,000</u>	<u>57,609,570</u>

The Water and Wastewater General Obligation Bonds are backed by the ultimate taxing power and general revenues of the City; however, these bonds are 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 Fund.

Bonds payable at June 30, 2001, are comprised of the following individual issues:

General Obligation Bonds:

General Purpose:

\$5,500,000 Public Safety Bonds, Series 1997 due in annual installments of \$1,000,000 to \$1,380,000, July 1, 2002 through July 1, 2005; interest at 4.7% to 6.5%. \$ 5,500,000

\$4,000,000 Parks and Recreation Bonds, Series 1997 due in annual installments of \$210,000 to \$530,000 through July 1, 2008; interest rate at 4.6% to 6.5%. 2,680,000
\$ 8,180,000

Water and Wastewater:

\$19,000,000 Wastewater Improvement Project of 1991 Series A (1991) refunded April 2001. Final installment due July 1, 2001; interest at 4.5% to 8.5%. \$ 210,000

\$924,240 Wastewater Improvement Project of 1991 Capital Appreciation Bonds due in three installments: \$595,827 due July 1, 1997, plus interest at 5.8%; \$124,349 due July 1, 2002, plus interest at 6.3%; \$204,064 due July 1, 2007, plus interest at 6.75%. Shown at combined accreted value. 607,570

\$20,085,000 Water and Wastewater Improvement Refunding Bonds, Series C (1991) refunded April, 2001. Final installment due July 1, 2001; interest at 4.4% to 8.0%. 950,000

\$6,000,000 Water Improvement Project Bonds Series 1993, due in annual installments of \$160,000 to \$440,000 through July 1, 2013; interest at 4.75% to 6.75%. Fiscal years 2006-2009 were refunded in April, 2001. 2,525,000

\$8,000,000 Water Improvement Project Bonds Series 1997, due in annual installments of \$185,000 to \$1,680,000, July 1, 2002 and July 1, 2007 through July 1, 2013; interest at 4.5% to 6.5%. 8,000,000

\$13,845,000 Water and Wastewater Refunding Bonds Series 2001, due in annual installments of \$885,000 to \$2,350,000 July 1, 2002 through July 1, 2009; interest at 3% to 5%. 13,845,000
\$ 26,137,570

Airport:

\$3,450,000 Airport Improvement Project of 1991 Series A (1991) refunded April, 2001, final installment due July 1, 2001; interest at 4.5% to 8.5%. \$ 195,000

\$2,025,000 Airport Refunding Bonds Series 2001 due in annual installments of \$130,000 to \$350,000 July 1, 2002 through July 1, 2009; interest at 3% to 5%. 2,025,000
\$ 2,220,000

Special Assessment Bonds:

\$1,525,000 1994 Improvement District series bonds due in annual installments of \$55,000 to \$200,000, January 1, 1996 through January 1, 2005; interest at 5.7%. \$ 740,000

\$720,000 1999 Improvement District series bonds due in annual installments of \$43,000 to \$94,000, January 1, 2001 through January 1, 2010; interest at 4.9%. 677,000
\$ 1,417,000

Revenue Bonds:

Street Construction:

\$5,580,000 Junior Lien Street and Highway User Revenue Bonds, Series 1992 serial bonds due in installments of \$350,000 to \$1,725,000 July 1, 2008 through July 1, 2012; interest at 6.12%. \$ 5,580,000

\$16,845,000 Street and Highway Revenue Refunding Bonds Series 1993 serial bonds due in installments of \$95,000 to \$1,880,000 through July 1, 2009; interest at 3.4% to 4.75%. 13,600,000
\$ 19,180,000

Other Debt:

\$4,700,000 USGS Project Bonds Series 12 (2001) due in annual installments of \$255,000 to \$440,000 August 1, 2003 through August 1, 2016; interest at 4% to 4.75%. See note below. \$ 4,700,000

Other Debt

The City has collateralized the contract payable to the MFC by a pledge of the City's State Shared Revenues which comprise sales and income taxes imposed and collected by the State and distributed to counties and municipal governments pursuant to law and State revenue-sharing which the City presently or in the future receives from the State and which are not earmarked by the State for a contrary or inconsistent purpose.

Statutory Debt Limitation:

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, sewer, light, parks and open space purposes may not exceed 20 percent of a City's net assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6 percent of a City's net assessed valuation.

The following is a summary of legal borrowing capacity:

Legal Borrowing Capacity

<u>Water, Sewer, Light, Parks and Open Space Purpose Bonds</u>		<u>All other General Obligation Bonds</u>	
20 percent constitutional limit	\$ 81,718,547	6 percent constitutional limit	\$ 24,515,564
Net such general obligation bonds outstanding	<u>27,042,570</u>	Net such general obligation bonds outstanding	<u>6,690,000</u>
Available 20 percent limitation borrowing capacity	<u>\$ 54,675,977</u>	Available 6 percent limitation borrowing capacity	<u>\$ 17,825,564</u>

On June 30, 2001, the City had authorized but unissued bonds approved by the voters: General Obligation--\$10,975,760 of which \$4,200,000 is for Recreation and \$6,775,760 is for Water and Wastewater.

There are also a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all limitations and restrictions. The City has no sinking fund requirements.

Debt Service Requirements to Maturity

The following is a summary of debt service cash requirements to maturity for all bonds and loans payable as of June 30, 2001.

Fiscal Year Ending June 30	General Obligation	Water and Wastewater General Obligation	Airport General Obligation	Special Assessments	Other Debt	Street Construction Revenue	ADEQ Loan Payable	ADOT Loan Payable	Total
2002	\$ 1,642,730	2,837,385	231,801	298,063	224,682	2,390,492	418,432	54,949	8,098,534
2003	1,750,830	3,057,223	299,581	300,074	462,399	2,401,423	418,432	54,949	8,744,911
2004	1,876,580	3,071,986	297,432	301,270	462,199	2,402,562	418,432	54,949	8,885,410
2005	1,639,760	3,058,152	299,781	297,750	461,599	2,398,988	418,432	54,949	8,629,411
2006	523,790	2,837,867	361,556	93,497	460,599	2,420,558	418,432	54,949	7,171,248
2007-2017	786,970	17,926,621	1,006,250	374,790	4,605,818	11,457,332	2,510,587	576,966	39,245,334
	8,220,660	32,789,234	2,496,401	1,665,444	6,677,296	23,471,355	4,602,747	851,711	80,774,848
Less amounts representing interest	1,125,660	8,176,664	471,401	248,444	1,977,296	5,711,355	815,959	284,876	18,811,655
Net amount outstanding	<u>\$ 7,095,000</u>	<u>24,612,570</u>	<u>2,025,000</u>	<u>1,417,000</u>	<u>4,700,000</u>	<u>17,760,000</u>	<u>3,786,788</u>	<u>566,835</u>	<u>61,963,193</u>

Advance Refundings

The City of Flagstaff issued \$15,870,000 of general obligation refunding bonds in April, 2001 to provide resources to purchase U.S. Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$15,870,000 of general obligation bonds. As a result, the refunded bonds are considered to be defeased. The advance refunding was undertaken to reduce total debt service payments over the next eight years by \$150,991 and resulted in an economic gain of \$127,779.

As of June 30, 2001, the amount of defeased debt outstanding but removed from the General Long-Term Debt Account Group was as follows:

Airport General Obligation Bonds, Series 1991a, dated September 1, 1991 Issues maturing after July 1, 2001 were refunded.	\$ 2,025,000
Water and Wastewater General Obligation Bonds, Series 1991a, dated September 1, 1991 Issues maturing after July 1, 2001 were refunded.	5,705,000
Water and Wastewater General Obligation Bonds, Series 1991c, dated December 1, 1991 Issues maturing after July 1, 2001 were refunded.	5,480,000
Water and Wastewater General Obligation Bonds, Series 1993, dated July 1, 1993 Issues maturing between July 1, 2006 and July 1, 2009 were refunded.	<u>2,660,000</u>
	<u>\$15,870,000</u>

G Contributed Capital

Contributed capital is recorded in enterprise funds that have received capital grants or contributions from developers, customers, or other funds.

During the year contributed capital changed by the following amounts:

	Water and Wastewater Fund	Airport Fund	Environmental Services Fund	Total
Contributed Capital July 1, 2000	\$ 70,928,606	21,393,109	1,065,387	93,387,102
Contributing Sources/Uses				
Grant Contributions	-	1,954,789	-	1,954,789
Amortization	(693,342)	(824,215)	-	(1,517,557)
Contractors - System Construction	4,600,090	-	-	4,600,090
Contributed Capital - June 30, 2001	<u>\$ 74,835,354</u>	<u>22,523,683</u>	<u>1,065,387</u>	<u>98,424,424</u>

H Arbitrage Liability

The City has an arbitrage liability recorded as of June 30, 2001 in the amount of \$242,620 related to the General Obligation Bonds, Series 1997. The liability was allocated to the funds that use and earn interest on the proceeds. The outstanding rebateable arbitrage is as follows:

Fund	Total Liability
Recreation Fund	\$ 67,945
Public Safety Bond Fund	72,948
Water and Wastewater Fund	101,726
Total	<u>\$ 242,619</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, \$25,000 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, 2001 have potential exposure to the City of approximately \$189,000 based on the requirements of Governmental Accounting Standards Board Statement No. 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 retained earnings of the Internal Service Fund are 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>
1998-99	\$ 205,000	115,079	207,079	113,000
1999-00	113,000	161,683	169,683	105,000
2000-01	105,000	475,407	391,407	189,000

The City of Flagstaff participates in a risk sharing pool for employee health care, through 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 Contingent Liabilities

The City is aware of existing environmental contamination at various sites and facilities. The City has annually budgeted monies for these purposes and includes remediation activities in its annual work program.

C Segment Information -- Enterprise Funds

The City maintains three enterprise funds, which provide water and wastewater distribution and collection, an airport facility and an environmental services operation. Selected segment information for the year ended June 30, 2001 is as follows:

	Water and Wastewater	Airport	Environmental Services	Total
Operating Revenues	\$ 17,028,724	813,923	5,144,988	22,987,635
Depreciation	4,819,871	1,172,257	693,190	6,685,318
Operating Income (Loss)	2,451,405	(1,705,123)	168,783	915,065
Operating Transfers In (Out)	-	1,027,867	(337,743)	690,124
Net Income (Loss)	3,462,919	(816,656)	323,769	2,970,032
Current Capital Contributions	4,600,090	1,954,789	-	6,554,879
Fixed Asset Additions	9,220,856	2,101,838	1,618,805	12,941,499
Fixed Asset Deletions	-	(5,878)	-	(5,878)
Net Working Capital	21,617,118	978,661	5,393,652	27,989,431
Total Assets	185,791,245	23,528,870	15,917,644	225,237,759
Bonds Payable	26,137,570	2,220,000	-	28,357,570
Total Equity	154,038,461	19,149,724	4,621,596	177,809,781

D Interfund Transfers

The following is a summary of the interfund transfers for the fiscal year:

Operating Transfers Out From:		Operating Transfers In To:	
General Fund	\$ 5,778,415	Library Fund	\$ 1,078,240
		Highway User Revenue Fund	2,380,133
		Arts and Science Fund	78,354
		Real Estate Proceeds Funds	150,000
		Community Redevelopment Fund	425,000
		General Capital Projects Fund	821,000
		Airport Fund	783,000
		Environmental Services Fund	62,688
Highway User Revenue Fund	1,274,311	General Fund	1,274,311
Beautification Fund	179,448	General Fund	150,201
		Environmental Services Fund	29,247
Tourism Fund	6,238	General Fund	6,238
Recreation Fund	623,713	General Fund	419,512
		General Obligation Bond Fund	94,201
		Beautification Fund	110,000
Secondary Property Tax Fund	4,069,054	General Obligation Bond Fund	1,444,054
		Water and Wastewater Fund	2,380,133
		Airport Fund	244,867
Water and Wastewater Fund	2,380,133	General Fund	2,380,133
Environmental Services Fund	429,678	General Fund	429,678
	<u>\$ 14,740,990</u>		<u>\$ 14,740,990</u>

E Retained Earnings

All reservations of enterprise fund retained earnings are legal reserves required under bond indenture and are referred to, in title, as specified in the indentures.

F Committed Construction

At June 30, 2001 there were major uncompleted construction contracts in the Highway Users Revenue Fund, Real Estate Proceeds Fund, Capital Projects Fund, Environmental Services Fund and the Airport Fund. The amounts were \$2,977,382 for General Street Improvements, \$192,184 for Environmental Services, \$4,043,610 for USGS Building #6, and \$3,505,233 for the Airport.

G Deferred Compensation Plan

The City offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. In prior years the Internal Revenue Code specified that the plan's assets were the property of the City until paid or made available to participants, subject only on an equal basis to the claims of the City's general creditors. Therefore, the plan's assets were recorded in an Agency Fund. A 1996 federal law now requires all assets and income of Internal Revenue Code Section 457 deferred compensation plans to be held in trust, custodial accounts, or annuity contracts for the exclusive benefit of the participants and their beneficiaries.

Assets of the City's plan are administered by a private corporation under contract with the City. The plan was originally set up in compliance with the new federal law. Consequently, the plan's assets and liabilities have been excluded from the City's general purpose financial statements.

H Retirement and Pension Plans

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

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.

The *Public Safety Personnel Retirement System (PSPRS)* is an agent multiple-employer defined benefit pension plan that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a five-member board, known as The Fund Manager, and 162 local boards according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Elected Officials Retirement Plan* (EORP) is a cost-sharing multiple-employer defined benefit pension plan that covers elected officials and judges of certain state and local governments. The EORP is governed by The Fund Manager of PSPRS according to the provisions of A.S.R. Title 38, Chapter 5, and Article 3. Each plan issues a publicly available financial report that includes its financial statements and required supplementary information. A report may 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

PSPRS and EORP

1020 E. Missouri Ave.
Phoenix, AZ 85014
(602) 255-5575

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

Cost Sharing Plans - For the year ended June 30, 2001, active ASRS members and the City were each required by statute to contribute at the actuarially determined rate of 2.66% (2.17% retirement and 0.49% long-term disability) of the members' annual covered payroll. The City's contributions to ASRS for the years ended June 30, 2001, 2000, and 1999 were \$450,703, \$443,402 and \$461,354, respectively, which were equal to the required contributions for the year.

In addition, active EORP members were required by statute to contribute 7.00% of the members' annual covered payroll. The City was required to contribute 10.22% of the members' annual covered payroll, as determined by actuarial valuation. The City's contributions to EORP for the years ended June 30, 2001, 2000, and 1999 were \$2,641, \$2,641 and \$2,423 respectively, which were equal to the required contributions for the year. In addition, a payment of \$4,220 was made in each year as an installment due for its unfunded accrued liability.

Agent Plan - For the year ended June 30, 2001, active PSPRS members were required by statute to contribute 7.65% of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 5.62% and 2.00 % for Police and Fire respectively.

Annual Pension Cost - The City's pension cost for the agent plan for the year ended June 30, 2000, the date of the most recent actuarial valuation, and related information follow.

<u>Contribution rates:</u>	<u>PSPRS</u>
City – Police	4.23%
City – Fire	.94%
Plan members	7.65%
Annual pension cost	\$ 265,518
Contributions made	\$ 265,518
Actuarial valuation date	6/30/00
Actuarial cost method	Entry age
Actuarial assumptions:	
Investment rate of return	9.0%
Projected salary increases	6.5% - 9.5%
Includes inflation at	5.5%
Cost-of-living adjustments	None
Amortization method	Level percentage open
Remaining amortization	
period from 7-1-00	20 years
Asset valuation method	4-year smoothed market

Trend Information - Information for the agent plan as of most recent actuarial valuations follows.

Contributions Required and Contributions Made

<u>Plan</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PSPRS 2000			
Police	\$ 166,412	100%	\$ -0-
Fire	99,106	100%	-0-
PSPRS 1999			
Police	213,815	100%	-0-
Fire	89,836	100%	-0-
PSPRS 1998			
Police	300,643	100%	-0-
Fire	77,417	100%	-0-

Funding Progress - An analysis of funding progress for each of the agent plans as of the most recent actuarial valuations, June 30, 2000 follows.

Valuation Date June 30, 2000	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Percent Funded (1) / (2)	(4) Unfunded AAL (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded AAL as a Percentage of Covered Payroll (4) / (5)
PSPRS 2000						
Police	\$ 21,580,340	\$ 18,497,514	\$ 111.6%	\$ (3,082,826)	\$ 3,983,197	-%
Fire	30,387,399	21,940,616	138.5%	(8,446,783)	3,982,782	-%
PSPRS 1999						
Police	18,940,063	16,998,084	111.4%	(1,941,979)	3,637,417	-%
Fire	26,556,266	19,734,031	134.6%	(6,822,235)	3,748,130	-%
PSPRS 1998						
Police	16,342,484	14,986,111	109.1%	(1,356,373)	3,635,373	-%
Fire	23,059,030	17,691,792	130.3%	(5,367,238)	3,486,271	-%

VOLUNTEER FIREMEN'S RELIEF AND PENSION FUND

The Volunteer Firemen's Relief and Pension Fund ("Fund") is a single-employer defined benefit pension trust fund administered by the City. A fireman having served as a member of the City's Fire Department prior to 1978, and who is not a paid member of a fire department or a member of the Public Safety Retirement System, is eligible to receive benefits.

The fund does not issue a stand-alone report or is included in any other report than the City's.

A fireman who has served for 25 years or more, or who has reached sixty years of age, and served twenty years or more, shall be paid a monthly pension not to exceed \$250 per month based on the benefits available to members of the fire department as determined by the board of trustees. Such pension may be increased or decreased in amount, or discontinued at the discretion of the Fund's board of trustees. The Fund's funding provisions and all other requirements are established by state statute.

At June 30, 2001, the number of firemen covered by the Fund was classified as follows:

Retirees and beneficiaries currently receiving benefits	3
Active employees:	
Non-vested	<u>3</u>
Total covered firemen	<u><u>6</u></u>

Funding Status and Progress:

Per state statute there is no requirement that an actuarial valuation be performed to determine that the Volunteer Firemen's Relief and Pension Fund is fully funded. If the funds provided in the Fund are insufficient to pay fully the pensions authorized pursuant to the statute, the fund shall be prorated among those entitled thereto.

Contributions:

State statute requires a 5% contribution of annual compensation each from the City and the employee. Because no compensation was paid by the City to volunteer firemen, no contribution was made during the current fiscal year. No member or City contributions have been made to this fund since fiscal year ended June 30, 1979.

Trend Information:

Trend information for ten years is presented below:

Fiscal Year June 30	Net Assets Available for Benefits	Revenues				Expenses
		Employee Contributions	Employer Contributions	Investment Income	Other Income	Benefit Payments
1992	\$ 199,106	-	-	9,547	-	6,650
1993	199,578	-	-	6,020	219	4,800
1994	202,469	-	-	7,533	158	4,800
1995	209,232	-	-	11,396	166	4,800
1996	211,198	-	-	11,390	177	9,601
1997	213,721	-	-	11,922	201	9,600
1998	216,843	-	-	12,332	390	9,600
1999	218,401	-	-	11,068	89	9,600
2000	221,678	-	-	12,877	-	9,600
2001	226,593	-	-	13,620	96	8,800



The General Fund accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government that are not accounted for in other funds. In Flagstaff, these services include general government, parks and recreation, public safety, public works, cemetery, community development, health, criminal justice, and any other activity for which a special fund has not been created.

