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Flagstaff and the Mother Road: Living Americana on Historic Route 66



City of Flagstaff
Comprehensive Annual
Financial Report

Fiscal Year Ended
June 30, 2018



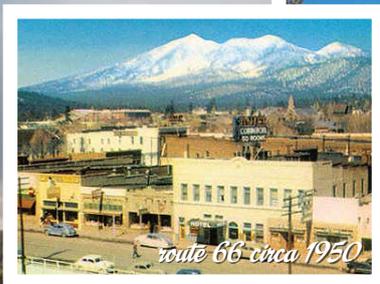
museum club



museum of northern arizona



historic downtown



route 66 circa 1950



tourist home all day cafe



Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2018

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, 2018

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City of Flagstaff

December 20, 2018

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

I am pleased to submit the Comprehensive Annual Financial Report for the City of Flagstaff, Arizona for the fiscal year ended June 30, 2018, as required by Article VI, Section 5 of the City Charter. This report is published to fulfill that requirement for the fiscal year ended June 30, 2018.

Management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City of Flagstaff are protected from loss, theft or misuse and that adequate accounting data is compiled to allow for the preparation of the basic financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Flagstaff's comprehensive framework of internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

CliftonLarsonAllen, LLP, a firm of licensed certified public accountants, have issued an unmodified ("clean") opinion on the City of Flagstaff's financial statements for the year ended June 30, 2018. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

City of Flagstaff Profile

Flagstaff is located in Coconino County, Arizona at the intersection of Interstate 17 and Interstate 40. Flagstaff is the largest city in Northern Arizona and is the regional center and county seat for Coconino County, the second largest county in the 48 contiguous states. The 2010 United States Census showed a population of 65,870. The Arizona Department of Economic Security estimates the population as of July 1, 2017 at 71,961. The City of Flagstaff became a town in 1894, incorporated as a city in 1928 and its boundaries currently encompass an area of approximately 66 square miles. Flagstaff is nestled at the base of the San Francisco Peaks and is surrounded by one of the largest ponderosa pine forests on earth. Flagstaff drew its name from a very tall pine tree made into a flagpole in 1876 to celebrate our nation's centennial. At nearly 7,000 feet, Flagstaff is one of the highest elevation cities in the United States.

The City of Flagstaff operates under a council-manager form of government as provided by its Charter. The Mayor is elected at large on a non-partisan ballot for a two-year term and six City

Council members are elected at large on a non-partisan ballot for four-year terms. The City Council appoints the City Manager, who has full responsibility for carrying out City Council policies and administering City operations. The City Manager, in turn, appoints City employees and division heads under service procedures specified by Charter.

The City of Flagstaff provides a full range of services including General Government, Police and Fire Protection, Environmental Services, Transportation, Library, Parks and Recreation, Airport, Water, Wastewater, Housing Authority and Stormwater services.

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

Local Economy

Employment

Flagstaff is a governmental, educational, transportation, cultural and commercial center. Government is one of the largest employment sectors. Major private employers in the Flagstaff area include Flagstaff Medical Center, W. L. Gore and Associates, Walmart, Grand Canyon Railways and Nestle Purina PetCare. Major public employers in the Flagstaff area include Northern Arizona University, Flagstaff Unified School District, Coconino County, City of Flagstaff, U.S. Forest Service and Coconino Community College. Northern Arizona University, the largest employer in the City, has a major economic impact annually. It is the home of over 31,000 students in their 158 degree programs. In addition, NAU's year-round use of its campus facilities draws in tourists from throughout the world. Campus activities include a multitude of music, educational and athletic camps, as well as a broad variety of conferences from across the nation. Tourism is also has a large employment sector. Based on a 2017-2018 tourism study, the City sees over 5.5 million visitors a year which is up nearly one million over the 2014-2015 study. Tourism is a year-round industry attracting skiers in the winter, vacationers in the summer and sightseers viewing the aspens turning gold in the fall. Non-city residents provide an estimated 50% of the sales tax revenues.

Sales Taxes

Sales taxes are the largest revenue resource for the City of Flagstaff. The City of Flagstaff collects four different sales taxes.

General Sales Tax

The first is a 1% tax on all general sales, except for food. This is a general purpose tax that benefits the General Fund. The City of Flagstaff is the only city left in the State of Arizona that has a sunset clause on the general sales tax. This tax must go before the voters every ten years and is currently authorized until November 2024. Per Schedule 5 in the Statistical Section, the 1% general city sales tax receipts saw a slight

decrease, less than 1%, from the prior fiscal year based on the modified accrual method, while on a cash basis receipts were up over prior year. This is related to the timing of collections from the state and the calculation of the 60-day accrual. The average over the past two years is 5.3%. The City continues to follow its' practice to not allocate 100% of construction and auto sales related sales tax revenues to ongoing budgetary needs due to the potential of fluctuation in recessionary periods.

Bed, Board and Beverage Tax

Bed, Board and Beverage (BBB) tax collects an additional 2% for motel rooms/campgrounds, restaurants and bars. This revenue is restricted in use to certain economic, 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 the City of Flagstaff's local economy. Per schedule 5, this tax category also saw a less than 1% decrease over prior year based on the modified accrual method. The average over the past two years is 7.1%. In addition to a strong tourism market, the timing of collections from the state and the 60-day accrual had an impact.

Transportation Tax

The Transportation Tax is a 1.051% 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, 4th Street Overpass and Transit. These transportation tax components, excluding transit, expire in 2020. Revenue trends are the same as the general sales tax. The transit component of the tax was approved by voters to extend for an additional ten years and will expire in 2030. Voters approved the extension of the transportation tax for roadway, pedestrian, bicycle and safety improvements during the November 2018 election. The extended tax will expire June 2041. In addition, the voters approved a tax increase to construct a railroad overpass to connect Route 66 to Butler Avenue.

Road Repair and Street Safety Tax

The Road Repair and Street Safety improvement tax is a 0.33% sales tax on the same types of the general sales tax. The proceeds from this tax are specifically dedicated to providing overdue maintenance including reconstructions on deteriorating City streets. This tax has a twenty-year life and the work program is anticipated to touch every City of Flagstaff owned street within the corporate boundary. Revenue trends are the same as the general sales tax.

State Shared Revenues

State shared revenues include a distribution of a portion of sales tax and income tax collected by the State. These distributions are made based on a city or town's relative share of population in comparison with all other cities and towns. The population estimates are based on annual population estimates provided by the US Census Bureau with the exception of census years.

State shared sales tax revenues have increased for the eighth year in a row. For FY 2018 there was a 6.6% growth in these revenues. State income tax revenues increased by 2.9%, however we are below the pre-recessionary revenues by 3.3%. The State continues to implement reductions in corporate income tax liabilities, which are expected to have a neutral impact on these revenues through increased economic development.

Highway user revenue (gas tax) funds (HURF) increased by 5.3% in FY 2018 which puts the revenues nearly 6% over the annual revenue peak in FY 2006. These revenues are distributed based on a complex Arizona

Department of Transportation formula, based in part on the amount of fuel purchased in the region. This is a per gallon tax. The City benefits from lower gas prices and higher public consumption. The State has implemented revenues shifts 'off the top' to fund other public safety and motor vehicle department needs. During the past two fiscal years, the state has restored a portion of these sweeps to the cities. As evidenced by the increase in BBB taxes and other statistical data, the City of Flagstaff remains a popular drive destination from Las Vegas, Los Angeles and Phoenix.

Overall, these three state shared revenues grew by 4.7% in FY 2018 and the State of Arizona projects continued growth.

Property Taxes

Excluding new construction, total assessed valuations have increased 1.1% for tax year 2017, FY 2018. With new construction, total assessed valuations increased 6.7% for the tax year. Cities are statutorily allowed to set a primary property tax rate that would allow for 2% annual growth in levy (revenue) plus the additional levy generated from new construction. When the City of Flagstaff does not take advantage of the statutorily allowed 2% annual increase, it does not lose the ability to take the increase in the future. For FY 2018 the City of Flagstaff had a capacity to increase the tax levy by 12%. During the FY 2018 budget discussions City Council approved a plan to fund twelve public safety positions through the use of the property tax capacity. City Council approved a 7% tax levy increase in FY 2018 and FY 2019 to support public safety staffing. The rate for the primary property tax is adjusted annually to generate a levy equal to the prior year, plus new construction.

Additional Information

While revenue fluctuations continue in some areas, the City of Flagstaff continues to see an increase in General Fund budgeted revenue in FY 2019 (excluding grants and miscellaneous revenue) by 3.6%, which reflects increases in local and state revenues. The City of Flagstaff increased its overall staffing count by 10.52 full time equivalencies for the upcoming fiscal year. This is the fourth year the City has increased its position count since 2009, however authorized full-time equivalent staff level is 30.7 positions below 2009.

With strong student enrollment at Northern Arizona University, there were two new student housing developments opened in the fall of 2017 and one new student housing development opened in the fall of 2018. There is currently one additional student housing project currently under construction. Development within the City continues to be very strong in every sector; single family, multi-family, commercial and mixed use. There are currently three new hotels in the construction or planning stage for development as well as three hotels looking to rebuild or expand. Currently the City operated airport provides daily flights to Phoenix. Recently the City added a second airline for next spring that offers daily flights to Dallas. The economic analysts for our local and state region continue to expect slow and steady growth over the next few years and add caution of a possible recession in the next two years. The City of Flagstaff will plan accordingly to ensure its financial position remains strong should a recession occur.

Due to its strong and healthy local economy, the City of Flagstaff has maintained a general obligation bond credit rating of Aa2 from Moody's Investor Service since 2010 and a credit rating of AA from Standard and Poor's since 2010.

Long-Term Financial Planning

The City's responsiveness to emerging economic challenges and its careful long-range planning have been key factors in the City of Flagstaff's fiscal health. The City of Flagstaff continues to plan in a five to ten year horizon as economic conditions change. Some of these financial plan elements are financial resource planning, multi-year budget planning, strategic capital improvement project planning and financial policy impacts, all of which are further identified below.

Financial Resource Planning

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

Multi-Year Budget Planning

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

Strategic Capital Improvement Project Planning

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

Financial Policy Planning

The City of Flagstaff financial policies dictate minimum fund balance levels, as a percentage of operating revenues, for the General, Special Revenue and Enterprise Funds. The General Fund is required to maintain a fund balance of 15% of ongoing revenues and Special Revenue and Enterprise Funds are to maintain a 10% fund balance, as calculated against ongoing revenues. The City has made a commitment to maintain General Fund balance at 20%, exceeding policy, to position the City better in times of economic decline. City Council adopted a Water, Wastewater and Reclaimed Water policy that sets a goal of minimum fund balance at 25% and new rates were recently adopted to achieve this goal.

City Council Updates Goals and Objectives

During FY 2017, the City Council created their goals and objectives and during FY 2018 City Council updated these goals and objectives as shown below. These goals and objectives are used to help management and staff to build work programs and develop budgets. Staff has developed matrices to help define and report on progress and are available on the City of Flagstaff website.

Council Goals and Objectives

Economic Development

Grow and strengthen a more equitable and resilient local economy.

- Improve the small business experience when going through the City process.
- Support and enhance services to all businesses in the local community.
- Complete the sale of the auto mall properties.
- Increase eco and historic tourism in Flagstaff.
- Form an arts district and build a cultural arts facility.
- Market Parks and Recreation as accessible for all regardless of income.
- Promote internet connectivity throughout the community.

Affordable Housing

Support development and increase the inventory of public and private affordable housing for renters and homeowners throughout the community.

- Increase the number of affordable rental units.
- Promote energy efficient rental units.
- Improve the distribution of affordable rental units throughout the community.
- Seek partnerships with private developers to increase the inventory of affordable rental and ownership housing.
- Pursue financing strategies that will create additional inventory of affordable rental and ownership opportunities.
- Modify the building and zoning codes to encourage more affordable housing options.
- Adopt the maximum primary property tax increase and allocate the additional revenues to city-managed rental housing program.
- Establish an employer assisted housing program.
- Advocate for full funding of Public Housing, Section 8 Housing Choice Voucher Program and the Community Development Block Grant Program.
- Advocate for the state to review Low Income Housing Tax Credit applications more than once a year.

Social Justice

Advance social justice in the community.

- Increase communication and engagement with Indigenous communities regarding city decisions.
- Strengthen and repair relationships with Indigenous and immigrant communities.
- Revisit the anti-camping ordinance.
- Sponsor and support state or federal legislation that restores and protects funding for social and other services to our population with special needs.
- Advocate for healthcare as a human right.
- Develop a strategic plan to implement the Indigenous Circle of Flagstaff recommendations. Improve overall communications and engagement with Native Nations as we work in partnership on shared issues and concerns.
- Support implementation priorities of the Memorandum of Understanding between Navajo Nation Human Rights Commission and City of Flagstaff.

- Facilitation of annual meetings with tribal nations and collaborate on agenda development.

Transportation and Other Public Infrastructure

Deliver quality infrastructure and continue to advocate for and implement a highly performing multi-modal transportation system.

- Send a transportation tax renewal question to voters in November 2018 and earn majority voter support.
- Evaluate, plan, and implement strategies to address the impacts of winter recreation visitation.
- Advocate for additional state and federal funding for state and federal roads.
- Facilitate construction of new infrastructure needed to develop private land.
- Develop a Downtown and Southside multimodal transportation plan.
- Advocate for Fourth street connection with John Wesley Powell Boulevard.
- Secure funding for widening of the bridge over I-40 at Fourth Street through Arizona Department of Transportation five-year Capital Improvement Program.
- Support the Regional Transportation Plan.
- Complete construction of the new core maintenance facility in the next two years.
- Complete the Intergovernmental Agreement with the County for a new courthouse and begin the design process.
- Evaluate water, wastewater and reclaimed water infrastructure capacity issues.
- Replace aging infrastructure.
- Provide airport infrastructure upgrades to enhance tenant and patron experience and secure a second airline.

Building and Zoning/Regional Plan

Revise the zoning code to remove ambiguities, and ensure it is consistent with community values and the regional plan.

- Align building codes, zoning codes and regional plan.
- Adjust the codes to better reflect community values and the intent of the regional plan.
- Improve clarity and readability of existing building and zoning codes.
- Continue efforts to understand the impacts of student housing while supporting the housing type.
- Amend codes to encourage more affordable housing.
- Complete and update neighborhood plans specific to Housing Urban Development consolidated plan and target neighborhoods within that plan.
- Continue the conversation about adoption of impact fees.

Climate Change

Take meaningful climate change action.

- Develop and implement a climate action plan.
- Become a 100% renewable energy city organization and community.
- Divest from fossil fuels.
- Sponsor and support state and federal legislative action that combats climate change.
- Update the Energy Code.

Water Conservation

Become a national leader in water conservation in all sectors.

- Develop a sustainable water budget.
- Enhance water conservation efforts.
- Encourage commercial and multi-housing sectors to participate in water conservation efforts.
- Secure long-term water resources.
- Prioritize reclaimed water for necessary uses.

Environmental and Natural Resources

Actively manage and protect all environmental and natural resources.

- Aggressively support efforts for forest health.
- Preserve natural resources.
- Further develop sustainability and waste removal policies and programs.
- Align City policies and Street Lights to Enhance Dark Skies (SLEDS) committee recommendations.
- Continue to support the Four Forest Restoration Initiative (4FRI).
- Increase City recycling from 13% to 75%.

Administrative Goals

Personnel

Attract and retain quality staff.

- Invest in employee training.
- Ensure adequate Public Safety staffing levels.
- Provide pay raises for all employees.
- Provide paid maternity and paternity leave.
- Expand the housing assistance program for all City staff.
- Enhance tuition reimbursement opportunities throughout the organization.
- Provide parking incentives for employees.
- Evaluate ways to pay down unfunded pension liabilities.

Community Outreach

Enhance public transparency and accessibility.

- Create greater public access to Council meetings.
- Define the City's public communication program.
- Take a more proactive role in communicating issues and progress on Council Goals and Objectives.
- Develop a social media management plan.
- Build and enhance neighborhood services from the City.

Town & Gown

Enhance relationships between the city and institutions of higher education.

- Establish a comprehensive internship program through Coconino Community College (CCC) and Northern Arizona University (NAU).
- Coordinate with NAU, CCC and the Arizona Board of Regents (ABOR) in planning for future growth of the student population.

Code Compliance

Achieve comprehensive and equitable code compliance.

- Review current City Code to align with community expectations.
- Establish proactive strategic enforcement of the City Code to maximize compliance.

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 (CAFR) for the fiscal year ended June 30, 2017. This was the 24th consecutive year that the City has achieved this prestigious award. In order to receive a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable program requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. However, we believe that our current CAFR continues to meet the Certificate of Achievement for Excellence in Financial Reporting Program's requirements, and are submitting it to the GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for our fiscal year 2018 annual budget (also 24 years in a row). To qualify for the Distinguished Budget Presentation Award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide and a communications device.

In addition, in 2018, the City received the Achievement in Excellence in Procurement award for the seventh year in a row by the National Purchasing Institute. This award program is designed to recognize organizational excellence in public procurement measuring innovation, professionalism, productivity, e-procurement and leadership attributes.

The preparation of this report would not have been possible without the skill, effort and dedication of the entire staff of the Management Services Division. A special note of appreciation is given to Brandi Suda, Finance Director, Heidi Derryberry, Finance Manager and the dedicated staff in Finance for their efforts to prepare this year's CAFR. The hard work of staff brings together a document that consistently receives recognition of its quality. We wish to thank all government divisions for their assistance in providing the data necessary to prepare this report. Credit also is due to the Mayor and the Council for their support for maintaining the highest standards of professionalism in the management of the City of Flagstaff finances.

Respectfully submitted,



Rick Tadder, Management Services Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Flagstaff
Arizona**

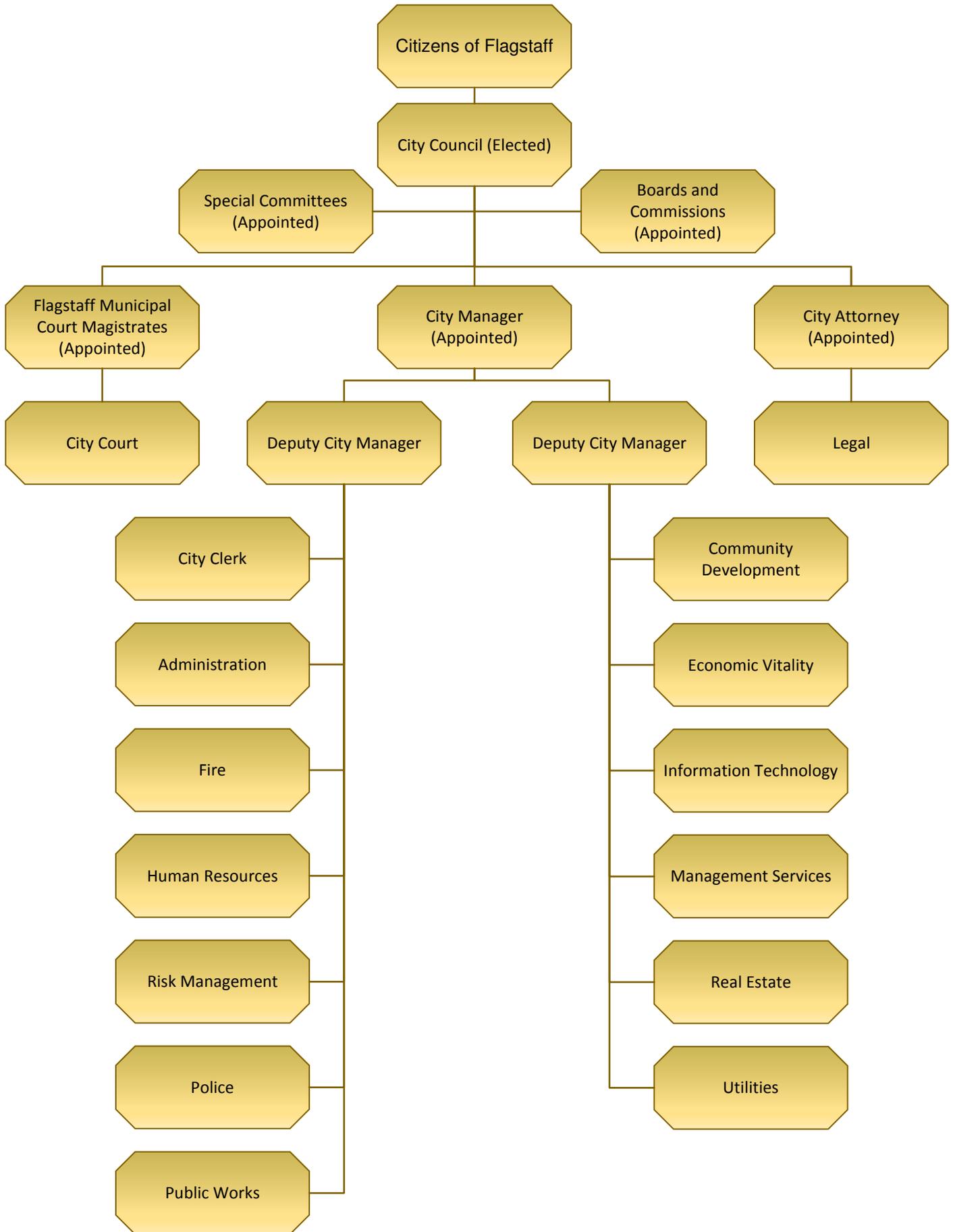
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

City of Flagstaff



City of Flagstaff, Arizona
List of Elected and Appointed Officials
June 30, 2018

Elected Officials

Mayor Coral Evans
Vice Mayor Jamie Whelan
Councilmember Celia Barotz
Councilmember Jim McCarthy
Councilmember Charlie Odegaard
Councilmember Scott Overton
Councilmember Eva Putzova

Appointed Officials

City Manager Barbara Goodrich
City Attorney Sterling Solomon
City Treasurer Rick Tadder
City Clerk Stacy Saltzburg



CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flagstaff, Arizona (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Flagstaff, Arizona as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison schedules of the General Fund and Transportation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the fiscal year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of GASBS No. 75, the City reported a restatement for the change in accounting principle (see Note II.C). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, supplementary information and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the supplemental information (capital assets used in the operations of the government, budgetary comparison schedules for nonmajor governmental funds and the financial data submission schedules) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
December 20, 2018



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, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii -xi of this report.

Financial Highlights

- The City's total net position at the close of the most recent fiscal year is \$596.9 million.
- The government's total net position increased by \$13.5 million during the fiscal year. This is a result of an increase in net position in the governmental activities of \$8.5 million and an increase in net position in the business type activities of \$5.0 million.
- As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$121.4 million, a decrease of \$0.5 million in comparison to the prior fiscal year. Approximately 22.6% of this total amount (\$27.4 million) is unassigned fund balance available for spending at the government's discretion.
- As of June 30, 2018, total unassigned fund balance for the general fund was \$27.5 million, or 46.4% of total general fund expenditures (\$59.1 million).
- As of June 30, 2018, the City's proprietary funds reported combined total net position of \$352.0 million, and total unrestricted of \$24.9 million. The largest unrestricted component of net position is in the Water and Wastewater Fund (\$26.2 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 Supplemental Information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The Government-wide Financial Statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all the City's assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, which equal net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both Government-wide Financial Statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The sections are demonstrated in the table on the following page.

Governmental Activities		Business-type Activities
Beautification	Human Resources	Airport
Cemetery	Information Services	Environmental Services
City Attorney	Library	Housing Authority
City Council	Municipal Courts	Stormwater
City Manager	Parks	Wastewater
Community Development	Police	Water
Economic Development	Recreation	
Facilities Maintenance	Risk Management	
Financial Services	Streets and Transportation	
Fire	Tourism	
Fleet Management		

The Government-wide Financial Statements include not only the City itself (known as the primary government), but also the Municipal Facilities Corporation (MFC). The MFC, although legally separate, functions for all practical purposes as a division 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 19-21 of this report.

Fund Financial Statements

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

Governmental Funds

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

Because the focus of Governmental Funds is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and Governmental Activities.

The City maintains several individual governmental funds organized according to their type (Special Revenue, Capital Projects and Debt Service). Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Transportation Fund and Capital Projects Bond Construction Fund, which are all considered major funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of Combining Statements on pages 104-107.

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

The basic Governmental Fund Financial Statements can be found on pages 22-31 of this report.

Proprietary Funds

Proprietary Funds are generally used to account for services for which the City charges customers – either outside customers, or divisions of the City. Proprietary Funds provide the same type of information shown in the Government-wide Financial Statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise Funds** are used to report the same function presented as business-type activities in the Government-wide Financial Statements. The City uses Enterprise Funds to account for Water and Wastewater, Airport, Environmental Services, Stormwater and the Housing Authority. All are major funds of the City except for the Airport and Housing Authority Fund.
- **Internal Service Funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses an Internal Service Fund to account for its workers compensation, health insurance, other risk related activity, including claims adjustment, and general liability and property insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the Government-wide Financial Statements. The Internal Service Fund is combined into a single, aggregated presentation in the Proprietary Fund Statements.

The Basic Proprietary Fund Financial Statements can be found on pages 32-39 of this report. The non-major Proprietary Fund Finance Statements are found on pages 108-112.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the Financial Statements can be found on pages 40-94 of this report.

Combining Statements

The Combining Statements referred to earlier in connection with non-major governmental funds and proprietary funds are presented on pages 103-112.

Other Information

In addition to the Basic Financial Statements and accompanying Notes to the Financial Statement, this report also presents certain other Supplemental Information concerning the City's capital asset activity, budgetary comparison of other major and non-major governmental funds and financial data submission schedules. Other Supplemental Information can be found on pages 113-134 of this report.

Government-wide Statements Financial Analysis

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$596.9 million as of June 30, 2018.

Of the City's Net Position, 96.9% reflects its investment of \$578.4 million in capital assets (e.g. land, buildings and equipment), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

Net Position
June 30, 2018 and 2017 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 139,320	\$ 142,006	\$ 60,727	\$ 59,854	\$ 200,047	\$ 201,860
Capital assets	329,847	309,559	363,937	352,746	693,784	662,305
Total assets	<u>469,167</u>	<u>451,565</u>	<u>424,664</u>	<u>412,600</u>	<u>893,831</u>	<u>864,165</u>
Total deferred outflows of resources	<u>28,552</u>	<u>31,203</u>	<u>2,932</u>	<u>3,371</u>	<u>31,484</u>	<u>34,574</u>
Long-term liabilities	223,110	213,454	66,352	58,176	289,462	271,630
Other liabilities	24,357	25,220	8,832	9,141	33,189	34,361
Total liabilities	<u>247,467</u>	<u>238,674</u>	<u>75,184</u>	<u>67,317</u>	<u>322,651</u>	<u>305,991</u>
Total deferred inflows of resources	<u>4,566</u>	<u>5,206</u>	<u>1,225</u>	<u>1,784</u>	<u>5,791</u>	<u>6,990</u>
Net investment in capital assets	251,337	245,638	327,069	317,301	578,406	562,939
Restricted	86,288	86,072	-	3,142	86,288	89,214
Unrestricted	(91,939)	(92,822)	24,118	26,427	(67,821)	(66,395)
Total net position	<u>\$ 245,686</u>	<u>\$ 238,888</u>	<u>\$ 351,187</u>	<u>\$ 346,870</u>	<u>\$ 596,873</u>	<u>\$ 585,758</u>

Total assets increased mainly due to the net change in capital assets. Total liabilities increased primarily due to an increase in bonds, notes and lease payables and net pension obligation as well as increase in net OPEB obligation and landfill closure and post closure care cost liability.

A portion of the City's net position, \$86.3 million (14.5%), represents resources that are subject to external restriction on how they may be used. The unrestricted component of net position may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City can report positive balances in two of the three categories of net position for governmental activities, and in all three categories for business-type activities. Governmental activities are reporting a negative unrestricted net position due to the recording of the City's net pension and OPEB obligations.

Current assets for governmental activities have decreased by 1.9% (\$2.7 million). The largest decrease was in restricted cash and investments (\$12.8 million) as well as internal balance (\$5.0 million) and special assessment receivable (\$2.0 million) offset by \$15.7 million increase in unrestricted cash and investments.

Deferred outflows of resources for the governmental activities have decreased \$2.7 million and is mainly related to the pension/OPEB related deferred outflows.

Capital assets of the governmental activities, funded through operations, debt proceeds, grants, and contributions, increased by 6.6% (\$20.3 million) due to capital outlays and capital contributions in excess of depreciation and deletions. Major capital outlays include the Road Repair and Street Safety projects (\$11.6 million) and construction of the Core Service Facility of \$21.7 million.

Governmental activities long-term liabilities increased by 4.5% (\$9.7 million) due to a \$10.1 million (including \$449,000 in net premiums/discount) issuance of long-term portion debt in FY 2018. In addition, there was a net increase of \$8.9 million in net pension liability, net OPEB liability and compensated absences. \$2.7 million of this increase is related to a restatement for the implementation of GASB 75 for net OPEB liability. Other liabilities decreased by 3.4% (\$900,000) primarily due to the decrease in accounts payable (\$1.5 million) and claims and judgements (\$1.8 million) offset by an increase in the current portion

of debt (\$2.2 million). Deferred inflows of resources for governmental activities decreased \$640,000 related to pension/OPEB related deferred inflows.

Total assets for business-type activities have increased by 2.9% (\$12.1 million). The largest increase was in capital assets (\$11.2 million). In addition, unrestricted cash and investment increased \$3.0 million and internal balance by \$5.0 million. The largest decrease was in intergovernmental receivables (\$5.9 million).

Total liabilities for business-type activities increased by 11.7% (\$7.9 million). Major changes include the increases in landfill closure and post closure care cost (\$6.0 million) and an increase in bonds, notes and leases payable (\$2.1 million).

Overall, the business-type net position has increased by 1.4% (\$5.0 million) due to an increase of \$9.8 million in net investment in capital assets and a decrease in restricted net assets of \$3.1 million. The changes are primarily in the Water and Wastewater Fund, and Stormwater Fund.

Analysis of Change in Net Position

The City's overall net position has increased by \$13.5 million during the current fiscal year. These increases are explained in the governmental and business-type activities discussion to follow.

Changes in Net Position
For the Years Ended June 30, 2018 and 2017 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues:						
Charges for services	\$ 11,102	\$ 9,723	\$ 45,201	\$ 43,672	\$ 56,303	\$ 53,395
Operating grants and contributions	7,220	7,724	4,807	4,954	12,027	12,678
Capital grants and contributions	11,097	8,774	10,117	13,162	21,214	21,936
General Revenues:						
Property taxes	12,483	11,674	-	-	12,483	11,674
Sales taxes	53,834	53,583	-	-	53,834	53,583
State shared taxes	19,025	18,140	-	-	19,025	18,140
Investment earnings	(478)	(447)	588	406	110	(41)
Other	2,188	1,130	393	377	2,581	1,507
Total revenues	<u>116,471</u>	<u>110,301</u>	<u>61,106</u>	<u>62,571</u>	<u>177,577</u>	<u>172,872</u>
Expenses						
General government	20,893	19,320	-	-	20,893	19,320
Public safety	39,802	42,090	-	-	39,802	42,090
Public works	1,478	1,896	-	-	1,478	1,896
Economic and physical development	10,401	9,833	-	-	10,401	9,833
Culture and recreation	14,522	13,564	-	-	14,522	13,564
Highways and streets	16,992	15,849	-	-	16,992	15,849
Interest on long-term debt	2,623	2,744	-	-	2,623	2,744
Water	-	-	15,173	15,454	15,173	15,454
Wastewater	-	-	10,516	11,150	10,516	11,150
Reclaimed	-	-	539	-	539	-
Environmental	-	-	17,913	12,338	17,913	12,338
Airport	-	-	4,791	5,081	4,791	5,081
Housing Authority	-	-	6,982	6,658	6,982	6,658
Stormwater	-	-	1,437	1,180	1,437	1,180
Total expenses	<u>106,711</u>	<u>105,296</u>	<u>57,351</u>	<u>51,861</u>	<u>164,062</u>	<u>157,157</u>
Increase in net position before transfers	9,760	5,005	3,755	10,710	13,515	15,715
Transfers	(1,241)	(1,074)	1,241	1,074	-	-
Change in net position	8,519	3,931	4,996	11,784	13,515	15,715
Net position at beginning of year	238,888	234,957	346,870	335,086	585,758	570,043
Net effect of prior period adjustments	(1,721)	-	(679)	-	(2,400)	-
Net position at beginning of year - restated	237,167	234,957	346,191	335,086	583,358	570,043
Net position at end of year	<u>\$ 245,686</u>	<u>\$ 238,888</u>	<u>\$ 351,187</u>	<u>\$ 346,870</u>	<u>\$ 596,873</u>	<u>\$ 585,758</u>

Governmental Activities

Governmental activities increased the City's net position by \$8.5 million. The key factors for this increase are as follows:

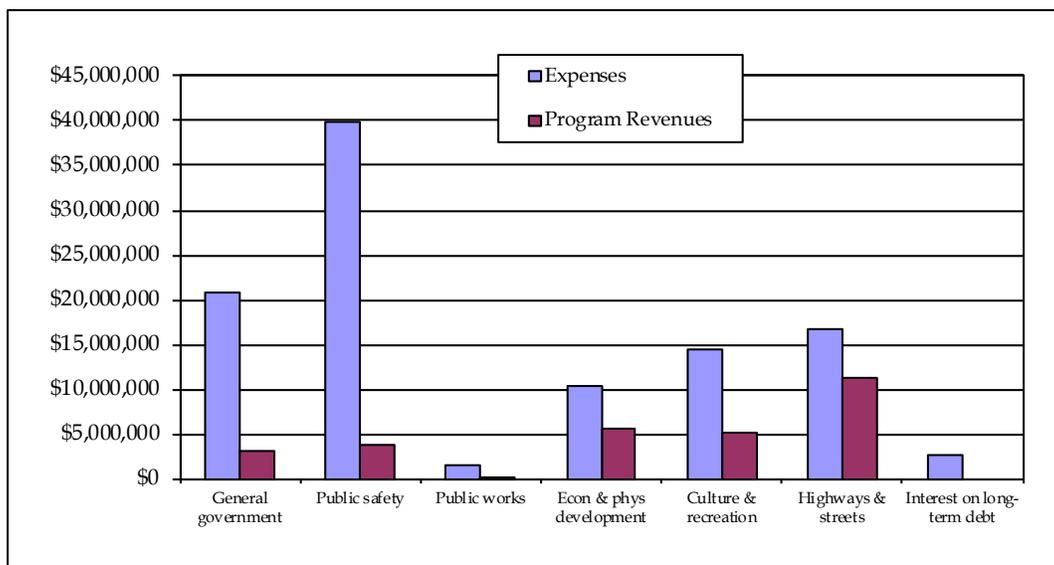
- Revenues exceeded expenses by \$9.8 million as compared to last years of \$5.0 million.
- Capital grants and contributions had the largest increase by dollars at \$2.3 million (26.5%). Highway and street increased \$1.8 million related to developer capital and transportation contributions.
- City sales tax revenues increased by 0.5% (\$250,000). Comparing actual revenues to budgeted revenues the City exceeded estimates by \$3.1 million. The City has seen positive sales tax growth in the last seven years.
- Charges for services increased 14.2% (\$1.4 million) related primarily to the new parking district revenues in addition to increases in building and construction permits and fees due to the increase in construction in the community.
- Operating grants and contributions decreased 6.5% (\$0.5 million) due primarily to a decrease in CDBG grant revenue compared to prior years.
- State shared taxes had a 4.9% increase as the economy in the region and at the State level continues to grow at slow to moderate levels.
- Property taxes increased 6.9% (\$0.8 million) mainly due to an increase in City primary property taxes.
- Expenses have increased by \$1.4 million (1.3 %). The major increases were in general government (\$1.6 million), economic and physical development (\$0.6 million), culture and recreation (\$1.0 million) and highways and streets (\$1.1 million). The decreases were in public works for \$0.4 million and \$2.3 million in public safety.

Business-type Activities

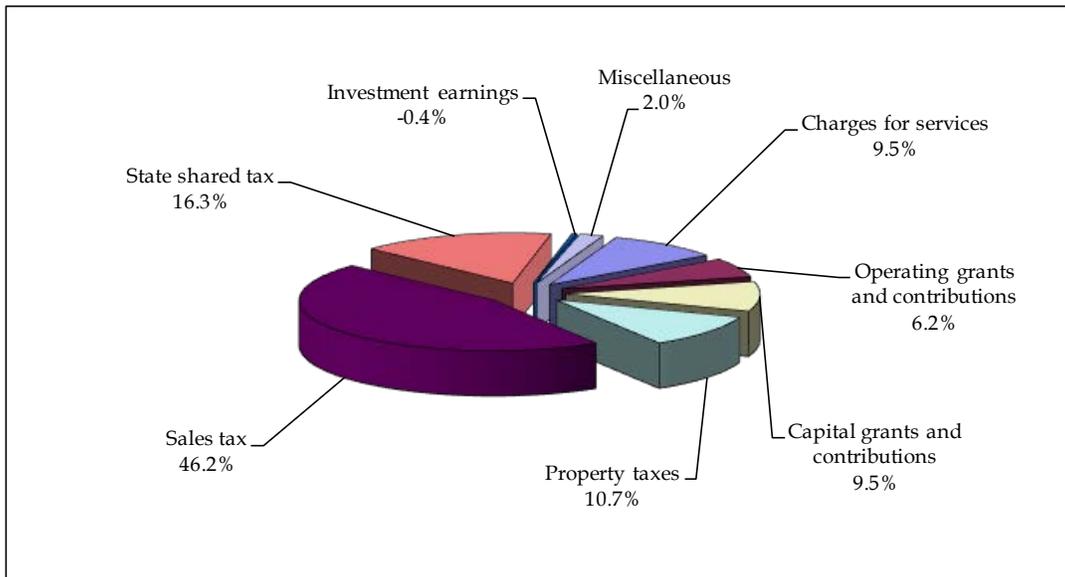
Business-type activities had a net position increase of \$5.0 million. The key factors for this increase include:

- Charges for service have increased by 3.5% (\$1.5 million). Funds with increases were, Wastewater and Reclaimed (\$0.7 million), Stormwater (\$510,000), Housing Authority (\$215,000), Water (\$182,000) and Airport (\$121,000).
- Capital grants and contributions have decreased by 23.1% (\$3.0 million) due to a decrease in utility capacity fees and developer contributed capital.
- Investment earnings are up slightly (\$0.2 million).
- Expenses have increased over the prior year by 10.6 % (\$5.5 million). There were increases in the, Stormwater Fund (\$0.3 million), Housing Authority Fund (\$0.3 million) and Environmental Services Fund (\$5.6 million). There were decreases in the Airport (\$0.3 million) and in the Water, Wastewater and Reclaimed Water Fund (\$0.4 million).

