

# *Comprehensive Annual Financial Report*

For Fiscal Year Ended  
June 30, 2012

City of Flagstaff, Arizona



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

**City of Flagstaff**  
**Comprehensive Annual Financial Report**  
**For the Fiscal Year Ended June 30, 2012**

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# City of Flagstaff

December 19, 2012

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

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Flagstaff, Arizona (City) for the fiscal year ended June 30, 2012, as required by Article VI, Section 5 of the City Charter. The report was prepared by the City's Finance Division in accordance with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Flagstaff. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Flagstaff has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City of Flagstaff's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Flagstaff's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Eide Bailly, LLP a firm of licensed certified public accountants have audited the City of Flagstaff's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Flagstaff for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Flagstaff's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Flagstaff was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Flagstaff's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Flagstaff's MD&A can be found immediately following the report of the independent auditors.

## **CITY OF FLAGSTAFF PROFILE**

Flagstaff is located in Coconino County, Arizona at the intersection of Interstate 17 and Interstate 40. Flagstaff is the largest city in Northern Arizona and is the regional center and county seat for Coconino County, the second largest county in the 48 contiguous states. The current population per the 2010 United States Census is 65,870. The City of Flagstaff became a town in 1894, incorporated as a city in 1928 and its boundaries currently encompass an area of approximately 65 square miles. Flagstaff is nestled at the base of the San Francisco Peaks and is surrounded by one of the largest ponderosa pine forests on earth. Flagstaff drew its name from a very tall pine tree made into a flagpole in 1876 to celebrate our nations' centennial. At nearly 7,000 feet, Flagstaff is one of the highest elevation cities in the United States.

Flagstaff operates under a council-manager form of government as provided by its Charter. The Mayor is elected at large on a non-partisan ballot for a two-year term and six City Council members are elected at large on a non-partisan ballot for a four-year term. The City Council appoints the City Manager, who has full responsibility for carrying out Council policies and administering City operations. The City manager, in turn, appoints City employees and department heads under service procedures specified by Charter. City service departments provide a full range of services including General Government, Police and Fire Protection, Environmental Services, Transportation, Library, Parks and Recreation, Airport, Water and Sewer, Housing Authority, and Stormwater Services.

The annual budget serves as the foundation for Flagstaff's financial planning and control. The City Council formally adopts the budget and legally allocates, or appropriates, available monies for all funds and entities related to the City. All of these funds and entities are included in the basic financial statements. The City Manager submits to the Council each spring a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Two public hearings are held prior to the budget's final adoption in order to obtain taxpayer comments. The budget is legally enacted through the passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year. The legal level of control for the budget is the division level. Additional expenditures may be authorized for unanticipated and/or inadequately budgeted events threatening the public health or safety as prescribed in the State Constitution, Article 9, Section 20.

## FACTORS AFFECTING THE CITY'S FINANCIAL CONDITIONS

### Local economy

The City of Flagstaff had primarily negative economic indicators from December 2007 through most of Fiscal Year 2009–2010. Signs of recovery have been shown in both fiscal years 2011 and 2012. At the local level for Fiscal Year 2010–2011, construction, auto sales, and tourism based industry reflected small increases while retail and utilities continued a downward trend resulting in overall revenue increases. In Fiscal Year 2011–2012, construction decreased by 10.5% but most other categories increased resulting in an overall increase in City sales tax collections. This provides continued evidence of the volatility in the construction industry and reinforces the City practice to not allot 100% of construction related revenues to ongoing budgetary needs. State shared sales tax revenues have increased for the second year in a row at 9.2% while the state income tax and highway user (gas tax) revenues have continued to decrease at 6.7% and 11.5% respectively. Housing sales have not yet recovered and the median home price has decreased moderately. Our community partners in both the public, private, and governmental sectors have experienced closure, staffing layoffs or furloughs, and declining revenues. The education sector has been hit particularly hard. A number of new projects anticipated to build the retail sector have been delayed or canceled due to the lack of available capital. The economic analysts for our local and state region give mixed messages on when these small signs of recovery will be sustained.

The City collects three different retail sales taxes:

The first is a 1% tax on all general sales, except for food. This is a general purpose tax that benefits the General Fund. The City of Flagstaff is the only city left in the State of Arizona that has a sunset clause on the general sales tax. This tax must go before the voters every ten years and is currently authorized until November 2024.

As indicated earlier, local sales tax declines had been realized almost every month since December 2007 in comparison to the same month in the prior year through approximately June 2010. While there are still some dips, the indicators are trending more regularly on a positive basis. Overall, the 1% general city sales tax receipts have increased 6.4% from the prior fiscal year but are still cumulatively 8.2% less in comparison to FY2008. Construction and auto sales continue to be the two most volatile sales tax categories. In the last year, construction sales tax revenue decreased by 12% and auto sales increased by 18.4%. Both the construction and auto sales tax revenues are significantly below their peak years (40.9% and 25.5% respectively). Construction now only represents only 10% of all sales tax collected, down from 16.8% four years ago.

The second is a 0.721% sales tax on the same types of general sales; however the tax is restricted in use to certain transportation projects. The four components of this tax include Safety Improvements, Street Improvements, 4<sup>th</sup> Street Overpass, and Transit. The transportation tax components expire in 2020. As the use of this funding shift from construction to maintenance, the City will pursue a permanent component to this tax. As similar sales are taxed with this source, revenue trends are the same as the general sales tax.

The third tax is a Bed, Board, and Beverage (BBB) tax that collect an additional 2% for motel rooms/campgrounds, restaurants, and bars restricted in use to certain economic, arts, beautification, recreation or tourism activities. The BBB tax also has a sunset clause and it is currently authorized until 2028. Tourism is a major industry to our local economy. Overall sales decreased in FY2009 when gas prices were peaking but have since rebounded and both FY11 and FY12 set record collection amounts at \$5.24 million

and \$5.56 million, respectively.

State shared revenue consists of both a distribution of sales tax and income tax. These distributions are made based on a city or towns' relative share of population in comparison with all other cities and towns. Except during census years, Flagstaff's population is determined by the Arizona Department of Economic Security based on a number of factors including new homes and student enrollment. Historically, Flagstaff's greatest challenge was that while population was growing, it was growing at a slower rate than some of the other communities in the state. In the past, this has translated into a decreased proportionate revenue share; however the 2010 census resulted in the City's proportionate population share increasing from 1.25% to 1.31%. Overall state shared revenues remained flat for FY2012 however due to reduced state collections.

The State has experienced similar or greater revenue declines than the City. Construction, tourism, and auto sales were the three hardest hit industries, however there is recovery occurring at the state level also. For State shared sales tax, the City has received two consecutive years of increases at 4.9% for FY2011 and 9.2% for FY2012. The distribution of personal income tax continued its' decline for the third year in a row, decreasing by 6.7% in FY2012, with a cumulative decrease of 35.4% since FY 2008.

Highway user revenue (gas tax) funds (HURF) ended FY2012 below FY2011 (11.5% decrease), which is a 24.9% total decrease from FY2008. HURF revenues that are available for distribution have experienced six consecutive years of decreases. These revenues are distributed based on a fairly complex Arizona Department of Transportation formula, based in part on the amount of fuel purchased in our region. The revenue decrease initially was due to the increased gas pricing resulted in lower sales. In the last four years, however, the decreases are due to the State shifting revenues 'off the top' to fund other public safety and motor vehicle needs. As evidenced by the increase in BBB taxes and other statistical data, we are still a popular drive destination from Las Vegas, Los Angeles, and Phoenix, however those revenues are not being distributed back to our City at this time.

Even though property valuations decreased by 4.5% for this tax year, primary property tax revenues increased as the levy is statutorily allowed to increase by 2% per year on existing property plus the value added through new construction. Primary property tax revenues including collections for prior years and payments in lieu of tax increased by 4.1% compared to the prior year. The millage rate for the primary property tax is adjusted annually to generate the levy equal to the 2% allowed increase. The millage rate for secondary property taxes was not changed, so due to the decrease in assessed valuation, the revenue decreased by 6.7% in comparison to the prior fiscal year..

While revenues fluctuations continue in some areas, the City increased budgeted revenue in FY2013 (excluding grants) by 5.3% as a reflection at both the local and State level. The City of Flagstaff reduced its' overall staffing count by another 6 positions bringing total staff reductions to 127 full time equivalencies (FTE's) since FY2009.

## **LONG-TERM FINANCIAL PLANNING**

The City's responsiveness to emerging economic challenges and its careful long-range planning have been key factors in Flagstaff's fiscal health. The City continues to plan in a five to ten year horizon as economic conditions change.

## **STRATEGIC FINANCIAL PLAN**

Flagstaff's financial plan requires many elements working in concert with one another. Some of these financial plan elements are financial resource planning, multi-year budget planning, strategic capital improvement project planning, and financial policy impacts all of which are further identified below.

**Financial Resource Planning** – Strategic financial planning begins with determining the City's fiscal capacity based upon long-term financial forecasts of recurring available revenues. Financial forecasts coupled with financial trend analysis help preserve the fiscal well being of Flagstaff. Strategic financial capacity planning is a critical element to reach long-term financial stability goals and to determine special financial needs for critical objectives of the City Council.

The City is also developing policy regarding reserving funding generated from one-time resources to address aging infrastructure related to streets, facilities, water, wastewater, parks, and fleet.

**Multi-Year Budget Planning** – Multi-year budget planning encompasses long-range operating expenditure plans (including the operating impacts of capital projects), which are linked to the community expectations and broad goals of the City Council. The multi-year approach provides a better opportunity for staff to change its financial paradigm from what do we need this year to how do we accomplish our service objectives over-time, given our financial capacity. While the City is required to adopt an annual budget to meet State statutory requirements, Flagstaff builds a financial plan for the next five years to help anticipate future impacts and ensure achievement of City objectives within limited or decreasing resources.

**Strategic Capital Improvement Project Planning** – Flagstaff Capital Improvement Projects are planned for five or more years and analyzed using City specific prioritization criteria. The operating cost impacts of projects are also planned and considered in developing future operating budget plans. Projects with significant operating impacts are carefully timed to avoid contingent liabilities, which future operating resources cannot meet. Pay-as-you-go funding sources are also conservatively estimated to avoid over-committing to capital construction using revenues that are not certain. To the extent debt financing is used and/or required, capital project plans are sized to conform to existing debt management policies.

**Financial Policy Planning** – The City of Flagstaff financial policies dictate minimum fund balance levels for the General, Special Revenue, and Enterprise Funds. The General Fund is required to maintain a fund balance of 15% of ongoing revenues and special revenue and enterprise funds are to maintain a 10% fund balance, as calculated against ongoing revenues. As the recession began, the City Council provided a temporary waiver to the General Fund balance requirement reducing it from 15% to 12% for FY2010. This provided approximately \$1.5 million dollars in one-time funding that was spread over three fiscal years: FY's 2010, 2011, and 2012. While this eased some of the financial shortfall the City was experiencing, it did contribute toward a structural deficit as some ongoing services were funded with this one-time money. As part of the FY2012 budget process, this structural deficit was eliminated and the General Fund balance was restored to 15%. The City Council has also directed to provide a greater cushion against future recessions, so efforts are being made to incrementally increase the General Fund balance by 1% per year to 20%.

## **MAJOR INITIATIVES AND SERVICE EFFORTS AND ACCOMPLISHMENTS**

During FY 2011–2012, Flagstaff continued work to maintain basic services while also fulfilling the City Council goals. These goals provide for strategies that move the community closer to economically viability and

sustainable community objectives. The outcomes of these strategies have been many and in certain cases require sustained efforts over a period of time.

The following are accomplishments in FY2011–2012 that address the six goals established by council in the summer of 2010.

### **Public Safety**

*The City shall maintain short response times and encourage expanded health services.*

Accomplishments include:

- Obtained a COPS funding grant for four (4) officers dedicated to the Sunnyside neighborhood
- Full implementation of an 800 megahertz digital public safety radio system to provide for greatly improved interoperability in joint emergency response situations

### **Good Neighborhoods**

*The City shall provide good livability through good neighborhoods, affordable housing, and varied recreational opportunities.*

Accomplishments include:

- Developed and executed a highly successful downtown event, Dew Downtown
- Secured a contract with the Boys and Girls Club to provide youth services at the Cogdill Recreational Center
- Completed the purchase of Bow and Arrow Park
- Fifteen housing rehabilitation projects were completed
- Hosted the Special Olympics skating event at the Jay Lively Center

### **Quality of Life**

*The City shall provide a diversity of arts, culture, and educational opportunities*

Accomplishments include:

- The Police Department conducted 57 community support meetings to provide information on identity theft, medical marijuana, and property crimes.
- Partnered with Northern Arizona University on the Flagstaff Reads project
- The Southside Community Mural was installed at the Murdoch Community Center
- The Public Art Map was completed and posted to the city website
- Implemented the Beautification in Action Grant program funding community garden and interpretive signage on City FUTS trails

### **Community Sustainability**

*The City shall encourage a sustainable community through economic vitality, environmental protection, and social inclusion.*

Accomplishments include:

- Power purchase agreement awarded for two projects at the Wildcat Wastewater Treatment Plant
- Adopted the Land Development Code, as rewritten
- Adopted a Domestic Partner Registry
- Reduced energy usage by 5% at City Hall
- Implemented a residential subscription service for curbside glass pick up
- Initiated expansion of the Innovation Mesa campus for Tier II companies

## Infrastructure

*The City shall maintain and deliver quality, reliable infrastructure*

Accomplishments include:

- Rio de Flag Flood Control Project acquired \$2.5 million in federal funding to keep project moving forward
- Added over 500 new radio read devices into the meter system
- Completed construction of the landfill berm to mitigate future flooding threats
- Relocated 3200 feet of water line from within a wilderness area to outside the area to provide greater access to maintain and monitor

## Effective Governance

*The City shall provide stability to its' citizens and employees through the maintenance of good fiscal health.*

Accomplishments include:

- Flagstaff Housing Authority was effectively merged with City operations
- Sold Sawmill South for the value of the outstanding debt
- Implemented a wellness incentive program for all benefit eligible employees

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Flagstaff for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the 18<sup>th</sup> consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles 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 requirements and we are submitting it to GFOA to determine its eligibility.

The City also received the GFOA award for Distinguished Budget Presentation for our 2011–2012 annual budget (18 years in a row). In order to qualify for the Distinguished Budget Presentation award, the City's budget document was judged to be proficient in all categories, a Policy Document, a Financial Plan, an Operation Guide, and as a Communication Device.

A special word of appreciation is due to Maryellen Pugh, Finance Manager and to the entire finance staff who prepared this CAFR.

Acknowledgment should also be made for the interest and support received from members of the Mayor and Council, the office of the City Manager, and the willing cooperation of the other operating and staff departments of the City. The cooperative assistance of our independent auditors, Eide Bailly LLP, also contributed significantly to this report.

Respectfully Submitted,



Barbara Goodrich  
Management 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, 2011

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.



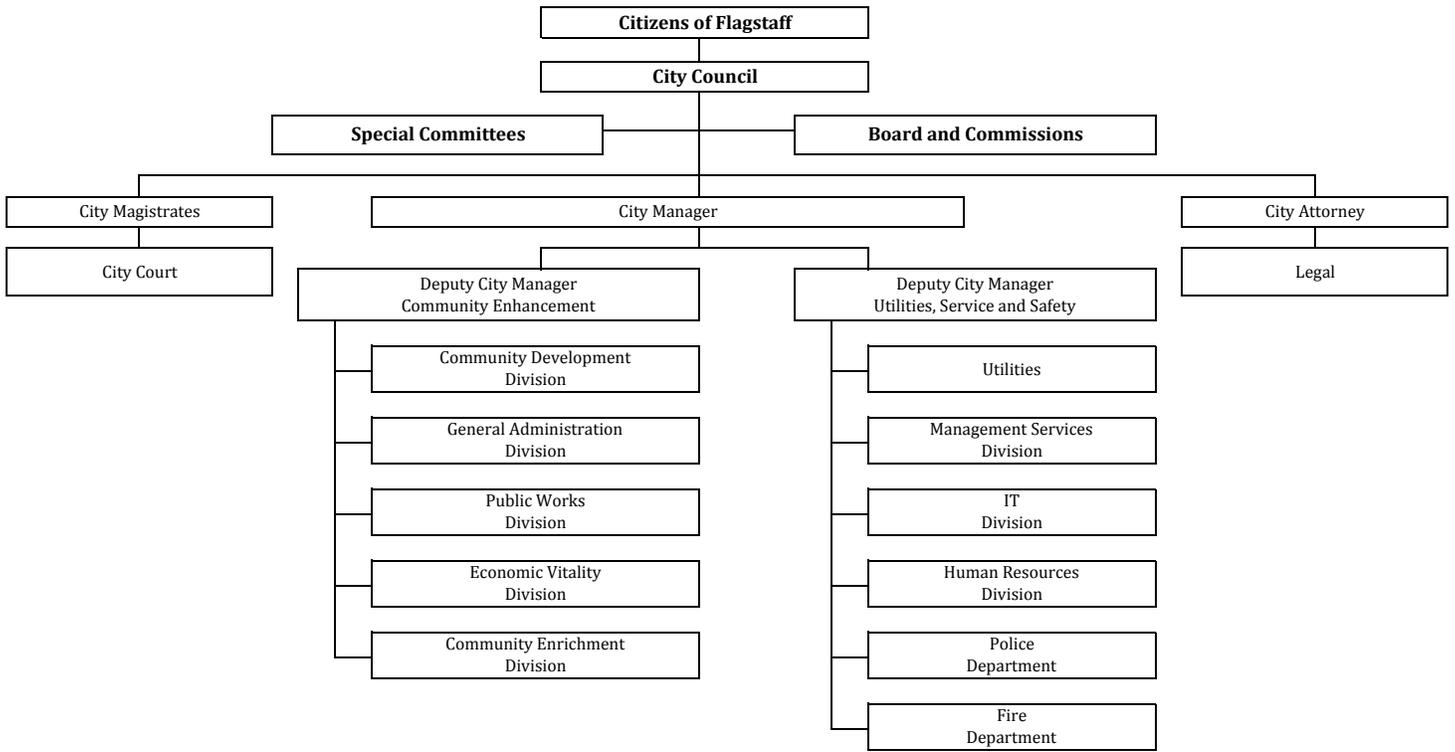
*Christopher P. Morrill*

President

*Jeffrey R. Enos*

Executive Director

**City of Flagstaff**



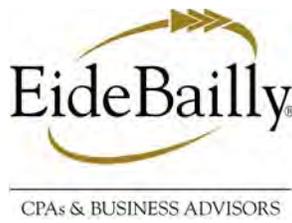
City of Flagstaff, Arizona  
List of Elected and Appointed Officials  
June 30, 2012

Elected Officials

Mayor	Gerald (Jerry) W. Nabours
Vice Mayor	Coral Evans
Councilmember	Celia Barotz
Councilmember	Karla Brewster
Councilmember	Jeff Oravits
Councilmember	Scott Overton
Councilmember	Mark Woodson

Appointed Officials

City Manager	Kevin Burke
City Attorney	Rosemary Rosales
City Treasurer	Barbara Goodrich
City Clerk	Elizabeth Burke



## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparison of the general fund and the major special revenue funds of the City of Flagstaff, Arizona (the City) as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the respective budgetary comparison of the general fund and the major special revenue funds of the City, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as noted on pages 3 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, as noted in the table of contents, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP".

Phoenix, Arizona  
December 19, 2012

## MANAGEMENT DISCUSSION AND ANALYSIS

As management of the City of Flagstaff (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii –x of this report.

### FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$622.3 million (net assets). Of this amount \$61.3 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$14.3 million during the fiscal year. This is a result of an increase in net assets in the governmental activities of \$6.4 million and an increase in net assets in the business type activities of \$7.9 million.
- As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$59.6 million, a increase of \$15.9 million in comparison with the prior fiscal year. Approximately 28.8% of this total amount (\$17.2 million) is unassigned fund balance available for spending at the government's discretion.
- As of June 30, 2012, total unassigned fund balance for the general fund was \$17.2 million, or 38.8% of total general fund expenditures (\$44.3 million).
- As of June 30, 2012, the City's proprietary funds reported combined total net assets of \$331.2 million, and total unrestricted net assets of \$24.0 million. Unrestricted net assets in the Water and Wastewater Fund are \$13.7 million and in the Environmental Services Fund are \$8.6 million.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods such as revenues pertaining to uncollected taxes or expenses pertaining to earned but unused vacation leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include Police, Fire, Community Development, Parks, Recreation, City Council, City Manager, City

Attorney, Municipal Courts, Human Resources, Risk Management, Information Services, Financial Services, Library, Streets and Transportation, Facilities Maintenance, Fleet Management, Cemetery, Beautification, Tourism, and Economic Development. The business-type activities of the City include Water and Wastewater, Airport, Environmental Services, Housing Authority, and Stormwater operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Municipal Facilities Corporation (MFC). The MFC, although also legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government as a blended component unit.

The government-wide financial statements can be found on pages 17 – 19 of this report.

#### Fund financial statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: **governmental** funds and **proprietary** funds.

**Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual government funds organized according to their type (special revenue, capital projects, and debt service). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Highway User Revenue fund, Transportation fund, and Special Assessment Bond fund which are all considered to be major funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 20–30 of this report.

**Proprietary funds:** Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or departments of the City. Proprietary funds provide the same type of information shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same function presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for Water and Wastewater, the Airport, Environmental Services which includes solid waste collection, Stormwater and the Housing Authority. All are considered to be major funds of the City.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses an internal service fund to account for its workers compensation, health insurance, other risk related activity including claims adjustment, and general liability and property insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service fund is combined into a single, aggregated presentation in the proprietary fund statements. Individual fund data for the internal service fund is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 32–39 of this report.

## **Notes to the Financial Statements**

The notes to the financial statement provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40–88 of this report.

## **Combining statements**

The combining statements referred to earlier in connection with non-major governmental funds are presented on pages 89–93.

## **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information concerning the City's capital asset activity. Other supplementary information can be found on pages 95–114 of this report.

## **GOVERNMENT WIDE STATEMENTS FINANCIAL ANALYSIS**

### **Analysis of Net Assets**

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$622.3 million as of June 30, 2012.

Of the City's net assets, 84.1% reflects its investment of \$523.5 million in capital assets (e.g. land, buildings, and equipment), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

**Net Assets**  
**June 30, 2012 and 2011 (in thousands of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 92,358	\$ 83,602	\$ 40,295	\$ 36,547	\$ 132,653	\$ 120,149
Capital assets	295,652	294,085	355,191	356,534	650,843	650,619
<b>Total assets</b>	<u>388,010</u>	<u>377,687</u>	<u>395,486</u>	<u>393,081</u>	<u>783,496</u>	<u>770,768</u>
Long-term liabilities	73,456	68,872	50,068	55,739	123,524	124,611
Other liabilities	23,452	24,099	14,226	14,035	37,678	38,134
<b>Total liabilities</b>	<u>96,908</u>	<u>92,971</u>	<u>64,294</u>	<u>69,774</u>	<u>161,202</u>	<u>162,745</u>
Invested in capital assets, net of related debt	219,112	217,880	304,418	303,114	523,530	520,994
Restricted	34,680	23,972	2,805	3,003	37,485	26,975
Unrestricted	37,310	42,864	23,969	17,190	61,279	60,054
<b>Total net assets</b>	<u>\$ 291,102</u>	<u>\$ 284,716</u>	<u>\$ 331,192</u>	<u>\$ 323,307</u>	<u>\$ 622,294</u>	<u>\$ 608,023</u>

Total assets increased due to change in cash and receivable balances in the business-type activities. Total liabilities decreased due to the application of debt principal payments.

A portion of the City's net assets, \$37.5 million (6.0%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets, \$61.3 million (9.8%) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for the business-type activities.

Current assets for governmental activities have increased by 10.5% (\$8.8 million). The largest increases were in investments (\$37.0 million) and accounts receivables, net (\$0.7 million) while the largest decreases are in cash and cash equivalents (\$17.4 million), special assessment receivable (\$7.1 million) and cash with fiscal agent (\$4.0 million).

Capital assets of the governmental activities, funded through operations, debt proceeds, grants, and contributions, increased by 0.5% (\$1.6 million) due to capital outlays in excess of current year depreciation and deletions. Major capital outlays include public safety communication system (\$3.5 million), and street construction and transportation improvements (\$6.6 million).

Governmental activities long-term liabilities increased by 6.7% (\$4.6 million) primarily due issuance of new debt offset with payments on existing debt issues. Other liabilities decreased by 2.7% (\$0.6 million) primarily due to decreases in accrued payroll (\$1.4 million) and accounts payable (\$0.4 million) offset by an increase in deposits payable (\$1.4 million).

Total assets for business-type activities have increased by 0.6% (\$2.4 million). The largest increases were in cash and cash equivalents (\$3.0 million) and intergovernmental receivables (\$4.3 million) while the largest decreases were in deposits (\$2.2 million) and cash with fiscal agents (\$2.0 million).

Total liabilities for business type activities decreased by 7.9% (\$5.5 million). Major changes include decreases in landfill closure and post closure care costs (\$3.5 million) and bonds, notes and leases payable (\$3.2 million) and the largest increase was in accounts payable (\$1.3 million).

Overall business-type net assets have increased by 2.4% (\$7.9 million) primarily due contributed capital (\$2.9 million) and expenditure reductions related to the landfill closure and post closure care costs (\$3.8 million).

### Analysis of Change in Net Assets

The City's overall net assets have increased by \$14.3 million during the current fiscal year. These increases are explained in the government and business-type activities discussion to follow.

#### Changes in Net Assets For the Years Ended June 30, 2012 and 2011 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 8,036	\$ 6,934	\$ 36,207	\$ 35,075	\$ 44,243	\$ 42,009
Operating grants and contributions	7,415	7,965	4,624	5,090	12,039	13,055
Capital grants and contributions	12,201	9,227	7,960	4,221	20,161	13,448
General Revenues:						
Property taxes	11,974	12,646	-	-	11,974	12,646
Sales taxes	33,401	31,356	-	-	33,401	31,356
State shared taxes	13,190	13,148	-	-	13,190	13,148
Investment earnings	322	246	118	108	440	354
Other	526	2,511	174	198	700	2,709
Total revenues	<u>87,065</u>	<u>84,033</u>	<u>49,083</u>	<u>44,692</u>	<u>136,148</u>	<u>128,725</u>
<b>Expenses</b>						
General government	8,167	7,851	-	-	8,167	7,851
Public safety	27,176	25,987	-	-	27,176	25,987
Public works	1,379	1,754	-	-	1,379	1,754
Economic and physical development	8,894	8,475	-	-	8,894	8,475
Culture and recreation	12,949	12,855	-	-	12,949	12,855
Highways and streets	18,036	19,275	-	-	18,036	19,275
Interest on long-term debt	2,944	3,371	-	-	2,944	3,371
Water and wastewater	-	-	22,709	21,491	22,709	21,491
Environmental	-	-	7,828	11,610	7,828	11,610
Airport	-	-	4,268	4,585	4,268	4,585
Housing Authority	-	-	6,165	5,812	6,165	5,812
Stormwater	-	-	1,362	1,122	1,362	1,122
Total expenses	<u>79,545</u>	<u>79,568</u>	<u>42,332</u>	<u>44,620</u>	<u>121,877</u>	<u>124,188</u>
Increase in net assets before transfers	7,520	4,465	6,751	72	14,271	4,537
Transfers	(1,134)	(1,190)	1,134	1,190	-	-
Change in net assets	6,386	3,275	7,885	1,262	14,271	4,537
Net assets at beginning of year	284,716	281,441	323,307	322,045	608,023	603,486
Net assets at end of year	<u>\$ 291,102</u>	<u>\$ 284,716</u>	<u>\$ 331,192</u>	<u>\$ 323,307</u>	<u>\$ 622,294</u>	<u>\$ 608,023</u>

### Governmental activities

Governmental activities increased the City's net assets by \$6.4 million. The key factors for this increase are as follows:

- Charges for services have increased by 15.9% (\$1.1 million) mainly due to building and offsite permits (\$0.9 million and fire contacts and fees (\$236,689)
- Capital grants and contributions have increased by 32.2% (\$3.0 million) as a result of recording donated property and an increase in donated capital from completed private development.

- Property tax had a slight decrease due to decreases in assessed valuation which effects our secondary property tax revenues.
- City sales tax revenues increased by 6.5% (\$2.0 million). Comparing actual revenues to budgeted revenues the city exceeded the estimates by \$1.7 million. The increase in the city general sales tax, the Bed, Board, and Beverage sales taxes, and the transportation taxes are \$1.0 million, \$366,563, and \$662,264 respectively.
- Miscellaneous revenues decreased 79.1% due to a cash contribution in the prior year for street improvements.
- Expenses have decreased slightly (\$23,486) as the economy had stabilized. There were slight increases in general government (\$0.3 million), public safety (\$1.2 million), economic and physical development (\$0.4 million), and culture and recreation (\$0.1 million). Slight decreases were in public works (\$0.4 million), highways and streets (\$1.2 million), and interest on long term debt (\$0.4 million). Some of the expenditures are considered one-time funding as the organization attempts to manage its expenditures in line with revenue.

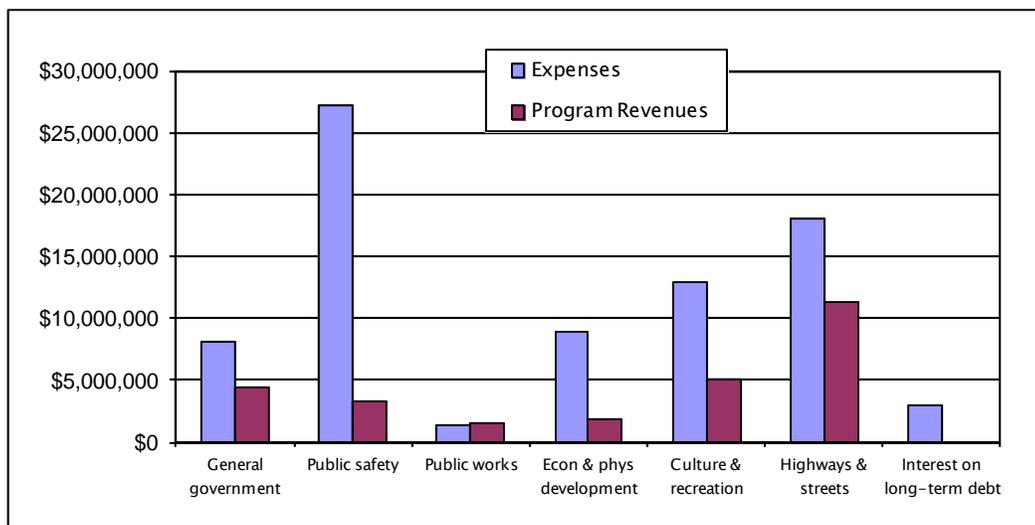
**Business-type activities**

Business type activity had net asset increase of \$7.9 million. The key factors for this increase include:

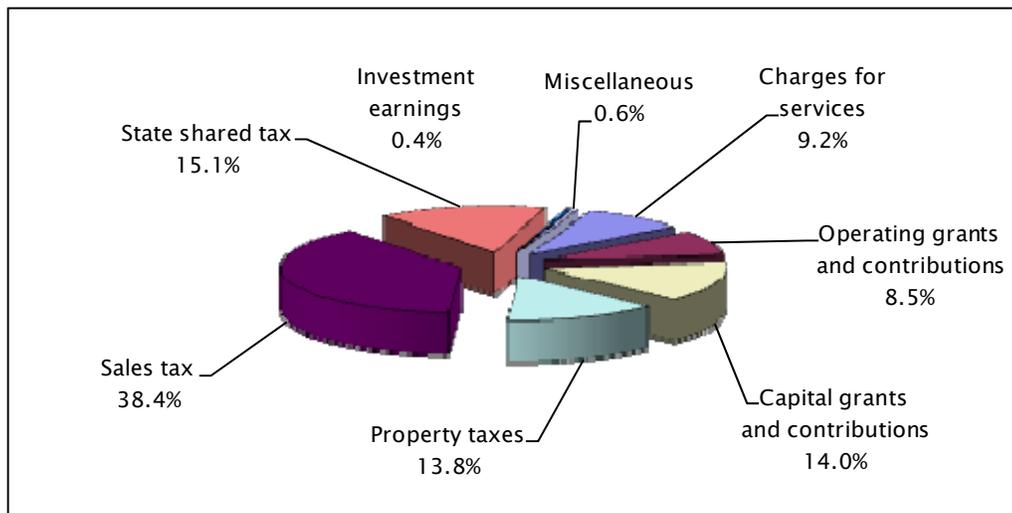
- Charges for service increased by 3.2% (\$1.1 million). Water and wastewater increased \$1.2 million, environmental services increased \$48,091, and airport increased \$104,483. Housing Authority decreased \$137,854 and stormwater decreased \$10,292.
- Capital grants and contributions increased by 88.6% (\$3.7 million) due to additional grant funded projects for the airport taxiway rehabilitation and inner basin water line reconstruction.
- Investment earnings are up slightly (\$10,704) and other revenues are down slightly (\$24,634).
- Expenses have decreased over prior year by 5.1% (\$2.3 million). There were decreases in the environmental services fund (\$3.8 million) and airport fund (\$316,634). There were increases in the water and wastewater fund (\$1.2 million), housing authority fund (\$353,690) and stormwater fund (\$240,103). The largest change was related to recalculating the landfill closure costs.

The following two charts illustrate the City's governmental expenses by function and its revenues by source.

**Expenses and Program Revenues – Governmental Activities**



**Revenues by Source – Governmental Activities**

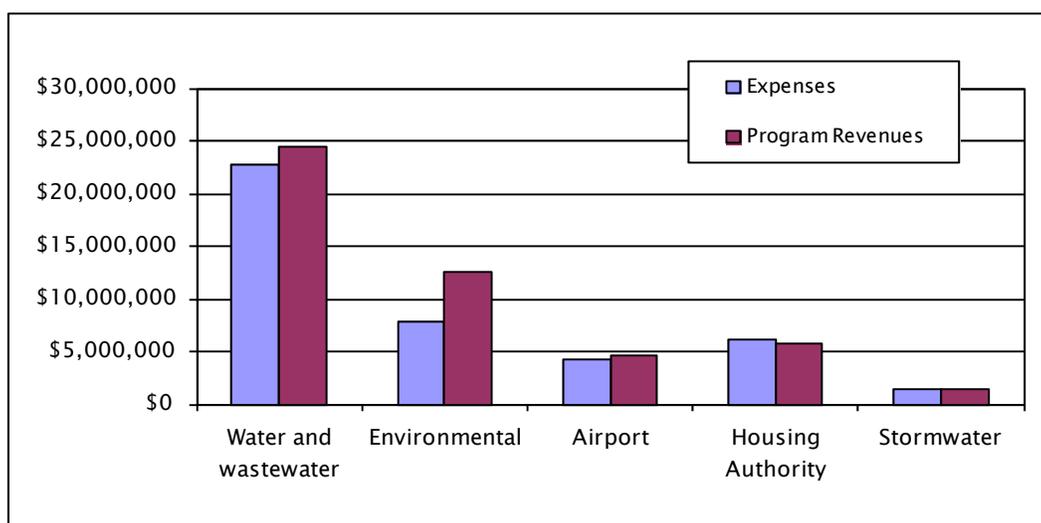


As shown, public safety is the largest function as measured by expense (34.2%) followed by highways & streets (22.7%), culture and recreation (16.3%), and economic and physical development (11.2%).

General revenues such as sales taxes, state shared taxes, and property taxes are not shown by program, but are effectively used to support program activities citywide. For governmental activities overall, without regard to program, sales tax is the largest single source of funds (38.4%), followed by state shared tax (15.1%) and capital grants and contributions (14.0%). Last year sales tax was ranked first, state shared tax was ranked second, and property taxed was ranked third.