GENERAL FUND

GENERAL FUND

City of Flagstaff
General Fund
Comparative Balance Sheets
June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Assets		
Cash and Cash Equivalents	\$ 19,718,351	16,360,101
Cash with Fiscal Agent		154
Intergovernmental Receivable	18,289	96,946
Accounts Receivable (Net)	1,473,171	1,787,222
Interest Receivable	180,689	251,967
Sales Tax Receivable	2,021,037	1,837,729
Grants Receivable	274,709	421,174
Restricted Assets:		
Cash and Cash Equivalents	92,243	65,243
Inventory	212,379	196,504
Contractor Performance Bonds	583,597	1,164,201
Total Assets	<u>\$ 24,574,465</u>	<u>22,181,241</u>
Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 1,996,415	1,516,839
Accrued Wages and Payroll Taxes	792,882	658,814
Payable From Restricted Assets:		
Grant Revenue in Advance	92,243	65,243
Guaranty and Other Deposits	1,664,731	1,841,822
Deferred Revenue	607,241	544,757
Total Liabilities	<u>5,153,512</u>	<u>4,627,475</u>
Fund Balances:		
Reserved for Inventory	212,379	186,768
Unreserved	19,208,574	17,366,998
Total Fund Balances	<u>19,420,953</u>	<u>17,553,766</u>
Total Liabilities and Fund Balances	<u>\$ 24,574,465</u>	<u>22,181,241</u>

City of Flagstaff
 General Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 For the Fiscal Year Ended June 30,2001
 (With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Taxes	\$ 14,706,708	15,353,792	647,084	14,775,220
Licenses and Permits	1,371,273	1,318,450	(52,823)	1,324,340
Intergovernmental	13,755,917	14,151,140	395,223	13,506,709
Charges for Services	1,258,040	1,025,625	(232,415)	1,030,249
Fines and Forfeitures	937,942	993,585	55,643	837,695
Miscellaneous:				
Interest	450,000	1,185,889	735,889	981,477
Sale of Fixed Assets	21,303	26,926	5,623	36,869
Miscellaneous	464,995	382,794	(82,201)	390,707
Total Revenues	32,966,178	34,438,201	1,472,023	32,883,266
Expenditures:				
Current:				
General Government:				
Manager	241,028	217,263	23,765	230,505
Attorney	500,196	440,649	59,547	423,757
Information Systems	561,343	541,697	19,646	409,977
Administrative Services	386,743	362,029	24,714	340,034
Finance and Budget	272,322	262,290	10,032	232,434
Human Resources	317,465	299,800	17,665	225,235
Sales Tax	384,682	371,127	13,555	351,945
City Clerk	137,322	130,903	6,419	188,102
Council and Commission	82,108	71,417	10,691	67,786
Non Departmental	5,406,540	1,836,707	3,569,833	1,286,108
Total General Government	8,289,749	4,533,882	3,755,867	3,755,883
Contingencies	645,000	200,663	444,337	61,512
Parks and Recreation:				
Parks	2,257,903	1,980,309	277,594	1,708,780
Recreation	2,390,891	2,174,237	216,654	1,778,128
Total Parks and Recreation	4,648,794	4,154,546	494,248	3,486,908
Public Safety:				
Fire	6,487,798	6,264,280	223,518	5,436,530
Police	9,718,623	9,215,767	502,856	8,097,346
Total Public Safety	16,206,421	15,480,047	726,374	13,533,876

(Continued)

City of Flagstaff
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual - Continued
For the Fiscal Year Ended June 30,2001
(With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Public Works:				
Shop	145,877	89,516	56,361	49,945
Facilities Maintenance	916,033	612,265	303,768	563,112
Administration	88,145	86,858	1,287	45,568
USGS Facilities	286,456	277,535	8,921	69,139
	1,436,511	1,066,174	370,337	727,764
Total Public Works				
Cemetery	201,336	163,550	37,786	148,980
	201,336	163,550	37,786	148,980
Community Development:				
Planning	468,123	413,646	54,477	406,497
Drainage	5,446,508	1,663,233	3,783,275	537,297
Building Inspection	734,237	713,434	20,803	638,893
Engineering	792,523	751,729	40,794	513,681
Administration	133,773	125,900	7,873	122,436
	7,575,164	3,667,942	3,907,222	2,218,804
Total Community Development				
Contributions to Other Agencies	1,214,205	1,040,414	173,791	998,422
	1,214,205	1,040,414	173,791	998,422
Criminal Justice	1,180,237	1,145,454	34,783	1,021,651
	1,180,237	1,145,454	34,783	1,021,651
Total Expenditures	41,397,417	31,452,672	9,944,745	25,953,800
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,431,239)	2,985,529	11,416,768	6,929,466
	(8,431,239)	2,985,529	11,416,768	6,929,466

Exhibit B-2
(Continued)

City of Flagstaff
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual - Continued
For the Fiscal Year Ended June 30,2001
(With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Other Financing Sources (Uses):				
Operating Transfer - In	4,684,112	4,660,073	(24,039)	3,897,709
Copy Center Reserve	115,000	--	(115,000)	--
Operating Transfer - Out	<u>(5,520,415)</u>	<u>(5,778,415)</u>	<u>(258,000)</u>	<u>(6,861,344)</u>
Total Other Financing Sources (Uses)	<u>(721,303)</u>	<u>(1,118,342)</u>	<u>(397,039)</u>	<u>(2,963,635)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(9,152,542)	1,867,187	11,019,729	3,965,831
Fund Balances at Beginning of Year	<u>14,511,505</u>	<u>17,553,766</u>	<u>3,042,261</u>	<u>13,587,935</u>
Fund Balances at End of Year	<u><u>\$ 5,358,963</u></u>	<u><u>19,420,953</u></u>	<u><u>14,061,990</u></u>	<u><u>17,553,766</u></u>

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.

Highway User Revenue Fund

This fund receives and expends the City's allocation of the Highway User Revenue money. The amount available to each City is allocated on a population basis that is determined by the latest Federal census. Money allocated to this Fund must be used for street construction, reconstruction and maintenance.

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.

Real Estate Proceeds Fund

This fund was established by the City Council by resolution in fiscal year 1985-86 to account for the proceeds received from the sale of excess real estate.

Beautification, Economic Development, Tourism, Arts & Science, Recreation

These five funds were established to account for the Bed, Board and Booze Tax revenue approved by the voters March 3, 1988, and extended March 1996. When this tax was extended, it was designated that it would be distributed on a percentage basis as follows: 20% Beautification; 9.5% Economic Development; 30% Tourism; 7.5% for Arts & Science and 33% for Recreation.

Community Redevelopment

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

Metropolitan Planning Organization

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

Transportation

This fund was established as a result of voter authorization on May 16, 2000 to increase sales taxes to support four transportation issues and is valid for twenty years. The four issues include the 4th Street Overpass, Safe to School/Pedestrian and Bike projects, Traffic Flow and Safety Improvements, and Transit Service Enhancements.

SPECIAL REVENUE FUNDS

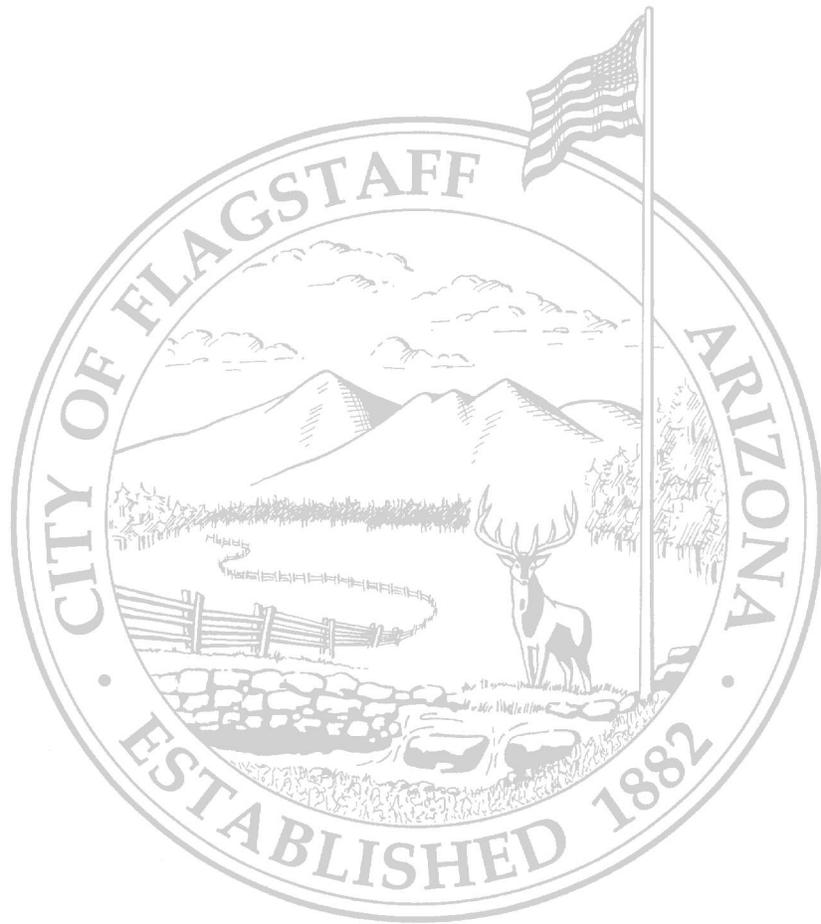


Exhibit C-1

City of Flagstaff
 Special Revenue Funds
 Combining Balance Sheet
 June 30, 2001
 (With Comparative Totals for June 30, 2000)

	Highway User Revenue Fund	Library Fund	Real Estate Proceeds Fund	Beautification Fund	Economic Development Fund
Assets					
Cash and Cash Equivalents	\$ 9,950,714	747,044	755,448	1,705,571	134,488
Cash with Fiscal Agent	1,900,066	--	--	--	--
Receivable from Sale of Property	--	--	143,238	--	--
Accounts Receivable (Net)	716,388	354,286	862	35,042	75,440
Interest Receivable	101,403	--	--	--	--
Sales Tax Receivable	--	--	--	--	--
Grants Receivable	122,063	--	--	--	--
Interfund Receivable	910,000	--	--	--	--
Restricted Assets:					
Cash and Cash Equivalents	--	188,443	--	30,030	--
Accounts Receivable (Net)	--	209,273	--	--	--
Total Assets	\$ 13,700,634	1,499,046	899,548	1,770,643	209,928
Liabilities and Fund Balances					
Liabilities:					
Accounts Payable	\$ 613,451	38,013	104,017	94,288	74,037
Accrued Wages and Payroll Taxes	46,770	35,142	--	1,869	--
Current Bonds Payable	1,420,000	--	--	--	--
Interest Payable	480,066	--	--	--	--
Payable From Restricted Assets:					
Deferred Revenue	--	319,456	--	--	--
Grant Revenue in Advance	--	78,260	--	30,030	--
Interfund Payable	--	--	--	--	--
Deferred Revenue	--	--	143,238	--	--
Arbitrage Liability	--	--	--	--	--
Total Liabilities	2,560,287	470,871	247,255	126,187	74,037
Fund Balances:					
Unreserved	11,140,347	1,028,175	652,293	1,644,456	135,891
Total Liabilities and Fund Balances	\$ 13,700,634	1,499,046	899,548	1,770,643	209,928

Tourism Fund	Arts and Science Fund	Recreation Fund	Community Redevelopment Fund	Metropolitan Planning Organization Fund	Transportation Fund	Total	
						2001	2000
1,016,775	140,118	3,571,596	452,630	5,717	3,972,433	22,452,534	16,572,357
--	--	--	--	--	--	1,900,066	1,883,254
--	--	--	--	--	--	143,238	143,238
900	--	--	20,437	--	--	1,203,355	955,826
--	--	7,686	--	--	31,295	140,384	165,029
--	--	--	--	--	669,155	669,155	--
6,607	--	--	152,448	61,269	--	342,387	385,024
--	--	--	--	--	--	910,000	500,000
--	--	--	--	--	--	218,473	95,973
--	--	--	--	--	--	209,273	--
<u>1,024,282</u>	<u>140,118</u>	<u>3,579,282</u>	<u>625,515</u>	<u>66,986</u>	<u>4,672,883</u>	<u>28,188,865</u>	<u>20,700,701</u>
171,949	20,000	14,995	47,121	5,123	--	1,182,994	1,076,191
3,767	--	--	--	1,863	--	89,411	78,685
--	--	--	--	--	--	1,420,000	1,375,000
--	--	--	--	--	--	480,066	508,254
--	--	--	--	--	--	319,456	--
--	--	--	--	--	--	108,290	95,973
--	--	--	--	60,000	--	60,000	100,000
--	--	--	--	--	--	143,238	143,238
--	--	67,945	--	--	--	67,945	59,618
<u>175,716</u>	<u>20,000</u>	<u>82,940</u>	<u>47,121</u>	<u>66,986</u>	<u>--</u>	<u>3,871,400</u>	<u>3,436,959</u>
<u>848,566</u>	<u>120,118</u>	<u>3,496,342</u>	<u>578,394</u>	<u>--</u>	<u>4,672,883</u>	<u>24,317,465</u>	<u>17,263,742</u>
<u>1,024,282</u>	<u>140,118</u>	<u>3,579,282</u>	<u>625,515</u>	<u>66,986</u>	<u>4,672,883</u>	<u>28,188,865</u>	<u>20,700,701</u>

City of Flagstaff
 Special Revenue Funds
 Combining Statement of Revenues, Expenditures and
 Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Totals for the Fiscal Year Ended June 30, 2000)

	Highway User Revenue Fund	Library Fund	Real Estate Proceeds Fund	Beautification Fund	Economic Development Fund
Revenues:					
Taxes	\$ --	--	--	749,564	356,043
Intergovernmental	8,410,137	1,989,082	--	--	--
Miscellaneous	665,651	57,931	46,778	82,654	8,264
Total Revenues	9,075,788	2,047,013	46,778	832,218	364,307
Expenditures:					
Current:					
Highway and Streets	6,682,593	--	--	--	--
Library	--	3,066,958	--	--	--
Real Estate Proceeds	--	--	373,183	--	--
Beautification	--	--	--	252,837	--
Economic Development	--	--	--	--	400,846
Tourism	--	--	--	--	--
Arts and Science	--	--	--	--	--
Recreation	--	--	--	--	--
Community Redevelopment	--	--	--	--	--
Debt Service:					
Principal Retirement	1,420,000	--	--	--	--
Interest and Fiscal Charges	962,019	--	--	--	--
Total Expenditures	9,064,612	3,066,958	373,183	252,837	400,846
Excess (Deficiency) of Revenues Over (Under) Expenditures	11,176	(1,019,945)	(326,405)	579,381	(36,539)
Other Financing Sources (Uses):					
Operating Transfers - In	2,380,133	1,078,240	150,000	110,000	--
Operating Transfers - Out	(1,274,311)	--	--	(179,448)	--
Total Other Financing Sources (Uses)	1,105,822	1,078,240	150,000	(69,448)	--
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,116,998	58,295	(176,405)	509,933	(36,539)
Fund Balances Beginning of Year	10,023,349	969,880	828,698	1,134,523	172,430
Fund Balances End of Year	\$ 11,140,347	1,028,175	652,293	1,644,456	135,891

Tourism Fund	Arts and Science Fund	Recreation Fund	Community Redevelopment Fund	Metropolitan Planning Organization Fund	Transportation Fund	Total	
						2001	2000
1,124,346	281,087	1,236,781	--	--	5,343,241	9,091,062	3,644,822
6,607	--	--	800,367	123,283	142,793	11,472,269	10,264,072
145,518	9,007	178,676	121,909	--	116,123	1,432,511	2,491,130
<u>1,276,471</u>	<u>290,094</u>	<u>1,415,457</u>	<u>922,276</u>	<u>123,283</u>	<u>5,602,157</u>	<u>21,995,842</u>	<u>16,400,024</u>
--	--	--	--	123,283	929,274	7,735,150	7,042,108
--	--	--	--	--	--	3,066,958	2,109,557
--	--	--	--	--	--	373,183	1,434,985
--	--	--	--	--	--	252,837	716,496
--	--	--	--	--	--	400,846	334,232
1,253,786	--	--	--	--	--	1,253,786	1,130,972
--	326,264	--	--	--	--	326,264	354,655
--	--	107,599	--	--	--	107,599	1,634,909
--	--	--	1,181,494	--	--	1,181,494	757,344
--	--	--	--	--	--	1,420,000	1,375,000
--	--	--	--	--	--	962,019	1,018,235
<u>1,253,786</u>	<u>326,264</u>	<u>107,599</u>	<u>1,181,494</u>	<u>123,283</u>	<u>929,274</u>	<u>17,080,136</u>	<u>17,908,493</u>
<u>22,685</u>	<u>(36,170)</u>	<u>1,307,858</u>	<u>(259,218)</u>	<u>--</u>	<u>4,672,883</u>	<u>4,915,706</u>	<u>(1,508,469)</u>
--	78,354	--	425,000	--	--	4,221,727	4,042,213
<u>(6,238)</u>	<u>--</u>	<u>(623,713)</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,083,710)</u>	<u>(1,377,639)</u>
<u>(6,238)</u>	<u>78,354</u>	<u>(623,713)</u>	<u>425,000</u>	<u>--</u>	<u>--</u>	<u>2,138,017</u>	<u>2,664,574</u>
16,447	42,184	684,145	165,782	--	4,672,883	7,053,723	1,156,105
<u>832,119</u>	<u>77,934</u>	<u>2,812,197</u>	<u>412,612</u>	<u>--</u>	<u>--</u>	<u>17,263,742</u>	<u>16,107,637</u>
<u>848,566</u>	<u>120,118</u>	<u>3,496,342</u>	<u>578,394</u>	<u>--</u>	<u>4,672,883</u>	<u>24,317,465</u>	<u>17,263,742</u>

Exhibit C-3

City of Flagstaff
Highway User Revenue Fund
Comparative Balance Sheets
June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 9,950,714	9,436,902
Cash with Fiscal Agent	1,900,066	1,883,254
Accounts Receivable (Net)	716,388	679,178
Interest Receivable	101,403	147,270
Grants Receivable	122,063	42,435
Interfund Receivable	910,000	500,000
Total Assets	\$ 13,700,634	12,689,039
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 613,451	740,713
Accrued Wages and Payroll Taxes	46,770	41,723
Current Bonds Payable	1,420,000	1,375,000
Interest Payable	480,066	508,254
Total Liabilities	2,560,287	2,665,690
Fund Balances:		
Unreserved	11,140,347	10,023,349
Total Liabilities and Fund Balances	\$ 13,700,634	12,689,039