Expenses and Program Revenues by Function - Governmental Activities



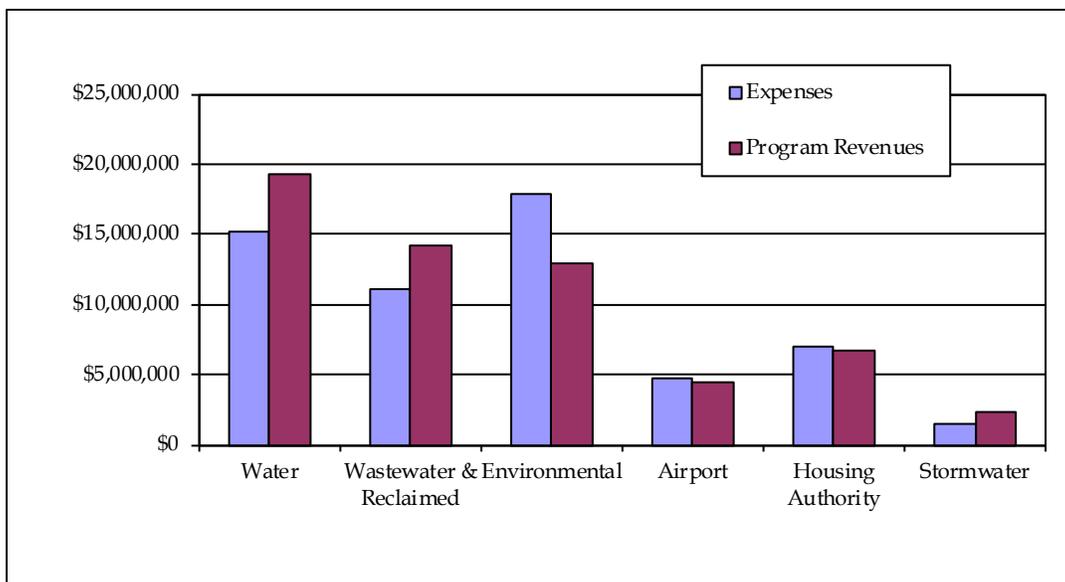
Revenues by Source - Governmental Activities



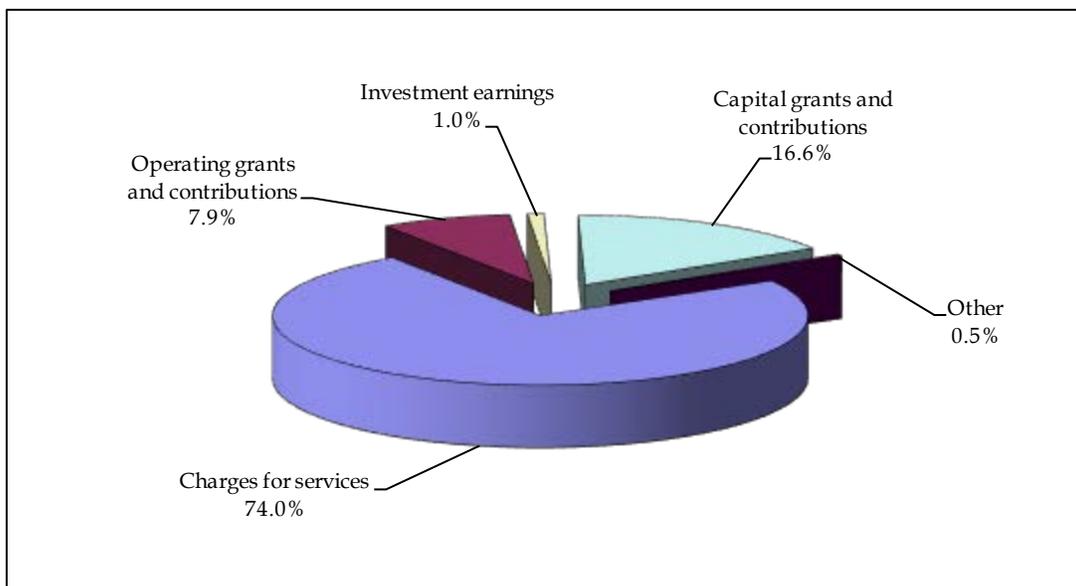
As shown, Public Safety is the largest function as measured by expense (\$39.8 million, 37.3%) followed by General Government (\$20.9 million, 19.6%), and Highways and Streets (\$16.8 million, 15.7%).

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 (\$53.8 million, 46.2%), followed by state shared tax (\$19.0 million, 16.3%) and property taxes (\$12.5 million, 10.7%). The top three revenues make up 73.2% of total revenues compared to last year's top three of 75.6%. These top three revenues are the same as last year.

Expenses and Program Revenues by Functions - Business-type Activities



Revenues by Source - Business-type Activities



As shown, Environmental Services has expenses of \$17.9 million for the fiscal year, followed by Water with \$15.2 million, Wastewater with \$10.5 million, Housing Authority with \$7.0 million, the Airport with \$4.8 million, Stormwater with \$1.4 million and Reclaimed with \$539,000. For the fiscal year, program revenue exceeded expenses for the Water, Wastewater and Reclaimed Fund, and Stormwater Fund. The Environmental Services Fund program expenses exceeded revenue mainly due to the increase the landfill closure and post closure care liability. The Housing Authority Fund program expenses exceeded revenues mainly due to depreciation of capital assets and increased pension costs. Water, Wastewater, Reclaimed, Environmental Services and Stormwater Funds received the majority of their program revenues through charges for services (83.4%, 71.6%, 100%, 99.9% and 89.7% respectively). The Housing Authority Fund receives most of its program revenue through operating grants and contributions (66.5%). The Airport Fund received much of its program revenue through capital grants and contributions (59.7%) due to a large federal grant. Charges for services provided the largest share of revenues (75.2%) for all the business-type activities, followed by capital grants and contributions (16.8%).

The expenses for the business-type activities increased (10.6%, \$5.5 million) as there were increases in Housing Authority (4.8%, \$320,000), Stormwater (21.8%, \$257,000) and Environmental Services (45.2%, \$5.6 million), offset by decreases in Water (1.8%, \$281,000), Airport (5.7%, \$290,000), Wastewater and Reclaimed (0.9%, \$95,000).

The water and wastewater user fees rate were increased on January 1, 2017 and Stormwater user fees were increased on February 1, 2018. Water, Wastewater and Reclaimed, Airport, Stormwater and Housing Authority Funds increased charges for service revenue at 1.1%, 6.5%, 8.0%, 31.9% and 13.4%, respectively. Environmental Service's charges for service revenues decreased by 1.2% over the prior year.

Financial Analysis of the City's Funds

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

Governmental Funds

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

At the end of the fiscal year, the City's Governmental Funds reported combined ending fund balances of \$121.4 million, a decrease of \$479,000 in comparison to the prior year. Approximately \$27.4 million of the total ending fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is (1) nonspendable (\$690,000) for inventory, prepaids and perpetual care, (2) restricted (\$84.6 million) for special revenue funds, debt service, development fee projects, court improvements and operations, grant purposes, perpetual care and capital projects, and (3) assigned (\$8.7 million) for court services, capital reserves, parking district and real estate.

Revenues for governmental functions overall totaled \$116.5 million in the fiscal year ended June 30, 2018 which represents an increase of 5.9% or \$6.5 million from the prior fiscal year. Several revenue categories show increases over prior year including taxes, intergovernmental, grants and entitlement, special assessments charges for services, licenses and permits and miscellaneous. These increases include taxes (1.6%, \$1.1 million), intergovernmental (3.9%, \$0.9 million), grants and entitlement (6.3%, \$0.7 million), special assessments (904%, \$1.8 million), charges for services (29.4%, \$1.0 million), licenses and permits (25.9%, \$0.8 million) and miscellaneous (79.5%, \$0.9 million). The increase in taxes and intergovernmental is due to steady growth in our local and state economy. The major decreases in revenue categories include fines and forfeitures (5.6%, \$80,000), rents (17.3%, \$312,000), investment earnings (6.3%, \$30,000) and contributions (27.1% \$235,000). Investment earnings decreased due to a continued large unrealized loss on investment and contributions decreased due to decreases in transportation contribution.

Expenditures for governmental functions (\$133.9 million) increased by 22.9% (\$24.9 million) from the prior fiscal year. Most of the increase in expenditures is related to capital outlay expenditures (190.4%, \$26.7 million), general government (17.3%, \$2.9 million), public safety (5.3%, \$1.6 million), economic physical development (12.8%, \$1.1 million) and culture and recreation expenditures (6.5% \$0.8 million). Debt service expenditures decreased 42.0% due to large prior year debt defeasance. Operating expenditures also increased (6.7%, \$5.2 million) which is related to increases in general government, public safety, economic and physical development, and culture and recreation, partially offset by decreases in public works and highway and streets.

In the fiscal year ended June 30, 2018 expenditures for governmental functions exceeded revenues by approximately \$17.3 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 \$27.5 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 46.4% of General Fund expenditures.

The total fund balance in the City's General Fund decreased by \$3.4 million during the fiscal year as revenue increased 2.3% and expenditures increased 7.4%. Overall, the General Fund's performance resulted in revenues in excess of expenditures in the fiscal year ended June 30, 2018 of \$1.5 million. This is a decrease of approximately \$2.7 million over the comparable figure from the prior year which resulted in revenue in excess of expenditures of \$4.2 million.

Transportation Fund balances increased by \$7.0 million or 19.3%. Revenues increased \$0.8 million due to continued growth in the local economy. Expenditures increased \$10.7 million due to the timing of capital expenditures. Other financing sources and uses decreased \$0.6 million.

Capital Projects Bond Construction Fund balance decreased by \$8.4 million. This fund has minimal revenues. The major source of funds is transfers in from other funds of \$13.8 million for the Core Service Facility and accelerator project. Expenditures increased \$17.4 million or 313.0% due to the construction of the Core Service Facility which was completed in FY 2018.

Proprietary Funds

The City's Proprietary Funds provide the same type of information found in the Government-wide Financial Statements, but in more detail. At the end of the fiscal year, the unrestricted component of net position had positive balances for Water and Wastewater, Environmental Services and Stormwater. The Internal Service Fund, which is used to account for risk management and health insurance activities, had an unrestricted net position of \$3.3 million.

Revenues and transfers exceeded expenses and transfers out in the proprietary funds by \$5.0 million for the fiscal year ended in June 30, 2018. Water and Wastewater and Stormwater had growth in their net position for the fiscal year ended June 30, 2018. The Housing Authority Fund and Airport decreases of \$186,000 and \$287,000, respectively were due to depreciation exceeding grant and other funding for capital replacements. The Environmental Service decrease in net position of \$8.6 million was mostly related to an increase in the landfill closure and post closure care cost liability. The major part of the overall increase was related to capital contributions related to grants and external sources (\$19.0 million).

Budget Highlights

The City's final budget matches the original budget which was approved by Council in June 2017. The City looks at the budget to actual at the division level and no division exceeded its appropriation. There were two revenue transfers that were not budgeted and one transfer that exceeded budget. One transfer was made from the General Fund to Capital Project Fund (\$198,000) for the Courthouse construction project and the other was \$21,000 from the General Fund to Capital Project Fund for additional funds for the Forest Restoration project. The transfer from General Fund to Capital Project Fund exceeded budget by \$37,000 due to additional costs related to the Accelerator construction project. All these transfers were noted and included in the budget documentation during the FY 2018 budget process and adoption.

The General Fund was 1.2% (\$0.8 million) under the final budgeted total revenues primarily due to grants and entitlements, which was under budget by \$1.9 million, rents by \$0.7 million and contributions by \$0.8 million offset by taxes and licenses and permits being over budget by \$0.9 million and \$0.8 million, respectively. Licenses and permits exceeded budget due to conservative budget estimates and several large commercial construction projects in fiscal year 2018. Grants and entitlements were under budget mainly due to the City not receiving several larger grants for Fire and Police and not receiving grants at the level budgeted which included the SAFER firefighter grant, COPS hiring grant and Brownfield Assessment grant.

Expenditures are under budget in all divisions due to controlled spending and carryover of some capital projects. The divisions that are under budget by larger amounts are related to capital purchases or projects budgeted but not completed. Both transfers in and transfers out are less than budget 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 \$1.7 million for the Rio de Flag Flood Control Project, of which only \$484,000 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, 2018 amount to \$693.8 million. Capital assets include land, buildings, infrastructure, improvements, machinery and equipment, and construction in progress. The total net increase in the City's capital assets for the current year was 4.8% (\$31.5 million). The following table reflects the capital assets at the end of the fiscal year

Capital Assets, Net of Depreciation
June 30, 2018 and 2017 (in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and other non-depreciable assets	\$ 66,635	\$ 65,690	\$ 14,474	\$ 14,639	\$ 81,109	\$ 80,329
Buildings	78,446	59,486	48,421	46,323	126,867	105,809
Improvements	5,399	5,980	258,041	248,770	263,440	254,750
Machinery and equipment	10,874	10,022	20,479	19,291	31,353	29,313
Infrastructure	158,342	156,366	-	-	158,342	156,366
Construction in progress	10,151	12,016	22,522	23,722	32,673	35,738
Total	<u>\$ 329,847</u>	<u>\$ 309,560</u>	<u>\$ 363,937</u>	<u>\$ 352,745</u>	<u>\$ 693,784</u>	<u>\$ 662,305</u>

Construction-in-progress had a net decrease of 8.6% (\$3.1 million). Major completed construction-in-progress includes the completion of the Core Services Facility (\$25.2 million), Beaver and Dale Improvements (\$5.1 million), Runway Improvements (\$4 million), Zuni Drive Improvements (\$3.3 million) Wastewater Treatment Plant Efficiency Improvement/Rio Aeration (\$1.6 million), Mikes Pike Sewer Line Replacement (\$1.4 million), Grand Canyon Water Line (\$1.4 million) and Parking Kiosks Additions (\$1.1 million). Major construction in progress at June 30 includes Rio de Flag Drainage Project (\$15 million), Lockett Road Improvements (\$3.7 million), Red Gap Pipeline (\$2.1 million), Fanning and Steves Improvements (\$1.7 million) and Lone Tree/Brannen Safety Improvements (\$1.1 million). The increase to buildings (\$21.1 million) is related to completion of the new Core Services Facility net of depreciation. The increase in improvements (\$8.7 million) is related to the completion of the Core Westside Interceptor (\$1.1 million), Runway Improvements (\$4 million) and developer contributed capital less depreciation expense. Machinery and equipment increased by \$2.0 million mainly due to numerous vehicle and heavy equipment purchases offset by depreciation expense. Major additions include 18 vehicles and heavy equipment replacements (\$2.1 million). Infrastructure increase (\$2.0 million) is related to Mill and Overlay (\$2.1 million) and contributed capital less depreciation expense.

For Government-wide Financial Statement presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year. Fund Financial Statements record capital asset purchases as expenditures. Please refer to Note IV C on pages 60-61 of the Notes to the Financial Statements for further information regarding capital assets.

Long Term Debt

At the end of the current fiscal year, the City had total long-term debt outstanding of \$113.5 million. Of this amount, \$46.1 million is general obligation bonds backed by the full faith and credit of the City, \$2.0 million is improvement district bonds, \$44.0 million is revenue bonds, \$5.0 million is for certificates of participation, and \$16.3 million are outstanding leases or loans for the airport, water and wastewater, and City-wide energy conservation improvements.

Outstanding Debt June 30, 2018 and 2017 (in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
General obligation debt	\$ 44,900	\$ 48,521	\$ 1,238	\$ 1,308	\$ 46,138	\$ 49,829
Special assessment bonds	2,020	2,120	-	-	2,020	2,120
Revenue bonds	26,855	19,690	17,129	-	43,984	19,690
Other debt	1,125	1,655	3,880	-	5,005	1,655
Lease/Loans	1,816	2,029	14,496	33,330	16,312	35,359
Total debt payable	<u>\$ 76,716</u>	<u>\$ 74,015</u>	<u>\$ 36,743</u>	<u>\$ 34,638</u>	<u>\$ 113,459</u>	<u>\$ 108,653</u>

During fiscal year 2018, the City's total bonded debt increased by a net \$23.9 million. The City issued \$9.7 million in revenue bonds for Road Repair/Street Safety projects, \$5.0 million of certificates of participation and \$17.1 million of revenue bonds to refund \$16.6 million of water and wastewater WIFA loans. All remaining debt decreases are due to annual schedule debt service payments.

The State constitution imposes certain debt limitations on the City of six percent (6%) and twenty percent (20%) of the outstanding assessed valuation of the City. The City's available debt margin at June 30, 2018 is \$45.0 million in the 6% category and \$103.8 million in the 20% capacity. The allowable debt increased from prior year due to higher assessed valuations and decreasing debt balances. Additional information on the Debt Limitations and Capacities may be found in Schedule 16 in the Statistical Section of this report.

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

City of Flagstaff Bonded Debt Ratings As of June 30, 2018

	Moody's Investors Service	Standard & Poor's
General Obligation	Aa2	AA
Revenue Bonds	n/a	AA-

Additional information on the City's long-term debt can be found in Section IV F on pages 64-74 of the Notes to the Financial Statements.

Economic Factors and Next Year's Budget and Rates

The Fiscal Year 2018/2019 budget preparation was influenced by the following factors:

- The City's General Fund budget was approved with no structural deficit in ongoing expenditures exceeding ongoing revenues.
- Unrestricted fund balance in the General Fund continues to be above the fiscal policy of 15% of operating revenues. It is currently projected to be 25%. General sales tax revenues exceeded budget by \$0.6 million in FY 2018 and are expected grow 3% in FY 2019 due to small to moderate growth in the local economy.

- Building permits exceeded budget by \$0.8 million. However, we remain conservative in our projections for FY 2019 as we rely on these types of revenues as a one-time impact rather than an ongoing source of funding.
- The focus of the FY 2019 budget was for Council Priorities related to economic development, affordable housing, social justice, transportation and other public infrastructure building and zoning/regional plan, climate change, water conservation, environmental and natural resources, personnel, community outreach, town and gown and code compliance.
 - The FY 2019 budget includes a three-year plan to transition to market based pay for all employees, new positions related to capacity needs, infrastructure and economic development funding and services to support the most vulnerable.
 - Some of the larger items are \$23.0 million for transportation improvements, \$12.5 million for Courthouse construction and \$11.2 million programmed for the water and wastewater infrastructure construction.
- The total authorized positions increased by 10.5 positions.
- Public Safety pension (PSPRS) funding continues to be major funding issue. Public Safety pension required contributions to be increased over \$1.2 million in FY 2019 due to required pension contribution rate increases.
- The City continues to monitor the State legislature to be aware of potential budget impacts on cities.
- Property assessments continue to increase at a slow, steady rate. Primary assessed values increased by an average of 6.1%. The City increase the primary property tax revenue by approximately \$530,000 in FY 2019 to the maximum allowable per State statutes. The secondary property tax rates remain flat.
- The City continues to pursue federal and state grant dollars to enhance the local economy.
- The City continues implementation of the electronic information sharing technology to facilitate transparency in service provision.
- The City will continue to work on the Flagstaff Watershed Protection Program which was approved by voters.

Requests for Information

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

City of Flagstaff
 Finance Section
 211 West Aspen Avenue
 Flagstaff, AZ 86001

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



City of Flagstaff, Arizona
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash, investments and equivalents	\$ 104,598,474	\$ 42,780,513	\$ 147,378,987
Accounts receivable, net	14,120,900	5,937,911	20,058,811
Interest receivable	321,833	142,080	463,913
Intergovernmental receivable	3,168,139	256,067	3,424,206
Note receivable	306,200	-	306,200
Internal balance	793,569	(793,569)	-
Deposits	-	8,764	8,764
Inventory	373,511	-	373,511
Prepaid items	48,230	41,386	89,616
Restricted cash and investments	14,532,081	12,353,434	26,885,515
Net OPEB asset	1,056,849	-	1,056,849
Capital assets, non-depreciable	76,786,442	36,996,244	113,782,686
Capital assets, depreciable, net	253,060,897	326,940,948	580,001,845
Total assets	<u>469,167,125</u>	<u>424,663,778</u>	<u>893,830,903</u>
Deferred Outflows of Resources			
Deferred outflows related to pensions/OPEB	28,058,385	2,588,677	30,647,062
Deferred charge on debt refundings	493,287	343,694	836,981
Total deferred outflows of resources	<u>28,551,672</u>	<u>2,932,371</u>	<u>31,484,043</u>
Liabilities			
Accounts payable	6,183,253	2,490,957	8,674,210
Accrued payroll	2,074,283	411,208	2,485,491
Construction retainage payable	1,499,557	163,531	1,663,088
Interest payable	1,395,790	575,036	1,970,826
Advanced revenue	625,990	736,078	1,362,068
Deposits payable	1,236,504	969,735	2,206,239
Noncurrent liabilities:			
Due within one year:			
Compensated absences	1,806,531	327,314	2,133,845
Claims and judgements	28,233	-	28,233
Special assessment debt, government commitment	105,000	-	105,000
Bonds, notes and leases payable, net	9,401,644	3,158,631	12,560,275
Due in more than one year:			
Compensated absences	2,453,115	406,739	2,859,854
Claims and judgements	230,457	-	230,457
Landfill closure and post-closure care costs	-	14,472,064	14,472,064
Net OPEB liability	8,028,708	1,903,117	9,931,825
Net pension liability	139,085,349	16,023,851	155,109,200
Special assessment debt, government commitment	1,915,000	-	1,915,000
Bonds, notes and leases payable, net	71,397,506	33,546,204	104,943,710
Total liabilities	<u>247,466,920</u>	<u>75,184,465</u>	<u>322,651,385</u>
Deferred Inflows of Resources			
Deferred inflows related to pensions/OPEB	<u>4,565,949</u>	<u>1,224,876</u>	<u>5,790,825</u>
Net Position			
Net investment in capital assets	251,337,203	327,068,826	578,406,029
Restricted for:			
Capital projects	49,585,996	-	49,585,996
Debt service	12,969,614	-	12,969,614
Specific programming	23,434,426	-	23,434,426
Perpetual care:			
Expendable	28,813	-	28,813
Nonexpendable	268,513	-	268,513
Unrestricted:	<u>(91,938,637)</u>	<u>24,117,982</u>	<u>(67,820,655)</u>
Total net position	<u>\$ 245,685,928</u>	<u>\$ 351,186,808</u>	<u>\$ 596,872,736</u>

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

City of Flagstaff, Arizona
Statement of Activities
Year Ended June 30, 2018

	<u>Program Revenues</u>				
	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government					
Governmental activities:					
General government	\$ 20,893,077	\$ 1,090,463	\$ 2,685,942	\$ 386,197	\$ 86,766
Public safety	39,801,651	-	888,558	2,325,301	598,626
Public works	1,477,756	202,941	940	-	250,000
Economic and physical development	10,401,134	533,262	4,334,694	1,113,788	183,281
Culture and recreation	14,521,931	(407,790)	1,845,794	3,395,139	-
Highways and streets	16,992,461	(1,418,876)	1,346,238	-	9,977,876
Interest on long-term debt	2,623,267	-	-	-	-
Total governmental activities	<u>106,711,277</u>	<u>-</u>	<u>11,102,166</u>	<u>7,220,425</u>	<u>11,096,549</u>
Business-type activities:					
Water	15,173,129		16,156,035	-	3,206,083
Wastewater and Reclaimed	11,055,308		10,594,304	-	3,668,462
Environmental	17,913,116		12,891,528	15,471	-
Airport	4,790,967		1,624,593	189,777	2,685,928
Housing authority	6,981,632		1,824,876	4,481,294	435,567
Stormwater	1,437,221		2,109,364	120,187	121,435
Total business-type activities	<u>57,351,373</u>		<u>45,200,700</u>	<u>4,806,729</u>	<u>10,117,475</u>
Total primary government	<u>\$ 164,062,650</u>		<u>\$ 56,302,866</u>	<u>\$ 12,027,154</u>	<u>\$ 21,214,024</u>

General revenues:

- Property tax, levied for general purposes
- Property tax, levied for debt service
- Sales taxes
- State shared taxes - unrestricted
- Investment earnings
- Miscellaneous
- Principal contributions to permanent fund
- Gain on the disposal of capital assets
- Transfers in (out)
 - Total general revenues, contributions and transfers
 - Change in net position
- Net position - beginning (as restated)
- Net position - ending

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

**Net (Expenses) Revenues
and Changes in Net Position
Primary Government**

Governmental Activities	Business-type Activities	Total
\$ (18,824,635)	\$ -	\$ (18,824,635)
(35,989,166)	-	(35,989,166)
(1,429,757)	-	(1,429,757)
(5,302,633)	-	(5,302,633)
(8,873,208)	-	(8,873,208)
(4,249,471)	-	(4,249,471)
(2,623,267)	-	(2,623,267)
<u>(77,292,137)</u>	<u>-</u>	<u>(77,292,137)</u>
-	4,188,989	4,188,989
-	3,207,458	3,207,458
-	(5,006,117)	(5,006,117)
-	(290,669)	(290,669)
-	(239,895)	(239,895)
-	913,765	913,765
-	<u>2,773,531</u>	<u>2,773,531</u>
<u>\$ (77,292,137)</u>	<u>\$ 2,773,531</u>	<u>\$ (74,518,606)</u>
6,198,433	-	6,198,433
6,284,113	-	6,284,113
53,833,727	-	53,833,727
19,024,571	-	19,024,571
(477,888)	588,404	110,516
2,059,029	270,192	2,329,221
8,490	-	8,490
121,321	122,837	244,158
<u>(1,240,613)</u>	<u>1,240,613</u>	<u>-</u>
<u>85,811,183</u>	<u>2,222,046</u>	<u>88,033,229</u>
8,519,046	4,995,577	13,514,623
237,166,882	346,191,231	583,358,113
<u>\$ 245,685,928</u>	<u>\$ 351,186,808</u>	<u>\$ 596,872,736</u>

City of Flagstaff, Arizona
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Transportation Tax Fund</u>	<u>Capital Projects Bond Construction</u>
Assets			
Cash and investments	\$ 35,144,647	\$ 36,310,176	\$ 4,407,786
Accounts receivable, net	6,857,354	4,055,126	-
Interest receivable	125,385	93,811	9,135
Intergovernmental receivable	1,071,257	1,004,394	261,540
Notes receivable	-	-	-
Interfund receivable	230,000	-	-
Inventory	323,587	-	-
Prepaid items	48,230	-	-
Restricted cash and investments	-	2,749,617	3,343,604
Total assets	<u><u>\$ 43,800,460</u></u>	<u><u>\$ 44,213,124</u></u>	<u><u>\$ 8,022,065</u></u>
Liabilities, Deferred Inflows and Fund Balance			
Liabilities:			
Accounts payable	\$ 2,887,084	\$ 882,173	\$ 1,046,805
Accrued payroll and compensated absences	1,818,681	-	21,073
Retainable payable	-	376,998	1,117,303
Interfund payable	-	-	-
Advanced revenue	314,721	4,264	-
Guaranty and other deposits	1,236,504	-	-
Total liabilities	<u><u>6,256,990</u></u>	<u><u>1,263,435</u></u>	<u><u>2,185,181</u></u>
Deferred inflows of resources:			
Unavailable revenue - court fines	304,310	-	-
Unavailable revenue - property taxes	190,676	-	-
Unavailable revenue - notes receivable	-	-	-
Total deferred inflows of resources	<u><u>494,986</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Fund balance:			
Nonspendable	371,817	-	-
Restricted	2,338,644	42,949,689	5,905,934
Assigned	6,879,808	-	-
Unassigned (deficit)	27,458,215	-	(69,050)
Total fund balance	<u><u>37,048,484</u></u>	<u><u>42,949,689</u></u>	<u><u>5,836,884</u></u>
Total liabilities, deferred inflows and fund balance	<u><u>\$ 43,800,460</u></u>	<u><u>\$ 44,213,124</u></u>	<u><u>\$ 8,022,065</u></u>

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

Other Governmental Funds	Total Governmental Funds
\$ 25,071,785	\$ 100,934,394
3,158,503	14,070,983
85,007	313,338
830,948	3,168,139
306,200	306,200
-	230,000
49,924	373,511
-	48,230
8,438,860	14,532,081
<u>\$ 37,941,227</u>	<u>\$ 133,976,876</u>

\$ 1,221,700	\$ 6,037,762
234,529	2,074,283
5,256	1,499,557
230,000	230,000
306,900	625,885
-	1,236,504
<u>1,998,385</u>	<u>11,703,991</u>

-	304,310
-	190,676
349,728	349,728
<u>349,728</u>	<u>844,714</u>

318,437	690,254
33,411,609	84,605,876
1,864,086	8,743,894
(1,018)	27,388,147
<u>35,593,114</u>	<u>121,428,171</u>
<u>\$ 37,941,227</u>	<u>\$ 133,976,876</u>



City of Flagstaff
Reconciliation of the Balance Sheet
to the Statement of Net Position
Governmental Activities
June 30, 2018

Fund balances - total governmental funds balance sheet \$ 121,428,171

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

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

Net OPEB asset	\$ 1,056,849	
Governmental capital assets	571,866,320	
Less: accumulated depreciation	<u>(242,018,981)</u>	330,904,188

Deferred outflows and inflows of resources related to pensions and deferred charges on debt refundings are applicable to future reporting periods and, therefore, are not reported in the governmental funds.

Deferred outflows related to pensions/OPEB	28,058,385	
Deferred outflows related to debt refunding	493,287	
Deferred inflows related to pensions/OPEB	<u>(4,565,949)</u>	23,985,723

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

ASRS pension benefits	(34,708,815)	
PSPRS pension benefits	(101,723,171)	
EORP pension benefits	<u>(2,653,363)</u>	(139,085,349)

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

Governmental bond and lease payable	(76,715,895)	
Governmental interest payable	(1,395,790)	
Bond discount	118,504	
Bond premium	(6,221,759)	
Other postemployment benefits	(8,028,708)	
Compensated absences	<u>(4,259,646)</u>	(96,503,294)

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

Promissory note and accounts receivable	349,728	
Fines and forfeitures	304,310	
Property tax	<u>190,676</u>	844,714

The internal service fund is used by management to charge the cost of self insurance programs to individual funds.

The assets and liabilities of the internal service fund that are reported with governmental activities.		<u>4,111,775</u>
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Net position of governmental activities - statement of net position \$ 245,685,928

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, 2018

	General Fund	Transportation Tax Fund	Capital Projects Bond Construction
Revenues:			
Taxes	\$ 29,837,919	\$ 21,599,914	\$ -
Intergovernmental	20,074,740	-	-
Grants and entitlements	1,535,930	-	535,405
Special assessments	-	-	-
Charges for services	3,445,482	-	-
Licenses and permits	3,473,740	-	-
Fines and forfeitures	1,350,689	-	-
Rents	1,163,215	-	-
Investment earnings	(1,255,945)	299,335	184,328
Contributions	496,159	5,000	-
Miscellaneous	534,494	518,679	-
Total revenues	<u>60,656,423</u>	<u>22,422,928</u>	<u>719,733</u>
Expenditures:			
Current:			
General government	11,774,767	7,033,137	728,675
Public safety	32,290,732	-	181,302
Public works	1,254,865	-	-
Economic and physical development	5,555,083	-	13,549
Culture and recreation	6,981,549	13,247	-
Highways and streets	36,570	660,340	-
Debt service:			
Principal retirement	161,727	2,395,000	-
Interest and other charges	37,420	633,035	-
Capital outlay	1,020,983	11,936,577	22,013,792
Total expenditures	<u>59,113,696</u>	<u>22,671,336</u>	<u>22,937,318</u>
Excess (deficiency) of revenues over expenditures	<u>1,542,727</u>	<u>(248,408)</u>	<u>(22,217,585)</u>
Other Financing Sources (Uses):			
Issuance of capital debt	-	9,700,000	-
Bond premium	-	449,519	-
Sale of capital assets	35,450	-	-
Transfers in	3,463,231	-	13,792,663
Transfers out	(8,457,705)	(2,942,941)	-
Total other financing sources (uses)	<u>(4,959,024)</u>	<u>7,206,578</u>	<u>13,792,663</u>
Net change in fund balances	<u>(3,416,297)</u>	<u>6,958,170</u>	<u>(8,424,922)</u>
Fund balances, beginning of year	<u>40,464,781</u>	<u>35,991,519</u>	<u>14,261,806</u>
Fund balances, end of year	<u>\$ 37,048,484</u>	<u>\$ 42,949,689</u>	<u>\$ 5,836,884</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 14,885,833	\$ 66,323,666
3,307,497	23,382,237
9,465,304	11,536,639
2,031,111	2,031,111
1,025,253	4,470,735
320,985	3,794,725
-	1,350,689
330,497	1,493,712
265,624	(506,658)
132,918	634,077
962,328	2,015,501
<u>32,727,350</u>	<u>116,526,434</u>
-	19,536,579
-	32,472,034
-	1,254,865
4,567,642	10,136,274
5,634,703	12,629,499
6,807,679	7,504,589
4,441,900	6,998,627
2,009,433	2,679,888
5,690,611	40,661,963
<u>29,151,968</u>	<u>133,874,318</u>
<u>3,575,382</u>	<u>(17,347,884)</u>
-	9,700,000
-	449,519
85,750	121,200
10,307,272	27,563,166
(9,564,083)	(20,964,729)
<u>828,939</u>	<u>16,869,156</u>
<u>4,404,321</u>	<u>(478,728)</u>
<u>31,188,793</u>	<u>121,906,899</u>
<u>\$ 35,593,114</u>	<u>\$ 121,428,171</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, 2018

Net change in fund balances - total governmental funds \$ (478,728)

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	\$ 40,661,963	
Less current year depreciation	<u>(13,652,732)</u>	27,009,231

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

Net pension expense related to ASRS	915,553	
Net pension expense related to PSPRS	(7,564,209)	
Net pension expense related to EORP	(919,778)	
Pension contribution for EORP	166,587	
Claims and judgements	1,808,834	
Capital related debt issued	(9,700,000)	
Premium on debt issued	(449,519)	
Donated capital	1,630,495	
Compensated absences	(7,026)	
Other postemployment benefits	(580,087)	
Principal payments on debt	6,998,627	
Interest accrual on debt	(89,755)	
Refunding loss amortization	(161,308)	
Bond premium amortization	<u>307,684</u>	(7,643,902)

Providing long-term loans are reported as an expenditure in the governmental funds but are reported as notes receivable on the statement of net position. However, other expenditures that are unrecognized in the governmental funds because they do not provide current financial resources due to unavailability are recognized in the statement of activities.

Available portion of promissory note and accounts receivable	<u>(10,200)</u>	(10,200)
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Certain transactions related to capital assets in the governmental funds reflect proceeds. However, in the statement of activities these transactions reflect net gain (loss).