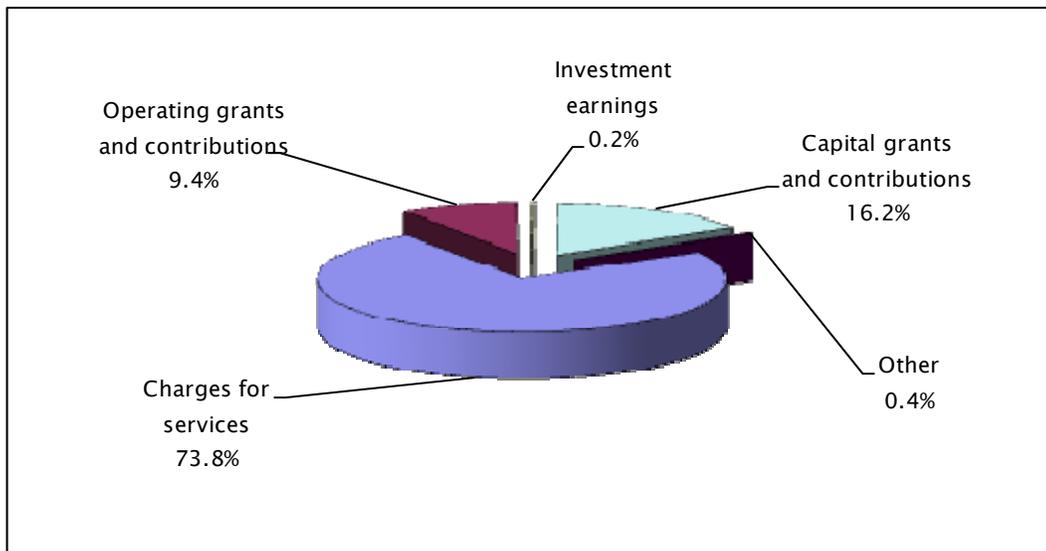
The following two charts illustrate the City's business type expenses by function and its revenues by source.

**Expenses and Program Revenues – Business Type Activities**



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## Revenues by Source – Business-type activities



As shown Water and Wastewater has expenses of \$22.7 million for the fiscal year, followed by Environmental Services with \$7.8 million, Housing Authority with \$6.2 million, the Airport with \$4.3 million and Stormwater with \$1.4 million. For the fiscal year, program revenue exceeded expense for the Water and Wastewater Fund, Environmental Services Fund, Airport fund, and Stormwater Fund. The Housing Authority fund program expenditures exceeded revenues mainly due to depreciation of capital assets. Water & Wastewater, Environmental Services, and Stormwater received the majority of their program revenues through charges for services (81.5%, 96.5%, and 97.1% respectively). The Housing Authority receives the majority of its program revenue through operating grants and contributions (74.1%) while the Airport receives the majority of its program revenue through capital grants and contributions (67.9%). Charges for services provided the largest share of revenues (74.2%) for all of the business-type activities, followed by capital grants and contributions (16.3%). Last year charges for services was ranked first and operating grants and contributions was ranked second.

The operating expenses for the business type activities decreased (5.1%, \$2.3 million) there were decreases in Environmental Service (32.6%, \$3.8 million) and Airport (6.9%, \$316,634) offset by increases in Water and Wastewater (5.7%, \$1.2 million), Housing Authority (6.1%, \$353,690) and Stormwater (21.4%, \$240,103). Environmental Services' decrease is a result of recalculating the landfill closure and post closure care funding.

Environmental services and water and wastewater increased user fees rates in fiscal year 2012. Water and wastewater, environmental services, and airport increased charge for service revenue at 6.2%, 0.2%, and 7.5% respectively. Housing Authority and Stormwater saw decreases in charges for services at 9.6% and 0.7% respectively.

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## Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General fund, Special Revenue funds, Capital Project funds, and Debt Service funds.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$59.6 million, an increase of \$15.9 million in comparison with the prior year. Approximately \$17.2 million of the total ending fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is (1) non spendable (\$579,487) for inventory and perpetual care, (2) restricted (\$34.5 million) for special revenue funds, debt service, court improvements and operations, grant purposes, perpetual care, and capital projects, (3) committed (\$282,888) for development fee projects, (4) assigned (\$7.1 million) for court services, capital reserves, and real estate.

Revenues for governmental functions overall totaled \$90.1 million in the fiscal year ended June 30, 2012 which represents an increase of 10.4% or \$8.5 million from the prior fiscal year. Six revenue categories show increases over prior year. These include taxes (4.1%, \$1.8 million), special assessments (1081.3%, \$7.6 million), charges for services (10.0%, \$293,900), licenses and permits (127.6%, \$942,834), investment earnings (32.0%, \$71,878), and contributions (134.5%, \$233,836). The large increase in special assessments is related to a new developer purchasing the property and paying off debt in advance (\$6.4 million). All other revenue categories experienced decreases including intergovernmental (1.5%, \$257,325), grants and entitlements (8.1%, \$861,914), fines and forfeitures (4.3%, \$72,262), rents (0.8%, \$12,746), and miscellaneous (71.3%, \$1.2 million). The large decrease in miscellaneous is related to prior year transactions for contributions and sale of property.

Expenditures for governmental functions (\$91.6 million) increased by 8.4% (\$7.1 million) from the prior fiscal year. Operation expenditures show a small increase (0.3%, \$170,458). Most of the increase in expenditures is related to debt service (8.4%, \$6.8 million) which is attributed to the early pay off of debt mentioned in the previous paragraph. Major capital projects have been discussed in prior sections.

In the fiscal year ended June 30, 2012 expenditures for governmental functions exceeded revenues by approximately \$1.5 million.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$17.2 million. As a measure of liquidity, it may be useful to compare total unassigned fund balance and total fund balance to total fund expenditures. The unassigned fund balance represents 38.8% of General Fund expenditures.

The total fund balance in the City's General Fund increased by \$2.4 million during the fiscal year as revenue growth of 5.7% and expenditures declined 2.6%. Overall, the General Fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2012 of \$2.9 million. This is a increase of approximately \$3.7 million over the comparable figure from the prior year which resulted in expenditures in excess of revenues of \$0.8 million.

The Highway User Revenue fund balance increased by \$401,033. Revenues declined \$1.9 million due prior year one-time private contribution and lower gas tax revenues related to the state sweeping funds for the motor vehicle division and lower gas sales in Coconino County. Net transfers in increased by \$1.9 million as a larger amount of projects funded with transportation sales tax, general fund transfer increase for street maintenance, and a transfer out in the prior year was one-time. Expenditures were slightly lower due to capital outlays. Transportation Fund balances increased by \$1.9 million due to moderate growth in revenues, reduction in expenditures, and net

proceeds from refinancing of debt. The Special Assessment Bond Fund balance increased \$0.9 million is related to the timing of prior year delay in assessment payments from the City owned parcel which was sold in June and closed in July. The new developer also paid off debt early resulting in a increase in revenues and offset by an increase in expenditures to pay the debt. This year the BBB fund is not being considered a major fund and is combined with the Other Governmental Funds for reporting. These funds had a fund balance increase of \$10.4 million with the main reason is that the City issued capital debt in excess of current year expenditures.

### **Proprietary funds**

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the fiscal year, the unrestricted net assets had positive balances for Water and Wastewater, Environmental Services, Airport, Housing Authority, and Stormwater. The internal service fund, which is used to account for risk management and health insurance activities, had unrestricted net assets of \$4.3 million.

The total growth in net assets for the proprietary funds was \$7.9 million. All funds except the Housing Authority had positive growth in their net assets for the fiscal year ended June 30, 2012. The Housing Authority fund decreased \$426,308 mainly due to depreciation. The major part of the increase is related to capital contributions (\$3.8 million) and the reduction of expenditures related to the revised figures for landfill closure costs (\$3.8 million).

### **Budget Highlights**

The City's final budget matches the original budget which was approved by Council in June 2011. There may have been a few sections that were over budget, however we look at the budget to actual at the division level and no division exceeded their appropriation. There was one revenue transfer that was not budgeted for. A transfer was made from the capital projects fund to general fund (\$38,683) to reimburse the costs related to the USGS campus.

The general fund exceeded final budgeted total revenues by 1.0% (\$472,986) primarily due to taxes which exceeded budget by \$1.0 million. Expenditures are under budget in every category due to controlled spending and carryover or cancellation of some capital projects. Both transfers in and transfers out are less than budgeted (except for the transfer mentioned in the previous paragraph) as many transfers are based on the actual year end expenditure, most significant of which is the budgeted transfer from the general fund to the stormwater fund of \$3.2 million for the Rio de Flag flood control project of which only \$181,448 actually transferred at year end.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

The City's capital assets (net of accumulated depreciation) for its governmental and business-type activities as of June 30, 2012 amount to \$650.8 million. Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The total increase in the City's capital assets for the current year was less than 0.1% (\$233,743). The following table reflects the capital assets at the end of the fiscal year:

**Capital Assets, Net of Depreciation**  
**June 30, 2012 and 2011 (in thousands of dollars)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 49,687	\$ 47,950	\$ 12,350	\$ 11,855	\$ 62,037	\$ 59,805
Buildings	59,546	56,301	57,565	60,369	117,111	116,670
Improvements	8,124	9,042	237,837	240,868	245,961	249,910
Machinery and equipment	12,230	9,770	24,957	26,536	37,187	36,306
Infrastructure	160,539	161,982	-	-	160,539	161,982
Construction in progress	5,526	9,031	22,482	16,905	28,008	25,936
Total	<u>\$ 295,652</u>	<u>\$ 294,076</u>	<u>\$ 355,191</u>	<u>\$ 356,533</u>	<u>\$ 650,843</u>	<u>\$ 650,609</u>

During FY 2012 the City did a physical inventory for every section of the City. As a result of the physical inventory and normal disposition of assets, the City removed over \$15.8 million in assets from the books. Construction in progress had a net increase of 8.0% (\$2.1 million). Major completed construction in progress includes the completion of Fire Station #2 (\$4.6 million), public safety communication system (\$4.0 million), transportation and streets projects (\$4.6 million), and well drilling (\$1.6 million). Major construction in progress at June 30 includes open space acquisition (\$1.2 million), Red Gap pipeline and water rights (\$3.0 million), Inner Basin waterline reconstruction/relocation (\$2.1 million), Taxiway A reconstruction (\$2.7 million) and Rio de Flag drainage project (\$13.9 million). The increase to land (\$2.2 million) is related to donated assets for right of way, easements, drainage, and open space. The increase to buildings (\$0.4 million) is for the completion of the fire station net of the removal of the assets from the physical inventory process. The decrease in improvements (\$3.9 million) is related to removal of assets during the physical inventory process for assets that have been replaced by newer projects and removal of school field improvements which are not assets of the City. This is netted with completed improvements mentioned above. Machinery and equipment increased slightly (\$0.9 million). Major additions include snow removal equipment at the airport (\$540,955) and the public safety communication system mentioned above. Infrastructure decrease is related to excess depreciation over the completion of street and streetscape improvements and contributed capital.

For government-wide financial statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. Please refer to Note IV C on pages 61-62 of the Notes to the Financial Statements for further information regarding capital assets.

### **Long Term Debt**

At the end of the current fiscal year, the City had total long-term debt outstanding of \$119.7 million. Of this amount, \$41.6 million is general obligation bonds backed by the full faith and credit of the City, \$11.3 million is improvement district bonds, \$19.6 million is revenue bonds, \$3.2 million is for the Municipal Facility Corporation, \$4.1 is for certificates of participation, and \$39.9 million are outstanding leases or loans for the airport, water and wastewater, and city-wide energy conservation improvements.

**Outstanding Debt**  
**June 30, 2012 and 2011 (in thousands of dollars)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
General obligation bonds	\$ 38,449	\$ 24,015	\$ 3,125	\$ 3,830	\$ 41,574	\$ 27,845
Special assessment bonds	11,365	18,130	-	-	11,365	18,130
Revenue bonds	15,615	4,930	3,972	4,299	19,587	9,229
Other debt	7,285	22,620	-	-	7,285	22,620
Lease/Loans	1,120	1,542	38,764	40,875	39,884	42,417
Total debt payable	<u>\$ 73,834</u>	<u>\$ 71,237</u>	<u>\$ 45,861</u>	<u>\$ 49,004</u>	<u>\$ 119,695</u>	<u>\$ 120,241</u>

During fiscal year 2012, the City's total bonded debt decreased by \$546,873. The City issued \$12.8 million in general obligation debt for street and utility improvements (\$10.0 million), fire stations (\$2.4 million), and public safety communication system (\$0.4 million). The City also issued general obligation backed debt for an intergovernmental agreement with Northern Arizona University for purchase of the public safety communication system (\$4.0 million) and for a loan agreement with Arizona Water Infrastructure Finance Authority for water well drilling (\$1.6 million). The City obtained \$453,244 in loans for water and wastewater projects for development of future water rights for the fiscal year ended June 30, 2012. The City also refinanced debt on some previous issues (\$3.0 million) to take advantage of better interest rate. The special assessment debt decreased as the new developer extinguished \$6.5 million of debt early. The City issued \$12.5 million in revenue refunding debt that is related to the construction on our fourth street overpass which was part of the Municipal Facility Corporation.

The State constitution imposes certain debt limitations on the City of six percent (6%) and twenty percent (20%) of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2012 is \$45.9 million in the 6% category and \$111.2 million in the 20% capacity. The allowable debt decreased from prior year due to lower assessed valuations and additional debt issued. Additional information on the debt limitations and capacities may be found in Schedule 16 in the statistical section of this report.

During the year, the City maintained the following bond ratings:

**City of Flagstaff Bonded Debt Ratings**  
**As of June 30, 2012**

	<b>Moody's Investors Service</b>	<b>Standard &amp; Poor's</b>
General Obligation	Aa2	AA
Municipal Facilities Corporation	Aa3	AA

Additional information on the City's long-term debt can be found in Section IV F on pages 65-76 of the Notes to the Financial Statements.

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

The Fiscal Year 2012/2013 budget preparation was influenced by the following factors:

- The City's general fund budget was approved with no structural deficit in ongoing expenditures exceeding ongoing revenues

- Unrestricted fund balance in the general fund continues to be above the fiscal policy of 15% of operating revenues
- Sales tax revenues exceeded budget by \$1.9 million in FY 2012 and we expect to maintain this level in budgeting for FY 2013
- The city reallocated \$1.3 million in appropriations to assist with streets, parks, and facility maintenance, vehicle replacements, restoring previous pay cut, maintaining two police officers, increasing outside legal, and restoring some training and uniform allowances
- Created catastrophic funds for fleet vehicles and facility maintenance to support the aging fleet and deferred maintenance of buildings
- The total authorized positions decreased by 9.92 positions which was primarily one-time funded positions
- Put two triggers in place for considering an adjustment to the pay plan by up to 0.6% and to address positions more than 25% below market to be funded based on sales tax collections
- Continue to monitor State legislature to be aware of potential budget impacts on cities
- Property assessments continue to decline this year by 2.5% on limited property value and 3.3% on full cash value
- Budgeted for two projects that we will ask voters to approve. The first is related to forest thinning and watershed protection and the second is for a new maintenance facility. Voters approved both measures in November 2012.
- The continued pursuit of federal and state grant dollars to enhance the local economy
- The continued implementation of electronic information sharing to facilitate transparency in service provision
- The development of a more strategic fiscal policies
- Budgeted for the replacement of a sixty two year old water line along Switzer Canyon which has had several breaks over the last couple years
- Completed the Inner Basin water line repairs related to a flood event that washed out the line in several locations
- Utility rate increases are approved for the next three years to help support ongoing operational services and restore operation capital and the capital improvement plan to assist with aging infrastructure

### **Requests for Information**

The financial report is designed to provide a general overview of the City's finances for all of those with an interest in the government's finances. If you have questions about this report or need additional financial information, contact:

City of Flagstaff  
 Finance and Budget Section  
 211 W. Aspen Ave  
 Flagstaff, AZ 86001

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

## CITY OF FLAGSTAFF, ARIZONA

## Statement of Net Assets

June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,014,043	\$ 18,502,140	\$ 25,516,183
Cash with fiscal agents	1,978,707	-	1,978,707
Investments	53,540,416	-	53,540,416
Accounts receivables, net	7,511,549	4,977,597	12,489,146
Interest receivable	157,558	45,467	203,025
Intergovernmental receivable	3,846,527	4,543,384	8,389,911
Special assessments receivable	11,246,451	-	11,246,451
Internal balance	412,035	(412,035)	-
Deposits	57,794	13,640	71,434
Prepaid items	-	81,058	81,058
Inventory	401,440	201,303	602,743
Deferred bond issuance costs, net	652,891	8,297	661,188
Property held for resale	500,000	-	500,000
Restricted cash and investments	5,039,072	12,334,257	17,373,329
Capital assets:			
Non-depreciable	55,212,772	34,831,551	90,044,323
Depreciable, net	240,439,125	320,359,927	560,799,052
<b>Total assets</b>	<b>388,010,380</b>	<b>395,486,586</b>	<b>783,496,966</b>
<b>LIABILITIES</b>			
Accounts payable	4,024,723	2,594,610	6,619,333
Accrued payroll	807,357	153,654	961,011
Interest payable	1,388,712	818,460	2,207,172
Unearned revenue	317,470	998,376	1,315,846
Deposits payable	2,866,657	475,166	3,341,823
Noncurrent liabilities:			
Due within one year:			
Matured bonds and lease payable	6,022,284	4,920,866	10,943,150
Compensated absences	1,628,523	310,755	1,939,278
Special assessment debt, government commitment	345,000	-	345,000
Bonds, notes and leases payable, net	6,052,469	3,954,034	10,006,503
Due in more than one year:			
Compensated absences	1,999,448	497,599	2,497,047
Landfill closure and postclosure care costs	-	7,163,212	7,163,212
Net OPEB obligation	2,326,392	509,371	2,835,763
Special assessment debt, government commitment	11,020,000	-	11,020,000
Bonds, notes and leases payable, net	58,109,736	41,898,185	100,007,921
<b>Total liabilities</b>	<b>96,908,771</b>	<b>64,294,288</b>	<b>161,203,059</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	219,112,469	304,418,393	523,530,862
Restricted for:			
Capital projects	16,857,455	2,585,150	19,442,605
Debt service	7,027,077	-	7,027,077
Specific programming	10,601,591	-	10,601,591
Grant and contributions purposes	-	219,852	219,852
Perpetual care:			
Expendable	15,271	-	15,271
Nonexpendable	178,046	-	178,046
Unrestricted	37,309,700	23,968,903	61,278,603
<b>Total net assets</b>	<b>\$ 291,101,609</b>	<b>\$ 331,192,298</b>	<b>\$ 622,293,907</b>

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

**CITY OF FLAGSTAFF, ARIZONA**  
**Statement of Activities**  
**Year Ended June 30, 2012**

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government</b>					
Governmental activities:					
General government	\$ 9,406,406	\$ (1,239,578)	\$ 3,364,479	\$ 1,055,722	\$ 65,037
Public safety	27,175,720	-	1,611,109	1,578,025	166,242
Public works	1,615,941	(236,383)	1,551,419	-	-
Economic and physical development	9,639,003	(745,329)	53,747	1,437,698	373,306
Culture and recreation	12,434,695	514,020	1,455,067	3,343,322	289,869
Highways and streets	16,328,771	1,707,270	-	-	11,306,515
Interest on long-term debt	2,944,057	-	-	-	-
Total governmental activities	<u>79,544,593</u>	<u>-</u>	<u>8,035,821</u>	<u>7,414,767</u>	<u>12,200,969</u>
Business-type activities:					
Water and wastewater	22,708,636		19,937,196	99,099	4,416,074
Environmental	7,828,286		12,030,990	272,643	158,064
Airport	4,268,099		1,492,559	-	3,156,885
Housing authority	6,165,612		1,299,987	4,252,492	186,825
Stormwater	1,361,658		1,446,602	-	42,509
Total business-type activities	<u>42,332,291</u>		<u>36,207,334</u>	<u>4,624,234</u>	<u>7,960,357</u>
<b>Total primary government</b>	<u><u>\$ 121,876,884</u></u>		<u><u>\$ 44,243,155</u></u>	<u><u>\$ 12,039,001</u></u>	<u><u>\$ 20,161,326</u></u>

General revenues:  
Property tax, levied for general purposes  
Property tax, levied for debt service  
Sales taxes  
State shared sales taxes – unrestricted  
Investment earnings  
Miscellaneous  
Contributions to permanent fund  
Transfers in (out)  
    Total general revenues, contributions and transfers  
Change in net assets  
Net assets – beginning  
Net assets – ending

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

**Net (Expenses) Revenues and Changes in Net Assets**

**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (3,681,590)	\$ -	\$ (3,681,590)
(23,820,344)	-	(23,820,344)
171,861	-	171,861
(7,028,923)	-	(7,028,923)
(7,860,457)	-	(7,860,457)
(6,729,526)	-	(6,729,526)
(2,944,057)	-	(2,944,057)
<u>(51,893,036)</u>	<u>-</u>	<u>(51,893,036)</u>
-	1,743,733	1,743,733
-	4,633,411	4,633,411
-	381,345	381,345
-	(426,308)	(426,308)
-	127,453	127,453
-	6,459,634	6,459,634
<u>\$ (51,893,036)</u>	<u>\$ 6,459,634</u>	<u>\$ (45,433,402)</u>
5,402,628	-	5,402,628
6,571,713	-	6,571,713
33,401,021	-	33,401,021
13,189,822	-	13,189,822
322,126	118,247	440,373
510,695	173,313	684,008
15,474	-	15,474
(1,134,382)	1,134,382	-
<u>58,279,097</u>	<u>1,425,942</u>	<u>59,705,039</u>
6,386,061	7,885,576	14,271,637
<u>284,715,548</u>	<u>323,306,722</u>	<u>608,022,270</u>
<u>\$ 291,101,609</u>	<u>\$ 331,192,298</u>	<u>\$ 622,293,907</u>

**CITY OF FLAGSTAFF, ARIZONA**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2012**

	General Fund	Highway User Revenue Fund	Transportation Fund
<b>ASSETS</b>			
Cash and investments	\$ 23,208,791	\$ 3,672,225	\$ 3,074,804
Cash with fiscal agents	-	-	1,694,582
Accounts receivable, net	4,519,067	738,832	1,142,416
Interest receivable	62,160	3,829	25,656
Intergovernmental receivables	1,592,277	-	1,451,714
Interfund receivable	200,000	-	-
Special assessments receivable	-	-	-
Deposits	-	57,794	-
Inventory	359,922	-	-
Property held for resale	-	500,000	-
Restricted cash and investments	130,481	-	-
Total assets	\$ 30,072,698	\$ 4,972,680	\$ 7,389,172
 <b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 1,371,578	\$ 429,766	\$ 806,018
Accrued payroll and compensated absences	713,757	27,028	-
Current bonds payable	365,000	1,725,000	1,500,000
Interest payable	47,223	47,438	194,582
Interfund payable	-	-	-
Deferred revenue	364,740	-	-
Unearned revenue	230,503	-	-
Guaranty and other deposits	1,299,674	-	-
Total liabilities	4,392,475	2,229,232	2,500,600
 Fund balances:			
Nonspendable	359,923	-	-
Restricted	758,303	2,743,448	4,888,572
Committed	282,888	-	-
Assigned	7,075,902	-	-
Unassigned	17,203,207	-	-
Total fund balances	25,680,223	2,743,448	4,888,572
Total liabilities and fund balances	\$ 30,072,698	\$ 4,972,680	\$ 7,389,172

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

Special Assessment Bond Fund	Other Governmental Funds	Total Governmental Funds
\$ 413,643	\$ 25,652,458	\$ 56,021,921
284,125	-	1,978,707
-	773,358	7,173,673
627	53,208	145,480
-	802,536	3,846,527
-	-	200,000
11,246,451	-	11,246,451
-	-	57,794
-	41,518	401,440
-	-	500,000
-	4,908,591	5,039,072
<u>\$ 11,944,846</u>	<u>\$ 32,231,669</u>	<u>\$ 86,611,065</u>

\$ -	\$ 1,147,578	\$ 3,754,940
-	66,572	807,357
-	2,432,284	6,022,284
284,125	815,344	1,388,712
-	200,000	200,000
11,246,027	-	11,610,767
-	86,967	317,470
-	1,566,983	2,866,657
<u>11,530,152</u>	<u>6,315,728</u>	<u>26,968,187</u>

-	219,564	579,487
414,694	25,696,377	34,501,394
-	-	282,888
-	-	7,075,902
-	-	17,203,207
<u>414,694</u>	<u>25,915,941</u>	<u>59,642,878</u>
<u>\$ 11,944,846</u>	<u>\$ 32,231,669</u>	<u>\$ 86,611,065</u>

CITY OF FLAGSTAFF  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
JUNE 30, 2012

Fund balances – total governmental funds balance sheet \$ 59,642,878

Amounts reported for governmental activities in the statements of net assets are different because (also see note II. A.):

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

Governmental capital assets	465,578,681	
Less: accumulated depreciation	(168,994,417)	
Transfer of capital assets from business-type activities	31,337	
Transfer of capital assets to business-type activities	<u>(963,704)</u>	
		295,651,897

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Deferred bond issue costs	652,891	
Fines and forfeitures	<u>294,735</u>	947,626

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bonds payable	(73,834,200)	
Bond premium	(1,693,004)	
Other postemployment benefits	(2,326,393)	
Compensated absences	<u>(3,627,971)</u>	(81,481,568)

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

Property tax	<u>364,740</u>	364,740
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Deferred revenue for long-term special assessments is shown on the governmental fund balance sheet, but is not deferred on the statement of net assets

Special assessments	<u>11,246,027</u>	11,246,027
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The internal service fund is used by management to charge the cost of self insurance programs to individual funds.

The assets and liabilities of the internal service funds that are reported with governmental activities.		<u>4,730,009</u>
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Net assets of governmental activities – statement of net assets \$ 291,101,609

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



**CITY OF FLAGSTAFF, ARIZONA**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Highway User Revenue Fund</u>	<u>Transportation Fund</u>
<b>REVENUES:</b>			
Taxes	\$ 22,721,059	\$ -	\$ 10,526,830
Intergovernmental	14,062,644	-	-
Grants and entitlements	1,948,711	5,576,167	-
Special assessments	-	-	-
Charges for services	3,220,137	-	-
Licenses and permits	1,681,874	-	-
Fines and forfeitures	1,601,044	-	-
Rents	1,551,419	-	-
Investment earnings	93,900	6,704	58,675
Contributions	187,320	154,624	-
Miscellaneous	142,557	3,413	-
Total revenues	<u>47,210,665</u>	<u>5,740,908</u>	<u>10,585,505</u>
<b>EXPENDITURES:</b>			
Current:			
General governmental	7,453,963	-	-
Public safety	24,428,893	-	-
Public works	1,146,692	-	-
Economic and physical development	3,956,299	-	-
Culture and recreation	5,653,437	-	-
Highways and streets	-	5,601,266	3,689,982
Debt service:			
Principal retirement	818,798	2,138,599	1,500,000
Interest and other charges	157,523	230,414	774,700
Capital outlay	708,466	2,416,967	-
Total expenditures	<u>44,324,071</u>	<u>10,387,246</u>	<u>5,964,682</u>
Excess (deficiency) of revenues over expenditures	<u>2,886,594</u>	<u>(4,646,338)</u>	<u>4,620,823</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Proceeds of refunding bonds	-	-	12,530,000
Payment to bond refunding escrow agent	-	-	(13,949,336)
Issuance of capital debt	-	-	-
Bond premium	-	-	1,616,698
Sale of capital assets	36,690	7,200	-
Transfers in	3,831,006	5,125,572	-
Transfers out	(4,426,254)	(85,401)	(2,904,291)
Total other financing sources (uses)	<u>(558,558)</u>	<u>5,047,371</u>	<u>(2,706,929)</u>
Net change in fund balances	<u>2,328,036</u>	<u>401,033</u>	<u>1,913,894</u>
Fund balances, beginning of year	<u>23,352,187</u>	<u>2,342,415</u>	<u>2,974,678</u>
Fund balances, end of year	<u>\$ 25,680,223</u>	<u>\$ 2,743,448</u>	<u>\$ 4,888,572</u>

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

Special Assessment Bond Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 12,329,239	\$ 45,577,128
-	3,168,052	17,230,696
-	2,196,691	9,721,569
8,286,453	-	8,286,453
-	-	3,220,137
-	-	1,681,874
-	-	1,601,044
-	53,747	1,605,166
1,303	135,659	296,241
-	48,309	390,253
-	347,001	492,971
<u>8,287,756</u>	<u>18,278,698</u>	<u>90,103,532</u>
-	-	7,453,963
-	872,602	25,301,495
-	-	1,146,692
-	4,628,527	8,584,826
-	4,923,440	10,576,877
-	301,826	9,593,074
6,765,000	2,432,284	13,654,681
616,213	1,567,403	3,346,253
-	8,826,401	11,951,834
<u>7,381,213</u>	<u>23,552,483</u>	<u>91,609,695</u>
<u>906,543</u>	<u>(5,273,785)</u>	<u>(1,506,163)</u>
-	1,394,136	13,924,136
-	(1,445,000)	(15,394,336)
-	16,797,287	16,797,287
-	647,688	2,264,386
-	-	43,890
-	5,916,357	14,872,935
-	(7,659,004)	(15,074,950)
-	15,651,464	17,433,348
<u>906,543</u>	<u>10,377,679</u>	<u>15,927,185</u>
<u>(491,849)</u>	<u>15,538,262</u>	<u>43,715,693</u>
<u>\$ 414,694</u>	<u>\$ 25,915,941</u>	<u>\$ 59,642,878</u>

CITY OF FLAGSTAFF  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances – total governmental funds \$ 15,927,185

Amounts reported for governmental activities in the statements of activities are different because (also see note II. B.):

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	11,951,834	
Less current year depreciation	<u>(13,008,038)</u>	(1,056,204)

Some items reported in the governmental funds are sources and uses of current financial resources and therefore are not reported as revenues or expenses in the statement of activities. These items include:

Capital-related debt issued	(16,797,287)	
Refunding debt issued	(13,924,136)	
Payment to bond refunding escrow agent	15,394,336	
Premium on debt issued	(2,264,386)	
Donated capital	4,268,257	
Compensated absences	9,635	
Other postemployment benefits	(491,356)	
Principal payments on debt	13,654,681	
Advance refunding loss	(65,304)	
Bond premium	<u>287,470</u>	71,910

Bond issuance costs are recognized as debt service expenditures in the governmental funds, however these costs are capitalized on the statement and activities and amortized in the statement of activities.

Issuance cost on new bonds	402,196	
Amortization of issuance costs	<u>(79,274)</u>	322,922

Certain transactions related to capital assets in the governmental funds reflect proceeds. However, in the statement of activities these transactions reflect net gain (loss).

Capital asset impairment revision	31,359	
Loss on disposal of capital assets	(704,043)	
Transfer of capital assets to business-type activities	(963,704)	
Transfer of capital assets from business-type activities	<u>31,337</u>	(1,605,051)

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

(continued)

CITY OF FLAGSTAFF  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2012

Certain revenues in the governmental funds that provide current financial resources are not included in the statement of activities because they were recognized in a prior period. However, other revenues that are deferred in the governmental funds because they do not provide current financial resources due to unavailability are recognized in the statement of activities.

Special assessments	(7,087,628)	
Property tax	(201,766)	
Fines and forfeitures	(72,400)	(7,361,794)

Internal service funds are used by management to charge the costs of certain activities, such as the City's self-insurance program to individual funds. The following activities of the internal service fund is reported with governmental activities.