City of Flagstaff
Highway Users Revenue Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2001
(With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental	\$ 8,411,744	8,410,137	(1,607)	8,149,356
Miscellaneous:				
Interest	250,000	651,151	401,151	577,414
Sale of Fixed Assets	--	14,400	14,400	3,600
Other	50,000	100	(49,900)	3,253
Total Revenues	8,711,744	9,075,788	364,044	8,733,623
Expenditures:				
Current:				
Staff and Support Services	1,612,403	1,545,745	66,658	1,454,737
Street Maintenance	2,782,168	2,601,130	181,038	2,706,994
Street Construction	10,409,845	2,469,410	7,940,435	2,751,987
Transportation	30,000	66,308	(36,308)	--
Contingency	20,000	--	20,000	--
Total Highways and Streets	14,854,416	6,682,593	8,171,823	6,913,718
Debt Service:				
Principal Retirement	1,420,000	1,420,000	--	1,375,000
Interest and Fiscal Charges	963,933	962,019	1,914	1,018,235
Total Expenditures	17,238,349	9,064,612	8,173,737	9,306,953
Excess (Deficiency) of Revenues Over Expenditures	(8,526,605)	11,176	8,537,781	(573,330)
Other Financing Sources (Uses):				
Operating Transfers - In	2,380,133	2,380,133	--	2,395,308
Operating Transfers - Out	(1,274,311)	(1,274,311)	--	(500,000)
Total Other Financing Sources (Uses)	1,105,822	1,105,822	--	1,895,308
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(7,420,783)	1,116,998	8,537,781	1,321,978
Fund Balances at Beginning of Year	9,375,234	10,023,349	648,115	8,701,371
Fund Balances at End of Year	\$ 1,954,451	11,140,347	9,185,896	10,023,349

Exhibit C-5

City of Flagstaff
Library Fund
Comparative Balance Sheets
June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 747,044	964,205
Accounts Receivable (Net)	354,286	45,610
Restricted Assets		
Cash and Cash Equivalents	188,443	65,943
Accounts Receivable (Net)	209,273	--
Total Assets	\$ 1,499,046	1,075,758
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 38,013	11,251
Accrued Wages and Payroll Taxes	35,142	28,684
Payable from Restricted Assets:		
Deferred Revenue	319,456	--
Grant Revenue in Advance	78,260	65,943
Total Liabilities	470,871	105,878
Fund Balances:		
Unreserved	1,028,175	969,880
Total Liabilities and Fund Balances	\$ 1,499,046	1,075,758

City of Flagstaff
Library Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2001
(With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental	\$ 2,306,411	1,989,082	(317,329)	1,100,315
Miscellaneous:				
Interest	16,255	57,939	41,684	28,871
Sale of Fixed Assets	--	248	248	--
Other	20,000	(256)	(20,256)	23,527
Total Revenues	<u>2,342,666</u>	<u>2,047,013</u>	<u>(295,653)</u>	<u>1,152,713</u>
Expenditures:				
Current:				
Staff Support and Services	282,519	265,137	17,382	286,862
Library Services	3,528,091	2,801,821	726,270	1,822,695
Contingencies	100,000	--	100,000	--
Total Expenditures	<u>3,910,610</u>	<u>3,066,958</u>	<u>843,652</u>	<u>2,109,557</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,567,944)</u>	<u>(1,019,945)</u>	<u>547,999</u>	<u>(956,844)</u>
Other Financing Sources (Uses):				
Operating Transfers - In	<u>1,078,240</u>	<u>1,078,240</u>	<u>--</u>	<u>1,067,551</u>
Total Other Financing Sources (Uses)	<u>1,078,240</u>	<u>1,078,240</u>	<u>--</u>	<u>1,067,551</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(489,704)	58,295	547,999	110,707
Fund Balances at Beginning of Year	<u>843,645</u>	<u>969,880</u>	<u>126,235</u>	<u>859,173</u>
Fund Balances at End of Year	<u>\$ 353,941</u>	<u>1,028,175</u>	<u>674,234</u>	<u>969,880</u>

Exhibit C-7

City of Flagstaff
Real Estate Proceeds Fund
Comparative Balance Sheets
June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 755,448	932,872
Receivable from Sale of Property	143,238	143,238
Accounts Receivable (Net)	862	863
Total Assets	\$ 899,548	1,076,973
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 104,017	105,037
Deferred Revenue	143,238	143,238
Total Liabilities	247,255	248,275
 Fund Balances:		
Unreserved	652,293	828,698
Total Liabilities and Fund Balances	\$ 899,548	1,076,973

City of Flagstaff
Real Estate Proceeds Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2001
(With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Miscellaneous:				
Interest	\$ 28,350	46,778	18,428	104,684
Sale of Real Property	717,000	--	(717,000)	--
Other	--	--	--	1,193,900
Total Revenues	<u>745,350</u>	<u>46,778</u>	<u>(698,572)</u>	<u>1,298,584</u>
Expenditures:				
Current:				
Real Estate	<u>950,000</u>	<u>373,183</u>	<u>576,817</u>	<u>1,434,985</u>
Total Expenditures	<u>950,000</u>	<u>373,183</u>	<u>576,817</u>	<u>1,434,985</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(204,650)</u>	<u>(326,405)</u>	<u>(121,755)</u>	<u>(136,401)</u>
Other Financing Sources (Uses):				
Operating Transfers - In	<u>150,000</u>	<u>150,000</u>	<u>--</u>	<u>150,000</u>
Total Other Financing Sources (Uses)	<u>150,000</u>	<u>150,000</u>	<u>--</u>	<u>150,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(54,650)	(176,405)	(121,755)	13,599
Fund Balances at Beginning of Year	<u>760,890</u>	<u>828,698</u>	<u>67,808</u>	<u>815,099</u>
Fund Balances at End of Year	<u>\$ 706,240</u>	<u>652,293</u>	<u>(53,947)</u>	<u>828,698</u>

Exhibit C-9

City of Flagstaff
 Beautification Fund
 Comparative Balance Sheets
 June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 1,705,571	1,012,408
Accounts Receivable (Net)	35,042	100,042
Grants Receivable	--	31,183
Restricted Assets:		
Cash and Cash Equivalents	30,030	30,030
Total Assets	\$ 1,770,643	1,173,663
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 94,288	7,490
Accrued Wages and Payroll Taxes	1,869	1,620
Payable from Restricted Assets:		
Grant Revenue in Advance	30,030	30,030
Total Liabilities	126,187	39,140
Fund Balances:		
Unreserved	1,644,456	1,134,523
Total Liabilities and Fund Balances	\$ 1,770,643	1,173,663

City of Flagstaff
 Beautification Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Taxes	\$ 722,072	749,564	27,492	726,964
Intergovernmental	741,000	--	(741,000)	258,057
Miscellaneous:				
Interest	20,000	82,654	62,654	45,162
Other	3,000	--	(3,000)	64,325
Total Revenues	<u>1,486,072</u>	<u>832,218</u>	<u>(653,854)</u>	<u>1,094,508</u>
Expenditures:				
Current:				
Beautification	<u>2,160,962</u>	<u>252,837</u>	<u>1,908,125</u>	<u>716,496</u>
Total Expenditures	<u>2,160,962</u>	<u>252,837</u>	<u>1,908,125</u>	<u>716,496</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(674,890)</u>	<u>579,381</u>	<u>1,254,271</u>	<u>378,012</u>
Other Financing Sources (Uses):				
Operating Transfers - In	110,000	110,000	--	110,000
Operating Transfers - Out	<u>(179,448)</u>	<u>(179,448)</u>	--	<u>(188,721)</u>
Total Other Financing Sources (Uses)	<u>(69,448)</u>	<u>(69,448)</u>	--	<u>(78,721)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(744,338)	509,933	1,254,271	299,291
Fund Balances at Beginning of Year	<u>947,683</u>	<u>1,134,523</u>	<u>186,840</u>	<u>835,232</u>
Fund Balances at End of Year	<u>\$ 203,345</u>	<u>1,644,456</u>	<u>1,441,111</u>	<u>1,134,523</u>

Exhibit C-11

City of Flagstaff
Economic Development Fund
Comparative Balance Sheets
June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 134,488	103,325
Accounts Receivable (Net)	75,440	125,440
Total Assets	\$ 209,928	228,765
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 74,037	56,335
Total Liabilities	74,037	56,335
Fund Balances:		
Unreserved	135,891	172,430
Total Liabilities and Fund Balances	\$ 209,928	228,765

City of Flagstaff
Economic Development Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2001
(With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Taxes	\$ 342,984	356,043	13,059	355,308
Miscellaneous:				
Interest	2,583	8,264	5,681	7,290
Total Revenues	<u>345,567</u>	<u>364,307</u>	<u>18,740</u>	<u>362,598</u>
Expenditures:				
Current:				
Economic Development	425,180	400,846	24,334	334,232
Total Expenditures	<u>425,180</u>	<u>400,846</u>	<u>24,334</u>	<u>334,232</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(79,613)</u>	<u>(36,539)</u>	<u>43,074</u>	<u>28,366</u>
Other Financing Sources (Uses):				
Operating Transfers - In	--	--	--	5,000
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>5,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(79,613)	(36,539)	43,074	33,366
Fund Balances at Beginning of Year	<u>144,699</u>	<u>172,430</u>	<u>27,731</u>	<u>139,064</u>
Fund Balances at End of Year	<u>\$ 65,086</u>	<u>135,891</u>	<u>70,805</u>	<u>172,430</u>

Exhibit C-13

City of Flagstaff
Tourism Fund
Comparative Balance Sheets
June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 1,016,775	801,563
Accounts Receivable (Net)	900	4,111
Grants Receivable	6,607	33,349
Total Assets	\$ 1,024,282	839,023
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 171,949	1,684
Accrued Wages and Payroll Taxes	3,767	5,220
Total Liabilities	175,716	6,904
 Fund Balances:		
Unreserved	848,566	832,119
Total Liabilities and Fund Balances	\$ 1,024,282	839,023

City of Flagstaff
Tourism Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2001
(With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Taxes	\$ 1,083,107	1,124,346	41,239	1,090,447
Intergovernmental	60,000	6,607	(53,393)	57,111
Miscellaneous:				
Interest	31,904	62,803	30,899	52,606
Recovery of Prior Year Expense	--	30,532	30,532	--
Other	75,216	52,183	(23,033)	130,940
Total Revenues	<u>1,250,227</u>	<u>1,276,471</u>	<u>26,244</u>	<u>1,331,104</u>
Expenditures:				
Current:				
Tourism	<u>1,576,009</u>	<u>1,253,786</u>	<u>322,223</u>	<u>1,130,972</u>
Total Expenditures	<u>1,576,009</u>	<u>1,253,786</u>	<u>322,223</u>	<u>1,130,972</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(325,782)</u>	<u>22,685</u>	<u>348,467</u>	<u>200,132</u>
Other Financing Sources (Uses):				
Operating Transfers - Out	<u>(6,238)</u>	<u>(6,238)</u>	<u>--</u>	<u>(6,238)</u>
Total Other Financing Sources (Uses)	<u>(6,238)</u>	<u>(6,238)</u>	<u>--</u>	<u>(6,238)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(332,020)	16,447	348,467	193,894
Fund Balances at Beginning of Year	<u>780,304</u>	<u>832,119</u>	<u>51,815</u>	<u>638,225</u>
Fund Balances at End of Year	<u>\$ 448,284</u>	<u>848,566</u>	<u>400,282</u>	<u>832,119</u>

Exhibit C-15

City of Flagstaff
Arts and Science Fund
Comparative Balance Sheets
June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 140,118	136,928
Total Assets	\$ 140,118	136,928
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 20,000	58,994
Total Liabilities	20,000	58,994
Fund Balances:		
Unreserved	120,118	77,934
Total Liabilities and Fund Balances	\$ 140,118	136,928

City of Flagstaff
 Arts and Science Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Taxes	\$ 270,777	281,087	10,310	272,612
Miscellaneous:				
Interest	3,940	9,007	5,067	8,822
Total Revenues	<u>274,717</u>	<u>290,094</u>	<u>15,377</u>	<u>281,434</u>
Expenditures:				
Current:				
Arts and Science	362,192	326,264	35,928	354,655
Total Expenditures	<u>362,192</u>	<u>326,264</u>	<u>35,928</u>	<u>354,655</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(87,475)</u>	<u>(36,170)</u>	<u>51,305</u>	<u>(73,221)</u>
Other Financing Sources (Uses):				
Operating Transfers - In	78,354	78,354	--	64,354
Total Other Financing Sources (Uses)	<u>78,354</u>	<u>78,354</u>	<u>--</u>	<u>64,354</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(9,121)	42,184	51,305	(8,867)
Fund Balances at Beginning of Year	<u>78,803</u>	<u>77,934</u>	<u>(869)</u>	<u>86,801</u>
Fund Balances at End of Year	<u>\$ 69,682</u>	<u>120,118</u>	<u>50,436</u>	<u>77,934</u>

Exhibit C-17

City of Flagstaff
Recreation Fund
Comparative Balance Sheets
June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 3,571,596	2,917,065
Interest Receivable	7,686	17,759
Total Assets	\$ 3,579,282	2,934,824
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 14,995	63,009
Arbitrage Liability	67,945	59,618
Total Liabilities	82,940	122,627
 Fund Balances:		
Unreserved	3,496,342	2,812,197
Total Liabilities and Fund Balances	\$ 3,579,282	2,934,824

City of Flagstaff
Recreation Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances-Budget and Actual
For the Fiscal Year Ended June 30, 2001
(With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Taxes	\$ 1,191,418	1,236,781	45,363	1,199,491
Intergovernmental	680,347	--	(680,347)	--
Miscellaneous:				
Interest	165,800	178,676	12,876	169,403
Recovery of Prior Year Expense	--	--	--	1,857
Total Revenues	2,037,565	1,415,457	(622,108)	1,370,751
Expenditures:				
Current:				
Recreation	4,356,814	107,599	4,249,215	1,634,909
Total Expenditures	4,356,814	107,599	4,249,215	1,634,909
Excess (Deficiency) of Revenues Over Expenditures	(2,319,249)	1,307,858	3,627,107	(264,158)
Other Financing Sources (Uses):				
Operating Transfers - In	297,664	--	(297,664)	--
Bond proceeds	3,100,000	--	(3,100,000)	--
Operating Transfers - Out	(1,146,916)	(623,713)	523,203	(682,680)
Total Other Financing Sources (Uses)	2,250,748	(623,713)	(2,874,461)	(682,680)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(68,501)	684,145	752,646	(946,838)
Fund Balances at Beginning of Year	2,862,491	2,812,197	(50,294)	3,759,035
Fund Balances at End of Year	\$ 2,793,990	3,496,342	702,352	2,812,197

Exhibit C-19

City of Flagstaff
 Community Redevelopment Fund
 Comparative Balance Sheets
 June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 452,630	266,536
Accounts Receivable (Net)	20,437	582
Grants Receivable	152,448	176,863
Total Assets	\$ 625,515	443,981
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 47,121	31,369
Total Liabilities	47,121	31,369
Fund Balances:		
Unreserved	578,394	412,612
Total Liabilities and Fund Balances	\$ 625,515	443,981

City of Flagstaff
 Community Redevelopment Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental	\$ 1,398,586	800,367	(598,219)	570,843
Miscellaneous:				
Interest	--	16,135	16,135	11,504
Other	--	105,774	105,774	63,972
Total Revenues	<u>1,398,586</u>	<u>922,276</u>	<u>(476,310)</u>	<u>646,319</u>
Expenditures:				
Current:				
Community Redevelopment	<u>1,903,586</u>	<u>1,181,494</u>	<u>722,092</u>	<u>757,344</u>
Total Expenditures	<u>1,903,586</u>	<u>1,181,494</u>	<u>722,092</u>	<u>757,344</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(505,000)</u>	<u>(259,218)</u>	<u>245,782</u>	<u>(111,025)</u>
Other Financing Sources (Uses):				
Operating Transfers - In	<u>425,000</u>	<u>425,000</u>	<u>--</u>	<u>250,000</u>
Total Other Financing Sources (Uses)	<u>425,000</u>	<u>425,000</u>	<u>--</u>	<u>250,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(80,000)	165,782	245,782	138,975
Fund Balances at Beginning of Year	<u>377,236</u>	<u>412,612</u>	<u>35,376</u>	<u>273,637</u>
Fund Balances at End of Year	<u>\$ 297,236</u>	<u>578,394</u>	<u>281,158</u>	<u>412,612</u>

Exhibit C-21

City of Flagstaff
Metropolitan Planning Organization Fund
Comparative Balance Sheets
June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 5,717	553
Grant Receivable	61,269	101,194
Total Assets	\$ 66,986	101,747
 Liabilities and Fund Balances		
Liabilities:		
Accounts Payable	\$ 5,123	309
Accrued Wages and Payroll Taxes	1,863	1,438
Interfund Payable	60,000	100,000
Total Liabilities	66,986	101,747
 Fund Balances:		
Unreserved	--	--
Total Liabilities and Fund Balances	\$ 66,986	101,747

City of Flagstaff
 Metropolitan Planning Organization
 Statement of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental	\$ 1,145,879	123,283	(1,022,596)	128,390
Total Revenues	<u>1,145,879</u>	<u>123,283</u>	<u>(1,022,596)</u>	<u>128,390</u>
Expenditures:				
Current:				
Metropolitan Planning	1,145,879	123,283	1,022,596	128,390
Total Expenditures	<u>1,145,879</u>	<u>123,283</u>	<u>1,022,596</u>	<u>128,390</u>
Excess (Deficiency) of Revenues Over Expenditures	--	--	--	--
Fund Balances at Beginning of Year	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances at End of Year	<u>\$ --</u>	<u>--</u>	<u>--</u>	<u>--</u>

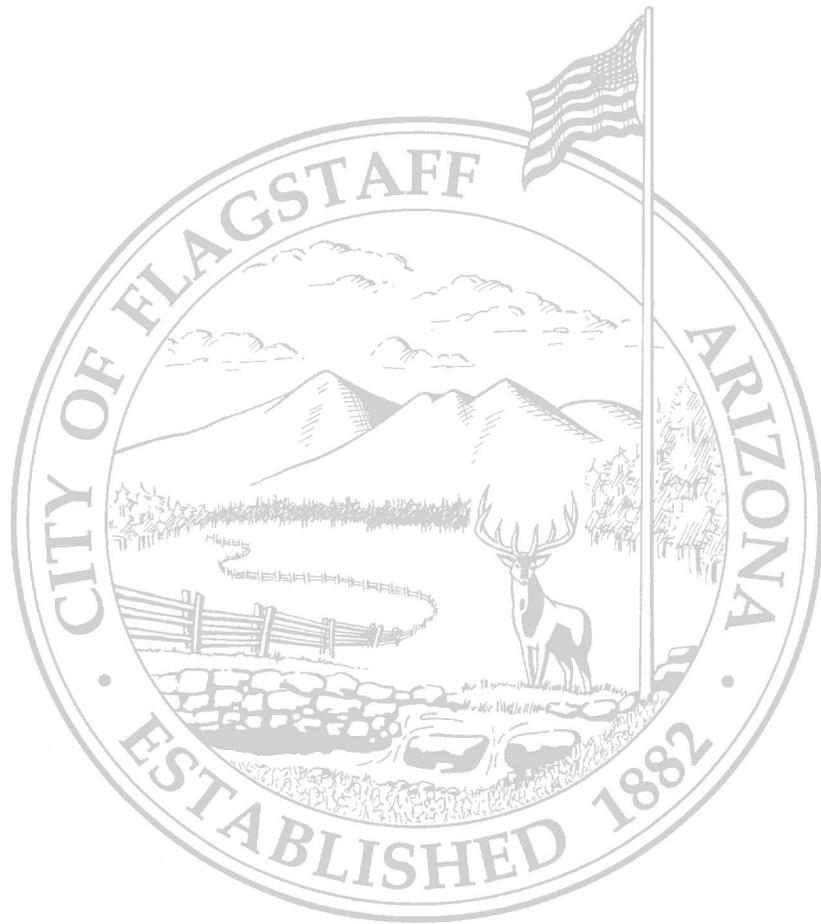
Exhibit C-23

City of Flagstaff
 Transportation Fund
 Comparative Balance Sheets
 June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 3,972,433	--
Grant Receivable	31,295	--
Sales Tax Receivable	669,155	--
Total Assets	\$ 4,672,883	--
Liabilities and Fund Balances		
Liabilities:	\$ --	--
Total Liabilities	--	--
Fund Balances:		
Unreserved	4,672,883	--
Total Liabilities and Fund Balances	\$ 4,672,883	--

City of Flagstaff
 Transportation Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balances-Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Taxes	\$ 5,067,391	5,343,241	275,850	--
Intergovernmental	226,000	142,793	(83,207)	--
Miscellaneous:				
Interest	--	116,123	116,123	--
Total Revenues	<u>5,293,391</u>	<u>5,602,157</u>	<u>308,766</u>	<u>--</u>
Expenditures:				
Current:				
Highway and Streets	<u>4,236,644</u>	<u>929,274</u>	<u>3,307,370</u>	<u>--</u>
Total Expenditures	<u>4,236,644</u>	<u>929,274</u>	<u>3,307,370</u>	<u>--</u>
Excess (Deficiency) of Revenues Over Expenditures	1,056,747	4,672,883	3,616,136	--
Fund Balances at Beginning of Year	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances at End of Year	<u>\$ 1,056,747</u>	<u>4,672,883</u>	<u>3,616,136</u>	<u>--</u>



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 accounts for the accumulation of resources for and the payments of principal, interest and costs of General Obligation Bonds.