Gain/loss on disposal of capital assets	(511,879)	
Transfer of capital assets to business-type activities	(9,141,180)	
Transfer of capital assets from business-type activities	<u>1,302,130</u>	(8,350,929)

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, 2018

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

Court (fines and forfeitures)	(17,280)	
Special assessments	(2,021,526)	
Notes receivable	43,528	
Property tax	<u>(7,393)</u>	(2,002,671)

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

Net allocated (loss) assigned to governmental activities	(32,525)	
Investment income	<u>28,770</u>	(3,755)

Change in net position of governmental activities - statement of activities		<u><u>\$ 8,519,046</u></u>
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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, 2018

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 28,729,747	\$ 28,729,747	\$ 29,655,053	\$ 925,306
Intergovernmental	19,490,238	19,490,238	20,074,740	584,502
Grants and entitlements	3,394,415	3,394,415	1,535,930	(1,858,485)
Charges for services	3,109,665	3,109,665	3,445,482	335,817
Licenses and permits	2,630,260	2,630,260	3,473,740	843,480
Fines and forfeitures	1,544,456	1,544,456	1,350,689	(193,767)
Rents	1,904,082	1,904,082	1,163,215	(740,867)
Investment earnings	260,000	260,000	401,440	141,440
Contributions	1,250,100	1,250,100	496,159	(753,941)
Miscellaneous	290,061	290,061	225,888	(64,173)
Total revenues	62,603,024	62,603,024	61,822,336	(780,688)
Expenditures:				
Current:				
General administration	10,712,958	10,712,958	10,210,112	502,846
Management services	3,981,955	3,981,955	3,791,495	190,460
Fire	14,081,950	14,081,950	13,286,671	795,279
Police	22,058,620	22,058,620	19,705,319	2,353,301
Community development	5,095,122	5,095,122	4,932,108	163,014
Public works	12,207,736	12,207,736	9,335,993	2,871,743
Economic vitality	990,494	990,494	328,841	661,653
Non-departmental	(734,543)	(734,543)	(2,487,546)	1,753,003
Contingency	1,990,000	1,990,000	-	1,990,000
Total expenditures	70,384,292	70,384,292	59,102,993	11,281,299
Excess (deficiency) of revenues over (under) expenditures	(7,781,268)	(7,781,268)	2,719,343	10,500,611
Other Financing Sources (Uses):				
Sale of capital assets	37,370	37,370	35,340	(2,030)
Transfers in	3,778,063	3,778,063	3,463,231	(314,832)
Transfers out	(10,133,269)	(10,133,269)	(8,457,705)	1,675,564
Total other financing sources (uses)	(6,317,836)	(6,317,836)	(4,959,134)	1,358,702
Net change in fund balances	(14,099,104)	(14,099,104)	(2,239,791)	11,859,313
Fund balances, beginning of year	26,699,303	26,699,303	40,464,781	13,765,478
Fund balances, end of year	\$ 12,600,199	\$ 12,600,199	\$ 38,224,990	\$ 25,624,791
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ (2,239,791)	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			(1,165,803)	
The City budgets for certain other expenditures on the cash basis, rather than on the modified accrual basis			(10,703)	
Adjusted net change in fund balance - GAAP basis			\$ (3,416,297)	

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, 2018

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 20,119,903	\$ 20,119,903	\$ 21,543,372	\$ 1,423,469
Investment earnings	143,160	143,160	299,335	156,175
Total revenues	<u>20,263,063</u>	<u>20,263,063</u>	<u>21,842,707</u>	<u>1,579,644</u>
Expenditures:				
Current:				
Community development	20,716,205	20,716,205	10,519,164	10,197,041
Public works	6,988,770	6,988,770	2,092,110	4,896,660
Non-departmental	12,155,845	12,155,845	10,060,062	2,095,783
Total expenditures	<u>39,860,820</u>	<u>39,860,820</u>	<u>22,671,336</u>	<u>17,189,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,597,757)</u>	<u>(19,597,757)</u>	<u>(828,629)</u>	<u>18,769,128</u>
Other Financing Sources (Uses):				
Capital bonds issued	10,000,000	10,000,000	9,700,000	(300,000)
Bond premium	-	-	449,519	449,519
Transfers out	(16,149,344)	(16,149,344)	(2,942,941)	13,206,403
Total other financing sources (uses)	<u>(6,149,344)</u>	<u>(6,149,344)</u>	<u>7,206,578</u>	<u>13,355,922</u>
Net change in fund balances	<u>(25,747,101)</u>	<u>(25,747,101)</u>	<u>6,377,949</u>	<u>32,125,050</u>
Fund balances, beginning of year	<u>30,513,100</u>	<u>30,513,100</u>	<u>35,991,519</u>	<u>5,478,419</u>
Fund balances, end of year	<u>\$ 4,765,999</u>	<u>\$ 4,765,999</u>	<u>\$ 42,369,468</u>	<u>\$ 37,603,469</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ 6,377,949	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			<u>580,221</u>	
Adjusted net change in fund balance - GAAP basis			<u>\$ 6,958,170</u>	

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

City of Flagstaff, Arizona
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Environmental Services Fund	Stormwater Fund
Assets			
Current assets:			
Cash and investments	\$ 31,565,245	\$ 8,020,397	\$ 1,522,941
Receivable, net	4,275,007	1,384,101	297,335
Intergovernmental receivable	-	3,273	86,969
Prepaid items	-	-	-
Total current assets	<u>35,840,252</u>	<u>9,407,771</u>	<u>1,907,245</u>
Noncurrent assets:			
Restricted cash and investments	1,177,434	11,176,000	-
Refundable deposits	8,764	-	-
Capital assets, non-depreciable	16,842,927	2,023,209	17,087,728
Capital assets, depreciable, net	245,197,412	10,016,072	27,571,186
Total non-current assets	<u>263,226,537</u>	<u>23,215,281</u>	<u>44,658,914</u>
Total assets	<u>299,066,789</u>	<u>32,623,052</u>	<u>46,566,159</u>
Deferred outflows of resources:			
Deferred outflow related to advance refunding	343,694	-	-
Deferred outflows related to pension/OPEB	934,269	675,755	84,617
Total deferred outflows of resources	<u>1,277,963</u>	<u>675,755</u>	<u>84,617</u>
Liabilities			
Current liabilities:			
Accounts payable	1,846,285	224,516	116,948
Construction retainage payable	87,794	-	75,737
Accrued payroll	195,685	121,497	14,431
Accrued compensated absences	163,381	85,287	11,767
Interest payable	575,036	-	-
Advanced revenue	695,884	20,605	2,977
Claims and judgements	-	-	-
Deposits payable	844,667	49,169	-
Bonds and lease payable, net	2,994,377	-	-
Total current liabilities	<u>7,403,109</u>	<u>501,074</u>	<u>221,860</u>
Noncurrent liabilities:			
Compensated absences	195,948	82,446	10,949
Net OPEB obligation	833,884	627,888	80,554
Net pension liability	6,257,004	4,833,325	547,724
Claims and judgements	-	-	-
Landfill closure and post closure care costs	-	14,472,064	-
Capital lease payable	1,335,446	-	-
Bonds and notes payable, net	27,284,326	3,841,922	-
Total noncurrent liabilities	<u>35,906,608</u>	<u>23,857,645</u>	<u>639,227</u>
Total liabilities	<u>43,309,717</u>	<u>24,358,719</u>	<u>861,087</u>
Deferred inflows related to pension/OPEB	545,888	415,900	48,692
Total deferred inflows	<u>545,888</u>	<u>415,900</u>	<u>48,692</u>
Net Position			
Net investment in capital assets	230,338,396	8,197,359	44,583,177
Unrestricted (deficit)	26,150,751	326,829	1,157,820
Total net position	<u>\$ 256,489,147</u>	<u>\$ 8,524,188</u>	<u>\$ 45,740,997</u>

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

Business-type Activities - Enterprise Funds		Governmental Activities
Total Other Proprietary Funds	Total Business-type Funds	Internal Service Fund
\$ 1,671,930	\$ 42,780,513	\$ 3,664,080
123,548	6,079,991	58,412
165,825	256,067	-
41,386	41,386	-
<u>2,002,689</u>	<u>49,157,957</u>	<u>3,722,492</u>
-	12,353,434	-
-	8,764	-
1,042,380	36,996,244	-
44,156,278	326,940,948	-
<u>45,198,658</u>	<u>376,299,390</u>	<u>-</u>
<u>47,201,347</u>	<u>425,457,347</u>	<u>3,722,492</u>
-	343,694	-
894,036	2,588,677	-
<u>894,036</u>	<u>2,932,371</u>	<u>-</u>
303,208	2,490,957	145,491
-	163,531	-
79,595	411,208	-
66,879	327,314	-
-	575,036	-
16,612	736,078	105
-	-	28,233
75,899	969,735	-
164,254	3,158,631	-
<u>706,447</u>	<u>8,832,490</u>	<u>173,829</u>
117,396	406,739	-
360,791	1,903,117	-
4,385,798	16,023,851	-
-	-	230,457
-	14,472,064	-
1,084,510	2,419,956	-
-	31,126,248	-
<u>5,948,495</u>	<u>66,351,975</u>	<u>230,457</u>
<u>6,654,942</u>	<u>75,184,465</u>	<u>404,286</u>
214,396	1,224,876	-
<u>214,396</u>	<u>1,224,876</u>	<u>-</u>
43,949,894	327,068,826	-
(2,723,849)	24,911,551	3,318,206
<u>\$ 41,226,045</u>	<u>\$ 351,980,377</u>	<u>\$ 3,318,206</u>

(793,569)
\$ 351,186,808

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

City of Flagstaff, Arizona
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Environmental Services Fund	Stormwater Fund
Operating Revenues:			
Charges for services	\$ 26,750,339	\$ 12,891,528	\$ 2,109,364
Miscellaneous	262,016	6,278	-
Total operating revenues	<u>27,012,355</u>	<u>12,897,806</u>	<u>2,109,364</u>
Operating Expenses:			
Personnel services	5,419,676	4,061,337	495,658
Contractual services, materials and supplies	10,877,888	12,809,900	389,770
Insurance claims and expenses	-	-	-
Depreciation and amortization	8,811,885	1,034,922	551,236
Total operating expenses	<u>25,109,449</u>	<u>17,906,159</u>	<u>1,436,664</u>
Operating income (loss)	<u>1,902,906</u>	<u>(5,008,353)</u>	<u>672,700</u>
Non-Operating Revenues (Expenses):			
Interest and investment income	322,752	251,673	12,379
Grants and entitlements	-	15,471	120,187
Gain (loss) on disposal of capital asset	(1,410,050)	115,187	-
Passenger facility charges	-	-	-
Interest expense	(1,000,932)	-	-
Total non-operating revenues (expenses)	<u>(2,088,230)</u>	<u>382,331</u>	<u>132,566</u>
Income (loss) before capital contributions and transfers	<u>(185,324)</u>	<u>(4,626,022)</u>	<u>805,266</u>
Capital contributions related to grants	-	-	-
Capital contributions from external sources	11,573,152	2,981,640	1,582,368
Transfers in	6,780	-	576,560
Transfers out	(91,689)	(7,002,289)	(132,157)
Change in net position	<u>11,302,919</u>	<u>(8,646,671)</u>	<u>2,832,037</u>
Total net position, beginning of year (as restated)	<u>245,186,228</u>	<u>17,170,859</u>	<u>42,908,960</u>
Total net position, end of year	<u>\$ 256,489,147</u>	<u>\$ 8,524,188</u>	<u>\$ 45,740,997</u>

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

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>
<u>Total Other Proprietary Funds</u>	<u>Total Business-type Funds</u>	<u>Internal Service Fund</u>
\$ 3,449,469	\$ 45,200,700	\$ 7,628,364
1,898	270,192	-
<u>3,451,367</u>	<u>45,470,892</u>	<u>7,628,364</u>
2,516,118	12,492,789	-
5,799,857	29,877,415	-
-	-	7,680,397
<u>3,377,739</u>	<u>13,775,782</u>	<u>-</u>
<u>11,693,714</u>	<u>56,145,986</u>	<u>7,680,397</u>
<u>(8,242,347)</u>	<u>(10,675,094)</u>	<u>(52,033)</u>
1,600	588,404	28,770
4,671,071	4,806,729	-
6,908	(1,287,955)	-
328,424	328,424	-
<u>(76,285)</u>	<u>(1,077,217)</u>	<u>-</u>
<u>4,931,718</u>	<u>3,358,385</u>	<u>28,770</u>
<u>(3,310,629)</u>	<u>(7,316,709)</u>	<u>(23,263)</u>
2,793,071	2,793,071	-
-	16,137,160	-
44,358	627,698	-
-	(7,226,135)	-
<u>(473,200)</u>	<u>5,015,085</u>	<u>(23,263)</u>
<u>41,699,245</u>	<u>346,965,292</u>	<u>3,341,469</u>
<u>\$ 41,226,045</u>	<u>\$ 351,980,377</u>	<u>\$ 3,318,206</u>

Change in net
position of business-
type activities

(19,508)
\$ 4,995,577

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

City of Flagstaff, Arizona
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Water and Wastewater Fund	Environmental Services Fund	Stormwater Fund
Cash flows from operating activities:			
Receipts from customers	\$ 26,775,352	\$ 12,878,346	\$ 1,995,975
Interfund services provided	280,797	142,700	36,826
Other receipts	-	-	-
Payments to suppliers	(8,426,691)	(5,512,687)	(206,439)
Interfund services used	(47,209)	(5,155)	-
Interfund reimbursement used	(2,222,669)	(1,231,135)	(125,673)
Payments to employees	(5,457,202)	(4,094,162)	(506,425)
Net cash provided (used) by operating activities	<u>10,902,378</u>	<u>2,177,907</u>	<u>1,194,264</u>
Cash flows from noncapital financing activities:			
Transfer from other funds	6,780	-	484,871
Transfer to other funds	-	(4,020,649)	(132,157)
Interfund loans provided	-	-	-
Interfund loans received (paid)	-	-	-
Net cash provided (used) by noncapital financing activities	<u>6,780</u>	<u>(4,020,649)</u>	<u>352,714</u>
Cash flows from capital and related financing activities:			
Receipts from grantors	-	17,785	9,908
Capital contributions	4,781,461	-	-
Acquisition and construction of capital assets	(10,540,034)	(3,762,132)	(1,744,009)
Principal payments on capital debt	(2,698,334)	-	-
Interest paid on capital debt	(959,779)	-	-
Proceeds from capital debt	572,097	3,841,922	-
Proceeds on current refunding of capital debt	6,389,858	-	-
Principal paid on current refunding of capital debt	(6,313,907)	-	-
Proceeds from sales of capital assets	11,650	365,948	-
Net cash provided (used) by capital and related financing activities	<u>(8,756,988)</u>	<u>463,523</u>	<u>(1,734,101)</u>
Cash flows from investing activities:			
Interest received on investments	281,520	237,181	12,689
Net cash provided (used) by investing activities	<u>281,520</u>	<u>237,181</u>	<u>12,689</u>
Net increase (decrease) in cash and cash equivalents	<u>2,433,690</u>	<u>(1,142,038)</u>	<u>(174,434)</u>
Cash and cash equivalents at beginning of year	<u>30,308,986</u>	<u>20,338,435</u>	<u>1,697,375</u>
Cash and cash equivalents at end of year	<u>\$ 32,742,676</u>	<u>\$ 19,196,397</u>	<u>\$ 1,522,941</u>
Classified as:			
Cash, cash equivalents, and investments	\$ 31,565,245	\$ 8,020,397	\$ 1,522,941
Restricted cash and cash equivalents	1,177,434	11,176,000	-
Totals	<u>\$ 32,742,679</u>	<u>\$ 19,196,397</u>	<u>\$ 1,522,941</u>

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

Business-type Activities - Enterprise Funds		Governmental
Total Other	Total Business-	Activities
Proprietary Fund	type Funds	Internal
		Service Fund
\$ 3,387,447	\$ 45,037,120	\$ 7,638,366
-	460,323	-
330,322	330,322	-
(5,486,302)	(19,632,119)	(7,578,921)
(265,906)	(318,270)	-
(279,606)	(3,859,083)	-
(2,488,875)	(12,546,664)	-
<u>(4,802,920)</u>	<u>9,471,629</u>	<u>59,445</u>
44,358	536,009	-
-	(4,152,806)	-
(6,775)	(6,775)	-
<u>(4,979,303)</u>	<u>(4,979,303)</u>	<u>-</u>
<u>(4,941,720)</u>	<u>(8,602,875)</u>	<u>-</u>
4,603,497	4,631,190	-
8,840,488	13,621,949	-
(2,906,932)	(18,953,107)	-
(155,451)	(2,853,785)	-
(76,285)	(1,036,064)	-
-	4,414,019	-
-	6,389,858	-
-	(6,313,907)	-
<u>7,650</u>	<u>385,248</u>	<u>-</u>
<u>10,312,967</u>	<u>285,401</u>	<u>-</u>
832	532,222	27,161
<u>832</u>	<u>532,222</u>	<u>27,161</u>
569,159	1,686,377	86,606
<u>1,102,771</u>	<u>53,447,567</u>	<u>3,577,474</u>
<u>\$ 1,671,930</u>	<u>\$ 55,133,944</u>	<u>\$ 3,664,080</u>
\$ 1,671,930	\$ 42,780,513	\$ 3,664,080
-	12,353,434	-
<u>\$ 1,671,930</u>	<u>\$ 55,133,947</u>	<u>\$ 3,664,080</u>

(continued)

City of Flagstaff, Arizona
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water and Wastewater Fund</u>	<u>Environmental Services Fund</u>	<u>Stormwater Fund</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 1,902,906	\$ (5,008,353)	\$ 672,700
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	8,811,885	1,034,922	551,236
Landfill closure and post closure costs	-	5,996,285	-
Other non cash expenses	111,598	-	-
Other receipts	-	-	-
(Increase) decrease in assets:			
Accounts receivable	(42,327)	119,053	(76,563)
Allowance for doubtful accounts	-	-	-
Prepaid items	-	-	-
Refundable deposits	(1)	-	-
(Increase) decrease in deferred outflows	406,959	326,615	25,810
Increase (decrease) in liabilities:			
Accounts payable	69,722	64,638	57,658
Accrued payroll, compensated absences	31,576	(17,649)	(2,080)
OPEB	(32,039)	(24,143)	(3,090)
Pension expense (contribution)	(188,949)	(120,312)	(11,266)
Deposits payable	123,871	7,877	-
Advanced revenue	(37,750)	(3,690)	-
Increase (decrease) in deferred inflows	(255,073)	(197,336)	(20,141)
Total adjustments	<u>8,999,472</u>	<u>7,186,260</u>	<u>521,564</u>
Net cash provided (used) by operating activities	<u>\$ 10,902,378</u>	<u>\$ 2,177,907</u>	<u>\$ 1,194,264</u>
Noncash investing, capital and financing activities:			
Capital assets acquired through contributions from developers	\$ 2,093,084	\$ -	\$ 121,435
Debt advance refunded	(10,308,633)	-	-
Advance refunding debt issued	10,739,142	-	-
Loss on disposal of capital assets	1,302,130	-	-
Capital assets transferred from other funds	<u>4,698,607</u>	<u>-</u>	<u>1,552,622</u>
Total noncash investing, capital and financing activities	<u>\$ 8,524,330</u>	<u>\$ -</u>	<u>\$ 1,674,057</u>

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

<u>Business-type Activities - Enterprise Funds</u>		<u>Governmental Activities</u>
<u>Total Other Proprietary Fund</u>	<u>Total Business-type Funds</u>	<u>Internal Service Fund</u>
\$ (8,242,347)	\$ (10,675,094)	\$ (52,033)
3,377,739	13,775,782	-
-	5,996,285	-
-	111,598	-
328,424	328,424	-
(52,798)	(52,635)	10,067
(8,961)	(8,961)	-
(1,597)	(1,597)	-
-	(1)	-
52,614	811,998	-
(230,360)	(38,342)	101,476
(53,050)	(41,203)	-
(13,842)	(73,114)	-
127,488	(193,039)	-
(75)	131,673	-
(188)	(41,628)	(65)
(85,967)	(558,517)	-
<u>3,439,427</u>	<u>20,146,723</u>	<u>111,478</u>
<u>\$ (4,802,920)</u>	<u>\$ 9,471,629</u>	<u>\$ 59,445</u>
\$ -	\$ 2,214,519	\$ -
-	(10,308,633)	-
-	10,739,142	-
-	1,302,130	-
-	6,251,229	-
<u>\$ -</u>	<u>\$ 10,198,387</u>	<u>\$ -</u>

(concluded)

City of Flagstaff, Arizona
Notes to the Financial Statements
June 30, 2018

I. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Flagstaff (City) was incorporated as a town in 1894 and as a city in 1928. The current City Charter was approved June 29, 1998. The Charter provides for the Council-Manager form of government and the authority to provide municipal services, as limited by the State Constitution.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. For the year ended June 30, 2018, the City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, as amended by GASB Statement No. 85, *Omnibus 2017* and GASB Statement No 89, *Accounting for Interest Cost incurred before the end of the Construction Period*. GASB Statement No. 75 established standards for measuring and recognizing net assets or liabilities, deferred outflows of resources, deferred inflows of resources and expenses/expenditures related to other postemployment benefits (OPEB) provided through defined benefit OPEB plans. In addition, Statement No. 75 requires disclosure of information related to OPEB. GASB Statement No. 89 establishes accounting requirements for interest cost incurred before the end of a construction period. Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

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 Position and Activities to emphasize they are legally separate from the government. The City of Flagstaff has no discretely presented component units.

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (statement of net position and statement of activities) report on the City and its component units 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 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 statements. 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 division for another are credited to the performing division and charged to the receiving division to reflect the accurate costs of programs. These indirect costs have been eliminated as part of the program expenses reported for the various functional activities. The rates used are intended to reflect full costs in accordance with generally accepted cost accounting principles and are part of the fund statements. Interfund services provided and used are eliminated in the process of consolidation.

The government-wide statement of net position reports all financial and capital resources of the government. It is displayed in a format of assets plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, with the assets and liabilities shown in order of their relative liquidity. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted, and 3) unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in the net position. The portion of unspent related debt proceeds or deferred inflows of resources at the end of the reporting period is not included in the calculation of net investment in capital assets; instead that portion of the debt or deferred inflows of resources is included in the same net position component as the unspent amount. Restricted net position occurs when a constraint is placed on its use by either: 1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. All net position not otherwise classified as restricted, is shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Also, part of the basic financial statements 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 and deferred outflows, liabilities and deferred inflows, revenues, or expenditures/expenses of fund category and of the governmental and enterprise funds combined), it also gives governments the option of displaying other funds as major funds, which the City has not elected. Other non-major funds are combined in a single column on the fund financial statements and are detailed in combining statements included as supplementary information after the basic financial statements.

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

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

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

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

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

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

The City uses the following fund categories:

Governmental Fund Types

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

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

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

- *Transportation Tax Fund* accounts for the receipt and expenditures of the transportation tax money as authorized by voters on May 16, 2000. These resources are restricted to financing improvements in the areas of the 4th Street overpass project, safe to school/pedestrian and bike projects, traffic flow and safety improvements, transit service operations and enhancements and to repay the bonding related to the 4th Street overpass. In FY 2015, voters approved an additional transportation tax for road repair

and street safety which is valid through 2035. In FY 2016, voters approved an extension of the transit tax to 2030.

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

- *Capital Projects Bond Construction Fund*, accounts for major capital acquisition and construction projects which are funded mainly with general obligation or other governmental debt.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term obligation principal and interest, none of which 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 operations 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 position, net 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, three of which are presented as major funds in the basic financial statements.

- *Water and Wastewater Fund* accounts for the City water pumping, treatment and distribution systems and the City wastewater collection and treatment systems.
- *Environmental Services Fund* accounts for the operations of City refuse, management of the City landfill, recycling collection services and the management of sustainability programs.
- *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 divisions of the government on a cost-reimbursement basis, thus the internal service fund is presented with the proprietary fund financial statements. The internal service fund represents the self-insurance services provided to other divisions and accounts for the risk management function of the City as well as maintaining the costs of the City's liability insurance and any claims paid under the City's self-insurance program. These costs are allocated to all operational activities of the City.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a current financial resources measurement focus whereby only current assets plus deferred outflows of resources, equals current liabilities plus deferred inflows of resources, plus fund balance. Operating statements present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net change in fund balances.

Enterprise funds are accounted for on a flow of economic resources measurement focus whereby all assets plus deferred outflows of resources, less liabilities and deferred inflows of resources associated with the operation of these funds, equals net position, as presented on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

The modified accrual basis of accounting is used by governmental funds. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period.

Expenditures are generally recorded when the related fund liability is incurred, as under accrual accounting. Principal and interest on long-term debt are recorded as fund liabilities when due. However, debt service expenditures, as well as, expenditures related to compensated absences, claims and judgments are recorded only to the extent they have matured.

Revenues susceptible to accrual include property tax, privilege license tax, highway user tax, state shared sales tax, vehicle license tax 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 funds principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

Budgets and Budgetary Accounting

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

- The maximum legal expenditure permitted for the year is the total budget as adopted. The expenditure appropriations in the adopted budget are maintained in the City's financial system by division within individual funds. Division appropriations may be amended during the year, within administrative guidelines and adopted Council policies.
- The initial budget for the fiscal year may be amended during the year in a legally permissible manner.
- The City Manager is generally authorized to transfer budgeted amounts within any specific sections expenditure appropriation. Any budget revisions requiring a transfer between divisions must be approved by the City Council. City manager, human resources and information technology are example sections of the general administration division.
- All unencumbered expenditure appropriations expire at the end of the fiscal year.

- Encumbered amounts are re-budgeted in the following year as deemed appropriate and necessary after review by the Budget Committee. Budgetary carry forwards are approved by the City Council as part of the budget adoption process.
- All funds of the City have legally adopted budgets 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 No. 34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the annual financial statements or as required supplementary information. The City has chosen to present these statements in the basic financial statements. These statements must display original budget, amended budget and actual results on a budgetary basis at the legal level of budgetary control. The City's legal level of budgetary control is at the division level; however the City's financial statements are presented at the functional level of detail. Budgetary comparisons provided in the basic financial section are presented for the general fund and major special revenue funds at the division level; these are presented as statements. The supplemental section provides budgetary comparisons for non-major special revenue funds, capital projects funds and debt service funds at the same functional level of detail used in financial statements presentation; these are presented as schedules.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Cash and Investments

The City's cash and cash equivalents are 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), obligations of the U.S. Treasury, commercial paper and repurchase agreements. Investment income from pooled cash and investments is allocated monthly based on the percentage of a fund's average daily equity in pooled cash and investments to the total average daily-pooled equity in pooled cash and investments. Investments are stated at fair value based on quoted market prices. The City also has an investment policy. Details of the City's investment policy can be found in Note 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 or less. Cash and cash equivalents are included in both unrestricted as well as restricted assets.

Receivables and Payables

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

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is classified as interfund receivables and payables. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balance.

Deferred Outflows of Resources

When a consumption of net position/fund balance applies to a future period it should not be recognized as an outflow of resources, expense or expenditure until that time. Advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Inventory and Prepaids

Inventory is valued at cost, which approximates market, using the weighted average cost method. Inventory consists of expendable supplies held for consumption and is charged to expenditure accounts as consumed. Prepayments of the governmental funds, which are prepared using the modified accrual basis of accounting, are recorded under the purchases method, and are therefore recorded as expenditures when purchased. Within the government-wide statements, which are prepared using the accrual basis of accounting, prepayments are recorded as assets and amortized over the life of the related agreement. Prepaid items contain payments made to vendors applicable to future accounting periods in both the government-wide and proprietary fund financial statements. The cost of a prepaid item is recorded as an expense when consumed rather than purchased.

Restricted Assets

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

Capital Assets

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Deferred Inflows of Resources

Revenues and other governmental fund financial resources are recognized in the accounting period in which they become both measurable and available. When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government reports a deferred inflow of resources until such time as the revenue becomes available. Revenue related to property tax and special assessment liens are recorded in governmental funds but the revenue is not available in the current period so it is reported as a deferred inflow of resources.

Pensions and Other Postemployment Benefits

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, pension and OPEB expense, information about the pension plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Compensated Absences

Vacation and sick leave 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.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net

position. Bond premiums and discounts are amortized over the life of the bonds using a method which approximates the effective interest method.

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

Interfund Transactions

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

Grant Revenue

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

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 the budget committee with final review completed during the annual budget process; the City has no formal policy in place. 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 Position

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. Reconciliations 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 Position:

	Total Governmental Funds	Other Long-Term Assets and Capital Assets (1)	Long-Term Assets - Liabilities (2)	Internal Service Fund (3)	Reclass and Eliminations (4)	Statement of Net Position Totals
Assets						
Cash, investments and equivalents	\$ 100,934,394	\$ -	\$ -	\$ 3,664,080	\$ -	\$ 104,598,474
Accounts receivable, net	14,070,983	-	-	49,917	-	14,120,900
Interest receivable	313,338	-	-	8,495	-	321,833
Intergovernmental receivable	3,168,139	-	-	-	-	3,168,139
Note receivable	306,200	-	-	-	-	306,200
Interfund receivable	230,000	-	-	793,569	(230,000)	793,569
Inventory	373,511	-	-	-	-	373,511
Prepaid items	48,230	-	-	-	-	48,230
Restricted cash and cash equivalents	14,532,081	-	-	-	-	14,532,081
Net OPEB asset	-	1,056,849	-	-	-	1,056,849
Capital assets	-	329,847,339	-	-	-	329,847,339
Total assets	133,976,876	330,904,188	-	4,516,061	(230,000)	469,167,125
Deferred Outflows of Resources						
Deferred outflows related to pension/OPEB	-	-	28,058,385	-	-	28,058,385
Deferred charge on debt refundings	-	-	493,287	-	-	493,287
Total deferred outflows of resources	-	-	28,551,672	-	-	28,551,672
Resources						
	\$ 133,976,876	\$ 330,904,188	\$ 28,551,672	\$ 4,516,061	\$ (230,000)	\$ 497,718,797
Liabilities						
Accounts payable	\$ 6,037,762	\$ -	\$ -	\$ 145,491	\$ -	\$ 6,183,253
Accrued payroll	2,074,283	-	-	-	-	2,074,283
Construction retainage	1,499,557	-	-	-	-	1,499,557
Interest payable	-	-	1,395,790	-	-	1,395,790
Interfund payable	230,000	-	-	-	(230,000)	-
Advanced revenue	625,885	-	-	105	-	625,990
Guaranty and other deposits	1,236,504	-	-	-	-	1,236,504
Unamortized bond premium	-	-	6,221,759	-	-	6,221,759
Unamortized bond discount	-	-	(118,504)	-	-	(118,504)
Compensated absences	-	-	4,259,646	-	-	4,259,646
Claims and judgements	-	-	-	258,690	-	258,690
Other postemployment benefits	-	-	8,028,708	-	-	8,028,708
Net pension liability	-	-	139,085,349	-	-	139,085,349
Unmatured long-term debt	-	-	76,715,895	-	-	76,715,895
Total liabilities	11,703,991	-	235,588,643	404,286	(230,000)	247,466,920
Deferred inflows of resources						
Unavailable revenue - court fines	304,310	-	(304,310)	-	-	-
Unavailable revenue - property taxes	190,676	-	(190,676)	-	-	-
Unavailable revenue - note receivable	349,728	-	(349,728)	-	-	-
Deferred inflow related to pension	-	-	4,565,949	-	-	4,565,949
Total deferred inflows of resources	844,714	-	3,721,235	-	-	4,565,949
Fund Balance - Net Position						
Fund balance/Net Position	121,428,171	330,904,188	(210,758,206)	4,111,775	-	245,685,928
Total liabilities, deferred inflows and fund	\$ 133,976,876	\$ 330,904,188	\$ 28,551,672	\$ 4,516,061	\$ (230,000)	\$ 497,718,797

- (1) Capital assets (land, buildings, equipment, etc.) and other long-term assets used in governmental activities are purchased or constructed with the costs of those assets reported as expenditures in governmental funds, and thus a reduction in fund balance. However, the statement of net position includes those capital assets among the assets of the City as a whole and amortizes the cost over the life of the asset as depreciation expense.

Net OPEB asset	\$ 1,056,849
Costs of capital assets	571,866,319
Accumulated depreciation	<u>(242,018,980)</u>
	<u>330,904,188</u>

- (2) Certain revenues are reported as unavailable in the governmental funds, but are earned in the statement of net position.

Promissory note	\$ 349,728
Court receivables	<u>304,310</u>
	<u>654,038</u>

Certain deferred outflows and inflows of resources are applicable to future periods and, therefore, not recognized in the governmental funds, but are reported in the statement of net position.

Deferred outflows related to pensions/OPEB	\$ 28,058,385
Deferred loss on bond refunding	493,287
Deferred inflows related to pensions/OPEB	<u>(4,565,949)</u>
	<u>23,985,723</u>

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 position.

Governmental bond and lease payable	\$ (76,715,895)
Governmental interest payable	(1,395,790)
Compensated absences	(4,259,646)
Net pension liability	(139,085,349)
Net OPEB liability	(8,028,708)
Unamortized bond premium	(6,221,759)
Unamortized bond discount	118,504
	<u>(235,588,643)</u>

Revenue for the long-term special assessment receivables and property tax shown on the governmental fund statements is not reflected on the statements of net position.

Property tax	\$ 190,676
	<u>190,676</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 position, but are not included on the governmental fund balance sheet.

ISF net position	<u>\$ 4,111,775</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 position.

Interfund receivables	\$ 230,000
Interfund payables	<u>(230,000)</u>
	<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)(4)	Long-Term Revenues/ Expenses (2)	Internal Service Fund (3)	Adjustments and Eliminations	Statement of Activities Totals
Revenues and Other Sources						
Taxes	\$ 66,323,666	\$ -	\$ (7,393)	\$ -	\$ 19,024,571	\$ 85,340,844
Intergovernmental	23,382,237	-	-	-	(10,818,546)	12,563,691
Grants and entitlements	11,536,639	-	-	-	(8,206,025)	3,330,614
Special assessments	2,031,111	-	(2,021,526)	-	-	9,585
Charges for services	4,470,735	-	-	-	-	4,470,735
Licenses and permits	3,794,725	-	-	-	-	3,794,725
Fines and forfeitures	1,350,689	-	(17,280)	-	-	1,333,409
Rent	1,493,712	-	-	-	-	1,493,712
Investment earnings	(506,658)	-	-	28,770	-	(477,888)
Contributions	634,077	1,630,495	166,587	-	-	2,431,159
Miscellaneous	2,015,501	-	43,528	-	-	2,059,029
Total revenue	<u>116,526,434</u>	<u>1,630,495</u>	<u>(1,836,084)</u>	<u>28,770</u>	<u>-</u>	<u>116,349,615</u>
Expenditures/Expenses						
General governmental	19,536,579	535,436	813,476	7,586	-	20,893,077
Public safety	32,472,034	1,456,744	5,860,261	12,612	-	39,801,651
Public works	1,254,865	240,665	(18,263)	489	-	1,477,756
Economic and physical development	10,136,274	341,997	(81,076)	3,939	-	10,401,134
Culture and recreation	12,629,499	2,055,815	(168,290)	4,907	-	14,521,931
Highways and streets	7,504,589	9,022,075	(49,195)	2,992	512,000	16,992,461
Principal retirement	6,998,627	-	(6,998,627)	-	-	-
Interest and other charges	2,679,888	-	(56,621)	-	-	2,623,267
Capital outlay	40,661,963	(40,661,963)	-	-	-	-
Total expenditures/expenses	<u>133,874,318</u>	<u>(27,009,231)</u>	<u>(698,335)</u>	<u>32,525</u>	<u>512,000</u>	<u>106,711,277</u>
Other Financing Sources (Uses):						
Bond premium	449,519	-	(449,519)	-	-	-
Sale of capital assets	121,200	(511,879)	-	-	512,000	121,321
Issuance of capital debt	9,700,000	-	(9,700,000)	-	-	-
Transfers in	27,563,166	1,302,130	-	-	-	28,865,296
Transfers out	(20,964,729)	(9,141,180)	-	-	-	(30,105,909)
Total other financing sources (uses)	<u>16,869,156</u>	<u>(8,350,929)</u>	<u>(10,149,519)</u>	<u>-</u>	<u>512,000</u>	<u>(1,119,292)</u>
Net change for the year	<u>\$ (478,728)</u>	<u>\$ 20,288,797</u>	<u>\$ (11,287,268)</u>	<u>\$ (3,755)</u>	<u>\$ -</u>	<u>\$ 8,519,046</u>

- (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 assets is allocated over their useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of the financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year.

Capital outlay	\$ 40,661,963
Depreciation expense	(13,652,732)
Disposal of capital assets	(511,879)
Donated capital assets	1,630,495
	<u>28,127,847</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 and court fines not received within 30 days of year end are unavailable for governmental fund reporting, but are not for government-wide reporting.

Special assessment received	\$ (2,021,526)
Property tax	(7,393)
Fines and forfeitures	(17,280)
	<u>(2,046,199)</u>

When bonds are issued the proceeds and related premiums are reported as an other financing sources (uses) in the governmental funds. However, the bond premium and any loss on bond refunding are amortized (expensed) over the life of the bonds.

Net bond premium/discount new issuance	\$ (449,519)
Bond premium amortization	307,684
Amortization of refunding loss on debt	(161,308)
	<u>(303,143)</u>

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

Delivery of forgivable promissory note	\$ (10,200)
Issuance of capital debt	(9,700,000)
Accrual of long-term compensated absences	(7,026)
Accrual of bond interest	(89,755)
Pension contributions	9,830,529
Pension benefits earned	(17,232,376)
Claims and judgements	1,808,834
Accrual of other postemployment benefits	(580,087)
	<u>(15,980,081)</u>

Certain revenues reported in the statement of activities require the use of current financial resources and therefore are not reported as revenues in the government wide statement of activities.

Other receivable	\$ 43,528
	<u>43,528</u>

Repayment of long-term debt 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-term liabilities in the statement of net position and do not result in an expense in the statement of activities.

Principal payments on long-term debt	\$ 6,998,627
	<u>6,998,627</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 completely cover the internal service funds' costs for the year.

Revenue	\$ 28,770
Expenditures	(32,525)
	<u>(3,755)</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 position.

Transfer of capital assets to business-type activities	\$ (9,141,180)
Transfer of capital assets from business-type activities	1,302,130
	<u>(7,839,050)</u>

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 how the amounts can be spent. Classification of fund balances imposed by the reporting government, whether by administrative policy or legislative action of the City Council, are shown in aggregate on the government fund financial statements, but not on the proprietary statement of net position. Restricted net position on the government-wide financial statements reflects restrictions imposed by external sources.

Nonspendable fund balance represents amounts 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 and budget committee as part of the annual budgeting process. Authority to assign amounts used for specific purposes is confirmed as part of the annual budgeting process, the City has no formal policy that establishes this practice. Unassigned fund balance represents the remaining amount that is not restricted, committed, nonspendable nor assigned in the general fund. Unassigned amounts are only reported in the general fund or as a negative amount in all other funds.

Consideration is made that restricted amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes which both restricted and unrestricted fund balance is available. Also, committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in unrestricted fund balance classification could be used. Absent of a minimum fund balance policy, the City, through the budgeting process, establishes a minimum fund balance level to maintain as part of that process. A minimum balance of 15% is suggested in the general fund and a 10% fund balance is suggested for special revenue and enterprise funds.

Deficit Fund Balance

A deficit unassigned fund balance of \$69,050 exists in the Capital Projects Fund. The deficit is a result of beginning construction of bonded projects prior to the receipt of proceeds. A loan from other funds, will be reported in the next period. A deficit unassigned fund balance of \$1,018 exists in Other Governmental Funds for the Flagstaff Metropolitan Planning Organization (FMPO) due to the timing and receipt of other contributions on a cost reimbursement basis.

Governmental fund balances as of June 30, 2018 are as follows:

	General Fund	Transportation Fund	Capital Projects Bond Construction	Other Governmental Funds	Total Governmental Funds
Fund balances:					
Nonspendable:					
Perpetual care	\$ -	\$ -	\$ -	\$ 268,513	\$ 268,513
Inventory/Prepaid	371,817	-	-	49,924	421,741
Restricted for:					
Library branch services	-	-	-	1,326,601	1,326,601
Library programs externally directed	-	-	-	908,090	908,090
Court improvements and operations	216,852	-	-	-	216,852
Debt service	-	3,629,083	-	9,340,531	12,969,614
Street improvements	-	30,816,678	-	9,125,551	39,942,229
Transit	-	4,944,964	-	-	4,944,964
Public art	-	-	-	840,899	840,899
Parks operations	-	-	-	1,985,379	1,985,379
Economic Development	-	-	-	1,127,039	1,127,039
Tourism	-	-	-	1,852,278	1,852,278
Perpetual care	-	-	-	28,813	28,813
Development fee projects	2,063,047	-	-	-	2,063,047
Other capital projects	58,745	3,558,964	5,905,934	6,876,428	16,400,071
Assigned to:					
Capital reserve	6,348,611	-	-	-	6,348,611
Real estate	531,197	-	-	-	531,197
Parking district	-	-	-	613,109	613,109
Library services	-	-	-	1,250,977	1,250,977
Unassigned:	27,458,215	-	(69,050)	(1,018)	27,388,147
Total fund balances	<u>\$ 37,048,484</u>	<u>\$ 42,949,689</u>	<u>\$ 5,836,884</u>	<u>\$ 35,593,114</u>	<u>\$ 121,428,171</u>

C. Change in Accounting Principle

Net position as of July 1, 2017, has been restated as follows for the implementation of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), as amended by GASB Statement No. 85, Omnibus 2017.

	Governmental Activities	Business-Type Activities	Water & Wastewater Fund	Environmental Services Fund	Stormwater Fund	Other Proprietary Funds
Net position as previously reported at June 30, 2017	\$ 238,887,943	\$ 346,870,356	\$ 245,474,867	\$ 17,384,293	\$ 42,935,201	\$ 41,850,056
Prior period adjustment - Implementation of GASB 75:						
Net OPEB asset (measurement date as of June 30, 2016)	879,657	-	-	-	-	-
Net OPEB liability (measurement date as of June 30, 2016)	(2,726,661)	(708,994)	(301,727)	(223,297)	(27,503)	(156,467)
Deferred outflows - City contributions made during fiscal year 2017	125,943	29,869	13,088	9,863	1,262	5,656
Total prior period adjustment	<u>(1,721,061)</u>	<u>(679,125)</u>	<u>(288,639)</u>	<u>(213,434)</u>	<u>(26,241)</u>	<u>(150,811)</u>
Net position as restated, July 1, 2017	<u>\$ 237,166,882</u>	<u>\$ 346,191,231</u>	<u>\$ 245,186,228</u>	<u>\$ 17,170,859</u>	<u>\$ 42,908,960</u>	<u>\$ 41,699,245</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 essentially maintained on a basis consistent with Generally Accepted Accounting Principles (GAAP) except for 60 days sales tax accrual, unrealized gain or loss on investments and allowance for doubtful accounts. Measurable revenues are recorded when they become available to finance expenditures in the current fiscal year. "Available" is defined as: collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on debt, are recognized in the accounting period in which the liability arises. State statute allows for encumbrances to be recognized for a 60-day period following the end of the prior fiscal year as uses of prior year appropriations. To ensure that appropriations do not lapse, divisions are directed to re-budget for all items delivered after June 30.

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

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

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

The City will utilize 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 various retreats. These retreats were held in January and February to give City staff the opportunity to present major discussion points to Council and the public. The goal is for Council to make policy decisions and direct staff in preparing the budget. This provides adequate time for the Council to gather input on major budget issues prior to preparation of the budget. The City Council holds Study Sessions in April. The Council reviews and discusses the issue papers included in the Budget Review Book as well as all personnel recommendations, capital equipment recommendations and the capital improvement plan. The Council arrives at a consensus for all decisions needed. The Study Sessions provide the opportunity for City management, divisions and the public to offer information and recommendations to the City Council.

The proposed budget is presented to Council for tentative adoption on or before the third Tuesday in June. Two public hearings are held on the content of the budget. State law requires the operating budget to be all-inclusive. Therefore, the budget includes provisions for contingent revenues, e.g., passenger facility charges, and expenditures that cannot be accurately determined when the budget is adopted, e.g., grants.

The resolution adopting the annual budget requires Council authorization for any expenditure from contingencies, as well as transfer of budget authority between divisions.

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

The adopted budget reflects the total funds appropriated. Certain exclusions are allowed by the state (e.g., bond proceeds, debt service and grants) in computing the Expenditure Limitation and this total cannot be exceeded.

Budget authority can be transferred between line items within a section. At year-end, division budgets are reviewed, and budget authority is transferred from contingencies by resolution, if between divisions, as necessary. Council can also amend total appropriations for a division during the year by resolution if there is a corresponding increase/decrease in another division so that the expenditure limitation is not exceeded.