Operating gain	49,776	
Grants and entitlement	11,432	
Investment income	25,885	87,093

Change in net assets of governmental activities – statement of activities		\$ 6,386,061
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The notes to the financial statements are an integral part of this statement

(concluded)

**CITY OF FLAGSTAFF, ARIZONA**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Year Ended June 30, 2012**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 21,553,000	\$ 21,553,000	\$ 22,586,480	\$ 1,033,480
Intergovernmental	13,609,706	13,609,706	14,062,644	452,938
Grants and entitlements	3,207,153	3,207,153	1,948,711	(1,258,442)
Charges for services	3,055,045	3,055,045	3,220,137	165,092
Licenses and permits	990,400	990,400	1,681,874	691,474
Fines and forfeitures	1,479,971	1,479,971	1,601,044	121,073
Rents	2,437,373	2,437,373	1,551,419	(885,954)
Investment earnings	125,000	125,000	133,562	8,562
Contributions	10,250	10,250	187,320	177,070
Miscellaneous	70,350	70,350	142,557	72,207
Total revenues	<u>46,538,248</u>	<u>46,538,248</u>	<u>47,115,748</u>	<u>577,500</u>
<b>EXPENDITURES:</b>				
Current:				
General administration	8,463,745	8,463,745	7,940,858	522,887
Management services	3,051,139	3,051,139	2,850,274	200,865
Community development	3,752,105	3,752,105	3,497,589	254,516
Fire	9,073,711	9,073,711	8,543,679	530,032
Police	16,660,174	16,660,174	16,163,472	496,702
Public works	6,903,139	6,903,139	4,927,383	1,975,756
Economic vitality	744,754	744,754	226,401	518,353
Community enrichment	3,418,612	3,418,612	3,310,380	108,232
Non-departmental	(1,945,570)	(1,945,570)	(3,267,985)	1,322,415
Contingency	1,200,000	1,200,000	132,020	1,067,980
Total expenditures	<u>51,321,809</u>	<u>51,321,809</u>	<u>44,324,071</u>	<u>6,997,738</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,783,561)</u>	<u>(4,783,561)</u>	<u>2,791,677</u>	<u>7,575,238</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of capital assets	44,100	44,100	36,690	(7,410)
Transfers in	4,384,629	4,384,629	3,831,006	(553,623)
Transfers out	(8,750,620)	(8,750,620)	(4,426,254)	4,324,366
Total other financing sources (uses)	<u>(4,321,891)</u>	<u>(4,321,891)</u>	<u>(558,558)</u>	<u>3,763,333</u>
Net change in fund balances	<u>(9,105,452)</u>	<u>(9,105,452)</u>	<u>2,233,119</u>	<u>11,338,571</u>
Budgetary fund balances, beginning of year	<u>15,534,315</u>	<u>15,534,315</u>	<u>15,534,315</u>	<u>-</u>
Budgetary fund balances, end of year	<u>\$ 6,428,863</u>	<u>\$ 6,428,863</u>	<u>\$ 17,767,434</u>	<u>\$ 11,338,571</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 2,233,119	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			82,322	
The City budgets for certain special revenue funds that do not meet the criteria to be presented separately – Real Estate Proceeds Fund			12,595	
Adjusted net change in fund balance – GAAP basis			<u>\$ 2,328,036</u>	

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

**CITY OF FLAGSTAFF, ARIZONA**  
**Highway User Revenue Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Year Ended June 30, 2012**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Grants and entitlements	\$ 6,100,000	\$ 6,100,000	\$ 5,576,167	\$ (523,833)
Investment earnings	7,000	7,000	6,704	(296)
Contributions	-	-	154,624	154,624
Miscellaneous	(60,000)	(60,000)	3,413	63,413
Total revenues	<u>6,047,000</u>	<u>6,047,000</u>	<u>5,740,908</u>	<u>(306,092)</u>
<b>EXPENDITURES:</b>				
Current:				
General administration	108,282	108,282	108,282	-
Management services	138,296	138,296	138,296	-
Community development	678,205	678,205	678,205	-
Economic vitality	29,053	29,053	29,053	-
Public works	13,176,938	13,176,938	9,206,992	3,969,946
Non-departmental	226,418	226,418	226,418	-
Contingency	525,000	525,000	-	525,000
Total expenditures	<u>14,882,192</u>	<u>14,882,192</u>	<u>10,387,246</u>	<u>4,494,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,835,192)</u>	<u>(8,835,192)</u>	<u>(4,646,338)</u>	<u>4,188,854</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	8,806,734	8,806,734	5,125,572	(3,681,162)
Transfers out	(85,401)	(85,401)	(85,401)	-
Total other financing sources (uses)	<u>8,721,333</u>	<u>8,721,333</u>	<u>5,040,171</u>	<u>(3,681,162)</u>
Net change in fund balances budgetary basis	<u>(113,859)</u>	<u>(113,859)</u>	<u>393,833</u>	<u>507,692</u>
Budgetary fund balances, beginning of year	<u>1,475,135</u>	<u>1,475,135</u>	<u>1,475,135</u>	<u>-</u>
Budgetary fund balances, end of year	<u>\$ 1,361,276</u>	<u>\$ 1,361,276</u>	<u>\$ 1,868,968</u>	<u>\$ 507,692</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 393,833	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			7,200	
Adjusted net change in fund balance – GAAP basis			<u>\$ 401,033</u>	

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

**CITY OF FLAGSTAFF, ARIZONA**  
**Transportation Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Year Ended June 30, 2012**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 9,985,181	\$ 9,985,181	\$ 10,475,500	\$ 490,319
Investment earnings	66,000	66,000	58,675	(7,325)
Total revenues	<u>10,051,181</u>	<u>10,051,181</u>	<u>10,534,175</u>	<u>482,994</u>
<b>EXPENDITURES:</b>				
Current:				
General administration	46,278	46,278	46,278	-
Management services	266,540	266,540	266,540	-
Economic vitality	10,449	10,449	10,449	-
Non-departmental	7,272,376	7,272,376	5,641,415	1,630,961
Total expenditures	<u>7,595,643</u>	<u>7,595,643</u>	<u>5,964,682</u>	<u>1,630,961</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,455,538</u>	<u>2,455,538</u>	<u>4,569,493</u>	<u>2,113,955</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Refunding bonds issued	-	-	12,530,000	12,530,000
Payment to bond refunding escrow agent	-	-	(13,949,336)	(13,949,336)
Bond premium	-	-	1,616,698	1,616,698
Sale of capital assets	5,000,000	5,000,000	-	(5,000,000)
Transfers out	(6,480,656)	(6,480,656)	(2,904,291)	3,576,365
Total other financing sources (uses)	<u>(1,480,656)</u>	<u>(1,480,656)</u>	<u>(2,706,929)</u>	<u>(1,226,273)</u>
Net change in fund balances	<u>974,882</u>	<u>974,882</u>	<u>1,862,564</u>	<u>887,682</u>
Budgetary fund balances, beginning of year	<u>2,272,936</u>	<u>2,272,936</u>	<u>2,272,936</u>	<u>-</u>
Budgetary fund balances, end of year	<u>\$ 3,247,818</u>	<u>\$ 3,247,818</u>	<u>\$ 4,135,500</u>	<u>\$ 887,682</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 1,862,564	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			<u>51,330</u>	
Adjusted net change in fund balance – GAAP basis			<u>\$ 1,913,894</u>	

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



**CITY OF FLAGSTAFF, ARIZONA**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2012**

	Business-type Activities – Enterprise Funds		
	Water and Wastewater Fund	Environmental Services Fund	Airport Fund
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 10,762,832	\$ 5,399,204	\$ 8,458
Receivable, net	4,728,412	1,289,414	3,167,377
Interfund receivables	2,600,000	-	-
Prepaid items	-	-	-
Inventory	201,303	-	-
Total current assets	<u>18,292,547</u>	<u>6,688,618</u>	<u>3,175,835</u>
Noncurrent assets:			
Restricted cash and investments	1,593,915	10,740,342	-
Refundable deposit	13,640	-	-
Deferred bond issuance costs, net	8,297	-	-
Capital assets, non-depreciable	14,422,863	1,890,420	3,007,412
Capital assets, depreciable, net	246,306,159	7,190,312	39,676,498
Total non-current assets	<u>262,344,874</u>	<u>19,821,074</u>	<u>42,683,910</u>
Total assets	<u>280,637,421</u>	<u>26,509,692</u>	<u>45,859,745</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	2,023,356	87,622	274,252
Accrued payroll and compensated absences	210,480	161,283	25,765
Bonds and lease payable – mature	4,920,866	-	-
Interest payable	818,460	-	-
Unearned revenue	862,967	73,581	51,928
Interfund payable	-	-	2,600,000
Deposits payable	330,286	42,188	33,117
Bonds and lease payable, net – current	3,792,317	-	161,717
Total current liabilities	<u>12,958,732</u>	<u>364,674</u>	<u>3,146,779</u>
Noncurrent liabilities:			
Compensated absences	155,275	129,550	12,050
Net OPEB obligation	233,791	178,437	29,775
Landfill closure and postclosure care costs	-	7,163,212	-
Capital lease payable	802,963	-	1,947,053
Bonds and notes payable, net	38,974,618	-	173,551
Total noncurrent liabilities	<u>40,166,647</u>	<u>7,471,199</u>	<u>2,162,429</u>
Total liabilities	<u>53,125,379</u>	<u>7,835,873</u>	<u>5,309,208</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	212,238,258	9,080,732	40,401,589
Restricted:			
Grant and contributions purposes	-	-	-
Capital projects	1,593,915	991,235	-
Unrestricted	13,679,869	8,601,852	148,948
Total net assets	<u>\$ 227,512,042</u>	<u>\$ 18,673,819</u>	<u>\$ 40,550,537</u>

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

Business-type Activities – Enterprise Funds			Governmental Activities
Housing Authority	Stormwater Fund	Total	Internal Service Fund
\$ 1,071,646	\$ 1,260,000	\$ 18,502,140	\$ 4,532,538
215,646	165,599	9,566,448	55,219
-	-	2,600,000	-
81,058	-	81,058	-
-	-	201,303	-
<u>1,368,350</u>	<u>1,425,599</u>	<u>30,950,949</u>	<u>4,587,757</u>
-	-	12,334,257	-
-	-	13,640	-
-	-	8,297	-
1,446,035	14,064,821	34,831,551	-
4,075,062	23,111,896	320,359,927	-
<u>5,521,097</u>	<u>37,176,717</u>	<u>367,547,672</u>	<u>-</u>
<u>6,889,447</u>	<u>38,602,316</u>	<u>398,498,621</u>	<u>4,587,757</u>
171,128	38,252	2,594,610	269,783
45,149	21,732	464,409	-
-	-	4,920,866	-
-	-	818,460	-
9,900	-	998,376	-
-	-	2,600,000	-
69,575	-	475,166	-
-	-	3,954,034	-
<u>295,752</u>	<u>59,984</u>	<u>16,825,921</u>	<u>269,783</u>
188,816	11,908	497,599	-
41,916	25,452	509,371	-
-	-	7,163,212	-
-	-	2,750,016	-
-	-	39,148,169	-
<u>230,732</u>	<u>37,360</u>	<u>50,068,367</u>	<u>-</u>
<u>526,484</u>	<u>97,344</u>	<u>66,894,288</u>	<u>269,783</u>
5,521,097	37,176,717	304,418,393	-
219,852	-	219,852	-
-	-	2,585,150	-
622,014	1,328,255	24,380,938	4,317,974
<u>\$ 6,362,963</u>	<u>\$ 38,504,972</u>	<u>\$ 331,604,333</u>	<u>\$ 4,317,974</u>

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

Net assets of business-type activities	(412,035)
	<u>\$ 331,192,298</u>

**CITY OF FLAGSTAFF, ARIZONA**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Year Ended June 30, 2012**

	Business-type Activities – Enterprise Funds		
	Water and Wastewater Fund	Environmental Services Fund	Airport Fund
<b>OPERATING REVENUES:</b>			
Charges for services	\$ 19,845,631	\$ 12,020,648	\$ 1,492,559
Miscellaneous	91,565	10,345	-
Total operating revenues	<u>19,937,196</u>	<u>12,030,993</u>	<u>1,492,559</u>
<b>OPERATING EXPENSES:</b>			
Personal services	4,358,139	4,092,924	628,092
Contractual services, materials and supplies	8,297,634	2,790,904	842,898
Insurance claims and expenses	-	-	-
Depreciation and amortization	8,127,027	974,053	2,638,411
Total operating expenses	<u>20,782,800</u>	<u>7,857,881</u>	<u>4,109,401</u>
Operating income (loss)	<u>(845,604)</u>	<u>4,173,112</u>	<u>(2,616,842)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest and investment income	58,920	51,662	1,814
Grants and entitlements	99,100	272,643	-
Gain (loss) on disposal of capital asset	(292,671)	18,063	(31,351)
Passenger facility charges	-	-	173,313
Interest expense	(1,656,124)	-	(133,657)
Total non-operating revenues (expenses)	<u>(1,790,775)</u>	<u>342,368</u>	<u>10,119</u>
Income (loss) before capital contributions and transfers	<u>(2,636,379)</u>	<u>4,515,480</u>	<u>(2,606,723)</u>
Capital contributions	5,228,372	161,503	3,172,940
Transfers in	2,221,095	-	119,000
Transfers out	(1,978,317)	(27,408)	(33,567)
Change in net assets	<u>2,834,771</u>	<u>4,649,575</u>	<u>651,650</u>
Total net assets, beginning of year	<u>224,677,271</u>	<u>14,024,244</u>	<u>39,898,887</u>
Total net assets, end of year	<u>\$ 227,512,042</u>	<u>\$ 18,673,819</u>	<u>\$ 40,550,537</u>

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

Business-type Activities – Enterprise Funds			Governmental Activities
Housing Authority	Stormwater Fund	Total	Internal Service Fund
\$ 1,055,490	\$ 1,446,473	\$ 35,860,801	\$ 6,659,472
244,497	129	346,536	-
<u>1,299,987</u>	<u>1,446,602</u>	<u>36,207,337</u>	<u>6,659,472</u>
1,057,489	502,085	10,638,729	-
4,724,881	196,744	16,853,061	-
-	-	-	6,587,479
383,242	453,356	12,576,089	-
<u>6,165,612</u>	<u>1,152,185</u>	<u>40,067,879</u>	<u>6,587,479</u>
<u>(4,865,625)</u>	<u>294,417</u>	<u>(3,860,542)</u>	<u>71,993</u>
-	5,851	118,247	25,885
4,252,492	-	4,624,235	11,432
-	(222,229)	(528,188)	-
-	-	173,313	-
-	-	(1,789,781)	-
<u>4,252,492</u>	<u>(216,378)</u>	<u>2,597,826</u>	<u>37,317</u>
<u>(613,133)</u>	<u>78,039</u>	<u>(1,262,716)</u>	<u>109,310</u>
186,825	174,420	8,924,060	-
-	181,448	2,521,543	-
-	(280,236)	(2,319,528)	-
<u>(426,308)</u>	<u>153,671</u>	<u>7,863,359</u>	<u>109,310</u>
<u>6,789,271</u>	<u>38,351,301</u>	<u>323,740,974</u>	<u>4,208,664</u>
<u>\$ 6,362,963</u>	<u>\$ 38,504,972</u>	<u>\$ 331,604,333</u>	<u>\$ 4,317,974</u>

Some amounts reported for business-type activities on the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities

Change in net assets of business-type activities	<u>22,217</u>
	<u>\$ 7,885,576</u>

**City of Flagstaff, Arizona**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2012**

	Business-type Activities – Enterprise Funds		
	Water and Wastewater Fund	Environmental Services Fund	Airport Fund
<b>Cash flows from operating activities:</b>			
Receipts from customers	\$ 18,788,545	\$ 11,786,859	\$ 1,391,575
Interfund services provided	407,549	147,271	-
Other receipts	82,135	-	173,313
Payments to suppliers	(4,882,373)	(5,098,927)	(216,214)
Interfund services used	(68,161)	(3,286)	(24,596)
Interfund reimbursement used	(2,187,869)	(1,386,635)	(357,225)
Payments to employees	(4,470,289)	(4,155,352)	(634,830)
Net cash provided (used) by operating activities	<u>7,669,537</u>	<u>1,289,930</u>	<u>332,023</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfer from other funds	2,221,096	-	119,000
Transfer to other funds	(1,978,318)	(27,408)	(33,567)
Interfund loans paid	(600,000)	-	-
Interfund loans received	-	-	600,000
Net cash provided (used) by noncapital financing activities	<u>(357,222)</u>	<u>(27,408)</u>	<u>685,433</u>
<b>Cash flows from capital and related financing activities:</b>			
Receipts from grantors	426,627	339,544	201,990
Capital Contributions	1,894,675	-	-
Acquisition and construction of capital assets	(4,812,755)	(1,054,669)	(3,237,875)
Principal payments on capital debt	(4,496,526)	-	(153,028)
Interest paid on capital debt	(1,718,405)	-	(133,658)
Proceeds from capital debt	2,534,783	-	-
Proceeds from escrow deposit	-	-	2,234,750
Proceeds on current refunding of capital debt	1,620,864	-	-
Principal paid on current refunding of capital debt	(1,680,000)	-	-
Net cash provided (used) by capital and related financing activities	<u>(6,230,737)</u>	<u>(715,125)</u>	<u>(1,087,821)</u>
<b>Cash flows from investing activities:</b>			
Interest received on investments	39,387	40,258	7,103
Net cash provided (used) by investing activities	<u>39,387</u>	<u>40,258</u>	<u>7,103</u>
Net increase (decrease) in cash and cash equivalents	1,120,965	587,655	(63,262)
Cash and cash equivalents at beginning of year	11,235,782	15,551,891	71,720
Cash and cash equivalents at end of year	<u>\$ 12,356,747</u>	<u>\$ 16,139,546</u>	<u>\$ 8,458</u>
Classified as:			
Cash, cash equivalents, and investments	\$ 10,762,832	\$ 5,399,204	\$ 8,458
Restricted cash and cash equivalents	1,593,915	10,740,342	-
Totals	<u>\$ 12,356,747</u>	<u>\$ 16,139,546</u>	<u>\$ 8,458</u>

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

Business-type Activities – Enterprise Funds			Governmental Activities
Housing Authority Fund	Stormwater Fund	Total	Internal Service Fund
\$ 889,210	\$ 1,376,412	\$ 34,232,601	\$ 6,646,664
-	54,150	608,970	-
244,497	129	500,074	-
(4,415,951)	(87,282)	(14,700,747)	(6,643,957)
(239,286)	-	(335,329)	-
-	(108,101)	(4,039,830)	-
(1,023,902)	(507,917)	(10,792,290)	-
<u>(4,545,432)</u>	<u>727,391</u>	<u>5,473,449</u>	<u>2,707</u>
-	181,448	2,521,544	-
-	(280,236)	(2,319,529)	-
-	-	(600,000)	-
-	-	600,000	-
<u>-</u>	<u>(98,788)</u>	<u>202,015</u>	<u>-</u>
4,439,316	13,699	5,421,176	11,432
-	200	1,894,875	-
(186,823)	(534,661)	(9,826,783)	-
-	-	(4,649,554)	-
-	-	(1,852,063)	-
-	-	2,534,783	-
-	-	2,234,750	-
-	-	1,620,864	-
<u>-</u>	<u>-</u>	<u>(1,680,000)</u>	<u>-</u>
<u>4,252,493</u>	<u>(520,762)</u>	<u>(4,301,952)</u>	<u>11,432</u>
-	3,760	90,508	16,414
-	3,760	90,508	16,414
(292,939)	111,601	1,464,020	30,553
<u>1,364,585</u>	<u>1,148,399</u>	<u>29,372,377</u>	<u>4,501,985</u>
<u>\$ 1,071,646</u>	<u>\$ 1,260,000</u>	<u>\$ 30,836,397</u>	<u>\$ 4,532,538</u>
\$ 1,071,646	\$ 1,260,000	\$ 18,502,140	\$ 4,532,538
-	-	12,334,257	-
<u>\$ 1,071,646</u>	<u>\$ 1,260,000</u>	<u>\$ 30,836,397</u>	<u>\$ 4,532,538</u>

(continued)

**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended June 30, 2012**

	Business-type Activities – Enterprise Funds		
	Water and Wastewater Fund	Environmental Services Fund	Airport Fund
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ (845,604)	\$ 4,173,112	\$ (2,616,842)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	8,127,027	974,053	2,638,411
Landfill closure and postclosure costs	-	(3,497,450)	-
Other receipts	82,135	-	173,313
(Increase) decrease in assets:			
Accounts receivable	(362,132)	(126,896)	(82,373)
Prepaid items	-	-	-
Inventories	29,258	-	-
Increase (decrease) in liabilities:			
Accounts payable	1,129,973	(200,494)	244,863
Accrued payroll, compensated absences	(159,147)	(102,534)	(13,323)
OPEB	46,997	40,106	6,585
Deposits payable	(23,587)	6,724	32
Deferred revenue	(355,383)	23,309	(18,643)
Total Adjustments	<u>8,515,141</u>	<u>(2,883,182)</u>	<u>2,948,865</u>
Net cash provided (used) by operating activities	<u>\$ 7,669,537</u>	<u>\$ 1,289,930</u>	<u>\$ 332,023</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through contributions from developers	\$ 930,765	\$ -	\$ -
Capital assets transferred to governmental activities transfer	(9,338)	(6,382)	(3,617)
Capital assets transferred from governmental activities transfer	812,299	3,439	16,055
Total noncash investing, capital and financing activities	<u>\$ 1,733,726</u>	<u>\$ (2,943)</u>	<u>\$ 12,438</u>

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

Business-type Activities - Enterprise Funds			Governmental Activities
Housing Authority Fund	Stormwater Fund	Total	Internal Service Fund
\$ (4,865,625)	\$ 294,417	\$ (3,860,542)	\$ 71,993
383,242	453,356	12,576,089	-
-	-	(3,497,450)	-
-	-	255,448	-
(156,773)	(15,911)	(744,085)	(12,808)
(20,415)	-	(20,415)	-
-	-	29,258	-
85,397	1,361	1,261,100	(56,478)
17,650	(11,532)	(268,886)	-
15,937	5,700	115,325	-
(750)	-	(17,581)	-
(4,095)	-	(354,812)	-
<u>320,193</u>	<u>432,974</u>	<u>9,333,991</u>	<u>(69,286)</u>
<u>\$ (4,545,432)</u>	<u>\$ 727,391</u>	<u>\$ 5,473,449</u>	<u>\$ 2,707</u>
\$ -	\$ 41,120	\$ 971,885	\$ -
-	(12,000)	(31,337)	-
-	131,911	963,704	-
<u>\$ -</u>	<u>\$ 161,031</u>	<u>\$ 1,904,252</u>	<u>\$ -</u>

(concluded)

**CITY OF FLAGSTAFF, ARIZONA**  
**Notes to the Financial Statement**  
**June 30, 2012**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

The City of Flagstaff (the City) was incorporated as a town in 1894 and as a city in 1928. The current City Charter was approved June 29, 1998. The Charter provides for the Council-Mayor 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 accounting principles generally accepted in the United States of America (GAAP) as applicable to Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City of Flagstaff is a municipal corporation governed by an elected Mayor and six-member council. The accompanying financial statements include the City and all of its component entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the Government Wide Statement of Net Assets and Activities to emphasize they are legally separate from the government. The City of Flagstaff has no discretely presented component units.

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. In fiscal year 2001 the MFC issued \$4.7 million in bonds for construction on additional facilities owned by the City and currently leased to the United States Geological Survey (USGS). These bonds will be repaid through USGS lease proceeds. In fiscal year 2004 the MFC issued \$25 million in bonds for construction of the Fourth Street Overpass and was partially advance refunded in 2012 . The voters approved this debt financing in the May 2000 General Election. These bonds will be repaid with the transportation sales tax that was also approved in the May 2000 Election.

Related Organizations: The City of Flagstaff officials are also responsible for appointing board members of other organizations. However, as the City's control is limited to making the appointments and there is not a significant operational nor a significant financial relationship between these organizations and the City, they are not included as part of these financial statements.

## **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (statement of net assets and statement of activities) report on the City and its component units as a whole. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which are supported by fees and charges for services.

The government-wide statement of activities demonstrates the degree to which the direct expenses of the various functions and segments of the City are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt and depreciation expense on assets shared by multiple functions are not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes, investment income and other revenues not identifiable with particular functions or segments are included as general revenues. The general revenues support the net costs of the functions and segments not covered by program revenues.

Generally, the effect of interfund activity has been removed from the government-wide financial statement. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

Interdepartmental services performed by one department for another are credited to the performing department and charged to the receiving department to reflect the accurate costs of programs. These indirect costs have been eliminated as part of the program expenses reported for the various functional activities. The rates used are intended to reflect full costs in accordance with generally accepted cost accounting principles and are part of the fund statements. Interfund services provided and used are eliminated in the process of consolidation.

The government-wide statement of net assets reports all financial and capital resources of the government. It is displayed in a format of assets less liabilities equals' net assets, with the assets and liabilities shown in order of their relative liquidity. Net assets are required to be displayed in three components: 1) invested in capital assets, net of related debt, 2) restricted, and 3) unrestricted. Invested in capital assets, net of related debt is capital assets net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Restricted net assets are those with constraints placed on their use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net assets not otherwise classified as restricted, are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Restrictions of net assets imposed by the reporting government, whether by administrative policy or legislative actions of the reporting government, are not shown on the government-wide financial statements.

Also part of the basic financial statements are fund financial statements for governmental funds, and proprietary funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although the reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds. The City has opted to add the Stormwater Fund and Housing Authority as major proprietary funds due to their relation with other proprietary

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

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

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

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

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

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

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

The City uses the following fund categories:

## **Governmental Fund Types**

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

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

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

- *Highway User Revenue Fund*, which receives and expends the City's allocation of the Highway User Revenue money. Resources allocated to this fund come mainly from the State and must be used for Street construction, reconstruction and maintenance.
- *Transportation Tax Fund* accounts for the receipt and expenditures of the Transportation Tax money as authorized by voters on May 16, 2000. These resources are restricted to financing improvements in the Areas of the 4<sup>th</sup> Street overpass project, Safe to School/Pedestrian and Bike projects, Traffic Flow and Safety improvements, Transit Service operations and enhancements, and to repay the bonding related to the 4<sup>th</sup> Street overpass.

*Debt Service Funds* are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal and interest. The Special Assessment Bond Fund is presented as major in the current year.

- *Special Assessment Bond Fund*, accounts for the accumulation of resources for and the payment of principal, interest and related costs for all improvement district bonds issued by the City and repaid by the special assessment district.

*Capital Projects Fund* is used to account for major capital acquisition and construction separate from ongoing operating activities. Resources for capital projects typically result from the issuance of general obligation or other government debt. No Capital Projects Funds are presented as major funds.

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

## **Proprietary Fund Types**

*Proprietary Funds* are used to account for the City's ongoing organizations and activities, which are similar to those found in the private sector and where cost recovery and the determination of net income is useful or necessary for sound fiscal management. The measurement focus is based upon determination of net income, changes in net assets, financial position, and cash flows.

Enterprise Funds are used to account for operations that provide services to the general public for a fee. Under GASB Statement No. 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria: 1) any activity that has issued debt backed solely by the fees and charges of the activity, 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges, or 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs. The City has five enterprise funds all of which are presented as major funds in the basic financial statements.

- *Water and Wastewater Fund* accounts for the City water pumping, treatment and distribution systems and the City wastewater collection, and treatment systems.
- *Environmental Services Fund* accounts for the operations of City refuse and management of the City landfill. A recycling collection services as well as the management of sustainability programs.
- *Airport Fund* that accounts for the construction, operations and maintenance of the City airport.
- *Housing Authority Fund* accounts for low income rental assistance along with federal housing programs such as low income public housing and voucher programs that enhance this funds ability to provide services.
- *Stormwater Fund* accounts for the construction, operations and maintenance activities of the City stormwater system.

Internal Service Fund accounts for the operations that provide services to other departments of the government on a cost-reimbursement basis, thus the internal service fund is presented with the proprietary fund financial statements. The internal service fund represents the self-insurance services provided to other departments and accounts for the risk management function of the City as well as maintaining the costs of the City's liability insurance and any claims paid under the City's self-insurance program. These costs are allocated to all operational activities of the City.

### **Private Sector Standards**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

### **Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus whereby only current assets and current liabilities are generally included on the balance sheet. Operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Enterprise funds are accounted for on a flow of economic resources measurement focus whereby all assets and liabilities associated with the operation of these funds are included on the balance sheet. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The modified accrual basis of accounting is used by governmental funds. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter

to be used to pay liabilities of the current period. The City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period.

Expenditures are generally recorded when the related fund liability is incurred, as under accrual accounting. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year. However, debt service expenditures, as well as, expenditures related to compensated absences, claims and judgments are recorded only to the extent they have matured.

Revenues susceptible to accrual include property tax, privilege license tax, highway user tax, state shared sales tax, vehicle license tax, and interest earned on investments. Licenses and permits, charges for services, fines and forfeitures, parks and recreation charges and miscellaneous revenues are recorded when received in cash since they are generally not measurable until actually received. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The accrual basis of accounting is followed for all enterprise funds. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized when incurred.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

### **Budgets and Budgetary Accounting**

The City uses the following procedures in establishing the budgetary data reflected in the accompanying financial statements.

- The maximum legal expenditure permitted for the year is the total budget as adopted. The expenditure appropriations in the adopted budget are maintained in the City's financial system by department within individual funds. Department appropriations may be amended during the year, within administrative guidelines and adopted Council policies.
- The initial budget for the fiscal year may be amended during the year in a legally permissible manner.
- The City Manager is generally authorized to transfer budgeted amounts within any specific department's expenditure appropriation. Any budget revisions requiring a transfer between divisions must be approved by the City Council. Additionally, budget revisions involving personnel or capital asset expenditures/expenses must be approved by the City Council.
- All unencumbered expenditure appropriations expire at the end of the fiscal year.
- Encumbered amounts are re-budgeted in the following year as deemed appropriate and necessary after review by the Budget Committee. Budgetary carry forwards are approved by the City Council as part of the budget adoption process.

- All funds of the City have legally adopted budgets with the exception of the Internal Service Fund and Perpetual Care Fund. Formal integration of these budgets into the City's financial systems is employed as a management control device during the year for all funds.

The City prepares its annual budget on a modified cash basis, which differs from GAAP, GASB Statement 34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the annual financial statements. These statements must display original budget, amended budget and actual results on a budgetary basis at the legal level of budgetary control. The City's legal level of budgetary control is at the division level; however the City's financial statements are presented at the functional level of detail. Budgetary comparisons provided in the basic financial section are presented for the General Fund and major special revenue funds at the division level; these are presented as statements. The supplemental section provides budgetary comparisons for non-major special revenue funds, capital projects funds and debt service funds at the same functional level of detail used in financial statements presentation; these are presented as schedules.

## **D. Assets, Liabilities, and Net Assets**

### **Cash and Investments**

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

State statutes authorize the government to invest in the State's Local Government Investment Pool (LGIP), in obligations of the U.S. Treasury, commercial paper and repurchase agreements. Investment Income from pooled cash and investments is allocated monthly based on the percentage of a fund's average daily equity in pooled cash and investments to the total average daily-pooled equity in pooled cash and investments. Investments are stated at fair value. The City also has an investment policy. Details of the City's investment policy can be found in Note IV.A.

The LGIP is a part of the State of Arizona Treasurer's office. The State Board of Deposit provides oversight for the State Treasurer's pools, and the LGIP Advisory Committee provides consultation and advice to the Treasurer. Investments in the State of Arizona LGIP are stated at fair value, which also approximates the value of the investment upon withdrawal.

For purposes of the statement of cash flows, the City considers cash and cash equivalents, including restricted cash and cash equivalents, to be currency on hand, demand deposits with banks, amounts included in pooled cash and investment accounts and liquid investments with a maturity of three months. Cash and cash equivalents are included in both unrestricted as well as restricted assets.

### **Receivables and Payables**

Accounts receivable and taxes receivable, are shown net of an allowance for uncollectible accounts. The City's property tax is levied each year on or before the third Monday in August based on the previous January 1, full cash value as determined by the Coconino County Assessor. Levies are due and payable in two installments on September 1 and March 1. First half installments become delinquent on November 1; second half installments become delinquent on May 1. Interest at the rate of 12% per annum accrues following delinquent dates. Coconino County bills and collects all property taxes, at no charge to the taxing entities. A lien against property assessed attaches on the first day of January preceding assessment and levy thereon.

Under Arizona tax laws, there are two property tax levies, primary and secondary. Primary property taxes are not restricted as to use and are used to finance the general operations of the City. Secondary property taxes are restricted for general obligation bonded debt service. The secondary property tax levy is recorded as revenue in a

debt service fund and transferred to the Water and Wastewater Fund and the General Obligation Bond Fund. General Obligation bonds are serviced by each of these funds. For fiscal year 2011–2012, primary and secondary property tax collections amounted to \$5,472,700 and \$6,703,407 respectively.

### **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.

### **Restricted Assets**

Certain debt proceeds of the City's bonds, as well as certain resources set aside for their repayment, are classified as restricted on the balance sheet, or statement of net assets, because they are maintained in trust accounts and their use is limited by applicable debt covenants. Typically, restricted assets, committed assets and assigned assets are used prior to using unassigned assets when both are available for the same purpose.

### **Grant Revenue**

The City, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements, are met. Resources transmitted to the City before the eligibility requirements are met are reported as deferred revenues. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes – to purchase, construct, or renovate capital assets associated with a specific program. These are reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the City.

### **Capital Assets**

Capital assets, whether owned by governmental activities or business-type activities, are recorded and depreciated (unless the modified approach is used) in the government-wide financial statements. The City has chosen not to apply the modified approach to any networks or subsystems of infrastructure assets. No long-term assets or depreciation are shown in the governmental fund financial statements.

Capital assets, including public domain infrastructure (i.e., roads, bridges, curbs and gutters, streets and sidewalks, and other assets that are immovable and of value only to the City) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 (\$25,000 for capital improvement projects and infrastructure assets) and an estimated useful life greater than three years. Such assets are recorded at historical cost or estimated historical cost if actual amounts are unknown. Donated capital assets are recorded at estimated fair value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life, are not capitalized. Major improvements are capitalized and depreciated over the remaining useful life of the related asset.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, if material.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives (land and construction-in-progress are not depreciated):

<u>Assets</u>	<u>Useful life (years)</u>
Buildings	10–50
Improvements	10–20
Machinery and Equipment	5–25
Infrastructure	25–75

### **Compensated Absences**

Vacation and sick leave is granted to all regular and part-time permanent employees. The annual amount of vacation time accrued varies depending on classification and years of service. Accumulated vacation leave vests and the City is obligated to make payment if the employee terminates. Sick leave accrues at rates based on the full time equivalency status of each employee. Sick leave is vested with 20 years of service. Sick leave is payable upon termination (if vested) or retirement, up to 50 percent (not more than 520 hours) of accumulated sick leave.

For the governmental fund financial statements, the current payroll and current portion of the compensated absences are recorded as a current liability of the applicable funds. Long-term liabilities of governmental funds are not shown on the fund financial statements. For the government-wide financial statements, as well as the proprietary fund financial statements, all of the accrued liabilities for compensated absences are recorded as a liability.

### **Other Postemployment Benefits**

Retirees are allowed to participate in the same healthcare plan as active employees and pay the same premium for this benefit which results in an implicit rate subsidy. Even though the City makes no direct payments on behalf of the retirees the City is required to report this implicit cost for active employees who will be able to continue to purchase health insurance once they retire.

To recognize the cost of other postemployment benefits (OPEB) for healthcare over the active service life of the employee rather than on a pay-as-you-go basis, the net OPEB obligation includes the amortized future cost of the unfunded actuarial accrued liability. In the government-wide statements, and proprietary fund types in the fund financial statements, the net OPEB obligations are reported as long-term liabilities in the statement of net assets.

### **Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the straight line method, though the GAAP preferred method is the effective rate model.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs in the period in which the bonds are issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **Interfund Transactions**

Interfund transactions, consisting of services performed for other funds or costs billed to other funds are treated as expenditures in the fund receiving the services and as a reimbursement reducing expenditures in the fund performing the services. Exceptions include water sales, sewer charges, and environmental service charges that are recorded as revenue in the enterprise funds and expenses or expenditures in the department receiving the service. In addition, transfers are made between funds to shift resources from a fund legally authorized to receive revenue to a fund authorized to expend the revenue.

**Fund Balance**

In the fund financial statements, restricted fund balance is defined as that portion of fund balance that can be spent only for the specific purposes stipulated by constitution, external resource or through enabling legislation. Committed fund balance includes amounts constrained to specific purposes determined by a formal action of the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint, this action would represent a city ordinance. Assigned fund balance amounts are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority. Assigned fund balance represents the remaining amount that is not restricted or committed in governmental funds other than the general fund, which is classified as unassigned. Nonspendable fund balance represents amounts that are required to be maintained intact, such as inventories, and nonexpendable portion of permanent funds.

**Use of Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS****A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets**

The governmental fund financial statements are presented on a current financial resources measurement focus and modified accrual accounting basis while the government-wide financial statements are prepared on a long-term economic resources measurement focus and accrual accounting basis. Reconciliation's briefly explaining the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements immediately follow each fund financial statement.

Reconciliation of Governmental Funds Balance Sheet and the government-wide Statement of Net Assets:

	Total Governmental Funds	Capital Assets (1)	Long-Term Liabilities (2)	Internal Service Fund (3)	Reclass and Eliminations (4)	Statement of Net Assets Totals
<b>Assets</b>						
Cash and cash equivalents	\$ 56,021,921	\$ -	\$ -	\$ 4,532,538	\$ (53,540,416)	\$ 7,014,043
Cash with fiscal agents	1,978,707	-	-	-	-	1,978,707
Investments	-	-	-	-	53,540,416	53,540,416
Accounts receivable, net	7,173,673	-	294,735	43,141	-	7,511,549
Interest receivable	145,480	-	-	12,078	-	157,558
Intergovernmental receivables	3,846,527	-	-	-	-	3,846,527
Bond proceeds receivable	-	-	-	-	-	-
Special assessments receivable	11,246,451	-	-	-	-	11,246,451
Interfund receivable	200,000	-	-	412,035	(200,000)	412,035
Deferred issuance costs – Prepaid items	-	-	652,891	-	-	652,891
Inventory	401,440	-	-	-	-	401,440
Restricted cash and cash equivalents	5,039,072	-	-	-	-	5,039,072
Refundable deposits	57,794	-	-	-	-	57,794
Property held for sale	500,000	-	-	-	-	500,000
Capital assets	-	296,584,264	-	-	(932,367)	295,651,897
<b>Total Assets</b>	<b>\$ 86,611,065</b>	<b>\$ 296,584,264</b>	<b>\$ 947,626</b>	<b>\$ 4,999,792</b>	<b>\$ (1,132,367)</b>	<b>\$ 388,010,380</b>
<b>Liabilities and Net Assets</b>						
Accounts payable	\$ 3,754,940	\$ -	\$ -	\$ 269,783	\$ -	\$ 4,024,723
Accrued payroll & compensated absences	807,357	-	-	-	-	807,357
Interest payable	1,388,712	-	-	-	-	1,388,712
Interfund payable	200,000	-	-	-	(200,000)	-
Unearned revenue	317,470	-	-	-	-	317,470
Deferred revenue	11,610,767	-	(11,610,767)	-	-	-
Guaranty and other deposits	2,866,657	-	-	-	-	2,866,657
Arbitrage rebate	-	-	-	-	-	-
Current bonds and lease payable	6,022,284	-	-	-	-	6,022,284
Unamortized bond premium	-	-	1,693,004	-	-	1,693,004
Liabilities payable from restricted assets	-	-	-	-	-	-
Compensated absences	-	-	3,627,971	-	-	3,627,971
Other postemployment benefits	-	-	2,326,393	-	-	2,326,393
Unmatured long-term debt	-	-	73,834,200	-	-	73,834,200
Fund balance/Net Assets	59,642,878	296,584,264	(68,923,175)	4,730,009	(932,367)	291,101,609
<b>Total liabilities and net assets</b>	<b>\$ 86,611,065</b>	<b>\$ 296,584,264</b>	<b>\$ 947,626</b>	<b>\$ 4,999,792</b>	<b>\$ (1,132,367)</b>	<b>\$ 388,010,380</b>

(1) Capital assets (land, buildings, equipment, etc.) used in governmental activities are purchased or constructed with the costs of those assets are reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net assets includes those capital assets among the assets of the City as a whole.