Special Assessment Bond Fund

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

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.

DEBT SERVICE FUNDS

City of Flagstaff
Debt Service Funds
Combining Balance Sheet
June 30, 2001
(With Comparative Totals as of June 30, 2000)

	General Obligation Bond Fund	Special Assessment Bond Fund	Secondary Property Tax Revenue Fund	Total	
				2001	2000
Assets					
Cash and Cash Equivalents	\$ 11,624	207,264	200,435	419,323	493,733
Cash with Fiscal Agent	1,311,627	35,300	--	1,346,927	1,044,675
Special Assessments Receivable	--	1,255,186	--	1,255,186	1,524,980
Total Assets	\$ 1,323,251	1,497,750	200,435	3,021,436	3,063,388
Liabilities and Fund Balances					
Liabilities:					
Current Bonds Payable	\$ 1,085,000	--	--	1,085,000	1,524,980
Interest Payable	226,627	35,364	--	261,991	309,675
Deferred Revenue	--	1,255,186	--	1,255,186	735,000
Total Liabilities	1,311,627	1,290,550	--	2,602,177	2,569,655
Fund Balances:					
Reserved for Debt Service	11,624	207,200	200,435	419,259	493,733
Total Fund Balances	11,624	207,200	200,435	419,259	493,733
Total Liabilities and Fund Balances	\$ 1,323,251	1,497,750	200,435	3,021,436	3,063,388

City of Flagstaff
Debt Service Funds
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances
For the Fiscal Year Ended June 30, 2001
(With Comparative Totals for the Fiscal Year Ended June 30, 2000)

	General Obligation Bond Fund	Special Assessment Bond Fund	Secondary Property Tax Revenue Fund	Total	
				2001	2000
Revenues:					
Taxes	\$ --	--	3,896,103	3,896,103	3,777,091
Special Assessments	--	269,794	--	269,794	175,863
Miscellaneous	290	105,075	9,964	115,329	121,086
Total Revenues	290	374,869	3,906,067	4,281,226	4,074,040
Expenditures:					
Debt Service:					
Principal Retirement	1,085,000	203,000	--	1,288,000	890,000
Interest and Fiscal Charges	454,736	82,165	--	536,901	598,631
Total Expenditures	1,539,736	285,165	--	1,824,901	1,488,631
Excess (Deficiency) of Revenues Over Expenditures	(1,539,446)	89,704	3,906,067	2,456,325	2,585,409
Other Financing Sources (Uses):					
Operating Transfers - In	1,538,255	--	--	1,538,255	1,242,780
Operating Transfers - Out	--	--	(4,069,054)	(4,069,054)	(3,708,864)
Total Other Financing Sources (Uses)	1,538,255	--	(4,069,054)	(2,530,799)	(2,466,084)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(1,191)	89,704	(162,987)	(74,474)	119,325
Fund Balances at Beginning of Year	12,815	117,496	363,422	493,733	374,408
Fund Balances at End of Year	\$ 11,624	207,200	200,435	419,259	493,733

City of Flagstaff
 General Obligation Bond Fund
 Comparative Balance Sheets
 June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 11,624	12,815
Cash with Fiscal Agent	1,311,627	988,890
Total Assets	\$ 1,323,251	1,001,705
 Liabilities and Fund Balances		
Liabilities:		
Current Bonds Payable	\$ 1,085,000	735,000
Interest Payable	226,627	253,890
Total Liabilities	1,311,627	988,890
Fund Balances:		
Reserved for Debt Service	11,624	12,815
Total Liabilities and Fund Balances	\$ 1,323,251	1,001,705

City of Flagstaff
 General Obligation Bond Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Miscellaneous Revenues:				
Interest	\$ 600	290	(310)	576
Total Revenues	600	290	(310)	576
Expenditures:				
Debt Service:				
Principal Retirement	1,085,000	1,085,000	--	735,000
Interest and Fiscal Charges	655,855	454,736	201,119	509,255
Total Expenditures	1,740,855	1,539,736	201,119	1,244,255
Excess (Deficiency) of Revenues Over Expenditures	(1,740,255)	(1,539,446)	200,809	(1,243,679)
Other Financing Sources (Uses):				
Operating Transfers - In	1,739,755	1,538,255	(201,500)	1,242,780
Total Other Financing Sources (Uses)	1,739,755	1,538,255	(201,500)	1,242,780
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(500)	(1,191)	(691)	(899)
Fund Balances at Beginning of Year	12,564	12,815	251	13,714
Fund Balances at End of Year	\$ 12,064	11,624	(440)	12,815

City of Flagstaff
 Special Assessment Bond Fund
 Comparative Balance Sheets
 June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 207,264	117,496
Cash with Fiscal Agent	35,300	55,785
Special Assessment Receivable	1,255,186	1,524,980
Total Assets	\$ 1,497,750	1,698,261
Liabilities and Fund Balances		
Liabilities:		
Interest Payable	\$ 35,364	55,785
Deferred Revenue	1,255,186	1,524,980
Total Liabilities	1,290,550	1,580,765
Fund Balances:		
Reserved for Debt Service	207,200	117,496
Total Liabilities and Fund Balances	\$ 1,497,750	1,698,261

City of Flagstaff
Special Assessment Bond Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
For the Fiscal Year Ended June 30, 2001
(With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Special Assessments	\$ 190,676	269,794	79,118	175,863
Miscellaneous Revenues:				
Interest	79,927	103,894	23,967	105,619
Miscellaneous	--	1,181	1,181	1,422
Total Revenues	<u>270,603</u>	<u>374,869</u>	<u>104,266</u>	<u>282,904</u>
Expenditures:				
Debt Service:				
Principal Retirement	203,000	203,000	--	155,000
Interest and Fiscal Charges	82,217	82,165	52	89,376
Total Expenditures	<u>285,217</u>	<u>285,165</u>	<u>52</u>	<u>244,376</u>
Excess (Deficiency) of Revenues Over Expenditures	(14,614)	89,704	104,318	38,528
Fund Balances at Beginning of Year	<u>89,609</u>	<u>117,496</u>	<u>27,887</u>	<u>78,968</u>
Fund Balances at End of Year	<u>\$ 74,995</u>	<u>207,200</u>	<u>132,205</u>	<u>117,496</u>

City of Flagstaff
 Secondary Property Tax Revenue Fund
 Comparative Balance Sheets
 June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Assets		
Cash and Cash Equivalents	\$ 200,435	363,422
Total Assets	<u>\$ 200,435</u>	<u>363,422</u>
Liabilities and Fund Balances		
Liabilities:	\$ --	--
Total Liabilities	<u>--</u>	<u>--</u>
Fund Balances:		
Reserved for Debt Service	200,435	363,422
Total Liabilities and Fund Balances	<u>\$ 200,435</u>	<u>363,422</u>

City of Flagstaff
 Secondary Property Tax Revenue Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Taxes	\$ 3,937,930	3,896,103	(41,827)	3,777,091
Miscellaneous Revenues:				
Interest	20,600	9,964	(10,636)	13,469
Total Revenues	<u>3,958,530</u>	<u>3,906,067</u>	<u>(52,463)</u>	<u>3,790,560</u>
Expenditures:				
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,958,530</u>	<u>3,906,067</u>	<u>(52,463)</u>	<u>3,790,560</u>
Other Financing Sources (Uses):				
Operating Transfers - Out	<u>(4,048,417)</u>	<u>(4,069,054)</u>	<u>(20,637)</u>	<u>(3,708,864)</u>
Total Other Financing Sources (Uses)	<u>(4,048,417)</u>	<u>(4,069,054)</u>	<u>(20,637)</u>	<u>(3,708,864)</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(89,887)	(162,987)	(73,100)	81,696
Fund Balances at Beginning of Year	<u>412,582</u>	<u>363,422</u>	<u>(49,160)</u>	<u>281,726</u>
Fund Balances at End of Year	<u>\$ 322,695</u>	<u>200,435</u>	<u>(122,260)</u>	<u>363,422</u>

Capital Projects Funds are used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations.

Bond Construction Fund

This fund was established in fiscal year 1997 to account for the receipt of bond proceeds and construction of capital projects. General obligation bonds were issued on February 1, 1997 in the amount of \$5,500,000 for Public Safety facilities and equipment. The Municipal Facility Corporation issued bonds on April 1, 2001 for the construction of a new USGS facility, which will be constructed and leased to the City of Flagstaff.

CAPITAL PROJECTS FUNDS

City of Flagstaff
 Capital Project Funds
 Combining Balance Sheet
 June 30, 2001
 (With Comparative Totals as of June 30, 2000)

	Bond Construction Fund	Total	
		2001	2000
Assets			
Cash and Cash Equivalents	\$ 1,931,419	1,931,419	215,841
Accounts Receivable (Net)	850,939	850,939	1,143,985
Bond Proceeds Receivable	2,445,000	2,445,000	--
Total Assets	\$ 5,227,358	5,227,358	1,359,826
Liabilities and Fund Balances			
Liabilities:			
Arbitrage Liability	\$ 72,948	72,948	72,948
Total Liabilities	72,948	72,948	72,948
Fund Balances:			
Reserved for Capital Projects	5,154,410	5,154,410	1,286,878
Total Fund Balances	5,154,410	5,154,410	1,286,878
Total Liabilities and Fund Balances	\$ 5,227,358	5,227,358	1,359,826

Exhibit E-2

City of Flagstaff
 Capital Project Funds
 Combining Statement of Revenues,
 Expenditures and Changes in Fund Balances
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Totals for the Fiscal Year Ended June 30, 2000)

	Bond Construction Fund	Total	
		2001	2000
Revenues:			
Intergovernmental	\$ 580,241	580,241	3,007,336
Capital Contributions	--	--	720,000
Improvement District Proceeds	--	--	66,821
Miscellaneous	156,937	156,937	259,826
Total Revenues	737,178	737,178	4,053,983
Expenditures:			
Street, Curb and Gutter	--	--	848,225
Capital Projects	2,165,989	2,165,989	7,908,140
Total Expenditures	2,165,989	2,165,989	8,756,365
Excess (Deficiency) of Revenues Over Expenditures	(1,428,811)	(1,428,811)	(4,702,382)
Other Financing Sources (Uses):			
Operating Transfers - In	821,000	821,000	2,400,000
Bond Proceeds	4,475,343	4,475,343	--
Total Other Financing Sources (Uses)	5,296,343	5,296,343	2,400,000
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,867,532	3,867,532	(2,302,382)
Fund Balance at Beginning of Year	1,286,878	1,286,878	3,589,260
Fund Balances at End of Year	\$ 5,154,410	5,154,410	1,286,878

City of Flagstaff
Bond Construction Fund
Comparative Balance Sheets
June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Assets		
Cash and Cash Equivalents	\$ 1,931,419	215,841
Accounts Receivable (Net)	850,939	1,143,985
Bond Proceeds Receivable	<u>2,445,000</u>	<u>--</u>
Total Assets	<u>\$ 5,227,358</u>	<u>1,359,826</u>
Liabilities and Fund Balances		
Liabilities:		
Arbitrage Liability	<u>\$ 72,948</u>	<u>72,948</u>
Total Liabilities	<u>72,948</u>	<u>72,948</u>
Fund Balances:		
Reserved	<u>5,154,410</u>	<u>1,286,878</u>
Total Liabilities and Fund Balances	<u>\$ 5,227,358</u>	<u>1,359,826</u>

Exhibit E-4

City of Flagstaff
 Bond Construction Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Actual for the Fiscal Year Ended June 30, 2000)

	2001			2000
	Budget	Actual	Variance	Actual
Revenues:				
Intergovernmental	\$ 1,111,749	580,241	(531,508)	3,007,336
Miscellaneous Revenues:				
Interest	33,971	15,532	(18,439)	38,153
Other	--	141,405	141,405	213,657
Total Revenues	<u>1,145,720</u>	<u>737,178</u>	<u>(408,542)</u>	<u>3,259,146</u>
Expenditures:				
Capital Projects	<u>7,024,172</u>	<u>2,165,989</u>	<u>4,858,183</u>	<u>7,908,140</u>
Total Expenditures	<u>7,024,172</u>	<u>2,165,989</u>	<u>4,858,183</u>	<u>7,908,140</u>
 Excess (Deficiency) of Revenues Over Expenditures	 (5,878,452)	 (1,428,811)	 4,449,641	 (4,648,994)
Other Financing Sources (Uses):				
Operating Transfers - In	--	821,000	821,000	2,400,000
Bond Proceeds	<u>4,700,000</u>	<u>4,475,343</u>	<u>--</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>4,700,000</u>	<u>5,296,343</u>	<u>821,000</u>	<u>2,400,000</u>
 Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	 (1,178,452)	 3,867,532	 5,045,984	 (2,248,994)
Fund Balance (Deficit) at Beginning of Year	<u>1,178,452</u>	<u>1,286,878</u>	<u>108,426</u>	<u>3,535,872</u>
Fund Balance at End of Year	<u>\$ --</u>	<u>5,154,410</u>	<u>5,154,410</u>	<u>1,286,878</u>

Enterprise Funds are designed to accumulate the total cost of providing a particular service and to indicate the extent to which user charges imposed upon service consumers are sufficient to cover those costs. These funds are maintained on an accrual basis of accounting.

Water and Wastewater Fund

This fund is used to account for the services that the Water and Wastewater utility provide to city residents and some residents of the County. All revenues generated and expenses incurred for the operation of the water and wastewater plants, the water production and distribution systems, and the wastewater collection system are accounted for in this fund.

Airport Fund

The operation of Pulliam Airport is accounted for in this fund, including user charges, rental of airport facilities and the maintenance of runways, buildings and grounds at this location.

Environmental Services Fund

The collection of residential and commercial refuses and the operation of the City landfill are accounted for in this fund, including user charges and related expenses.

ENTERPRISE FUNDS

City of Flagstaff
Enterprise Funds
Combining Balance Sheet
June 30, 2001
(With Comparative Totals as of June 30, 2000)

	Water and Wastewater Fund	Airport Fund	Environmental Services Fund	Totals	
				2001	2000
Assets					
Cash and Cash Equivalents	\$ 19,801,491	11,610	4,976,334	24,789,435	19,648,163
Accounts Receivable (Net)	2,376,264	72,251	698,205	3,146,720	3,371,778
Interest Receivable	187,948	--	37,313	225,261	343,070
Grants Receivable	--	1,427,922	--	1,427,922	445,761
Restricted Assets:					
Cash and Cash Equivalents	3,964,184	581,027	3,246,832	7,792,043	12,760,867
Receivable from Sale of Property	--	--	--	--	175,094
Interest Receivable	--	--	28,424	28,424	72,916
Inventory	314,192	--	--	314,192	310,998
Fixed Assets (Net of Depreciation)	159,147,166	21,436,060	6,930,536	187,513,762	181,274,610
Total Assets	\$ 185,791,245	23,528,870	15,917,644	225,237,759	218,403,257
Liabilities and Fund Equity					
Liabilities:					
Accounts Payable	\$ 527,591	499,424	233,447	1,260,462	679,463
Accrued Wages and Taxes Payable	153,850	18,266	67,413	239,529	221,185
Payable from Restricted Assets:					
Interest Payable	322,756	4,438	--	327,194	867,237
General Obligation Bonds	1,525,000	195,000	--	1,720,000	3,670,000
Customer Deposits	522,513	--	--	522,513	556,217
Landfill Closure and Post-Closure Liability	--	--	3,275,256	3,275,256	2,563,634
Guaranty and Other Deposits	67,144	15,432	17,340	99,916	81,866
Capital Lease	--	90,424	--	90,424	116,010
Interfund Payable	--	944,897	--	944,897	494,897
Deferred Revenue	132,846	19,431	--	152,277	--
Bonds Payable (Less Current Portion):					
General Obligation Bonds	24,612,570	2,025,000	--	26,637,570	28,319,461
Arbitrage Liability	101,726	--	--	101,726	77,588
Loans Payable	3,786,788	566,834	--	4,353,622	4,656,116
Landfill Closure and Post-Closure Liability	--	--	7,702,592	7,702,592	7,814,713
Total Liabilities	31,752,784	4,379,146	11,296,048	47,427,978	50,118,387
Fund Equity:					
Contributed Capital:					
Capital Grants (Net)	17,300,655	15,608,914	--	32,909,569	32,472,337
Municipality	6,228,012	6,914,769	1,065,387	14,208,168	14,208,168
Contractor	51,306,687	--	--	51,306,687	46,706,597
Retained Earnings:					
Reserved for:					
Water and Sewer Construction	--	--	--	--	3,349,784
Renewal and Replacement	1,593,915	--	--	1,593,915	1,593,915
Airport Construction	--	381,589	--	381,589	408,090
Unreserved (Deficit)	77,609,192	(3,755,548)	3,556,209	77,409,853	69,545,979
Total Retained Earnings (Deficit)	79,203,107	(3,373,959)	3,556,209	79,385,357	74,897,768
Total Fund Equity	154,038,461	19,149,724	4,621,596	177,809,781	168,284,870
Total Liabilities and Fund Equity	\$ 185,791,245	23,528,870	15,917,644	225,237,759	218,403,257