B. Excess of Expenditures over Appropriations

Expenditure appropriations are adopted in the budget at the division level. For presentation purposes, we have elected to show any deficits at the division level within funds. As of June 30, 2018 there are no divisions with and excess of expenditures over appropriations.

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 Position as "Cash and cash equivalents," "Investments," and "Restricted cash and investments."

Deposits

At June 30, 2018, the carrying amount of the City's deposits was \$47,946,839 and the bank balance was \$50,048,702. The \$2,101,863 difference represents deposits in transit, outstanding checks, and other reconciling items at June 30, 2018. There is an additional \$9,862,707 reported as restricted cash as it is held with paying or fiscal agent on June 30, 2018 for debt service payments due on July 1, 2018.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Statutes and the City's investment policy require collateral for demand deposits, certificates of deposit, and repurchase agreements at 102 percent of all deposits not covered by federal depository insurance. All investments are either registered in the City's name or are held by a third party in the City's name. All deposits were collateralized at June 30, 2018.

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, 2018, the City's investments included the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Federal agency notes	\$ 27,602,089	1.281
U.S. treasuries	68,954,581	2.828
State investment pool	14,163,448	0.100
Corporate notes	5,720,508	2.608
Total fair value of investments	<u>\$ 116,440,626</u>	
Portfolio weighted average maturity		2.119

Credit Risk

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

The credit quality ratings of investments as described by nationally recognized Standard and Poor's and Moody's rating service as of June 30, 2018 is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>	<u>S&P Rating</u>	<u>Percent of Investments</u>
Federal agency notes	\$ 27,602,089	AAA	AA+	23.70%
U.S. treasuries	68,954,581	AAA	AA+	59.23%
State investment pool	14,163,448	N/A	AAA f / S1+ AA- / A+ / A-	12.16%
Corporate notes	5,720,508	A1/ A2/ A3	A/BBB+	4.91%
Total	<u>\$ 116,440,626</u>			<u>100.00%</u>

Concentration of Credit Risk

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

At June 30, 2018, the City's cash and investments included the following:

Carrying amount of investments	\$ 116,440,626
Carrying amount of cash deposits	47,946,839
Cash on deposit with paying agent	9,862,707
Cash on hand	14,330
Total pooled cash and investments	<u>\$ 174,264,502</u>
Pooled cash, equivalents and investments - unrestricted	\$ 147,378,987
Restricted cash and investments	26,885,515
Total pooled cash and investments	<u>\$ 174,264,502</u>

Cash and cash equivalents at June 30, 2018 consisted of the following:

Investments included in cash and cash equivalents	\$ 102,657,852
Carrying amount of unrestricted city deposits	44,706,805
Cash on hand	14,330
Total cash, investments, and cash equivalents per statement of net position	<u>\$ 147,378,987</u>

Investment income comprises the following for the year ended June 30, 2018:

Net interest and dividends	\$ 1,767,901
Net increase (decrease) in the fair value of investments	<u>(1,657,385)</u>
Total net investment income per statement of activities	<u>\$ 110,516</u>

Fair Value Measurement

The net decrease in the fair value of investments during fiscal year 2017-2018 was \$1,657,385. 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, 2018 was (\$1,537,307).

In determining fair value, the City uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Fair value measurements framework establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Fair value measurements define levels within the hierarchy based on the reliability of inputs as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The City's investments at June 30, 2018, categorized within the fair value hierarchy detailed above were as follows:

Investments by fair value level: Investment Type	Fair Value Measurements			
	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
Federal agency notes	\$ 27,602,089	\$ -	\$ 27,602,089	\$ -
U.S. treasuries	68,954,581	-	68,954,581	-
Corporate notes	5,720,508	-	5,720,508	-
Total investments by fair value level	<u>\$ 102,277,178</u>	<u>\$ -</u>	<u>\$ 102,277,178</u>	<u>\$ -</u>
External investment pools measured at fair value				
State Treasurer's Investment Pool	\$ 14,163,448			
Total external investments by fair value	<u>\$ 14,163,448</u>			
Total investments	<u>\$ 116,440,626</u>			

The State Treasurer's Pool is an external investment pool, the Local Government Investment Pool (Pool 5), with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The State Board of Investment provides oversight for the State Treasurer's investment pools.

Investments in the State Treasurer's investment pools are valued at the pool's share price multiplied by the number of shares the City held. The fair value of a participant's position in the pools approximates the value of that participant's pool shares.

In previous years, the City recognized a decrease in fair value of \$1,473,712 consisting of the City's share of a loss on an investment within the Local Government Investment Pool. The State and numerous other bondholders filed suit against the principals, underwriters, trustees, accountants, and others in May 2003. The case is presently pending litigation. There have been several distributions since June 2006. The distributions include payments from the trustee and settlement proceeds received from pending litigation. The City did not receive a distribution this year and the total recovery to date is \$1,126,225.

In previous years, the City recognized a decrease in fair value of \$289,104 consisting of the City's share of a loss on an investment within the Local Government Investment Pool relating to Lehman Brothers Chapter 11 filing. The State has filed claims on behalf of the LGIP investors. The City received a distribution this year in the amount of \$7,820 and the total recovery to date is \$117,612.

B. Receivables

Receivables as of June 30, 2018, including allowances for uncollectible accounts, are as follows:

Fund	Accounts	Interest	Intergov- ernmental	Notes Receivable	Total Receivables
Governmental Activities					
General fund	\$ 7,880,088	\$ 125,385	\$ 1,071,257	\$ -	\$ 9,076,730
Transportation fund	4,130,126	93,811	1,004,394	-	5,228,331
Capital projects bond fund	-	9,135	261,540	-	270,675
Other governmental funds	3,184,003	85,007	830,948	306,200	4,406,158
Less: allowance for uncollectibles	(1,123,234)	-	-	-	(1,123,234)
Total government funds	14,070,983	313,338	3,168,139	306,200	17,858,660
Internal services funds	49,917	8,495	-	-	58,412
Total governmental activities	14,120,900	321,833	3,168,139	306,200	17,917,072
Business-type Activities					
Water and Wastewater	4,279,637	102,370	-	-	4,382,007
Environmental services	1,381,713	35,388	3,273	-	1,420,374
Stormwater	298,129	3,206	86,969	-	388,304
Other Proprietary Funds	126,432	1,116	165,825	-	293,373
Less: allowance for uncollectibles	(148,000)	-	-	-	(148,000)
Total business-type activities	5,937,911	142,080	256,067	-	6,336,058
Total activities	<u>\$ 20,058,811</u>	<u>\$ 463,913</u>	<u>\$ 3,424,206</u>	<u>\$ 306,200</u>	<u>\$ 24,253,130</u>

C. Capital Assets

A summary of capital asset activity, for the government-wide financial statements, as of June 30, 2018 is as follows:

	Balance July 1, 2017	Increase	Decrease	Transfers In (Out)	Balance June 30, 2018
Governmental activities:					
Non-depreciable assets:					
Land	\$ 65,689,819	\$ 945,388	\$ -	\$ -	\$ 66,635,207
Construction-in-progress	12,015,820	35,840,338	(28,563,743)	(9,141,180)	10,151,235
Total non-depreciable assets	<u>77,705,639</u>	<u>36,785,726</u>	<u>(28,563,743)</u>	<u>(9,141,180)</u>	<u>76,786,442</u>
Depreciable assets:					
Buildings	84,541,696	20,838,122	-	-	105,379,818
Improvements	22,660,774	398,499	(97,416)	-	22,961,857
Machinery and equipment	35,041,695	2,518,119	(1,402,221)	(15,618)	36,141,975
Infrastructure	319,793,894	9,813,080	(312,876)	1,302,130	330,596,228
Total depreciable assets	<u>462,038,059</u>	<u>33,567,820</u>	<u>(1,812,513)</u>	<u>1,286,512</u>	<u>495,079,878</u>
Accumulated depreciation:					
Buildings	(25,056,089)	(1,877,643)	-	-	(26,933,732)
Improvements	(16,681,071)	(979,553)	97,415	-	(17,563,209)
Machinery and equipment	(25,019,664)	(1,656,630)	1,392,998	15,618	(25,267,678)
Infrastructure	(163,428,332)	(9,138,906)	312,876	-	(172,254,362)
Total accumulated depreciation	<u>(230,185,156)</u>	<u>(13,652,732)</u>	<u>1,803,289</u>	<u>15,618</u>	<u>(242,018,981)</u>
Governmental activities capital assets, net	<u>\$ 309,558,542</u>	<u>\$ 56,700,814</u>	<u>\$ (28,572,967)</u>	<u>\$ (7,839,050)</u>	<u>329,847,339</u>
				Less: associated debt	(76,715,895)
				Less: unamortized premium	(6,221,759)
				Plus: unamortized discount	118,504
				Less: construction retainage	(1,499,557)
				Plus: unamortized loss on current refunding	493,287
				Plus: non-capital related debt, series 2013	1,636,515
				Plus: unspent capital related debt, series 2016	1,974,869
				Plus: non-capital related debt, series 2016	1,703,900
				Net investment in capital assets	<u>\$ 251,337,203</u>

	Balance July 1, 2017	Increases	Decreases	Transfers In (Out)	Balance June 30, 2018
Business-type activities:					
Non-depreciable assets:					
Land	\$ 14,638,835	\$ 359,746	\$ (524,085)	\$ -	\$ 14,474,496
Construction-in-progress	23,722,398	11,953,939	(11,760,770)	(1,393,819)	22,521,748
Total non-depreciable assets	<u>38,361,233</u>	<u>12,313,685</u>	<u>(12,284,855)</u>	<u>(1,393,819)</u>	<u>36,996,244</u>
Depreciable assets:					
Buildings	101,264,914	1,773,244	-	2,981,640	106,019,798
Improvements	405,041,273	11,578,120	(54,884)	6,251,229	422,815,738
Machinery and equipment	48,180,191	4,019,884	(2,610,090)	15,618	49,605,603
Total depreciable assets	<u>554,486,378</u>	<u>17,371,248</u>	<u>(2,664,974)</u>	<u>9,248,487</u>	<u>578,441,139</u>
Accumulated depreciation:					
Buildings	(54,941,492)	(2,657,015)	-	-	(57,598,507)
Improvements	(156,271,183)	(8,543,511)	39,996	-	(164,774,698)
Machinery and equipment	(28,888,693)	(2,575,256)	2,352,581	(15,618)	(29,126,986)
Total accumulated depreciation	<u>(240,101,368)</u>	<u>(13,775,782)</u>	<u>2,392,577</u>	<u>(15,618)</u>	<u>(251,500,191)</u>
Business-type activities capital assets, net	<u>\$ 352,746,243</u>	<u>\$ 15,909,151</u>	<u>\$ (12,557,252)</u>	<u>\$ 7,839,050</u>	363,937,192
				Less: associated debt	(36,742,913)
				Less: construction retainage	(163,531)
				Less: bond premium	(18,209)
				Plus: bond discount	56,287
				Net investment in capital assets	<u>\$ 327,068,826</u>

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

Governmental Activities:

General government	\$ 535,436
Public safety	1,456,744
Public works	240,665
Economic and physical development	341,997
Culture and recreation	2,055,815
Highway and streets	9,022,075
Total depreciation expense - governmental activities	<u>\$ 13,652,732</u>

D. Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

Net interfund receivables and payables between governmental activities and business-type activities of \$793,569 are included in the government-wide financial statements at June 30, 2018. The interfund balances at June 30, 2018 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, 2018 are expected to be repaid within one year.

The following interfund receivables and payables are included in the fund financial statements at June 30, 2018:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Activities:		
General fund	\$ 230,000	\$ -
Other governmental funds	-	230,000
Total governmental activities	<u>230,000</u>	<u>230,000</u>
Business-type Activities:		
Total business-type activities	-	-
Total governmental and business-type activities	<u>\$ 230,000</u>	<u>\$ 230,000</u>
Less: fund eliminations	(230,000)	
Adjustment for internal service fund elimination	<u>793,569</u>	
Total government-wide statement of net position	<u><u>\$ 793,569</u></u>	

Transfers

The net transfers of (\$1,240,613) from business-type activities to governmental activities on the government-wide statement of activities are primarily capital assets and other operational. The transfer of \$13,792,663 from the general fund and business-type funds were to the capital projects bond fund was for construction of the Courthouse project and the Core facility, there were no other significant transfers during fiscal year 2018 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, 2018:

<u>Fund</u>	<u>Transfers Out</u>	<u>Transfers In</u>
Governmental Activities:		
General fund	\$ 8,457,705	\$ 3,463,231
Transportation fund	2,942,941	-
Capital projects bond construction	-	13,792,663
Other governmental funds	9,564,083	10,307,272
Total governmental funds	<u>20,964,729</u>	<u>27,563,166</u>
Internal service fund	-	-
Total governmental activities	<u>20,964,729</u>	<u>27,563,166</u>
Business-type Activities:		
Water, wastewater, reclaimed funds	91,689	6,780
Environmental services fund	7,002,289	-
Stormwater fund	132,157	576,560
Other business-type fund	-	44,358
Total business-type activities	<u>7,226,135</u>	<u>627,698</u>
Total governmental and business-type activities	<u>\$ 28,190,864</u>	<u>\$ 28,190,864</u>
Less: fund eliminations	(21,592,427)	
Less: net capital assets transfer	<u>(7,839,050)</u>	
Total government-wide statement of activities	<u><u>\$ (1,240,613)</u></u>	

The water and wastewater (business-type activities) fund transferred \$1,302,130 of capital assets to the governmental activities and the governmental activities transferred \$9,141,180 from business activities to government activities for a consolidated net total of \$7,839,050 in capital assets to the government wide financials. The BBB fund transferred \$3,347,942 to the General fund for its share of the operating cost of the services performed by general fund divisions and sections. The transportation fund transferred \$2,720,441 to the highway user revenue fund for the transportation fund's portion of capital projects and debt service expenditures. The general fund transferred \$1,596,313 to the library fund for City share of expenditures for the libraries within the City limits. The general obligation bond fund received a \$5,336,641 transfer from the secondary property tax revenue fund for payment of debt service.

E. Leases

Operating Lease Expenditures

The City leases library space under non-cancellable operating leases. The non-cancellable lease is for the East Flagstaff Library. The initial intergovernmental agreement was dated September 10, 2002, and was amended on September 8, 2008, to reflect an ending date of June 30, 2017. The agreement had an automatic renewal for an additional two years, terminating on June 30, 2019, if neither party sent a written notice of intent to terminate to the other party at least 60 days prior to the expiration of the initial term. Either party may terminate the lease at any time for any reason or no reason, without penalty, upon 180 days written notice. A new lease will be negotiated beginning December, 2018. Fiscal year 2018 lease expense for the library was \$94,322. The schedule below for future minimum lease expenses reflects the change in the rental rate as of June 30, 2018.

Operating Lease Expenditures	
Year Ending June 30	East Flagstaff Library
2019	\$ 96,963
Total	\$ 96,963

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, 2018 were \$246,256 (cancelable and non-cancelable), including the East Flagstaff Library.

Operating Lease Revenues

The City leases several City-owned buildings under cancellable and non-cancellable agreements. Certain leases contain provisions for future rate increases based on changes in the consumer price index. Total revenue for fiscal year 2018 was \$1,493,712. The City currently has three leases with non-cancellable terms as well as future cancellable terms that are for the USGS buildings 3, 4/5 and 6, which are guaranteed thru the dates indicated below. The table on the following page represents the future minimum lease receivable from the lease with non-cancellable terms. The amounts shown include revenue related to the asset and the operational expenses.

The terms for the USGS Lease for Buildings 4/5 had the first two years firm, and the remaining lease, from January 1, 2017 to December 31, 2019, on a month-to-month basis with a required thirty (30) day notice for cancellation. The USGS lease renewal for Building 6 was taken to City Council for the lease effective date of August 01, 2017. The terms were approved for the twenty (20) year lease, of which ten (10) years are firm and ten (10) years are month-to-month, with a sixty (60) day notice of lease cancellation required for the month-to-month portion of the lease. The debt for Building 6 has been paid off in full, resulting in a decrease in lease payments from the USGS to the City of Flagstaff.

USGS Operating Lease Revenues:

Year Ending June 30	Non-Cancellable USGS Building 3	Non-Cancellable USGS Building 6
2018 - Actual	\$ 467,787	\$ 293,692
2019	467,787	293,692
2020	233,894	293,692
2021	-	293,692
2022	-	293,692
2023	-	293,692
2024	-	293,692
2025	-	293,692
2026	-	293,692
2027	-	24,474
	\$ 1,169,468	\$ 2,667,702

In addition, the Airport Fund has several leases under cancellable agreements. The leases are for terminal space, hangars, shades, tie downs, ground leases, rental car agencies and a cafe. Lease revenue in the airport fund for fiscal year 2018 was \$1,425,387.

F. Long-Term Debt

General Obligation Debt

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

General obligation debt are direct obligations and pledge the full faith and credit of the government. The water and wastewater general obligation debt is a water infrastructure and finance authority note backed by the ultimate taxing power and general revenues of the City; however, the debt is carried as a liability of the water and wastewater fund to reflect the intention of the City to retire those bonds from resources in the water and wastewater funds.

General obligation debt outstanding at June 30, 2018:

Purpose	Amount
Governmental activities	\$ 36,629,502
Governmental activities - advance refunding	8,270,000
Business-type activities	1,237,911
Total general obligation debt outstanding	\$ 46,137,413

General obligation debt at June 30, 2018 consist of the following individual issues:

General Obligation Debt

Governmental activities:

\$3,952,287 Public safety communications, series 2011 due in annual installments of \$289,956 to \$446,582 through July 1, 2021; interest rate at 2.40%. Construction related to public safety communication system. \$ 1,724,502

\$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. 4,665,000

\$11,460,000 Capital projects, series 2013 due in annual installments of \$560,000 to \$950,000 through July 1, 2028; interest rate at 1.625% to 4.0%. Construction related to forest initiative, streets and utility improvements and open space/Flagstaff Urban Trail System. 8,870,000

\$6,600,000 Capital projects, series 2014A due in annual installments of \$200,000 to \$460,000 through July 1, 2034; interest rate at 1.5% to 5.0%. Construction related to parks and recreation facilities improvements and land purchase for open space/Flagstaff Urban Trail System. 5,880,000

\$8,270,000 Capital projects, series 2014B partial refunding of series 2006 due in annual installments of \$1,940,000 to \$2,205,000 through July 1, 2021; interest rate at 3.00% to 5.00%. Construction related to recreation facilities, fire facilities and equipment and open space acquisition. 8,270,000

\$16,105,000 Capital projects, series 2016 due in annual installments of \$565,000 to \$1,090,000 through July 1, 2036; interest rate at 3.00% to 4.0%. Construction related to open space acquisition, core services maintenance facilities, and forest health and water supply protection project. 15,490,000

Total governmental activities 44,899,502

Business-type activities:

\$1,633,933 Water infrastructure finance authority, due in annual installments of \$61,745 to \$107,043 through July 1, 2031; interest at 3.104%. Original amount \$1,833,828 less deobligated amount of \$199,895. Red Gap Wells. 1,237,911

Total business-type activities 1,237,911

Total General Obligation Debt \$ 46,137,413

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 5,485,912	\$ 1,583,766	\$ 71,941	\$ 36,192
2020	5,610,894	1,399,820	74,174	33,889
2021	5,606,115	1,200,539	76,477	31,515
2022	4,306,581	1,013,584	78,851	29,068
2023	1,700,000	895,900	81,298	26,544
2024-2028	9,590,000	3,399,488	445,947	92,042
2029-2033	7,410,000	1,719,163	409,223	19,539
2034-2037	5,190,000	387,600	-	-
	<u>\$ 44,899,502</u>	<u>\$ 11,599,860</u>	<u>\$ 1,237,911</u>	<u>\$ 268,789</u>

Statutory Debt Limitation

Under the provisions of the Arizona Constitution, outstanding general obligation bonded debt for combined water, wastewater, electric, parks and open space, streets and public safety purposes may not exceed 20 percent of the City of Flagstaff's net secondary assessed valuation, nor may outstanding general obligation bonded debt for all other purposes exceed 6 percent of the City's net secondary assessed valuation.

The City's computation of legal debt margins available for creation of additional debt at June 30, 2018 was \$167,934,960 and \$50,380,488 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.

Special assessment bonds outstanding at June 30, 2018:

Purpose	Amount
Governmental activities	<u>\$ 2,020,000</u>

Special assessment bonds payable at June 30, 2018 consist of the following individual issues:

Special Assessment Bonds

Governmental activities:

\$8,900,000 Improvement district bonds, due in annual installments of \$95,000 to \$195,000, through January 1, 2032; interest at 5.0%. Aspen Place at the Sawmill district improvements.	\$ 2,020,000
Total Special Assessment Bonds	<u>\$ 2,020,000</u>

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

Year Ending June 30	Governmental Activities	
	Principal	Interest
2019	\$ 105,000	\$ 101,000
2020	110,000	95,750
2021	115,000	90,250
2022	115,000	84,500
2023	125,000	78,750
2024-2028	725,000	294,000
2029-2032	725,000	92,750
	<u>\$ 2,020,000</u>	<u>\$ 837,000</u>

Revenue Bonds

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

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 are comprised of 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.

On August 29, 2017 the City issued \$17,129,000 in utility revenue refunding obligations, Series 2017, for water and wastewater improvements. The payments will be payable from and secured by a lien on charges for services revenues for the water and wastewater fund.

On July 20, 2016 the City issued \$8,930,000 in pledged revenue obligations, Series 2016 and on June 21, 2018 the City issued \$9,700,000 in pledged revenue obligations, Series 2018, for Road Repair/Street Safety Projects. The payments will be payable from and secured by a lien on Excise Tax Revenues. "Excise Tax Revenues" are revenues from the restricted transaction privilege tax of 0.33% (\$0.0033) approved at an election held in and for the City on November 4, 2014 (the "Election"), which will expire on December 31, 2034 (the "Road Repair/Street Safety Rate"). The Election authorized bonds payable from the Road Repair/Street Safety Rate in an amount not to exceed \$20,000,000.

Revenue bonds outstanding at June 30, 2018:

Purpose	Amount
Governmental activities	\$ 20,590,000
Governmental activities - partial advance refunding	6,265,000
Business-type activities - advance refunding	17,129,000
Total revenue bonds outstanding	<u>\$ 43,984,000</u>

Revenue bonds at June 30, 2018 consist of the following individual issues:

Revenue Bonds

Governmental activities:

\$3,370,000 Greater Arizona Development Authority revenue bonds, series 2010A, due in annual installments of \$50,000 to \$240,000 through August 1, 2030; interest at 2.0% to 4.625%. Business incubator construction.	\$ 2,435,000
\$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.	6,265,000
\$8,930,000 Road Repair Street Safety pledged revenue refunding bonds, series 2016 due in annual installments of \$450,000 to \$735,000 through July 1, 2032; interest at 2.0% to 4.0%. Repair of existing streets and roadways.	8,455,000
\$9,700,000 Road Repair Street Safety pledged revenue refunding bonds, series 2018 due in annual installments of \$360,000 to \$1,450,000 through July 1, 2034; interest at 2.0% to 4.25%. Repair of existing streets and roadways.	9,700,000
Total governmental activities	<u>26,855,000</u>

Business-type activities:

\$17,129,000 Utility revenue refunding obligations, series 2017 due in annual installments of \$957,000 to \$2,364,000 through July 1, 2027; interest at 1.99%. Water and wastewater improvements.	17,129,000
Total business-type activities	<u>17,129,000</u>

Total Revenue Bonds	<u>\$ 43,984,000</u>
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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
2019	\$ 2,605,000	\$ 820,935	\$ 1,007,000	\$ 330,848
2020	3,070,000	881,076	957,000	311,306
2021	3,175,000	763,814	973,000	292,102
2022	1,050,000	685,493	2,317,000	259,366
2023	1,085,000	647,476	2,364,000	212,790
2024-2028	6,100,000	2,530,106	9,511,000	459,581
2029-2033	6,925,000	1,198,003	-	-
2034-2035	2,845,000	100,332	-	-
Total	<u>\$ 26,855,000</u>	<u>\$ 7,627,235</u>	<u>\$ 17,129,000</u>	<u>\$ 1,865,993</u>

Other Debt

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.

On June 21, 2018 the City issued \$3,880,000 in capital lease certificates of participation, Series 2018 for the Core Services Facility. Principal and interest on the bonds are payable from capital lease payments and are not considered general obligations of the City. They are appropriated along with all other expenditures of Solid Waste.

Certificates of participation bonds outstanding at June 30, 2018:

<u>Purpose</u>	<u>Amount</u>
Governmental activities	\$ 1,125,000
Business-type activities	3,880,000
Total certificates of participation outstanding	<u>\$ 5,005,000</u>

Certificates of participation at June 30, 2018 consist of the following individual issues:

Certificates of Participation

Governmental activities:

\$4,690,000 Certificates of participation, series 2009 due in annual installments of \$515,000 to \$575,000, through October 1, 2019; interest at 3.3137%. Roadway overlay improvements and fire equipment.	\$ 1,125,000
Total governmental activities	<u>1,125,000</u>

Business-type activities:

\$3,880,000 Certificates of participation, series 2018 due in annual installments of \$85,000 to \$240,000 through July 1, 2043; interest at 3.0% to 3.125%. Core Services facility.	3,880,000
Total business-type activities	<u>3,880,000</u>
Total Certificates of Participation	<u>\$ 5,005,000</u>

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

Year Ending June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 550,000	\$ 33,313	\$ -	\$ 67,948
2020	575,000	11,500	85,000	127,469
2021	-	-	90,000	124,844
2022	-	-	95,000	122,068
2023	-	-	95,000	119,219
2024-2028	-	-	530,000	549,969
2029-2033	-	-	745,000	456,388
2034-2038	-	-	915,000	320,125
2039-2043	-	-	1,085,000	144,784
2044	-	-	240,000	4,350
Total	\$ 1,125,000	\$ 44,813	\$ 3,880,000	\$ 2,037,164

The following is a summary of debt service requirements, including interest requirements, to maturity for long-term debt at June 30, 2018:

Fiscal Year	General Obligation Debt	Special Assessment Bonds	Revenue Bonds	Certificates of Participation	Total
2019	\$ 7,177,811	\$ 206,000	\$ 4,763,783	\$ 651,261	\$ 12,798,855
2020	7,118,777	205,750	5,219,382	798,969	13,342,878
2021	6,914,646	205,250	5,203,916	214,844	12,538,656
2022	5,428,084	199,500	4,311,859	217,068	10,156,511
2023	2,703,742	203,750	4,309,266	214,219	7,430,977
2024	2,702,765	202,500	3,829,888	216,294	6,951,447
2025	2,710,358	201,000	3,827,715	218,219	6,957,292
2026	2,708,075	204,250	3,822,965	215,068	6,950,358
2027	2,705,028	207,000	3,830,016	216,844	6,958,888
2028	2,701,251	204,250	3,290,103	213,544	6,409,148
2029	2,709,598	206,250	1,724,438	215,169	4,855,455
2030	1,740,640	202,750	1,724,529	246,194	3,914,113
2031	1,739,944	204,000	1,722,362	246,619	3,912,925
2032	1,737,243	204,750	1,478,462	246,794	3,667,249
2033	1,630,500	-	1,473,212	246,612	3,350,324
2034	1,633,500	-	1,471,769	246,169	3,351,438
2035	1,629,200	-	1,473,563	245,453	3,348,216
2036	1,157,200	-	-	249,378	1,406,578
2037	1,157,700	-	-	247,931	1,405,631
2038	-	-	-	246,194	246,194
2039	-	-	-	244,281	244,281
2040	-	-	-	246,975	246,975
2041	-	-	-	244,272	244,272
2042	-	-	-	246,297	246,297
2043	-	-	-	247,959	247,959
2044	-	-	-	244,350	244,350
Less interest	(11,868,649)	(837,000)	(9,493,228)	(2,081,977)	(24,280,854)
	\$ 46,137,413	\$ 2,020,000	\$ 43,984,000	\$ 5,005,000	\$ 97,146,413

Authorized and Issued Debt

The voters of the City authorize capital projects and the related debt mechanism to finance these capital projects. On May 18, 2004, voters approved \$47.4 million for various capital projects and \$46.6 million for future water rights and production. As of June 30, 2018, \$2.8 million remains unissued for capital projects and \$.6 million remains unissued for future water rights and production. On November 2, 2010, voters approved \$21.2 million for public safety communication system and various street and utilities

improvements. As of June 30, 2018, \$4 million remains unissued. On November 6, 2012, voters approved \$24.0 million for a Core Service Maintenance Facility and Forest Health and Watershed Protection. As of June 30, 2018, \$6.0 million remains unissued. On November 8, 2016, voters approved \$12.0 million for a Courthouse Facility. As of June 30, 2018, \$12.0 million remains unissued for the Courthouse facility.

Loans Payable

The City of Flagstaff has various loan agreements with the Water and Wastewater Infrastructure Finance Authority (WIFA) of Arizona Revolving Fund Loan Program for the acquisition and construction of water and wastewater facilities and obtaining water rights.

Loans outstanding as of June 30, 2018:

<u>Purpose</u>	<u>Amount</u>
Business-type activities	<u>\$ 11,787,192</u>

Loan payables at June 30, 2018 consist of the following individual financing options:

Loans Payable

Business-type activities:

Water and wastewater:

\$23,100,000 Wastewater infrastructure finance authority due in annual installment of \$1,114,667, to \$1,629,449 through July 1, 2027; interest at 3.512%. Sewer treatment plant improvements.	\$ 3,710,299
\$8,500,000 Water infrastructure finance authority due in annual installment of \$377,927 to \$591,940 through July 1, 2028; interest at 3.810%, as adjusted on 12/7/12. Water production improvements and acquisition.	5,438,841
\$2,100,000 Water infrastructure finance authority due in annual installment of \$92,862 to \$138,320 through July 1, 2029; interest at 3.113%. Amount issued to date \$1,550,712. Remaining available \$594,288. Water feasibility study.	1,389,137
\$232,500 Water infrastructure finance authority due in annual installment of \$10,374 to \$15,054 through July 1, 2029; interest at 2.905%. Well improvements.	155,073
\$594,950 Water infrastructure finance authority due in annual installment of \$24,531 to \$33,603 through July 1, 2029; interest at 2.45%. Original amount issued \$1,000,000, amount deobligated \$405,050. Well infrastructure improvements.	354,208
\$1,100,000 as amended 10/02/09, \$800,000 Water infrastructure finance authority due in annual installment of \$51,224 to \$70,168 through July 1, 2029; interest at 2.45%. Amount issued to date \$1,100,000. Local aquifer study.	739,634
\$6,775,760 Water Infrastructure Finance Authority due in annual installments of	
Total water and wastewater	11,787,192
Total Loans Payable	\$ 11,787,192

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

Year Ending June 30	Business-type Activities	
	Principal	Interest
2019	\$ 1,790,836	\$ 519,590
2020	1,853,638	473,115
2021	1,918,657	321,291
2022	661,336	194,415
2023	684,507	170,417
2024-2028	3,800,137	460,976
2029-2033	1,078,081	7,283
Total	<u>\$ 11,787,192</u>	<u>\$ 2,147,087</u>

Advance Refunding's

The City of Flagstaff issued \$17,129,000 of Utility Revenue Refunding Obligations in August 2017 to provide resources to prepay all amounts due pursuant to multiple loan agreements and to purchase Open Market Securities that will be placed in an irrevocable trust for the purpose of generating resources for all future debt service payments. The advance refunding included current refunding's for the 2003 WIFA loan in the amount of \$2.2 million and the 2006 WIFA loan in the amount of \$4.2 million. Additionally, the advance refunding consisted of the 2007 WIFA loan in the amount of \$10.3 million. As a result, the refunded bonds are considered to be defeased. The advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$1.0 million and resulted in an economic gain of \$945,000.

Obligations under Capital Leases

Capital lease agreements related to governmental activities consist of renewable energy solar equipment assets of \$753,562 (net of accumulated depreciation), heart monitors of \$122,974 (net of accumulated depreciation), copy machine of \$104,599 (net of accumulated depreciation), and parking meter assets of \$990,714 (net of accumulated depreciation). Capital lease agreements related to business-type activities consist of airport hangars of \$1,933,865 (net of accumulated depreciation) and renewable energy solar equipment of \$1,331,633 (net of accumulated depreciation). These lease agreements generally require annual payments and the lease terms vary from ten to twenty-one years. The lease agreements qualify as capital leases for accounting purposes and, therefore have been recorded at the present value of their future minimum lease payments as of the date of inception.

Year Ending June 30	Governmental Activities	Business-type Activities
2019	\$ 276,012	\$ 396,810
2020	276,629	397,986
2021	232,592	399,206
2022	230,773	400,476
2023	204,122	401,796
2024-2028	847,322	1,196,444
Total future minimum lease payments	2,067,450	3,192,718
Less: interest costs	(251,057)	(483,908)
Present value of future minimum lease payments	<u>\$ 1,816,393</u>	<u>\$ 2,708,810</u>

Pledged Revenues

The City has pledged future water and wastewater utility revenues to repay Water Infrastructure Financing Authority loans issued during the period of 1992-2015. 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, 2018, \$30,154,103 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, 2018, net revenue available for service of this debt was \$11,037,543. The debt principal and interest paid in fiscal year 2018 equal \$3,190,945 (28.91% 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, 2018, \$6,265,000 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2018, net revenues available for service of the debt were \$33,215,273. The debt principal and interest paid in fiscal year 2018 was \$2,213,775 (6.66% 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 \$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, 2018, \$2,435,000 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2018, net revenues available for the service of this debt were \$13,256,213. The debt principal and interest paid in fiscal year 2018 was \$249,288 (1.88% of available pledged net revenues). For additional information on pledged revenues for GADA revenue bonds, refer to Schedule 17 in the Statistical Section of this report.

The City has pledged certain revenues for the repayment of \$8,930,000 in Road Repair/Street Safety pledged revenue obligation bonds issued in 2016 and \$9,700,000 issued in 2018. The bonds were issued to construct street improvements and the ongoing preservation of street conditions inside the City limit. The bonds have a senior lien on the 0.33% excise tax revenues. At June 30, 2018, \$18,155,000 remains outstanding to be repaid by future revenues. For the fiscal year ended June 30, 2018, net revenues available for service of the debt were \$6,445,644. The debt interest paid in fiscal year 2018 was \$332,750 (5.16% of available pledged net revenues). For additional information on pledged revenues for the bonds, refer to Schedule 17 in the Statistical Section of this report.

Changes in Long-term Liabilities

Liquidation of compensated absences, other postemployment benefits and net pension liability for governmental funds has been made out of the General, Library, HURF, BBB, Library and FMPO funds. Non-current liability activity for the year ended June 30, 2018 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 48,520,666	\$ -	\$ (3,621,164)	\$ 44,899,502	\$ 5,485,912
Special assessment bonds	2,120,000	-	(100,000)	2,020,000	105,000
Revenue bonds	19,690,000	9,700,000	(2,535,000)	26,855,000	2,605,000
Certificates of participation	1,655,000	-	(530,000)	1,125,000	550,000
Total bonds payable	71,985,666	9,700,000	(6,786,164)	74,899,502	8,745,912
Capital leases	2,028,856	-	(212,463)	1,816,393	222,358
Bond premium	6,029,863	499,580	(307,684)	6,221,759	538,374
Bond discount	(68,443)	(50,061)	-	(118,504)	-
Compensated absences	4,252,620	1,785,829	(1,778,803)	4,259,646	1,806,531
Other postemployment benefits	8,336,989	1,449,494	(1,757,775)	8,028,708	-
Net pension liability	132,593,865	39,948,412	(33,456,928)	139,085,349	-
Claims and judgements	1,932,005	236,704	(1,910,019)	258,690	28,233
Governmental activities long-term liability	\$ 227,091,421	\$ 53,569,958	\$ (46,209,836)	\$ 234,451,543	\$ 11,341,408
Business-type activities:					
Bonds payable:					
General obligation debt	\$ 1,307,687	\$ -	\$ (69,776)	\$ 1,237,911	\$ 71,941
Revenue bonds	-	17,129,000	-	17,129,000	1,007,000
Certificates of participation	-	3,880,000	-	3,880,000	-
Total bonds payable	1,307,687	21,009,000	(69,776)	22,246,911	1,078,941
Water loan payable	15,173,501	572,097	(7,668,705)	8,076,893	596,506
Wastewater loan payable	15,172,742	-	(11,462,443)	3,710,299	1,194,330
Capital lease payable	2,984,211	-	(275,401)	2,708,810	288,854
Total loan and leases payable	33,330,454	572,097	(19,406,549)	14,496,002	2,079,690
Bond premium	-	18,209	-	18,209	-
Bond discount	-	(56,287)	-	(56,287)	-
Compensated absences	768,710	302,491	(337,148)	734,053	327,314
Other postemployment benefits	1,976,240	343,760	(416,883)	1,903,117	-
Net pension liability	16,216,890	4,000,423	(4,193,462)	16,023,851	-
Landfill closure/postclosure	8,475,779	5,996,285	-	14,472,064	-
Business-type activities long-term liability	\$ 62,075,760	\$ 32,185,978	\$ (24,423,818)	\$ 69,837,920	\$ 3,485,945

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, \$75,000 of each claim resulting in a loss is retained by the City. The City provides for the self-insurance retention in the internal service fund. Outstanding claims as of June 30, 2018 have potential exposure to the City of approximately \$258,690 based on the requirements of Governmental Accounting Standards Board Statement Number 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The City uses an application of historical experience to determine claims payable. However, due to the preliminary status of the claims, no determination can be made as to the likelihood, if any, of an unfavorable outcome. The net position of the Internal Service Fund is designated for future losses related to the self-insurance retention. Settled claims have not exceeded commercial coverage in the last three fiscal years.

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>End of Year Liability</u>
2015-16	\$ 277,820	\$ 205,242	\$ 276,185	\$ 206,877
2016-17	206,877	174,845	258,551	123,171
2017-18	123,171	236,704	101,185	258,690

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

B. Commitments and Contingent Liabilities

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

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

The following table presents the City's construction commitments and encumbrances as of June 30, 2018:

Capital Project Program Classification	Spent to Date	Remaining Commitment
Buildings	\$ 23,662,510	\$ 3,490,955
Streets	8,431,345	1,165,520
Water	913,908	2,560,297
Wastewater	1,348,832	1,736,027
Stormwater	1,182,645	871,020
Other land improvements	826,586	389,274
Total Construction Commitments	\$ 36,365,826	\$ 10,213,093

Outstanding Encumbrances at June 30, 2018

Governmental Activities:	
General fund	\$ 669,768
Transportation fund	53,299
Capital projects bond fund	294,284
Other government funds	604,390
Total governmental activities	1,621,741
Business-type Activities:	
Water and wastewater fund	185,768
Environmental services fund	443,171
Airport fund	146,338
Stormwater fund	17,613
Total business-type activities	792,890
Total governmental and business-type activities	\$ 2,414,631

C. Retirement, Pension and OPEB Plans

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

Plan Descriptions

The City contributes to the three plans described below. Benefits are established by state statute and generally provide retirement, death, long-term disability, survivor and health insurance premium benefits. The plans are component units of the State of Arizona.

The *Arizona State Retirement System* (ASRS) administers a cost-sharing multiple-employer defined benefit pension plan that covers general employees of the City. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, and Article 2 and 2.1.

The *Public Safety Personnel Retirement System* (PSPRS) administers agent and cost-sharing multiple-employer defined benefit pension plans and agent and cost sharing multiple-employer defined benefit health insurance premium benefit (OPEB) plans that covers public safety personnel who are regularly assigned hazardous duty as employees of the State of Arizona or one of its political subdivisions. The PSPRS, acting as a common investment and administrative agent, is governed by a nine-member board,

known as The Board of Trustees, and the participating local boards govern the PSPRS according to the provisions of A.R.S. Title 38, Chapter 5, Article 4.