Costs of capital assets	\$ 465,578,681
Accumulated depreciation	(168,994,417)
Transfer of capital assets from business-type activities	31,337
Transfer of capital assets to business-type activities	(963,704)
	<u>\$ 295,651,897</u>

(2) Bond issuance costs are expensed when incurred in governmental funds, but are deferred and amortized over the life of the bonds in the statement of net assets.

Unamortized bond issue costs	<u>\$ 652,891</u>
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Certain receivables are not recognized in the governmental funds, but are earned in the statement of net assets.

Deferred court receivables	<u>\$ 294,735</u>
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly are not reported as fund liabilities in the governmental fund statement. All liabilities, both current and long-term are reported in the statement of net assets.

Governmental bonds payable	\$ 79,856,484
Compensated absences	5,256,494
Other postemployment benefits	2,326,393
Unamortized bond premium	1,693,004
Subtotal	<u>89,132,375</u>
Less: current portion compensated absences	1,628,523
Less: current portion of bonds and leases	6,022,284
	<u>\$ 81,481,568</u>

Deferred revenue for the long-term special assessment receivables and property tax shown on the governmental fund statements is not deferred on the statements of net assets.

Deferred special assessment	\$ 11,246,027
Deferred property tax	364,740
	<u>\$ 11,610,767</u>

(3) Internal service funds are used by management to charge the costs self insurance to the individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets, but are not included on the governmental fund balance sheet.

ISF net assets	<u>\$ 4,730,009</u>
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(4) Certain interfund transactions between governmental activities and between business-type activities are eliminated in the consolidation of those activities for the statement of net assets.

Interfund receivables	\$ 200,000
Interfund payables	(200,000)
	<u>\$ -</u>

## B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

Reconciliation of Governmental Funds Statements of Revenues, Expenditures and Changes in Fund Balance and the government-wide Statement of Activities:

	Total Governmental Funds	Capital Related Items (1)	Long-Term Revenues/ Expenses (2)	Internal Service Fund (3)	Adjustments and Eliminations (4)	Statement of Activities Totals
<b>Revenues and Other Sources</b>						
Taxes	\$ 45,577,128	\$ -	\$ (201,766)	\$ -	\$ -	\$ 45,375,362
Intergovernmental	17,230,696	-	-	-	(4,040,874)	13,189,822
Grants and entitlements	9,721,569	-	-	11,432	4,040,874	13,773,875
Special assessments	8,286,453	-	(7,087,628)	-	-	1,198,825
Charges for services	3,220,137	-	-	-	-	3,220,137
Licenses and permits	1,681,874	-	-	-	-	1,681,874
Fines and forfeitures	1,601,044	-	(72,400)	-	-	1,528,644
Rent	1,605,166	-	-	-	-	1,605,166
Investment earnings	296,241	-	-	25,885	-	322,126
Contributions	390,253	4,268,257	-	-	-	4,658,510
Miscellaneous	492,971	-	-	-	17,724	510,695
Total revenue	90,103,532	4,268,257	(7,361,794)	37,317	17,724	87,065,036
<b>Expenditures/Expenses</b>						
General governmental	7,453,963	565,580	162,343	(5,364)	1,229,884	9,406,406
Public safety	25,301,495	1,656,795	107,214	(17,732)	127,948	27,175,720
Public works	1,146,692	227,043	9,524	(907)	233,589	1,615,941
Economic and physical development	8,584,826	238,113	75,601	(5,831)	746,294	9,639,003
Culture and recreation	10,576,877	2,029,612	74,799	(8,308)	(238,285)	12,434,695
Highways and streets	9,593,074	8,259,536	(90,652)	(11,634)	(1,421,553)	16,328,771
Principal retirement	13,654,681	-	(13,654,681)	-	-	-
Interest and other charges	3,346,253	-	(402,196)	-	-	2,944,057
Capital outlay	11,951,834	(11,951,834)	-	-	-	-
Total expenditures/expenses	91,609,695	1,024,845	(13,718,048)	(49,776)	677,877	79,544,593
<b>OTHER FINANCING SOURCES (USES):</b>						
Refunding bonds issued	13,924,136	-	(13,924,136)	-	-	-
Issuance of capital debt	16,797,287	-	(16,797,287)	-	-	-
Payment to bond refunding escrow agent	(15,394,336)	-	15,394,336	-	-	-
Bond (discount) premium	2,264,386	-	(2,264,386)	-	-	-
Sale of capital assets	43,890	(704,043)	-	-	660,153	-
Transfers in	14,872,935	-	-	-	31,337	14,904,272
Transfers out	(15,074,950)	-	-	-	(963,704)	(16,038,654)
Total other financing sources (uses)	17,433,348	(704,043)	(17,591,473)	-	(272,214)	(1,134,382)
Net change for the year	\$ 15,927,185	\$ 2,539,369	\$ (11,235,219)	\$ 87,093	\$ (932,367)	\$ 6,386,061

(1)

When capital assets that are to be used in the governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those as

Capital outlay	\$ 11,951,834
Depreciation expense	(13,008,038)
Disposal of capital assets	(704,043)
Capital assets revision	31,359
Donated capital assets	4,268,257
	<u>\$ 2,539,369</u>

(2)

Special assessment principal payments received are reported as revenue on the governmental fund statements, but are reductions to the outstanding special assessment debt for government-wide reporting. Property tax revenue not received within 30 days of y

Special assessment received	\$ (7,087,628)
Property tax	(201,766)
Court revenue	(72,400)
	<u>\$ (7,361,794)</u>

The costs of issuing bonds are reported as an expenditure in governmental funds in the year of bond issuance. However, the bond issuance costs are deferred and amortized (expensed) over the life of the bonds.

Amortization of bond issuance costs	\$ (79,274)
Issuance cost on new bonds	402,196
Deferral of advance refunding loss	(65,304)
	<u>\$ 257,618</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrual of long-term compensated absences	\$ 9,635
Accrual of other postemployment benefits	(491,356)
	<u>\$ (481,721)</u>

Prepayment of bond principal is reported as an expenditure in governmental funds and thus has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the long

Principal bond payments	\$ 13,654,681
Capital debt issued	(16,797,287)
Bond premium	(2,264,386)
Refunding of capital debt	(13,924,136)
Payment to bond refunding escrow agent	15,394,336
Amortization of bond premium	287,470
	<u>\$ (3,649,322)</u>

(3) Internal service funds are used by management to charge the costs of self insurance to the individual funds. The adjustments for internal service funds "close" those funds by charging the additional amounts to participating governmental activities to com

Revenue	\$ 37,317
Expenditures	49,776
	<u>\$ 87,093</u>

(4) Certain interfund transactions between governmental activities and between business-type activities are eliminated in the consolidation of those activities for the statement of net assets.

Transfer of capital assets from enterprise fund	\$ 31,337
Transfer of capital assets to enterprise fund	(963,704)
	<u>\$ (932,367)</u>

## C. Fund Balance Classification

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The classifications of nonspendable, restricted, committed, assigned, and unassigned designate the relative strength of the constraints placed on the how the amounts can be spent. Classification of fund balances imposed by the reporting government, whether by administrative policy or legislative action of the City Council, are shown in aggregate on the government fund financial statements, but not on the proprietary statement of net assets. Restricted net assets on the government-wide financial statements reflect restrictions imposed by external sources.

Nonspendable fund balance represents amounts that are nonspendable such as inventories and nonexpendable portion of permanent funds. Restricted fund balances represent constraints placed on the use of resources imposed externally by creditors, grantors, contributors, or laws and regulations of other governments. Resources imposed by constitutional provisions of enabling legislation that allows the ability to levy, charge, or mandate payment of resources are also classified as restricted. Committed fund balance includes amounts that can be used only for the specific purposes determined by adoption of a city ordinance by the City Council, the government's highest level of decision-making authority. A formal action would also be required to modify or rescind an established commitment as related to the adopted city ordinance. Assigned fund balance amounts are intended to be used by the government for specific purposes but do not meet the criteria to be restricted or committed. Assigned fund balance is expressed by the direction of the City Council or budget committee who has the authority to assign amounts used for specific purposes. Unassigned fund balance represents the remaining amount that is not restricted, committed, nonspendable nor assigned in the general fund.

Consideration is made that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes which both restricted and unrestricted fund balance is available. Also, committed, assigned, or unassigned amounts are considered to have been spent when expenditure is incurred for purposes for which amounts in unrestricted fund balance classification could be used. Absent of a minimum fund balance policy, the City, through the budgeting process establishes a minimum fund balance level to maintain as part of that process. A minimum balance of 12% is suggested in the general fund and a 10% fund balance is suggested for special revenue and enterprise funds.

Governmental fund balances as of June 30, 2012 are as follows:

	General Fund	Highway User Revenue Fund	Transportation Fund	Special Assessment Bond Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:						
Nons pendable:						
Perpetual care	\$ -	\$ -	\$ -	\$ -	\$ 178,046	\$ 178,046
Inventory	359,923	-	-	-	41,518	401,441
Restricted for:						
Library services	-	-	-	-	800,433	800,433
Library branch services	-	-	-	-	929,427	929,427
Library programs board directed	-	-	-	-	2,218,297	2,218,297
Court improvements and operations	730,877	-	-	-	-	730,877
Debt services	-	-	-	414,694	6,612,383	7,027,077
Regional planning	-	-	-	-	12,613	12,613
Street improvements	-	2,743,448	888,827	-	-	3,632,275
Transit	-	-	3,073,033	-	-	3,073,033
Economic development	-	-	-	-	818,621	818,621
Arts and science	-	-	-	-	406,945	406,945
Culture and recreation	-	-	-	-	1,611,345	1,611,345
Perpetual care	-	-	-	-	15,271	15,271
Other capital projects	27,426	-	926,712	-	12,271,042	13,225,180
Committed to:						
Development fee projects	282,888	-	-	-	-	282,888
Assigned to:						
Court services	41,334	-	-	-	-	41,334
Capital reserve	6,496,094	-	-	-	-	6,496,094
Real estate	538,474	-	-	-	-	538,474
Unassigned:	17,203,207	-	-	-	-	17,203,207
Total fund balances	<u>\$ 25,680,223</u>	<u>\$ 2,743,448</u>	<u>\$ 4,888,572</u>	<u>\$ 414,694</u>	<u>\$ 25,915,941</u>	<u>\$ 59,642,878</u>

### III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

#### A. Budgetary Information

##### Budget Basis of Accounting

The City's accounting records for general government operations (general, special revenue, and debt service funds) are maintained on a basis consistent with Generally Accepted Accounting Principles (GAAP) with measurable revenues recorded when they become available to finance expenditures in the current fiscal year. "Available" is defined as: collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on debt, are recognized in the accounting period in which the liability arises. State statute allows for encumbrances to be recognized for a 60-day period following the end of

For the enterprise funds, the annual budget is prepared on a basis that differs from GAAP because state law requires capital purchases and debt service payments to be budgeted as expenses, and bond proceeds and grants that are to be utilized are to be budgeted as revenues.

The accounting and budgeting systems for the City are in accordance with Generally Accepted Accounting Principles (GAAP) format, with minimal variances between the two systems. Budget basis for enterprise funds differ primarily due to state laws. The major differences are as follows:

- Encumbrances (contractual commitments) are considered the equivalent of expenditures. Encumbrances at year-end for goods or services, which are not received prior to the end of the fiscal year, are cancelled.
- Fund balances reserved to inventory and bonded debt are not included in the budget.
- Certain expenditures, such as depreciation, compensated absences and landfill closure and post closure accrual, are not included in the budget.
- Enterprise funds budget capital expenditures and debt service payments as expenses.
- Enterprise funds budget bond proceeds as revenues.

The City will utilize a number of different fund types to segregate the financial activity within the City either due to regulatory reasons or as designated internally. The fund classifications are Governmental funds, Proprietary funds, and Fiduciary funds.

### **Review and Approval**

Issues presented during the review and approval period include discussion topics of the Council during the fall and spring retreats. The fall and spring retreats were held in November and February respectively, to give City staff the opportunity to present major discussion points to Council and the public. The goal is for Council to make policy decisions and direct staff in preparing the budget. This provides adequate time for the Council to gather input on major budget issues prior to preparation of the budget. The City Council holds Study Sessions in April. The Council reviews and discusses the issue papers included in the Budget Review Book as well as all personnel recommendations, capital equipment recommendations, and the capital improvement plan. The Council arrives at a consensus for all decisions needed. The Study Sessions provide the opportunity for City management, departments, and the public to offer information and recommendations to the City Council.

The proposed budget is presented to Council for tentative adoption on or before the third Monday in June. Two public hearings are held on the content of the budget. State law requires the operating budget to be all-inclusive. Therefore, the budget includes provisions for contingent revenues, e.g., Passengers Facility Charges, and expenditures that cannot be accurately determined when the budget is adopted, e.g., grants. The Resolution adopting the annual budget requires Council authorization for any expenditure from contingencies, as well as transfer of budget authority between departments.

The City operates under the State Expenditure Limitation with a one-time adjustment to the base. The adjustment provided for an increase to the base limit to allow for the expenditure of funds resulting from the addition of a 2% Bed, Board, & Beverage Tax. Flagstaff is not a Home Rule city. Alternative Home Rule Expenditure Control municipalities require voter approval every four years.

The Adopted Budget reflects the total funds appropriated. Certain exclusions are allowed by the state [e.g., bond proceeds, debt service, grants] in computing the Expenditure Limitation and this total cannot be exceeded.

Budget authority can be transferred between line items within a Division. At year-end, Department budgets are reviewed and budget authority is transferred from contingencies by Resolution as necessary. Additionally, any inter-fund transfer of appropriations requires Council approval. Council can also amend total appropriations for a fund

during the year by Resolution as long as there is a corresponding increase/decrease in another fund so that the expenditure limitation is not exceeded.

#### IV. DETAILED NOTES ON ALL FUNDS

##### A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Each fund type’s portion of this pool is displayed on the government-wide Statement of Net Assets as “Cash and cash equivalents,” “Cash with fiscal agents,” “Investments,” and “Restricted cash and investments.”

##### Deposits

At June 30, 2012, the carrying amount of the City’s deposits was \$18,409,106 and the bank balance was \$20,920,195. The \$2,511,089 difference represents deposits in transit, outstanding checks, and other reconciling items at June 30, 2012.

##### Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. Statutes and the City’s investment policy require collateral for demand deposits, certificates of deposit, and repurchase agreements at 102 percent of all deposits not covered by federal depository insurance. As of June 30, 2012, all City deposits and those held by fiscal agents were covered by federal depository insurance or by collateral held by the City’s agent in the City’s name. All investments are either registered in the City’s name or are held by a third party in the City’s name.

##### Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the City’s investment policy matches maturities with cash flow dates, unless matched to a specific requirement the City may not invest more than 25 percent of the portfolio for a period greater than three years or any portion of the portfolio for a period greater than 10 years.

At June 30, 2012, the City’s investments included the following

Investment Type	Fair Value	Weighted Average Maturity (in years)
Federal Agency Securities	\$ 37,325,743	2.730
Municipal Obligations	780,278	5.000
U.S. Treasuries	15,434,396	3.550
State Investment Pool	24,507,492	0.005
Wells Fargo – money market	31,192	0.998
FDIC Guaranteed Certificate of Deposit	1,920,430	1.600
Total fair value of Investments	\$ 79,999,529	
Portfolio weighted average maturity		2.048

## Credit Risk

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

The credit quality ratings of investments as described by nationally recognized Standard and Poor's and Moody's rating service as of June 30, 2012 is as follows:

Investment Type	Fair Value	Moody's Rating	S&P Rating	% of Investments
Federal Agency Securities	\$ 37,325,743	AAA	AA+	0.47
Municipal Obligations	780,278	AA2	AA	0.01
U.S. Treasury	15,434,396	AAA	AA+	0.19
State investment pool (LGIP) Pool 5	22,924,671	N/A	AAAF/S1 +	0.29
State investment pool (LGIP) Pool 7	1,582,822	N/A	AA+	0.02
FDIC Guaranteed Certificates of Depos	1,920,430	N/A	N/A	0.02
Wells Fargo – money market	31,192	N/A	AAAm	0.00
Total	<u>\$ 79,999,529</u>			<u>100%</u>

## Concentration of Credit Risk

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

At June 30, 2012, the City's cash and investments included the following:

**Total City cash deposits and investments at fair value are as follows:**

Carrying amount of investments	\$ 79,999,529
Carrying amount of cash deposits	18,409,106
Total pooled cash and investments	<u>\$ 98,408,635</u>
Pooled cash and cash equivalents – unrestricted	\$ 25,516,183
Investments – unrestricted	53,540,416
Restricted cash with fiscal agent	1,978,707
Restricted cash and investments	17,373,329
Total pooled cash and investments	<u>\$ 98,408,635</u>

Cash and cash equivalents at June 30, 2012 consisted of the following:

Investments included in cash and cash equivalents	\$ 25,500,258
Cash on hand	15,925
Total cash and cash equivalents per statement of net assets	<u>\$ 25,516,183</u>

Investment income comprises the following for the year ended June 30, 2012:

Net interest and dividends	\$ 633,404
Net increase (decrease) in the fair value of investments	(193,031)
Total net investment income per statement of activities	<u>\$ 440,373</u>

The net decrease in the fair value of investments during fiscal year 2011–2012 was \$193,031. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain (loss) on investments held at June 30, 2012 was \$70,387.

In previous years, the City recognized a decrease in fair value of \$1,473,712 consisting of the City's share of a loss on an investment within the Local Government Investment Pool. The State and numerous other bondholders filed suit against the principals, underwriters, trustees, accountants, and others in May 2003. The case is presently pending litigation. There have been several distributions since June 2006. The distributions include payments from the trustee and settlement proceeds received from pending litigation. The City did receive distributions this year in the amount of \$4,240 and the total recovery to date is \$781,245.

In previous years, the City recognized a decrease in fair value of \$289,104 consisting of the City's share of a loss on an investment within the Local Government Investment Pool relating to Lehman Brothers Chapter 11 filing. The State has filed claims on behalf of the LGIP investors. The City received a distribution this year in the amount of \$17,433 which is the only distribution the City has received to date.

## B. Receivables

Receivables as of June 30, 2012, including allowances for uncollectible accounts, are as follows:

Fund	Accounts	Interest	Intergov- ernmental	Special Assessments	Total Receivables
<b>Governmental Activities</b>					
General fund	\$ 5,695,761	\$ 62,160	\$ 1,592,277	\$ -	\$ 7,350,198
Highway user revenue fund	738,832	3,829	-	-	742,661
Transportation fund	1,142,416	25,656	1,451,714	-	2,619,786
Special assessment fund	-	627	-	11,246,451	11,247,078
Other governmental funds	773,358	53,208	802,536	-	1,629,102
Less: allowance for uncollectibles	(881,959)	-	-	-	(881,959)
Total government funds	7,468,408	145,480	3,846,527	11,246,451	22,706,866
Internal services funds	43,141	12,078	-	-	55,219
Total governmental activities	7,511,549	157,558	3,846,527	11,246,451	22,762,085
<b>Business-Type Activities</b>					
Water and wastewater	3,392,780	26,294	1,379,338	-	4,798,412
Environmental services	1,247,514	15,482	101,418	-	1,364,414
Airport	108,835	914	3,062,628	-	3,172,377
Stormwater	166,822	2,777	-	-	169,599
Flagstaff housing authority	229,296	-	-	-	229,296
Less: allowance for uncollectibles	(167,650)	-	-	-	(167,650)
Total business-type activities	4,977,597	45,467	4,543,384	-	9,566,448
Total activities	\$12,489,146	\$ 203,025	\$ 8,389,911	\$ 11,246,451	\$ 32,328,533

The receivables not expected to be collected within one year include \$881,959, of the general fund, \$70,000 of the water and wastewater, \$75,000 of the environmental services fund, \$5,000 of the airport fund, \$4,000 of the Stormwater fund, and \$13,650 of the flagstaff housing authority.

## C. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, as of June 30, 2012 is as follows:

	Balance * July 1, 2011	Additions	Deletions and Retirements	Transfers In (out)	Balance June 30, 2012
<b>Governmental activities:</b>					
Non-depreciable assets:					
Land	\$ 47,949,793	\$ 1,717,005	\$ -	\$ 20,206	\$ 49,687,004
Construction –in–progress	9,031,305	2,825,263	(132,334)	(6,198,466)	5,525,768
Total non-depreciable assets	<u>56,981,098</u>	<u>4,542,268</u>	<u>(132,334)</u>	<u>(6,178,260)</u>	<u>55,212,772</u>
Depreciable assets:					
Buildings	72,334,046	430,983	(830,494)	4,556,103	76,490,638
Improvements	20,611,387	115,246	(768,051)	-	19,958,582
Machinery and equipment	30,734,974	4,056,715	(3,134,312)	387,249	32,044,626
Infrastructure	274,026,367	7,074,879	(409,589)	248,039	280,939,696
Total depreciable assets	<u>397,706,774</u>	<u>11,677,823</u>	<u>(5,142,446)</u>	<u>5,191,391</u>	<u>409,433,542</u>
Accumulated depreciation:					
Buildings	(16,033,495)	(1,611,903)	700,525	-	(16,944,873)
Improvements	(11,568,938)	(1,004,068)	738,042	-	(11,834,964)
Machinery and equipment	(20,964,714)	(1,994,967)	3,091,037	54,502	(19,814,142)
Infrastructure	(112,044,471)	(8,397,100)	41,133	-	(120,400,438)
Total accumulated depreciation	<u>(160,611,618)</u>	<u>(13,008,038)</u>	<u>4,570,737</u>	<u>54,502</u>	<u>(168,994,417)</u>
Governmental activities capital assets, net	<u>\$ 294,076,254</u>	<u>\$ 3,212,053</u>	<u>\$ (704,043)</u>	<u>\$ (932,367)</u>	295,651,897
				Less: associated debt	(79,856,483)
				Less: unamortized premium	(2,215,437)
				Plus: unamortized loss on current refunding	522,432
				Plus: unspent capital related debt, series 2006	1,181,870
				Plus: unspent capital related debt, series 2012	3,828,191
				Invested in capital assets, net of related debt	<u>\$ 219,112,470</u>

	Balance July 1, 2011	Additions	Deletions and Retirements	Transfers In (out)	Balance June 30, 2012
<b>Business-type activities:</b>					
Non-depreciable assets:					
Land	\$ 11,855,390	\$ 506,506	\$ -	\$ (12,000)	\$ 12,349,896
Construction -in-progress	16,905,294	5,614,029	-	(37,668)	22,481,655
Total non-depreciable assets	<u>28,760,684</u>	<u>6,120,535</u>	<u>-</u>	<u>(49,668)</u>	<u>34,831,551</u>
Depreciable assets:					
Buildings	102,000,940	-	(236,676)	(472,783)	101,291,481
Improvements	358,083,703	3,485,751	(8,478,704)	1,446,879	354,537,629
Machinery and equipment	44,563,886	1,192,382	(1,966,287)	62,441	43,852,422
Total depreciable assets	<u>504,648,529</u>	<u>4,678,133</u>	<u>(10,681,667)</u>	<u>1,036,537</u>	<u>499,681,532</u>
Accumulated depreciation:					
Buildings	(41,632,541)	(2,277,178)	184,175	-	(43,725,544)
Improvements	(117,215,750)	(7,538,480)	8,053,137	-	(116,701,093)
Machinery and equipment	(18,027,544)	(2,760,431)	1,947,509	(54,502)	(18,894,968)
Total accumulated depreciation	<u>(176,875,835)</u>	<u>(12,576,089)</u>	<u>10,184,821</u>	<u>(54,502)</u>	<u>(179,321,605)</u>
Business-type activities capital assets, net	<u>\$ 356,533,378</u>	<u>\$ (1,777,421)</u>	<u>\$ (496,846)</u>	<u>\$ 932,367</u>	355,191,478
				Less: associated debt	(50,781,701)
				Less: unamortized premium	(63,053)
				Plus: unamortized loss on current refunding	71,669
				Invested in capital assets, net of related debt	<u>\$ 304,418,393</u>

\*The City completed a comprehensive review of capital assets including a citywide inventory, resulting in a minor change in the July 1, 2011 balance for governmental activities of \$25,667 within construction in progress and \$5,692 within in machinery and equipment.

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

<b>Governmental Activities:</b>	
General government	\$ 565,579
Public safety	1,656,795
Public works	227,044
Economic and physical development	243,805
Culture and recreation	2,030,279
Highway and streets	8,284,536
Total depreciation expense – governmental activities	<u>\$ 13,008,038</u>

## D. Interfund Receivables, Payables, and Transfers

### Interfund receivables and payables

Net interfund receivables and payables between governmental activities and business-type activities of \$412,035 are included in the government-wide financial statements at June 30, 2012. The interfund balances at June 30, 2012 are short-term loans to cover temporary cash deficits in various funds. This occasionally occurs prior to bond sales or grant reimbursements. All interfund balances outstanding at June 30, 2012 are expected to be repaid within one year.

The following interfund receivables and payables are included in the fund financial statements at June 30, 2012:

Fund	Interfund Receivables	Interfund Payables
<b>Governmental Activities:</b>		
General fund	\$ 200,000	\$ -
Other governmental funds	-	200,000
Total governmental activities	200,000	200,000
<b>Business-Type Activities:</b>		
Water and wastewater fund	2,600,000	-
Airport fund	-	2,600,000
Total business-type activities	2,600,000	2,600,000
Total governmental and business-type activities	\$ 2,800,000	\$ 2,800,000
Less: fund eliminations	(2,800,000)	
Adjustment for internal service fund elimination	412,035	
Total government-wide statement of net assets	\$ 412,035	

## Transfers

The net transfers of \$1,134,382 from governmental activities to business-type activities on the government-wide statement of activities are primarily debt service and operational subsidies from the General Fund. There were no significant transfers during fiscal year 2012 that were either non-routine in nature or inconsistent with the activities of the fund making the transfer. The following transfers are reflected in the fund financial statements for the year ended June 30, 2012:

Fund	Transfers out	Transfers In
<b>Governmental Activities:</b>		
General fund	\$ 4,426,254	\$ 3,831,006
Highway user revenue fund	85,401	5,125,572
Transportation fund	2,904,291	-
Other governmental funds	7,659,004	5,916,357
Total governmental activities	15,074,950	14,872,935
<b>Business-Type Activities:</b>		
Water and wastewater fund	1,978,318	2,221,096
Environmental services fund	27,408	-
Airport fund	33,567	119,000
Stormwater fund	280,236	181,448
Total business-type activities	2,319,529	2,521,544
Total governmental and business-type activities	\$ 17,394,479	\$ 17,394,479
Less: fund eliminations	(17,192,464)	
Add: net capital assets transfer	932,367	
Total government-wide statement of activities	\$ 1,134,382	

## E. Leases

### Operating Leases Expenditures

The City leases library spaces under both non-cancellable and cancellable operating leases. The non-cancellable lease is for the East Flagstaff Library. The term of the contract for a period of 10 years, began September 2002 (FY-2003) and, after the automatic renewal, ends in June 30, 2017, adjustments on July 1<sup>st</sup> to the lease amount based on the prior year change in the Consumer Price Index for the prior year. In FY 2012 the lease was non-cancellable for the initial term of the lease. Beginning in FY-2013, the lease may be terminated given 180 days notice by either party. Fiscal Year 2012 lease expense for the library was \$79,203. The schedule below for future minimum lease expenses reflects the change in the rental rate as of June 30, 2012.

The additional cancellable lease is the Chevelon Butte School District #5 and Coconino county Library District for facility use. It is a four (4) year lease beginning September 1, 2011, and is automatically renewed an additional four (4) years, indefinitely, unless 30 days notice is given by either party. Total lease expense was \$6,600 for FY 2012.

### Operating Lease Expenditures

Year Ending June 30	East Flagstaff Library	Chevelon Butte School Dist.#5
2013	\$ 81,421	\$ 6,600
2014	81,421	6,600
2015	81,421	6,600
2016	81,421	6,600
2017	81,421	6,600
Total	<u>\$ 407,105</u>	<u>\$ 33,000</u>

In addition, the City has entered into several operating lease agreements, with cancellation provisions, for the purpose of leasing office space and land. Lease expenditures for these items for the period ending June 30, 2012 were \$302,301 (inclusive of the Chevelon Butte School Library).

### Operating Lease Revenues

The City leases several City-owned buildings under cancellable and non-cancellable agreements. The carrying value of the leased assets is \$4,199,008 (cost of \$5,665,896 less accumulated depreciation of \$1,466,887.44) with current depreciation of \$132,927. Certain leases contain provisions for future rate increases based on changes in the Consumer Price Index. Total revenue for fiscal year 2012 was \$1,599,922. The City currently has one lease with non-cancellable terms that is for USGS building #6, which is guaranteed through August 2018. The following table represents the future minimum lease receivable from the lease with non-cancellable terms. The amounts shown include revenue related to the asset and the operational expenses.

Year Ending June 30	USGS Building #6
2013	\$ 792,606
2014	792,606
2015	792,606
2016	792,606
2017-2018	858,657
Total	<u>\$ 4,029,081</u>

In addition, the Airport Fund has several leases under cancellable agreements. The leases are for terminal space, hangars, shades, tiedowns, ground leases and a cafe. Lease revenue in the Airport fund for fiscal year 2012 was \$1,313,184.

The carrying value of the all leased assets is \$14,479,276 (cost of \$19,052,593 less accumulated depreciation of \$4,573,317) with current year depreciation of \$344,338.

## F. Long-Term Debt

### General Obligation Bonds

The City of Flagstaff issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. 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.

On September 13, 2011, the City issued \$12,845,000 in GO bonds, series 2011, related to capital projects approved by voters. Fire stations projects for \$2.4M was approved by voters on the election of May 18, 2004. The 2010 election resulted in \$400,000 approval for the install of a new public safety communications system, and \$10,045,000 for improvements related to street and utility infrastructure.

### Current Refunding

On September 13, 2011, the City issued \$3,015,000 in GO Refunding Bonds, Series 2011 with interest rates ranging between 1.00% and 5.00%. The City issued the bonds as a current refunding of two previous issues, one previously refunded; GO Refunding Series 1997, business-type activity and GO Series 2001B, governmental activity, with interest rates ranging between 3.0% to 3.25% and 4.375% to 4.75%, respectively. As a result, these issues have been redeemed. The current refunding reduced total debt service payments over the next two years by \$173,306 and resulted in an economic gain, the difference between the present values of the debt service payments of the old and new debt, of \$174,695, inclusive of \$1,389 as provided from funds on hand.

### GO Supported Debt

On September 02, 2011, the City signed an intergovernmental agreement with Northern Arizona University resulting in \$3,952,287 of GO supported debt. This agreement resulted in a joint public safety communications system, with an agreed upon interest rate of 2.40%. Voters approved the new public safety communication system during the 2010 election.

On June 17,2011, the City signed a loan agreement with the Arizona Water infrastructure finance authority for \$1,833,828 as part of the water infrastructure improvements related to Red Gap wells, to-date \$1,633,933 has been drawn. Voters approved this measure during the May 18, 2004 bond election related to future water rights. This agreement is GO backed.

General obligation bonds outstanding at June 30, 2012:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 37,272,331
Governmental activities – current refunding	1,176,808
Business-type activities	1,566,405
Business-type activities – refunding	1,558,192
Total general obligation bonds outstanding	<u>\$ 41,573,736</u>

General obligation bonds payable at June 30, 2012 consist of the following individual issues:

Governmental activities:

\$3,015,000 GO Refunding Series 2011 – Parks and recreation portion of \$1,394,136, due in annual installments of \$212,704 to \$964,104 through July 1, 2014; interest rate at 2.0% to 5.0%. Parks improvements.	\$ 1,176,808
\$31,500,000 Capital projects, series 2006 due in annual installments of \$1,180,000 to \$2,445,000 through July 1, 2023; interest rate at 3.25% to 5.25%. Consturction related to recreation facilities, fire facilities and equipment, and open space acquisition.	21,100,000
\$12,845,000 Capital projects, series 2011 due in annual installments of \$335,000 to \$2,320,000 through July 1, 2020; interest rate at 1.0% to 4.0%. Construction related to fire facilities, streets and utility improvements, and public safety communication system.	12,510,000
\$3,952,287 Public Safety Communications, series 2011 due in annual installments of \$289,956 to \$446,582 through July 1, 2021; interest rate at 2.40%. Construction related to public safety communication system.	3,662,331
 Total governmental activities	 <u>38,449,139</u>

Business-type activities:

\$8,230,000 Water refunding bond, series 2003, due in annual installments of \$190,000 to \$1,960,000 through July 1, 2013; interest at 3.0% to 3.25%. Water infrastructure improvements.	190,000
\$3,015,000 GO Refunding Series 2011 – Water improvement project bonds as portion of \$1,620,864, due in annual installments of \$247,296 to \$1,120,896 through July 1 2014; interest rate at 2.0% to 5.0%	1,368,192
\$1,833,828 Water infrastructure finance authority, due in annual installments of \$67,528 to \$120,704 through July 1, 2031; interest at 3.104%. Amount drawn to-date \$1,633,933. Remaining available \$199,895. Red Gap Wells.	1,566,405
 Total business-type activities	 <u>3,124,597</u>
Total General Obligation Bonds	<u>\$ 41,573,736</u>

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 2,873,508	\$ 1,411,068	\$ 1,380,520	\$ 121,993
2014	3,860,972	1,276,997	319,081	57,611
2015	4,322,348	1,145,615	74,014	50,437
2016	4,516,644	990,918	76,311	48,139
2017	3,946,164	840,499	78,680	45,771
2018-2022	17,194,503	2,066,159	431,584	190,666
2023-2027	1,735,000	56,385	502,855	119,396
2028-2031	-	-	261,552	36,355
Total	<u>\$ 38,449,139</u>	<u>\$ 7,787,641</u>	<u>\$ 3,124,597</u>	<u>\$ 670,368</u>

#### Statutory Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, wastewater, electric, parks and open space, streets, and public safety purposes may not exceed 20% of the City of Flagstaff's net secondary assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6% of the City's net secondary assessed valuation. Prior to December 7, 2006 streets, fire, and police were in the six percent limitation category.

The City's computation of legal debt margins available for creation of additional debt at June 30, 2012 was \$153,055,330 and \$41,841,159 for the 20 percent and 6 percent debt limits, respectively. Also, see Schedule 16 in the Statistical Section for related information.

#### 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.

#### Early Extinguishment of Debt

On July 12, 2011, the City defeased \$6,479,356 of its Aspen Place at the Sawmill Improvement District debt resulting in an early extinguishment of debt. Resources used to call the debt early resulted from the sale of property that reverted to the City per the development agreement, from within the Aspen Place at the Sawmill improvement district.