City of Flagstaff
Enterprise Funds
Combining Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Fiscal Year Ended June 30, 2001
(With Comparative Totals for the Fiscal Year Ended June 30, 2000)

	Water and Wastewater Fund	Airport Fund	Environmental Services Fund	Totals	
				2001	2000
Operating Revenues:					
Water Revenues	\$ 10,560,317	--	--	10,560,317	9,998,028
Sewer Revenues	6,468,407	--	--	6,468,407	6,312,763
Airport Revenues	--	804,056	--	804,056	822,723
Environmental Services Revenues	--	--	5,144,988	5,144,988	6,409,920
Intergovernmental Revenue	--	--	--	--	14,597
Miscellaneous Revenues	--	9,867	--	9,867	63,520
Total Operating Revenues	17,028,724	813,923	5,144,988	22,987,635	23,621,551
Operating Expenses:					
Staff Support and Services	1,777,456	576,139	552,171	2,905,766	2,607,830
Administration	496,247	--	--	496,247	473,346
Water	4,574,334	--	--	4,574,334	3,508,624
Wastewater	2,909,411	--	--	2,909,411	2,580,713
Airport	--	770,650	--	770,650	721,549
Environmental Services	--	--	3,730,844	3,730,844	3,803,575
Depreciation	4,819,871	1,172,257	693,190	6,685,318	6,597,540
Total Operating Expenses	14,577,319	2,519,046	4,976,205	22,072,570	20,293,177
Operating Income (Loss)	2,451,405	(1,705,123)	168,783	915,065	3,328,374
Non Operating Revenues (Expenses):					
Interest Income	1,308,586	26,209	496,467	1,831,262	1,707,529
Interest Expense and Fiscal Charges	(1,567,766)	(165,762)	--	(1,733,528)	(1,938,103)
Water and Sewer Buy-Ins	1,261,030	--	--	1,261,030	1,135,467
Net Gain (Loss) on Disposal of Fixed Assets	12,300	153	1,650	14,103	5,981
Miscellaneous	(2,636)	--	(5,388)	(8,024)	3,998
Total Non-Operating Revenues (Expenses)	1,011,514	(139,400)	492,729	1,364,843	914,872
Income (Loss) Before Operating Transfers	3,462,919	(1,844,523)	661,512	2,279,908	4,243,246
Operating Transfers In (Out):					
Operating Transfers - In from:					
Secondary Property Tax Revenue Fund	2,380,133	244,867	--	2,625,000	2,622,480
General Fund	--	783,000	62,688	845,688	529,131
Beautification	--	--	29,247	29,247	38,520
Operating Transfers - Out to:					
General Fund	(2,380,133)	--	(429,678)	(2,809,811)	(2,824,986)
Net Operating Transfers In (Out)	--	1,027,867	(337,743)	690,124	365,145
Net Income (Loss)	3,462,919	(816,656)	323,769	2,970,032	4,608,391
Add Back Depreciation on Fixed Assets Acquired with Capital Grants	693,342	824,215	--	1,517,557	1,486,979
Increase (Decrease) in Retained Earnings	4,156,261	7,559	323,769	4,487,589	6,095,370
Retained Earnings (Deficit) July 1	75,046,846	(3,381,518)	3,232,440	74,897,768	68,802,398
Retained Earnings (Deficit) June 30	\$ 79,203,107	(3,373,959)	3,556,209	79,385,357	74,897,768

City of Flagstaff
Enterprise Funds
Combining Statement of Cash Flows
For the Fiscal Year Ended June 30, 2001
(With Comparative Totals for the Fiscal Year Ended June 30, 2000)

	Water and Wastewater Fund	Airport Fund	Environmental Services Fund	2001 Total	2000 Total
Cash Flows From Operating Activities					
Cash Received From Customers and Users	\$ 17,062,012	844,321	5,305,379	23,211,712	23,115,982
Cash Payments to Other Supplies of Goods and Services	(5,333,241)	(27,812)	(1,411,097)	(6,772,150)	(6,170,173)
Cash Payments to Employees for Services	(4,410,013)	(850,053)	(2,159,386)	(7,419,452)	(6,983,418)
Operating Grants Received	--	--	600	600	14,597
Increase (Decrease) in Customer Deposits	(33,704)	1,645	--	(32,059)	(40,324)
Miscellaneous Operating Revenue (Expense)	14,394	981	(5,388)	9,987	20,628
Net Cash Provided (Used) by Operating Activities	<u>7,299,448</u>	<u>(30,918)</u>	<u>1,730,108</u>	<u>8,998,638</u>	<u>9,957,292</u>
Cash Flows From Non-Capital Financing Activities					
Operating Transfers In From Other Funds	2,380,133	1,027,867	--	3,408,000	3,007,480
Gross Increase (Decrease) in Interfund Payable	--	450,000	--	450,000	190,000
Operating Transfers Out to Other Funds	(2,380,133)	--	(337,743)	(2,717,876)	(2,642,335)
Change in Guarantees	16,405	--	--	16,405	(3,690)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>16,405</u>	<u>1,477,867</u>	<u>(337,743)</u>	<u>1,156,529</u>	<u>551,455</u>
Cash Flows From Capital and Related Financing Activities					
Capital Grants Received	--	972,028	--	972,028	1,270,185
Capital Contributed by Contractors	1,261,030	--	--	1,261,030	1,135,468
Bonds					
Principal Payments	(3,451,891)	(180,000)	--	(3,631,891)	(3,484,285)
Interest Payments and Related Expenses	(2,044,919)	(187,066)	--	(2,231,985)	(2,018,199)
Proceeds From Sale of Capital Assets	12,300	152	1,650	14,102	20,165
Principal on Loans Receivable	--	175,094	--	175,094	158,956
Acquisition and Construction of Capital Assets	(4,620,766)	(2,101,838)	(1,618,805)	(8,341,409)	(5,673,317)
Increase in Arbitrage Liability	24,138	--	--	24,138	20,845
Principal Paid on ADEQ Loan	(280,077)	--	--	(280,077)	(270,862)
Capital Lease					
Principal Payments	--	(25,586)	--	(25,586)	(23,599)
Interest Payments	--	(9,053)	--	(9,053)	(11,041)
Capital Loan					
Principal Payments	--	(22,416)	--	(22,416)	(10,749)
Interest Payments	--	(32,533)	--	(32,533)	(16,725)
Increase in Deferred Revenue	132,846	19,431	--	152,277	--
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(8,967,339)</u>	<u>(1,391,787)</u>	<u>(1,617,155)</u>	<u>(11,976,281)</u>	<u>(8,903,158)</u>
Cash Flows from Investing Activities					
Interest From State Investment Pool	1,432,311	26,209	535,042	1,993,562	1,554,800
Net Cash from Investing Activities	<u>1,432,311</u>	<u>26,209</u>	<u>535,042</u>	<u>1,993,562</u>	<u>1,554,800</u>
Net Increase (Decrease) in Cash	<u>(219,175)</u>	<u>81,371</u>	<u>310,252</u>	<u>172,448</u>	<u>3,160,389</u>
Cash Balance July 1	23,984,850	511,266	7,912,914	32,409,030	29,248,641
Cash Balance June 30	<u>\$ 23,765,675</u>	<u>592,637</u>	<u>8,223,166</u>	<u>32,581,478</u>	<u>32,409,030</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 2,451,405	(1,705,123)	168,783	915,065	3,328,374
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities					
Depreciation	4,819,871	1,172,257	693,190	6,685,318	6,597,540
Changes in Assets and Liabilities					
(Increase) Decrease in Accounts Receivable	33,288	31,379	160,991	225,658	(457,230)
(Increase) Decrease in Inventory	(3,194)	--	--	(3,194)	51,815
Increase (Decrease) in Accounts Payable	6,750	469,995	104,254	580,999	(132,091)
Increase (Decrease) in Accrued Payroll and Payroll Taxes	10,638	(1,071)	8,777	18,344	(95,536)
Increase (Decrease) in Customer Deposits	(33,704)	1,645	--	(32,059)	(40,324)
Increase (Decrease) in Landfill Closure and Post-Closure Liability	--	--	599,501	599,501	717,858
Miscellaneous Revenues (Expenses)	14,394	--	(5,388)	9,006	(13,114)
Total Adjustments	<u>4,848,043</u>	<u>1,674,205</u>	<u>1,561,325</u>	<u>8,083,573</u>	<u>6,628,918</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,299,448</u>	<u>(30,918)</u>	<u>1,730,108</u>	<u>8,998,638</u>	<u>9,957,292</u>
Non-Cash Investing, Capital, and Financing Activities					
Developers Contributing Assets to Governmental Entity	\$ 4,600,090	--	--	4,600,090	2,079,236
Cash and Cash Equivalents					
Unrestricted	\$ 19,801,491	11,610	4,976,334	24,789,435	19,648,163
Restricted	3,964,184	581,027	3,246,832	7,792,043	12,760,867
Cash Balance June 30	<u>\$ 23,765,675</u>	<u>592,637</u>	<u>8,223,166</u>	<u>32,581,478</u>	<u>32,409,030</u>

Exhibit F-4

City of Flagstaff
Water and Wastewater Fund
Comparative Balance Sheets
June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 19,801,491	14,236,032
Accounts Receivable (Net)	2,376,264	2,409,552
Interest Receivable	187,948	270,666
Restricted Assets:		
Cash and Cash Equivalents	3,964,184	9,748,818
Interest Receivable	--	41,007
Inventory	314,192	310,998
Fixed Assets (Net of Depreciation)	159,147,166	154,763,211
Total Assets	\$ 185,791,245	181,780,284
Liabilities and Fund Equity		
Liabilities:		
Accounts Payable	\$ 527,591	520,841
Accrued Wages and Taxes Payable	153,850	143,212
Payable from Restricted Assets:		
Interest Payable	322,756	799,909
General Obligation Bonds	1,525,000	3,490,000
Customer Deposits	522,513	556,217
Guaranty and Other Deposits	67,144	50,739
Deferred Revenue	132,846	--
Bonds Payable (Less Current Portion):		
General Obligation Bonds	24,612,570	26,099,461
Arbitrage Liability	101,726	77,588
Loans Payable	3,786,788	4,066,865
Total Liabilities	31,752,784	35,804,832
Fund Equity:		
Contributed Capital:		
Capital Grants (Net)	17,300,655	17,993,997
Municipality	6,228,012	6,228,012
Contractors	51,306,687	46,706,597
Retained Earnings:		
Reserved for:		
Water and Sewer Construction	--	3,349,784
Renewal and Replacement	1,593,915	1,593,915
Unreserved	77,609,192	70,103,147
Total Retained Earnings	79,203,107	75,046,846
Total Fund Equity	154,038,461	145,975,452
Total Liabilities and Fund Equity	\$ 185,791,245	181,780,284

City of Flagstaff
Water and Wastewater Fund
Comparative Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Fiscal Years Ended June 30, 2001
(With Comparative Totals for the Fiscal Year Ended June 30, 2000)

	<u>2001</u>	<u>2000</u>
Operating Revenues:		
Water Revenues	\$ 10,560,317	9,998,028
Sewer Revenues	6,468,407	6,312,763
Miscellaneous Revenues	--	33,838
	<u>17,028,724</u>	<u>16,344,629</u>
Total Operating Revenues		
Operating Expenses:		
Staff Support and Services	1,777,456	1,748,503
Administration	496,247	473,346
Water	4,574,334	3,508,624
Wastewater	2,909,411	2,580,713
Depreciation	4,819,871	4,667,823
	<u>14,577,319</u>	<u>12,979,009</u>
Total Operating Expenses		
Operating Income (Loss)	<u>2,451,405</u>	<u>3,365,620</u>
Non-Operating Revenues (Expenses):		
Interest Income	1,308,586	1,261,720
Interest Expense and Fiscal Charges	(1,567,766)	(1,803,379)
Water and Sewer Buy-Ins	1,261,030	1,135,467
Net Gain (Loss) on Disposal of Fixed Assets	12,300	4,645
Miscellaneous	(2,636)	--
	<u>1,011,514</u>	<u>598,453</u>
Total Non-Operating Revenues (Expenses)		
Income (Loss) Before Operating Transfers	<u>3,462,919</u>	<u>3,964,073</u>
Operating Transfers In (Out):		
Operating Transfers - In from:		
Secondary Property Tax Revenue Fund	2,380,133	2,395,308
Operating Transfers - Out to:		
General Fund	(2,380,133)	(2,395,308)
	<u>--</u>	<u>--</u>
Total Operating Transfers In (Out)		
Net Income (Loss)	3,462,919	3,964,073
Add Back Depreciation on Fixed Assets Acquired with Capital Grants	<u>693,342</u>	<u>693,342</u>
Increase (Decrease) in Retained Earnings	4,156,261	4,657,415
Retained Earnings July 1	<u>75,046,846</u>	<u>70,389,431</u>
Retained Earnings June 30	<u>\$ 79,203,107</u>	<u>75,046,846</u>

Exhibit F-6

City of Flagstaff
Water and Wastewater Fund
Comparative Statement of Cash Flows
For the Fiscal Year Ended June 30, 2001
(With Comparative Totals for the Fiscal Year Ended June 30, 2000)

	<u>2001</u>	<u>2000</u>
Cash Flows From Operating Activities		
Cash Received From Customers and Users	\$ 17,062,012	15,988,997
Cash Payments to Other Suppliers of Goods and Services	(5,333,241)	(4,032,782)
Cash Payments to Employees for Services	(4,410,013)	(4,279,988)
Increase (Decrease) in Customer Deposits	(33,704)	(38,596)
Miscellaneous Operating Revenue (Expense)	14,394	15,691
	<u>7,299,448</u>	<u>7,653,322</u>
Net Cash Provided (Used) by Operating Activities		
Cash Flows From Non-Capital Financing Activities		
Operating Transfers In From Other Funds	2,380,133	2,395,308
Operating Transfers Out to Other Funds	(2,380,133)	(2,395,308)
Change in Guarantees	16,405	(3,690)
	<u>16,405</u>	<u>(3,690)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities		
Cash Flows From Capital and Related Financing Activities		
Capital Contributed from Contractors	1,261,030	1,135,468
Bonds		
Principal Payments	(3,451,891)	(3,314,285)
Interest Payments and Related Expenses	(2,044,919)	(1,905,929)
Proceeds From Sale of Capital Assets	12,300	12,870
Acquisition and Construction of Capital Assets	(4,620,766)	(3,182,892)
Increase (Decrease) in Arbitrage Liability	24,138	20,845
Principal Paid on ADEQ Loan	(280,077)	(270,862)
Increase (Decrease) in Deferred Revenue	132,846	--
	<u>(8,967,339)</u>	<u>(7,504,785)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities		
Cash Flows From Investing Activities		
Interest From State Investment Pool	1,432,311	1,155,169
	<u>1,432,311</u>	<u>1,155,169</u>
Net Cash From Investing Activities		
Net Increase (Decrease) in Cash	(219,175)	1,300,016
Cash Balance July 1	23,984,850	22,684,834
Cash Balance June 30	<u>\$ 23,765,675</u>	<u>23,984,850</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 2,451,405	3,365,620
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation	4,819,871	4,667,823
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	33,288	(321,794)
(Increase) Decrease in Inventory	(3,194)	51,815
Increase (Decrease) in Accounts Payable	6,750	17,555
Increase (Decrease) in Accrued Payroll and Payroll Taxes	10,638	(70,954)
Increase (Decrease) in Customer Deposits	(33,704)	(38,596)
Miscellaneous Operating Revenues (Expenses)	14,394	(18,147)
	<u>4,848,043</u>	<u>4,287,702</u>
Total Adjustments		
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,299,448</u>	<u>7,653,322</u>
Non-Cash Investing, Capital and Financing Activities:		
Developers Contributing Assets to Governmental Entity	<u>\$ 4,600,090</u>	<u>2,079,236</u>
Cash and Cash Equivalents		
Unrestricted	\$ 19,801,491	14,236,032
Restricted	3,964,184	9,748,818
Cash Balance June 30	<u>\$ 23,765,675</u>	<u>23,984,850</u>

City of Flagstaff
Water and Wastewater Fund
Schedule of Revenues and Expenses
Budget and Actual (Budget Basis)
For the Fiscal Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Water Revenues	\$ 9,899,839	10,560,317	660,478
Sewer Revenues	6,346,964	6,468,407	121,443
Total Operating Revenues	<u>16,246,803</u>	<u>17,028,724</u>	<u>781,921</u>
Operating Expenses:			
Staff Support and Services	1,884,404	1,777,456	106,948
Administration	2,096,087	496,247	1,599,840
Water	3,851,013	4,574,334	(723,321)
Wastewater	2,909,398	2,909,411	(13)
Total Operating Expenses	<u>10,740,902</u>	<u>9,757,448</u>	<u>983,454</u>
Operating Income (Loss)	<u>5,505,901</u>	<u>7,271,276</u>	<u>1,765,375</u>
Non-Operating Revenues (Expenses):			
Paid on Bond Maturity	(1,525,000)	(1,525,000)	--
Paid on Loan Maturity	(280,077)	(280,077)	--
Interest Income	616,000	1,308,586	692,586
Interest Expense and Fiscal Charges	(1,586,502)	(1,567,766)	18,736
Water and Sewer Buy-Ins	1,222,564	1,261,030	38,466
Net Gain (Loss) on Disposal of Fixed Assets	--	12,300	12,300
Capital Outlay	(11,374,979)	(4,620,766)	6,754,213
Miscellaneous	--	(2,636)	(2,636)
Total Non-Operating Revenues (Expenses)	<u>(12,927,994)</u>	<u>(5,414,329)</u>	<u>7,513,665</u>
Income (Loss) Before Operating Transfers	<u>(7,422,093)</u>	<u>1,856,947</u>	<u>9,279,040</u>
Operating Transfers In (Out):			
Operating Transfers - In from:			
Secondary Property Tax Revenue Fund	2,380,133	2,380,133	--
Operating Transfers - Out to:			
General Fund	(2,380,133)	(2,380,133)	--
Total Operating Transfers In (Out)	<u>--</u>	<u>--</u>	<u>--</u>
Net Income (Loss)	<u>\$ (7,422,093)</u>	<u>1,856,947</u>	<u>9,279,040</u>
GAAP Adjustments to Budget:			
Depreciation		(4,819,871)	
Paid on Bond Maturity		1,525,000	
Paid on Loan Maturity		280,077	
Capital Outlay		4,620,766	
Depreciation on Fixed Assets Acquired with Capital Grants		<u>693,342</u>	
Increase (Decrease) in GAAP Retained Earnings		<u>\$ 4,156,261</u>	

Exhibit F-8

City of Flagstaff
 Airport Fund
 Comparative Balance Sheets
 June 30, 2001 and 2000