The *Elected Officials Retirement Plan* (EORP) is a cost-sharing multiple-employer defined benefit pension plan and a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB) plan that covers elected officials and judges of certain state and local governments who were members of the plan on December 31, 2013. This plan was closed to new members as of January 1, 2014. The EORP is governed by Board of Trustees of the PSPRS according to the provisions of A.S.R. Title 38, Chapter 5, and Article 3.

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

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

At June 30, 2018, the City reported the following aggregate amounts related to pensions and OPEB for all plans to which it contributes:

Statement of Net Position and Statement of Activities as of June 30, 2018:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net OPEB Asset	\$ (1,056,849)	\$ -	\$ (1,056,849)
Net OPEB liabilities	8,028,708	1,903,117	9,931,825
Net pension liabilities	139,085,349	16,023,851	155,109,200
Deferred outflows of resources	28,058,385	2,588,677	30,647,062
Deferred inflows of resources	(4,565,949)	(1,224,876)	(5,790,825)
Pension /OPEB expense	18,088,311	1,091,232	19,179,543

The City reported accrued employee benefits of \$5,810 for governmental activities and \$16,342 for business-type activities as related to outstanding pension contribution amounts payable to all pension plans for the year ended June 30, 2018.

Several of the OPEB plans related to ASRS and PSPRS did not have significant financial impact and therefore were not reported.

Arizona State Retirement System (ASRS)

Funding Policy

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

Benefits Provided

The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefits terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and served credit as follows:

ASRS

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

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

Contributions

For the year ended June 30, 2018, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.5% (11.34% retirement and 0.16% long-term disability) of the members' annual covered payroll and the City was required by statute to contribute at the actuarially determined rate of 11.5% (10.9% retirement, 0.44% for health insurance premium, and 0.16% long-term disability) of the active members' annual covered payroll. In addition, the City was required by statute to contribute at the actuarially determined rate of 9.49% (9.26% for retirement, 0.1% for health and 0.13% for long-term disability) of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the ASRS. The City's contributions to ASRS for the years ended June 30, 2018, 2017 and 2016 were \$3,721,811, \$3,552,895, and \$3,344,492 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>
6/30/2018	\$ 3,478,329
6/30/2017	3,357,591
6/30/2016	3,168,876

During fiscal year 2018, the City paid for ASRS pension and related OPEB contributions (health benefit) 74% from governmental funds and 26% from enterprise funds.

Pension Liability

At June 30, 2018, the City reported a liability of \$48,706,334 for its proportionate share of the ASRS net pension liability. The net pension liability was measured as of June 30, 2017. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2016, to the measurement date of June 30, 2017. The total pension liability as of June 30, 2017, reflects a change in actuarial assumption related to changes in loads for future potential permanent benefit increases.

The City's reported liability at June 30, 2018 decreased by \$1,577,738 from the City's prior year liability of \$50,284,072 due to changes in the ASRS net pension liability and the City's proportionate share of that liability. The ASRS publicly available financial report provided details on the change in the net pension liability.

The City's proportion of the net pension liability was based on the City's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2017. The City's proportion measured as June 30, 2017, was .3126%, which was an increase of .0011 from its proportion measured as of June 30, 2016, 0.3115%.

Pension Expense and Deferred Outflows - Inflows of Resources

For the year ended June 30, 2018, the City recognized pension expense of \$2,240,115. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual	\$ -	\$ (1,460,485)
Changes of assumptions	2,115,428	(1,456,407)
Net difference between projected and actual earnings on pension plan investments	349,678	-
Changes in proportion and differences between city contributions and proportionate share of	807,000	(22,983)
City contributions subsequent to the measurement date	3,478,329	-
Total	<u>\$ 6,750,435</u>	<u>\$ (2,939,875)</u>

The \$3,478,329 reported as deferred outflows of resources related to ASRS pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year ending June 30,	
2019	\$ (1,351,872)
2020	2,196,525
2021	607,969
2022	(1,120,391)
	<u>\$ 332,231</u>

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2016
Actuarial roll forward date	June 30, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8%
Projected salary increases	3-6.75% for pensions
Inflation factor	3%
Permanent benefit increase	Included for pensions
Mortality rates	1994 GAM Scale BB

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2012.

The long-term expected rate of return on ASRS pension plan investments was determined to be 8.7 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Arithmetic Real Rates of Return
Commodities	2%	3.84%
Multi	5%	3.41%
Real Estate	10%	4.25%
Fixed Income	25%	3.70%
Equity	58%	6.73%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the ASRS pension liability was 8 percent, which is less than the long-term expected rate of return of 8.7 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates as determined by the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payment to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate

The following table presents the City’s proportionate shares of the net pension liability calculated using the discount rate of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's proportionate share of the net pension liability	<u>\$ 62,515,425</u>	<u>\$ 48,706,334</u>	<u>\$ 37,167,655</u>

Pension Plan Fiduciary Net Position

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

Public Safety Personnel Retirement System (PSPRS)**Benefits Provided**

The PSPRS provide retirement, health insurance premium supplement, disability and survivor benefits. State statute established benefits terms. Retirement disability and survivor benefits are calculated based on age, average monthly compensation and service credit as follows:

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

Retirement and survivor benefits are subject to automatic cost-of-living adjustments based on excess investment earnings. The adjustments are based on inflation for PSPRS. In addition, the legislature may enact permanent one-time benefit increases after a Joint Legislative Budget Committee analysis of the increase's impact on the plan. PSPRS also provides temporary disability benefits of 50 percent of the members' compensation for up to 12 months.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with the respect to allowable health insurance premiums for which the member is responsible. Benefits range from \$150 per month to \$260 per month depending on the age of the members and dependents.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the agent pension plans' benefit terms:

	PSPRS	
	Police	Fire
Inactive employees or beneficiaries currently receiving benefits	72	88
Inactive employees entitled to but not yet receiving benefits	31	15
Active employees	103	79
Total	206	182

Contributions and Annual OPEB Cost

State statutes establish the pension contribution requirements for active PSPRS employees. In accordance with state statutes, annual actuarial valuations determine employer contribution requirements for PSPRS pension and health insurance premium benefits. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. 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).

	<u>Active member - Pension</u>	<u>City - Pension</u>	<u>City - Health Insurance Premium Benefit</u>
PSPRS Police	7.65% to 11.65%	49.48% - 54.39%	0.26% - 0.34%
PSPRS Fire	7.65% to 11.65%	68.08% - 75.11%	0% - 0.26%

Contribution rates for the year ended June 30, 2018, are indicated below. Rates are a percentage of active members' annual covered payroll.

In addition, the City was required by statute to contribute at the actuarially determined rate of 39.80 percent for the PSPRS Police and 58.40 percent for PSPRS Fire of annual covered payroll of retired members who worked for the City in positions that would typically be filled by an employee who contributes to the PSPRS.

The City's contributions to the plans for the year ended June 30, 2018, were:

	<u>Active member - Pension</u>	<u>City - Pension</u>
PSPRS Police	\$ 656,321	\$ 3,675,844
PSPRS Fire	523,614	3,755,920

During fiscal year 2018, the City paid for PSPRS pension and OPEB contributions for police with 100% general fund dollars and 95.5% from the general fund plus 4.5% from the airport fund as related to fire contributions.

Net Pension/OPEB (Asset) Liability

At June 30, 2018, the City reported net pension liability of \$47,462,470 and \$56,287,033 for police and fire respectively and a net asset for fire in the amount of \$1,056,849 related to OPEB. The net asset and net liabilities were measured as of June 30, 2017, and the total liability used to calculate the net asset or liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability and retirement assumptions. The total pension liabilities for PSPRS also reflect changes of benefit terms for legislation that changed benefit eligibility and multipliers for employees who became members on or after January 1, 2012, and before July 1, 2017, and a court decision that decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the PSPRS net pension liabilities measured as of June 30, 2018 because of refunds of excess member contributions. The change in the City's PSPRS net pension liabilities as a result of the refunds is not known.

Actuarial assumptions used in the June 30, 2017, valuation was based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

	PSPRS		
	Police	Fire	OPEB Fire
Amortization method	Level percent-of-pay closed	Level percent-of-pay closed	Level percent-of-pay closed
Remaining amortization period-UAL	22 years	22 years	21 years
Remaining amortization period-excess	20 years	20 years	20 years
Asset valuation method	7-year smoothed market; 20% corridor	7-year smoothed market; 20% corridor	7-year smoothed market; 20% corridor
Actuarial assumptions			
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Investment rate of return	7.40%	7.40%	7.85%
Projected salary increases	3.5% to 7.5%	3.5% to 7.5%	4% to 8%
Inflation	4.00%	2.50%	3.00%
Permanent benefit increase	Included	Included	NA
Mortality rates	RP-2014 tables using Mp-2016 improvement scale with adjustments to match current experience		RP-2000 table projected 2015 using projection scale AA
Health Care Trend rate	NA	NA	NA

The long-term expected rate of return on PSPRS plan investments was determined to be 7.40 percent using a building-block method in which best-estimated ranges of expected future real rates of return (expected returns, net of plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PSPRS Asset Class	Target Allocation	Long-Term Expected Real Arithmetic Rate of Return
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private equity	12%	6.75%
Real estate	10%	3.75%
Private Credit	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	100%	

Pension Discount Rates

At June 30, 2017, the discount rate used to measure the PSPRS total pension/OPEB liabilities was 7.40 percent, which was a decrease of 0.1 from the discount rate used as of June 30, 2016. The projection of cash flows used to determine the discount rates assumed that plan member contributions will be made at the

current contribution rate and that employer contributions will be made at rates equal to the difference between the actuarially determined contribution rate and the member rate. Based on those assumptions, the plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability/OPEB asset.

Changes in the Net Pension/OPEB (Asset) Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
PSPRS - Police			
Balances at June 30, 2017	\$ 69,529,857	\$ 23,991,732	\$ 45,538,125
Changes for the year:			
Service cost	1,591,484	-	1,591,484
Interest on the total pension liability	5,131,739	-	5,131,739
Changes of benefit terms	924,114	-	924,114
Differences between expected and actual experience in the measurement of the total pension liability	(293,545)	-	(293,545)
Contributions- employer	-	3,657,762	(3,657,762)
Contributions- employee	-	912,701	(912,701)
Changes of Assumptions	2,159,906	-	2,159,906
Benefit payments, including refunds of employee contributions	(3,804,819)	(3,804,819)	-
Net investment income	-	3,105,491	(3,105,491)
Administrative expense	-	(27,878)	27,878
Other changes	-	(58,723)	58,723
Net changes	5,708,879	3,784,534	1,924,345
Balances at June 30, 2018	\$ 75,238,736	\$ 27,776,266	\$ 47,462,470

	Increase (Decrease)					
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Asset
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
PSPRS - Fire						
Balances at June 30, 2017	\$ 77,477,973	\$ 26,471,364	\$ 51,006,609	\$ 1,599,024	\$ 2,478,681	\$ (879,657)
Changes for the year:						
Service cost	1,376,479	-	1,376,479	19,777	-	19,777
Interest on the total pension liability	5,668,204	-	5,668,204	117,249	-	117,249
Changes of benefit terms	-	-	-	-	-	-
Changes of assumptions or other inputs	-	-	-	-	-	-
Changes of benefit terms	804,628	-	804,628	9,376	-	9,376
Differences between expected and actual experience in the measurement of the pension liability	193,670	-	193,670	(61,082)	-	(61,082)
Contributions- employer	-	4,239,954	(4,239,954)	-	-	-
Contributions- employee	-	703,312	(703,312)	-	-	-
Changes of assumptions	5,454,472	-	5,454,472	21,953	-	21,953
Benefit payments, including refunds of employee contributions	(5,180,329)	(5,180,329)	-	(91,188)	(91,188)	-
Net investment income	-	3,290,746	(3,290,746)	-	287,005	(287,005)
Administrative expense	-	(29,518)	29,518	-	(2,540)	2,540
Other changes	-	12,535	(12,535)	-	-	-
Net changes	8,317,124	3,036,700	5,280,424	16,085	193,277	(177,192)
Balances at June 30, 2018	\$ 85,795,097	\$ 29,508,064	\$ 56,287,033	\$ 1,615,109	\$ 2,671,958	\$ (1,056,849)

Sensitivity of the City's Net Pension Liability and Net OPEB Asset to Changes in the Discount Rate

The following table presents the City's net pension/OPEB (asset) liabilities calculated using the discount rates noted above as well as what the City's net pension/OPEB (asset) liabilities would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
PSPRS - Police			
Rate	6.40%	7.40%	8.40%
Net pension liability	\$ 57,762,819	\$ 47,462,470	\$ 39,115,194
PSPRS - Fire			
Rate	6.40%	7.40%	8.40%
Net pension liability	\$ 67,282,865	\$ 56,287,033	\$ 47,276,409
Net OPEB asset	\$ (877,297)	\$ (1,056,849)	\$ (1,207,287)

Plan Fiduciary Net Position

Detailed information about the plans' fiduciary net position is available in the separately issued PSPRS financial reports.

Expense

For the year ended June 30, 2018, the City recognized \$6,869,914 and \$8,355,245 pension expenses for police and fire, respectively and negative \$60,858 related to OPEB (Fire).

Deferred Outflows/Inflows of Resources

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	PSPRS - Police		PSPRS - Fire		PSPRS - Fire OPEB	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (674,459)	\$ 1,032,997	\$ -	\$ -	\$ (50,951)
Changes of assumptions	5,507,720	-	8,325,235	-	18,312	-
Net difference between projected and actual earnings on pension plan investments	136,573	-	232,328	-	-	(83,695)
City contributions subsequent to the	3,675,844	-	3,755,920	-	-	-
Total	<u>\$ 9,320,137</u>	<u>\$ (674,459)</u>	<u>\$ 13,346,480</u>	<u>\$ -</u>	<u>\$ 18,312</u>	<u>\$ (134,646)</u>

The amounts reported as deferred outflows of resources related to pensions and OPEB resulting from city contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows or resources related to pensions will be recognized in pension expense as follows:

Year ending June 30,	<u>PSPRS Police</u>	<u>PSPRS Fire</u>	<u>PSPRS OPEB Fire</u>
2019	\$ 1,873,519	\$ 3,168,089	\$ (27,414)
2020	1,777,756	2,864,266	(27,414)
2021	828,689	1,681,374	(27,414)
2022	350,949	1,126,914	(27,413)
2023	138,921	749,917	(6,490)
Thereafter	-	-	(189)
	<u>\$ 4,969,834</u>	<u>\$ 9,590,560</u>	<u>\$ (116,334)</u>

Elected Officials' Retirement Plan (EORP)

Benefits Provided

The EORP provides retirement, health insurance premium supplement, disability, and survivor benefits. State statute establishes benefits terms. Retirement, disability, and survivor benefits are calculated based on age, average yearly compensation, and service credit as follows:

EORP	Before December 31, 2011	On or after January 1, 2012
Initial Membership Date:		
Years of service and age required to receive benefit	20 years, any age 10 years, age 62 5 years, age 65 5 years, any age* Any years and age if disabled	10 years, age 62 5 years, age 65 Any years and age if disabled
Benefit percent		
Normal retirement	4% per year of service, not to exceed 80%	3.0% per year of service, not to exceed 75%
Disability retirement	80% with 10 or more years of service 40% with 5 to 10 years of service 20% with less than 5 years of service	75% with 10 or more years of service 38% with 5 to 10 years of service 19% with less than 5 years of service
Survivor benefit		
Retired members	75% of retired member's pension benefit	50% of retired member's pension benefit
Active members and Other Inactive Members	75% of disability retirement benefit	50% of disability retirement benefit

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

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

Contributions

State statutes establish active member and employer contribution requirements. Statute also appropriates \$5 million annually through fiscal year 2043 for the EORP from the State of Arizona to supplement the normal cost plus an amount to amortize the unfunded accrued liability. For the year ended June 30, 2018, statute required active EORP members to contribute 7 or 13 percent of the members' annual covered payroll and the City to contribute 23.5 percent of all active EORP members' annual covered payroll. Also, statute

required the City to contribute 12.16 percent to EORP of the annual covered payroll of elected officials and judges who were ASRS members and 17.50 percent to EORP of the annual covered payroll of elected officials and judges who were EODCRS members, in addition to the City's required contributions to ASRS, ACR and EODCRS for these elected officials and judges. In addition, statute required the City to contribute 23.5 percent of annual covered payroll of retired members who worked for the City in positions that an employee who contributes to the EORP would typically fill.

Pension Liability

At June 30, 2018, the City reported a liability for its proportionate share of the EORP's net pension liability that reflected a reduction for the City's proportionate share of the State's appropriation for EORP. The amount the city recognized as its proportionate liability that was associated with the City was as follows:

City's proportionate share of the EORP net pension liability	\$ 2,653,363
State's proportionate share of the EORP net pension liability associated with the City	550,687
Total	<u>\$ 3,204,050</u>

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total liabilities as of June 30, 2017, reflect changes of actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2016, including decreasing the investment rate of return to from 7.5 percent to 7.4 percent, decreasing the wage inflation from 4 percent to 3.5 percent, and updating mortality, withdrawal, disability, and retirement assumptions. The total pension liability also reflects changes of benefit terms for a court decision that increased cost-of-living adjustments for retirees and decreased the contribution rates for employees who became members before July 20, 2011. The court decision will also affect the net pension liability measured as of June 30, 2018, because of refunds of excess member contributions. The change in the City's net pension liability as a result of the refunds is not known.

The City liability reported at June 30, 2018, increased by \$671,414 from the prior year liability of \$1,981,949 due to changes in the EORP's net pension liability and the City's proportionate share of the liability. The EORP's publicly available financial report provides details on the change in net pension liability.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, the City recognized pension expense for the EORP of \$982,172 and revenue of \$189,322 for the City's proportionate share of the State's appropriation to EORP and the designated court fees. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EORP	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (22,999)
Changes of assumptions	103,566	-
Net difference between projected and actual earnings on pension plan investments	16,263	-
Changes in proportion and differences between city contributions and proportionate share of contributions	51,932	-
City contributions subsequent to the measurement date	39,638	-
Total	<u>\$ 211,399</u>	<u>\$ (22,999)</u>

The \$39,638 reported as deferred outflows of resources related to EORP pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to EORP pensions will be recognized in pension expense as follows:

Year ending June 30	
2018	\$ 125,572
2019	24,141
2020	4,297
2021	(5,248)
	<u>\$ 148,762</u>

Actuarial Assumptions

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

	<u>EORP</u>
Contribution rates FY17-2018:	
City	23.50%
Plan members	7.0% to 13.0%
Pension contributions made	\$ 39,638
As of actuarial valuation date:	6/30/2017
(based on experience study)	6/30/2016
Active members pension contributions	\$ 9,868
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.40%
Wage inflation	3.50%
Inflation	2.50%
Permanent benefit increase	included
Mortality rates	RP-2014 mortality table using MP-2016 improvement scale

The long-term expected rate of return on EORP pension plan investments was determined to be 7.40 percent using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset call are summarized in the following table:

EORP Asset Class	Target Allocation	Long Term Expected Geometric Real Rate of Return
Short term investments	2%	0.25%
Absolute return	2%	3.75%
Risk parity	4%	5.00%
Fixed income	5%	1.25%
Real assets	9%	4.52%
GTAA	10%	3.96%
Private equity	12%	6.75%
Real estate	10%	3.75%
Credit opportunities	16%	5.83%
Non-U.S. equity	14%	8.70%
U.S. equity	16%	7.60%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the EORP total pension liability was 3.91 percent which was an increase of 0.23 percent from the prior valuation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate, employer contributions will be made at the statutorily set rates, and state contributions will be made as currently required by statute. Based on those assumptions, the pension plans' fiduciary net position was projected to be insufficient to make all project future benefit payments of current plan member. Therefore, to determine the total pension liability for the plan, the long-term expected rate of return on pension plan investments of 7.40 percent was applied to period of projected benefit payments through the year ended June 30, 2026. A municipal bond rate of 3.56 percent obtained from the Fidelity 20-year Municipal GO AA Index as of June 30, 2017, was applied to period of projected benefit payments after June 30, 2026.

Sensitivity of the City's Proportionate Share of the EORP Net Pension Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 3.91 percent, as well as what the City's proportionate share to the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
EORP Rate	2.91%	3.91%	4.91%
Net pension liability	\$ 3,134,322	\$ 2,653,363	\$ 2,261,108

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued EORP financial report.

The City Postemployment Healthcare Plan

Plan Description

The City of Flagstaff provides post-retirement healthcare insurance benefits for its retirees as a single employer defined benefit OPEB plan which is administered through Northern Arizona Public Employee Benefit Trust (NAPEBT).

Benefits Provided

Eligible retirees and their beneficiaries up to the age of 65 are allowed to participate in the same healthcare plan as active employees and pay the same premium for this benefit which results in an implicit rate subsidy. Even though the City makes no direct payments on behalf of the retirees the City is required to report this implicit cost for active employees who will be able to continue to purchase health insurance once they retire. Substantially, all 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.

Plan Membership

As of July 1, 2017, OPEB plan membership consisted of the following:

Retirees currently receiving health benefits	70
Active members	<u>660</u>
Total	730

OPEB Liability

At June 30, 2018, the City reported a net OPEB liability of \$9,931,825. The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability were determined from the actuarial valuations as of July 1, 2017.

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2017 valuation were based on an experience study for ASRS for the period from July 1, 2012 through June 30, 2016.

Change in Net OPEB Liability

	<u>Increase (Decrease)</u>
OPEB	<u>Total OPEB</u>
	<u>Liability</u>
Balances at June 30, 2017	\$ 10,313,229
Changes for the year:	
Service cost	612,124
Interest on the total pension liability	309,152
Differences between expected and actual experience in the measurement of the total pension liability	(2,273,189)
Changes of Assumptions	1,126,321
Benefit payments, including refunds of employee contributions	(155,812)
Net changes	<u>(381,404)</u>
Balances at June 30, 2018	<u>\$ 9,931,825</u>

The City has chosen not to fund this plan; therefore, the total OPEB liability is the net OPEB liability.

Actuarial Methods and Assumptions

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

Actuarial valuation date	July 1, 2017
Actuarial cost method	Entry level, level percent of salary
Mortality rates	RP-2014 tables
Healthcare cost trend rate	9.5% to 4.5% over 8 years

Discount Rate

At June 30, 2017, the discount rate used to measure the City's OPEB total liability was 3.58 percent, which was an increase of .73 percent from the discount rate used as of June 30, 2016. Because the City is not prefunding the OPEB benefits, the discount rates used in this valuation for financial disclosure purposes as of June 30, 2017 and 2016 are based on the rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

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

The following table presents the City's OPEB liability calculated using the discount rate of 3.58% as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
City's proportionate share of the net pension liability	<u>\$ 11,000,501</u>	<u>\$ 9,931,825</u>	<u>\$ 8,984,029</u>

Sensitivity of the City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the City as of June 30, 2017, as well as what the City's total OPEB liability would be if it were calculated using a trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate *</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability	<u>\$ 8,758,066</u>	<u>\$ 9,931,825</u>	<u>\$ 11,331,390</u>

*Current trend rates are 9.5% and grade down to 4.5% over an 8 year period for medical and drug plan costs.

OPEB Expense and Deferred Outflows - Inflow of Resources

For the year ending June 30, 2018, the City recognized an OPEB expense of \$792,955. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,000,299	\$ -
Net difference between projected and actual earnings on pension plan investments	-	(2,018,846)
Total	<u>\$ 1,000,299</u>	<u>\$ (2,018,846)</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB liability will be recognized in the OPEB expense as follows:

Year ending June 30,	
2019	\$ (128,321)
2020	(128,321)
2021	(128,321)
2022	(128,321)
2023	(128,321)
Thereafter	(376,942)
	<u>\$ (1,018,547)</u>

D. Landfill Closure and Post Closure Care Cost

State and federal laws and regulations require the City to place a final cover on its Cinderlake landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post closure care costs that will be incurred near or after the date the landfill no longer accepts waste. The City reports a portion of these closures and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The estimated liability for landfill closure and post closure care costs has a balance of \$14,472,064 as of June 30, 2018, which is based on 77.775 percent usage of the landfill. The remaining \$4,135,549 will be accrued over the remaining life of the landfill, which is currently estimated to be nine years.

The accrual for the closure and post closure care costs for fiscal year 2018 is \$5,996,285. Based on current estimates for landfill closure and post closure care costs, the City is setting aside legally restricted funds to ensure sufficient funds will be available to meet these requirements. The City makes annual contributions to finance closure and post closure care costs; at June 30, 2018 the balance of the investments held for those purposes is \$10,819,845. The investments are reported as restricted cash and investments in the City's Environmental Service Fund, and are held by the State of Arizona Local Government Investment Pool.

The estimated total current cost of the landfill closure and post closure care, \$18,607,612, 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, 2018. However, the actual cost of closure and post closure care may be higher or lower due to other factors such as; inflation, changes in technology, or changes in landfill laws and regulations.

According to state and federal laws and regulations, the City must comply with the local government financial test requirements that assure the City can meet the cost of landfill closure, post-closure and corrective action when needed. The City, which has pledged its full faith and credit to meet state financial responsibility requirements, is 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 post closure care requirements will be accrued. The City applied existing policy to the Environmental Services Fund increasing its' expenditures as City residential and commercial collection programs are now charged for landfill fees.

E. Tax Abatement

The City enters into property tax abatement agreements with local businesses under the state of Arizona Government Property Lease Excise Tax (GPLETs). Under the law enacted in 1996, Arizona's cities, towns, counties, and county stadium districts (government lessors) are allowed to lease property they own to private parties (lessees) for nongovernmental use and collect an excise tax. Because the property is owned by the City, it is exempt from property taxes. The abatements may be granted to any business located within or promising to relocate to the City to encourage continued provision of stable good paying employment opportunities for the City's residents. The City believes that its efforts will perpetuate the City's overall economic health and demonstrate the City's attractiveness as a place to do business.

For the fiscal year ended June 30, 2018, the City abated assessed property taxes totaling \$121,425 (net of \$8,688 in lease payments) under this program including the following Government Property Lease Excise Tax (GPLET) abatement agreements:

A 1.6599 percent property tax abatement to Ralston Purina manufacturing. The 2017 abatement amounted to \$77,317.

A 1.6599 percent property tax abatement to Joy Cone manufacturing. The 2017 abatement amounted to \$44,108.

F. Subsequent Events

On July 31, 2018, the City defeased the outstanding \$2.02 million of Improvement district bonds for the Aspen Place at the Sawmill district improvements.

Required Supplementary Information

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City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Cost-Sharing Pension Plans
June 30, 2018

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Arizona State Retirement System				
Proportion of the net pension liability	0.312660%	0.311530%	0.300450%	0.302625%
Proportionate share of the net pension liability	\$ 48,706,334	\$ 50,284,072	\$ 46,798,712	\$ 44,778,290
Covered payroll	\$ 31,911,275	\$ 28,842,056	\$ 27,573,067	\$ 26,638,622
Proportionate share of the net pension liability as a percentage of its covered payroll	152.63%	174.34%	169.73%	168.10%
Plan fiduciary net position as a percentage of the total pension liability	69.92%	67.06%	68.35%	69.49%
EORP				
Proportion of the net pension liability	0.2177500%	0.2097849%	0.1942242%	0.2500258%
City's proportionate share of the net pension liability	\$ 2,653,363	\$ 1,981,949	\$ 1,517,768	\$ 1,676,603
State's proportionate share of the net pension liability associated with the City	550,687	409,221	473,166	514,062
Total	\$ 3,204,050	\$ 2,391,170	\$ 1,990,934	\$ 2,190,665
Covered payroll	\$ 194,354	\$ 189,999	\$ 157,579	\$ 204,400
City's proportionate share of the net pension liability as a percentage of its covered payroll	1365.22%	1043.14%	963.18%	820.26%
Plan fiduciary net position as a percentage of the total pension liability	19.70%	23.42%	28.32%	31.91%

Reporting fiscal year 2014 through 2009 information is not available.

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the Changes in Net Pension Liability and Related Ratios
Agent Pension Plans - PSPRS Police
June 30, 2018

	Reporting Fiscal Year (Measurement Date)			
	2018	2017	2016	2015
	(2017)	(2016)	(2015)	(2014)
PSPRS Police				
Total pension liability				
Service cost	\$ 1,591,484	\$ 1,367,771	\$ 1,373,545	\$ 1,312,430
Interest on the total pension liability	5,131,739	4,818,389	4,650,797	3,904,338
Changes of benefit terms	924,114	1,967,589	-	1,353,950
Differences between expected and actual experience in the measurement of the pension liability	(293,545)	(111,993)	(346,202)	(671,478)
Changes of assumptions or other inputs	2,159,906	2,578,910	-	6,987,647
Benefit payments, including refunds of employee contributions	(3,804,819)	(3,575,345)	(3,505,319)	(3,311,491)
Net change in total pension liability	5,708,879	7,045,321	2,172,821	9,575,396
Total pension liability - beginning	69,529,857	62,484,536	60,311,715	50,736,319
Total pension liability - ending (a)	<u>\$ 75,238,736</u>	<u>\$ 69,529,857</u>	<u>\$ 62,484,536</u>	<u>\$ 60,311,715</u>
Plan fiduciary net position				
Contributions - employer	\$ 3,657,762	\$ 3,441,521	\$ 2,578,489	\$ 2,311,119
Contributions - employee	912,701	1,147,170	841,533	768,029
Net investment income	3,105,491	146,825	821,133	2,757,888
Benefit payments, including refunds of employee contributions	(3,804,819)	(3,575,345)	(3,505,319)	(3,311,491)
Pension plan administrative expenses	(27,878)	(21,527)	(20,411)	-
Other changes	(58,723)	(112,440)	(357,501)	(1,371,053)
Net change in plan fiduciary net position	3,784,534	1,026,204	357,924	1,154,492
Plan fiduciary net position - beginning	23,991,732	22,965,528	22,607,604	21,453,112
Plan fiduciary net position - ending (b)	<u>\$ 27,776,266</u>	<u>\$ 23,991,732</u>	<u>\$ 22,965,528</u>	<u>\$ 22,607,604</u>
Net pension liability - ending (a) - (b)	<u>\$ 47,462,470</u>	<u>\$ 45,538,125</u>	<u>\$ 39,519,008</u>	<u>\$ 37,704,111</u>
Plan fiduciary net position as a percentage of the total pension liability	36.92%	34.51%	36.75%	37.48%
Covered payroll	\$ 7,155,954	\$ 7,318,199	\$ 7,526,730	\$ 7,425,908
Net pension liability as a percentage of covered payroll	663.26%	622.26%	525.05%	507.74%

Reporting fiscal year 2014 through 2009 information is not available.

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the Changes in Net Pension Liability and Related Ratios
Agent Pension Plans - PSPRS Fire
June 30, 2018

	Reporting Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
PSPRS Fire				
Total pension liability				
Service cost	\$ 1,376,479	\$ 1,107,145	\$ 973,454	\$ 950,445
Interest on the total pension liability	5,668,204	5,356,440	5,239,671	4,390,766
Changes of benefit terms	804,628	2,064,045	-	1,553,904
Differences between expected and actual experience in the measurement of the pension liability	193,670	669,848	52,497	1,431,974
Changes of assumptions or other inputs	5,454,472	2,647,110	-	7,269,797
Benefit payments, including refunds of employee contributions	(5,180,329)	(4,095,893)	(5,594,036)	(3,994,598)
Net change in total pension liability	<u>8,317,124</u>	<u>7,748,695</u>	<u>671,586</u>	<u>11,602,288</u>
Total pension liability - beginning	<u>77,477,973</u>	<u>69,729,278</u>	<u>69,057,692</u>	<u>57,455,404</u>
Total pension liability - ending (a)	<u>\$ 85,795,097</u>	<u>\$ 77,477,973</u>	<u>\$ 69,729,278</u>	<u>\$ 69,057,692</u>
Plan fiduciary net position				
Contributions - employer	\$ 4,239,954	\$ 3,952,628	\$ 2,418,742	\$ 2,030,211
Contributions - employee	703,312	669,429	732,850	525,878
Net investment income	3,290,746	160,712	963,491	3,407,667
Benefit payments, including refunds of employee contributions	(5,180,329)	(4,095,893)	(5,594,036)	(3,994,598)
Pension plan administrative expenses	(29,518)	(23,526)	(23,873)	-
Other changes	12,535	(27,936)	48,864	(1,831,071)
Net change in plan fiduciary net position	<u>3,036,700</u>	<u>635,414</u>	<u>(1,453,962)</u>	<u>138,087</u>
Plan fiduciary net position - beginning	<u>26,471,364</u>	<u>25,835,950</u>	<u>27,289,912</u>	<u>27,151,825</u>
Plan fiduciary net position - ending (b)	<u>\$ 29,508,064</u>	<u>\$ 26,471,364</u>	<u>\$ 25,835,950</u>	<u>\$ 27,289,912</u>
Net pension liability - ending (a) - (b)	<u>\$ 56,287,033</u>	<u>\$ 51,006,609</u>	<u>\$ 43,893,328</u>	<u>\$ 41,767,780</u>
Plan fiduciary net position as a percentage of the total pension liability	34.39%	34.17%	37.05%	39.52%
Covered payroll	\$ 5,650,572	\$ 5,491,792	\$ 4,847,679	\$ 4,788,197
Net pension liability as a percentage of covered payroll	996.13%	928.78%	905.45%	872.31%

Reporting fiscal year 2014 through 2009 information is not available.

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the Changes in Net OPEB Asset and Related Ratios
Agent OPEB Plans - PSPRS Fire
June 30, 2018

	Reporting Fiscal Year (Measurement Date)	
	2018	(2017)
PSPRS Fire		
Total OPEB liability		
Service cost	\$	19,777
Interest on the total OPEB liability		117,249
Changes of benefit terms		9,376
Differences between expected and actual experience in the measurement of the OPEB liability		(61,082)
Changes of assumptions or other inputs		21,953
Benefit payments, including refunds of employee contributions		(91,188)
Net change in total OPEB liability		16,085
Total OPEB liability - beginning		1,599,024
Total OPEB liability - ending (a)	\$	1,615,109
Plan fiduciary net position		
Contributions - employer	\$	-
Contributions - employee		-
Net investment income		287,005
Benefit payments, including refunds of employee contributions		(91,188)
OPEB plan administrative expenses		(2,540)
Other changes		-
Net change in plan fiduciary net position		193,277
Plan fiduciary net position - beginning		2,478,681
Plan fiduciary net position - ending (b)	\$	2,671,958
Net OPEB (asset) liability - ending (a) - (b)	\$	(1,056,849)
Plan fiduciary net position as a percentage of the total OPEB liability		165.44%
Covered payroll	\$	5,650,572
Net OPEB (asset) liability as a percentage of covered payroll		(18.70)

Reporting fiscal year 2017 through 2009 information is not available.

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the Changes in Net OPEB Liability and Related Ratios
Single Employer OPEB Plans - City OPEB
June 30, 2018

	Reporting Fiscal Year (Measurement Date)	
	2018	(2017)
City OPEB		
Total OPEB liability		
Service cost	\$	612,124
Interest on the total OPEB liability		309,152
Changes of benefit terms		-
Differences between expected and actual experience in the measurement of the OPEB liability		(2,273,189)
Changes of assumptions or other inputs		1,126,321
Benefit payments, including refunds of employee contributions		(155,812)
Net change in total OPEB liability		(381,404)
Total OPEB liability - beginning		10,313,229
Total OPEB liability - ending (a)	\$	9,931,825
Plan fiduciary net position		
Contributions - employer	\$	-
Contributions - employee		-
Net investment income		-
Benefit payments, including refunds of employee contributions		-
OPEB plan administrative expenses		-
Other changes		-
Net change in plan fiduciary net position		-
Plan fiduciary net position - beginning		-
Plan fiduciary net position - ending (b)	\$	-
Net OPEB liability - ending (a) - (b)	\$	9,931,825
Plan fiduciary net position as a percentage of the total OPEB liability		0.00%
Covered payroll	\$	44,717,801
Net pension liability as a percentage of covered payroll		22.21%

Reporting fiscal year 2017 through 2009 information is not available.

City of Flagstaff, Arizona
Required Supplementary Information
Schedule of the City's Pension/OPEB Contributions
June 30, 2018

	Reporting Fiscal Year				
	2018	2017	2016	2015	2014
Arizona State Retirement System					
Statutorily required contributions	\$ 3,478,329	\$ 3,357,591	\$ 3,168,876	\$ 3,002,707	\$ 2,837,013
Contributions in relation to the statutorily required contribution	<u>3,478,329</u>	<u>3,357,591</u>	<u>3,168,876</u>	<u>3,002,707</u>	<u>2,837,013</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 31,911,275</u>	<u>\$ 30,673,166</u>	<u>\$ 28,842,056</u>	<u>\$ 27,573,067</u>	<u>\$ 26,638,622</u>
Contributions as a percentage of covered payroll	10.90%	10.95%	10.99%	10.89%	10.65%
Elected Officials Retirement Plan					
Statutorily required contributions	\$ 39,638	\$ 40,588	\$ 39,815	\$ 37,483	\$ 50,732
Contributions in relation to the statutorily required contribution	<u>39,638</u>	<u>40,588</u>	<u>39,815</u>	<u>37,483</u>	<u>50,732</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 180,000</u>	<u>\$ 194,354</u>	<u>\$ 189,999</u>	<u>\$ 157,579</u>	<u>\$ 204,400</u>
Contributions as a percentage of covered payroll	22.02%	20.88%	20.96%	23.79%	24.82%
PSPRS - Police*					
Statutorily required contributions	\$ 3,780,488	\$ 3,275,134	\$ 3,401,213	\$ 2,578,489	\$ 2,311,119
Contributions in relation to the statutorily required contribution	<u>3,675,844</u>	<u>3,657,762</u>	<u>3,441,521</u>	<u>2,578,489</u>	<u>2,311,119</u>
Contribution deficiency (excess)	<u>\$ 104,644</u>	<u>\$ (382,628)</u>	<u>\$ (40,308)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 7,136,403</u>	<u>\$ 7,155,954</u>	<u>\$ 7,318,199</u>	<u>\$ 7,526,730</u>	<u>\$ 7,425,908</u>
Contributions as a percentage of covered payroll	51.51%	51.11%	47.03%	34.26%	31.12%
PSPRS - Fire*					
Statutorily required contributions	\$ 4,303,173	\$ 4,239,954	\$ 3,952,628	\$ 2,418,742	\$ 2,030,211
Contributions in relation to the statutorily required contribution	<u>3,755,920</u>	<u>4,239,954</u>	<u>3,952,628</u>	<u>2,418,742</u>	<u>1,784,136</u>
Contribution deficiency (excess)	<u>\$ 547,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 246,075</u>
Covered payroll	<u>\$ 6,840,431</u>	<u>\$ 5,650,572</u>	<u>\$ 5,491,792</u>	<u>\$ 4,847,679</u>	<u>\$ 4,788,197</u>
Contributions as a percentage of covered payroll	54.91%	75.04%	71.97%	49.89%	37.26%

* For contributions for 2018, the City chose to use credits with PSPRS for the Hall Parker Settlement refunds related to excess contributions in prior year

Reporting Fiscal year 2013 through 2009 information is not available.