Special assessment bonds outstanding at June 30, 2012:

Purpose	Amount
Governmental activities	<u>\$ 11,365,000</u>

Special assessment bonds payable at June 30, 2012 consist of the following individual issues:

**Special Assessment Bonds**

Governmental activities:

\$11,690,000 Improvement district bonds, due in annual installments of \$325,000 to \$870,000, through January 1, 2032; interest at 5.0%. Aspen Place at the Sawmill district improvements.	\$ 11,365,000
<b>Total Special Assessment Bonds</b>	<b><u><u>\$ 11,365,000</u></u></b>

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 345,000	\$ 559,625
2014	360,000	542,000
2015	380,000	523,500
2016	395,000	504,125
2017	420,000	483,750
2018–2022	2,420,000	2,075,000
2023–2027	3,095,000	1,389,375
2028–2032	3,950,000	513,250
<b>Total</b>	<b><u><u>\$ 11,365,000</u></u></b>	<b><u><u>\$ 6,590,625</u></u></b>

**Revenue Bonds**

Highway User Revenue Fund bonds (HURF) are issued specifically for the purpose of constructing street and highway projects. These bonds are repaid out of the HURF fund by gas tax revenues collected by the State of Arizona and distributed to cities and towns based on a formula of population and gas sales within each county.

In fiscal year 2004, the MFC issued \$25 million in bonds for the construction of the Fourth Street Overpass on land owned by the City. The City will make lease payments equal to the debt service on both issues and will obtain legal title upon payment in full of the bonds. The City has collateralized the contracts payable to the MFC by a pledge of the City’s State Shared Revenues which 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.

Greater Arizona Development Authority revenue bonds are issued specifically for the purpose of constructing public infrastructure projects. These bonds have state shared revenue pledged as a repayment revenue stream. These bonds funded the Business Incubator building.

Water & Sewer Revenue bonds are issued as authorized by the voters for the construction, acquisition, furnishing, and/or equipping of water and sewer facilities and related systems. The Water & Sewer Revenue bonds are collateralized by revenue in excess of operating and maintenance expenses of the City's water & sewer utility system, and are repaid via user charges or fees for service.

**Advance Refunding**

On March 21, 2012, the City issued \$12,530,000 in pledged revenue refunding bonds with interest rates ranging between 3.0% and 5.0%. The City issued the bonds to advance refund \$13,025,000 of the outstanding series 2003 Fourth Street Municipal Facility Corporation revenue bonds, with an interest rate ranging between 4.0% and 5.25%. The City used the net proceeds along with other resources to purchase U.S. Treasury securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2003 series bonds. As a result, that portion of the 2003 series bonds is considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$12,530,000 at June 30, 2012.

The advance refunding reduced total debt service payments, cash flow, of the MFC debt by \$1,442,024 over the next eight years. The resulting economic gain, the difference between the present values of the debt service payments on the old and new debt, of \$1,402,477, inclusive of \$62 cash from funds on hand.

Revenue bonds outstanding at June 30, 2012:

Purpose	Amount
Governmental activities	\$ 3,085,000
Governmental activities – partial advance refunding	12,530,000
Business-type activities	3,972,483
Total revenue bonds outstanding	\$ 19,587,483

Revenue bonds at June 30, 2012 consist of the following individual issues:

Governmental activities:

\$12,530,000 Fourth Street Pledged Revenue Refunding bonds, series 2012 due in annual installments of \$695,000 to \$2,165,000 through July 1, 2020; interest at 3.0% to 5.0%. Street and bridge infrastructure.	\$ 12,530,000
\$3,370,000 Greater Arizona Development Authority revenue bonds, series 2010A, due in annual installments of \$50,000 to \$240,000 through August 1, 2030; interest at 2.0% to 4.625%. Business incubator construction.	3,085,000
Total Governmental activities	15,615,000

Business-type activities:

\$6,775,760 Water and wastewater revenue bonds, series 2003 due in annual installments of \$238,431 to \$462,398 through July 1, 2022; interest at 3.548%. Water and sewer improvements.	3,972,483
Total Revenue Bonds	\$ 19,587,483

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 120,000	\$ 610,213	\$ 337,877	\$ 140,924
2014	820,000	606,612	349,863	128,938
2015	1,925,000	582,013	362,275	116,526
2016	1,990,000	522,962	375,127	103,675
2017	2,060,000	448,363	388,434	90,367
2017-2021	7,050,000	976,549	2,158,907	235,098
2022-2026	960,000	292,512	-	-
2027-2030	690,000	64,751	-	-
Total	<u>\$ 15,615,000</u>	<u>\$ 4,103,975</u>	<u>\$ 3,972,483</u>	<u>\$ 815,528</u>

**Other Debt**

**Municipal Facility Corporation Bonds**

The Municipal Facilities Corporation (MFC) is a non-profit corporation created by the City for the purpose of constructing, acquiring, and equipping municipal facilities.

In fiscal year 2001, the MFC issued \$4.7M certificates of participation for the construction of a new United States Geological Survey (USGS) facility on land owned by the City. In fiscal year 2004 the MFC issued \$25M in bonds for construction of the Fourth Street Overpass, as approved by voters in May 2000 general election. This issue was partially refunded on March 21, 2012 with pledged revenue bonds.

Municipal Facility Corporate bonds outstanding at June 30, 2012:

Purpose	Amount
Governmental activities	<u>\$ 3,205,000</u>

Municipal facility corporation bonds are comprised of the following issues:

\$4,700,000 USGS Project Municipal Facility Corporation bonds, series 12 (2001) due in annual installments of \$255,000 to \$440,000, through August 1, 2016; interest at 4.0 to 4.75%. Facility construction.	\$ 1,645,000
\$25,000,000 Fourth Street Municipal Facility Corporation revenue bonds, series 2003 final annual installment of \$1,560,000 through July 1, 2013; interest at 4%, resulting from a partial advance refunding of pledged revenue bonds series 2012, as senior obligation. Street and bridge infrastructure.	1,560,000
Total Municipal Facility Corporation Bonds	<u>\$ 3,205,000</u>

Annual debt service requirements to maturity for municipal facility debt are as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 1,945,000	\$ 140,056
2014	400,000	59,850
2015	420,000	40,850
2016	440,000	20,900
Total	<u>\$ 3,205,000</u>	<u>\$ 261,656</u>

#### Certificates of Participation

Capital lease certificates of participation series 2009 were issued to complete various street overlay projects and to finance fire operating equipment. Principal and interest on the bonds are payable from capital lease payments and are not considered general obligations of the City. They are appropriated along with all other expenditures of the general government.

Certificates of participation bonds outstanding at June 30, 2012:

Purpose	Amount
Governmental activities	<u>\$ 4,080,000</u>

Certificates of participation are comprised of the following issues:

\$4,690,000 Certificates of participation, series 2009 due in annual installments of \$435,000 to \$575,000, through October 1, 2019; interest at 3.3137%. Roadway overlay improvements and fire equipment.	\$ 4,080,000
Total Certificates of participation	<u>\$ 4,080,000</u>

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 455,000	\$ 129,645
2014	470,000	115,770
2015	485,000	101,445
2016	500,000	86,670
2017	515,000	70,673
2018-2020	1,655,000	97,712
Total	<u>\$ 4,080,000</u>	<u>\$ 601,915</u>

The following is a summary of debt service requirements, including interest requirements, to maturity for long-term debt at June 30, 2012:

Fiscal Year	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	Municipal Facility Corporation Bonds	Cetificates of Participation	Total
2013	\$ 5,787,089	\$ 904,625	\$ 1,209,014	\$ 2,085,056	\$ 584,645	\$ 10,570,429
2014	5,514,661	902,000	1,905,413	459,850	585,770	9,367,694
2015	5,592,414	903,500	2,985,814	460,850	586,445	10,529,023
2016	5,632,012	899,125	2,991,764	460,900	586,670	10,570,471
2017	4,911,114	903,750	2,987,164		585,673	9,387,701
2018	4,835,425	902,250	2,991,563		582,900	9,312,138
2019	4,774,625	899,750	2,985,264		583,313	9,242,952
2020	4,578,475	901,125	2,981,163		586,500	9,047,263
2021	3,074,750	896,375	732,288			4,703,413
2022	2,619,637	895,500	730,277			4,245,414
2023	1,915,835	898,250	249,250			3,063,335
2024	124,450	899,500	251,812			1,275,762
2025	124,450	894,375	248,950			1,267,775
2026	124,450	897,750	250,875			1,273,075
2027	124,451	894,500	251,625			1,270,576
2028	124,450	894,625	251,913			1,270,988
2029	124,450	893,000	251,737			1,269,187
2030	45,260	889,625	251,100			1,185,985
2031	3,747	894,250				897,997
2032		891,750				891,750
Less interest	(8,458,009)	(6,590,625)	(4,919,503)	(261,656)	(601,915)	(20,831,708)
	<u>\$41,573,736</u>	<u>\$11,365,000</u>	<u>\$19,587,483</u>	<u>\$ 3,205,000</u>	<u>\$ 4,080,000</u>	<u>\$79,811,219</u>

### Authorized and Issued Debt

The voters of the City authorize capital projects and the related debt mechanism to finance these capital projects. Voters approved \$8.2M during the bond election of November 5, 1996 to fund park and recreation facilities, as of June 30, 2012, \$1.1M is authorized and unissued. May 18, 2004, voters approved \$47.4M for various capital projects and \$46.6M for future water rights and production, as of June 30, 2012, \$13.5M remains unissued for capital projects and \$.3M remains unissued for future water rights and production. November 2, 2010 voters approved \$21.2M for public safety communication system and various street and utilities improvements, as of June 30, 2012 \$6.82M remain unissued.

### Loans Payable

The City of Flagstaff has various loan agreements with the Water and Wastewater Infrastructure Finance Authority of Arizona Revolving Fund Loan Program for the acquisition and construction of water and wastewater facilities and obtaining water rights. The Airport has an agreement with the Arizona Department of Transportation which provides financing for the construction of 14 T hangars at the City Airport.

Loans outstanding as of June 30, 2012:

Purpose	Amount
Business-type activities	<u>\$ 35,688,761</u>

Loan payables at June 30, 2012 consist of the following individual financing options:

Business-type activities:

Water and wastewater:

\$7,900,000 Water infrastructure finance authority due in annual installments of \$295,000 to \$525,000 through July 1, 2026; interest at 3.28%. Water infrastructure acquisition.	\$ 5,990,000
\$23,100,000 Wastewater infrastructure finance authority due in annual installment of \$815,834, to 1,571,901 through July 1, 2027; interest at 3.512%. Sewer treatment plant improvements.	19,409,565
\$8,500,000 Water infrastructure finance authority due in annual installment of \$344,052 to \$628,065 through July 1, 2029; interest at 3.113%. Water production improvements and acquisition.	7,272,174
\$2,100,000 Water infrastructure finance authority due in annual installment of \$77,263 to \$138,320 through July 1, 2029; interest at 3.113%. Amount issued to-date \$1,460,666. Remaining available \$639,334. Water feasibility study.	1,221,588
\$232,500 Water infrastructure finance authority due in annual installment of \$8,737 to \$15,054 through July 1, 2029; interest at 2.905%. Well improvements.	205,521
\$1,000,000 Water infrastructure finance authority due in annual installment of \$39,345 to \$62,318 through July 1, 2029; interest at 2.45%. Amount issued to-date \$594,951. Remaining available \$405,050. Well infrastructure improvements.	474,002
\$1,100,000 as amended 10/02/09, \$800,000 Water infrastructure finance authority due in annual installment of \$31,475 to \$70,168 through July 1, 2029; interest at 2.45%. Amount issued to-date \$1,008,891. Remaining available \$91,109. Local aquifer study.	898,670
Total water and wastewater loan payable	<u>\$ 35,471,520</u>

Airport:

\$600,000 Arizona Department of Transportation due in quarterly installments of \$5,337 to \$13,548 through January 1, 2016; interest at 5.60%. Hangar construction.	\$ 217,241
Total	<u>\$ 35,688,761</u>

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2013	1,914,968	1,279,415
2014	1,980,876	1,212,193
2015	2,048,810	1,142,615
2016	2,123,846	1,070,606
2017	2,168,396	996,117
2018-2022	11,882,323	3,811,645
2023-2027	12,897,790	1,604,548
2028-2031	671,752	46,664
Total	<u>\$ 35,688,761</u>	<u>\$ 11,163,803</u>

### Obligations under Capital Leases

The City has entered into a capital lease agreement for energy saving equipment with total governmental asset of \$1,432,499. The construction of a co-generator at Wildcat Wastewater Treatment Plant and construction of airport hangars represents total business assets of \$1,491,955 and \$306,376, respectively. These lease agreements generally require annual payments and the lease terms vary from 10 to 30 years. The lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of their future minimum lease payments as of the date of inception.

Fiscal Year Ending June 30, 2012	Governmental Activities	Business Type Activities
2013	\$ 470,993	\$ 482,692
2014	470,993	482,692
2015	235,496	482,692
2016	-	482,692
2017	-	357,214
2018-2022	-	1,158,678
2023-2025	-	579,343
Total future minimum lease payments	<u>1,177,482</u>	<u>4,026,003</u>
Less: imputed interest costs	(57,421)	(951,011)
Present value of future minimum lease payments	<u>\$ 1,120,061</u>	<u>\$ 3,074,992</u>

## **Pledged Revenues**

The City has pledged future water utility and wastewater utility revenues to repay Water Infrastructure Financing Authority Bonds issued during the period of 1992–2012. The various bonds were issued for the purchase or construction of various water or wastewater infrastructure including wells, water distribution lines, wastewater collection lines, and treatment plant improvements. At June 30, 2012, \$39,444,003 remains outstanding to be repaid by future water and wastewater revenues, if such revenues prove insufficient, the remainder will be repaid as a general obligation of the City. For the fiscal year ended June 30, 2012, net revenue available for service of this debt was \$7,340,343. The debt principal, interest and fees paid in fiscal year 2012 is \$3,990,500 (54.36% of available pledged net revenues). For additional information on pledged revenues related to revenue bonds, refer to Schedule 17 in the Statistical Section of this report.

The City has pledged certain revenues for the repayment of \$25,000,000 in Municipal Facility Corporation bonds issued in 2004. The bonds were issued to construct transportation infrastructure. The bonds have a senior lien on the 0.16% transportation sales tax and a secondary lien on the excise taxes and state shared revenues not specifically reserved by law or other regulation to be expended for other purposes. On March 21, 2012 a partial advance refunding of \$12,530,000 was completed on the 2004 bonds and replaced with pledged revenue refunding bonds series 2012, holding the 2004 bonds senior. At June 30, 2012, \$14,090,000 remains outstanding to be repaid by future revenues, of which \$1,560,000 is senior. For the fiscal year ended June 30, 2012, net revenues available for service of the debt were \$36,547,598. The debt principal and interest paid in fiscal year 2012 was \$2,074,838 (5.67% of available pledged net revenues). For additional information on pledged revenues for MFC transportation bonds, refer to Schedule 17 in the Statistical Section of this report.

The City has pledged certain revenues for the repayment of \$4,700,000 in Municipal Facility Corporation bonds issued in 2001 for the construction of a multipurpose office facility. The bonds are secured by a pledge of the City's state shared revenues not specifically reserved by law or other regulation to be expended for other purposes. At June 30, 2012 \$1,645,000 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2012, net revenues available for service of this debt were \$10,247,131. The debt principal and interest paid in fiscal year 2012 was \$459,446 (4.48% of available pledged net revenues). For additional information on pledged revenues for MFC other than transportation bonds, refer to Schedule 17 in the Statistical Section of this report.

The City has pledged certain revenues for the repayment of \$5,580,000 Junior Lien Street and Highway User Revenue bonds issued in 1992 for street construction. The bonds are secured by a pledge of the City's highway user revenue not specifically reserved by law or other regulation to be expended for other purposes. At June 30, 2012, zero remains outstanding on the Junior Lien Street and Highway User Revenue bonds to be repaid by future revenues. For the fiscal year ended June 30, 2012, net revenues available for service of this debt were \$5,576,167. The debt principal and interest paid in fiscal year 2012 was \$1,819,875 (32.63% of available pledged net revenues). For additional information on pledged revenues for highway user revenue bonds, refer to Schedule 17 in the Statistical Section of this report.

The City has pledged certain revenues for the repayment of \$3,370,000 Greater Arizona Development Authority (GADA) revenue bonds issued in 2011 for the construction of a business incubator facility at the U.S. Geological Survey Campus. The bonds are secured by a pledge of the City's state shared revenues not specifically reserved by law or other regulation to be expended for other purposes. At June 30, 2012, \$3,085,000 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2012, net revenues available for the service of this debt were \$7,657,621. The debt principal and interest paid in fiscal year 2012 was \$253,638 (3.31% of available pledged net revenues). For additional information on pledged revenues for GADA revenue bonds, refer to Schedule 17 in the Statistical Section of this report.

### Changes in long-term liabilities

Liquidation of compensated absences for governmental funds has been made out of the General, HURF, BBB, Library, and MPO funds.

Non-current liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 24,015,000	\$ 18,191,423	\$ (3,757,284)	\$ 38,449,139	\$ 2,873,508
Special assessment bonds	18,130,000	-	(6,765,000)	11,365,000	345,000
Revenue bonds	4,930,000	12,530,000	(1,845,000)	15,615,000	120,000
Municipal facility corporate bonds	18,095,000	-	(14,890,000)	3,205,000	1,945,000
Certificates of participation	4,525,000	-	(445,000)	4,080,000	455,000
Total bonds payable	69,695,000	30,721,423	(27,702,284)	72,714,139	5,738,508
Capital leases	1,542,458	-	(422,397)	1,120,061	436,795
Bond premium	803,909	2,264,386	(852,858)	2,215,437	287,470
Deferred loss on advance refunding	-	(587,736)	65,304	(522,432)	(65,304)
Compensated absences	3,637,606	1,538,849	(1,548,484)	3,627,971	1,628,523
Other postemployment benefits	1,835,037	491,355	-	2,326,392	-
Governmental activity long-term liability	<u>\$ 77,514,010</u>	<u>\$ 34,428,277</u>	<u>\$ (30,460,719)</u>	<u>\$ 81,481,568</u>	<u>\$ 8,025,992</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 3,830,000	\$ 3,254,797	\$ (3,960,200)	\$ 3,124,597	\$ 1,380,520
Water & sewer revenue bonds	4,298,785	-	(326,302)	3,972,483	337,877
Total bonds payable	8,128,785	3,254,797	(4,286,502)	7,097,080	1,718,397
Water & sewer loan payable	37,232,635	453,244	(2,214,359)	35,471,520	1,871,278
Airport loan payable	258,568	-	(41,327)	217,241	43,690
Capital lease payable	3,384,460	-	(309,468)	3,074,992	324,976
Total loan and leases payable	40,875,663	453,244	(2,565,154)	38,763,753	2,239,944
Bond premium	16,763	94,580	(48,290)	63,053	31,527
Deferred loss on current refunding	-	(107,503)	35,834	(71,669)	(35,834)
Compensated absences	509,305	603,665	(304,616)	808,354	310,755
Other postemployment benefits	394,046	115,325	-	509,371	-
Landfill closure/postclosure	10,660,662	313,268	(3,810,718)	7,163,212	-
Business-type activity long-term liability	<u>\$ 60,585,224</u>	<u>\$ 4,727,376</u>	<u>\$ (10,979,446)</u>	<u>\$ 54,333,154</u>	<u>\$ 4,264,789</u>

## V. 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, \$50,000 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, 2012 have potential exposure to the City of approximately \$261,114 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 net assets 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>
2009-10	\$ 836,955	\$ 82,521	\$ 478,910	\$ 440,566
2010-11	440,566	78,889	214,713	304,742
2010-12	304,742	57,776	101,404	261,114

The City of Flagstaff participates in a risk sharing pool for employee health care, through the Northern Arizona Public Employees Trust, a public entity risk pool. Members do not bear any risk of loss. The overall experience rating of the trust determines premium charges.

### B. Commitments and contingent liabilities

The city is involved in litigation arising in the ordinary course of its operations. The City believes that its ultimate liability, if any, in connection with these matters will not have a material adverse effect on the City's financial position, changes in financial position, or liquidity. See schedule 23 in the statistical section for further information related to the City's insurance coverage.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The following table presents the City's commitments as of June 30, 2012:

Governmental Activities:	
General fund	\$ 1,173,781
Highway users revenue fund	2,548,633
Other government funds	2,124,382
Total governmental activities	<u>5,846,796</u>
Business – Type Activities:	
Water and wastewater fund	3,692,826
Environmental services fund	1,101,685
Airport fund	993,383
Stormwater fund	779,095
Total business–type activities	<u>6,566,989</u>
Total governmental and business–type activities	<u>\$ 12,413,785</u>

The City entered into a Development Incentive Agreement (DA) with Butler & Lone Tree LLC on June 1, 2007. The project known as “Aspen Place at the Sawmill” will be a mixed–use development consisting of 155,000 square feet of retail uses and approximately 265 single–family residential and town home dwelling units. The terms and conditions of the DA is to require the owner of the property to construct and install certain improvements such as streets, drainage retention facilities, public walkways and a raised median on Butler Avenue. In order to finance these improvements, an Improvement District (ID) has been formed. The City issued special assessment bonds in the amount of \$19,075,000 in fiscal year 2007. These bonds will be repaid from assessments imposed on the real property included within the ID. The City believes the development will generate substantial transaction privilege tax revenues and the City has agreed to rebate the Landowner a portion of the transaction privilege taxes generated from the property.

During fiscal year 2010, the owners were unable to make the December 2010 special assessment payment and had deeded over a portion of property to the City of Flagstaff. The City was able to successfully sell the entire land parcel that had been deeded to it in July 2011 and does not currently hold any direct ownership in the land. As part of the purchase, the new land owner defeased \$6.4 million of the existing special improvement district bonds.

The entire parcel is currently held by three separate corporations. Should any of the three owners default in the future payment of the semi–annual payments, the property would then again revert to City ownership and would be sold for the outstanding assessments.

### C. Retirement and pension plans

All full–time employees of the City are covered by one of three pension plans. The Arizona State Retirement system is for the benefit of the employees of the state and certain other governmental jurisdictions. All full–time City employees, except sworn fire and police personnel, are included in the Arizona State Retirement System. Sworn police and fire personnel participate in the Public Safety Retirement System. In addition, the Mayor and City Council members are covered by the State's Elected Officials Plan.

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

The *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 and an agent multiple-employer defined benefit health insurance premium 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 the participating 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 and a cost-sharing, multiple-employer defined benefit health insurance premium 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. The health insurance premium plan benefit of the EORP is not established as a formal trust; the EORP is reported in accordance with GASB Statement No. 45 as an agent multiple-employer defined benefit plan. Accordingly, the disclosures that follow reflect the EORP as if it were an agent multiple-employer defined benefit plan.

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

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

**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, 2012, active ASRS members were required by statute to contribute at the actuarially determined rate of 10.74% (10.50% retirement and 0.24% long-term disability) of the members' annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 10.74% (9.87% retirement, .63% for health insurance premium, and 0.24% long-term disability) of the members' annual covered payroll. The City's contributions to ASRS for the years ended June 30, 2012, 2011, and 2010 were \$2,763,739, \$2,642,362, and \$2,913,238 respectively, inclusive of Housing Authority. The City contribution for the current and two preceding years, all of which were equal to the required contributions, were as follows:

	<u>Retirement</u>	<u>Health Insurance</u>	<u>Long-term Disability</u>
6/30/2012	\$ 2,650,792	\$ 169,199	\$ 64,457
6/30/2011	2,417,024	158,273	67,065
6/30/2010	2,584,724	204,546	123,968

In addition, active EORP members were required by statute to contribute 10% of the members' annual covered payroll. The City was required to contribute 32.99% of the members' annual covered payroll, the aggregate of which is determined by actuarial valuation. The health insurance premium portion of the contribution rate for normal cost was actuarially set at 1.79% of covered payroll. The City's contributions to EORP for the years ended June 30, 2012, 2011, and 2010 were \$55,498, \$48,203, and \$33,327 respectively, which equal the required contributions for each year, and is inclusive of Housing Authority. The City contributions for the current and two preceding years, all of which were equal to the required contributions, were as follow:

	<u>Retirement</u>	<u>Health Insurance</u>
6/30/2012	\$ 52,487	\$ 3,011
6/30/2011	46,828	1,375
6/30/2010	32,248	1,079

**Agent Plan** – For the year ended June 30, 2012, active PSPRS members were required by statute to contribute 8.65% of the members' annual covered payroll, and the City was required to contribute at the actuarially determined rate of 24.54% and 31.28% for Police and Fire respectively. Police personnel contributed \$609,733; Fire personnel contributed \$380,471 during fiscal year 2011–2012. The City annual pension and OPEB cost of \$1,729,809 for police and \$1,375,854 for fire is based on actual payroll costs and may vary to the City's annual required contribution since the actuary basis is based on estimated payroll costs. Benefit and contribution provisions are established by state law and may be amended only by the State of Arizona Legislature (A.R.S. Section 38–843).

**Annual Pension Cost** – The City's pension cost for the agent plan for the year ended June 30, 2012, the date of the most recent actuarial valuation, and related information follow.

	PSPRS		
	Police	Fire	EORP
Contribution rates FY11–2012:			
City	24.54%	31.28%	32.99%
Plan members	8.65%	8.65%	10.00%
Annual pension costs*	\$ 1,734,804	\$ 1,420,778	\$ 52,487
Pension contributions made	\$ 1,679,891	\$ 1,285,228	\$ 52,487
Annual OPEB costs – Health Insurance*	\$ 51,929	\$ 95,474	\$ 3,011
OPEB contributions made	\$ 49,918	\$ 90,626	\$ 3,011
As of actuarial valuation date:	6/30/2012	6/30/2012	6/30/2012
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent-of-pay closed	Level percent-of-pay closed	Level percent-of-pay closed
Remaining amortization period–UAL	24 years	24 years	24 years
Remaining amortization period–excess	20 years	20 years	20 years
Asset valuation method	7-year smoothed market	7-year smoothed market	7-year smoothed market
Actuarial assumptions:			
Investment rate of return	8.00%	8.00%	8.00%
Projected salary increases	5.0% – 9.0%	5.0% – 9.0%	4.75%
Inflation	5.00%	5.00%	4.50%
Cost of living adjustments	None	None	None

\*Actuary estimates payroll while the City reports on actual payroll

**Three Year Trend** Information for PSPRS – 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>
PSRS – Police – Pension					
6/30/2012*	\$	1,734,804	100%	\$	-0-
6/30/2011*		1,698,848	100%		-0-
6/30/2010		1,489,864	100%		-0-
PSRS – Police – Health Insurance					
6/30/2012*	\$	51,929	100%	\$	-0-
6/30/2011*		49,918	100%		-0-
6/30/2010		49,219	100%		-0-
PSRS – Fire – Pension					
6/30/2012*	\$	1,420,778	100%	\$	-0-
6/30/2011*		1,380,272	100%		-0-
6/30/2010		1,275,572	100%		-0-
PSRS – Fire – Health Insurance					
6/30/2012*	\$	95,474	100%	\$	-0-
6/30/2011*		90,626	100%		-0-
6/30/2010		85,486	100%		-0-
EORP – Pension					
6/30/2012*	\$	52,487	100%	\$	-0-
6/30/2011*		46,828	100%		-0-
6/30/2010		32,248	100%		-0-
EORP – Health Insurance					
6/30/2012*	\$	3,011	100%	\$	-0-
6/30/2011*		1,375	100%		-0-
6/30/2010		1,079	100%		-0-

\*Actuary estimates payroll while the City reports on actual payroll

**Schedule of Funding Progress** – An analysis of funding progress for each of the agent plans as of the most recent actuarial valuations; June 30, 2011 reporting period determines the rates for fiscal year 2013. Benefits are disaggregated and reported separately. The EORP, by statute, is a cost-sharing plan. However, because of its statutory construction, in accordance with GASB Statement No. 43, paragraphs 5 and 41, the valuation for the EORP on its statutory basis as a cost-sharing plan and, therefore, actuarial information for the City, as a participating government, is not available.

	(1) Actuarial Value of Assets	(2) Actuarial 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)
<b>PSRS – Police Pension</b>						
6/30/2012 \$	24,405,305 \$	50,077,922	48.7%	\$ 25,672,617	\$ 7,083,003	362.5%
6/30/2011	25,208,537	45,968,224	54.8%	20,759,687	6,801,375	305.2%
6/30/2010	23,962,276	41,447,390	57.8%	17,485,114	6,907,462	253.1%
<b>PSRS – Police Health Insurance</b>						
6/30/2012 \$	– \$	1,170,030	0.0%	\$ 1,170,030	\$ 7,083,003	16.5%
6/30/2011	–	1,159,297	0.0%	1,159,297	6,801,375	17.0%
6/30/2010	–	953,355	0.0%	953,355	6,907,462	13.8%
<b>PSRS – Fire Pension</b>						
6/30/2012 \$	31,459,483 \$	56,007,099	56.2%	\$ 24,547,616	\$ 4,546,952	539.9%
6/30/2011	32,146,592	51,857,015	62.0%	19,710,423	4,606,922	427.8%
6/30/2010	32,605,835	48,099,507	67.8%	15,493,672	4,671,743	331.6%
<b>PSRS – Fire Health Insurance</b>						
6/30/2012 \$	– \$	1,553,913	0.0%	\$ 1,553,913	\$ 4,546,952	34.2%
6/30/2011	–	1,563,996	0.0%	1,563,996	4,606,922	33.9%
6/30/2010	–	1,394,422	0.0%	1,394,422	4,671,743	29.8%

## D. Other Post Employment Benefits (OPEB) Plan

### Postemployment Healthcare Plan

**Plan description.** The City of Flagstaff provides post-retirement healthcare insurance benefits for its retirees as an agent multiple-employer plan which is administered through, Northern Arizona Public Employee Benefit Trust (NAPEBT). NAPEBT provides benefits to eligible retirees through the same plan as active city employees and their beneficiaries up to the age of 65; the implicit rate subsidy exists through the duration of the coverage. Substantially, all of the City's employees may become eligible for those benefits when they qualify for retirement. To be eligible a retiree must qualify to receive retirement benefits from the Arizona State Retirement System and elect coverage at date of retirement. NAPEBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on their website: [www.napebt.com/community\\_docs](http://www.napebt.com/community_docs). As of June 30, 2012, there were 82 retirees who elected coverage.

**Funding Policy.** The contribution requirements of plan members and the city are established and may be amended by the NAPEBT board. Eligible retirees up to the age of 65 have the option to participate in the healthcare plan that is currently offered to active employees and must pay 100% of the premium less any reimbursement from the Arizona State Retirement System, currently, a monthly stipend of \$150 for single coverage and \$260 for family coverage.

The city has elected to not fund the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial

liabilities over a period not to exceed thirty years. The City's implicit subsidy rate to covered payroll is actuarially determined at 23.4%. Plan members receiving benefits contribute \$159,002 during fiscal year 2010.

**Annual OPEB Cost and Net OPEB Obligation.** For 2012, the city's annual OPEB cost (expense) of \$999,061 was equal to the ARC, as adjusted by any ARC adjustments, and interest on the net OPEB obligation of \$100,534. On June 30, 2012, the net increase in NOO for governmental activities was \$491,356 and for business-type activities was \$115,325.

The city's annual OPEB cost; inclusive of Housing Authority, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 999,061	\$ 392,380	39.3%	\$ 2,835,764
6/30/2011	1,249,702	159,002	12.7%	2,229,083
6/30/2010	1,080,824	635,523	58.8%	1,138,383

Fiscal Year Ended	(1) Annual Required Contribution	(2) Interest on Existing NOO	(3) ARC Adjustment	(4) Annual OPEB Cost (1) + (2) + (3)	(5) Actual Contribution Amount	(6) Net Increase in NOO (4) - (5)	(7) NOO as of End of Year
6/30/2012	\$ 1,035,681	\$ 100,534	\$ (137,154)	\$ 999,061	\$ 392,380	\$ 606,681	\$ 2,835,764
6/30/2011	1,268,106	50,526	(68,930)	1,249,702	159,002	1,090,700	2,229,083
6/30/2010	1,092,184	31,189	(42,549)	1,080,824	635,523	445,301	1,138,383

**Funded Status and Funding Progress.** As of July 1, 2011, the actuarial accrued liability for benefits was \$9,808,514, all of which was unfunded. The covered payroll of active employees covered by the plan is \$41,941,781, and the ratio of the unfunded actuarial accrued liability to the covered payroll is 23.4 percent. Following is a table of the last three years funding progress as available, inclusive of Housing Authority unless noted.

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(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)
7/1/2011	-	\$ 9,808,514	0.0%	\$ 9,808,514	\$ 41,941,781	23.4%
7/1/2010*	-	12,234,910	0.0%	12,234,910	34,486,958	35.5%
7/1/2008*	-	8,946,294	0.0%	8,946,294	42,292,297	21.2%

(\*) Information not available for Housing Authority

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2011, actuarial valuation, the entry age normal, level dollar, actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return. Healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of five percent over eight years. The remaining amortization period at July 1, 2011, was 30 years, open, level dollar amount. The City has elected to perform biennial actuary valuations.

## **E. Landfill closure and postclosure care cost**

State and federal laws and regulations require the City to place a final cover on its Cinderlake landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The City reports a portion of these closures and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The estimated liability for landfill closure and postclosure care costs has a balance of \$7,163,212 as of June 30, 2012, which is based on 71.95 percent usage of the landfill. The remaining \$2,792,572 will be accrued over the remaining life of the landfill, which is currently estimated to be 14 years.

The accrual for the closure and postclosure care costs for fiscal year 2012 was \$313,268, with an adjustment of \$3,810,718 related to the results of a new closure-postclosure study provide by Atwell Inc. This study resulted in a reduced landfill liability as costs associated with operations and maintenance of landfill gases which are no longer included as part of the closure estimates, the final cover vegetation was updated, and the flexible membrane liner type changed due to new technology advances. This resulted in a change in accounting estimate and is reflected within the current year expenses of the fund.

Based on current estimates for landfill closure and postclosure care costs, the City is setting aside legally restricted funds to ensure sufficient funds will be available to meet these requirements. The City makes annual contributions to finance closure and postclosure care costs; at June 30, 2012 the balance of the investments held for those purposes is \$9,763,648. The investments are reported as restricted cash and investments in the City's Environmental Service Fund, and are held by the State of Arizona Local Government Investment Pool.

The estimated total current cost of the landfill closure and postclosure care, \$9,955,784, is based on the amount that would be paid if all equipment, facilities, and services required to care, monitor and maintain the landfill were

acquired as of June 30, 2012. However, the actual cost of closure and postclosure care may be higher or lower due to other factors such as; inflation, changes in technology, or changes in landfill laws and regulations.

According to state and federal laws and regulations, the City must comply with the local government financial test requirements that assure the City can meet the cost of landfill closure, post-closure and corrective action when needed. The City, which has pledged its full faith and credit to meet state financial responsibility requirements, is in compliance with these requirements.

In March of 1999, the City purchased 343.9 acres of land from the U.S. Forest Service. This land is adjacent to the existing landfill and will be used to open additional cells as needed. As these cells are utilized, additional liabilities for closure and postclosure care requirements will be accrued. The City applied existing policy to the Environmental services fund increasing its' expenditures as City residential and commercial collection programs are now charged for landfill fees.

## **F. Subsequent Events**

On November 6, 2012, on the general election ballot, voters approved two projects and authorized the City to issue up to \$24 million in new debt. The Forest Health and Water Supply Protection project is authorized for \$10M. The project will take measures to help prevent flood damage to the City and protect the City's water supplies from damages which could occur from large scale and/or severe wildfires near two watersheds serving the City. This project will be partnering with agencies to expedite forest treatments near the watersheds.