	2001	2000
Assets		
Cash and Cash Equivalents	\$ 11,610	30,942
Accounts Receivable (Net)	72,251	103,630
Grants Receivable	1,427,922	445,161
Restricted Assets:		
Cash and Cash Equivalents	581,027	480,324
Receivable From Sale of Property	--	175,094
Fixed Assets (Net of Depreciation)	21,436,060	20,506,479
Total Assets	\$ 23,528,870	21,741,630
 Liabilities and Fund Equity		
Liabilities:		
Accounts Payable	\$ 499,424	29,429
Accrued Wages and Payroll Taxes	18,266	19,337
Payable from Restricted Assets:		
Interest Payable	4,438	67,328
General Obligation Bonds	195,000	180,000
Guaranty and Other Deposits	15,432	13,787
Capital Lease	90,424	116,010
Interfund Payable	944,897	494,897
Deferred Revenue	19,431	--
Bonds Payable (Less Current Portion)		
General Obligation Bonds	2,025,000	2,220,000
Loans Payable	566,834	589,251
Total Liabilities	4,379,146	3,730,039
 Fund Equity:		
Contributed Capital:		
Capital Grants (Net)	15,608,914	14,478,340
Municipality	6,914,769	6,914,769
Retained Earnings:		
Reserved for:		
Airport Construction	381,589	408,090
Unreserved (Deficit)	(3,755,548)	(3,789,608)
Total Retained Earnings (Deficit)	(3,373,959)	(3,381,518)
Total Fund Equity	19,149,724	18,011,591
Total Liabilities and Fund Equity	\$ 23,528,870	21,741,630

City of Flagstaff
 Airport Fund
 Comparative Statement of Revenues, Expenses and
 Changes in Retained Earnings
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Totals for the Fiscal Year Ended June 30, 2000)

	<u>2001</u>	<u>2000</u>
Operating Revenues:		
Airport Revenues	\$ 804,056	822,723
Miscellaneous Revenues	9,867	29,682
Total Operating Revenues	<u>813,923</u>	<u>852,405</u>
Operating Expenses:		
Staff Support and Services	576,139	382,115
Airport	770,650	721,549
Depreciation	1,172,257	1,353,215
Total Operating Expenses	<u>2,519,046</u>	<u>2,456,879</u>
Operating Income (Loss)	<u>(1,705,123)</u>	<u>(1,604,474)</u>
Non-Operating Revenues (Expenses):		
Interest Income	26,209	23,345
Interest Expense and Fiscal Charges	(165,762)	(134,724)
Net Gain (Loss) on Disposal of Fixed Assets	153	334
Total Non-Operating Revenues (Expenses)	<u>(139,400)</u>	<u>(111,045)</u>
Income (Loss) Before Operating Transfers	<u>(1,844,523)</u>	<u>(1,715,519)</u>
Operating Transfers In (Out):		
Operating Transfers - In from:		
Secondary Property Tax Revenue Fund	244,867	227,172
General Fund	783,000	385,000
Total Operating Transfers In (Out)	<u>1,027,867</u>	<u>612,172</u>
Net Income (Loss)	(816,656)	(1,103,347)
Add Back Depreciation on Fixed Assets Acquired with Capital Grants	<u>824,215</u>	<u>793,637</u>
Increase (Decrease) in Retained Earnings	7,559	(309,710)
Retained Earnings (Deficit) July 1	<u>(3,381,518)</u>	<u>(3,071,808)</u>
Retained Earnings (Deficit) June 30	<u>\$ (3,373,959)</u>	<u>(3,381,518)</u>

Exhibit F-10

City of Flagstaff
 Airport Fund
 Comparative Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Totals for the Fiscal Year Ended June 30, 2000)

	2001	2000
Cash Flows From Operating Activities		
Cash Received From Customers and Users	\$ 844,321	772,847
Cash Payments to Other Suppliers of Goods and Services	(27,812)	(650,501)
Cash Payments to Employees for Services	(850,053)	(666,247)
Increase (Decrease) in Customer Deposits	1,645	(228)
Miscellaneous Operating Revenue (Expenses)	981	939
Net Cash Provided (Used) by Operating Activities	(30,918)	(543,190)
Cash Flows From Non-Capital Financing Activities		
Operating Transfers In From Other Funds	1,027,867	612,172
Gross Increase (Decrease) in Interfund Payable	450,000	190,000
Net Cash Provided (Used) by Non-Capital Financing Activities	1,477,867	802,172
Cash Flows From Capital and Related Financing Activities		
Capital Grants Received	972,028	1,270,185
Bonds		
Principal Payments	(180,000)	(170,000)
Interest Payments and Related Expenses	(187,066)	(112,270)
Proceeds From Sale of Capital Assets	152	6,293
Principal on Loans Receivable	175,094	158,956
Acquisition and Construction of Capital Assets	(2,101,838)	(1,275,657)
Capital Lease		
Principal Payments	(25,586)	(23,599)
Interest Payments	(9,053)	(11,041)
Capital Loan		
Principal Payments	(22,416)	(10,749)
Interest Payments	(32,533)	(16,725)
Increase in Deferred Revenue	19,431	--
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,391,787)	(184,607)
Cash Flows From Investing Activities		
Interest From State Investment Pool	26,209	23,345
Net Cash From Investing Activities	26,209	23,345
Net Increase (Decrease) in Cash	81,371	97,720
Cash Balance July 1	511,266	413,546
Cash Balance June 30	\$ 592,637	511,266
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (1,705,123)	(1,604,474)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation	1,172,257	1,353,215
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	31,379	(78,619)
Increase (Decrease) in Accounts Payable	469,995	(206,133)
Increase (Decrease) in Accrued Payroll and Payroll Taxes	(1,071)	(6,951)
Increase (Decrease) in Customer Deposits	1,645	(228)
Miscellaneous Revenues (Expenses)	--	--
Total Adjustments	1,674,205	1,061,284
Net Cash Provided (Used) by Operating Activities	\$ (30,918)	(543,190)
Cash and Cash Equivalents		
Unrestricted	\$ 11,610	30,942
Restricted	581,027	480,324
Cash Balance June 30	\$ 592,637	511,266

City of Flagstaff
 Airport Fund
 Schedule of Revenues and Expenses
 Budget and Actual (Budget Basis)
 For the Fiscal Year Ended June 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues:			
Airport Revenues	\$ 831,350	804,056	(27,294)
Miscellaneous Revenues	1,440	9,867	8,427
Total Operating Revenues	832,790	813,923	(18,867)
Operating Expenses:			
Staff Support and Services	621,434	576,139	45,295
Airport	809,122	770,650	38,472
Total Operating Expenses	1,430,556	1,346,789	83,767
Operating Income (Loss)	(597,766)	(532,866)	64,900
Non-Operating Revenues (Expenses):			
Paid on Bond Maturity	(195,000)	(195,000)	--
Paid on Loan Maturity	(22,416)	(22,416)	--
Interest Income	13,879	26,209	12,330
Interest Expense and Fiscal Charges	(165,816)	(165,762)	54
Intergovernmental Revenue	12,565,643	1,954,789	(10,610,854)
Net Gain (Loss) on Disposal of Fixed Assets	--	153	153
Capital Outlay	(13,305,924)	(2,101,838)	11,204,086
Lease Purchase Principal	(25,586)	(25,586)	--
Principal on Loans Receivable	175,094	175,094	--
Total Non-Operating Revenues (Expense)	(960,126)	(354,357)	605,769
Income (Loss) Before Operating Transfers	(1,557,892)	(887,223)	670,669
Operating Transfers In (Out):			
Operating Transfers - In from:			
Secondary Property Tax Revenue Fund	224,230	244,867	20,637
General Fund	1,346,000	783,000	(563,000)
Total Operating Transfers In (Out)	1,570,230	1,027,867	(542,363)
Net Income (Loss) - Budget Basis	\$ 12,338	140,644	128,306
GAAP Adjustments to Budget:			
Depreciation		(1,172,257)	
Paid on Bond Maturity		195,000	
Paid on Loan Maturity		22,416	
Intergovernmental Revenue		(1,954,789)	
Capital Outlay		2,101,838	
Lease Purchase Principal		25,586	
Depreciation on Fixed Assets Acquired with Capital Grants		824,215	
Principal on Loans Receivable		(175,094)	
Increase (Decrease) in GAAP Retained Earnings		\$ 7,559	

Exhibit F-12

City of Flagstaff
Environmental Services Fund
Comparative Balance Sheets
June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Assets		
Cash and Cash Equivalents	\$ 4,976,334	5,381,189
Accounts Receivable (Net)	698,205	858,596
Interest Receivable	37,313	72,404
Grants Receivable	--	600
Restricted Assets:		
Cash and Cash Equivalents	3,246,832	2,531,725
Interest Receivable	28,424	31,909
Fixed Assets (Net of Depreciation)	<u>6,930,536</u>	<u>6,004,920</u>
Total Assets	<u><u>\$ 15,917,644</u></u>	<u><u>14,881,343</u></u>
Liabilities and Fund Equity		
Liabilities:		
Accounts Payable	\$ 233,447	129,193
Accrued Wages and Payroll Taxes	67,413	58,636
Payable from Restricted Assets:		
Landfill Closure and Post-Closure Liability	3,275,256	2,563,634
Guaranty and Other Deposits	17,340	17,340
Landfill Closure and Post-Closure Liability	<u>7,702,592</u>	<u>7,814,713</u>
Total Liabilities	<u>11,296,048</u>	<u>10,583,516</u>
Fund Equity:		
Contributed Capital:		
Municipality	1,065,387	1,065,387
Retained Earnings:		
Unreserved (Deficit)	<u>3,556,209</u>	<u>3,232,440</u>
Total Fund Equity	<u>4,621,596</u>	<u>4,297,827</u>
Total Liabilities and Fund Equity	<u><u>\$ 15,917,644</u></u>	<u><u>14,881,343</u></u>

City of Flagstaff
Environmental Services Fund
Comparative Statement of Revenues, Expenses and
Changes in Retained Earnings
For the Fiscal Years Ended June 30, 2001
(With Comparative Totals for the Fiscal Year Ended June 30, 2000)

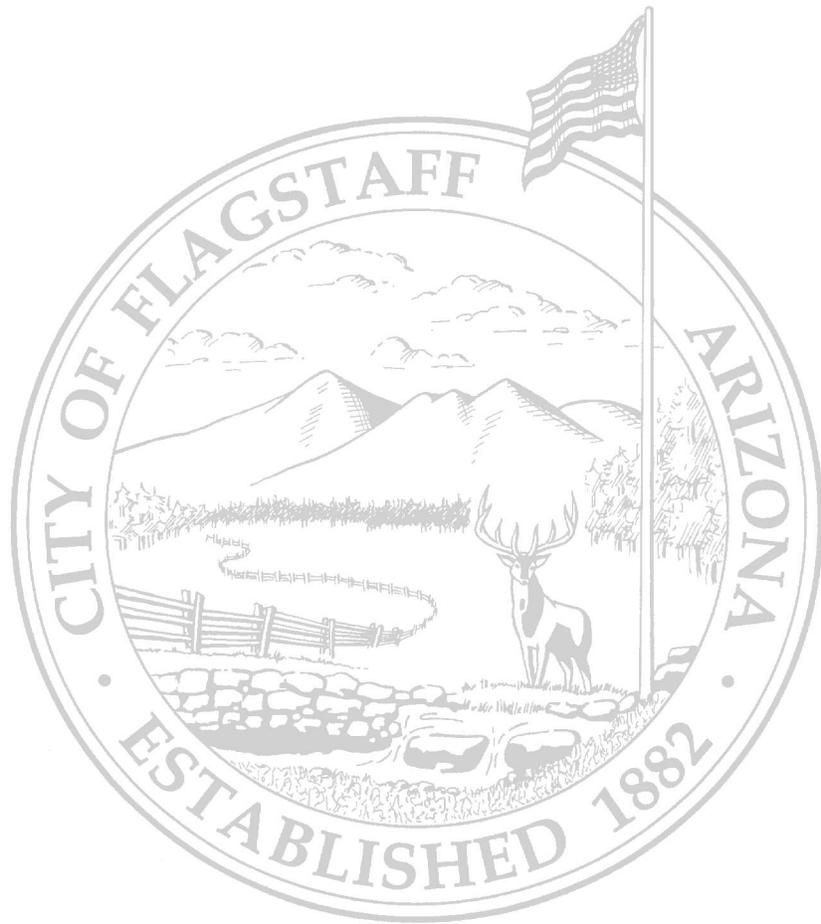
	<u>2001</u>	<u>2000</u>
Operating Revenues:		
Environmental Services Revenues	\$ 5,144,988	6,409,920
Intergovernmental Revenue	--	14,597
Total Operating Revenues	<u>5,144,988</u>	<u>6,424,517</u>
Operating Expenses:		
Staff Support and Services	552,171	477,212
Environmental Services	3,131,343	3,085,717
Depreciation	693,190	576,502
Landfill Closure and Post-Closure Accrual	599,501	717,858
Total Operating Expenses	<u>4,976,205</u>	<u>4,857,289</u>
Operating Income (Loss)	<u>168,783</u>	<u>1,567,228</u>
Non-Operating Revenues (Expenses):		
Interest Income	496,467	422,464
Net Gain (Loss) on Disposal of Fixed Assets	1,650	1,002
Miscellaneous	(5,388)	3,998
Total Non-Operating Revenues (Expenses)	<u>492,729</u>	<u>427,464</u>
Income (Loss) Before Operating Transfers	<u>661,512</u>	<u>1,994,692</u>
Operating Transfers In (Out):		
Operating Transfers - In From:		
General Fund	62,688	144,131
Beautification	29,247	38,520
Operating Transfers - Out to:		
General Fund	(429,678)	(429,678)
Total Operating Transfers In (Out)	<u>(337,743)</u>	<u>(247,027)</u>
Net Income (Loss)	323,769	1,747,665
Retained Earnings July 1	<u>3,232,440</u>	<u>1,484,775</u>
Retained Earnings (Deficit) June 30	<u>\$ 3,556,209</u>	<u>3,232,440</u>

City of Flagstaff
 Environmental Services Fund
 Comparative Statement of Cash Flows
 For the Fiscal Year Ended June 30, 2001
 (With Comparative Totals for the Fiscal Year Ended June 30, 2000)

	2001	2000
Cash Flows From Operating Activities		
Cash Received From Customers and Users	\$ 5,305,379	6,354,138
Cash Payments to Other Suppliers of Goods and Services	(1,411,097)	(1,486,890)
Cash Payments to Employees for Services	(2,159,386)	(2,037,183)
Operating Grant Received	600	14,597
Increase (Decrease) in Customer Deposits	--	(1,500)
Miscellaneous Operating Revenue (Expense)	(5,388)	3,998
Net Cash Provided (Used) by Operating Activities	1,730,108	2,847,160
Cash Flows From Non-Capital Financing Activities		
Operating Transfers Out to Other Funds	(337,743)	(247,027)
Net Cash Provided (Used) by Non-Capital Financing Activities	(337,743)	(247,027)
Cash Flows From Capital and Related Financing Activities		
Proceeds From Sale of Capital Assets	1,650	1,002
Acquisition and Construction of Capital Assets	(1,618,805)	(1,214,768)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,617,155)	(1,213,766)
Cash Flows From Investing Activities		
Interest From State Investment Pool	535,042	376,286
Net Cash From Investing Activities	535,042	376,286
Net Increase in Cash	310,252	1,762,653
Cash Balance July 1	7,912,914	6,150,261
Cash Balance June 30	\$ 8,223,166	7,912,914
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 168,783	1,567,228
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities		
Depreciation	693,190	576,502
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	160,991	(56,817)
Increase (Decrease) in Accounts Payable	104,254	56,487
Increase (Decrease) in Accrued Payroll and Payroll Taxes	8,777	(17,631)
(Increase) Decrease in Operating Grants Receivable	--	--
Increase (Decrease) in Customer Deposits	--	(1,500)
Increase (Decrease) in Landfill Closure and Post-Closure Liability	599,501	717,858
Miscellaneous Revenues (Expenses)	(5,388)	5,033
Total Adjustments	1,561,325	1,279,932
Net Cash Provided (used) by Operating Activities	\$ 1,730,108	2,847,160
Cash and Cash Equivalents		
Unrestricted	\$ 4,976,334	5,381,189
Restricted	3,246,832	2,531,725
Cash Balance June 30	\$ 8,223,166	7,912,914

City of Flagstaff
Environmental Services Fund
Schedule of Revenues and Expenses
Budget and Actual (Budget Basis)
For the Fiscal Year Ended June 30, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:			
Environmental Services Revenues	\$ 5,723,010	5,144,988	(578,022)
Total Operating Revenues	<u>5,723,010</u>	<u>5,144,988</u>	<u>(578,022)</u>
Operating Expenses:			
Staff Support and Services	608,809	552,171	56,638
Environmental Services	3,588,139	3,131,343	456,796
Total Operating Expenses	<u>4,196,948</u>	<u>3,683,514</u>	<u>513,434</u>
Operating Income (Loss)	<u>1,526,062</u>	<u>1,461,474</u>	<u>(64,588)</u>
Non-Operating Revenues (Expenses):			
Interest Income	247,000	496,467	249,467
Net Gain (Loss) on Disposal of Fixed Assets	--	1,650	1,650
Capital Outlay	(4,400,444)	(1,618,805)	2,781,639
Miscellaneous Revenues	--	(5,388)	(5,388)
Total Non-Operating Revenues (Expenses)	<u>(4,153,444)</u>	<u>(1,126,076)</u>	<u>3,027,368</u>
Income (Loss) Before Operating Transfers	<u>(2,627,382)</u>	<u>335,398</u>	<u>2,962,780</u>
Operating Transfers In (Out):			
Operating Transfers - In From:			
General Fund	62,688	62,688	--
Beautification	29,247	29,247	--
Operating Transfers - Out To:			
General Fund	(429,678)	(429,678)	--
Total Operating Transfers In (Out)	<u>(337,743)</u>	<u>(337,743)</u>	<u>--</u>
Net Income (Loss)	<u>\$ (2,965,125)</u>	<u>(2,345)</u>	<u>2,962,780</u>
GAAP Adjustments to Budget:			
Depreciation		(693,190)	
Capital Outlay		1,618,805	
Landfill Closure and Post-Closure Accrual		(599,501)	
Increase (Decrease) in GAAP Retained Earnings		<u>\$ 323,769</u>	



General Fixed Assets are those fixed assets not accounted for in the Enterprise Funds. To be classified as a fixed asset, a specific piece of property must be tangible, have a life longer than one year, and have a significant value.