City of Flagstaff, Arizona
Notes to the Required Supplementary Information
June 30, 2018

I. Actuarially Determined Contribution Rates

Actuarial determined contribution rates for PSPRS are calculated as of June 30 two years prior to the end of the fiscal year in which contributions are made. The actuarial methods and assumptions used to establish the contribution requirements are as follows:

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed for unfunded, open for excess.
Remaining amortization period	20 years; if the actuarial value of assets exceeded the actuarial accrued liability, the excess was amortized over an open period of 20 years and applied as a credit to reduce the normal cost which otherwise would be payable.
Asset valuation method	7-year smoothed market; 80%/120% market
Actuarial assumptions:	
Investment rate of return	In the 2016 actuarial valuation, the investment rate of return was decreased from 7.85% to 7.5%.
Projected salary increases	4.0%-8.0% for PSPRS
Wage growth	4.0%
Permanent Benefit Increases	The cost-of-living adjustment will be based on the average annual percentage change in the Metropolitan Phoenix-Mesa Consumer Price Index published by the United States Department of Labor, Bureau of Statistics. We have assumed that to be 1.75% for this valuation.
Retirement age	Experience-based table of rates that is specific to the type of eligibility condition. Last updated for the 2012 valuation pursuant to an experience study of the period July 1, 2006 - June 30, 2011.
Mortality	RP-2000 mortality table projected to 2015 using projection scale AA (adjusted by 105% for both males and females).

II. Factors That Affect the Identification of Trends

Beginning in fiscal year 2014, PSPRS established separate funds for pension benefits and health insurance premium benefits. Previously, the plan recorded both pension and health insurance premium contributions in the same Pension Fund. During fiscal year 2014, the plan transferred prior-year health insurance premium benefit contributions that exceeded benefit payments from the plan's Pension Fund to the new Health Insurance Fund.

III. Information Prior to Measurement Date

Information prior to the measurement date (June 30, 2014) for pension and (June 30, 2017) for OPEB are not available.

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.

Highway User Revenue Fund

This fund receives and expends the City's allocation of the Highway User Revenue money. Resources allocated to this fund come, largely, from the State and must be used for street construction, reconstruction and maintenance.

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.

Housing and Community Services Fund

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 Fund

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

Parking District Fund

This fund was established to comprehensively manage the public parking in downtown Flagstaff and the surrounding neighborhood.

Debt Service Funds

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

General Obligation Bond Fund

This fund is used to account for the accumulation of resources for, and the payments of, general long-term obligation principal and interest.

Secondary Property Tax Revenue Fund

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

Special Assessment Bond Fund

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

Permanent Funds

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

Perpetual Care Fund

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

City of Flagstaff, Arizona
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018

	Special Revenue Funds			
	Library Fund	Highway User Revenue Fund	BBB Fund	Housing & Community Services Fund
Assets				
Cash and investments	\$ 1,335,623	\$ 8,301,479	\$ 10,140,544	\$ 1,286,364
Accounts receivable, net	261,272	884,805	1,926,228	46,240
Interest receivable	10,317	19,043	32,359	4,892
Intergovernmental receivable	-	199,000	-	373,295
Notes receivable	-	-	-	306,200
Inventory	-	-	49,924	-
Restricted cash and investments	2,234,691	-	-	-
Total assets	\$ 3,841,903	\$ 9,404,327	\$ 12,149,055	\$ 2,016,991
Liabilities, Deferred Inflows and Fund Balance				
Liabilities:				
Accounts payable	\$ 172,843	\$ 212,232	\$ 460,123	\$ 344,802
Accrued payroll and compensated absences	104,605	56,596	53,384	2,641
Construction retainage payable	-	-	5,256	-
Interfund payable	-	-	-	-
Advanced revenue	78,787	9,948	3,543	214,622
Total liabilities	356,235	278,776	522,306	562,065
Deferred inflows of resources:				
Unavailable revenue - notes receivable	-	-	-	349,728
Total deferred inflows of resources	-	-	-	349,728
Fund balances:				
Nonspendable:				
Perpetual care	-	-	-	-
Inventory	-	-	49,924	-
Restricted for:				
Street Improvements	-	9,125,551	-	-
Library branch services	1,326,601	-	-	-
Library programs board directed	908,090	-	-	-
Debt service	-	-	-	-
Public art	-	-	840,899	-
Economic Development	-	-	1,127,039	-
Tourism	-	-	1,852,278	-
Park maintenance and operations	-	-	1,985,379	-
Other capital projects	-	-	5,771,230	1,105,198
Perpetual care	-	-	-	-
Assigned to:				
Parking district	-	-	-	-
Library services	1,250,977	-	-	-
Unassigned (deficit):	-	-	-	-
Total fund balance	3,485,668	9,125,551	11,626,749	1,105,198
Total liabilities, deferred inflows and fund balance	\$ 3,841,903	\$ 9,404,327	\$ 12,149,055	\$ 2,016,991

Special Revenue Funds		Debt Service Funds			Permanent Fund	Total Other Governmental Funds
Metropolitan Planning Organization Fund	Parking District Fund	General Obligation Bond Fund	Secondary Property Tax Revenue Fund	Special Assessment Bond Fund	Perpetual Care Fund	
\$ 1,135	\$ 590,521	\$ -	\$ 1,248,615	\$ 2,139,652	\$ 27,852	\$ 25,071,785
-	39,534	-	-	424	-	3,158,503
-	1,251	-	15,483	701	961	85,007
258,653	-	-	-	-	-	830,948
-	-	-	-	-	-	306,200
-	-	-	-	-	-	49,924
-	-	-	5,885,156	50,500	268,513	8,438,860
<u>\$ 259,788</u>	<u>\$ 631,306</u>	<u>\$ -</u>	<u>\$ 7,149,254</u>	<u>\$ 2,191,277</u>	<u>\$ 297,326</u>	<u>\$ 37,941,227</u>
\$ 21,608	\$ 10,092	\$ -	\$ -	\$ -	\$ -	\$ 1,221,700
9,198	8,105	-	-	-	-	234,529
-	-	-	-	-	-	5,256
230,000	-	-	-	-	-	230,000
-	-	-	-	-	-	306,900
<u>260,806</u>	<u>18,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,998,385</u>
-	-	-	-	-	-	349,728
-	-	-	-	-	-	<u>349,728</u>
-	-	-	-	-	268,513	268,513
-	-	-	-	-	-	49,924
-	-	-	-	-	-	9,125,551
-	-	-	-	-	-	1,326,601
-	-	-	-	-	-	908,090
-	-	-	7,149,254	2,191,277	-	9,340,531
-	-	-	-	-	-	840,899
-	-	-	-	-	-	1,127,039
-	-	-	-	-	-	1,852,278
-	-	-	-	-	-	1,985,379
-	-	-	-	-	-	6,876,428
-	-	-	-	-	28,813	28,813
-	613,109	-	-	-	-	613,109
-	-	-	-	-	-	1,250,977
(1,018)	-	-	-	-	-	(1,018)
<u>(1,018)</u>	<u>613,109</u>	<u>-</u>	<u>7,149,254</u>	<u>2,191,277</u>	<u>297,326</u>	<u>35,593,114</u>
<u>\$ 259,788</u>	<u>\$ 631,306</u>	<u>\$ -</u>	<u>\$ 7,149,254</u>	<u>\$ 2,191,277</u>	<u>\$ 297,326</u>	<u>\$ 37,941,227</u>

City of Flagstaff, Arizona
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2018

	Special Revenue Funds			
	Library Fund	Highway User Revenue Fund	BBB Fund	Housing & Community Services Fund
Revenues:				
Taxes	\$ -	\$ -	\$ 8,601,720	\$ -
Intergovernmental	3,307,497	-	-	-
Grants and entitlements	52,355	8,405,025	-	678,891
Special assessments	-	-	-	-
Licenses and Permits	-	320,985	-	-
Charges for services	-	-	-	-
Rents	-	-	323,822	6,675
Investment earnings	34,721	63,390	104,884	16,430
Contributions	35,287	35,622	1,319	52,200
Miscellaneous	47,940	670,130	120,986	123,272
Total revenues	<u>3,477,800</u>	<u>9,495,152</u>	<u>9,152,731</u>	<u>877,468</u>
Expenditures:				
Current:				
Economic and physical development	-	-	3,439,209	776,159
Culture and recreation	4,850,316	-	784,387	-
Highways and streets	-	6,366,001	5,825	-
Debt service:				
Principal retirement	-	492,602	140,000	-
Interest and other charges	-	50,560	109,754	-
Capital outlay	378,232	2,939,876	1,419,997	650,906
Total expenditures	<u>5,228,548</u>	<u>9,849,039</u>	<u>5,899,172</u>	<u>1,427,065</u>
Excess (deficiency) of revenues over	<u>(1,750,748)</u>	<u>(353,887)</u>	<u>3,253,559</u>	<u>(549,597)</u>
Other Financing Sources (Uses):				
Sale of capital assets	-	85,750	-	-
Transfers in	1,662,813	2,845,818	207,500	232,000
Transfers out	-	(813,000)	(3,414,442)	-
Total other financing sources (uses)	<u>1,662,813</u>	<u>2,118,568</u>	<u>(3,206,942)</u>	<u>232,000</u>
Net change in fund balance	<u>(87,935)</u>	<u>1,764,681</u>	<u>46,617</u>	<u>(317,597)</u>
Fund balance, beginning of year	<u>3,573,603</u>	<u>7,360,870</u>	<u>11,580,132</u>	<u>1,422,795</u>
Fund balance, end of year	<u>\$ 3,485,668</u>	<u>\$ 9,125,551</u>	<u>\$ 11,626,749</u>	<u>\$ 1,105,198</u>

Special Revenue Funds		Debt Service Funds			Permanent Fund		Total Other Governmental Funds
Metropolitan Planning Organization Fund	Parking District Fund	General Obligation Bond Fund	Secondary Property Tax Revenue Fund	Special Assessment Bond Fund	Perpetual Care Fund		
\$ -	\$ -	\$ -	\$ 6,284,113	\$ -	\$ -	\$ 14,885,833	
-	-	-	-	-	-	3,307,497	
329,033	-	-	-	-	-	9,465,304	
-	-	-	-	2,031,111	-	2,031,111	
-	-	-	-	-	-	320,985	
-	1,025,253	-	-	-	-	1,025,253	
-	-	-	-	-	-	330,497	
-	2,369	-	38,118	2,602	3,110	265,624	
-	-	-	-	-	8,490	132,918	
-	-	-	-	-	-	962,328	
<u>329,033</u>	<u>1,027,622</u>	<u>-</u>	<u>6,322,231</u>	<u>2,033,713</u>	<u>11,600</u>	<u>32,727,350</u>	
352,274	-	-	-	-	-	4,567,642	
-	-	-	-	-	-	5,634,703	
-	435,853	-	-	-	-	6,807,679	
-	88,134	3,621,164	-	100,000	-	4,441,900	
-	26,892	1,715,477	-	106,750	-	2,009,433	
-	301,600	-	-	-	-	5,690,611	
<u>352,274</u>	<u>852,479</u>	<u>5,336,641</u>	<u>-</u>	<u>206,750</u>	<u>-</u>	<u>29,151,968</u>	
<u>(23,241)</u>	<u>175,143</u>	<u>(5,336,641)</u>	<u>6,322,231</u>	<u>1,826,963</u>	<u>11,600</u>	<u>3,575,382</u>	
-	-	-	-	-	-	85,750	
22,500	-	5,336,641	-	-	-	10,307,272	
-	-	-	(5,336,641)	-	-	(9,564,083)	
<u>22,500</u>	<u>-</u>	<u>5,336,641</u>	<u>(5,336,641)</u>	<u>-</u>	<u>-</u>	<u>828,939</u>	
<u>(741)</u>	<u>175,143</u>	<u>-</u>	<u>985,590</u>	<u>1,826,963</u>	<u>11,600</u>	<u>4,404,321</u>	
<u>(277)</u>	<u>437,966</u>	<u>-</u>	<u>6,163,664</u>	<u>364,314</u>	<u>285,726</u>	<u>31,188,793</u>	
<u>\$ (1,018)</u>	<u>\$ 613,109</u>	<u>\$ -</u>	<u>\$ 7,149,254</u>	<u>\$ 2,191,277</u>	<u>\$ 297,326</u>	<u>\$ 35,593,114</u>	

Non-Major Funds Other Proprietary Funds

Enterprise Fund

Enterprise Funds are used to account for operations that provide services to the general public for a fee.

Housing Authority Fund

This fund accounts for low income rental assistance along with federal housing programs such as low income public housing and voucher programs that enhance this funds ability to provide services.

Airport Fund

This fund accounts for the construction, operations and maintenance of the City airport.

City of Flagstaff, Arizona
Combining Statement of Net Position
Non-Major Proprietary Fund
June 30, 2018

	Business-type Activities - Enterprise Fund		
	Housing Authority	Airport Fund	Total Other Proprietary Fund
Assets			
Current assets:			
Cash and investments	\$ 1,097,610	\$ 574,320	\$ 1,671,930
Receivable, net	22,533	101,015	123,548
Intergovernmental receivables	30,235	135,590	165,825
Prepaid items	41,386	-	41,386
Total current assets	<u>1,191,764</u>	<u>810,925</u>	<u>2,002,689</u>
Noncurrent assets:			
Capital assets, non-depreciable	921,950	120,430	1,042,380
Capital assets, depreciable, net	3,602,157	40,554,121	44,156,278
Total non-current assets	<u>4,524,107</u>	<u>40,674,551</u>	<u>45,198,658</u>
Total assets	<u>5,715,871</u>	<u>41,485,476</u>	<u>47,201,347</u>
Deferred outflows - pension/OPEB	296,310	597,726	894,036
Total deferred outflows	<u>296,310</u>	<u>597,726</u>	<u>894,036</u>
Liabilities			
Current liabilities:			
Accounts payable	146,825	156,383	303,208
Accrued payroll	51,127	28,468	79,595
Accrued compensated absences	44,168	22,711	66,879
Advanced revenue	16,612	-	16,612
Deposits payable	73,440	2,459	75,899
Bonds and lease payable - current	-	164,254	164,254
Total current liabilities	<u>332,172</u>	<u>374,275</u>	<u>706,447</u>
Noncurrent liabilities:			
Compensated absences	102,404	14,992	117,396
Net OPEB obligation	261,466	99,325	360,791
Net pension liability	2,117,287	2,268,511	4,385,798
Capital lease payable	-	1,084,510	1,084,510
Total noncurrent liabilities	<u>2,481,157</u>	<u>3,467,338</u>	<u>5,948,495</u>
Total liabilities	<u>2,813,329</u>	<u>3,841,613</u>	<u>6,654,942</u>
Deferred inflows - pension/OPEB	179,508	34,888	214,396
Total deferred inflows	<u>179,508</u>	<u>34,888</u>	<u>214,396</u>
Net Position			
Net investment in capital assets	4,524,107	39,425,787	43,949,894
Unrestricted (deficit)	(1,504,763)	(1,219,086)	(2,723,849)
Total net position	<u>\$ 3,019,344</u>	<u>\$ 38,206,701</u>	<u>\$ 41,226,045</u>

City of Flagstaff, Arizona
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Non-Major Proprietary Fund
Year Ended June 30, 2018

	Business-type Activities - Enterprise Fund		
	Housing Authority	Airport Fund	Total Other Proprietary Fund
Operating Revenues:			
Charges for services	\$ 1,824,876	\$ 1,624,593	\$ 3,449,469
Miscellaneous	1,658	240	1,898
Total operating revenues	<u>1,826,534</u>	<u>1,624,833</u>	<u>3,451,367</u>
Personnel services	1,602,826	913,292	2,516,118
Contractual services, materials and supplies	4,680,945	1,118,912	5,799,857
Depreciation and amortization	697,861	2,679,878	3,377,739
Total operating expenses	<u>6,981,632</u>	<u>4,712,082</u>	<u>11,693,714</u>
Operating income (loss)	<u>(5,155,098)</u>	<u>(3,087,249)</u>	<u>(8,242,347)</u>
Non-operating Revenues (Expenses):			
Interest and investment income	-	1,600	1,600
Grants and entitlements	4,481,294	189,777	4,671,071
Gain (loss) on disposal of capital asset	7,650	(742)	6,908
Passenger facility charges	-	328,424	328,424
Interest expense	-	(76,285)	(76,285)
Total non-operating revenues (expenses)	<u>4,488,944</u>	<u>442,774</u>	<u>4,931,718</u>
Income (loss) before capital contributions and transfers	<u>(666,154)</u>	<u>(2,644,475)</u>	<u>(3,310,629)</u>
Capital contributions related to grants	435,567	2,357,504	2,793,071
Transfers in	44,358	-	44,358
Change in net position	<u>(186,229)</u>	<u>(286,971)</u>	<u>(473,200)</u>
Total net position, beginning of year	<u>3,205,573</u>	<u>38,493,672</u>	<u>41,699,245</u>
Total net position, end of year	<u>\$ 3,019,344</u>	<u>\$ 38,206,701</u>	<u>\$ 41,226,045</u>

City of Flagstaff, Arizona
Combining Statement of Cash Flows
Non-Major Proprietary Fund
Year Ended June 30, 2018

	Business-type Activities - Enterprise Fund		
	Housing Authority	Airport Fund	Total Other Proprietary Fund
Cash flows from operating activities:			
Receipts from customers	\$ 1,830,188	\$ 1,557,259	\$ 3,387,447
Other receipts	1,658	328,664	330,322
Payments to suppliers	(4,519,168)	(967,134)	(5,486,302)
Interfund services used	(232,115)	(33,791)	(265,906)
Interfund reimbursement used	-	(279,606)	(279,606)
Payments to employees	(1,660,785)	(828,090)	(2,488,875)
Net cash provided (used) by operating activities	<u>(4,580,222)</u>	<u>(222,698)</u>	<u>(4,802,920)</u>
Cash flows from noncapital financing activities:			
Transfer from other funds	44,358	-	44,358
Interfund loans provided	(6,775)	-	(6,775)
Interfund loans received	20,697	(5,000,000)	(4,979,303)
Net cash provided (used) by noncapital financing activities	<u>58,280</u>	<u>(5,000,000)</u>	<u>(4,941,720)</u>
Cash flows from capital and related financing activities:			
Receipts from grantors	4,559,075	44,422	4,603,497
Capital contributions	435,567	8,404,921	8,840,488
Acquisition and construction of capital assets	(435,567)	(2,471,365)	(2,906,932)
Principal payments on capital debt	-	(155,451)	(155,451)
Interest paid on capital debt	-	(76,285)	(76,285)
Proceeds from sales of capital assets	7,650	-	7,650
Net cash provided (used) by capital and related financing activities	<u>4,566,725</u>	<u>5,746,242</u>	<u>10,312,967</u>
Cash flows from investing activities:			
Interest received on investments	-	832	832
Net cash provided (used) by investing activities	<u>-</u>	<u>832</u>	<u>832</u>
Net increase (decrease) in cash and cash equivalents	<u>44,783</u>	<u>524,376</u>	<u>569,159</u>
Cash and cash equivalents at beginning of year	<u>1,052,827</u>	<u>49,944</u>	<u>1,102,771</u>
Cash and cash equivalents at end of year	<u>\$ 1,097,610</u>	<u>\$ 574,320</u>	<u>\$ 1,671,930</u>
Classified as:			
Cash, cash equivalents, and investments	\$ 1,097,610	\$ 574,320	\$ 1,671,930
Restricted cash and cash equivalents	-	-	-
Totals	<u>\$ 1,097,610</u>	<u>\$ 574,320</u>	<u>\$ 1,671,930</u>

(continued)

Combining Statement of Cash Flows
Non-Major Proprietary Fund
Year Ended June 30, 2018

	Business-type Activities - Enterprise Fund		
	Housing Authority Fund	Airport Fund	Total Other Proprietary Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (5,155,098)	\$ (3,087,249)	\$ (8,242,347)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	697,861	2,679,878	3,377,739
Other receipts	-	328,424	328,424
(Increase) decrease in assets:			
Accounts receivable	14,536	(67,334)	(52,798)
Allowance for doubtful accounts	(8,961)	-	(8,961)
Prepaid items	(1,597)	-	(1,597)
(Increase) decrease in deferred outflows	144,716	(92,102)	52,614
Increase (decrease) in liabilities:			
Accounts payable	(68,741)	(161,619)	(230,360)
Accrued payroll, compensated absences	(48,849)	(4,201)	(53,050)
OPEB	(10,029)	(3,813)	(13,842)
Pension	(54,231)	181,719	127,488
Deposits payable	(75)	-	(75)
Advanced revenue	(188)	-	(188)
Increase (decrease) in deferred inflows	(89,566)	3,599	(85,967)
Total adjustments	<u>574,876</u>	<u>2,864,551</u>	<u>3,439,427</u>
Net cash provided (used) by operating activities	<u>\$ (4,580,222)</u>	<u>\$ (222,698)</u>	<u>\$ (4,802,920)</u>
Noncash investing, capital and financing activities:			
None			

(concluded)

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City of Flagstaff, Arizona
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity
June 30, 2018

<u>Program</u>	<u>Land</u>	<u>Buildings</u>	<u>Improvements</u>
General government	\$ 3,812,043	\$ 14,104,827	\$ 2,975,159
Public safety	3,936,522	27,151,960	113,946
Public works	3,338,900	22,148,456	319,320
Economic and physical development	784,355	15,137,462	254,590
Culture and recreation	23,834,961	23,080,327	17,019,408
Highway and streets	30,928,426	3,756,786	2,279,434
Subtotal	<u>66,635,207</u>	<u>105,379,818</u>	<u>22,961,857</u>
Less: accumulated depreciation	-	(26,933,732)	(17,563,209)
Total governmental funds capital assets	<u>\$ 66,635,207</u>	<u>\$ 78,446,086</u>	<u>\$ 5,398,648</u>

Machinery and Equipment	Construction In Progress	Infrastructure	Total
\$ 1,747,849	\$ 166,609	\$ -	\$ 22,806,487
17,462,260	-	-	48,664,688
1,678,014	-	1,117,225	28,601,915
747,219	172,881	865,220	17,961,727
5,211,310	1,955,479	10,676,243	81,777,728
9,295,323	7,856,266	317,937,540	372,053,775
36,141,975	10,151,235	330,596,228	571,866,320
(25,267,678)	-	(172,254,362)	(242,018,981)
\$ 10,874,297	\$ 10,151,235	\$ 158,341,866	\$ 329,847,339

City of Flagstaff, Arizona
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
June 30, 2018

Program	Balance July 1, 2017	Additions	Retirements	Transfers In (out)	Balance June 30, 2018
General government	\$ 22,572,313	\$ 248,177	\$ (35,212)	\$ 21,209	\$ 22,806,487
Public safety	48,679,328	712,757	(754,276)	26,879	48,664,688
Public works	11,823,093	21,777,132	(57,652)	(4,940,658)	28,601,915
Economic and physical development	17,191,688	811,364	(41,325)	-	17,961,727
Culture and recreation	80,250,088	1,800,025	(272,385)	-	81,777,728
Highway and streets	359,227,188	16,943,002	(1,154,317)	(2,962,098)	372,053,775
Total	<u>\$ 539,743,698</u>	<u>\$ 42,292,457</u>	<u>\$ (2,315,167)</u>	<u>\$ (7,854,668)</u>	<u>\$ 571,866,320</u>

City of Flagstaff, Arizona
Library Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 4,096,404	\$ 4,096,404	\$ 3,307,497	\$ (788,907)
Grants and entitlements	75,000	75,000	52,355	(22,645)
Investment earnings	38,000	38,000	34,721	(3,279)
Miscellaneous	134,015	134,015	47,940	(86,075)
Total revenues	<u>4,343,419</u>	<u>4,343,419</u>	<u>3,442,513</u>	<u>(900,906)</u>
Expenditures:				
Current:				
Culture and recreation	6,294,742	6,294,742	4,850,316	1,444,426
Capital outlay	450,165	450,165	378,232	71,933
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>6,844,907</u>	<u>6,844,907</u>	<u>5,228,548</u>	<u>1,616,359</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,501,488)</u>	<u>(2,501,488)</u>	<u>(1,786,035)</u>	<u>715,453</u>
Other Financing Sources (Uses):				
Transfers in	1,662,813	1,662,813	1,662,813	-
Total other financing sources (uses)	<u>1,662,813</u>	<u>1,662,813</u>	<u>1,662,813</u>	<u>-</u>
Net change in fund balances	<u>(838,675)</u>	<u>(838,675)</u>	<u>(123,222)</u>	<u>715,453</u>
Fund balances, beginning of year	<u>1,494,066</u>	<u>1,494,066</u>	<u>3,573,603</u>	<u>2,079,537</u>
Fund balances, end of year	<u>\$ 655,391</u>	<u>\$ 655,391</u>	<u>\$ 3,450,381</u>	<u>\$ 2,794,990</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ (123,222)	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			35,287	
Adjusted net change in fund balance - GAAP basis			<u>\$ (87,935)</u>	

City of Flagstaff, Arizona
Highway User Revenue Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Grants and entitlements	\$ 7,308,360	\$ 7,308,360	\$ 8,405,025	\$ 1,096,665
Investment earnings	32,000	32,000	63,390	31,390
Contributions	-	-	35,622	35,622
Licenses and permits	-	-	320,985	320,985
Miscellaneous	300,000	300,000	670,130	370,130
Total revenues	<u>7,640,360</u>	<u>7,640,360</u>	<u>9,495,152</u>	<u>1,854,792</u>
Expenditures:				
Current:				
Highways and streets	5,362,464	5,362,464	6,366,001	(1,003,537)
Capital Outlay	21,780,996	21,780,996	2,939,876	18,841,120
Debt service:				
Principal retirement	492,601	492,601	492,602	(1)
Interest and other charges	55,336	55,336	50,560	4,776
Contingency	100,000	100,000	-	100,000
Total expenditures	<u>27,791,397</u>	<u>27,791,397</u>	<u>9,849,039</u>	<u>17,942,358</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(20,151,037)</u>	<u>(20,151,037)</u>	<u>(353,887)</u>	<u>19,797,150</u>
Other Financing Sources (Uses):				
Sale of capital assets	-	-	85,750	85,750
Transfers in	16,241,089	16,241,089	2,845,818	(13,395,271)
Transfers out	(813,000)	(813,000)	(813,000)	-
Total other financing sources (uses)	<u>15,428,089</u>	<u>15,428,089</u>	<u>2,118,568</u>	<u>(13,309,521)</u>
Net change in fund balances budgetary basis	<u>(4,722,948)</u>	<u>(4,722,948)</u>	<u>1,764,681</u>	<u>6,487,629</u>
Fund balances, beginning of year	<u>6,463,483</u>	<u>6,463,483</u>	<u>7,360,870</u>	<u>897,387</u>
Fund balances, end of year	<u>\$ 1,740,535</u>	<u>\$ 1,740,535</u>	<u>\$ 9,125,551</u>	<u>\$ 7,385,016</u>

City of Flagstaff, Arizona
BBB Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 8,054,600	\$ 8,054,600	\$ 8,541,877	\$ 487,277
Rents	283,333	283,333	323,822	40,489
Investment earnings	44,142	44,142	104,884	60,742
Miscellaneous	100,140	100,140	120,986	20,846
Total revenues	<u>8,482,215</u>	<u>8,482,215</u>	<u>9,091,569</u>	<u>609,354</u>
Expenditures:				
Current:				
Economic and physical development	3,702,308	3,702,308	3,439,209	263,099
Culture and recreation	869,596	869,596	784,387	85,209
Highways and streets	-	-	5,825	(5,825)
Debt service:				
Principal retirement	145,000	145,000	140,000	5,000
Interest and other charges	113,843	113,843	109,754	4,089
Capital Outlay	5,776,263	5,776,263	1,419,997	4,356,266
Contingency	215,000	215,000	-	215,000
Total expenditures	<u>10,822,010</u>	<u>10,822,010</u>	<u>5,899,172</u>	<u>4,922,838</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,339,795)</u>	<u>(2,339,795)</u>	<u>3,192,397</u>	<u>5,532,192</u>
Other Financing Sources (Uses):				
Transfers in	207,500	207,500	207,500	-
Transfers out	<u>(3,722,274)</u>	<u>(3,722,274)</u>	<u>(3,414,442)</u>	<u>307,832</u>
Total other financing sources (uses)	<u>(3,514,774)</u>	<u>(3,514,774)</u>	<u>(3,206,942)</u>	<u>307,832</u>
Net change in fund balances	<u>(5,854,569)</u>	<u>(5,854,569)</u>	<u>(14,545)</u>	<u>5,840,024</u>
Fund balances, beginning of year	<u>9,365,405</u>	<u>9,365,405</u>	<u>11,580,132</u>	<u>2,214,727</u>
Fund balances, end of year	<u>\$ 3,510,836</u>	<u>\$ 3,510,836</u>	<u>\$ 11,565,587</u>	<u>\$ 8,054,751</u>
Adjustment from budgetary basis to GAAP basis net change in fund balances			\$ (14,545)	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			61,162	
Adjusted net change in fund balance - GAAP basis			<u>\$ 46,617</u>	

City of Flagstaff, Arizona
Housing & Community Service Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Grants and entitlements	\$ 2,172,169	\$ 2,172,169	\$ 678,891	\$ (1,493,278)
Rent	-	-	6,675	6,675
Investment earnings	5,328	5,328	16,430	11,102
Miscellaneous	4	4	123,272	123,268
Total revenues	<u>2,177,501</u>	<u>2,177,501</u>	<u>825,268</u>	<u>(1,352,233)</u>
Expenditures:				
Current:				
Economic and physical development	3,810,800	3,810,800	776,159	3,034,641
Capital outlay	-	-	650,906	(650,906)
Total expenditures	<u>3,810,800</u>	<u>3,810,800</u>	<u>1,427,065</u>	<u>2,383,735</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,633,299)</u>	<u>(1,633,299)</u>	<u>(601,797)</u>	<u>1,031,502</u>
Other Financing Sources (Uses):				
Transfers in	232,000	232,000	232,000	-
Transfers out	(50,000)	(50,000)	-	50,000
Total other financing sources (uses)	<u>182,000</u>	<u>182,000</u>	<u>232,000</u>	<u>50,000</u>
Net change in fund balances	<u>(1,451,299)</u>	<u>(1,451,299)</u>	<u>(369,797)</u>	<u>1,081,502</u>
Fund balances, beginning of year	<u>1,617,721</u>	<u>1,617,721</u>	<u>1,422,795</u>	<u>(194,926)</u>
Fund balances, end of year	<u>\$ 166,422</u>	<u>\$ 166,422</u>	<u>\$ 1,052,998</u>	<u>\$ 886,576</u>
Adjustment of budgetary basis to GAAP basis net change in fund balances			\$ (369,797)	
The City budgets certain revenues on the cash basis, rather than on the modified accrual basis.			52,200	
Adjusted net change in fund balance - GAAP basis			<u>\$ (317,597)</u>	

City of Flagstaff, Arizona
Metropolitan Planning Organization Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Grants and entitlements	\$ 1,299,249	\$ 1,299,249	\$ 329,033	\$ (970,216)
Intergovernmental	5,000	5,000	-	(5,000)
Total revenues	<u>1,304,249</u>	<u>1,304,249</u>	<u>329,033</u>	<u>(975,216)</u>
Expenditures:				
Current:				
Economic and physical development	826,749	826,749	352,274	474,475
Contingency	500,000	500,000	-	500,000
Total expenditures	<u>1,326,749</u>	<u>1,326,749</u>	<u>352,274</u>	<u>974,475</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,500)</u>	<u>(22,500)</u>	<u>(23,241)</u>	<u>(741)</u>
Other Financing Sources (Uses):				
Transfers in	22,500	22,500	22,500	-
Total other financing sources (uses)	<u>22,500</u>	<u>22,500</u>	<u>22,500</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>(741)</u>	<u>(741)</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>(277)</u>	<u>(277)</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,018)</u>	<u>\$ (1,018)</u>

City of Flagstaff, Arizona
Parking District Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for service	\$ 919,454	\$ 919,454	\$ 1,025,253	\$ 105,799
Investment Earnings	-	-	2,369	2,369
Total revenues	<u>919,454</u>	<u>919,454</u>	<u>1,027,622</u>	<u>108,168</u>
Expenditures:				
Current:				
Highways and streets	540,688	540,688	435,853	104,835
Debt service:				
Principal retirement	88,134	88,134	88,134	-
Interest and other charges	26,892	26,892	26,892	-
Contingency	5,000	5,000	-	5,000
Capital outlay	285,249	285,249	301,600	(16,351)
Total expenditures	<u>945,963</u>	<u>945,963</u>	<u>852,479</u>	<u>93,484</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(26,509)</u>	<u>(26,509)</u>	<u>175,143</u>	<u>201,652</u>
Fund balances, beginning of year	<u>491,202</u>	<u>491,202</u>	<u>437,966</u>	<u>(53,236)</u>
Fund balances, end of year	<u><u>\$ 464,693</u></u>	<u><u>\$ 464,693</u></u>	<u><u>\$ 613,109</u></u>	<u><u>\$ 148,416</u></u>

City of Flagstaff, Arizona
General Obligation Bond Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Expenditures:				
Debt service:				
Principal retirement	\$ 5,485,912	\$ 5,485,912	\$ 3,621,164	\$ 1,864,748
Interest and other charges	1,693,191	1,693,191	1,715,477	(22,286)
Total expenditures	<u>7,179,103</u>	<u>7,179,103</u>	<u>5,336,641</u>	<u>1,842,462</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(7,179,103)</u>	<u>(7,179,103)</u>	<u>(5,336,641)</u>	<u>1,842,462</u>
Other Financing Sources (Uses):				
Transfers in	7,179,103	7,179,103	5,336,641	(1,842,462)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>7,179,103</u>	<u>7,179,103</u>	<u>5,336,641</u>	<u>(1,842,462)</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Flagstaff, Arizona
Secondary Property Tax Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 6,271,311	\$ 6,271,311	\$ 6,284,113	\$ 12,802
Investment earnings	75,000	75,000	38,118	(36,882)
Total revenues	<u>6,346,311</u>	<u>6,346,311</u>	<u>6,322,231</u>	<u>(24,080)</u>
Expenditures:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>6,346,311</u>	<u>6,346,311</u>	<u>6,322,231</u>	<u>(24,080)</u>
Other Financing Sources (Uses):				
Transfers out	<u>(7,179,103)</u>	<u>(7,179,103)</u>	<u>(5,336,641)</u>	<u>1,842,462</u>
Total other financing sources (uses)	<u>(7,179,103)</u>	<u>(7,179,103)</u>	<u>(5,336,641)</u>	<u>1,842,462</u>
Net change in fund balances	<u>(832,792)</u>	<u>(832,792)</u>	<u>985,590</u>	<u>1,818,382</u>
Fund balances, beginning of year	<u>1,610,064</u>	<u>1,610,064</u>	<u>6,163,664</u>	<u>4,553,600</u>
Fund balances, end of year	<u><u>\$ 777,272</u></u>	<u><u>\$ 777,272</u></u>	<u><u>\$ 7,149,254</u></u>	<u><u>\$ 6,371,982</u></u>

City of Flagstaff, Arizona
Special Assessment Bond Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Special assessments	\$ 206,000	\$ 206,000	\$ 2,031,111	\$ 1,825,111
Investment earnings	1,428	1,428	2,602	1,174
Total revenues	<u>207,428</u>	<u>207,428</u>	<u>2,033,713</u>	<u>1,826,285</u>
Expenditures:				
Debt service:				
Principal retirement	100,000	100,000	100,000	-
Interest and other charges	110,350	110,350	106,750	3,600
Total expenditures	<u>210,350</u>	<u>210,350</u>	<u>206,750</u>	<u>3,600</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,922)</u>	<u>(2,922)</u>	<u>1,826,963</u>	<u>1,829,885</u>
Fund balances, beginning of year	<u>358,958</u>	<u>358,958</u>	<u>364,314</u>	<u>5,356</u>
Fund balances, end of year	<u>\$ 356,036</u>	<u>\$ 356,036</u>	<u>\$ 2,191,277</u>	<u>\$ 1,835,241</u>

City of Flagstaff, Arizona
Capital Projects Bond Construction
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2018

	Budget		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Revenues:				
Grants and entitlements	\$ 603,952	\$ 603,952	\$ 535,405	\$ (68,547)
Investment earnings	4,830	4,830	184,328	179,498
Miscellaneous	246,841	246,841	-	(246,841)
Total revenues	<u>855,623</u>	<u>855,623</u>	<u>719,733</u>	<u>(135,890)</u>
Expenditures:				
Current:				
General governmental	-	-	728,675	(728,675)
Public safety	-	-	181,302	(181,302)
Economic and physical development	-	-	13,549	(13,549)
Capital outlay	52,130,108	52,130,108	22,013,792	30,116,316
Total expenditures	<u>52,130,108</u>	<u>52,130,108</u>	<u>22,937,318</u>	<u>29,192,790</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(51,274,485)</u>	<u>(51,274,485)</u>	<u>(22,217,585)</u>	<u>29,056,900</u>
Other Financing Sources (Uses):				
Bonds issued	6,000,000	6,000,000	-	(6,000,000)
Transfers in	13,536,395	13,536,395	13,792,663	256,268
Total other financing sources (uses)	<u>19,536,395</u>	<u>19,536,395</u>	<u>13,792,663</u>	<u>(5,743,732)</u>
Net change in fund balances	<u>(31,738,090)</u>	<u>(31,738,090)</u>	<u>(8,424,922)</u>	<u>23,313,168</u>
Fund balances, beginning of year	<u>27,388,203</u>	<u>27,388,203</u>	<u>14,261,806</u>	<u>(13,126,397)</u>
Fund balances, end of year	<u>\$ (4,349,887)</u>	<u>\$ (4,349,887)</u>	<u>\$ 5,836,884</u>	<u>\$ 10,186,771</u>

City of Flagstaff, Arizona
Financial Data Submission Summary
Net Position Accounts
Year Ended June 30, 2018

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab- ilitation 14.856	Elimination	Total
Assets:						
Current Assets:						
Cash:						
Cash - Unrestricted	\$ 845,401	\$ 61,171	\$ 114,275	\$ 3,323	\$ -	\$ 1,024,170
Cash - Other Restricted	-	-	-	-	-	-
Cash - Tenant Security Deposits	73,440	-	-	-	-	73,440
Total Cash	918,841	61,171	114,275	3,323	-	1,097,610
Accounts Receivables:						
Accounts Receivable - PHA Projects	-	-	-	-	-	-
Accounts Receivable - HUD Other Projects	23,134	2,791	-	4,310	-	30,235
Accounts Receivable - Other Government	-	-	-	-	-	-
Accounts Receivable - Miscellaneous	3,455	507	16,604	-	-	20,566
Accounts Receivable - Tenants	3,095	-	-	-	-	3,095
Allowance for Doubtful Accounts -Tenants	(1,034)	-	-	-	-	(1,034)
Allowance for Doubtful Accounts - Other	-	(94)	-	-	-	(94)
Fraud Recovery	24,713	-	-	-	-	24,713
Allowance for Doubtful Accounts - Fraud	(24,713)	-	-	-	-	(24,713)
Accrued Interest Receivable	-	-	-	-	-	-
Total Receivables, Net	28,650	3,204	16,604	4,310	-	52,768
Current investments						
Investments - Unrestricted	-	-	-	-	-	-
Investments - Restricted	-	-	-	-	-	-
Prepaid Expenses and Other Assets	38,811	527	2,048	-	-	41,386
Inventories	-	-	-	-	-	-
Allowance for Obsolete Inventories	-	-	-	-	-	-
Inter Program Due From	-	-	672	-	-	672
Assets Held for Sale	-	-	-	-	-	-
Total Current Assets	986,302	64,902	133,599	7,633	-	1,192,436
Noncurrent Assets:						
Capital Assets:						
Land	921,950	-	-	-	-	921,950
Buildings	10,259,186	-	-	-	-	10,259,186
Furniture, Equipment & Machinery - Dwellings	931,021	-	-	-	-	931,021
Furniture, Equipment & Machinery - Administration	507,549	-	-	-	-	507,549
Leasehold Improvements	-	-	-	-	-	-
Accumulated Depreciation	(8,095,599)	-	-	-	-	(8,095,599)
Construction in Progress	-	-	-	-	-	-
Total Capital Assets, Net	4,524,107	-	-	-	-	4,524,107
Notes receivable - Noncurrent	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-
Total Non-Current Assets	4,524,107	-	-	-	-	4,524,107
Deferred Outflow of Resources	185,306	51,444	59,560	-	-	296,310
Total Assets and Deferred Outflow of Resources	5,695,715	116,346	193,159	7,633	-	6,012,853