The Core Services Maintenance Facility project is authorized for \$14M. This project is to replace the current maintenance facility which the City began using in 1950 and is located in downtown Flagstaff. The new facility will help improve efficiencies, enhance employee safety, and allow for better response time for core services such as fire, police, water and sewer services, street maintenance and snow plowing, and trash and recycling collection. The City intends to issue general obligation debt supported by secondary property taxes for these issues.



## NON-MAJOR FUNDS OTHER GOVERNMENTAL FUNDS

### **Special Revenue Funds**

Special Revenue Funds are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, charter provision or ordinance to finance particular functions or activities.

#### **Library Fund**

The City Library is financed through City sales tax allocations, State and County grants and individual contributions. Funds provided must be used for library activities such as cultural and educational programs and technical services.

#### **Bed, Board and Beverage Tax Fund**

This fund accounts for the Bed, Board and Beverage tax revenues as approved by voters in the 2010 general election and related expenditures. These resources are restricted for use in the areas of Beautification, Economic Development, Tourism, Arts & Science, and Recreation.

#### **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.

### **Debt Service Funds**

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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

This fund accounts for the accumulation of resources for, and the payments of, general long-term obligation principal and interest.

#### **Secondary Property Tax Revenue Fund**

This fund is used to account for secondary property tax revenues. Monies received by this fund are legally restricted to payment of general obligation debt.

### **Capital Projects Fund**

A capital project fund is established to account for the acquisition and construction of major capital facilities and enhances reporting to ensure that requirements regarding the use of the revenue were fully satisfied.

#### **Capital Projects Bond Fund**

This fund accounts for the receipt of proceeds from bonds and the expenditure of those funds to purchase or construct capital assets for the City.

### **Permanent Fund**

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

#### **Perpetual Care**

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

**CITY OF FLAGSTAFF, ARIZONA**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2012**

	Special Revenue Funds			
	Library Fund	BBB Fund	Community Redevelopment Fund	Metropolitan Planning Organization Fund
<b>ASSETS</b>				
Cash and investments	\$ 1,353,478	\$ 7,490,472	\$ 911,796	\$ 34,591
Accounts receivable, net	147,602	624,485	591	-
Interest receivable	9,987	17,727	2,233	-
Intergovernmental receivables	11,400	248,976	358,965	183,195
Inventory	-	41,518	-	-
Restricted cash and investments	3,147,724	-	-	-
Total assets	<u>\$ 4,670,191</u>	<u>\$ 8,423,178</u>	<u>\$ 1,273,585</u>	<u>\$ 217,786</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 591,676	\$ 203,404	\$ 48,356	\$ 1,046
Accrued payroll and compensated absences	44,912	16,365	1,168	4,127
Current bonds payable	-	120,000	-	-
Interest payable	-	66,819	-	-
Interfund payable	-	-	-	200,000
Deferred revenue	85,446	1,521	-	-
Deposits payable	-	-	-	-
Total liabilities	<u>722,034</u>	<u>408,109</u>	<u>49,524</u>	<u>205,173</u>
Fund balances:				
Nonspendable:				
Perpetual care	-	-	-	-
Inventory	-	41,518	-	-
Restricted for:				
Library services	800,433	-	-	-
Library branch services	929,427	-	-	-
Library programs board directed	2,218,297	-	-	-
Debt service	-	-	-	-
Economic development	-	818,621	-	-
Arts and science	-	406,945	-	-
Culture and recreation	-	1,611,345	-	-
Other capital projects	-	5,136,640	1,224,061	-
Regional planning	-	-	-	12,613
Perpetual care	-	-	-	-
Total fund balances	<u>3,948,157</u>	<u>8,015,069</u>	<u>1,224,061</u>	<u>12,613</u>
Total liabilities and fund balances	<u>\$ 4,670,191</u>	<u>\$ 8,423,178</u>	<u>\$ 1,273,585</u>	<u>\$ 217,786</u>

Debt Service Funds		Capital Projects Funds	Permanent Fund	Total Other Governmental Funds
General Obligation Bond Fund	Secondary Property Tax Revenue Fund	Capital Projects Bond Construction	Perpetual Care	
\$ 3,438,866	\$ 6,214,235	\$ 6,194,919	\$ 14,101	\$ 25,652,458
-	-	-	680	773,358
-	20,091	2,680	490	53,208
-	-	-	-	802,536
-	-	-	-	41,518
-	-	1,582,821	178,046	4,908,591
<u>\$ 3,438,866</u>	<u>\$ 6,234,326</u>	<u>\$ 7,780,420</u>	<u>\$ 193,317</u>	<u>\$ 32,231,669</u>
\$ -	\$ -	\$ 303,096	\$ -	\$ 1,147,578
-	-	-	-	66,572
2,312,284	-	-	-	2,432,284
748,525	-	-	-	815,344
-	-	-	-	200,000
-	-	-	-	86,967
-	-	1,566,983	-	1,566,983
<u>3,060,809</u>	<u>-</u>	<u>1,870,079</u>	<u>-</u>	<u>6,315,728</u>
-	-	-	178,046	178,046
-	-	-	-	41,518
-	-	-	-	800,433
-	-	-	-	929,427
-	-	-	-	2,218,297
378,057	6,234,326	-	-	6,612,383
-	-	-	-	818,621
-	-	-	-	406,945
-	-	-	-	1,611,345
-	-	5,910,341	-	12,271,042
-	-	-	-	12,613
-	-	-	15,271	15,271
<u>378,057</u>	<u>6,234,326</u>	<u>5,910,341</u>	<u>193,317</u>	<u>25,915,941</u>
<u>\$ 3,438,866</u>	<u>\$ 6,234,326</u>	<u>\$ 7,780,420</u>	<u>\$ 193,317</u>	<u>\$ 32,231,669</u>

**CITY OF FLAGSTAFF, ARIZONA**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**Year Ended June 30, 2012**

	Special Revenue Funds			
	Library Fund	BBB Fund	Community Redevelopment Fund	Metropolitan Planning Organization Fund
<b>REVENUES:</b>				
Taxes	\$ -	\$ 5,625,832	\$ -	\$ -
Intergovernmental	3,163,052	-	-	5,000
Grants and entitlements	155,088	609,438	1,032,753	399,412
Rents	-	51,887	1,860	-
Investment earnings	22,579	38,354	5,370	-
Contributions	32,090	212	-	533
Miscellaneous	44,482	80,125	222,394	-
Total revenues	<u>3,417,291</u>	<u>6,405,848</u>	<u>1,262,377</u>	<u>404,945</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	-	-	-	-
Economic and physical development	-	2,512,713	1,697,293	418,521
Culture and recreation	4,418,777	504,663	-	-
Highways and streets	-	108,947	-	-
Debt service:				
Principal retirement	-	120,000	-	-
Interest and other charges	-	135,855	-	-
Capital outlay	-	745,266	-	-
Total expenditures	<u>4,418,777</u>	<u>4,127,444</u>	<u>1,697,293</u>	<u>418,521</u>
Excess (deficiency) of revenues over expenditures	<u>(1,001,486)</u>	<u>2,278,404</u>	<u>(434,916)</u>	<u>(13,576)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Refunding bonds issued	-	-	-	-
Payment to bond refunding escrow agent	-	-	-	-
Issuance of capital debt	-	-	-	-
Bond premium	-	-	-	-
Transfers in	1,173,351	938,000	-	22,493
Transfers out	(78,391)	(1,615,598)	-	-
Total other financing sources (uses)	<u>1,094,960</u>	<u>(677,598)</u>	<u>-</u>	<u>22,493</u>
Net change in fund balances	<u>93,474</u>	<u>1,600,806</u>	<u>(434,916)</u>	<u>8,917</u>
Fund balances, beginning of year	<u>3,854,683</u>	<u>6,414,263</u>	<u>1,658,977</u>	<u>3,696</u>
Fund balances, end of year	<u>\$ 3,948,157</u>	<u>\$ 8,015,069</u>	<u>\$ 1,224,061</u>	<u>\$ 12,613</u>

Debt Service Funds		Capital Projects Funds	Permanent Fund	Total Other Governmental Funds
General Obligation Bond Fund	Secondary Property Tax Revenue Fund	Capital Projects Bond Construction	Perpetual Care	
\$ -	\$ 6,703,407	\$ -	\$ -	\$ 12,329,239
-	-	-	-	3,168,052
-	-	-	-	2,196,691
-	-	-	-	53,747
-	42,387	25,889	1,080	135,659
-	-	-	15,474	48,309
-	-	-	-	347,001
<u>-</u>	<u>6,745,794</u>	<u>25,889</u>	<u>16,554</u>	<u>18,278,698</u>
-	-	872,602	-	872,602
-	-	-	-	4,628,527
-	-	-	-	4,923,440
-	-	192,879	-	301,826
2,312,284	-	-	-	2,432,284
1,431,548	-	-	-	1,567,403
<u>-</u>	<u>-</u>	<u>8,081,135</u>	<u>-</u>	<u>8,826,401</u>
<u>3,743,832</u>	<u>-</u>	<u>9,146,616</u>	<u>-</u>	<u>23,552,483</u>
<u>(3,743,832)</u>	<u>6,745,794</u>	<u>(9,120,727)</u>	<u>16,554</u>	<u>(5,273,785)</u>
1,394,136	-	-	-	1,394,136
(1,445,000)	-	-	-	(1,445,000)
-	-	16,797,287	-	16,797,287
80,568	-	567,120	-	647,688
3,743,830	-	38,683	-	5,916,357
<u>-</u>	<u>(5,964,925)</u>	<u>(90)</u>	<u>-</u>	<u>(7,659,004)</u>
<u>3,773,534</u>	<u>(5,964,925)</u>	<u>17,403,000</u>	<u>-</u>	<u>15,651,464</u>
<u>29,702</u>	<u>780,869</u>	<u>8,282,273</u>	<u>16,554</u>	<u>10,377,679</u>
<u>348,355</u>	<u>5,453,457</u>	<u>(2,371,932)</u>	<u>176,763</u>	<u>15,538,262</u>
<u>\$ 378,057</u>	<u>\$ 6,234,326</u>	<u>\$ 5,910,341</u>	<u>\$ 193,317</u>	<u>\$ 25,915,941</u>



## Other Supplementary Information

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City of Flagstaff, Arizona  
 Capital Assets Used in the Operation of Governmental Funds  
 Schedule By Function and Activity  
 June 30, 2012

Program	Land	Buildings	Improvements
General government	\$ 4,136,185	\$ 13,692,410	\$ 1,892,608
Public safety	4,096,419	27,530,153	113,946
Public works	-	5,331,662	185,712
Economic and physical development	-	7,541,573	78,116
Culture and recreation	3,333,285	22,281,151	15,408,766
Highway and streets	38,121,115	113,689	2,279,434
Subtotal	49,687,004	76,490,638	19,958,582
Less: accumulated depreciation	-	(16,944,873)	(11,834,964)
Total governmental funds capital assets	<u>\$ 49,687,004</u>	<u>\$ 59,545,765</u>	<u>\$ 8,123,618</u>

Machinery and Equipment	Construction In Progress	Infrastructure	Total
\$ 1,555,948	\$ 860,560	\$ -	\$ 22,137,711
15,544,602	-	-	47,285,120
1,193,886	-	1,117,225	7,828,485
947,210	117,540	652,947	9,337,386
3,820,052	1,785,014	9,452,147	56,080,415
8,982,928	2,762,654	269,717,377	321,977,197
32,044,626	5,525,768	280,939,696	464,646,314
(19,814,142)	-	(120,400,438)	(168,994,417)
<u>\$ 12,230,484</u>	<u>\$ 5,525,768</u>	<u>\$ 160,539,258</u>	<u>\$ 295,651,897</u>

City of Flagstaff, Arizona  
 Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes By Function and Activity  
 June 30, 2012

Program	Balance July 1, 2011	Additions	Retirements	Transfers In (out)	Balance June 30, 2012
General government	\$ 22,333,016	\$ 1,856,370	\$ (2,021,607)	\$ (30,070)	\$ 22,137,709
Public safety	44,352,799	3,802,618	(839,297)	\$ (31,000)	47,285,120
Public works	7,972,504	186,169	(422,629)	\$ 92,440	7,828,485
Economic and physical development	9,440,690	5,692	(83,212)	\$ (25,783)	9,337,386
Culture and recreation	56,667,753	950,875	(1,546,761)	\$ 8,548	56,080,415
Highway and streets	313,889,749	9,449,726	(361,273)	\$ (1,001,004)	321,977,197
<b>Total</b>	<b>\$ 454,656,511</b>	<b>\$ 16,251,450</b>	<b>\$ (5,274,780)</b>	<b>\$ (986,869)</b>	<b>\$ 464,646,312</b>

**CITY OF FLAGSTAFF, ARIZONA**  
**Special Assessment Bond Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Year Ended June 30, 2012**

	<u>Budget</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Special assessments	\$ 1,398,875	\$ 1,398,875	\$ 8,286,453	\$ 6,887,578
Investment earnings	2,000	2,000	1,303	(697)
Total revenues	<u>1,400,875</u>	<u>1,400,875</u>	<u>8,287,756</u>	<u>6,886,881</u>
<b>EXPENDITURES:</b>				
Debt service:				
Principal retirement	505,000	505,000	6,765,000	(6,260,000)
Interest and other charges	<u>897,475</u>	<u>897,475</u>	<u>616,213</u>	<u>281,262</u>
Total expenditures	<u>1,402,475</u>	<u>1,402,475</u>	<u>7,381,213</u>	<u>(5,978,738)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,600)</u>	<u>(1,600)</u>	<u>906,543</u>	<u>908,143</u>
Net change in fund balances	<u>(1,600)</u>	<u>(1,600)</u>	<u>906,543</u>	<u>908,143</u>
Budgetary fund balances, beginning of year	<u>98,895</u>	<u>98,895</u>	<u>98,895</u>	<u>-</u>
Budgetary fund balances, end of year	<u>\$ 97,295</u>	<u>\$ 97,295</u>	<u>\$ 1,005,438</u>	<u>\$ 908,143</u>
Adjustment from budgetary basis to GAAP basis net change in fund balances			\$ 906,543	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			-	
Adjusted net change in fund balance – GAAP basis			<u>\$ 906,543</u>	

**CITY OF FLAGSTAFF, ARIZONA**  
**Library Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Year Ended June 30, 2012**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental	\$ 6,330,598	\$ 6,330,598	\$ 3,163,052	\$ (3,167,546)
Grants and entitlements	62,400	62,400	155,088	92,688
Investment earnings	27,115	27,115	22,579	(4,536)
Miscellaneous	20,474	20,474	44,482	24,008
Total revenues	<u>6,440,587</u>	<u>6,440,587</u>	<u>3,385,201</u>	<u>(3,055,386)</u>
<b>EXPENDITURES:</b>				
Current:				
Culture and recreation	7,689,287	7,689,287	4,418,777	3,270,510
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>7,789,287</u>	<u>7,789,287</u>	<u>4,418,777</u>	<u>3,370,510</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,348,700)</u>	<u>(1,348,700)</u>	<u>(1,033,576)</u>	<u>315,124</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,173,351	1,173,351	1,173,351	-
Transfers out	(78,391)	(78,391)	(78,391)	-
Total other financing sources (uses)	<u>1,094,960</u>	<u>1,094,960</u>	<u>1,094,960</u>	<u>-</u>
Net change in fund balances	<u>(253,740)</u>	<u>(253,740)</u>	<u>61,384</u>	<u>315,124</u>
Budgetary fund balances, beginning of year	<u>540,180</u>	<u>540,180</u>	<u>540,180</u>	<u>-</u>
Budgetary fund balances, end of year	<u>\$ 286,440</u>	<u>\$ 286,440</u>	<u>\$ 601,564</u>	<u>\$ 315,124</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 61,384	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			<u>32,090</u>	
Adjusted net change in fund balance – GAAP basis			<u>\$ 93,474</u>	

**CITY OF FLAGSTAFF, ARIZONA**  
**BBB Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Year Ended June 30, 2012**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ 5,307,340	\$ 5,307,340	\$ 5,559,565	\$ 252,225
Grants and entitlements	2,807,949	2,807,949	609,438	(2,198,511)
Rents	51,145	51,145	51,887	742
Investment earnings	46,197	46,197	38,354	(7,843)
Miscellaneous	72,462	72,462	80,125	7,663
Total revenues	<u>8,285,093</u>	<u>8,285,093</u>	<u>6,339,369</u>	<u>(1,945,724)</u>
<b>EXPENDITURES:</b>				
Current:				
Economic and physical development	3,357,509	3,357,509	2,512,713	844,796
Culture and recreation	518,470	518,470	504,663	13,807
Highways and streets	10,000	10,000	108,947	(98,947)
Debt service:				
Principal retirement	120,000	120,000	120,000	-
Interest and other charges	136,878	136,878	135,855	1,023
Capital outlay	6,098,292	6,098,292	745,266	5,353,026
Contingency	115,000	115,000	-	115,000
Total expenditures	<u>10,356,149</u>	<u>10,356,149</u>	<u>4,127,444</u>	<u>6,228,705</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,071,056)</u>	<u>(2,071,056)</u>	<u>2,211,925</u>	<u>4,282,981</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,020,146	1,020,146	938,000	(82,146)
Transfers out	(1,981,750)	(1,981,750)	(1,615,598)	366,152
Total other financing sources (uses)	<u>(961,604)</u>	<u>(961,604)</u>	<u>(677,598)</u>	<u>284,006</u>
Net change in fund balances	<u>(3,032,660)</u>	<u>(3,032,660)</u>	<u>1,534,327</u>	<u>4,566,987</u>
Budgetary fund balances, beginning of year	<u>5,353,985</u>	<u>5,353,985</u>	<u>5,353,985</u>	<u>-</u>
Budgetary fund balances, end of year	<u>\$ 2,321,325</u>	<u>\$ 2,321,325</u>	<u>\$ 6,888,312</u>	<u>\$ 4,566,987</u>
Adjustment from budgetary basis to GAAP basis net change in fund balances			\$ 1,534,327	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			66,479	
Adjusted net change in fund balance – GAAP basis			<u>\$ 1,600,806</u>	

**CITY OF FLAGSTAFF, ARIZONA**  
**Community Redevelopment Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Year Ended June 30, 2012**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Grants and entitlements	\$ 1,794,776	\$ 1,794,776	\$ 1,032,753	\$ (762,023)
Charges for services	-	-	64,608	64,608
Investment earnings	-	-	5,370	5,370
Miscellaneous	483,000	483,000	159,646	(323,354)
Total revenues	2,277,776	2,277,776	1,262,377	(1,015,399)
<b>EXPENDITURES:</b>				
Current:				
Economic and physical development	3,267,297	3,267,297	1,697,293	1,570,004
Total expenditures	3,267,297	3,267,297	1,697,293	1,570,004
Excess (deficiency) of revenues over (under) expenditures	(989,521)	(989,521)	(434,916)	554,605
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(14,000)	(14,000)	-	14,000
Total other financing sources (uses)	(14,000)	(14,000)	-	14,000
Net change in fund balances	(1,003,521)	(1,003,521)	(434,916)	568,605
Budgetary fund balances, beginning of year	1,512,887	1,512,887	1,512,887	-
Budgetary fund balances, end of year	\$ 509,366	\$ 509,366	\$ 1,077,971	\$ 568,605
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ (434,916)	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			-	
Adjusted net change in fund balance – GAAP basis			\$ (434,916)	

**CITY OF FLAGSTAFF, ARIZONA**  
**Metropolitan Planning Organization Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Year Ended June 30, 2012**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Grants and entitlements	\$ 546,456	\$ 546,456	\$ 399,412	\$ (147,044)
Intergovernmental	5,000	5,000	5,000	-
Total revenues	551,456	551,456	404,412	(147,044)
<b>EXPENDITURES:</b>				
Current:				
Economic and physical development	473,949	473,949	418,521	55,428
Contingency	100,000	100,000	-	100,000
Total expenditures	573,949	573,949	418,521	155,428
Excess (deficiency) of revenues over (under) expenditures	(22,493)	(22,493)	(14,109)	8,384
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	22,493	22,493	22,493	-
Total other financing sources (uses)	22,493	22,493	22,493	-
Net change in fund balances	-	-	8,384	8,384
Budgetary fund balances, beginning of year	-	-	-	-
Budgetary fund balances, end of year	\$ -	\$ -	\$ 8,384	\$ 8,384
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 8,384	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			533	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			-	
Adjusted net change in fund balance – GAAP basis			\$ 8,917	

**CITY OF FLAGSTAFF, ARIZONA**  
**General Obligation Bond Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Year Ended June 30, 2012**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES:</b>				
Debt service:				
Principal retirement	\$ 3,030,000	\$ 3,030,000	\$ 2,312,284	\$ 717,716
Interest and other charges	1,915,431	1,915,431	1,431,548	483,883
Total expenditures	<u>4,945,431</u>	<u>4,945,431</u>	<u>3,743,832</u>	<u>1,201,599</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,945,431)</u>	<u>(4,945,431)</u>	<u>(3,743,832)</u>	<u>1,201,599</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Refunding bonds issued	-	-	1,394,136	(1,394,136)
Payment to bond refunding escrow agent	-	-	(1,445,000)	1,445,000
Bond premium	-	-	80,568	(80,568)
Transfers in	4,945,431	4,945,431	3,743,830	(1,201,601)
Total other financing sources (uses)	<u>4,945,431</u>	<u>4,945,431</u>	<u>3,773,534</u>	<u>(1,231,305)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>29,702</u>	<u>(29,706)</u>
Budgetary fund balances, beginning of year	<u>348,355</u>	<u>348,355</u>	<u>348,355</u>	<u>-</u>
Budgetary fund balances, end of year	<u>\$ 348,355</u>	<u>\$ 348,355</u>	<u>\$ 378,057</u>	<u>\$ (29,706)</u>

**CITY OF FLAGSTAFF, ARIZONA**  
**Secondary Property Tax Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Year Ended June 30, 2012**

	<u>Budget</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$ 6,620,618	\$ 6,620,618	\$ 6,703,407	\$ 82,789
Investment earnings	31,600	31,600	42,387	10,787
Total revenues	<u>6,652,218</u>	<u>6,652,218</u>	<u>6,745,794</u>	<u>93,576</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers out	(7,166,526)	(7,166,526)	(5,964,925)	1,201,601
Total other financing sources (uses)	<u>(7,166,526)</u>	<u>(7,166,526)</u>	<u>(5,964,925)</u>	<u>1,201,601</u>
Net change in fund balances	<u>(514,308)</u>	<u>(514,308)</u>	<u>780,869</u>	<u>1,295,177</u>
Budgetary fund balances, beginning of year	<u>5,234,043</u>	<u>5,234,043</u>	<u>5,234,043</u>	<u>-</u>
Budgetary fund balances, end of year	<u>\$ 4,719,735</u>	<u>\$ 4,719,735</u>	<u>\$ 6,014,912</u>	<u>\$ 1,295,177</u>
Adjustment from budgetary basis to GAAP basis net change in fund balances			\$ 780,869	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			-	
Adjusted net change in fund balance – GAAP basis			<u>\$ 780,869</u>	

**CITY OF FLAGSTAFF, ARIZONA**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual**  
**Year Ended June 30, 2012**

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Miscellaneous	\$ 3,500,000	\$ 3,500,000	\$ -	\$ (3,500,000)
Investment earnings	7,940	7,940	25,889	17,949
Total revenues	<u>3,507,940</u>	<u>3,507,940</u>	<u>25,889</u>	<u>(3,482,051)</u>
<b>EXPENDITURES:</b>				
Current:				
Public safety	-	-	872,602	(872,602)
Highways and streets	-	-	192,879	(192,879)
Capital outlay	31,964,784	31,964,784	8,081,135	23,883,649
Total expenditures	<u>31,964,784</u>	<u>31,964,784</u>	<u>9,146,616</u>	<u>22,818,168</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,456,844)</u>	<u>(28,456,844)</u>	<u>(9,120,727)</u>	<u>19,336,117</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Bonds issued	39,770,000	39,770,000	16,797,287	(22,972,713)
Bond premium	-	-	567,120	567,120
Sale of capital assets	2,233,835	2,233,835	-	(2,233,835)
Transfers in	-	-	38,683	38,683
Transfers out	(17,146)	(17,146)	(90)	17,056
Total other financing sources (uses)	<u>41,986,689</u>	<u>41,986,689</u>	<u>17,403,000</u>	<u>(24,583,689)</u>
Net change in fund balances	<u>13,529,845</u>	<u>13,529,845</u>	<u>8,282,273</u>	<u>(5,247,572)</u>
Budgetary fund balances, beginning of year	<u>13,033,556</u>	<u>13,033,556</u>	<u>13,033,556</u>	<u>-</u>
Budgetary fund balances, end of year	<u>\$ 26,563,401</u>	<u>\$ 26,563,401</u>	<u>\$ 21,315,829</u>	<u>\$ (5,247,572)</u>
Adjustment from budgetary basis to GAAP basis net change in fund balances			\$ 8,282,273	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			-	
Adjusted net change in fund balance – GAAP basis			<u>\$ 8,282,273</u>	

**CITY OF FLAGSTAFF, ARIZONA**  
**Financial Data Submission Summary**  
**Net Asset Accounts**  
**Year Ended June 30, 2012**

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Resident Opportunity and Supportive Services 14.870	Moderate Rehab- ilitation 14.856	Elimination	Total
<b>Assets:</b>							
<b>Current Assets:</b>							
<b>Cash:</b>							
Cash – Unrestricted	\$ 553,767	\$ 114,388	\$ 88,284		\$ 20,635		\$ 777,074
Cash – Other Restricted		224,999					224,999
Cash – Tenant Security Deposits	69,575						69,575
<b>Total Cash</b>	<b>623,342</b>	<b>339,387</b>	<b>88,284</b>	<b>-</b>	<b>20,635</b>	<b>-</b>	<b>1,071,648</b>
<b>Accounts Receivables:</b>							
Accounts Receivable – PHA Projects	-	-	-	-	-	-	-
Accounts Receivable – HUD Other Projects	146,058	-	-	4,853	-	-	150,911
Accounts Receivable – Other Government	-	-	-	-	-	-	-
Accounts Receivable – Miscellaneous	2,223	1,921	50,358	-	648	-	55,150
Accounts Receivable – Tenants	18,655	-	-	-	-	-	18,655
Allowance for Doubtful Accounts – Tenants	-	-	-	-	-	-	-
Allowance for Doubtful Accounts – Other	-	-	(13,650)	-	-	-	(13,650)
Fraud Recovery	-	188	-	-	-	-	188
Allowance for Doubtful Accounts – Fraud	-	-	-	-	-	-	-
Accrued Interest Receivable	-	-	-	-	-	-	-
<b>Total Receivables, Net</b>	<b>166,936</b>	<b>2,109</b>	<b>36,708</b>	<b>4,853</b>	<b>648</b>	<b>-</b>	<b>211,254</b>
<b>Current investments</b>							
Investments – Unrestricted	-	-	-	-	-	-	-
Investments – Restricted	-	-	-	-	-	-	-
Prepaid Expenses and Other Assets	57,200	2,862	20,997	-	-	-	81,059
Inventories	-	-	-	-	-	-	-
Allowance for Obsolete Inventories	-	-	-	-	-	-	-
Inter Program Due From	2,041	-	2,057	-	-	(4,098)	-
Assets Held for Sale	-	-	-	-	-	-	-
<b>Total Current Assets</b>	<b>849,519</b>	<b>344,358</b>	<b>148,046</b>	<b>4,853</b>	<b>21,283</b>	<b>(4,098)</b>	<b>1,363,961</b>
<b>Noncurrent Assets:</b>							
<b>Capital Assets:</b>							
Land	1,446,035	-	-	-	-	-	1,446,035
Buildings	8,257,993	-	-	-	-	-	8,257,993
Furniture, Equipment & Machinery – Dwellings	887,236	-	-	-	-	-	887,236
Furniture, Equipment & Machinery – Administration	559,642	43,489	-	-	-	-	603,131
Leasehold Improvements	-	-	-	-	-	-	-
Accumulated Depreciation	(5,629,809)	(43,489)	-	-	-	-	(5,673,298)
Construction in Progress	-	-	-	-	-	-	-
<b>Total Capital Assets, Net</b>	<b>5,521,097</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,521,097</b>
Notes receivable – Noncurrent	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-
<b>Total Non-Current Assets</b>	<b>5,521,097</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,521,097</b>
<b>Total Assets</b>	<b>6,370,616</b>	<b>344,358</b>	<b>148,046</b>	<b>4,853</b>	<b>21,283</b>	<b>(4,098)</b>	<b>6,885,058</b>

(continued)

**CITY OF FLAGSTAFF, ARIZONA**  
**Financial Data Submission Summary**  
**Net Asset Accounts**  
**Year Ended June 30, 2012**

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Resident Opportunity and Supportive Services 14.870	Moderate Rehab- ilitation 14.856	Elimination	Total
<b>Liabilities and Net Assets:</b>							
<b>Liabilities:</b>							
<b>Current Liabilities:</b>							
Bank Overdraft	-	-	-	-	-	-	-
Accounts Payable <= 90 Days	56,147	1,689	33,565	-	467	-	91,868
Accrued Wage/Payroll Taxes Payable	15,004	3,271	6,895	755	-	-	25,925
Accrued Compensated Absences	16,324	4,196	459	-	-	-	20,979
Accrued Interest Payable	-	-	-	-	-	-	-
Accounts Payable – HUD PHA Programs	-	-	-	-	8,200	-	8,200
Account Payable – PHA Projects	-	-	-	-	-	-	-
Accounts Payable – Other Government	66,384	-	-	-	-	-	66,384
Tenant Security Deposits	69,575	-	-	-	-	-	69,575
Deferred Revenues	9,901	-	-	-	-	-	9,901
Current Portion of L-T Debt – Capital	-	-	-	-	-	-	-
Current Portion of L-T Debt – Operating	-	-	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-	-	-
Accrued Liabilities – Other	-	-	-	-	-	-	-
Inter Program – Due To	-	-	-	4,098	-	(4,098)	-
<b>Total Current Liabilities</b>	<b>233,335</b>	<b>9,156</b>	<b>40,919</b>	<b>4,853</b>	<b>8,667</b>	<b>(4,098)</b>	<b>292,832</b>
<b>Noncurrent Liabilities</b>							
Long-term Debt, Net of Current – Capital	-	-	-	-	-	-	-
Long-term Debt, Net of Current – Operating	-	-	-	-	-	-	-
Non-current Liabilities – Other	-	-	-	-	-	-	-
Accrued Compensated Absences	146,921	37,767	4,128	-	-	-	188,816
Accrued Pension and OPEB Liabilities	34,960	4,485	2,472	-	-	-	41,917
<b>Total Non-Current Liabilities</b>	<b>181,881</b>	<b>42,252</b>	<b>6,600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>230,733</b>
<b>Total Liabilities</b>	<b>415,216</b>	<b>51,408</b>	<b>47,519</b>	<b>4,853</b>	<b>8,667</b>	<b>(4,098)</b>	<b>523,565</b>
<b>Net Assets:</b>							
Invested In Capital Assets, Net of Related Debt	5,521,097	-	-	-	-	-	5,521,097
Restricted Net Assets	-	219,852	-	-	-	-	219,852
Unrestricted Net Assets	434,303	73,098	100,527	-	12,616	-	620,544
<b>Total Equity/Net Assets</b>	<b>5,955,400</b>	<b>292,950</b>	<b>100,527</b>	<b>-</b>	<b>12,616</b>	<b>-</b>	<b>6,361,493</b>
<b>Total Liabilities and Equity/Net Assets</b>	<b>\$6,370,616</b>	<b>\$ 344,358</b>	<b>\$ 148,046</b>	<b>\$ 4,853</b>	<b>\$ 21,283</b>	<b>\$ (4,098)</b>	<b>\$6,885,058</b>

(concluded)

**CITY OF FLAGSTAFF, ARIZONA**  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Asset Accounts**  
**Year Ended June 30, 2012**

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Resident Opportunity and Supportive Services 14.870	Moderate Rehab- ilitation 14.856	Elimination	Total
<b>Revenues:</b>							
Net Tenant Rental Revenue	\$ 1,042,372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,042,372
Tenant Revenue - Other	15,333	-	-	-	-	-	15,333
<b>Total Tenant Revenue</b>	<b>1,057,705</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,057,705</b>
HUD PHA Operating Grants	882,303	3,257,482	-	44,369	68,338	-	4,252,492
Capital Grants	186,825	-	-	-	-	-	186,825
Management Fee	-	-	-	-	-	-	-
Asset Management Fee	-	-	-	-	-	-	-
Bookkeeping Fee	-	-	-	-	-	-	-
Front Line Service Fee	-	-	-	-	-	-	-
Other Fees	-	-	-	-	-	-	-
Other Government Grants	-	-	-	-	-	-	-
Investment Income - Unrestricted	-	-	-	-	-	-	-
Mortgage Interest Income	-	-	-	-	-	-	-
Fraud Recovery	-	3,553	-	-	-	-	3,553
Other Revenue	15,354	182,314	41,062	-	-	-	238,730
Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-
Investment Income - Restricted	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>2,142,187</b>	<b>3,443,349</b>	<b>41,062</b>	<b>44,369</b>	<b>68,338</b>	<b>-</b>	<b>5,739,305</b>
<b>Expenses:</b>							
<b>Administrative</b>							
Administrative Salaries	471,788	180,774	17,998	-	-	-	670,560
Auditing Fees	7,704	2,684	941	-	671	-	12,000
Management Fee	-	-	-	-	9,360	-	9,360
Bookkeeping Fee	-	-	-	-	-	-	-
Advertising and Marketing	742	-	-	991	-	-	1,733
Employee Benefit - Administrative	149,218	54,553	7,861	-	-	-	211,632
Office Expenses	82,146	23,542	5,426	3,965	-	-	115,079
Legal Expense	8,788	4,406	110	-	-	-	13,304
Travel	31,344	3,476	1,317	2,199	-	-	38,336
Other	12,168	7,003	3,750	143	1	-	23,065
<b>Total Administrative</b>	<b>763,898</b>	<b>276,438</b>	<b>37,403</b>	<b>7,298</b>	<b>10,032</b>	<b>-</b>	<b>1,095,069</b>
<b>Tenant Services</b>							
Tenant Services - Salaries	-	-	-	27,922	-	-	27,922
Relocation Costs	-	-	-	-	-	-	-
Employee Benefit - Tenant Services	-	-	-	8,744	-	-	8,744
Tenant Services - Other	26,159	-	-	-	-	-	26,159
<b>Total Tenant Services</b>	<b>26,159</b>	<b>-</b>	<b>-</b>	<b>36,666</b>	<b>-</b>	<b>-</b>	<b>62,825</b>
<b>Utilities</b>							
Water	116,438	-	-	-	-	-	116,438
Electricity	19,160	-	-	-	-	-	19,160
Gas	176,495	-	-	-	-	-	176,495
Sewer	73,710	-	-	-	-	-	73,710
Employee Benefit - Utilities	-	-	-	-	-	-	-
Other Utilities Expense	-	-	-	-	-	-	-
<b>Total Utilities</b>	<b>385,803</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>385,803</b>

(continued)

**CITY OF FLAGSTAFF, ARIZONA**  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Asset Accounts**  
**Year Ended June 30, 2012**