GENERAL FIXED ASSET ACCOUNT GROUP

GENERAL FIXED ASSET ACCOUNT GROUP

City of Flagstaff
 Schedule of General Fixed Assets - By Source
 June 30,2001

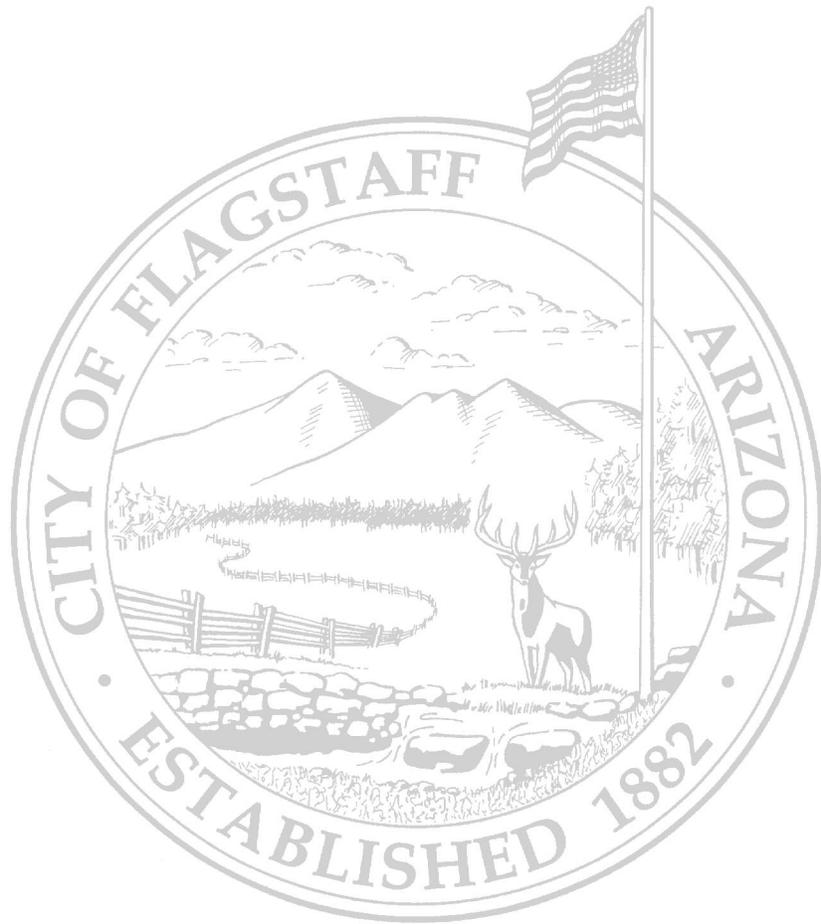
General fixed assets:	
Land	\$ 5,618,012
Buildings	20,607,195
Improvements other than buildings	10,053,354
Machinery and equipment	22,859,145
Construction in progress	8,931,646
	<hr/>
Total general fixed assets	<u>\$ 68,069,352</u>
Investment in general fixed assets from:	
Federal grants	\$ 777,594
State grants	316,828
County grants	27,763
General fund revenues	41,965,098
Special revenue fund revenues	11,517,742
Gifts	53,047
Contributed from utility fund	245,109
Intergovernmental contribution	791,850
General obligation bonds	12,374,321
	<hr/>
Total investment in general fixed assets	<u>\$ 68,069,352</u>

City of Flagstaff
 Schedule of General Fixed Assets - By Functions and Activities
 June 30, 2001

	Total	Land	Buildings	Improvements other than Buildings	Machinery and Equipment
General government:					
General administration	\$ 5,412,978	823,837	537,027	67,894	3,984,220
Law	4,316	-	-	-	4,316
Data processing	120,240	-	1,417	109,641	9,182
Library	1,203,952	-	85,239	8,510	1,110,203
Finance	73,568	-	-	-	73,568
Community development	45,654	-	-	-	45,654
City court	149,365	-	2,640	-	146,725
Human Resources	7,547	-	-	-	7,547
Municipal complex	9,310,006	2,460,727	6,849,279	-	-
Beautification	1,705	-	-	-	1,705
Tourism	1,392,629	501,365	817,103	18,404	55,757
Total general government	<u>17,721,959</u>	<u>3,785,929</u>	<u>8,292,705</u>	<u>204,449</u>	<u>5,438,876</u>
Public safety:					
Police protection	3,173,370	-	112,492	8,671	3,052,207
Fire protection	7,429,092	159,894	3,393,322	36,661	3,839,215
Total public safety	<u>10,602,462</u>	<u>159,894</u>	<u>3,505,814</u>	<u>45,332</u>	<u>6,891,422</u>
Parks and Recreation:					
Parks	5,594,823	909,588	244,004	2,784,345	1,656,886
Recreation	3,553,513	-	2,286,946	960,815	305,752
Recreation Capital Projects	3,685,893	-	206,464	3,479,429	-
Total parks and recreation	<u>12,834,229</u>	<u>909,588</u>	<u>2,737,414</u>	<u>7,224,589</u>	<u>1,962,638</u>
Public works:					
Facilities maintenance	6,237,924	-	5,568,669	6,094	663,161
Engineering	997,150	-	8,443	281,474	707,233
Building inspection	185,297	-	-	-	185,297
Shop	953,905	-	360,104	196,789	397,012
Planning	44,471	-	-	-	44,471
Public works administration	19,541	-	-	-	19,541
Total public works	<u>8,438,288</u>	<u>-</u>	<u>5,937,216</u>	<u>484,357</u>	<u>2,016,715</u>
Cemetery	388,335	44,126	30,443	196,627	117,139
Streets	9,152,433	718,475	103,603	1,898,000	6,432,355
Total general fixed assets allocated to functions.	<u>59,137,706</u>	<u>5,618,012</u>	<u>20,607,195</u>	<u>10,053,354</u>	<u>22,859,145</u>
Construction work in progress	<u>8,931,646</u>				
Total general fixed assets	<u>\$ 68,069,352</u>				

City of Flagstaff
Schedule of Changes in General Fixed Assets - By Functions and Activities
Year Ended June 30, 2001

	General fixed assets at beginning of year	Additions	Deductions	Transfers between Departments	General fixed assets at end of year
General government:					
General administration	\$ 4,218,202	1,194,776	-	-	5,412,978
Law	4,316	-	-	-	4,316
Data processing	120,240	-	-	-	120,240
Library	681,758	522,194	-	-	1,203,952
Finance	73,568	-	-	-	73,568
Community development	45,654	-	-	-	45,654
City court	119,660	29,705	-	-	149,365
Human Resources	7,547	-	-	-	7,547
Municipal complex	9,310,006	-	-	-	9,310,006
Beautification	1,705	-	-	-	1,705
Tourism	1,387,452	5,177	-	-	1,392,629
Total general government	<u>15,970,108</u>	<u>1,751,851</u>	<u>-</u>	<u>-</u>	<u>17,721,959</u>
Public safety:					
Police protection	2,954,269	219,101	-	-	3,173,370
Fire protection	7,150,149	278,943	-	-	7,429,092
Total public safety	<u>10,104,418</u>	<u>498,044</u>	<u>-</u>	<u>-</u>	<u>10,602,462</u>
Parks and Recreation:					
Parks	5,216,442	378,381	-	-	5,594,823
Recreation	3,471,985	81,528	-	-	3,553,513
Recreation Capital Projects	3,685,893	-	-	-	3,685,893
Total parks and recreation	<u>12,374,320</u>	<u>459,909</u>	<u>-</u>	<u>-</u>	<u>12,834,229</u>
Public works:					
Facilities maintenance	6,237,924	-	-	-	6,237,924
Engineering	905,318	91,832	-	-	997,150
Building inspection	149,623	35,674	-	-	185,297
Shop	931,082	22,823	-	-	953,905
Planning	44,471	-	-	-	44,471
Public works administration	19,541	-	-	-	19,541
Total public works	<u>8,287,959</u>	<u>150,329</u>	<u>-</u>	<u>-</u>	<u>8,438,288</u>
Cemetery	388,335	-	-	-	388,335
Streets	8,841,245	311,188	-	-	9,152,433
Construction work in progress	7,776,669	1,154,977	-	-	8,931,646
Total general fixed assets	<u>\$ 63,743,054</u>	<u>4,326,298</u>	<u>-</u>	<u>-</u>	<u>68,069,352</u>



SUPPORTING SCHEDULES

SUPPORTING SCHEDULES

SCHEDULE I

Debt Service Requirements to Maturity - General Obligation Bonds

June 30, 2001

Fiscal Year	Principal	Interest	Total Requirement
2001-02	\$ 3,053,505	1,658,410	4,711,915
2002-03	3,565,000	1,542,634	5,107,634
2003-04	3,880,000	1,365,998	5,245,998
2004-05	3,790,000	1,207,693	4,997,693
2005-06	2,840,000	883,213	3,723,213
2006-07	3,404,065	1,141,752	4,545,817
2007-08	2,960,000	616,100	3,576,100
2008-09	2,965,000	468,100	3,433,100
2009-10	1,680,000	354,400	2,034,400
2010-11	1,800,000	270,400	2,070,400
2011-12	1,925,000	180,400	2,105,400
2012-13	1,870,000	84,625	1,954,625
	\$ 33,732,570	9,773,725	43,506,295

SCHEDULE II

Debt Service Requirements to Maturity - Street Construction Revenue Bonds

June 30, 2001

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2001-02	\$ 1,490,000	900,492	2,390,492
2002-03	1,565,000	836,423	2,401,423
2003-04	1,635,000	767,562	2,402,562
2004-05	1,705,000	693,988	2,398,988
2005-06	1,805,000	615,558	2,420,558
2006-07	1,880,000	530,723	2,410,723
2007-08	1,370,000	441,423	1,811,423
2008-09	1,445,000	359,723	1,804,723
2009-10	1,520,000	280,135	1,800,135
2010-11	1,620,000	190,455	1,810,455
2011-12	1,725,000	94,873	1,819,873
	<u>\$ 17,760,000</u>	<u>5,711,355</u>	<u>23,471,355</u>

SCHEDULE III

Debt Service Requirements to Maturity - Special Assessment Bonds

June 30, 2001

Fiscal Year	Principal	Interest	Total Requirement
2001-02	\$ 229,000	69,063	298,063
2002-03	244,000	56,074	300,074
2003-04	259,000	42,270	301,270
2004-05	270,000	27,750	297,750
2005-06	75,000	18,497	93,497
2006-07	76,000	14,799	90,799
2007-08	82,000	10,927	92,927
2008-09	88,000	6,761	94,761
2009-10	94,000	2,303	96,303
	\$ 1,417,000	248,444	1,665,444

SCHEDULE IV

Debt Service Requirements to Maturity - Other Debt

June 30, 2001

Fiscal Year	Principal	Interest	Total Requirement
2001-02	\$ -	224,682	224,682
2002-03	255,000	207,399	462,399
2003-04	265,000	197,199	462,199
2004-05	275,000	186,599	461,599
2005-06	285,000	175,599	460,599
2006-07	295,000	164,199	459,199
2007-08	310,000	152,399	462,399
2008-09	320,000	139,534	459,534
2009-10	335,000	125,614	460,614
2010-11	350,000	110,371	460,371
2011-12	365,000	94,446	459,446
2012-13	385,000	77,656	462,656
2013-14	400,000	59,850	459,850
2014-15	420,000	40,850	460,850
2015-16	440,000	20,900	460,900
	\$ <u>4,700,000</u>	<u>1,977,297</u>	<u>6,677,297</u>

**STATISTICAL
SECTION**

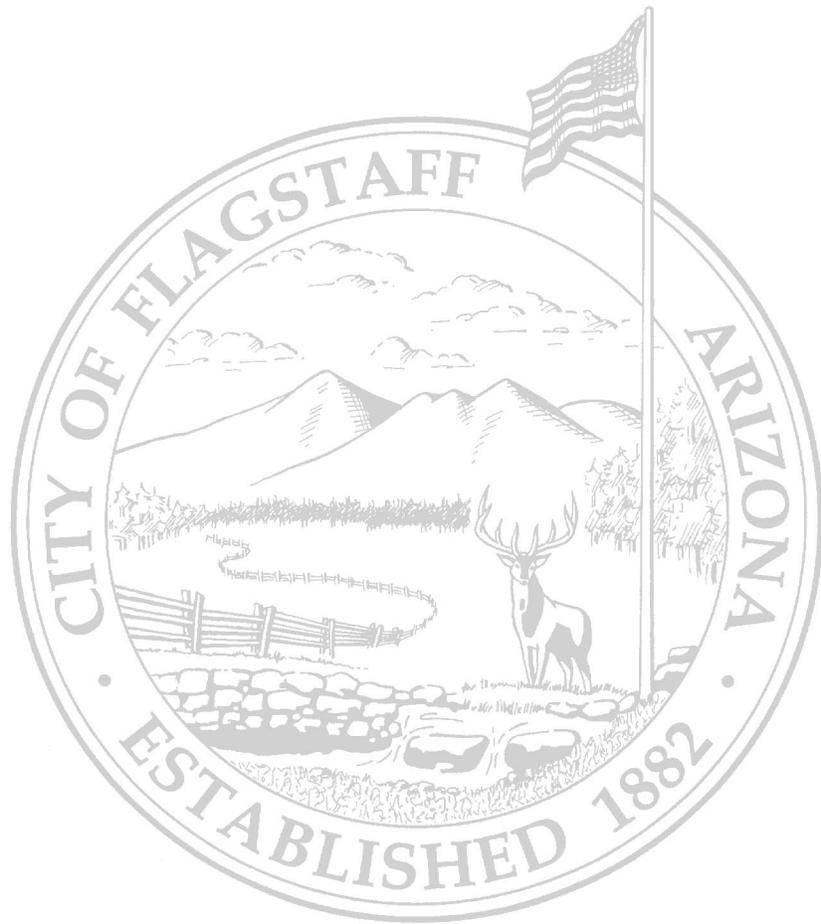


Table I
 General Government Expenditures by Function
 Last Ten Fiscal Years

Fiscal Year	General Government and Library	Public Safety	Community Development	Contributions to Other Agencies	Parks and Recreation
1992	\$ 6,276,638	9,403,623	1,303,290	593,124	2,123,661
1993	5,891,579	9,960,011	1,295,476	734,056	1,973,895
1994	7,263,107	10,419,132	1,200,587	1,017,835	2,023,179
1995	7,142,198	10,793,046	986,219	1,106,599	2,441,776
1996	7,212,411	11,017,376	1,652,750	1,404,276	2,866,078
1997	8,825,304	12,060,567	1,201,352	1,600,649	3,452,107
1998	11,477,923	12,167,725	1,412,182	1,065,899	3,269,940
1999	14,819,049	13,299,094	1,337,131	1,068,915	3,186,846
2000	21,046,910	13,533,876	1,681,507	998,422	3,486,908
2001	13,863,501	15,480,047	2,004,709	1,040,414	4,154,546

Note: Includes General, Special Revenue, Debt Service and Capital Projects.

<u>Public Works and Highway and Streets</u>	<u>Criminal Justice</u>	<u>Cemetery</u>	<u>Debt Service</u>	<u>Total</u>
13,479,817	467,904	126,328	3,074,986	36,849,371
12,025,091	540,617	170,482	3,101,380	35,692,587
8,908,093	584,582	107,142	2,545,881	34,069,538
12,407,830	642,590	117,717	2,582,250	38,220,225
7,738,757	767,706	136,249	2,929,349	35,724,952
6,701,434	865,545	169,226	3,234,752	38,110,936
9,107,198	877,167	123,440	4,108,607	43,610,081
6,289,685	920,826	136,259	4,098,604	45,156,409
8,307,169	1,021,651	148,980	3,881,866	54,107,289
10,464,557	1,145,454	163,550	4,206,920	52,523,698

Table II
 General Government Revenues by Source
 Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental Revenues	Charges for Services	Fines and Forfeits	Other Revenues	Total
1992	\$ 14,674,273	579,797	12,443,329	486,907	498,062	1,955,782	30,638,150
1993	15,641,582	613,796	13,269,793	523,482	633,287	1,241,218	31,923,158
1994	16,696,324	653,521	14,637,139	580,640	660,098	1,782,470	35,010,192
1995	17,576,915	834,368	15,322,232	720,238	572,728	3,450,303	38,476,784
1996	18,112,121	1,322,309	16,095,776	872,608	808,543	1,581,552	38,792,909
1997	18,776,929	1,279,410	17,704,496	871,284	782,451	2,333,295	41,747,865
1998	19,576,193	1,246,090	19,079,704	920,566	783,854	2,497,159	44,103,566
1999	20,582,542	1,335,184	22,621,143	837,373	838,306	2,468,401	48,682,949
2000	22,197,133	1,324,340	26,778,117	1,030,249	837,695	5,243,779	57,411,313
2001	28,340,957	1,318,450	26,563,350	1,025,625	993,585	3,705,750	61,947,717

Note: Includes General, Special Revenue, Debt Service and Capital Projects.

Table III
Tax Revenues by Sources
Last Ten Fiscal Years

Fiscal Year	Total Taxes	General Property Tax	Secondary Property Tax	Franchise and Other Taxes	City Sales Tax	Bed, Board and Booze Tax	Transportation Tax
1992	\$ 14,674,273	1,596,979	3,706,373	1,101,891	5,815,150	2,453,880	-
1993	15,641,582	1,709,887	3,915,387	1,108,328	6,267,619	2,640,361	-
1994	16,696,324	1,806,265	3,993,710	1,274,705	6,763,872	2,857,772	-
1995	17,576,915	1,868,077	4,062,533	1,304,684	7,362,140	2,979,481	-
1996	18,112,121	2,137,125	3,344,441	1,260,317	8,240,709	3,129,529	-
1997	18,776,929	2,243,818	3,402,803	1,358,283	8,491,913	3,280,112	-
1998	19,576,193	2,405,865	3,355,628	1,512,456	8,966,287	3,335,957	-
1999	20,582,542	2,577,557	3,537,987	1,560,789	9,369,406	3,536,803	-
2000	22,197,133	2,759,130	3,777,091	1,505,710	10,510,380	3,644,822	-
2001	28,340,957	2,853,091	3,896,103	1,690,043	10,810,658	3,747,822	5,343,240

Table IV
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections
1992	\$ 5,448,245	\$ 5,177,681	95.0%	\$ 125,671
1993	5,257,183	5,431,611	103.3%	193,663
1994	5,743,129	5,492,103	95.6%	307,872
1995	5,910,644	5,610,061	94.9%	320,549
1996	5,424,449	5,400,777	99.6%	80,789
1997	5,638,222	5,566,676	98.7%	79,945
1998	5,754,253	5,651,170	98.2%	110,323
1999	6,138,071	6,036,950	98.4%	78,594
2000	6,526,010	6,443,879	98.7%	92,342
2001	6,936,955	6,658,250	96.0%	90,944

<u>Total Tax Collections</u>	<u>Total Collections as a Percent of Current Levy</u>	<u>Outstanding Delinquent Collections</u>	<u>Outstanding Delinquent Taxes as a Percent of Current Levy</u>
\$ 5,303,352	97.3%	\$ 230,123	4.2%
5,625,274	107.0%	302,578	5.8%
5,799,975	101.0%	326,269	5.7%
5,930,610	100.3%	186,826	3.2%
5,481,566	101.1%	265,339	4.9%
5,646,621	100.1%	248,572	4.4%
5,761,493	100.1%	217,244	3.8%
6,115,544	99.6%	216,717	3.5%
6,536,221	100.2%	211,305	3.2%
6,749,194	97.3%	207,212	3.0%

Table V

Primary Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1992	\$ 240,724,601	1,614,150,303	15,837,715	71,169,080
1993	253,115,962	1,709,252,294	17,191,129	77,637,687
1994	263,143,187	1,807,219,306	12,656,223	63,521,760
1995	272,017,549	1,972,867,568	22,083,172	88,333,062
1996	285,152,896	2,097,918,383	20,719,183	82,906,354
1997	317,127,846	2,352,739,798	12,461,600	103,490,735
1998	329,932,001	2,458,882,909	22,781,372	97,754,981
1999	353,421,490	2,642,062,329	22,180,026	98,903,475
2000	379,547,012	2,802,287,566	30,717,569	137,001,286
2001	400,324,857	2,834,495,586	52,116,286	234,449,089