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Net Position Accounts
Year Ended June 30, 2018

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab- ilitation 14.856	Elimination	Total
Liabilities and Net Position:						
Liabilities:						
Current Liabilities:						
Bank Overdraft	-	-	-	-	-	-
Accounts Payable <= 90 Days	43,232	5,425	2,115	-	-	50,772
Accrued Wage/Payroll Taxes Payable	34,182	5,476	11,469	-	-	51,127
Accrued Compensated Absences	39,802	3,428	938	-	-	44,168
Accrued Interest Payable	-	-	-	-	-	-
Accounts Payable - HUD PHA Programs	-	-	-	-	-	-
Account Payable - PHA Projects	-	-	-	-	-	-
Accounts Payable - Other Government	96,053	-	-	-	-	96,053
Tenant Security Deposits	73,440	-	-	-	-	73,440
Unearned Revenues	16,612	-	-	-	-	16,612
Current Portion of L-T Debt - Capital	-	-	-	-	-	-
Current Portion of L-T Debt - Operating	-	-	-	-	-	-
Other Current Liabilities	-	-	-	-	-	-
Accrued Liabilities - Other	-	-	-	-	-	-
Inter Program - Due To	672	-	-	-	-	672
Total Current Liabilities	303,993	14,329	14,522	-	-	332,844
Noncurrent Liabilities						
Long-term Debt, Net of Current - Capital	-	-	-	-	-	-
Long-term Debt, Net of Current - Operating	-	-	-	-	-	-
Non-current Liabilities - Other	-	-	-	-	-	-
Accrued Compensated Absences	97,342	2,979	2,083	-	-	102,404
Accrued Pension and OPEB Liabilities	1,607,415	295,770	475,568	-	-	2,378,753
Total Non-Current Liabilities	1,704,757	298,749	477,651	-	-	2,481,157
Total Liabilities	2,008,750	313,078	492,173	-	-	2,814,001
Deferred Inflow of Resources	125,870	18,627	35,011	-	-	179,508
Net Position:						
Net Investment in Capital Assets	4,524,107	-	-	-	-	4,524,107
Restricted Net Position	-	-	-	-	-	-
Unrestricted Net Position	(963,012)	(215,359)	(334,025)	7,633	-	(1,504,763)
Total Equity/Net Position	3,561,095	(215,359)	(334,025)	7,633	-	3,019,344
Total Liabilities, Deferred Inflows of Resources and Equity/Net Position	\$ 5,695,715	\$ 116,346	\$ 193,159	\$ 7,633	\$ -	\$ 6,012,853

(concluded)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2018

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab- ilitation 14.856	Elimination	Total
Revenues:						
Net Tenant Rental Revenue	\$ 1,270,900	\$ -	\$ -	\$ -	\$ -	\$ 1,270,900
Tenant Revenue - Other	19,120	-	-	-	-	19,120
Total Tenant Revenue	1,290,020	-	-	-	-	1,290,020
HUD PHA Operating Grants	712,607	3,681,752	-	86,935	-	4,481,294
Capital Grants	435,567	-	-	-	-	435,567
Management Fee	-	-	-	-	-	-
Asset Management Fee	-	-	-	-	-	-
Bookkeeping Fee	-	-	-	-	-	-
Front Line Service Fee	-	-	-	-	-	-
Other Fees	-	-	-	-	-	-
Other Government Grants	-	-	-	-	-	-
Investment Income - Unrestricted	-	-	-	-	-	-
Mortgage Interest Income	-	-	-	-	-	-
Proceeds -Disposition of Assets Held for Sale	-	-	-	-	-	-
Cost of Sale of Assets	-	-	-	-	-	-
Fraud Recovery	20,746	8,394	-	-	-	29,140
Other Revenue	4,945	96,612	405,817	-	-	507,374
Gain or Loss on Sale of Capital Assets	7,650	-	-	-	-	7,650
Investment Income - Restricted	-	-	-	-	-	-
Total Revenue	2,471,535	3,786,758	405,817	86,935	-	6,751,045
Expenses:						
Administrative						
Administrative Salaries	452,187	191,181	125,797	4,386	-	773,551
Auditing Fees	3,131	5,187	-	142	-	8,460
Management Fee	-	-	-	-	-	-
Bookkeeping Fee	-	-	-	-	-	-
Advertising and Marketing	162	-	-	-	-	162
Employee Benefit - Administrative	218,979	53,867	81,584	454	-	354,884
Office Expenses	52,610	25,199	9,931	42	-	87,782
Legal Expense	7,181	-	1,408	-	-	8,589
Travel	7,290	1,905	4,293	-	-	13,488
Allocated Overhead	-	-	-	-	-	-
Other	27,065	777	2,892	10,892	-	41,626
Total Administrative	768,605	278,116	225,905	15,916	-	1,288,542
Tenant Services						
Asset Management Fee	-	-	-	-	-	-
Tenant Services - Salaries	-	-	-	-	-	-
Relocation Costs	-	-	-	-	-	-
Employee Benefit - Tenant Services	-	-	-	-	-	-
Tenant Services - Other	340	-	103	-	-	443
Total Tenant Services	340	-	103	-	-	443
Utilities						
Water	133,840	-	-	-	-	133,840
Electricity	20,223	-	1,350	-	-	21,573
Gas	94,799	-	-	-	-	94,799
Fuel	-	-	-	-	-	-
Labor	-	-	-	-	-	-
Sewer	69,115	-	-	-	-	69,115
Employee Benefit - Utilities	-	-	-	-	-	-
Other Utilities Expense	-	-	-	-	-	-
Total Utilities	317,977	-	1,350	-	-	319,327

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2018

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab- ilitation 14.856	Elimination	Total
Ordinary Maintenance and Operations						
Labor	342,582	-	148,334	-	-	490,916
Materials and Other	39,247	-	1,200	-	-	40,447
Ordinary Maintenance and Operations Contracts	100,356	-	1,449	-	-	101,805
Employee Benefit Contributions - Ordinary Maintenance	-	-	-	-	-	-
Total Maintenance	482,185	-	150,983	-	-	633,168
Protective Services						
Protective Services - Labor	-	-	-	-	-	-
Protective Services - Other Contract Costs	22,982	-	7,017	-	-	29,999
Protective Services - Other	-	-	-	-	-	-
Employee Benefit - Protective Services	-	-	-	-	-	-
Total Protective Services	22,982	-	7,017	-	-	29,999
General Expense						
Property Insurance	55,164	-	-	-	-	55,164
Liability Insurance	20,226	-	-	-	-	20,226
Workmen's Compensation	10,687	2,944	3,822	75	-	17,528
All Other Insurance	7,353	3,532	343	-	-	11,228
Total insurance Premiums	93,430	6,476	4,165	75	-	104,146
Other General Expenses	31,200	10,082	5,656	-	-	46,938
Compensated Absences	-	-	-	-	-	-
Payments in Lieu of Taxes	96,053	-	-	-	-	96,053
Bad debt - Tenant Rents	6,647	94	-	-	-	6,741
Bad debt - Mortgages	-	-	-	-	-	-
Bad debt - Other	-	-	-	-	-	-
Severance Expense	-	-	-	-	-	-
Total General Expenses	133,900	10,176	5,656	-	-	149,732
Financial Expenses						
Interest Expense - Mortgage Payable	-	-	-	-	-	-
Interest on Notes Payable (Short & Long Term)	-	-	-	-	-	-
Amortization of Bond Issue Costs	-	-	-	-	-	-
Total Financial Expenses	-	-	-	-	-	-
Total Operating Expenses	1,819,419	294,768	395,179	15,991	-	2,525,357
Excess of Operating Revenue over Operating Expenses	652,116	3,491,990	10,638	70,944	-	4,225,688
Other Expenses						
Extraordinary Maintenance	-	-	-	-	-	-
Casualty Losses - Non-capitalized	-	-	-	-	-	-
Housing Assistance Payments	-	3,600,667	-	75,901	-	3,676,568
HAP Portability-In	-	81,846	-	-	-	81,846
Depreciation Expense	697,861	-	-	-	-	697,861
Fraud Losses	-	-	-	-	-	-
Capital Outlays - Governmental Funds	-	-	-	-	-	-
Debt Principal Payment - Governmental Funds	-	-	-	-	-	-
Dwelling Units Rent Expense	-	-	-	-	-	-
Total Other Expense	697,861	3,682,513	-	75,901	-	4,456,275
Total Expenses	2,517,280	3,977,281	395,179	91,892	-	6,981,632

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Year Ended June 30, 2018

	Public Housing 14.850 & 14.872	Housing Choice Vouchers 14.871	Business Activities	Moderate Rehab- ilitation 14.856	Elimination	Total
Other Financing Sources (Uses)						
Operating Transfer In	79,340	-	-	-	-	79,340
Operating transfer Out	(79,340)	-	-	-	-	(79,340)
Operating Transfers from/to Primary Government	25,709	18,649	-	-	-	44,358
Operating Transfers from/to Component Unit	-	-	-	-	-	-
Proceeds from Notes, Loans and Bonds	-	-	-	-	-	-
Proceeds from Property Sales	-	-	-	-	-	-
Extraordinary Items, Net Gain/Loss	-	-	-	-	-	-
Special Items (Net Gain/Loss)	-	-	-	-	-	-
Inter Project Excess Cash Transfer In	-	-	-	-	-	-
Inter Project Excess Cash Transfer Out	-	-	-	-	-	-
Transfers between Program and Project - In	-	-	-	-	-	-
Transfers between Project and Program - Out	-	-	-	-	-	-
Transfer of Funds	-	-	-	-	-	-
Transfer of Equity	-	-	-	-	-	-
Prior Period Adjustments	-	-	-	-	-	-
Total Other financing Sources (Uses)	25,709	18,649	-	-	-	44,358
Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(20,036)	(171,874)	10,638	(4,957)	-	(186,229)
Beginning Net Position	3,651,297	(25,078)	(311,701)	12,590	-	3,327,108
Required Annual Debt Principal Payments	-	-	-	-	-	-
Prior Period Adjustments, Equity Transfers and Correction of Errors	(70,166)	(18,407)	(32,962)	-	-	(121,535)
Changes in Compensated Absence Balance	-	-	-	-	-	-
Changes in Contingent Liability Balance	-	-	-	-	-	-
Changes in Unrecognized Pension Transition Liability	-	-	-	-	-	-
Changes in Special Term/Severance Benefits Liability	-	-	-	-	-	-
Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-	-
Changes in Allowance for Doubtful Accounts - Other	-	-	-	-	-	-
Ending Net Position	\$ 3,561,095	\$ (215,359)	\$ (334,025)	\$ 7,633	\$ -	\$ 3,019,344
Administrative Fee Equity	\$ -	\$ (198,839)	\$ -	\$ -	\$ -	\$ (198,839)
Housing Assistance Payments Equity	-	(16,520)	-	-	-	(16,520)
Unit Months Available	3,180	5,268	-	-	-	8,448
Number of Unit Months Leased	3,161	4,942	-	-	-	8,103
Excess Cash	495,712	-	-	-	-	495,712
Land Purchases	-	-	-	-	-	-
Building Purchases	200,173	-	-	-	-	200,173
Furniture & Equipment - Dwelling Purchases	221,896	-	-	-	-	221,896
Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-
Leasehold Improvements Purchases	-	-	-	-	-	-
Infrastructure Purchases	13,498	-	-	-	-	13,498
CFFP Debt Service Payments	-	-	-	-	-	-
Replacement Housing Factor Funds	-	-	-	-	-	-

(concluded)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Public Housing - Consolidated
Year Ended June 30, 2018

	Operating Fund Program	Capital Fund Grants	Other Project Total
Revenues:			
Net Tenant Rental Revenue	\$ 1,270,900	\$ -	\$ 1,270,900
Tenant Revenue - Other	19,120	-	19,120
Total Tenant Revenue	1,290,020	-	1,290,020
HUD PHA Operating Grants	587,271	125,336	712,607
Capital Grants	-	435,567	435,567
Management Fee	-	-	-
Asset Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Front Line Service Fee	-	-	-
Other Fees	-	-	-
Other Government Grants	-	-	-
Investment Income - Unrestricted	-	-	-
Mortgage Interest Income	-	-	-
Fraud Recovery	20,746	-	20,746
Other Revenue	4,945	-	4,945
Gain or Loss on Sale of Capital Assets	7,650	-	7,650
Investment Income - Restricted	-	-	-
Total Revenue	1,910,632	560,903	2,471,535
Expenses:			
Administrative			
Administrative Salaries	438,748	13,439	452,187
Auditing Fees	3,131	-	3,131
Management Fee	-	-	-
Bookkeeping Fee	-	-	-
Advertising and Marketing	75	87	162
Employee Benefit - Administrative	215,390	3,589	218,979
Office Expenses	51,262	1,348	52,610
Legal Expense	7,181	-	7,181
Travel	7,290	-	7,290
Allocated Overhead	-	-	-
Other	3,871	23,194	27,065
Total Administrative	726,948	41,657	768,605
Tenant Services			
Tenant Services - Salaries	-	-	-
Relocation Costs	-	-	-
Employee Benefit - Tenant Services	-	-	-
Tenant Services - Other	340	-	340
Total Tenant Services	340	-	340
Utilities			
Water	133,840	-	133,840
Electricity	20,223	-	20,223
Gas	94,799	-	94,799
Sewer	69,115	-	69,115
Employee Benefit - Utilities	-	-	-
Other Utilities Expense	-	-	-
Total Utilities	317,977	-	317,977

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Public Housing - Consolidated
Year Ended June 30, 2018

	Operating Fund Program	Capital Fund Grants	Other Project Total
Ordinary Maintenance and Operations			
Labor	342,582	-	342,582
Materials and Other	39,247	-	39,247
Contracts	96,212	4,144	100,356
Employee Benefit Contributions	-	-	-
Total Maintenance	<u>478,041</u>	<u>4,144</u>	<u>482,185</u>
Protective Services			
Protective Services - Labor	-	-	-
Protective Services - Other Contract Costs	22,982	-	22,982
Protective Services - Other	-	-	-
Employee Benefit - Protective Services	-	-	-
Total Protective Services	<u>22,982</u>	<u>-</u>	<u>22,982</u>
General Expense			
Property Insurance	55,164	-	55,164
Liability Insurance	20,226	-	20,226
Workmen's Compensation	10,492	195	10,687
All Other Insurance	7,353	-	7,353
Total insurance Premiums	<u>93,235</u>	<u>195</u>	<u>93,430</u>
Other General Expenses	31,197	-	31,197
Compensated Absences	-	-	-
Payments in Lieu of Taxes	96,053	-	96,053
Bad debt - Tenant Rents	6,647	-	6,647
Bad debt - Mortgages	-	-	-
Bad debt - Other	-	-	-
Severance Expense	-	-	-
Total Other General Expenses	<u>133,897</u>	<u>-</u>	<u>133,897</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>1,773,420</u>	<u>45,996</u>	<u>1,819,416</u>
Excess of Operating Revenue over Operating Expenses	<u>137,212</u>	<u>514,907</u>	<u>652,119</u>

(continued)

City of Flagstaff, Arizona
Financial Data Submission Summary
Revenue, Expense, and Changes in Fund Net Position Accounts
Public Housing - Consolidated
Year Ended June 30, 2018

	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	697,863	-	697,863
Fraud Losses	-	-	-
Total Other Expense	<u>697,863</u>	<u>-</u>	<u>697,863</u>
 Total Expenses	 <u>2,471,283</u>	 <u>45,996</u>	 <u>2,517,279</u>
Other Financing Sources (Uses)			
Operating Transfer In	79,340	-	79,340
Operating transfer Out	-	(79,340)	(79,340)
Operating Transfers from/to Primary Government	-	-	-
Operating Transfers from/to Component Unit	25,709	-	25,709
Proceeds from Notes, Loans and Bonds	-	-	-
Proceeds from Property Sales	-	-	-
Extraordinary Items, Net Gain/Loss	-	-	-
Special Items (Net Gain/Loss)	-	-	-
Inter Project Excess Cash Transfer In	-	-	-
Inter Project Excess Cash Transfer Out	-	-	-
Transfers between Program and Project - In	-	-	-
Transfers between Project and Program - Out	-	-	-
Transfer of Funds	-	-	-
Transfer of Equity	-	-	-
Prior Period Adjustments	-	-	-
Total Other financing Sources (Uses)	<u>105,049</u>	<u>(79,340)</u>	<u>25,709</u>
Excess (Deficiency) of Total Revenue Over (Under)			
Total Expenses	<u>(455,602)</u>	<u>435,567</u>	<u>(20,035)</u>
Beginning Net Position	<u>3,651,297</u>	<u>-</u>	<u>3,651,297</u>
Required Annual Debt Principal Payments	-	-	-
Prior Period Adjustments, Equity Transfers and Correction of Errors	365,400	(435,567)	(70,167)
Changes in Compensated Absence Balance	-	-	-
Changes in Contingent Liability Balance	-	-	-
Changes in Unrecognized Pension Transition Liability	-	-	-
Changes in Special Term/Severance Benefits Liability	-	-	-
Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-
Changes in Allowance for Doubtful Accounts - Other	-	-	-
Ending Net Position	<u>\$ 3,561,095</u>	<u>\$ -</u>	<u>\$ 3,561,095</u>
Administrative Fee Equity	-	-	-
Housing Assistance Payments Equity	-	-	-
Unit Months Available	3,180	-	3,180
Number of Unit Months Leased	3,161	-	3,161
Excess Cash	495,712	-	495,712
Land Purchases	-	-	-
Building Purchases	-	200,173	200,173
Furniture & Equipment - Dwelling Purchases	-	221,896	221,896
Furniture & Equipment - Administrative Purchases	-	-	-
Leasehold Improvements Purchases	-	-	-
Infrastructure Purchases	-	13,498	-
CFFP Debt Service Payments	-	-	-
Replacement Housing Factor Funds	-	-	-

(concluded)

Statistical Section

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	136
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	143
These schedules contain information to help the reader assess the City's most significant local revenue source, sales tax.	
Debt Capacity	149
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	160
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	162
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.

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

	Fiscal Year									
	2009 ⁽¹⁾	2010	2011	2012	2013	2014	2015 ⁽²⁾	2016	2017	2018 ⁽³⁾
Governmental activities										
Net investment in capital assets	\$ 215,672,933	\$ 213,762,870	\$ 217,879,986	\$ 219,112,469	\$ 222,690,985	\$ 227,347,151	\$ 230,658,509	\$ 246,897,365	\$245,638,486	\$251,337,203
Restricted	7,975,269	18,213,829	23,971,870	34,679,441	43,856,244	43,761,156	53,192,347	60,981,953	86,071,589	86,287,362
Unrestricted	34,766,602	49,463,587	42,863,692	37,309,699	32,288,032	37,176,483	(65,530,075)	(72,922,639)	(92,822,132)	(91,938,637)
Total governmental activities net position	<u>\$ 258,414,804</u>	<u>\$ 281,440,286</u>	<u>\$ 284,715,548</u>	<u>\$ 291,101,609</u>	<u>\$ 298,835,261</u>	<u>\$ 308,284,790</u>	<u>\$ 218,320,781</u>	<u>\$ 234,956,679</u>	<u>\$ 238,887,943</u>	<u>\$245,685,928</u>
Business-type activities										
Net investment in capital assets	\$ 291,707,810	\$ 302,784,152	\$ 303,113,402	\$ 304,418,393	\$ 304,560,897	\$ 310,552,949	\$ 311,963,433	\$ 311,644,865	\$ 317,301,221	\$ 327,068,826
Restricted	1,593,915	2,209,327	3,003,129	2,805,002	2,694,262	2,492,562	2,664,263	2,903,553	3,142,245	-
Unrestricted	11,547,792	10,895,855	17,190,191	23,968,903	29,195,853	31,128,319	18,390,515	20,537,654	26,426,890	24,117,982
Total business-type activities and net position	<u>\$ 304,849,517</u>	<u>\$ 315,889,334</u>	<u>\$ 323,306,722</u>	<u>\$ 331,192,298</u>	<u>\$ 336,451,012</u>	<u>\$ 344,173,830</u>	<u>\$ 333,018,211</u>	<u>\$ 335,086,072</u>	<u>\$ 346,870,356</u>	<u>\$ 351,186,808</u>
Primary government										
Net investment in capital assets	\$ 507,380,743	\$ 516,547,022	\$ 520,993,388	\$ 523,530,862	\$ 527,251,882	\$ 537,900,100	\$ 542,621,942	\$ 558,542,230	\$ 562,939,707	\$ 578,406,029
Restricted	9,569,184	20,423,156	26,974,999	37,484,442	46,550,506	46,253,718	55,856,610	63,885,506	89,213,834	86,287,362
Unrestricted	46,314,394	60,359,442	60,053,883	61,278,603	61,483,885	68,304,802	(47,139,560)	(52,384,985)	(66,395,242)	(67,820,655)
Total primary government net position	<u>\$ 563,264,321</u>	<u>\$ 597,329,620</u>	<u>\$ 608,022,270</u>	<u>\$ 622,293,907</u>	<u>\$ 635,286,273</u>	<u>\$ 652,458,620</u>	<u>\$ 551,338,992</u>	<u>\$ 570,042,751</u>	<u>\$ 585,758,299</u>	<u>\$ 596,872,736</u>

(1) In fiscal year 2009, beginning net position was restated for change due to accounting error.

(2) In fiscal year 2015, beginning net position was restated due to the implementation of GASB Statement No. 68

(3) In fiscal year 2018, beginning net position was restated due to the implementation of GASB Statement No. 75

Source: Statement of Net Assets prepared for the CAFR.



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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 10,913,187	\$ 8,238,178	\$ 7,850,954	\$ 9,406,406	\$ 10,442,808	\$ 10,732,510	\$ 17,625,846	\$ 17,210,187	\$ 19,320,158	\$ 20,893,077
Public safety	29,287,433	26,592,968	25,987,193	27,175,720	27,269,325	28,730,111	35,255,450	34,711,251	42,090,228	39,801,651
Public works	2,109,221	1,502,626	1,754,033	1,615,941	1,718,767	1,573,541	1,664,308	1,650,323	1,895,576	1,477,756
Economic and physical development	10,346,982	8,827,578	8,474,776	9,639,003	9,210,500	9,018,496	9,343,417	10,259,240	9,833,154	10,401,134
Culture and recreation	13,120,917	12,507,679	12,854,824	12,434,695	13,342,588	12,919,475	12,511,424	12,974,830	13,563,829	14,521,931
Highways and streets	19,297,615	17,856,121	19,275,381	16,328,771	15,431,985	17,698,346	18,174,944	13,059,212	15,849,094	16,992,461
Interest on long-term debt	3,651,521	3,918,110	3,370,918	2,944,057	2,902,196	2,946,685	2,944,000	2,295,418	2,743,633	2,623,267
Total governmental activities expense	88,726,876	79,443,260	79,568,079	79,544,593	80,318,169	83,619,164	97,519,389	92,160,461	105,295,672	106,711,277
Business-type activities:										
Water	22,802,316	21,731,286	21,491,239	22,708,636	22,568,661	24,366,128	14,307,902	14,674,337	15,454,108	15,173,129
Wastewater and Reclaimed	-	-	-	-	-	-	10,879,594	10,490,816	11,150,309	11,055,308
Environmental	11,782,540	11,091,078	11,610,370	7,828,286	11,671,366	11,637,566	12,071,509	12,087,144	12,337,663	17,913,116
Airport	4,197,447	4,273,609	4,584,733	4,268,099	5,226,977	4,118,280	4,540,208	4,307,615	5,080,905	4,790,967
Housing Authority	-	-	5,811,922	6,165,612	5,986,508	6,090,790	6,084,019	6,125,950	6,657,398	6,981,632
Stormwater	1,203,436	1,258,072	1,121,555	1,361,658	1,196,589	1,576,865	1,184,464	1,245,532	1,180,230	1,437,221
Total business-type activities expense	39,985,739	38,354,045	44,619,819	42,332,291	46,650,101	47,789,629	49,067,696	48,931,394	51,860,613	57,351,373
Total primary government expense	\$ 128,712,615	\$ 117,797,305	\$ 124,187,898	\$ 121,876,884	\$ 126,968,270	\$ 131,408,793	\$ 146,587,085	\$ 141,091,855	\$ 157,156,285	\$ 164,062,650
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 3,099,884	\$ 3,285,242	\$ 2,646,424	\$ 3,364,479	\$ 3,448,665	\$ 4,568,438	\$ 3,091,342	\$ 3,241,987	\$ 3,143,969	\$ 2,685,942
Public safety	1,451,405	1,283,697	1,144,636	1,611,109	1,491,842	628,038	879,755	647,910	832,352	888,558
Public works	1,350,832	1,471,550	1,537,188	1,551,419	1,611,306	1,215	520	605	740	940
Economic and physical development	369,987	291,211	162,715	53,747	52,386	903,233	2,329,258	3,767,060	3,785,805	4,334,694
Culture and recreation	1,559,617	1,420,094	1,442,901	1,455,067	1,507,855	1,656,628	1,605,120	1,633,338	1,785,874	1,845,794
Highways and streets	-	-	-	-	-	-	-	-	173,960	1,346,238
Operating grants and contributions	5,990,756	6,654,978	7,965,474	7,414,767	6,866,279	7,071,557	6,670,678	7,726,612	7,723,935	7,220,425
Capital grants and contributions	9,880,762	36,949,681	9,226,778	12,200,969	11,318,522	14,603,667	13,008,629	11,806,049	8,774,146	11,096,549
Total governmental activities program revenues	23,703,243	51,356,453	24,126,116	27,651,557	26,296,855	29,432,776	27,585,302	28,823,561	26,220,781	29,419,140
Business-type activities:										
Charges for services:										
Water	17,328,927	17,539,873	18,781,751	19,937,196	22,629,862	23,432,153	14,043,177	14,589,041	15,973,118	16,156,035
Wastewater and Reclaimed	-	-	-	-	-	-	8,907,760	9,387,949	9,943,603	10,594,304
Environmental	11,545,472	11,329,336	12,010,554	12,030,990	12,000,124	12,490,237	12,646,619	12,760,747	13,047,045	12,891,528
Airport	1,187,105	1,359,029	1,388,076	1,492,559	1,486,247	1,504,703	1,528,202	1,603,852	1,503,945	1,624,593
Housing Authority	-	-	1,437,841	1,299,987	994,123	974,184	1,027,945	1,455,715	1,605,422	1,824,876
Stormwater	1,247,878	1,358,438	1,456,894	1,446,602	1,455,405	1,465,522	1,466,347	1,495,296	1,598,913	2,109,364
Operating grants and contributions	10,966	120,054	5,090,475	4,624,234	4,884,129	4,051,236	4,742,685	4,775,797	4,953,619	4,806,729
Capital grants and contributions	8,744,216	6,790,709	4,220,708	7,960,357	6,622,143	7,835,529	4,749,158	4,339,777	13,162,230	10,117,475
Total business-type activities program revenues	40,064,564	38,497,439	44,386,299	48,791,925	50,072,033	51,753,564	49,111,893	50,408,174	61,787,895	60,124,904
Total primary government program revenues	\$ 63,767,807	\$ 89,853,892	\$ 68,512,415	\$ 76,443,482	\$ 76,368,888	\$ 81,186,340	\$ 76,697,195	\$ 79,231,735	\$ 88,008,676	\$ 89,544,044

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/Revenue										
Governmental activities	\$ (65,023,633)	\$ (28,086,807)	\$ (55,441,963)	\$ (51,893,036)	\$ (54,021,314)	\$ (54,186,388)	\$ (69,934,087)	\$ (63,336,900)	\$ (79,074,891)	\$ (77,292,137)
Business-type activities	78,825	143,394	(233,520)	6,459,634	3,421,932	3,963,935	44,197	1,476,780	9,927,282	2,773,531
Total primary government net expense	<u>\$ (64,944,808)</u>	<u>\$ (27,943,413)</u>	<u>\$ (55,675,483)</u>	<u>\$ (45,433,402)</u>	<u>\$ (50,599,382)</u>	<u>\$ (50,222,453)</u>	<u>\$ (69,889,890)</u>	<u>\$ (61,860,120)</u>	<u>\$ (69,147,609)</u>	<u>\$ (74,518,606)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 12,262,185	\$ 12,798,495	\$ 12,645,717	\$ 11,974,341	\$ 11,821,650	\$ 11,044,817	\$ 11,211,038	\$ 11,339,774	\$ 11,674,553	\$ 12,482,546
Sales taxes	31,420,047	30,429,840	31,355,882	33,401,021	35,188,913	37,675,638	42,539,371	48,343,259	53,582,850	53,833,727
State shared sales taxes - unrestricted	16,628,652	14,880,073	13,148,252	13,189,822	14,630,891	15,666,968	16,683,665	17,080,154	18,139,582	19,024,571
Investment earnings	1,465,731	449,394	246,093	322,126	(396,124)	749,038	1,179,131	1,668,431	(447,324)	(477,888)
Miscellaneous	381,984	228,969	1,741,338	510,695	1,285,289	1,813,164	645,571	1,404,390	1,123,129	2,059,029
Gain on sale of capital assets	-	2,831,308	744,957	-	18,173	241,231	65,201	-	-	121,321
Contributions to permanent fund	13,325	19,136	24,950	15,474	23,935	18,700	16,821	15,470	6,950	8,490
Transfers in (out)	(9,651,500)	(10,524,926)	(1,189,964)	(1,134,382)	(817,761)	(2,908,700)	(1,407,710)	121,320	(1,073,585)	(1,240,613)
Total governmental activities	<u>52,520,424</u>	<u>51,112,289</u>	<u>58,717,225</u>	<u>58,279,097</u>	<u>61,754,966</u>	<u>64,300,856</u>	<u>70,933,088</u>	<u>79,972,798</u>	<u>83,006,155</u>	<u>85,811,183</u>
Business-type activities:										
Investment earnings	206,154	111,251	107,543	118,247	194,306	213,335	303,863	336,685	406,101	588,404
Miscellaneous	166,158	194,547	150,129	173,313	581,015	567,079	1,119,502	375,716	377,316	270,192
Gain (loss) on sale of capital assets	119,366	79,467	47,818	-	243,700	73,916	493,358	-	-	122,837
Transfers in (out)	9,651,500	10,524,926	1,189,964	1,134,382	817,761	2,908,700	1,407,710	(121,320)	1,073,585	1,240,613
Total business-type activities	<u>10,143,178</u>	<u>10,910,191</u>	<u>1,495,454</u>	<u>1,425,942</u>	<u>1,836,782</u>	<u>3,763,030</u>	<u>3,324,433</u>	<u>591,081</u>	<u>1,857,002</u>	<u>2,222,046</u>
Total primary government	<u>\$ 62,663,602</u>	<u>\$ 62,022,480</u>	<u>\$ 60,212,679</u>	<u>\$ 59,705,039</u>	<u>\$ 63,591,748</u>	<u>\$ 68,063,886</u>	<u>\$ 74,257,521</u>	<u>\$ 80,563,879</u>	<u>\$ 84,863,157</u>	<u>\$ 88,033,229</u>
Change in Net Position										
Governmental activities	\$ (12,503,209)	\$ 23,025,482	\$ 3,275,262	\$ 6,386,061	\$ 7,733,652	\$ 10,114,468	\$ 999,001	\$ 16,635,898	\$ 3,931,264	\$ 8,519,046
Business-type activities	10,222,003	11,053,585	1,261,934	7,885,576	5,258,714	7,726,965	3,368,630	2,067,861	11,784,284	4,995,577
Total primary government	<u>\$ (2,281,206)</u>	<u>\$ 34,079,067</u>	<u>\$ 4,537,196</u>	<u>\$ 14,271,637</u>	<u>\$ 12,992,366</u>	<u>\$ 17,841,433</u>	<u>\$ 4,367,631</u>	<u>\$ 18,703,759</u>	<u>\$ 15,715,548</u>	<u>\$ 13,514,623</u>

Source: From Statement of Activities prepared for CAFR.

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

	Fiscal Year									
	2009	2010*	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable	\$ 280,376	\$ 376,728	\$ 427,267	\$ 359,923	\$ 390,882	\$ 440,644	\$ 323,792	\$ 335,134	\$ 342,576	\$ 371,817
Restricted	106,144	785,720	796,345	758,303	800,953	1,698,333	1,951,220	2,255,454	1,750,086	2,338,644
Committed	-	86,568	85,119	282,888	386,518	-	-	-	-	-
Assigned	-	8,595,100	6,882,947	7,075,902	7,335,230	8,063,998	8,192,178	8,903,561	8,011,051	6,879,808
Unassigned	22,203,764	13,412,219	15,160,509	17,203,207	19,410,597	21,559,814	23,153,900	27,425,564	30,361,068	27,458,215
Total general fund	<u>\$ 22,590,284</u>	<u>\$ 23,256,335</u>	<u>\$ 23,352,187</u>	<u>\$ 25,680,223</u>	<u>\$ 28,324,180</u>	<u>\$ 31,762,789</u>	<u>\$ 33,621,090</u>	<u>\$ 38,919,713</u>	<u>\$ 40,464,781</u>	<u>\$ 37,048,484</u>
All Other Governmental Funds										
Nonspendable	\$ 216,878	\$ 206,678	\$ 214,333	\$ 219,564	\$ 247,436	\$ 271,477	\$ 293,238	\$ 8,379,744	\$ 309,428	\$ 318,437
Restricted	4,299,450	19,720,079	23,012,954	33,743,091	42,466,792	48,320,324	51,003,624	47,948,587	81,723,554	82,267,232
Committed	-	2,228,605	-	-	-	-	-	-	-	-
Assigned	8,955,106	651,650	-	-	-	-	-	-	2,078,968	1,864,086
Unassigned	-	-	(2,863,781)	-	-	-	(282,178)	(2,934,084)	(2,669,832)	(70,068)
Total all other governmental funds	<u>\$ 13,471,434</u>	<u>\$ 22,807,012</u>	<u>\$ 20,363,506</u>	<u>\$ 33,962,655</u>	<u>\$ 42,714,228</u>	<u>\$ 48,591,801</u>	<u>\$ 51,014,684</u>	<u>\$ 53,394,247</u>	<u>\$ 81,442,118</u>	<u>\$ 84,379,687</u>

*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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Taxes	\$ 43,555,388	\$ 43,200,268	\$ 43,799,128	\$ 45,577,128	\$ 47,084,446	\$ 48,806,758	\$ 53,725,196	\$ 59,711,556	\$ 65,263,433	\$ 66,323,666
Intergovernmental	21,364,739	19,450,213	17,488,021	17,230,696	18,713,646	19,584,399	20,549,000	21,355,708	22,504,605	23,382,237
Grants and entitlements	9,609,508	11,172,862	10,583,483	9,721,569	11,369,392	15,313,742	13,483,604	11,023,491	10,850,138	11,536,639
Charges for services	3,324,838	3,057,423	2,926,237	3,220,137	3,237,728	2,894,898	2,986,151	4,747,237	3,454,567	4,470,735
Special assessments	2,382	1,510,217	701,447	8,286,453	722,733	2,734,095	1,857,884	2,916,164	202,243	2,031,111
Licenses and permits	1,377,580	1,441,874	739,040	1,681,874	1,656,135	1,952,731	1,866,792	3,153,135	3,013,367	3,794,725
Fines and forfeitures	1,517,558	1,636,157	1,673,306	1,601,044	1,540,989	1,428,401	1,389,663	1,524,856	1,430,686	1,350,689
Rents	1,421,772	1,588,214	1,617,912	1,605,166	1,667,562	1,651,032	1,660,635	1,696,070	1,805,457	1,493,712
Investment earnings	1,366,931	413,594	224,363	296,241	(429,656)	722,878	1,145,686	1,636,650	(476,690)	(506,658)
Contributions	1,328,524	544,393	166,417	390,253	252,377	541,340	368,057	1,962,364	869,484	634,077
Miscellaneous	381,984	228,969	1,719,608	492,971	1,261,507	1,813,164	645,571	1,404,390	1,123,129	2,015,501
Total revenues	<u>85,251,204</u>	<u>84,244,184</u>	<u>81,638,962</u>	<u>90,103,532</u>	<u>87,076,859</u>	<u>97,443,438</u>	<u>99,678,239</u>	<u>111,131,621</u>	<u>110,040,419</u>	<u>116,526,434</u>
Expenditures:										
General governmental	9,848,252	7,926,726	7,113,922	7,453,963	8,480,086	9,041,946	14,974,692	14,561,513	16,652,590	19,536,579
Public safety	27,374,083	25,159,777	24,476,615	25,301,495	25,099,149	26,567,511	27,583,880	30,074,183	30,849,989	32,472,034
Public works	1,645,703	1,360,447	1,299,027	1,146,692	1,219,324	1,031,983	1,216,083	1,207,776	1,472,485	1,254,865
Economic and physical development	9,991,927	8,601,808	8,202,024	8,584,826	8,296,367	8,212,772	8,506,794	9,530,781	8,989,673	10,136,274
Culture and recreation	12,158,087	10,615,754	10,782,848	10,576,877	11,292,517	11,446,096	11,029,832	11,441,848	11,854,511	12,629,499
Highways and streets	11,187,402	9,313,158	10,612,033	9,593,074	9,039,032	10,621,311	8,035,221	5,916,632	8,443,609	7,504,589
Debt service:										
Principal retirement	5,034,991	6,065,522	6,761,179	13,654,681	6,175,303	8,287,457	8,313,298	12,980,269	14,154,904	6,998,627
Interest and other charges	3,750,657	3,996,963	3,451,706	3,346,253	2,902,196	3,126,469	2,798,182	2,520,596	2,534,621	2,679,888
Capital outlay	30,796,072	12,446,280	11,785,480	11,951,834	16,656,392	24,062,755	16,944,654	16,090,690	14,002,895	40,661,963
Total expenditures	<u>111,787,174</u>	<u>85,486,435</u>	<u>84,484,834</u>	<u>91,609,695</u>	<u>89,160,366</u>	<u>102,398,300</u>	<u>99,402,636</u>	<u>104,324,288</u>	<u>108,955,277</u>	<u>133,874,318</u>
Excess of revenues over (under) expenditures	(26,535,970)	(1,242,251)	(2,845,872)	(1,506,163)	(2,083,507)	(4,954,862)	275,603	6,807,333	1,085,142	(17,347,884)
Other Financing Sources (Uses):										
Proceeds of refunding bonds	-	-	-	13,924,136	-	8,270,000	-	-	-	-
Issuance of capital debt	109,352	8,330,000	-	16,797,287	12,474,557	6,600,000	-	204,956	26,168,531	9,700,000
Payment to bond refunding escrow agent	-	-	-	(15,394,336)	-	(9,382,710)	-	-	-	-
Bond premium	-	58,370	-	2,264,386	542,689	1,317,667	-	-	3,500,813	449,519
Insurance recoveries	-	1,920,000	1,058,985	-	-	-	-	-	-	-
Sale of capital assets	63,894	1,084,211	45,655	43,890	49,750	727,996	3,013,051	5,325	-	121,200
Transfers in	21,626,308	15,224,243	13,661,630	14,872,935	12,870,788	12,102,855	17,376,813	15,891,921	22,308,323	27,563,166
Transfers out	(23,359,573)	(18,525,100)	(14,268,052)	(15,074,950)	(12,458,747)	(11,659,441)	(16,384,283)	(15,231,349)	(23,469,870)	(20,964,729)
Total other financing sources (uses)	<u>(1,560,019)</u>	<u>8,091,724</u>	<u>498,218</u>	<u>17,433,348</u>	<u>13,479,037</u>	<u>7,976,367</u>	<u>4,005,581</u>	<u>870,853</u>	<u>28,507,797</u>	<u>16,869,156</u>
Net change in fund balances	<u>\$ (28,095,989)</u>	<u>\$ 6,849,473</u>	<u>\$ (2,347,654)</u>	<u>\$ 15,927,185</u>	<u>\$ 11,395,530</u>	<u>\$ 3,021,505</u>	<u>\$ 4,281,184</u>	<u>\$ 7,678,186</u>	<u>\$ 29,592,939</u>	<u>\$ (478,728)</u>
Debt service as a percentage of non capital expenditures	10.85%	13.78%	14.05%	21.34%	12.52%	14.57%	13.48%	17.57%	17.58%	10.38%