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Resident Opportunity and Supportive Services 14.870	Moderate Rehab- ilitation 14.856	Elimination	Total
Ordinary Maintenance and Operations							
Labor	350,557	-	-	-	-	-	350,557
Materials and Other	31,743	-	-	-	-	-	31,743
Employee Benefit Contributions	110,629	-	-	-	-	-	110,629
Garbage & Trash Removal Contacts	117,252	-	-	-	-	-	117,252
Heating & Cooling Contracts	-	-	-	-	-	-	-
Landscape & Grounds Contracts	-	-	-	-	-	-	-
Unit Turnaround Contracts	-	-	-	-	-	-	-
Electrical Contracts	-	-	-	-	-	-	-
Plumbing Contracts	-	-	-	-	-	-	-
Extermination Contracts	-	-	-	-	-	-	-
Janitorial Contracts	-	-	-	-	-	-	-
Routine Maintenance Contracts	-	-	-	-	-	-	-
Contracts-Other	-	-	-	-	-	-	-
<b>Total Maintenance</b>	<b>610,181</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>610,181</b>
Protective Services							
Protective Services - Other	-	-	-	-	-	-	-
<b>Total Protective Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
General Expense							
Property Insurance	43,761	-	-	-	-	-	43,761
Liability Insurance	16,356	3,417	-	-	-	-	19,773
Workmen's Compensation	9,692	1,942	192	238	-	-	12,064
All Other Insurance	12,189	1,637	387	167	-	-	26,569
Other General Expenses	13,775	17,274	2,163	-	-	-	33,212
Compensated Absences	-	-	-	-	-	-	-
Payments in Lieu of Taxes	66,384	-	-	-	-	-	66,384
Bad debt - Tenant Rents	2,608	-	-	-	-	-	2,608
Bad debt - Other	-	-	6,825	-	-	-	6,825
<b>Total General Expenses</b>	<b>164,765</b>	<b>24,270</b>	<b>9,567</b>	<b>405</b>	<b>-</b>	<b>-</b>	<b>199,007</b>
Financial Expenses							
Interest Expense - Mortgage Payable	-	-	-	-	-	-	-
Amortization of Bond Issue Costs	-	-	-	-	-	-	-
<b>Total Financial Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Operating Expenses</b>	<b>1,950,806</b>	<b>300,708</b>	<b>46,970</b>	<b>44,369</b>	<b>10,032</b>	<b>-</b>	<b>2,352,885</b>
Excess of Operating Revenue over Operating Expenses	191,381	3,142,641	(5,908)	-	58,306	-	3,386,420

(continued)

**CITY OF FLAGSTAFF, ARIZONA**  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Asset Accounts**  
**Year Ended June 30, 2012**

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Resident Opportunity and Supportive Services 14.870	Moderate Rehab- ilitation 14.856	Elimination	Total
Other Expenses							
Extraordinary Maintenance	-	-	-	-	-	-	-
Casualty Losses – Non-capitalized	-	-	-	-	-	-	-
Housing Assistance Payments	-	3,207,325	-	-	58,314	-	3,265,639
HAP Portability-In	-	165,317	-	-	-	-	165,317
Depreciation Expense	383,242	-	-	-	-	-	383,242
Total Other Expense	<u>383,242</u>	<u>3,372,642</u>	<u>-</u>	<u>-</u>	<u>58,314</u>	<u>-</u>	<u>3,814,198</u>
Total Expenses	<u>2,334,048</u>	<u>3,673,350</u>	<u>46,970</u>	<u>44,369</u>	<u>68,346</u>	<u>-</u>	<u>6,167,083</u>
Other Financing Sources (Uses)							
Transfer of Funds	-	-	-	-	-	-	-
Transfer of Equity	-	-	-	-	-	-	-
Prior Period Adjustments	-	-	-	-	-	-	-
Total Other financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>(191,861)</u>	<u>(230,001)</u>	<u>(5,908)</u>	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>(427,778)</u>
Beginning Equity	<u>6,147,261</u>	<u>522,951</u>	<u>106,435</u>	<u>-</u>	<u>12,624</u>	<u>-</u>	<u>6,789,271</u>
Ending Net Assets	<u>\$ 5,955,400</u>	<u>\$ 292,950</u>	<u>\$ 100,527</u>	<u>\$ -</u>	<u>\$ 12,616</u>	<u>\$ -</u>	<u>\$ 6,361,493</u>
Administrative Fee Equity	\$ -	\$ 73,098	\$ -	\$ -	\$ -	\$ -	\$ 96,939
Housing Assistance Payments Equity	\$ -	\$ 219,852	\$ -	\$ -	\$ -	\$ -	\$ 423,848
Unit Months Available	3,180	4,296	-	-	144	-	7,620
Number of Unit Months Leased	3,146	4,287	-	-	130	-	7,563

(concluded)

**CITY OF FLAGSTAFF, ARIZONA**  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Asset Accounts**  
**Public Housing – Consolidated**  
**Year Ended June 30, 2012**

	Operating Fund Program	Capital Fund Grants	Other Project Total
<b>Revenues:</b>			
Net Tenant Rental Revenue	\$ 1,042,372	\$ -	\$ 1,042,372
Tenant Revenue – Other	15,333	-	15,333
<b>Total Tenant Revenue</b>	<b>1,057,705</b>	<b>-</b>	<b>1,057,705</b>
HUD PHA Operating Grants	637,882	244,421	882,303
Capital Grants	-	186,825	186,825
Management Fee	-	-	-
Asset Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Front Line Service Fee	-	-	-
Other Fees	-	-	-
Other Government Grants	-	-	-
Investment Income – Unrestricted	-	-	-
Mortgage Interest Income	-	-	-
Fraud Recovery	-	-	-
Other Revenue	15,354	-	15,354
Gain or Loss on Sale of Capital Assets	-	-	-
Investment Income – Restricted	-	-	-
<b>Total Revenue</b>	<b>1,710,941</b>	<b>431,246</b>	<b>2,142,187</b>
<b>Expenses:</b>			
<b>Administrative</b>			
Administrative Salaries	429,444	42,344	471,788
Auditing Fees	7,704	-	7,190
Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Advertising and Marketing	742	-	742
Employee Benefit – Administrative	137,342	11,876	149,218
Office Expenses	57,865	24,281	82,146
Legal Expense	8,788	-	8,788
Travel	23,279	8,065	31,344
Allocated Overhead	-	-	-
Other	12,168	-	12,168
<b>Total Administrative</b>	<b>677,332</b>	<b>86,566</b>	<b>763,898</b>
<b>Tenant Services</b>			
Tenant Services – Salaries	-	-	-
Relocation Costs	-	-	-
Employee Benefit – Tenant Services	-	-	-
Tenant Services – Other	26,159	-	26,159
<b>Total Tenant Services</b>	<b>26,159</b>	<b>-</b>	<b>26,159</b>
<b>Utilities</b>			
Water	116,438	-	116,438
Electricity	19,160	-	19,160
Gas	176,495	-	176,495
Sewer	73,710	-	73,710
Employee Benefit – Utilities	-	-	-
Other Utilities Expense	-	-	-
<b>Total Utilities</b>	<b>385,803</b>	<b>-</b>	<b>385,803</b>

(continued)

**CITY OF FLAGSTAFF, ARIZONA**  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Asset Accounts**  
**Public Housing – Consolidated**  
**Year Ended June 30, 2012**

	Operating Fund Program	Capital Fund Grants	Other Project Total
Ordinary Maintenance and Operations			
Labor	350,557	-	350,557
Materials and Other	31,743	-	31,743
Employee Benefit Contributions	110,629	-	110,629
Garbage & Trash Removal Contracts	62,903	-	62,903
Heating & Cooling Contracts	1,382	-	1,382
Landscape & Grounds Contracts	6,465	-	6,465
Unit Turnaround Contracts	-	-	-
Electrical Contracts	654	-	654
Plumbing Contracts	6,848	-	6,848
Extermination Contracts	1,125	-	1,125
Janitorial Contracts	-	-	-
Routine Maintenance Contracts	-	-	-
Contracts–Other	37,875	-	37,875
Total Maintenance	<u>610,181</u>	<u>-</u>	<u>610,181</u>
Protective Services			
Protective Services – Other	-	-	-
Total Protective Services	<u>-</u>	<u>-</u>	<u>-</u>
General Expense			
Property Insurance	43,761	-	43,761
Liability Insurance	16,356	-	16,356
Workmen's Compensation	9,253	439	9,692
All Other Insurance	12,153	36	12,189
Other General Expenses	13,775	-	13,775
Compensated Absences	-	-	-
Payments in Lieu of Taxes	66,384	-	66,384
Bad debt – Tenant Rents	2,608	-	2,608
Bad debt – Other	-	-	-
Total General Expenses	<u>164,290</u>	<u>475</u>	<u>164,765</u>
Financial Expenses			
Interest Expense – Mortgage Payable	-	-	-
Amortization of Bond Issue Costs	-	-	-
Total Financial Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Expenses	<u>1,863,765</u>	<u>87,041</u>	<u>1,950,806</u>
Excess of Operating Revenue over Operating Expenses	<u>(152,824)</u>	<u>344,205</u>	<u>191,381</u>

(continued)

**CITY OF FLAGSTAFF, ARIZONA**  
**Financial Data Submission Summary**  
**Revenue, Expense, and Changes in Fund Net Asset Accounts**  
**Public Housing – Consolidated**  
**Year Ended June 30, 2012**

	Operating Fund Program	Capital Fund Grants	Other Project Total
Other Expenses			
Extraordinary Maintenance	-	-	-
Casualty Losses – Non-capitalized	-	-	-
Housing Assistance Payments	-	-	-
HAP Portability-In	-	-	-
Depreciation Expense	383,242	-	383,242
Total Other Expense	<u>383,242</u>	<u>-</u>	<u>383,242</u>
Total Expenses	<u>2,247,007</u>	<u>87,041</u>	<u>2,334,048</u>
Transfer of Funds	157,380	(157,380)	-
Transfer of Equity	186,825	(186,825)	-
Prior Period Adjustments	-	-	-
Total Other financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Total Revenue Over (Under)			
Total Expenses	<u>(191,861)</u>	<u>-</u>	<u>(191,861)</u>
Beginning Equity	<u>6,147,261</u>	<u>-</u>	<u>6,147,261</u>
Ending Net Assets	<u>5,955,400</u>	<u>-</u>	<u>5,955,400</u>

(concluded)

# Statistical Section

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This part of the City of Flagstaff's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

<u>Contents</u>	<u>Page</u>
Financial Trends	116
These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time.	
Revenue Capacity	125
These schedules contain information to help the reader assess the city's most significant local revenue source, sales tax.	
Debt Capacity	130
These schedules present information to help the reader assess the affordability of the city's current levels of outstanding debt and the city's ability to issue additional debt in the future.	
Demographic and Economic Information	141
These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place.	
Operating Information	143
These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the City provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>										
Invested in capital assets, net of related debt	\$ 45,410,334	\$ 41,666,412	\$ 46,759,889	\$ 184,594,782	\$ 204,594,974 (1)	\$ 214,268,448	\$ 215,672,933	\$ 213,762,870	\$ 217,879,986	\$ 219,112,469
Restricted	14,778,358	35,343,236	20,670,257	45,560,390	13,795,935	14,875,852	7,975,269	18,213,829	23,971,870	34,679,441
Unrestricted	34,178,175	33,494,972	56,392,865	10,448,150	36,514,677 (2)	39,248,151	34,766,602	49,463,587	42,863,692	37,309,699
<b>Total governmental activities net assets</b>	<b>\$ 94,366,867</b>	<b>\$ 110,504,620</b>	<b>\$ 123,823,011</b>	<b>\$ 240,603,322</b>	<b>\$ 254,905,586</b>	<b>\$ 268,392,451 (3)</b>	<b>\$ 258,414,804 (4)</b>	<b>\$ 281,440,286</b>	<b>\$ 284,715,548</b>	<b>\$ 291,101,609</b>
<b>Business-type activities</b>										
Invested in capital assets, net of related debt	\$ 173,369,441	\$ 184,863,812	\$ 200,551,217	\$ 230,035,130	\$ 264,381,730	\$ 276,783,163	\$ 291,707,810	\$ 302,784,152	\$ 303,113,402	\$ 304,418,393
Restricted	5,013,627	5,161,363	3,200,521	2,392,858	2,424,615	1,593,915	1,593,915	2,209,327	3,003,129	2,805,002
Unrestricted	20,858,057	24,092,049	24,948,848	20,303,463	19,267,461	16,250,436	11,547,792	10,895,855	17,190,191	23,968,903
<b>Total business-type activities and net assets</b>	<b>\$ 199,241,125</b>	<b>\$ 214,117,224</b>	<b>\$ 228,700,586</b>	<b>\$ 252,731,451</b>	<b>\$ 286,073,806</b>	<b>\$ 294,627,514</b>	<b>\$ 304,849,517</b>	<b>\$ 315,889,334</b>	<b>\$ 323,306,722</b>	<b>\$ 331,192,298</b>
<b>Primary government</b>										
Invested in capital assets, net of related debt	\$ 218,779,775	\$ 226,530,224	\$ 247,311,106	\$ 414,629,912	\$ 468,976,704	\$ 491,051,611	\$ 507,380,743	\$ 516,547,022	\$ 520,993,388	\$ 523,530,862
Restricted	19,791,985	40,504,599	23,870,778	47,953,248	16,220,550	16,469,767	9,569,184	20,423,156	26,974,999	37,484,442
Unrestricted	55,036,232	57,587,021	81,341,713	30,751,613	55,782,138	55,498,587	46,314,394	60,359,442	60,053,883	61,278,603
<b>Total primary government net assets</b>	<b>\$ 293,607,992</b>	<b>\$ 324,621,844</b>	<b>\$ 352,523,597</b>	<b>\$ 493,334,773</b>	<b>\$ 540,979,392</b>	<b>\$ 563,019,965</b>	<b>\$ 563,264,321</b>	<b>\$ 597,329,620</b>	<b>\$ 608,022,270</b>	<b>\$ 622,293,907</b>

(1) FY 2007 restated for retroactive reporting of infrastructure

(2) FY 2007 restated for retroactive reporting due to an accounting error

(3) FY 2008 change in calculations within categories due to calculation error. No net change to total net assets.

(4) FY 2009 restated for change due to accounting error



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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
General government	\$ 4,840,896	\$ 5,891,617	\$ 5,441,945	\$ 7,458,583	\$ 9,035,268	\$ 11,271,031	\$ 10,913,187	\$ 8,238,178	\$ 7,850,954	\$ 9,406,406
Public safety	18,270,468	18,792,832	21,018,114	22,525,292	23,994,991	27,030,331	29,287,433	26,592,968	25,987,193	27,175,720
Public works	1,169,302	1,178,137	1,320,459	1,454,731	1,882,489	1,894,089	2,109,221	1,502,626	1,754,033	1,615,941
Economic and physical development	7,272,115	6,473,290	6,807,311	7,842,985	9,508,406	10,556,175	10,346,982	8,827,578	8,474,776	9,639,003
Culture and recreation	8,467,575	8,693,714	9,426,600	8,328,945	10,089,469	11,607,116	13,120,917	12,507,679	12,854,824	12,434,695
Highways and streets	6,184,553	8,886,947	10,011,231	12,043,242	14,557,140	15,515,643	19,297,615	17,856,121	19,275,381	16,328,771
Interest on long-term debt	1,380,182	1,923,325	2,042,555	2,167,626	3,090,140	2,916,380	3,651,521	3,918,110	3,370,918	2,944,057
Total governmental activities expense	<u>47,585,091</u>	<u>51,839,862</u>	<u>56,068,215</u>	<u>61,821,404</u>	<u>72,157,903</u>	<u>80,790,765</u>	<u>88,726,876</u>	<u>79,443,260</u>	<u>79,568,079</u>	<u>79,544,593</u>
Business-type activities:										
Water and wastewater	16,142,040	17,250,441	17,297,017	18,452,368	19,945,366	23,420,282	22,802,316	21,731,286	21,491,239	22,708,636
Environmental	7,556,614	7,319,602	8,548,715	9,096,420	10,073,853	11,423,164	11,782,540	11,091,078	11,610,370	7,828,286
Airport	3,411,603	3,370,447	3,749,669	3,519,749	3,162,391	3,608,322	4,197,447	4,273,609	4,584,733	4,268,099
Housing Authority	-	-	-	-	-	-	-	-	5,811,922	6,165,612
Stormwater	-	460,936	479,700	791,791	1,019,248	1,160,604	1,203,436	1,258,072	1,121,555	1,361,658
Total business-type activities expense	<u>27,110,257</u>	<u>28,401,426</u>	<u>30,075,101</u>	<u>31,860,328</u>	<u>34,200,858</u>	<u>39,612,372</u>	<u>39,985,739</u>	<u>38,354,045</u>	<u>44,619,819</u>	<u>42,332,291</u>
Total primary government expense	<u>\$ 74,695,348</u>	<u>\$ 80,241,288</u>	<u>\$ 86,143,316</u>	<u>\$ 93,681,732</u>	<u>\$ 106,358,761</u>	<u>\$ 120,403,137</u>	<u>\$ 128,712,615</u>	<u>\$ 117,797,305</u>	<u>\$ 124,187,898</u>	<u>\$ 121,876,884</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 4,757,483	\$ 3,257,393	\$ 3,611,862	\$ 4,886,354	\$ 4,171,853	\$ 3,746,890	\$ 3,099,884	\$ 3,285,242	\$ 2,646,424	\$ 3,364,479
Public safety	743,738	451,802	498,506	815,167	704,800	1,227,979	1,451,405	1,283,697	1,144,636	1,611,109
Public works	830,885	976,793	1,213,714	1,180,097	1,455,461	1,483,275	1,350,832	1,471,550	1,537,188	1,551,419
Economic and physical development	222,008	16,164	321,915	332,356	562,135	315,462	369,987	291,211	162,715	53,747
Culture and recreation	733,159	722,236	680,755	683,906	742,088	762,410	1,559,617	1,420,094	1,442,901	1,455,067
Highways and streets	119,854	-	-	-	-	-	-	-	-	-
Operating grants and contributions	3,428,440	2,678,653	4,147,529	3,791,526	2,062,329	3,320,597	5,990,756	6,654,978	7,965,474	7,414,767
Capital grants and contributions	9,646,122	11,757,330	15,180,401	21,566,549	19,356,271	16,324,928	9,880,762	36,949,681	9,226,778	12,200,969
Total governmental activities program revenues	<u>20,481,689</u>	<u>19,860,371</u>	<u>25,654,682</u>	<u>33,255,955</u>	<u>29,054,937</u>	<u>27,181,541</u>	<u>23,703,243</u>	<u>51,356,453</u>	<u>24,126,116</u>	<u>27,651,557</u>

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

Business-type activities:

Charges for services:										
Water and wastewater	16,534,341	16,678,956	16,223,648	17,047,831	17,337,916	17,947,605	17,328,927	17,539,873	18,781,751	19,937,196
Environmental	7,682,458	8,201,566	9,370,561	9,723,652	9,839,486	10,813,177	11,545,472	11,329,336	12,010,554	12,030,990
Airport	926,406	944,983	1,176,866	1,261,594	1,122,274	1,207,831	1,187,105	1,359,029	1,388,076	1,492,559
Housing Authority	-	-	-	-	-	-	-	-	1,437,841	1,299,987
Stormwater	-	546,807	694,161	630,962	1,042,701	1,137,402	1,247,878	1,358,438	1,456,894	1,446,602
Operating grants and contributions	382,239	286,919	574,376	369	19,500	67,651	10,966	120,054	5,090,475	4,624,234
Capital grants and contributions	9,460,796	10,482,991	8,164,775	23,449,969	27,369,058	12,242,567	8,744,216	6,790,709	4,220,708	7,960,357
Total business-type activities program revenues	<u>34,986,240</u>	<u>37,142,222</u>	<u>36,204,387</u>	<u>52,114,377</u>	<u>56,730,935</u>	<u>43,416,233</u>	<u>40,064,564</u>	<u>38,497,439</u>	<u>44,386,299</u>	<u>48,791,925</u>
Total primary government program revenues	<u>\$ 55,467,929</u>	<u>\$ 57,002,593</u>	<u>\$ 61,859,069</u>	<u>\$ 85,370,332</u>	<u>\$ 85,785,872</u>	<u>\$ 70,597,774</u>	<u>\$ 63,767,807</u>	<u>\$ 89,853,892</u>	<u>\$ 68,512,415</u>	<u>\$ 76,443,482</u>

Net (Expense)/Revenue

Governmental activities	\$ (27,103,402)	\$ (31,979,491)	\$ (30,413,533)	\$ (28,565,449)	\$ (43,102,966)	\$ (53,609,224)	\$ (65,023,633)	\$ (28,086,807)	\$ (55,441,963)	\$ (51,893,036)
Business-type activities	7,875,983	8,740,796	6,129,286	20,254,049	22,530,077	3,803,861	78,825	143,394	(233,520)	6,459,634
Total primary government net expense	<u>\$ (19,227,419)</u>	<u>\$ (23,238,695)</u>	<u>\$ (24,284,247)</u>	<u>\$ (8,311,400)</u>	<u>\$ (20,572,889)</u>	<u>\$ (49,805,363)</u>	<u>\$ (64,944,808)</u>	<u>\$ (27,943,413)</u>	<u>\$ (55,675,483)</u>	<u>\$ (45,433,402)</u>

General Revenues and Other Changes in Net Assets

Governmental activities:

Taxes										
Property taxes	\$ 8,010,293	\$ 7,931,626	\$ 8,462,302	\$ 9,051,158	\$ 12,169,247	\$ 13,664,791	\$ 12,262,185	\$ 12,798,495	\$ 12,645,717	\$ 11,974,341
Sales taxes	23,805,566	25,682,974	27,054,164	30,014,975	32,334,785	33,129,731	31,420,047	30,429,840	31,355,882	33,401,021
State shared sales taxes – unrestricted	12,073,108	12,122,563	12,837,838	14,384,055	16,276,354	16,992,017	16,628,652	14,880,073	13,148,252	13,189,822
Grants and contributions not restricted to specific programs	-	810,739	-	377,502	-	-	-	-	-	-
Investment earnings	383,111	218,520	1,703,861	2,385,099	4,108,861	3,903,839	1,465,731	449,394	246,093	322,126
Miscellaneous	492	905,717	277,972	204,678	1,377,552	819,325	381,984	228,969	1,741,338	510,695
Gain on sale of capital assets	944,381	634,411	382,387	33,417	242,167	2,160,339	-	2,831,308	744,957	-
Contributions to permanent fund	7,435	14,717	17,765	24,630	19,460	16,200	13,325	19,136	24,950	15,474
Transfers in (out)	(476,304)	(369,358)	(7,004,365)	(2,267,551)	(9,123,196)	(3,590,153)	(9,651,500)	(10,524,926)	(1,189,964)	(1,134,382)
Total governmental activities	<u>44,748,082</u>	<u>47,951,909</u>	<u>43,731,924</u>	<u>54,207,963</u>	<u>57,405,230</u>	<u>67,096,089</u>	<u>52,520,424</u>	<u>51,112,289</u>	<u>58,717,225</u>	<u>58,279,097</u>

Business-type activities:

Grants and contributions not restricted to specific programs	-	-	-	889	-	-	-	-	-	-
Investment earnings	106,733	719,023	935,973	1,181,836	1,546,893	964,237	206,154	111,251	107,543	118,247
Miscellaneous	-	-	-	-	110,835	127,423	166,158	194,547	150,129	173,313
Gain on sale of capital assets	23,675	17,302	513,738	326,540	31,354	78,248	119,366	79,467	47,818	-
Transfers in (out)	476,304	369,358	7,004,365	2,267,551	9,123,196	3,590,153	9,651,500	10,524,926	1,189,964	1,134,382
Total business-type activities	<u>606,712</u>	<u>1,105,683</u>	<u>8,454,076</u>	<u>3,776,816</u>	<u>10,812,278</u>	<u>4,760,061</u>	<u>10,143,178</u>	<u>10,910,191</u>	<u>1,495,454</u>	<u>1,425,942</u>
Total primary government	<u>\$ 45,354,794</u>	<u>\$ 49,057,592</u>	<u>\$ 52,186,000</u>	<u>\$ 57,984,779</u>	<u>\$ 68,217,508</u>	<u>\$ 71,856,150</u>	<u>\$ 62,663,602</u>	<u>\$ 62,022,480</u>	<u>\$ 60,212,679</u>	<u>\$ 59,705,039</u>

Change in Net Assets

Governmental activities	\$ 17,644,680	\$ 15,972,418	\$ 13,318,391	\$ 25,642,514	\$ 14,302,264	\$ 13,486,865	\$ (12,503,209)	\$ 23,025,482	\$ 3,275,262	\$ 6,386,061
Business-type activities	8,482,695	9,846,479	14,583,362	24,030,865	33,342,355	8,563,922	10,222,003	11,053,585	1,261,934	7,885,576
Total primary government	<u>\$ 26,127,375</u>	<u>\$ 25,818,897</u>	<u>\$ 27,901,753</u>	<u>\$ 49,673,379</u>	<u>\$ 47,644,619</u>	<u>\$ 22,050,787</u>	<u>\$ (2,281,206)</u>	<u>\$ 34,079,067</u>	<u>\$ 4,537,196</u>	<u>\$ 14,271,637</u>

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010*	2011	2012
<b>General Fund</b>										
Reserved	\$ 176,838	\$ 220,779	\$ 200,401	\$ 232,190	\$ 1,260,236	\$ 308,979	\$ -	\$ -	\$ -	\$ -
Unreserved	21,782,895	22,891,253	29,124,795	28,574,855	29,960,235	27,492,853	-	-	-	-
Nonspendable	-	-	-	-	-	-	280,376	376,728	427,267	359,923
Restricted	-	-	-	-	-	-	106,144	785,720	796,345	758,303
Committed	-	-	-	-	-	-	-	86,568	85,119	282,888
Assigned	-	-	-	-	-	-	-	8,595,100	6,882,947	7,075,902
Unassigned	-	-	-	-	-	-	22,203,764	13,412,219	15,160,509	17,203,207
<b>Total general fund</b>	<b>\$ 21,959,733</b>	<b>\$ 23,112,032</b>	<b>\$ 29,325,196</b>	<b>\$ 28,807,045</b> (1)	<b>\$ 31,220,471</b>	<b>\$ 27,801,832</b>	<b>\$ 22,590,284</b>	<b>\$ 23,256,335</b>	<b>\$ 23,352,187</b>	<b>\$ 25,680,223</b>
<b>All Other Governmental Funds</b>										
Reserved	\$ 959,209	\$ 1,677,627	\$ 1,556,450	\$ 30,107,878	\$ 47,350,460	\$ 20,611,579	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	21,713,198	37,476,678	33,041,256	22,893,640	16,332,830	16,498,123	-	-	-	-
Capital project funds	-	-	-	-	-	(763,744)	-	-	-	-
Permanent fund	217	567	1,426	3,271	6,567	9,916	-	-	-	-
Nonspendable	-	-	-	-	-	-	216,878	206,678	214,333	219,564
Restricted	-	-	-	-	-	-	4,299,450	19,720,079	23,012,954	33,743,091
Committed	-	-	-	-	-	-	-	2,228,605	-	-
Assigned	-	-	-	-	-	-	8,955,106	651,650	-	-
Unassigned	-	-	-	-	-	-	-	-	(2,863,781)	-
<b>Total all other governmental funds</b>	<b>\$ 22,672,624</b>	<b>\$ 39,154,872</b>	<b>\$ 34,599,132</b>	<b>\$ 53,004,789</b>	<b>\$ 63,689,857</b>	<b>\$ 36,355,874</b>	<b>\$ 13,471,434</b>	<b>\$ 22,807,012</b>	<b>\$ 20,363,506</b>	<b>\$ 33,962,655</b>

(1) FY2007 : as restated for accounting error related to the accrual of state shared revenues.

\* FY2010: Implementation of GASB-54 Fund Balance Classification

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>REVENUES:</b>										
Taxes	\$ 31,523,875	\$ 33,736,154	\$ 35,529,373	\$ 39,104,903	\$ 41,976,134	\$ 43,964,317	\$ 43,555,388	\$ 43,200,268	\$ 43,799,128	\$ 45,577,128
Intergovernmental	11,746,308	12,156,451	17,545,686	17,173,416	18,779,168	20,425,088	21,364,739	19,450,213	17,488,021	17,230,696
Grants and entitlements	13,074,562	10,940,934	9,564,110	10,880,792	12,185,406	13,556,680	9,609,508	11,172,862	10,583,483	9,721,569
Charges for services	1,729,275	1,459,837	1,834,067	2,199,819	2,605,880	2,704,333	3,324,838	3,057,423	2,926,237	8,286,453
Special assessments	360,158	291,684	218,500	30,016	2,927	2,449	2,382	1,510,217	701,447	3,220,137
Licenses and permits	2,378,728	2,111,033	2,063,718	2,834,506	2,438,599	1,815,062	1,377,580	1,441,874	739,040	1,681,874
Fines and forfeitures	1,303,069	1,144,562	1,250,494	1,394,174	1,290,667	1,336,146	1,517,558	1,636,157	1,673,306	1,601,044
Rents	845,443	985,907	1,220,007	1,195,464	1,480,686	1,496,858	1,421,772	1,588,214	1,617,912	1,605,166
Investment earnings	274,472	115,433	1,589,293	2,238,285	3,920,473	3,731,116	1,366,931	413,594	224,363	296,241
Contributions	334,235	21,917	22,229	129,930	2,981,982	1,308,938	1,328,524	544,393	166,417	390,253
Miscellaneous	781,496	905,717	277,972	204,678	1,377,552	819,325	381,984	228,969	1,719,608	492,971
Total revenues	<u>64,351,621</u>	<u>63,869,629</u>	<u>71,115,449</u>	<u>77,385,983</u>	<u>89,039,474</u>	<u>91,160,312</u>	<u>85,251,204</u>	<u>84,244,184</u>	<u>81,638,962</u>	<u>90,103,532</u>
<b>EXPENDITURES:</b>										
General governmental	4,453,180	5,335,890	6,158,308	6,621,976	8,194,214	10,229,814	9,848,252	7,926,726	7,113,922	7,453,963
Public safety	17,202,980	18,015,837	19,140,415	21,626,547	22,994,522	25,696,174	27,374,083	25,159,777	24,476,615	25,301,495
Public works	948,944	966,546	1,005,745	1,168,424	1,615,049	1,617,311	1,645,703	1,360,447	1,299,027	1,146,692
Economic and physical development	7,060,275	6,289,966	6,424,057	7,640,313	9,344,676	10,335,964	9,991,927	8,601,808	8,202,024	8,584,826
Culture and recreation	7,599,703	7,724,481	8,341,105	7,178,029	8,648,628	10,267,649	12,158,087	10,615,754	10,782,848	10,576,877
Highways and streets	5,676,050	8,003,110	8,951,097	10,700,196	7,859,004	8,505,722	11,187,402	9,313,158	10,612,033	9,593,074
Debt service:										
Principal retirement	3,679,000	4,614,000	4,880,000	6,505,449	5,313,222	5,046,398	5,034,991	6,065,522	6,761,179	13,654,681
Interest and other charges	1,380,182	2,428,026	2,148,734	2,552,016	3,210,879	3,020,927	3,750,657	3,996,963	3,451,706	3,346,253
Capital outlay	18,304,161	19,348,708	17,053,841	25,054,173	26,403,203	46,465,549	30,796,072	12,446,280	11,785,480	11,951,834
Total expenditures	<u>66,304,475</u>	<u>72,726,564</u>	<u>74,103,302</u>	<u>89,047,123</u>	<u>93,583,397</u>	<u>121,185,508</u>	<u>111,787,174</u>	<u>85,486,435</u>	<u>84,484,834</u>	<u>91,609,695</u>
Excess of revenues over (under) expenditures	(1,952,854)	(8,856,935)	(2,987,853)	(11,661,140)	(4,543,923)	(30,025,196)	(26,535,970)	(1,242,251)	(2,845,872)	(1,506,163)
<b>OTHER FINANCING SOURCES (USES):</b>										
Proceeds of refunding bonds	9,375,000	720,000	-	-	-	-	-	-	-	13,924,136
Issuance of capital debt	-	25,000,000	-	31,500,000	19,075,000	-	-	8,330,000	-	16,797,287
Loan issued	-	-	3,800,000	-	-	-	-	-	-	-
Payment to bond refunding escrow agent	(9,429,957)	(718,127)	-	-	-	-	-	-	-	(15,394,336)
Lease issued	-	-	-	-	-	-	109,352	-	-	-
Improvement District Debt	-	-	-	-	-	-	-	-	-	-
Bond premium	190,240	1,059,221	-	220,086	46,707	-	-	58,370	-	2,264,386
Insurance recoveries	-	-	-	-	-	-	-	1,920,000	1,058,985	-
Sale of capital assets	946,236	634,411	2,114,398	37,892	252,329	2,176,808	63,894	1,084,211	45,655	43,890
Transfers in	12,708,480	12,996,534	15,312,931	17,317,133	17,756,847	17,181,576	21,626,308	15,224,243	13,661,630	14,872,935
Transfers out	(13,184,784)	(13,365,892)	(16,582,052)	(19,584,684)	(19,488,466)	(20,085,809)	(23,359,573)	(18,525,100)	(14,268,052)	(15,074,950)
Total other financing sources (uses)	<u>605,215</u>	<u>26,326,147</u>	<u>4,645,277</u>	<u>29,490,427</u>	<u>17,642,417</u>	<u>(727,425)</u>	<u>(1,560,019)</u>	<u>8,091,724</u>	<u>498,218</u>	<u>17,433,348</u>
Net change in fund balances	\$ <u>(1,347,639)</u>	\$ <u>17,469,212</u>	\$ <u>1,657,424</u>	\$ <u>17,829,287</u>	\$ <u>13,098,494</u>	\$ <u>(30,752,621)</u>	\$ <u>(28,095,989)</u>	\$ <u>6,849,473</u>	\$ <u>(2,347,654)</u>	\$ <u>15,927,185</u>
Debt service as a percentage of non capital expenditures	10.54%	13.19%	12.32%	14.15%	12.69%	10.80%	10.85%	13.78%	14.05%	21.34%

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

Fiscal Year	General Property Tax	Secondary Property Tax	Franchise and Other Taxes	City Sales Tax	Bed, Board and Booze Tax	Transportation Tax	Total
2003	\$ 3,427	\$ 4,415	\$ 1,783	\$ 11,469	\$ 3,827	\$ 6,603	\$ 31,524
2004	3,425	4,628	2,262	12,055	4,063	7,303	33,736
2005	3,619	4,856	1,943	13,148	4,331	7,632	35,529
2006	4,209	4,881	2,083	14,707	4,623	8,602	39,105
2007	4,453	5,188	1,838	16,071	4,992	9,434	41,976
2008	4,616	6,219	2,189	16,150	5,187	9,605	43,966
2009	4,882	7,254	2,246	14,384	5,052	10,035	43,853
2010	5,150	7,620	2,133	13,595	5,074	9,628	43,200
2011	5,259	7,184	2,339	13,893	5,259	9,865	43,799
2012	5,473	6,703	2,348	14,900	5,626	10,527	45,577
Change 2002-2012	59.70%	51.82%	31.69%	29.92%	47.01%	59.43%	44.58%

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

Fiscal Year	State Sales Tax	State Income Tax	County Auto In-Lieu Tax	Highway User Tax	Local Transportation Assistance	State HB 2565	Federal Grants	State Grants & Other State	County LEAF IGA	County Library District Funding *	Other	Total
2003	\$ 4,136,724	\$ 5,557,918	\$ 2,378,466	\$ 7,408,116	\$ 315,026	\$ -	\$ 1,743,613	\$ 823,701	\$ -	\$ 2,564,691	\$ 850,000	\$ 25,778,255
2004	4,449,982	4,777,145	2,427,367	6,975,351	313,868	-	1,160,966	454,212	468,069	1,987,433	148,992	23,163,385
2005	4,900,117	4,918,476	2,461,425	7,171,383	313,843	-	1,772,181	2,868,033	628,198	2,068,947	39,640	27,142,243
2006	5,652,335	5,655,641	2,655,653	7,942,771	304,341	55,665	2,386,011	940,441	420,426	2,241,811	-	28,255,095
2007	5,815,473	6,946,680	2,792,404	7,855,427	293,502	-	2,822,315	1,214,162	721,797	2,559,375	-	31,021,135
2008	5,623,144	8,610,567	2,758,307	7,422,359	225,965	58,782	4,868,431	981,142	668,153	3,559,362	-	34,776,212
2009	4,868,072	9,149,290	2,611,289	6,412,329	251,536	-	1,711,609	1,234,065	897,337	4,125,223	32,795	31,293,545
2010	4,490,087	7,899,626	2,490,360	6,429,355	156,218	-	3,885,697	701,592	757,241	3,762,831	50,068	30,623,075
2011	4,711,821	5,955,305	2,481,126	6,300,885	-	-	3,181,076	1,101,522	744,070	3,531,607	64,092	28,071,504
2012	5,147,101	5,559,476	2,483,245	5,569,896	-	-	3,544,253	607,420	759,606	3,163,052	118,216	26,952,265