Total		Ratio of Total Assessed Value to Total Estimated Actual Value
Assessed Value	Estimated Actual Value	
256,562,316	1,685,319,383	1- 6.6
270,307,091	1,786,889,981	1- 6.6
275,799,410	1,870,741,066	1- 6.8
294,100,721	2,061,200,630	1- 7.0
305,872,079	2,180,824,737	1- 7.1
329,589,446	2,456,230,533	1- 7.5
352,713,373	2,556,637,890	1- 7.2
375,601,516	2,740,965,804	1- 7.3
410,264,581	2,939,288,852	1- 7.2
452,441,143	3,068,944,675	1- 6.8

Table VI
Property Tax Rates and Tax Levies
Direct and Overlapping Governments

Last Ten Fiscal Years

Fiscal Year	City	School District	Community College	County	State	Total
<u>Tax Rates</u>						
1992	2.1314	6.0989	0.3609	1.1847	0.4700	10.2459
1993	2.1114	6.4710	0.3589	1.1815	0.4700	10.5928
1994	2.1014	6.3515	0.3671	1.1650	0.4700	10.4550
1995	2.0823	6.3778	0.3706	1.1622	0.4700	10.4629
1996	1.7983	6.7903	0.3728	1.1472	0.4700	10.5786
1997	1.8283	6.5237	0.3784	1.1386	-	9.8690
1998	1.7127	6.6634	0.3869	1.1168	-	9.8798
1999	1.7127	6.5477	0.3952	1.1094	-	9.7650
2000	1.7127	6.5585	0.5947	1.1444	-	10.0103
2001	1.7127	6.6885	0.5724	1.1336	-	10.1072

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

<u>Tax Levies</u>						
1992	\$ 5,448,245	15,067,217	875,674	2,912,913	1,140,390	25,444,439
1993	5,620,237	16,905,293	925,154	3,070,523	1,211,542	27,732,749
1994	5,743,129	17,177,928	987,329	3,146,188	1,264,082	28,318,656
1995	5,910,644	17,960,572	1,038,919	3,269,358	1,317,571	29,497,064
1996	5,424,449	20,199,032	1,096,407	3,401,466	1,382,273	31,503,627
1997	5,638,222	20,034,474	1,157,420	3,492,093	-	30,322,209
1998	5,754,197	22,148,857	1,275,182	3,706,162	-	32,884,398
1999	6,138,071	23,252,495	1,393,923	3,936,405	-	34,720,894
2000	6,526,010	24,786,048	2,252,184	4,324,131	-	37,888,373
2001	6,936,955	26,912,268	2,305,697	4,560,552	-	40,715,472

Table VII
Special Assessment Collections
Last Ten Fiscal Years

Fiscal Year	Current Assessments Due	Current Assessments Collected (1)	Ratio of Collections to Amounts Due	Total Outstanding Current and Delinquent Assessments (2)
1992	\$ 126,998	\$ 126,708	99.77%	\$ 3,118
1993	116,509	116,219	99.75%	3,408
1994	-	-	N/A	3,408
1995	-	-	N/A	3,408
1996	53,958	53,958	100.00%	3,408
1997	127,535	132,847	104.17%	1,058
1998	136,791	170,026	124.30%	-
1999	137,661	157,640	114.51%	-
2000	145,142	175,863	121.17%	529
2001	189,789	269,794	142.15%	5,379

(1) Includes prepayments.

(2) Includes principal and interest.

Table VIII

Percent of Net General Bonded Debt to Secondary Assessed Value
and Net General Bonded Debt Per Capita

Last Ten Fiscal Years

Fiscal Year	Population (1)	Secondary Assessed Value (2)	Gross Bonded Debt	Less Current Portion	Net Bonded Debt	Percent of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1992	48,328	\$ 230,904,138	\$ 48,122,334	\$ 3,370,000	\$ 44,752,334	19%	\$ 926
1993	49,536	266,966,479	44,811,087	3,325,000	41,486,087	16%	837.49
1994	50,774	270,619,542	47,548,493	3,585,000	43,963,493	16%	865.87
1995	52,701 *	284,954,647	44,029,701	4,270,000	39,759,701	14%	754.44
1996	53,966	294,100,721	39,830,151	3,595,000	36,235,151	12%	671.44
1997	55,885	310,066,911	53,809,898	4,371,000	49,438,898	16%	884.65
1998	58,145	340,743,258	49,470,273	4,170,000	45,300,273	13%	779.09
1999	59,945	362,625,557	45,333,746	4,465,000	40,868,746	11%	681.77
2000	52,894 **	385,566,202	40,904,461	4,405,000	36,499,461	9%	690.05
2001	57,700	408,592,733	36,537,570	2,805,000	33,732,570	8%	584.62

(1) Arizona Department of Economic Security projected population increases except 1995 and 2000, which are official census figures.

(2) From County Assessors Office.

* 1995 Special Census.

** Census estimates exceeded actual 2000 census results.
FY2000 adjusted to reflect population per U.S. Census official results

Table IX
 Computation of Legal Debt Margin
 June 30, 2001

Secondary Assessed Value (1) \$ 408,592,733

Special Improvement Legal Debt Margin

Debt Limit 20 Percent of Assessed Value - Special Improvements \$ 81,718,547

Amount of Debt Applicable to Debt Limit

Total Bonded Debt	\$ 30,234,570
Less:	
Current Portion	1,775,000
Other Deductions Allowed by Law:	
Special Assessment Bonds	<u>1,417,000</u>

Total Amount of Debt Applicable to Debt Limit 27,042,570

Legal Debt Margin Available for Water, Sewer, Light, Parks and Open Space Projects \$ 54,675,977

General Legal Debt Margin

Debt Limit 6 Percent of Assessed Value - General \$ 24,515,564

Amount of Debt Applicable to Debt Limit

Total Bonded Debt	\$ 31,600,000
Less:	
Current Portion	2,450,000
Other Deductions Allowed by Law:	
Other Debt	4,700,000
Highway User Revenue Bonds	<u>17,760,000</u>

Total Amount of Debt Applicable to Debt Limit 6,690,000

Legal Debt Margin - Available for All Other Projects \$ 17,825,564

(1) Abstract published by the Arizona State Department of Revenue.

Table X

Computation of Direct and Overlapping Debt

June 30, 2001

The general obligation debt of all local governmental units which provide services within the City's boundaries, and which must be borne by properties in the City (commonly called overlapping debt), is summarized below:

Governmental Units	Net Debt Outstanding	Percentage Applicable to the City	Direct and Overlapping Debt
City of Flagstaff	\$ 33,732,570	100.0%	\$ 33,732,570
School District #1	49,615,694	64.9%	32,200,585
			\$ 65,933,155

Table XI

Ratio of Annual Debt Service Expenditures for
General Bonded Debt to Total General Expenditures

Last Ten Fiscal Years

Fiscal Year	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service to General Expenditures (Percent)
1992	\$ 3,370,000	3,065,935	6,435,935	36,849,371	17.47%
1993	3,325,000	2,980,662	6,305,662	35,692,587	17.67%
1994	3,585,000	2,986,494	6,571,494	34,069,538	19.29%
1995	4,270,000	2,937,532	7,207,532	38,220,225	18.86%
1996	3,595,000	2,612,598	6,207,598	35,742,952	17.37%
1997	4,371,000	2,660,912	7,031,912	38,110,976	18.45%
1998	4,170,000	2,826,759	6,996,759	43,610,081	16.04%
1999	4,465,000	2,516,329	6,981,329	45,156,409	15.46%
2000	4,405,000	2,242,254	6,647,254	54,107,289	12.29%
2001	2,805,000	1,953,098	4,758,098	52,523,698	9.06%

Table XII

Schedule of Water and Wastewater Revenue Bond Coverage

Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Expenses	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
1992	\$ 13,783,459	6,462,022	7,321,437	-	-	-	-
1993	14,032,383	6,723,474	7,308,909	-	-	-	-
1994	14,719,682	6,991,300	7,728,382	-	-	-	-
1995	14,916,620	7,097,153	7,819,467	-	-	-	-
1996	16,475,146	7,136,236	9,338,910	-	-	-	-
1997	16,515,478	7,973,540	8,541,938	-	-	-	-
1998	16,767,650	7,916,657	8,850,993	-	-	-	-
1999	16,773,884	7,700,535	9,073,349	-	-	-	-
2000	17,606,349	8,311,186	9,295,163	-	-	-	-
2001	18,337,310	9,757,448	8,579,862	-	-	-	-

Table XIII
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	School Enrollment (2)	Unemployment Rate (3)
1992	48,328	11,339	8.1%
1993	49,536	11,463	6.8%
1994	50,774	11,727	7.9%
1995	52,701	11,880	6.6%
1996	53,966	11,826	6.1%
1997	55,885	12,679	6.5%
1998	58,145	13,249	6.6%
1999	59,945	12,880	6.6%
2000	52,894	12,682	5.2%
2001	57,700	13,969	4.6%

(1) Arizona Department of Economic Security estimated projected population except for the years, 2000, which are official census figures and 1995, which represent the special census figures.

(2) Flagstaff School District (includes charter schools).

(3) Arizona Department of Economic Security.

Note: Per capita income, median age, and education level data are not available.

Table XIV
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years

Fiscal Year	Residential Construction (1)		Commercial and Industrial Construction (1)		Bank Deposits Coconino County (\$000) (2)
	Number of Permits	Value	Number of Permits	Value	
1992	390	\$ 21,675,635	187	\$ 28,199,788	\$ 433,564
1993	416	24,963,304	151	19,640,070	439,139
1994	465	25,187,262	118	2,597,561	448,839
1995	488	46,305,342	181	15,953,231	464,764
1996	564	68,880,721	169	24,418,924	462,848
1997	513	58,580,988	198	39,495,278	347,956 *
1998	528	45,783,140	182	33,570,116	482,770
1999	524	78,015,349	183	35,999,041	458,285
2000	586	46,399,420	122	43,592,693	460,217
2001	512	42,403,892	117	21,733,155	490,905

(1) City Building Department.

(2) Arizona Bankers Association.

(3) Abstract published by the Arizona State Department of Revenue.

(3A) Property values for 1997-2000 are restated due to calculation error.

* Number is exclusive of one large non-participating financial institute in Coconino County.

Property Value (3)

Estimated Cash Value	Commercial	Residential	Nontaxable
\$ 1,713,757,513	721,837,868	882,717,737	109,201,908
1,784,221,265	752,633,737	921,566,263	110,021,265
1,833,875,883	751,566,336	970,906,145	111,403,402
1,929,201,462	768,914,972	1,041,012,663	119,273,827
2,170,269,429	818,081,181	1,205,903,371	146,284,877
(A) 2,219,561,893	832,894,205	1,238,946,076	147,721,612
(A) 2,458,001,305	849,315,340	1,446,181,407	162,504,558
(A) 2,644,019,764	867,782,208	1,609,395,170	166,842,386
(A) 2,813,033,675	930,939,338	1,698,835,707	183,258,630
2,991,862,619	992,147,419	1,795,884,090	203,831,110

Table XV

Miscellaneous Statistical Data

Date of Incorporation - 1894		Fire Protection	
		Number of Stations	6
		Number of Employees (FTE)	88.0
Date First Charter Adopted October 3, 1958		Police Protection	
		Number of Employees	139
Date Present Charter Adopted April 10, 1984		Number of Calls for Service Annual Report-12/31/00	58,754
		Average Personnel/Shift	32
		Vehicular Patrol Units	32
Form of Government Council, City Manager		Coconino County Jail Prisoner Capacity	350
Area - Square Miles		Pulliam Airport	
2001	73.600	Fixed Base Operators	1
2000	65.926	Locally Based Aircraft	130
1995	65.926	Tiedowns	49
1985	65.049	Enclosed Hangars	42
1975	64.500	Open Hangars	38
1965	62.500		
1955	59.000		
Miles of Streets, Alleys and Sidewalks		Elections	
Streets	204.58	Number of Registered Voters May 2000	29,001
Alleys	10.08	Number of Votes Cast Last Municipal Election May 2000	9,272
Total	<u>214.66</u>	Percentage of Registered Voters Voting in Last Municipal Election	31.97%
Sidewalks	135.28		
Miles of Sewer		Parks and Recreation	
Storm	21.89	Number of Developed Parks	27
Sanitary	227.86	Number of Un-developed Parks	3
		Park Acreage	585.95
		Flagstaff Urban Trail System-Miles	21.64
Number of Street Lights	2,853	Number of Other Facilities:	
Number of Fire Hydrants	2,382	Swimming Pools (School Owned)	2
Number of Manholes	5,857	Recreation Centers	5
		Tennis Courts	17
		Handball Courts	5
		Ramadas	7
Other City Buildings	34	Softball/Baseball Fields	17
Includes City Buildings in Addition to Fire Stations and Recreation Buildings		Ice/Roller Rinks	1
		Playgrounds	18
		Skate Tracks	1
		Soccer Fields	1
Employees as of June 30, 2001		Disc Golf Course	1
Merit System	530	Basketball Courts	15
Exempt	107		
Temporary	252		
Elected Officials	7		
Total Payroll for the Year Ending 2000:	\$25,402,807		

Education

Number of Schools:	
Public Elementary	12
Public Middle School	3
Public High School	4
Private and Parochial K-12	12
Technical Schools	3
Coconino Community College	1
Northern Arizona University	1

Number of Teachers:	
Public Elementary, Middle, High and Ungraded (Certified) Schools	735
Northern Arizona University Professional Staff	694
Coconino Community College Professional/Staff	270

Number of Students:	
Public Schools	11,506
Charter, Private and Parochial K-12	2,463
Northern Arizona University	14,495
Coconino Community College	2,895

Sales Tax

Retail Sales by Fiscal Year:	
2001	\$ 1,324,735,136
2000	1,238,195,104
1999	1,117,197,604
1998	1,065,133,746
1997	1,016,570,260
1996	965,100,588
1995	905,801,130
1994	867,566,687
1993	776,546,307
1992	686,784,204
1991	659,778,700
1990	631,835,742
1989	595,358,235
1988	546,806,636
1987	525,528,924
1986	469,294,230
1985	453,236,712
1980	297,149,801

Total Sales Tax Revenue for Fiscal Year 2001
\$ 10,519,415

Population

Census Population Count-Last Five Censuses:	
2001***	57,700
2000**	52,894
1995*	52,701
1990	45,854
1985	38,247
1980	34,743

*Special Census
**Official Census
**Estimate per Arizona Department of Economic Security

2000 Census Information:	
Age Distribution of Population for Urbanized Areas Only	
1-4 Years	3,546
5-17 Years	9,288
18-24 Years	11,487
25-44 Years	16,111
45-64 Years	8,309
65+ Years	4,153
	<u>52,894</u>

Average Persons per Housing Unit 2.59

Per Capita Income (1990)* \$ 11,517
* 2000 data not yet released

Utility Enterprise

Total Active Accounts on June 30, 2001:	
Water	15,802
Sewer	14,847
Average Gallons/Household/Month	6,897

Plants Capacity (Million Gallons per Day):	
Water Treatment Plant	7.2
Reservoir Filtration Plant	3.0
Wildcat Hill Plant	6
Rio de Flag Reclaim Plant	4
Miles of Water Lines	345.01
Wells	21
Reservoirs	8
Reclaimed Reservoirs	1
Miles of Reclaimed Lines	14.77
Miles of Sewer Lines	227.86

2000-2001 Major Taxpayers
City of Flagstaff
Arizona

<u>Company Name</u>	<u>Estimated 2000-01 Net Secondary Assessed Valuation</u>	<u>As % of the City's 2000-01 Net Secondary Assessed Valuation</u>
W. L. Gore & Associates	\$ 13,753,552	3.37%
Arizona Public Service Company	12,690,610	3.11%
Northern Arizona Gas Div (Citizens Utilities)	9,194,655	2.25%
Ralston Purina Company	8,667,376	2.12%
U. S. West Communications, Inc.	7,081,339	1.73%
Little America Refining Company	5,394,436	1.32%
Consolidated Investments Company, Inc.	3,234,918	0.79%
Flagstaff Mall Associates Ltd. Partnership	3,010,813	0.74%
Walstaff Associates (Walgreens)	2,940,753	0.72%
Woodland Plaza Hotel Ltd. Partnership	2,069,798	0.51%
	<u>\$ 68,038,250</u>	<u>16.66%</u>

Source: Arizona Department of Revenue

Table XVI
Insurance Summary
In Effect June 1, 2000 to May 30 , 2001

Coverage	Limit of Liability
Liability Insurance:	
General Liability*	\$ 1,000,000 / per occurrence
	\$ 2,000,000 / aggregate
Law Enforcement Liability*	\$ 1,000,000 / each wrongful act
	\$ 1,000,000 / aggregate
Auto Liability*	\$ 1,000,000 / each accident
Public Officials Errors & Omissions*	\$ 1,000,000 / each claim
(Claims Made Retro Date 6-1-95)	\$ 1,000,000 / aggregate
Skate Track General Liability*	\$ 1,000,000 / each occurrence
	\$ 1,000,000 / general aggregate
* Liability Claims are Subject to a \$25,000 Self Insurance Retention	
Employee Benefits Liability	\$ 1,000,000 / each employee
(Claims Made Retro Date 6-1-95)	\$ 1,000,000 / aggregate
(\$1,000 Deductible Each Employee)	
Employer's Liability	\$ 1,000,000 / each accident
	\$ 1,000,000 / disease employee
	\$ 1,000,000 / disease policy limit
Worker's Compensation	Statutory
Excess Liability Following Form Over General Liability, Auto, Law Enforcement, Public Officials E&O, Employers Liability	\$ 25,000,000 / each occurrence
	\$ 25,000,000 / each wrongful act
	\$ 25,000,000 / aggregate
Property Insurance:	
Blanket Building and Contents, including light signals	\$ 82,996,884 / \$5,000 deductible
Flood Zones B and C	\$ 15,000,000 / 5% deductible (\$25,000 minimum deductible)
Earthquakes	\$ 15,000,000 / 5% deductible (\$25,000 minimum deductible)
Flood Zone A Properties	
Municipal Court	\$ 200,000 / building
	\$ 111,300 / contents
Police Station	\$ 200,000 / building
City Hall, Library	\$ 500,000 / each building
	\$ 500,000 / contents each (\$5,000 deductible)
Contractors Equipment	\$ 6,209,057 / \$5,000 deductible
Computer Equipment and Peripherals	\$ 5,802,260 / \$1,000 deductible
Computer Data and Media	\$ 500,000 / \$1,000 deductible
Laptops and Portables - Replacement Cost Coverage	\$ 248,500 / \$1,000 deductible
Fine Arts Exhibition Floater	\$ 25,000 / \$500 deductible
City Hall, Visitor Center, Airport Terminal	each location
Boiler and Machinery	\$ 25,000,000 / \$5,000 deductible
Crime:	
Blanket Public Employees and Treasurer	\$ 1,000,000 / \$5,000 deductible
Dishonesty Bond Including Faithful Performance of Duty	
Computer Fraud	\$ 250,000 / \$5,000 deductible
Aviation:	
Products/Completed Operations Liability,Contractual, Construction & Demolition	\$ 20,000,000 / each occurrence
Hangar Keepers Liability	\$ 20,000,000 / each aircraft
	\$ 20,000,000 / each occurrence