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

<u>Fiscal Year</u>	<u>General Property Tax</u>	<u>Secondary Property Tax</u>	<u>Franchise and Other Taxes</u>	<u>City Sales Tax</u>	<u>Bed, Board and Booze Tax</u>	<u>Transportation Tax</u>	<u>Total</u>
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
2013	5,472	6,423	2,303	15,760	5,911	11,215	47,084
2014	5,571	5,560	2,487	17,042	6,310	11,837	48,807
2015	5,597	5,586	2,467	17,845	7,022	15,208	53,725
2016	5,650	5,719	2,567	19,090	7,539	19,147	59,712
2017	5,764	5,916	2,439	21,174	8,642	21,328	65,263
2018	6,206	6,284	2,504	21,128	8,602	21,600	66,324
Change 2009-2018	27.12%	-13.37%	11.49%	46.89%	70.27%	115.25%	51.24%

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	Federal Grants	State Grants & Other State	County LEAF IGA	County Library District Funding	Other	Total
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	5,576,167	-	3,544,253	601,149	759,606	3,163,052	118,216	26,952,265
2013	5,391,580	6,728,479	2,510,832	6,007,741	-	2,105,827	3,255,824	791,906	3,214,133	76,716	30,083,038
2014	5,733,507	7,342,048	2,591,413	6,168,102	-	2,281,211	6,864,429	793,898	3,063,343	60,190	34,898,141
2015	6,019,776	7,973,971	2,689,916	6,884,173	-	4,993,449	1,605,982	800,478	2,969,669	95,190	34,032,604
2016	6,238,827	7,930,739	2,910,589	7,292,355	-	2,867,675	863,461	902,472	3,088,137	284,944	32,379,199
2017	6,445,302	8,603,145	3,091,134	7,982,504	-	2,129,657	737,977	943,955	3,210,071	210,998	33,354,743
2018	6,868,398	8,850,877	3,305,297	8,405,025	-	2,070,467	1,173,691	855,094	3,307,497	82,530	34,918,876

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
2009	\$ 28,051,846	\$ 261,009,908	\$ 125,377,258	\$ 398,783,838	\$ 62,684,483	\$ 750,538,367	1.5519
2010	28,940,765	281,348,845	140,117,313	500,150,890	71,775,990	878,781,823	1.4913
2011	27,478,520	286,101,952	151,630,088	529,950,871	78,819,714	916,341,717	1.4845
2012	25,750,042	274,992,074	146,079,309	502,351,037	85,132,993	864,039,469	1.5283
2013	26,651,155	265,230,915	133,909,755	447,421,001	81,844,375	791,368,451	1.5497
2014	28,837,059	255,823,684	124,373,673	436,787,954	80,555,433	765,266,937	1.6795
2015	28,918,422	215,081,441	123,988,197	389,760,175	87,055,619	670,692,616	1.6784
2016	30,046,573	217,466,880	123,834,908	429,223,625	88,064,490	712,507,496	1.6600
2017	29,641,213	225,831,427	124,316,511	467,023,686	88,231,085	758,581,752	1.6487
2018	30,661,448	248,007,081	129,081,114	522,745,630	90,820,473	839,674,800	1.6599

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

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013*	2014	2015	2016	2017	2018
Construction	\$ 181,245	\$ 150,239	\$ 166,894	\$ 150,868	\$ 164,971	\$ 169,933	\$ 191,297	\$ 176,741	\$ 184,381	\$ 266,900
Building Materials	66,641	60,143	61,781	62,665	-	-	-	-	-	-
Restaurants and Bars	250,555	251,271	261,384	277,954	206,617	218,790	243,560	251,654	260,364	281,133
Hotel/Motel	-	-	-	-	88,924	95,263	108,913	120,995	131,310	146,306
Retail and Auto Sales	660,848	632,571	644,142	678,671	779,109	801,799	852,696	946,522	955,737	1,037,300
Other	155,193	152,042	151,461	154,497	196,534	200,109	213,248	246,500	269,232	274,981
Utilities	69,175	66,392	63,784	116,273	92,968	103,895	109,578	108,474	104,115	107,164
Total	<u>\$ 1,383,657</u>	<u>\$ 1,312,658</u>	<u>\$ 1,349,446</u>	<u>\$ 1,440,928</u>	<u>\$ 1,529,123</u>	<u>\$ 1,589,789</u>	<u>\$ 1,719,292</u>	<u>\$ 1,850,886</u>	<u>\$ 1,905,139</u>	<u>\$ 2,113,784</u>

Notes:

- (1) Data is based on collections versus the accrual basis.
- (2) FY 2013 reflects a change in tax categories reported to proactively reflect possible new state sales tax codes.
 - a) Building Materials is no longer tracked individually, now is tracked as part of Retail
 - b) Prior to FY 2013, Hotel/Motel was included with Restaurant and Bars

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total City	1.5519	1.4913	1.4845	1.5283	1.5497	1.6795	1.6784	1.6600	1.6487	1.6599
Primary					0.7131	0.8429	0.8418	0.8234	0.8121	0.8233
Secondary					0.8366	0.8366	0.8366	0.8366	0.8366	0.8366
School District	4.8334	3.8860	4.6772	4.9458	4.8712	5.1939	5.1867	5.4555	5.5681	5.1816
Maintenance					3.6182	3.9803	3.7886	4.0824	4.2405	4.0143
Adjacent Ways					0.0459	0.0096	0.0259	0.0216	0.0284	0.0392
15% M&O Override					0.6126	0.7061	0.7138	0.7265	0.737	0.7120
Capital Override					0.1833	0.0000	0.0357	0.1735	0.1219	0.0000
Class B Bond					0.4112	0.4979	0.6227	0.4515	0.4403	0.4161
Community College	0.4643	0.4267	0.4308	0.4734	0.4927	0.5879	0.6056	0.6105	0.6214	0.6142
Maintenance					0.3875	0.4636	0.4788	0.4864	0.4909	0.4816
Bond					0.1052	0.1243	0.1268	0.1241	0.1305	0.1326
County	0.7603	0.7244	0.7245	0.7656	0.7847	0.9022	0.9202	0.9291	0.9344	0.9234
General Fund					0.4480	0.5466	0.5646	0.5735	0.5788	0.5678
Library District					0.2367	0.2556	0.2556	0.2556	0.2556	0.2556
Fire District Assistance					0.1000	0.1000	0.1000	0.1000	0.1000	0.1000
Total	7.6099	6.5284	7.3170	7.7131	7.6983	8.3635	8.3909	8.6551	8.7726	8.3791

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

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

Taxpayer *	2018			2008		
	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	\$ 20,380,036	1	2.43%	\$ 14,243,932	1	1.62%
W L Gore & Associates	18,878,525	2	2.25%	12,795,365	2	1.46%
Village at Aspen Place LLC	4,731,621	3	0.56%	-		0.00%
Unisource Energy Corporation	4,777,153	4	0.57%	3,221,618	9	0.37%
Nestle Purina PetCare Co	4,526,922	5	0.54%	4,847,800	4	0.55%
Little America Hotels & Resorts Inc.	3,835,256	6	0.46%	3,660,311	8	0.42%
Wal-Mart Stores	3,436,015	7	0.41%	-		0.00%
Cypress Flagstaff Mall LP	3,061,744	8	0.36%	-		0.00%
Qwest Corporation	3,049,342	9	0.36%	7,678,953	3	0.87%
Nestle Purina PetCare Company	2,804,680	10	0.33%	-		0.00%
Mountainside MAR LLC	2,708,354	11	0.32%	-		0.00%
RRIM Ridge Holdings LLC	2,695,444	12	0.32%	-		0.00%
VP Flagstaff Mall LLC	2,675,064	13	0.32%	-		0.00%
Elevation Flagstaff AZ LLC	2,565,796	14	0.31%	-		0.00%
BNSF Railway Company	2,350,884	15	0.28%	-		0.00%
Campus Crest at Flagstaff LLC	2,182,522	16	0.26%	-		0.00%
Total Principal Taxpayers	<u>\$ 84,659,358</u>		<u>10.08%</u>	<u>\$ 46,447,979</u>		<u>5.29%</u>

Source: Coconino County Assessor Office

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 12,253,760	\$ 11,934,997	97.4%	\$ 309,259	\$ 12,244,256	99.9%
2010	12,750,836	12,477,413	97.9%	289,241	12,766,654	100.1%
2011	12,497,535	12,113,128	96.9%	474,221	12,587,349	100.7%
2012	12,015,988	11,635,211	96.8%	305,133	11,940,344	99.4%
2013	11,828,399	11,553,471	97.7%	319,494	11,872,965	100.4%
2014	11,050,626	10,778,695	97.5%	150,517	10,929,212	98.9%
2015	11,172,785	11,002,896	98.5%	161,435	11,164,331	99.9%
2016	11,355,520	11,156,213	98.2%	155,763	11,311,976	99.6%
2017	11,586,535	11,500,020	99.3%	156,486	11,656,506	100.6%
2018	12,442,918	12,297,839	98.8%	-	12,297,501	98.8%

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			
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%
2013	1.0000%	2.0000%	0.7210%	6.6000%	1.1250%	11.4460%
2014	1.0000%	2.0000%	0.7210%	5.6000%	1.1250%	10.4460%
2015	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2016	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2017	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%
2018	1.0000%	2.0000%	1.0510%	5.6000%	1.3000%	10.9510%

Source: City of Flagstaff - Sales Tax / Business Licenses
<http://www.flagstaff.az.gov/index.aspx?nid=53>

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

Fiscal Year	Governmental Activities					Business-Type Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Revenue Bonds	Municipal Facility Corporation Bonds	COP Capital Leases	General Obligation Debt	Revenue Bonds	Term Loan Payable	COP Capital Leases					
2009	\$ 27,645	\$ 19,169	\$ 4,865	\$ 21,625	\$ 2,430	\$ 7,460	\$ 4,918	\$ 37,006	\$ 3,960	\$ 129,078	3.4%	\$ 2,010.56		
2010	25,865	18,615	6,665	19,890	6,964	5,690	4,614	36,257	3,679	128,239	3.4%	1,982.27		
2011	24,015	18,130	4,930	18,095	1,542	3,830	4,299	37,491	3,384	115,716	3.1%	1,766.06		
2012	38,449	11,365	15,615	3,205	5,200	3,125	3,972	35,689	3,075	119,695	2.7%	1,817.14		
2013	48,134	11,055	16,328	1,260	5,335	1,748	3,634	33,873	4,686	126,053	2.8%	1,913.66		
2014	55,571 *	8,639	16,603	1,260	4,400	1,752	3,635	33,873	4,431	130,164	2.8%	1,976.07		
2015	50,857	6,737	15,781	860	3,625	1,441	3,285	31,909	3,972	118,467	2.4%	1,755.01		
2016	45,820	2,245	13,495	-	3,226	1,375	-	32,800	3,489	102,450	1.9%	1,476.42		
2017	52,695	2,148	21,468	-	3,689	1,308	-	30,346	2,984	114,638	1.9%	1,599.84		
2018	48,934	2,046	28,895	-	2,944	1,238	17,129	11,787	6,551	119,524	2.0%	1,638.19		

* - As restated due to refunding loss

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

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

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

Fiscal Year	<u>General Bonded Debt Outstanding</u>			Restricted for General Obligation Bonds	Total	Percentage of Actual Taxable Value of Property	Per Capita
	Governmental Activities General Obligation Bonds	Business-Type Activities General Obligation Bonds					
2009	\$ 25,865	\$ 5,690	\$ (2,573)	\$ 28,982	3.7%	\$ 506.73	
2010	24,015	3,830	(3,408)	24,437	3.1%	435.09	
2011	38,449	3,125	(6,234)	35,340	2.5%	329.83	
2012	48,134	1,748	(6,234)	43,648	4.5%	536.51	
2013	47,035	1,752	(8,821)	39,966	5.2%	606.74	
2014	53,340	1,752	(13,822)	41,270	6.2%	626.54	
2015	48,920	1,441	(14,091)	36,270	5.1%	537.32	
2016	43,817	1,375	(13,204)	31,988	4.2%	460.98	
2017	48,520	1,308	(6,164)	43,664	5.2%	609.36	
2018	44,900	1,238	(7,149)	38,989	4.6%	534.38	

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

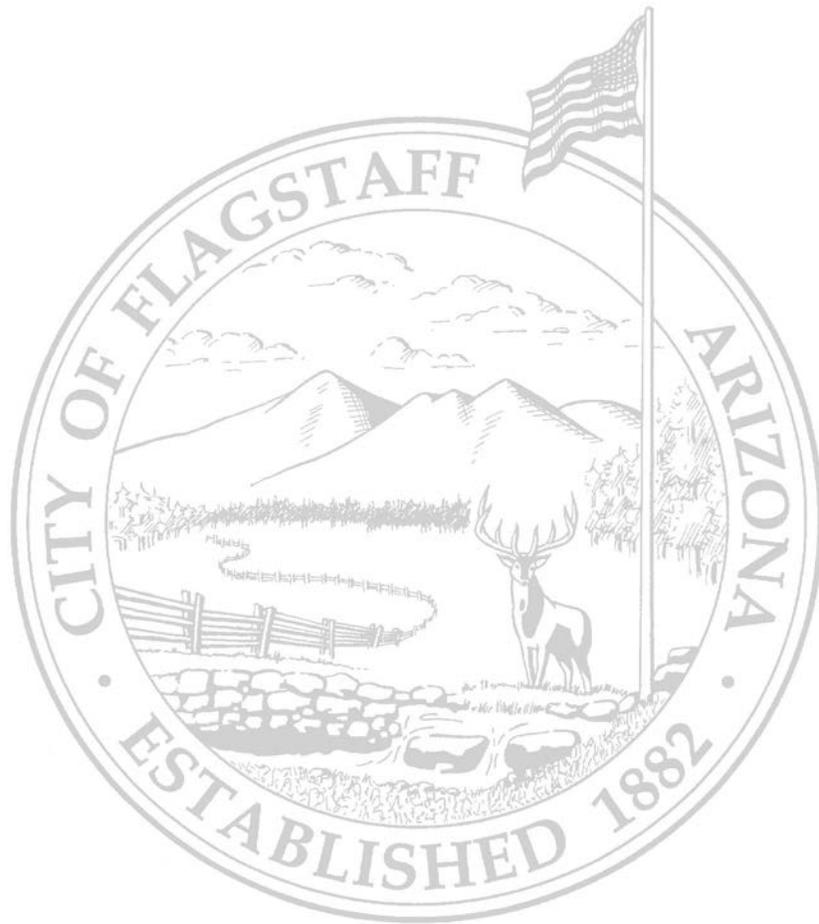
Schedule 15
 City of Flagstaff
 Direct and Overlapping Governmental Activities Debt
(dollars in thousands, except per capita)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable*</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Flagstaff Unified School District	\$ 31,625	65.99%	\$ 20,869
Other debt			
Coconino County Special Assessments	20	0.00%	<u>-</u>
Subtotal, overlapping debt			20,869
City direct debt			<u>82,819</u>
Total direct and overlapping debt			<u><u>103,688</u></u>

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

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

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



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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
20% Debt Limit:										
Debt limit equal to 20% of assessed valuation	\$ 150,108	\$ 175,756	\$ 183,268	\$ 172,808	\$ 158,274	\$ 153,053	\$ 134,139	\$ 142,501	\$ 151,716	\$ 167,935
Total net debt applicable to 20% limit	<u>35,105</u>	<u>35,105</u>	<u>27,845</u>	<u>41,841</u>	<u>48,788</u>	<u>55,388</u>	<u>50,361</u>	<u>45,193</u>	<u>49,828</u>	<u>46,137</u>
Legal debt margin (Available borrowing capacity)	<u>\$ 115,003</u>	<u>\$ 140,651</u>	<u>\$ 155,423</u>	<u>\$ 130,967</u>	<u>\$ 109,486</u>	<u>\$ 97,665</u>	<u>\$ 83,778</u>	<u>\$ 97,308</u>	<u>\$ 101,888</u>	<u>\$ 121,798</u>
Total net debt applicable to the 20% limit as a percentage of debt limit	30.53%	24.96%	17.92%	31.95%	44.56%	56.71%	60.11%	46.43%	48.90%	37.88%
6% Debt Limit:										
Debt limit equal to 6% of assessed valuation	\$ 45,032	\$ 52,727	\$ 54,981	\$ 51,842	\$ 47,482	\$ 45,916	\$ 40,242	\$ 42,750	\$ 45,515	\$ 50,380
Total net debt applicable to 6% limit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin (Available borrowing capacity)	<u>\$ 45,032</u>	<u>\$ 52,727</u>	<u>\$ 54,981</u>	<u>\$ 51,842</u>	<u>\$ 47,482</u>	<u>\$ 45,916</u>	<u>\$ 40,242</u>	<u>\$ 42,750</u>	<u>\$ 45,515</u>	<u>\$ 50,380</u>
Total net debt applicable to the 6% limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Legal Debt Margin Calculation for Fiscal Year 2018

Net Secondary Assessed Value as of June 30, 2018	<u>\$ 839,674,800</u>
<u>20% Limitation</u>	
Debt Limit of 20% of Assessed Value	\$ 167,934,960
Debt applicable to limit:	
General Obligation Bonds	<u>46,137,413</u>
Legal 20% debt margin (Available borrowing capacity)	<u>\$ 121,797,547</u>
<u>6% Limitation</u>	
Debt Limit of 6% of Assessed Value	\$ 50,380,488
Debt applicable to limit:	
General Obligation Bonds	<u>-</u>
Legal 6% debt margin (Available borrowing capacity)	<u>\$ 50,380,488</u>

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	
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
2013	22,846,487	12,810,177	10,036,310	2,252,132	807,256	3,059,388	3.28
2014	23,642,792	14,739,788	8,903,004	2,252,132	785,567	3,037,699	2.93
2015	23,453,378	15,345,504	8,107,874	2,328,839	741,086	3,069,925	2.64
2016	24,234,384	15,140,298	9,094,086	2,342,259	672,497	3,014,756	3.02
2017	26,250,953	16,802,115	9,448,838	2,426,708	625,900	3,052,608	3.10
2018	27,335,107	16,297,564	11,037,543	2,578,384	612,561	3,190,945	3.46

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

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

Highway User Revenue Bonds

Fiscal Year	Highway User Tax Revenue	Debt Service Requirements			Coverage
		Principal (1)	Interest (2)	Total	
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	5,576,167	1,725,000	94,875	1,819,875	3.06

(1) Includes 1992 Junior Lien bonds and Series 2003 Refunding bonds.

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

All bonds were paid off in FY 2012, therefore future years are not presented above.

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

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

Fiscal Year	Revenue (1)	Debt Service Requirements			Coverage
		Principal (2)	Interest (3)	Total	
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
2013	11,657,403	385,000	77,656	462,656	25.20
2014	12,621,802	385,000	68,753	453,753	27.82
2015	13,543,397	400,000	50,350	450,350	30.07
2016	13,286,939	860,000	22,627	882,627	15.05

- (1) State sales tax, state income tax less debt service requirements for MFC debt other than transportation.
 - (2) MFC 1992 Refunding series 12 2001 - USGS projects.
 - (3) Bond interest payments only. Does not include agent fees that are included in interest expense on the statement of revenues, expenses, and changes in fund balances.
- All bonds were paid off in FY 2016, therefore future years are not presented above.

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

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

Fiscal Year	Debt Service Requirements				Coverage
	Revenue (1)	Principal (2)	Interest	Total	
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	25,880,472	1,500,000	574,838	2,074,838	12.47
2013	27,255,501	1,560,000	542,575	2,102,575	12.96
2014	29,928,813	1,560,000	511,375	2,071,375	14.45
2015	31,266,313	695,000	469,750	1,164,750	26.84
2016	33,176,241	1,795,000	432,400	2,227,400	14.89
2017	33,419,449	1,855,000	370,875	2,225,875	15.01
2018	33,215,273	1,920,000	293,775	2,213,775	15.00

- (1) Pledged revenues on the Municipal Facility Corporation Bonds include the city base rate sales tax, transportation sales tax, franchise sales tax, licenses and permits, charges for services, fine and forfeits, other revenue, state sales tax, and state revenue sharing. Less the debt service requirements for transportation MFC bonds. Refunding Series 2012 excludes state revenue sharing income and sales tax.
- (2) MFC revenue bond series 2004 Fourth Street, partial advance refunding pledged revenue series 2012.

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

Greater Arizona Development Authority Revenue Bonds

Fiscal Year (1)	Revenue (2)	Debt Service Requirements			Coverage
		Principal (3)	Interest	Total	
2011	\$ 7,169,310	\$ 115,000	\$ 135,938	\$ 250,938	28.57
2012	7,657,621	120,000	133,638	253,638	30.19
2013	9,340,790	120,000	130,037	250,037	37.36
2014	10,302,188	120,000	128,237	248,237	41.50
2015	12,129,085	125,000	124,562	249,562	48.60
2016	10,809,451	130,000	120,088	250,088	43.22
2017	12,572,785	135,000	114,788	249,788	50.33
2018	13,256,213	140,000	109,288	249,288	53.18

(1) New issue no trend information available, prior to fiscal year 2011.

(2) Pledged 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 17 (continued)
 City of Flagstaff
 Pledged Revenue Coverage
 Last Two Fiscal Years

Road Street Repair and Safety Revenue Bonds

Fiscal Year (1)	Revenue (2)	Debt Service Requirements			Coverage
		Principal (3)	Interest	Total	
2017	\$ 6,665,630	\$ -	\$ 133,125	\$ 133,125	50.07
2018	6,445,644	475,000	332,750	807,750	7.98

- (1) New issue no trend information available prior to fiscal year 2017.
- (2) Pledged revenues on the Road Repair/Street Safety obligations include excise tax revenues. Excise tax revenues are revenues from the restricted transaction privilege tax of 0.33% approved at an election held in and for the City on November 4, 2014, which will expire on December 31, 2034.

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

Year	Population	Personal Income (thousands of dollars) (1)	Per Capita Personal Income	Median Age	Education Level - Percent High School Grad or Higher	Education Level - Percent Bachelor's Degree or Higher	School Enrollment	Unemployment Rate
2009	64,693	\$ 3,767,194	\$ 37,100	26.8	89.8%	39.4%	12,910	7.50%
2010	65,522	3,767,194	37,629	26.8	89.8%	39.4%	12,600	7.70%
2011	65,870	4,481,137	42,317	26.6	90.6%	41.8%	11,839	8.90%
2012	65,870	4,481,137	48,371	26.6 *	90.6% *	41.8% *	10,623	9.20%
2013	65,870	4,620,811	47,363	26.6 *	90.6% *	41.8% *	10,623	8.10%
2014	67,502	4,906,294	51,809	26.6 *	90.6% *	41.8% *	10,623	6.90%
2015	69,391	5,399,899	52,509	26.6 *	90.6% *	41.8% *	11,766	6.48%
2016	70,643	5,489,486	38,958	26.6 *	90.6% *	41.8% *	12,505	6.18%
2017	71,656	5,763,960 *	39,503 *	26.6 *	90.6% *	41.8% *	11,910	4.70%
2018	72,961	6,052,158 *	40,056 *	26.6 *	90.6% *	41.8% *	11,991	4.40%

(*) Estimated

(1) Reflects Coconino County Personal Income

Sources:

Population - Arizona Department of Administration--Employment and Population Statistics

Personal Income - Economic Research Federal Reserve Bank of St. Louis for Coconino County

Per Capita Income - Economic Research Federal Reserve Bank of St. Louis

Median Age - 2010 US Census

Education Level - 2010 US Census

School Enrollment - National Center for Education Statistics

Unemployment - Arizona Department of Administration - Office of Employment and Population Statistics

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

Employer	2018			2009 (1)		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Northern Arizona University	2,571 (2)	1	19.04%	2,316	1	7.51%
Flagstaff Medical Center	2,200 (2)	2	16.30%	2,000	2	6.49%
W.L. Gore & Associates	1,950 (2)	3	14.44%	1,910	3	6.20%
Flagstaff Unified School District	1,375 (2)	4	10.19%	1,659	4	5.38%
Coconino County	1,200 (2)	5	8.89%	1,204	5	3.91%
City of Flagstaff	946 (3,4)	6	7.01%	762	6	2.47%
Walmart	630 (2)	7	4.67%	301	10	0.98%
Grand Canyon Railway	500 (5)	8	3.70%	405	9	1.31%
North Country Healthcare	345 (6)	9	2.56%			
Nestle Purina PetCare	240 (2)	10	1.78%			
Guidance Center	219 (2)	11	1.62%			
US Forest Service	200 (2)	12	1.48%			
Coconino Community College	189 (2)	13	1.40%	600	7	1.95%
Hozhoni Foundation	170 (2)	14	1.26%			
Pepsi-Cola Bottling	152 (2)	15	1.13%			
Peaks Senior Living Center	140 (2)	16	1.04%			
Joy Cone	133 (2)	17	0.99%			
Little America Hotel	120 (2)	18	0.89%			
Doubletree by Hilton Hotel (Radisson)	120 (2)	19	0.89%			
IML Containers	100 (2)	20	0.74%			
Walgreens Distribution Center (Closed 2015)	-			438	8	1.42%
Total	13,500		100.00%	11,595		37.62%
2010 & 2000 U.S. Census Labor Force	53,823	Estimated		30,822	Estimated	

Source:

- (1) Arizona Department of Economic Security
- (2) Economic Collaborative of Northern Arizona: (<http://www.chooseflagstaff.com/key-industry-sectors>)
- (3) City of Flagstaff Human Resources
- (4) Includes all positions reflected by FTE hours in Schedule 20
- (5) www.thetrain.com
- (6) North Country Healthcare Direct Correspondence

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

Function/Program	Fiscal Year									
	2009	2010 (1)	2011 (2)	2012	2013	2014	2015	2016	2017	2018
General Government										
Management services	89.14	86.75	86.50	84.55	85.00	86.00	87.25	91.00	97.25	99.57
Capital management	13.50	11.00	11.00	8.00	7.00	7.00	8.00	8.00	8.00	9.00
City Court	29.63	25.88	25.18	25.18	24.18	24.35	25.35	26.35	29.35	29.35
Public Safety										
Police	181.00	168.00	168.00	172.00	171.00	169.00	169.00	167.00	167.00	173.00
Fire	101.75	99.00	92.00	85.00	85.00	85.00	87.00	88.00	89.00	95.00
Public Works	31.00	29.00	26.50	26.50	26.00	25.00	25.00	25.50	25.50	27.50
Economic and physical development										
Building	57.50	47.20	41.00	39.20	39.20	41.50	43.98	44.98	45.50	48.98
Planning	24.88	24.38	22.88	22.88	21.88	20.88	13.88	14.88	19.88	21.88
Tourism	16.75	15.75	13.25	12.49	12.49	12.93	13.93	13.93	14.15	15.15
Culture and recreation										
Library	53.77	50.77	50.77	51.40	51.40	51.40	52.30	53.43	54.49	55.38
Parks, recreation, and beautification	99.69	87.86	86.86	88.81	84.88	86.03	85.50	90.13	91.69	93.54
Highways and Streets	41.06	36.31	36.31	36.31	34.97	35.52	35.52	33.02	32.02	33.02
Water and wastewater	81.75	64.50	62.50	61.50	61.50	62.00	64.00	66.00	67.00	71.00
Environmental services	68.10	65.58	63.58	59.60	58.50	55.43	55.00	56.25	57.00	57.00
Airport	10.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50
Stormwater	6.50	6.00	6.00	6.00	6.00	5.50	4.50	4.50	5.50	5.50
Flagstaff Housing Authority	-	-	23.50	23.50	24.00	22.00	22.00	21.60	21.28	21.28
Total	906.52	827.48	825.33	812.42	802.50	799.04	801.71	814.07	834.10	865.65

(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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Court										
Criminal Filings	9,330	9,326	8,531	8,857	8,695	8,375	7,273	6,924	7,208	6,364
Traffic filings	10,639	13,471	12,010	9,217	8,340	7,726	8,428	8,190	6,437	6,068
Non-Criminal / Other	445	468	370	547	477	468	554	1,357	4,668	2,250
Purchasing										
Credit card rebates received	\$ 23,348	\$ 21,677	\$ 31,878	\$ 33,923	\$ 34,395	\$ 48,128	\$ 72,037	\$ 94,873	\$ 104,522	\$ 111,281
Fire										
Emergency incidents	7,550	6,668	7,274	7,438	8,023	8,730	9,432	12,775	12,700	14,415
Fire incidents	263	247	175	213	185	177	184	168	190	218
Other calls	2,151	1,906	2,378	2,226	2,298	2,532	2,654	742	3,017	3,296
Inspections assigned	1,794	572	1,174	1,468	1,411	1,340	2,341	2,217	1,775	1,775
Plan Reviews	1,250	401	528	535	559	512	659	639	743	945
Fuel Management										
Plan Assessment (Acres)	-	-	N/A	N/A	N/A	N/A	2,300	1,500	1,723	667
Site Marking (Acres)	224	294	586	128	284	511	70	555	921	586
Site Thinning (Acres)	761	376	809	197	276	541	820	700	1,381	1,135
Prescription Burn (Acres)	1,190	551	342	697	540	778	333	650	948	860
Police										
Felony reports	3,661	3,073	2,973	2,940	2,910	2,564	2,511	2,769	2,945	2,908
Misdemeanor reports	12,939	12,293	11,786	11,253	11,040	10,383	8,980	9,553	9,531	9,045
Domestic violence incidents	1,470	1,953	1,923	1,961	2,023	1,688	1,550	1,541	1,513	1,478
Non-crime reports	10,996	9,480	9,827	9,886	9,841	7,174	6,036	6,660	6,604	6,070
Accident reports	2,917	2,776	2,735	2,574	2,568	2,180	2,590	2,985	2,926	2,803
Calls dispatched to Police/Sheriff	70,908	61,175	57,899	57,188	60,003	56,373	58,590	62,228	65,566	62,597
Calls dispatched to Fire	12,527	11,011	11,130	13,320	11,497	11,464	11,777	13,565	14,497	14,550

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

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Streets										
Potholes repaired	4,373	3,256	1,498	1,877	2,054	3,605	1,174	1,437	2,367	2,127
Airport										
Fuel Flowage (Gallons Sold)	627,202	651,373	850,327	526,406	490,401	544,028	566,387	603,382	588,506	645,367
Enplanements	65,418	68,296	63,407	62,872	60,190	61,691	62,578	69,485	65,887	74,707
Refuse collection										
Refuse collected (Landfill tonnage)	142,409	121,529	138,703	137,815	145,793	144,411	143,528	143,639	145,960	109,776
Recyclables collected (total tons)	9,842	10,610	8,869	8,101	8,388	8,343	8,340	12,191	9,452	9,198
Community Development										
Permit Valuation	\$ 50,093,468	\$ 22,709,399	\$ 26,176,700	\$ 85,638,067	\$ 58,089,290	\$ 95,467,771	\$ 93,918,660	\$ 177,068,294	\$ 217,767,173	(1)
Library										
Visits	738,603	743,169	763,928	739,706	715,033	687,735	673,246	660,974	662,838	660,030
Circulation	887,887	979,962	1,029,062	1,182,956	1,164,789	1,117,652	1,002,125	1,055,176	1,001,074	929,333
Tourism										
Revenue Per Available Room	\$ 43.21	\$ 43.05	\$ 45.26	\$ 50.94	\$ 54.61	\$ 59.99	\$ 69.19	\$ 74.14	\$ 76.06	\$ 75.49

Sources: Various City divisions

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

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police patrol units (Includes Motorcycle units)	34	35	37	37	37	37	37	39	39	39
Number of fire hydrants	3,150	3,143	3,176	3,179	3,242	3,242	3,254	3,254	3,257	3,263
Number of fire stations	7	7	7	7	6	6	6	6	6	6
Culture and recreation										
Number of developed parks	26	26	24	23	23	23	23	23	23	23
Number of undeveloped parks	4	4	5	4	4	4	4	5	5	5
Park acreage	712	712	735	680	710	710	736	741	741	741
Flagstaff Urban Trail System - Miles	51	51	53	53	55	55	55	56	56	56
Recreational Buildings	6	6	4	4	4	4	4	4	4	4
Highways and Streets										
Miles of streets, alleys, and sidewalks	695	813	814	814	814	844	844	844	844	844
Number of street lights	3,220	3,350	3,466	3,466	3,466	3,466	3,466	3,466	3,502	3,502
Water and wastewater										
Miles of sewer	270	270	271	271	274	274	276	276	297	297
Number of manholes	7,261	7,261	7,308	7,308	7,403	7,403	7,493	7,493	7,514	7,514
Total active water accounts	18,371	19,042	22,092	19,020	20,107	19,961	19,934	20,717	20,327	21,483
Average gallon water usage per household per month	5,010	5,123	5,107	5,339	6,326	5,022	4,562	3,901	4,867	4,153
Airport										
Fixed base operators	1	1	1	1	1	1	1	1	1	1
Locally based aircraft	134	120	122	125	209	134	134	132	132	117
Tiedowns	11	14	11	11	11	11	11	12	12	12
Enclosed hangars	61	61	61	61	61	61	61	61	61	61
Open hangars	48	48	48	48	48	48	48	36	44	44

Schedule 23 as of 7/1/2018
City of Flagstaff
Insurance Summary
Effective July 1, 2017 to June 30, 2018

Coverage	Limit of Liability
Liability Insurance:	
General Liability*	\$ 1,000,000 / per occurrence
(Includes 2 skateboard parks, bike freestyle park, EMT's)	\$ 2,000,000 / aggregate
Law Enforcement Liability*	\$ 1,000,000 / each wrongful act
	\$ 1,000,000 / aggregate
Auto Liability	\$ 1,000,000 / each accident
Auto Physical Damage	Varies per veh / \$1000/comprehensive / \$5000/collision deductible
Public Entity Management Liability*	\$ 1,000,000 / each wrongful act
(Claims Made Retro Date 6-1-95)	\$ 1,000,000 / aggregate
Employment Practices Liability*	\$ 5,000,000 / each wrongful act
(Claims Made Retro Date 6-1-95)	\$ 5,000,000 / aggregate
Employee Benefits Liability*	\$ 1,000,000 / each employee
(Claims Made)	\$ 3,000,000 / aggregate
Limited Abuse or Molestation Liability	\$ 1,000,000 / each offense
	\$ 1,000,000 / aggregate
* Liability Claims are Subject to a \$75,000 Self Insurance Retention	
Public Entity Cyber Liability	\$ 1,000,000 / each wrongful act
(Claims Made Retro Date 6-1-09)	\$ 1,000,000 / aggregate
(\$5,000 deductible each wrongful act)	
Employer's Liability	\$ 1,000,000 / each accident
	\$ 1,000,000 / disease employee
	\$ 1,000,000 / disease policy limit
Worker's Compensation	Statutory
Umbrella/Excess #1 - GL, Auto, Law Enforcement, Employer's Liability	
Public Entity Management, Employee Benefi	\$ 20,000,000 / each occurrence
	\$ 20,000,000 / general aggregate
10,000 retained limit (ded)	
(Excludes Airport, Housing Authority, Employment related practices, Failure to Supply Services, Mold, Terrorism, Asbestos, Lead, Condemnation, Sexual Abuse)	
Aviation:	
General Liability	\$ 40,000,000 / each occurrence
Products/Completed Operations	\$ 40,000,000 / aggregate
Personal Injury, Advertising & Malpractice	\$ 40,000,000 / aggregate
Hangar Keepers Liability	\$ 40,000,000 / each aircraft
	\$ 40,000,000 / each occurrence

Coverage	Limit of Liability
Property Insurance:	
Blanket Buildings and Personal Property	\$ 222,844,448 / \$25,000 deductible
Boiler and Machinery	included / \$25,000 deductible
Flood Zones B and C	\$ 10,000,000 / \$50,000 deductible
Earthquakes	Varies per Prop. Deduct. / \$50,000 deductible
Business Income/Extra Expense	\$ 1,000,000 / 24 hours
Flood Zone A Properties	\$ 266,000 / building
Municipal Court	\$ 120,000 / contents
Deductible	Based on fixed dollar amt / and % of loss
Contractors Equipment (actual cash value)	\$250,000 per item / \$5,000 deductible
	\$5,000,000 aggregate /
Bookmobile book collection	\$ 250,000 / \$5,000 deductible
Employee Hand Tools	included / \$25,000 deductible
Computer Equipment and Peripherals	included / \$25,000 deductible
Data and Media	included / \$25,000 deductible
	\$ 250,000 / \$25,000 deductible
Fine Arts & exhibition floater	\$ 500,000 / \$25,000 deductible
City Hall, Visitor Center, Airport Terminal	
Crime:	
Blanket Public Employees and Treasurer	\$ 1,000,000 / \$5,000 deductible
Dishonesty Bond Including Faithful Performance of Duty	
Computer & Funds Transfer Fraud	\$ 1,000,000 / \$5,000 deductible
Theft, Disappearance, & Destruction	
(Inside and Outside)	\$ 1,000,000 / \$5,000 deductible
Forgery or Alteration	\$ 1,000,000 / \$5,000 deductible
Money Orders & Counterfeit,	\$ 1,000,000 / \$5,000 deductible
Credit, Debit or Charge Card forgery	\$ 1,000,000 / \$5,000 deductible
International Travel - Executive Assistance	\$ 1,500,000 / Medical Assistance
	\$ 250,000 / Accidental death
Kidnap and Ransom Worldwide	\$ 250,000 / Each Loss
(some countries excluded)	

FLAGSTAFF



U.S. Route 66, also known as the Mother Road, was one of the original highways within

the U.S. Highway System. U.S. 66 was established on November 11, 1926, and became one of the most famous roads in the United States. The road originally ran from Chicago, Illinois, through Missouri, Kansas, Oklahoma, Texas, New Mexico and Arizona before ending at Santa Monica, California, covering a total of 2,448 miles.



City of Flagstaff
211 W. Aspen Ave.
Flagstaff, Arizona 86001

flagstaff.az.gov

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