\* - As restated due to change in accounting error identified in FY2010

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

Fiscal Year	Centrally Valued Property	Commercial Property	Vacant, Agricultural, and Government Property	Residential Property	Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2003	\$ 35,621,681	\$ 194,944,521	\$ 62,099,966	\$ 215,320,769	\$ 43,729,051	\$ 464,257,886	1.7127
2004	29,405,068	211,870,593	65,128,715	242,190,760	46,939,696	501,655,440	1.7127
2005	27,328,709	221,179,062	82,683,618	276,187,028	50,697,830	556,680,587	1.7127
2006	27,532,435	237,795,313	100,985,606	315,182,546	57,296,001	624,199,899	1.6627
2007	28,051,846	261,009,908	125,377,258	398,783,838	62,684,483	750,538,367	1.5929
2008	28,940,765	281,348,845	140,117,313	500,150,890	71,775,990	878,781,823	1.5519
2009	27,478,520	286,101,952	151,630,088	529,950,871	78,819,714	916,341,717	1.5519
2010	25,750,042	274,992,074	146,079,309	502,351,037	85,132,993	864,039,469	1.4913
2011	26,651,155	265,230,915	133,909,755	447,421,001	81,844,375	791,368,451	1.4845
2012	28,837,059	255,823,684	124,373,673	436,787,954	80,555,433	765,266,937	1.5283

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

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

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

	<b>Fiscal Year</b>									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Construction	\$ 151,652	\$ 158,506	\$ 163,846	\$ 233,747	\$ 260,024	\$ 263,386	\$ 181,245	\$ 150,239	\$ 166,894	\$ 150,868
Building Materials	63,618	70,063	72,152	82,481	79,703	75,493	66,641	60,143	61,781	62,665
Auto Sales	118,640	124,147	127,760	129,671	133,497	118,282	78,819	85,806	99,786	121,296
Restaurants and Bars	191,883	202,966	215,624	232,359	248,819	255,578	250,555	251,271	261,384	277,954
Retail	502,235	529,705	556,165	586,841	637,225	619,805	582,029	546,765	544,356	557,375
Other	118,333	125,687	134,824	144,635	154,183	163,463	155,193	152,042	151,461	154,497
Utilities	-	53	199	4,892	68,840	71,299	69,175	66,392	63,784	116,273
<b>TOTAL</b>	<b>\$ 1,146,361</b>	<b>\$ 1,211,127</b>	<b>\$ 1,270,570</b>	<b>\$ 1,414,626</b>	<b>\$ 1,582,291</b>	<b>\$ 1,567,306</b>	<b>\$ 1,383,657</b>	<b>\$ 1,312,658</b>	<b>\$ 1,349,446</b>	<b>\$ 1,440,928</b>

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

Fiscal Year	City	School District	Community College	County	Total
2003	1.7127	6.7590	0.5809	1.1941	10.2467
2004	1.7127	6.3679	0.5775	1.2369	9.8950
2005	1.7127	5.7236	0.5660	1.2212	9.2235
2006	1.6627	6.0786	0.5525	1.2010	9.4948
2007	1.5929	5.9009	0.5269	0.7521	8.7728
2008	1.5519	4.7713	0.4865	0.7588	7.5685
2009	1.5519	4.8334	0.4643	0.7603	7.6099
2010	1.4913	3.8860	0.4267	0.7244	6.5284
2011	1.4845	4.6772	0.4308	0.7245	7.3170
2012	1.5283	4.9458	0.4734	0.7656	7.7131

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

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

Taxpayer *	2012			2003		
	Total Assessed Value	Rank	As a Percentage of the City Total Secondary Assessed Valuation	Total Assessed Value	Rank	As a Percentage of the City Total Secondary Assessed Valuation
Arizona Public Service Company	\$ 76,606,658	1	10.01%	\$ 10,904,209	2	2.35%
Transwestern Pipeline Co	35,790,722	2	4.68%			
Unisource Energy Corporation	17,762,840	3	2.32%			
BNSF Railway Company	17,721,454	4	2.32%			
El Paso Natural Gas Co	17,696,075	5	2.31%			
Qwest Corporation	9,180,865	6	1.20%	9,888,282	3	2.13%
W L Gore & Associates	3,997,317	7	0.52%	9,024,038	4	1.94%
Verizon Wireless	2,538,722	8	0.33%			
AT&T Property Tax	1,245,363	9	0.16%			
AT&T Mobility LLC	972,939	10	0.13%			
Northern Arizona Gas Division (Citizens Utilities)	-		0.00%	11,928,523	1	2.57%
Little America Refining Co	-		0.00%	4,266,517	6	0.92%
Ralston Purina	-		0.00%	5,081,044	5	1.09%
Flagstaff Mall Associated Ltd. Partnership	-		0.00%	3,250,000	7	0.70%
Consolidated Investment Co. Inc.	-		0.00%	3,197,108	8	0.69%
Walgreens Arizona Drug Co	-		0.00%	2,656,145	9	0.57%
SACO Management Inc.	-		0.00%	2,268,475	10	0.49%
Total Principal Taxpayers	<u>\$ 183,512,955</u>		<u>23.98%</u>	<u>\$ 62,464,341</u>		<u>13.45%</u>

Schedule 11  
City of Flagstaff  
Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 7,609,112	\$ 7,621,044	100.0%	\$ 92,457	\$ 7,718,309	99.9%*
2004	7,897,298	7,791,735	98.7%	261,445	8,053,180	99.7%*
2005	8,494,694	8,330,157	98.1%	145,051	8,475,208	99.7%*
2006	9,075,322	8,958,733	98.7%	131,194	9,089,927	99.5%*
2007	9,615,015	9,495,935	98.8%	145,415	9,641,350	99.8%*
2008	10,935,835	10,728,465	98.1%	106,120	10,834,585	99.5%
2009	12,253,760	11,934,997	97.4%	200,344	12,135,341	99.3%
2010	12,750,836	12,477,413	97.9%	293,015	12,770,429	100.0%
2011	12,497,535	12,113,128	96.9%	330,118	12,443,246	96.9%
2012	12,015,988	11,635,211	96.8%	540,896	12,176,107	96.8%

\* Percentage of Levy is estimated

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

Fiscal Year	City			State of Arizona	Coconino County	Total
	General Sales Tax	Bed, Board & Beverage	Transportation			
2003	1.0000%	2.0000%	0.5745%	5.6000%	0.9250%	10.0995%
2004	1.0000%	2.0000%	0.6010%	5.6000%	0.9250%	10.1260%
2005	1.0000%	2.0000%	0.6010%	5.6000%	0.9250%	10.1260%
2006	1.0000%	2.0000%	0.6010%	5.6000%	0.9250%	10.1260%
2007	1.0000%	2.0000%	0.6010%	5.6000%	1.1250%	10.3260%
2008	1.0000%	2.0000%	0.6010%	5.6000%	1.1250%	10.3260%
2009	1.0000%	2.0000%	0.7210%	5.6000%	1.1250%	10.4460%
2010	1.0000%	2.0000%	0.7210%	6.6000%	1.1250%	11.4460%
2011	1.0000%	2.0000%	0.7210%	6.6000%	1.1250%	11.4460%
2012	1.0000%	2.0000%	0.7210%	6.6000%	1.1250%	11.4460%

Source: City of Flagstaff  
[www.flagstaff.az.gov](http://www.flagstaff.az.gov)  
(Sales Tax/Business Licenses Division)

Schedule 13  
City of Flagstaff  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years  
*(dollars in thousands, except per capita)*

Fiscal Year	Governmental Activities					Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	Municipal Facility Corporation Bonds	COP Capital Leases	General Obligation Bonds	Revenue Bonds	Term Loan Payable	Capital Leases			
2003	\$ 7,485	\$ 944	\$ 14,790	\$ 4,445	\$ -	\$ 22,958	\$ 6,537	\$ 3,716	\$ -	\$ 60,875	1.9%	993.55
2004	5,795	685	13,380	28,170	-	21,253	6,290	3,380	-	78,953	2.3%	1,290.40
2005	4,285	415	11,555	26,895	3,800	18,880	6,035	3,031	2,732	77,628	2.2%	1,251.46
2006	32,875	340	9,665	25,610	3,455	16,294	5,770	2,671	2,652	99,332	2.9%	1,601.35
2007	31,230	19,339	7,725	24,315	3,097	13,310	5,496	32,957	4,482	141,951	3.8%	2,211.07
2008	29,350	19,257	6,325	23,000	2,728	10,515	5,212	32,275	4,227	132,889	3.5%	2,069.92
2009	27,645	19,169	4,865	21,625	2,430	7,460	4,918	37,006	3,960	129,078	3.4%	1,995.24
2010	25,865	18,615	6,665	19,890	6,964	5,690	4,614	36,257	3,679	128,239	3.4%	1,957.19
2011	24,015	18,130	4,930	18,095	1,542	3,830	4,299	37,491	3,384	115,716	3.1%	1,756.73
2012	38,449	11,365	15,615	3,205	5,200	3,125	3,972	35,689	3,075	119,695	3.2%	1,817.14

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.  
See Schedule 18 for personal income and population data.

These amounts are presented on the accrual basis of accounting.

Schedule 14  
City of Flagstaff  
Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years  
*(dollars in thousands, except per capita)*

Fiscal Year	General Bonded Debt Outstanding		Total	Percentage of Actual Taxable Value of Property	(a)	Per Capita	(b)
	Governmental Activities General Obligation Bonds	Business-Type Activities General Obligation Bonds					
2003	\$ 7,485	\$ 22,958	\$ 30,443	6.6%		\$ 498.82	
2004	5,795	21,253	27,048	5.4%		441.46	
2005	4,285	18,880	23,165	4.2%		378.61	
2006	32,875	16,294	49,169	7.9%		792.66	
2007	31,230	13,310	44,540	5.9%		718.04	
2008	29,350	10,515	39,865	4.5%		620.95	
2009	27,645	7,460	35,105	3.8%		542.64	
2010	25,865	5,690	31,555	3.7%		491.51	
2011	24,015	3,830	27,845	3.5%		433.72	
2012	38,449	3,125	41,574	5.4%		634.50	

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

a: See Schedule 7 for property value data

b: Population data can be found in Schedule 18

These amounts are presented on the accrual basis of accounting.

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

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
<b>Debt repaid with property taxes</b>			
Flagstaff Unified School District	\$ 36,750	63.76%	\$ 23,430
<b>Other debt</b>			
Coconino County Revenue Bonds	1,970	43.49%	857
Coconino County Special Assessments	1,263	0.00%	-
Subtotal, overlapping debt			24,287
<b>City direct debt</b>			<u>73,834</u>
<b>Total direct and overlapping debt</b>			<u>\$ 98,121</u>

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

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

\* For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used for Coconino County's revenue bonds and certificates of participation.



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

**20% Debt Limit**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit equal to 20% of assessed valuation	\$ 92,852	\$ 100,331	\$ 111,336	\$ 124,840	\$ 150,108	\$ 175,756	\$ 183,268	\$ 172,808	\$ 158,274	\$ 153,055
Total net debt applicable to 20% limit	26,283	24,493	21,644	35,227	43,860	39,514	35,105	35,105	27,845	41,841
Legal debt margin (Available borrowing capacity)	\$ 66,569	\$ 75,838	\$ 89,692	\$ 89,613	\$ 106,248	\$ 136,242	\$ 148,163	\$ 137,703	\$ 130,429	\$ 111,214
Total net debt applicable to the 20% limit as a percentage of debt limit	39.48%	32.30%	24.13%	39.31%	41.28%	29.00%	23.69%	25.49%	21.35%	37.62%

**6% Debt Limit**

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit equal to 6% of assessed valuation	\$ 27,855	\$ 30,099	\$ 33,401	\$ 37,452	\$ 45,032	\$ 52,727	\$ 54,981	\$ 51,842	\$ 47,482	\$ 45,917
Total net debt applicable to 6% limit	4,160	2,555	1,225	14,202	680	351	-	-	-	-
Legal debt margin (Available borrowing capacity)	\$ 23,695	\$ 27,544	\$ 32,176	\$ 23,250	\$ 44,352	\$ 52,376	\$ 54,981	\$ 51,842	\$ 47,482	\$ 45,917
Total net debt applicable to the 6% limit as a percentage of debt limit	17.56%	9.28%	3.81%	61.08%	1.53%	0.67%	0.00%	0.00%	0.00%	0.00%

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

**Legal Debt Margin Calculation for Fiscal Year 2012**

Net Secondary Assessed Value as of June 30, 2012      \$    765,276,651

**20% Limitation**

Debt Limit of 20% of Assessed Value      \$    153,055,330

Debt applicable to limit:

    General Obligation Bonds      41,841,159

Legal 20% debt margin (Available borrowing capacity)      \$    111,214,171

**6% Limitation**

Debt Limit of 6% of Assessed Value      \$    45,916,599

Debt applicable to limit:

    General Obligation Bonds                        -

Legal 6% debt margin (Available borrowing capacity)      \$    45,916,599

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

**Water and Sewer Revenue Bonds**

Fiscal Year	Gross Revenues (1)	Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal (3)	Interest (4)	Total	
2003	\$ 16,769,463	\$ 9,865,571	\$ 6,903,892	\$ 238,431	\$ 146,694	\$ 385,125	17.93
2004	17,227,848	10,645,073	6,582,775	246,890	231,034	477,924	13.77
2005	16,851,956	10,693,901	6,158,055	255,648	223,153	478,801	12.86
2006	17,755,038	11,791,895	5,963,143	264,717	214,084	478,801	12.45
2007	18,235,171	12,892,795	5,342,376	274,108	204,693	478,801	11.16
2008	18,380,351	16,229,816	2,150,535	283,832	194,969	478,801	4.49
2009	17,459,105	14,633,986	2,825,119	2,130,093	1,287,569	3,417,662	0.83
2010	17,585,198	11,758,135	5,827,063	2,356,705	1,483,072	3,839,777	1.52
2011	18,824,260	11,663,208	7,161,052	2,443,196	1,475,327	3,918,523	1.83
2012	19,996,116	12,655,773	7,340,343	2,540,658	1,449,842	3,990,500	1.84

- (1) Includes total operating revenues and investment income of the water and wastewater fund.
- (2) Includes total operating expenses of the water and wastewater fund less depreciation.
- (3) Includes principal for water and sewer revenue bonds, water infrastructure finance authority (WIFA).
- (4) Bond interest payments only. Does not include amortization of loss on refunding, capitalized interest, agent fees or amortization of bond issuance costs that are included in interest expense on the statement of revenues, expenses, and changes in net assets.

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

**Highway User Revenue Bonds**

Fiscal Year	Highway User Tax Revenue	Debt Service Requirements			Coverage
		Principal (1)	Interest (2)	Total	
2003	\$ 7,408,116	\$ 1,730,000	\$ 668,260	\$ 2,398,260	3.09
2004	6,975,351	1,410,000	607,160	2,017,160	3.46
2005	7,171,383	1,825,000	571,910	2,396,910	2.99
2006	7,540,081	1,890,000	526,285	2,416,285	3.12
2007	7,855,427	1,940,000	469,585	2,409,585	3.26
2008	7,422,359	1,400,000	411,385	1,811,385	4.10
2009	6,412,329	1,460,000	344,010	1,804,010	3.55
2010	6,429,355	1,520,000	280,135	1,800,135	3.57
2011	6,300,885	1,620,000	190,455	1,810,455	3.48
2012	5,569,896	1,725,000	94,875	1,819,875	3.06

(1) Includes 1992 Jr. Lien and Series 2003 Refunding.

(2) Bond interest payments only. Does not include agent fees that are included in interest expense on the statement of revenues, expenses, and changes in fund balances.

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

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

Fiscal Year	Revenue (1)	Debt Service Requirements			Coverage
		Principal (2)	Interest (3)	Total	
2003	\$ 9,232,244	\$ 255,000	\$ 207,398	\$ 462,398	19.97
2004	8,764,929	265,000	197,198	462,198	18.96
2005	9,356,995	275,000	186,598	461,598	20.27
2006	10,847,378	285,000	175,598	460,598	23.55
2007	12,302,955	295,000	164,198	459,198	26.79
2008	13,771,313	310,000	152,398	462,398	29.78
2009	13,557,828	320,000	139,534	459,534	29.50
2010	11,929,099	335,000	125,614	460,614	25.90
2011	10,206,755	350,000	110,371	460,371	22.17
2012	10,247,131	365,000	94,446	459,446	22.30

- (1) State sales tax, state income tax less debt service requirements for MFC debt other than transportation.
- (2) MFC 1992 Refunding series 12 2001 – USGS projects.
- (3) Bond interest payments only. Does not include agent fees that are included in interest expense on the statement of revenues, expenses, and changes in fund balances.

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

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

Fiscal Year (1)	Revenue (2)	Debt Service Requirements			Coverage
		Principal (3)	Interest	Total	
2004	\$ 29,860,760	\$ 1,010,000	\$ 839,966	\$ 1,849,966	16.14
2005	31,085,459	1,000,000	1,037,100	2,037,100	15.26
2006	35,725,917	1,000,000	987,100	1,987,100	17.98
2007	39,681,382	1,000,000	964,600	1,964,600	20.20
2008	41,483,415	1,005,000	942,100	1,947,100	21.31
2009	38,586,144	1,055,000	891,850	1,946,850	19.82
2010	35,708,503	1,400,000	860,200	2,260,200	15.80
2011	33,777,368	1,445,000	814,700	2,259,700	14.95
2012	36,547,598	1,500,000	574,838	2,074,838	17.61

- (1) Trend information not available prior to fiscal year 2004.
- (2) Pledged revenues on the Municipal Facility Corporation Bonds include the city base rate sales tax, transportation sales tax, franchise sales tax, licenses and permits, charges for services, fine and forfeits, other revenue, state sales tax, and state revenue sharing. Less the debt service requirements for transportation MFC bonds.
- (3) MFC revenue bond series 2004 Fourth Street, partial advance refunding pledged revenue series 2012

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

**Greater Arizona Development Authority  
 Revenue Bonds**

Fiscal Year (1)	Revenue (2)	Debt Service Requirements			Coverage
		Principal (3)	Interest	Total	
2010	\$ 9,031,670	\$ 50,000	\$ 56,297	\$ 106,297	84.97
2011	7,169,310	115,000	135,938	250,938	28.57
2012	7,657,621	120,000	133,638	253,638	30.19

(1) New Issue no trend information available, prior to fiscal year 2010  
 (2) Pledges revenues on the Greater Arizona Development Authority Bonds include the state revenue sharing. Less the debt service .  
 (3) GADA infrastructure revenue bond series 2010A

Schedule 18  
City of Flagstaff  
Demographic and Economic Statistics  
Last Ten Fiscal Years

<u>Year</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>Education Level – Percent High School Grad or Higher</u>	<u>Education Level – Percent Bachelor's Degree or Higher</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2003	61,030	\$ 2,999,350	\$ 24,795	26.8	89.8%	39.4%	12,905	5.80%
2004	61,270	3,226,683	26,328	26.8	89.8%	39.4%	13,176	5.20%
2005	61,185	3,472,652	28,045	26.8	89.8%	39.4%	13,389	5.10%
2006	62,030	3,472,652	28,045	26.8	89.8%	39.4%	13,171	5.00%
2007	62,030	3,472,652	28,045	26.8	89.8%	39.4%	13,453	3.40%
2008	64,200	3,767,194	29,879	26.8	89.8%	39.4%	13,040	4.60%
2009	64,693	3,767,194	29,879	26.8	89.8%	39.4%	12,910	7.50%
2010	65,522	3,767,194	29,879	26.8	89.8%	39.4%	12,600	7.70%
2011	65,870	4,481,137	34,510	26.6	90.0%	39.2%	11,839	8.90%
2012	65,870	4,481,137	34,999	26.6	90.6%	39.9%	10,623	9.20%

**Sources:**

- Population – Arizona Department of Commerce, except for 2000 which is the official census number
- Personal Income – 1998 – 2005 Arizona Department of Economic Security, Workforce Development Statistics
- Personal Income – 2006 – 2007 Arizona Department of Economic Security, Workforce Development Statistics, estimate from 2008
- Personal Income–2011 Arizona Department of Administration–Office of Employment and Population Statistics, estimate from 2009
- Per Capita Income – 1998 – 2005 Arizona Department of Economic Security, Workforce Development Statistics
- Per Capita Income – 2006 – 2009 Arizona Department of Economic Security, Workforce Development Statistics, estimate from 2008
- Per Capita Income–2011 Arizona Department of Administration–Office of Employment and Population Statistics, estimate 2009
- Median age – 2000 US Census
- Education level – 2000 US Census
- School enrollment – Arizona Department of Education and National Center for Education Statistics
- Unemployment – Arizona Department of Economic Security, August 2009

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

<u>Employer</u>	<u>2012 (2)</u>			<u>2006 (1)</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Northern Arizona University	2,571	1	4.66%	3,393	1	6.15%
Flagstaff Medical Center	2,200	2	3.99%	1,999	2	3.62%
W.L. Gore & Associates	1,950	3	3.53%	1,300	3	2.36%
Flagstaff United School District	1,375	4	2.49%	1,700	4	3.08%
Coconino County	1,200	5	2.18%	1,075	5	1.95%
City of Flagstaff	657	6	1.19%	948	6	1.72%
Coconino Community College	-		0.00%	400	7	0.73%
Walmart	630	7	1.14%	-		0.00%
Walgreens & Distribution Center	407	8	0.74%	400	8	0.73%
Grand Canyon Railway	-		0.00%	400	9	0.73%
SCA Tissue	255	9	0.46%	279	10	0.51%
Nestle Purina	240	10	0.44%	-		0.00%
<b>Total</b>	<b>11,485</b>		<b>20.82%</b>	<b>11,894</b>		<b>21.56%</b>
2010 U.S. Census Labor Force	55,170			55,170		

**Source:**

- (1) Arizona Department of Economic Security  
This is the most historical information available
- (2) Flagstaff Chamber of Commerce  
as of July 12, 2011

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

Function/Program	Full-time Equivalent Employees as of June 30									
	2003	2004	2005	2006	2007	2008	2009	2010*	2011	2012
General Government										
Management services	74.00	73.00	74.25	75.75	82.89	87.39	89.14	86.75	86.50	84.55
Capital management	18.50	15.50	14.50	13.50	13.50	13.50	13.50	11.00	11.00	8.00
City Court	25.25	26.50	26.50	26.50	26.50	27.63	29.63	25.88	25.18	25.18
Public Safety										
Police	148.25	150.00	151.00	160.00	164.00	174.00	181.00	168.00	168.00	172.00
Fire	96.75	96.75	96.75	97.75	100.75	101.75	101.75	99.00	92.00	85.00
Public Works	27.00	27.00	25.00	26.00	27.00	31.00	31.00	29.00	26.50	26.50
Economic and physical development										
Building	49.00	43.75	43.00	49.25	52.25	58.50	57.50	47.20	41.00	39.20
Planning	17.25	17.25	17.25	15.25	21.75	20.88	24.88	24.38	22.88	22.88
Tourism	6.00	11.75	13.75	13.75	15.75	16.75	16.75	15.75	13.25	12.49
Culture and recreation										
Library	39.50	39.50	40.00	40.00	43.13	47.14	53.77	50.77	50.77	51.40
Parks, recreation, and beautification	74.50	67.75	63.95	67.53	68.82	98.23	99.69	87.86	86.86	88.81
Highways and Streets	36.25	36.25	36.25	36.25	37.25	40.56	41.06	36.31	36.31	36.31
Water and wastewater	74.50	73.00	74.50	76.50	79.00	80.25	81.75	64.50	62.50	61.50
Environmental services	45.00	45.75	52.25	54.00	62.60	61.60	68.10	65.58	63.58	59.60
Airport	9.50	9.50	9.50	9.50	10.00	10.50	10.50	9.50	9.50	9.50
Stormwater	-	5.75	5.00	6.50	6.50	6.50	6.50	6.00	6.00	6.00
Flagstaff Housing Authority	-	-	-	-	-	-	-	-	22.50	23.50
<b>Total</b>	<b>741.25</b>	<b>739.00</b>	<b>743.45</b>	<b>768.03</b>	<b>811.69</b>	<b>876.18</b>	<b>906.52</b>	<b>827.48</b>	<b>824.33</b>	<b>812.42</b>

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

(2) In fiscal year 2011, the city began reporting the Housing Authority in the financial statements.

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Court</b>										
Criminal Filings	11,068	10,236	9,227	9,705	9,553	11,659	9,330	9,326	8,531	8,857
Traffic filings	10,613	10,388	11,253	10,575	8,951	10,665	10,639	13,471	12,010	9,217
Domestic Violence/Other filings	622	682	673	616	530	744	445	468	370	547
<b>Fire</b>										
Emergency responses	3,658	5,616	6,722	7,684	8,227	7,616	7,550	6,668	7,274	7,438
Fires response	216	265	228	351	314	267	263	247	175	213
Other calls	1,205	2,023	1,905	1,323	1,472	1,573	2,151	1,906	2,378	2,226
Inspections assigned	NA	2,212	2,006	1,966	1,984	1,981	1,794	572	1,174	1,468
Plan Reviews	NA	1,340	1,348	1,280	1,314	1,284	1,250	401	528	535
<b>Fuel Management</b>										
Plan Assessment (Acres)	1,516	2,020	1,065	585	-	400	-	-	N/A*	N/A*
Site Marking (Acres)	759	408	311	662	764	178	224	294	586	128
Site Thinning (Acres)	882	521	792	694	1,173	902	761	376	809	197
Prescription Burn (Acres)	917	709	834	557	1,210	1,070	1,190	551	342	697
<b>Police</b>										
Felony reports	NA	NA	4,979	5,337	4,973	3,978	3,661	3,073	2,973	2,940
Misdemeanor reports	NA	NA	12,378	13,381	13,123	13,413	12,939	12,293	11,786	11,253
Domestive violence incidents	NA	NA	1,464	1,598	1,625	1,573	1,470	1,953	1,923	1,961
Non-crime reports	NA	NA	8,818	9,136	8,913	11,043	10,996	9,480	9,827	9,886
Accident reports	NA	NA	3,616	3,313	3,374	3,322	2,917	2,776	2,735	2,574
Calls dispatched to Police/Sheriff	NA	NA	73,559	77,239	75,791	73,364	70,908	61,175	57,899	57,188
Calls dispatched to Fire	NA	NA	11,266	11,741	12,364	11,907	12,527	11,011	11,130	13,320
Calls dispatched to Medical	NA	NA	9,435	9,175	9,960	-	-	-	-	-

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

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Streets</b>										
Potholes repaired	NA	NA	2,988	1,962	2,443	4,032	4,373	3,256	1,498	1,877
<b>Airport</b>										
Fuel Flowage (Gallons Sold)	698,227	673,786	653,743	705,638	642,643	651,814	627,202	651,373	850,327	526,406
Enplanements	34,984	38,387	42,483	39,646	44,598	44,088	65,418	68,296	63,407	62,872
<b>Refuse collection</b>										
Refuse collected (Landfill tonnage)	128,153	109,608	140,233	154,321	153,121	157,792	142,409	121,529	138,703	137,815
Recyclables collected (total tons)	9,126	9,213	9,816	9,866	10,356	10,472	9,842	10,610	8,869	8,101
<b>Community Development</b>										
Residential Permit Valuation	(1) \$ 78,719,935	\$ 67,214,811	\$ 87,180,707	\$ 97,895,269	\$ 38,895,496	\$ 25,278,055	\$ 31,498,803	\$ 9,314,074	\$ 8,472,938	(1)
Commercial Permit Valuation	(1) \$ 12,843,323	\$ 18,123,934	\$ 12,324,654	\$ 26,130,677	\$ 37,962,373	\$ 27,199,698	\$ 18,594,665	\$ 13,395,325	\$ 17,703,762	(1)
<b>Library</b>										
Visits	NA	564,065	582,726	625,103	643,174	680,253	738,603	743,169	763,928	739,706
Circulation	NA	781,893	776,180	758,468	789,621	782,908	887,887	979,962	1,029,062	1,182,956
<b>Tourism</b>										
Revenue Per Available Room (RevPar)	\$ 45.36	\$ 47.95	\$ 52.90	\$ 61.47	\$ 66.86	\$ 60.52	\$ 43.21	\$ 43.05	\$ 45.26	\$ 48.81

**Sources:** Various city departments

(1) This information is gathered and reported on a calendar year basis versus a fiscal year basis for all other measurements

(2) 2012 data is as of 12/19/2012 and subject to update

\* Records no longer tracked

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

Function/Program	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Public Safety</b>										
Police patrol units (Includes Motorcycle units)	32	26	26	26	31	34	34	35	37	37
Number of fire hydrants	2,435	2,478	2,478	2,598	2,743	3,148	3,150	3,143	3,176	3,179
Numer of fire stations	6	6	6	6	6	6	7	7	7	7
<b>Culture and recreation</b>										
Number of developed parks	27	28	27	27	27	26	26	26	24	23
Number of undeveloped parks	3	4	4	4	4	4	4	4	5	4
Park acreage	586	704	702	702	705	712	712	712	735	680
Flagstaff Urban Trail System – Miles	22	28	32	34	34	48	51	51	53	53
Recreational Buildings	6	5	5	5	5	6	6	6	4	4
<b>Highways and Streets</b>										
Miles of streets, alleys, and sidewalks (1)	350	365	365	386	403	690	695	813	814	814
Number of street lights	2,898	2,921	2,921	3,037	3,107	3,201	3,220	3,350	3,466	3,466
<b>Water and wastewater</b>										
Miles of sewer (2)	271	275	275	293	309	265	270	270	271	271
Number of manholes	5,979	6,097	6,097	6,496	6,906	7,107	7,261	7,261	7,308	7,308
Total active water accounts	16,356	16,948	18,039	17,872	18,758	18,849	18,371	19,042	22,092	19,020
Average gallon water usage per household per month	6,727	6,070	6,096	5,488	5,600	5,456	5,010	5,123	5,107	5,339
<b>Airport</b>										
Fixed base operators	1	1	1	1	1	1	1	1	1	1
Locally based aircraft	130	130	130	130	134	134	134	120	122	125
Tiedowns	49	49	29	18	11	11	11	14	11	11
Enclosed hangars	42	42	42	61	61	61	61	61	61	61
Open hangars	38	38	38	48	48	48	48	48	48	48

(1) In Fiscal Year 2008, transition made from street miles to lane miles. This will more accurately reflect the level of service required to maintain the surfaces.

(2) Database Correction

Coverage	Limit of Liability	Coverage	Limit of Liability
<b>Liability Insurance:</b>		<b>Property Insurance:</b>	
General Liability*	\$ 1,000,000 / per occurrence	Blanket Buildings and Personal Property	\$ 194,645,547 / \$25,000 deductible
(Includes 2 skateboard parks, bike freestyle park, EMT's)	\$ 2,000,000 / aggregate	Boiler and Machinery included	
Law Enforcement Liability*	\$ 1,000,000 / each wrongful act	Flood Zones B and C	\$ 10,000,000 / \$50,000 deductible
	\$ 1,000,000 / aggregate	Earthquakes	\$ 15,000,000 / \$25,000 deductible
Auto Liability*	\$ 1,000,000 / each accident	Business Income/Extra Expense	\$ 7,100,000 / 72 hours
Public Entity Management Errors and Omissions*	\$ 1,000,000 / each wrongful act	Auto Physical Damage	\$ 27,182,570 / \$1000/comprehensive / \$5000/collision deductible
(Claims Made Retro Date 6-1-95)	\$ 1,000,000 / aggregate	Flood Zone A Properties	
Employment Practices Liability*	\$ 5,000,000 / each wrongful act	Municipal Court	\$ 242,000 / building
(Claims Made Retro Date 6-1-95)	\$ 5,000,000 / aggregate		\$ 122,700 / contents
Employee Benefits Liability*	\$ 1,000,000 / each employee	City Hall, Library	\$ 500,000 / each building
(Claims Made)	\$ 3,000,000 / aggregate		\$ 500,000 / contents each (\$5,000 deductible)
Limited Abuse or Molestation Liability	\$ 1,000,000 / each offense	Inland Marine:	
	\$ 1,000,000 / aggregate	Contractors Equipment (actual cash value)	\$ 6,076,150 / \$5,000 deductible
* Liability Claims are Subject to a \$50,000 Self Insurance Retention		Bookmobile book collection	\$ 238,582 / \$1000 deductible
Public Entity Cyber Liability	\$ 1,000,000 / each wrongful act	Lab Equipment	\$ 11,300 / \$1,000 deductible
(Claims Made Retro Date 6-1-09)	\$ 1,000,000 / aggregate	Employee Hand Tools	\$ 35,000 / \$5,000 deductible
(\$5,000 deductible each wrongful act)		Computer Equipment and Peripherals	\$ 1,438,500 / \$1,000 deductible
Employer's Liability	\$ 1,000,000 / each accident	Data and Media	\$ 500,000 / \$1,000 deductible
	\$ 1,000,000 / disease employee	Fine Arts & exhibition floater - Max \$25,000 per ite	\$ 78,700 / \$1,000 deductible
	\$ 1,000,000 / disease policy limit	Max \$25,000 per item	
Worker's Compensation	Statutory	City Hall, Visitor Center, Airport Terminal	
Umbrella/Excess #1 - GL, Auto, Law Enforcement, Employer's Liability		Crime:	
Public Entity Management, Employee Benefits	\$ 20,000,000 / each occurrence	Blanket Public Employees and Treasurer	\$ 1,000,000 / \$5,000 deductible
	\$ 20,000,000 / general aggregate	Dishonesty Bond Including Faithful Performance of Duty	
10,000 retained limit (ded)		Computer & Funds Transfer Fraud	\$ 1,000,000 / \$5,000 deductible
(Excludes Airport, Housing Authority, Employment related practices, Failure to Supply Services, Mold, Terrorism, Asbestos, Lead, Condemnation, Sexual Abuse)		Theft, Disappearance, & Destruction (Inside and Outside)	\$ 1,000,000 / \$5,000 deductible
Excess Liability #2 Following Form Over Excess Liability # 1		Depositors Forgery or Alteration	\$ 1,000,000 / \$5,000 deductible
(Excluding asbestos, discrimination, terrorism, nuclear)	\$ 5,000,000 / each occurrence/	Money Orders & Counterfeit,	\$ 1,000,000 / \$5,000 deductible
	\$ 5,000,000 / general aggregate	Credit, Debit or Charge Card forgery	\$ 1,000,000 / \$5,000 deductible
Aviation:		International Travel - Executive Assistance	\$ 1,000,000 / Medical Assistance
General Liability	\$ 40,000,000 / each occurrence		\$ 250,000 Accidental death
Products/Completed Operations	\$ 40,000,000 / aggregate	Kidnap and Extortion Worldwide (some countries excluded)	\$ 100,000 Each Loss
Personal Injury, Advertising & Malpractice	\$ 40,000,000 aggregate		
Hangar Keepers Liability	\$ 40,000,000 / each aircraft		
	\$ 40,000,000 / each occurrence		

